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Rural and Agricultural Development: Maximising the potential in the islands of Orkney, Shetland and Outer Hebrides – OIC/PROC/1802

Rural and Agricultural Development – Maximising the Potential in the Islands of Orkney, Shetland & Outer Hebrides

A report to Orkney Islands Council, Shetland Islands Council, Comhairle nan Eilean Siar, Orkney Local Action Group, Shetland Local Action Group, Outer Hebrides Local Action Group, and Highlands and Islands Enterprise

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This project was funded by the Scottish Government's Community Led Local Development Fund, as part of the Scottish Rural Development Programme, and was delivered by the Orkney Local Action Group in collaboration with the Shetland Local Action Group, Outer Hebrides Local Action Group, Orkney Islands Council, Shetland Islands Council, Comhairle nan Eilean Siar and Highlands and Islands Enterprise.

Orkney Islands Council

Comhairle nan Eilean Siar

Shetland Islands Council

HIE Highlands and Islands Enterprise Iomairt na Gàidhealtachd 's nan Eilean

Scottish Government Riaghaltas na h-Alba gov.scot

SRDP Scottish Rural Development Programme

Key Points

- A consortium led by Orkney Islands Council but also including Orkney Local Action Group, Shetland Local Action Group, Outer Hebrides Local Action Group, Shetland Islands Council, Comhairle nan Eilean Siar, and Highlands and Islands Enterprise commissioned SRUC to research the impacts of proposed agricultural policy changes across their area(s). This reflected concern that national-level policy may not adequately recognise local contexts, with potential adverse implications for island economies, environments and communities.
- There are differences between each of the three island group' agricultural industry resulting from different land quality, culture and climate conditions - which in turn are very different to those in other parts of Scotland as a whole. Whilst there are inter-island differences, agriculture accounts for a higher share of private businesses, turnover and employment in island economies than across Scotland as a whole. Multiplier effects extend this greater relative importance along local supply-chains and into the wider rural economy. Moreover, farming and (in particular) crofting are important aspects of local culture. As a result, community led local development (CLLD) is often inextricably linked to both land managers and land management.
- Equally, island areas contain a high proportion of environmental designations and priority habitats (e.g. Machair, peatlands) and species (e.g. wading birds, corncrakes, hen harriers), reflecting an abundance of valued natural capital largely created and maintained through High Nature Value (low intensity) land management. Hence what happens to farming and crofting matters economically, environmentally and socially in the three island areas.
- Opportunities and constraints faced by the islands' land managers differ. For example, in terms of underlying biophysical growing conditions, transport costs, demographic trends, digital connectivity and land tenure. The latter is particularly important with respect to crofting and common grazings. Hence the nature of complementarities and trade-offs between different policy objectives varies spatially: a national, one-size-fits all, approach across Scotland cannot address this heterogeneity.
- Crofting remains culturally important in both Shetland and the Outer Hebrides, providing a connection to the land for a large proportion of residents. Common grazings cover c.500k hectares of land in Scotland, accounting for c.10% of Scotland's agricultural land and are significant across the Outer Hebrides and Shetland. However, use of allocated common grazing shares to activate support payments has dropped in some areas, meaning that significant public funding has not been drawn down – funding that could underpin a wider economic base.
- The management of common grazings comes at higher marginal cost than land managed by sole traders, as committees need to be formed and clerks appointed. How future entry level requirements in the Whole Farm Plan, or conditional environmental measures, work on common grazings need serious consideration by

Scottish Government to ensure crofting (and the unique habitats it provides) can survive and thrive.

- Trends over the past two decades show how agricultural production patterns have changed in different ways across the three island groupings (an overall downward drift in supported croft and farm businesses, and some marked reductions in livestock numbers in some places, notably the Outer Hebrides). This reflects the interaction of local conditions with market pressures but also several key changes in support, demonstrating how policy affects land use.
- Engagement with stakeholders across the three island groupings revealed varying levels of prior understanding about current policy proposals, with many exhibiting poor awareness of forthcoming changes.
- Most stakeholders recognised the logic of the proposed four-tier structure for future agricultural support, and the deployment of non-competitive conditionalities as a means of pursuing policy objectives. However, many expressed concerns about the balance across the proposed four Tiers and about the applicability of specific measures. This reflected the perceived relevance of measures to farming systems across the islands but also the likely compliance costs of having to implement them.
- For example, for small-scale producers in receipt of modest support payments, the costs of adopting proposed Tier 1 Whole Farm Plan measures are likely to be disproportionate (i.e. professional fees and opportunity cost of own time will exceed the value of any support payment). This may to lead to small producers not enrolling in Tier 1 (and therefore being ineligible for Tier 2). This risks public monetary flows for land management in some areas where support payments play an important socio-cultural role (croft housing, land management, habitats, links to wider CLLD, etc).
- Equally, many of the proposed Tier 2 measures are either unlikely to be applicable (e.g. woodland creation) across the islands or are defined too vaguely (e.g. livestock breeding) to be interpreted with confidence.
- Moreover, as now, application costs for competitive Tier 3 AECS-type measures are likely to dissuade many applicants. This applies particularly to small-scale producers, especially if collective action is required (e.g. common grazings peatland restoration).
- Such disproportionalities could be addressed through a 'light touch' scheme for small producers and/or a more general redistribution to increase payment rates on the first few hectares of each business plus explicit funding (or direct staffing support) for collective management of (especially) common grazings.
- Budget allocations across Tiers were also raised as an issue by stakeholders in this project, a point reinforced by the declining real term value of overall funding (down by 33% since 2014). The continuing small scale, short-termism and uncertainty of funding for broader CLLD activities was also highlighted as problematic but could be overcome by removing the distinction between agricultural and rural support given that the two are so closely linked in an island context. Greater recognition could be given to the potential role for LAGs as a mechanism for distributing funding from multiple sources to meet locally co-defined priorities.

- The absence of proposals in relation to common grazings (66% of Outer Hebrides' agricultural area; 39% of Shetland's) is particularly concerning and the challenges of collective management under crofting legislation should be viewed as meriting additional specific support; a proportion of common grazing land is already not claiming support funding. The role and capacity of the Crofting Commission in this was raised repeatedly as an issue.
- Similarly, given its local importance, the lack of clarity around the future of the Less Favoured Area Support Scheme was particularly concerning for many stakeholders. The increasing negative effect of inflated transport costs (and transport unreliability) on businesses was regularly cited, and was confirmed by some additional quantitative data gathering.
- Renewable energy installations provide income streams to farms, crofts and communities through Feed-in Tariff Scheme (FITs), land rentals and direct income from larger installations, and defined community benefits. These income streams are often overlooked agricultural businesses, but they can help support ongoing agricultural activity in fragile areas. Many installations are ageing and a long-term commitment to small-scale renewable energy projects is therefore essential if projects are to repower as, for example, FITs installations come to their end of life.
- Small businesses accounted for the highest proportion of private sector enterprises in Outer Hebrides (94.4%), Orkney (95.3%) and Shetland (95%). The high proportion of small businesses in each island grouping underscores their critical role in the local economy. Small businesses are often the backbone of communities, contributing to employment, local economic development and fostering entrepreneurship, but also playing a wider role in directly providing vital services and indirectly supporting them (for example, through their local supply chains).
- SMEs accounted for the majority of business turnover in Orkney and Outer Hebrides meaning that, despite their size, SMEs play a substantial role in generating economic activity and revenue. This highlights the efficiency and productivity of these smaller enterprises. However, in Shetland Islands, SMEs and large businesses contribute equally to turnover (50% each) – showing the impact of larger scale employers (likely connected to the energy and construction sectors).
- Acknowledging that official data under reports micro and sole trader businesses, published statistics show that the primary sector dominates the business base of the island groupings, accounting for 28% (c. 350 businesses) of all VAT registered and PAYE paying businesses in Outer Hebrides and 43% of businesses in Orkney Islands (c. 670 businesses) and Shetland Islands (c. 720 businesses). The Wholesale, retail, and repairs sector also accounts for a considerable share of the number of businesses in Outer Hebrides (13% or c. 165 businesses), Orkney Islands (10.7% or c. 165 businesses) and Shetland Islands (9.6% or c.160 businesses).
- The primary sector accounted for 12.5% of all employment in the Outer Hebrides, compared to 18.6% in Wholesale, retail and repair sector and 14.3% in Accommodation and Food Service activities sector. In Orkney, the primary sector contributes most to

employment, accounting for c.30% of employment, followed by Wholesale retail and repair sector (16.6%), construction sector (10%) and accommodation and food service activities sector (9.6%). In Shetland the main employment is in the primary sector (23%), wholesale (16%), retail, and repairs (10%), and accommodation and food services (10%).

- More specifically, the proportion of the islands' workforce with some (self-reported) working association (often part-time) with agriculture is much higher than for other regions of Scotland, averaging over one-in-ten for both Orkney and Shetland and one-in-five for the Outer Hebrides. Sub-regions within island groupings exhibit even higher proportions. This highlights how agriculture is inter-twined both economically and culturally with wider island life, but also how important agricultural housing (especially crofts) is to workforce availability and stability.
- In terms of demographic make-up, one noticeable trend is an increase in the number of people aged 46 and above, along with a decrease in the number of children (aged 0-16), although there is considerable variation at sub-regional level. Additionally, there's a decline in the younger active working-age population (aged 17-45) across all the islands. These trends have significant implications, such as a higher dependency on elderly care services and increased pressure on adult social care. Moreover, the potential decrease in the working-age population could result in a shortage of labour in various sectors of the local economies of Shetland Islands, Orkney Islands, and Outer Hebrides.
- Orkney Islands has a high proportion (26%) of the population aged 65 and above who remain economically active, meaning they participate in the workforce or engage in economic activities. In the Shetland Islands 20% of over 65s remain active compared to only 12% in Outer Hebrides.
- In conversations with key businesses in Orkney, the interdependence of the wider community and economy on agriculture was emphasised, with suggestions that the economy would not be as healthy, or even surviving well, without agriculture on the islands. With rising inflation, the outer islands, in particular, have seen the cost of freight and inputs rise, although people are still supporting businesses as they are locally owned and run and employing neighbours within their community.
- In Shetland, agricultural inputs such as fertiliser, feed and agrichemicals suppliers are centralised through a small number of businesses providing general agricultural supplies. This does include some primarily marine businesses known to commonly supply smaller value items such as PPE and other miscellaneous items to agricultural businesses.
- Businesses supplying agricultural inputs on Lewis and Harris are predominantly Stornoway based, and many are part of mainland businesses, with branches offering some core products as per mainland stores, as well as adapting to serve local markets, such as providing a small shop in addition to the warehouse. Supply of inputs to North Uist, South Uist and Barra is much more limited, with one store and a haulier supplying inputs, and much shipped from mainland suppliers. A small number of local

general stores, hardware stores and garages provide some feed and general agricultural supplies, and so are partly reliant on crofting for income alongside other business.

- Sales from North Uist were, until recently, conducted by Dingwall & Highland Marts Ltd (DHM) with sales at Lochmaddy mart. However, DHM have recently withdrawn from Lochmaddy mart in response to high costs, falling stock numbers as well as continued issues with ferry reliability. This means many crofters will now need to send livestock by ferry from Lochmaddy to Uig on Skye with the onward journey to Dingwall by road - with producers having no control over animals, options to withdraw from sale, and expected weight loss. Animals are also sold at Lochboisdale Mart (United Auctions) in South Uist, but it appears that selling through Dingwall remains the preferred option for many in North Uist.
- The cost of input supplies and moving finished product to market are considerably higher on the islands than on the Scottish mainland. This puts island producers at a competitive disadvantage from mainland producers (although the island uplift in the Scottish Suckler Beef Support Scheme offsets some of these costs). For example, inter-island ferries contribute significantly to the additional costs of livestock haulage, adding over £1 per head per mile in haulage costs relative to costs on main islands in each grouping. Some crofts located on the northernmost Shetland islands have to travel over 60 miles and take two inter-island ferries to reach Lerwick mart. The importance of the replacement for LFASS to 'level up' the playing field cannot be underestimated, particularly reflecting on the recent period of inflationary impacts and higher fuel costs that affect local and off-island haulage. Ensuring peripherality and distance from markets must become important components of whatever replaces LFASS.
- CLLD is vital to the sustainability of Scotland's Island communities. In many of these communities, the business base is low and therefore community-led activity is vital to sustaining key services, and therefore to maintaining population levels.
- The logistical challenges of ferry services, local labour shortages and lack of affordable housing were also cited as additional CLLD costs, leading to delays and wasted effort for already short-handed project teams (i.e. busy community members who have many calls on their time, both paid and voluntary). Despite their diversity, there is real value in sharing experiences and particularly solutions across islands.
- The continuation of funding for CLLD from Scottish Government is welcome but annual funding places limits on animation and capacity-building and strategic planning. It also creates uncertainty for paid staff and volunteers. A return to multi-annual funding is required.
- There is a need to strengthen the Island Community Impact Assessment (ICIA) process to ensure that these (legislative) exercises are robust and meaningful, but not overburdensome for public bodies. Evaluating ICIAs undertaken so far and learning lessons for how to increase their effectiveness is important.

- Similarly, further understanding is needed of when, how, why and by whom decisions are taken to proceed or not with a full ICIA after the initial screening exercise has been undertaken. In particular, whilst individual policy measures viewed in isolation may not merit a full ICIA, measures viewed collectively in-the-round may do.
- For example, the 2024 ICIA screening report by the Scottish Government on the Agriculture and Rural Communities (Scotland) Bill concluded that a "full Islands Community Impact Assessment is NOT required"[1]. However, given the framework nature of the Bill, this is not surprising since impacts will depend on the more specific policy measures subsequently introduced – which is what this report has focused upon. Hence whilst a full ICIA may not yet be appropriate, it is likely to become so once more policy details are available through (e.g.) the Rural Support Plan.
- At the same time, while ICIAs take place at island group level, there is a need for recognition of the significant differences within island groups, including in terms of transport challenges, access to housing, business development, culture, demographic change, etc. The recently developed Islands Typology may offer a starting point for better understanding of island differences.
- National funding schemes (including for housing, CLLD, etc.) do not adequately allow for the higher costs of delivering activities on islands. Improving islands-specific data (including within island groups) will provide the robust evidence required to make the case for such these uplifts to be set at appropriate levels.
- Lack of access to affordable housing to buy and rent is already a significant challenge for most of Scotland's islands, including both mainland and outer islands in the three groups; it has the potential to further hold back business and population growth in many islands in future. We found evidence of too much focus on development in existing settlements at the expense of smaller communities. Communities are already delivering affordable housing across many islands, but they need more flexibility and support to do so. Relaxing the restrictions on spending the Resource Planning Allocation and providing more information on the forthcoming key worker accommodation scheme will help to begin tackling this challenge.
- Ferries provide lifeline services for island communities but, in many instances the cost, frequency, capacity and unreliability of ferry travel serve to make CLLD – as well as everyday lives - on islands complicated, expensive and unpredictable. There needs to be greater investment in the ferry network to reduce the chance of cancellations, improve reliability and increase capacity, particularly during the busy tourist season.
- There are particularly strong links between CLLD and farming and crofting activity in island communities with land managers often serving as critical agents for community-based activities of various types. Farming and crofting often serve as the base for a range of formal and informal community activities. These inter-relations

[1] Agriculture and Rural Communities (Scotland) Bill Islands Communities Impact Assessment - gov.scot (www.gov.scot)

need to be recognised more explicitly and enhanced positively in the Agriculture and Rural Communities Bill.

- The links between the Rural Support Plan, the National Islands Plan and the forthcoming Rural Delivery Plan need to be carefully and clearly articulated otherwise there is considerable potential for confusion across island communities.
- Island community consultation and engagement needs to be meaningful and focused. It is important to engage with 'hard-to-reach' groups. Reporting back to communities on how and why their views were taken into account (or not) is important. Culture, heritage, history and language are hugely important for locals, in-migrants and visitors to Scotland's islands. These assets can form a sound basis on which to build locally embedded CLLD activities.

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- We are grateful to our funders for commissioning our team to undertake this exciting project. We would like to thank all the farmers, crofters, supply chain businesses, stakeholder organisations and representatives of the project funders that engaged with our project team. The insights gained were extremely helpful in informing this report on the characteristics of the islands and the opportunities and challenges faced as Scottish agricultural and rural development policy.

- As project lead I would also like to extend my gratitude to colleagues from across SRUC and SAC Consulting who integrated as a team to deliver a challenging, complex, project in a very short timeframe. Without the local knowledge, personal connections and detailed understanding of policy and regulations that the local SAC Consultants provided much of the needed project context would have been lost. I would also personally like to thank Dr Andrew Moxey of Pareto Consulting for his extensive assistance in writing and editing this report, and in provision of expert advice and support throughout the project.

Prof Steven Thomson

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1 Introduction

1. This report presents findings from a project to assess the potential impacts of forthcoming agricultural and associated policy changes to farming and land use within the areas covered by Orkney Islands Council, Shetland Islands Council, and Comhairle nan Eilean Siar (the Outer Hebrides).

2. Following the UK's withdrawal from the EU there has been considerable uncertainty over the long-term replacement of the EU's Common Agricultural Policy, which still forms the rules and regulations governing direct agricultural support and associated rural development support in Scotland. Following two public consultations on the design of future agricultural support by the Scottish Government (in 2021 and 2022) the Agriculture and Rural Communities (Scotland) Bill was laid before the Scottish Parliament in September 2023.

3. Orkney Local Action Group, Shetland Local Action Group, Outer Hebrides Local Action Group, Orkney Islands Council, Shetland Islands Council, Comhairle nan Eilean Siar and Highlands and Islands Enterprise commissioned this project to consider the impacts of this Bill and changes to future direct support payments and rural development support on the economies and communities of these island groups.

4. The project considered risks and opportunities associated with policy change for farms and crofts, and associated upstream and downstream sectors, local communities, local cultural heritage and the natural environment. These then formed the basis for recommendations for each island area (and collectively) to seek to influence emerging new replacement policies for legacy CAP schemes, that can better account for the unique characteristics of Scotland's island regions and the importance of active farming to these economies.

5. The project also provided insights on the relative importance of agricultural support to the profitability of farming and crofting activities in these areas, and to the maintenance of unique habitats and species, particularly on the many statutory designated sites. Hence the report identifies opportunities for local support for agriculture and rural communities in the context of Scottish, UK and international obligations regarding support to land managers. Further recommendations are also made for future research, and potential funding routes, that can help understand the unique characteristics and challenges faced in these islands.

6. Agricultural policy in Scotland (and within the EU and rest of UK) is evolving to address climate change and nature restoration, alongside food production and maintaining economic activity in rural areas. Whilst the EU's newly designed Common Agricultural Policy (CAP) launched in 2023, and Defra's Environmental

Land Management Scheme (ELMS) launched in 2021, Scotland, Wales and Northern Ireland have been slower to implement changes to agricultural support.

7. In Scotland the Agriculture and Rural Communities (Scotland) Bill was laid before the Scottish Parliament in September 2023 following various public consultations. This "framework bill" aims to set out the broad structure for future support payments in Scotland, to introduce legislation that permits the Scottish Government to evolve or replace the legacy CAP that still operates in Scotland, and to give powers to the Scottish Government to introduce new support schemes through secondary legislation. The Rural Affairs and Islands Committee and the Finance and Public Administration Committee both consulted on the competences and provisions of the Bill, with concerns raised over the powers Minsters may have over important agricultural policy decisions. However, the Bill itself provides little information on what levels of support may be expected nor how it will be distributed across different policy areas. The Bill was passed on 18th June 2024.

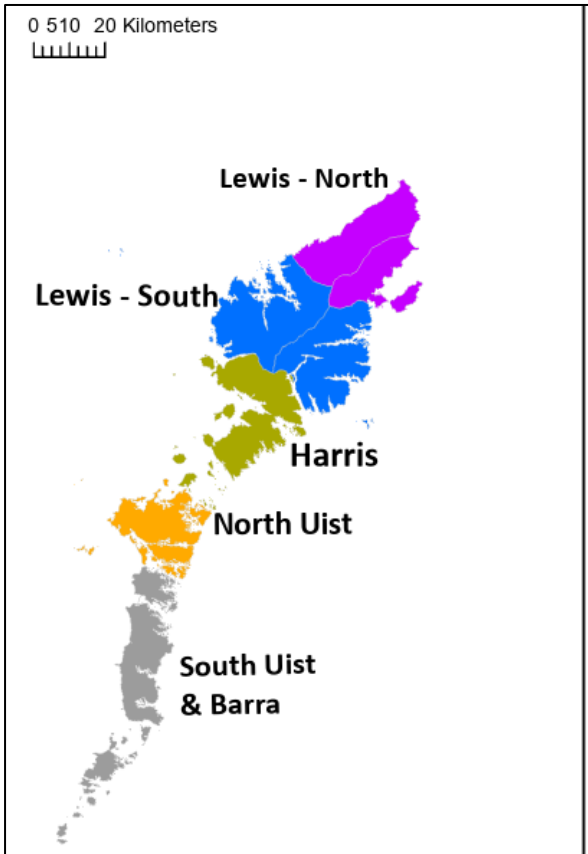
8. Whilst there is much focus on the Agriculture and Rural Communities (Scotland) Bill, various other pieces of legislation also have the potential to impact on land managers, including: the Land Reform Bill, Wildlife Management and Muirburn (Scotland) Bill, the Draft Climate Change Plan (and associated Just Transition Plan for Land Use and Agriculture), the Biodiversity Consultation, and the Natural Environment Bill. Moreover, farmers are already having to adapt and prepare for compliance with new slurry storage and application rules through Water Environment (Controlled Activities) (Scotland) Amendment Regulations 2021 – thereby delivering 'enhanced conditionality'.

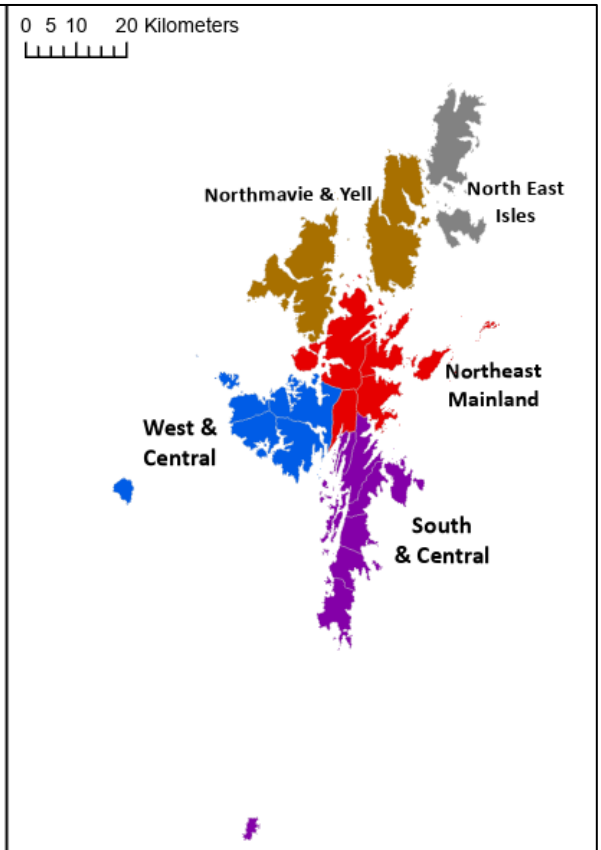
1.1 Sub Region Selection

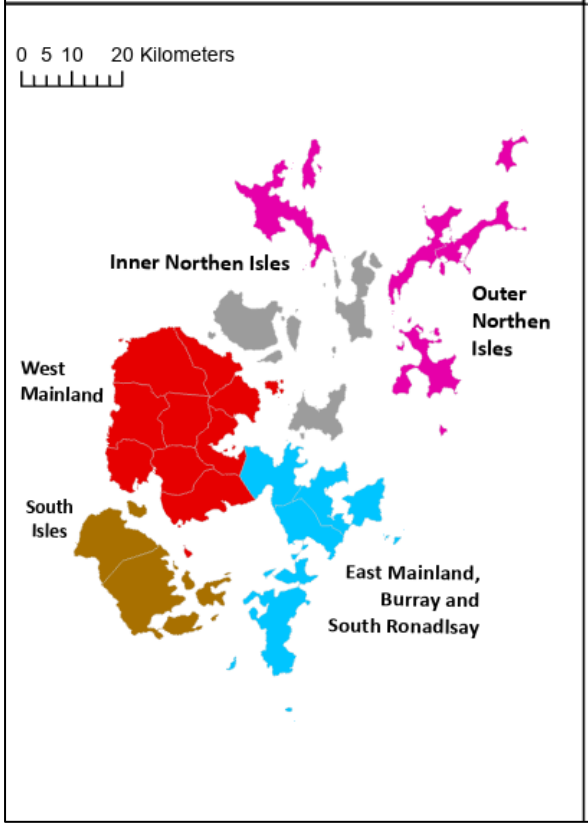
9. Despite having some similarities and differing from mainland Scotland, the three Council areas also differ amongst themselves. For example, the dominant farming systems on Orkney are somewhat distinct. In addition, there is some further variation within each island group. For example, the landscapes of Lewis and Harris are markedly different. To reflect this variation, agricultural data are presented throughout this report for island sub-regions, as shown Figure 1 (with other administrative geographies used for socio-economic data shown in Annex 1 Island groupings).

10. Choices about how to demarcate sub-regions were guided by local knowledge. Whilst it is impossible to capture all potential dimensions of variation, the sub-regions nonetheless provide a useful means of reflecting the main differences. For example, in terms of dominant land use and additional transport challenges.

Figure 1 Agricultural Parishes and creation of island sub regions







Parish	Orkney Region
Deerness	East Mainland, Burray and South Ronadlsay
Holm	
Kirkwall and St Ola	
South Ronaldsay	
St Andrews	
Eday	Inner Northern Isles
Rousay	
Shapinsay	
North Ronaldsay, Sanday	Outer Northen Isles
Papa Westray	
Sanday	
Stronsay	
Westray	
Flotta	South Isles
Hoy and Graemsay	
Walls	
Birsay	West Mainland
Evie	
Firth	
Harray	
Orphir	
Rendall	
Sandwick	
Stenness	
Stromness	

Parish	Outer Hebrides Region
Harris	Harris
Barvas	Lewis - North
Stornoway	
Lochs	Lewis - South
Uig	
North Uist	North Uist
Barra	South Uist & Barra
South Uist	

Parish	Shetland Region
Fetlar	North East Isles
Unst	
Delting	Northeast Mainland
Lunnasting	
Nesting	
Weisdale	
Whalsay	
Northmavine	Northmavine & Yell
Yell	
Bressay	South & Central
Burra Isles	
Cunningsburgh	
Dunrossness	
Lerwick	
Sandwick	
Tingwall	
Whiteness	
Aithsting	West & Central
Papa Stour	
Sandness	
Sandsting	
Walls	
Walls Foula	

Map Created by Steven Thomson, 2024

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2 Background Context

11. The Scottish Government have committed to at least 50% of the agricultural budget having enhanced conditionality by 2025. With just over a year to go, there remain significant concerns that the period of 'Stability and Simplicity' is rapidly coming to an end – farmers and crofters are still trying to absorb and understand what they will be required to do as conditions of support in 2025, let alone beyond 2026 when the powers of the Bill are expected to come into force. For example, until March 2024 when the Cabinet Secretary for Rural Affairs and Islands, Mairi Gougeon, announced changes to 2025 eligibility conditions[2] alongside published updates on the Agricultural Reform Route Map[3] there remained significant industry uncertainty on what a 'whole farm plan' will entail and cost, or what the calving interval condition on the Scottish Suckler Beef Support Scheme will be (and cany changes in payment rates), or what the new GAEC measure on peatland and wetland protection will require. We know how significantly the major CAP reforms of 2005 impacted on many islands (as documented by Thomson et al.'s Response from the Hill: Business as Usual or a Turning Point), and it is vital that full consideration is given to any unintended outcomes from this evolution of policy.

12. The forthcoming Climate Change Plan appears to be significantly driving agricultural policy thinking within the Scottish Government – agriculture and land use contribute about a fifth of Scotland's net greenhouse gas emissions. However, the relative importance of agricultural emissions or land use, land use change and forestry net emissions are rarely considered in a regional context. That regional context is vital to consider as the heterogeneity of soil type and land cover have shaped regional agricultural systems over centuries. These systems present opportunities and barriers to issues such as addressing peatland restoration and trying to curb agricultural emissions.

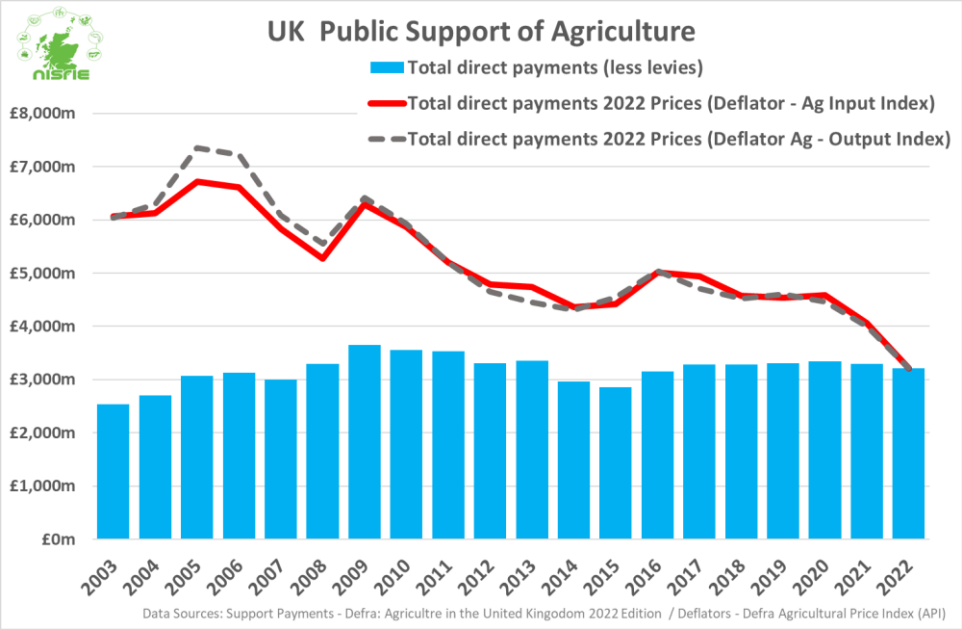
13. Policies tend to be designed based on national averages, yet the analysis below demonstrates that in comparison to the rest of Scotland, the Outer Hebrides and Shetland have low agricultural emissions per square kilometre but extremely high emissions due to peatlands, whilst Orkney has very high agricultural emissions associated with ruminant livestock – most notably suckler beef. Within the study region, agriculture and land use contribute over three-quarters of the national inventory greenhouse gas emissions with for each of the Local Authorities but there is very limited opportunity to offset those emissions through woodland sequestration, unlike in many parts of the mainland. Furthermore, the governance of tenanted common grazing land presents barriers to peatland restoration.

[2] Agricultural reform route map: Ministerial statement - gov.scot (www.gov.scot)
[3] Agricultural Reform Route Map (ruralpayments.org)

14. The Scottish Government are expecting farmers and crofters to deliver more 'public good' for 'public monies' despite the budget being static. In their work for the Highlands and Islands Agricultural Support Group, Moxey and Thomson highlighted the importance of agriculture to these island economies, and also highlighted the significant UK peatland reserves, terrestrial statutory designations and biodiversity action species that are located in these areas.

15. Despite agricultural support evolving to be more focused on climate and nature, the UK agricultural budget allocations to devolved administrations remain bound by levels of agricultural activity in the 2000-2002 period – something that needs to be addressed. Moreover, policy leads and politicians consistently state that they are 'maintaining' levels of support for agriculture – rarely acknowledging the significant erosion of the real term value of that budget caused by the recent period of 'agflation' resulting from factors out with the control of the agriculture sector. At least Shona Robinson (Deputy FM and Cabinet Secretary for Finance – May 2023) acknowledged that the Government's programmes have "*seen high inflation erode our buying power*"[4]. Figure 2 demonstrates how the real-term value of the agricultural support budget in the UK has declined markedly over the past 20 years (nominal values have also fluctuated due to exchange rate movements) meaning the 'buying power' of the UK (and Scottish Government) is diminishing – yet the expectation is that the industry must deliver more to address climate and biodiversity 'emergencies' under this declining real term budget.

Figure 2 Nominal UK agricultural budget (expressed in current prices) and real prices (adjusted for inflation) in 2022 prices



[4] Scotland's Fiscal Outlook: The Scottish Government's Medium-Term Financial Strategy (www.gov.scot)

3 Land Capability

3.1 Land Capability for Agriculture

16. The Macaulay land capability for agriculture (LCA) (Soil Survey of Scotland Staff, 1981)[5] assessed land on the basis of its potential productivity and cropping flexibility, splitting land into a seven-class system (with four classes containing subdivisions). The James Hutton Institute[6] summarise the classes into four broad categories (see Annex 2 Land Capability for Agriculture for a brief description of the individual land classes):

- Arable Land – LCA classes 1 to 3.1
- Mixed Agriculture - LCA classes 3.2 to 4.2
- Improved Grassland - LCA class 5.1 to 5.3
- Rough Grazing - LCA classes 6.1 to 7

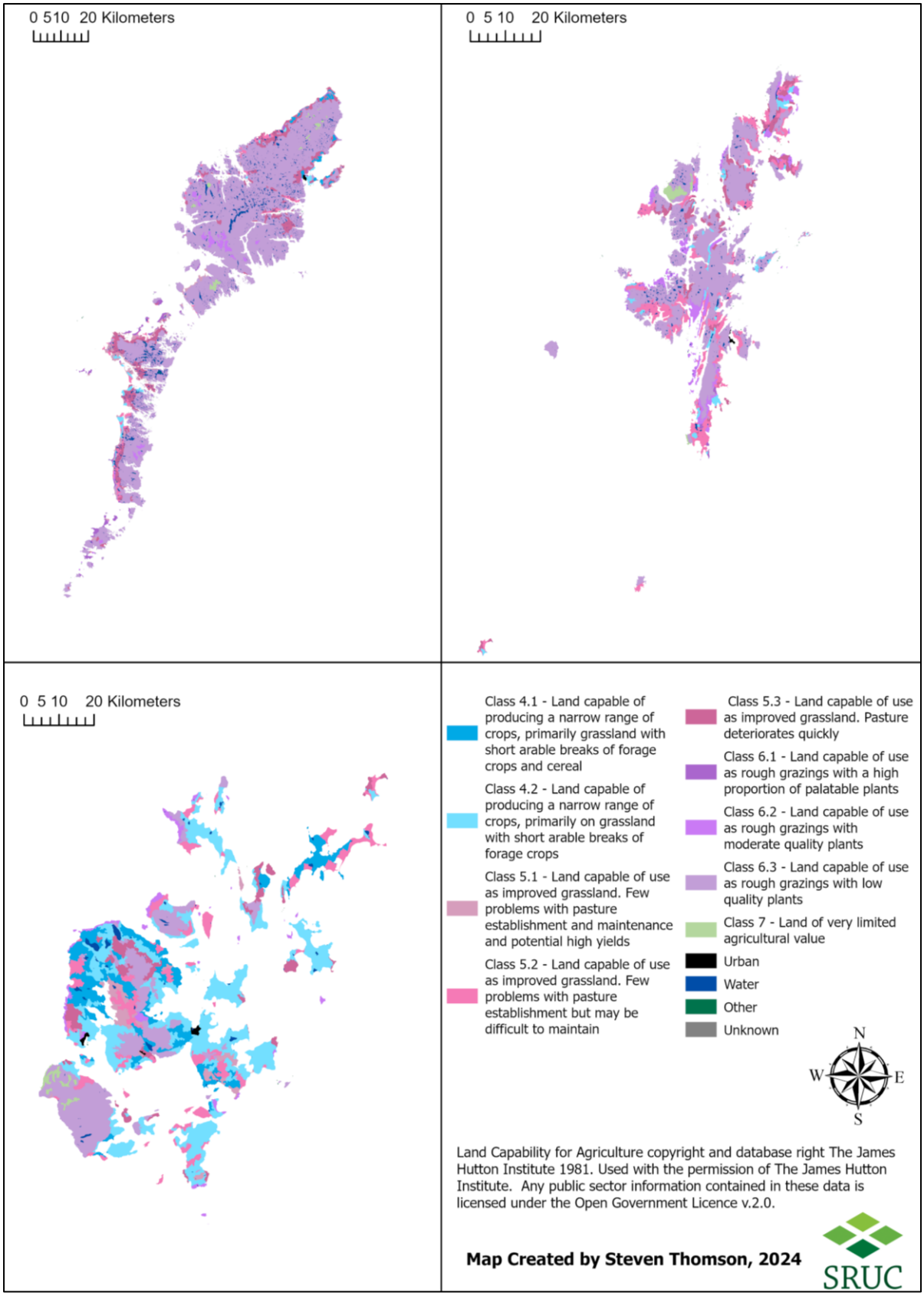
17. Using the Macaulay LCA it is apparent that the productive potential of land is considerably constrained across high proportions of each Island group. This is particularly true for the Outer Hebrides and Shetland, and for common grazings overall, and underpins the predominant management systems observed across the islands.

18. Reflecting the different biophysical and characteristics and climactic conditions faced in the island areas, there is no 'prime agriculture land' in Orkney, Shetland or the Outer Hebrides. Figure 3 shows the LCA maps for each of the island groupings. Shetland and the Outer Hebrides are dominated by poorer quality LCA class 6.3 land - Land capable of use as rough grazings with low quality plants. In Orkney there is a higher proportion of the land capable of mixed agriculture (Class 4.1 - Land capable of producing a narrow range of crops, primarily grassland with short arable breaks of forage crops and cereal, and Class 4.2 - primarily suited to grassland with some limited potential for other crops such as barley, oats and forage crops).

[5] Land Capability for Agriculture maps of Scotland at a scale of 1:250 000. Macaulay Institute for Soil Research, Aberdeen. 10.5281/zenodo.6322683

[6] Land Capability for Agriculture in Scotland | Exploring Scotland | The James Hutton Institute

Figure 3 Land Capability for Agriculture across island groupings



19. Using the LPIS[7] derived boundaries for eligible BPS land, Figure 4 and Table 1 show the proportion of agricultural land, common grazings and total eligible land under each LCA class.

Figure 4 Land Capability for agriculture by island group separating common grazings and agricultural land

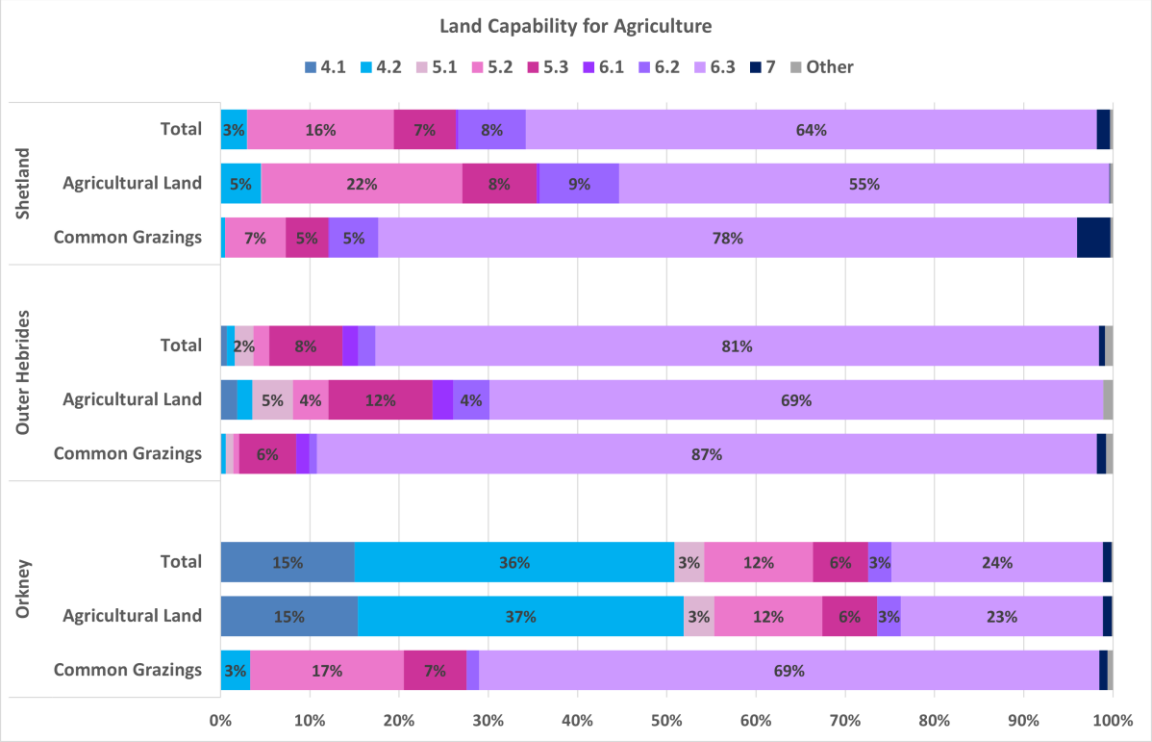


Table 1 Summary of Land Capability for Agriculture by Island grouping, 2022 land parcels – % common grazings and agricultural land in each LCA class.

	Orkney		Outer Hebrides		Shetland	
LCA Class	**Common Grazings**	**Agricultural Land**	**Common Grazings**	**Agricultural Land**	**Common Grazings**	**Agricultural Land**
Class 4.1	0.0%	15.4%	0.1%	1.9%	0.0%	0.0%
Class 4.2	3.3%	36.5%	0.5%	1.7%	0.5%	4.5%
Class 5.1	0.0%	3.4%	0.8%	4.6%	0.0%	0.1%
Class 5.2	17.2%	12.1%	0.6%	4.0%	6.8%	22.5%
Class 5.3	7.1%	6.2%	6.4%	11.6%	4.8%	8.4%
Class 6.1	0.0%	0.0%	1.5%	2.3%	0.1%	0.4%
Class 6.2	1.4%	2.6%	0.8%	4.1%	5.5%	8.9%
Class 6.3	69.5%	22.6%	87.4%	68.8%	78.3%	54.9%
Class 7	0.9%	1.0%	1.0%	0.0%	3.8%	0.1%
Other	0.6%	0.1%	0.8%	1.1%	0.3%	0.3%
Total Ha	**1,946**	**86,948**	**176,203**	**90,113**	**52,114**	**82,242**

[7] Land Parcel Information System, used by the Scottish Government Rural Payments and Inspections Division to administer agricultural support.

3.2 Land Capability for Forestry

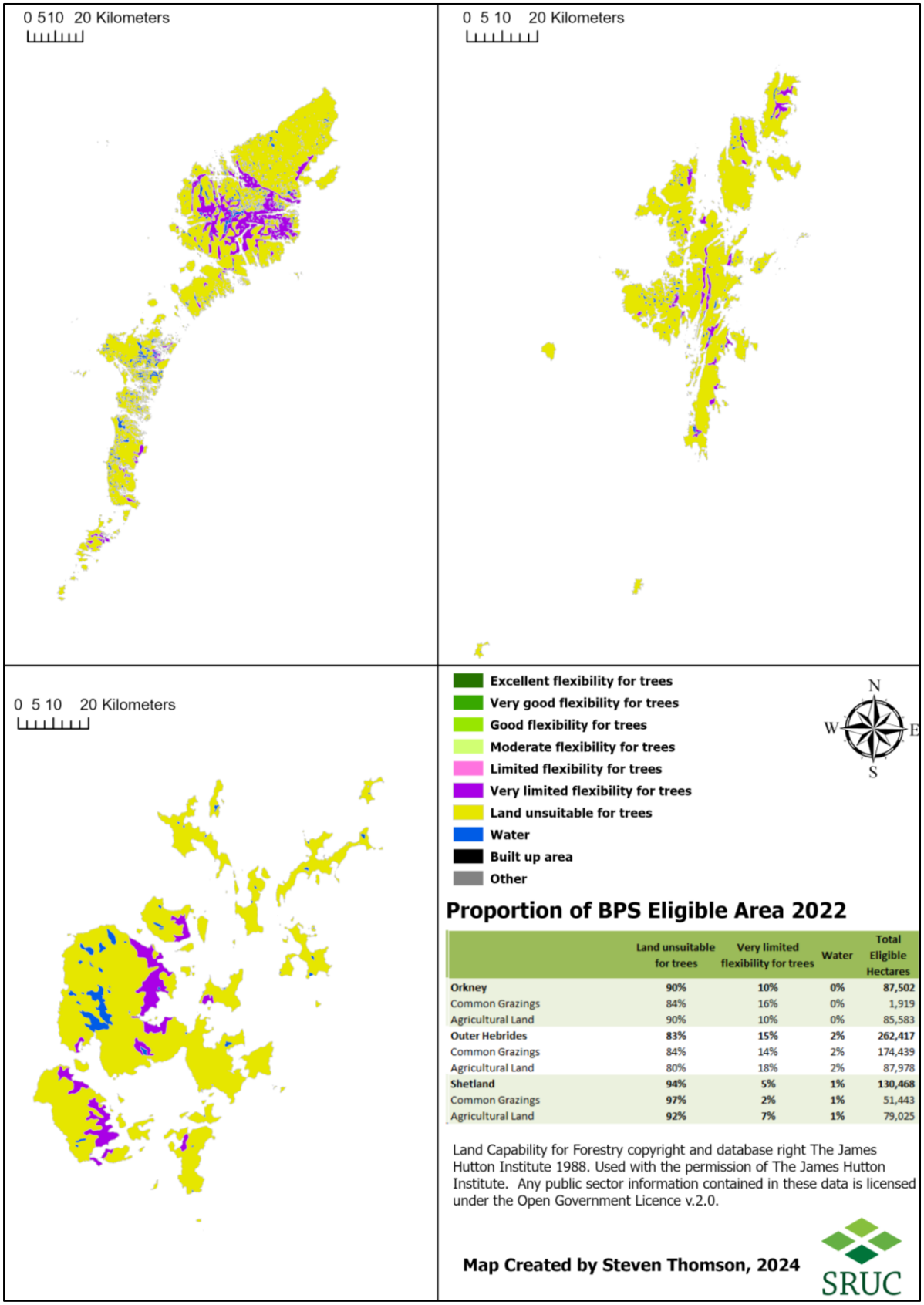
20. There is considerable policy pressure to increase the area of woodland in Scotland in order to mitigate climate change, help sequester carbon and contribute to the Net Zero 2045 target that the Scottish Government has set. However, Orkney, Shetland and the Outer Hebrides are not well suited to tree growth, due to biophysical conditions including high winds, unsuitable soils and salt spray.

21. Using the Land Capability for Forestry (Soil Survey of Scotland Staff, 1988)[8] maps provided by the James Hutton Institute, Figure 5 shows there are very few areas suited for tree growth in these islands. When overlayed with land eligible for BPS, on Orkney only 10% of the area (c.8.5k Ha) has very limited flexibility for trees, with 90% unsuitable for trees. In the Outer Hebrides 80% of the eligible BPS area is unsuited for trees with only 15% (c.39.5k Ha) having very limited flexibility for trees – predominately in Lewis and Harris. In Shetland, 94% of the BPS eligible area (and 97% on common grazings) is considered unsuitable for trees, with only 5% with very limited flexibility for trees.

22. With the land in the islands largely unsuited to trees, it means that: (a) there is limited scope to access national budgets for afforestation or tree planting; (b) measures designed to encourage silvopastoral agricultural systems have limited opportunities and (c) emission reductions from regional LULUCF greenhouse gas emissions will require a significant focus on peatland restoration activities (much of it on common grazings).

[8] (Soil Survey of Scotland Staff, 1988). Land Capability for Forestry of Scotland at a Scale of 1:250 000. Macaulay Land Use Research Institute, Aberdeen. DOI: 10.5281/zenodo.6322608'

Figure 5 Land Capability for Forestry by Island Groups



Proportion of BPS Eligible Area 2022

	Land unsuitable for trees	Very limited flexibility for trees	Water	Total Eligible Hectares
Orkney	**90%**	**10%**	**0%**	**87,502**
Common Grazings	84%	16%	0%	1,919
Agricultural Land	90%	10%	0%	85,583
Outer Hebrides	**83%**	**15%**	**2%**	**262,417**
Common Grazings	84%	14%	2%	174,439
Agricultural Land	80%	18%	2%	87,978
Shetland	**94%**	**5%**	**1%**	**130,468**
Common Grazings	97%	2%	1%	51,443
Agricultural Land	92%	7%	1%	79,025

Map Created by Steven Thomson, 2024

SRUC

4 Agricultural Policy Development

4.1 The CAP Evolution

23. Throughout its history, the Common Agricultural Policy (CAP) has undergone successive rounds of reform. These include the shift in emphasis away from market price support to direct payments during the 1990s and then the subsequent further shift to decoupled direct area payments in the early 2000s (first in relation to LFA support and then the Single Farm Payment). Such changes were motivated by several factors, including budgetary pressures, international (WTO) trading rules and increasing environmental concerns.

24. The introduction of decoupled direct payments was accompanied by associated conditionalities. That is, whilst receiving support was no longer dependent upon producing a given volume of agricultural output it was nonetheless conditional on observing a mix of management proscriptions and prescriptions. These were set with reference to Statutory Management Obligations and Best Management Practices and described respectively as Cross-Compliance (XC) and Good Agricultural and Environmental Condition (GAEC). Over time, these conditionalities have evolved, but the concept remains central to the current CAP and also underpins proposals for future Scottish agricultural policy.

25. The basis for the direct support itself has also evolved further, with the original Single Farm Payment morphing in 2014 into the Basic Payment Scheme plus accompanying Greening payment. At the same time, explicit links back to historical support arrangements were severed and convergence sought between payment rates across different countries. For Scotland, this saw the introduction of the current three-payment-region model plus an uplift in overall funding (albeit that realisation of the latter as 'Bew monies' was delayed by UK-level decisions).

26. Subsequently, the CAP had continued to evolve further. EU-exit means that these more recent changes do not apply to the UK but Scottish Government commitments to remain aligned wherever practicable imply that they remain of interest. For example, the distinction between Pillar I (i.e. mostly direct payments) and Pillar II (i.e. Rural Development) has been removed, with all support now described and justified in CAP Strategic Plans and cross-compliance has been renamed as simply 'conditionalities'. These changes are broadly consistent with Scottish proposals, as are amendments to GAEC to address wetlands/peatlands and carbon rich soils.

27. However, Scotland is less aligned with some other aspects of the current CAP. For example, requirements for internal convergence towards uniform payment rates for different types of land does not sit well with the current three region model in

Scotland. Similarly, LFA designations have been updated to a newer system of Areas of Natural Constraints (ANC). In addition, capping / degressivity (gradual reduction) and simplified schemes for small producers are now explicitly required, as is use of satellite imagery for monitoring purposes.

4.2 Scottish Agricultural Policy Evolution

28. Since the UK's exit from the EU, different parts of the UK have exhibited different policy trajectories. For example, whereas England has already started to remove the BPS (with complete removal by 2027) and replace it with a 'public money for public goods' model, change has progressed more slowly in Scotland and commitments to maintain direct support akin to the BPS have been made.

29. These commitments are manifest as the previous 'Stability and 'Simplicity'' policy position followed by the ongoing process of policy co-design with industry stakeholders through the Agricultural Reform Implementation Oversight Board (ARIOB).[9] Whilst final decisions have yet to be made, outline proposals for future support arrangements are published in the Agriculture and Rural Communities (Scotland) Bill (as introduced) and previous Scottish Government consultation on proposals for the Bill. The main structure of the proposed four-tier support model is shown in Figure 6 and can be summarised as follows.

- Tier 1 (base) will offer a non-competitive decoupled area payment to all eligible claimants adhering to a set of management proscriptions and prescriptions. This will be similar to the current BPS and associated cross-compliance plus Good Agricultural and Environmental Condition (GAEC), but with some additional conditionalities.
- Tier 2 (enhanced) will also be a non-competitive decoupled area payment (plus some coupled payments), offered in return for adherence to more demanding conditionalities. This will be similar to current Greening, albeit with a greater variety of options, some of which are currently found in AECS. It is likely that entry to Tier 2 will require enrolment in Tier 1. Whereas Tier 1 will be an all-or-nothing payment, Tier 2 is likely to offer a sliding scale payment depending on how many enhanced conditionalities are met.
- Tier 3 (elective) support will be akin to current AECS, FGS and capital grant schemes, offering support on a competitive basis. It is uncertain at the time of writing if there will be a requirement for prior Tier 1 and Tier 2 entry for all of the schemes, but there may be an expectation of progression within agri-environment climate type schemes across the Tiers.
- Tier 4 (complementary) support will offer information, advice and training, potentially akin to the current Farm Advisory Service (FAS). There is

[9] Agriculture Reform Implementation Oversight Board - gov.scot (www.gov.scot)

discussion of continued professional development (CPD) requirements for farmers and crofter, but also consultants – although there is limited detail on this at this stage.

30. The conditionalities currently being considered by the Scottish Government (see the Agriculture Reform Programme website) span three (overlapping) topics: production efficiency, emission reductions; and biodiversity/habitat management.

- Production efficiency measures are likely to involve attention to, for example, animal health, animal nutrition and breeding strategies.
- Biodiversity/habitat management measures are likely to involve diverting some land to non-productive uses, such as wild bird seed or woodland creation.
- Emission reduction measures are likely to include adoption of new technologies, such as methane inhibitors, but also best practice such as achieving calving intervals below a target threshold (the latter is proposed as a condition for payment under the coupled beef calf scheme).

31. It is not clear from the Agriculture and Rural Communities (Scotland) Bill nor the Agricultural Reform Route Map and previous consultations where the Less Favoured Area Support Scheme (LFASS) fits into this four-tier structure. LFASS is a complex scheme that is historically based and requires modernisation to reflect contemporary agricultural production and challenges in Scotland's most marginal areas. The options appear to be a bespoke scheme that is similar to the EU's Areas Facing Natural and Other Constraints (ANC) which the Scottish Government were previously developing[10], or potentially a top-up to either Tier 1 or 2 payments. In response to a Parliamentary question the Cabinet Secretary for Rural Affairs and Islands announced that the replacement for LFASS would sit in Tier 2 Enhanced: "*once we have determined what and how to replace the current Less Favoured Area Support Scheme – LFASS – with additional support for where the greatest need is and where people are farming and crofting in the most marginal and challenging of circumstances, that funding will also be made available through Tier 2*"[11].

32. For places such as Orkney where LFASS is a significant component of the overall support package, the lack of policy development on a replacement scheme creates significant uncertainty and makes long term business planning extremely challenging. During stakeholder engagement the question of "*what are the Tier 2 LFASS conditions that will apply*?" was a common theme.

[10] Paper+9+-+Areas+facing+natural+constraints.pdf (www.gov.scot)
[11] Written question and answer: S6W-25463 | Scottish Parliament Website 9th February 2024

Figure 6 Illustration of future tiered agricultural support in Scotland

Base

Universal, entry-level payment for undertaking agricultural activity whilst meeting minimum production standards to protect the environment, animal health and welfare and ensure Fair Work. GAEC and SMR standards apply with new entry level conditions in the form of a Whole Farm Plan.

Complimentary

Provision of support for Continuing Professional Development (CPD), advice, knowledge exchange and linkages to wider land management support from Scottish Government officials and/or public partners. This includes things like the Monitor Farm Programme, an AKIS, CLLD support, etc.

Enhanced

Universally accessible payment that supplements Base, for applicants delivering Base and undertaking further activity for nature and climate improvement practices, including recognition of wider land management. A list of illustrative conditional measures have been published

Elective

Competitive or non-universal range of payments for 'specific nature and / or climate undertakings' and other elements relating to the Vision for Agriculture's policy outcomes. It is unclear if there all, or any of the measures will be dependent on undertaking Base and / or Enhanced.

33. Moreover, given the likely nature of conditionalities attached to Tiers 1 and 2, it is not clear whether the existing three-region structure for payment remains relevant. For example, two of the current regions are both defined as rough grazing and if not amended would therefore offer different payment rates for adhering to the same conditionality measures. Any change to the payment regions could be aligned to revisions to LFASS. Similarly, as yet, there is no indication of whether and how common grazings will fit into the four-tier structure. Given that they account for c.9% of agricultural land (and significantly more in some areas) this omission needs to be addressed although it has now been acknowledged by ARIOB as needing attention[12].

34. In addition to the budget announcement on the replacement for LFASS being allocated to future Tier 2 Enhanced, the Cabinet Secretary also announced that "*funding for Tiers 1 and 2 will constitute at least 70% of the overall funding envelope to support farming, crofting and land management from 2027. These are the tiers that will reflect most closely the direct payment regime, albeit with conditions built in from the start.*"[13] When combined this means that a minimum of 80% of the Scottish agricultural budget is politically committed to Tiers. The political commitment reflects the Financial Memorandum of the Agriculture and Rural Communities (Scotland) Bill that stated "*in broad terms, the government intends to maintain underpinning support through base payments (Tier 1) and universally accessible support for land mangers undertaking climate and nature actions through the enhanced mechanism (Tier 2) and to do so at similar levels to current direct support*" adding "*in this context, the budget for Tiers 1 and 2 would include the Less Favoured Area Support Scheme (LFASS) budget*."

35. Table 2 shows the approximate allocation of Scottish agricultural spend by scheme and future Tier for 2023. It is estimated that 86% of c.£640m total budget is currently allocated to Tier 1 and 2 type schemes with the BPS accounting for 44% of the total budget, Greening 22%, LFASS 10%, SSBSS 6% AECS 6%, National Test Programme 3% and LEADER 1.8%. If the Scottish Government is to deliver against its wider climate and nature recovery objectives – as well as supporting rural communities and economies – then the eligibility conditions will have to be increased from within the existing budget.

36. Current conditionality is strongest in the cropping sector, where farmers need to comply with Ecological Focus Area requirements[14] on top of the Good Agricultural

[12] Agriculture Reform Implementation Oversight Board minutes: 8 December 2023 - gov.scot (www.gov.scot)
[13] Written question and answer: S6W-25463 | Scottish Parliament Website 9th February 2024
[14] Greening: Ecological Focus Area | Helping farmers in Scotland | Farm Advisory Service (fas.scot)

and Environmental Conditions (GAEC)[15] and Statutory Management Requirements[16] that apply to all schemes. Other schemes have their own conditions, such as the SSBSS where calves must have 75% suckler beef genetics and be retained (alive) on a farm for 30 days after birth to be eligible for support.

Table 2 Estimated Scottish agricultural budget expenditure, 2023

Scheme	Budget (£m)	Budget (%)
Tier 1&2	**£550.5m**	**86.0%**
Basic Payment	£282.0m	44.1%
Greening	£142.0m	22.2%
Young Farmers Scheme	£1.0m	0.2%
Common Market Organisation	£13.0m	2.0%
Scottish Suckler Beef Support Scheme	£40.0m	6.2%
Scottish Upland Sheep Support Scheme	£7.0m	1.1%
Less Favoured Area Support Scheme	£65.5m	10.2%
Tier 3	**£69.6m**	**10.9%**
Agri-Environment Climate Measures	£35.8m	5.6%
Forestry Schemes	£0.1m	0.0%
New Entrants and Young Farmers Support	£2.0m	0.3%
Crofting Agricultural Grant Scheme	£3.4m	0.5%
Croft House Grant	£2.3m	0.4%
Small Farm Grants Scheme	£1.0m	0.2%
Food Processing, Marketing and Co-Operation	£0.0m	0.0%
National Test Programme	£20.0m	3.1%
Agricultural Transformation Fund	£5.0m	0.8%
Tier 4	**£20.0m**	**3.1%**
Monitor Farm	£0.4m	0.1%
LEADER	£11.6m	1.8%
Knowledge Transfer and Innovation Fund	£2.0m	0.3%
Farm Advisory Service	£5.0m	0.8%
Technical Assistance/Scottish Rural Network	£1.0m	0.2%

37. Four stated policy outcomes are sought through the proposed policy support structure. These are:

- The food production sector is a productive and sustainable part of the economy helping Scotland's people live and work sustainably on our land.
- The transition to Net Zero supports the rural economy and supports efforts to reduce rural poverty and inequality, targeting support to those who need it most.
- Reduced Greenhouse Gas emissions from the agricultural sector.
- A substantial regeneration of biodiversity, ecosystem and soil health.

[15] Good agricultural and environmental conditions (GAECs) | Information helping farmers in Scotland | Farm Advisory Service (fas.scot)
[16] Statutory management requirements (SMRs) | Information helping farmers in Scotland | Farm Advisory Service (fas.scot)

38. Whilst each outcome can be linked via a logic chain back to the proposed Tiers and individual within–tier measures, the degree of complementarity or conflict between outcomes is uncertain. For example, although increased production efficiency can deliver some emission reductions and biodiversity gains, at some point trade-offs are likely to be incurred. Moreover, the nature of any trade-offs is likely to be highly site-specific, varying with local environmental conditions and prevailing management systems. This is illustrated starkly by the different characteristics of the three island groupings of Orkney, Shetland and the Outer Hebrides, and is the considered in the remainder of this report.

39. The Agriculture and Rural Communities (Scotland) Bill framework enables the continuation, amendment and deletion of existing agricultural support schemes and regulations. The details of how agriculture is to be supported will be in the form of secondary legislation that will be introduced to the Scottish Parliament over then next few years. The details and policy intervention logic, and targets should be contained in 'Rural Support Plan' that the Bill refers to - but it is uncertain when that will be published.

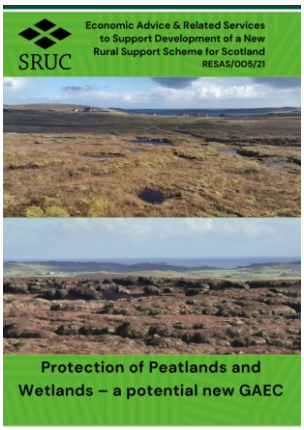
4.3 Policy changes in 2025

40. In addition to the longer term policy changes that the Agriculture and Rural Communities (Scotland) Bill aims to deliver, the Scottish Government have committed to changes in agricultural support conditions in 2025 following SNP manifesto commitments made in 2021[17] that: "*By 2025, however, we will shift half of all funding for farming and crofting from unconditional to conditional support and there will be targeted outcomes for biodiversity gain and a drive towards low carbon approaches which improve resilience, efficiency and profitability*." To meet that commitment and to start a 'Just Transition' in the sector the Cabinet Secretary for Rural Affairs and Islands announced in 2023[18] that there would be changes to existing schemes in 2025. In particular:

- A new GAEC cross compliance condition introduced from 2025 to protect peatland and wetland.[19]
- Foundations of a Whole Farm Plan as new entry level standards that "*which will include soil testing, animal health and welfare declaration, carbon audits, biodiversity audits and supported business planning.*"
- Calving Interval condition for the SSBSS "*to help cut emissions intensity and make beef production more efficient*".

[17] How will the SNP support Scotland's farmers? — Scottish National Party
[18] Future agricultural support - gov.scot (www.gov.scot)
[19] Protecting Scotland's peatlands will be key part of future rural policy - gov.scot (www.gov.scot)

41. The new peatland and wetland GAEC measure mirrors a new GAEC that was introduced in the latest version of the EU's CAP. Member States were given until 2025 to comply with the new cross compliance measure. In the March 2024 update of the Agriculture Reform Route Map announced a new GAEC 6 measure 'Maintenance of Soil Organic Matter' to apply from 2025. This new GAEC 6 established standards to prohibit a range of activities on peatlands and wetlands of those in receipt of agricultural support. The activities prohibited include: (i) Ploughing and cultivation; new drainage and maintenance of existing drainage systems that causes further drying out of the peatland (ii) Activities that cause damage to the vegetation cover exposing the soil.[20]



42. The fine detail of this new cross compliance GAEC appear to still be being drafted (along with maps to define peatland and wetland areas) but will be of particular interest to farmers and crofters in all island groupings, but in particular Shetland and the Outer Hebrides. Noting a lot of grassland is located on peaty soils, the Scottish Government also announced that the new GAEC 6 will only apply to "**land with peat soils more than 50 cm in depth with a near natural vegetative cover and also to wetland habitat**s."

43. The Scottish Government also announced that from 2025 in order to claim BPS and Greening support some of the elements of the future Whole Farm Plan will have to be completed by applicants[21]. Farmers and crofters applying for support will have to undertake two measures from: (i) soil testing for carbon; (ii) carbon audit (CA); (iii) biodiversity audit / habitat assessment (BA); (iv) animal health and welfare plan (AHWP); (v) integrated pest management plan (IPMP). Those that already have these measures in place (e.g. an AHWP or IPMP as part of Farm Assurance Scheme) will be credited and that a carbon audit completed in the last 5 years will comply.

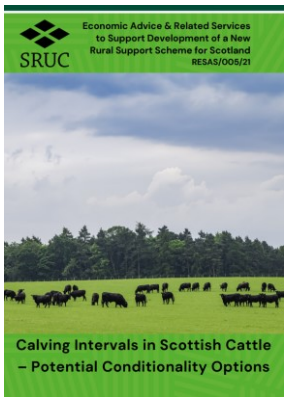
44. Many larger farms will already be compliant with these standards, but for many small holders or crofters these will be represent new compliance costs. Further, there will likely be local capacity issues in getting, for example, carbon audits and habitat assessments completed by consultants, particularly when there is a need to have sign-off from a 'suitably qualified person' (CA, IPMP, AHWP). The same may apply to the availability of vets in some places. It is understood that for 2025 a light touch approach to compliance will be enforced, with no penalties for non-compliance. However, the approach in 2026 and beyond and sanctions for of non-

[20] https://www.ruralpayments.org/topics/agricultural-reform-programme/arp-route-map/
[21] https://www.ruralpayments.org/topics/agricultural-reform-programme/arp-route-map/

compliance remain uncertain. Other WFP points requiring further clarification include:

- Which fields need soil carbon testing and how frequently remain uncertain - and if on both grass and cropping fields then whether this is only within Region 1 BPS land, or whether it includes any grassland in Region 2 and Region 3 land parcels.
- What constitutes a Biodiversity Audit - details remain opaque. Notwithstanding many discussions from NatureScot on a new 'App' to permit self-selection of habitats using filed parcel boundaries etc, significant clarification of the process and purpose are required (e.g. if it is to baseline nationally there are likely more robust scientific methods to generate this intelligence).

45. The Calving Interval condition demonstrates a commitment to rewarding those achieving technical efficiency standards, that (a) improve financial performance of the business, and (b) lower greenhouse gas emissions (notably excess methane emissions). The Scottish Government appointed an industry stakeholder group to consider a wide array of issues (small herds, breeds, second-calvers, split payments, etc.)[22] regarding implementation of this new condition. In March 2024 there was an announcement by the Cabinet Secretary for Rural Affairs and the Islands that a new eligibility criterion of 410 days[23] calving interval on the dams of calves claimed through SSBSS will be introduced in 2025. Concerns noted by stakeholders included the impacts on small herds that may only have a single bull and are reliant on rented bulls (either from neighbours, or from the Scottish Government's Bull Hire Scheme). During engagement with industry from this project it was brought to our attention that, for example, there is no current capacity for bull testing in Shetland.



46. On top of these policy conditions in 2025, cattle farms in particular have new legal requirements regarding slurry and silage effluent storage and application through the evolving General Binding Rules[24] introduced by the Water Environment (Controlled Activities) (Scotland) Amendment Regulations 2021. There may be greater statutory muirburn and pest species control introduced through the Wildlife Management and Muirburn (Scotland) Bill and bracken control has been

[22] See (i) https://doi.org/10.58073/SRUC.24756009.v1 (ii) https://doi.org/10.58073/SRUC.24756195.v1 (iii) https://doi.org/10.58073/SRUC.24756441.v1
[23] https://www.gov.scot/news/agricultural-support-is-changing/
[24] New General Binding Rules on Silage & Slurry - FAQs - Farming and Water Scotland

made more challenging due to the withdrawal of Scottish Government approval for Asulox[25] due to environmental and human health reasons[26].

4.3.1 Island Community Impact Assessment (ICIA)

47. In February 2024 the Scottish Government published the Agriculture and Rural Communities (Scotland) Bill Islands Communities Impact Assessment[27] where they concluded that there "*is no specific identified or different impact of the policy on islands or island communities, compared to other communities*" and that a "*full Islands Community Impact Assessment is NOT required*".

48. The challenge of an ICIA on a framework bill is that none of the policy details exist to determine the 'on-ground' impacts. Hence the published conclusion is not surprising. However, the direction of policy is clear enough to consider how specific future policy measures will likely affect land use and agricultural activity in the islands – which is what this report considers. The implication is that a full ICIA may become appropriate in due course once more policy details are known. In particular, it is important that all future measures are considered jointly in-the-round. Individual measures taken in isolation may be regarded as insufficiently impactful to merit attention, yet their collective impacts may be significant. This suggests a need for clarity over ICIA threshold criteria and decision-making processes (see also Section 11).[28]

49. The islands are different – there is no doubt about that - be it the relative importance of the agriculture sector in local economies, local communities (especially crofting communities), cultural heritage, fragile supply chains, etc. Moreover, the agricultural activity in the islands is extremely fragile and some areas have witnessed over 20 years of agricultural abandonment that impacts on vibrancy of local economies and communities, and their ability to manage some of the UK's most important peat reserves and habitats (over 80% of emissions in the island groups studied are attributable to Agriculture and Land Use, Land Use Change & Forestry sectors). The sensitivity of the sector to changes in policy support, and ever increasing additional costs (haulage), on production systems with very limited production options (other than sheep

Forestry	No issues have been raised as the powers within the Bill are to enable continuity of the existing Forestry Grant Scheme, so far as possible, which is not perceived to have a likely impact on Island communities	Not applicable

[25] Asulam Announcement Marks Further Blow to Bracken Control in Scotland (nfus.org.uk)
[26] Use of Asulox for bracken control - gov.scot (www.gov.scot)
[27] Agriculture and Rural Communities (Scotland) Bill Islands Communities Impact Assessment - gov.scot (www.gov.scot)
[28] Similarly, whilst future policy measures have yet to be finalised, some measures have been announced for 2025 under existing legislation. That these did not trigger a full ICIA suggests that, taken in isolation, they were not deemed sufficiently impactful.

and beef production) that is already engrained in existing support such as the island / cattle uplifts in Scottish Suckler Beef Support Scheme and Less Favoured Area Support Scheme respectively, or the fact that afforestation is not feasible in many areas should at least merit explicit consideration in the initial screening for full ICIA.

50. The timing of any future ICIA also needs some consideration. By the Scottish Government's own admissions in evidence to the Scottish Parliament - secondary legislation, as and when prepared, will provide details of components of new schemes – with the sum of the parts (and island impacts) never clear until all secondary legislation is laid before parliament. Hence, for example, an ICIA to accompany the Rural Support Plan when it is laid before Parliament might be better (as per recommendations in the Stage 1 report from the Rural and Island Committee). The ICIA should also fully discuss how proposed policy changes will be delivered in a 'Just Transition'.

4.3.2 WTO & UK constraints

51. Although agriculture is a devolved responsibility, the Scottish Government does not have a free hand in setting agricultural policy but rather is subject to UK-level and international-level constraints.

52. Internationally, the UK (and by extension Scotland) is bound by trade rules. Whilst some trading arrangements are bilateral with other specific countries or trading blocs (e.g. the EU, Australia) there are also overarching rules overseen by the World Trade Organisation (WTO). In particular, commitments to reduce distortion in agricultural trade mean that opportunities for agricultural policy to explicitly support agricultural production are limited. This is why most countries have moved away from market price guarantees and coupled direct payments towards decoupled area payments. The rules also manifest as stipulations that agri-environmental payment rates must be pegged to income foregone and cost incurred. In WTO terminology, support should be 'green box' and the scope for deploying 'amber box' or blue box' measures is limited.

53. Scotland's compliance with WTO and/or bilateral trade agreements is further complicated by the UK leading on all such negotiations, and complexity in disaggregating, for example, amber box allowances to different parts of the UK. However, domestic legislation also applies constraints. In particular, the UK Internal Market Act and the UK Subsidy Control Act both mean that agricultural support decisions in Scotland are subject to scrutiny by other parts of the UK, and concerns about potential distortions to domestic trade could block Scottish decisions. Agreed procedures to identify and resolve potential issues are in place but have not yet been triggered for agriculture (but the Scottish deposit return scheme illustrates the potential for tensions).

54. In addition, Scotland is also constrained by UK government decisions on agricultural funding allocations to the Devolved Administrations. This relates to both the level of funding but also to its duration. Whereas CAP funding was set for a seven-year planning period, UK funding decisions are only made one year in advance. This limits the scope for long-term planning and has been a repeated point of frustration for the Scottish Government, and indeed parliamentary committees.

55. Equally, UK government calculations of agreed funding are lower than expected by Devolved Administrations and, moreover, have declined in real-terms due to inflationary pressures in recent years. Consequently, and with little scope to boost funding from other sources, the Scottish Government's buying power from the land use sector has diminished. Hence funding commitments are effectively restricted to maintaining the budget level in cash terms, with the further indication that c.70% of this will be allocated to Tiers 1 and 2.

4.4 Compliance Costs

56. It is understood that work assessing the additional compliance costs of new entry level standards for Tier 1, and the compliance costs for Tier 2 conditionality measures has been commissioned by the Scottish Government. In the absence of the results from this research, ongoing modelling work within SRUC[29] has estimated additional compliance costs of undertaking a Whole Farm Plan and whether these costs were new (using a simulation model that estimates costs based on probabilities of exiting uptake based on BRN size).

57. Using expertise from SAC Consulting and from the literature (including work ongoing in England and Wales) modelled estimates of compliance costs (including farmer time) range from:

- Soil Testing: £57 to £77 per 4 ha sample (grass and crop fields every 6 years)
- Animal health and Welfare Plan: £158 to £658 (per year)
- Carbon Audit: £473 to £2,268 (every 4 years)
- Habitat Assessment: £270 to £2,156 (every 4 years)
- Integrated Pest Management Plan £135 to £1,358 (every year)

58. Further, estimates of Tier 2 compliance costs were made based on a number of modelling assumptions that affect gross margin per hectare. For example, technical efficiency / greenhouse gas mitigation measures (e.g. increased feed efficiency, reduced mortality, calving interval improvements) are shown to have

[29] A model has been developed as part of the Novel Insights on Scotland's Rural & Island Economies project as part of the Scottish Government's 2022-2027 Strategic Research Programme. The model has been evolved through commissioned research for RESAS on Analysis to Support an Options Appraisal for the Agricultural Reform Programme.

the potential to improve or reduce margin, whilst biodiversity Tier 2 measures are generally more focused on 'land sparing' (e.g. margins, hedgerows, flower meadows) leading to reduced gross margin on the total area to which Tier 2 measures are required to be applied (this was assumed at 10% of total declared area (and accounted for ineligible features that may be positive for nature).

59. The modelled additional costs for Tier 1 and Tier 2 are provided in Table 3. Small businesses are least likely to already engage in Whole Farm Plan components (as confirmed by stakeholder engagement and SAC Consulting experts) meaning that they are likely to face the highest marginal cost per hectare to comply with new Tier 1 entry level standards. This observation is why there are higher relative compliance costs modelled in the Outer Hebrides (£500k for c.£3.07m Tier 1 support) than in Shetland (£218k for c.£4.8m Tier 1 support) and Orkney (£403k for c.£9.9m Tier 1 support). In contrast, more intensive and productive land has higher Tier 2 compliance costs as gross margins per hectare are higher. In Orkney the modelled change in gross margin were c.£799 for c.£9.9m Tier 2 support as a result of more intensive cattle grazing on grassland, compared to, for example c.£218k for c.£4.8m Tier 2 support in Shetland where there is a greater proportion of extensive sheep grazing with lower gross margin. The model estimates that in the Outer Hebrides, combined Tier 1 and Tier 2 compliance costs are c.2.3% of turnover and 10% of support payments, compared to only 0.9% of turnover and 6% of support payments in Shetland.

60. The modelled compliance costs also confirm that smaller producers are faced with higher costs per hectare or per £1 of support received, putting them at greater risk of withdrawing from the support structure if perceived compliance costs start to outweigh receipts. These estimates are dependent on the underlying assumptions made and should only be used as indicative examples.

Table 3 Modelled additional costs for T1 whole farm plan, and income foregone for Tier 2 conditionality measures

Values	Outer Hebrides	Orkney	Shetland
2022 BRNs claiming T1 & T2 support	1,331	659	785
T1 & T2 Payments 2022	£7,145,512	£19,726,664	£9,618,849
2022 BRNs engaged in Tier 3 schemes	233	247	61
T3 support payments 2022	£914,086	£2,100,745	£418,913
Modelled BRN Turnover	£30,837,109	£75,200,930	£61,655,063
Modelled Tier 1 additional entry level costs	£513,023	£403,557	£347,481
Modelled income foregone for Tier 2 conditionality measures	£181,423	£798,654	£218,618
T1 & T2 compliance costs as % Turnover	2.3%	1.6%	0.9%
Compliance costs as % T1 & 2 Support	10%	6%	6%

4.5 Small Recipient Scheme?

61. Thomson and Moxey (2023)[30] note that within the EU's CAP there is an option to introduce a small farmer scheme to replace other forms of direct support, up to a limit of €1,250 as stipulated in Art 28 of Regulation (EU) 2021/2115[31]. These EU payments can be made as a lump sum or as area-based payments. In a Scottish context. €1,250 is quite a small payment, but as Scottish agricultural support becomes increasingly complex to reflect a renewed focus on delivering public goods, there remains a risk that without redistributive support or uplift to BPS R3 (in particular), some current small scale farmers and crofters may perceive the compliance costs too high compared to their receipts and opt out. In such a situation, the Scottish Government would have limited influence/leverage over their activities.

62. Thomson and Moxey's 2022[32] concept note examined the potential number of farmers and crofters (and agricultural activity) that may be affected by any hypothetical small farmer scheme, recognising that such a scheme could offer simplification for both administrators (RPID) and small-scale producers. Indeed, in late 2023 ARIOB, in discussing entry level requirements, noted that *"proportionality was raised - some businesses could take this on with relative ease, but many would find it challenging and inevitably require the services of advisors."*[33]

63. Whilst the ARIOB minutes from December 2023[34] state in reference to a small recipient scheme that: "*Officials have learned via the WFP (Whole Farm Plan) steering group that small producers and crofters don't want to be excluded so there may be some scope for a wrap-around with the small producers scheme pilot*", stakeholder engagement for this project demonstrates a lack of understanding of potential compliance costs for entry to Tier 1 and compliance costs of Tier 2 conditionality. Further, stakeholders suggest that they do not want to be excluded from support payment options and that they were unclear on what

[30] Thomson, S. and Moxey, A.P. (2023) An assessment of future Scottish agricultural policy design alignment with the EU's Common Agricultural Policy. A report to the Scottish Government. DOI: https://doi.org/10.58073/SRUC.25343005

[31] Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD)

[32] Thomson, S. and Moxey, A. (2022) Concept Note: Scope for an elective 'lite' Small Recipient Scheme (SRS).

[33] Agriculture Reform Implementation Oversight Board minutes: 8 December 2023 - gov.scot (www.gov.scot)

[34] https://www.gov.scot/publications/agriculture-reform-implementation-oversight-board-minutes-8-december-2023/

the Small Producers Scheme Pilot was delivering. It is important not to conflate mainstream support with this small pilot.

64. The Scottish Government has suggested that they are looking at an option of a smallholder scheme to include recipients under 30 hectares (reflecting the Small Producers Scheme Pilot), but as ARIOB minutes reflect: "*30 hectares of Region 3 land is very different to 30 hectares of Region 1 land and this will have to be factored in.*" For that reason and for alignment to EU principles, it is probably more equitable that any small recipient scheme be based on total support receipts – and that it is totally optional and would require some specific conditions based on agricultural activity and some cross compliance measures aimed at improving biodiversity, animal health and welfare, etc.

65. Table 4 provides examples of the proportion of 2022 baseline BRNs, Tier 1 and 2 support payments, BPS eligible and claimed hectares and livestock units that could be eligible under different type of scheme thresholds. For example:

- A 30 Ha threshold would potentially account for 27% of Orkney BRNs (but only 3.6% of support and 3.3% of livestock units), 22% of Outer Hebrides BRNs (that account for 3.8% of BPS claimed area, 6.5% of support payments and 6.9% of livestock unts) and 20% of BRNs in Shetland (2.8% of Tier 1 and 2 support and 3% of livestock units)
- A threshold of less than £3,000 in Tier 1 and 2 support would potentially cover 51% of BRNs in the Outer Hebrides (15% of the Tier 1 and 2 support, and 19% of the livestock units), 32% of BRNs in Shetland (4% of the Tier 1 and 2 support, 5.7% of the claimed area and 5.1% of the livestock units) and 14% of the BRNs in Orkney (but only 1% of the Tier 1 and 2 support, 1% of the BPS claimed area and 1 % of the livestock units.

66. Any such small recipient scheme could be 'topped up' with a collaborative action payment to reflect the environmental and community benefits of collective delivery amongst land managers – particularly in crofting areas.

Table 4 Examples of small recipient scheme options and coverage of BRNs, BPS areas, Tier 1 and Tier 2 support and livestock units

Small recipient option	Metric	Rest of Scotland	Orkney	Outer Hebrides	Shetland
2022 Baseline	BRNs	15,051	661	1,302	784
	T1 & T2 Support	£493.9m	£19.6m	£7.1m	£9.7m
	BPS Eligible Ha	4.5.m	77,770	144,337	119,380
	BPS Claimed Area	3.6m	72,142	119,724	107,161
	Livestock Units	1.8m	62,299	15,331	29,863
<=30 Ha	BRNs	22.3%	27.2%	22.4%	19.8%
	T1 & T2 Support	2.0%	3.6%	6.5%	2.8%
	BPS Eligible Ha	1.1%	3.7%	3.8%	2.2%
	BPS Claimed Area	1.2%	3.6%	3.8%	2.1%
	Livestock Units	2.3%	3.3%	6.9%	3.0%
<=£1,500 T1+T2	BRNs	7.6%	6.4%	23.0%	15.7%
	T1 & T2 Support	0.2%	0.2%	3.9%	1.2%
	BPS Eligible Ha	0.9%	0.8%	7.4%	3.0%
	BPS Claimed Area	0.4%	0.3%	6.0%	2.0%
	Livestock Units	0.6%	0.4%	5.9%	1.8%
<=£3,000 T1+T2	BRNs	15.8%	14.1%	50.9%	32.4%
	T1 & T2 Support	0.8%	0.8%	15.0%	4.1%
	BPS Eligible Ha	1.7%	1.6%	22.5%	7.5%
	BPS Claimed Area	1.0%	1.0%	19.7%	5.7%
	Livestock Units	1.2%	0.9%	18.9%	5.1%
<=£5,000 T1+T2	BRNs	23.8%	21.8%	69.4%	47.2%
	T1 & T2 Support	1.7%	1.8%	27.8%	8.8%
	BPS Eligible Ha	3.4%	4.0%	38.6%	14.1%
	BPS Claimed Area	2.2%	2.3%	34.8%	11.5%
	Livestock Units	2.2%	1.7%	32.8%	11.2%

4.6 Redistributive, 'Front Loading'?

67. There has been recent calls form smallholders and crofters for a more equitable share of agricultural support payments, in particular, through redistributive support mechanisms[35]. Thomson and Moxey (2023)[36] note that within the EU's CAP there is a mandatory requirement to introduce a Complimentary Redistributive Income Support for Sustainability (CRISS). The aim of the redistributive payment is to increase the share of support going to small and

[35] See, for example: SCF calls MSPs to amend agriculture bill to ensure a fairer distribution - Scottish Crofting Federation

[36] Thomson, S. and Moxey, A.P. (2023) An assessment of future Scottish agricultural policy design alignment with the EU's Common Agricultural Policy. A report to the Scottish Government. DOI: https://doi.org/10.58073/SRUC.25343005

medium sized farms. Article 98 of Regulation (EU) 2021/2115[37] requires a minimum of 10% of direct payments to be redistributed as higher payments to the first few hectares on each farm. Thomson and Moxey's (2022) concept note on redistributive support[38] provides examples of how redistributive support could affect support rates in Scotland.

68. Different redistributive payment uplift rates across the current 3 region BPS model are administratively burdensome to calculate. Thomson and Moxey suggested a redistributive model where the budget is redistributed evenly across the first 'x' hectares – thereby providing a simpler and more equitable model that gives more appropriate uplifts for poorer quality land. Any future changes to normalise Region 3 and Region 2 rough grazing BPS may be considered redistributive but it still does not specifically target uplifts at small holders in the way that CRISS payments are designed to do.

69. Using the NISRIE agricultural payments model[39] redistributive support scenarios have been modelled to provide indicative outcomes for the island groupings. The modelling does, however, require a number of key assumptions to be made. First, what proportion of budget is to be redistributed (10% was modelled). Second, which budget elements are to be redistributed (BPS, Greening and Young Farmer Payment support was modelled). Third, what and how should the redistributive budget be reallocated (a single uplift rate based on different percentile areas of BPS claimed hectares was modelled – with the uplift the same for all BPS regions). Table 5 shows the first 'x' hectares the modelled redistributive scenarios were paid on, the total area paid on, and the uplift payment rate made to the first 'x' hectares.

Table 5 Redistributive payment allocation scenario

BPS Claim Area Percentile	BPS Claim Area (first 'x' ha)	Hectares available for redistributive allocation	Uplift rate (first 'x' ha)
10th	10.6 ha	181,426 ha	£237
15th	16.0 ha	266,584 ha	£161
20th	22.3 ha	358,967 ha	£120
25th	29.2 ha	453,715 ha	£95
30th	37.3 ha	559,482 ha	£77

[37] Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD)
[38] Thomson, S. and Moxey, A. (2022) Concept Note: Scope for Redistributive Support in Scotland.
[39] A model has been developed as part of the Novel Insights on Scotland's Rural & Island Economies project as part of the Scottish Government's 2022-2027 Strategic Research Programme.

70. Table 6 shows the effects that different redistributive payment scenarios could have on support payments by different BPS claim sizes. It is noticeable that payments to BPS claims of less than 10 Ha provide a considerable uplift when the redistribution is made on only the first 10.6 Ha (£170k uplift in the Outer Hebrides), but that uplift rapidly dissipates in other scenarios as the 10% redistributive budget is spread over greater areas. In contrast the 30-50 Ha BPS claim size category benefits approximately equally under all scenarios,

71. It should be stressed that this modelling exercise is purely illustrative of various redistributive scenarios that rely entirely on the assumptions above – in particular the choice of a single uplift payment rate across all BPS regions. Indeed, any such redistributive support scheme may mitigate the need for a specific small recipient scheme – albeit the trade-offs of both should be afforded detailed consideration when the specifics of policy proposals are better known.

Table 6 Modelled redistributive payment scenarios based on 10% of Tier 1 and Tier 2 support less LFASS and coupled support in 2022

Claim Size	Redistributive scenario	Orkney	Outer Hebrides	Shetland	Rest of Scotland
<10 Ha BPS Claim	Tier 1 & 2 Less LFASS & VCS	£88.3k	£109.0k	£56.4k	£1.8m
	First 10.6 Ha uplift	£180.5k	£279.9k	£142.8k	£3.7m
	First 22.3 Ha uplift	£130.5k	£190.0k	£97.3k	£2.7m
	First 37.3 Ha uplift	£112.2k	£157.0k	£80.6k	£2.3m
10-20 Ha BPS Claim	Tier 1 & 2 Less LFASS & VCS	£230.3k	£252.0k	£126.0k	£3.6m
	First 10.6 Ha uplift	£392.2k	£629.3k	£351.1k	£6.4m
	First 22.3 Ha uplift	£338.3k	£516.9k	£273.8k	£5.5m
	First 37.3 Ha uplift	£291.3k	£412.9k	£216.3k	£4.7m
20-30 Ha BPS Claim	Tier 1 & 2 Less LFASS & VCS	£325.6k	£264.2k	£152.9k	£4.8m
	First 10.6 Ha uplift	£448.4k	£571.2k	£288.1k	£6.8m
	First 22.3 Ha uplift	£456.9k	£589.6k	£297.2k	£7.0m
	First 37.3 Ha uplift	£414.5k	£491.8k	£255.4k	£6.2m
30-50 Ha BPS Claim	Tier 1 & 2 Less LFASS & VCS	£674.4k	£588.2k	£432.6k	£11.5m
	First 10.6 Ha uplift	£827.5k	£1,156.1k	£725.3k	£14.2m
	First 22.3 Ha uplift	£842.2k	£1,197.8k	£747.6k	£14.5m
	First 37.3 Ha uplift	£847.3k	£1,217.8k	£759.8k	£14.6m
50-100 Ha BPS Claim	Tier 1 & 2 Less LFASS & VCS	£2.1m	£1.1m	£869.8k	£38.8m
	First 10.6 Ha uplift	£2.3m	£1.8m	£1,171.4k	£41.9m
	First 22.3 Ha uplift	£2.3m	£1.9m	£1,197.3k	£42.3m
	First 37.3 Ha uplift	£2.3m	£1.9m	£1,227.8k	£42.9m
>100 Ha BPS Claim	Tier 1 & 2 Less LFASS & VCS	£8.7m	£2.9m	£5.5m	£345.3m
	First 10.6 Ha uplift	£8.4m	£3.5m	£5.7m	£328.4m
	First 22.3 Ha uplift	£8.4m	£3.5m	£5.7m	£329.6m
	First 37.3 Ha uplift	£8.4m	£3.6m	£5.8m	£331.0m
Total	**Tier 1 & 2 Less LFASS & VCS**	**£12.1m**	**£5.2m**	**£7.2m**	**£405.7m**
	First 10.6 Ha uplift	**£12.5m**	**£7.9m**	**£8.4m**	**£401.5m**
	First 22.3 Ha uplift	**£12.5m**	**£7.9m**	**£8.3m**	**£401.6m**
	First 37.3 Ha uplift	**£12.4m**	**£7.8m**	**£8.3m**	**£401.7m**

5 Agriculture Support Payments

72. At the outset it should be acknowledged that the payment data relates to an individual business, a BRN (Business Reference Number), that can consist of multiple agricultural holdings (including through seasonal lettings) in multiple locations. The data presented in this report reflects payments made to BRNs where the main location code (the main agricultural holding) is located in the study area. This means that support payments allocated to any business with a main location code on the mainland that has agricultural land in the study area (e.g. a farm on the mainland with a croft on the islands) are not presented in the analysis. The contrary is true for businesses based on islands with agricultural land used to activate support that is located on the mainland.

5.1 Budgets and the erosional impacts of inflation

73. It is also worth noting at the outset that all financial data reported in this report are expressed in nominal terms – that is they are unadjusted for inflationary effects that erode government purchasing power. To demonstrate the change in inflation adjusted support payments Defra's Input Price Index was utilised to deflate 2022 payments to demonstrate the change in 'real' support payments (and between 2000 and 2022 the price index reveals a 43% increase in agricultural input prices between 2000 and 2022 Table 7 shows that whilst nominal levels of agricultural support spend remained relatively static for Scotland between 2014 and 2022 at c.£554m, in real (inflation adjusted) terms there was a 33% decline in the budget (i.e. the support received would buy a third less agricultural inputs). Considering the changes in agricultural support mixes derived through evolving support structures:

- In Orkney the nominal terms budget remained static between 2014 and 2022, but it fell 33% in real terms.
- In the Outer Hebrides in nominal terms there was a 19% increase in the support budget between 2014 and 2022, but a real term decline of 20% over that period.
- In Shetland a 33% increase in nominal agricultural support budget between 2014 and 2022 was a 11% decline in real terms once adjusted for inflation.

74. Agricultural support in Scotland, and therefore, the island groupings has evolved over time, as CAP policies evolved and as croft and farm business structures and densities change over time. To simplify the complexity of the numerous schemes that have operated over time schemes each of the schemes were allocated to future Tiers of support (Table 8), where the scheme acronym, scheme name and

predicted future Tier of support (per the Agriculture and Rural Communities (Scotland) Bill[40]).

Table 7 Nominal and real (deflated) support payments, 2014 & 2022 by island group

Payments	2014	2022	2014-2022 (nominal)	2022 Deflated (2014 Prices)	2014-2022 (real terms)
Orkney	£20.9m	£20.9m	0%	£14.0m	-33%
Outer Hebrides	£6.8m	£8.1m	19%	£5.4m	-20%
Shetland	£7.3m	£9.7m	33%	£6.5m	-11%
Scotland	**£554.9m**	**£552.2m**	**0%**	**£369.6m**	**-33%**

Deflated using Defra Input Price Index[41]

Table 8 Agricultural support schemes and predicted future Tier of support

Scheme Acronym	Scheme Name	Predicted Future Tier Allocation
AECS	Agri Environment Climate Scheme	Tier 3
BPS	Basic Payment Scheme	Tier 1&2
CAGS	Crofting Agricultural Grant Scheme	Tier 3
Convergence	EU External Convergence windfall	None
FDRI	Financial Discipline Reimbursement	Tier 1&2
FGS	Forestry Grant Schemes	Tier 3
FWPS	Farm Woodland Premium Scheme	Tier 3
FWS	Farm Woodland Scheme	Tier 3
Greening	Greening	Tier 1&2
HABITATS	Habitat Payments	Tier 3
LFASS	Less Favoured Area Support Scheme	Tier 1&2
LMO	Land Managers Options	Tier 1&2
OASC	Organic Aid Support Scheme	Tier 3
RPR	Rural Payments	Tier 3
SACGS	Sustainable Agriculture Capital Grant Scheme	Tier 3
SBCS	Scottish Beef Calf Scheme	Tier 1&2
SFGS-FP	Scottish Forestry Grant Scheme	Tier 3
SFPS	Single Farm Payment Scheme	Tier 1&2
SSBSSI	Scottish Suckler Beef Support Scheme (Islands)	Tier 1&2
SSBSSM	Scottish Suckler Beef Support Scheme (Mainland)	Tier 1&2
SUSSS	Scottish Upland Sheep Support Scheme	Tier 1&2
YFP	Young Farmer Payment (uplift)	Tier 1&2

75. Table 9 shows the number of agricultural support recipients in each of the islands and their regions as well as the proportion of recipients of land-based support. It is worth noting that each of the schemes are independent of each other (i.e. a farmer of crofter can receive LFASS or AECS without claiming BPS/Greening) apart from the Young Farmer Payment (YFP) which comes in the form of an uplift to BPS. It is noticeable that YFP are very low in some regions (e.g. Harris and Lewis in the

[40] https://www.parliament.scot/bills-and-laws/bills/agriculture-and-rural-communities-scotland-bill/overview

[41] Latest agricultural price indices - GOV.UK (www.gov.uk) (accessed March 2024)

Outer Hebrides or the North East Isles of Shetland) that suggests low levels of generation renewal. Across Orkney only 8% of BRNs had a connection to common grazings, compared to 94% in the Outer Hebrides and 76% in Shetland. One-in-four recipients in Orkney was in AECS in 2022 (increasing to 41% in the Outer Northern Isles), with 18% of BRNs in the Outer Hebrides (31% in North Uist), but only 5% of BRNs in Shetland have AECS claims. It should, however, be noted that a higher proportion of crofters may have connection to AECS schemes than detailed here as they may be part of a Common Grazing that has an AECS contract.

Table 9 Number of BRNs submitting a Single Application Form associated with agricultural support payments and proportion receiving support through selected area-based schemes, 2022

		Proportion of SAF BRNs				
Region	**SAF BRNs**	**BPS / Greening**	**LFASS**	**AECS**	**YFP**	**Common Grazing Link**
Orkney	**672**	**98%**	**87%**	**26%**	**7%**	**8%**
East Mainland, Burray and South Ronaldsay	192	98%	84%	20%	7%	0%
Inner Northern Isles	62	98%	85%	39%	6%	6%
Outer Northen Isles	123	96%	88%	41%	6%	28%
South Isles	34	100%	94%	29%	12%	26%
West Mainland	261	99%	88%	20%	6%	2%
Outer Hebrides	**1,433**	**92%**	**87%**	**18%**	**6%**	**92%**
Harris	131	90%	84%	17%	2%	92%
Lewis - North	400	91%	89%	12%	4%	92%
Lewis - South	290	91%	90%	8%	2%	91%
North Uist	190	96%	86%	31%	12%	91%
South Uist & Barra	422	93%	86%	24%	8%	93%
Shetland	**787**	**99%**	**97%**	**5%**	**9%**	**75%**
North East Isles	70	100%	96%	14%	4%	91%
Northeast Mainland	151	100%	96%	3%	10%	72%
Northmavine & Yell	170	99%	98%	4%	9%	82%
South & Central	220	99%	98%	3%	9%	72%
West & Central	176	100%	98%	7%	10%	68%

5.2 Basic Payment Regions

76. Historically under the CAP most of Scotland's farmers and crofters were supported by a mix of price support ('intervention' or minimum prices) with coupled ('headage') payments. As intervention pricing was tapered down, coupled headage and coupled area based payments for the cereal sector became increasingly important in the 1990s. These payments were crystalised into longer term support payments that farmers and crofters received through their LFASS and Single Farm Payment Scheme payments – with elements of those historic

headage payments still influencing how Scotland's support payments are distributed – a demonstration of significant path dependency.

77. LFASS was a replacement scheme for the Hill Livestock Compensatory Allowance (HLCA) scheme and was designed to ensure that those producers with the highest livestock grazing densities received the highest payments. The design explicitly favoured beef production, meaning Orkney would have benefited, whereas most producers in Shetland and the Outer Hebrides were perhaps not as well compensated.

78. The Single Farm Payment Scheme (SFPS) embedded historic coupled payments into area-based payments between 2005 and 2014. The SFPS used the average historic payments that a farm received to calculate the payment rate per hectare over their 'entitlements'. Thus, each farmer and crofter had bespoke payment rates per hectare that could differ quite significantly between farms in a location – based n their historic intensity of production.

79. In 2015 the phasing out of the Single Farm Payment began, transitioning to the regional payment system that is at the heart of the Basic Payment Scheme. BPS payment 'regions' were classified in Scotland as: Region 1 (R1) – arable and grassland; Region 2 (R2)– rough grazing with higher stocking densities, and; Region 3 (R3)- rough grazing with higher stocking densities. As LFASS was used to determine the stocking density that determined which BPS region a rough grazing land parcel would be allocated it meant that historic grazing densities were further bedded into this current round of support payments. Further, during the introduction of BPS, there was a great deal of assessment (and appeals) on which region each individual field was allocated to. This historic allocation of land to BPS regions dictates the levels of support received – and fields that were marginally allocated into a specific region either 'won' or 'lost'.

80. In 2023 the BPS plus Greening rate in R3 was £13.76 compared to £45.36 in R2 (3.3 times higher than R3 rough grazing) and £223.56 in R1 (4.9 times higher than R2 and 16.2 times higher than R3 land). Due to higher historic stocking densities and better retention of sheep numbers during the 2000's Shetland, despite being dominated by rough grazing, was largely allocated into R2 for BPS and Greening support that saw the Islands receive an uplift. In parts of the Outer Hebrides where livestock were retained in the 2000s some producers saw and uplift in support – whilst others were less fortunate to see area-based support fall. In contrast, Orkney was already in receipt of relatively high levels of SFPS support due to high historic support of beef farmers in the EU meaning that the area based support payments fell, on average – although new rules around the Scottish Suckler Beef Support Scheme – in particular with its island uplift meant that on average Orkney

farmers saw limited change in support receipts between the old SFPS system and the BPS system.

81. Table 10 shows the proportion of land in each BPS Region across the islands and sub-island regions in 2022.

- In Orkney 67% of the land eligible for BPS was in R1, with 24% in R2 and 9% in R3. This ranged from 82% R1, 14% in R2 and 3% in R3 for East Mainland, Burray & South Ronaldsay to only 23% R1 but 57% R2 and 23% R2 in the South Isles. 92% of the land eligible for BPS was claimed in Orkney with only 1% of the claimed area associated with common grazings.
- In the Outer Hebrides only 13% of the land was in R1, with 14% in R2 and 73% in R3. This ranged from 38% of South Uist and Barra being in R1 to only 2% of Lewis – South. 90% of Lewis North is in R3, compared to 50% in North Uist and 45% in South Uist and Barra. Only 53% of the eligible area was claimed in the Outer Hebrides (71% in North Uist), but 36% of the claimed area is on common grazings.
- In Shetland only 15% of the land was in R1, with 56% in R2 and 29% in R3. This ranged from 28% of South and Central being in R1 to only 9% of North Malvine and Yell. 52% of the Northeast Isles is in R3, compared to 9% in South and Central. Only 87% of the eligible area was claimed (79% in North Malvine and Yell) but 28% of the claimed area is on common grazings.

Table 10 BPS eligible hectares, including by region, total BPS area claimed, and area of BPS claimed on Common Grazings, 2022

Region	BPS Eligible Area	BPS Region 1 Eligible Area		BPS Region 2 Eligible Area		BPS Region 3 Eligible Area		Total BPS Claimed Area		BPS Claimed Area on Common Grazings	
		Ha	% of Eligible	Ha	% of Eligible	Ha	% of Eligible	Ha	% of Eligible	Ha	% of Eligible
Orkney	**78,609**	**52,381**	**67%**	**18,917**	**24%**	**7,311**	**9%**	**72,198**	**92%**	**881**	**1%**
East Mainland, Burray & South Ronaldsay	16,871	13,917	82%	2,434	14%	521	3%	15,410	91%	0	0%
Inner Northern Isles	8,695	4,973	57%	3,593	41%	130	1%	8,282	95%	101	1%
Outer Northen Isles	13,042	10,450	80%	2,552	20%	40	0%	11,716	90%	151	1%
South Isles	9,256	1,824	20%	2,120	23%	5,313	57%	8,482	92%	354	4%
West Mainland	30,743	21,219	69%	8,218	27%	1,307	4%	28,307	92%	274	1%
Outer Hebrides	**227,888**	**28,794**	**13%**	**32,702**	**14%**	**166,392**	**73%**	**120,841**	**53%**	**81,199**	**36%**
Harris	35,859	2,272	6%	8,395	23%	25,192	70%	16,807	47%	12,784	36%
Lewis - North	64,349	2,582	4%	3,625	6%	58,142	90%	26,344	41%	22,258	35%
Lewis - South	60,278	1,267	2%	7,454	12%	51,558	86%	34,547	57%	27,263	45%
North Uist	25,639	6,935	27%	5,887	23%	12,818	50%	18,269	71%	8,720	34%
South Uist & Barra	41,762	15,738	38%	7,342	18%	18,682	45%	24,873	60%	10,174	24%
Shetland	**123,617**	**19,016**	**15%**	**69,362**	**56%**	**35,239**	**29%**	**107,184**	**87%**	**34,241**	**28%**
North East Isles	14,408	2,257	16%	4,670	32%	7,480	52%	13,286	92%	5,015	35%
Northeast Mainland	27,143	3,322	12%	17,940	66%	5,881	22%	24,633	91%	6,727	25%
Northmavine & Yell	37,131	3,389	9%	18,087	49%	15,654	42%	29,303	79%	12,673	34%
South & Central	23,171	6,385	28%	14,598	63%	2,187	9%	21,017	91%	5,184	22%
West & Central	21,765	3,662	17%	14,067	65%	4,036	19%	18,946	87%	4,642	21%

5.3 Coupled Support Schemes

82. Under the current support schemes for agriculture there are payments that remain coupled to production, specifically the Scottish Suckler Beef Support Scheme (SSBSS) and the Scottish Upland Sheep Support Scheme (SUSSS). Both these schemes have been justified to reduce the risk of abandonment of activity in vulnerable sectors (since 2005 for cattle and since 2015 for sheep). The SSBSS is paid on eligible calves[42] claimed (that are registered with 75% beef genetics and have been kept alive on the holding for 30 days). SUSSS is paid per eligible ewe hogg kept on a holding (or on 'away winterings') during the retention period (1st December – 31st March) but is only available to businesses dominated by Region 3 rough grazing (acting as an activity top-up on the lowest supported regional land) and is limited to one hogg per 4 hectares.

83. Importantly these schemes currently have ringfenced budgets meaning the payment rates are determined annually based on the total number of eligible animals claimed. Moreover, under SSBSS there are differentiated payment rates for island producers (£144.48 per animal in 2022) compared to the mainland (£101.42 per animal in 2022)[43], recognising the additional costs of production faced by island producers (notably haulage costs). Further, the SSBSS budget is split into a mainland scheme (SSBSSM) and an island scheme (SSBSSI) with their own ringfenced budgets.

84. For SSBSS, the number of BRNs claiming has declined across all three island groupings over the period 2014-2022, whilst the number of calves claimed has remained almost constant. This implies some businesses are expanding their herd size whilst others retract form the sector. Table 11 shows that only 277 BRNs in the Outer Hebrides claimed SSBSS in 2022 (a 9% decline from 2014) with 428 in Orkney (down 15%, or 73 BRNs, from 2014) and only 101 (down 16.5%) in Shetland. There were sub-island variations in these changes with South Uist and Barra (no change), North Uist (-3.4%) and West Mainland – Orkney (-8.8%) retaining cattle within businesses better than, for example, Lewis South (-39%) and Inner Northern Isles – Orkney (-24.4%).

[42] https://www.ruralpayments.org/topics/all-schemes/scottish-suckler-beef-support-scheme/#schemeTab-602396-3

[43] Payment rates set for Scottish Suckler Beef Support Scheme (SSBSS) 2022 (ruralpayments.org)

Table 11 Number of BRNs claiming SSBSS by sub-island regions (2014-2022)

	2015	2016	2017	2018	2019	2020	2021	2022	2014-22
Outer Hebrides	**305**	**285**	**265**	**267**	**257**	**266**	**267**	**277**	**-9.2%**
Harris	24	19	18	18	18	20	17	19	**-20.8%**
Lewis - North	45	45	42	37	35	34	34	38	**-15.6%**
Lewis - South	39	33	26	24	18	18	23	25	**-35.9%**
North Uist	59	54	52	58	58	58	58	57	**-3.4%**
South Uist & Barra	138	134	127	130	128	136	135	138	**0.0%**
Orkney	**501**	**451**	**475**	**485**	**470**	**445**	**439**	**428**	**-14.6%**
East Mainland, Burray and South Ronaldsay	139	128	135	127	125	121	113	111	**-20.1%**
Inner Northern Isles	41	32	36	37	37	33	36	31	**-24.4%**
Outer Northen Isles	95	85	87	89	91	79	79	79	**-16.8%**
South Isles	22	16	26	21	19	19	21	21	**-4.5%**
West Mainland	204	190	191	211	198	193	190	186	**-8.8%**
Shetland	**121**	**121**	**108**	**103**	**109**	**110**	**109**	**101**	**-16.5%**
North East Isles	11	13	9	8	10	11	10	9	**-18.2%**
Northeast Mainland	21	20	20	20	19	23	21	18	**-14.3%**
Northmavine & Yell	21	25	20	20	21	17	19	17	**-19.0%**
South & Central	38	35	32	27	30	30	30	32	**-15.8%**
West & Central	30	28	27	28	29	29	29	25	**-16.7%**

85. Table 12 shows the number of calves claimed through the SSBSS between 2014 and 2022. In each island grouping the numbers claimed remained relatively static with marginal change. Reflecting their larger farms in Orkney there were 24.6k calves claimed in the SSBSS. However, there was an interesting dynamic observed within the sub-regions of Orkney. There was 4.7% increase in calves claimed between 2014 and 2022 in West Mainland, while there was 12.5% decline in the Inner Northern Isles, 9.9% decline in the Outer Northern Isles and 13% decline in the South Isles. In the Outer Hebrides whilst calves claimed remains static at 2.1k the numbers declined in Harris (-19.8%) Lewis – South (-25%) and Lewis North (-11.4%) with few claimed cattle remaining in these areas. In contrast the number of claimed animals rose by 13.2% between 2014 and 2022 in North Uist, with marginal increase in South Uist and Barra. On Shetland, Northeast Mainland (increase of 11.4%), South & Central (-1%), and West & Central (no change) differed from North East Isles (9.4% decline) and Northmavine & Yell (16.8% decline).

Table 12 Number of calves claimed through SSBSS by sub-island regions (2014-2022)

SSBSS	2015	2016	2017	2018	2019	2020	2021	2022	2014-22
Outer Hebrides	**2,148**	**2,096**	**2,020**	**2,126**	**2,018**	**1,960**	**2,078**	**2,157**	**0.4%**
Harris	172	149	148	162	145	124	128	138	**-19.8%**
Lewis - North	272	231	212	227	215	190	209	241	**-11.4%**
Lewis - South	128	122	94	95	74	72	95	96	**-25.0%**
North Uist	673	696	710	752	759	720	776	762	**13.2%**
South Uist & Barra	903	898	856	890	825	854	870	920	**1.9%**
Orkney	**24,885**	**23,614**	**24,986**	**24,675**	**24,160**	**24,802**	**24,707**	**24,629**	**-1.0%**
East Mainland, Burray and South Ronaldsay	5,841	5,626	6,003	5,850	5,514	5,892	5,678	5,857	**0.3%**
Inner Northern Isles	1,905	1,593	1,926	1,740	1,743	1,744	1,705	1,666	**-12.5%**
Outer Northen Isles	5,735	5,391	5,751	5,649	5,472	5,486	5,331	5,169	**-9.9%**
South Isles	571	430	548	444	470	643	600	596	**4.4%**
West Mainland	10,833	10,574	10,758	10,992	10,961	11,037	11,393	11,341	**4.7%**
Shetland	**1,594**	**1,571**	**1,465**	**1,429**	**1,519**	**1,539**	**1,567**	**1,573**	**-1.3%**
North East Isles	117	116	97	103	115	122	119	106	**-9.4%**
Northeast Mainland	245	255	237	245	244	266	284	273	**11.4%**
Northmavine & Yell	185	188	168	156	162	154	152	154	**-16.8%**
South & Central	716	666	665	622	659	665	684	709	**-1.0%**
West & Central	331	346	298	303	339	332	328	331	**0.0%**

86. For SUSSS (see Table 13), the relatively few BRNs claiming on Shetland and Orkney (noting again the scheme is targeted at those on Region 3 BPS land) have remained more-or-less constant but the number claiming across the Outer Hebrides declined by 77 (17.5%). However, the number of ewe hoggs claimed (see Table 14) rose in all areas (despite a decline in sheep numbers in many of these areas reported in Figure 17 and Figure 18) as active farmers and crofters increased certain types of activity that was supported. Despite having very few businesses dominated by R3 BPS land, saw a 21% increase in the number of ewe hoggs claimed to 3,122 in 2022. The total SUSS support for Shetland in 2022 was worth £191k (at £61.25 per head[44], of which £119k was going to Northmavine & Yell. In the Outer Hebrides there was 9% increase in the number of ewe hoggs claimed between 2014 and 2022, with a 31.5% decline in South Uist & Barra and a 46% increase in Harris. In the Outer Hebrides the SUSSS was worth £429k of activity-based support with £153k going to Lewis – North and £156k to Lewis – South.

87. It is worth noting that there are no differentiated payments within SUSSS compared to SSBSS despite farmers and crofters across these marginal areas already being disadvantaged due to low R3 support rates and higher per unit cost of any utilised inputs. There are many farmers and crofters that believe that tying

[44] https://www.ruralpayments.org/news-events/payment-rate-set-for-scottish-upland-sheep-support-scheme--susss--2022.html

more money to activity (cattle or sheep) is the only way to reverse the trend on inactivity.

Table 13 Number of BRNs claiming SUSSS by sub- regions (2014-22)

	2015	2016	2017	2018	2019	2020	2021	2022	2014-22
Outer Hebrides	**440**	**317**	**359**	**349**	**380**	**397**	**367**	**363**	**-17.5%**
Harris	27	22	27	26	31	25	24	29	**7.4%**
Lewis - North	209	157	173	171	181	198	185	181	**-13.4%**
Lewis - South	144	113	121	119	129	132	121	116	**-19.4%**
North Uist	20	11	16	17	20	19	18	20	**0.0%**
South Uist & Barra	40	14	22	16	19	23	19	17	**-57.5%**
Orkney	**-**	**-**	**5**	**6**	**6**	**6**	**6**	**6**	
Shetland	**55**	**48**	**47**	**49**	**60**	**57**	**54**	**58**	**5.5%**
North East Isles	5	5	5	5	5	-	-	-	
Northeast Mainland	7	6	6	6	6	8	5	5	**-28.6%**
Northmavine & Yell	28	26	24	24	32	29	30	34	**21.4%**
South & Central	-	-	-	-	5	6	5	5	
West & Central	12	8	8	12	12	10	10	10	**-16.7%**

Data is redacted where there are fewer than 5 BRNs claiming SUSS within a region

Table 14 Number of sheep claimed through SUSSS by sub- regions (2014-2022)

	2015	2016	2017	2018	2019	2020	2021	2022	2014-22
Outer Hebrides	**6,437**	**5,654**	**6,302**	**6,160**	**6,997**	**7,217**	**6,762**	**7,009**	**8.9%**
Harris	595	705	698	717	841	790	749	873	46.7%
Lewis - North	2,323	1,870	2,085	2,161	2,434	2,608	2,532	2,506	7.9%
Lewis - South	2,401	2,277	2,503	2,428	2,651	2,814	2,489	2,560	6.6%
North Uist	603	511	606	625	707	651	671	717	18.9%
South Uist & Barra	515	291	410	229	364	354	321	353	-31.5%
Orkney	**-**	**-**	**870**	**882**	**989**	**983**	**965**	**1,000**	
Shetland	**2,578**	**2,554**	**2,655**	**2,551**	**3,169**	**2,965**	**3,021**	**3,122**	**21.1%**
North East Isles	486	497	467	476	496	-	-	-	
Northeast Mainland	323	350	404	347	354	383	352	370	14.6%
Northmavine & Yell	1,434	1,519	1,541	1,438	1,825	1,811	1,803	1,945	35.6%
South & Central	-	-	-	-	220	221	240	238	
West & Central	232	82	130	207	274	215	233	232	0.0%

Data is redacted where there are fewer than 5 BRNs claiming SUSS within a region

5.4 Changing support payment types and distributions

88. Table 15 shows the number of businesses (BRNs) in receipt of agricultural support in 2014 and 2019-2022. Following the introduction of a new CAP there was a transition period between 2014 to 2019 as the Single Farm Payment Scheme and legacy agri-environmental and forestry schemes were phased out and the new Basic Payment Scheme (BPS) and Agri-Environment Climate Schemes (AECS) and forestry schemes phased in.

89. The data includes 'convergence' funding that was paid to farmers and crofters in 2019 and 2020. These convergence payments came from UK Government 'backdated' one-off payment that 'righted the wrongs' of the way that the UK's uplift in support from the EU external convergence (2014-2019) that was reviewed

by Lord Bew45. These payments were technically 'windfall gain' but the Scottish Government used part of the support to backfill Less Favoured Area Support Scheme payments that were being phased out by the EU. The EU required that historic based LFA support was replaced with more scientifically justified 'Areas Facing Natural and Other Constraint' (ANC) that the Scottish Government opted not to pursue following the UK's decision to withdraw from the EU.

90. Across Scotland there were 9% fewer (1,665) businesses in receipt of Tier 1 & 2 type support in 2022 compared to 2014, revealing a shrinking sector in terms of the number of active businesses claiming support. In Orkney there was 13% fewer (94) businesses claiming T1 and T2 type support in 2022 compared to 2014, with 30% fewer (547) businesses in the Outer Hebrides and 19% fewer (186) businesses in Shetland. Therefore, the number of businesses engaged in active agricultural production have declined three times faster in the Outer Hebrides compared to Scotland, with decline more than twice the Scottish rate in Shetland, with Orkney having 1.5 times more business decline compared with the Scottish trend.

91. Table 15 also shows the significant decline in engagement with Tier 3 AECS / Forestry – with 43% reduction in BRNs across Scotland between 2014 and 2022. With disruption in new rounds of AECS affected by budgetary pressures and policy decisions there is also industry realisation that the Tier 3 payment rates have been eroded by inflationary pressures making them less attractive to farmers and crofters. In Orkney there was a 28% (69 BRNs) fall in businesses engaged in Tier 3 schemes between 2014 and 2022, with 34% (140 BRNs) decline in the Outer Hebrides and 70% decline (103 BRNs) in Shetland. These data are of concern given the Scottish Government's ambitions for nature restoration and climate change mitigation and adaptation.

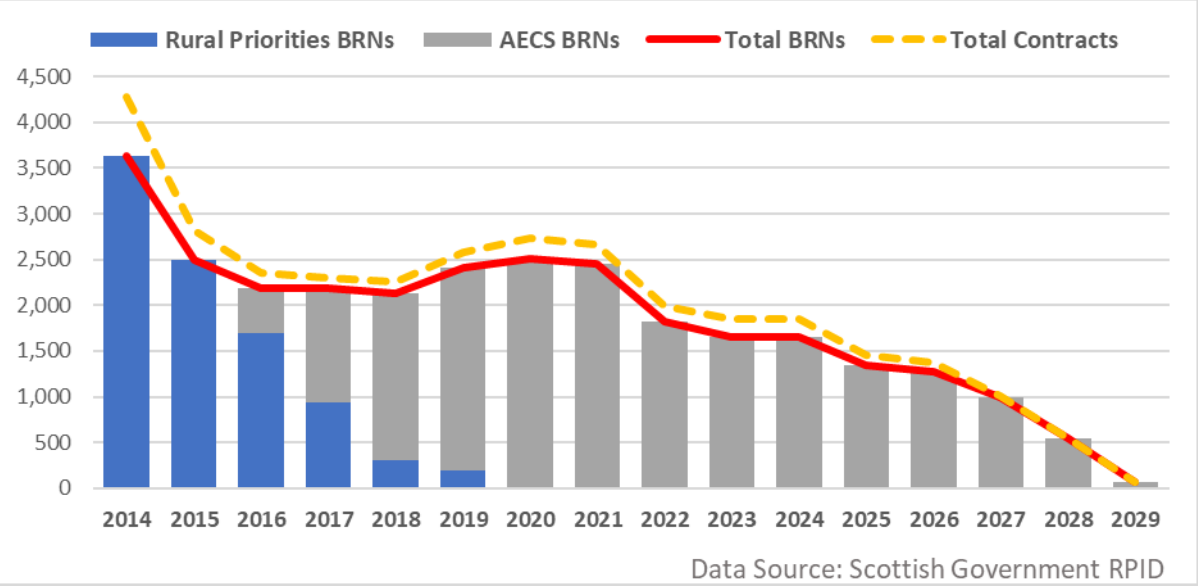
92. Figure 7 shows the longer-term trend of business engagement in agri-environment schemes across Scotland (noting the data from 2023 to 2029 reflects multiyear contracts that are due to finish in the next 5-years). The change from Rural Priorities to AECS demonstrates the phasing in / out that is required when introducing new schemes. The number of contracts being higher than the number of BRNs engaged reflects that some businesses have more than one agri-environment contract running concurrently. With new Tier 3 schemes not anticipated until post 2026, it will become important to retain existing engagement with these schemes at current levels at a minimum – failure to do so will risk delivery of climate and nature objectives nationally and locally, particularly as transitioning to new schemes will take a number of years to complete.

[45] Domestic farm support funding (Bew Review): reviewing distribution across the UK from 2020 to the end of the parliament - GOV.UK (www.gov.uk)

Table 15 Number of businesses (BRNs) in receipt of agricultural support by future Tiers, selected years 2014-2019 by Island grouping

BRNs	2014	2019	2020	2021	2022	2014-22	% Scotland 2022
Orkney	**780**	**690**	**680**	**670**	**665**	**-15%**	**3.6%**
Tier 1&2	751	667	661	654	657	**-13%**	**3.7%**
Convergence	-	672	660	-	-	**-**	**-**
Tier 3	244	228	254	245	175	**-28%**	**6.1%**
Outer Hebrides	**1,893**	**1,455**	**1,453**	**1,421**	**1,346**	**-29%**	**7.4%**
Tier 1&2	1,782	1,352	1,350	1,321	1,256	**-30%**	**7.1%**
Convergence	-	1,361	1,353	-	-	**-**	**-**
Tier 3	417	266	301	304	277	-34%	9.6%
Shetland	**949**	**808**	**800**	**781**	**768**	**-20%**	**4.2%**
Tier 1&2	940	799	797	780	768	**-19%**	**4.3%**
Convergence	-	806	797	-	-	**-**	**-**
Tier 3	147	67	67	63	44	**-70%**	**1.5%**
Scotland	**20,731**	**18,448**	**18,419**	**18,337**	**18,290**	**-12%**	**-**
Tier 1&2	19,463	17,846	17,873	17,903	17,798	**-9%**	**-**
Convergence	-	17,930	17,731	-	-	**-**	**-**
Tier 3	5,451	2,777	3,186	3,229	2,891	**-47%**	**-**

Figure 7 Number of BRNs and number of contracts in agri-environment schemes[46]



93. Table 16 shows the values of support payments by predicted future Tiers over a number of years. It is worth noting that across Scotland in 2019 there were 21%

[46] Data pertains to Agri-environment Options only. As the opening of AECS was delayed until 2015, with the first Claim Year being 2016, RP contracts ending in 2014 were offered a 1 year extension in 2015. Due to post-Brexit funding uncertainties the 2020 AECS Round was not a full round, instead the 2015 Round AECS contracts ending in 2020 were offered a one year's management extension in 2021. Further to the one year 2021 extensions the 2021 round was a restricted and more targeted round. Pers Comm RPID (February 2024)

lower payments (c.£13.5m) in LFASS support compared to 2022 with a 53% reduction (c.£34m) in 2020 as Scotland was forced to comply with EU requirements to phase out historic LFA support.

94. Between, 2014 and 2022 while the support payment budget quantum for Scotland remained static at c.£553m, Tiers 1 & 2 saw a 9% increase in budget from c.£484m to c.£527m whilst Tier 3 saw a 64% decline from c.£70m to c.£25m. Changes in Orkney followed a similar pattern to the national level (static budget, Tiers 1 & 2 increase of 14% and Tier 3 decline of 63%. Reflecting the move from historically based SFPS in 2014 to the Basic Payment Scheme, Greening and sheep and beef coupled support, in the Outer Hebrides the total payments made to the islands increased by 19%, with 47% increase in Tiers 1 & 2 payments (from c.£4.7m to £7m). In the Outer Hebrides Tier 3 support fell by 46% to c.£1.1m. Again, reflecting uplifts arising from the move to BPS, Greening, SUSSS, and SSBSSI, over the period Shetland saw a 33% increase in the agricultural support attracted to the area, with 47% increase in Tiers 1 and 2 support (from c.£4.7m to c.£7m), but a 70% decline in Tier 3 support to c.£300k.

Table 16 Total agricultural support payments by future Tiers, selected years 2014-2019 by Island grouping

Payments	2014	2019	2020	2021	2022	2014-22	% Scotland
Orkney	**£20.9m**	**£23.2m**	**£22.5m**	**£21.6m**	**£20.9m**	**0%**	**3.8%**
Tier 1&2	£17.2m	£18.4m	£17.1m	£19.6m	£19.6m	14%	3.7%
Convergence	-	£2.9m	£3.3m	-	-	-	-
Tier 3	£3.7m	£1.9m	£2.1m	£2.1m	£1.4m	-63%	5.5%
Outer Hebrides	**£6.8m**	**£9.8m**	**£9.6m**	**£8.4m**	**£8.1m**	**19%**	**1.5%**
Tier 1&2	£4.7m	£6.6m	£6.2m	£7.1m	£7.0m	47%	1.3%
Convergence	-	£2.0m	£2.1m	-	-	-	-
Tier 3	£2.1m	£1.2m	£1.3m	£1.3m	£1.1m	-46%	4.4%
Shetland	**£7.3m**	**£11.9m**	**£11.5m**	**£10.0m**	**£9.7m**	**33%**	**1.7%**
Tier 1&2	£6.4m	£8.8m	£8.1m	£9.5m	£9.4m	47%	1.8%
Convergence	-	£2.6m	£2.8m	-	-	-	-
Tier 3	£0.9m	£0.5m	£0.5m	£0.5m	£0.3m	-70%	1.1%
Scotland	**£554.9m**	**£610.4m**	**£592.0m**	**£560.3m**	**£552.2m**	**0%**	**-**
Tier 1&2	£484.5m	£497.5m	£489.9m	£528.0m	£527.0m	9%	-
Convergence	-	£87.3m	£70.8m	-	-	-	-
Tier 3	£70.4m	£25.6m	£31.3m	£32.3m	£25.2m	-64%	-

95. Combining Table 15 and Table 16 it can be observed that in 2022:

- Orkney contained 3.7% of Scotland's businesses in receipt of Tiers 1 & 2, with 3.7% of the amounts received. Orkney had 6.1% of Tier 3 type support recipients and 5.5% of amounts spent on Tier 3 across Scotland.
- The Outer Hebrides had 7.1% of Scotland's businesses in receipt of Tiers 1 & 2, but only 1.3% of the amounts received. The Outer Hebrides had 9.6% of

Scotland's Tier 3 type support recipients and 4.4% of amounts spent on Tier 3 across Scotland.

- Shetland had 4.3% of Scotland's businesses in receipt of Tiers 1 & 2, but only 1.8% of the amounts received. Shetland had 1.5% of Scotland's Tier 3 type support recipients and 1.1% of amounts spent on T3 across Scotland.

96. The difference between the proportion of total Scottish businesses and total support spend (particularly Tiers 1 & 2) that is observed in the Outer Hebrides and Shetland are a reflection of poorer land quality and business structure, in particular small-scale (part-time) crofting forms of land management. The declines in the number of businesses actively involved in these marginal areas can put wider socio-economic objectives (communities, economy, services) at risk if these trends continue unabated.

97. Changes in the number of businesses and the amount of support received at sub-island level are detailed in Table 65 and Table 66 provided in Annex 3 Support payments. This data reveals variance in how changes in agricultural support have affected sub-regions as summarised in Table 17 for BRNs and Table 18 for monetary sums. The data reveals differences in change within island groupings, for example only lower levels of change in active BRNs in North Uist (-13%) and South Uist and Barra (-19%) compared to Harris (-40%) and Lewis South (-37%). Across all these sub-regions there were fewer BRNs claiming support in 2022, meaning less families appear reliant on agricultural activity to any extent that they would claim support payments. For example, there fewer BRNs claiming support, in West Mainland – Orkney over the period, with 181 fewer Lewis – North and 68 fewer in South & Central – Shetland.

Table 17 Change in the number of BRNs in receipt of agricultural support by sub island region (2014 and 2022)

Region	2014	2022	2014-2022
Orkney			
East Mainland, Burray and South Ronaldsay	220	189	-14.1%
Inner Northern Isles	72	61	-15.3%
Outer Northern Isles	140	121	-13.6%
South Isles	39	33	-15.4%
West Mainland	309	261	-15.5%
Outer Hebrides			
Harris	212	126	-40.6%
Lewis - North	547	366	-33.1%
Lewis - South	436	275	-36.9%
North Uist	210	182	-13.3%
South Uist & Barra	488	397	-18.6%
Shetland			
North East Isles	81	66	-18.5%
Northeast Mainland	182	146	-19.8%
Northmavine & Yell	198	169	-14.6%
South & Central	279	211	-24.4%
West & Central	209	171	-18.2%

98. Despite the lower number of BRNs receiving support across all areas, only West Mainland – Orkney was receiving less agricultural support in 2022 compared to 2014 (a fall of £0.9m or 9.4%) that likely reflects a legacy of high SFPS and coupled support payments in previous decades based on high suckler cattle densities. The move to the BPS and greening regional model, alongside universal (and higher) coupled support payments[47] introduced in 2015 (most notably the SSBSS islands uplift) meant most regions in the islands benefited from uplifts as the CAP was 'regionalised'.

99. Table 18 reveals how, in general terms, Orkney's regions did not benefit to the same extent in proportionate terms to Shetland and the Outer Hebrides. There was a c.£400k uplift to each of: North Uist – Outer Hebrides (+25.8%); South Uist & Barra – Outer Hebrides (+21.5%); and North East Isles – Shetland (+46.7%). Shetland also had uplifts of c.£600k in Northeast Mainland (+42.6%) and South & Central (+£32.3%) and an uplift of c.£200k in Northmavine & Yell (51.8%). South Isles in Orkney so uplift of c.£350k (53.5%) whilst West Mainland suffered a decline in support of £0.9m (-9.4%).

[47] The scheme that ran from 2005-2014 had a higher rate of payment for the first 10 calves claimed. For example in 2005 the payment rate was £79.32 for the first 10 calves and 39.66 thereafter - see https://www.gov.scot/publications/lfa-hill-cattle-study-extension-2005/pages/3/

Table 18 Changes in total support at sub-island regions 2014-2022

Region	2014	2022	2014-2022
Orkney			
East Mainland, Burray and South Ronaldsay	£4.9m	£5.1m	3.1%
Outer Northern Isles	£4.0m	£4.2m	5.3%
Inner Northern Isles	£1.9m	£2.1m	12.6%
South Isles	£0.7m	£1.0m	53.5%
West Mainland	£9.4m	£8.5m	-9.4%
Outer Hebrides			
Harris	£1.0m	£1.0m	1.7%
Lewis - North	£1.1m	£1.4m	26.8%
Lewis - South	£1.1m	£1.3m	19.8%
North Uist	£1.6m	£2.0m	25.8%
South Uist & Barra	£2.0m	£2.4m	21.5%
Shetland			
North East Isles	£0.7m	£1.1m	46.7%
Northeast Mainland	£1.5m	£2.1m	42.6%
Northmavine & Yell	£1.4m	£2.1m	51.8%
South & Central	£2.1m	£2.7m	32.3%
West & Central	£1.6m	£1.9m	15.9%

100. Combining findings of higher payments and lower number of BRN recipients as shown in Table 17 and Table 18 demonstrates that despite higher support payments flowing into these areas in nominal terms, it has not been adequate to maintain supported agricultural activity in many crofts and farm households.

5.4.1 Historic and current agricultural support schemes

101. Table 19 to Table 21 illustrates the number of business and the amounts received at island grouping level for individual agricultural support schemes in 2014 and 2022. What is noticeable is the general decline in supported businesses (-115 in Orkney, -45 in Shetland and -547 in Outer Hebrides), is the change to coupled support payments from 2014 (SBCS) to 2022 (SSBSS and SUSS).

102. Moreover, the LFASS support fell in all areas, as did the number of BRNs claiming support. Where there is a lower proportion of BRNs claiming direct area-based support (SFPS in 2014 and BPS and Greening in 2022) or LFASS there may be some impact from Common Grazings / Sheep Stock Clubs / Environmental NGOs only claiming agri-environmental support. Despite these effects, c.25% of BRNS in Orkney and the Outer Hebrides did not claim LFASS in either 2014 or 2022. In Shetland, despite there being fewer BRNS in 2022, those claiming LFASS fell from practically 100% in 2014 to 83% in 2022. This means that potential support

through LFASS is not being drawn into the islands – with knock on effects for upstream and downstream industries and the resilience of communities and economies.

103. It is also noticeable that the numbers of BRNs engaging in agri-environment climate schemes (RPR in 2014 and AECS in 2022) has fallen considerably in the period – which is a challenge going forward if monies are directed at competitive agri-environment schemes. Anecdotal evidence collected during our industry engagement revealed that many people had opted not to renew AECS contracts due to higher real term costs than income, being 'too difficult' (especially for smaller businesses), and the perceived up-front costs of engaging professionals to complete an application that has no guarantee of success.

Table 19: BRN count and support amounts by different payment schemes in 2014 and 2022, Orkney.

	2014		2014	
	£ receipts	**% Orkney**	**BRNs**	**% Orkney BRNs**
Orkney	**£20,875.0k**		**780**	
SFPS	£10,983.1k	52.6%	714	91.5%
FDRI	£365.1k	1.7%	600	76.9%
SBCS	£1,303.7k	6.2%	451	57.8%
LFASS	£4,144.7k	19.9%	600	76.9%
HABITATS	£52.3k	0.3%	26	3.3%
LMO	£371.2k	1.8%	240	30.8%
RPR	£3,652.6k	17.5%	305	39.1%
Other	£2.3k	0.0%	10	1.3%
	2022		**2022**	
	£ receipts	**% Orkney**	**BRNs**	**% Orkney BRNs**
Orkney	**£20,835.7k**		**665**	
BPS	£7,829.9k	37.6%	660	99.2%
GREENING	£3,976.6k	19.1%	660	99.2%
SSBSSI	£3,554.5k	17.1%	393	59.1%
SUSSS	£60.9k	0.3%	6	0.9%
YFP	£43.0k	0.2%	30	4.5%
LFASS	£3,994.9k	19.2%	508	76.4%
AECS	£1,372.9k	6.6%	195	29.3%
Other	£2.7k	0.0%	5	0.8%

Table 20 BRN count and support amounts by different payment schemes in 2014 and 2022, Outer Hebrides

	2014		2014	
	£ receipts	% Outer Hebrides	BRNs	% Outer Hebrides BRNs
Outer Hebrides	**£6,811.0k**		**1,893**	
SFPS	£2,252.2k	33.1%	1,619	85.5%
FDRI	£35.7k	0.5%	406	21.4%
SBCS	£203.7k	3.0%	300	15.8%
LFASS	£1,819.5k	26.7%	1,420	75.0%
LMO	£432.4k	6.3%	312	16.5%
RPR	£2,054.6k	30.2%	428	22.6%
Other	£13.0k	0.2%	19	1.0%
	2022		2022	
	£ receipts	% Outer Hebrides	BRNs	% Outer Hebrides BRNs
Outer Hebrides	**£8,067.6k**		**1,346**	
BPS	£3,080.8k	38.2%	1,264	93.9%
GREENING	£1,482.8k	18.4%	1,267	94.1%
SSBSSI	£308.4k	3.8%	269	20.0%
SUSSS	£402.5k	5.0%	347	25.8%
YFP	£20.7k	0.3%	56	4.2%
LFASS	£1,691.3k	21.0%	1,006	74.7%
FGS	£14.4k	0.2%	20	1.5%
AECS	£1,054.4k	13.1%	244	18.1%
CAGS	£12.4k	0.2%	18	1.3%

Table 21 BRN count and support amounts by different payment schemes in 2014 and 2022, Shetland

	2014		2014	
	£ receipts	% Shetland	BRNs	% Shetland BRNs
Shetland	**£7,290.0k**		**808**	
SFPS	£3,489.5k	47.9%	912	112.9%
FDRI	£84.1k	1.2%	467	57.8%
SBCS	£120.3k	1.6%	121	15.0%
LFASS	£2,508.3k	34.4%	807	99.9%
LMO	£208.3k	2.9%	113	14.0%
RPR	£878.0k	12.0%	155	19.2%
Other	£1.6k	0.0%	10	1.2%
	2022		2022	
	£ receipts	% Shetland	BRNs	% Shetland BRNs
Shetland	**£9,664.8k**		**763**	
BPS	£4,527.8k	46.8%	763	100.0%
GREENING	£2,120.7k	21.9%	763	100.0%
SSBSSI	£227.2k	2.4%	98	12.8%
SUSSS	£181.5k	1.9%	54	7.1%
YFP	£32.9k	0.3%	48	6.3%
LFASS	£2,309.3k	23.9%	635	83.2%
AECS	£263.1k	2.7%	41	5.4%
Other	£2.3k	0.0%	3	0.4%

5.5 Support payment distributions in Island groups and rest of Scotland

104. To show the distributions of payment amounts received by BRNs across the various support schemes Table 22 provides a breakdown of amounts received by percentiles and also for the mean (average). The percentiles show the scale of the payment for an individual BRN when listed from smallest to largest. For example, the 50th percentile reflects the median, where half the businesses receive amounts greater than the reported figure, and half receiving amounts below the reported figure. Equally for the 99th percentile, 1% of the BRNS receive more than the reported amount and 98.99% receive less. From the data it can be observed that:

- For AECS, the average payment across the islands is lower than for the rest of Scotland. However, smaller claims (5th percentile) on the islands are higher than rest of Scotland. The median payment (50th percentile) is slightly lower than the rest of Scotland (£5.8k) in Orkney (£5.4k) and Shetland (£5k) but much lower in the Outer Hebrides (£3.2k). For the largest AECS payments 1% of recipients on Orkney receive more than £46k, compared to £40k in the rest of Scotland and only £24k in Shetland and £20k in the Outer Hebrides. AECS schemes come with application costs and more specific contractual requirements to deliver public goods, but for some recipients there is limited income foregone as they are being compensated for historically reduced livestock grazing pressures – something that appears a legacy payment.
- For BPS, 5% of Orkney recipients received less than £724, compared to £567 in the Rest of Scotland, and £269 in both Shetland and the Outer Hebrides in 2022. Indeed, in the Outer Hebrides 25% of BRNs received less than £731 in 2022 compared to £1,079 in Shetland, £2,972 in the Rest of Scotland and £3,010 in Orkney. The median (50th percentile) payment rate for the Rest of Scotland was £10.1k compared to £7.8k in Orkney, £2.8k in Shetland and £1.3k in the Outer Hebrides. One percent of the largest recipients in the Outer Hebrides received over £17.6k in 2022, considerably lower than in Shetland (£43.3k) and Orkney (£62k), but particularly when compared to the rest of Scotland (£110.4k). The data reiterates how important BPS is to larger farms and crofts and how disruption to these schemes is likely to have greater absolute financial impact on larger recipients – although smaller recipients may be at risk of withdrawal from the support structures.
- Greening payments follow a similar pattern to the BPS support with, for example median payments of only £645 in the Outer Hebrides and £1.3k in Shetland and £8.3k in Orkney and £11.6k in the Rest of Scotland. It should be noted that these 'greening' payments currently come with no real conditionality in the island groups as only businesses with larger amounts of arable land have Ecological Focus Area requirements. Future conditional Tier

2 schemes should introduce greater environmental requirements for grazing farms.

- For LFASS half of recipients in the Outer Hebrides received less than £705, compared to £1.5k in Shetland, £2.5k in the Rest of Scotland and £5.4k in Orkney. 5% of recipients in Orkney received more than £26.7k, compared to £24.9k in the Rest of Scotland, £13.6k in Shetland and £6.5k in the Outer Hebrides.
- Reflecting small average beef herd sizes, the SSBSS median payment was only £722 in the Outer Hebrides and £1,445 in Shetland compared to £2.2k in the other Scottish Islands, £8.5k in the mainland and £12.9k in Orkney. At the upper end of payments 5% of recipients in Orkney received over £25k in Orkney, £20k in the mainland, £14k on the other Scottish islands, and £8k in Shetland and £4k in the Outer Hebrides. This reflects the herd structures and highlights the relative importance of SSBSS to businesses in the different island groups, and therefore risks if the scheme is dropped, or reduced in the future policy mix.
- For SUSSS the percentile figures for the 6 Orkney recipients in 2022 have been redacted for disclosure requirements. Reflecting small average flocks, in the Outer Hebrides half of the SUSSS recipients received less than £735 compared to £1,776 in Shetland and £4,318 in the Rest of Scotland. Even the largest 1% of recipients in the Outer Hebrides only received £5.9k compared to £38.9k in Shetland and £51.8k in the Rest of Scotland. The SUSSS is a legacy of extremely low BPS R3 payment rates. As crofters and farmers will be expected to do the same type of environmental conditionality on rough grazing in the future it is imperative that their R2 and R3 are combined. Should R2 and R3 be merged into a single region there is rationale to maintain a SUSSS for all predominately rough grazing areas to maintain activity levels by active farmers and crofter (noting continued decline in sheep numbers on business and holdings not in receipt of support).
- Young Farmer Payments are linked to BPS as they are paid as an uplift in the first 90 hectares (similar to a redistribute / front loading payment). It is worth noting that in 2022 the Outer Hebrides accounted for 9% of Scotland's YFP, with Shetland (8%) and Orkney (5%) meaning the three Island groups accounted for 22% of Scotland YFP uplifts. However, the uplifts received were generally very small with 75% of recipients receiving less than £412 in the Outer Hebrides, £1,048 in Shetland, £2,170 in the Rest of Scotland and £2,277 in Orkney. The uplift is 25% of the 'of the average value of payment entitlements held' meaning those in R3 are at a distinct disadvantage over R2 and R1 (no uplift is paid on SUSSS that is supposed to help normalise R3 and R2 for active farmers and crofters. A flat rate uplift payment rate would likely be more

equitable and support the costs of doing business (e.g. time gathering sheep off hills / common grazings) in R3 and R2.

105. Amongst the evidence received by the Rural Affairs and Island Committee's Stage 1 scrutiny of the Agriculture and Rural Communities(Scotland) Bill there were calls from a number of stakeholders and MSPs[48] for a more equitable distribution of support, including to Market Gardeners. The data in Table 22 shows that in many areas payments are indeed lower on average. These payments reflect the scale of production and the level of agricultural activity (in beef and R3 sheep and to an extent in LFASS through scale-back rules).

106. It should be remembered that future schemes aim to reduce GHG emissions from agriculture and land use, restore nature, support sustainable food production and to support rural communities. This means that those receiving higher levels of support will now be expected to shoulder the burden of change – delivering against these objectives. For smaller recipients there are very strong 'equity' arguments for future support to include (i) a 'lite' scheme that reduces administrative burdens and compliance costs for smaller recipients and (ii) a redistributive payment that provides small and medium sized producers higher payment rates to better account for their higher relative compliance costs.

107. In terms of market gardens, these have never been included in the definition of 'agriculture' and there is potential for significant administrative burden for Scottish Government and recipients should the 3ha minimum size be reduced – there is also a question of at what scale would market gardens stop, and for example allotments begin. To specifically deal with local food producers (market gardeners or otherwise) that are commercially supplying local food chains, there may be scope for specific support through Tier 3 or through future CLLD support.

[48] Meeting of the Parliament: 27/03/2024 | Scottish Parliament Website

Table 22 Distribution of scheme payments by amounts, by Island grouping and rest of Scotland, 2022

Scheme	Region	BRN Recipients	Percentile								Mean
			5th	10th	25th	50th	75th	90th	95th	99th	
AECS	Orkney	195	£1,035	£1,576	£2,933	£5,453	£8,800	£13,836	£18,231	£46,082	£7,061
	Outer Hebrides	244	£833	£1,030	£1,842	£3,151	£5,196	£9,211	£12,799	£19,789	£4,357
	Shetland	41	£1,012	£1,286	£2,970	£5,084	£9,113	£11,975	£15,674	£24,299	£6,417
	Rest of Scotland	**1,607**	**£473**	**£1,147**	**£2,779**	**£5,842**	**£10,638**	**£17,293**	**£23,002**	**£40,611**	**£8,105**
BPS	Orkney	660	£724	£1,171	£3,010	£7,861	£16,190	£27,763	£39,949	£61,974	£11,864
	Outer Hebrides	1,264	£269	£393	£731	£1,349	£2,687	£5,168	£8,561	£17,679	£2,443
	Shetland	768	£299	£519	£1,079	£2,760	£6,623	£15,547	£22,675	£43,260	£5,895
	Rest of Scotland	**15,038**	**£567**	**£968**	**£2,972**	**£10,103**	**£23,043**	**£41,644**	**£57,893**	**£110,397**	**£17,490**
Greening	Orkney	660	£370	£603	£1,543	£3,981	£8,322	£13,971	£20,010	£29,454	£6,025
	Outer Hebrides	1,267	£121	£178	£341	£645	£1,305	£2,483	£4,015	£8,266	£1,172
	Shetland	768	£137	£240	£505	£1,323	£3,119	£7,203	£10,572	£20,243	£2,760
	Rest of Scotland	**15,077**	**£287**	**£484**	**£1,488**	**£5,103**	**£11,597**	**£20,917**	**£28,974**	**£55,150**	**£8,779**
LFASS	Orkney	508	£385	£549	£1,884	£5,365	£10,216	£18,181	£26,738	£43,333	£7,863
	Outer Hebrides	1,006	£385	£385	£385	£705	£1,543	£3,766	£6,560	£15,208	£1,681
	Shetland	635	£385	£385	£555	£1,488	£3,859	£9,694	£13,623	£28,241	£3,637
	Rest of Scotland	**8,626**	**£385**	**£385**	**£678**	**£2,501**	**£7,337**	**£16,279**	**£24,855**	**£55,597**	**£6,517**
SSBSS	Orkney	393	£867	£1,300	£3,034	£7,080	£12,859	£19,360	£25,429	£35,542	£9,045
	Outer Hebrides	269	£144	£289	£433	£722	£1,300	£2,601	£4,045	£6,213	£1,146
	Shetland	98	£289	£289	£722	£1,445	£3,323	£5,635	£8,091	£11,269	£2,319
	Other Islands	**439**	**£289**	**£433**	**£867**	**£2,167**	**£5,057**	**£9,680**	**£14,304**	**£26,873**	**£4,127**
	Mainland	**5,270**	**£406**	**£710**	**£1,623**	**£4,158**	**£8,418**	**£14,503**	**£19,980**	**£37,932**	**£6,461**
SUSSS	Orkney	6	-	-	-	-	-	-	-	-	£10,157
	Outer Hebrides	347	£184	£245	£429	£735	£1,348	£2,328	£3,675	£5,880	£1,160
	Shetland	54	£306	£551	£796	£1,776	£3,491	£5,084	£13,659	£38,894	£3,361
	Rest of Scotland	**708**	**£306**	**£490**	**£1,194**	**£4,318**	**£13,039**	**£22,357**	**£30,993**	**£51,818**	**£9,011**
YFP	Orkney	30	£194	£244	£620	£1,340	£2,277	£3,138	£3,281	£3,311	£1,496
	Outer Hebrides	56	£54	£84	£146	£278	£412	£776	£1,100	£2,051	£369
	Shetland	48	£132	£154	£244	£544	£1,048	£1,399	£1,581	£2,210	£685
	Rest of Scotland	**472**	**£100**	**£135**	**£279**	**£861**	**£2,170**	**£3,287**	**£3,313**	**£3,313**	**£1,280**

6 Trends in Agriculture

108. Data has been extracted from both the June Agricultural Census (JAC) and the IACS to demonstrate trends in agricultural activity across the Islands. It should be noted that the JAC is self-reporting and has variable levels of completion, although SAF form submissions are used to complete cropping data and the Cattle Tracing System (CTS) is used to complete cattle data (available from 2006). IACS data is reported by farmers in the SAF, and a proportion are verified during inspections. For agricultural holdings that do not claim agricultural support (SAF submission) there may be data quality issues.

6.1 June Agricultural Census

6.1.1 Occupiers and Spouses on agricultural holdings

109. Table 23 shows the number of full-time, part-time more than 50% of their time (>50%) and part-time less than 50% of their time (<50%) occupiers and spouses in 2000, 2010 and 2021. Across the Rest of Scotland there was an 18% reduction in full time occupiers and spouses between 2000 and 2021 (a loss of 2,483) with a 2% decline in part-time >50% and 4% decline in part-time <50%. In Orkney and Shetland there was greater decline in the number of occupiers and spouses engaged in agriculture over the period whilst in the Outer Hebrides there has been some interesting reversal of longer-term trends in recent years (see Figure 8).

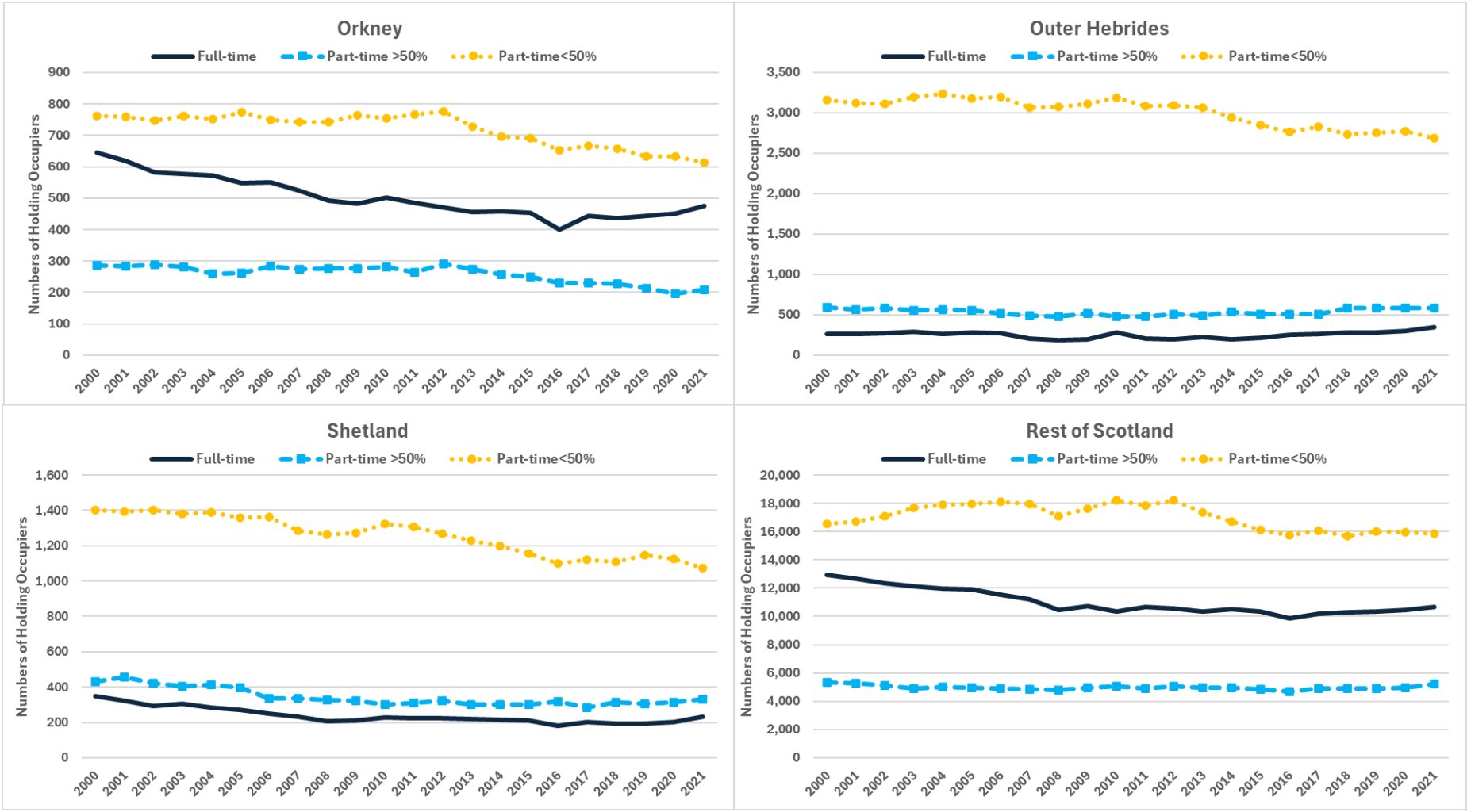
110. There was 27% decline in full time occupiers and spouses in Orkney between 2000 and 2021, with 33% decline in Shetland and 31% increase in the Outer Hebrides. It is worth noting most of the declines in full-time activity occurred in the 2000s as adjustments to activity took place - driven by decoupling of agricultural support coupled with poor agricultural output prices. There was a 27% decline in part time occupiers and spouses spending more than 50% of their time on the holding in Orkney, with 23% decline in Shetland and only 2% decline in the Outer Hebrides. For part-time occupiers and spouses spending less than 50% of their time on a holding there was 19% decline in Orkney, 15% decline in the Outer Hebrides and 23% decline in Shetland.

Table 23 Number of full-time and part time occupiers and spouses on agricultural holdings, selected years

Region	Metric	2000	2010	2021	2000-2021
Orkney	Full-time	645	501	474	-27%
	Part-time >50%	287	280	209	-27%
	Part-time<50%	761	754	614	-19%
Outer Hebrides	Full-time	263	282	345	31%
	Part-time >50%	595	483	585	-2%
	Part-time<50%	3,160	3,189	2,692	-15%
Shetland	Full-time	347	230	232	-33%
	Part-time >50%	429	300	331	-23%
	Part-time<50%	1,401	1,323	1,075	-23%
Rest of Scotland	Full-time	12,950	10,341	10,671	-18%
	Part-time >50%	5,309	5,058	5,229	-2%
	Part-time<50%	16,567	18,210	15,851	-4%

Data: extracted from RESAS June Agricultural Census obtained through Scottish Government Data Sharing Agreement No 53 with SRUC

Figure 8 Trends in occupiers and spouses on agricultural holdings 2000-2021

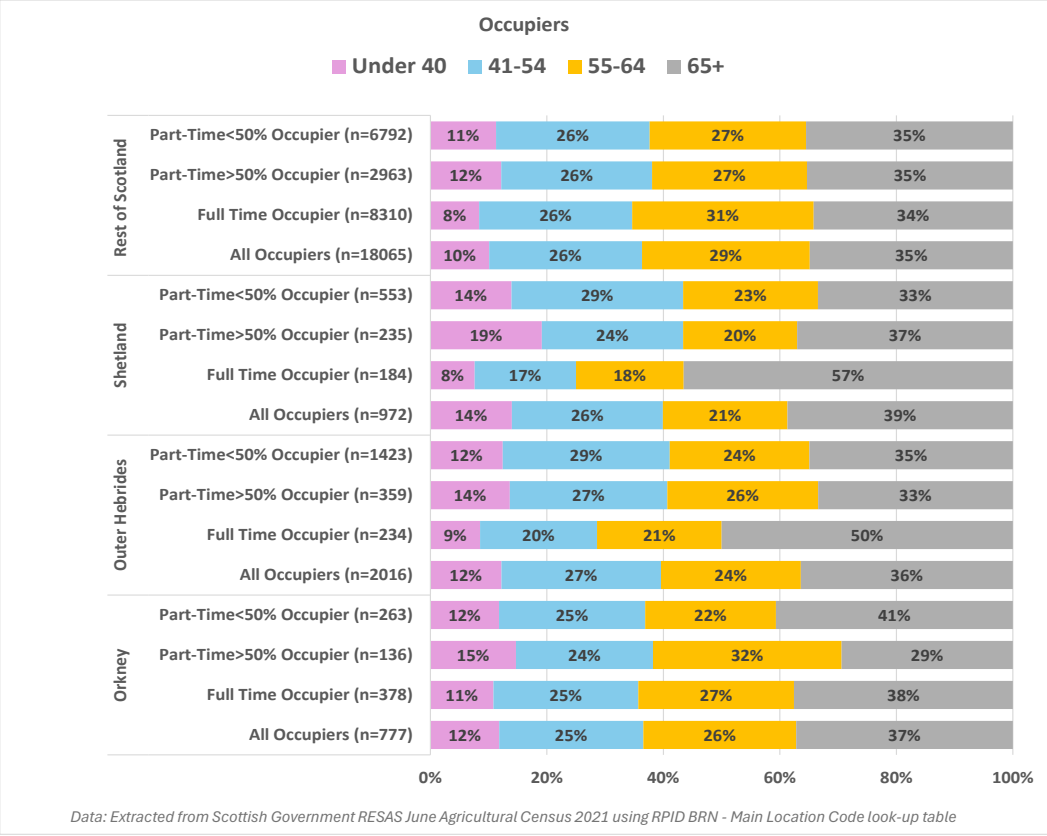


111. Figure 9 shows the age distribution of occupiers of BRNs. It is noticeable that the age profiles of full-time occupiers differ, with 57% of full time occupiers in Shetland were aged 65 and over in 2021, with 50% in the Outer Hebrides, only 38% in Orkney and 34% in the Rest of Scotland. Shetland (19%) had a higher proportion of under 40-year-olds running part time >50% businesses.

112. Within each of the island groupings there were differences in the age profiles of BRN occupiers. Figure 10 shows, for example that in the North East Isles – Shetland had only 5% of the occupiers under 40 - similarly to Outer Northern Isles – Orkney where only 9% were young. In contrast 19% of occupiers in Nothmavine & Yell - Shetland, 17% in North Uist – Outer Hebrides and 16% in South Isles – Orkney were younger, in the under 40 age grouping. The breakdown of ages at sub regional level for full and part time occupiers of BRNs is given in Figure 68 in Annex 4 Agricultural data.

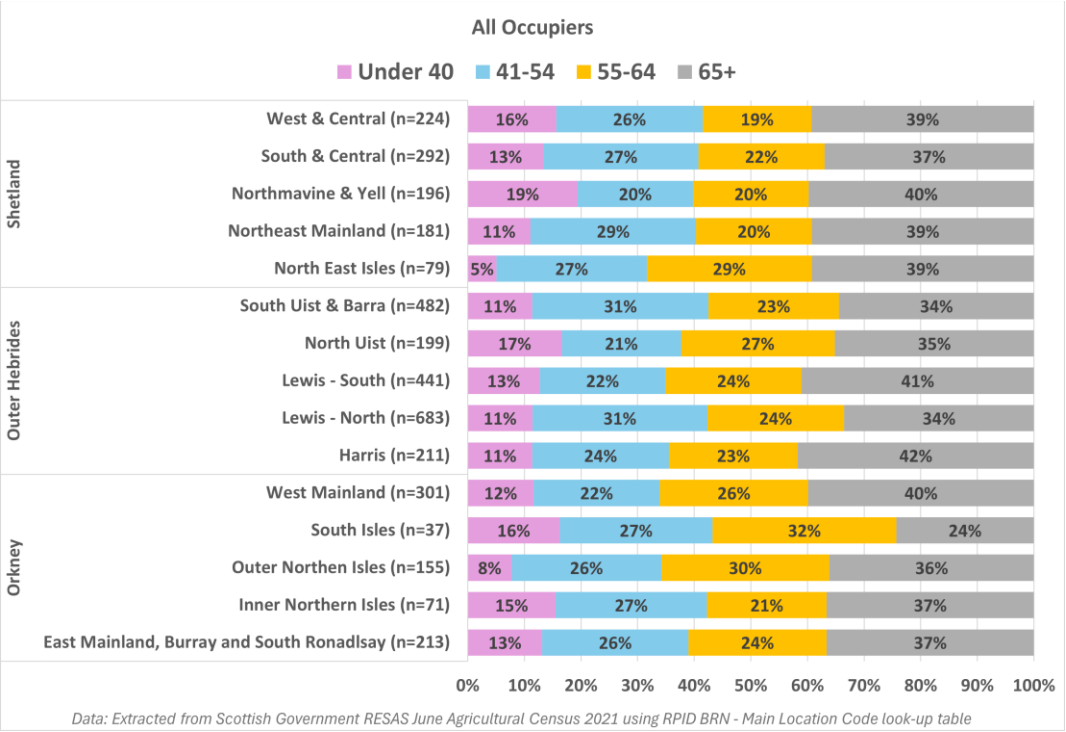
113. These age profiles matter as they have impacts on the long term service needs (e.g. schools, nursery care, health care, etc.) of communities and sectors, and may demonstrate where, for example, risks of abandonment by elderly farmers and crofters could be located should the future support system be overly complex or come with high entry level and compliance costs.

Figure 9 Age distribution of occupiers of BRNs 2021



Data: Extracted from Scottish Government RESAS June Agricultural Census 2021 using RPID BRN - Main Location Code look-up table

Figure 10 Occupiers of BRNs by age group and sub-island regions 2021



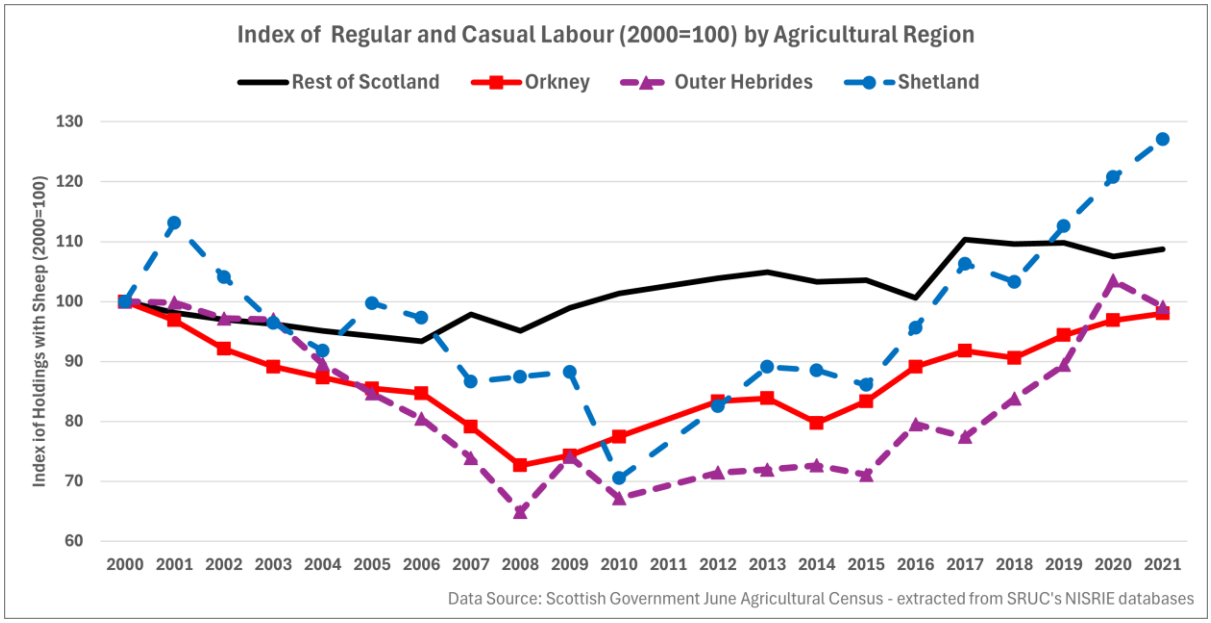
6.1.2 Workers

114. The absolute number of Full Time Employees (FTEs) engaged in agriculture remains opaque, rather the much-cited numbers refer to the headcount engaged in agriculture without accounting for part-time working or seasonal migrant labour. Whilst the RESAS calculation for Standard Labour Requirements (based on standardised labour factors per head of livestock or per hectare of land use) can provide alternative metrics, a new methodology was introduced in 2016 meaning that the long-term data trends are inconsistent. The JAC does also gather information on the labour force employed on agricultural holdings across Scotland, although non-completion (particularly by small holdings) means that some of the reported data is modelled estimates.

115. Nonetheless, Figure 11 shows the index (2000=100) of the regular and casual workforce employed on agricultural holdings. All three island groupings deviated from the trends across the Rest of Scotland during the time period. In each of the islands there was a reversal of the downward trend about 2008-2010, which coincided with the financial sector crash in 2008 and subsequent public sector squeeze. In Orkney, between 2000 and 2008 agricultural employees had declined by 27%, but fully recovered to 2000 headcount levels by 2021 (it is worth noting this figure does not disaggregate full and part-time/casual workers). A similar pattern occurred in the Outer Hebrides (33% decline between 2000-2010) followed by a period of recovery to 2000 levels in 2021. In Shetland, whilst the

decline in agricultural workers also occurred (29% decline between 2000 and 2010) it is noticeable how after 2015 the headcount of workers engaged in agriculture continued to grow rapidly, with 27% higher headcount in 2021 than in 2000. The timing of the upturn in 2015 coincides with the start of the 5-year transition away from SFPS to the BPS + Greening model (where Shetland received a significant uplift in agricultural support payments). These patterns are somewhat mirrored in the standard labour requirement data shown in Figure 69 in Annex 4 Agricultural data.

Figure 11 Index of number of total regular and casual labour use, 2000-2021



116. Table 24 provides the number of employed workers for selected years. In Orkney in 2000 it was estimated that there were 607 workers engaged in agricultural labour, falling to 441 in 2008 before bouncing back to 595 in 2021. In the Outer Hebrides 567 people were estimated to be employed in agriculture in some capacity in 2000, falling to 368 in 2008 before recovering to 562 in 2021. In Shetland the regular and casual agricultural workforce had fallen to 320 in 2008 from 366 in 2000 where it stabilised until 2015 (315) before increasing to 465 in 2021. In Orkney, the number of holdings recording regular and casual workers fell by 15% between 2000 and 2021 to 298 in 2021. In the Outer Hebrides there was an 8% decline in holdings recording agricultural workers whilst in Shetland there was an increase of 9% over the period, with an absolute increase of 58 holdings (33% increase) between 2015 and 2021.

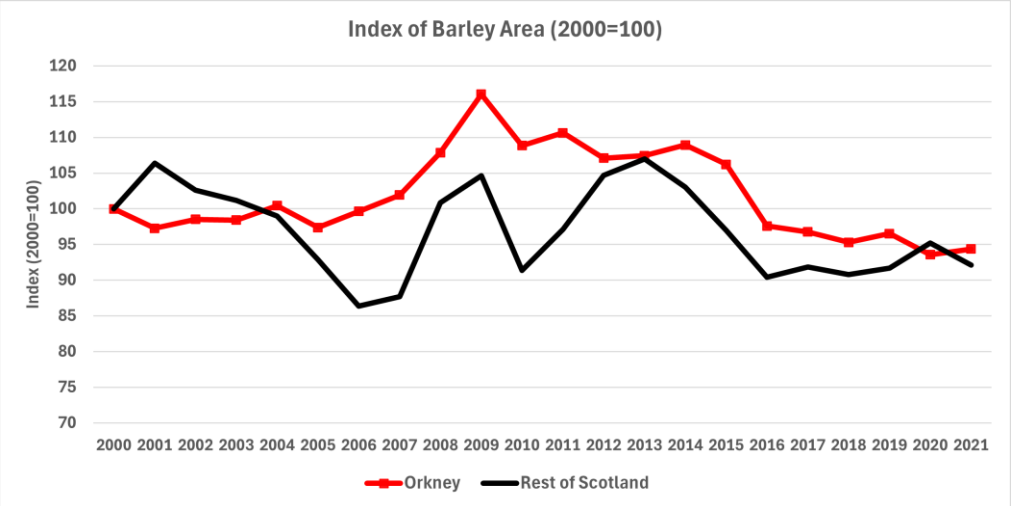
Table 24 Count of holdings with and headcounts of employed regular and casual workers on agricultural holdings, selected years 2000-2021

Metric	Region	2000	2008	2015	2021	2000-2021
Total Workers	Orkney	607	441	506	595	**-2%**
	Outer Hebrides	567	368	403	562	**-1%**
	Shetland	366	320	315	465	**27%**
	Rest of Scotland	25,268	24,039	26,165	27,479	**9%**
Holdings with workers	Orkney	350	257	286	298	**-15%**
	Outer Hebrides	323	230	237	297	**-8%**
	Shetland	214	193	176	234	**9%**
	Rest of Scotland	10820	8872	9175	9073	**-16%**

6.1.3 Crops

117. Small amounts of crops are grown in Shetland and the Outer Hebrides but in Orkney c.3.5k to 4.6k hectares of barley have been grown annually over the last 20 years. Figure 12 shows the index of barley area for Orkney and the Rest of Scotland; Orkney appears to have witnessed less seasonal fluctuations than the Rest of Scotland. Orkney saw the area of barley grow by 19% (747 Ha) between 2005 and 2009, but that area saw steady erosion (in particular, 2016) to be 5% lower in 2021 (c.3.8k Ha grown) than in 2000. Whilst the islands may have limited barley production they are nonetheless important for genetic conservation of bere barley varieties[49].

Figure 12 Index of barley area grown, Orkney and Rest of Scotland (2000-2021)



[49] See: https://pure.uhi.ac.uk/en/publications/back-to-the-future-using-ancient-bere-barley-landraces-for-a-sust and https://www.sasa.gov.uk/variety-testing/scottish-landraces/scottish-landrace-protection-scheme-slps/bere-barley and https://www.hutton.ac.uk/news/understanding-living-heritage-bere-barley-more-sustainable-future

118. Other than barley, oats has been a traditional arable crop grown for stock feed, but areas remain very small. Table 25 shows the total area of barley and oats grown in the three island groups for selected years. It is worth noting the increasing area of oats grown in the Outer Hebrides (after a period of apparent significant decline between 2009 and 2015[50]).

Table 25 Hectares of barley and oats grown in Selected years, 2000-21

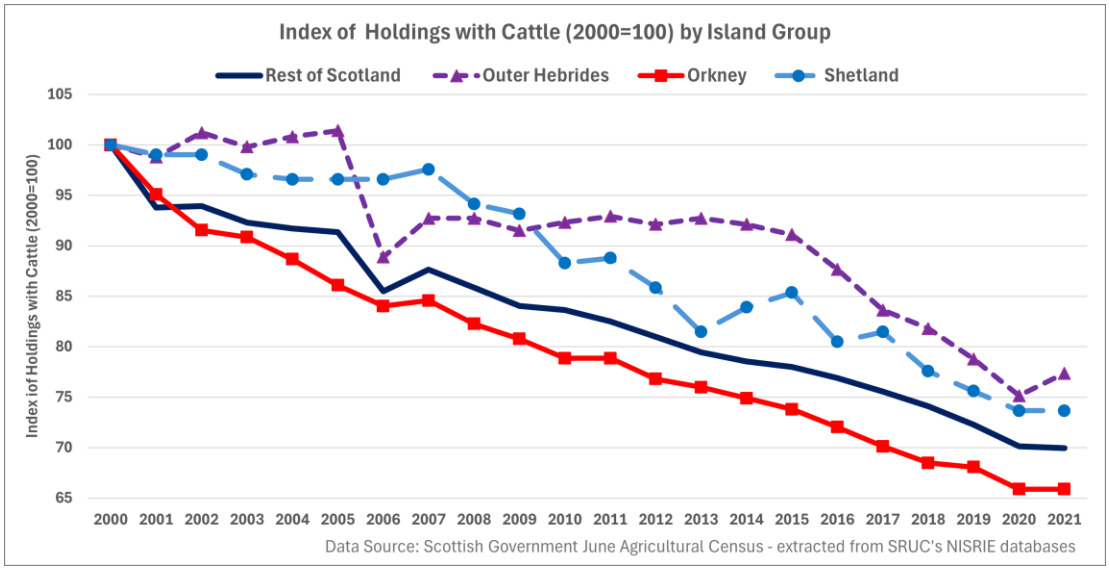
	Crop	2000	2008	2016	2021	2000-2021
Orkney	Barley	4,002	4,316	3,906	3,777	**-6%**
Outer Hebrides	Barley	25	44	10	7	**-72%**
	Oats	143	158	288	230	**60%**
Shetland	Barley	49	62	60	60	**23%**
Rest of Scotland	**Barley**	**312,915**	**315,511**	**282,954**	**288,323**	**-8%**
	Oats	**21,883**	**21,401**	**30,762**	**33,340**	**52%**

6.1.4 Cattle

119. The number of holdings carrying cattle has seen a long-term decline across Scotland, but also in each of the island groups. It should be noted that from 2000-2005 the data is self-reported through the JAC questionnaire, whereas from 2006 the data uses the Animal and Plant Health Agency's (APHA) Cattle Tracing System. Figure 13 shows the long-term trend in holdings with cattle (summarising data in Table 26) where the long term decline in the total number of holdings with cattle in Orkney followed a similar pattern to the Rest of Scotland, except the decline was larger (34% decline compared to 30%). After an initial period of change in 2005-2006 (that may reflect changes in data source, but also a reflection of the Fischler CAP reforms and the introduction of the SFPS in 2005) the number of holdings with cattle stabilised in the Outer Hebrides – possibly through encouragement of native breeds through agri-environment schemes. However, in the Outer Hebrides since 2015 and the introduction of the BPS and Greening there was steady decline in the number of holdings with cattle. In Shetland between 2000 and 2021 there was a 26% decline in the number of holdings with cattle - a relatively consistent decline.

[50] This is perhaps a data error.

Figure 13 Index of the total number of agricultural holdings carrying cattle, 2000-2021



120. In 2021 the JAC data suggested that there were c.77k cattle (cows, heifers, bulls, steers, calves) on 483 holdings in Orkney, c.5.9k cattle on 383 holdings in the Outer Hebrides and c.4.8k cattle on 151 Holdings in Shetland (see Table 26). Table 26 shows the total number of cattle also declined in all areas by 15-18% over the 2000 to 2021 period. For the Rest of Scotland, the impact of the 2001 Foot and Mouth Disease outbreak is apparent in Figure 14, with some recovery of cattle numbers up until 2007 before long continual decline. In both Orkney and Shetland, the decline in cattle numbers accelerated in post 2005 as headage payments were largely phased out being replaced by the SFPS. Whilst cattle numbers in Orkney recovered in 2010 and 2011 this was likely in reaction to increasing beef prices at the time. Whilst cattle numbers were holding up better in the Outer Hebrides there was a steep decline in 2019, perhaps as 5-year Rural Priorities Scheme contracts ended.

Figure 14 Index (2000=100) of the total number of cattle on agricultural holdings 2000-2021

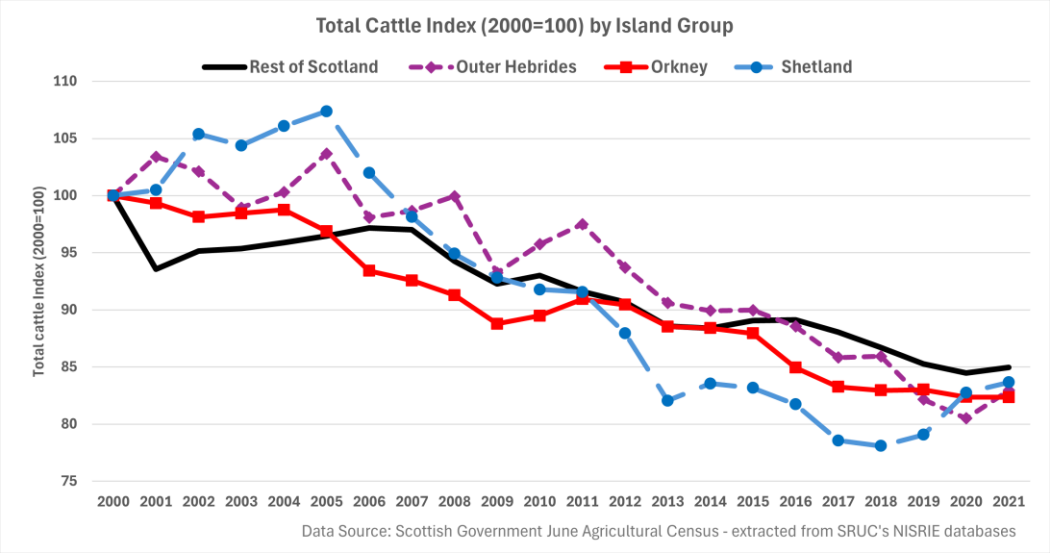


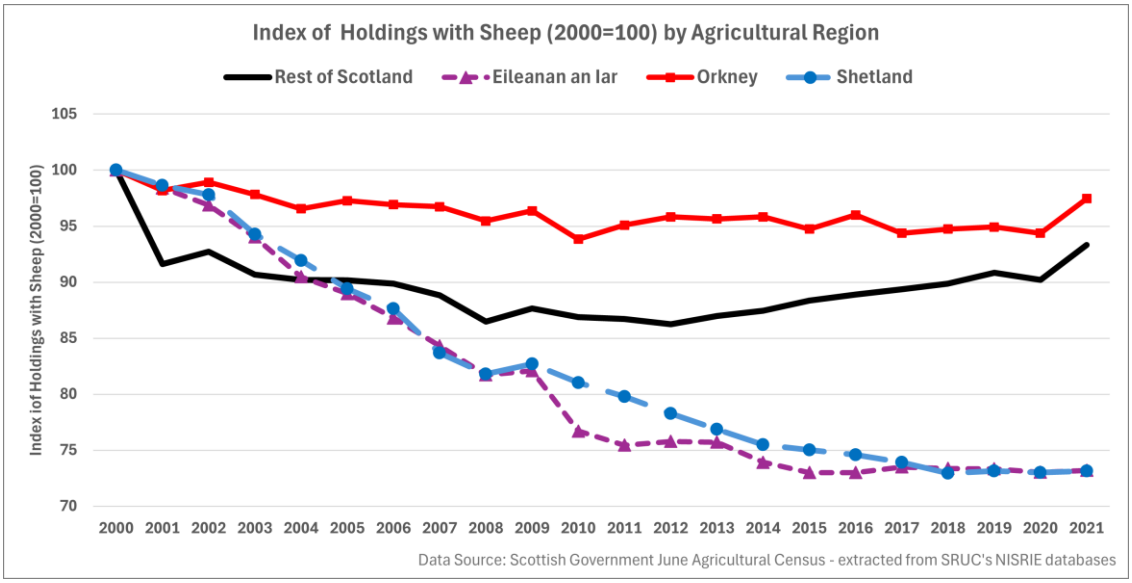
Table 26 Trends in the number of cattle and the number of holdings carrying cattle, 2000-2021

Year	Head of Cattle				Holdings with Cattle			
	Outer Hebrides	Orkney	Shetland	Rest of Scotland	Outer Hebrides	Orkney	Shetland	Rest of Scotland
2000	7.2k	93.6k	5.7k	1,922.9k	495	733	205	13.7k
2001	7.4k	93.0k	5.8k	1,799.2k	489	697	203	12.9k
2002	7.3k	91.8k	6.0k	1,829.5k	501	671	203	12.9k
2003	7.1k	92.1k	6.0k	1,833.7k	494	666	199	12.7k
2004	7.2k	92.4k	6.1k	1,844.0k	499	650	198	12.6k
2005	7.4k	90.7k	6.2k	1,854.6k	502	631	198	12.5k
2006	7.0k	87.4k	5.8k	1,868.7k	440	616	198	11.7k
2007	7.1k	86.6k	5.6k	1,865.8k	459	620	200	12.0k
2008	7.2k	85.4k	5.4k	1,812.5k	459	603	193	11.8k
2009	6.7k	83.1k	5.3k	1,774.2k	453	592	191	11.5k
2010	6.9k	83.7k	5.3k	1,788.4k	457	578	181	11.5k
2011	7.0k	85.1k	5.2k	1,761.6k	460	578	182	11.3k
2012	6.7k	84.6k	5.0k	1,743.8k	456	563	176	11.1k
2013	6.5k	82.9k	4.7k	1,703.3k	459	557	167	10.9k
2014	6.4k	82.7k	4.8k	1,699.4k	456	549	172	10.8k
2015	6.4k	82.3k	4.8k	1,712.5k	451	541	175	10.7k
2016	6.3k	79.5k	4.7k	1,713.7k	434	528	165	10.6k
2017	6.1k	77.9k	4.5k	1,693.1k	414	514	167	10.4k
2018	6.2k	77.6k	4.5k	1,667.1k	405	502	159	10.2k
2019	5.9k	77.7k	4.5k	1,639.6k	390	499	155	9.9k
2020	5.8k	77.1k	4.7k	1,624.7k	372	483	151	9.6k
2021	5.9k	77.1k	4.8k	1,633.6k	383	483	151	9.6k
2000-21	**-17%**	**-18%**	**-16%**	**-15%**	**-23%**	**-34%**	**-26%**	**-30%**

6.1.5 Sheep

121. In contrast to long term trends in Orkney and the Rest of Scotland, Figure 15 (with data shown in Table 27) shows there was long term decline in the number of holdings carrying sheep in both Shetland and the Outer Hebrides. Across the Rest of Scotland, after a period of decline in holdings with sheep, from 2013 there has been increasing number (from a low of c.10.7k in 2012 to 11.6k in 2021). In Orkney, after some slow steady decline in sheep holdings to 2010 – there was a period of long-term stability before an increase in 2021 when there were 537 holdings with sheep. In both Shetland and the Outer Hebrides there was 27% decline in the number of holdings with sheep between 2000 and 2021. In the Outer Hebrides there were 2,207 holdings with sheep in 2021 (a decline of 808) whereas in Shetland in 2021 there were 1,125 holdings with sheep (a decline of 413). In both Shetland and the Outer Hebrides, the long term decline stabilised and flattened out.

Figure 15 Index (2000=100) of the number of agricultural holdings carrying sheep, 2000-2021



122. Whilst the number of holdings with sheep is important as it acts as a useful sign of agricultural activity, changes in the number of animals also tells its own story. In Figure 16 and Table 27 it is apparent that the Outer Hebrides has seen a different pattern to sheep production in the last 20 years than Orkney and Shetland and, indeed, the Rest of Scotland. Thomson (2011)[51] described how these declines started in the 1990s as a result of scrapie control programmes, poor market prices, exchange rates affecting support payments, changing CAP rules regarding

[51] Thomson (2011) response from the Hills: Business as Usual or a Turning Point? Response from the hills: Business as usual or a turning point? (figshare.com)

'extensification, and the move from the headage based Hill Livestock Compensatory Allowance scheme to an area based LFASS scheme). In both Orkney and Shetland post 2005 sheep numbers declined quickly as farmers and crofters adjusted to the removal of sheep headage payments when the area-based SFPS was introduced.

123. Orkney had a 17% decline in total sheep (c.24k) between 2004 and 2008, with Shetland a 19% decline (c.75k). After this period of adjustment both Shetland and Orkney (alongside the Rest of Scotland) had a decade of stability regarding sheep numbers, with some increases from 2018, as farmers and crofters reacted to strong demand and high output prices (in 2021 there were c.130k total sheep in Orkney and c.290k in Shetland). In stark contrast the decline in sheep numbers in the Outer Hebrides continued until around 2015 (introduction of BPS and Greening and SUSSS) after which numbers stabilised. Outer Hebrides sheep numbers in 2021 (c.143k) were only 48% of what they were in 2000 (c.299k), compared to Shetland and Orkney where sheep numbers have been retained better (75% and 87% of the 2000 head count in 2021 respectively).

Figure 16 Index (2000=100) sheep on agricultural holdings 2000-2021

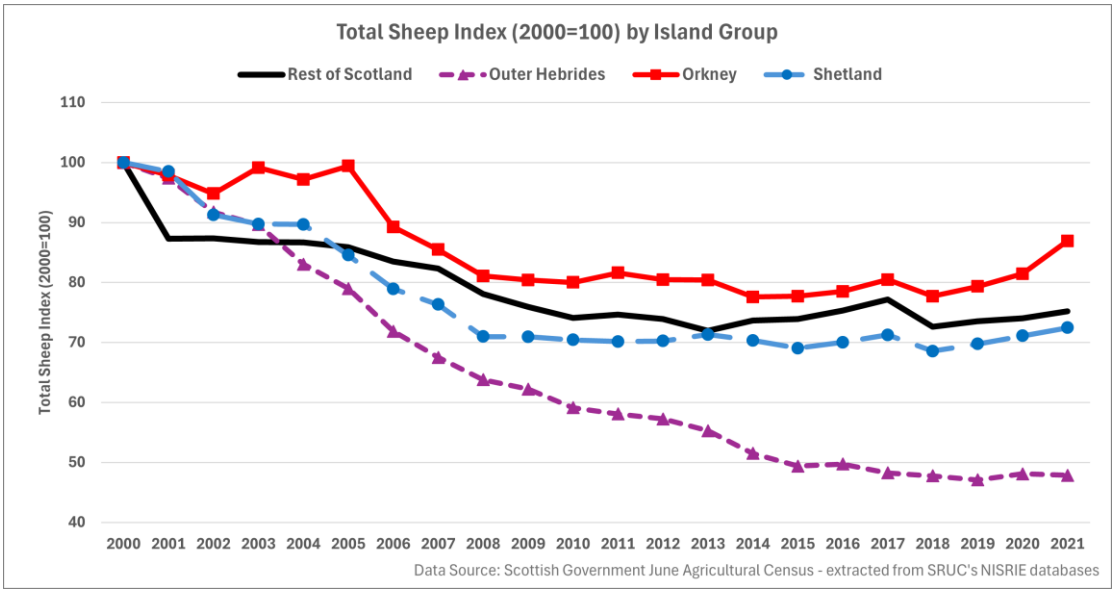


Table 27 Trends in the number of sheep and the number of holdings carrying sheep, 2000-2021

Year	Head of Sheep				Holdings with Sheep			
	Outer Hebrides	Orkney	Shetland	Rest of Scotland	Outer Hebrides	Orkney	Shetland	Rest of Scotland
2000	299.4k	149.7k	399.7k	8,338.1k	3,015	551	1,538	12.4k
2001	291.6k	146.5k	393.7k	7,278.1k	2,967	541	1,517	11.4k
2002	274.7k	141.9k	364.9k	7,281.7k	2,921	545	1,504	11.5k
2003	268.4k	148.4k	358.8k	7,230.6k	2,835	539	1,450	11.3k
2004	248.6k	145.5k	358.4k	7,229.8k	2,728	532	1,414	11.2k
2005	236.6k	148.8k	338.0k	7,159.7k	2,683	536	1,375	11.2k
2006	215.2k	133.6k	315.6k	6,963.6k	2,617	534	1,348	11.2k
2007	202.2k	128.0k	305.0k	6,863.0k	2,542	533	1,287	11.1k
2008	191.0k	121.4k	283.8k	6,508.6k	2,464	526	1,258	10.8k
2009	186.4k	120.4k	283.7k	6,330.9k	2,475	531	1,272	10.9k
2010	177.0k	119.8k	281.5k	6,176.5k	2,313	517	1,246	10.8k
2011	173.9k	122.2k	280.4k	6,224.8k	2,275	524	1,227	10.8k
2012	171.4k	120.4k	280.8k	6,163.3k	2,285	528	1,204	10.7k
2013	165.6k	120.4k	285.1k	5,999.6k	2,283	527	1,182	10.8k
2014	154.2k	116.1k	281.1k	6,141.1k	2,229	528	1,161	10.9k
2015	147.9k	116.3k	276.1k	6,161.1k	2,201	522	1,154	11.0k
2016	148.9k	117.5k	279.9k	6,279.8k	2,201	529	1,147	11.1k
2017	144.5k	120.5k	284.8k	6,435.2k	2,216	520	1,137	11.1k
2018	143.0k	116.3k	274.0k	6,052.7k	2,212	522	1,122	11.2k
2019	141.0k	118.8k	278.8k	6,130.5k	2,211	523	1,125	11.3k
2020	144.1k	121.9k	284.3k	6,170.5k	2,202	520	1,123	11.2k
2021	143.2k	130.1k	289.6k	6,268.8k	2,207	537	1,125	11.6k
2000-21	**-52%**	**-13%**	**-28%**	**-25%**	**-27%**	**-3%**	**-27%**	**-7%**

124. There was regional variation in the change in sheep numbers within the island groupings. Figure 17 shows that compared to 2000, the largest declines in total sheep numbers in the Outer Hebrides were in Harris (60% decline or c.34k head), Lewis South (47% decline or c. 48k head) and South Uist and Barra (50% decline or c.28k head). In Shetland (see Figure 18) South and Central maintained sheep numbers best (only 17% decline or c.17k head) compared to Northeast Mainland (32% decline or c.28k head) and Northmavine & Yell (38% decline or c.34k head).

Figure 17 Index of total sheep by sub-region in the Outer Hebrides, 2000 – 2021

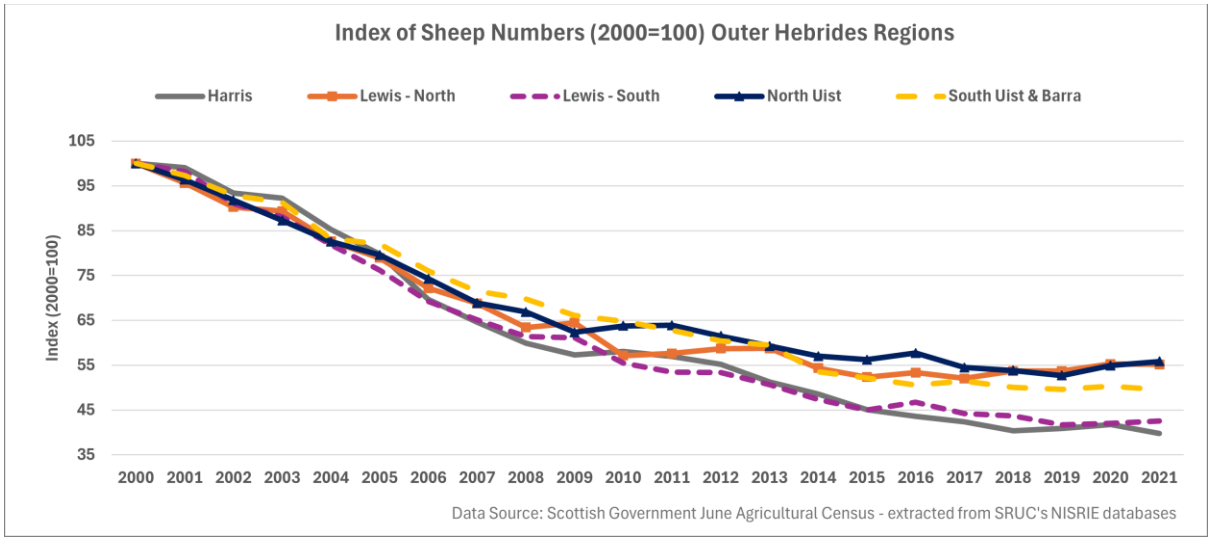
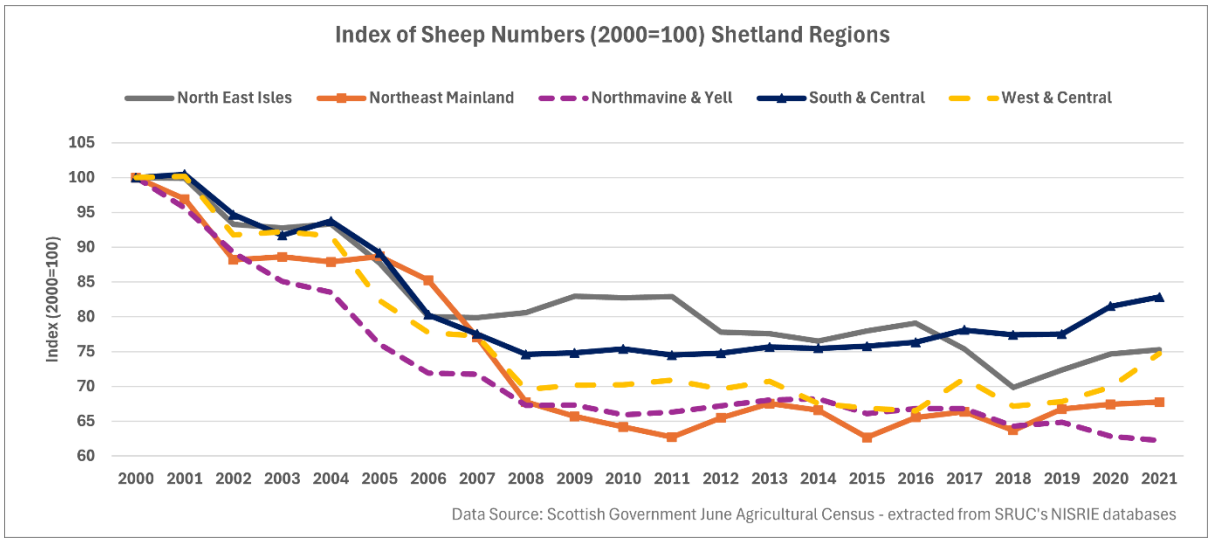


Figure 18 Index of total sheep by sub-region in the Outer Hebrides, 2000 – 2021



125. The significant reductions in sheep numbers in many of these areas has meant that there are fewer people actively farming and crofting, that is breaking linkages with land management, cultural heritage and identity. Whilst many stakeholders acknowledged that historic stocking densities were indeed too high, causing environmental damage, many raised concerns that the lack of stock grazing in some areas will also lead to environmental change, particularly in areas where grazing animals provided habitats for ground nesting birds to thrive.

6.2 SAF declared Animals

126. The number of animals under the control of all BRNs is declared by those farms and crofters submitting a SAF to claim agricultural support. This is technically verifiable through cross checks of official data, but also through inspection of records during routine 'risk' and 'random' official livestock inspections by RPID.

127. Table 28 shows the number of animals declared by SAF business and Table 29 shows the number of BRNs declaring those animals at island group level (noting that risks of disclosure mean that data has been redacted for dairy cattle in Shetland and Outer Hebrides).

128. In Orkney between 2015 and 2022, on BRNs claiming support:

- The number of dairy animals fell by 18% with the number of BRNs with dairy cows (any dairy cow, whether milked or not) fell from 20 to 16.
- The number of suckler cows fell by 7%, with 14% decline in BRNs carrying suckler cows.
- The number of ewes and gimmers increased 12% with 5% more BRNs carrying sheep (up from 388 to 409).
- The number of ewe hoggs increased by 24%, perhaps reflective on an increase in total breeding ewes.
- The number of horses and ponies fell by 21%, mostly since the Covid pandemic.
- The number of poultry fell by 46%, but that all occurred in 2022 which was a consequence of avian influenza.

129. In the Outer Hebrides between 2015 and 2022 on BRNs claiming support:

- Suckler cow numbers fell by 7%, but with 17% fewer BRNs (a drop of 64) carrying them. This is important in extensive grazing management systems, such as the Machair, where cattle are noted for their positive biodiversity impacts.
- The larger proportionate fall in Other Dairy & Beef cattle under 6 months appears to reflect a move in calving periods (towards after the SAF declaration).
- Ewe and gimmer numbers fell by 17% (a loss of 10k), with a corresponding 17% reduction in BRNs carrying breeding ewes (a reduction of 223).
- Compared to ewes and gimmers there was only a 5% decline of ewe hoggs, reflective of more hoggs being retained to meet SUSSS retention conditions for those predominately on R3 BPS land.

130. In the Shetland between 2015 and 2022 on BRNs claiming support:

- 13% fewer BRNs had suckler cows with a 7% reduction in the number of cows.

- Whilst ewe and gimmer numbers were static across the period there were 11% fewer BRNs that carried breeding ewes (a reduction of 97).
- Ewe hogg numbers increased by 7% despite the number of BRNs with ewe hoggs falling by 9%

131. It is important to note that there is a consistent and worrying decline in the number of BRNs claiming support and carrying animals on their land. This implies that some businesses have withdrawn from agricultural activity and that trend appears to be continuing. Whilst some withdraw from the sector, or downsize, others remain and increase scale of production. The raison d'être of crofting revolves [52]around access to land for small holders at fair and affordable rents – and continued erosion of the active crofting base poses risks to community resilience, rural economies and environmental outcomes.

[52] The Sheep | The Orkney Sheep Foundation

Table 28 Number of animals declared in SAF submissions by BRNs

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2015-2022
Orkney										
Dairy Cows	2,176	2,095	2,152	2,239	2,053	1,933	1,935	2,039	1,791	**-18%**
Suckler Cows	25,696	25,392	25,067	24,760	24,596	24,795	24,650	24,655	23,867	**-7%**
Other Dairy & Beef <6 months	5,537	4,990	5,303	5,045	4,914	5,596	5,221	5,297	5,182	**-6%**
Other Dairy & Beef 6-24 months	32,192	31,205	29,607	29,503	30,204	29,465	29,551	28,764	29,153	**-9%**
Other Dairy & Beef >24 months	3,841	3,819	3,738	3,781	3,762	3,687	3,323	3,322	3,129	**-19%**
Ewes & Gimmers	47,519	44,903	45,372	45,768	45,617	57,179	48,632	49,962	53,257	**12%**
Ewe Hoggs	11,400	11,745	11,045	11,429	9,932	10,934	13,048	12,839	14,148	**24%**
Other Sheep	9,755	6,803	8,657	6,057	7,434	6,474	6,607	8,213	11,444	**17%**
Horses & Ponies	351	340	317	307	350	284	256	259	279	**-21%**
Poultry	5,314	5,571	5,470	4,891	5,463	5,401	5,555	5,479	2,848	**-46%**
Outer Hebrides										
Dairy Cows	-	-	-	-	-	-	-	-	-	**-**
Suckler Cows	2,764	2,812	2,725	2,637	2,564	2,546	2,601	2,621	2,563	**-7%**
Other Dairy & Beef <6 months	730	700	530	580	524	639	689	596	526	**-28%**
Other Dairy & Beef 6-24 months	1,089	1,014	974	1,119	1,043	1,107	1,088	1,013	1,024	**-6%**
Other Dairy & Beef >24 months	490	462	401	373	356	387	400	378	290	**-41%**
Ewes & Gimmers	58,199	55,325	52,775	58,389	51,536	51,098	51,009	49,921	48,025	**-17%**
Ewe Hoggs	13,818	13,298	13,878	13,313	12,751	13,813	13,939	13,056	13,081	**-5%**
Other Sheep	7,400	6,710	6,315	6,767	6,839	6,738	6,497	6,447	5,711	**-23%**
Horses & Ponies	103	99	63	54	61	102	78	61	89	**-14%**
Poultry	3,744	2,567	2,598	2,506	2,610	2,042	2,877	2,989	1,937	**-48%**
Shetland										
Dairy Cows	-	-	-	-	-	-	-	-	-	**-**
Suckler Cows	1,642	1,580	1,571	1,617	1,581	1,612	1,703	1,607	1,521	**-7%**
Other Dairy & Beef <6 months	285	310	318	280	242	188	230	214	213	**-25%**
Other Dairy & Beef 6-24 months	1,692	1,712	1,671	1,551	1,611	1,668	1,739	1,520	1,514	**-11%**
Other Dairy & Beef >24 months	345	344	299	356	320	295	329	282	229	**-34%**
Ewes & Gimmers	128,475	126,776	124,239	124,218	123,576	125,177	126,539	126,222	128,184	**0%**
Ewe Hoggs	31,125	30,972	31,050	31,289	28,986	31,634	32,888	32,565	33,263	**7%**
Other Sheep	9,992	9,421	11,706	12,204	11,765	12,120	11,540	11,576	11,760	**18%**
Horses & Ponies	542	561	538	686	687	652	600	576	584	**8%**
Poultry	2,377	2,723	1,823	2,663	2,358	3,173	3,450	3,116	2,870	**21%**

Table 29 Number of BRNs declaring specific types of animals in SAF submissions, 2022

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2015-2022
Orkney										
Dairy Cows	20	18	19	16	15	15	15	18	16	**-20%**
Suckler Cows	473	460	439	432	439	433	430	427	408	**-14%**
Other Dairy & Beef <6 months	332	280	297	272	275	292	267	270	258	**-22%**
Other Dairy & Beef 6-24 months	488	469	464	455	454	442	444	440	429	**-12%**
Other Dairy & Beef >24 months	435	429	416	405	405	410	407	404	387	**-11%**
Ewes & Gimmers	388	382	392	394	387	390	396	401	409	**5%**
Ewe Hoggs	295	293	284	291	286	273	305	301	307	**4%**
Other Sheep	359	348	363	358	365	356	369	377	379	**6%**
Horses & Ponies	91	90	94	91	106	83	76	75	80	**-12%**
Poultry	156	176	171	166	179	167	172	148	140	**-10%**
Outer Hebrides										
Dairy Cows	-	-	-	-	-	-	-	-	-	**-**
Suckler Cows	370	353	339	327	321	320	318	309	306	**-17%**
Other Dairy & Beef <6 months	148	144	123	139	126	133	144	139	124	**-16%**
Other Dairy & Beef 6-24 months	237	239	208	220	221	218	232	221	211	**-11%**
Other Dairy & Beef >24 months	152	158	136	130	131	120	129	129	116	**-24%**
Ewes & Gimmers	1,305	1,253	1,196	1,191	1,177	1,178	1,169	1,098	1,082	**-17%**
Ewe Hoggs	1,102	1,045	992	988	962	954	981	909	890	**-19%**
Other Sheep	1,068	1,017	955	965	951	949	960	917	877	**-18%**
Horses & Ponies	30	25	20	20	22	26	27	21	31	**3%**
Poultry	174	127	97	99	113	101	141	158	137	**-21%**
Shetland										
Dairy Cows	-	-	-	-	-	-	-	-	-	**-**
Suckler Cows	128	121	121	110	115	115	118	108	111	**-13%**
Other Dairy & Beef <6 months	46	41	45	44	50	41	36	35	35	**-24%**
Other Dairy & Beef 6-24 months	139	130	127	128	128	130	133	122	118	**-15%**
Other Dairy & Beef >24 months	96	91	100	90	94	98	92	88	85	**-11%**
Ewes & Gimmers	851	837	808	801	786	781	771	757	754	**-11%**
Ewe Hoggs	730	728	702	704	678	666	672	673	665	**-9%**
Other Sheep	694	683	687	688	671	671	663	644	638	**-8%**
Horses & Ponies	83	85	86	105	100	105	100	92	92	**11%**
Poultry	138	137	128	154	137	153	155	138	129	**-7%**

Box: 1 North Ronaldsay Sheep

The **North Ronaldsay sheep breed** is an ancient breed of sheep that has survived on Orkney for millennia, with bones from ancestor sheep found at Skara Brae[53]. The breed, uniquely, has adapted to surviving by primarily on grazing seaweed, reflecting that they were historically excluded from better grazing land by a drystone dyke that circles the island. Scientific evidence[54] reveals that Orkney sheep from the Neolithic to Viking period had some seaweed in their diet but not to the extent witnessed in North Ronaldsay. The 'sheep dyke' was completed by the North Ronaldsay crofters in 1832 to maintain the grazing land for cattle and other sheep breeds – thereby confining the North Ronaldsay breed to the foreshore and their seaweed diet.

Photo: Marion Muir

The breed is considered a 'priority' on the Rare Breed Survival Trust 2024-25 'watchlist"[55] although recent genetic diversity research[56] demonstrates the island currently has a genetically "healthy effective population"[57]. There is an estimated population of about 1,500 sheep on the island, and these slow maturing animals are slaughtered aged 3-6 years and are renowned for their distinctive flavour.

The North Ronaldsay Sheep Court was uniquely established in 1839 to maintain the dyke and sheep health, and to record ownership. The Sheep Court remains a functioning body that implements the North Ronaldsay Native Sheep Regulations (most recently updated in 2022) and they continue to maintain the 'sheep dyke' that are frequently damaged by storms, and they manage all aspects of the flock. Indeed, other sheep breeds are prohibited from going outside the sheep dyke to maintain the cultural, scientific and historical importance of the breed. The Court are not a registered common grazings committee.

Currently the foreshore to low water mark is considered common grazing on the island but most of it is excluded from agricultural support. Only 68 Ha of common grazing above the high-water mark is eligible for BPS Region 2. Given the historic, cultural and genetic importance of the flock there is an argument that capital maintenance and annual revenue support should be considered for AECS / Tier 3 scheme eligibility.

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[53] Balasse M, Tresset A, Obein G, Fiorillo D, Gandois H. (2019) Seaweed-eating sheep and the adaptation of husbandry in Neolithic Orkney: new insights from Skara Brae. Antiquity 93(370):919-932. doi: https://doi.org/10.15184/aqy.2019.95

[54] Balasse et al (2019)

[55] The Watchlist Priority Breeds 2024 | Rare Breeds Survival Trust (rbst.org.uk)

[56] Banos, G. (2023) Genomic analysis of the North Ronaldsay sheep. A SRUC report for the Rare Breeds Survival Trust. https://www.rbst.org.uk/Handlers/Download.ashx?IDMF=d71f4977-b219-479f-be8b-b70702988263

[57] https://www.rbst.org.uk/genomic-analysis-of-the-north-ronaldsay-sheep

6.3 Cattle performance conditionality – what the metrics tell us

132. The Scottish Government previously appointed a number of Farmer Led Groups to make recommendations on future agricultural policy in the context of climate change. As part of the recommendations from the Suckler Beef Climate Group there were a series of recommendations about improving technical efficiency of the suckler herd to minimise unnecessary greenhouse gas emissions. As part of their body of evidence, Thomson and Moxey (2021) noted that robust metrics such as calving intervals, age at first calving, mortality rates and age at slaughter were relevant to many of the interventions that the group had recommended.

133. Northern Ireland[58] have subsequently introduced new coupled support, through their Beef Carbon Reduction Scheme where a payment is made to drive down maximum age at slaughter (maximum 30 months in year 1 moving to 26 months in year 4). Further, through their Suckler Cow Scheme, they will introduce new coupled support payments based on heifer calving ages (34 months in year 1 down to 29 months in year 4) and calving interval (415 days in year 1 moving to 385 years in year 4).

134. The Scottish Government have committed that from 2025 the SSBSS scheme will have a further eligibility criterion included, beyond the 30 day calf retention, that only calves born to dams with a calving interval (time since last calf registration) of less than 410-days will be eligible. Should coupled beef support be retained in the future policy mix (there are strong arguments that it can provide policy leverage to improve standards and lower emissions) it is possible that additional conditions on heifer calving age and age at slaughter could be considered. Charts showing calving dates (Figure 71), age at first sale (Figure 72) and heifer calving age (Figure 73) for each of the island groupings are provided in Annex 4 Agricultural data.

135. Using extracts from the Cattle Tracing System (CTS) held by the Animal and Plant Health Agency (APHA) it was possible to assess cattle performance metrics on the islands. Table 30 shows the number of calves registered, total dams with calves registered, cows that had previously calved with a calf registered in 2022 as well as heifers calving in 2022 (with calf successfully registered). Of the 24,919 dams with calves in Orkney in 2022 18% were heifers. In Shetland 22% of the dams were heifers (the higher rate likely reflects that dairy cows make up a higher proportion of the total herd) and in the Outer Hebrides 19% of the 2,049 dams with a calf registered in 2022 were heifers.

[58] Farm Support and Development: New Schemes and Measures | Department of Agriculture, Environment and Rural Affairs (daera-ni.gov.uk)

Table 30 Number of calves registered, dams and heifers with a calf registered, 2022

Metric	Outer Hebrides	Orkney	Shetland	Scotland
Calves Registered	2,208	25,965	1,710	554,084
Total dams with calf registered	2,049	24,919	1,629	530,857
Cows with calf Registration	1,658	20,419	1,276	410,394
Heifers with calf registration	391	4,500	353	120,463
Heifers as % of Dams	19%	18%	22%	23%

136. Table 31 provides summary statistics for calving intervals of all dams (including the small amount of dairy cattle), heifer calving ages, age at first off movement of non-dams under 42 months of age. For these statistics the percentile number reveals the proportion of dams above or below that number, so for example the 10th percentile calving interval of 334 days for the Outer Hebrides means that 10% of dams there perform better than 334 days and 90% perform worse.

137. For calving intervals Table 31 shows that in 2022:

- The median calving interval of the 1,658 dams that had previously had a calf registered in the Outer Hebrides was 373 days, marginally higher than the national average of 371 days. The mean of 414 was significantly affected by a very long tail of dams with poor calving intervals, as indicated by the 75th percentile of 407 days (national average is 399 days) and a 90th percentile of 631 days (national average of 475).
- In Orkney there was better technical efficiency in the cattle herd, with a median calving interval of 369 days across the 20,419 dams that had previously calved, a mean of 390 days and a 90th percentile of 434 (meaning only 10% of dams have calving intervals over 434 days).
- In Shetland median calving interval of the 1,276 dams that had previously calved was 370 days, with a 75th percentile of 451 days and 90th percentile of 451 days.

138. Heifers normally calf between 24 and 36 months, with some slower maturing native breeds on extensive hill ground calving over 36 months. The rationale for 24 months and 36 months is that those heifers can slip into the main herd calving period. For those calving at 28-29 months there is often a practice of giving the heifer a longer period to recover after its first calf, before slipping into the main herd with a more prolonged calving interval. For first calving age Table 31 shows that in 2022:

- The median heifer calving age in the Outer Hebrides was 35 months (mean 36 months), with only 10% calving before 2 years and 10% (90th Percentile) calving after 47 months).

- The median heifer calving age in Orkney was 28 months, with 25% of the heifers calving before 25 months of age. Only 10% of heifers calved older than 37 months.
- The median heifer calving age in Shetland was 26 months, with a quarter (35th percentile) calving at 24 months or better. Only 10% of heifers calved down older than 37 months.

Table 31 Cattle performance metrics, 2022

Region / Metric	Total Head	Percentile					Mean
		10th	25th	50th	75th	90th	
Outer Hebrides							
Calving Interval Days	**1,658**	334	352	373	407	631	414
First Calving Age Months	**391**	26.1	32.8	35.2	36.6	47.0	35.8
Age at first off move months*	**1,797**	5.4	6.5	7.9	9.8	13.3	9.0
Orkney							
Calving Interval Days	**20,419**	337	352	369	392	434	390
First Calving Age Months	**4,500**	23.7	24.6	27.9	34.8	36.7	29.9
Age at first off move months*	**17,775**	10.6	12.5	16.6	19.0	22.2	16.2
Shetland							
Calving Interval Days	**1,276**	336	354	370	390	451	392
First Calving Age Months	**353**	23.4	24.0	26.3	35.2	37.3	29.8
Age at first off move months*	**1,264**	3.8	6.3	9.6	12.3	18.3	10.4

***** animals with calf registered or over 42 months have been removed to reduce impacts of home grown heifers, cows or bulls being sold impacting on 'stores'

139. Whilst slaughter age is a nationally important metric with regards to greenhouse gas emissions many of the cattle producers in the islands do not sell directly to slaughter, rather they are selling 'store' calves of various ages to specialist finishers (or indeed intermediaries) or breeding heifers and young bulls to other breeders on the islands or the mainland. Table 31 shows animals that were moved off the holding of birth to another holding and not then subsequently slaughtered within 7 days of the first move after animals with a calf registration or those over 42 months of age at first move were removed (to remove breeding stock from the data). It shows that in 2022:

- In the Outer Hebrides most of the calves were sold before they were yearlings. 10% of calves were first moved from holding of birth at 5.4 months, with 25% before they reached 6.5 months of age. These were likely early weaned calves being sold due to changing seasons and market timings. The median age of first sale was 7.9 months with 75% of calves first sold by the time they were 9.8 months old. 10% of animals were first moved after 13.3 months – reflecting the limited opportunity for retaining calves for prolonged periods on the holding of birth.
- In Orkney, only 10% of calves were under 10.6 months at first sale (weanlings), with only a quarter sold by the time they were 12.5 months. The median age

at first sale was 16.6 months with 25% over 19.0 months and 10% over 22.2 months – some of these may be going to slaughter within a short period from leaving the holding (but that would require further investigation of the data out with this commission) and may include in-calf heifers and young bulls, etc.

- In Shetland most of the calves were also sold before they were yearlings – similarly to the Outer Hebrides. 10% of calves were first moved from holding of birth at 3.8 months of age (likely impacted by dairy holdings), with 25% before they reached 6.3 months of age. These were likely early weaned calves being sold due to changing seasons and market timings. The median age of first sale was 9.6 months with 75% of calves first sold by the time they were 12.3 months. 10% of animals were first moved after age 18.3 months – likely including some young bulls and breeding heifers (possibly in calf), with some older, slower maturing stock for finishing.

140. It is important to acknowledge that all calves registered to heifers (and retained on holding for 30 days) will be eligible for SSBSS support when the new calving interval condition comes into force. It is also important to acknowledge that the Scottish Government may reduce the threshold over time to encourage further efficiency improvements and to ensure public monies are not paying for inefficiencies and excess greenhouse gas emissions.

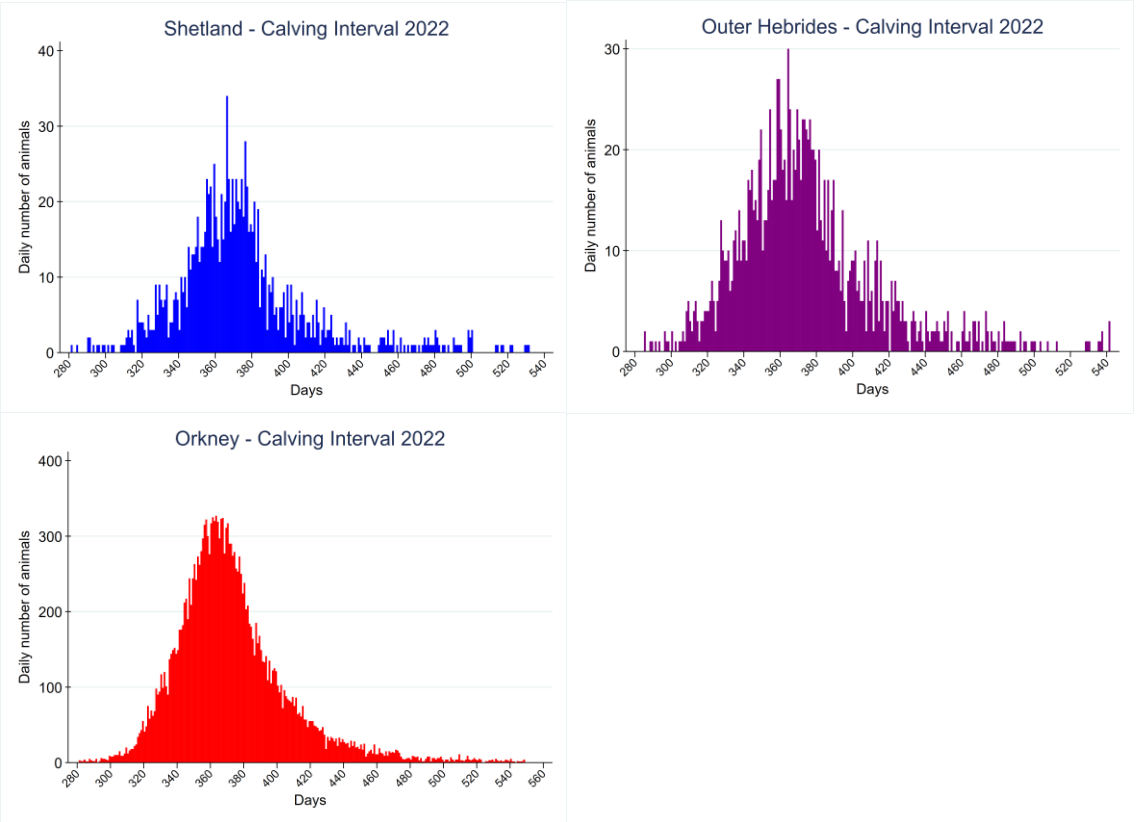
141. Table 32 shows the number of cows that had previously calved (and total dams that includes qualifying heifers) that meet various thresholds. In the Outer Hebrides in 2022, 76% of the cows that had previously calved, and 81% of the total calved dams in 2022, would have met the 410 day threshold – meaning 19% of 2022 calves would be ineligible for the new 2025 SSBSS eligibility criteria. In Orkney, 87% of the dams (including heifers) calving in 2022 would have been eligible for the new SSBSS criteria, 87% of dams in Shetland and 83% of dams across Scotland. Unless performance improves then if the calving interval was to be pushed down to 390 days, for example, over time then there would be c.26% of Outer Hebrides, c.21% of Orkney and c.19% of Shetland calves that would become ineligible. Thus, the importance of an awareness campaign and the provision of support for farmers and crofters to improve their performance, should it be required, cannot be underestimated in a 'just transition'.

Table 32 Calving interval thresholds and number of cows previously calved that meet thresholds 2022.

Region	Metric	Calving Interval Threshold (Days)						
		370	380	390	400	410	420	430
	Cows	787	987	1,123	1,200	**1,266**	1,317	1,360
	% of cows	47%	60%	68%	72%	**76%**	79%	82%
	% of dams	57%	67%	74%	78%	**81%**	83%	85%
Orkney	Cows	10,759	13,387	15,128	16,355	**17,215**	17,838	18,257
	% of cows	53%	66%	74%	80%	**87%**	87%	89%
	% of dams	61%	72%	79%	84%	**87%**	90%	91%
Shetland	Cows	648	850	961	1,020	**1,069**	1,105	1,127
	% of cows	51%	67%	75%	80%	**84%**	87%	88%
	% of dams	61%	74%	81%	84%	**87%**	90%	91%
Rest of Scotland	Cows	196,450	243,246	277,083	300,991	**318,399**	331,203	341,111
	% of cows	48%	59%	68%	73%	**78%**	81%	83%
	% of dams	60%	69%	75%	79%	**83%**	85%	87%

142. The profiles of calving intervals for dams (dairy and beef breeds) that had previously calved in each of the island groups are shown in Figure 19. The x-axis provides the calving interval in days and the y-axis provides the daily number of dams with calf registrations.

Figure 19 Calving Interval, 2022

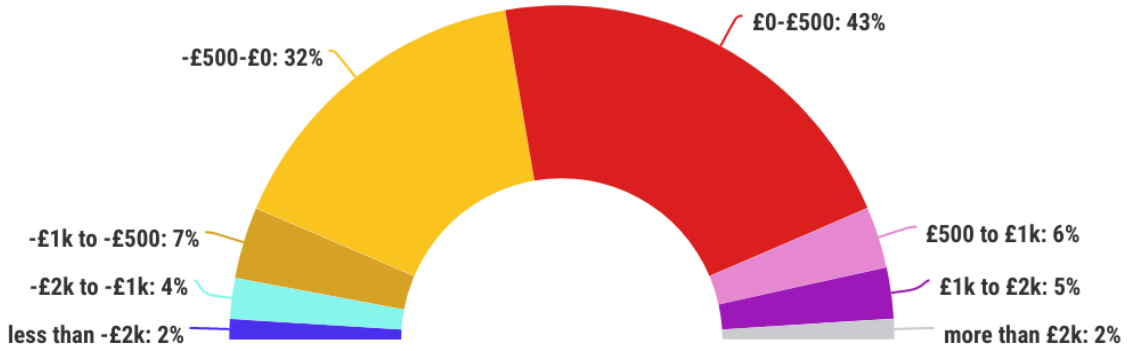


143. It is worth noting that the SSBSS budget is ringfenced. Further the Islands and Mainland schemes have their own ringfenced budgets. This means that the

monies not spent on ineligible calves should be recycled onto the remaining eligible calves, therefore boosting payment rates per eligible calf. Using the total SSBSS Island payment data and CTS suckler cow metrics on associated holdings our modelling predicts that based on 2022 calving intervals the payment rate on Islands would jump from £145 to £166 per eligible calf under a 410 days calving interval threshold.

144. This implies that if a farm / croft has fewer than approximately 1 in 7 cows failing the 410-day eligibility threshold they should not be disadvantaged financially from this new performance condition (i.e. 7 calves at £145 is approximately equivalent to 6 calves at £166). On this basis, the smallest herds (7 calves and under) need to have 100% of calves qualifying to see an uplift, but should any calf fail to be eligible due to the 410 criteria they would see support reductions without any minor producer derogation. Figure 20 shows the modelled prediction of change in total SSBSS Island payments (all Scotland) if a 410 calving interval is applied to 2022 performance and payment data. Modelling predicts that 32% of the BRNs lose £0 to £500 whilst 43% gain £0 to £500 under the 410 day condition. 7% of the BRNs were modelled to gain more than £1k whilst 6% were modelled to lose more than £1k in support.

Figure 20 Summary of change in modelled SSBSS Islands payments per BRN based on 2022 data and a 410 day calving interval condition



145. It should be acknowledged that calving interval is a technical efficiency metric and there are many reasons that a cow does not successfully calf within target periods (bull fertility, cow fertility, cow health, poor management, nature, etc.). Whilst it is not argued that the aim of a cow should be to have a calf every year, stakeholders have pointed to the challenges of that, particularly on smaller herds that are reliant on bull hire – either through the Scottish Government bull hire scheme for crofters or privately.

146. There are strong arguments that small herds should perhaps be given a derogation on this metric in recognition that they contribute small total amounts of livestock derived greenhouse gases in Scotland, plus they often have significant biodiversity

grazing benefits. Table 33 shows the total number of BRNs claiming SSBSS Islands support in 2022 by herd size (based on calved dams), alongside the estimated number of dams (matched to CTS) and modelled payments (based on dams)[59]. Within the SSBSS Islands there were 1,181 matched BRNs of which 42% had herds of less than 10 cows and 63% had herds of less than 25 cows. Herds of under 10 cows only accounted for 6.1% of the calving dams and payments made in the SSBSS Islands, with 17% of the dams and money being allocated to herds under 25 cows. At the other extreme, the 3% of businesses with herds over 150 cows in the SSBSS Islands, were estimated to have 18.3% of the cows and payments in 2022.

Table 33 All SSBSS Island claims 2022 by herd size

Hed Size 2022	BRNs		Calved Dams		Estimated 2022 Dam Payment	
	1,181		38,327		£5,537,485	
0-10	501	42.4%	2,349	6.1%	£339,384	6.1%
10-25	245	20.7%	4,183	10.9%	£604,360	10.9%
25-50	183	15.5%	6,707	17.5%	£969,027	17.5%
50-75	101	8.6%	6,153	16.1%	£888,985	16.1%
75-100	60	5.1%	5,243	13.7%	£757,509	13.7%
100-150	56	4.7%	6,670	17.4%	£963,682	17.4%
150-200	22	1.9%	3,710	9.7%	£536,021	9.7%
Over 200	13	1.1%	3,312	8.6%	£478,518	8.6%

[59] The CTS extract we have access to does not include a dam to calf look-up, so we are estimating the dam population based on BRNs claiming and the CTS holdings associated with those dams

7 Common Grazings

147. Crofting is a form of agricultural tenure unique to the Highlands and Islands of Scotland. It is prevalent across the Outer Hebrides and Shetland, and present to a lesser extent on Orkney. It differs from other forms of agricultural tenure with respect to normal scale of production and utilisation of common grazing plus various specific regulatory requirements. Challenges with the administration of crofting and maintaining activity on crofts is not new – having been fully explored by the 2008 Committee of Inquiry on Crofting, chaired by Professor Mark Shucksmith[60].

7.1 Common Grazing Extent

148. Each year crofters, farmers and landowners who claim agricultural support must submit a Single Application Form (SAF) to the Scottish Government providing details of the extent of their land, their land use, a declaration of livestock numbers, as well as the number of support payment entitlements they are activating. This information is held by the Rural Payments and Inspections Division and in the form of the Integrated Administration and Control System (IACS). The land data is held at a parcel (field) level and is held in the land parcel information system (LPIS) geospatial dataset.

149. Individual land parcels extracted from LPIS[61] were mapped and using RPID data markers common grazings were identified and mapped using ESRI ArcGIS Pro[62]. These areas and the relative proportions of land associated with agricultural support in the islands are shown in Figure 21.

150. Orkney only had c.2% (1,947 Ha) of declared land as common grazings in 2022 in contrast to Shetland with c.39% (52,139 Ha) of declared land (it includes ineligible features such as scree, bracken and gorse) was common grazing, and the Outer Hebrides where c.66% (176,541 Ha) of declared land was common grazing. This illustrates differences across the three Island groupings, but also reveals the importance of common grazings to Shetland and the Outer Hebrides. Policy could exclude significant numbers of land managers and land from support if full impacts on the use of common grazings are neglected.

151. The size of common grazings varies considerably, with Ness General Common Grazings one of Scotland's largest at over 5,000 hectares of eligible BPS area (all

[60] Committee of Inquiry on Crofting: Final Report (consult.gov.scot)
[61] Through Scottish Government data sharing agreement (DSA) No53 between the Scottish Government and SRUC.
[62] Introduction to ArcGIS Pro—ArcGIS Pro | Documentation

region 3), with 395 unique croft addresses, 11k Total Sheep Equivalent (TSE)[63], 204 BRNs (of which 33% submit a SAF).

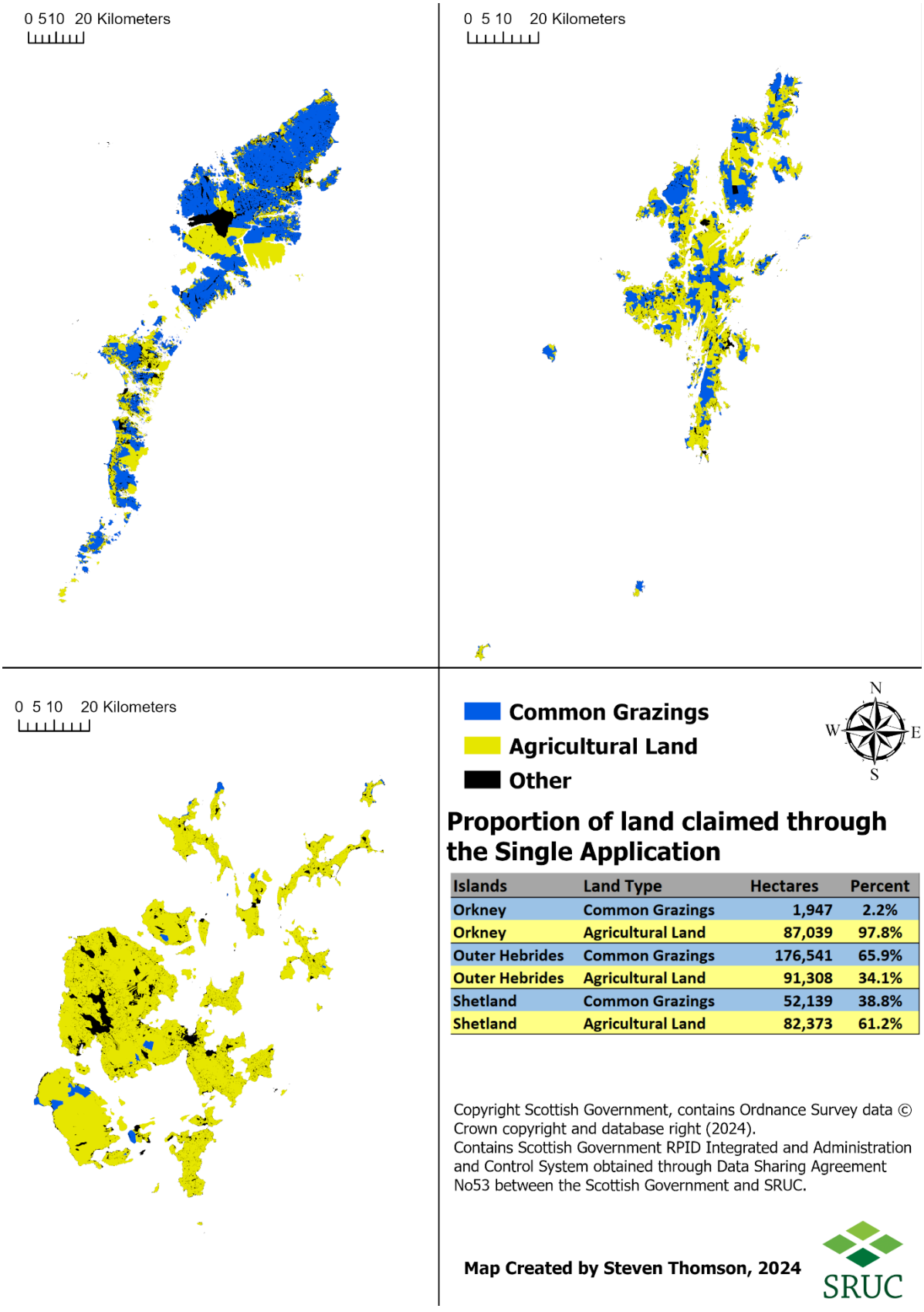
7.2 Common Grazing use to activate support payments

152. There are considerable challenges to collective management of such large areas with so many businesses (Stornoway General Common Grazing has 264 BRN shareholders with only 23% submitting a SAF in 2022) and that complexity needs to be acknowledged in future agricultural support mechanisms in Scotland – particularly with new entry level requirements and conditional forms of support.

153. In the Single Application Form applicants must declare all land under their control, although not all of that land needs to be eligible for BPS support. However, BPS and greening payments require BPS entitlements to activate payments, and since these are tradeable it means some claimants may have previously disposed of entitlements and are claiming on a smaller area than their common grazing share.

[63] TSE is an administrative calculation to apply consistency across all commons and all grazing livestock types. It draws on detailed shareholding information within individual common grazings.

Figure 21 Areas of declared agricultural land and common grazings, extracted from RPID data, 2022.



Proportion of land claimed through the Single Application

Islands	Land Type	Hectares	Percent
Orkney	Common Grazings	1,947	2.2%
Orkney	Agricultural Land	87,039	97.8%
Outer Hebrides	Common Grazings	176,541	65.9%
Outer Hebrides	Agricultural Land	91,308	34.1%
Shetland	Common Grazings	52,139	38.8%
Shetland	Agricultural Land	82,373	61.2%

Map Created by Steven Thomson, 2024

SRUC

154. It is worth noting that within these headline areas for agricultural land and common land there are features such as scree, bracken, gorse within a land parcel that are ineligible for BPS support, and therefore the claimed area differs from the area that agricultural support is ultimately paid. Some of these ineligible features have biodiversity benefits, and therefore should be recognised in future agricultural support schemes, even if they are not afforded payments.

155. Further, within the RPID payment system a reduction co-efficient of 10% for rough grazing (R2 and R3) was introduced at the first allocation of BPS entitlements in 2015. This co-efficient means that the allocated entitlements for R2 and R3 are reduced by 10% meaning recipients get paid a higher payment rate per hectare on 90% of their eligible claimed area.

> In 2014 the Scottish Government notified the European Commission that a R2 and R3 reduction coefficient would apply in Scotland (in accordance with Article 24(6) of Regulation 1307/2013[64]), noting that there was an estimated 800,000 hectares of extra potentially claimable land. If this was to be included in the 2014 CAP it may have increased the area under payment by 20%, thus causing significant dilution to payments on the estimated 4.9m ha of land.
>
> This extra land was semi-natural permanent grassland, classified as rough grazing that is typified by its poor soil quality with a relatively low stocking density. Rough grazing is predominantly found in Scotland's Less Favoured Areas (LFA) and is often on Scottish hills where soil quality and drainage and weather conditions are poor but where the soils are often peat-based providing rich stores of sequestered carbon. Much of this land had become destocked in the preceding 10 – 15 years and in using the reduction coefficient it was argued that the future number of entitlements that could be allocated on this kind of land would therefore be limited.
>
> Whilst some of this land was activated through environmental audit 'alternative practice' measure of activity established in 2014, the same scenario of potential dilution from large areas of rough grazing being used for sporting, rewilding, natural capital markets, etc., still exists today from those with no, or limited agricultural activity.
>
> This, reiterates the need for adequate definitions of 'agricultural land' and 'active farmer/crofter' alongside 'agricultural activity' that is defined in the Agriculture and Rural Communities (Scotland) Bill and relevant secondary legislation.

156. The declared area of Common Grazings presented in Figure 22 shows the area, a significant proportion of which is not claimed by the shareholders of common grazings. Table 34 highlights that in Shetland and Orkney 63% of the unique crofts (physical croft locations with common grazing shares in 2022[65]) with shares in

[64] Regulation - 1307/2013 - EN - EUR-Lex (europa.eu)

[65] Crofts and BRNs with no allocation of BPS or TSE shares on the common grazings were excluded from the analysis

common grazings submitted a SAF in 2022 claiming BPS on the common (noting a croft business may control multiple crofts), but only 26% of crofts with shares in commons in the Lewis and Harris had SAF forms with common grazing shares utilised (45% in Uist and Barra and 61% in Shetland).

157. The number of BRNs with shares in common grazings in 2022 were 70 in Orkney, 3,385 in the Outer Hebrides (2,260 in Uist and Barra, and 2,260 in Lewis and Harris), and 1,552 in Shetland. In 2022 SAF forms were submitted by 69% of Orkney BRN common grazing shareholders, with corresponding figures of 56% in Shetland and 38% in the Outer Hebrides (54% in Uist and Barra, and only 30% in Lewis and Harris).

158. Within the common grazings shareholders were historically allocated a 'souming' which is essentially a maximum number of livestock that they are permitted to graze (common grazing committees 'in office' can alter these shareholder allocations). As part of the payment process RPID convert these soumings for individual crofts into 'Total Sheep Equivalent' (TSE). Across Scotland c.630k TSE are allocated to common grazings. In the Outer Hebrides c.285k TSE livestock are allocated as soumings on the common grazings, but only 42% of these rights to graze livestock on commons are activated in the Scottish Government payment system through SAF claims on commons. In Shetland land with 63% of the TSE allocation was claimed through SAF applications in 2022, whereas in Lewis and Harris the equivalent was 28%. It should be noted that those shareholders not claiming agricultural support payments may still use the common grazing to graze cattle and sheep (or cut peats), as is their right.

159. In the Outer Hebrides in 2022 common grazing shareholders submitted SAFs for only 36% of the total BPS eligible area on common grazings (32% in Lewis and Harris and 53% in Uist and Barra), with shareholders in Shetland and Orkney that accounted for 63% of the common grazing BPS area submitting SAFs. In each island grouping there was a higher proportion of SAFs submitted for BPS Region 1 land (£23.08 per hectare for BPS and Greening in 2022), compared to Region 2 (£45.21 per hectare) and Region 3 (£13.73 per ha).

Table 34 Use of common grazing shares by 2022 shareholders (according to RPID records) to claim agricultural support

Common Grazing Metric	Orkney	Shetland	Outer Hebrides	
			Uist & Barra	Lewis & Harris
BRNs submitting SAF	48	539	605	679
Unique crofts with SAF application	80	1,504	1,104	1,462
TSE allocation with SAF	1,951	39,160	72,770	45,752
BPS Eligible Ha with SAF	1,200	31,152	18,297	40,007
BPS eligible R1 with SAF	15	3	1,744	120
BPS eligible R2 with SAF	409	20,967	5,322	3,905
BPS eligible R3 with SAF	775	10,187	11,232	35,982
BRNs **not** submitting SAF	22	416	520	1,581
Unique crofts with **no** SAF application	48	970	1,325	4,107
TSE allocation with **no** SAF	1,510	22,793	51,034	115,530
BPS Eligible Ha with **no** SAF	712	18,624	16,447	85,275
BPS eligible R1 with **no** SAF	6	1	1,011	299
BPS eligible R2 with **no** SAF	515	13,104	6,261	9,732
BPS eligible R3 with **no** SAF	192	5,520	9,175	75,245
% BRNs submitting SAF	69%	56%	54%	30%
% crofts with SAF application	63%	61%	45%	26%
% TSE allocation with SAF	56%	63%	59%	28%
% BPS Eligible Ha SAF	63%	63%	53%	32%
% BPS eligible R1 with SAF	74%	78%	63%	29%
% BPS eligible R2 with SAF	44%	62%	46%	29%
% BPS eligible R3 with SAF	80%	65%	55%	32%

160. With large amounts of potential eligible BPS being unclaimed by official shareholders on Common Grazings, this means that monies are potentially not being drawn into many peripheral areas within the islands, unless the land is sublet through the Scottish Governments PF27 form[66]. Based on 2022 BPS and Greening payment rates BPS shares to which there was no SAF submitted by the common grazing shareholder BRN, ignoring any subletting or non-activation of entitlements, it meant these BRNs were not drawing down BPS and Greening on common grazings worth c.£27k in Orkney, c.£668k in Shetland, and c.£2.2m in the Outer Hebrides (£1.5 m in Lewis and Harris)[67]. It is, however, worth noting that these estimates of under draw-down of support are also affected by SAF declarations versus claims, and subletting.

161. Crofters and farmers must declare all the land at their disposal within the SAF whether used to activate support or not. This means some of the shares in common grazings are declared within a SAF as being within the crofter's control

[66] https://www.ruralpayments.org/media/resources/Seasonal-Common-Grazings-form-2024---PF27.pdf

[67] before payment rate adjustments and not accounting for 10% rough grazing coefficient

but are not claimed (i.e. if they did not have sufficient entitlements or they were not actively using the common grazing). For example, in the Outer Hebrides, 91% of total BRNs declared land on common grazings but only 81% claimed support on the common grazings. In Shetland 74% of all BRNs declared common grazing land, but only 54% claimed support on them (i.e. 165 BRNs did not claim support that they could have). Total claims on BPS eligible common grazings (including seasonal claims) amounted to 70% in Shetland, 51% in the Outer Hebrides (58% in Uist & Barra, and 50% in Lewis & Harris), and 46% in Orkney.

Table 35 BRNs declaring and claiming support on common grazings, 2022

Metric		Orkney	Shetland	Outer Hebrides	Uist & Barra	Lewis & Harris
Total BRNs	BRNs	689	820	1,515	666	849
BRNs with declared common grazings	BRNs %	52 8%	610 74%	1,381 91%	611 92%	770 91%
BRNs with claimed common grazings	BRNs %	34 5%	445 54%	1,223 81%	506 76%	717 84%
Total BPS Eligible Common Grazing	Ha	1,912	49,776	160,027	34,744	125,282
Common Grazing claimed hectares	Ha %	881 46%	34,972 70%	82,368 51%	20,104 58%	62,264 50%

162. Whilst Table 34 only contains details of the official allocation of shares in common grazings, there is also subletting that is permitted by RPID[68] for claiming BPS, Greening and LFASS support (this differs from the Crofting Commission's subletting rules[69]). It is complex to disentangle the data as a BRN may have official shares in more than one common grazing, may not use all of those share, may also sublet-out some shares to other crofters/farmers, and may also sublet-in shares on other common grazings. However, it is clear from the official RPID data that there are many crofters that remain active and have taken the opportunity to access to additional common grazing lands to develop, support and maintain their agricultural enterprise, with associated community, economic and environmental benefits in fragile rural and island regions.

163. The total area of BPS claimed on common grazings at an island group level (as reported in Table 10) alongside data on seasonal shares in common grazings (supplied by RPID) reveals that there were 957 BRNs with seasonal common grazing interests (PF27) across Scotland. Table 36 shows that the Outer Hebrides had 456 BRNs (30% of all BRNs) with seasonal common grazing claims in 2022 compared to 114 (14%) in Shetland and only 4 in Orkney. In Lewis & Harris a higher

[68] https://www.ruralpayments.org/media/resources/Seasonal-Common-Grazings-form-2022---PF27_1.pdf
[69] https://www.crofting.scotland.gov.uk/subletting

proportion of BRNs claimed seasonal shares in common grazings (39% of total BRNs) compared to Uist and Barra (19%).

164. Assessing the amount of land seasonally rented, the net seasonal claims in Table 36 shows the total are of common grazings claimed by BRNs with seasonal claims on common grazing less any eligible BPS area share a BRN has in a common grazing (negative figures show BRNs leasing claiming less common grazing land than their allocated share after accounting for their seasonal claim). In the Outer Hebrides c.29k hectares of common grazings were claimed through seasonal arrangements (35% of total claimed common grazing area). In Lewis and Harris 38% of the claimed common grazing area was through seasonal arrangements, compared to 26% in Uist and Barra, and 24% in Shetland.

Table 36 BRNs claiming support on common grazings using seasonal sublets, 2022, and 'net' sublet area

Metric		Orkney	Shetland	Outer Hebrides	*Uist & Barra*	*Lewis & Harris*
Total BRNs	BRNs	689	820	1,515	*666*	*849*
BRNs with seasonal common grazing claims	BRNs	4	114	456	*124*	*332*
	%	0.6%	13.9%	30.1%	*18.6%*	*39.1%*
Total common grazing claimed area	Ha	881	34,972	82,368	*20,104*	*62,264*
Net seasonal claims on common grazings*	Ha	-11	8,350	28,747	*5,266*	*23,481*
	%	-1%	24%	35%	*26%*	*38%*

* %of claimed common grazing area

165. There are many reasons for growing apparent crofting / common grazing inactivity by some crofts (although the seasonal claims data shows a core of activity remains). In many areas, due to changing lifestyles, demographic trends and diminishing returns, common grazings are struggling to form committees and run them effectively, or for the greatest community benefit. Low stock numbers are often not sufficient to incentivise activity on common grazings, particularly in challenging terrain, with an ageing crofter population, inclement / unpredictable weather, and a large proportion of crofters having full time off-croft jobs.

166. Figure 22 maps individual common grazings by the proportion of BPS eligible land has a SAF claim submitted by shareholders in 2022 and Figure 23 maps the proportion of common grazing shareholder BRNs that submitted a SAF in 2022. These maps show wide variation in the level of support claim activity within and between island groupings.

Figure 22 Proportion of individual common grazing eligible BPS area associated with shareholders submitting SAF forms 2022

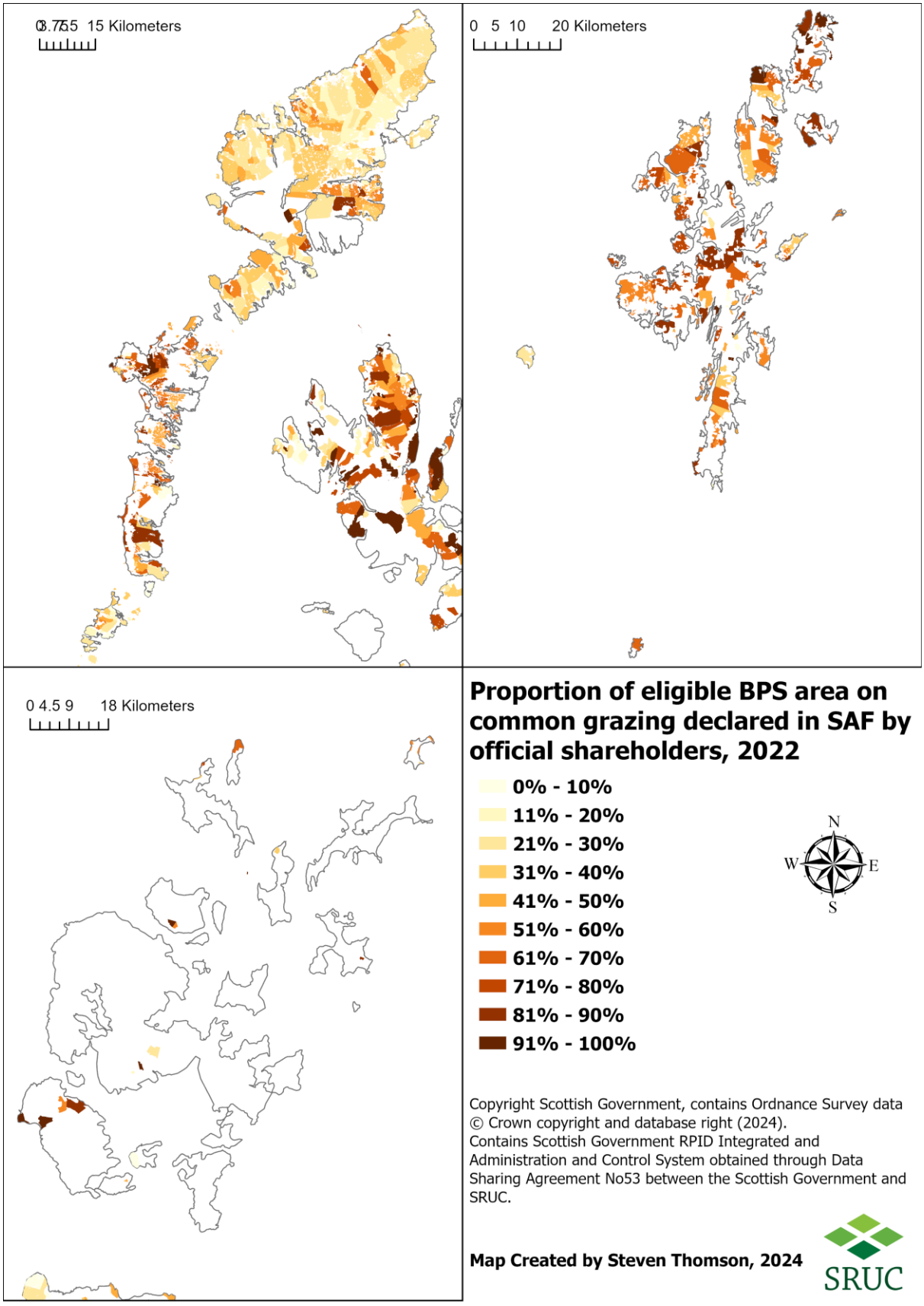
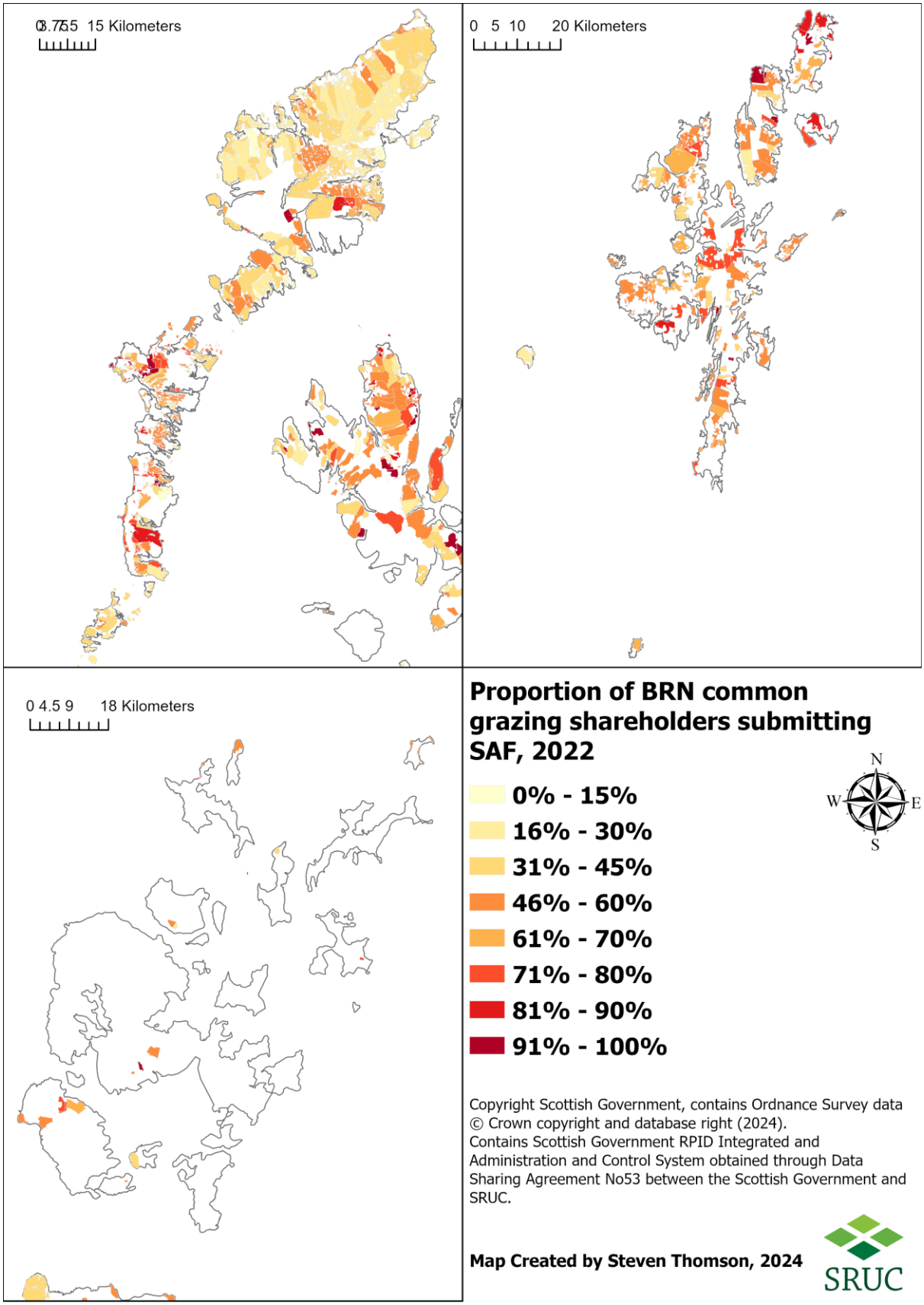


Figure 23 Proportion of BRNs shareholder on individual common grazing submitting SAF forms 2022



7.3 Crofting Regulation & Activity

167. The interaction between crofting's unique characteristics and generic agricultural policy can generate some crofting-specific impacts. These issues have now been acknowledged by ARIOB in December 2023 where the minutes note that: "*common grazing was mentioned with a plea for clarity on how this will work on a practical level, particularly as 500,000 hectares and a fifth of BPS claims include a common grazing share*"[70]. Indeed, as noted previously, many crofts are already under-claiming available agricultural support, leading to a significant collective loss of funding. Three main problem areas may be identified:

7.3.1 Disproportionate lump-sum compliance costs

168. As noted previously in Section 4.4 Compliance Costs, small scale producers are likely to be disadvantaged by policy proposals incurring lump-sum type compliance costs. For example, de facto obligations to seek professional advice in drafting elements of Tier 1 Whole Farm Plans will incur fee charges that may outweigh the resulting support payments. Similar problems arise in relation to competitive Tier 3 (AECS-type) measures which incur upfront application costs, amplified by further transaction costs of trying to coordinate with neighbouring crofts to meet any scale-related quality thresholds.

169. Such problems could potentially be mitigated through higher payment rates for smaller producers (e.g. redistributive or front loaded payment where higher rates are paid on the first few hectares of any business; additional payments for collaborative efforts) or a 'light-touch' scheme imposing fewer conditionalities. In either case, consideration would need to be given to appropriate size thresholds given variation in land quality. Moreover, care would need to be taken to ensure that any 'light-touch' scheme retained equal standing with mainstream schemes during subsequent budget negotiations.

7.3.2 Collective management of common grazings

170. Additional transaction costs are also incurred in the collective management of common grazings. For example, in relation to the calculation and management of common grazing shares and collective applications to schemes such as AECS. Whilst regulatory provision is made for the formation of a Common Grazing Committee with an appointed grazings clerk (or in some case simply a Constable), such local governance is absent from many common grazings. This reflects the time and effort required to organise and manage such arrangements, which falls upon the shoulders of under-resourced and increasingly scarce volunteers.

[70] Agriculture Reform Implementation Oversight Board minutes: 8 December 2023 - gov.scot (www.gov.scot)

Consequently, some commons receive no or only limited agricultural support, meaning that either they are not being utilised or those doing so receive none of the funding to which they are entitled.

171. Given their importance, this lack of governance is troubling and inevitably hinders realisation of policy objectives: c.1,000 common grazings[71], account for almost 6% of Scotland's land mass, 9% of land in active agriculture, 13% of the Special Protection Areas, 15% of High Nature Value farmland and 30% of Scotland's peatlands over 2 metres in depth. A potential policy response could be to offer additional funding (or indeed direct staffing) support to grazings committees, to encourage their formation and ongoing professional operation.

7.3.3 Inconsistencies in rules and enforcement

172. Crofting is governed by 'the Crofting Acts' and regulated by the Crofting Commission[72] (the Commission), which also has responsibility for promoting the interests of crofting and to secure its future of crofting. Statutory duties imposed on crofters include:

- To reside (normally) on their croft, or within 20 miles of their croft.
- To cultivate and maintain their croft.
- Not to misuse or neglect

> ***Misuse*** *- This refers to a croft being used for something which is not considered as cultivation. Tenants require the consent of their landlord or, failing that, the Crofting Commission if they wish to put their croft to another purposeful use.*
> ***Neglect*** *- This refers to the management of the croft which should meet the standards of Good Agricultural and Environmental Condition (GAEC).*
> ***Cultivate*** *- This refers to the croft being used for cultivation or put to another purposeful use. This includes horticulture, keeping livestock including poultry and bees, growing of crops and the planting of trees.*
> ***Maintain*** *- This refers to the maintenance of the croft; to enable the croft to be cultivated it must be maintained in a fit state except where another purposeful use is incompatible with the croft being kept in such state.*
> Source: Crofters Duties | Crofting Commission (scotland.gov.uk)

173. The extent to which these requirements are being enforced by the Commission was raised as an issue by stakeholders, as was the efficiency with which administrative changes were implemented and local information circulated (e.g.

[71] Common Grazings | Crofting Commission (scotland.gov.uk)
[72] Welcome | Crofting Commission (scotland.gov.uk)

approval of seasonal and sub-lets, notifications of assignments). Indeed, the Commission itself[73] "*recognises that much croft land and/or common grazing land is currently neglected because some crofters are failing to comply with their crofting duties*" and that "*non-residency and neglect has the potential to undermine the credibility of the crofting system*."

174. There are crofting areas where there are large resident 'crofter' populations where inactivity has become commonplace, whereas in other areas absentee crofters are a bigger issue. Both issues needed focused attention if the crofting model is to survive and thrive.

175. However, just as importantly, it was also noted that agricultural policy requirements (e.g. GAEC, livestock retention periods) do not align perfectly with crofting-specific obligations. For example, notions of 'activity / maintenance / neglect' differ since funding support explicitly allows for non-agricultural production. A business that does not submit a SAF form cannot be in breach of GAEC rules as they are specifically related to support payments, unlike SMRs that are legally binding, meaning there may be weak 'Neglect' conditions for regulatory purposes of crofters not claiming support.

176. Further, requirements can differ between R1 land and R2 or R3 land. Regulatory and policy calculations of stocking densities draw upon different baselines and use different (averaging) methods of calculation (e.g. soumings, RPID's total sheep equivalents, common grazing shares). In many cases, active crofters have been disadvantaged by these different approaches, particularly in relation to common grazings.

177. Addressing such issues implies a need for greater clarity on the purpose of different regulatory and policy rules, including explicitly in relation to the objectives for crofting areas (such as community, culture). It also implies a need for the Crofting Commission to be more actively engaged in policy discussions.

178. Given the policy drivers to encourage nature recovery and climate mitigation and to continue to support remote communities and economies there are strong arguments that a more active crofting sector could draw in more agricultural support monies that would then, through multiplier effects, help maintain local jobs, services and culture. It is therefore important for the Commission, and all involved in crofting law reforms, to consider the types of activity they want to see under 'cultivation' (e.g. peatland restoration, nature recovery) and what activities they want to penalise under neglect. Regulatory definitions need to link better

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73 https://www.crofting.scotland.gov.uk/userfiles/file/regulatory_forms_and_guidance/crofters_duties/law_policy_and_procedures/law-policy-and-procedure-tenant-misuse-and-neglect-2022.pdf

with agricultural policy to ensure crofting's contribution to the Scottish Government's objectives is strengthened.

7.3.4 Policy Challenges and Opportunities in Crofting

179. It is vital that the fragile nature of crofting activity and its community and cultural significance in some island locations areas are fully considered in policy development. It is important that future support schemes foster and encourage, rather than undermine (through unintended consequences) this unique form of collaborative community land management.

180. Increasing co-operation and collaboration is one of the aims of the Scottish Government, as is encouraging community management of land. Crofting, by its very nature, has collaborative community land management embedded at its core – through 'townships' and 'common grazings'. If common grazings are to be effectively managed for environmental outcomes (including managing wildfire risks), there must be a critical mass of crofters actively managing these resource. Activity not only delivers positive outcomes for nature, but also fosters positive community benefits, preserves embedded knowledge and experiences unique to these landscapes and habitats, as well as supporting important crofting biodiversity, gene banks through native breeds, as well as cultural heritage in the form of traditional shepherding and land management practices tied to common grazings.

181. To boost BPS and LFASS payments, some active crofters choose to rent-in additional common grazing shares (sub-lets). The Crofting Commission regulations state that it is the decision of the Committee or Grazings constable to reallocate any unused shares (illustrated in Figure 23). For BPS and LFASS claims, a Scottish Government administrative form (the PF27) is completed with details of both lessee and lessor crofting parties and signed by the clerk prior to submission. However, the current SAF processes do not match the Crofting Commission regulations as RPID accept either the signature of the clerk or of the crofter who is letting out the shares. Moreover, there can be significant delays in regulatory matters as acknowledged by the Crofting Commission[74]. Improvements in regulation of sublets to better enable Tier 2 conditionality to be effectively delivered across common grazings is likely required.

182. On R2 and R3 rough grazing ('land kept naturally') there is a requirement for BPS and LFASS claimants to graze the land (although they may opt to be deemed 'active' through alternative practice where they carry out an environmental

[74] business-plan-2023-24.pdf (scotland.gov.uk)

assessment across the R2 and R3 land[75]). However, for BPS Region 1 grassland, a claimant simply needs to ensure the land is *"maintained actively in a state suitable for grazing or cultivation*" meaning inactivity can get engrained into the support system. As agricultural budgets are reducing in real terms, it is important that 'active farmer/crofter' and minimum agricultural activity (see Thomson and Moxey 2023 on definitions[76]) are reviewed with some urgency, with consideration of removal of 'alternative practice' (a legacy of EU Commission rulings) and better defining activity on grassland and on common grazings:

- Definitions of agricultural activity and minimum activity levels need to be reviewed to ensure there is consistency across schemes. There may be an opportunity to include other livestock categories to support ongoing local food production (pigs, poultry) and maintenance of heritage breeds (e.g. Shetland ponies, Shetland sheep, Hebridean Sheep, Eriskay Ponies) that currently would be excluded from grazing density calculations. Activity definitions should also be adapted to account for non-grazing activities such as peatland restoration and biodiversity provisioning that require some temporary reductions or removal of livestock, or farm/croft diversifications

183. There are numerous additional challenges in supporting and encouraging active crofting under the proposed 4-tier model for future support. Following engagement with stakeholders and internal research team discussions, several key considerations for development and implementation of policy support for crofting were developed (including some points on the regulation of crofting):

- Completion of the croft register should be prioritised per the Shucksmith recommendations of 2008[77]. This should provide research and other Scottish Government departments (such as RPID) with definitive evidence of the croft status of land parcels and would facilitate improved policy decision making to deliver against defined Scottish Government policy objectives.
- There should be consideration of adopting more appropriate crofting regulation measures to assess cultivation and neglect under the 'Crofting Duties'.
- If there is to be redistributive support or a small producer scheme, then appropriate activity conditions and public outcome measures need

[75] https://www.ruralpayments.org/topics/all-schemes/basic-payment-scheme/basic-payment-scheme-full-guidance/eligible-hectares-and-minimum-activity---bps/

[76] Thomson, S & Moxey, A (2024). An assessment of future Scottish agricultural policy design alignment with the EU's Common Agricultural Policy - An output from SRUC's Underpinning National Capacity – Support for Policy as part of the Scottish Government Environment, Natural Resources and Agriculture 2022-2027 Strategic Research Programme. Scotland's Rural College (SRUC). Report. https://doi.org/10.58073/SRUC.25343005.v1

[77] Committee of Inquiry on Crofting: Final Report (consult.gov.scot)

consideration to ensure there are not unintended consequences such as facilitating further inactivity.

- There is a real challenge in collective land managers undertaking elements of the Whole Farm Plan on common grazings. Beyond the higher unit costs individual crofters will face in conducting elements of a whole farm plan on their sole access land, it is very challenging to consider who will bear responsibility for undertaking soil tests, carbon audits and biodiversity audits on common grazings. Whilst it may be easy to assume that the responsibility of these Whole Farm Plan components should fall to the Common Grazing Committee and clerk that puts a lot of burden and undue expectation on the shoulders of volunteer office bearers.
- Moreover, the Crofting Commission's own data shows only 500 common grazings are 'regulated' with a current grazing committee in place.[78] Due to current levels of inactivity and the lack of adequate support to assist crofting townships who need to set up a grazings committee, many communities are not currently pulling in the funding they might otherwise be able to. Without a fundamental policy rethink this situation could further deteriorate.
- There is a real risk that compliance with some Tier 1 entry level standards will fall to those most active on the common, and that should not be the case. It is essential that should these entry level requirements be required on common grazings (there are public benefits from doing so) then there should be Scottish Government or Local Authority funded mechanisms to support common grazings in undertaking, for example biodiversity audits, peatland assessments and mapping that are challenging for collective bodies made up of volunteers to manage. This could be done through either (i) Tier 3 grants that common grazings can access (noting the burden of application costs may deter some), or (ii) a network of specialist facilitators that can undertake audits and support the establishment and running of common grazing committees. The latter likely requires greater and more effective collaboration between Scottish Government, Crofting Commission and Local Authorities, but the prize is to improve the active management of these common grazing resource and to enable greater draw down of agricultural support payments to local communities and economies.
- Delivery of Tier 2 conditionality measures on the common grazings requires serious consideration. How do the measures stack up to collective management principles? There likely needs to be a series of broad Tier 2 measures that can apply to the different types of common grazings (e.g. moorland, mountain, machair). There is a real risk that Tier 2 conditionality will be undeliverable across the whole common given the low level of common

[78] A Simple Guide to Common Grazings Terms | Helping farmers in Scotland | Farm Advisory Service (fas.scot)

grazing BPS shares being currently claimed in some areas. If there is to be true delivery of conditionality on the common grazings then ways of unlocking the latent value of unused BPS / grazing shares to those active on the commons may need consideration – else some commons may be delivering conditionality at a fraction of the public cost compared of sole occupancy land. Some **T2 measures** that were offered through project engagement activities include:

- **A grazing plan** (livestock numbers, areas grazed by month) to support more strategic thinking about managing common grazings for multiple benefits.
- **Muirburn and wildfire management plan** for common grazings / townships. This recognises the additional costs and challenges in agreeing plans collectively and recognises the potential environmental benefits such active planning could deliver.
- **Collective animal health and welfare pla**n for common grazings / townships. The additional costs and benefits of collected actions for public good delivery would be recognised.
- Whilst peatland restoration monies can support one off capital costs of restoration, a **peatland survey/management plan** for the common grazing / township can improve awareness of climate change mitigation opportunities and develop collective understanding of how to best manage fragile peatland areas collectively.
- To date less than half Common Grazing have been registered with Registers of Scotland for the **Crofting Register**. To provide more accurate (definitive) public record of common grazing areas common grazings / townships could be incentivised through T2 to undertake collective mapping action to complete the register.
- A **collective soils/nutrient plan** for Common Grazings with permanent grassland could again incentive collected management actions for the benefit of the township and wider society.

- Rethinking how policy can support generation renewal is needed to make the sector more vibrant again. Financial support to help crofters engage with crofting experts during transfer of right would be beneficial and recognise the additional costs of complying with crofting registers, etc. In a system where paper trails of and individual croft's rights are often missing it can be a real challenge (and a costly one) to jigsaw croft tenancies, ownership and common grazing shares together - a task that many conveyancing lawyers ignore during transfer of croft titles. This could be supported through Tier 3 as it could be 'transformative'.
- Whilst there is attraction in a small recipient scheme and a redistributive payment, these would require careful design considerations to ensure already

high inactivity rates are not exacerbated. Indeed, the maintenance of 'active crofting' requirements must be a priority in any such schemes – and improved governance of inactivity / neglect / absenteeism could go a long way to mitigating monies flowing out of the targeted areas. That said, there also needs to be an acceptance that many common grazings play wider socio-cultural roles within fragile communities and that the expectations should, therefore, possibly not be as high as for sole occupancy land.

184. Lessons need to be learned from the 2014 CAP reforms where many of the most active crofters were disadvantaged as the BPS and Greening schemes were introduced. Crofters claiming BPS on common grazings were not permitted to be paid on an individual level commensurate with grazing activity. Therefore, not only did some active crofters face reduced payments due to low / no activity by their neighbours, but the activity level was taken from historic figures. Crofters with cattle were also likely to be the most disadvantaged under the 2014 BPS transition if their neighbouring graziers had sheep.

185. It is important that during the transition to future support mechanisms time is taken to ensure that a model fit for common grazings is co-developed with industry and regulators. This may require a 'lite' touch approach to common grazings for a few years – during which time public sector supported biodiversity and peatland audits be completed. Rethinking how policy can support generation renewal is needed to make the sector more vibrant again, and financial support to help engage with crofting experts during transfer of title would likely be beneficial and recognise the additional costs of complying with crofting registers etc. that many conveyancing lawyers ignore during transfer of croft titles. This could be supported through Tier 3 as it could be 'transformative'.

8 Environmental Profile

186. Orkney, Shetland, and the Outer Hebrides host many nationally and internationally valued: (a) habitats and species that are important for biodiversity and (b) peatland sites. This section provides an assessment of the greenhouse gas emissions in the Island groupings and then outlines the unique contribution to Scotland's biodiversity afforded by these island groups, highlighting those which are undergoing change or under threat, and giving detail on key issues where humans and animals are in conflict for which we need to seek solutions.

8.1 Greenhouse Gas Emissions

187. The Scottish Government's Net Zero ambitions for 2045 are a major driver of all realms of policy change as Scotland seeks a Just Transition[79]. A new draft Climate Change Plan remains unpublished by the Scottish Government[80] at the time of writing – but it is expected to be laid before the Scottish Parliament for scrutiny in Spring 2024. This will set out sectoral targets and transition pathways, updating the latest version of the plan[81] and it is expected that a Just Transition Plan for Land Use and Agriculture[82] will be published around the same time to which the Just Transition Commission has called for honesty and clarity on the scale of the transition required in the sector and what a just transition pathway looks like, including how it is to be funded[83].

188. Within the National Inventory of Atmospheric Emissions[84] (the so-called National Inventory) emissions from Agriculture are accounted separately from Land use, land use change and forestry (LULUCF). The National Inventory is a series of sectoral models that estimate the impacts of a range of sectoral emissions that lead to global warming. Models rely on the robustness of the underlying assumptions and data and there needs to be greater clarity on these for agriculture and LULUCF in the National Inventory, and the models must be adapted to better reflect regional variations in agricultural and land use practices (e.g. use of rough grazing, winter housing and feeding regimes, animal and plant breeds used) and to better recognise uptake of new technologies (e.g. methane inhibitors) or practices (e.g. improved slurry storage and application).

[79] See https://www.justtransition.scot/ who have been appointed to support the production and monitoring of sectoral Just Transition Plans, providing expert advice on their development.
[80] Minister for Parliamentary Business.dot
[81] Securing a green recovery on a path to net zero: climate change plan 2018–2032 - update - gov.scot (www.gov.scot)
[82] Just transition in land use and agriculture: a discussion paper - gov.scot (www.gov.scot)
[83] Success of net zero transition requires honesty about costs – Just Transition Commission
[84] NAEI, UK National Atmospheric Emissions Inventory - NAEI, UK (beis.gov.uk)

189. Whilst Scottish agricultural policy is undoubtedly being significantly influenced by the targets for reductions in emissions from agriculture and LULUCF there is a danger that the regional emissions profiles, or available mitigation strategies are not fully considered by policy makers.

190. The full National Inventory spans the full economy, divided into various separate sectors and most include electricity related emissions. LULUCF differs from the other inventory sectors as it includes some removals through carbon sequestration from plant growth and soil deposits. The sectors included in the Local Authority database include:

- **Industry** (including electricity-related emissions)
- **Commercial** (including electricity-related emissions)
- **Public sector** (including electricity-related emissions)
- **Domestic** (including electricity-related emissions)
- Transport
- **Land use, land use change and forestry (LULUCF)** (including removals of carbon dioxide from the atmosphere, so that net emissions from this sector can sometimes be negative)
- **Agriculture** (including electricity-related emissions)
- **Waste management** (distributed based on the waste arising in each local authority)

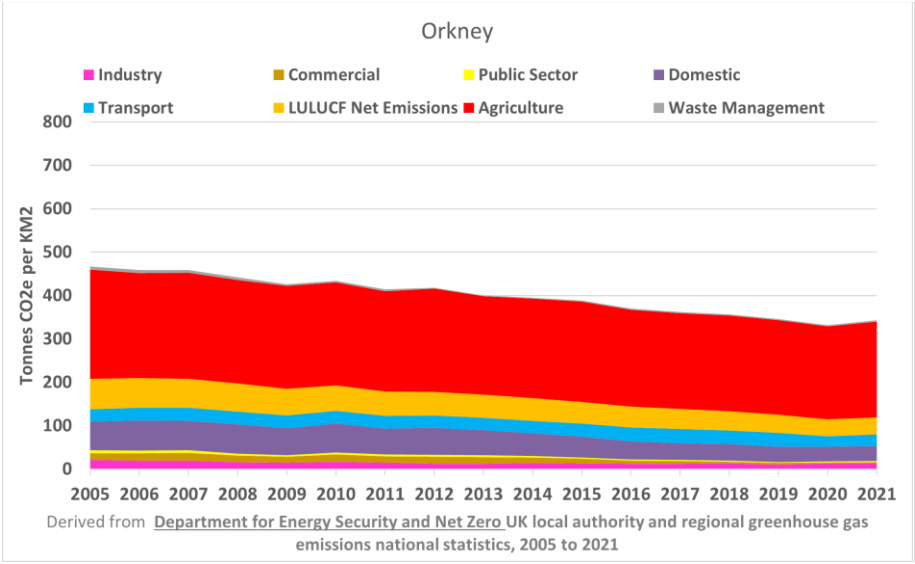
191. The relative contribution of these sectors to emissions varies geographically, reflecting differences in patterns of economic activity. Hence, agriculture and LULUCF are more significant contributors to emissions across the three island groupings than for Scotland as a whole. For example, agriculture dominates for Orkney (mainly enteric methane emissions from cattle) whilst LULUCF (mainly degraded peatlands or grass on peat) dominates for Shetland and the Outer Hebrides, but both are dominated by other sources at the national level. Details of the main emission contribution to each of these sectors is provided in Annex 5 Agriculture and LULUCF GHG Emissions.

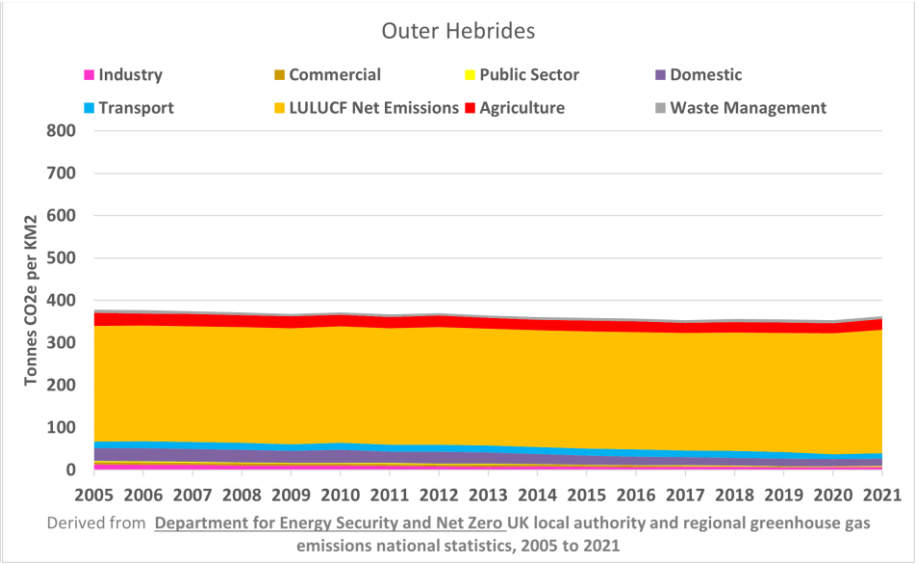
192. Figure 24 shows the trends in emission profiles for each island grouping from 2006 to 2021. The charts reveal the dominance of LULLUCF and agriculture in the island groupings compared to Scotland as a whole, and also that improvements have been gradually made.

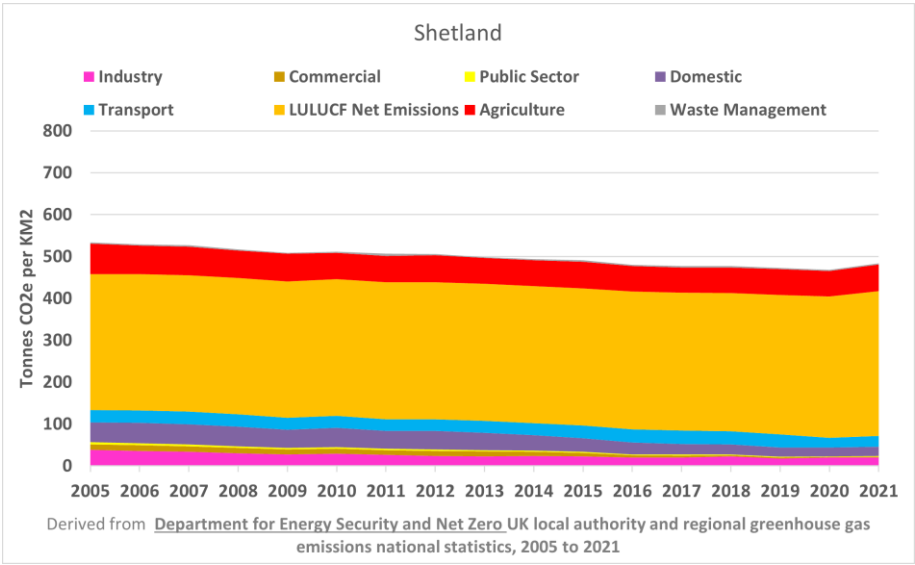
- Reflecting agricultural intensity (particularly of cattle) agricultural emissions amounted to 220 t CO_2e per km^2 in Orkney, down from 252 t CO_2e per km^2 in 2006 (a 12% reduction). This compared to only 25 t CO_2e per km^2 in the Outer Hebrides in 2021 (down 20% since 2006), 64 t CO_2e per km^2 in Shetland in 2021 (12% reduction since 2006) and 100 t CO_2e per km^2 across Scotland in 2021 (down 10% from 2006)

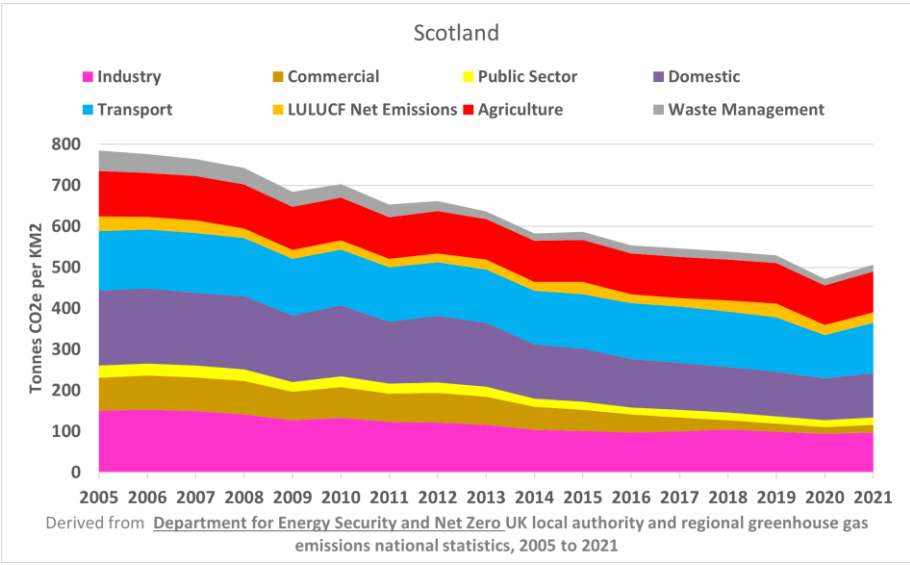
- Reflecting peatlands, and their current condition, LULUCF contributed net emissions (i.e. after sequestration) of 345 t CO_2e per km^2 in Shetland in 2021 (up 6% from 2006). The Outer Hebrides had similarly high net emissions from LULUCF at 291 t CO_2e per km^2 in in 2021 (up 7% from 2006). In contrast Orkney only had net LULUCF emissions of only 39 t CO_2e per km^2 in in 2021 (down 44% from 2006). Across Scotland LULUCF net emissions were only 25 t CO_2e per km^2 in in 2021 (down 30% from 2006), reflecting lower overall peatland, but also higher grassland and timber net sequestration.

Figure 24 GHG emission trends (tonnes of CO2e per KM2) by national inventory sector, 2006 to 2021









193. Figure 25 demonstrates the proportion of total emissions arising from agriculture with Figure 26 showing the contribution to total net emissions from LULUCF and Figure 27 shows the total contribution that LULUCF and agriculture make combined.

- In Orkney agriculture contributed 64% of total island net emissions in 2021 (up from 54% in 2006). This was significantly above the Scottish position of 20%. In comparison, reflecting more extensive agricultural production systems agriculture only contributed 7% of net emissions in the Outer Hebrides in 2021 (down from 8% in 2006) and 13% in Shetland (14% in 2006).
- In Shetland LULUCF contributed 71% of net emissions of the islands in 2021 (up from 63% in 2006) that reflects the significant peat reserves on the islands and their condition / use. Whilst the emissions intensity in the Outer Hebrides was lower from LULUCF than Shetland the sector contributed a higher proportion of overall emissions due to the make-up of the economy. In 2021 LULUCF contributed 80% of net emissions in the Outer Hebrides (up from 72% in 2006). In contrast, LULUCF only contributed 12% of Orkney's net emissions in 2021 (down from 15% in 2006) and only 5% of Scotland's net emissions.
- These islands stand apart from Scotland as whole in terms of combined net emissions. Across Scotland agriculture and LULUCF contributed 26% of Scotland's net emissions in 2021 (up from 19% in 2006). This compares with 76% of net emissions from Orkney (up from 69%), 85% of net emissions in Shetland (up from 74% in 2006) and 87% in the Outer Hebrides (up from 80% in 2006).

Figure 25 Agricultural emissions as proportion of local authority emissions, 2006-2021

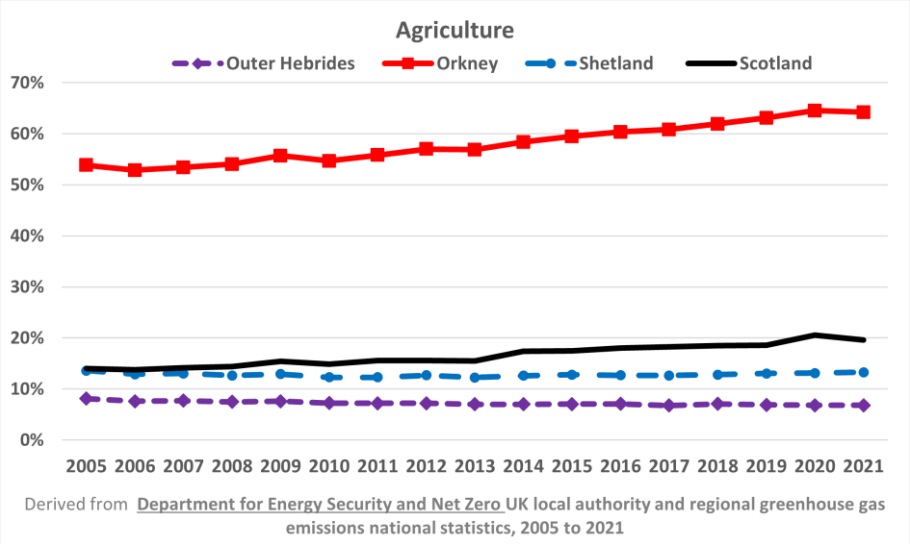


Figure 26 LULUCF emissions as proportion of local authority emissions, 2006-2021

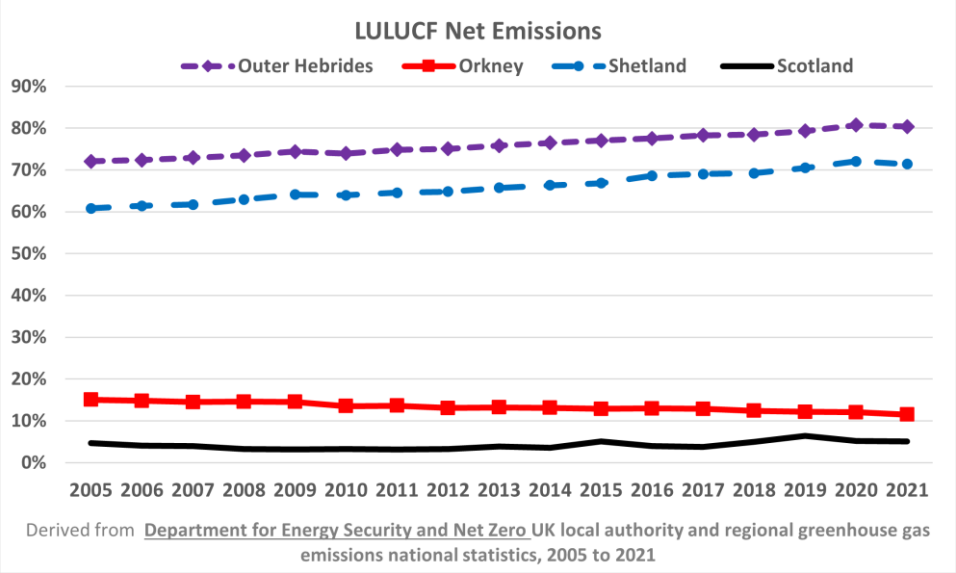
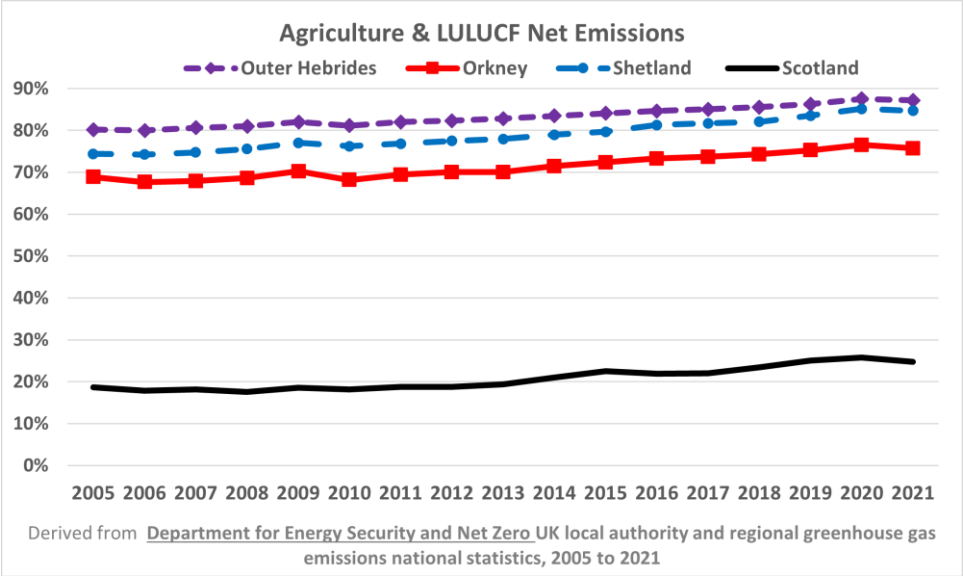


Figure 27 Combined agricultural and LULUCF emissions as proportion of local authority emissions, 2006-2021



194. It is worth emphasising that as other sectors decarbonise the proportion of total net emissions arising from agriculture and LULUCF increase, meaning there is ever increasing pressure to reduce emissions in these sectors.

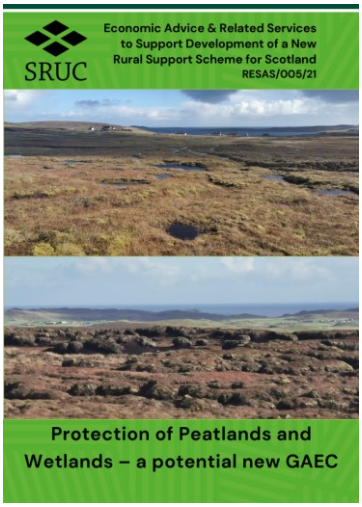
- At Scottish level whilst agricultural and LULUCF net emissions fell by 10% and 30% respectively between 2006-2021, net emissions also fell in all other sectors: Industry (-36%); Commercial (-80%); Public Sector (-39%); Domestic (-41%); Transport (-14%); Waste Management (-67%).

195. The agriculture is very challenging to decarbonise, but high technical efficiency and adoption of new technologies (such as methane inhibitors) and targeted

breeding goals (e.g. for feed efficiency / low methane) can ensure the sector plays its part.

196. For LULUCF emissions from peatlands that have historically been converted to grass remain a significant challenge (the food / economy V climate trade-offs need considered), but degraded peatland restoration must be seen as a priority to reduce net Scottish and specifically Shetland and Outer Hebrides emissions. However, stumbling blocks to more widespread peatland restoration remains in place. Specifically:

- **Crofting legislation:** whilst it may be clear in crofters' or landowners' minds who has the right (and that right may become an obligation in years to come) to restore peatland, this needs clarification in statute. Independent legal advisors currently state that while land managers may have the right to carry out restoration works that does not mean they hold the right to any carbon credits generated through restoration works. Similarly, landowners may hold the right to trade carbon credits but under crofting legislation they do not have the right to carry out restoration works, nor can they force land managers to do so.
- **Stocking Density:** A complaint made by farmers and crofters is about requirements to destock for prolonged periods during and after peatland restoration is completed. During evidence gathering we heard that there was a requirement for full stock withdrawal for bare peat restoration (often unfenced sites within a moor) or reduction to 0.02 livestock units per hectare (an eighth of a sheep per hectare) on other restoration sites. Stock withdrawal and reduction can mean that crofters and farmers would breach the 'activity' eligibility clauses for BPS and LFASS. Peatland restoration does not fund changes in land management (livestock reduction) that are part of the conditions of e.g. Peatland Action. Peatland and nature restoration need to be fully recognised within future definitions of agricultural activity regarding support schemes. Moreover, mechanisms in Tier 2 and Tier 3 to support and compensate active farmers and crofters withdraw stock (if required) during the restoration periods requires consideration (as recommended by Thomson et al, 2023). Investigation of peatland restorations where sheep grazing remained (e.g. Tardoes farm in Muirkirk[85]) would be beneficial for industry and fund administers.



[85] CABB Peatland Project – Useful Data for Irish River Conservation / Water Quality (irishriverproject.com)

- **Inflexible timings:** Peatland restoration contractors bemoan the seasonal nature of the job meaning they often move backwards and forwards between restoration and other machine operation jobs. Other work is often considered more lucrative and easier – particularly in terms of machine operator requirements on red listed species and ground nesting birds, etc., particularly in NatureScot controlled Peatland Action[86] projects. Peatland restoration may require some green V green trade-offs to be explicitly made (e.g. long term emissions reductions v short term habitat damage v long term habitat gain).

197. This highlights that regional emission mitigation priorities should not be uniform across Scotland, but equally that the ease of mitigation is not distributed evenly either. For example, expectations for agricultural mitigation on Orkney and LULUCF mitigation across Shetland and Outer Hebrides need to be tempered by the practicalities of peatland restoration involving crofts and common grazings and the impracticalities of tree planting at scale. Equally, the scope for reducing livestock emissions needs to be considered against the countervailing scope for carbon leakage through imports.

8.2 High Nature Value Farming Systems

198. In spite of their primary function of producing food and fibre, many agricultural landscapes are rich in natural and/or semi-natural vegetation and support species and habitats, often with high conservation value, whose persistence is totally or partially dependent on the maintenance of specific low-intensity farming systems. Known in Europe as high nature value (HNV) farmlands, they contribute significantly to biodiversity conservation and the delivery of a wide range of ecosystem services on which society depends.

199. Work by the Scottish Government in the early 2010s[87] estimated that the area of Scotland under HNV farming ranged between 2.3 and 2.4 million hectares of agricultural land between 2007 and 2013. This equates to a range of between 40% and 44% of the total amount of agricultural land in Scotland. However, this figure rose to 51% in the Northern Isles and 75% in the Outer Hebrides, emphasising the disproportionate importance of the islands in providing and maintaining Scotland's HNV resource.

200. However, in Scotland – as elsewhere in Europe - many HNV farmlands are currently under pressure from biophysical (e.g. remoteness, soil erosion, climate) and socioeconomic factors (e.g. globalization of markets and specialization of agricultural systems, rural population decline, lowering farm income), alongside broader political and cultural changes. As a result, many of the remaining HNV

[86] Peatland ACTION | NatureScot
[87] Indicator 4: Farming and nature | Scotland's environment web

farmlands are currently losing socioeconomic viability due to low farm incomes and poor social infrastructure.

201. Altogether, such socioeconomic drivers are limiting the attractiveness of managing HNV farmlands for younger generations (Lomba et al. 2023[88]). In 2016, a European Innovation Partnership for Agricultural Sustainability & Productivity (EIP-AGRI) short-life-focus-group was formed to consider how to improve the social and economic sustainability of HNV farming without losing the HNV characteristics.

202. The final report from this group concluded (EIP-AGRI, 2016[89]) that the use of innovative technologies and management techniques had an important role to play, a view that has been further emphasised by the HNV Link project (Gouriveau et al., 2019[90]) and Lomba et al. (2020[91]) who emphasise that facilitating technological innovation is an essential part of a wider bundle of measures required to improve the future viability of HNV farming systems.

203. HNV farming and crofting systems across Orkney, Shetland and the Outer Hebrides are heavily dependent on agricultural support funding, especially Less Favoured Area Support and income from Agriculture, Environment & Climate Schemes (AECS). Maintaining elements of that support but also ensuring that funding can be mobilised to allow HNV farmers and crofters across the islands to take advantage of technological advances will be fundamental to maintaining the systems, and associated biodiversity value, in the future.

8.3 Protected Nature Areas

204. The principal statutory protected nature areas in Scotland are Sites of Special Scientific Interest (SSSI), which are nationally important examples of natural heritage, Special Areas of Conservation (SAC), which are sites of European importance for habitats and non-bird species and Special Protection Areas (SPA), which are sites of European importance for birds. In addition, there are also local designations which also impact on agricultural practice that can are established by local authorities.

205. SAC and SPA designations include significant areas of important marine habitats and feeding areas for seabirds. Terrestrial statutory protected areas (SSSIs, SACs and SPAs), which often overlap in area, cover a total of 31.8% of the land area of the Outer Hebrides, 13.6% of Shetland and 24.5% of Orkney. In terms of abundance

[88] https://doi.org/10.5751/ES-14159-280220
[89] EIP-AGRI Focus Group on High Nature Value - farming profitability: Final Report | EIP-AGRI (europa.eu)
[90] D4.3.HNV-Link_Policy-Brief_v2019-3-25.pdf (hnvlink.eu)
[91] https://doi.org/10.1002/fee.2116

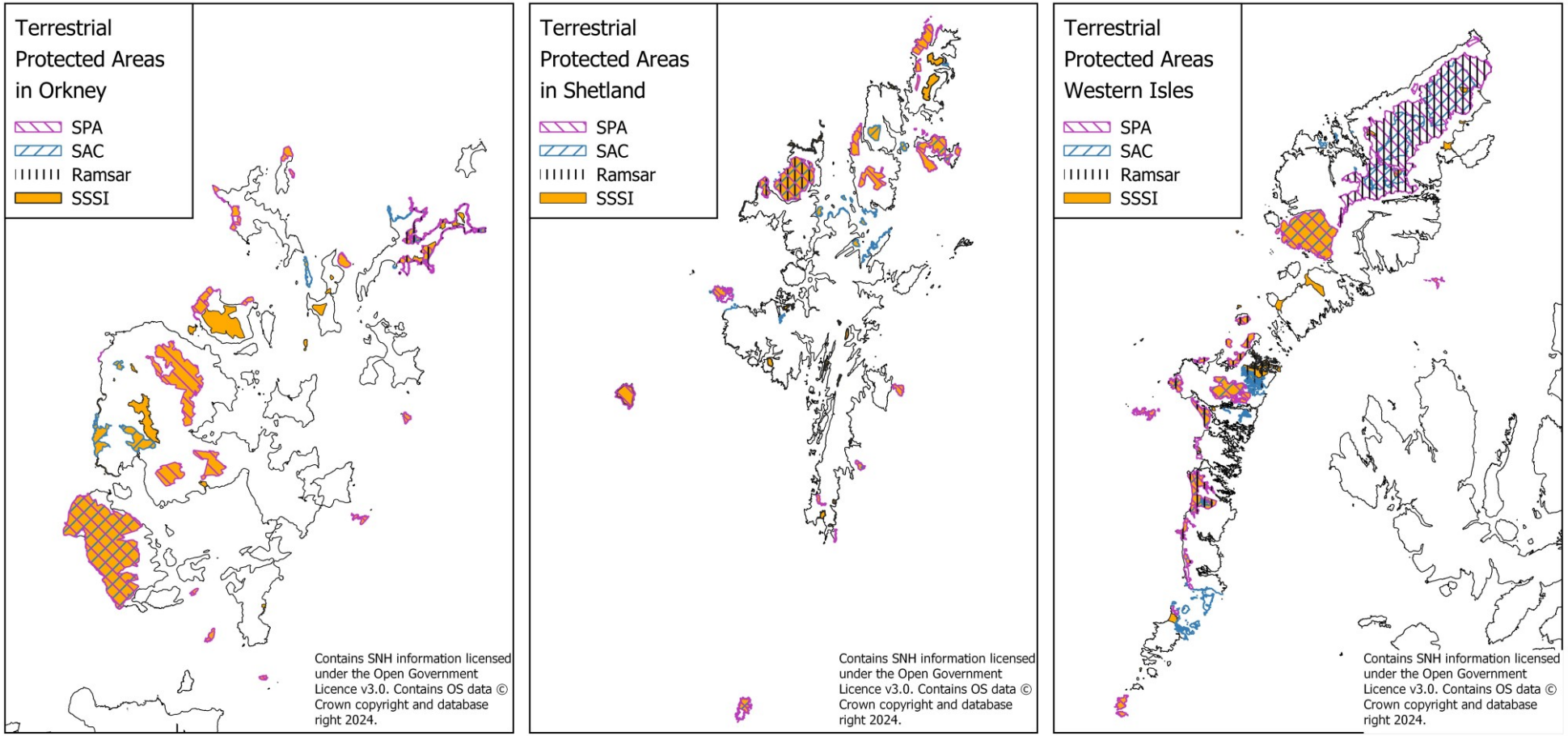
(see Table 37), the three island groupings account for c.12% of Scottish SSSIs (8% of area), c.16% of terrestrial SACs (10% of area), 38% of terrestrial SPAs (10% of area) and 12% of Ramsar sites (24% of area).[92]

Table 37 Estimated number and area of designated sites, including estimated proportion of Scottish terrestrial designations

Area	Metric	SSSI	SAC (Terrestrial)	SPA (Terrestrial)	Ramsar
Orkney	Ha	24,315	12,212	18,312	1,516
	% Scotland Ha	2%	2%	1%	0%
	Sites	36	6	14	1
	% Scotland Sites	3%	3%	9%	2%
Shetland	Ha	19,961	9,428	15,173	5,474
	% Scotland Ha	2%	1%	1%	2%
	Sites	78	14	17	1
	% Scotland Sites	5%	7%	11%	2%
Outer Hebrides	Ha	37,035	54,357	91,183	71,254
	% Scotland Ha	4%	7%	7%	22%
	Sites	52	14	27	4
	% Scotland Sites	4%	7%	18%	8%

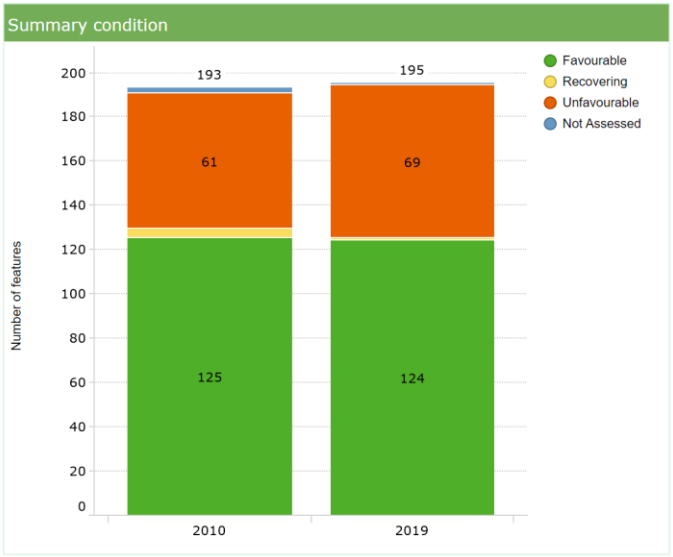
[92] Estimates based on GIS extracts https://sitelink.nature.scot/home

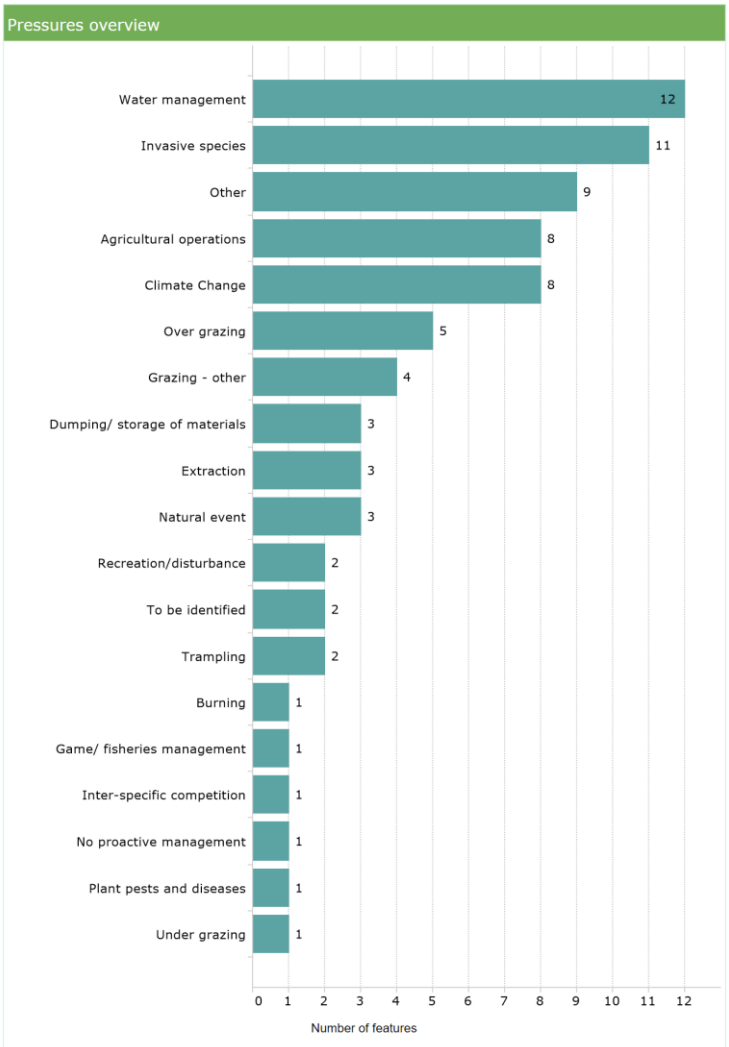
Figure 28 Extent of selected terrestrial designated areas in Orkney, Shetland and Outer Hebrides



206. A significant proportion of the land area of each of the three island areas is under some form of conservation designation. While these designations, and the biodiversity associated with them, are a significant tourist draw to the islands, farmers and crofters receive no direct market income streams from having these designations on the land that they manage. Indeed, the designations can act as a constraint on some land management choices. In addition, while the majority of features across these protected areas are in what is known as either Favourable or Recovering condition, where the status of those features are deemed to be Unfavourable then this can lead to pressure to address the factors leading to that status (see Figure 29 to Figure 31).

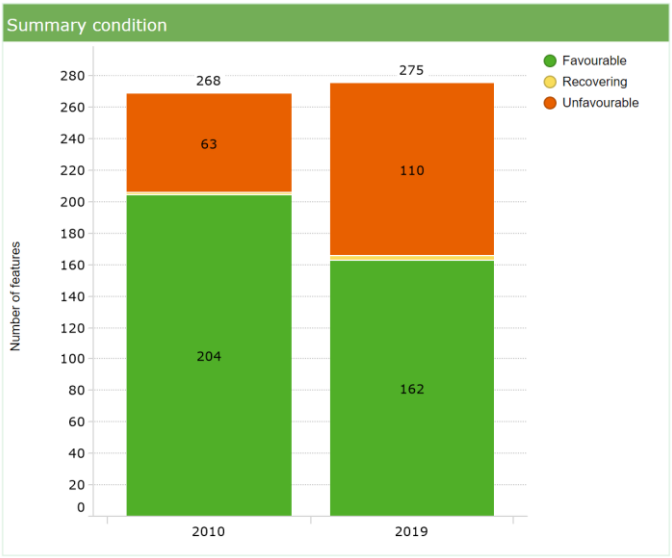
Figure 29 Summary condition of protected nature areas in Orkney and overview of pressures on protected features.[93]

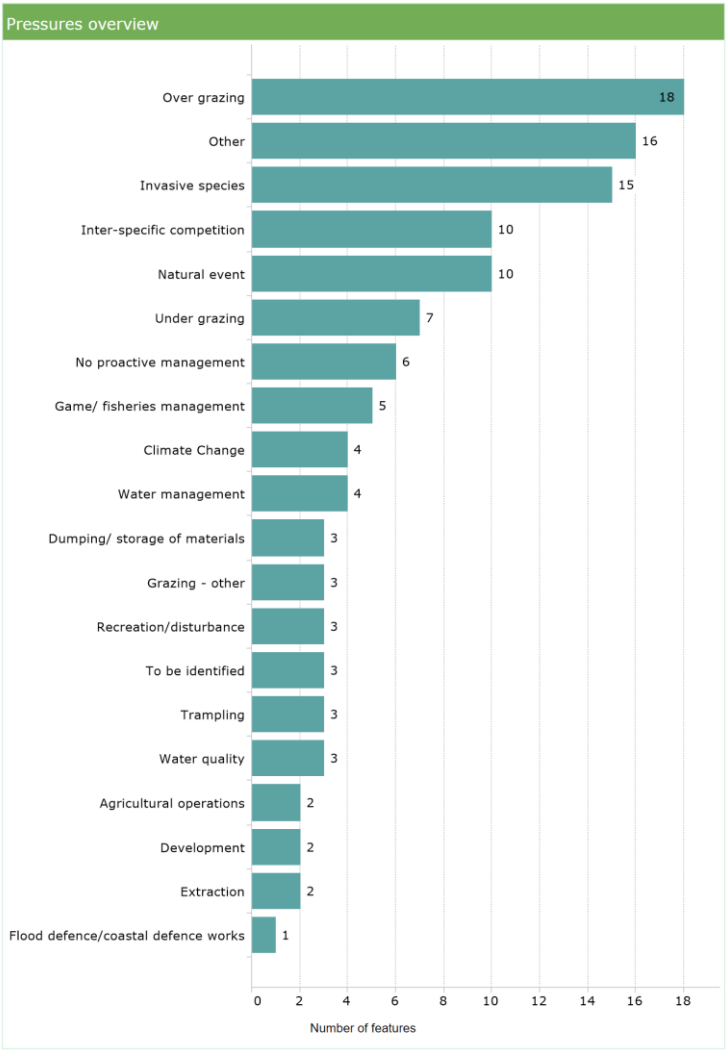




[93] [93] These data are provided by Scottish Natural Heritage (SNH) and downloaded from informatics.sepa.org.uk/ProtectedNatureSites. Data last updated: 12-Mar-2024

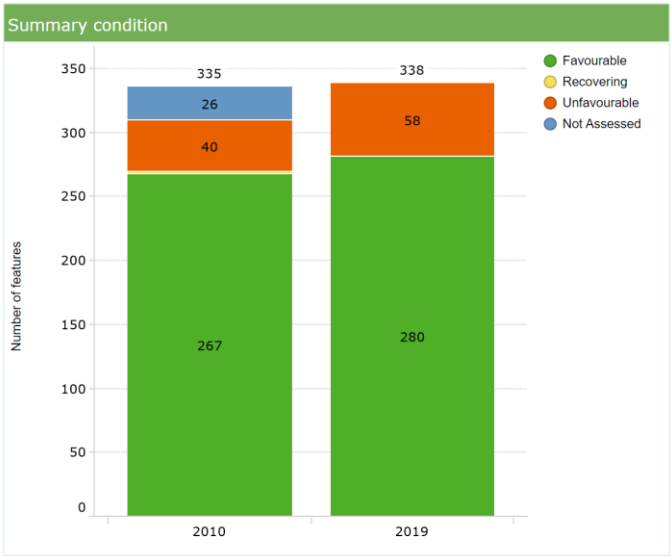
Figure 30 Summary condition of protected nature areas in Shetland and overview of pressures on protected features[94].

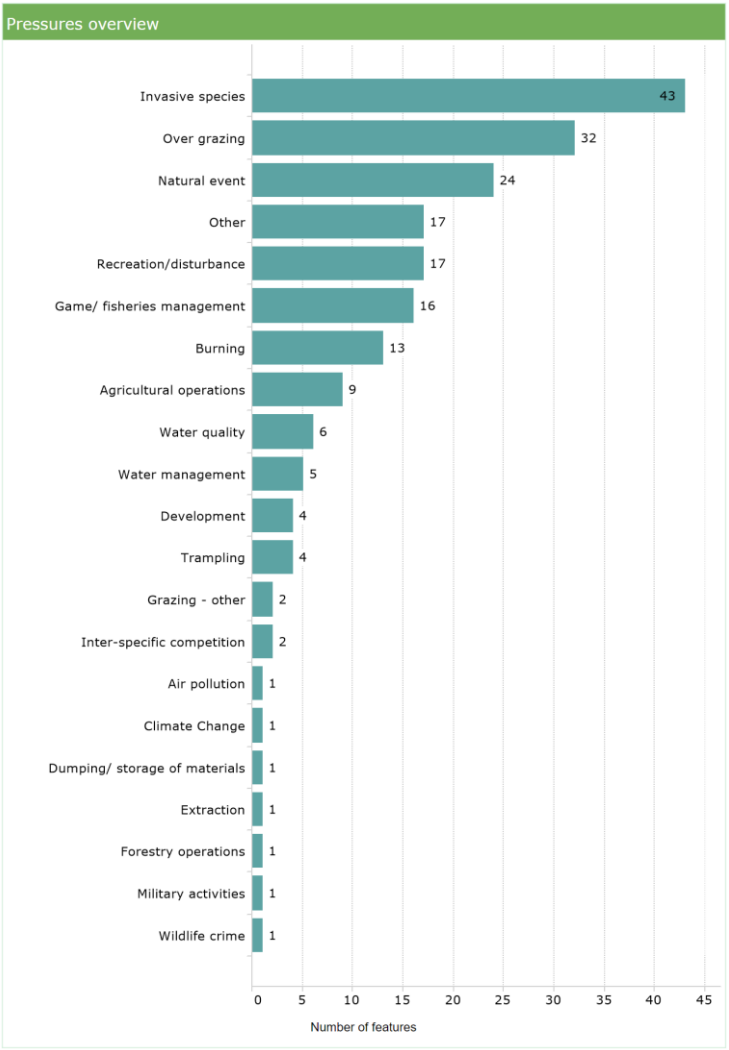




[94] These data are provided by Scottish Natural Heritage (SNH) and downloaded from informatics.sepa.org.uk/ProtectedNatureSites. Data last updated: 12-Mar-2024

Figure 31 Summary condition of protected nature areas in the Outer Hebrides and overview of pressures on protected features[95].





8.4 Priority species

207. Under the current Scottish Rural Development Programme, the main agri-environment scheme is the Agri-Environment Climate Scheme (AECS), which has been operational since 2015. AECS guidance identifies 15 vulnerable priority species that are a key target for management payments and capital works under this scheme and it is reasonable to assume that most or all of these species will remain priorities under future agri-environment support schemes. Ten of these 15 priority species are found across one or more of the three island groups, some in nationally important numbers.

[95] These data are provided by Scottish Natural Heritage (SNH) and downloaded from informatics.sepa.org.uk/ProtectedNatureSites. Data last updated: 12-Mar-2024

8.4.1 Farmland waders: curlew, lapwing, redshank, snipe and oystercatcher

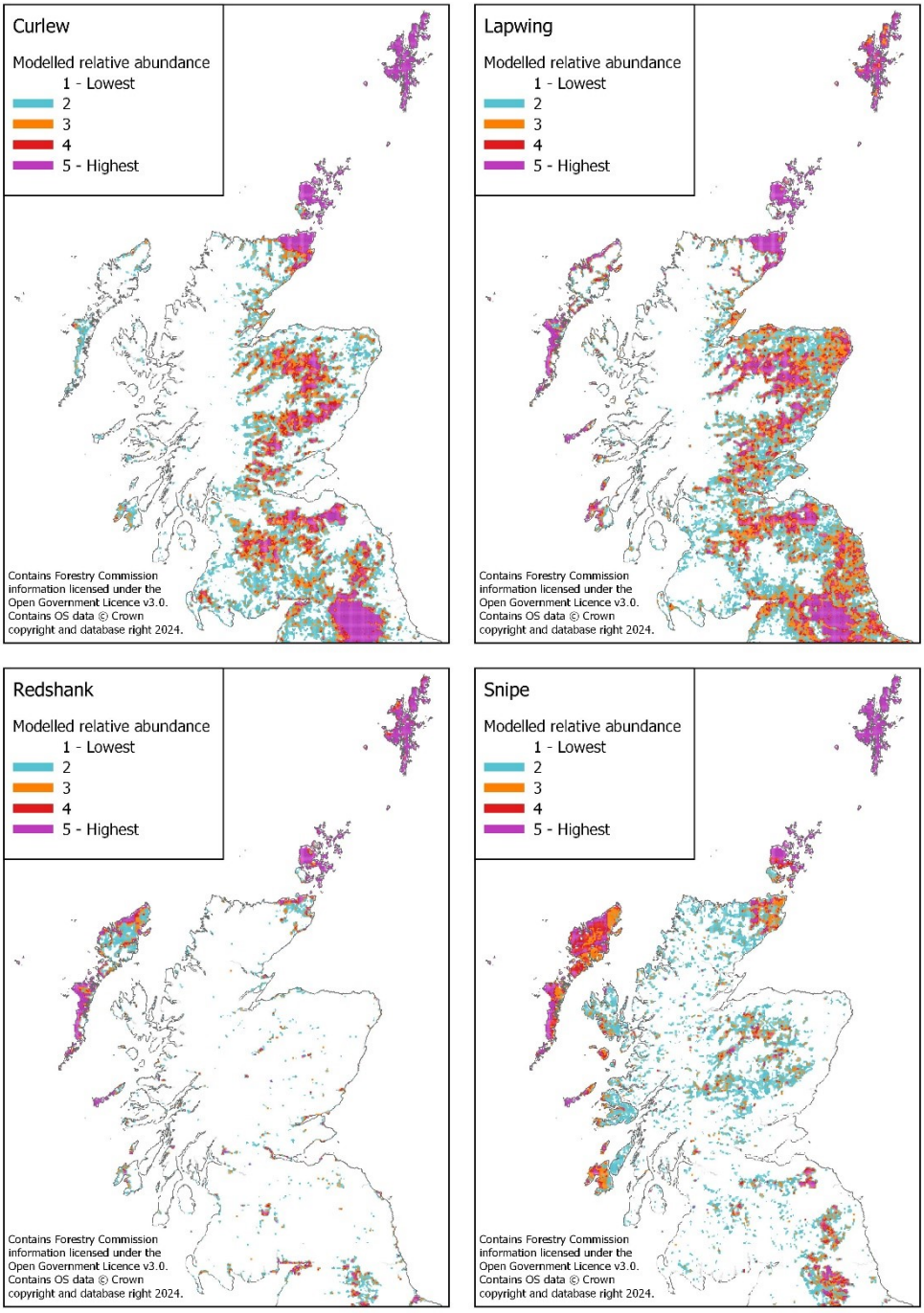
208. Formerly widespread throughout Scotland, these five species of wading bird that are strongly associated with farm management have declined significantly across the country. Wader zonal maps were produced by the British Trust for Ornithology in 2022 to model the predicted relative abundance of breeding waders across England, Scotland and Wales. These maps[96] (see Figure 32) highlight the national importance of Shetland, Orkney, and the Outer Hebrides for these species. A very large proportion of the Scottish Redshank and Snipe populations are restricted to the three island groups.

209. The importance of the islands for these birds can be explained by two key factors: the presence of low intensity farming and lack of mammalian predators. Agricultural activity provides key habitats for these species, so abandonment of farmland is a threat. However, intensive agricultural activities such as high stocking rates, drainage of wetlands, early mowing of grassland have contributed to declines on the mainland and agriculture as practised throughout much of the islands provides the 'sweet spot' between too little and too much disturbance that provides ideal conditions for wading birds.

210. Although native egg predators such as the otter and several species of seabird are present throughout the islands, key egg predators that may impact on mainland wader populations, such as fox and badger, are absent. However, introduced hedgehogs in the Outer Hebrides (since 1974) and stoats in Orkney (since 2010) are a threat to ground-nesting birds, leading to extensive, and sometimes controversial, efforts to eradicate both species. Interestingly, both stoats and hedgehogs were also introduced to Shetland (in the 17th and 19th centuries respectively) but appear to have been less problematic there. This may be due to the machair in the Outer Hebrides supporting higher populations of worms and other hedgehog prey, and the Orkney vole providing an abundant food supply for stoats on Orkney. Introduced American Mink were also previously a threat to ground–nesting birds in the Outer Hebrides but are believed to have been eradicated under a NatureScot project. Monitoring has continued since 2013.

[96] Breeding Wader Sensitivity Map produced by the British Trust for Ornithology (BTO) in partnership with the Forestry Commission and the Cairngorm National Park Authority.

Figure 32 Modelled relative abundance of wading birds associated with farmland habitats.



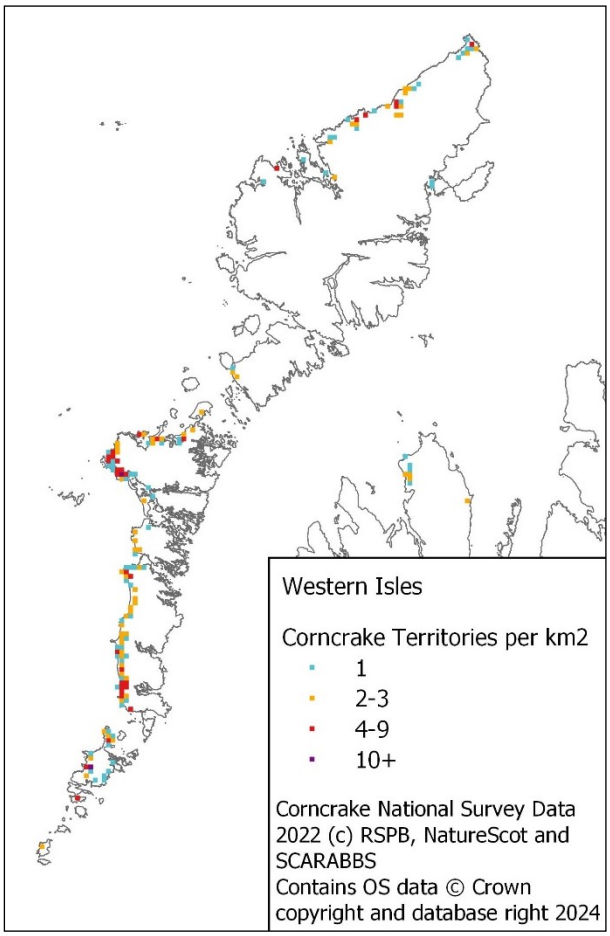
8.4.2 Corncrake

211. The corncrake has been one of the highest profile conservation priorities in the Outer Hebrides. Formerly widespread throughout Britain, it was driven to the brink of extinction by the mechanisation of grass cutting, reaching a low point of 480 singing males in 1993. Subsequent research-led and targeted agri-environment measures allowed the population to increase to 1289 males in 2014, before a further decline to 824 males in 2022. The most recent survey in 2023 showed a

slight recovery to 870 males. Continued payment for corncrake management is essential for this species to continue to survive. The threat is not just from early grass cutting, but from abandonment of grass cutting for hay and silage altogether. This is therefore a key species where support for small-scale, nature-friendly farming is essential to deliver the conditions required. In some areas, the threat of abandonment of hay or silage cutting may be in part driven by the impact of high resident greylag goose numbers on grass growth, meaning these two biodiversity issues are inter-linked.

212. In the latest national survey for which detailed data are available (2022), the Outer Hebrides supported 47.3% of the UK corncrake population, concentrated mainly along the western coast of the Uists and Barra and north-west Lewis (see Figure 33). In 2022, Orkney held 17 male corncrakes (2.1% of the national population) concentrated mainly on Westray and Papa Westray but with individuals also on Sanday, North Ronaldsay, Flotta and Burray. Although corncrakes are sometimes found in Shetland (particularly in the south mainland), their occurrence there is sporadic.

Figure 33 Outer Hebrides corncrake distribution



ISLAND	Number of males	% national population
Lewis	74	9.0%
Harris	6	0.7%
Berneray	3	0.4%
Vallay	7	0.8%
North Uist	106	12.9%
Baleshare	2	0.2%
Benbecula	10	1.2%
South Uist	132	16.0%
Barra	45	5.5%
Vatersay	5	0.6%

8.4.3 Other Species

213. The other priority species for agri-environment schemes that occur in the three island areas are:

- ***Corn Bunting:*** Most of the Scottish population of this very scarce seed-eating bird is concentrated in the arable farmland of eastern Scotland, but there is a tiny remnant population remaining in North Uist in the Outer Hebrides. Conservation efforts in eastern Scotland have been successful in increasing populations in Fife and Angus, but it may be too late to save the last of the west coast population, Low intensity farming and cereal growing in the machair provided the conditions required for this species.
- ***Twite:*** There are estimated to be fewer than 8000 pairs of this small, seed-eating finch breeding in the UK, with more than 30% of the population occurring in the Northern and Outer Hebrides. Research by the RSPB found that the distribution of moorland nesting twite on the Outer Hebrides was concentrated close to adjacent farmland, where the mix of extensively grazed pastures and cultivated fallows provide a variety of habitats rich in weeds for adults provisioning nestlings with seed food throughout the breeding season.
- ***Hen Harrier:*** Orkney supports around 40% (80 pairs) of the Scottish breeding population of this raptor, and the Outer Hebrides support around 15%. As a species that favours open moorland and grassland habitats, the Orkney vole (which is larger than field voles in other parts of the country) provides an important food source.
- ***Great Yellow Bumblebee:*** Flower-rich machair is the main habitat for this rare species. Orkney and the Outer Hebrides support a significant proportion of this insect's UK range.

8.5 Priority habitats

8.5.1 Peatland

214. Peatland is one of the most important habitats in Scotland, providing benefits for biodiversity, water quality, natural flood management and carbon storage. NatureScot produced the Carbon and Peatland map for Scotland in 2016[97], using soil and land cover data from the James Hutton institute. This categorises Scotland into different classes, with nationally important carbon-rich soils comprising Class 1 and Class 2 peatland areas and are shown for the three island groups in Figure 34.

215. Class 1 peatland is defined as nationally important, carbon-rich soils, deep peat and priority peatland habitat, likely to be of high conservation value. Class 2 peat

[97] https://soils.environment.gov.scot/maps/thematic-maps/carbon-and-peatland-2016-map/

is sometimes degraded but represents potentially high conservation value and restoration potential.

216. Across Scotland there is 18,604 km^2 of nationally important carbon-rich soils (10,022 km^2 Class 1 peatland and 8,582 km^2 class 2 peatland). The Outer Hebrides contains 11.2% of the nationally important carbon-rich soils (and 13.2% of the Class 1 peatland) in Scotland, despite the islands making up less than 4% of Scotland's total land area. Shetland contains 2.8% of the nationally important carbon-rich soils (virtually all Class 1 peatland) on 1.9% of the country's landmass. Orkney, by contrast, has less peatland, with 0.5% of the nationally important carbon-rich soils on 1.3% of the landmass.

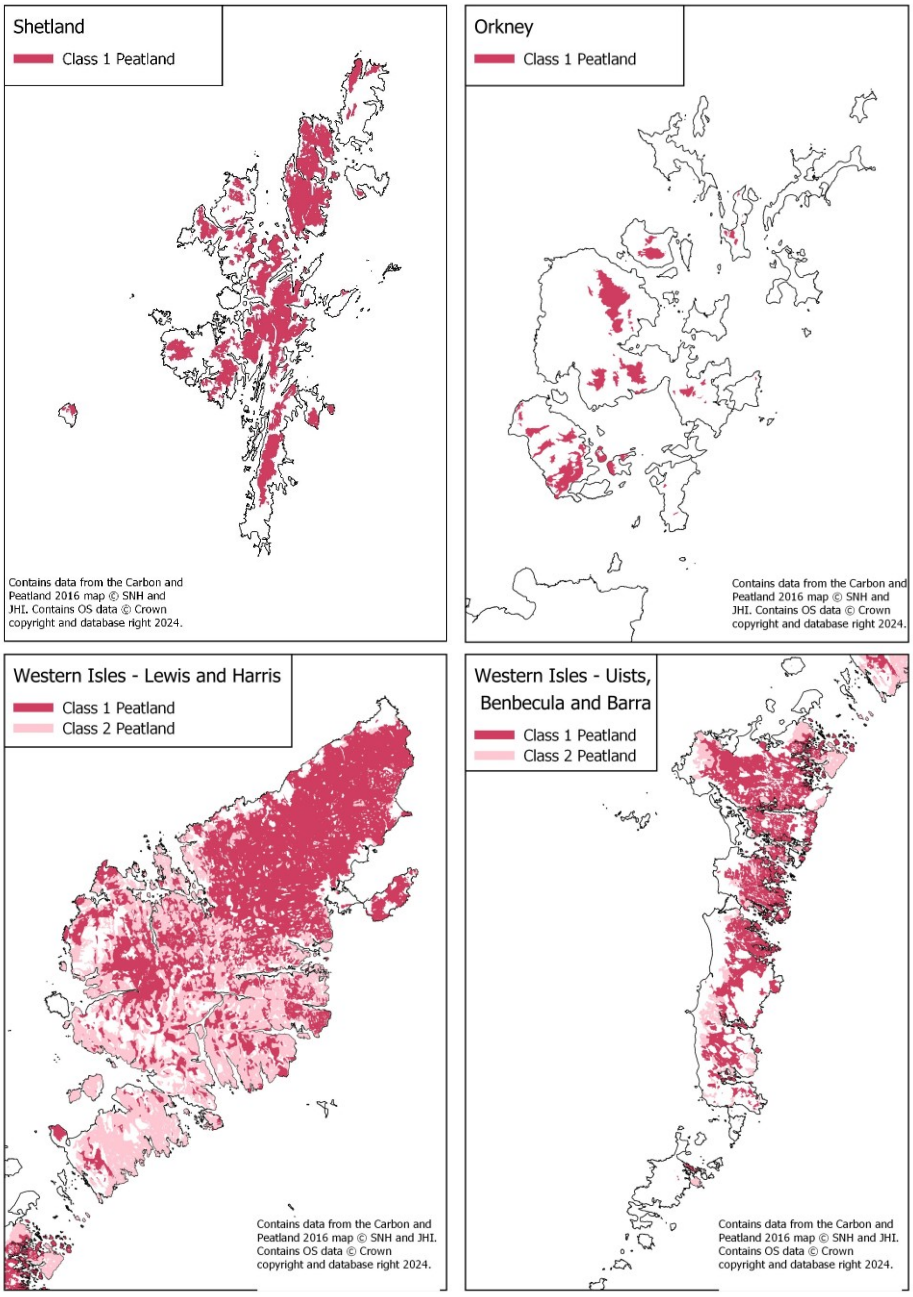
217. Peatland ACTION[98] is the key resource through which land managers in Scotland can access the resources required to fund costly peatland restoration on their land holdings. Peatland ACTION provides funding for suitable restoration projects, including multi-year projects, and up to 100% of capital costs. Peatland ACTION has delivered many restorations on Scottish islands, which have delivered positive outcomes for environment, land managers, and local economies.[99]

218. However, it is clear that the public funding available via Peatland ACTION is insufficient to deliver the pace and scale of restoration required to achieve the Scottish Government goal of 20,000 hectares per year or the Climate Change Committee 'balanced pathway' goal of 45,000 ha per year. Indeed, it is estimated that only around 7,000 hectares were restored in 2022-23.[100] To bridge this gap, the Scottish Government expect land managers to access funding by implementing projects under the Peatland Code[101], which channels private finance into peatland restoration through the sale of carbon credits. Credits are generated because restoring peatland avoids GHG emissions, that would occur in the absence of a restoration project taking place. Projects registered with the Peatland Code[102] can still access public funding (i.e. Peatland ACTION), which can cover up to 85% of the project's lifetime costs (capital costs plus ongoing maintenance) and still retain all resultant carbon credits. Projects being registered and validated under the Peatland Code have been scaling rapidly in Scotland in the years since its launch, and now a total 196 projects cover 26,612 hectares of

[98] https://www.nature.scot/climate-change/nature-based-solutions/peatland-action
[99] NatureScot (2023) Peatland ACTION case study: What's the connection between peat and innovation? Taits Park and Lochend, Shetland. <https://www.nature.scot/doc/peatland-action-case-study-whats-connection-between-peat-and-innovation>
[100] Scottish Government (2023) Climate change monitoring report 2023. https://www.gov.scot/publications/climate-change-monitoring-report-2023/pages/8/
[101] How it works | IUCN UK Peatland Programme (iucn-uk-peatlandprogramme.org)
[102] Markit Environmental Registry - Public Reports

peat in Scotland (as of 19 Feb 2024).[103] The steep rate of uptake must continue to bring peatland restoration in line with Scottish Government targets. However, there are some key barriers in place for potential peatland restoration projects on Scottish islands with regards to engagement with private finance.

Figure 34 Areas of Nationally important carbon-rich soils on Shetland, Orkney, Lewis & Harris, and Uists, Benbecula and Barra[104].



[103] IUCN (2024) Peatland Code Projects Summary. https://www.iucn-uk-peatlandprogramme.org/peatland-code/peatland-code-projects-summary

[104] (Carbon and peatland 2016 map © SNH and JHI Available under a Non-Commercial Government Licence)

219. A significant proportion of the Class 1 & 2 peatland lies on land held under common grazings (Table 38 to Table 40). In the Outer Hebrides, almost 70% of nationally important peat resources are on common grazings while in Shetland it is just over 50%. By contrast only 6% of nationally important peatland on Orkney is on common grazings.

220. This provides a potential opportunity for crofting communities, but it can also complicate peatland restoration because:

- Common grazings are often managed by local common grazing committees appointed by shareholders, who would be the ones to take the decision whether to move forward with a peatland restoration project. While this does not rule out projects going ahead, it is a more complex governance structure, especially considering turnover, than a single landowner scenario.
- The management of common grazings is the result of individual decisions of the many shareholders. As a result, all livestock managers would need to understand and comply with the conditions compatible with restoring peat, which include maximum stocking densities.
- Bringing in private investors to help finance peatland restoration on common grazings, incurring debt which would be serviced by returns from carbon credits, presents major hurdles to a Common Grazings Committee. Making informed decisions throughout the implementation of a project aimed at engaging carbon markets requires significant topic knowledge and time commitment. Common grazing shareholders will require significant support from trustworthy mediators, as well as de-risked or guaranteed schemes, if including private finance is to be an option for enabling peatland restoration.[105]
- The legal position on the rights to peatland restoration remain opaque, whether it is the right of crofters or the right of landlords. This is important as stakeholder engagement suggests that this is a major stumbling block to common grazing engaging in peatland restoration. This may require amendments to the Crofters (Scotland) Act 1993 to clarify rights to engage in peatland restoration and ownership of carbon.

[105] Reed et al (In press). Overcoming barriers to supply-side actors' engagement in Scotland's peatland natural capital markets: Report to Scottish Government.

Table 38 Extent of nationally important carbon-rich soils in Orkney[106]

Parish	Class 1 Peatland		
	Total km²	Common Grazings km²	% on Common Grazings
Birsay	11.24	0.00	0%
Harray	3.69	0.00	0%
Evie	6.09	0.00	0%
Rendall	0.57	0.00	0%
Firth	4.67	0.02	0%
Holm	2.25	0.00	0%
Kirkwall and St Ola	0.58	0.00	0%
Orphir	9.96	1.78	18%
St Andrews	0.85	0.00	0%
Deerness	0.03	0.00	0%
Stenness	4.63	0.00	0%
Orkney Mainland	**44.55**	**1.80**	**4%**
Eday	2.12	0.16	8%
Hoy & Walls	33.60	1.72	5%
Flotta	2.85	1.93	68%
Rousay	7.21	0.13	2%
South Ronaldsay	0.36	0.00	0%
ORKNEY	**90.69**	**5.74**	**6%**

Table 39 Extent of nationally important carbon-rich soils in the Outer Hebrides[107]

Parish	Class 1 Peatland			Class 2 Peatland			Total Class 1 & 2 Peatlands		
	Total km2	Common Grazings km2	% on Common Grazings	Total km2	Common Grazings km2	% on Common Grazings	Total km2	Common Grazings km2	% on Common Grazings
Barvas	326.25	314.47	**96%**	13.98	11.19	**80%**	340.23	325.67	**96%**
Lochs	172.24	118.48	**69%**	229.51	119.88	**52%**	401.75	238.36	**59%**
Stornoway	198.71	190.75	**96%**	7.02	5.73	**82%**	205.73	196.47	**95%**
Uig	273.66	181.75	**66%**	186.41	124.58	**67%**	460.07	306.34	**67%**
Lewis	970.86	805.45	**83%**	436.92	261.38	**60%**	1407.78	1066.83	**76%**
Harris	63.68	35.58	**56%**	257.12	157.87	**61%**	320.80	193.45	**60%**
North Uist	152.31	75.37	**49%**	41.04	23.07	**56%**	193.35	98.45	**51%**
South Uist	137.05	76.35	**56%**	30.14	10.70	**35%**	167.19	87.05	**52%**
Barra	0.79	0.38	**48%**	1.64	1.61	**98%**	2.42	1.99	**82%**
Outer Hebrides	**1,324.69**	**993.14**	**75%**	**766.85**	**454.63**	**59%**	**2,091.54**	**1447.77**	**69%**

[106] Carbon and peatland 2016 map © SNH and JHI Available under a Non-Commercial Government Licence

[107] Ibid

Table 40 Extent of nationally important carbon-rich soils in Shetland[108]

Parish	Class1 Peatland		
	Total km²	Common Grazings km²	% on Common Grazings
Northmavine	48.6	32.3	66%
Delting	70.9	17.8	25%
Lunnasting	22.8	12.3	54%
Nesting	30.8	16.2	53%
Aithsting	28.6	16.8	59%
Weisdale	22.7	4.3	19%
Sandness	8.5	6.8	80%
Walls	9.5	6.2	65%
Sandsting	29.3	10.0	34%
Tingwall	18.3	3.8	21%
Whiteness	2.6	0.0	0%
Lerwick	9.8	4.1	42%
Cunningsburgh	19.7	15.2	77%
Sandwick	15.5	10.5	68%
Dunrossness	2.7	2.1	80%
Shetland Mainland	**340.2**	**158.3**	**47%**
Unst	18.0	13.7	76%
Yell	151.0	89.3	59%
Fetlar	1.7	1.7	100%
Bressay	9.1	5.8	64%
Whalsay	1.2	1.0	83%
Foula	3.7	2.2	60%
Total Shetland	**524.8**	**271.9**	**52%**

8.5.1.1 Potential for Peatland Restoration

An indication of the potential for peatland restoration can be determined from estimates of bare peat in each area, as recorded by remote sensing (Table 41 to Table 43). Bare peat is usually a result of erosion, often initially caused by over-stocking with sheep and/or deer and exacerbated by rainfall (refer to high historic sheep numbers Section 6.1.5 Sheep). The data indicates that Shetland is relatively more badly affected by peatland erosion than the Outer Hebrides.

221. However, it should be noted that some eroded peatland will remain vegetated, and the extent of bare peat should therefore be treated as an index of peatland erosion rather than the total area in need of restoration, which will have a much larger footprint. In addition, the data does not include the extent of peatland affected by artificial drainage, which also has potential for restoration.

[108] Carbon and peatland 2016 map © SNH and JHI Available under a Non-Commercial Government Licence

Table 41 Orkney: area (ha) of bare peat estimated by remote sensing[109]

Parish	Common grazings	Other land	Total
Birsay	0	0.01	**0.01**
Evie	0	0.01	**0.01**
Firth	0	0.15	**0.15**
Orphir	0.04	0.01	**0.05**
Orkney Mainland	**0.04**	**0.18**	**0.22**
South Ronaldsay	0	0.06	**0.06**
Stronsay	0	0.02	**0.02**
Orkney Total	**0.04**	**0.26**	**0.3**

Table 42 Shetland: area (ha) of bare peat estimated by remote sensing[110]

Parish	Common grazings	Other land	Total
Northmavine	0.88	0.26	**1.14**
Delting	25.63	8.71	**34.34**
Lunnasting	23.53	1.84	**25.37**
Nesting	94.87	25.74	**120.61**
Aithsting	3.06	1.35	**4.41**
Weisdale	3.53	4.2	**7.73**
Sandness	24.21	0.5	**24.71**
Walls	17.04	4.23	**21.27**
Sandsting	2.42	0.71	**3.13**
Tingwall	0.6	1.98	**2.58**
Whiteness	0	0.44	**0.44**
Lerwick	2.47	2.6	**5.07**
Cunningsburgh	28.3	8.91	**37.21**
Sandwick	1.9	1.17	**3.07**
Dunrossness	5	0.15	**5.15**
Shetland Mainland	**233.44**	**62.79**	**296.23**
Unst	0.75	0.04	**0.79**
Yell	12.21	1.4	**13.61**
Bressay	10.44	0.03	**10.47**
Shetland Total	**256.84**	**64.26**	**321.1**

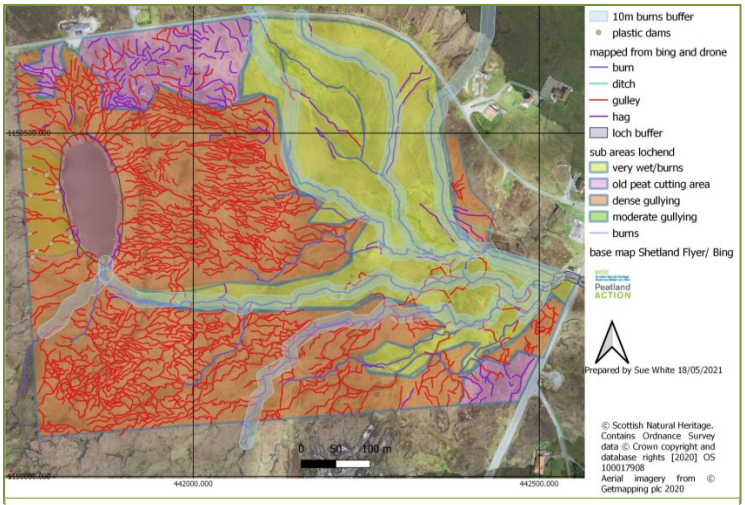
[109] Data based on 2018 satellite imagery and produced by NatureScot Geographic Information Group Earth Observation team for the Peatland Action project and available under the Open Government Licence

[110] Ibid

Table 43 Outer Hebrides: area (ha) of bare peat estimated by remote sensing[111]

Parish	Common grazings	Other land	Total
Barvas	40.85	0.08	**40.93**
Lochs	0.58	0.18	**0.76**
Stornoway	3.67	0.55	**4.22**
Uig	5.65	0.49	**6.14**
Lewis Total	**50.75**	**1.3**	**52.05**
Harris	0.67	0.22	**0.89**
North Uist	0.43	0.66	**1.09**
South Uist	0.29	0.22	**0.51**
Outer Hebrides	**52.14**	**2.4**	**54.54**

222. Completed peatland restoration projects under the publicly funded Peatland ACTION programme extend to 101ha in Shetland (including Girlsta site[112]), almost all on common grazings, and 249ha in the Outer Hebrides (40% on common grazings). Additional privately funded peatland restoration is ongoing as part of the Viking windfarm in Shetland and aims to restore over 260ha of peatland there.



Example of Peatland Action restoration project Girlsta, Shetland – 39 ha, emitting 703.2 T CO2e/y

Box: 2 Shetland Peatland Partnership

Shetland Peatland Partnership's aim is to develop a Shetland peatland strategy and foster more joined up, collaborative working between stakeholders. The current partnership members are the RSPB, Shetland Amenity Trust, Shetland Islands Council, SEPA, SAC Consulting, NFUS, Crofting Commission, NatureScot, HIE, the National Trust, and Scottish Water. Peatland action funding is delivered by the Shetland Amenity Trust.[113] The model has been helpful to create a forum to explore the challenges and opportunities of peatland restoration in Shetland. Work has been done to draft an initial strategy, but more work is needed to create a document which is co-built with communities and can be shared with a wider public.

[111] Data based on 2018 satellite imagery and produced by NatureScot Geographic Information Group Earth Observation team for the Peatland Action project and available under the Open Government Licence

[112] PowerPoint Presentation (shetlandamenity.org)

[113] Peat restoration strategy to be released by the end of the year | The Shetland Times Ltd

There is broad consensus that peatland restoration and potentially carbon markets represent an area of opportunity for Shetland (see Table 72 for a SWOT of Natural Capital Markets). There is broad consensus that Shetland would be better placed to deliver more and faster, if administration of funds to achieve peatland restoration targets were devolved to the local authority or some similar local body as is the case for the Cairngorms National Park Authority. The current iteration of the Peatland Partnership is not well placed to act as a fund managing body as the current partners are almost exclusively representatives of stakeholder organisation who could not sign-up as members of a fund managing partnership. That said, there is clear potential for it to be opened up to other types of community organisations and individuals so that it can be developed in that direction.

In the meanwhile, there are several barriers that are slowing or preventing restoration work at scale.

- Lack of skilled labour to carry out the work. As in other parts of the country, there is a shortage of labour across all sectors. Shetland is currently the focus of multiple large-scale developments (renewables, redevelopment of Sullom Voe, decommissioning, etc), all of which are competing for the limited number of skilled workers available locally. The shortage is most critically evident for skilled excavator operators. Local contractors who specialise in restoration are struggling to recruit and retain new operators. This is partly due to the small pool of available workers and limited accommodation availability for workers from elsewhere but also due to the very nature of restoration work. Most operators will be used to development contracts where both timescale and objectives are well defined. Contractors report that many new recruits struggle with the 'cathedral builder' mindset which is needed for restoration works. In addition, if restoration works are to be scaled up, we lack enough people on the ground to carry out site assessments, project design, monitoring and so on as well.
- There is a widespread perception that carbon markets will enable land managers/owners to capitalise on the carbon credits produced by peatland restoration but on closer examination there are various difficulties with the existing Peatland Code model. Firstly, if the capital works are 100% funded by Peatland Action, you cannot apply for Peatland Code accreditation. If you pay for part of the works or future monitoring costs to be able to access Peatland Code accreditation those costs as well as the costs of Peatland Code accreditation and future monitoring have to be covered. Costs are high and potential returns are currently uncertain. The length of contracts proposed involve lifetime commitments and beyond for potential risks and liabilities which are, as yet, unclear and which will almost certainly be aggravated by climate change. There is also a fear that once carbon credits have been sold something of value will have been lost forever. A contributive and regulated investment model, perhaps based on leasing carbon credits, which fosters long-term ethical investment in communities would be much more palatable.
- Crofting regulations have not been designed to promote equitable, workable solutions for peatland restoration works. Land managers on common grazings

and/or large areas of tenanted hill suitable for restoration, hold decisional power over whether work can take place on the land or not, but landowners essentially own the right to trade any carbon credits resulting from the work. This is clearly a recipe for discord in fragile rural communities. There are already live examples of significant community tension where restoration works have gone ahead with the full support of local crofters, only for them to find themselves potentially stripped of the right to access carbon markets by their landowner.

Further, there is not currently a consistent approach to ensuring that agricultural support mechanisms are fully aligned with environmental policy aims. In the same case, once the restoration work had been carried out, the crofters also found that they were also potentially at risk of breaching current requirements to access agricultural support under BPS and LFASS as the agencies who had delivered the restoration work called for them to completely destock the restoration site and fence it off from the rest of the hill. Their local RPID team were quick to point out that they would no longer be able to claim support on an area which was not being grazed.

Common grazings face an ulterior challenge where there are high levels of inactivity. They will still need inactive shareholders to agree on work going ahead.

There is a lack of good, reliable, and affordable data to carry out site assessment and monitoring. Methods for peat condition assessment, risk assessment seem to differ and there is no consensus on what data we should be collecting. There does not even seem to be consensus on something as simple as whether we should routinely be monitoring water table on restoration sites, though one of the oft cited benefits of restoration is water quality and hydrological management. For individual sites it is time consuming and costly to gather quality data. Getting that data is much more affordable at regional or national scale by using Lidar and/or satellite data collection techniques, which could then be combined with ground truthing techniques and water table data. There is also a data gap in being able to provide locally relatable proof of the effectiveness of peatland restoration as a tool for reducing emissions, this makes it very difficult to convince people of the relevance of peatland restoration in a world where we often seem to be focusing on the wrong things if society is really to deal with climate change effectively.

8.5.2 Machair

223. Machair is a distinctive type of coastal grassland found in the north and west of Scotland, and in western Ireland. It is associated with calcareous sand, blown inland by very strong prevailing winds from beaches and mobile dunes. The Gaelic word machair is the only name for this major habitat type in Britain. In the strict sense, machair refers to short-turf grasslands, often rich in wild flowers, growing on relatively flat sand plains. However, wider machair systems include a variety of associated sand dune habitats as well as rotationally cultivated areas. It is estimated that the Outer Hebrides, Orkney and Shetland contain around half of the world's machair habitat.

224. Estimates of the extent of machair systems can be calculated using The Sand Dune Vegetation Survey of Scotland 2012[114] (part of NatureScot's Habitat Map of Scotland), with the extent of machair grassland estimated from those areas in the survey that are dominated by the key dune grassland National Vegetation Classification (NVC) communities SD8 and SD17.[115]

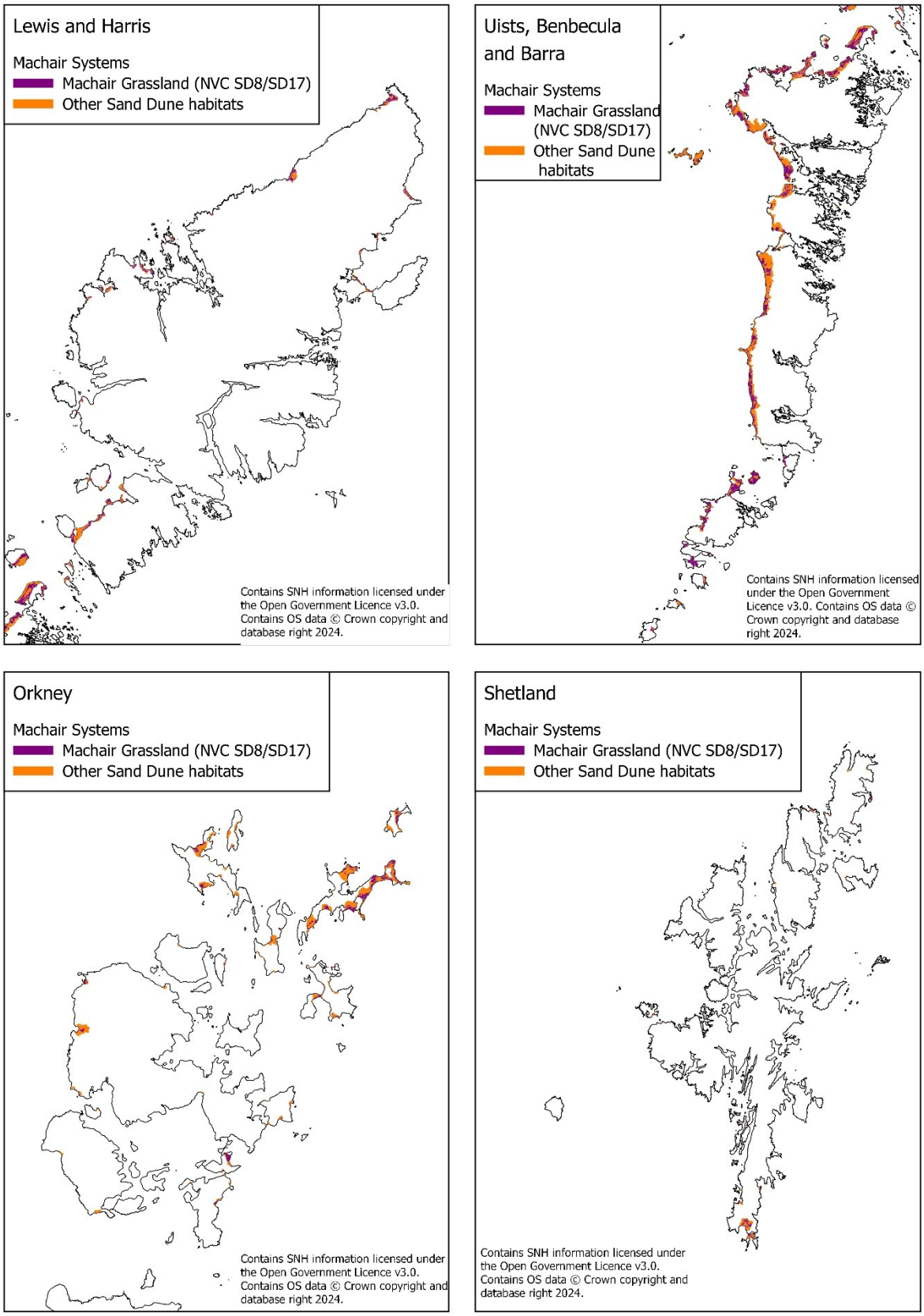
225. Table 44 and Figure 35 show that the Outer Hebrides support the largest area of machair habitats, particularly along the west coast, although there are also significant areas in Orkney, particularly on Sanday and Westray. There is less machair in Shetland, although small areas are present, particularly around the south end of the mainland.

Table 44 Extent of machair systems and machair grassland

Island	Area of Machair System (ha)	Area of Machair Grassland (ha)
Lewis	1,038	495
Harris	984	377
North Uist	4,639	1,972
Benbecula	828	196
South Uist	2,794	889
Barra	1,267	848
Outer Hebrides	**11,550**	**4,775**
Orkney	**4,670**	**1,090**
Shetland	**1,040**	**309**

[114] https://marine.gov.scot/maps/1435#
[115] https://www.environment.gov.scot/our-environment/habitats-and-species/habitat-map-of-scotland/

Figure 35 Machair and other sand dune locations



8.6 Nature-farming conflicts

8.6.1 Goose Management

226. Conflicts between geese and agriculture occur in many areas throughout Scotland but the Outer Hebrides and Orkney are two areas where this issue impacts more severely than in most other parts of the country. Grazing by overwintering geese in late winter and early spring removes early grass growth that is important for livestock production. It is estimated that the grazing of a flock of 1,000 geese is equivalent to 200 sheep. Where goose numbers are particularly high, grazing and trampling by geese can lead to destruction of grass swards and prevent the establishment of grass reseeds. These problems are mostly associated with Pink-footed, Greylag and Barnacle geese, although localised impacts from Greenland White-fronted geese occur in some areas.

227. The increasing resident population of Greylag geese in the Outer Hebrides (c.8,000 birds) and Orkney (c.24,000 birds) means that conflict with agriculture has now become a year-round problem including damage to silage and cereal crops during spring and summer. Heavy goose grazing can also impact on other wildlife of high conservation value by removing cover for ground-nesting birds such as Corncrake and waders and it includes risks to the long term future of growing landrace crops such as Machair corn / black oats that SASA[116] identify as having "*cultural value*" that "*make an important contribution to biodiversity conservation of the machair*". Moreover, faecal contamination of pastures from geese leads to higher incidence of cryptosporidiosis infection and risks to human health through public water supplies. Cryptosporidiosis is the main cause of diarrhoea in young calves. Recent research concluded that "*high levels of C. parvum evident in calves, geese and water samples tested represents a significant risk to water quality and public health*" in Orkney.[117]

228. Most goose populations in Scotland were reduced to very low levels in the mid-20th Century and the subsequent increases due to legal protection, reduced hunting pressure and the increased availability of productive grassland, represent a significant conservation success story. However, it is important to remember that Scotland supports a very high proportion of the global population or distinct migratory sub-populations of several species, and there is an international obligation to manage them sustainably. The Greenland White-fronted geese

[116] Scottish Landraces | SASA (Science & Advice for Scottish Agriculture)

[117] Wells B, Paton C, Bacchetti R, Shaw H, Stewart W, Plowman J, Katzer F, Innes EA. Cryptosporidium Prevalence in Calves and Geese Co-Grazing on Four Livestock Farms Surrounding Two Reservoirs Supplying Public Water to Mainland Orkney, Scotland. Microorganisms. 2019 Oct 30;7(11):513. doi: 10.3390/microorganisms7110513

remain a globally small and vulnerable population, around half of which winters in Scotland.

229. There is evidence that the population increases of most wintering goose populations have peaked and even declined slightly in recent years. The appearance of High Pathogenicity Avian Influenza (HPAI) is also a new and significant threat. Measures to manage goose impacts must therefore be adaptive and change in response to population changes to ensure that the conservation status of species is not harmed.

230. To balance the needs of agriculture and conservation, a National Goose Policy Framework[118] has been in place since 2000, overseen by a National Goose Forum[119] involving key stakeholders representing conservation and farming interests. The core objectives of the policy are to:

- Meet the UK's nature conservation obligations for geese, within the context of wider biodiversity objectives.
- Minimise economic losses experienced by farmers and crofters caused by geese.
- Maximise the value for money of public expenditure on geese management.

231. Local Goose Management Groups[120] help to co-ordinate and implement action under the National Goose Policy framework in areas of greatest conflict, often through government funded Goose Management Schemes. Schemes focusing on conflicts with over-wintering geese have operated in the following key locations: (i) Uist, Coll and Tiree (Barnacle Goose); (ii) South Walls, Orkney (Barnacle Goose).

232. These goose management schemes have mainly focused on providing payments for farmers and crofters to provide undisturbed refuge fields for geese to feed in, fertiliser to make these more attractive to geese and non-lethal scaring to discourage the use of non-refuge fields.

233. In contrast, culling to reduce populations to a sustainable level has also been the focus of pilot adaptive management schemes aimed at resident Greylag geese in (i) Orkney, (ii) North Uist & South Uist and (iii) Lewis & Harris.

234. In these areas population targets were set and annual cull targets were set based on careful monitoring of population levels and annual breeding productivity. Culling has been carried out by volunteers and paid marksmen.

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[118] https://www.gov.scot/publications/scottish-government-goose-management-policy-review-2022/pages/2/

[119] https://www.gov.scot/groups/national-goose-forum/

[120] https://www.nature.scot/professional-advice/land-and-sea-management/managing-wildlife/managing-geese

235. While many of these schemes have been successful in reducing conflict and goose populations, there are many challenges to overcome. The level of culling required to control highly productive breeding populations of Greylags can be very high and beyond the available resources of volunteers and farmers, while surviving birds can become more wary and difficult to control. Culling by volunteer and paid marksmen in the autumn and winter can also sometimes simply displace existing sport shooting, reducing the benefit. Monitoring of populations and co-ordination of action within local areas also requires resources. Public funding has an important role to play in supporting goose management schemes due to these challenges.

8.6.2 Sea Eagles

236. Since its re-introduction in 1975 on Rum, white-tailed eagles (WTE), or sea eagles as they are often known, have re-colonised much of the coastline of the Outer Hebrides. The first pair established on Harris in 1983 but the population grew slowly at first and it was not until the mid-1990s when pairs established on Lewis and South Uist. Since 2000, new pairs have established in most years and by 2021 the Outer Hebrides population had reached 42 breeding pairs.

237. Sea-eagles first bred successfully in Orkney (on the island of Hoy) in 2015 and by 2021 there were 2 breeding pairs across the islands. Small numbers of individual birds – primarily non-breeding immatures but occasionally adults - have been seen regularly visiting the Shetland Isles over the last decade, and it is likely to only be a matter of time before a breeding pair settles on the islands.

238. The number and home ranges of breeding raptors like WTE are studied annually by the Scottish Raptor Monitoring Scheme (SRMS). Table 45 is drawn from their 2021 & 2022 Report[121] and shows the distribution of breeding WTE across Scotland in 2021 (where "–" indicates that SRMS does not hold any previous records).

Table 45 The number of home ranges of sea eagles checked in 2021 that were submitted to the Scottish Raptor Monitoring Scheme (SRMS)

Argyll	Central Scotland	Dumfries & Galloway	Highland	**Lewis & Harris**	**Uist**	Lothian & Borders	North-East Scotland	**Orkney**	**Shetland**	South Strathclyde	Tayside & Fife	**Total**
41	2	-	67	**28**	**14**	-	2	**2**	**-**	-	3	**159**

239. The reintroduction of WTE has been a conservation success story. The reintroduction, however, has not come without challenges and it is widely

[121] Annual Report | Scottish Raptor Monitoring Scheme

acknowledged that sea eagle predation of livestock is a serious issue for farmers and crofters in some areas. Sea eagle predation of livestock is a complex wildlife management issue and the *Sea Eagle Management Scheme* (SEMS) started in 2015 and run by NatureScot, attempts to better understand this issue and mitigate impacts where they occur.

240. The SEMS provides support for livestock farmers and crofters who suffer impacts across the sea eagle breeding range. The scheme supports management to help sheep managers manage their flocks in the presence of WTE. It includes options for flock health management measures, such as fluke and tick treatments, which aim to ensure that flocks are in good condition and to try to reduce incidences of weaker lambs which might be more prone to predation. It also includes options for support to adjust or change management, including the development of lambing parks and improving ground through liming to better support grazing in certain places. The scheme can also provide the loan of scaring equipment such as gas guns and scary men scarecrows where appropriate.

241. The SEMS scheme now operates on a rolling 1-year basis due to the current budget management process within NatureScot. Since 2022, there have been a number of changes to the SEMS:

- Setting a minimum payment of £500 per annum to address the issue of small holdings such as crofts, not qualifying for worthwhile payments due to the hectarage limits in the previous scheme.
- Maintaining the basic management options of the previous scheme, with the same hectarage limits on payments and capped at £1500 per annum.
- Introducing enhanced options, such as enhanced shepherding, which supports increased shepherding activity/human scaring but introduces an element of "citizen science" to build up knowledge of WTE interactions with sheep flocks. Payments for enhanced options can be up to £5,000 per annum.
- Introducing enhanced support for capital works which can mitigate the impact of WTE. This includes lambing sheds, fencing and liming and can be supported with a 60% contribution to a maximum grant of £10,000. The contribution is in line with similar schemes such as the Crofting Counties Agricultural Grant Scheme (CCAGS).

242. An important part of the SEMS remains the use of independent call-off contractors, experienced in eagle behaviour and sheep management, to make contact with individuals to gain a better understanding of how individual farms and crofts manage their sheep, understand sea eagle activity in the locality and advise on the most appropriate scheme options to farmers and crofters. In 2022 there were seven members of the call off contractor team, each covering a broad geographical area across the core areas where the SEMS is working - principally

Argyll and Lochaber, Skye & Lochalsh, the Outer Hebrides, Sutherland and Wester Ross.

243. In 2022, 158 holdings covering an area greater than 143,000 hectares, and with responsibility for over 66,500 breeding ewes and gimmers, received Management Agreement (MA) support from the SEMS[122]. In addition to MA support, NatureScot provided support to farmers and crofters through its Call-off Contractor and Observer team in 2022, with a range of fieldwork carried out. Total spend on the SEMS and associated work in 2022 was £291,035. [123]

244. The continuation of such type and levels of support into the future will be essential for those farmers and crofters already impacted by WTE in the Outer Hebrides, but also should impacts start to occur as WTE numbers increase on Orkney and Shetland.

8.6.3 Deer densities and management

245. Red Deer were introduced by people to the Outer Hebrides and Orkney in neolithic times, although they subsequently became extinct in Orkney. The current population in the Outer Hebrides is concentrated in North Harris, North Uist and South Uist and are an important part of the natural heritage, particularly as they are thought to be some of the most genetically pure Red Deer in Scotland. Unlike mainland populations of Red Deer there has been no hybridisation with the introduced non-native Sika Deer.

246. However, in the absence of natural predators, high deer densities can have negative impacts on other aspects of natural heritage, particularly sensitive upland habitats such as peatland, which can be damaged by trampling, and woodland regeneration. There are also socio-economic impacts such as damage to livestock grazing land and gardens, road collisions and the risk of Lyme disease which can spread to humans from ticks carried by deer. This issue has been a particular focus of concern in South Uist[124], where there were proposals, subsequently voted down[125], to eradicate deer from the community-owned estate.

247. The independent Deer Working Group appointed by Scottish Ministers and reporting in 2019 recommended 10 red deer per km^2 as an upper benchmark for acceptable densities of red deer over large areas of open range in the Highlands. Figure 36 shows that in the Outer Hebrides official deer count data by NatureScot where many pockets of deer densities over 10 per km2 are observed.

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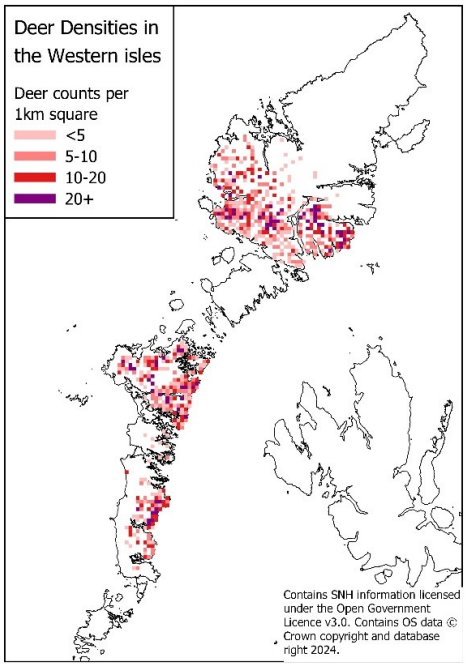
[122] Sea Eagle Management Scheme - Annual Report 2022 | NatureScot
[123] See Sea Eagle Management Scheme | NatureScot for more details
[124] DEER CULL PLAN: Uist community to vote on proposal to eradicate species from the island – West Highland Free Press – www.whfp.com
[125] Islanders in South Uist vote against mass deer cull - BBC News

Figure 36 1km Grid data showing the density of deer [126]



8.7 Biodiversity conclusions

248. The traditional farming and crofting regimes present across much of these island groupings maintain important habitat for farmland species. The continuation of this type of agricultural activity should be recognised and supported, ensuring there is an avoidance of both significant intensification (which is associated with lower nature value) and agricultural exit and abandonment of agricultural activity. The later can result in vegetation communities unsuitable for the species currently prioritised through agri-environment schemes.

249. There are opportunities for peatland restoration and improved peatland management in across the island groupings, but there needs to be legislative clarity over peatland restoration and peatland carbon rights on common grazings, and future policy design must include measures to support managed grazing regimes post restoration across all Tiers (as discussed by Thomson et al 2023).

250. Future tiered support should take consideration of the existing positive biodiversity and environmental outcomes being achieved in these island groupings – as well as where management needs improving. Positive actions should inform the types of conditional measures (Tier 2) and targeted scheme design (Tier 3) of future agricultural support – with training needs and support identified to facilitate a just transition through Tier 4.

[126] Recorded on counting operations undertaken by or with assistance from Scottish Natural Heritage (or the Deer Commission for Scotland as was).

9 Supply Chains

9.1 Economic Multipliers

251. Production activities on farms and crofts generate further economic activity and employment elsewhere. For example, purchases of goods such as fertiliser, feed and machinery or vet, haulage and mart services underpin businesses upstream in the supply chain. Equally, downstream supply-chain business such as abattoirs and creameries are also stimulated. In addition, a proportion of wages paid to staff across the supply-chain is spent locally, thereby underpinning businesses out with the agri-food supply-chain itself.

252. These wider economic influences of agricultural production are referred to as multiplier effects: an increase (decrease) in production is amplified along the supply-chain and across the wider economy. Multiplier coefficients are difficult to estimate, but Scotland-level values are published as part of the national Input Output tables[127]. These cite Scottish Type I 'Direct' multiplier (agricultural GVA and impacts in upstream suppliers and downstream processors) values in 2019 for agricultural output, employment and Gross Value Added (GVA) of 1.49, 1.45 and 1.63 respectively (with respective Type II multipliers of 1.62, 1.58 and 1.85 after induced effects are accounted for). Hence any decline in on-farm and croft production across the three island groupings would be expected to lead to a proportionate further decrease in output, jobs and GVA across the Islands. Supporting and encouraging further processing of food and drink products can lead to wider economic growth opportunities (as the multipliers from other sectors suggest).

253. In Shetland the Fraser of Allender Institute (2017)[128] estimated economic multipliers for Shetland of (i) Output: Type I = 1.63 and Type II = 1.92. Similarly, Cogentsi (2013) were commissioned to undertake a social and economic model of the Orkney Islands[129] where Type 1 (1.29) and Type II (1.76) output multiplier were estimated for agriculture. Whilst these studies are dated, they suggest higher overall local multipliers from agriculture at a local level than for Scotland as a whole. This goes against conventional wisdom given higher 'economic leakage'- that is volumes of product exported from the islands for finishing or processing (lamb from Shetland and cattle from Orkney in particular), and reliance on imported

[127] > Multipliers - Supply, Use and Input-Output Tables - gov.scot (www.gov.scot)
[128] Shetland Economic Accounts 2017 | FAI (fraserofallander.org)
[129] https://www.researchgate.net/profile/Hervey-Gibson/publication/322223007_OIIO_Orkney_Islands_Input_Output_A_social_and_economic_model_of_the_Orkney_Islands/links/5a4c943baca2729b7c8a1562/OIIO-Orkney-Islands-Input-Output-A-social-and-economic-model-of-the-Orkney-Islands.pdf

inputs (tractors, quadbikes, fuel, feed, fertiliser, etc.)[130]. That said – the additional need for inter-island ferries, and ferry transport to the mainland may indeed increase the total economic multipliers of agriculture in the islands.

Table 46 Scottish economic multipliers for agriculture, fishing, and food and drink sectors 2019

↓ Industry group ↓	Output multiplier		Employment multiplier		GVA multiplier	
	Type I	Type II	Type I	Type II	Type I	Type II
Agriculture	1.49	1.62	1.45	1.58	1.63	1.85
Fishing	1.23	1.38	1.12	1.23	1.22	1.39
Aquaculture	1.51	1.63	2.04	2.36	1.68	1.90
Meat processing	1.72	1.89	2.34	2.66	2.45	2.97
Fish & fruit processing	1.68	1.87	2.15	2.49	2.25	2.71
Dairy products, oils & fats processing	1.56	1.75	1.85	2.14	1.68	2.02
Grain milling & starch	1.56	1.71	2.57	2.99	2.28	2.75
Bakery & farinaceous	1.31	1.51	1.26	1.43	1.38	1.68
Other food	1.40	1.58	1.41	1.61	1.57	1.91
Animal feeds	1.55	1.68	2.85	3.34	2.05	2.42
Spirits & wines	1.25	1.37	1.86	2.30	1.23	1.38
Beer & malt	1.32	1.50	2.00	2.52	1.39	1.66

Source: Scottish Government, Supply, Use and Input-Output Tables: 1998-2020[131]

254. It should be noted that all Input-Output multipliers should be treated with caution as they are often based on small sample sizes, with often poor geographical or sectoral coverage. For example, in the Fraser of Allender Institute Shetland study only 2 agricultural businesses were part of the Shetland business survey and 5 through the Shetland employment survey.

255. Nonetheless, national average multiplier values may indeed under-estimate island impacts due to the dominance of livestock production (which generally has higher multiplier coefficients) and the closely inter-twined nature of island communities[132]. The rest of this section illustrates the nature of agricultural supply-chains across the islands by summarising the number and type of businesses involved and describing some local examples. This is then followed by estimation of the additional transport costs experienced across the island groupings.

[130] The same is true between Scotland and UK multipliers where often UK multipliers are higher as input, processing and retail impacts are felt beyond Scotland's border – particularly for ruminant products that are largely processed, distributed, retailed and consumed out with Scotland.

[131] https://www.gov.scot/publications/input-output-latest/

[132] As shown by slightly older island-specific multiplier estimates for Orkney and Shetland: https://www.researchgate.net/profile/Hervey_Gibson/publication/322223007_OIIO_Orkney_Islands_Input_Output_A_social_and_economic_model_of_the_Orkney_Islands/links/5a4c943baca2729b7c8a1562/OIIO-Orkney-Islands-Input-Output-A-social-and-economic-model-of-the-Orkney-Islands.pdf and FAI_2021_Shetland_economic_accounts_2017.pdf (fraserofallander.org)

9.2 Local supply chains

256. To assess the presence of agricultural and ancillary services for each of the island groupings, as well as the dependence on imported goods and services, an inventory of businesses was created through desk-based research, local knowledge of SAC Consulting and direct contact with selected individual businesses (which also served to inform estimates of additional transport costs). Firms were categorised by business type and relative position/role in the supply-chain: upstream services, ancillary services, and downstream services.

257. Upstream services include input sellers such as such as feed, fertiliser and machinery suppliers, but also contractors, agricultural consultants and vets. Downstream services include livestock marts and abattoirs – whilst hauliers contribute to both input supplies and haulage of output. Ancillary services include businesses such as ferries, solicitors, estate agents, land surveyors and accountants, but only those known to be actively serving farm or croft clients were included.

258. Many island businesses occupy positions in multiple supply-chains and are not exclusively agricultural in nature. Consequently, whilst the inventory aims to be as comprehensive as possible, some discretion was required as to which businesses to include and which to exclude. To avoid over-estimation, only firms considered to be predominantly serving agricultural needs were included in the inventory. Hence, for example, Table 47 suggests that it is not possible to source agrichemicals directly on the islands and these must be bought from the mainland, despite agrichemicals being available through resellers such as the general agricultural merchants. Another example is that several contractors may also sell or hire machinery.

259. Overall, the inventory (see Table 47) suggests that farms and crofts on the Outer Hebrides, Shetland and Orkney are part of extensive supply-chains encompassing 77, 114 and 123 other local businesses respectively, plus a further 67 on mainland Scotland. This helps illustrate the economic linkages underpinning the economic multiplier effects descried above. It is noticeable that in Orkney, where agriculture is more intensive, there are many more machinery dealers and 'other input' suppliers alongside high levels of 'downstream markets (similarly to Shetland) that is in stark contrast to the Outer Hebrides. Only a small number of vets that are available in the Outer Hebrides – something that may lead to challenges in finding a 'suitably qualified person' to sign of an animal health and welfare plan annually as part of the proposed Whole Farm Plan (unless the 'suitably qualified person' criteria is extended to, for example, accredited consultants).

260. As the new model of conditional agricultural support is implemented in Scotland it is anticipated that there will be a need for more support services, in the form of agricultural, veterinarian and environmental advice, knowledge exchange and training. To ensure a Just Transition, the need to future-proof on-island advisory and consultancy capacity will require investment by stakeholder organisations and the Scottish Government to ensure island farmers and crofters are fully supported, as on the mainland, in undertaking new Whole Farm Plan elements (Tier 1), and in adapting to Tier 2 conditional direct support payments.

Table 47 Summary of agricultural supply-chain business inventory for island groupings, by business type

	Orkney	Shetland	Lewis & Harris	Uist & Barra	Mainland	Other islands	% share
Upstream services							
Agrichemical	0	0	0	0	2	-	**0.5%**
Seeds	2	0	0	1	1	-	**1.0%**
Feed	9	2	4	9	-	-	**6.2%**
Fuel	6	3	0	0	-	-	**2.3%**
General agricultural supplies	4	8	2	3	6	1	**6.2%**
Machinery	11	13	5	2	8	-	**10.1%**
Contractors	3	10	1	8	17	-	**10.1%**
Vets	2	4	1	1	13	2	**5.9%**
Other inputs	13	9	3	2	-	-	**7.0%**
Ancillary services							
	22	23	5	9	-	-	**15.2%**
Downstream services							
Hauliers	11	5	4	5	12	1	**9.8%**
Marts	1	1	2	2	6	2	**3.6%**
Processors & abattoirs	3	1	1	3	2	0	**2.6%**
Downstream markets	36	35	2	2	0	0	**19.4%**
	123	**114**	**30**	**47**	**67**	**6**	**387**

**Dashes recorded for mainland and other islands where studied island groupings not dependent on these for corresponding services*

261. A supply-chain density location map is shown in Figure 37. This reveals the spatial distribution of supporting businesses, highlighting how access to some services is affected by ease of within-island transport. For example, many farms and crofts are a significant distance from their nearest vet. Figure 38 provides more detail on the typology of the wider supply chain (including Scottish Government RPID offices, NatureScot, SEPA, and SAC Consulting that are integral to the sector and its outcomes) but it should be noted that many of these businesses are heavily clustered (e.g. in industrial estates on the outskirts of Kirkwall). Figure 77 and Figure 78 in Annex 6 Socio Economic Data further splits this map into two maps showing (i) the key input businesses and (ii) the service and downstream businesses on the islands.

Figure 37 Maps of upstream, ancillary and downstream supply chain businesses associated with agriculture in the island groupings

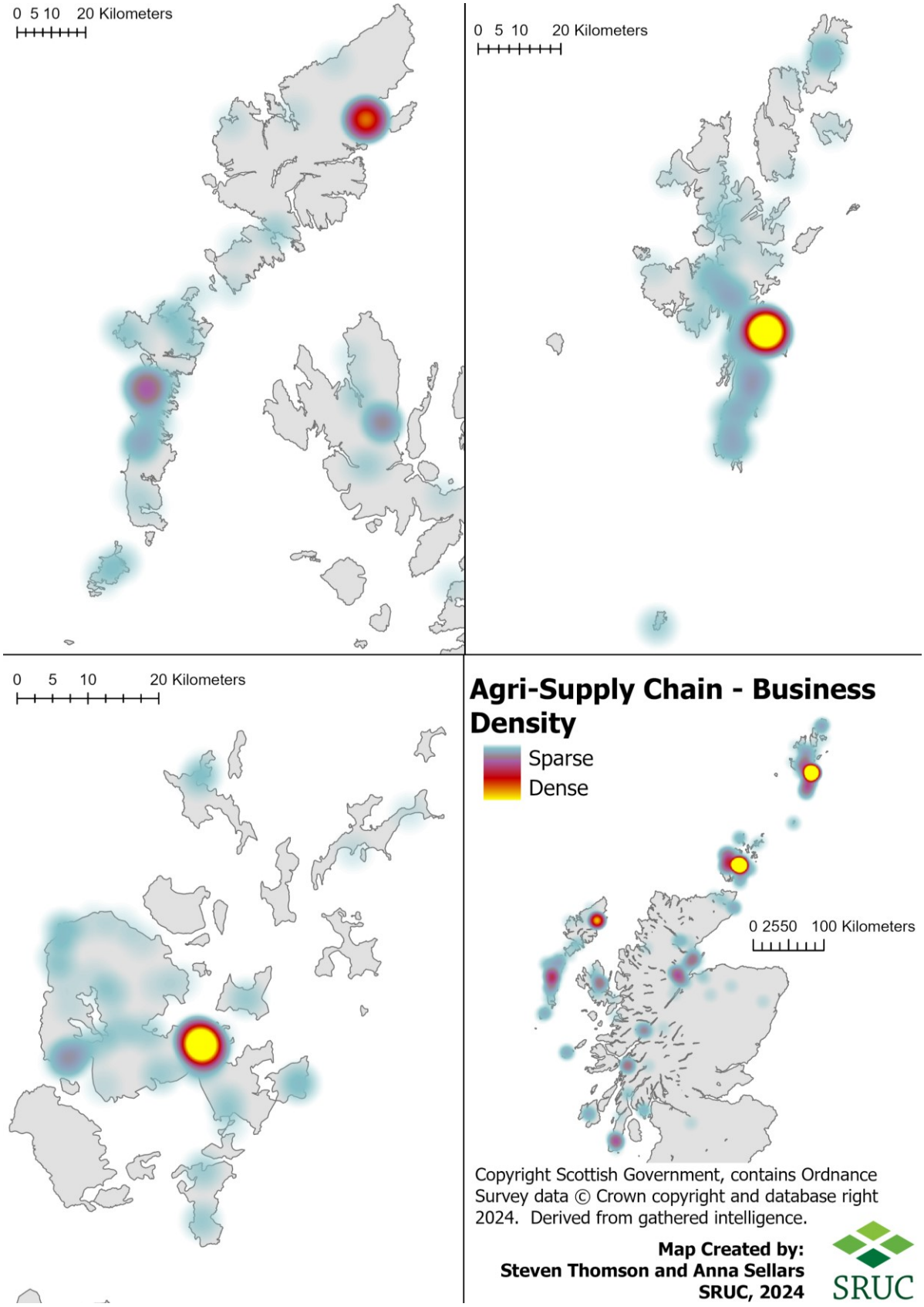
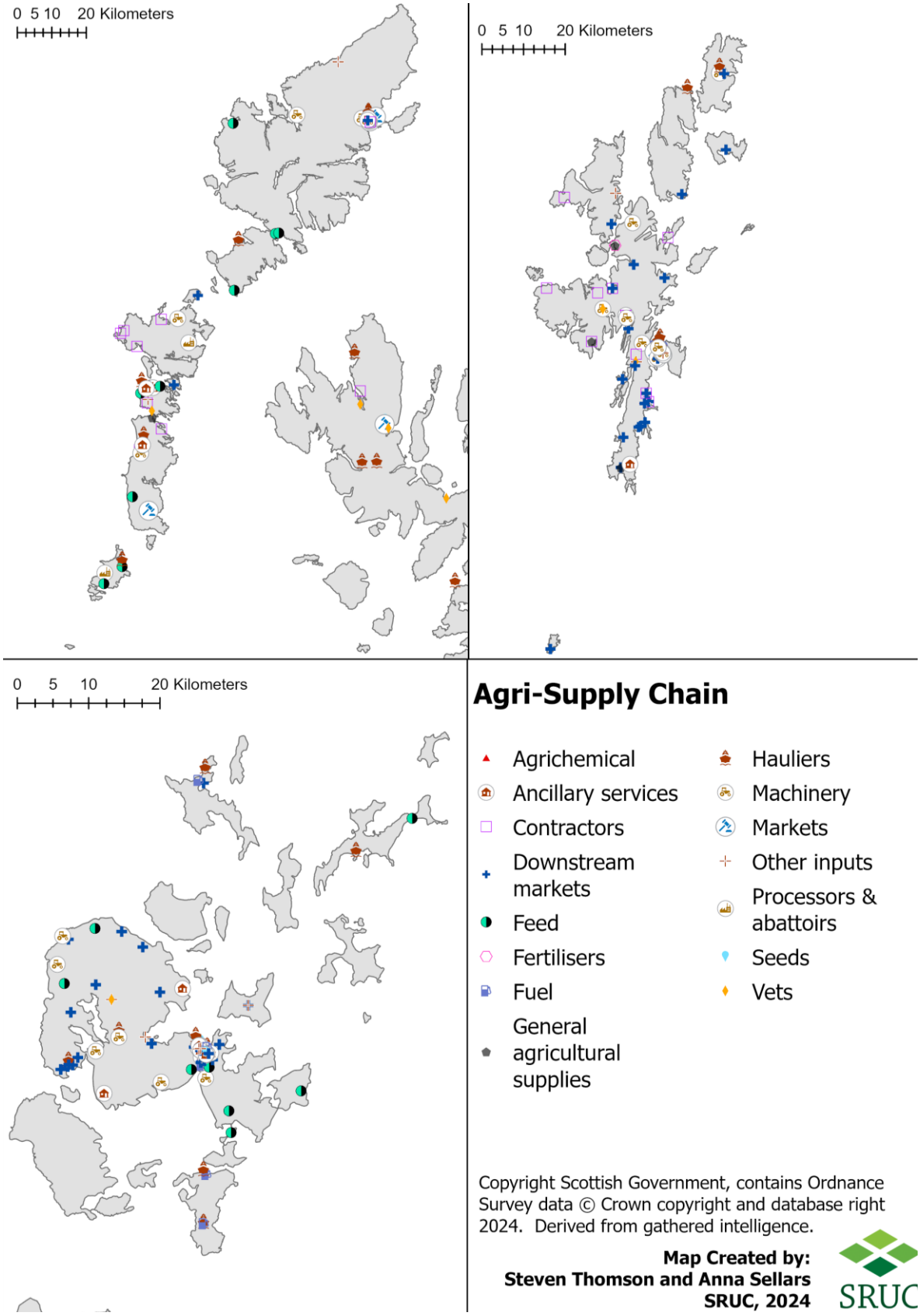


Figure 38 Typology of supply chain businesses supplying agriculture within the island groupings



9.3 Importance of agriculture in island supply chains

9.3.1 Orkney

262. The inventory indicates that, of the island groupings, Orkney has the largest number of businesses supporting its agricultural sector, which given its agricultural output compared to other island groupings is not surprising. Its relative accessibility and number of route options to mainland Scotland also seems to be reflected in the number and range of businesses operating to provide various agricultural inputs, as well as haulage via the multiple routes between the islands and to the mainland. Despite this, there is still a limited choice of input suppliers and uneven availability of specific inputs over time (for example, lamb feed was not available in 2024, and some types of manure are available but not others), so buyers are always prepared to buy alternatives. Distilleries also provide some by-products as feed to local farms.

263. In conversations with key businesses in Orkney, the interdependence of the wider community and economy on agriculture was emphasised, with suggestions that the economy would not be as healthy, or even surviving well, without agriculture on the islands. With rising inflation, the outer islands, in particular, saw the cost of freight and inputs rise. Despite these cost increases farmers are, however, still supporting businesses as they are locally owned and run and employing neighbours within their community.

264. On the outer islands particularly, but also on larger farms on Orkney mainland, agriculture is often an essential contributor to multiple income streams for households. In Orkney, as also in Shetland, it is not uncommon for some members of the household to work half of the month at home on the farm, and half away, for example at the oil terminal, supporting a family member who is based at home full time, even if agricultural work is not necessarily full time. (see Table 23 in Section 6.1.1 Occupiers and Spouses on agricultural holdings). As such, the balance of several employment options including agriculture, as well as air and ferry linkages, is crucial in supporting island life and livelihoods. In conversations with local businesses for this study it was unclear what was the driving factor in keeping people living on the outer islands – whether predominantly agriculture or other factors – but this is suggested for further research.

265. There are many downstream outlets for agricultural output on Orkney, including various butchers and bakeries, the creamery and cheese businesses, smokeries, as well as delicatessens, craft businesses, wool businesses and various furniture-makers. Liquid milk is treated on the islands and sold to local shops and Tesco (the Co-op used to stock local milk, but no longer does so). Moreover, it is important to the hospitality sector to be able to feature local produce on their

menus. Orkney cheese[133] is largely produced for export off the islands, with over half their product sold in France. The small proportion retained in Orkney is sold in various retail outlets (including specialist delicatessens), directly into the hospitality sector and to added value producers to smoke and flavour. Ice cream and butter is also produced and sold locally with locally produced milk and whilst product is available in Orkney supermarkets the product first must leave Orkney to be packaged for retail (by Lactalis) before returning to, for example Tesco.

266. The majority of Orkney produce is exported, mainly because land quality means that Orkney is more than self-sufficient in such food, but also due to limited processing capacity on the islands for many foods. Prior to Orkney Meat Ltd closure in 2012[134] 'Orkney Island Gold' beef and lamb[135] was well marketed in Scotland and the UK in high-end butchers, targeting affluent tourists during their visit as well as when they return home. Between 2012 and 2018 a local butcher consortium - Orkney Meat Processors Ltd (OMPL) - rented the abattoir from Orkney Islands Council prior to its closure in 2018.[136] Currently without an abattoir on Orkney the Protected Designation of Origin classification for Orkney Beef and Orkney lamb cannot be utilised.[137] Now, Orcadian butchers procure finished cattle locally and then have to send them to Dingwall for processing before having meat returned (that incurs haulage costs) to supply local consumers, hospitality businesses as well as the public sector (care homes, hospitals and schools) per procurement guidelines.

267. Until recently three main egg producers operated in Orkney, one ceasing production recently because of rising input costs. The two-remaining sell into the local hospitality sector. Other smaller producers around the islands operate honesty boxes, and there is also some vegetable production for local shops. Bere barley, traditional to Orkney, is produced and processed on the islands (Barony Mill[138]), which is sold in local shops as well as to bakeries to produce bere Bannocks and biscuits, as well as being malted and used in a new Scapa whisky[139] and in along with a range of beers by Swanney Brewery[140]. Several distilleries operate in

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[133] Orkney Scottish Island Cheddar has had EU Protected Geographic Indication (PGI) status since 2013 (and UK protected status since 2021), limiting the branding to cheese produced on Orkney, using milk from locally grazed cows.

[134] Orkney abattoir closes after 'difficult trading conditions' - Farmers Weekly (fwi.co.uk)

[135] https://thecountrysmallholder.com/news/orkney-beef-and-lamb-6245242/

[136] Only abattoir on Orkney to close - BBC News

[137] 'Orkney Beef' and 'Orkney Lamb' were awarded EU Protected Designation of Origin in Orkney beef 1996 (before 'Scotch Beef' and 'Scotch Lamb' were protected) but only beef and lamb reared (using traditional methods), slaughtered and prepared on Orkney could carry the label. The lack of abattoir means the conditions for PDO could not currently be met.

[138] https://baronymill.com/

[139] Exploring Orkney's larder - Orkney whisky | Orkney.com

[140] Bere beers – Swannay Brewery

Orkney with Scapa, Deerness Distillery and Highland Park (which is undertaking environmental improvements in 2024 to reduce greenhouse gas emissions[141]) in particular sourcing a small quantity of grains locally.

9.3.2 Shetland

268. Compared to Orkney, agricultural inputs such as fertiliser, feed and agrichemicals appears more centralised through a smaller number of businesses providing general agricultural supplies. This does include some primarily marine businesses, such as LHD Marine Supplies[142], but those are known to also commonly supply smaller-value items such as personal protection equipment and other miscellaneous items used by agricultural businesses. Following a loss of agricultural business since withdrawing from red diesel supply, LHD Marine Supplies estimated that 7-8% of their revenue is from agricultural businesses.

269. While four vets are listed for Shetland in Table 47, these are all part of the same franchise. During stakeholder discussions on using Scottish Government Preparing for Sustainable Farming Animal Health and Welfare Intervention[143] grants to check bull fertility, it was explained that the vet practice did not currently have the capacity to undertake such tests. 'Other inputs' include businesses providing construction materials and polycrubs[144].

270. Many of the downstream markets recorded are linked to Shetland wool, in processing of products, sale of yarns, and of knitted products. Other businesses in this category include a small number of bakeries, local grocery shops, butchers, and restaurants.

271. The vast majority of agricultural output on Shetland is associated with livestock production (see Section 6 Trends in Agriculture), and most of this is produced for export off the islands. However, since the abattoir reopened[145] in 2011, there is an increasing amount of meat products available for local sales. This in part goes to local butchers and shops as well as JW Grays which have cutting facilities and supply schools, hospitals and care homes on the islands, as well as direct to customers who are killing for their own consumption and/or for small scale box schemes selling direct farm to fork.

[141] https://www.orkney.com/news/highland-park-closure
[142] https://www.lhdlimited.co.uk/marine-supplies
[143] https://www.ruralpayments.org/topics/all-schemes/preparing-for-sustainable-farming--psf-/preparing-for-sustainable-farming--psf--full-guidance/#713563
[144] https://www.polycrub.co.uk/
[145] Shetland Livestock Marketing Group (slmg.co.uk)

Table 48 Throughput from Lerwick abattoir, 2020-2023

	2020	2021	2022	2023
Sheep	3,310	3,497	3,781	3,629
Cattle	337	367	362	315
Pigs	167	211	355	207

272. In 2023, around 350 sheep carcasses were exported from Shetland, with the majority of those being the North Ronaldsay sheep from Orkney that are transported to Shetland for slaughter. This was the case for several years. Ferry times make it possible for the stock to travel from North Ronaldsay to Shetland in 24 hours, reducing the costs since animals do not have to be rested on route. This trade has, however, stopped recently as Shetland's Animal Health Scheme[146] does not favour imports for where full compliance with local animal welfare and disease control measures might be difficult to ascertain.

273. Beef and pork slaughtered in Shetland are almost all consumed locally. In 2023 there were just 3 cattle and 6 pigs that were imported from Orkney and the carcasses went back to the producer in Orkney, which again may be logistically easier than sending them to a mainland abattoir from Orkney. A small number of goats are also processed. Though the numbers are very small there is increasing interest in goat meat.

274. There are a growing number of box schemes, single provenance branded product ready for retail, such as Uradale (organic) and Lunna Lamb, and a variety of local butchers. The local butchers all do a range of value-added products including ready to cook items, reestit mutton, pies, and cured meats. All of them stock their own outlets and supply a range of local independent retailers, restaurants, and hoteliers. The local wholesalers both have cutting facilities which allows them to supply local meat to fulfil orders and public procurement contracts. There are a healthy number of freelance butchers who offer cutting, dressing, and packing services for those who run box schemes and/or kill for home consumption. This would not be possible without a local abattoir.

275. A small volume of dairy output is still produced on Shetland from just two dairy farms, but they provide about a third of total consumption in Shetland including to all schools, care homes, hospitals and most local shops. After some negotiations, both the local Tesco and Co-op stock local milk consistently. Milk itself tends to break even for producers who try to compete with imported milk prices, but producers are able to make profits on butter and cream.

276. People who are aware of buying locally generally make an effort to purchase local foods, which is generally obviously packaged and marketed as produced in

[146] Shetland Animal Health Scheme – Shetland Islands Council

Shetland. Some meat vendors are attempting to source more local meat including the Scalloway Meat Company. Andersons, the other main butcher, used to sell entirely locally finished livestock, but now order some meat from elsewhere to meet demand for higher value beef cuts. People buying local meat will tend to do so for quality cuts, preferring to buy low-cost cuts from the supermarket.

277. There are a small amount of vegetable growers doing some direct sales (e.g. through box schemes), as well as supplying local shops and one a select range to Tesco. Most local shops will also stock local eggs, which seem to be increasing in production.

278. The wool market is a significant market in terms of its added value to the wider Shetland economy, although the premium for Shetland wool (i.e. from the Shetland breed) is not significant additional income to farmers. However, output of wool products is limited by low wool supply, as well as difficulty in recruiting a weaver. Added value from wool is associated with knitwear designers, agritourism, Wool Week, local crafts and a growing number of farm experiences (e.g. farm tours, lamb tastings etc.)

9.3.3 Lewis and Harris

279. Businesses supplying agricultural inputs on Lewis and Harris are predominantly Stornoway based, and many are part of mainland businesses, with branches offering some core products per mainland stores, as well as adapting to serve local markets, such as providing a small shop in addition to the warehouse.

280. Two main agricultural wholesalers operate on Lewis and Harris, one of which is an agricultural cooperative run by local crofters with a board of directors (Lewis Crofters[147]). While these wholesalers sell feed, more recently a feed merchant in Ayr linked up with a local haulier to offer more competitively priced orders from the mainland delivered to the door on the islands within 2 days. Local wholesalers took time to adjust prices and saw a loss of customers due to this.

281. Due to spiralling material costs, customers on the islands are increasingly considering sourcing from much further afield on the mainland, with one example of a crofter buying and shipping timber from Peebles. This suggests a different attitude to supplier loyalty to locally situated business to that observed in Orkney, although this could be attributed to types of business ownership (i.e. loyalty in Orkney relates to locally owned businesses, whereas more expensive input providers in Lewis and Harris in this instance are mainland owned).

282. Conversations via the SAC Consulting office in Stornoway suggest that there is an undersupply of contractors for the available work (demand for services outstrips

[147] https://www.lewiscrofters.co.uk/

supply), and people are reluctantly beginning to bring contractors from the mainland for larger jobs. For example, polycrubs (that can get funding through Crofting Agricultural Grant Scheme[148]) can take a week to erect and there are currently installation waiting lists. A key barrier to greater provision of installation contractors is lack of training for rural skills. Slowness in contractor provision is not helped by slow processes for applying for and drawing down CAGS grants, which can see costs rise between application and finalising of the work.

283. Crofters in Lewis and Harris generally have other employment alongside crofting, such as work on windfarms, ports or other services, which help to retain people locally. It was suggested that while crofting is an important part of island life and land management on the islands, any negative impact on employment stemming from a potential reduction in agricultural support may be absorbed to a greater extent than on other islands via alternative employment opportunities.

284. The majority of livestock on Lewis and Harris are sold as 'store' animals, although a small number are finished locally, with some value added. There are some direct sales and box schemes for locally produced vegetables, beef, lamb and mutton, although much less than Orkney. Only a small number of butchers source local meat, with most sourcing from the meat processor and wholesaler in Dingwall. Harris Tweed manufacturers have to import wool from the mainland, as local wool must be first exported for processing.

285. The seasonal Lewis and Harris Auction Mart is community owned, managed by the Long Island Rural Trust[149]. Stornoway Abattoir, owned by Comhairle nan Eilean Siar[150] is also seasonal, opening from August to December (with press reporting annual throughput of c.2,700 lambs, 155 cattle and 102 pigs in 2022[151]). Although this does provide some local supply, during engagement stakeholders believed that there could be more support from local butchers, of which three are large, established businesses, one of which sells premium product to Harrods. There was a perception that the butchers have lost their expertise in buying, and so it is easier to purchase more standardised product from a wholesaler – something that could be addressed through training and awareness. Nonetheless, Stornoway Black Pudding has had EU Protected Geographic Indication (PGI) since 2013 (with equivalent UK Geographic Origin status since UK withdrew from the EU, and only

[148] For example, see: https://www.polycrub.co.uk/case-studies/polycrub-perfect-for-crofting-diversification
[149] https://lewisandharrisauctionmart.co.uk/about-us.html
[150] https://cne-siar.gov.uk/
[151] https://www.thescottishfarmer.co.uk/news/23373316.stornoway-abattoir-putting-rates-5-help-reduce-loss/

black pudding made in a defined area around Stornoway can carry the label – the blood is sourced from the local abattoir[152].

286. Of the two supermarkets in Stornoway, only the Co-operative stocks some local food, although this no longer includes meat since the person leading on sourcing for the 'Heather Isle Meats' range via the local abattoir has retired.

287. While the Co-operative and other shops are generally community-minded, it is suggested that suppliers may not be coordinated enough to establish greater markets, and this is a missed opportunity given the rising number of tourism and interest of tourists is local and artisan food. A FAS (Farm Advisory Service) Connect group is aiming to pilot one project, and supplier organising and enhancing of outlets like the local farmers market is likely to be positively impacted by the recent surge or enthusiastic new entrants into crofting in the area.

9.3.4 Uist and Barra

288. Local supply of inputs to these islands is much more limited than other areas covered in this report, with much shipped from mainland suppliers (captured in the mainland column of Table 47). A small number of local general stores, hardware stores and garages provide some feed and general agricultural supplies, and so are partly reliant on crofting for income alongside other business. A couple of feed suppliers rely 100% of crofters for business, while other suppliers may be around 75% dependent on crofting.

289. Feed is often delivered in smaller quantities due to transport on boats and smaller quantity demand from crofters. Local distilleries also supply some byproducts as feed to crofts on the islands. Generally, there is a high dependency on the import of feed (hay, concentrates, straw). Crofters with access to machair or good quality in-bye land can produce the majority of stock fodder requirement, but still need to buy in concentrates, whereas poorer quality land in North Uist and South Uist, and all of Barra rely 100% on imports.

290. The vast majority of agricultural output is exported off the islands, due to it being uneconomic to finish animals on the islands, as well as limited processing facilities. Less than 5% of meat is now processed or sold locally (having seen a decrease over time) through small-scale box schemes and farm shops or food hubs. Road-end egg sales are relatively common on the islands, and some horticultural produce is sold to local hotels and restaurants, although generally local shops do

[152] For a description see: Protected food names: Stornoway Black Pudding (publishing.service.gov.uk)

not sell local croft produce. A couple of local distilleries are beginning to source local grains for distilling, although the products have not yet reached market.

291. Lochmaddy Auction Mart is owned by North Uist & Benbecula Livestock Limited and sales, until recently, were undertaken by Dingwall and Highland Marts (DHM). DHM recently pulled out from Lochmaddy Auction Mart on North Uist stating the closure was a result of "*many factors including declining livestock numbers, staffing, increased running costs and stock being consigned to mainland markets*" [153]. Managing Director of DHM stated livestock numbers had "*fallen off a cliff*" also noting that "poor reliability of the ferry service to the island has been another major factor - we have had senior auctioneers stuck on the island on two or three occasions and we cannot afford this during the busy sale season"[154]. He added[155] that "*we have seen an increase in stock being consigned to Mainland markets – a customer's right – which obviously affects the number of animals traded in Lochmaddy and makes it increasingly more difficult to attract mainland buyers for reduced numbers*."

292. The North Uist & Benbecula Livestock Limited committee are attempting to find someone else to take on sales from Lochmaddy, but that process is ongoing. With DHM withdrawing from Lochmaddy, sheep and cattle for sales from North Uist, Berneray and Benbecula are likely still going to be sold in Dingwall, being transited from Lochmaddy to Uig on Skye (c.1 hour 45 min crossing) with the onward journey by road. Some North Uist cattle may be sold through United Auctions at Lochboisdale[156], before onward move to Oban (with a longer c.5 hours crossing – noting that the direct Lochboisdale to Oban sailing only operates on sale days). Animals from Barra are usually sold through Dalmally via United Auctions at Lochboisdale Mart also ferried to the mainland from Lochboisdale to Oban. Crofters may transport animals directly from Barra to Oban privately.

293. Active crofters across Uist and Barra comprise approximately 15% of the population (based on the number of IACS claims by island population), and therefore crofting is hugely important for local culture, society and economy compared to Scotland as a whole. Environmental management is dependent on livestock, so if schemes supported this there would be further positive impact to the environment. Reductions to support for livestock production would have serious knock-on consequences for land management, as well as impact on many supporting businesses. Any further reduction in active crofting in the islands could have indirect impacts on the economy via reduced local spending in local

[153] Dingwall & Highland Marts ceases trading at Lochmaddy Auction Mart (pressandjournal.co.uk)
[154] Ibid
[155] Dingwall auction firm's decision to withdraw livestock sales from island mart 'not taken lightly' (northern-times.co.uk)
[156] https://www.uagroup.co.uk/sales-reports/lochboisdale

businesses such as shops, restaurants, hospitality, as well as knock on impacts to attractiveness of area to tourists if active crofting land management ceases (machair habitat, corncrakes, sea eagles).

9.3.5 Supply chain risks in the event of reduced agricultural output

294. Table 49 summarises the estimated expected risk to supply chain businesses associated with any reductions in agricultural output arising from policy changes that are adverse for the islands. Scoring, on a 1-3 (purple to red) reflects risks as perceived by consulted businesses along with local SAC consultants' judgement of likely impacts for each of the island groupings. A score of 3 represents high risk, and 1 representing low risk. In all cases, perceived risks were considered significant and widespread, spanning the full supply-chain.

Table 49 Expected risk to supply chain businesses as a result of reduced support to agriculture

Risk factor	Orkney	Shetland	Lewis & Harris	Uist & Barra
Agricultural employment	2	2	3	3
Other household employment	3	3	2	2
Input suppliers	2	2	3	3
Veterinary services	2	2	3	3
Ancillary services	2	2	3	3
Auctioneering services	3	3	3	3
Abattoirs & processing services	3	3	2	1
Haulage services	3	2	2	2
Downstream markets	2	2	1	1
Impact on tourism	2	1	2	2
Impact on wider economy	2	3	1	1

295. This table can only be considered a broad indicator of supply-chain risk based on value judgements and, where possible, data evaluated within this report. The logic behind scoring for each category is as follows:

- Agricultural employment is based on the headcount of occupiers and spouses engaged in agricultural activity (Table 23) along with regular and casual employees (Table 24) as proportion of the total population of respective island groupings, drawing from population data and.
- Other household employment is based on the number of part-time agricultural household members as a proportion of the population of respective island groupings. While not all part-time workers in agricultural households will have other part-time work, the scoring illustrates the relative

dependence of other household members on agriculture, and the interaction with outside potential employment.

- Scores for all categories between input suppliers and haulage services a based on a reasoned judgement based on conversations had with local advisors and local businesses, representing the dependence of each category of businesses on agriculture for business income.
- The impact of tourism is based on the value of tourism for each island grouping, drawn from published estimates online.
- The impact on the wider economy is based on GVA figures for agriculture for each island grouping, as presented in Figure 54.
- The total score sums the column for each island grouping to indicate relative overall risk.
- Total output draws from the modelled estimated BRN turnover from agricultural businesses in the island groupings, as presented in Table 3.

296. This risk matrix could suggest the following:

- Input and ancillary services in the Outer Hebrides appear to have greater dependence on agriculture than in Orkney and Shetland; this reflects the role of other industries as more significant in those islands' economies, alongside agriculture (such as fishing).
- Auctioneering services on all island groupings would be severely affected by reduction in agricultural activity. Shetland's abattoir would be most affected by reduced agriculture, Lewis & Harris to some extent although the abattoir is just seasonal, whereas Uist and Barra export all livestock for slaughter. Orkney's high score primarily represents impact to creameries.
- Orkney and Shetland both indicate stronger linkages with downstream processing than the Outer Hebrides, hence the higher risk score.
- Overall, all island groupings average a very similar total risk scoring, although the scores' composition differ. For the Outer Hebrides, risk appears more centralised around impacts to service provision, and less linked to downstream services and value added. Orkney and Shetland have much more even, and consistently higher, risk scoring across all categories. Lastly, given the total output of agriculture to each island grouping, the risk scoring suggests that the greatest economic risk from reduced agricultural production is on Orkney, with the lowest, but still significant as a proportion of economic output, in the Outer Hebrides.

9.4 Additional agricultural costs on islands

297. Unsurprisingly, the cost burden of additional transport for inputs purchased and outputs marketed are significant across the islands. Table 50 provides an overview of cost of key inputs and haulage to island groupings versus Skye,

mainland Highlands and the rest of Scotland. These are based on prices as of mid-February 2024, gathered by local SAC Consultants from published sources and direct contact with businesses and suppliers. Colour coding indicates additional cost versus the baseline price, assumed as the rest of Scotland, with cells in red showing greatest additional costs and purple the lowest additional cost.

298. The data in Table 50 is important, as it also demonstrates the additional costs faced by more remote farms and crofts within the islands. The data shows for example that Ammonia Nitrate (AN) fertiliser was £54/t more expensive in Kirkwall than the Rest of mainland Scotland (non-Highlands) but those on outer islands faced further additional costs of £15/t to get it delivered from Kirkwall. In Shetland outer isles, beef stock nuts were £114/t more expensive (similar to Uist and Benbecula) than in the rest of Scotland (with Lerwick £85/t more). Compared to the Rest of Scotland the average haulage costs to mart were £30 a cow more in Lewis and Harris, and £60 a cow more in the Shetland Outer Isles. This demonstrates that the £46 per calf SSBSS uplift (2023) can be quickly eroded away on the islands, particularly in outlying islands (noting there is no island uplift for SUSSS despite similar additional costs).

Table 50 Cost of inputs and haulage to island groupings

	Fertiliser (AN, £/t)	Red diesel (ppl)	Feed (beef stock nuts, £/t)	Cow haulage to mart (£/hd)	Average distance to mart (miles)	Notes
Orkney (Kirkwall)	**£380**	**£84.3**	**£369**	**£23**	**120**	(To Aberdeen) - though most sell through Kirkwall mart. Up to 20 miles on land then 120 miles on sea
Orkney (inner isles)	**£402**	**£84.3**	**£391**	**£25**	**20**	12 miles on land, 1 mile on sea
Orkney (outer isles)	**£417**	**£84.3**	**£406**	**£25**	**20**	20 miles on sea
Shetland (Lerwick)	**£413**	**£84**	**£415**	**£22.5**	**245****	To Aberdeen - 20 on land, 225 miles over sea
Shetland (outer islands)	**£444**	**£90**	**£444**	**£75**	**55**	To Aberdeen - 20 on land, 225 miles over sea
Lewis & Harris	**£425**	**£92**	**£427**	**£45**	**95**	45 miles on land, 50 miles over sea
Uist & Benbecula	**£393**	**£88**	**£445.2***	**£40**	**150**	120 miles on land, 30 miles over sea
Skye	**£410**	**£85**	**£360**	**£9**	**32**	
Mainland Highlands	**£378**	**£78.3**	**£400**	**£15**	**35**	
Rest of Scotland	**£348**	**£77.3**	**£330**	**£15**	**30**	

**Sold in 25kg bags – price shown is equivalent price per ton*

***Distance and cost are for haulage to Aberdeen. Distance and costs for outer islands only indicates to Lerwick*

299. These additional costs faced by farmers and crofters across the islands are summarised in percentage terms in Table 51. Orkney mainland had the lowest additional costs (for fertiliser, fuel and feed) across the island groupings, averaging around 9-12% higher than mainland costs, versus Shetland mainland at 9-26% and the Outer Hebrides collectively at 13-35%[157]. The lower additional costs in Orkney may be reflected by volume of inputs traded and the collective purchasing power of the farmers' cooperative Birsay Farmers[158]. Shetland's outer islands had the highest overall additional costs for these products, 16-35%, higher than mainland costs for feed. Again, for cow haulage, Orkney mainland was the lowest additional cost, at 53% higher than mainland costs, compared to costs 400% higher for the outer Shetland islands. This reflects the additional costs of having to cover both the initial haulage to/from the mainland plus further haulage to/from more outlying islands.

300. During the recent period of high agricultural input cost and fuel cost inflation these significant uplift costs of production can be significant and put pressure on financial margins – leading to some to adopt more extensive grazing systems, or to downscale and withdraw from production (as the data demonstrates in Section 6 Trends in Agriculture).

Table 51 Additional cost of inputs and haulage to island groupings, relative to mainland Scotland cost.

Area	Fertiliser (AN, £/t)	Red diesel (ppl)	Feed (beef stock nuts, £/t)	Cow haulage to mart (£/hd)*
Orkney (Kirkwall)	+9%	+9%	+12%	+53%
Orkney (inner isles)	+16%	+9%	+18%	+67%
Orkney (outer isles)	+20%	+9%	+23%	+67%
Shetland (Lerwick)	+19%	+9%	+26%	+50%
Shetland (outer islands)	+28%	+16%	+35%	+400%
Lewis & Harris	+22%	+19%	+29%	+200%
Uist & Benbecula	+13%	+14%	+35%	+167%
Skye	18%	10%	9%	-40%

* it is worth noting that the additional cost to farmers arising from animal weight loss during transit was also referred to by farmers and crofters

9.4.1 Livestock haulage

301. The need for inter-island ferries contribute significantly to the additional costs of livestock haulage, effectively adding over £1 per head per further mile in haulage costs relative to costs on main islands in each grouping. Some crofts located on

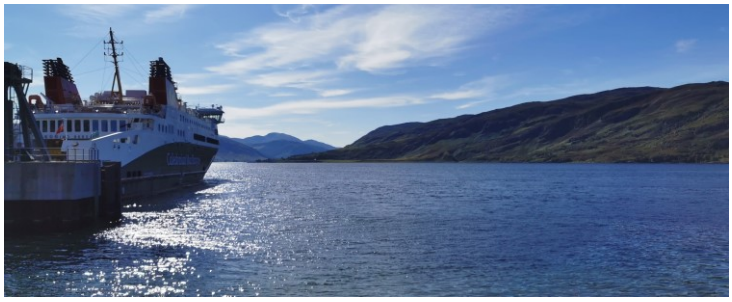
[157] It is worth noting that the ferry charging in the Outer Hebrides, Shetland and Orkney differ that may influence some of the pricing variation.
[158] https://www.orkney.com/listings/birsay-farmers-ltd

the northernmost Shetland islands have to travel over 60 miles and take two inter-island ferries to reach Lerwick mart.

302. Off-loading costs from the islands to the mainland are not insignificant (see Table 52) and eat into prices received on the islands, or into the margins of farmers and crofters selling directly through mainland marts. In the case of Shetland, where stock is sold for export to Aberdeen via the local mart, an extra 85p per head transport from mart to pier applies. For transport between Aberdeen and Lerwick, stock is shipped in livestock cassettes (LCs) and one complete stock box on an LC on the boat costs £90. There is no option to transport in livestock trailers or by other means due to the length of the journey. The Barra to Oban ferry charges the Barra – Oban £81 per trailer for a crofter transporting their own animals.

303. Cost of transportation of livestock by crofters and farmers can vary widely, based on the size and weight of animals, size and capacity of the trailer, and the number of animals per trailer. It is not uncommon for a trailer to travel at half capacity, for smaller sales throughout the year, which will effectively double the cost of self-haulage. Likewise, costs of haulage of animals to Aberdeen from Lerwick are priced on a per box basis, so costs may be £22.50 per head if shipping a full box, or £45 per head if shipping one or two.

304. An example from Uist cited £420 haulage cost for 55 ewe hoggs for Dingwall to Oban, with a further £190 for the Oban to Barra leg (a total of £11 per hogg) , with that trip also requiring 3 nights' accommodation to link with ferries (a cost that can grow if there are ferry cancelations). Costs cited for haulage from Barra to Oban include £3 per lamb, £20 per calf and £30 per cow.



305. Costs of transporting livestock from the outer islands can be greater than to get them from Lerwick to Aberdeen. For example, taking cattle from Unst to Lerwick may cost £75 using own transport, including fuel, two ferry fares for a pick-up with 3.5-ton trailer at £28 return, a basic milage rate at 7-8 miles per gallon in fair weather, plus wear and tear of 20p per mile as per HMRC guidance. In addition, crofter/farmer time costs involved in transport should be added to these costs. Often residents of small islands such as Fair Isle organise collective transportation, since individually costs are prohibitive.

306. On Orkney, most animals are sold store, although some are sold direct to processors. Generally speaking, only a minority of livestock is sold off the islands by farmers, with most selling through Kirkwall mart. Typically, when buyers from

further south are visiting for sales, the mart pays for their flights, and buyers pay for and arrange haulage of purchased livestock off the islands.

307. In the Outer Hebrides, sales are limited and seasonal, with just three or four sheep sales and one cattle sale in the late summer/early autumn. Outside these sales, all livestock must be transported to Dingwall mart directly.

Table 52 Livestock offloading costs from island groupings

Origin	Destination	Duration	Cost per cow	Cost per calf	Cost per ewe
Orkney	Aberdeen (from Kirkwall)	6 hours	£23	£19	£2.80
Shetland	Aberdeen (from Lerwick)	12.5 hours	£22.50		£3.10
Lewis & Harris	Dingwall (from Stornoway)	4.5 hours	£45	£30	£3.50
North Uist & Berneray	Dingwall (from Lochmaddy via Skye)	5 hours	£40	£30	£3.80
South Uist & Barra	Dalmally (from Lochboisdale / Barra via Oban)	6 – 7.5 hours	£30	£20	£3.50

**Additional cost of inter-island ferry from Barra to Eriskay/South Uist*

***Costs not yet available – route not running*

308. Not factored into the additional costs in Table 52 is the costs of certification required for transporting animals over 40 miles (in under 8-hour period), the Level 2 Certificate of Competence in the Transport of Animals[159] by road (Short Journeys). Therefore, crofters and farmers from some outlying areas face this additional transport cost and compliance requirements to even get their stock to market locally. The Certificate of Competence for animal transport is £95 to sit the assessment at an SRUC campus, with an additional £25 admin fee at offices, also requiring at least half a day's time for travel and sitting the test from more remote Isles.

9.4.2 Other input costs and haulage

309. Wherever possible, haulage companies tend to work closely with clients to find means to load sharing and lowering costs for inputs. This is more possible with some inputs than others (due to product stability, storage and anticipation of demand) but, therefore, also naturally limits choice of input suppliers for customers. Particularly for the outer islands, it is more important for businesses to anticipate needs and plan for purchases, such as for fuel deliveries where tankers may only travel to the islands once a month. This can create additional pressure on business cashflow due to the need to buy in larger quantities.

[159] City & Guilds Land Based Services (formerly NPTC) https://www.nptc.org.uk/qualificationschemedetail.aspx?id=304

310. Additional costs involved in deliveries include not only distance travelled, but also time for unloading. For northern Shetland isles this can be up to 6 hours, adding an additional £354-378 +VAT diesel per full load delivery, or 4 hours for more distant parts of Shetland mainland (£236-283 +VAT additional). Ticket prices for a truck on inter-island ferries in Shetland are around £100. Deliveries to Uist rely on an articulated lorry from Invergordon via ferries, costing approximately £1,100, adding a minimum of £38 per ton for a full load of fertiliser.

311. Table 53 shows the additional animal feed costs on the islands compared to the mainland. These higher costs add-up for farmers and crofters that erode profit margins. For example, delivered ewe rolls can be £77/t (+22%) more expensive, beef nuts can be £97/t more expensive delivered (+29%), bruised barley up to 2.9 times more expensive delivered, and hay bales 3 times more expensive (£178/t) delivered.

Table 53 Feed costs across island groupings versus mainland costs

Region	Ewe rolls (18% protein)	Beef nuts (17% protein)	Silage bales	Bruised barley	Large straw bale	Hay bale
Orkney	£398 / t	£369 / t	£16-£20 / bale	£200 / t	£105 / t, or £57.75 / bale	
Shetland	£422 / t	£415 / t		£355 / t	£68 / bale	£62 / bale or £248/t
Lewis & Harris	£11.20 / 25kg bag, or £427 / t	£11.20 / 25kg bag, or £427 / t	£38 / bale	£467 / t		£67 / bale or £268/t
Uist & Benbecula	£11.13 / 25kg bag	£372 / t	£35 / bale			£58 / bale or £232/t
Mainland	**£350 / t**	**£330 / t**	**£18 / bale**	**£160 / t**	**£90 / t**	**£140 / t**

312. Ongoing issues with ferry frequency, capacity and reliability, particularly to the Outer Hebrides, have made haulage of inputs more challenging in terms of capacity and reliability of delivery. Adverse weather affecting services also means a reluctance to haul livestock. Recent rising fuel prices have also added a fuel surcharge to deliveries.

313. Fuel prices also vary across and within the island groupings based on accessibility to tankers and whether it is sold at pump or in drums. For example, in Shetland, buying per drum will add 4p per litre, pumps in more outlying parts of the mainland will be priced 2p higher, and 5-7p higher for connected outer isles. For some islands like Fair Isle and Foula customers must transport and fill drums on the mainland at their own cost.

314. Lastly, similar to additional costs of certification required for livestock haulage over a certain distance, the cost of legally required CPD for activities such as use of herbicides and sheep dipping falls heavier on smaller producers and crofters given their turnover relative to farming businesses, with some choosing to opt out,

with potential impacts on production efficiency and output as a result. Moreover, CPD and attendance of meetings, etc. can be logistically challenging for those part-time farmers and crofters that are working (particularly full-time) off-farm/croft. It is essential that in the design of future AKIS (Agricultural Knowledge and Information System) for Scotland that effective engagement with small and part time businesses, alongside hard to reach (often digitally remote) groups are embedded in the design[160].

9.5 Case studies

Box: 3 Orkney Auction Mart

Orkney Auction Mart has been on its current site since 1993, after the amalgamation of the Kirkwall Mart and the West Mainland Mart. Sales include cattle (store, fat, breeding), sheep (store, fat, breeding), implements, and machinery.

The main trading income from the mart comes through commission from livestock sales, which is set at a percentage of the buying price. Therefore, as market prices fluctuate the commission earned increases or decreases and affecting mart profitability.

Orkney traditionally sells cattle off grass at the age of 16-18 months old (at 450 – 575kg), in recent years more cattle have been sold at 12 months (see Figure 72 in Annex 4 Agricultural data). However, due to high grass growth in Orkney most farmers prefer to keep their cattle an extra summer, to benefit from extra gained weight from grass and increased sale price, at minimum expense. This prolongs the number of days cattle spend on Orkney and therefore affects the carbon footprint through methane (noting that selling younger, often simply means the emissions occur elsewhere).

Sales are quite seasonal and due to the changing seasons and weather patterns, the peaks in sales are becoming higher with a larger mart throughput at certain times of the year. The peak time of the year currently is September.

Due to animal transportation regulations, boat timetables, and health and safety requirements (including animal handling and zoonotic diseases), livestock can arrive at the mart a week in advance of the sale date. This means that the mart is obliged to look after these animals (lairage) until sale. Moreover, if the weather is particularly bad the boat shipping the animals to their destination can be cancelled, or the weather conditions such that shipping of livestock is not recommended. When this happens, then the Mart is again obliged to look after these animals until the weather calms and shipping resumes.

[160] The Scottish Government have undertaken an 'informal consultation on AKIS in early 2024 and it is expected a full consultation (potentially including CPD) will be launched later in the year.

Larger sale days are favoured by those selling livestock, as the Mart is able to attract more buyers to the sale, and therefore increased buyer competition and higher prices. The majority of buyers come from Aberdeenshire and Edinburgh. There would have been more buyers from Orkney when there was an abattoir and Orkney Meat Ltd was promoting "Orkney Gold Beef", this also coincided with an agricultural support system that rewarded keeping cattle for finishing (through headage payment). After Orkney Meat closed[161] and the support system changed the local market for buying store animals to finish almost disappeared. Currently, around 14 buyers attend regularly from Aberdeenshire. On bigger sale days there can by around 30 buyers from Aberdeenshire and beyond looking to buy Orkney cattle.

Over the last decade turnover has remained stable at £1.1 to £1.2 million except for 2014 and 2019. In the years that turnover was below the million pound mark, the throughput was less, with just 9,162 cattle and 25,644 sheep sold in 2014 compared to 15,376 cattle and 33,475 sheep in 2015 when turnover was just under £1.2million.

Considering that SSBSS claims for Orkney are around 25,000, just under half of these animals are sold store at Orkney Auction Mart (noting c.18% of calves are retained for breeding replacements).

Employees – 6 (full-time), 5(part-time), 11 casual

Throughput 2014-2023

Cattle	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Prime	327	809	713	626	557	551	495	456	361	362
Store	7,393	12,438	12,025	11,912	11,382	10,378	11,329	11,706	11,364	11,880
Breeding	143	140	183	255	389	234	293	332	474	240
OTM	1,299	1,989	1,688	1,353	945	839	883	838	1,021	793
Total	9,162	15,376	14,609	14,146	13,273	12,002	13,000	13,332	13,220	13,275

Sheep	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Prime	7,018	9,769	11,226	12,212	11,750	14,802	15,488	13,867	14,057	16,322
Store	11,739	13,917	11,500	8,921	9,762	12,008	9,230	10,780	12,144	16,182
Cast	3,997	5,929	5,088	4,848	4,751	5,361	4,112	5,044	5,846	6,510
Breeding	2,890	3,860	3,528	2,750	2,642	2,499	2,805	2,974	3,194	3,531
Total	25,644	33,475	31,342	28,731	28,905	34,670	31,635	32,665	35,241	42,545

Turnover £millions 2013-22

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
£1.14m	£0.99m	£1.17m	£1.12m	£1.15m	£1.56m	£0.97m	£1.01m	£1.12m	£1.19m

[161] https://orcadian.co.uk/orkney-meat-to-cease-production-staff-informed-of-redundancies/

Box: 4 Shetland Livestock Marketing Group (SLMG)

SLMG is a community benefit co-operative, established in 1995 to serve the local agricultural community and bring together various agricultural groups under one umbrella organisation. It is home to Shetland's abattoir and marts.

It is a membership association, with approximately 450 members. Membership fees are based on stock numbers and benefits include prime sale slots and a discounted rate when using the abattoir's services, but it would be fair to say that many of its members see their subscription as a way of showing their support for an essential service provider in their industry and community.

The abattoir was opened in 2011 and is Shetland's only abattoir facility. They process sheep, goats, cattle and pigs all year round and are Quality Meat Scotland assured and Scottish Organic Producers Association accredited. The presence of a local abattoir is crucial to local livestock producers and the local market. Without it, Shetland would be unable to service local demand for Shetland lamb, beef, and pork. The on average, in the four years from 2020 to 2023, the facility has processed approximately 3600 sheep, 350 cattle, and 250 pigs annually.

The vast majority of the meat produced goes to the local market through independent butcher shops, local independent retailers via the butchers and local wholesalers, and through Shetland's hospitality sector. Via the wholesalers, the abattoir also services the SIC's commitment to local procurement for council catering services in schools, care homes and the hospital. In addition, there is a growing farm to fork sector. An increasing number of agricultural businesses use the abattoir's killing and butchering services to offer beef and lamb box schemes as well as to supply the needs of family and friends.

Without a local abattoir Shetlanders would not have access to the meat produced locally as the cost of shipping livestock to slaughter and returning carcasses for butchering is prohibitively high. This was evident in the year prior to the establishment of SLMG when Shetland did not have its own abattoir for a number of years.

In association with Aberdeen and Northern Marts, SLMG stage various livestock and machinery sales throughout the year. Mainly sheep and cattle are sold through the ring with the main sale season running from August to November with additional sales in February and April. The mart is also home to the annual Shetland Flock Book show and sale, and an annual Shetland Pony Breeder sale. The buildings are home to the Lerwick branch of Harbro and also host a broad range of agricultural training courses, meetings, industry events and networking groups all run by other partner agricultural businesses and organisations.

An online bidding system was recently introduced and has opened up mainland markets to Shetland producers, encouraging higher prices and allowing more Shetland producers to feel confident that selling through their local mart is the soundest solution. There are now a number of regular mainland buyers who purchase direct

from Shetland with more coming online at a steady rate as word of the quality or the livestock and ease of accessing the mart sales spreads. Online bidding has created healthier competition in the ring and pushed prices up across the board with sales sometimes now reaching higher prices than those achieved by the nearest alternative on the mainland at Thainstone.

SLMG work closely with the Shetland Animal Health Scheme supporting the scheme and helping to ensure that any animals brought to Shetland from elsewhere meet Shetland's Animal Health Scheme requirements. The mobile dipping facility used as part of the scheme to prevent the spread of sheep scab in Shetland is housed and operated at SLMG premises.

Box: 5 Orkney Cheese

Orkney Cheese is an award winning cheddar, and is Protected Geographical Indicator (PGI) accredited. All of their milk is sourced from Orkney farms, currently 12 in number, through Orkney Milk, a farmers cooperative and 70% shareholder in Orkney Cheese. Orkney cheese continues to outperform the Scottish sector for cheese (cheddar) in volume and value growth according to the 2023 Grocery Performance Review.

Lactalis have a 20% shareholding in Orkney Cheese and they manage the marketing of the product. They would like to be able to market an additional 300-400 tonnes of cheese, the amount of milk available is only just sufficient for existing production. Indeed, demand exceeds supply, and the creamery has recently had to reject lucrative international some orders. Current turnover is £5.5m and there are 23 employees. Orkney Cheese remaining viable is important for the local economy as it responsible for many additional jobs through supplying milk and cheese for local retail and added value opportunities.

Current agricultural policy proposals are not perceived as a main threat to the creamery per se, as the island's dairy farms already undertake most elements of the Tier 1 Whole Farm Plan to comply with milk sector standards. However, the creamery does have concerns regarding a lack of farm succession and the general lack of labour availability within the dairy industry. Failure to attract more and new farmers into the industry risks making the production of cheese unviable given that an extra c.20% of milk volume is desired.

The perception from creamery management is that the current narrative regarding greenhouse gas emissions from cattle is disenfranchising young people from working in the industry alongside a persistent narrative about farmers working long hours for little, to no, reward. It is feared that these perceptions put many off pursuing a career within farming, in particular dairying. In order to secure the long-term viability of the award-winning creamery it would be beneficial if the industry was viewed as a profitable, attractive industry to be in where there the market rewards your hard work with a decent price for your product i.e. milk. https://www.orkneycheddar.co.uk/

Box: 6 Shetland Vets

Shetland is currently served by a single veterinary practice. They have 3 surgeries on mainland Shetland and offer 24-hour service. They work hard to ensure coverage of the whole of Shetland with weekly visits to Unst and Yell, and regular visits by appointment to other islands as well.

They cover a broad range of veterinary services for pets, horses and livestock with a full range of medical and surgical treatments, preventative medicine and health planning, advisory work and routine visits and screening. They offer an emergency on-call service which covers both the livestock and small animal side of their work. They also provide biosecurity advice and work closely with the Shetland Animal Health Scheme run by the Shetland Island Council's Environmental Health Department.

The practice serves approximately 4,100 active customers across Shetland. In the year from February 2023 to February 2024, they serviced almost 400,000 medical transactions, up 14,000 on the previous year. This is split roughly 75% on small animal practice and 25% on agricultural practice.

They currently have a team of five FTE veterinary nurses, two fulltime vets, and two part-time vets. One of the part-time vets is exclusively a small animal vet and the other is about to take maternity leave. The national shortage of large livestock vets is being felt acutely in Shetland. The practice is recruiting for two more fulltime vets but are struggling to find anyone. They have been trying to recruit continuously for almost three years now without success, or indeed any applicants at all.

As a result, they currently have two fulltime locums, in place at all times. This clearly comes at an increased cost both in terms of salary and in terms of the cost of accommodation and travel expenses for the locums. Those increased costs have, so far, been absorbed by the practice but this is not sustainable in the long term. Higher costs of doing business will ultimately have to handed on to clients. Staff report that even with two locums they are running at maximum capacity all the time. There is simply no scope to increase workload and it is prohibitively expensive to take on additional locums.

This reliance on locums also comes with limitations in what services can be offered. Animal health and welfare planning, whether it is stand alone or as part of QMS assurance, requires local knowledge and good long-term working relations with crofters and farmers. Locums are often unwilling to take on Animal Health and Welfare plans at all. This is partly due to the lack of these requisites, but also because of workload. They do not have the necessary admin time to write up plans, which would mean them leaving before they have had time to complete a plan properly.

Shetland Vets offer a remarkably broad range of services given the size of the practice, but due to location, staffing, and market demand, they are unable to cover

some of the government's target interventions. For example, they cannot carry out bull fertility testing locally and do not have the capacity to have someone trained for this. They don't have the right handling facilities for pregnancy testing for cattle and for instance, cannot offer ultrasound for cattle.

The harsh reality of the critical shortage of skilled staff for island vets has not been adequately considered in the new conditionality and cross compliance measures proposed. It is clear that there will be a marked increase in the work required of vets to support the sector in achieving compliance but there is simply not a large enough workforce to cover that workload. Vets will find themselves having to make tough decisions, under increased pressure, whilst delivering essential veterinary care, emergency support, and also trying to assist people with compliance issues to access basic support payments.

Vets also commented that they felt that the new calving interval criteria for the Scottish Suckler Beef Scheme would seriously disadvantage Shetland producers. Keeping cattle on marginal land is oft vaunted for its environmental benefits but it is also an uphill struggle here in Shetland. Producers face a relentless gauntlet of harsh climate, relatively poor ground, short growing season, most units' limited shed space, reliance on a single bull or a hired bull, a single calving season, higher costs, and limited access to support services which could help with any of these issues. This means that producers are already disadvantaged before they start. The introduction of calving intervals within the Shetland system will create a further barrier to keeping cattle with, at best uncertain, and more likely worsened environmental outcomes, especially in terms of biodiversity.

A frank assessment of how Shetland Vets are feeling about the proposed new support scheme would be best summed up as dismayed.

Box: 7 Island Perspectives on Peatland Restoration and Nature Based Jobs

The national policy perspective seems to be focused on encouraging project development and Peatland Code accreditation whereas what we really need locally here are more contractors to carry out the work and specifically digger drivers and appropriate training for plant operators. Existing restoration contractors have tried everything to recruit them but we're not getting anywhere. Without adequate numbers of machines and operators we can't do the work. Part of the issue is that it requires skilled operators. There are plenty of skilled operators in the islands but we're struggling to recruit them to work on peatland both because there is high demand for their skills and because the current funding model does not allow for land managers to restore their own peatland (plenty of crofters have their own machinery and the skills to carry out the work but current process requires the work to be tendered to contractors).

'Cathedral builder' mindset: Peatland restoration work requires a shift in mindset for operators. Often they are used to getting on and getting the job done as quickly and efficiently as possible, as you would on a building site for example. Peatland restoration requires a different approach. They need to work on land that they'd never normally take a machine over and be really careful to avoid causing further damage. There is such an expanse of peat to be restored that it requires a 'cathedral builder' mindset. Workers need to be able to keep going while recognising that they may never get to see the final result. In discussions with existing contractors the block to recruitment was not put down to wages – as they are offering wages in line with the windfarm and other developments.

Tight labour market generally: The local labour market is tight – tighter than it has ever been. Knitwear, crab, and seafood processors have lost access to a large pool of foreign workers and this has had a knock on effect across all sectors. Shetland is short of hundreds of European workers who would have filled a number of roles. Although recruitment is always an issue where the pool of workers available is limited, the extent of the problem is unprecedented. Local businesses often used to recruit through referrals but now access to the personal networks of settled foreign nationals has been lost. There's also the problem of housing, even where employers are able to attract workers from outside the isles, there's nowhere for them to live. Property prices have increased exponentially in the past 4 years - new regulations have pushed people out of the private rental market and the number of second homes and holiday lets is putting pressure on housing stocks.

Encouraging young people into green jobs: Local young people could be an asset. More engagement with schools is required so required so there is greater awareness of the jobs. For example, many conservation surveys (habitat / species) conducted by agencies and NGOs are undertaken by recruits (often young graduates) from outside the islands – which leads to perception that there aren't enough locals involved and a breakdown of communication. This issue around communication and winning hearts and minds is playing out in peatland restoration – many people think it's just about getting the landowners on board, but that's not really the case where the land is managed by crofters who have property rights and legal entitlement to use the land. Those engaging need an awareness of, and understanding of, land management to get land managers and crofters on board.

Green skills – a core skill for the future is the ability to be flexible: Career guidance tends to focus on getting young people into university. There needs to be broader recognition for the range of training opportunities, including modern apprenticeships, and that the modern workforce is highly mobile – everyone has a minimum of four careers in their lifetime now. A core skill for the future is the ability to be flexible.

10 Wider socio–economic profile

315. This section of the report presents socio-economic information relating to the three local authorities covering the study area in the Shetland Islands, Orkney Islands, and Outer Hebrides (Outer Hebrides). By way of comparison, and where appropriate, data is presented for Scotland. The data for these socio-economic profiles comes from various sources, including the Office of National Statistics (ONS), Scottish Government (Businesses in Scotland), National Records of Scotland, and the Shetland Islands, Orkney Islands, and Outer Hebrides local authorities.

316. Limitations in some of the data used are highlighted as a footnote with additional information where appropriate. For instance, there are a number of challenges with the Scottish Government Businesses in Scotland data, which may result in an underestimation of business counts. This data, collected through the ONS Inter-Departmental Business Register (IDBR), includes businesses that are registered for Value Added Tax (VAT) and/or Pay-As-You-Earn (PAYE). This means the data does not include micro-businesses, start-ups, or other small enterprises (such as newly established businesses, small-scale operations, part-time businesses or sole proprietorships) that are not registered for VAT or PAYE (Thomson et al., 2023).

317. Before presenting this data and analysis it is important to acknowledge the extent to which islands have been increasingly recognised in national policy-making in Scotland in recent years. In the run-up to the 2014 Scottish independence referendum, the Orkney, Shetland and Outer Hebrides worked together to examine the potential for devolution to the islands (through the Our Islands, Our Future campaign). The Scottish Government published the Empowering Scotland's Island Communities prospectus in June 2014 and then later that year the UK Government and the three Scottish Island Councils adopted a Framework for the Islands which included island proofing as a principle, though this was not on a statutory footing. The Scottish Government consulted on provisions for an Islands Bill in 2015, including island proofing, and there was an announcement in the 2016-7 Programme for Government that an Islands Bill would be brought before Parliament.

318. In 2018 the Islands (Scotland) Act was passed to ensure a sustained focus across Government and the public sector to meet the needs of island communities, now and in the future. At the time of the legislation being passed it was described as *"unique"* and as *"one of the world's first and only place-based laws"'* by Humza Yousaf the then Minister for Transport and the Islands at the time.

319. Most of the provisions of the Act came into force on 4th October 2018, including the development of a National Islands Plan (which was published in 2019) with 13

wide ranging Strategic Objectives covering a variety of issues that will improve the quality of life for island communities, including population decline (the issue that was the top priority identified by respondents during the consultation on the Plan), promoting sustainable economic development, environmental wellbeing, health and wellbeing, community empowerment; improving transport services and digital connectivity; reducing fuel poverty; and enhancing biosecurity. The National Islands Plan is subject to annual reporting[162] and a five-year review.

320. In addition, the legislation introduced a duty for relevant public authorities to undertake Islands Community Impact Assessments (i.e. island proofing) in relation to new policies, strategies and interventions, to explore whether they are likely to have different impacts in different island communities and between island and mainland communities. Further policy and practice developments relating specifically to Scotland's islands include the creation of the Young Islanders Network by Scottish Government and Youth Scotland

321. Just under one year after the publication of the first National Islands Plan, in Autumn 2020, a National Islands Plan Survey was sent to 20,000 residents across Scotland's (permanently inhabited) islands (Scottish Government 2021). The objective of the Survey was to improve understanding about living on Scotland's islands and to gather baseline data against which to measure the success of the Plan. Over 4,300 people responded to the survey from 59 islands (a response rate of 22%) and a range of issues were raised including a lack of support for young people to remain in, move or return to the islands; a lack of employment, training, higher education and appropriate childcare; a lack of affordable housing and a poor variety of housing types, sizes and tenure to meet peoples' needs; mixed experiences with accessing healthcare services; the poor speed and reliability of internet connections; inadequate infrastructure provision to meet tourism demand; only one in five respondents were reliant on more than one job; and most respondents planned to stay on their island for at least the next five years. The results of the second National Islands Plan Survey will be available later in 2024.

10.1 Demographic Change

10.1.1 Population density

322. Whilst Scotland is significantly rural in nature the vast majority of the population live in an urban setting. Whilst populated with an average of 70 people per square kilometre (km^2) at a national level in 2021, significant variations exist, where urban and accessible areas have higher population densities of c. 1,482 and c.50 people per square kilometre in 2021 but only an average of 10 people per km^2 in Island

[162] Annual reports on the National Islands Plan have been completed for 2020-21 and 2021-22 and 2022-23.

areas (Thomson et al., 2023[163]). The nature of largely sparse island populations and associated population dynamics has important implications for sustainable economic growth and the provision of needed services and infrastructure, and therefore must be considered when devising national policy – recognised in the Islands (Scotland) Act 2018[164].

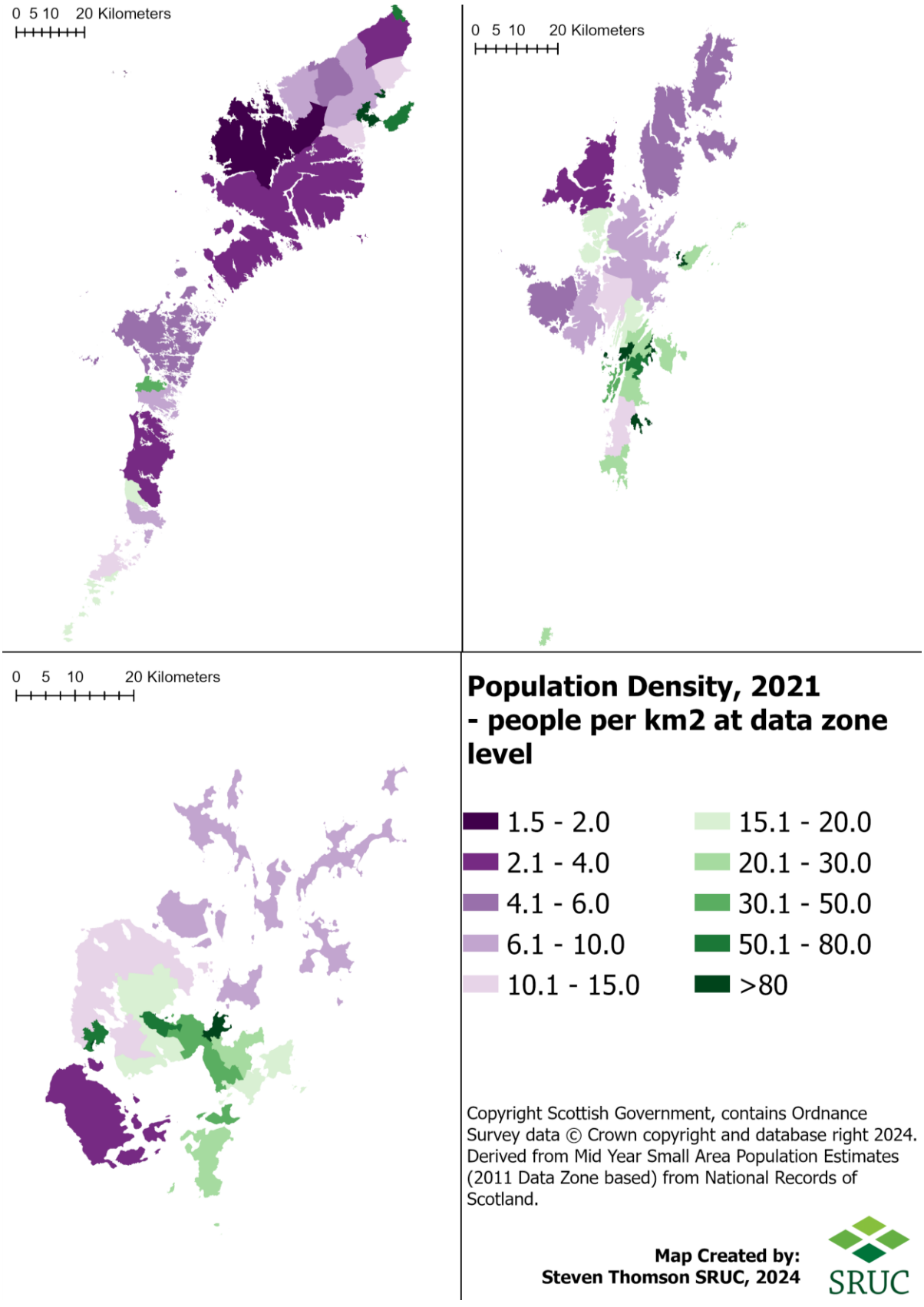
323. Figure 39 shows that within each of the island groupings there is significant variation in the population density – shown here at data zone level. For example major towns such as Lerwick, Stornoway and Kirkwall all have population densities of over 80 people per km_2, compared to much more sparsely populated area, that are often heavily reliant on agriculture and crofting, such as: Uig and Great Bernera (1.5 people per km^2) and Lochs (2 per km^2) on Lewis; Pollachar and Eriskay on South Uist (1.5 per km^2); North Harris (3.6 per km^2); Northmavine (3.6 per km^2), Fetlar and Unst in Shetland (4 people per km^2), Hoy, Walls and Flotta in Orkney (3.2 per km^2). It is important in all policy decisions, but particularly relating to agriculture and land management that the impacts on these sparsely populated, often fragile, areas is fully assessed.

Berneray crofter Willie Fraser

[163] Thomson et al. (2023). Rural and Islands Report: 2023 - An Insights Report. https://doi.org/10.58073/SRUC.23807703.v1

[164] Empowering our island communities - Community empowerment - gov.scot (www.gov.scot)

Figure 39 Population density (people per km^2) by data zone 2021

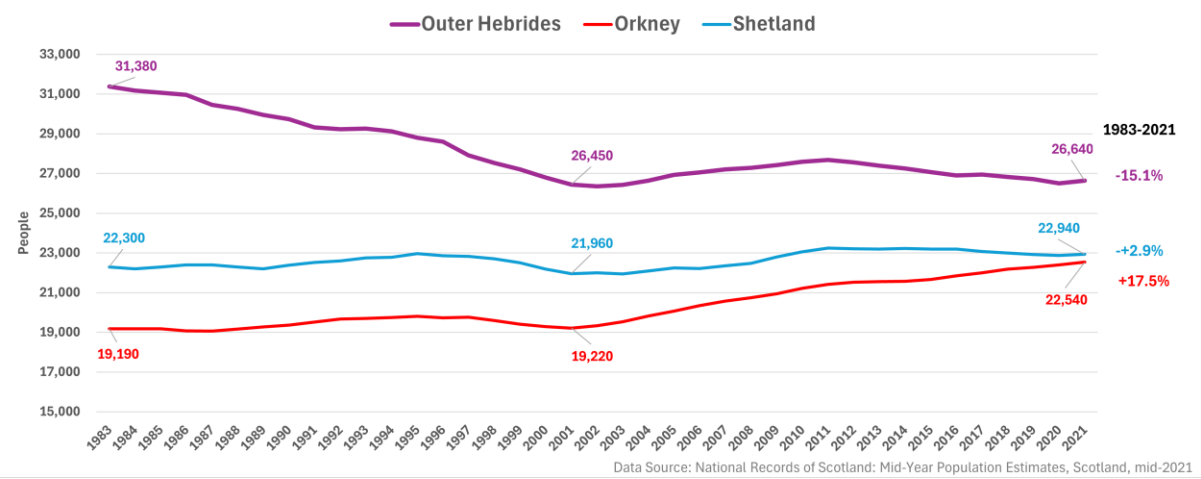


10.1.2 Population dynamics

324. From 2001 to 2021, the population of Scotland increased by 8.2%, rising from 5.06 million people to 5.48 million. At the same time, a 3.8% population increase was also estimated for island areas of Scotland (Thomson et al., 2023[165]). However, variations exist between island areas, attributable to their unique socio-economic, institutional, and infrastructural structure.

325. Figure 40 shows the long-term population change in each of the three island groupings, each showing unique patterns. In the Outer Hebrides the total population fell rapidly from c.31k in 1983 to c.26k in 2001 before a period of marginal growth in the 2000's followed by slow decline in the 2010s – with a overall decline of 15% from 1983. In Orkney the population was relatively stable during the timeframe (with some small dip around the turn of the century – a fall of 1.5% by 2001) finishing 2% higher in 2021 than 1983 (but 4.5% increase from 2001). After a period of relative stability between 1983 and 2001 Shetland's population has risen steadily since 2001 (an increase of over 3k) with the population in 2001 17% higher than in 1983.

Figure 40 Population change by island grouping 1983-2021



326. It is worth noting however that recent research has highlighted significant local level variations in population change within the island groups. The Islands Revival project for example brought together quantitative and qualitative evidence of population growth in some localities – including from the observations of local residents in relation to nursery and school enrolments for example – which ran counter to the 'official' demographic statistics for island groups. This limitation of statistics at island group level has also been noted in work by CoDEL in Uist for

[165] Thomson et al. (2023). Rural and Islands Report: 2023 - An Insights Report. https://doi.org/10.58073/SRUC.23807703.v1

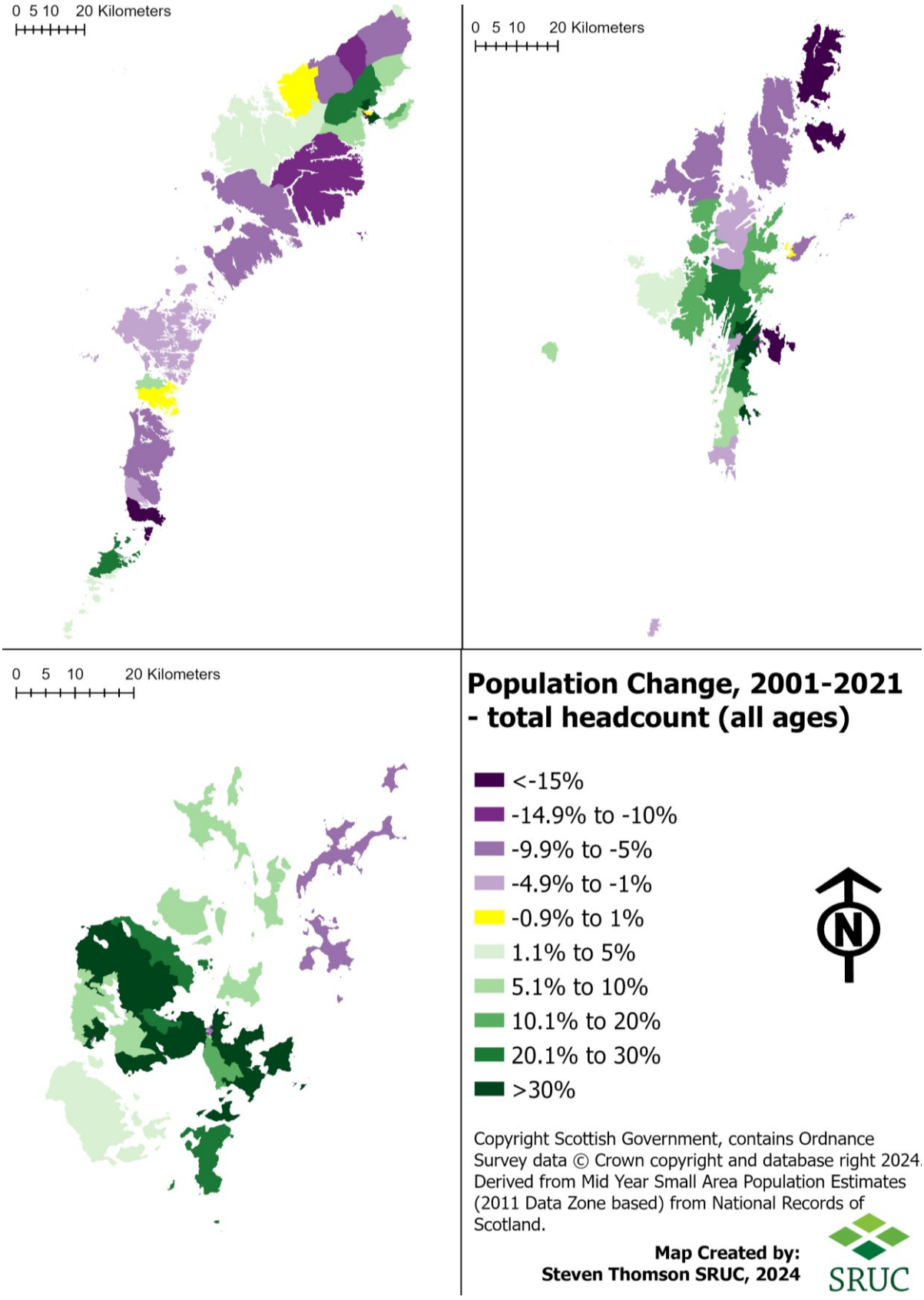
example, which also emphasised the importance of local observations as a key source of up-to-date, accurate and locally specific information and intelligence[166].

327. Figure 41 reveals just how variable population changes within each of the island groupings are, where multiple local factors influence trends. In Figure 41 the purple areas represent areas of population decline, the green areas population increases and the yellow areas population stability between 2001 and 2021. For example:

- In Orkney most areas saw population increases over the period except for areas in Kirkwall and the Outer Northern Isles (8.1% fall).
- In Shetland significant population decreases occurred in Unst and Fetlar (18.8% decrease), Bressay and Noss (18.5% decrease) as well as in the town of Lerwick. In contrast areas in Central Mainland and South Mainland saw populations increase by 60% to 75%.
- In the Outer Hebrides population change from 2000 – 2021 was highly variable depending upon location. For example, parts of Barra (excluding Castlebay) saw population rise by 23% compared to 16% decline in Pollachar and Eriskay on South Uist. The population of Benbecula grew slightly, whilst South Uist and North Uist had small population decreases. The population of Lochs in South Lewis fell by 10% whilst the population of Uig in South Lewis grew by 4%. The population of Stornoway fell in most areas of the town, with growth in areas surrounding the town (e.g. Point). In Harris there was population decline of c.10%.

[166] See also work carried out by SRUC in 2019 to explore the key data needs for Scotland's island communities, and make recommendations for how the gaps may be filled: Looking at the gaps in island data – The Scottish Islands Federation (scottish-islands-federation.co.uk)

Figure 41 Population changes in the island groupings at data zone level, 2000-2021



328. Long term population dynamics are shown for different age groups by island groups between 1983 and 2021. This provides a reminder of the evolving Local Authority service needs, and indeed private sector business opportunities, of the population as the number of young people fall and the older population increases. Table 54 summarises these changes, with graphical detail provided in Figure 79 in Annex 6 Socio Economic Data.

- In the Outer Hebrides there were c.1k fewer under five year olds in 2021 compared to 1983 (a drop of 49%) with c.3.5k fewer 5-19 year olds (47% decline). In contrast there were c.1.9k more 45 to 70 year olds (+22%) and c.1.3k 70 year olds and over (+20%).
- In Orkney there were 279 fewer under five year olds in 2021 compared to 1983 (a drop of 22%) with c.939 fewer 5-19 year olds (22% decline). In contrast there were c.3k more 45 to 70 year olds (+61%) and c.1.9k 70 year olds and over (+85%).
- In Shetland there were 747 fewer under five year olds in 2021 compared to 1983 (a drop of 41%) with c.1.5k fewer 5-19 year olds (27% decline) alongside a 30% decline in 20-44 year olds. There were c.2.5k more 45 to 70 year olds (+48%) and c.1.3k 70 year olds and over (+56%).

Table 54 Change in population of age groups, 1983-2021, by Island groups

Age Group	Outer Hebrides		Orkney		Shetland	
	Change in No.	% Change	Change in No.	% Change	Change in No.	% Change
0-4	-999	-48.9%	-279	-22.1%	-747	-41.2%
5-19	-3,535	-46.8%	-939	-21.5%	-1,466	-26.8%
20-44	-2,813	-31.0%	-288	-4.6%	-2,753	-29.8%
45-70	+1,878	+22.3%	+3,087	+60.9%	+2,544	+47.7%
70 and over	+1,293	+19.8%	+1,859	+85.0%	+1,262	+56.0%

10.1.3 Population structure

329. These changes in the population structure are shown in more detail in Figure 42 where the proportion of the population of each island group is given by age categories for 1991 and 2021 (top set of figures) and for 2001 and 2021 (bottom set of figures). These show visually the ageing of the population of the islands (similarly to many parts of Scotland).

330. These population dynamics have significant implications locally, such as a higher dependency on elderly care services and increased pressure on adult social care. Moreover, the potential decrease in the working-age population could result in future labour market shortages in various sectors of the local economies of Shetland Islands, Orkney Islands, and the Outer Hebrides.

Figure 42 Population distributions by age groups for (i) 1991 and 2021 (ii) 2001 and 2021 for island groups

331. The distribution of different age groups within island groupings is not uniform, with areas in and around main urban centres likely to have higher proportions of school aged children and more outlying areas higher proportions of older people. For example, Figure 43 shows that there are much higher proportions of over 65 year olds (30-36%) in many more remote areas, such as: Hoy, Walls and Flotta and in Orkney; Harris, Uig, Pollchar & Eriskay, Ness in the Outer Hebrides. In contrast areas more accessible to the main towns (Stornoway, Lerwick and Kirkwall) have less than 20% of the population over 65 years old. Figure 44 also demonstrates the low level of under 5 year olds (2-3% of the population, depicted in yellow) in many of these areas such as: Hoy, Walls and Flotta in Orkney, Harris in the Outer Hebrides and Yell in Shetland.

Figure 43 Proportion of the population 65 years and over, 2021

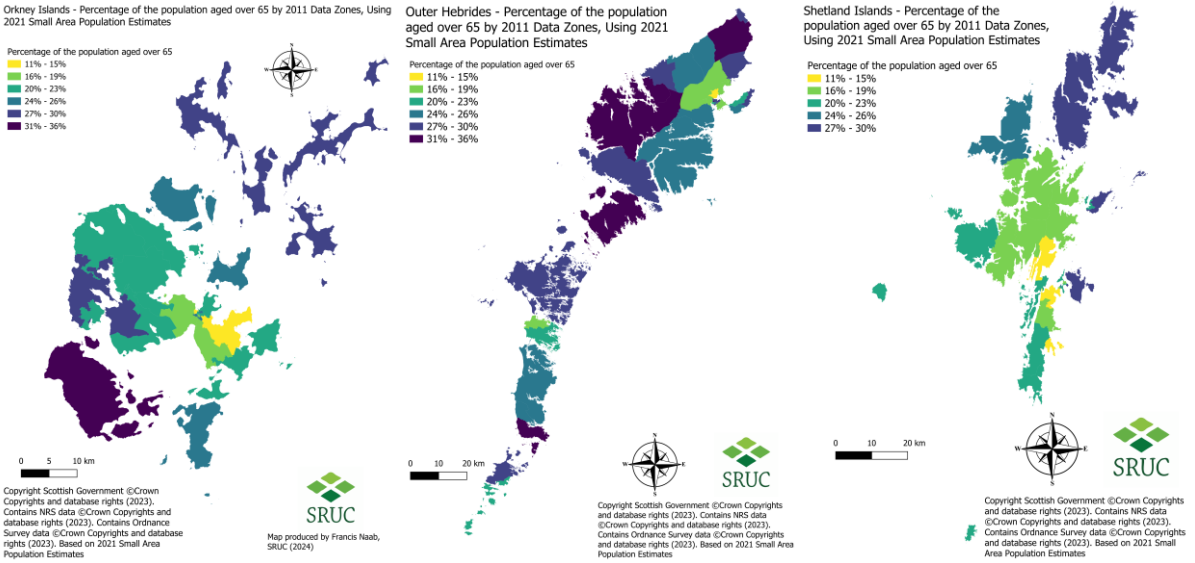
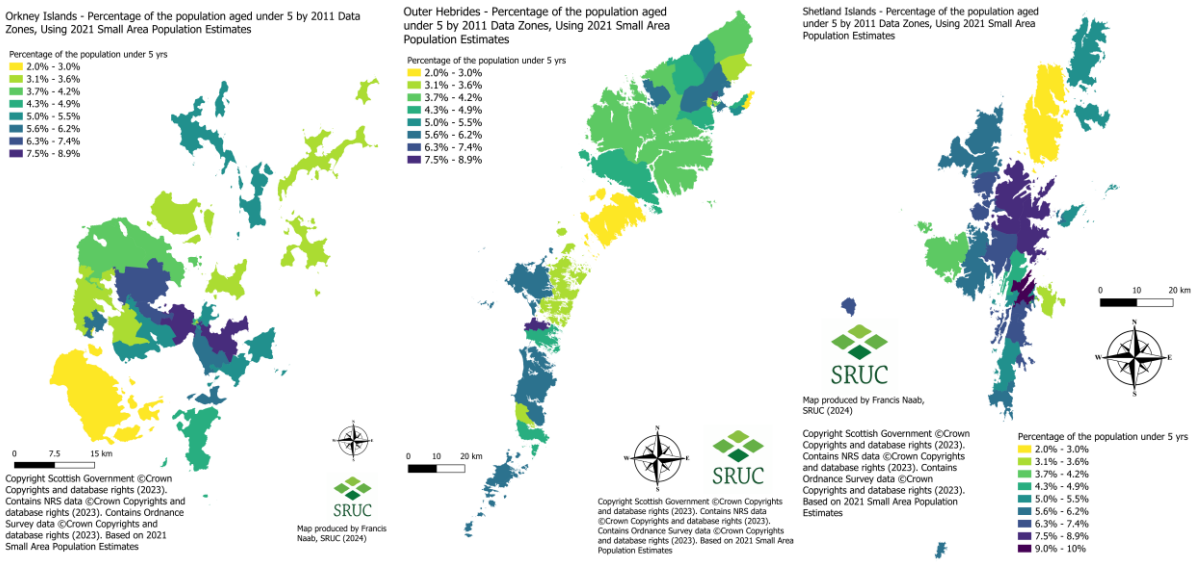


Figure 44 Proportion of the population under 5 years old, 2021

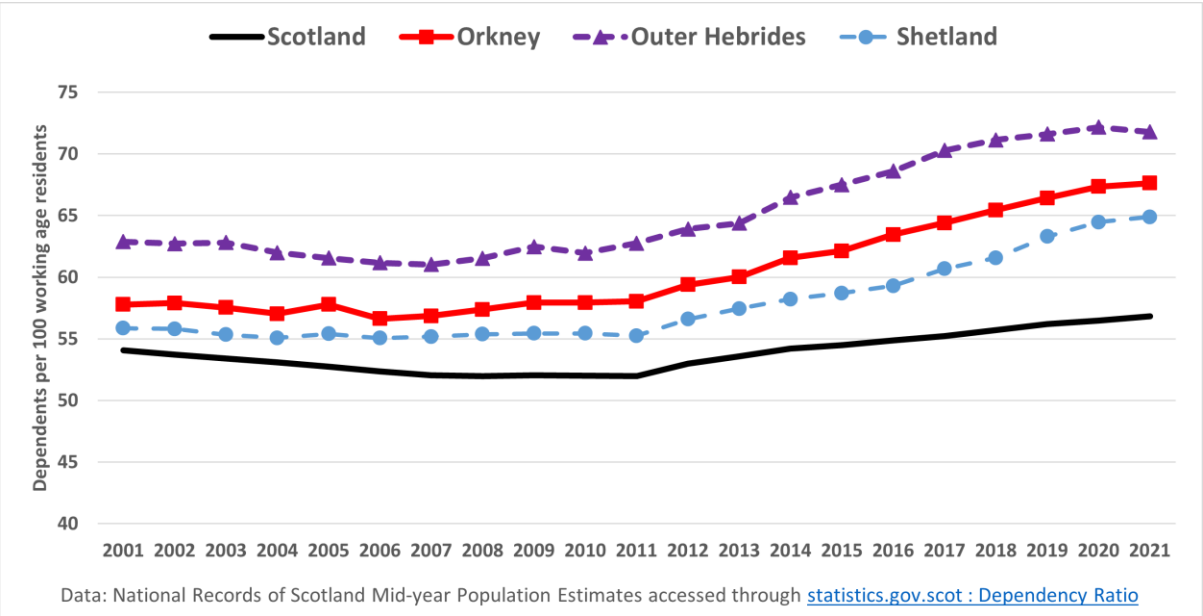


10.1.4 Dependency ratio

332. The dependency ratio, and changes therein, are a useful indicator of the proportion of dependents (e.g. school children, over 65 year olds) to each working age (16-64) resident. It helps to assess potential population structural issues, and design service provision. A dependency ratio of 100 would mean that for every 100 working age resident there was 100 dependents, whilst a ratio of 52 would indicate only 52 dependents per 100 working age residents. Given the significant contribution of agricultural households in many of the island areas this indicator also picks up on potential age structure issues within the sector.

333. Figure 45 shows that the overall dependency ratios for each of the islands rose between 2001 and 2021. In 2001, the Shetland, Orkney and Outer Hebrides had dependency ratios of 56, 58 and 63, respectively, increasing to 65, 68 and 72 in 2021. In comparison to Scotland as a whole (54 in 2001 and 57 in 2021) the islands have high levels of under 16 and over 65 year olds (the later dominates in the islands) relative to the working-age population. It should be noted that this is a metric and, as the agricultural data reveals, many over 65 year olds remain active and are not 'dependents' even though they may be drawing pension as well as engaging in agricultural activities.

Figure 45 Dependency ratios (under 16 and over 65 year olds), for Island groups, 2001 and 2021



Data: National Records of Scotland Mid-year Population Estimates accessed through statistics.gov.scot : Dependency Ratio

Child and aged dependency ratios

334. Figure 46 shows the aged dependency ratio for each of the islands in 2021, where the dark blue areas reveal that for every 100 working age residents there are 53 people over 65 years old. This shows areas that may have vulnerable economies

in the longer term without population renewal. This includes areas such as: the North Isles and South Isles in Orkney; Harris, Ness, west coast of North Uist in the Outer Hebrides; Unst and Fetlar in Shetland. Figure 47, in contrast, highlights areas of low (yellow) and high (dark blue) child dependency ratios – with higher values showing a greater proportion of under 16 year olds per 16-64 year resident.

Figure 46 Map of aged dependency ratio by data zone, for island groups, 2021

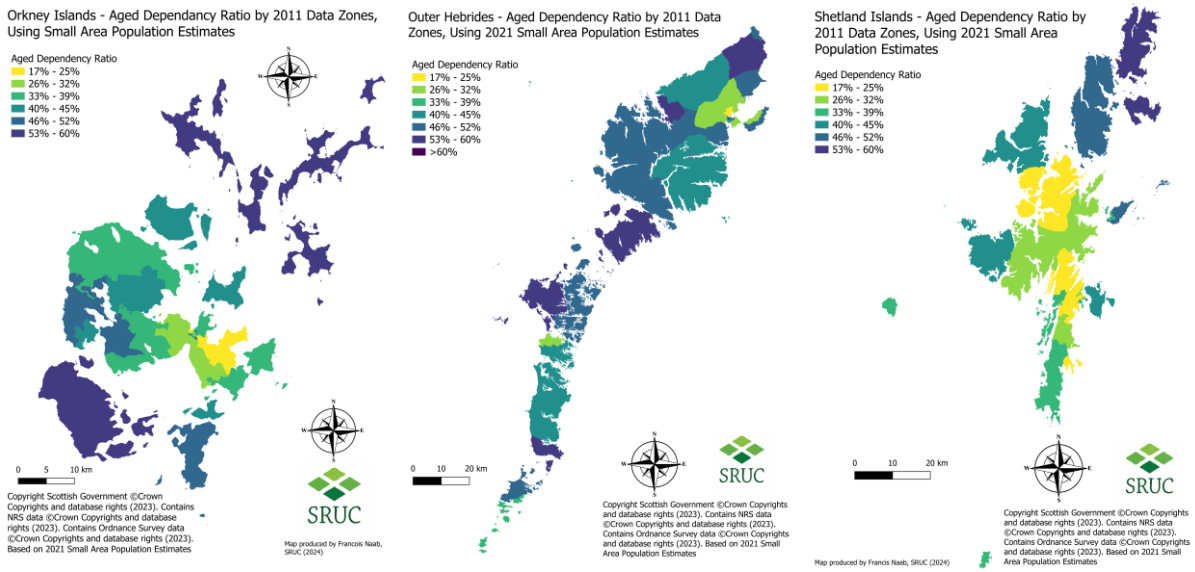
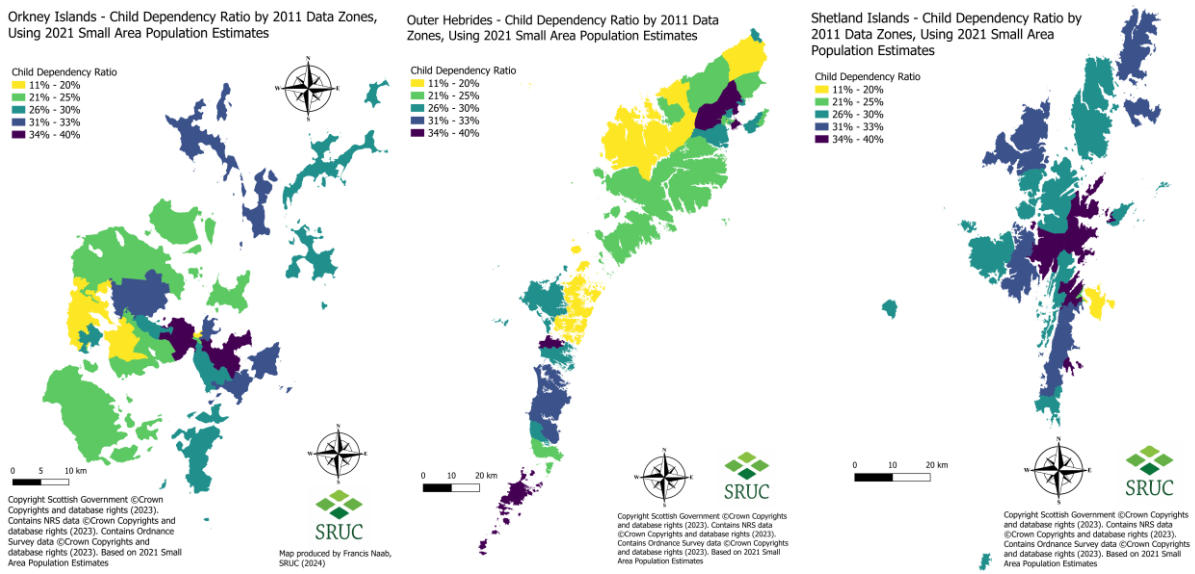


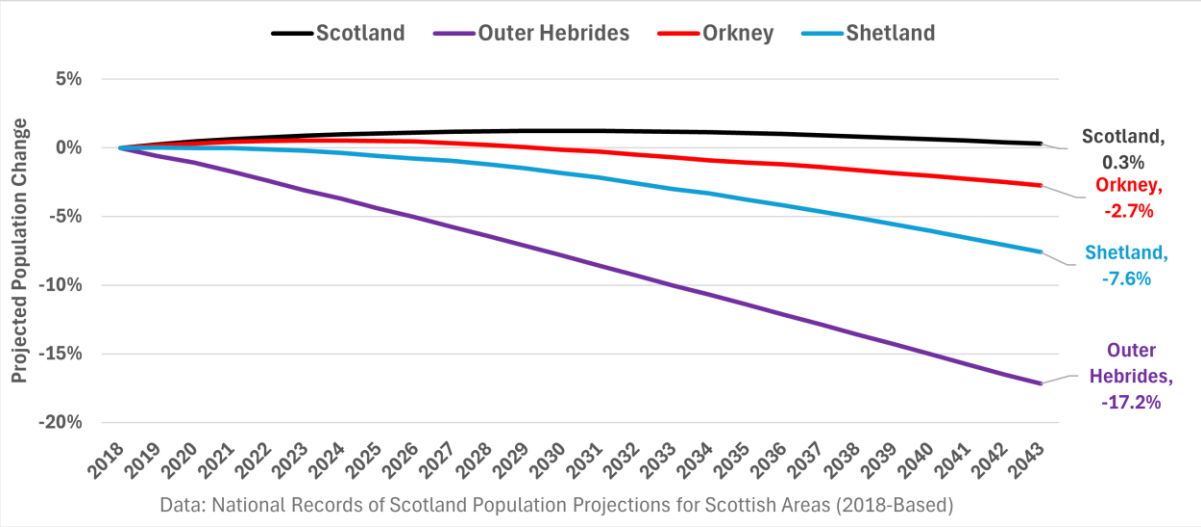
Figure 47 Map of aged dependency ratio by data zone, for island groups, 2021



10.1.5 Population projection

335. National Records of Scotland 2018 population projections[167] to 2043, estimate that with low levels of migration (zero migration and high migration projections are also available) Scotland's population will be 00.3% higher in 2043 (after a period of small growth in the next decade). However, the estimates show that (see Figure 48) that Orkney's total population is predicted to shrink by 2.7%, whilst Shetland's population is expected to fall by 7.6% and the Outer Hebrides by 17.2%. These projections demonstrate the need for long term strategies to attract people to come and live and work in the areas.

Figure 48 Population projections (2018 based) by island group, 2018 - 2043



336. Whilst population projections are useful it is also important to consider how the age profile of the island groups are expected to continue to change (noting the aging that has been going on for a long period). National Records for Scotland estimates (see Table 55) that the over 75 year old population is going to increase by 44% in the Outer Hebrides, 88% in Orkney and 72% in Shetland by 2043 (with modest migration assumptions). In contrast to Shetland (+2%) and Orkney (-1%), the Outer Hebrides is projected to see 17% decline in 65-74 year olds by 2043 Moreover, the Outer Hebrides is projected to have a much reduced working age population (-26% or c.-4.1k people), with Shetland (-13%, c.-1.9k people) and Orkney (-13%, c.-1.7k people) also predicted to have reduced working age population by 2043.

[167] Subnational population projections of Scotland - National Records of Scotland (shinyapps.io)

Table 55 Population projection by age group for island groupings, 2018 and 2043

Region	Age group	2018-2043	2018 Population	2043 Population
Outer Hebrides	0 to 15	-22%	4,328	3,397
	16 to 24	-25%	2,157	1,625
	25 to 44	-20%	5,413	4,332
	45 to 64	-31%	8,107	5,585
	65 to 74	-17%	3,665	3,047
	75 and over	44%	3,160	4,556
Orkney Islands	0 to 15	-20%	3,544	2,836
	16 to 24	-17%	1,897	1,572
	25 to 44	-9%	4,847	4,392
	45 to 64	-13%	6,668	5,792
	65 to 74	-1%	2,889	2,870
	75 and over	86%	2,345	4,366
Shetland Islands	0 to 15	-23%	4,205	3,252
	16 to 24	-19%	2,183	1,776
	25 to 44	-14%	5,456	4,684
	45 to 64	-11%	6,591	5,853
	65 to 74	2%	2,589	2,629
	75 and over	72%	1,966	3,385

10.1.6 Importance of agricultural population

337. Whilst agricultural parishes and other administrative geographies do not often align well it was possible to merge data for agricultural headcount (occupiers, spouses plus regular and casual employees of BRNs[168]) with the population of 16 to 75-year olds for selected areas. This provides an insight as to how influential crofting and agricultural businesses is to the wider population, including its age profile. The data demonstrates

- 12% in Lewis – North (including the town of Stornoway)
- 18% in North Uist
- 20% of the South Isles in Orkney (Hoy, Walls and Flotta)
- 27% in Harris
- 29% in the Northern Isles in Orkney (all Northern Islands)
- 35% in Northmavine & Yell
- 38% in North East Isles Shetland (Unst and Fetlar)
- 41% in South Uist & Barra
- 47% in Lewis – South

[168] If holdings not in receipt of support payments were included the proportions would be higher.

338. At an island level the mixing of JAC agricultural workforce data with population estimates reveals (see Table 56) that an estimated 10% of Orkney's 16-75 year old population has a direct relationship with agricultural activity on businesses claiming agricultural support payments. In Shetland it is estimated that 11% of that age group directly work on farms or crofts for at least part of their time, whilst in the Outer Hebrides 21% of all 16-75 year olds are estimated to work at least part time on a croft or farm that claims agricultural support.[169]

Table 56 Total 16-75 year old population, and headcount of occupiers, spouses and regular and casual employees in agriculture 2021

Region	16-75yrs Population	Agricultural Workforce on BRNS	
		Headcount	% 16-75yrs
Orkney	16,642	1,595	10%
Outer Hebrides	19,587	7,623	21%
Shetland	16,845	1,892	11%

339. The agricultural and fishing sector workforce in many of these areas play pivotal volunteering roles in communities. For example in volunteering as: retained fireman, first responders, coastguards, community councillors and supporting third sector organisations, sports clubs, snow clearing and gritting, etc. Moreover, some farmers and crofters have secondary employment that is critical to retaining lifeline services such as ferry and air, on many small islands. These are vital, often unseen, contributions made from farmers and crofters (and other rural businesses).

10.2 Economic Profiles

10.2.1 Business counts

340. Business density and growth in the number of businesses in an economy can often depict entrepreneurialism. However, in rural and island areas it can also reflect the reliance on self-employment, part-time employment coupled with self-employment, and dominance of relatively small-scale primary sector farms and crofts.

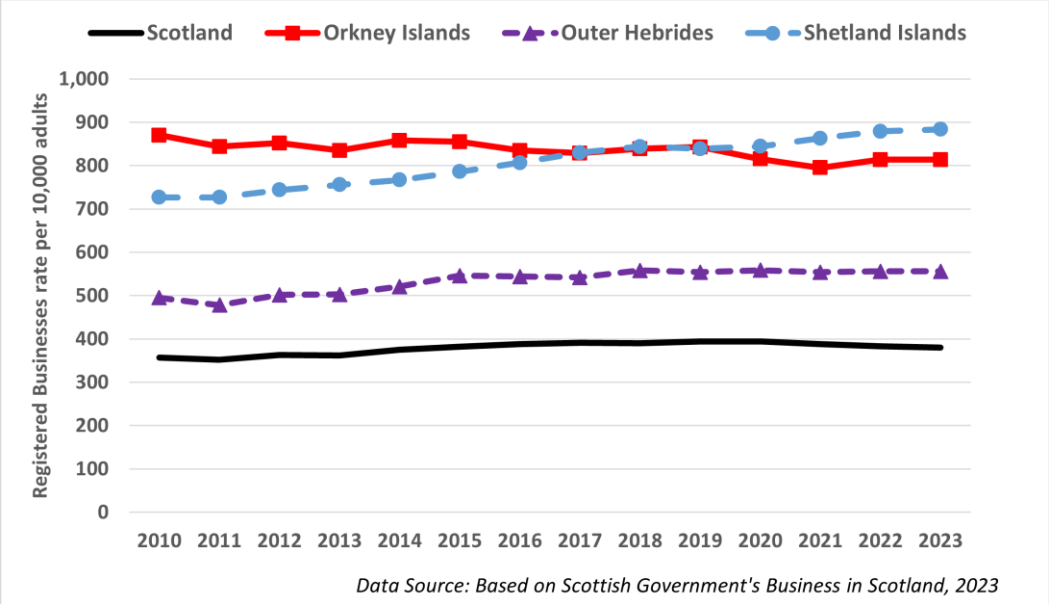
341. Between 2010 and 2023, the number of VAT and PAYE private sector registered businesses in Scotland increased by 12% and the number of businesses per 10,000 adult population increased by 6.4% to 380 businesses per 10,000 resident adult population (see Figure 49). The evolution of the business base was not consistent across all local authority areas, and indeed there are differences in the businesses base of the three island groups. At Scottish level, during the COVID pandemic, there was a 2.4% contraction in the number of businesses between 2020 and

[169] It is acknowledged that a proportion of occupiers and spouses may be over 75 years of age

2022, but in the Outer Hebrides (+0.4%) and Orkney (+0.7%) the business base remained stable, whereas in Shetland there was growth of 4.7%. Acknowledging the under representation of unregistered (for VAT or PAYE) private sector businesses, between 2010 and 2023:

- The number of businesses in Shetland increased by 23% to 1,665, whilst the number of businesses per 10,000 resident adult population increased by 21.6% between to 813. This business growth is likely to be related to construction sector developments around renewable energy developments and servicing that extended workforce. This means that Shetland had 2.14 more businesses per 10,000 adults than across Scotland.
- In the Outer Hebrides business numbers grew by 10.6% to 1,255 businesses with a 12% increase in the business density to 556 per 10,000 resident adult population. This represents 1.46 times more businesses per 10,000 adult population than across Scotland as a whole.
- Orkney recorded a slow growth in the number of businesses – with only 1% increase to 1,545. The number of businesses per 10,000 resident adult population in the Orkney Islands decreased by 6.4% to 814 businesses per 10,000 resident adult population in 2023 – the same registered business density per adult population as Shetland – 2.14 times higher than across the whole country. It is worth noting that whilst the number of businesses was static over the period the adult population (over 16 years of age) increased by 1,407 (8%) over the period thereby diluting business density.

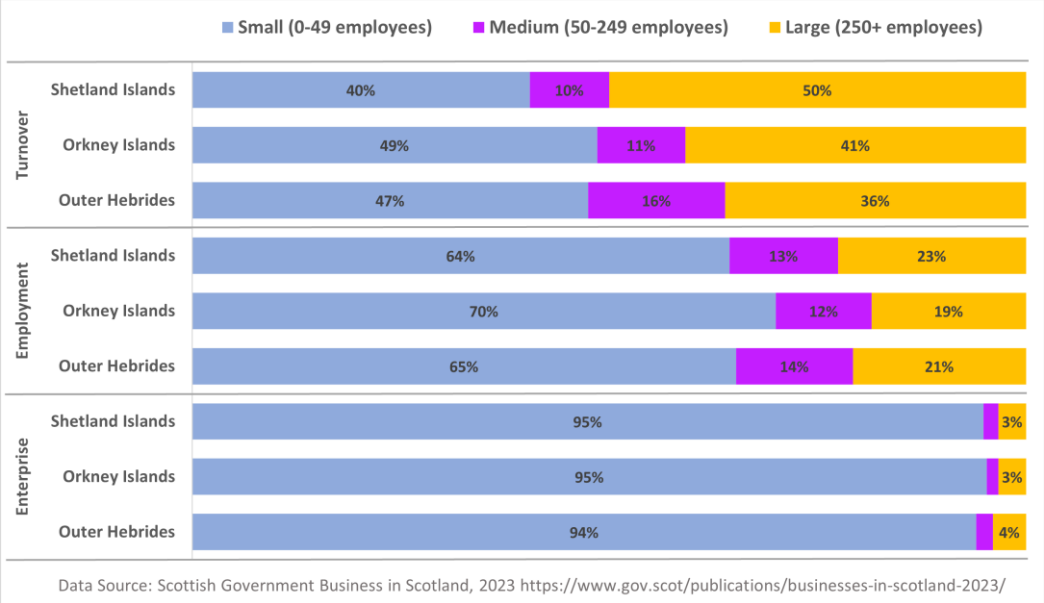
Figure 49 Private sector businesses per 10,000 adult population, 2010-2022



10.2.2 Business size, employment and turnover

342. Scotland's business sector is dominated by small and micro businesses, and in 2023 small and medium-sized enterprises (SMEs) accounted for 98.6% of private sector businesses in Scotland, 51% of total employment and 41% of turnover. Figure 50 shows, small businesses (0-49 employees) represent the majority (95%) of registered firms across each of the island. Moreover, these small businesses also accounted for the majority of private sector employment (64% in Shetland, 65% in the Outer Hebrides and 70% in Orkney). Further, with the exception of Shetland (40%), small businesses accounted for the majority of private sector turnover generated on the islands (Orkney, 49%; Outer Hebrides 47%).

Figure 50 Private sector businesses according to business size, employment, and turnover, 2023



343. Figure 51 summarises data extracts from NOMIS[170] where it reveals that micro enterprises dominated across the islands with businesses of 0-4 employees accounting for 76% of Outer Hebrides, 78% of Orkney and 79% of Shetland's private sector businesses. Businesses with 5-9 employees accounted for a further 12%, 11% and 11% of total businesses respectively. Sectors such as agriculture, forestry and fishing are dominated by registered businesses with under 9 employees accounting for over 98% of businesses across the islands. It is worth noting that in Orkney and Shetland where there are some larger fishing businesses that there are higher business counts in the 10-50 employee categories.

[170] https://www.nomisweb.co.uk/

Figure 51 Proportion of private registered businesses that are micro businesses by sector, 2023

344. The high proportion of micro businesses in each island underlines their critical role in the local economy. Small and micro businesses are often the backbone of communities, contributing to employment, local economic development, and fostering entrepreneurship, as well as delivering vital services. Despite this, the importance of larger SME businesses in the island economies cannot be dismissed – noting the large amount of private sector employment and turnover generated from a small number of businesses.

345. Table 57 reiterates the importance of primary sector firms (SIC code sectors A,B,D,E[171]) to the economies of the island groups. Whilst the majority of these businesses are likely to be micro farms and crofts, NOMIS data does confirm c.35 registered Mining, quarrying & utilities (B, D & E) firms in Orkney in 2023, with c.15 in each of Shetland and the Outer Hebrides. Moreover, within agriculture, forestry and fishing (A) there are important fishing and aquaculture sector businesses.

346. The data demonstrates how reliant the economies of each of the island groups are on primary sector businesses for total employment and turnover (noting underestimation due to missing non-VAT and non-PAYE registered businesses). It is worth noting that the construction sector businesses in each of the islands generate more employment and turnover per business on average, reflecting a higher proportion of larger businesses in that sector. Wholesale, retail & repair and Accommodation & food service activities sectors are also important.

[171] Unfortunately, this data is not disaggregated further. This means that agriculture data is included with forestry and fishing (A); mining and quarrying (B); electricity, gas, steam and air conditioning supply (D); and water supply; sewerage, waste management and remediation activities (E). See https://resources.companieshouse.gov.uk/sic/

Table 57 Proportion of private sector businesses by industrial sector in Outer Hebrides, Orkney Islands and Shetland Islands.

Sector (% are proportion of total)	Number of Businesses			Total Employment			Total Turnover (£m)		
	Outer Hebrides	Orkney	Shetland	Outer Hebrides	Orkney	Shetland	Outer Hebrides	Orkney	Shetland
Total Local Authority	**1,255**	**1,545**	**1,665**	**7,620**	**8,300**	**9,210**	**£817m**	**£869m**	**£1,588m**
A, B, D, E Primary Industries	27.9%	43.4%	43.2%	12.5%	22.9%	23.0%	21.7%	35.9%	49.6%
C Manufacturing	5.2%	4.5%	5.4%	8.1%	6.3%	7.5%	11.8%	6.4%	6.9%
F Construction	9.6%	9.4%	10.5%	11.0%	10.1%	9.4%	10.8%	8.5%	7.2%
G Wholesale, retail and repairs	13.1%	10.7%	9.6%	18.6%	16.6%	16.1%	26.3%	23.5%	15.7%
H Transport and storage	4.0%	3.6%	3.3%	8.3%	8.8%	7.9%	6.9%	6.2%	6.9%
I Accommodation and food service activities	9.6%	4.9%	5.4%	14.3%	9.6%	10.0%	4.0%	2.6%	2.0%
J Information and communication	3.2%	1.6%	1.5%	2.0%	2.3%	2.1%	2.6%	1.8%	0.6%
K Financial and insurance activities	0.8%	0.6%	0.6%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
L Real estate activities	1.6%	1.3%	1.5%	2.0%	1.1%	1.1%	1.7%	0.9%	0.6%
M Professional, scientific and technical activities	8.8%	6.8%	8.1%	4.6%	6.7%	5.1%	4.5%	4.9%	2.4%
N Administrative and support service activities	6.0%	4.9%	4.5%	4.3%	4.0%	8.3%	3.5%	4.7%	6.4%
P, Q Education, human health and social work activities	5.6%	3.2%	2.7%	10.2%	5.4%	3.4%	4.7%	2.3%	0.9%
R Arts, entertainment and recreation	2.0%	2.3%	1.2%	1.3%	3.3%	3.8%	0.4%	1.2%	0.3%
S Other service activities	3.2%	2.6%	2.4%	2.1%	0.0%	0.0%	1.2%	0.9%	0.4%

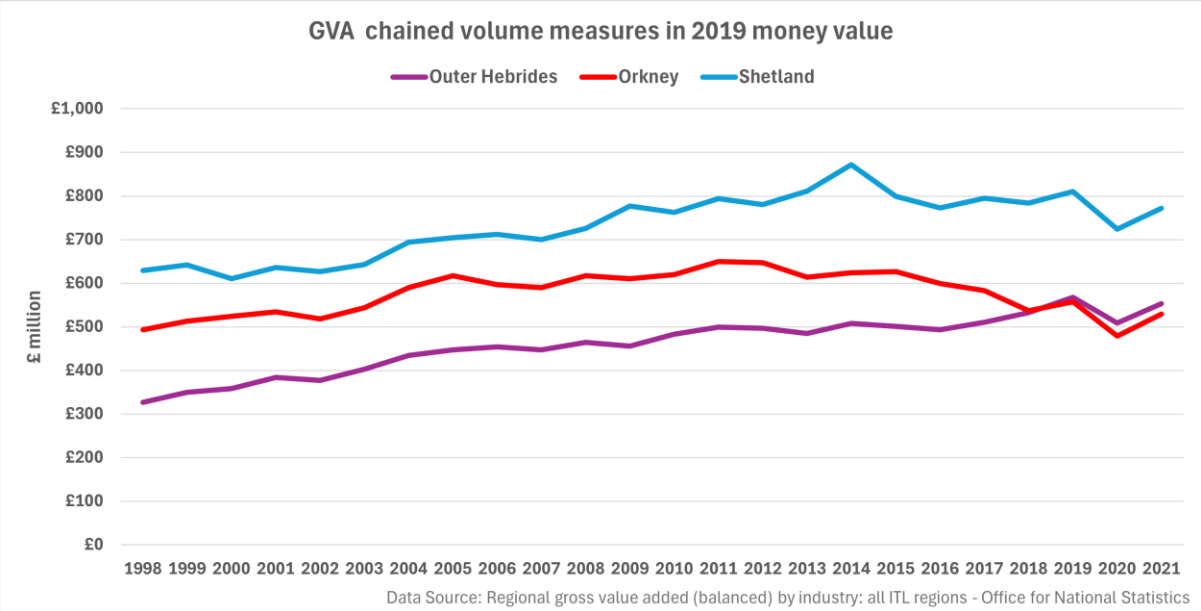
Data Source: (Businesses in Scotland: 2023 - gov.scot (www.gov.scot))

347. Given data gaps, particularly for non-VAT registered, non-PAYE firms, the aggregate total of businesses is likely to be higher than reported: 1,545 for Orkney, 1,255 for Outer Hebrides and 1,665 for Shetland. Moreover, given the prevalence of crofting, small agricultural businesses are likely to represent an even higher share. For example, RPID data (5 Agriculture Support Payments) suggest at least 672 agricultural business across Orkney, 1,433 across the Outer Hebrides and 787 across Shetland.

10.2.3 Gross Value Added

348. Figure 52 shows total GVA over time for each of the three island groupings, with Shetland at £772m, the Outer Hebrides at £553 and Orkney at £529m in 2021 expressed in 'real' (deflated) 2019 prices. Real GVA (2019 prices) rose in all islands until 2012 when the GVA in Orkney flattened in current prices, and started falling in real (inflation adjusted) terms. In Shetland, GVA also started to fall in real terms from 2015 (declines in current- unadjusted terms in 2016 and 2017) before stabilizing prior, before the impacts of the Covid pandemic were felt. Real GVA in the Outer Hebrides, in contrast did not experience any obvious downturns prior to the Covid pandemic, overtaking Orkney having been £166m lower in real terms in 1998. During the 1998 to 2021 period these ONS estimates indicated that Orkney's GVA only grew by 7% in real terms (despite 98% 'current price' GVA growth), compared to Shetland where it grew by 23% (105% increase in current prices) and the Outer Hebrides where real GVA growth was 69% (136% increase in current prices).

Figure 52 Total GVA (£m) of the Outer Hebrides, Orkney and Shetland, 1998-2021



349. Disaggregating agricultural GVA from island totals is hampered by its routine reporting in official statistics alongside other primary industries, notably fishing and aquaculture. ONS estimates suggest for Agriculture, forestry and fishing; mining and quarrying in 2021 (expressed in current prices) GVA was £34m in the Outer Hebrides, £86m in Orkney and £83m in Shetland. For each of the Island groups aquaculture, sea fish and shellfish industries will have a significant bearing on primary production GVA. ONS also estimate that in 2021 the Manufacture of food, beverages generated £18m in the Outer Hebrides, £11m in Orkney and £39m in Shetland.

350. The long-term trend in the contribution to island GVA (deflated and expressed in 2019 values) that comes from both the Agriculture, forestry and fishing; mining and quarrying sector, and the Manufacture of food, beverages and tobacco. There is no mining and tobacco manufacturing in these island groupings, albeit there will be some limited quarrying and forestry (but at small scales). Therefore, the data likely reflects food and drink production and manufacturing well for the islands. The most striking feature in Figure 53 is the rapid growth in the contribution of the primary production sector in Orkney between 2012 (3.7% of Island GVA) and 2021 (18.1%). This rapid increase in the relative contribution reflects the downturn in total real term GVA in Orkney (discussed above) as well as a rapid increase in GVA from £24m in 2012 to £96m in 2021 (expressed in 2019 prices) – a real term increase of 300%. Similar, but less spectacular growth in real GVA (see Table 67 in Annex 6 Socio Economic Data) from primary production was witnessed during this period in the Outer Hebrides (+86%) and Shetland (+52%). During this period the contribution of food and drink manufacturing also increased in real terms (despite the 2021 Covid downturn) across all island groups, with +91% in the Outer Hebrides, +33% in Orkney and +63% in Shetland.

351. Prior work on the regional economic contribution of the red meat sector[172] suggests that the current agricultural GVA for Orkney will be c.£25m, c.£15m for Shetland and c.£8.5m for the Outer Hebrides. These figures are subject to some uncertainty but are broadly consistent with earlier published estimates.[173] Using published marine sector[174] estimates would permit some reverse engineering of ONS data, but the process would likely be fraught with inaccuracies.

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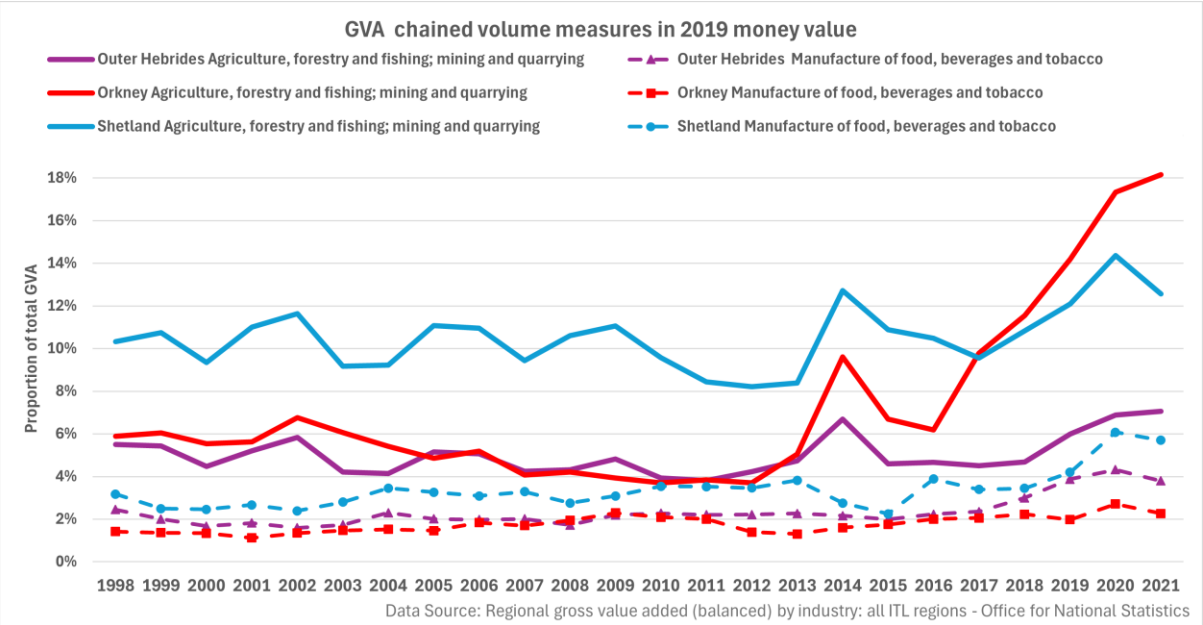
[172] QMS_Red_Meat_Economics_Report_Landscape_A4_2023_s10.pdf

[173] https://www.researchgate.net/profile/Hervey_Gibson/publication/322223007_OIIO_Orkney_Islands_Input_Output_A_social_and_economic_model_of_the_Orkney_Islands/links/5a4c943baca2729b7c8a1562/OIIO-Orkney-Islands-Input-Output-A-social-and-economic-model-of-the-Orkney-Islands.pdf and FAI_2021_Shetland_economic_accounts_2017.pdf

[174] Supporting documents - Scotland's Marine Economic Statistics 2021 - gov.scot (www.gov.scot)

352. Disaggregation of employment, turnover and GVA arising from agriculture, forestry, fishing and aquaculture sectors should be considered a priority for Local Authorities and Scottish Government, given the strategic importance of the land based sector as foundation industries for the food and drink sector, but also importantly in better understanding economic and environmental trade-offs when it comes to climate change mitigation and nature recovery.

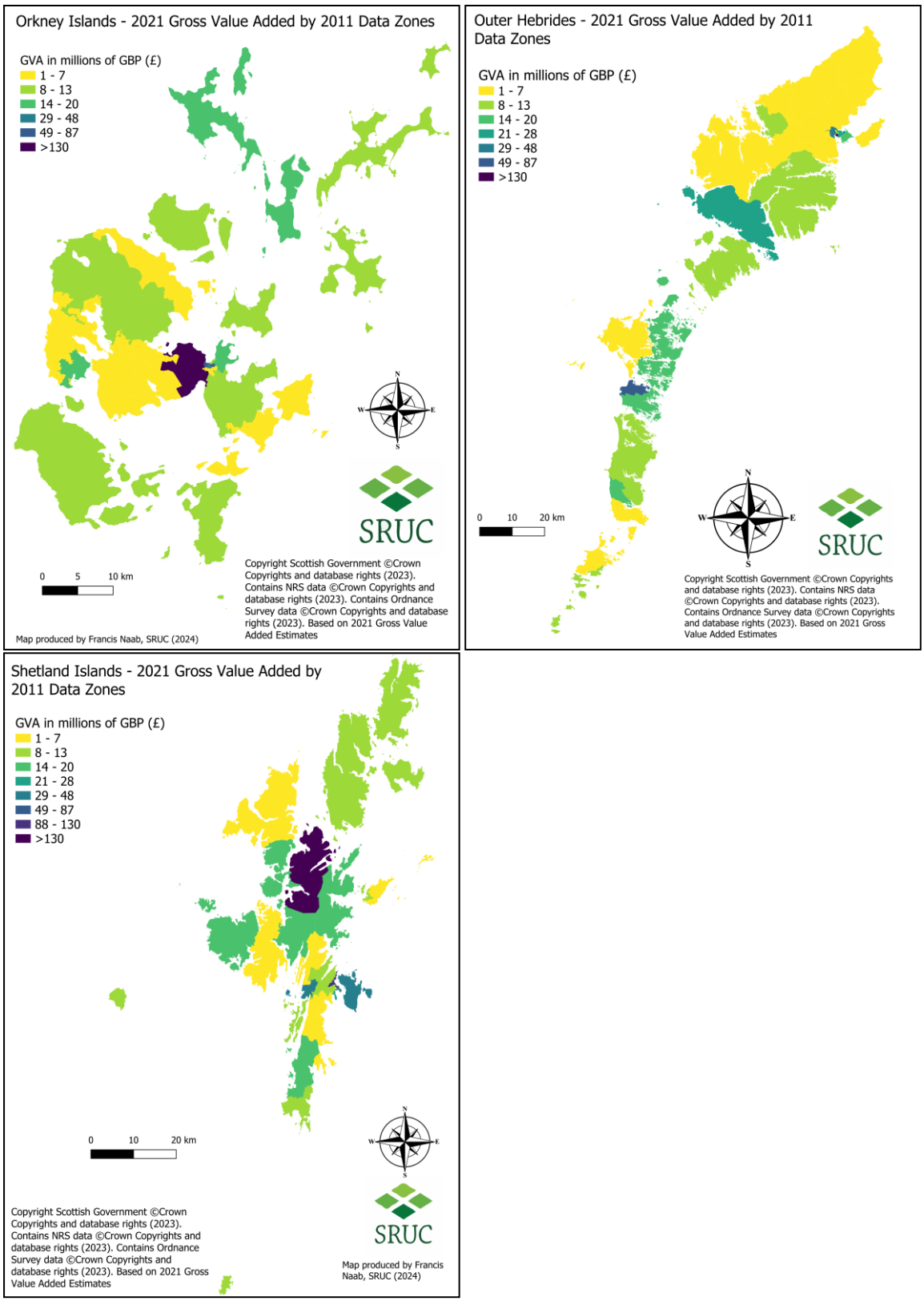
Figure 53 Contributions of agriculture, forestry and fishing and food and drink manufacturing to island GVA (expressed in 2019 prices) by Islands group, 1998-2021



353. GVA data recently released made available by ONS at data zone level[175] can help track local level GVA changes, alongside published Ward level estimates. An example of the data is shown in Figure 54 highlighting areas of lower and higher GVA, based on business density, scale and sector of businesses (e.g. Kirkwall in Orkney, Stornoway and Balivanich in the Outer Hebrides, Sullom Voe and Lerwick in Shetland).

[175] Supporting documents - Scotland's Marine Economic Statistics 2021 - gov.scot (www.gov.scot)

Figure 54 Local level GVA estimates, 2021



10.2.4 Workforce

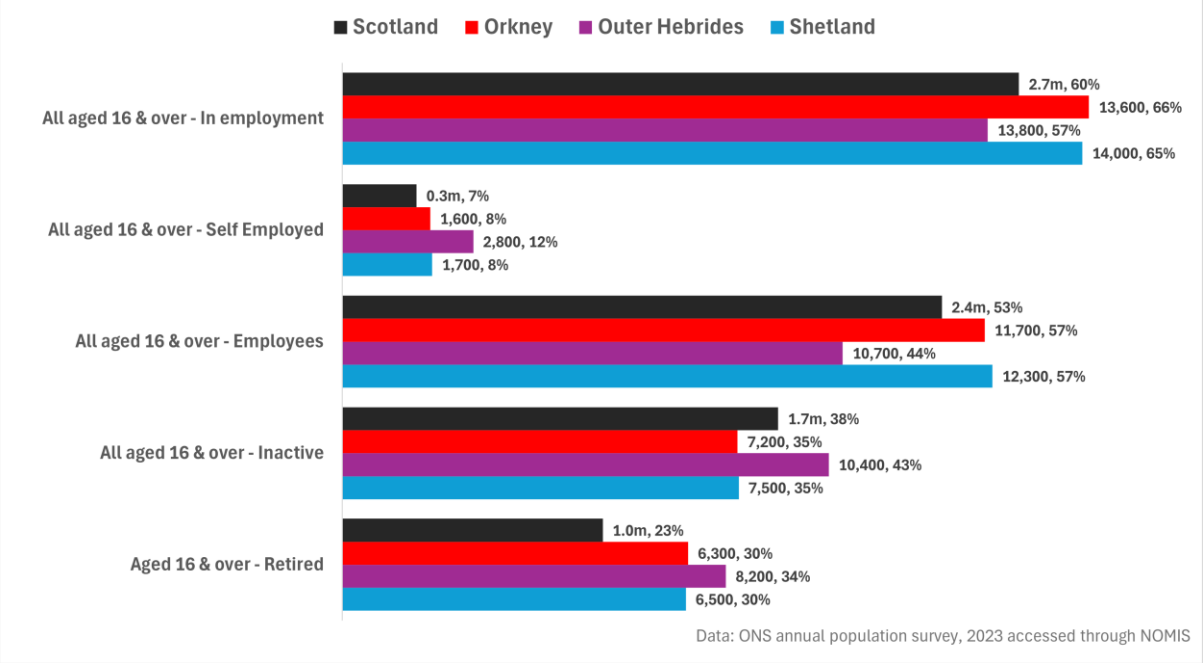
354. The total estimated workforce for Orkney was c.13.6k, 13.8k for the Outer Hebrides and 14.0k for Shetland.[176] in 2023. The ONS Annual Population Survey[177] suggests 42% public sector employment in Orkney, 41% in the Outer Hebrides and 49% in Shetland. This compares with a self-reported headcount of occupiers and spouses working on agricultural holdings (see Section 6 Trends in Agriculture) of 1.3k, 3.6k and 1.6k plus regular and casual employees of 595, 562 and 465.

355. Figure 55 shows that in 2023 there was higher levels of people working (in employment) in Orkney (66% of those aged 16 and over) and Shetland (65%) compared to Scotland (60%) – whereas the Outer Hebrides had lower levels of economic activity in the over 16 year old population (57%). This is also reflected in higher economic inactivity rates for the Outer Hebrides (43% of over 16 year olds) – where more than 1 in 3 people (34%) over 16 year of age were retired. Whilst Orkney and Shetland have lower economic inactivity rates compared to Scotland they both have 30% of the 16+ population as retirees, compared to only 23% across Scotland. Self-employment rates were high in the Outer Hebrides (12%) compared to Orkney and Shetland (8%) that were much more closely aligned to Scottish self-employment rates (7%). The higher self-employment rate in the Outer Hebrides is possibly a feature of a high density of crofters that are likely to be pluri-active.

[176] Total Labour Market Profile - Nomis - Official Census and Labour Market Statistics (nomisweb.co.uk)

[177] Accessed through NOMIS https://www.nomisweb.co.uk/

Figure 55 Economic activity and inactivity, year to September 2023, by island group

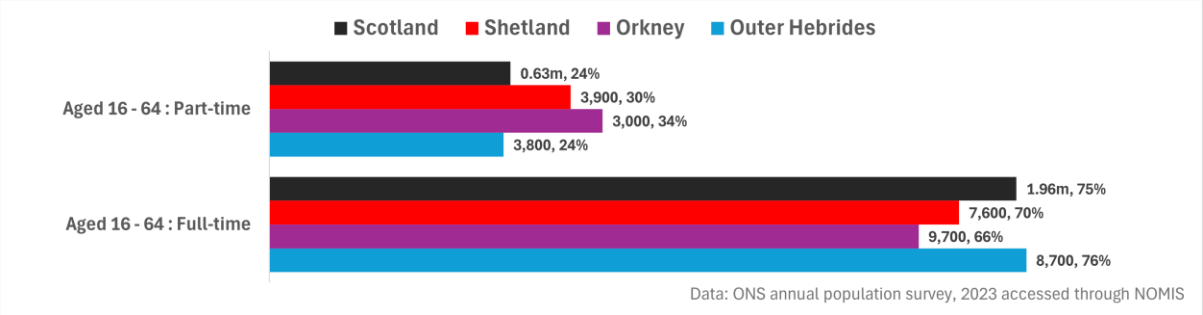


356. Of the three island groupings, in 2023 Orkney had the highest population of over 65 year olds that were economically active (26%), meaning they participate as self-employed persons or employees. In Shetland and the Outer Hebrides the corresponding activity levels were 20% and 12%, respectively. The relatively high percentage of economically active people aged 65 and above in Orkney and Shetland is likely reflective of the agricultural population, where on larger units there may be limited succession opportunity (or desire).

357. Figure 56 shows that part time employees[178] are a much more prominent feature in the Outer Hebrides (34%) and Shetland (30%) compared to Orkney (24%) and Shetland (24%). This likely, again, reflects the seasonal nature of some jobs in the hospitality and smaller scaled agricultural / fishing sectors. Whilst data on the proportion of employees with second jobs is not available for the islands due to small samples it is noticeable in the national data that 5% of agriculture and fishing employees have second jobs – considerably higher than any other sector of employment.

[178] The Annual Population Survey that utilises the Labour Force Survey which is self-reported meaning that the definition of full time and part time work is open to interpretation by the respondents

Figure 56 Proportion of full-time and part-time employees, year to September 2023, by island group



358. Table 58 confirms that agriculture[179] whilst only accounting for 5.4% of employees[180] on VAT and PAYE registered businesses in the Outer Hebrides in 2022 (and only 1.9% of full time employees) accounted for 10% of part-time employees[181] and 27.3% of total 'employment' (employees plus working owners). In Orkney agriculture was estimated to account for 6.9% of employees (including 4.6% of full time and 7.4% of part time employees) and 16.3% of total 'employment'. In Shetland agriculture only accounted for 3.6% of employees (1.1% of full time and 7.7% of part time) but still accounted for 14.1% of 'total employment'.

359. The relative importance of the fishing and food and drink manufacturing sectors in each of the island grouping is also shown in Table 58. These sectors combined accounted for 10.6% of full-time employees in the Outer Hebrides, 9.1% in Orkney and 13.2% in Shetland. The interconnectedness of the farming and crofting sector with the food and drink manufacturing sector cannot be over emphasized, nor can the strong links between the fishing and aquaculture sector with crofting (in particular).

[179] At SIC code level this relates to "Crop & animal production, hunting & related activities" and there is assumed to be limited "hunting and related services" on the islands

[180] Employees are on payroll, and this does not include self-employed people or volunteers.

[181] For ONS Business Register and Employment Survey fulltime labour is considered more than 30 hours a week and

Table 58 Estimated total employees (including part and full time) and employment in VAT and PAYE registered businesses for selected food and drink sectors, 2022

Region	Metric	Crop & animal production, hunting & related activities	Fishing & aquaculture	Manufacture of food products	Manufacture of beverages
Outer Hebrides	Employees	650	325	450	60
		5.4%	2.7%	3.8%	0.5%
	Full-time employees	130	300	375	60
		1.9%	4.3%	5.4%	0.9%
	Part-time employees	500	30	80	5
		10.0%	0.6%	1.4%	0.1%
	Employment	4,500	350	450	60
		27.3%	2.1%	2.7%	0.4%
Orkney	Employees	650	475	180	80
		5.9%	4.3%	1.6%	0.7%
	Full-time employees	300	400	120	70
		4.6%	6.2%	1.8%	1.1%
	Part-time employees	350	70	60	15
		7.4%	1.5%	1.3%	0.3%
	Employment	2,125	475	190	90
		16.3%	3.7%	1.5%	0.7%
Shetland	Employees	500	950	400	10
		3.6%	6.8%	2.9%	0.1%
	Full-time employees	90	850	250	5
		1.1%	10.0%	3.1%	0.1%
	Part-time employees	425	130	140	5
		7.7%	2.2%	2.5%	0.1%
	Employment	2,250	1,000	400	10
		14.1%	6.2%	2.5%	0.1%

Data Source: ONS Business Register and Employment Survey extracts from Nomis

10.2.5 Employee Earnings

360. Labour market data from the ONS also provide insights into the earnings of resident workers in the Islands of Shetland, Orkney and the Outer Hebrides. The data in Table 57 shows the distribution of earnings (25th to 60th percentile as well as mean) for full-time employees that are paying PAYE tax within the island groups. These earnings profiles provide valuable insights into regional pay disparities, income inequality, labour market dynamics, and regional economic disparities.

361. In the Shetland Islands, the median hourly earnings rate for full-time workers was £21.61 (19% higher than Scottish median), compared to £19.93 in Orkney (10% higher than Scotland) and £17.35 in the Outer Hebrides (4% lower than Scotland). In all of the islands the lower quartile (25th percentile) earnings[182] are higher than for Scotland (1% in the Outer Hebrides, 14% in Orkney and 24% in Shetland), and

[182] The 25th percentile means that 25% of employees earn less than this amount.

these may reflect higher costs of living associated with the Northern Isles and /or health of the job market. The data also shows that the hourly earnings of part time employees were significantly lower than the full-time workforce that reflects the lower paying seasonal jobs often associated with, for example tourism services and agriculture. Whilst median part time earnings were higher in all of the island groups than for Scotland it is worth noting that the hourly wage differentials to full time workers was £3.78 in the Outer Hebrides, £5.33 across Scotland, £6.35 in Orkney and £6.61 in Shetland (30% lower).

Table 59 Median gross hourly earnings of residents, 2023

Metric	Outer Hebrides		Orkney		Shetland		Scotland
	Rate	% Scotland	Rate	% Scotland	Rate	% Scotland	
Full Time							
Mean	£19.87	95%	£22.48	107%	£22.62	108%	£20.95
25th percentile	£13.89	101%	£15.76	114%	£17.08	124%	£13.77
30th percentile	£14.27	98%	£15.90	109%	£17.87	123%	£14.54
40th percentile	£15.98	98%	£17.78	109%	£20.99	129%	£16.30
Median	£17.35	96%	£19.93	110%	£21.61	119%	£18.16
60th percentile	£20.17	97%	£22.63	109%	£23.75	114%	£20.77
Part time							
Median	£13.57	106%	£13.58	106%	£15.00	117%	£12.83
25th percentile	#	#	£12.18	112%	£13.11	120%	£10.90
# insufficient data points for robust estimate							

Data Source: ONS Annual Survey of hours and earnings – resident analysis accessed through NOMIS[183]

10.3 Digital Connectivity

10.3.1 Broadband

362. Farmers, crofters and other businesses increasingly rely on digital connectivity for doing business, be that online trading, digital tax returns, online banking, news and weather services, continued professional development, accessing digital administrative platforms (such as the Scottish Government's Rural Payments and Services platform for farmers and crofters[184]), or even attendance at online meetings.

363. However, despite the increasing reliance on, and higher expectation of use of online digital services, during stakeholder engagement areas of poor or unstable digital connectivity were frequently referred to – with instances cited of having to

[183] See Annual Survey of Hours and Earnings - Data Sources - home - Nomis - Official Census and Labour Market Statistics (nomisweb.co.uk) and Annual Survey of Hours and Earnings (ASHE) - Office for National Statistics (ons.gov.uk)

[184] Rural Payments and Services

travel to SAC Consulting offices to register animals for SSBSS or SUSSS payments to access a reliable digital connection.

364. Ofcom regularly update their 'Connected Nations' databases[185] that form the basis of their annual Connected Nations and Infrastructure Reports.[186] Using the Connected Nations September 2023 data, fixed line broadband performance was assessed for the Island groupings.

365. The Universal Service Obligation- (USO) is defined by Ofcom[187] as "a safety net to ensure that everyone in the UK has the **right to request access** to a minimum set of communications services at affordable prices". The services are determined by Government legislation and for broadband 'decent connection' is defined as a minimum 10Mbit/s download and 1Mbit/s upload speed from fixed broadband, Wireless Internet Service Provider (WSIP)[188] or mobile Fixed Wireless Access (FWA).[189] If the upgrade costs to meet the USO exceeds £3,400 then BT Group explain that the excess costs must be paid by the premises to be serviced[190]. Alternatives to fixed broadband, WSIP and FWA, such as the satellite based Starlink are available across all Scottish terrestrial areas with business tariffs starting at £90 per month plus equipment costs (c.£450).[191] In 2023 the UK Government announced an initiative[192] to connect the remote island of Papa Stour in Shetland to "OneWeb's constellation of low earth orbit (LEO) satellites to beam high-speed, reliable broadband connections to the island from space".

366. Table 60 shows that Ofcom report low proportions of premises across the Island groups without access to broadband speeds that meet the USO. 4% of matched premises in Orkney, 3% in Outer Hebrides and 5% in Shetland are reported to not receive the USO (noting that many of the unmatched premises are located in rural areas). There is very low (c.5%) penetration of ultra-fast (>100Mbits/s) fixed broadband in these islands, although super-fast (>30 Mbits/s) was much more prevalent with 78% of matched premises in the Outer Hebrides, 74% in Shetland and 78% in Orkney. Next Generation Access (NGA) replaces copper based networks with optical fibre and improved services and Ofcom report that 78% of

[185] Data downloads - Ofcom
[186] Connected Nations and infrastructure reports - Ofcom
[187] Universal service obligations (broadband and telephony) - Ofcom
[188] An Internet service provider (ISP) that permits subscribers to connect to a server at designated hot spots (access points) using a wireless connection such as Wi-Fi. See WISP internet providers, UK: Members list of UKWISPA for a list of approved members of UK Wireless Internet Service Providers Association.
[189] Such as 4G and 5G
[190] Universal Service Obligation (USO) for Broadband (bt.com)
[191] Starlink Business
[192] Bold plans to boost digital connectivity across the country, from wifi in lamp posts and satellites in most rural parts of Scotland - GOV.UK (www.gov.uk)

premises in Orkney, 89% of premises in Outer Hebrides and 85% of premises in Shetland have access to NGA broadband.

367. Despite, seemingly high coverage of key broadband services many households and businesses remain reliant on fixed broadband coverage for internet provisioning. In Orkney 17% of premises could not receive download speeds of 10Mbit/s, with 16% in Shetland, but only 5% in Outer Hebrides. 2 Mbit/s is defined as broadband, and there are still 2-3% of matched premises in these island groups that do not have access to fixed broadband.

Table 60 Fixed broadband performance of matched premises by island group, September 2023

Metric	Orkney	Outer Hebrides	Shetland
All Matched Premises	12,889	15,796	13,088
Unmatched premises (data missing)	270 (2.1%)	1,227 (7.2%)	123 (0.9%)
Below the USO	4%	3%	5%
Super-Fast Broadband (>30Mbit/s)	69%	78%	74%
Next Generation Access (optical fibre)	78%	89%	85%
Receive decent broadband from FWA	0%	0%	0%
Ultra-Fast Broadband (100Mbit/s) availability	5%	6%	6%
Full Fibre availability	5%	6%	6%
Gigabit availability	5%	6%	6%
Unable to receive 2Mbit/s	3%	2%	3%
Unable to receive 5Mbit/s	6%	3%	7%
Unable to receive 10Mbit/s	17%	5%	16%
Has 30<300Mbit/s download speed	64%	73%	67%
Has >=300Mbit/s download speed	5%	6%	6%

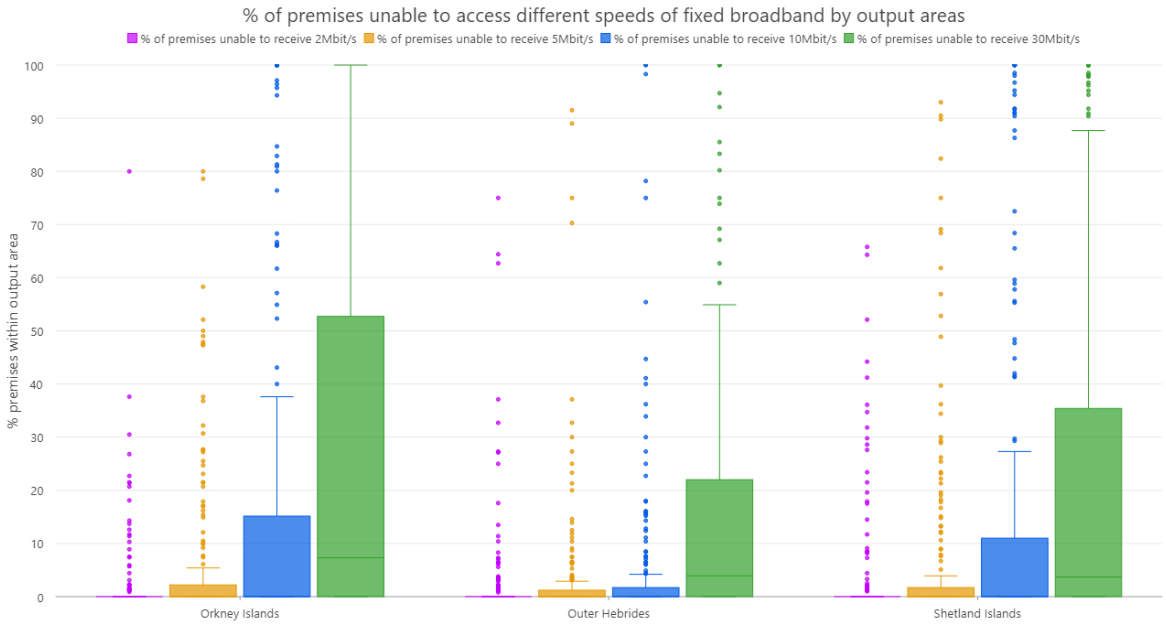
Data source: Ofcom (2023) Connected Nations

368. The location of where poorer fixed broadband access remains within island areas is important. Figure 57 presents a box-plot to highlight the proportion of output areas (small geographical areas) failing to meet different performance thresholds. The box represents the 25th percentile to 75th percentile (the interquartile range) with the median shown as a line within the box. The whiskers show the maximum and minimum observations excluding outliers that are shown as dots. From this chart it is evident that even at 2Mbit/s and 5Mbit/s there are a number of output areas where relatively high proportions of matched premises do not have access to any form of 'decent' fixed broadband. This may be through choices of occupants, but it may also be simply due to poor service that can hinder economic activity and social interaction and learning opportunities.

369. Figure 58 maps the proportion of matched premises within a census output area[193] that had access to the USO. This demonstrates that higher proportions of premises in more remote locations fail to meet the USO (e.g. Hoy and North Ronaldsay in Orkney, North Harris and parts of South Uist in the Outer Hebrides and West Mainland in Shetland).

370. Figure 57 shows a boxplot of the proportion of premises within statistical output areas with access to different broadband speeds.

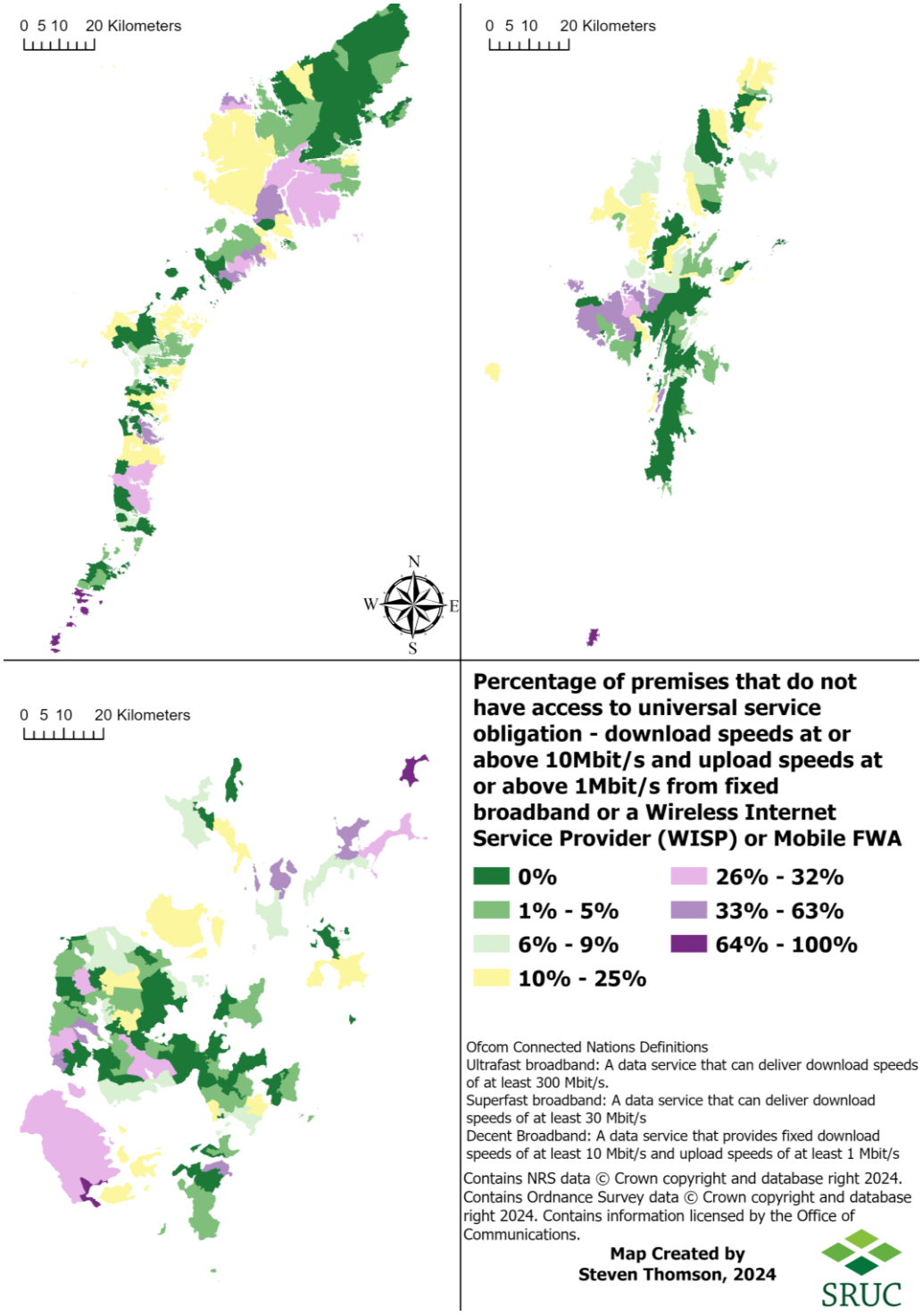
Figure 57 Boxplot (including outliers) of proportion of premises within an output area that do not have access to different broadband speeds, 2023



371. Maps showing the proportion of premises unable to reach 2Mbit/s (Figure 80), 5Mbit/s (Figure 81), 10Mbit/s (Figure 82) and 30Mbit/s (Figure 83) are available in Annex 6 .

[193] This is the lowest geography for the population census and each area contains at least 50 people and 20 households. In 2011 there were 46,351 output areas across Scotland. 2011 census: Geographies | Scotland's Census (scotlandscensus.gov.uk)

Figure 58 Proportion of premises that do not have access to Universal Service Obligation, 2023



10.3.2 Mobile Coverage

372. Ofcom also report on mobile coverage in their Connected Nations and Infrastructure reports,[194] but unfortunately data is only available at local authority

[194] https://www.ofcom.org.uk/research-and-data/multi-sector-research/infrastructure-research

or UK Parliamentary constituency level. The data shows coverage of 2G, 3G, 4G and 5G mobile networks and how many premises have access to these networks at premises outdoor and indoor.

373. Essentially 2G services provide SMS and voice services, 3G includes data application including web browsing, 4G supports more data intensive activities such as gaming and streaming through mobile broadband, whilst 5G offers higher digital speeds, greater reliability and negligible latency (time delays) offering opportunities for e.g. remote healthcare, precision agriculture, etc.

374. Table 61 shows that whilst only 4% of premises in Orkney and Shetland and 7% in the Outer Hebrides do not have indoor 4G services 15%, 16% and 18% respectively do not have access to 2G services. Whilst this is positive, anecdotal evidenced suggests that there is also a generation of mobile phone users that still do not use 'smart-phones' with 4G capabilities – meaning that enhanced digital opportunities may not be used.

Table 61 Proportion of premises receiving indoor mobile services by Island group, 2023

Metric	Orkney Islands	Outer Hebrides	Shetland Islands
Premises	13,159	17,023	13,202
Premises with no indoor 2G	15%	18%	16%
Premises with no indoor 3G	10%	10%	5%
Premises with no indoor 4G	4%	7%	4%
Premises with no indoor voice service	1%	3%	2%
Premises with no indoor data service	0%	1%	0%
Premises with no outdoor 5G	100%	100%	100%

Data Source: Ofcom (2023) Connected Nations

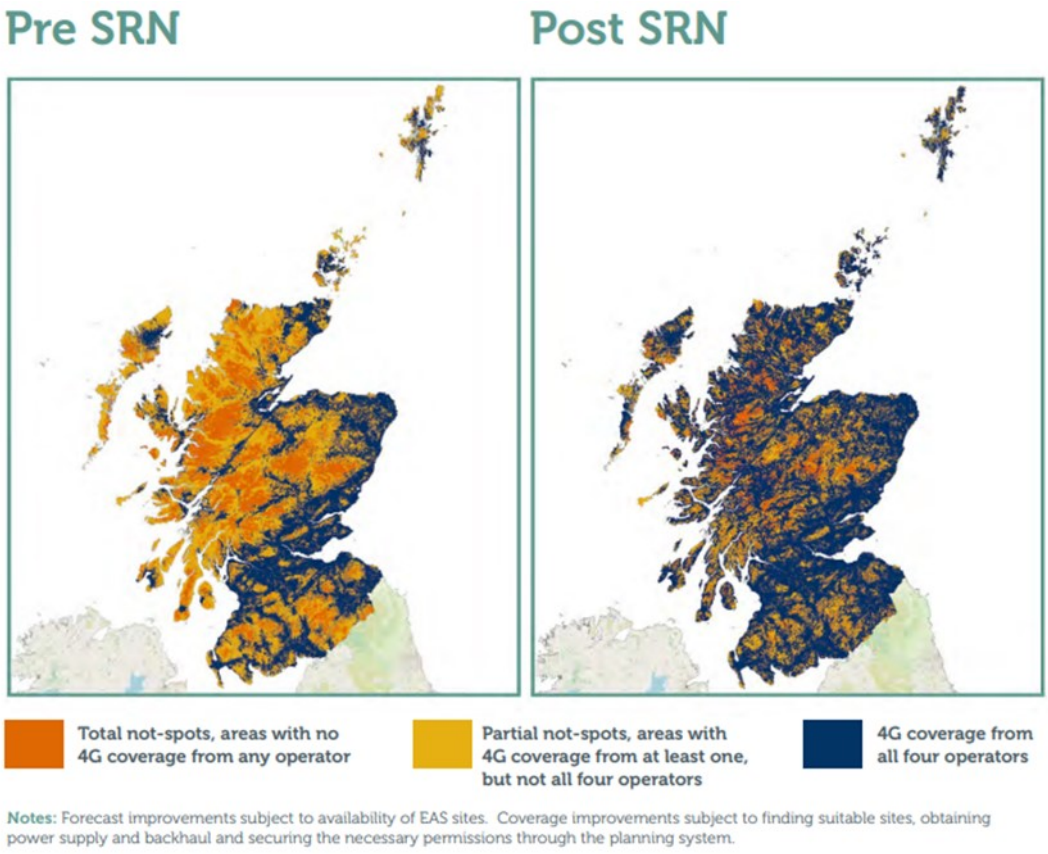
375. Whilst there is no unified mapping service for mobile coverage at broad geography, locally the best coverage can be found through Ofcom, and services are continually being improved.[195] The Shared Rural Network (SRN) initiative (being delivered by Building Digital UK)[196] is investing over £1bn of Government and private sector funds to deliver reliable mobile broadband in the UK's rural areas by improving 4G coverage. The UK's four mobile network operators – EE, Three VMO2 and Vodafone are upgrading their existing networks and developing shared infrastructure and new sites. A map showing current and expected 4G coverage post SRN investment is provided in Figure 59[197], where predicted improvement in the three Island groupings is apparent.

[195] For example see: https://www.ispreview.co.uk/index.php/2024/01/o2-uk-highlights-new-masts-to-boost-shetland-4g-mobile-cover.html

[196] See https://web-cdn.srn.org.uk/green/uploads/2024/02/BDUK-SRN-Brochure-Pack-DED23_v6.pdf

[197] https://web-cdn.srn.org.uk/green/uploads/2024/02/BDUK-SRN-Brochure-Pack-DED23_v6.pdf

Figure 59 Estimated 4G coverage pre and post Shared Rural Network investment



376. By 2033 the 2G and 3G services will be switched off[198] (Vodafone started its switch-off of 3G services in Glasgow in July 2023[199]) despite many rural residents and businesses still being reliant on 2G network coverage for voice and SMS services.

> "Rural communities rely on basic communication services, such as voice calls and messaging, to a great extent. This reliance on 2G phone networks is pervasive in areas where other communication services are either costly or unavailable. Expectedly, the 2G network closure will affect the livelihood of people in these rural communities. With no means of communication, people in rural areas might lose the opportunity to access basic emergency and healthcare services."
>
> **Ivan Romanov, UCTel September 2023[200]**

[198] 3G and 2G switch-off - Ofcom
[199] Connected Nations 2023 - Scotland report (ofcom.org.uk)
[200] 2G Network Shutdown in the UK: What You Need to Know | UCtel

10.4 Renewable Energy

377. Phimister and Roberts (2012)[201] highlight that the UK and Scottish Government consider renewable energy not only playing a vital role in delivering net zero ambitions, but also having important impacts on "green growth" for the wider rural economy. In particular they highlight a wide variety income and employment opportunities arising from renewable installations, including:

- Land rents (turbine sites & transmission wayleaves)
- Civil and electrical engineers
- Professional services – including planning consultants and local authorities
- Grid connections
- Income to site owner
- Construction and maintenance jobs and local spend on hospitality, etc.
- Community benefits[202]

378. Phimister and Roberts (2012) argue that the scale and extent of the economic benefits arising from renewable energy are heavily determined by ownership, noting that most large-scale developments are owned by non-local interests. Non-local ownership means there is increased economic leakage as investors and shareholders reap benefits from local Scottish natural assets – indeed in 2022 it was reported that "82.2 per cent of all current and pending UK offshore wind capacity is foreign-owned"[203]. In contrast, local ownership of renewable energy provides vital income streams for local farms, crofts, households and communities that circulate in local economies, whilst improving local energy resilience.

> "Generally, generation capacity is owned by private enterprises such as large utility companies. Thus, most of profit from energy generation does not remain in local economy and, instead, remains concentrated within city landscapes. With citizen-owned power plants, not only the financial gain goes to local people, the profit can be used for community development and environmental education."[204]

379. Fraser of Allander Institute (2023)[205] note that whilst off-shore renewables have overtaken on-shore in terms of economic output and employment, that onshore

[201] Journal of Agricultural Economics, Vol. 63, No. 2, 2012, 331–360 doi: 10.1111/j.1477-9552 .2012.00336.xÓ2012
[202] Community Benefits Map · Local Energy Scotland
[203] Power to the People: The Case for a Publicly Owned Generation Company | Report | Common Wealth (common-wealth.org)
[204] Ownership is Power: Scotland's Renewable Energy Transition – GLOBUS (globuswarwick.com)
[205] The Economic Impact of Scotland's Renewable Energy Sector - 2023 Update | FAI (fraserofallander.org)

wind generates c.£3.4bn and hydropower £1.2bn output with c. 12k FTE jobs supported by onshore wind, c.7k by renewable heat and c.6k by hydro..

380. The islands of "*Orkney, Shetland and the Western Isles are home to some of the best conditions in the world with high wind speeds and productivity."*[206] Renewable energy, particularly wind, therefore has greater potential than current operational capacity to bring income streams to farms, households and communities that can underpin wider economic activity in these fragile communities and economies.

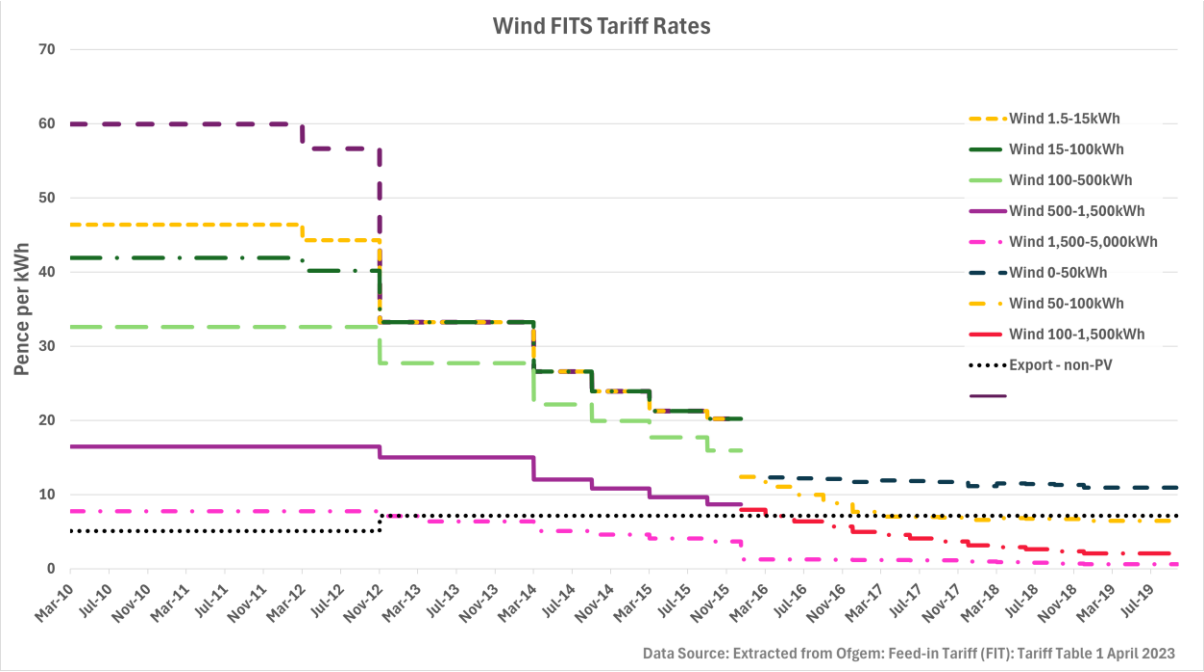
381. In order to stimulate smaller scale local renewable energy in the UK the Feed-in Tariff Scheme (FITs) was launched 1st April 2010 (its legal basis was the Energy Act 2008[207]), and closed to new applicants at the end of March 2019. Under the scheme households, businesses and communities received payments for electricity generated by eligible renewable installations - Solar photovoltaic (solar PV); Wind; Micro combined heat and power (CHP) up to 2kW; Hydro; and, Anaerobic digestion (AD). FITs payments comprised two separate tariffs: (a) generation tariff paid per kilowatt-hour (kWh) generated; and, (b) an export tariff paid per kWh exported to the electricity grid. This means that small-scale energy generators are paid for energy which they consume themselves as well as excess they export to the grid.

382. The Department of Business, Energy and Industrial Strategy (BEIS) set FIT rates, and a number of reviews brought downward pressure on the initial tariff rates as installation costs fell and uptake squeezed budgets. FITs were only available to renewable installations producing up to 5 MW, but the contracts were attractive, running for 20 years (25 years if signed up before August 2012) with payments usually made quarterly.

383. Whilst there are multiple tariffs based on type and scale of installation (recognising economies of scale) Figure 60 shows how the tariff rates for wind fell significantly between the start of FITs and the end last contracts in 2019 (similar patterns exist for hydro and PV). For example, the smallest installations receive 60p / kWh generation tariff for contracts signed between 2010 to 2012, yet installations contracted in 2019 only receive 11p / kWh generation tariff (an 82% reduction).

[206] Harnessing remote island wind | SSE Renewables
[207] Energy Act 2008 (legislation.gov.uk)

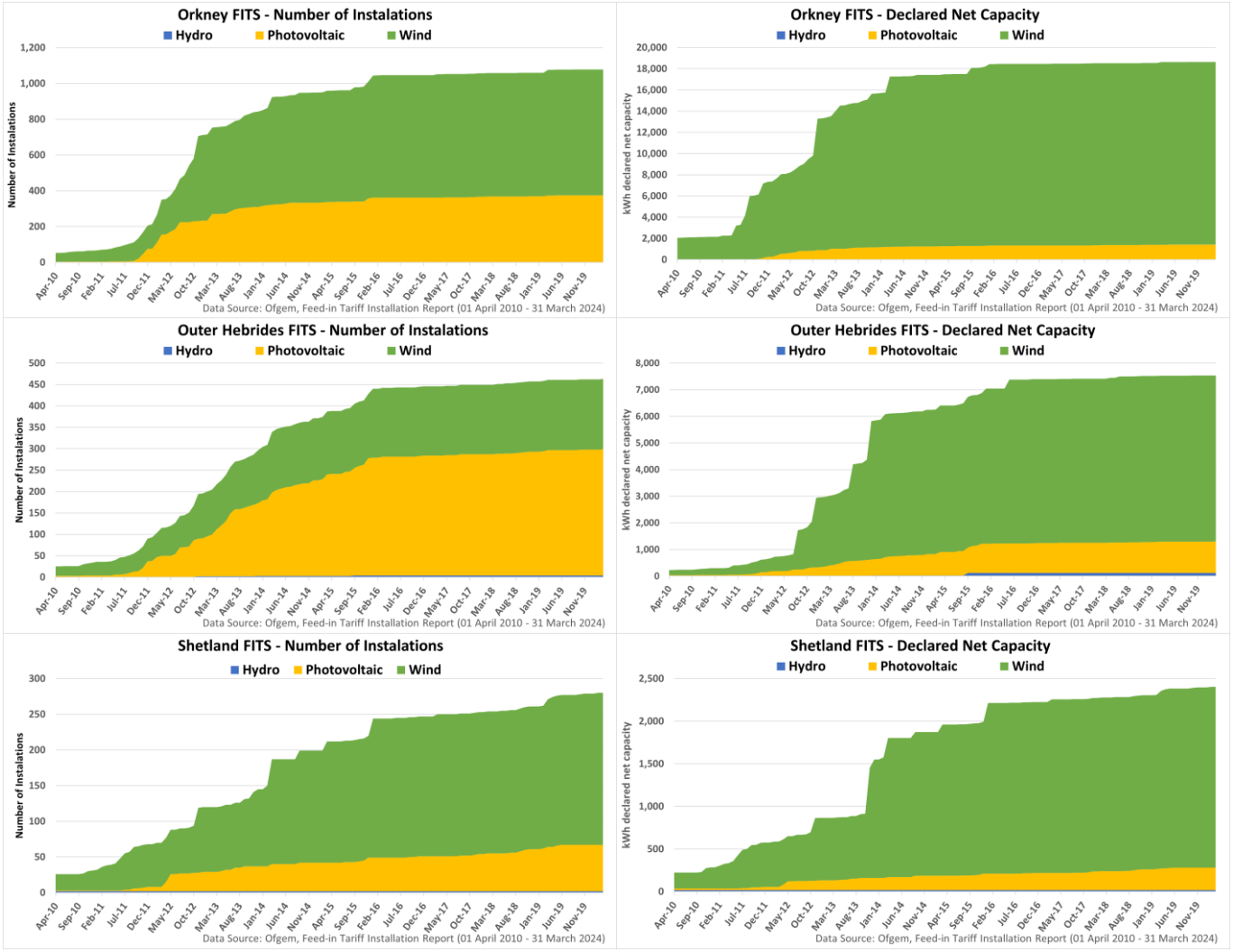
Figure 60 Wind installations – FITs tariffs (pence per kWh) 2009-2019



384. Uptake of FITS in Orkney was high from the outset (in terms of cumulative number of installations and installed capacity), with a rapid uptake prior to the first few rounds of tariff cuts (see Figure 61). Whilst the pattern of uptake appears similar for the Outer Hebrides and Shetland in Figure 61 it should be noted that the y-axis are different – and the cumulative number of FITS installations and declared capacity are considerably lower than Orkney. The lack of grid capacity and interconnector to the mainland has curtailed both large-scale and small scale renewable energy generation in Shetland and the Outer Hebrides, in particular. This means that despite attractive tariff rates in the early years of FITs, uptake was low in these two island groups.

385. The early uptake of FITs in Orkney means that a large number of Orcadian farmers, communities, businesses and households are still receiving these very high tariff rates – money that likely flows around the local economy, and supports the profitability of agricultural enterprises. In the next 10 years these FITS contracts will come to an end and some of the technology may already be starting to fail. Where FITs installations are nearing the end of their working life, and in order to repower outwith FITS many small turbines are likely to be replaced by larger installations that will require full planning permission (unlike the initial installations).

Figure 61 Number of FITS installations and declared net capacity installed (2010 – 2019)



386. Table 62 shows the total FITs installations by island group in 2024, split by technology (wind, PV, etc.) and type of installation (community, domestic, non-domestic commercial, non-domestic industrial), it is understood that for various reasons some farms, croft and community FITs installations are classed as 'domestic' meaning the community and commercial installations may be underestimates.

387. The Smart Export Guarantee (SEG)[208] was brought in as FITs closed and obligates some electricity suppliers[209] to pay small scale renewable generators (up to 5MW or 50kWh for micro combined heat and power) a tariff that varies by energy supplier[210]. These SEG tariffs may be less attractive to those repowering installations at the end of their FITs contract and advice on managing that

[208] Smart Export Guarantee (SEG) | Ofgem
[209] SEG Supplier List | Ofgem
[210] Smart Export Guarantee (SEG) Explained in 2024 (theecoexperts.co.uk)

transition will be required to manage expectations and encourage long-term small scale renewable energy generation.

Table 62 Number and declared net capacity (kWh) FITs installations, March 2024, by type of installation and technology

FITS	Outer Hebrides			Orkney Islands			Shetland Islands		
	Hydro	PV	Wind	Hydro	PV	Wind	Hydro	PV	Wind
Community									
Declared net capacity	4.0	68.6	3,757.0		25.0	4,521.5	16.0	30.2	81.0
Installations	1	7	17		1	14	1	2	12
Domestic									
Declared net capacity	8.8	966.1	1,049.3	11.0	1,340.2	4,576.7	2.5	220.1	1,313.2
Installations	1	270	119	1.0	367	595	1.0	62.0	184
Commercial									
Declared net capacity	106.0	146.3	1,070.1		33.8	8,013.2		12.0	228.1
Installations	2	18	24		5.0	93		1	16
Industrial									
Declared net capacity			357.0			120.0			499.0
Installations			4			2.0			1
Total net capacity	**118.8**	**1,181.0**	**6,233.4**	**11.0**	**1,398.9**	**17,231.4**	**18.5**	**262.4**	**2,121.3**
Total Installations	**4**	**295**	**164**	**1.0**	**373**	**704**	**2**	**65**	**213**

388. Figure 62 shows the relative density of FITs per 100 residents by data zone in 2024. This demonstrates the higher adoption of FITs in Orkney, in particular the Northern and Southern Isles. In Shetland, the number of installations per 100 people were higher in Northmavine, Yell and West Mainland, whilst in the Outer Hebrides there were higher densities of FITs installations per 100 people in North Uist and South Uist, compared to north of Lewis.

389. Whilst Figure 62 shows the relative number of FITs installations per capita, Figure 63 shows the declared installed capacity (kWh) through FITs in 2024. This provides a different lens that better reflects the relative earning capabilities of installations that can support farm and other businesses, or indeed provide income streams to households and communities. There was relatively low installed capacity per 100 people across much of Shetland and the Outer Hebrides, in contrast to the Northern Isles and South Isles in Orkney. During stakeholder engagement, the relative importance of such installations for some farms and communities was highlighted, especially those early adopters on high tariff rates.

Figure 62 FITS installations per 100 residents by 2011 data zones

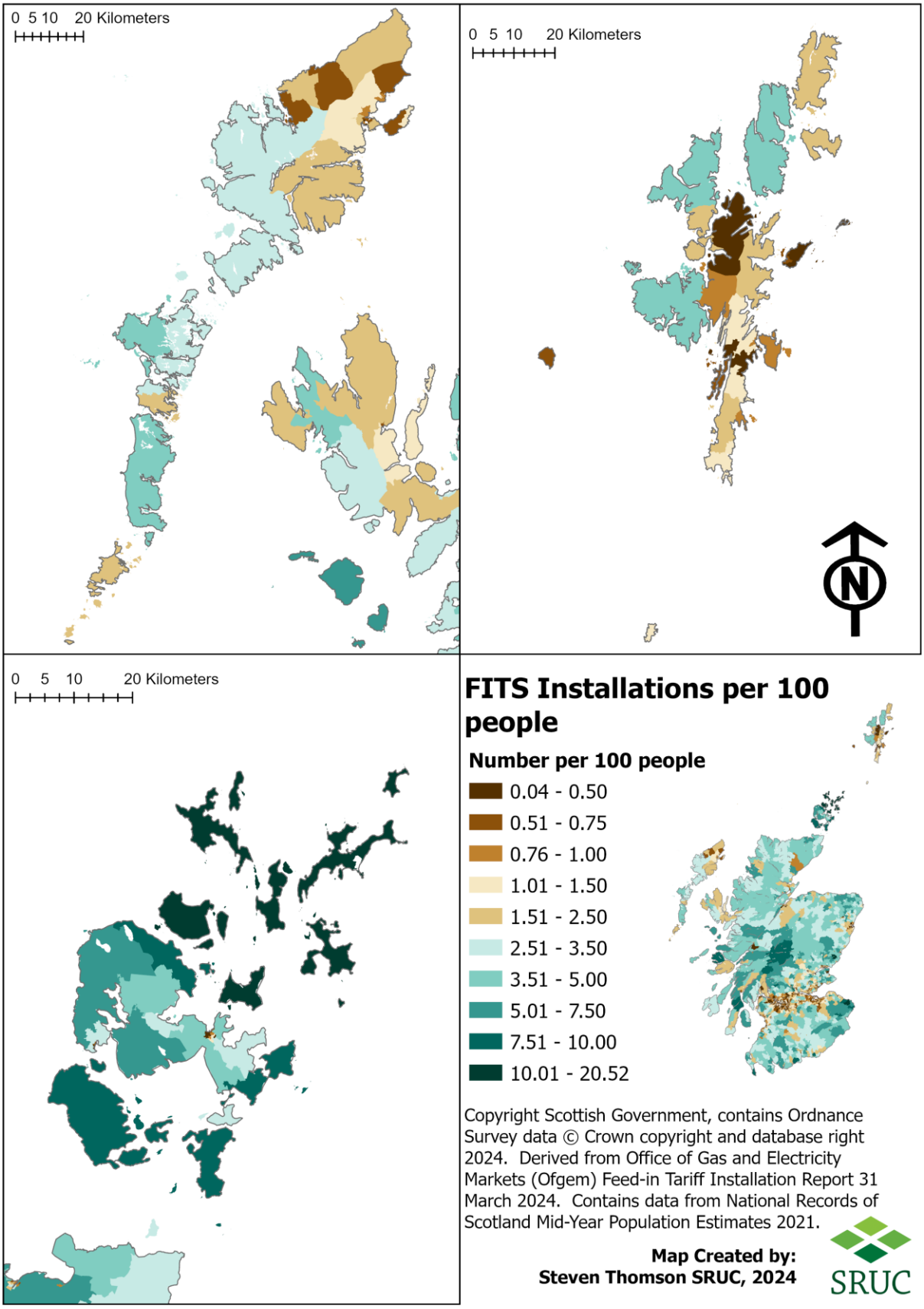
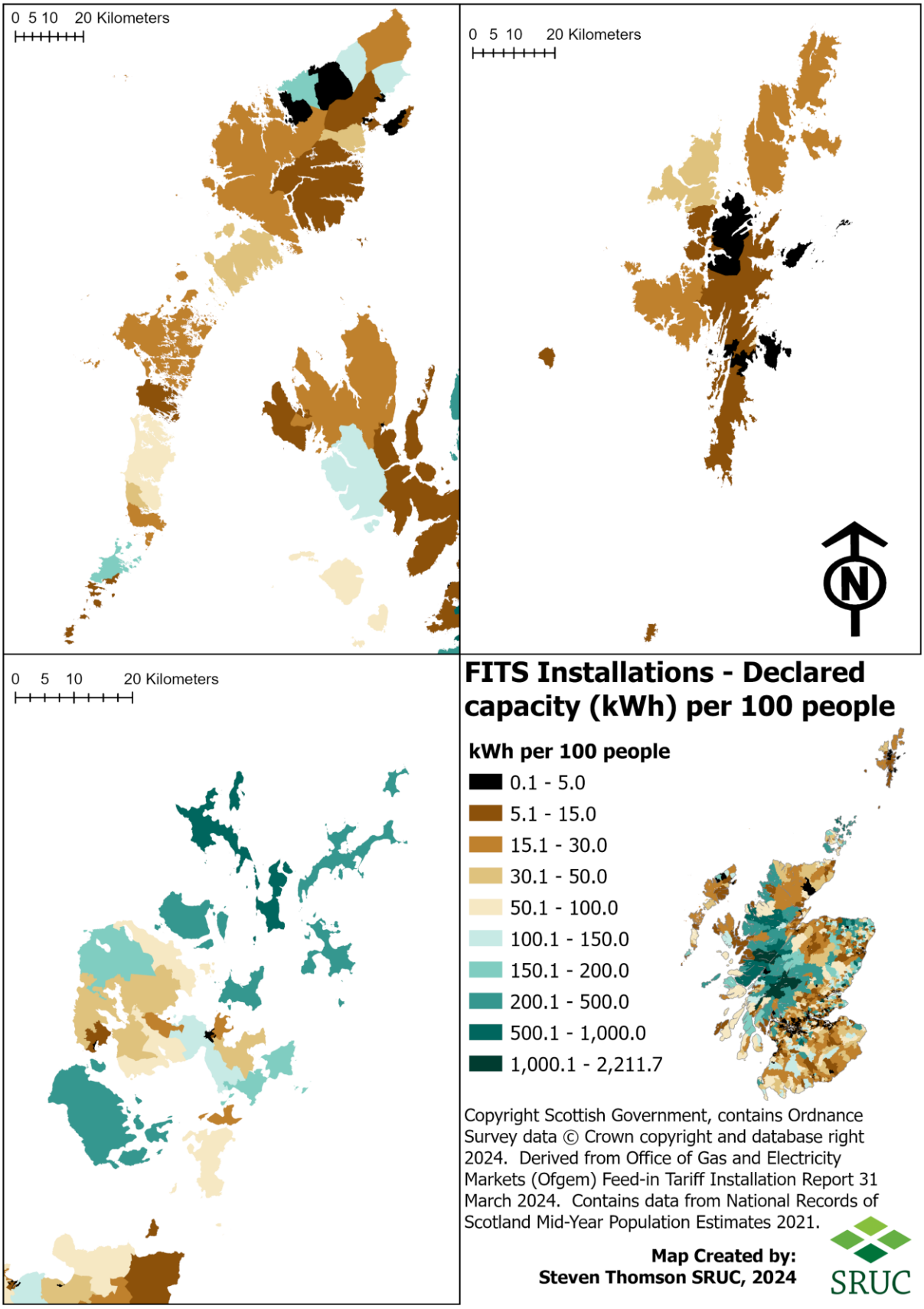


Figure 63 FITS installations and defined capacity per 100 residents by 2011 data zone



390. In addition to FITs installations, there is an increasing amount of larger scales renewable energy installations in operation, being constructed, within the planning system, or being scoped out. Where installations are not locally owned private or community owned installations (such as North Yell Development Council's Garth Wind Farm[211] or Lochcarnan Community Windfarm[212] in South Uist) there remains attractive annual rental income streams for landowners that can help underpin agricultural businesses and wider rural development. There is a growth in the number of solar installations in some localities in recent years.

391. For private and community energy developments renewable energy offers a long-term income stream that can be used to fund local development initiatives.

> "These turbines will generate over £20m of revenue directly for this community over the next twenty years, which will be invested in crofting, economic and social projects for the benefit of the whole community. In combination with the £10m Lochboisdale project, the restoration of Askernish Golf Course, the coastal defence projects, drainage work, development of the fishing, expanded operations at Grogarry Lodge and the numerous other small but important projects carried out by Stòras Uibhist over the past six years, the windfarm will transform these islands. This is just the beginning of what the community can achieve when ambition and aspiration is allowed to flourish." **Angus MacMillan, Chairman of Stòras Uibhist**[213]

Uist Wind

"Over £2 million in profit for the community over 22 years. This will mean:

- Jobs. NUDC will be able to employ project and development officers, who will then be able to work to bring in further funding
- A community benefit fund. This will be a central pot of money which could be accessed by local groups and businesses.
- Direct funding for NUDC-led projects, which can then bring in further benefits, employment, etc
- Match-funding. With many organisations only funding 50% of projects, the turbine revenue can help lever more funds"

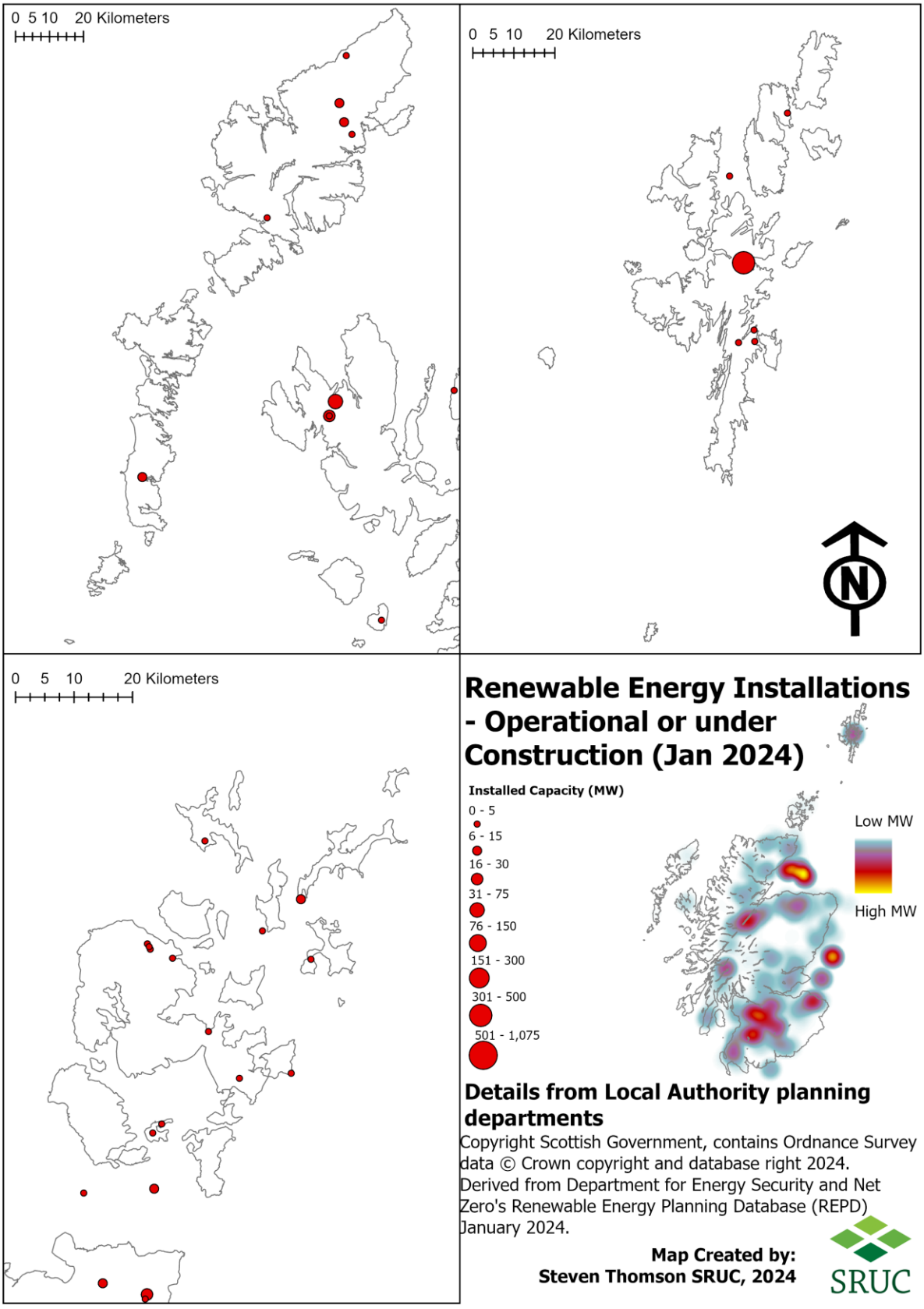
Uist Wind - NORTH UIST DEVELOPMENT COMPANY (isleofnorthuist.com)

[211] Garth Wind Farm | North Yell

[212] Western Isles - Uist - News - Loch Carnan Community Windfarm Operating at Full Capacity (southuist.com)

[213] Western Isles - Uist - News - Loch Carnan Community Windfarm Operating at Full Capacity (southuist.com)

Figure 64 Operational or 'in-construction' renewable energy installations that require planning permission by installed capacity (MW), 2024



11 Community Led Local Development

392. Alongside our exploration of the implications of changes in the support system for farms and crofts, supply chains and economies, the team also explored the implications for the wider resilience of island communities. In particular, we focused on the characteristics and challenges of delivering recent Scottish Government-funded Community Led Local Development (CLLD) projects and CLLD projects funded from other sources (e.g. the Crown Estate), and on wider themes relating to the integration of agriculture and crofting on islands with the communities in which they are situated, changing land use and land management, and relating to national policies on islands.

393. The data for this section of the report was collected through a desk-based review of key documents (including academic and other relevant literature) as well as individual and group interviews with stakeholders across all three island groups. Interviews were undertaken with those involved in island community development in many different ways, through both Scottish Government-funded CLLD projects, and through the work of community trusts and other organisations funded from a variety of different sources.

394. The research team analysed recordings, transcripts and notes from these conversations. The conversations ranged from those which were largely unstructured, to semi-structured interviews, with all of them seeking to find out more about the activity(ies) in which individuals were involved, the particular characteristics of 'doing CLLD' in island communities (including any opportunities and challenges encountered and impacts achieved), and any recommendations for changes to policy, practice, etc. at all levels from national to regional to local. The data from the conversations was analysed thematically and this section reports the findings according to this thematic analysis, using direct quotes from interviews (shown in *"italics"*) and evidence from particular case study projects and initiatives where relevant. At the end of this section, we suggest some recommendations specifically relating to the future of CLLD, and these are echoed in the overall recommendations presented at the end of this report.

11.1 Recent Scottish Government funded CLLD activity

395. All three island groups have undertaken evaluation work on their (past) LEADER and (more recent) CLLD projects and activities. These reports demonstrate the diversity of activities taking place, and the range of impacts achieved. The introduction of the Social Value Engine methodology for measuring the wider social impacts of CLLD activity has helped to demonstrate the scale of the important but less tangible aspects of CLLD[214].

396. All interviewees reflected on the significance of the loss of EU LEADER funding for bottom-up, community-led development for rural and island communities across Scotland. It was acknowledged that LEADER had its flaws, not least the increasing amount of bureaucracy in recent years and challenges with the computer-based reporting system (known as Local Action for Rural Communities - LARCS) which was intended to streamline processes[215]. However, its many positives were also acknowledged, including the multi-annual funding which gave predictability and certainty and allowed for strategic planning. There was also recognition in LEADER of the importance of capacity-building and animation, and the emphasis placed on networking, collaboration and learning from other projects across Europe. Also, since it had been running for so long, the LEADER 'brand' including the name, philosophy and approach had become well known and generally well understood by all stakeholders. It is also worth noting that previous LEADER programmes have included funding for farm diversification, thereby offering an opportunity for farmers to engage in applying for funding to deliver the principles of LEADER.

397. Many interviewees reflected that, while the Scottish Government has funded replacement CLLD programmes, when compared to the LEADER approach the sums of money available are smaller (though for some, the number of projects had increased which in turn generated increased paperwork) and funding has only been available annually (reducing the ability to strategically plan over multiple years). Moreover, in reality, due to delays in confirming and then allocating funding each year, the actual delivery time for LAGs and projects has been much less than a year, making meaningful CLLD activity almost as difficult to achieve as strategic planning. Interviewees commented that Scottish Government CLLD funding (as well as some UK Government funding) has sometimes only been allocated to local areas in late summer/early Autumn, with projects needing to be delivered and

[214] More information on, and links to, these reports are available on request. More information on the Social Value Engine is available here SVE | Social Value Engine.

[215] Some of these challenges are also discussed in relation to Wales and Andalusia in a 2016 academic paper: Navarro, F.A., Woods, M. and Cejudo, E., 2016. The LEADER initiative has been a victim of its own success. The decline of the bottom-up approach in rural development programmes. The cases of Wales and Andalusia. Sociologia Ruralis, 56(2), pp.270-288. DOI: https://doi.org/10.1111/soru.12079

funds spent by the end of the subsequent March. In an island context, this means that activity is taking place during the winter months when projects may be particularly susceptible to delays for weather-related reasons. These delays may generate extra paperwork and therefore cost due to additional administrative staff time required and extra input from LAG members.

398. One interviewee referred to the "*desperate timeframes*" leaving staff "*focusing on the projects rather than taking a strategic approach… they are just focusing on getting money out of the door*." One interviewee commented "*The annual funding model is a nightmare. It provides for no thinking or evaluation time and only a very short time to deliver projects. This isn't good for Scottish Government or for LAGs*." Projects are very difficult to plan, the process is much less efficient and, as the projects are rushed (at all stages, including application and implementation), they are sometimes not sufficiently developed and are therefore less impactful as outputs and outcomes cannot be fully achieved.

399. There are many, many community trusts and organisations across the three island groupings delivering CLLD[216], and several interviewees commented on the particular importance of CLLD activity in island contexts. They acknowledged the diversity across Scotland's islands[217], including within island groups, and therefore the flexibility of CLLD in enabling different projects to be undertaken in different locations, for different groups within the community. Interviewees also acknowledged the role of these CLLD groups in providing inspiration and a forward-thinking foundation for other activities and people across their community. For example, a heritage and arts group which is able to use space in a building refurbished by the community trust, local people who have empty housing proactively approaching a community trust to buy the housing to make it available for local families (rather than selling it on the open market for a profit), and a café initially aimed at seasonal tourist visitors which is now opening all year round to serve the local population and thereby providing a warm space, hot food and a place to meet and socialise.

400. They went on: *"The projects coming in are not necessarily in a good state and CLLD coordinators have to take what they can get….It is best to have a selection of 'shovel ready' projects to fund when the money comes in but this doesn't recognise the fundamental importance of CLLD in the island councils… CLLD may*

[216] It is not possible to list all of these groups, and their many diverse activities and roles here. Orkney Islands Council and HIE are currently working with a locally based designer to produce information sheets about community organisations across the islands and the work they are involved in. Orkney Islands Council and HIE are also currently working with a local media company to produce short films describing the important and diverse work of community groups across the Orkney islands. These will be publicly available.

[217] More information on island diversity can be found in the recently published Scottish Islands Typology: overview 2024 - gov.scot (www.gov.scot)

take the place of public/private investment and it can be very ambitious, there are some big projects, but increasingly CLLD funding is being used to plug funding gaps and day-to-day needs."

401. Several interviewees also commented that they felt that the replacement Scottish Government CLLD schemes have been more top-down than LEADER (even if this wasn't intended to be the case) which had a more bottom-up approach in terms of determining objectives and priorities. One interviewee commented that *"Scottish Government CLLD funding is much more driven by policy with less local control*."

402. Nevertheless, the legacy of LEADER and CLLD funding has meant that a locally appropriate structure and system is in place to distribute funding – and potentially funding from multiple sources in future - in a transparent and independent way. In Orkney, for example, the argument has been made for other funding (e.g. Crown Estate monies, or UK Government Levelling Up funding) to be distributed through the Local Action Group (LAG) so as to use the same processes, criteria, etc. and to build on existing public, private and third sector LAG member relationships. An arrangement has been put in place recently in Orkney whereby the LAG scored funding applications for Crown Estate monies but the funding sign-off was undertaken by Orkney Islands Council.

403. The shorter timescales for Scottish Government CLLD funding were also cited as a reason why devoting time and money to vital animation and capacity-building activity has become harder, if not impossible. Several interviewees noted that, despite its importance, this funding is usually the first to be reduced when cuts are required. But at the same time, this pre-project work is all the more important as the time for actual project activity has been shortened, meaning more work is required by the development officer and those with potential projects to be 'shovel-ready' when the funding opportunity opens. Added to this, it was noted that funding for community development officers (some of which comes from Highlands and Islands Enterprise, HIE) has been substantially reduced recently and while attempts have been made to fund this activity from other sources (for example, Crown Estate funding) this had not yet been secured. As one interviewee noted, there is a real risk that reduced funding for animation and capacity-building reinforces the already highly uneven landscape of CLLD as only some communities have the capacity to bid for funding.

11.2 CLLD is intrinsic to island realities but challenging to deliver

404. Many of the interviewees were involved on a day-to-day basis in delivering CLLD, whether this was through the Scottish Government-funded CLLD scheme or through their involvement with projects funded from other sources (e.g. the

Coastal Communities Fund) and with community trusts and other community groups on the islands. They were all strongly in agreement that CLLD in all its forms is critical to maintaining sustainable communities across the islands. One interviewee commented on the limited scale of the business base on many islands, in particular, outer islands amongst island groups, where there may only be a small number of crofts or farms and perhaps a shop and café (often for tourists with seasonal opening hours) but limited other private sector activity. As a result, community-based development and CLLD and the people that are engaged in it, is absolutely critical to the resilience of these communities.

405. Beyond the Scottish Government-funded CLLD programme, there are many other funding sources for community-based development across the island groups, including significant funding from the Crown Estate and from the local authorities themselves including for socio-economic development and business support. Community-led organisations and trusts in the Outer Hebrides are often aligned with communities purchasing, owning and managing land.

- For example, Orkney has 10 active Development Trusts across the mainland and the outer isles with Community Development Officers who help build capacity and leverage funding for further projects, and a number of other community groups delivering a diverse range of local projects.
- Shetland Charitable Trust was originally set up in 1976 to disburse money from the oil industry to the local community as compensation for the new terminal in the islands. Since then, over £320 million has been disbursed to a wide range of local charities, organisations and individuals.

406. Crown Estate funding is also significant for CLLD in all three island groups. In Shetland for example, this money is disbursed through the Shetland Islands Council Coastal Communities Fund, which is *"designed to mobilise change and deliver positive outcomes for Shetland and its communities. The scheme seeks to support the community and economic development of Shetland by investing in infrastructure, community capacity building, and developing community assets and encouraging inclusive growth."* Projects funded under the Fund must meet the priorities of the Shetland Partnership Plan, with the criteria for funding informed by what worked well under LEADER. The Fund has paid for a diverse range of different activities across Shetland over the years it has been running, but recently announced projects (December 2023) include a variety of village hall improvements, sports development support workers to enable more people (particularly from disadvantaged groups) to access sports activities, a resilience hub (providing shelter, warmth, food and communication) for a community during emergency events, a new rescue boat, and wind turbines and a new infrared heating system in an agricultural mart.

407. Despite the vital importance of CLLD across all three island groups, all interviewees spoke of the additional challenges and barriers to doing this community-based work in islands due to their location. Often the key difficulties encountered related to the additional costs of delivering CLLD on islands.

408. The cost of transport, and in particular ferries, and the associated additional costs of moving people and materials, with unreliability a further challenge are particularly significant issues. Box: 8 discusses ferry challenges experienced across the islands in more detail, while Annex 7 Ferry disruptions in Orkney discusses particular challenges encountered recently in terms of ferry transport in Orkney.

Box: 8 Ferry-related challenges across the island groups: reliability and cost

In making their case for an island's uplift to CLLD funding, Orkney, Shetland and the Outer Hebrides cite a number of ferry-related issues which impact on CLLD delivery, and indeed the lives of island residents and visitors. These are summarised below:

Islands across the three groups, in particular outer isles, face ferry capacity issues during the summer, when tourist numbers are higher, and during the (long) winter - when there are likely to be frequent weather-related ferry delays and cancellations.

The outer isles also sit 'at the end of the supply chain' and so there may be particular time lags in terms of the supply of goods and services when services are disrupted.

A large proportion of the ferry fleet across all islands is reaching the end of its life and replacement ferries are many years behind schedule. Frequent breakdowns mean that islands lose their 'lifeline services' often at short notice and for extended periods. Islands particularly affected recently are Barra, South Uist, Unst, Yell, Fetlar, Whalsay, Skerries and Fair Isle. As a result, people travelling to and from the islands will often travel a day or two early if they have a commitment, making organising short trips hard and meaning additional costs - over and above the already higher costs of ferry or plane travel to and from the islands. Works to harbours and related facilities have also meant ferry cancellations, often for significant periods.

Limited ferry capacity combined with unreliability also impacts on access to essential food items in Uist and Barra (according to a recent Nourish Scotland study) where island residents also reported paying an 'island premium' (when items are available) of 28% compared to urban Scotland. In addition to this, due to longer supply chains, the quality of the products available is often inferior. Families on a low budget or without transport are particularly adversely affected by this.

In terms of delivering CLLD projects, winter weather-related delays can be particularly difficult in short timescale funding, particularly if an island's only boat a week is cancelled for multiple weeks. This extends the project timeline and builds in a much greater risk for any potential building contractor and project applicant. Summer weather related delays can also occur due to high winds or technical issues on ferries, and fog leading to plane cancellations.

Goods produced on the islands demand heavy freight payments to get them to mainland customers. The costs of transporting livestock and machinery are high e.g. £350 to get a tractor transported from mainland Shetland to the outer islands, with additional cost of getting it shipped up on the ferry from Aberdeen or Orkney. It costs £10 to ship a sheep from the outer isles of Shetland to Aberdeen with cattle costs much higher. The costs of transporting animal feed are also higher. Unlike the Orkney and Shetland services, CalMac does not offer a cassette system on their ferries, meaning crofters are restricted in where they can sell their livestock while keeping to maximum transport times. It also means most people transport livestock using their car and a trailer, which requires additional time, adds to costs and increases carbon emissions.

409. Many interviewees specifically mentioned housing projects (which are vital across many islands where employers are reporting a shortage of housing for their workforce) and a number of associated challenges, including identifying suitable contractors on the islands to do the work, projects being costed at three times what community trusts can afford (especially if the focus of the project is providing housing at affordable rents/purchase prices), grant schemes not recognising or covering the additional costs of building on islands, difficulties in getting staff and raw materials on/off the islands and when people/items are being moved then taking up all of the space on a plane/ferry. Often housing projects are therefore having to look for multiple funding sources to cover all of these additional costs which adds to the admin and bureaucracy needed to manage and report on the project, and actually is not always possible as funding for housing projects tends to be limited to the Scottish Land Fund and Rural Housing Fund. One particular project seeking to build affordable housing on the Isle of Harris is described briefly in Box: 9 with more information provided in Annex 8 North Harris Trust.

Box: 9 The North Harris Trust: Affordable housing on the Isle of Harris

In the north of the Isle of Harris, the lack of affordable housing is a critical challenge for the economic and social sustainability of communities. It has meant, for example, that local businesses cannot recruit new staff as, even after offers of employment, they are unable to find housing.

The North Harris Trust has been exploring the potential to build two new 2-3 bedroom units on land it owns, but the estimated cost of the project (even from locally based construction companies) is too high for the Trust to afford, especially considering the properties will be let out at affordable rent levels. These higher costs result from the additional costs for construction companies of transporting materials and labour, and providing local accommodation for labour if that is required.

Further additional costs come from the higher costs of tradespeople to maintain services, and that is if tradespeople are available locally with the right skills. The Trust has therefore been exploring the potential for modular housing for which the costs quoted have been more reasonable. Annex 8 North Harris Trust provides more information on the activities of the Trust and its housing investment.

410. There was a strong feeling amongst many interviewees that some of these additional challenges should have been mitigated through the legislative commitment to undertake Islands Community Impact Assessments (ICIAs). However, interviewees were unable to cite many good examples of where they felt undertaking an ICIA had meant such challenges had been reduced (the ICIA process is explored in more detail later).

411. Alongside the challenge of additional costs, several interviewees commented on the increasing number of responsibilities that are being placed on communities in terms of managing assets and service delivery. Community trusts and groups are increasingly in a position where they can (and often do) take on the running of housing, business start-up units, community transport schemes, childcare provision and many other things, most of which have traditionally been delivered by the public sector. This is placing increasingly heavy demands on often small numbers of people, whether that be paid development officers or unpaid, volunteer board members and trustees. Added to this, many volunteers are older – perhaps the pre-retired or retired who have more time to devote to these kinds of activities (though some individuals may still be working a 'day job' too) – and bring immense skills, resources, knowledge, enthusiasm and commitment. However, very few community organisations have many young people involved or a succession plan for what will happen when older volunteers are no longer able or keen to be involved.

412. One interviewee, informed by their personal experience of working, often on a short-term basis, with communities to support their CLLD work, noted a number of additional challenges for community groups. For example, they mentioned that the supporting evidence requirement for projects, while important, is often disproportionate, particularly for smaller amounts of money. They noted a general lack of revenue funding options and suggested that if revenue funding could be attached to capital funding projects (even at a decreasing rate over time) this would take the pressure off communities. This would be helpful for some projects which may operate at a loss initially (for example a community café). It is a lot to ask communities to shoulder that burden of loss and risk initially until the project becomes self-sustaining. This interviewee also noted that communities are often disadvantaged by the lack of agility of public sector organisations (particularly funders) and resultant time delays for their work. More positively, the individual

noted that island communities are generally very innovative and therefore happy to be pioneers or pilots for different approaches, or to provide proof of concept for a different delivery model which could be rolled out elsewhere. But this requires funders to be more flexible and less risk averse. In general, they commented that funders need to be more open and understanding to situations where projects need to deviate from their original plan for very valid reasons (often weather-related in island contexts), instead of such deviations having to be paid for by community groups. For this interviewee, one of the most important parts of his role is networking and gathering local contacts, knowledge and intelligence which can be used in many different ways to support the success of projects. A second key element of the role is always thinking innovatively and being solutions-focused, which the interviewee argued is particularly important when working in island communities.

413. Several interviewees commented that we need better ways of measuring the wider impacts of CLLD, many of which are hard to measure, including the impacts on issues such as depopulation. There was mention of the need to move beyond measuring the number of projects funded or groups supported to measure much more intangible outcomes in terms of wellbeing, etc. and also to highlight aspects of the CLLD process which have brought benefits such as enhanced community cohesion, resilience and confidence.

414. There was also a recognition that land managers have an increasingly important role in delivering other public benefits including in relation to community development and other key agendas such as community wealth building, whether explicitly or implicitly. For example, they are/could be key players in expanding local supply chains through producing food for local selling, in local housing provision through making land available for new sites, and in terms of social prescribing and health and wellbeing. We should therefore refrain from separating direct funding for land managers from funding for wider rural and island community development. However, often the additional roles that land managers deliver are not adequately recognised and valued by policymakers regionally and nationally; at local, community level these links may be very evident and valued.

11.3 Looking ahead to future funding for CLLD

415. There is recognition both nationally and locally that LAGs, originally set up under LEADER, need to look beyond Scottish Government CLLD funding in the future, to funding from UK Government (e.g. the Shared Prosperity and Levelling Up Fund[218]),

[218] It has just been announced in March 2024 that Orkney has been awarded £20 million of Levelling Up funding from the 'Long-Term Plan for Towns' funding stream. This involves ten-year endowment style funds allocated to local areas, with Boards then set up locally to make

other Scottish Government rural and islands funding (including funding available on a sectoral basis e.g. for housing or community land ownership), or private sector funding for communities (e.g. wind farm community funds). LAGs could provide an experienced, knowledgeable, transparent, holistic, and locally informed mechanism for distributing this funding in a much more coordinated way in future (lessons from LEADER have already informed the processes involved in distributing Coastal Communities Fund money in Shetland for example). In so doing LAGs could potentially also deliver to a whole range of national policy objectives, including community wealth building, enhanced wellbeing, community empowerment, asset transfer and local democracy, through the existing CLLD mechanisms and structures. Interviewees also noted that all this activity should be framed by a Local Development Strategy (as was the case in LEADER) which is holistic and place-based and enables a strategic focus on key priorities.

416. However, interviewees were keen to point out that this must not lead to a situation where project officers are having to chase funding and then to meet multiple national priorities and objectives with different reporting processes and timescales; a much more streamlined, consistent and strategic approach is needed where funding streams are properly brought together to ease the burden of managing this at local level. If this can be achieved, with LAGs playing a key role, this offers a real opportunity for CLLD on islands. Clearly an appropriate level of ongoing monitoring and evaluation of decision-making, impacts, etc. will be essential, including recognition of the wider intangible impacts beyond the number of jobs, etc. For one interviewee, involved in supporting communities build their CLLD proposals, *"the days of single funders are gone… Now there are 4 or 5 funders per project, each contributing 10-30% of the project costs."* He noted that the process is easier when we manage *"to secure a larger 'cornerstone' funder for a project, who maybe contributes 30-50% of the project from the outset – money follows money, and other funders are then more likely to come on board as they perceive lower project risk."* However, the same interviewee went on to argue that the emerging funding landscape often requires community groups to put their own money into a project but *"this depends on the capacity of the client. Do they have wind turbine money? But this contributes to the uneven landscape and capacity for community led development across the islands."* He went on to argue that this also depends on the capacity of the community group to think strategically, for example, in using renewable energy income to invest now in long-term community projects – but again this capacity to think and act strategically depends, at least to some extent, on access to money.

decisions on how funds should be spent. For more information see: £20m of Levelling Up funding announced for Orkney

417. LAGs will also need to undertake new activities and to build new partnerships and networks to maintain and enhance their role in community development. Progress on this is understandably slow for a variety of reasons, not least the short windows for most current funding schemes which gives staff very little time to think strategically about future arrangements.

418. The relationship between the Scottish Government and LAGs needs to be maintained - even if, and perhaps especially if, their role expands into distributing other funding. One important function of this relationship is that the LAGs provide a source of cross-organisation, cross-sectoral intelligence from across rural and island Scotland, including through the CLLD network and related meetings and events, which is highly valuable for national policymakers. It was also noted by one interviewee that continued and indeed enhanced LAG collaboration is an important part of the Scottish Government's work with stakeholders, including Scottish Rural Action and the Scottish Islands Federation, to create and strengthen a rural movement in Scotland.

419. Looking ahead interviewees reflected that there is an important balance to be struck in terms of CLLD and its funding. While the whole premise of this is undertaking activities to meet local priorities in ways that are appropriate for the local area, given ever tighter funding arrangements, there is also a need to demonstrate how local activities are directly meeting national policy priorities, including net zero, just transition, tackling child poverty, etc. This will include priorities that are closely related to agriculture, including shortening supply chains, local growing, farm diversification, etc. Interviewees recognised that LAGs will need to be 'policy intelligent' at the same time as dealing with the requirements of locally led and managed projects targeted at local priorities, building new collaborative relationships with stakeholders and doing more with ever-tighter financial limits and controls.

420. Interviewees also reflected on the need to continue to encourage LAGs to work together, network and collaborate as much as possible for mutual benefit, albeit they are by the nature of what they do, very different with different priorities, ways of working, etc. As cohesive and unified a voice as possible is important in terms of informing and lobbying national government, for example, in relation to the rural and island communities aspects of the Agriculture and Rural Communities Bill. Interviewees felt that this lobbying is important given the potential risk that funding for rural and island CLLD continues to be *"the poor cousin"* of direct funding for agriculture in future (this description was a reference to the relatively small amount of funding which traditionally went to LEADER as part of Pillar 2 of the CAP when compared to the rest of Pillar 2 and Pillar 1 support for land managers). To some extent, interviewees felt that this situation is at risk of being perpetuated through the Agriculture and Rural Communities Bill where support for

rural communities is somewhat secondary to support for land managers in the Bill as it currently stands.

421. Opposingly, others were more positive about communities being included. For these interviewees, splitting funding for agriculture and rural communities was an artificial distinction; for them, perhaps particularly in island contexts, funding for farmers and crofters is effectively funding for wider rural and island communities, because agriculture and crofting were considered vital in maintaining and ensuring the future of these communities.

11.4 *"Wearing many hats"* in island communities

422. When discussing the inter-twining of agriculture and crofting and wider island communities, many of our interviewees spoke about multiple job holding in island communities, which is critical to ensuring the ongoing functioning of these communities.

423. In reality, everyday life for many islanders involves *"wearing several hats"*, i.e. holding several different roles in the community, some of which are paid, some unpaid, some may be formal, some voluntary and informal, but all are critical to the functioning of the community and its residents. For example, an individual will not 'just' be a crofter, but will also often perhaps be a local volunteer fire fighter or harbour master or occupy other critical paid lifeline service roles, etc. Once the individual's role as a crofter or farmer is threatened through a change in support for example, then all of their other roles are also put under threat. This may have fundamental implications for services and wider resilience (and indeed safety in an emergency situation) across the community – a kind of negative 'domino effect'[219].

424. In a related point, one interviewee discussed how farming and crofting have changed and become more professionalised meaning there are now fewer opportunities for farmers and crofters to be so closely embedded in their communities, through running festivals or taking on other social and volunteering roles: *"farmers also need second jobs in order to have their crofts so they can't give time to community halls and other community building aspects. There used to be local events celebrating the harvest, but this doesn't happen anymore, people are working in other roles and don't have time."* Another interviewee noted: *"farming and agriculture is not done for love any more. It's a chore with the paperwork… its transactional not emotive now. There is no space for community anymore because it's all professionalised now."* Echoing these points further, another interviewee felt that farming and crofting have become more individual

[219] The role of volunteer fire fighters was discussed in a recent BBC News article: The volunteer firefighters keeping Scottish rural communities safe - BBC News

occupations than they were in the past, which is *"losing the essence of farming"*. They are not the *"embedded, community-based activities"* that they used to be.

11.5 Linking people, communities, agriculture and crofting

425. While there may be socio-economic changes happening which are eroding the links between crofting and farming and wider island communities and community-related activities, interviewees all placed emphasis on the intrinsic inter-linking of agriculture and crofting and people and communities across the three island groupings in many different senses, whether that is related to economic, social, cultural or environmental linkages. In their view, despite recent shifts, this linking is stronger than in mainland rural communities.

426. Serious concerns were therefore expressed about a situation in which financial (and other) support to land managers (including farmers and crofters) is reduced in future which would lead to disproportionate and wide-ranging impacts on island communities. Some of these impacts would be economic in terms of reduced money coming into the island overall leading to a reduction in household incomes of farmers and crofters, in turn leading to reduced local spending in local businesses, etc.

427. In addition, in the interviews there was also much discussion about the wider social and cultural impacts of changes to support. Several interviewees spoke about the strong cultural connections between the land and the people who use it through language, history and heritage, music, peoples' sense of belonging, connections to place and nature, and their sense of responsibility for stewardship of the land, etc. Annex 9 Youth-led CLLD provides information on a film that has been commissioned by the Outer Hebrides Youth Local Action Group to highlight the role and views of young crofters.

428. These connections form a key part of peoples' belonging to their island communities and of the important tourism offering of these places. However, the movement of people into and out of island communities is impacting on the relationships between farming and crofting, the land and people, as new people move in often without strong family ties. One interviewee referred to *"parachute crofters"* in the Outer Hebrides for example, meaning people who have moved into crofting with no background in it. This interviewee felt that these incomers tend to have less connection to the land, nature and community and, in some instances, are more transient. For this interviewee, this was a result of people moving in from elsewhere without necessarily understanding or having knowledge of the context they were moving to, while for another interviewee this reduction in linkages was a result of mechanisation in farming and people effectively being removed from the land and communities because they were choosing, or being forced, to take

additional employment elsewhere. The former interviewee had noticed many new crofters were preferring to focus on horticultural activities (including growing food for local restaurants and shops) rather than having mixed enterprises which is changing the appearance and management of the land (see Box: 10 for brief information on this from one of the interviews and Annex 10 Need for adaptation and inclusion for more detail). They also commented that support schemes had not kept pace with the social and demographic changes in farming and crofting[220].

429. At the same time, interviewees also recognised the need for changes in crofting to bring new people in (especially young people to reverse the ageing demographic of farmers/crofters and of island communities generally) and to bring empty and abandoned crofts and associated land back into use. Otherwise, one interviewee noted a risk that *"the unused land will be for the birds"* while crofting traditions and associated communities are further lost.

Box: 10 The need for adaptation and inclusion: migration, land management and local growing in the Outer Hebrides

One interviewee articulated some of the changes occurring in crofting in recent years with, for example, an increase in the number of crofters in some locations as new people have come in and taken over crofts. While this was positive in terms of the sustainability of communities, changes in the social make-up of communities were being observed as were changes in land management as many new crofters were preferring horticultural activities to keeping livestock. It was also observed that many of those with horticulture-based crofts were growing food for local selling in particular to cafés and restaurants, which again was regarded as generally positive.

However, it was felt that the support systems were not keeping pace with these changes and so often people were not eligible for funding, or worse, were not aware of whether they were eligible or not. For this interviewee, viewing changes to all support schemes, whether that be in agriculture or crofting or in terms of community development, through the lens of improving the resilience of island communities and maintaining populations would be worthwhile. See Annex 10 Need for adaptation and inclusion for more detail

430. Interviewees talked about instances where people have moved away from the islands (or perhaps move from their home as a child on an outer island to the mainland) but return regularly and are involved in crofting or agriculture and the associated social traditions. One specific example given was individuals and families returning to North Ronaldsay to clip the sheep. As one interviewee commented, individuals who had moved away felt it was important to return *"so*

[220] This article (in Gaelic) refers to crofters losing out from a scheme: Call air croitearan le sgeama nach eil a' pàigheadh a-mach - Naidheachdan a' BhBC (bbc.co.uk) (Title is 'Loss to crofters with a scheme that does not pay out').

that they are not the generation where that tradition and heritage is lost… but you need to have that yearning and that heritage in you".

431. Interviewees felt strongly that the interconnections are generally not well recognised at national policy-making level where policy and funding interventions tend to be siloed (i.e. primary sector policies and funding separate from wider rural development support), and also often not at regional level (i.e. local authority) either in terms of policy implementation. At local level there is more recognition of the inter-relations between farmers and crofters and those involved in CLLD, although this is often quite informal, except in instances when the farming/crofting sector is formally represented on a LAG for example.

11.6 Increasing (competing) expectations on the land

432. Several interviewees talked about the sense in which land managers in the islands are being faced with multiple competing demands in a context in which the costs of farming or crofting are high. Several asked how (and indeed whether) it is possible for farmers and crofters to balance the requirements to produce food with a growing emphasis on nature, biodiversity and conservation, and their role in maintaining viable communities and delivering CLLD or community wealth building. One interviewee commented on the tendency for national-level conservation policies and organisations to unhelpfully reinforce the sense of *"a nature-people dichotomy – people v conservation"*. Furthermore, they commented that representatives of national organisations often come to island locations simply to deliver national schemes without taking account of local context (again confirming the widespread view that ICIAs were not impactful).

433. However, as one interviewee commented, the reality is that land managers have *"co-existed"* and *"co-flourished"* with nature and biodiversity for hundreds of years, and that it is increasingly important that future support systems recognise these multiple changing roles. See Box: 11 for brief information on this from research carried out on Uist, and Annex 11 Following the seeds for more information.

Box: 11 Following the seeds: Landrace's unique and crucial role within Uist crofting.

Case study based on research undertaken by Leah Reinfranck in 2023 as part of an MSc in Ecological Economics at the University of Edinburgh

Recent research has highlighted the importance of, and multiple forms of value for, crofting practices unique to Uist. This machair cultivation and growing of corn native to the island (small oat, bere barley, and rye) now only take place in Uist and have an important role to play in the health and flourishing of the island's machair and the species who call it home including rare birds, insects, and wildflowers, and the continuation of traditional crofting practices and associated cultural, heritage, and language practices.

Despite the value and importance of these practices and the linkages between crofting, ecosystem health, and community they face a number of challenges and threats including the viability of crofting and any changes to its support system, a lack of recognition for these local practices and therefore poorly targeted support, changing crofter demographics, and crop damage from geese populations. See Annex 11 Following the seeds for more information.

434. For one interviewee, however, the opposite seemed to be happening as in their view the Agriculture and Rural Communities Bill was likened to *"the clearances"* as the direction of travel it demonstrated would mean that the *"people would all be gone"* as a result of the proposed changes in support payments. Box: 9 earlier in this report has summarised the views of one interviewee about how crofting is changing and changing the balance between these three objectives in some communities.

11.7 Reflections on crofting and communities

435. Given the importance of crofting across many of the communities in these three island groups, it is important to report the key points made about crofting by interviewees in this study. As previously mentioned, several interviewees talked about the changes they had seen in crofting in recent years both positive and negative, with most acknowledging the need for young crofters to enter the sector to maintain both crofting and the communities of which it is part, but that this also meant changes in the sector, such as shift in the balance of livestock and horticultural activities.

436. It was also acknowledged that there were changes taking place in terms of speeding up and simplifying the process of getting people into crofting, and updating crofting-related records, with the Crofting Commission undertaking work in this regard, though it was argued by a number of interviewees that more needed to be done here.

437. Others commented on the need for better support for those seeking to retire from the sector, including a need for better remuneration in the form of a pension, as well as for those wishing to come in and take over crofts. Currently some older people are having to stay in crofting for longer than they wish to due to a shortage of young people wanting to enter the sector (partly due to low-income levels, particularly as feed, energy and other input, transportation, vets, etc. costs have increased so much recently). It was reported that on some islands, outer isles in particular, all of the farmers and crofters are likely to be seeking to retire in the next 10-15 years which raised significant concerns for the future of the whole sector.

438. One interviewee commented that those moving-in to take over crofts needed to be more proactive in terms of the skills that they bring to the communities to which they move and in terms of their levels of engagement in those communities. This is an interesting perspective and raises questions about how far this would be expected of people moving into urban or accessible rural locations, for example. But perhaps it is more appropriate to reflect on this 'ask' of incomers in smaller communities that have a history of experiencing out-migration and depopulation. Several interviewees also noted that challenges tend to occur when people move into communities with unrealistic expectations of what island life will be like, for example in terms of service provision.

439. It was also noted that the person hours put into crofting, often in very poor weather conditions, are high, often for no remuneration. One interviewee noted that direct payment levels are already low and therefore many would leave the sector completely if these were to be substantially reduced (with all the wider knock-on impacts for communities discussed here).

11.8 The challenges of (affordable) housing on islands

440. This section has already emphasised the challenges relating to the delivery of affordable housing across the three island groups. Earlier the example of the North Harris Trust was featured, where they had faced the cost challenges of housing construction projects on Harris, resulting from the additional costs of transporting materials and labour and providing local accommodation if required for staff (if its available). In response, the Trust has been exploring the option of modular housing to try and reduce costs. There may still be challenges, however, in transporting the units if ferries are cancelled for example, leading to delays to the project. These costs are particularly difficult for community groups to bear, especially if the plan is to sell or rent the housing at affordable rates: *"the numbers just do not stack up"*, as one interviewee said. More information about the work of Harris Forum to deliver worker accommodation on Harris is available in Box: 12 and Annex 12 Delivering key worker accommodation on the Isle of Harris.

Box: 12 Delivering worker accommodation in Harris

The Harris Forum is working on a project to deliver worker accommodation in Harris. Local economic assessment work undertaken by the Forum highlighted the already significant gap in housing provision for the existing labour force, and thus the constraint the lack of housing is to new business formation and business and labour market growth on the island. By delivering the worker accommodation, private housing (for sale and rent) will be made available as businesses that had been forced

to buy/rent it for their workers will no longer need to do so. A key challenge in the Outer Hebrides (which is also the situation in Orkney and Shetland) is that there is only one Registered Social Landlord (RSL). The RSL is not using up the isles annual Resource Planning Allocation (RPA), which is the money given to Local Authorities to deliver housing. Despite the role of community groups in delivering affordable housing, they are not able to access that RPA unless they become RSLs themselves. For more detailed information on the Harris Forum project see Annex 8 North Harris Trust.

441. Many interviewees commented that funding available for affordable housing construction from national programmes and funding streams is not sufficient (and is generally limited to only two funding sources, the Scottish Land Fund and the Rural Housing Fund). It was also commented that, while some uplifts are available for constructing housing in island locations, they are not enough to full take account of the considerably higher costs of building projects when compared to the mainland.

442. A further challenge, also mentioned by several interviewees was the tendency for RSLs and local authorities to build new housing close to existing, and usually larger, settlements, such as Stornoway and Kirkwall on the largest island within the island groups. This tends to reinforce the sustainability of the main population centres, at the expense of smaller settlements, particularly on outer islands. One interviewee commented: "*the local authority tell me that there is no demand or waiting list for council housing on my island, but this is because there is no council housing on the island and therefore no waiting list for a product which does not exist*."

443. One interviewee commented on the need to plan ahead, build relationships and be innovative across all aspects of CLLD on islands. However, they noted several examples of being solutions-focused in relation to tackling housing challenges. They noted, for example, the importance of knowing which tradespeople and architects are working where across the islands (Orkney in this case) and their workload and capacity. It is also important to know their areas of specialism so that they can be matched as appropriately as possible to clients. They noted that some construction projects are building their own temporary worker accommodation for each project or using the housing they are building in the first year for workers before making it available on the open market (then rent is only lost during the construction period and other housing is not taken out of the market). They also noted that during winter months having builders and tradespeople travelling backwards and forwards to islands by boat/plane creates less of a capacity issue than during the summer when tourist numbers increase; at that point accommodating workers on islands is a better approach.

444. It is worth noting that there is a group of organisations working in partnership in Orkney to identify reasons and solutions for the islands' housing challenges and to draft the forthcoming Local Housing Strategy. The group includes developers, development trusts, other community groups, elected members and council officials (including planners), Orkney Housing Association Limited and Orkney College. By bringing together these cross-sectoral perspectives there is the potential to identify appropriate place-based and holistic solutions to the islands' housing challenges.

445. For all interviews, the lack of affordable housing for sale and rent is a huge barrier to sustainable demographic and socio-economic growth across their islands. Without an appropriate level of housing supply of a variety of sizes, school rolls are threatened if families can't stay/move in, labour market vacancies may not be filled, shops may not be able to open all year round or all the hours they want to, businesses may not be able to expand, groups delivering CLLD may not be able to continue to do so due to a lack of volunteers, etc. For one interviewee, having a housing allocations policy is critical to enable communities to fairly and transparently prioritise particular people to move into their community if they have children, particular skills related to future growth sectors, etc. They also noted the importance of burdens on new housing, for example, giving development trusts first refusal if properties come onto the market to keep that asset in the community for the long-term.

11.9 Islands legislation, plans and policies

446. The final theme relates to a number of points that were made by interviewees about national-level islands policy developments over the last 5-10 years.

> **Island Communities Impact Assessment –** "a process in which Scottish public authorities must identify the effect that policies, strategies, or services are likely to have on an island community which may be significantly different from the effect on other communities (including other island communities) in the area in which the authority exercises its functions. This duty is often referred to as 'island proofing' and is set out under Part 3 of the Islands (Scotland) Act 2018."
>
> National Islands Plan review: consultation analysis - gov.scot (www.gov.scot)

447. As mentioned earlier, while there was recognition amongst interviewees that islands had seemingly risen up the national policy agenda recently with the Islands (Scotland) Act 2018 and the National Islands Plan, there was a considerable amount of scepticism amongst interviewees about the effectiveness of ICIAs in particular. As one interviewee said *"ICIAs have been more notable in their absence than their application"*; another commented on the *"academic nature"* of the process and that they are somewhat removed from the realities of how things

work ‘on the ground’ in islands. The screening process which decides whether a full ICIA is required was particularly subject to criticism as being weak and not representing even cursory scrutiny of the issues in terms of breadth or depth (particularly from a lived-in experience). In fact, all their introduction had done was to place an additional burden particularly on local authorities, but also on other stakeholders too (including local and national stakeholders or various kinds who are seeking to inform the process), for little apparent impact.

448. There were calls for the ICIAs that have been undertaken to be evaluated so that lessons can be learned about how effective they are and to inform future assessments. It was recognised that island populations are continuing to change, with local young people leaving and newcomers moving in with different needs, challenges, expectations, etc. and that the voices of all people need to be heard in shaping the future of these communities. At the same time, interviewees expressed a considerable amount of frustration with the amount of consultation that had been undertaken in recent years, particularly as it was hard for them to see the tangible outcomes of this in national policymaking.

449. More broadly in terms of island policy, one interviewee commented that the number of priorities in the National Islands Plan makes the document meaningless as *“functionally that means it has no priorities”*. Echoing this, another interviewee also commented that the National Islands Plan was not specific enough to the Islands as the themes are those that would be found anywhere in the UK.

450. One interviewee made reference to the frequent movement of civil servants around policy teams in the Scottish Government. This has recently happened in the Islands Policy Team with many staff moving to other roles. This can lead to a loss of established relationships and trust, a lack of consistency in terms of both people and strategies, and a lack of continuity in terms of links between national and local policymakers and practitioners. Time therefore needs to be spent rebuilding relationships which would normally be spent on delivering projects, strategic thinking and development, etc. More broadly, one interviewee felt that there would be benefits from much closer working between the Islands Policy Team in Scottish Government and public, third and community sector partners locally, including local government, to ensure that national interventions are tailored to local needs and opportunities. This close working could be guided by a local development or investment plan to ensure activities are strategic and meet local priorities, with the LAG taking a key role in designing and delivering this.

451. While many interviewees described a strong sense of consultation fatigue across their local communities, there was also a sense that local communities views had not been adequately reflected in the National Islands Plan and other plans/legislation. More broadly, several interviewees commented that national

policy is not grounded in the reality for many islanders working to deliver CLLD. This section of the report has already discussed several examples of the higher costs of delivering projects in islands for example, whether that's relating to ferry costs and unreliability, a lack of local tradespeople or higher freight costs. For example, the assumed cost per housing unit used in national funding schemes is the same whether the house is being built in a mainland or an island location; the reality is that costs are very different. One interviewee commented that *"The formulae for calculating CLLD funding is laughable compared with the reality of how expensive things are to deliver on islands… not to mention that contractors moving staff take up all of the seats on the plane and building materials have to be carried by boat, leaving no space for anything else."*

452. One interviewee reflected on the islands bond scheme which was proposed recently by Scottish Government but then withdrawn, as an example of a policy that didn't fit well with local island circumstances. For example, they commented that there was a risk that businesses would be attracted to an island location from a Central Belt urban location but just simply wouldn't be viable. They also reflected on the fact that the proposed scheme had the potential to create a very uneven playing field between local business owners and in-migrant owners who took advantage of the scheme. They argued that *"this isn't a grounded approach to repopulation, it's not grounded in reality"* arguing that it demonstrated policy-makers lack of understanding of the rural/island context and *"sentiment… we need to develop on our own terms"*. Instead, this interviewee argued that a more appropriate approach would be to match skills gaps and the people who want to return, move or stay, rather than trying to attract new people *"chasing the island dream"* to come through financial payouts.

National Islands Plan review: consultation analysis

In April 2024, the Scottish Government published a report summarising the results of the consultation carried out to inform the review of the 2019 National Islands Plan. Respondents expressed support for the ICIA concept but voiced "*concerns about the perceived lack of consistency and quality in the use of ICIAs*" (5.32; p39). As a result, there was a sense amongst some respondents that policy decisions affecting island communities continued to be made from the 'top down' without input from local residents, while others expressed concerns that the ICIA process is not well understood.

In terms of solutions, some respondents suggested that: *"(i) greater clarity was needed in relation to the standard that an ICIA should meet, and (ii) a review of the use of this mechanism was needed to ensure that it is fit for purpose*" (5.32; p39). There was a sense amongst some respondents that ICIAs should be undertaken in relation to any policy development or implementation affecting island communities, with all potential impacts on island communities considered fully, and feedback given on the resultant actions or amendments. It was also suggested (and indeed

requested) by respondents that an accessible register of ICIAs should be established which would enable an evaluation of the efficacy of ICIAs to be undertaken, from the perspective of the intended beneficiaries (i.e. island communities). In this way, for some respondents, the ICIA process was seen as a way of better empowering communities. A further suggestion was that there should be an ICIA requirement for businesses as well as statutory bodies.

11.10 CLLD Summary and Recommendations

453. Through a review of desk-based literature and interviews with a range of stakeholders across all three island groups, this section of the report has described the vital importance of CLLD to the resilience and sustainability of island communities and some of the unique challenges faced in delivering it, in all its shapes and forms. The section has also focused on describing the important links between agriculture and crofting and people and communities across island communities. While islands within the three island groups are diverse, and there are significant differences between the three groups, there are also many similarities in terms of both the opportunities and the challenges they face.

454. There are many, many examples of community organisations delivering a huge range of projects across the islands, from affordable housing provision, to shops, cafes and restaurants, community centres, to electric vehicles for community transport, to small scale funding for wellbeing initiatives and for local people to upskill. However, the loss of EU LEADER funding has been significant for rural and island communities across Scotland. While the Scottish Government's continuation of CLLD funding has been welcomed, it is also acknowledged that there are challenges with this, the most important being the short timescales for delivering CLLD projects - often less than one year and often during winter months when delays are more likely. This has meant that delivering projects is difficult, and important animation and strategic planning work, almost impossible. This increases the risk of creating or exacerbating an already uneven landscape of CLLD activity.

455. Looking ahead, the continuation of local structures and processes which originated in LEADER – in particular the LAG – is important and could help in terms of the allocation of a range of other funding in future. Key is ensuring that CLLD activity meets local priorities, but also delivers to important national policy agendas, including through ensuring that LAGs (or their replacements) continue to network and share learning. However, all of this is reliant on CLLD groups being able to continue to attract appropriate numbers of volunteers who have significant time and energy to commit often for many years, often alongside a day job and several other important community roles.

456. An island location, and particularly an outer island location, brings a range of challenges to delivering CLLD, not least due to the additional costs and unreliability of transporting people and materials, particularly by ferry. A second key challenge for island communities is a lack of affordable housing. While this challenge is shared by many mainland rural communities, delivering affordable housing on islands is especially difficult again in large part due to the additional costs and unreliability of transport for labour and supplies.

457. There are strong inter-linkages between agriculture and crofting and people and communities in island locations. While some of these inter-linkages may have been weakened recently as a result of demographic change and migration, and the changing nature of farming and crofting themselves, they are still important for community cohesion and resilience. However, regional and national policy interventions focusing on agriculture and crofting and community development often do not acknowledge, or seek to build positively on, these inter-relationships. At the same time, farmers and crofters are being required to deliver more and more from their land as well as play significant roles in CLLD in their communities.

458. While islands have risen up the policy and political agenda in Scotland in recent years with new legislation (including to undertake ICIAs) and islands-specific plans, there was a sense in which, despite consultation and engagement taking place, national policymakers do not adequately take islands and their specific circumstances into account in their decision-making.

459. From this evidence, a set of recommendations can be distilled in relation to CLLD and wider community resilience across the three island groups:

- **A return to multi-annual CLLD funding is required** to ensure that applications are high quality, projects are delivered, and that animation and capacity-building work can happen alongside strategic planning - this includes capacity-building with communities as well as LAG members. This also provides greater certainty for LAG members and CLLD staff. Greater certainty of longer-term funding with built-in flexibility may also enable support to be provided, where appropriate, to groups that are acquiring and developing income-generating assets who may need revenue funding until the asset becomes sustainable.
- **An enhanced role for LAGs in distributing other funding should be explored.** This might include UK and Scottish Government funding and private sector money. It is also worth acknowledging that LAGs already play a number of important roles, and these could be enhanced in future, including encouraging empowerment, engagement, partnership-working and collaboration (locally and beyond), facilitating a bottom-up approach to addressing local needs, building capacity, and monitoring and evaluation.

- Having **a Local Development Strategy with cross-sectoral buy-in is critical**, particularly if LAGs will be distributing multiple funding sources, to ensure that all activity is framed according to local place-based priorities.
- There are many similarities between the three island groups in terms of CLLD, and particularly the challenges faced relating to transport and housing infrastructure and the strength of inter-linkages between land and land use and people and communities. These similarities mean there is **potential for shared learning and collaborative working** to raise awareness of, and strong calls for action on, these issues. In particular, **islands are likely to be important sources of innovation and 'thinking outside the box' which will have wider applicability elsewhere.** More broadly, ensuring there is a network for LAGs from across rural and island Scotland to share CLLD learning and experiences, advocate and influence future policy in this area, and develop collaboration projects, is important.
- **Ongoing monitoring and evaluation of CLLD activity** is important to demonstrate its impacts both locally and in terms of delivering national policy objectives. This evaluation needs to recognise and value the diversity of impacts of CLLD activity through expanding the use of tools such as SROI or Social Value Engine, through gathering and valuing qualitative evidence, and through the use of non-traditional methods of raising awareness of the scale and scope of activity (such as through short films and the use of other visual techniques).
- **At the same time, as ICIAs take place at the level of island groups for example, there is a need for meaningful community engagement within island groups**, in particular to ensure that the different circumstances on outer islands are acknowledged.
- Nationally available funding streams for specific activities (including housing and CLLD) need to acknowledge and allow for the higher costs of delivering projects in island locations i.e. **an island uplift**. A range of robust evidence and data (including both quantitative and qualitative information) is required to ensure the uplift is appropriate and reflects the realities of island living and working.
- Although it has limitations (including in terms of the data on which it itself is based), **the recently developed Islands Typology may help to better understand the diversity of Scotland's islands** and may serve as an important means to present and compare data (both quantitative and qualitative).
- **Tackling the affordable housing challenge across island communities is critical** to ensuring the future sustainability of these communities. Communities are already doing a lot in terms of the delivery of affordable housing, but more flexibility in funding streams (for actual construction and for

accompanying development work) and other policies – for example, relaxing the restrictions relating to the RPA, providing more information on how the forthcoming key worker accommodation scheme will work, and ensuring worker accommodation can be funded through existing grant schemes – would help them to do more alongside other stakeholders.

- **Another key piece of island infrastructure – ferries – also need to be improved** to reduce delays that happen due to technical problems, particularly from having to use old boats. Ferries provide lifeline services for island communities but at present, in many instances, simply serve to add costs and unreliability to CLLD projects.
- **The (legislative) ICIA process needs to be strengthened,** with information on ICIAs and actions taken in response to them made publicly available, and transparency in relation to the pre-ICIA screening exercises undertaken and how decisions are reached to go ahead or not with full ICIAs. Existing ICIAs need to be evaluated and lessons learned for how to do this evaluation (as well as the ICIA process itself) efficiently, effectively and robustly.
- **The importance of CLLD needs to be strengthened in the Agriculture and Rural Communities Bill,** with the important and mutually beneficial links between farming and crofting and communities made more explicit. This needs to 'translate down' to local level, with the **farming and/or crofting sector represented on LAGs for example.** It would also be worth continuing CLLD funding for farm diversification-based projects to encourage closer working between CLLD and the agricultural sector.
- The **links between the Rural Support Plan (which will accompany the Bill), the National Islands Plan and the forthcoming Rural Delivery Plan need to be carefully and clearly articulated** otherwise there is considerable potential for confusion across island communities.
- More recognition needs to be placed on using local island intelligence and experience to inform the development of future support schemes, whether these are related to land management, biodiversity, CLLD, etc. to ensure they are as appropriate as possible for island contexts. **At the same time, community consultation and engagement needs to be meaningful and focused.** Engaging with 'hard-to-reach' groups in meaningful ways is vital, as is reporting back to communities on how and why their views were or were not taken into account.
- **Culture, history, heritage and language are hugely important for locals, in-migrants and visitors to the islands**. There are land management practices, for example, which are unique to (some) islands and could form a strong part of future CLLD activities. There is a need for learning from communities that have successfully incorporated these assets into their CLLD and for a stronger recognition of the importance of culture in CLLD projects in future.

12 SWOT

460. The interaction of current circumstances and proposed policy changes can be explored using Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis. Drawing on findings from stakeholder interactions, data analysis and relevant literature, the Table 63 summarises a collective SWOT across all three island groupings (for details see Annex 13 Island-specific & natural capital market SWOTs). Each point in the table is discussed briefly below, including identifying links between different quadrants of the SWOT table.

12.1.1 Strengths

461. **Inter-generational tacit knowledge (so understand local context and nuances):** Family farming and crofting ensures continuity of site-specific knowledge i.e. idiosyncrasies of particular parcels of land, variability in growing conditions, location of acute flood/drought risks etc. Such fine-grain detail is important for agricultural and environmental management. Links to opportunities for knowledge exchange, but also to threats of under-resourcing of advisory services.

462. **High level of social capital (underpinning collaborative and community actions):** Communities have strong social bonding (but also often, via time spent working elsewhere, bridging) capital which can support cooperative and collaborative actions, which are important for agriculture (e.g. common grazing, shared bulls) but will also be relevant for landscape scale environmental management (e.g. peatland restoration). Links to opportunities for environmental rewards but may be undermined by lack of generational renewal weakness.

463. **Small scale production offers economies of scope (pluriactive businesses and households):** Small-scale land management alone typically generates insufficient income to sustain households but pluriactivty spreads income risks and encourages broader perspective on rural development. Links to opportunities for retargeting support (not necessarily just to agriculture per se), but also to weakness and threats of disproportionate overhead compliance costs.

464. **Brand recognition for some products (e.g. cheese, black pudding, wool):** Some locally processed products have added value, and these could perhaps be expanded/extended. Links to market opportunities but also threats around thin supply-chains and transport. Expansion of some brands (e.g. cheese) might only be possible if production of other products (e.g. beef) declines to free up resources (e.g. land, labour).

Table 63 SWOT analysis of island agriculture and future policy interactions

Strengths	Weaknesses
– Inter-generational tacit knowledge (so understand local context & nuances) – High level of social capital (underpinning collaborative & community actions) – Small scale production offers economies of scope (pluriactive businesses & households) – Brand recognition for some products (e.g. cheese, black pudding, wool) – High number of environmental designations (so national recognition of environmental value) – LA recognition of importance of local culture & agricultural economy (so supportive of sector) – National policy recognition of islands' unique status (so account must be taken)	– Low local awareness of policy developments (so not preparing for change) – Skills gaps (so lacking in understanding & confidence to prepare for change) – Low profitability hinders investment (so low productivity& low capacity to change) – Low rates of generational renewal (so longer-term management continuity uncertain) – Thin local input markets (so supply constraints impose logistical issues & cost – esp. transport) – Thin local output markets (so reliance on access to mainland markets – esp. transport) – Small-scale production has higher fixed overheads (so disproportionately affected by some costs) – Fragility of wider supply-chain – Poor connectivity continues to act as a barrier to sustainable development (freight capacity & internet connectivity are both critically important & to a large extent out with the control of LA) – Declining use of common grazings (limiting draw-down of available public funding for 'active crofting' with many common grazings unregulated): – Long term decline in occupiers engaged in agricultural activity (so reduced policy rationale) – High levels of degraded peatlands with uncertain restoration route map (high LULUCF emissions)
Opportunities	**Threats**
– Knowledge exchange through facilitated peer networks (to combine local & outside skills) – Redesign of LFASS-type support to account for peripherality costs (e.g. transport cost & reliability) – Redesign of payment Regions to better align with environmental policy objectives (e.g. merge R2 & 3) – Increase funding for retained environmental features /designations (i.e. reward existing attainment, including of peatland restoration) – Design simplified arrangements for small producers (e.g. small recipients' scheme / redistributive support on first 'x' hectares) – Strengthen key elements of thin supply-chains (e.g. support for vets, processors) – Explore product & environmental market opportunities (e.g. collective provenance marketing, carbon & biodiversity, eco-& agri-tourism) – Fully support the positives of community land management inherent in Common Grazings (publicly funded experts to facilitate & support common grazing committees including undertaking biodiversity audits & peatland assessments) – Enhance CLLD approach (through the Coastal Communities Fund and other appropriate public / community benefit schemes)	– National policy (& supply-chain) prescriptions ill-matched to local context (e.g. habitat types, common grazings) – Policy (& market) funding doesn't cover compliance costs (so low enrolment & land abandonment) – Policy (& market) funding does not adequately reflect increased costs of operating in island communities – Lack of joined up thinking in policy development has a disproportionate impact on fragile rural communities – Policy support replaced by regulatory obligations (so land abandonment or ownership change) – Transport costs increase or service reduced (so input & output market access worsens) – Thin supply-chains at risk of cascading loss of critical mass (e.g. no vet, lack of advisors) – Adherence to top-down environmental targets ignores local vs. national balance (e.g. displacement) – Lack of nuanced thinking in policy& in resulting public discourse on how to achieve environmental targets creating consumer misconceptions & driving change that is not necessarily positive (e.g. Carbon Auditing will lead to more intensive efficiency-based systems unless there is a more balanced approach to its limitations) – Climate change exacerbates production constraints (i.e. adaptation costs tip balance) – Negative impact on rare species – Lack of market regulation to ensure large scale retailers are held to account creates uneven playing field

465. **High number of environmental designations (so national recognition of environmental value):** Existing environmental designations imply delivery of public goods value to society, yet are currently under-rewarded by policy or market funding. Links to opportunities for market development and re-targeting of policy support, but also to threats around compliance costs plus climate change adaptation.

466. **Local Authority (LA) recognition of importance of local cultural and agricultural economy (so supportive of sector):** LAs are keen to retain active land management for economic and community cohesion reasons, so are supportive of farming and crofting. Links to opportunities to retarget policy support but also to threats around funding (budget) levels.

467. **National policy recognition of islands' unique status (so account must be taken):** Islands (Scotland) Act 2018 places explicit obligations on Scottish Government to monitor and mitigate adverse impacts on island economies and communities. Links to opportunities to redesign policy support, but also to threats around overall funding (budget) levels.

12.1.2 Weaknesses

468. **Low local awareness of policy developments (so not preparing for change):** Lack of engagement (due both to poor central comms but also competing demands on producers' time) means that awareness of policy drivers and proposals is poor. Links to opportunities for knowledge exchange but also to threats around ill-matched prescriptions because local perspectives are not being offered/heard. The Rural Support Plan should have provided the rationale and outcomes (and therefore clarity) for future support and the basis for the Agriculture and Rural Communities (Scotland) Bill, but that holistic clarity is unlikely in the short term.

469. **Skills gaps (so lacking in understanding and confidence to prepare for change):** Emerging policy and market expectations (plus climate adaptation) demand new skills which are often currently lacking. Links to opportunities for knowledge exchange but also to threats around lack of access to advisory support.

470. **Low profitability hinders investment (so low productivity and low capacity to change):** Emerging policy and market expectations require investment in natural and financial capital (as well as human and social capital), but commercial margins are too low to cover this, particularly given additional production costs faced on islands. Links to opportunities for redesign of policy support and new markets, but also to threats around funding and additional adaptation to climate change.

471. **Low rates of generational renewal (so longer-term management continuity uncertain):** Ageing demographics may mean that continuity of management is

lost, or worse that land is abandoned. Links to opportunities to redesign support but also to threats around funding (budget) levels.

472. **Thin local input markets (so supply constraints impose logistical issues and cost – esp. transport):** Island producer demand is too small to sustain thick markets/supply-chains with large choice of upstream and downstream local firms. Consequently, availability of local services is often restricted, affecting timing of access as well as cost. Moreover, purchased inputs incur additional transport and transaction costs. Links to opportunities to strengthen selected sections of supply-chains but also threats around cascading critical mass losses.

473. **Thin local output markets (so reliance on access to 'export' markets):** Island consumer demand is too small to sustain thick output markets. Consequently, production at scale is reliant on access to off-island markets. As with purchased inputs, this incurs additional transport and transaction costs. Links to opportunities to strengthen selected sections of supply-chains but also threats around cascading critical mass losses and risks of further increases in transport costs.

474. **Small-scale production has higher fixed overheads (so disproportionately affected by some costs):** Some proposed policy measures, notably plans and CPD, have a high fixed cost element that does not vary with business size. As such, they impact disproportionately on smaller producers. Links to opportunities for a small recipients' scheme but also to threats around funding not covering compliance costs.

475. Declining use of common grazings (limiting draw-down of available public funding for 'active crofting' with many common grazings unregulated): Despite Crofting Commission governance and regulations regarding 'neglect', 'cultivate' and 'maintain' there is declining use of crofts for agricultural activity by owners/tenants and specifically under utilisation of common grazings by allocated shareholders. Limits amounts of national funding being drawn into communities that could underpin jobs and the wider economy. Links to opportunities to improve collective governance.

476. **Long term decline in occupiers engaged in agricultural activity (so reduced policy rationale):** the long-term decline in the number of occupiers engaged in agricultural activity and reductions in output reduce the political pressure and policy imperative to continue to support islands at historic rates, despite documented support needs.

477. **High levels of degraded peatlands with uncertain restoration route map (high LULUCF emissions):** High levels of greenhouse gas emissions from degraded peatlands in some islands are problematic to restore particularly on common

grazings where there are legal uncertainties regarding restoration and carbon rights, and public funding appears inadequate for the scale of restoration required. Policy options to support long-term appropriate livestock grazing on both unrestored and restored peatlands are missing, leading to a lack of engagement from those who would have to relinquish property (grazing) rights. Links to opportunities for improved collective governance and targeted funding.

12.1.3 Opportunities

478. **Knowledge exchange through facilitated peer networks (to combine local and outside skills):** Local tacit knowledge could and should be harnessed to tailor management prescriptions (and adaptive capacity) to local circumstances, but needs to be combined with external knowledge on less familiar, emerging policy and market demands. The role of such knowledge, use of trusted local networks, and key stakeholders should be better defined in future AKIS for Scotland. Countered by threats relating to availability and affordability of external facilitators and advisors.

479. **Redesign of LFASS-type support to account for peripherality costs (e.g. transport cost & reliability):** LFASS is long overdue for replacement and more explicit recognition of transport costs in terms of cash, time and reliability could and should be accommodated. Links to threats relating to funding (budget) availability and yet further increases in transport costs.

480. **Redesign of payment Regions to better align with environmental policy objectives (e.g. merge R2 & R3):** Existing BPS payment Regions map poorly onto differences in proposed policy prescriptions. Aligning prescriptions and Regions better according to potential to deliver particular ecosystem services would be an improvement. Countered by threats for ill-matched prescriptions.

481. **Increase funding for retained environmental features/designations (i.e. reward existing attainment):** Islands encompass multiple environmental designations and low intensity management systems that already deliver desired ecosystem services, yet have not been rewarded for doing so. Policy design and funding could be adjusted to correct this. Countered by threat of ill-matched policy prescriptions, inadequate funding and possible tightening of regulatory reference point (i.e. minimum obligations subject to penalties for failure rather than reward for delivery).

482. Design simplified arrangements for small producers (e.g. small recipients' scheme or 'redistributive support on firs 'x' hectares): Smaller producers incur disproportionately high fixed compliance costs for some proposed policy measures. A simplified scheme would avoid this (and also save government administration costs) and redistributive support could counter higher average

costs of production / compliance for small units. Countered by threat of ill-matched policy prescriptions, inadequate funding and possible tightening of regulatory reference point.

483. **Strengthen key elements of thin supply-chains (e.g. support for vets, processors):** Scarcity of key local supply-chain elements, such as vets and processors, could be countered by support. For instance, either indirectly through funding producers' obligations to use particular services (e.g. vets) or directly through supporting individual firms. Highlights threat of cascading critical mass loss. State Aid rules may or may not apply, but an alternative is encouragement for vertical and horizontal integration through Producer Organisations (links to collaborative strength).

484. **Explore product and environmental market opportunities (e.g. branding, carbon & biodiversity):** Market demands are evolving, both in terms of production process characteristics for traditional commodity outputs but also for previously untraded services such as carbon sequestration (e.g. Scope 3 reporting) and biodiversity (markets for which are also less affected by transport costs). Hence there are opportunities to expand commodity production by demonstrating its wider credentials (e.g. low carbon intensity) but also for exploiting new income streams from more novel outputs. However, opportunities are hampered by skills gaps and investment weaknesses plus threatened by thin supply-chains and insufficient market funding for compliance costs.

485. Fully support the positives of community land management inherent in Common Grazings (publicly funded experts to facilitate & support common grazing committees including undertaking biodiversity audits & peatland assessments): Dovetail policy signals from Crofting Commission with those provided by support systems: Better align definitions and requirements for land management. Streamline administrative processes (notably with respect to Crofting Commission). Meet government target of more Common Grazings being in office by deploying positive nudges and other incentives to encourage more active collective governance, and support environmental auditing of common grazings given their national importance as carbon stores and habitats.

486. Enhance CLLD approach (through the Coastal Communities Fund and other appropriate public / community benefit schemes): Arguments for an enhanced role for LAGs (with greater active farming / crofting representation) in distributing Scottish Government and other funding should be strengthened. The role of and funding for CLLD needs to be strengthened in the Agriculture and Rural Communities Bill, and there may be an opportunity for LAGs to help develop 'Regional Priorities' for Tier 2 and Tier 3 support working with, or through embedded within any future Regional Land Use Partnerships (RLUPs).

12.1.4 Threats

487. **Policy (and supply-chain) prescriptions ill-matched to local context (e.g. habitat types, commons):** Scottish agriculture and land use is characterized by significant heterogeneity, which affects the potential of any given site to deliver particular ecosystem services. Consequently, standardised policy prescriptions will be ill-matched to many sites – leading to under-performance and/or excessive costs. Links to opportunities for policy redesign.

488. **Policy (and market) funding doesn't cover compliance costs (so low enrolment & land abandonment):** Delivery of ecosystem services through land management incurs real resource costs (including risk bearing). If costs are not covered by either market and/or policy funding, service delivery will less than socially desirable. Links to opportunities for policy redesign.

489. **Policy support replaced by regulatory obligations (so land abandonment or ownership change):** Budget constraints and lobbying from other interest groups may push policy towards using sticks rather than carrots, obliging producers to comply without additional funding. Given low profitability, this is likely to lead to land abandonment or wholesale ownership changes (with implications for social cohesion). Countered by LA and Islands Act commitments to islands' unique status.

490. **Transport costs increase or service reduced (so input and output market access worsens):** Transport costs depend partly upon market (notably fuel) costs, but also upon continued policy support (and therefore adequate demand). Policy support could be affected by national and local budgets, and declining / ageing populations with reduced agricultural activity could limit demand for inter-island services. Countered by LA and Islands Act commitments to islands' unique status.

491. **Thin supply-chains at risk of cascading loss of critical mass (e.g. if no vet, no consultant, or no processor):** Thin local markets/supply-chains are vulnerable to the loss of a few firms, to tipping-points beyond which a domino effect causes loss of overall critical mass. Risks include coverage of specialist agricultural consultants on the islands which are underpinned by public funding that is under pressure. Countered by opportunities to strategically support supply-chains and to LA and Islands Act commitments to islands' unique status.

492. **Adherence to top-down environmental targets ignores local vs. national balance (e.g. displacement):** Island-specific targets for (especially) greenhouse gas reductions risk imposing unnecessary costs if simply set pro-rata from national targets without considering local context and the risk of spatial

displacement of activities. Countered by opportunities to strategically support supply-chains and to LA and Islands Act commitments to islands' unique status.

493. **Climate change exacerbates production constraints (i.e. adaptation costs tip balance):** Climate change is already baked-in to a certain extent. Even if Net Zero commitments are met, global temperatures will continue to rise for several decades, leading to changing climatic conditions. This will require adaptation adjustments to land management across Scotland, including the Islands – thereby exacerbating needs for investment in natural, financial, human and social capital. Links to opportunities for policy redesign and to LA and Islands Act commitments to islands' unique status.

494. **Rural Development:** Poorly matched policies drive abandonment of common grazings and inbye crofts, undermining social cohesion and community vibrancy.

13 Conclusions and recommendations

495. As an enabling Bill, the Agriculture and Rural Communities Bill currently progressing through the Scottish Parliament offers insufficient detail to fully assess possible impacts of agricultural policy reforms in the islands – in particular the lack of any draft Rural Support Plan. However, policies to be implemented under powers sought under the Bill have been signalled by the Scottish Government.

496. A consortium led by Orkney Islands Council, commissioned SRUC to research the impacts of these proposed agricultural policy changes across the three Council areas of Orkney, Shetland and the Outer Hebrides. This reflected concern that national-level policy may not adequately recognise local contexts, with potential adverse implications for island economies, environments and communities.

497. The data and analysis presented throughout this report confirm the validity of such concerns. For example, relative to national averages, the islands' agriculture represents a larger share of economic activity (and of greenhouse gas emissions) and is closely linked with community culture, development and vibrancy. In part, this reflects the importance of crofting (particularly for the Outer Hebrides and Shetland) and a greater abundance of small producers. Equally, the island groupings account for a significant share of national environmental designations and of common grazings.

498. Yet the policy proposals appear to take no explicit account of such local conditions. For example, compliance costs for announced Tier 1 measures are likely to be disproportionately high for smaller producers[221] whilst some proposed Tier 2 measures (e.g. woodland creation) are impractical across much of the islands. Moreover, the challenges of collective management of common grazings are not considered in the policy proposals.

499. Similarly, lack of clarity regarding the future of LFASS is worrying given local constraints relating to poorer land quality and poorer connectivity. The latter applies to both physical transport but also digital access to markets and services – with the former having come into stark reality during the fuel price crisis[222]. For example, cost, frequency, capacity, and reliability of ferry services add significant cost and risk burdens to business but also CLLD activities.

500. The conclusion reached is that long term policy proposals need to take more account of island-specific circumstances. The distribution of existing support

[221] A point made more generally in recent evidence to the parliamentary Rural Affairs and Island's committee, but which requires clarification of policy interest in small producers (including Market Gardens and others below the current 3ha size threshold). For example, local food, employment and community engagement.

[222] https://commonslibrary.parliament.uk/research-briefings/sn04712/

funding already demonstrates how national-level policy has failed to halt declines in agricultural activity. Further avoidance in addressing such issues risks further excluding large numbers of land managers and large areas of land from support, with detrimental implications for local food production, environmental conditions and community vibrancy.

501. Hence it is recommended that urgent consideration be given to the treatment of smaller producers, common grazings and connectivity constraints. In addition, provisional lists of (especially) Tier 2 measures for predominantly rough grazing areas would benefit from further revision.

502. More generally, links between the Rural Support Plan, the National Islands Plan and the forthcoming Rural Delivery Plan should be carefully and clearly articulated. This implies a need for closer engagement between different arms of central and local government, including agencies such as NatureScot and the Crofting Commission.

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Scottish Rural Development Programme

Orkney Islands Council

Comhairle nan Eilean Siar

Shetland Islands Council

HIE
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

Annex 1 Island groupings

Various data are available to describe the biophysical and socio-economic characteristics of three council areas. For example, the June Agricultural Census and RPID land parcel and payment data can be used to profile farming and crofting production and land use. Similarly, wider population demographics and economic activity are covered by ONS estimates.

However, whilst total values for all data items are generally available for a whole council area, disaggregated values to show variation within a given council area are often reported at for different geographical units. For example, agricultural parishes do not coincide with the data zones or intermediate areas used for other official statistics (see maps below). Moreover, some data are suppressed as potentially disclosive if relatively few people or businesses lie within the reporting unit.

Such constraints complicate comparisons. Nonetheless, the analysis and data presented throughout the rest of this report reveal clear similarities and difference both between and within the three council areas, and in relation to mainland Scotland.

For the purposes of reporting agricultural data, each council area was split into five sub-areas (see maps further below). These were chosen to reflect known differences within each island grouping but are necessarily only illustrative since they cannot represent all aspects perfectly.

Figure 65 Administrative geographies, Orkney

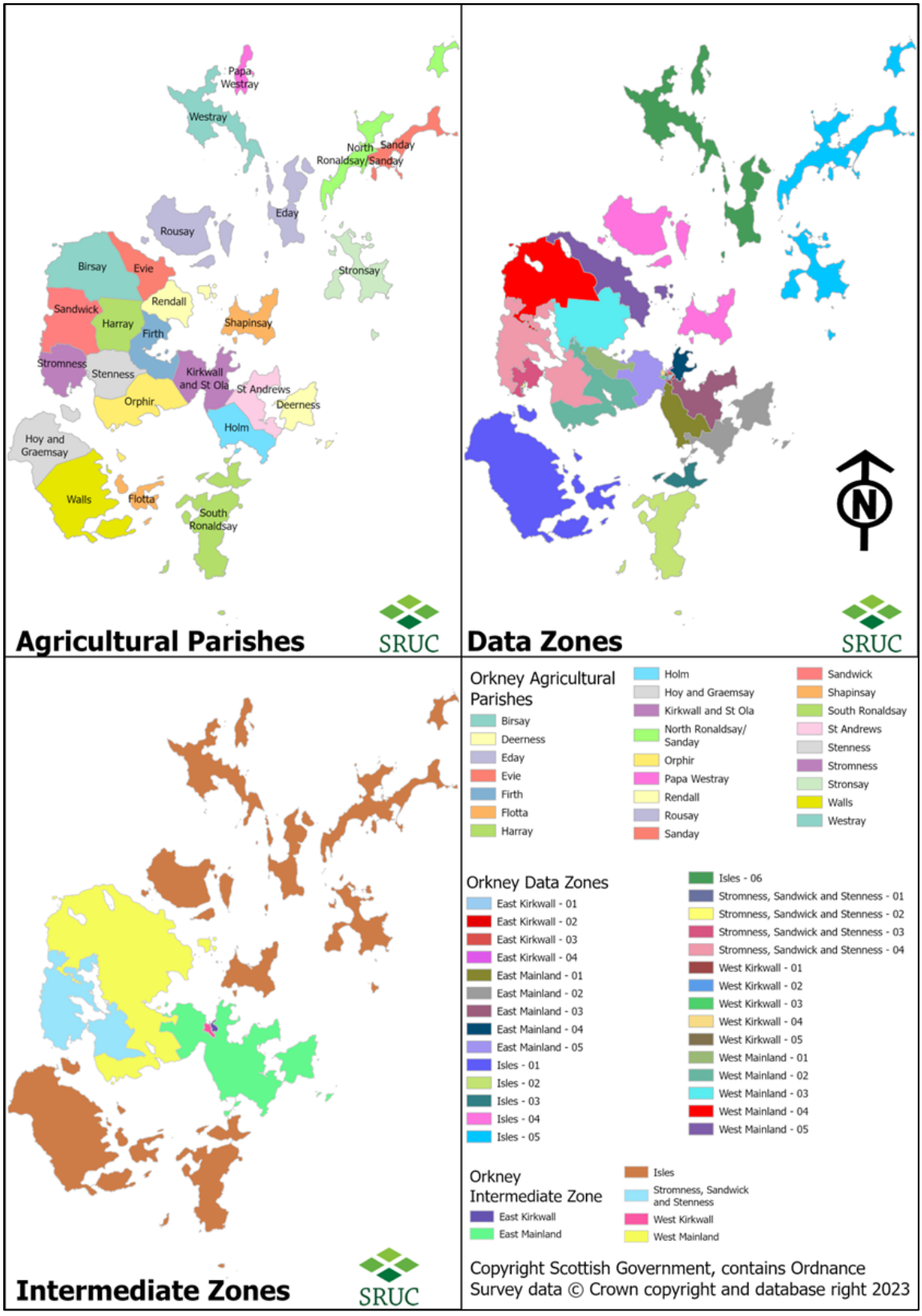


Figure 66 Administrative geographies, Outer Hebrides

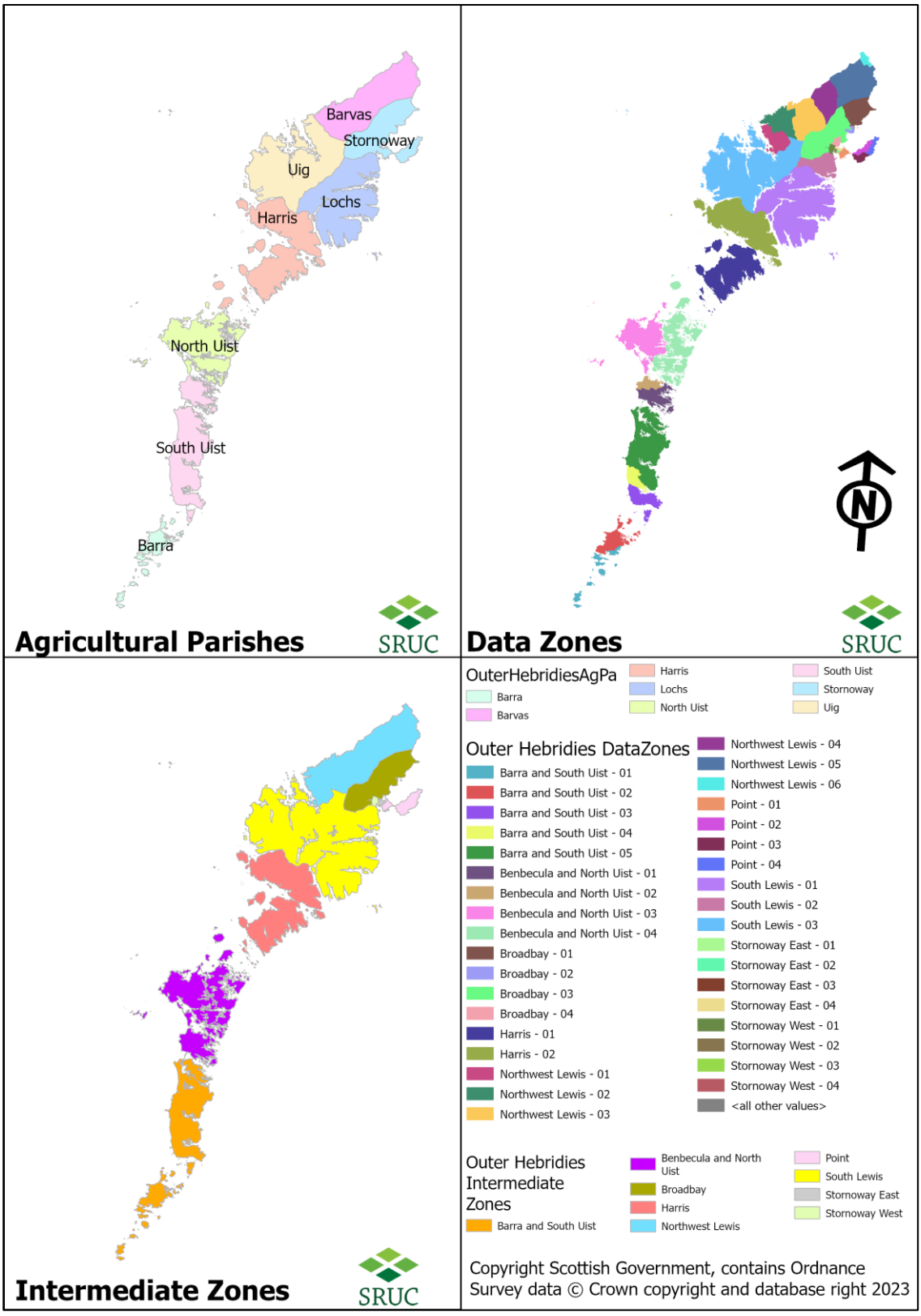
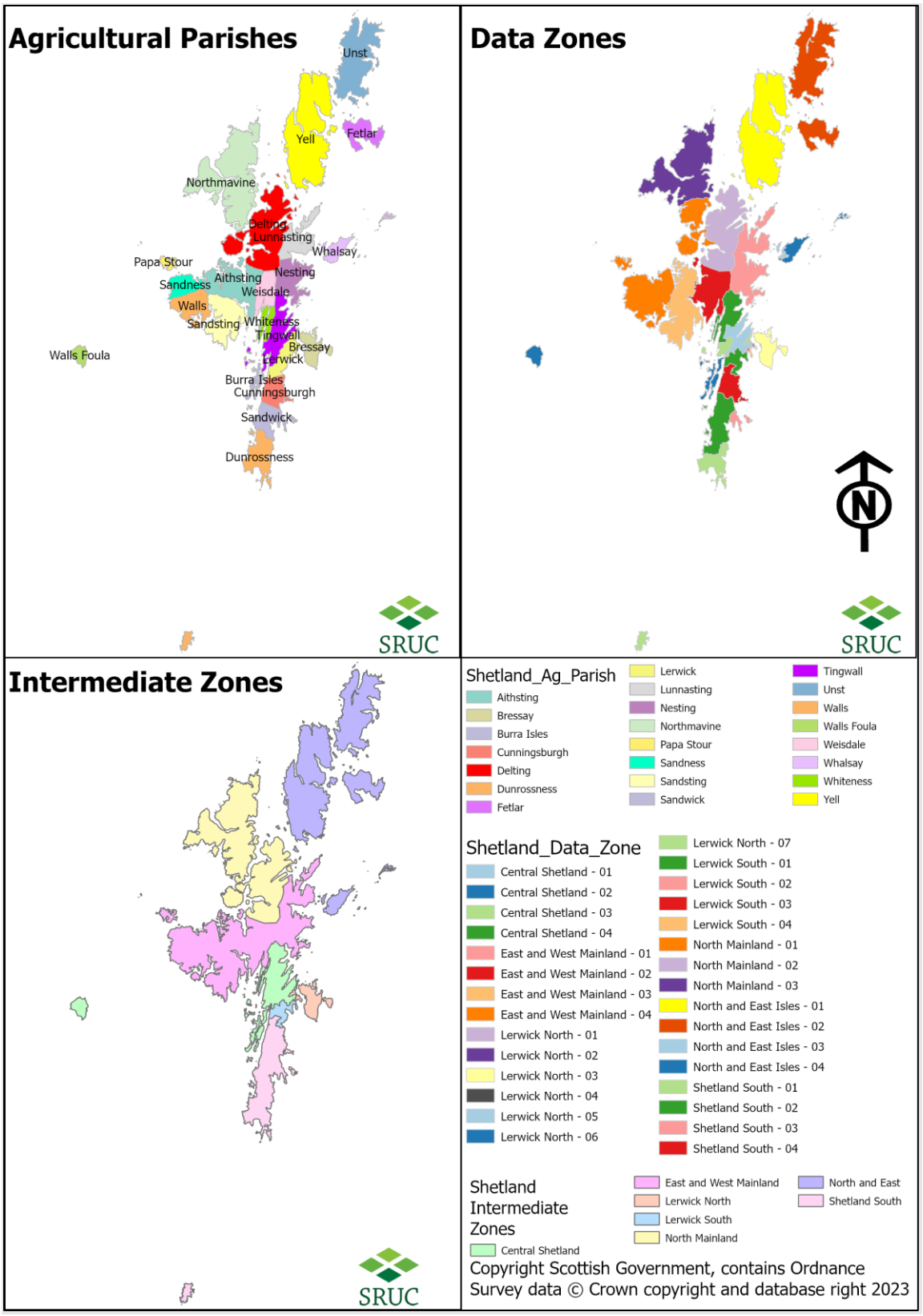


Figure 67 Administrative Geographies, Shetland



Annex 2 Land Capability for Agriculture

Table 64 Description of land capability for agriculture classes

LCA Class	General description
1	Land capable of producing a very wide range of crops
2	Land capable of producing a wide range of crops
3.1	Land capable of producing consistently high yields of a narrow range of crops and/ or moderate yields of a wider range. Short grass leys are common
3.2	Land capable of average production though high yields of barley, oats and grass can be obtained. Grass leys are common
4.1	Land capable of producing a narrow range of crops, primarily grassland with short arable breaks of forage crops and cereal
4.2	Land capable of producing a narrow range of crops, primarily on grassland with short arable breaks of forage crops
5.1	Land capable of use as improved grassland. Few problems with pasture establishment and maintenance and potential high yields
5.2	Land capable of use as improved grassland. Few problems with pasture establishment but may be difficult to maintain
5.3	Land capable of use as improved grassland. Pasture deteriorates quickly
6.1	Land capable of use as rough grazings with a high proportion of palatable plants
6.2	- Land capable of use as rough grazings with moderate quality plants
6.3	Land capable of use as rough grazings with low quality plants
7	Land of very limited agricultural value
888	Built Up Areas
999	Inland Water
9500	Unencoded Islands

Annex 3 Support payments

Table 65 Tiered agricultural payments by predicted Tier for sub regions of Island Groups, 2014 and 2022

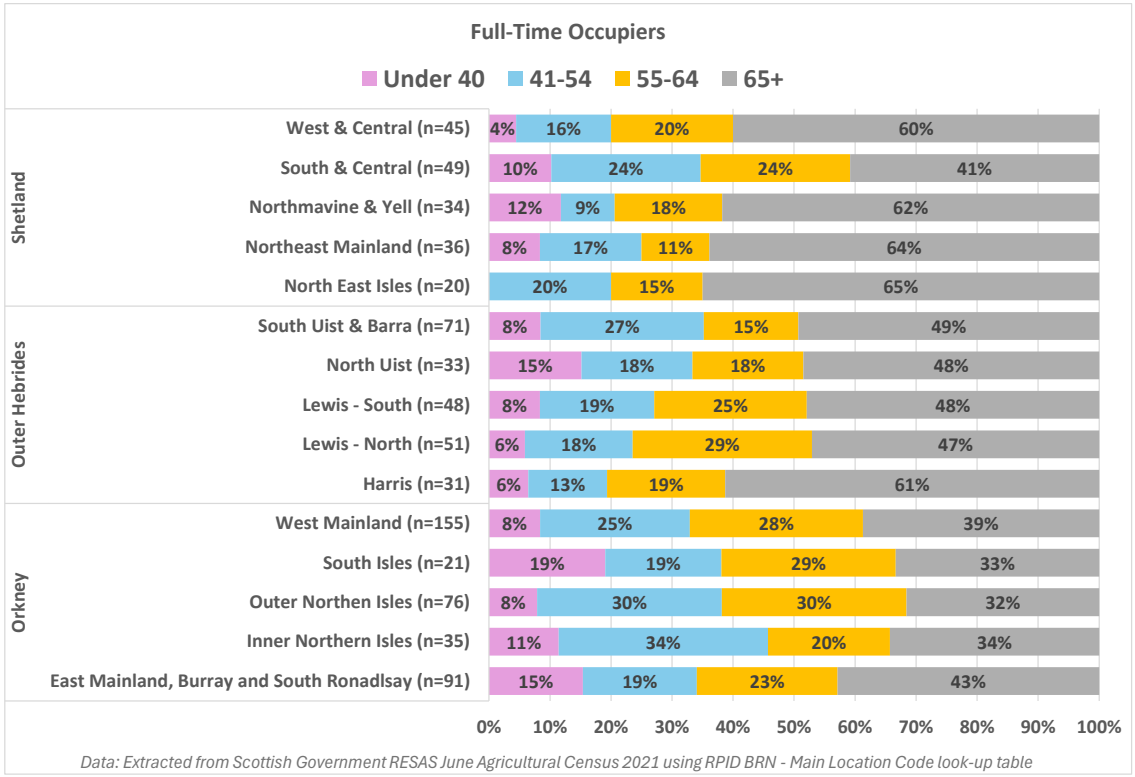
Orkney	2014	2022	2014-2022
East Mainland, Burray and South Ronaldsay	£4,914,671	£5,067,844	3%
Tier 1&2	£4,274,468	£4,813,591	13%
Tier 3	£640,203	£254,253	-60%
Inner Northern Isles	**£1,889,216**	**£2,128,042**	**13%**
Tier 1&2	£1,448,460	£1,843,699	27%
Tier 3	£440,757	£284,343	-35%
Outer Northen Isles	**£3,978,083**	**£4,187,476**	**5%**
Tier 1&2	£3,420,839	£3,840,425	12%
Tier 3	£557,245	£347,051	-38%
South Isles	**£660,300**	**£1,013,454**	**53%**
Tier 1&2	£553,656	£885,686	60%
Tier 3	£106,644	£127,768	20%
West Mainland	£9,432,729	£8,541,535	-9%
Tier 1&2	£7,470,334	£8,176,810	9%
Tier 3	£1,962,395	£364,725	-81%
Outer Hebrides			
Harris	**£965,450**	**£981,574**	**1.7%**
Tier 1&2	£738,545	£835,884	13.2%
Tier 3	£226,905	£145,690	-35.8%
Lewis - North	**£1,143,390**	**£1,449,913**	**26.8%**
Tier 1&2	£811,825	£1,251,793	54.2%
Tier 3	£331,565	£198,121	-40.2%
Lewis - South	**£1,109,487**	**£1,328,965**	**19.8%**
Tier 1&2	£955,097	£1,248,828	30.8%
Tier 3	£154,390	£80,137	-48.1%
North Uist	**£1,629,771**	**£2,049,918**	**25.8%**
Tier 1&2	£1,018,479	£1,716,863	68.6%
Tier 3	£611,292	£333,055	-45.5%
South Uist & Barra	**£1,962,919**	**£2,384,375**	**21.5%**
Tier 1&2	£1,219,492	£2,054,200	68.4%
Tier 3	£743,427	£330,175	-55.6%
Shetland			
North East Isles	**£737,056**	**£1,081,082**	**46.7%**
Tier 1&2	£582,451	£1,004,576	72.5%
Tier 3	£154,605	£76,505	-50.5%
Northeast Mainland	**£1,469,804**	**£2,096,471**	**42.6%**
Tier 1&2	£1,346,217	£2,066,497	53.5%
Tier 3	£123,587	£29,974	-75.7%
Northmavine & Yell	**£1,406,449**	**£2,135,489**	**51.8%**
Tier 1&2	£1,285,134	£2,087,168	62.4%
Tier 3	£121,315	£48,321	-60.2%
South & Central	**£2,075,825**	**£2,746,971**	**32.3%**
Tier 1&2	£1,898,423	£2,702,042	42.3%
Tier 3	£177,401	£44,929	-74.7%
West & Central	**£1,600,875**	**£1,854,891**	**15.9%**
Tier 1&2	£1,298,166	£1,787,486	37.7%
Tier 3	£302,709	£67,405	-77.7%

Table 66 Businesses in receipt of agricultural support payments by predicted Tier, by sub regions of Island Groups, 2014 and 2022

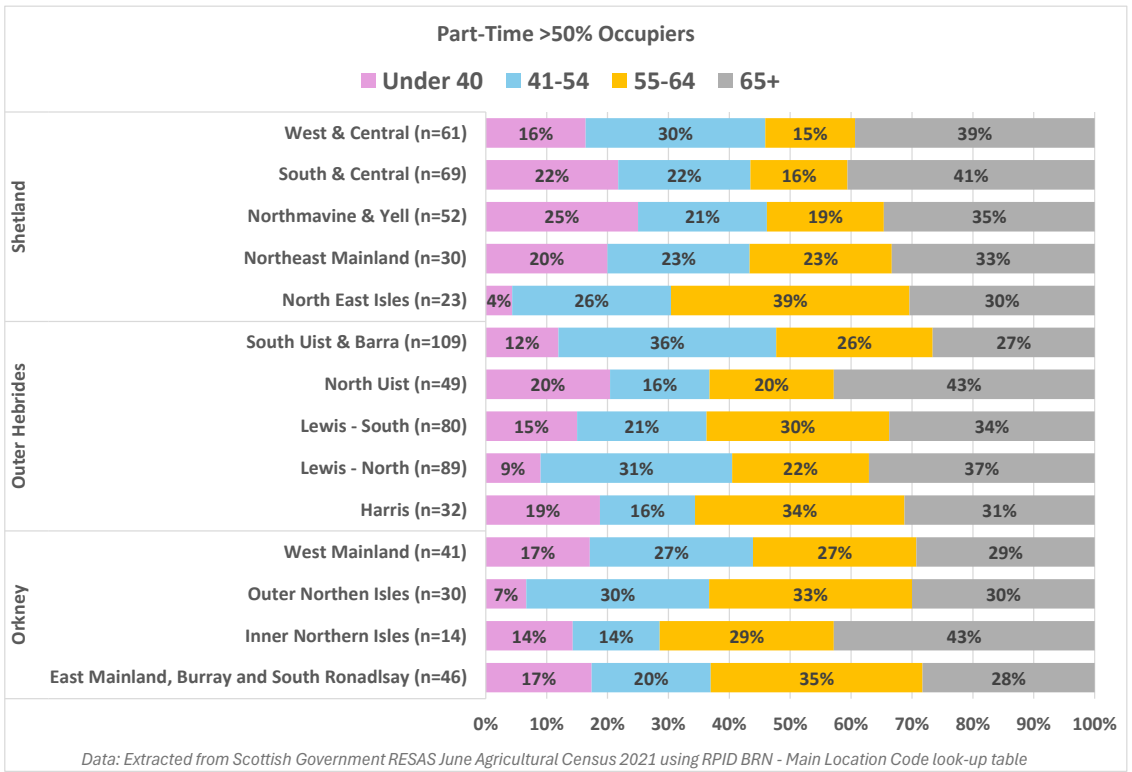
Orkney	2014	2022	2014-2022
East Mainland, Burray and South Ronaldsay	**220**	**189**	**-14%**
Tier 1&2	213	187	-12%
Tier 3	52	42	-19%
Inner Northern Isles	**72**	**61**	**-15%**
Tier 1&2	69	60	-13%
Tier 3	32	23	-28%
Outer Northen Isles	**140**	**121**	**-14%**
Tier 1&2	130	118	-9%
Tier 3	48	50	4%
South Isles	**39**	**33**	**-15%**
Tier 1&2	39	33	-15%
Tier 3	14	7	-50%
West Mainland	**309**	**261**	**-16%**
Tier 1&2	300	259	-14%
Tier 3	98	53	-46%
Outer Hebrides			
Harris	**212**	**126**	**-40.6%**
Tier 1&2	193	114	-40.9%
Tier 3	40	29	-27.5%
Lewis - North	**547**	**366**	**-33.1%**
Tier 1&2	511	337	-34.1%
Tier 3	82	56	-31.7%
Lewis - South	**436**	**275**	**-36.9%**
Tier 1&2	416	252	-39.4%
Tier 3	46	31	-32.6%
North Uist	**210**	**182**	**-13.3%**
Tier 1&2	200	175	-12.5%
Tier 3	82	58	-29.3%
South Uist & Barra	**488**	**397**	**-18.6%**
Tier 1&2	462	378	-18.2%
Tier 3	167	103	-38.3%
Shetland			
North East Isles	**81**	**66**	**-18.5%**
Tier 1&2	79	66	-16.5%
Tier 3	23	10	-56.5%
Northeast Mainland	**182**	**146**	**-19.8%**
Tier 1&2	182	146	-19.8%
Tier 3	23	8	-65.2%
Northmavine & Yell	**198**	**169**	**-14.6%**
Tier 1&2	197	168	-14.7%
Tier 3	18	6	-66.7%
South & Central	**279**	**211**	**-24.4%**
Tier 1&2	279	211	-24.4%
Tier 3	28	6	-78.6%
West & Central	**209**	**171**	**-18.2%**
Tier 1&2	203	171	-15.8%
Tier 3	55	14	-74.5%

Annex 4 Agricultural data

Figure 68 Age Profile of full-time and part time BRN occupiers by sub Regions – 2021



Data: Extracted from Scottish Government RESAS June Agricultural Census 2021 using RPID BRN - Main Location Code look-up table



Data: Extracted from Scottish Government RESAS June Agricultural Census 2021 using RPID BRN - Main Location Code look-up table

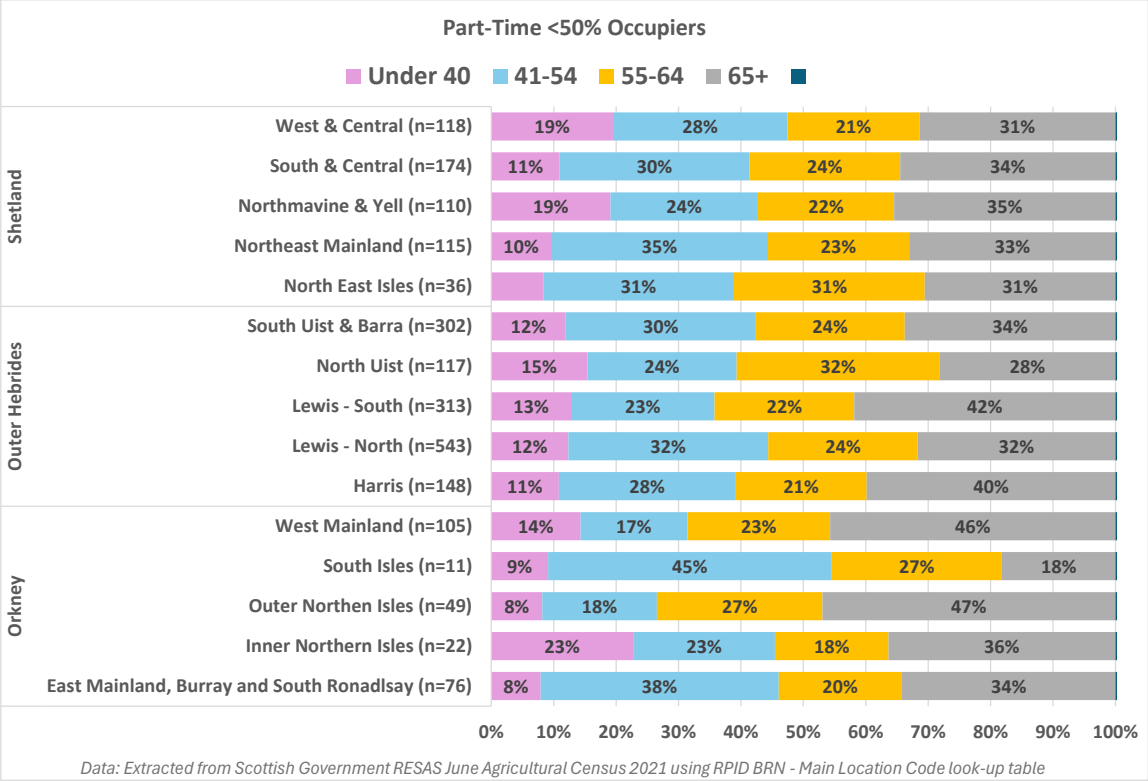


Figure 69 Standard Labour Requirements

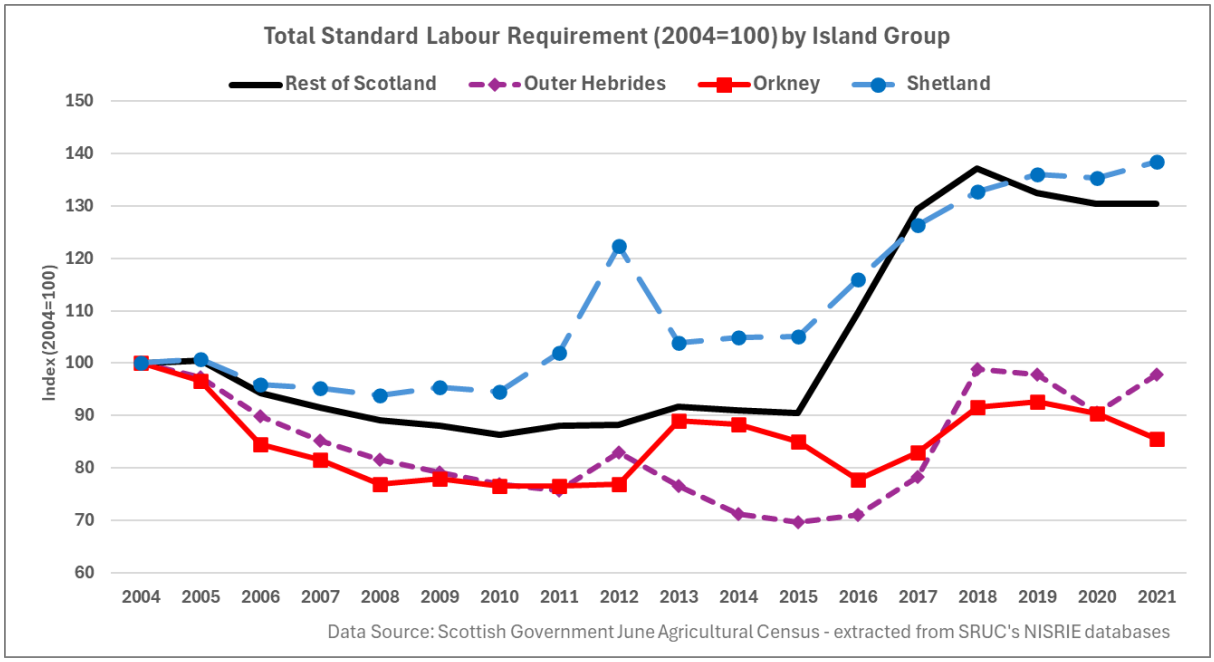
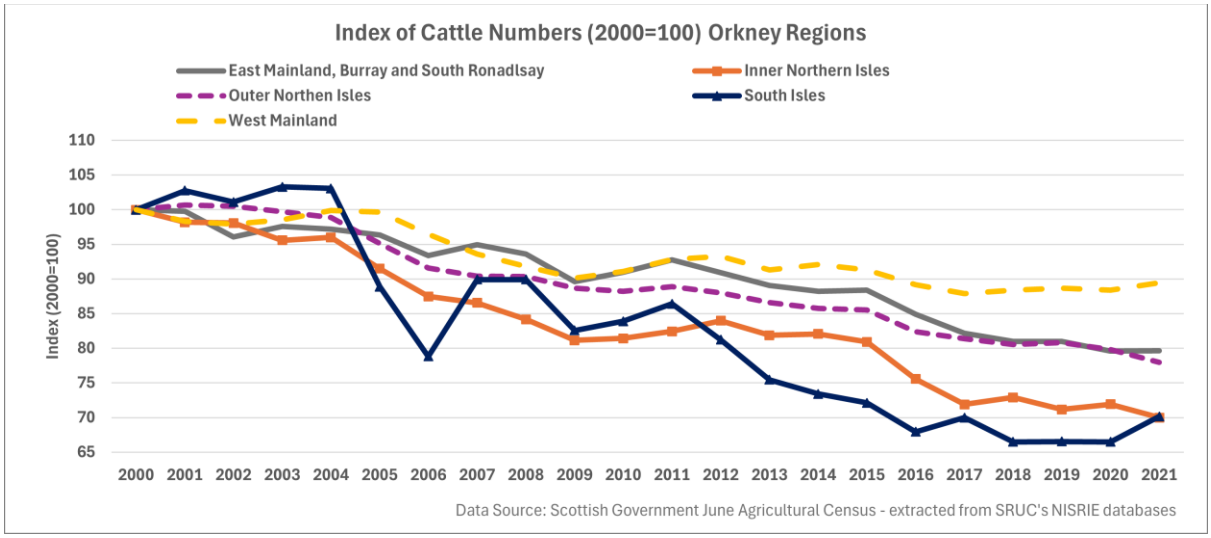
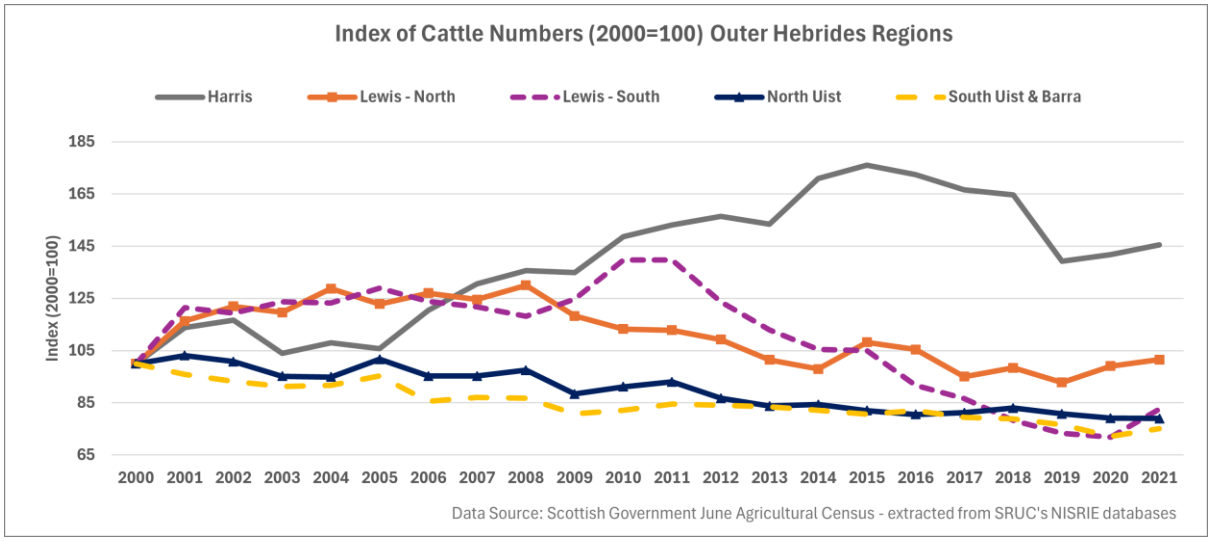


Figure 70 Index of cattle numbers by sub-island regions





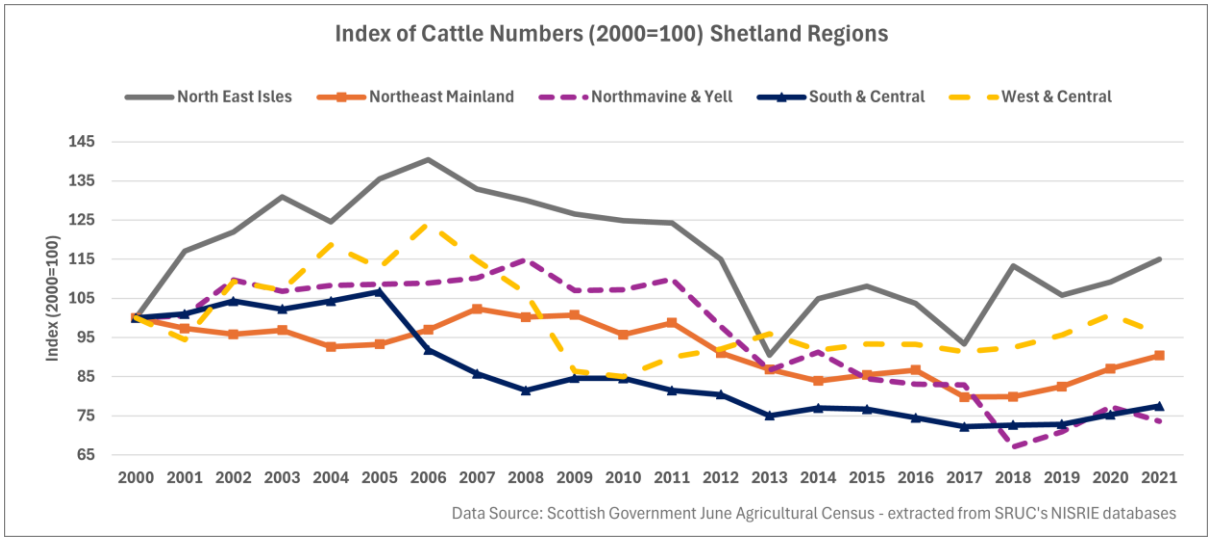


Figure 71 Calf registration dates 2022

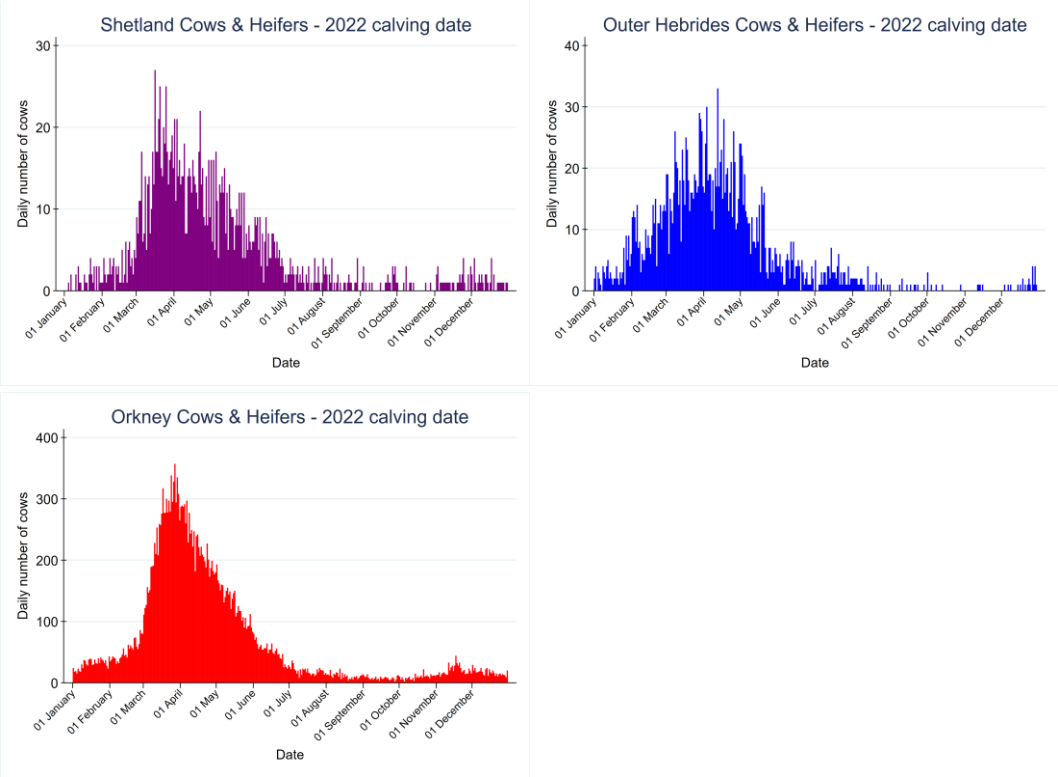


Figure 72 Age at first sale of calves, 2022

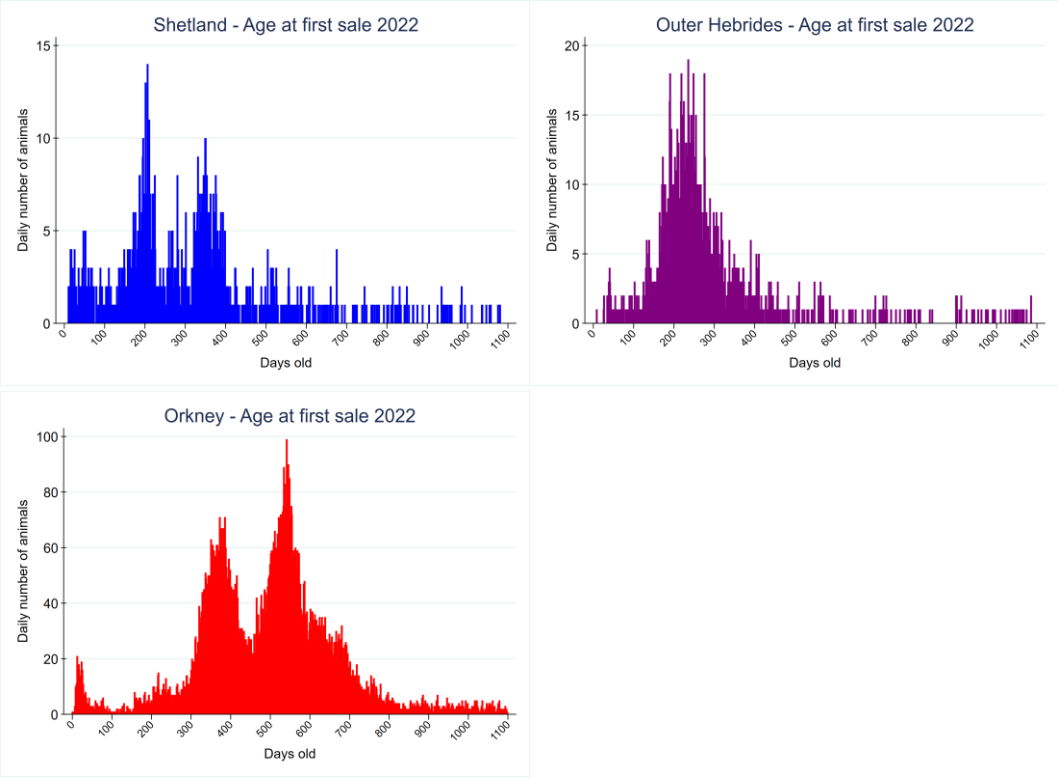
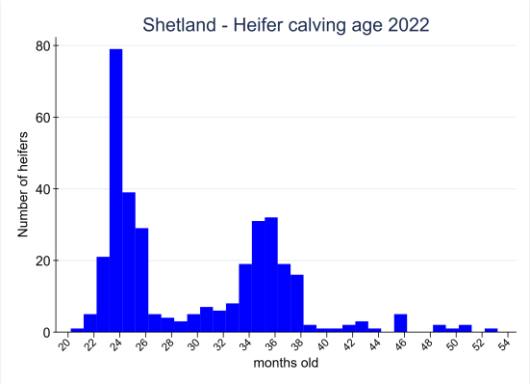
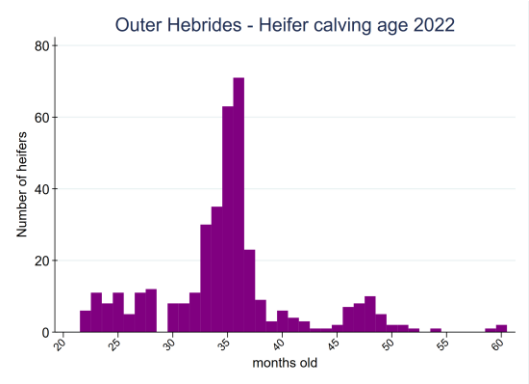


Figure 73 Heifer calving age, 2022





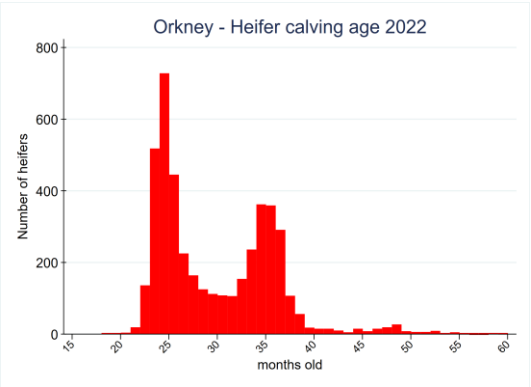
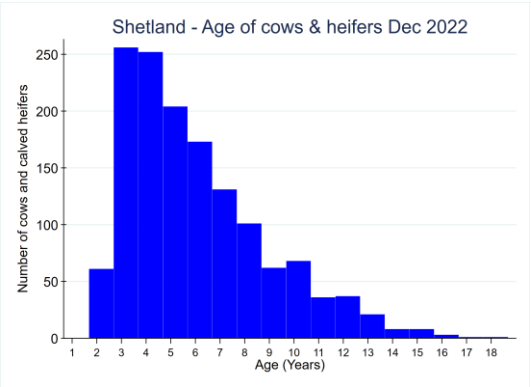
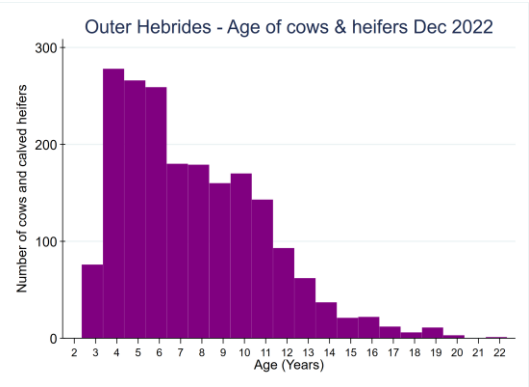
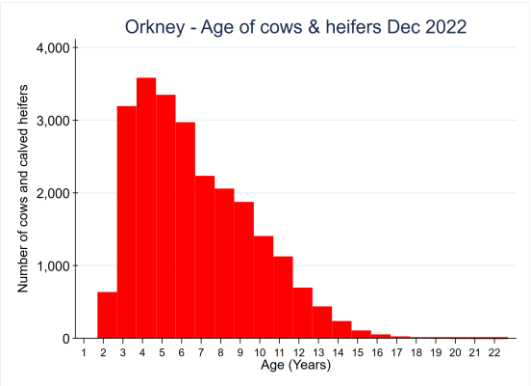


Figure 74 Dam Age, 2022

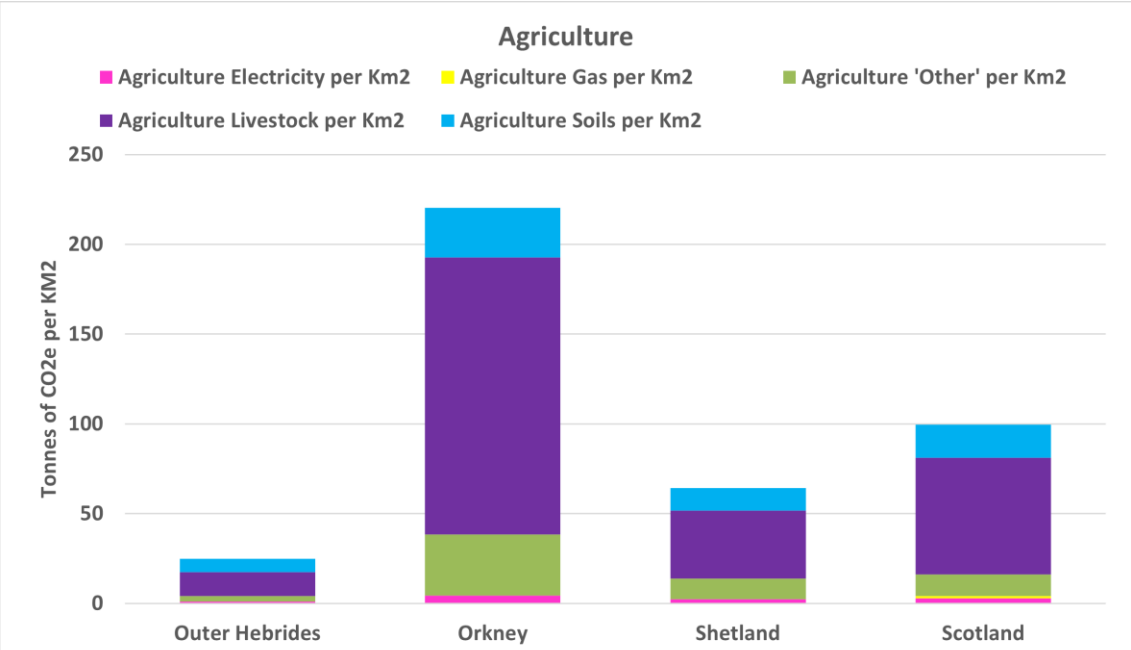






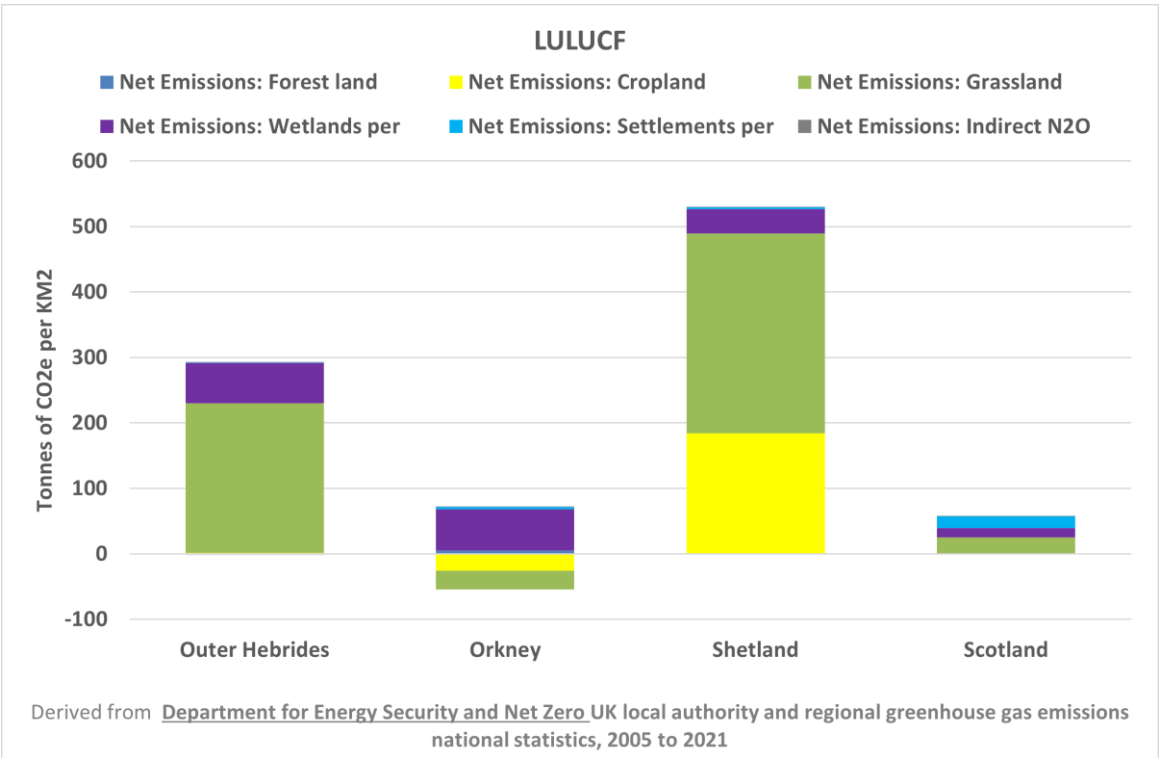
Annex 5 Agriculture and LULUCF GHG Emissions

Figure 75 Types of agricultural emissions (tonnes of CO2e per KM2) by local authority, 2021



Derived from Department for Energy Security and Net Zero UK local authority and regional greenhouse gas emissions national statistics, 2005 to 2021

Figure 76 Types of LULUCF net emissions (tonnes of CO2e per KM2) by local authority, 2021



Derived from Department for Energy Security and Net Zero UK local authority and regional greenhouse gas emissions national statistics, 2005 to 2021

Annex 6 Socio Economic Data

Figure 77 Supply chain business typology map – Inputs

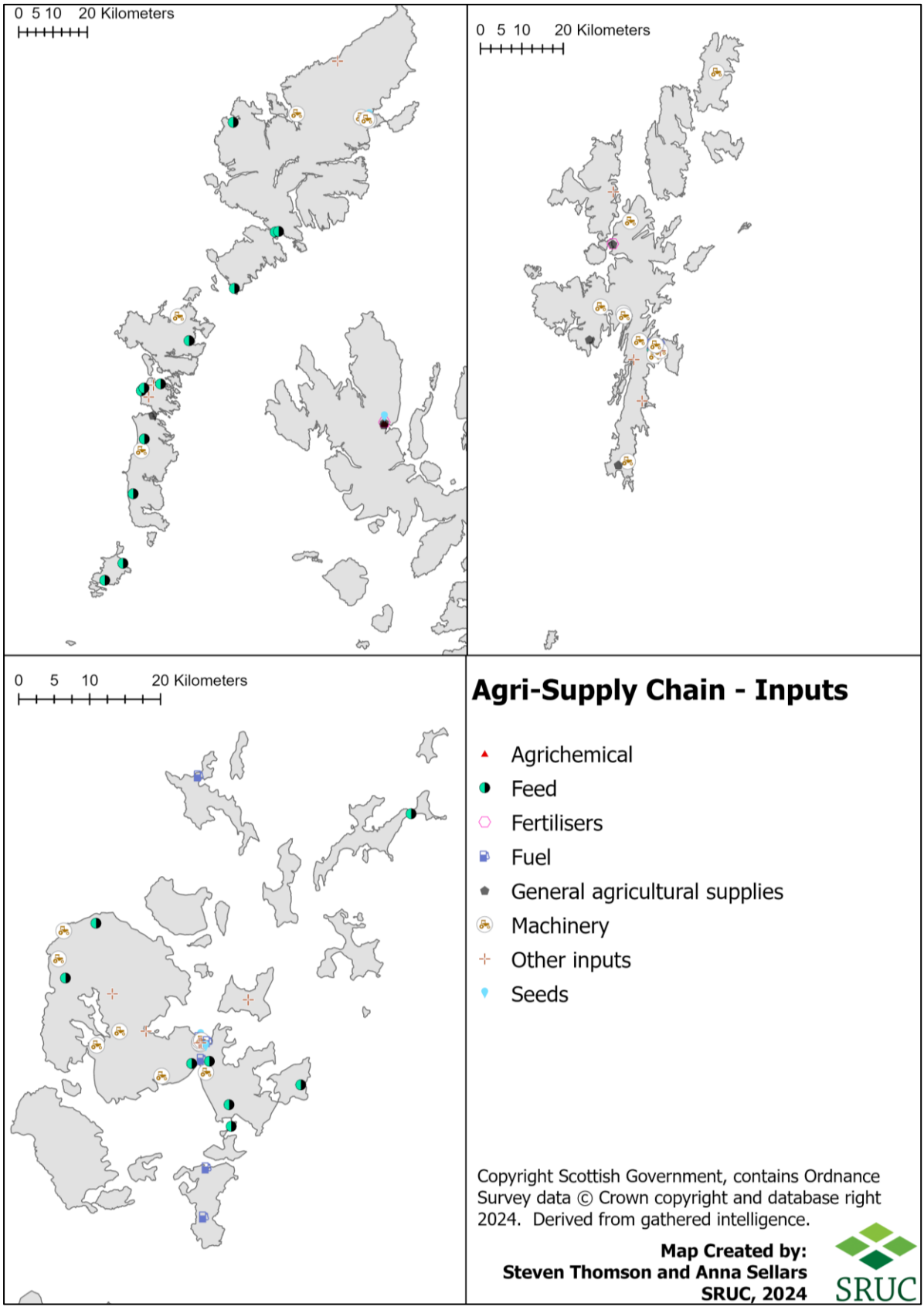


Figure 78 Supply chain business typology map – Services and downstream

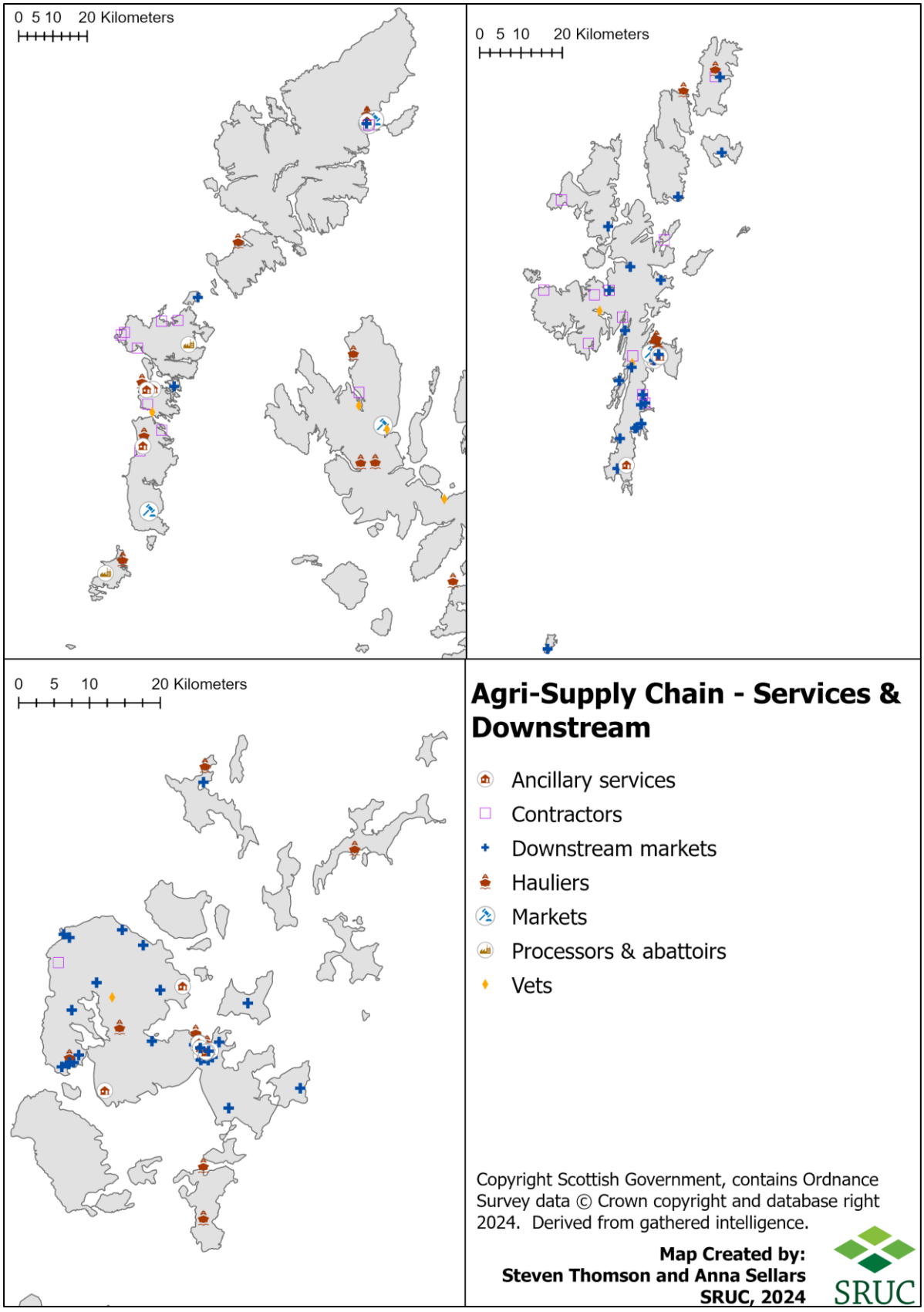


Figure 79 Population trends by age group and island grouping, 1983 – 2021

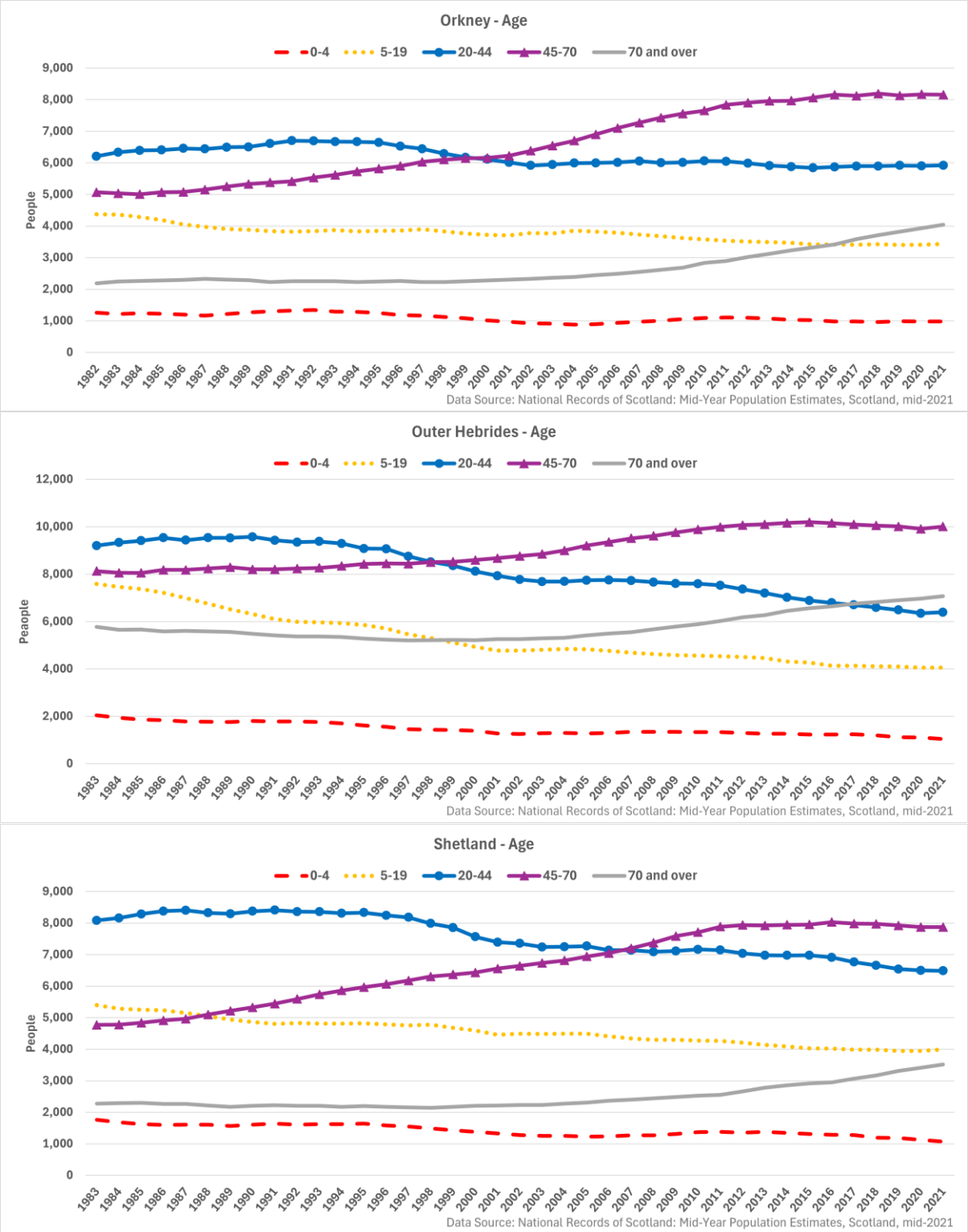


Figure 80 Proportion of matched premises without access to 2Mbit/s fixed broadband download speeds, September 2023

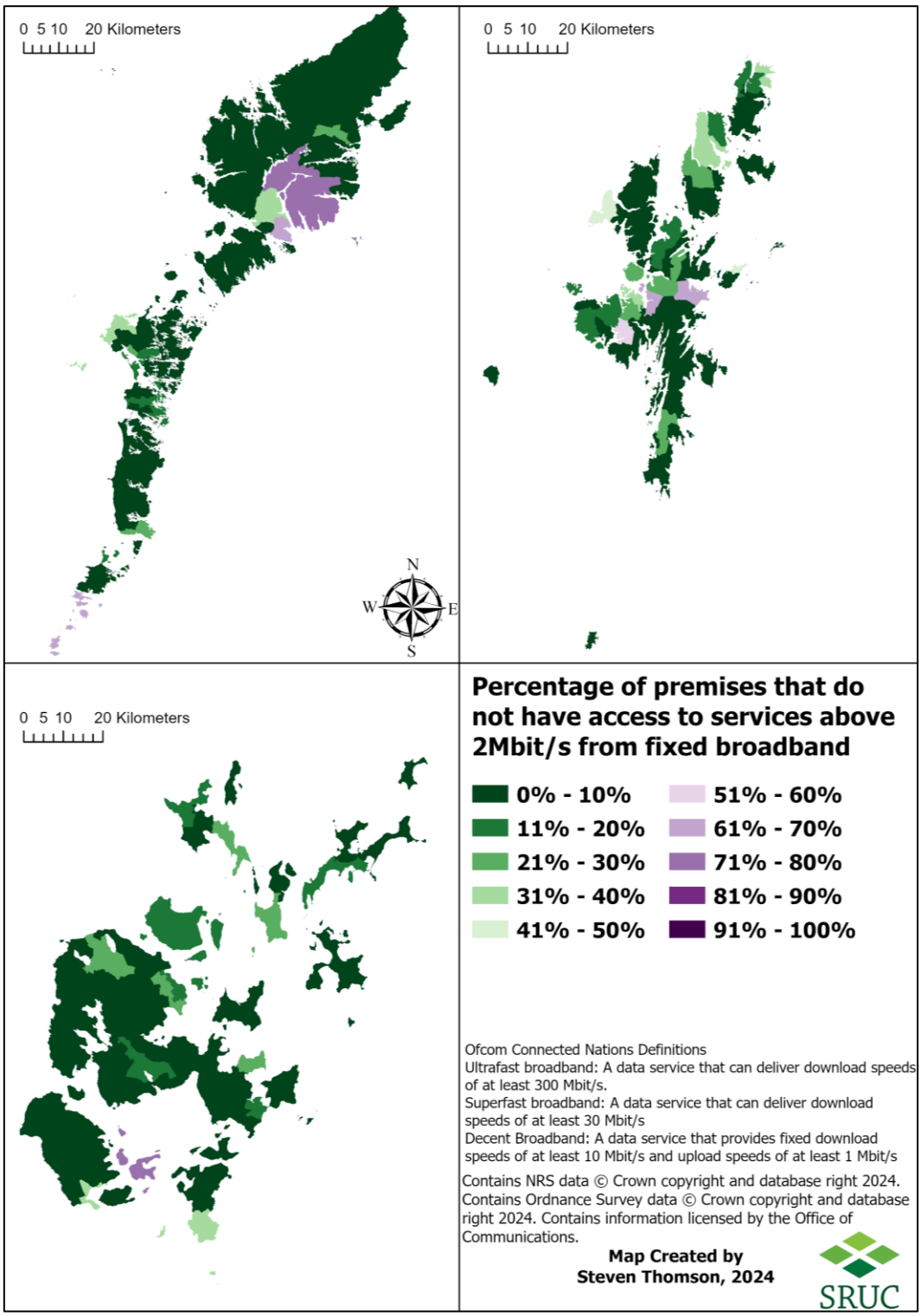


Figure 81 Proportion of matched premises without access to 5Mbit/s fixed broadband download speeds, September 2023

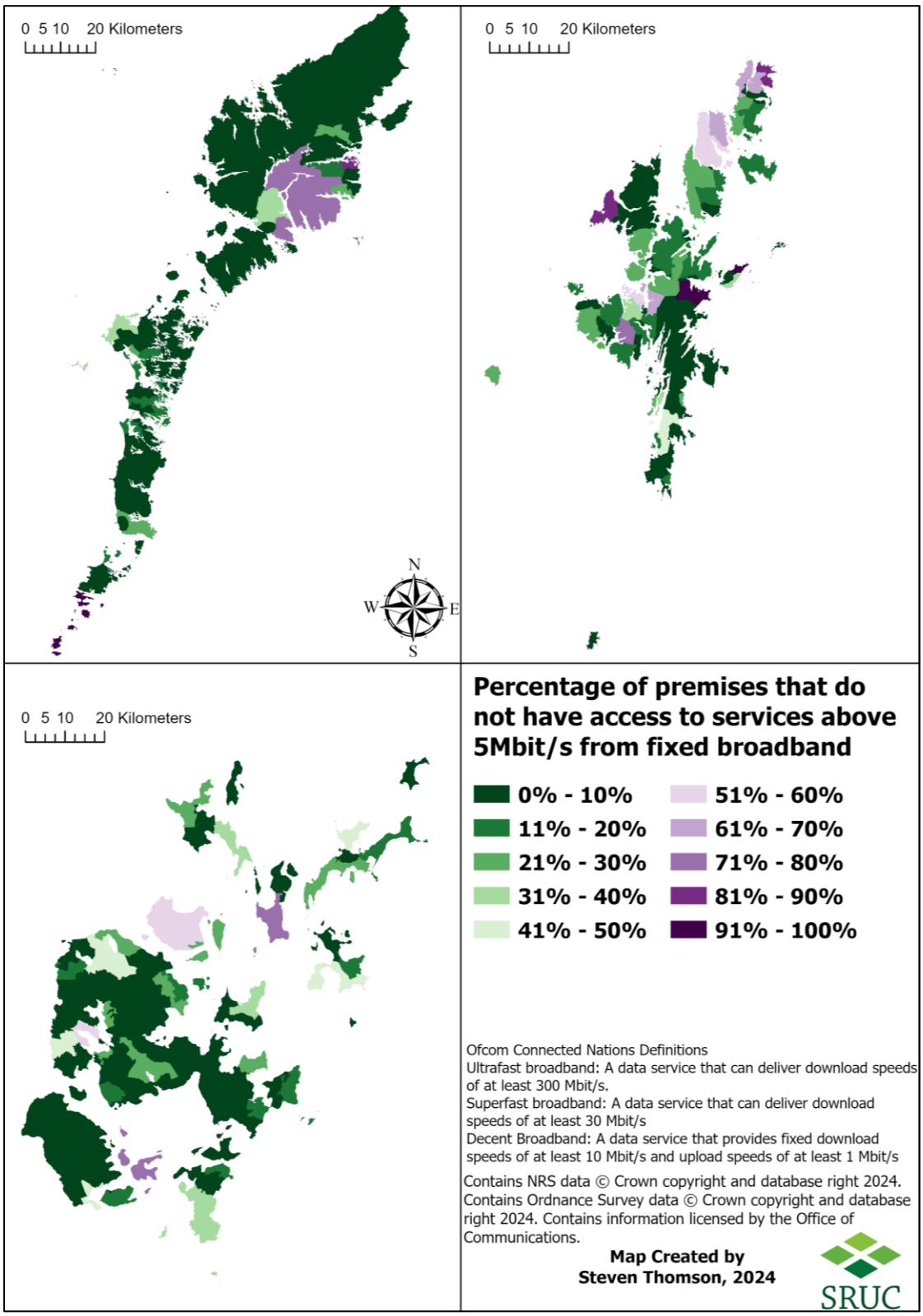


Figure 82 Proportion of matched premises without access to 10Mbit/s fixed broadband download speeds, September 2023

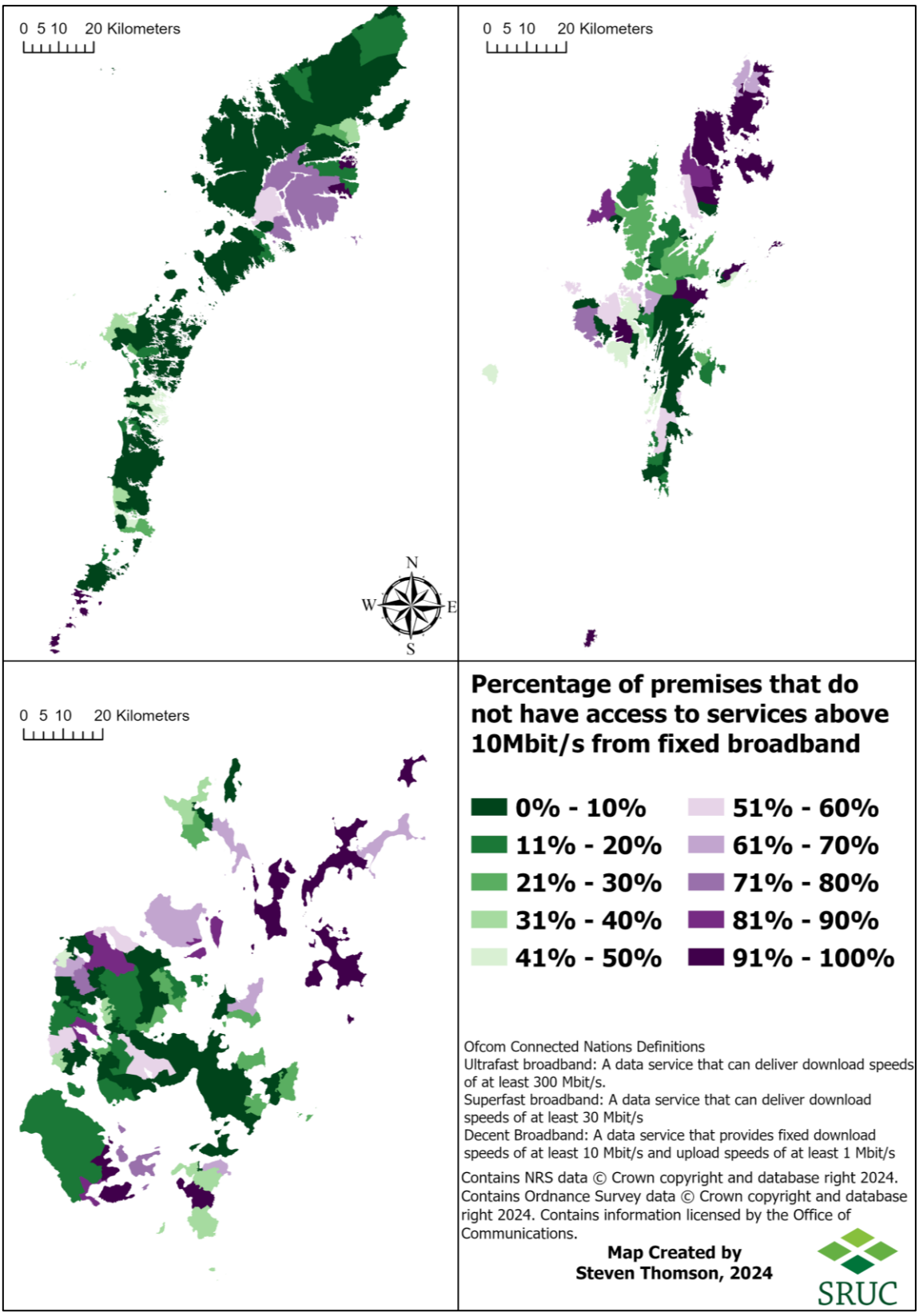


Figure 83 Proportion of matched premises without access to 30Mbit/s fixed broadband download speeds, September 2023

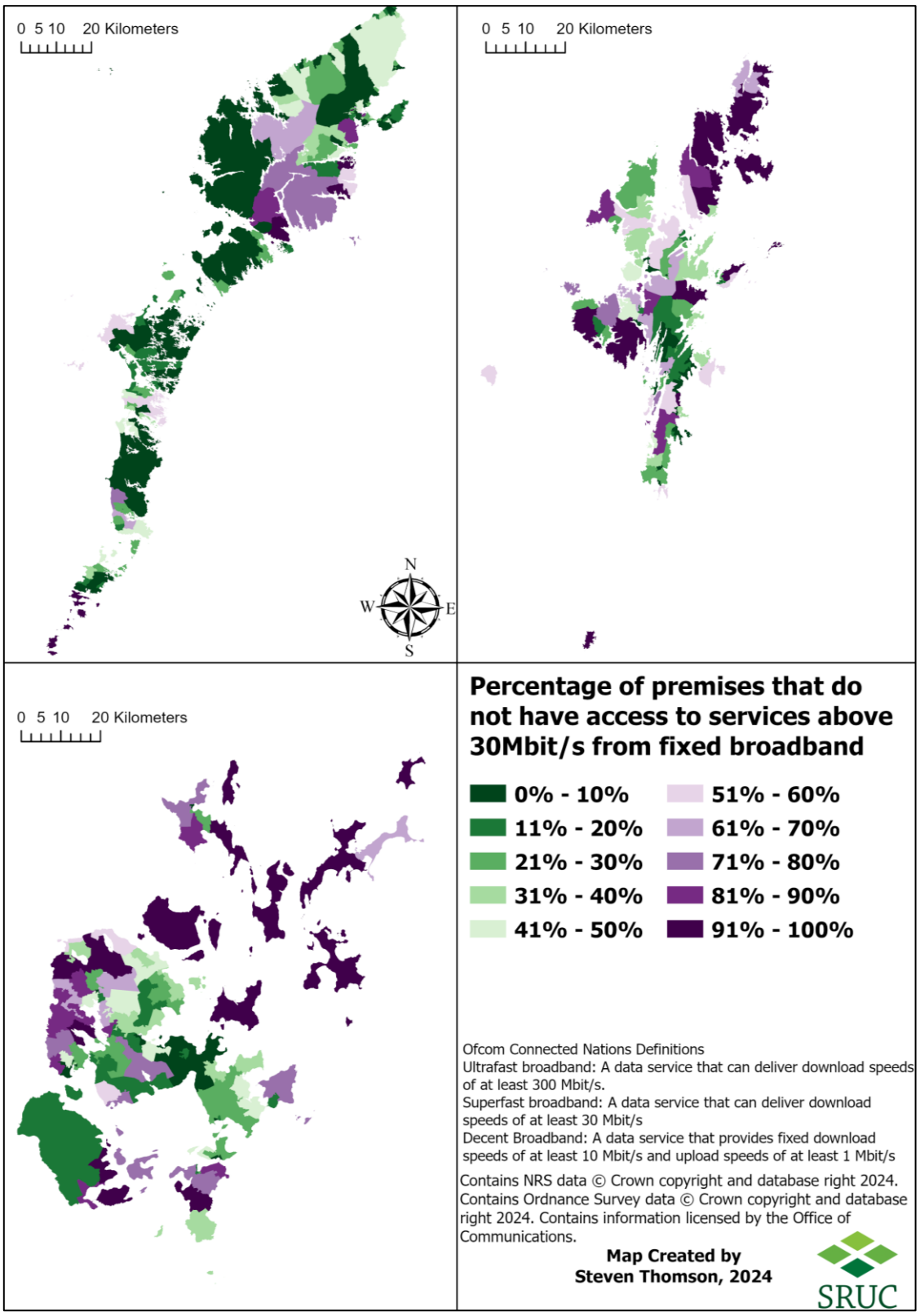


Table 67 Total Industry GVA, and GVA from Agriculture, forestry and fishing; mining and quarrying and Manufacture of food & beverages, 1998-2021 (£m expressed in 2019 prices)[223]

Year	All industries			Agriculture, forestry and fishing; mining and quarrying			Manufacture of food & beverages		
	Outer Hebrides	Orkney Islands	Shetland Islands	Outer Hebrides	Orkney Islands	Shetland Islands	Outer Hebrides	Orkney Islands	Shetland Islands
1998	327	493	629	18	29	65	8	7	20
1999	350	513	642	19	31	69	7	7	16
2000	358	524	610	16	29	57	6	7	15
2001	384	534	636	20	30	70	7	6	17
2002	377	518	627	22	35	73	6	7	15
2003	403	544	643	17	33	59	7	8	18
2004	434	590	694	18	32	64	10	9	24
2005	447	617	704	23	30	78	9	9	23
2006	454	597	712	23	31	78	9	11	22
2007	447	590	700	19	24	66	9	10	23
2008	464	617	726	20	26	77	8	12	20
2009	456	610	777	22	24	86	10	14	24
2010	483	620	762	19	23	73	11	13	27
2011	499	650	794	19	25	67	11	13	28
2012	497	647	780	21	24	64	11	9	27
2013	485	614	811	23	31	68	11	8	31
2014	508	624	872	34	60	111	11	10	24
2015	501	627	799	23	42	87	10	11	18
2016	493	599	773	23	37	81	11	12	30
2017	510	583	795	23	57	76	12	12	27
2018	533	537	784	25	62	85	16	12	27
2019	568	557	810	34	79	98	22	11	34
2020	509	479	724	35	83	104	22	13	44
2021	553	529	772	39	96	97	21	12	44

[223] Extracted from Table 3b: ITL3, chained volume measures in 2019 money value, pounds million Regional gross value added (balanced) by industry: all ITL regions - Office for National Statistics

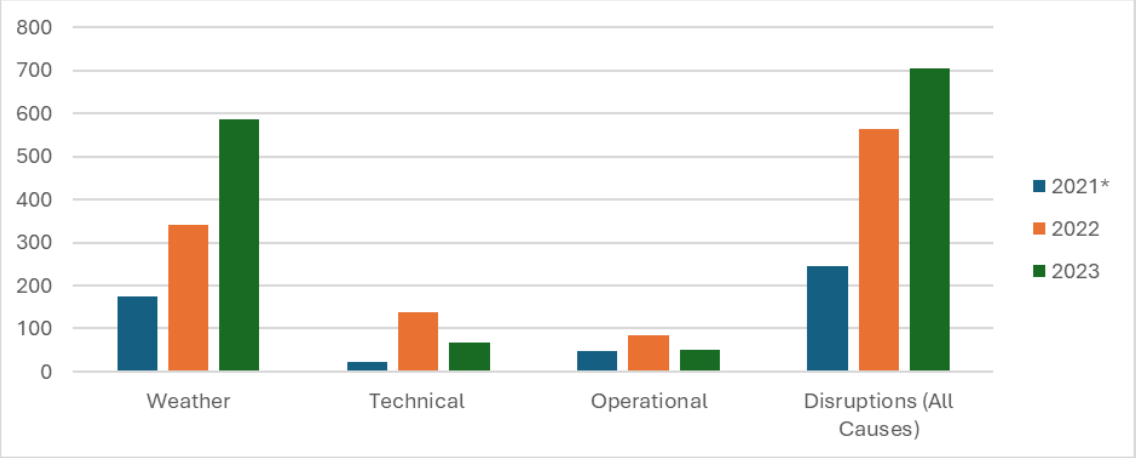
Annex 7 Ferry disruptions in Orkney

Data reported here was obtained from a freedom of information request by Orkney Islands Council and subsequently passed to SRUC research team for analysis.

A spike in ferry disruptions during 2022 and 2023 has significantly affected travel, businesses and the provision of services in Orkney. Disruptions to services conducted by Orkney Ferries between 2021 and 2023, are shown in Figure 84 below. Orkney Ferries is the leading provider of services between Orkney islands.

In 2022 a significant number of disruptions occurred due to technical and operational issues. In 2023 disruptions due to these causes were significantly reduced, however an increase in disruptions due to weather has led to an overall increase in the number of disrupted services. More than 6% of all sailings by Orkney Ferries were disrupted in 2023.

Figure 84 Orkney Ferries, Disruptions to Services 2021-2023



*Due to a change in the format of recording, statistics for 2021 are not directly comparable to 2022/2023

A total of 565 disruptions occurred in 2022 of these, 60% occurred due to weather, 25% due to technical reasons and 15% due to operational reasons. Meanwhile in 2023 there were 706 total disruptions, of these, 83% occurred due to weather, 10% due to technical reasons and 7% due to operational reasons. In most cases the factors leading to disruptions result in the full cancellation of the service – 71% of 2022 disruptions and 68% of 2023 disruptions resulted in full cancellation.

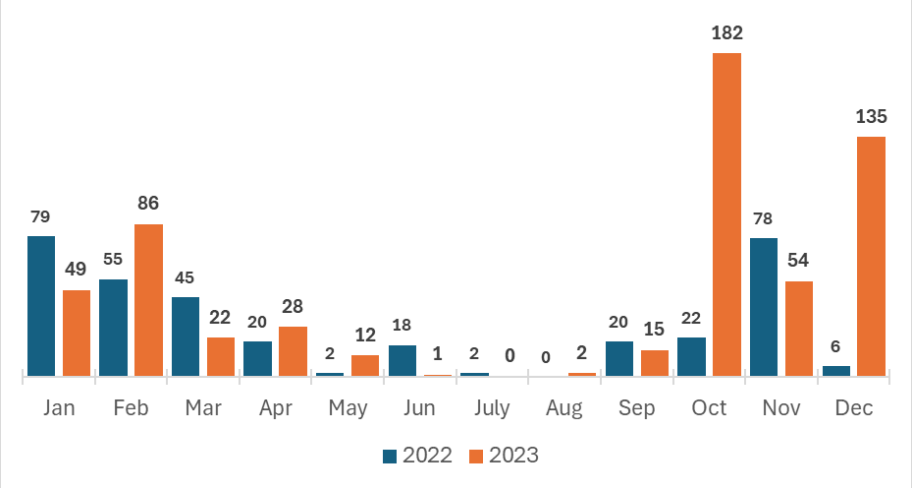
Table 68 Orkney Ferry Disruptions

	Cause of disruption	Full cancellation	Change of sailing time	Leg cancelled	Total Disruptions
2022	Weather	211	51	79	341 (60.35%)
2022	Technical	123	16	0	139 (24.6%)
2022	Operational	69	14	2	85 (15.04%)
2022	All Causes	403 (71.33%)	81 (14.34%)	81 (14.34%)	565 (100.00%)
2023	Weather	403	57	126	586 (83.00%)
2023	Technical	57	11	0	68 (9.63%)
2023	Operational	19	31	2	52 (7.37%)
2023	All Causes	479 (67.85%)	99 (14.02%)	128 (18.13%)	706 (100.00%)

2023 Winter Storms

The winter of 2023 has been a particularly bad year for winter storms resulting in 586 disruptions due to weather in 2023, almost 70% more than in 2022. Many of these occurred during two exceptionally stormy periods in October and December 2023, when an average of 5.8 and 4.3 disruptions were recorded per day, respectively.

Figure 85 Orkney Ferry Disruptions by Month



A recent newspaper article in the Orcadian, *Worst Weather in Years?* dated February 8th, 2024, provides further context. The resulting delays and cancellations of services due to adverse weather have had significant impacts to businesses and local service provision. One Stromness butcher reported no meat delivery for two weeks, while other shops have been forced to close early due to lack of stock. The article further reports data from the Met Office showing that for the winter 2023/24 "*gusts have been significantly higher than in recent years - with almost three times as many weather warnings in the past months as compared to the winter of 2018/19.*"

Annex 8 North Harris Trust

Delivering affordable housing on the Isle of Harris - Background

The North Harris Trust (NHT) is the community landlord for 25,900 hectares (ha) of land across the North of the Isle of Harris. The area has long faced challenges in terms of the out-migration of young people and those of working age and an ageing demographic, which puts the long-term sustainability – and indeed existence – of local communities at risk. The creation of jobs and provision of housing are two of key and inter-linked issues that the NHT have focused on in their work over the last 15 years.

As is the situation in many rural and island communities, a key contributing factor for out-migration is a lack of appropriate housing, and particularly affordable housing, locally. Two local employers – the Isle of Harris Distillery, which now employs about 30 people, and The Scaladale Centre, an outdoor activity centre and visitor accommodation - have both faced challenges in terms of a lack of accommodation for their staff. The Scaladale Centre has recently been in the position of recruiting new staff members who are unable to take up the positions offered as they can't find somewhere suitable to live locally.

The Hebridean Housing Partnership (HHP) has been the Registered Social Landlord (RSL) in the Outer Hebrides since 2006. Much of the housing development by HHP has tended to be on sites in and close to Stornoway and some of the other larger settlements, rather than on sites suggested for housing development elsewhere across the Outer Hebrides where construction is likely to be more expensive. NHT are keen to fill these gaps in housing provision in the north of Harris, including through working with HHP and other partners.

What challenges have been encountered?

The NHT has been managing a small number of houses on the land it owns over the last decade or so. In 2020, the Trust employed an architect to undertake a feasibility study for one site (Meavaig) where the aim was to build two semi-detached 2-3 bedroom properties which would be made available at affordable rent levels. An initial approach to a Stornoway-based 'all-trades' builder resulted in a quote for the constructure of £800,000. NHT then obtained a second quote from a similar builder for £810,000 plus 20% 'preliminaries'. This is a term commonly used in the construction sector to cover necessary costs associated with the project which are not tied to a specific aspect of the work, for example, the costs of ensuring the welfare of staff on site (for example, through the provision of on-site services) and transporting workers and materials.

Even with funding from the Scottish Government's Rural Housing Fund at a level of £110,000 per house, the project cost to NHT at over £300,000 per house on the basis of these quotes was impossible to afford, given that the properties would be rented by the Trust to tenants at affordable levels.

In addition to the high cost of building houses in Harris, the cost for employing tradespeople to install and maintain the services in them also tends to be higher, in part due to a lack of local competition. For one local resident, the cost of employing a local electrician to carry out the necessary electrical safety checks on two self-catering properties on the island was double that for the same work in the Central Belt.

A condition of receiving the RHF money is that electric vehicle charging points are installed on new build homes. However, this adds further costs to the projects. Moreover, when the housing being built is targeted at the affordable market, it is unlikely that future residents will be purchasing or running an electric vehicle anytime soon given their current purchasing and running costs. The charging points are also susceptible to corrosion due to the salty climate of the Outer Hebrides. Similar climate-related challenges are reportedly found with non-/low-emissions heating systems such as air source heat pumps on the island which are also easily damaged by the climate.

A further challenge relates to the availability of local people with the right skill sets to install and maintain this equipment; often these skill sets are lacking on island.

What solutions have been put in place?

The NHT has looked at alternative options for building the houses on its site and is currently exploring the potential for modular housing built by a company based on the Isle of Barra (Modular West). The company have quoted the Trust £500,00 which is a more manageable cost. They have obtained planning permission for the site and the project is now progressing. These houses are built off-site and will be transported to Harris in two halves with services put in place once the houses are in-situ.

What are the main recommendations for change?

Statements relating to where new housing should be built – particularly the requirement for a certain proportion to be built outside the main settlement/s – must be adhered to by local authorities and housing associations/RSLs.

Guidance for the Scottish Government's RHF does include an island weighting in recognition of the higher costs of building houses in these locations, but it does not fully account for all of the additional costs. It currently sits at £110,000 per

house, compared to £94,000 in non-island locations, but this does not compensate for the additional costs of materials, labour, and transport.

The RHF also does not provide 100% of the funding, so match funding needs to be sourced from elsewhere; this can be challenging particularly at a time of reduced public sector budgets.

The NHT is in a favourable position as the community landowner meaning that access to land on which to build houses is not a problem (though not all land can be built on as it is too far from services, etc.). However, accessing land for housing can be a major challenge in some rural and island communities.

Annex 9 Youth-led CLLD

Dùthchas and Dualchas in the Outer Hebrides

This case study is based on discussion with Ruaraidh Urpeth, of Quay Digital Media, who worked with the Outer Hebrides Youth Local Action Group to produce a film about crofting and young people in the Outer Hebrides.

The Outer Hebrides Youth Local Action Group (YLAG), consisting of islanders aged 16-30, exists to give young people a voice and means of making meaningful changes in the Outer Hebrides (OH). It aims to support and empower young people, feed into local and national policy, and build connections across the Scotland-wide YLAG network. It is supported by the OH LAG's Scottish Government CLLD budget, as set out in their 2023-24 Community Led Vision. The group is active with a widening membership. It has developed its own programme and priorities[224], allocates funding to youth led and youth focused projects[225], and attends nationwide events including a Youth Climate Camp and the Scottish Rural and Islands (Youth) Parliament held in Fort William in November 2023.

As part of their plan for the year, the YLAG wanted to engage a young film maker, from or with ties to the Outer Hebrides, to produce a film encapsulating the concepts of *dùthchas and dualchas*, one of the YLAG's identified priority areas. These concepts don't have a direct or easy translation into English. As set out by the YLAG they *"encompass a wide range of activities, sentiments and attitudes related to life in the Outer Hebrides. They relate to topics such as Gaelic language and culture, a traditional lifestyle, sustainable life practices, heritage, and a sense of connectedness to the land, landscape and culture."*

Film maker Ruaraidh Urpeth was born and grew up in the Outer Hebrides, and he returned to the islands after studying and working in Edinburgh for a decade. His film centres on young crofters and is *"explorative, explanatory, a status check on crofting in the Western Isles"* using interviews with current young crofters to explore their motivations, hopes and fears for the future.

"Crofting is part of the logic of the village" reflects Ruaraidh on his

[224] The YLAG's 4 priorities for 2023-24 are *dùthchas and dualchas*, economic sustainability and autonomy, mental health, and acquiring and developing skills.
[225] In 2023-2024 a total of £8,500 was allocated across 6 projects aiming to provide benefit to young people in the Outer Hebrides and aligning with at least one of the YLAG's priorities.

motivation. Crofting is all around people on the islands, in a way which might be different from the mainland. Spatially, villages are organised around the crofts and the crofting system. Temporally, perhaps within a parent's generation and certainly a grandparent's generation, life was very different: more about subsistence; crofting was very much part of the life of the islands; and the trappings of modernity reached the islands later than the mainland. In some cases, the transition from living in black houses to white houses is within a family's living memory. And philosophically, crofting has never been large scale, instead it's about *"subsistence, community, and survival"*. In that way, agriculture and crofting feel closer than they might on the mainland, inherently part of the place and people; *"People who croft and who don't croft feel that. In that sense the film could only be made here."*

The Crofting Commission's recently published statistics[226] show that interest in crofting is growing, with a 5 year high of 510 new entrants in 2022/23. Of these, 29% were young (aged under 41) and 45% were women. These trends, the increased vibrancy, and the inflow of youth and women in particular into crofting are reflected in the film. Participants in the film ranged in age from as young as 10 to those in older age, with a large female contingent, and including those for whom crofting has been passed down as a family tradition, as well as new entrants. The film features young people living and working their own crofts, and younger participants managing portions of their family crofts. Ruaraidh reflected that school age crofter's contributions to the running of crofts are so significant that they are given days off school for crofting activities such as lambing.

Dùthchas and dualchas featured as participants' motivations for crofting. For some of the film's female participants a responsibility and desire to carry on crofting and crofting practices drove them to get involved in crofting, alongside the personal fulfilment they got from being outside and with the animals. The notions of *dùthchas and dualchas* resonated with them, their connection to the islands, and to crofting practices. For male participants, culture and heritage were no less important in their decision to croft, but perhaps their motivations were more "traditional" in the sense of crofts passing from father to son and doing it "because my father did it". Pragmatic and economic considerations also featured. Given the inability to make a living from crofting all participants had personal motivations driving their decisions to croft beyond the economic. Reflecting on the high proportion of young female crofters, their intrinsic draw to crofting, and the uncertainty surrounding future financial support for crofting, Ruaraidh questioned whether this trend might continue and strengthen, and what impacts a higher proportion of female crofters might have on wider island communities.

Despite well-known challenges facing (young) crofters and the future of crofting including the price of and access to land, uncertainty around continued support

[226] https://www.crofting.scotland.gov.uk/news/6-feb-2024-new-crofters-hit-five-year-high

for crofters, and its economic viability, the overall sentiment is hopeful. The film culminates with the inaugural meeting of the Western Isles Young Crofters group in Steinish Auction Mart in Stornoway which took place in March 2024. The Group has been set up in response to growing interest in crofting and aims to provide more (regular) opportunities for crofters for all of the islands to come together. Given the success of this event, attended by over 200 people, and with recent "wins" for crofters in the Outer Hebrides including sheep dipping and vaccinating schemes to tackle sheep scab[227], there is a sense of building momentum and optimism for crofting's future in the Outer Hebrides.

The film can be viewed at Film Archive | Quay Digital Media or through Comhairle nan Eilean Sia's YouTube channel at (192) Byre to the Barn - YouTube

[227] Applying lessons learnt from Shetland to control sheep scab, which is a significant current threat to livestock health, https://www.farminguk.com/news/scottish-islander-crofters-co-operate-in-fight-against-sheep-scab_64309.html

Annex 10 Need for adaptation and inclusion

Migration, land management and local growing in the Outer Hebrides

Stakeholder engagement for this project has revealed the extent of the economic, demographic, social, cultural and environmental changes happening, often at very small scale, in many communities across the islands. However, there is a perception that 'the system' is not keeping pace with these changes and is therefore threatening this dynamism, and worse, the sustainability and resilience - and in some cases the actual existence of – communities.

One stakeholder with a professional agricultural and land management role spoke about many changes happening across the islands of Lewis and Harris. In particular, he noted the large numbers of new people who have moved into crofting settlements in many parts of the islands and purchased crofts[228], particularly since the Covid-19 pandemic. Many of these in-migrants have moved for lifestyle reasons but are keen to establish and maintain active crofts.

While some had developed a mix of livestock and horticulture activities on their crofts, many were looking to focus more heavily on horticulture and growing their own food to supply their households, and also local shops, cafes and restaurants. This trend is bringing a number of benefits for communities. There are economic benefits for crofting families and local businesses, food security benefits for local people and communities, and demographic benefits in terms of an influx of new people (of varying ages, some younger couples, some with children and some pre-retirees) which is helping to support the sustainability of local communities and services.

However, there are also challenges which include increased pressure on the local housing market (in terms of decreasing the availability of housing and increasing the price) from generally wealthy incomers. This may put houses and crofts beyond the reach of many local people, including local young people who wish to stay or return to their home village following the completion of education and/or training elsewhere. This is changing the social make-up of crofting communities where fewer crofts are now owned by local people. More positively, however, a growing proportion of crofts are now occupied so 'more lights are on' in these villages and the local population is increasing.

A further challenge is the potential loss of more traditional forms of mixed crofting, and particularly a reduction in livestock numbers on crofts (with knock-on impacts for biodiversity, etc.). While many of these new crofters place importance on achieving positive biodiversity impacts and planting trees, often they lack the local knowledge and experience to adopt the most appropriate and beneficial land management practices. They may also be unfamiliar with the

[228] This perspective is echoed in the Crofting Commission's 2024 Report which notes the high numbers of new crofting entrants.

guidelines and funding available (and not available). There are examples of new crofters assuming that they can obtain a grant for fencing when they are not planning to have their own livestock for instance, and of installing solar panels and irrigation systems without realising that grant support would have been available to them. They may not therefore be maximising the advantages of the support.

Equally problematic though is that the different funding and support schemes have not changed in a long time meaning that they have not necessarily kept pace with the 'on-the-ground' shifts that have occurred, such as the increased numbers of people growing their produce in polycrubs for their own consumption and for local selling, often wishing to do the latter as a group or collective.

There is also a sense that individuals, groups and communities are often reinventing the wheel to put in place a mechanism to sell collectively for example. There is a need for more mechanisms to be put in place to facilitate the sharing of good (and not so good) practice.

There was a sense from this stakeholder that given the long-term and significant declines that have occurred in the population of many communities across Lewis and Harris in recent decades, viewing changes to agriculture and crofting support schemes through the lens of sustainable communities may be increasingly worthwhile. This might be in terms of providing more support and advice to new crofters (be they returnees or new to crofting and/or island living completely), around succession planning in crofting for example, or raising awareness of the schemes that do exist and what they cover. This will help to ensure that existing and new crofters are maximising the usefulness of the support available, thereby supporting their chances of being able to stay locally in the longer-term.

Annex 11 Following the seeds

Landrace's unique and crucial role within Uist crofting.

This case study is based on research undertaken by Leah Reinfranck in 2023, as part of an MSc in Ecological Economics at the University of Edinburgh.

Scotland's machair is world renowned. The majority of this precious ecosystem is found on the Atlantic-facing west coast of Scotland's Outer Hebrides. Meaning fertile, low-lying grassy plain in Gaelic, the machair is found between the sand dunes and the moorland. It is incredibly biodiverse; a valuable habitat for wildflowers, endangered birds, and insect life almost unique to Scotland's islands.

The machair is also a space for humans and livestock, having been cultivated and crofted over generations. But the Uists are the only place that machair cultivation continues now. This low input sensitive form of agriculture includes fallow periods, cultivation periods and practices which account for nesting birds, and cattle grazing (rather than the preferential grazing sheep) complements and enhances the health of the machair. This interplay between crofting, landscape, and wildlife is central in the machair's conservation.

Less well recognised perhaps is the importance of the role of Uist crofters as "landrace maintainers" in this delicate balance between machair conservation and crofting, a practice which is unique to Uist. Landraces refer to a cultivated plant which has evolved and adapted to local conditions through "natural" processes. They are genetically diverse and commonly associated with low-input agriculture. Recent research has highlighted the multiple forms of value (ecological, cultural, relational etc.) associated with crofting practice using Uist corn, a landrace mixture made up of three cereals (small oat, bere barley, and rye).

Uist landraces, locally referred to as corn, has been cultivated by crofters for generations. Traditionally used for both human and animal consumption it is now used primarily as winter cattle feed, a cheaper alternative to hay imported from the mainland. Uist corn thrives with minimal inputs in this calciferous, lime-rich but manganese-deficit soil where "better yielding" mainland cultivators are ill-adapted and struggle. In fact, it flourishes in tandem with this *"unique and very harsh environment"* (P5). Through crofting practices, which like the corn itself have evolved over generations, the crofting community plays a key role in maintaining this precious ecosystem. Despite the importance of these practices, they face a number of threats challenging their future continuation.

One critical threat is around the financial viability of crofting. As is the case across Scotland, crofting is rarely a sole or primary profession. Crofters often have (multiple) other jobs to sustain themselves and their families, and crofts are at best self-sustaining. As the researcher put it *"any changes in incentives could*

risk tipping people over the edge and not being able to do it anymore". For some research participants the viability of crofting was centred on the cow: *"And the danger will come is if they mess with that core cattle. It all comes back to the cows for me. It's the system. The whole system."* (P6) whilst another participant commented *"The biggest threat to landraces of corn is the crofting, if keeping cattle here doesn't become viable anymore."* (P4). This could have disastrous consequences not only for the cultivation of seed and the positive biodiversity impacts associated with this, but also on the culture and heritage of crofting practices.

Seed saving is central to the continuation and resilience of corn cultivation. This is one of the cultural practices which could be lost. By holding seed back, drying, and storing it over the winter crofters are self-sufficient in producing seed for planting the following spring. Individual crofters take great pride in their seed mix; it's combination of oat, rye and barley, and natural wildflowers, which have adapted to the particularities of that piece of machair that year and each crofters' slightly different cultivation practices. The diversity within the seed mix produces a resilient, *"fail-safe"* corn. One year the small oat might flourish whilst the barley might be more well suited to another year's conditions. Participants also recognised the great value in the diversity of seed between crofts, with one noting that *"everybody does it slightly differently, so they're slightly different seed mix, slightly different species, slightly different conditions"* (12). This contributes to the resilience of the seed at a more meta level. Crofters will swap and trade seed mixes through informal networks to ensure the strength and evolution of their mix, a tradition which has passed through generations, and like many crofting practices is often conducted in Gaelic. Seed swapping through these informal networks contributes to a sense of community and contributes to culture, heritage, and language on the island.

Increasingly, seed swapping is critical in ensuring the future of corn in Uist. Seed saving is expensive, time consuming, and *"a lot of trouble"* to combine it and keep it dry all winter. Some will store seed in barns and sheds which might not be completely watertight. But there is a lack of secure storage facilities on the island making seeds vulnerable to spoil over the winter, especially in extreme weather events. On top of this, fewer crofters can save and store their own seed, due to the financial and time costs, and are increasingly reliant on buying seed from other crofters; *"Thank goodness some people are doing it and doing enough to sell on so that people can carry on using the stuff"* (P9). Participants felt that although cultivating the machair was subsidised, the specificities of what this entails in Uist, cultivating corn and the practices which support it, was not recognised or supported in national level policies. Seed saving and the few crofters who *"keep the seed going"* are central in ensuring Uist's crofting future; *"once its [the seed] gone, its gone"* (P3). This ought to be recognised and supported.

Again, like many other areas across Scotland and the islands crofting demographics, succession, and the willingness and ability of the next generation of crofters to take over is a key challenge. This is interlinked with many other well-known island challenges including the availability of housing and the viability and attractiveness of crofting as a profession. Aspects of the current support system mean that absentee "slipper" crofters collect subsidies, although not working the land themselves, reducing the available croft stock for potential new entrants, while these crofts remain "underused". This poses a challenge for crofting's future on the island as well as limiting the current machair biodiversity benefits as contractors who may be hired by absentee crofters thereby reducing the resilience benefits of diversity in crofting practices mentioned earlier. Participants felt the traditions and culture of Uist corn was being passed between generations where there were new entrants. Given the strength and tradition of knowledge sharing, support should be targeted at encouraging and enabling the next generation into active crofting.

Whilst the three grains and wildflowers contribute to the resilience and biodiversity of the corn, and it is well adapted to the climatic conditions on Uist, climate change is a threat to Uist crofting. Like all crops, Uist corn is vulnerable to changing weather patterns, extreme weather events, and coastal erosion given its proximity to the coast. Not all bird life and biodiversity are welcome either. Geese damage is significant and increasing due to changing migration patterns as global weather patterns shift, *"I have to plant it [the corn] before the end of March, otherwise if it's kept well into August before we can harvest it and they're taking an acre a day, these geese are."* (P7). This was the most mentioned challenge highlighted by participants. Recognition of local challenges and support from policy makers could be transformational.

The stakes are high to ensure crofting and the use of corn on Uist continue. The "benefits" of the interplay of humans, agriculture, and environment are many – for the health, abundance, and biodiversity of the machair, an incredibly important and rare ecosystem. But also in terms of the economy, culture, heritage, language, livelihoods and community on Uist. One participant explained, if crofting stopped *"it would be economic disaster. Because crofting does pull a lot of money in, and it anchors people in place. People can find other jobs or move but environmentally it would be catastrophic, the machair would be destroyed"* (P9).

Commercialisation of Uist corn, specifically using bere barely for whisky making, is a potential pathway for conservation, especially in increasing the visibility of corn and in providing alternative income streams for crofters producing seed for whisky brewing. In this research, participants, which included crofters and non-crofters, very generally very supportive of these operations which bring jobs and a unique selling point. However, some felt the scale of this needed to be attentive to the impacts it could have on crofting and the machair. As its destined for human consumption whisky production requires "clean seed" –

which generally consist of just bere barley and where weed seeds (wildflowers) have been removed and the crops treated with pesticides. Clean seed produced for whisky production could have negative impacts on the machair and its biodiversity at larger scales. Such commercial uses of corn should not crowd out recognition and targeted support for crofting and corn in a more "traditional" sense.

Recommendations

Increasing corn's visibility. Recognition and support specifically for the cultivation of corn in Uist crofting and the practices which support it, perhaps at both an individual and community level. For instance, this could include funding secure storage facilities. This will allow crofters to save seed and swap seed contributing to both corn cultivation at the individual level, but also the wider resilience and continuation of the practice at a community or island level.

Additional support for mitigating or controlling geese damage to machair crop.

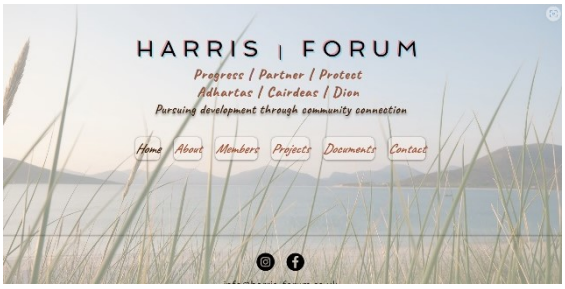
Targeting support at *active* crofting, with particular focus on encouraging and enabling the next generation of crofters on Uist. This might also entail support and provision of housing for new crofting entrants.

Commercialisation and developing wider uses for Uist corn can have a role to play in increasing the visibility of corn. The appropriate scale for this needs to be carefully considered. Corn's role within the wider crofting system should not be overshadowed or crowded out by any commercialisation efforts.

Annex 12 Delivering key worker accommodation on the Isle of Harris

Background

The organisations involved in community led local development in Harris (and Scalpay, which is connected to Harris by a bridge) include the three community councils, two community land owning trusts (North Harris Trust and West Harris Trust) and then seven community groups that are crucial to the running of the third sector in Harris. All of these groups are members of the Harris Forum. Funding from Highlands and Islands Enterprise (HIE) enables the employment of a Development Officer by one of the member organisations (Harris Development Limited) for the Harris Forum as a whole. Much of the work undertaken by the Development Officer in Harris over the last 12 months has been housing and accommodation related.



What challenges have been encountered?

One of the key housing-related challenges faced in Harris in recent years has been the provision of accommodation for key workers, with the lack of suitable accommodation being particularly acute in some key sectors, notably hospitality and tourism, education and social care. For example, one hotel business in Tarbert had found itself having to purchase private sector accommodation for its staff as there was none available locally. Similarly, the care home in Tarbert has found itself unable to recruit enough staff due to a lack of housing. The local authority has therefore had to rent housing for carers on the private market, often at extremely high cost. The situation was repeated in the education sector where the school, which has expanded in recent years in terms of its number of children, was facing a shortage of teachers again due to a lack of housing; there are reported instances of teaching job offers being turned down due to the lack of housing. While the challenge on Harris used to be lack of employment opportunities, this has completely shifted so the challenge now is not enough people for the (many) jobs available.

One of the key challenges was a lack of data locally to evidence the level of need in terms of employees that would be required in Harris both currently and in future. The Development Officer therefore carried out an economic impact assessment which revealed that island businesses would need at least 210 more staff just to be sustainable, but there was no accommodation available to them.

It was noted that if suitable local accommodation could be made available specifically for workers then this would reduce demand on private sector housing provision in Tarbert and the surrounding area. The idea of a worker accommodation hub had been in development for some time, but it was able to be taken forward properly when it was taken on by the Development Officer, with significant support from volunteer Board members across the community organisations in Harris.

In the early stages of seeking funding for the project, the Development Officer approached the Rural and Island Housing Fund but due to the project being the delivery of short-term accommodation it was not eligible for funding.

There are physical challenges in Harris to take into account in terms of the actual construction of the housing, largely as a result of the ground being either peat or rock, which adds to the difficulty and cost of the groundworks required. The costs of moving materials to the islands was also noted as *"enormous"*, and it's not just the huge costs *"…it's also the uncertainty with the ferry situation"*. It was also noted that the construction sector is not competitive enough on the island which also results in increased costs as local companies can charge higher prices. Alternatively, if companies external to Harris come in to do the construction work, then there are additional costs for accommodation for the staff. And these additional costs are not adequately recognised in funding schemes where the cost per unit is regarded as the same on island compared to a mainland build; the reality is very different.

A further key challenge encountered in relation to housing and accommodation projects in the Outer Hebrides relates to the allowance to local authorities for their affordable housing programme (the Resource Planning Assumption, RPA). Like some other island groups in Scotland, the Outer Hebrides has only one Registered Social Landlord (RSL) (Hebridean Housing Partnership, HHP) which is only utilising 40-60% of the RPA as a result of needing to keep their level of borrowing manageable for the housing they build. It is not possible for community organisations to be allocated the unused elements of the RPA (despite their important role in delivering affordable housing) as they would have to be an RSL and becoming an RSL is a complex process. One solution would be to have another housing association on the Outer Hebrides, or flexibility to allow community groups access to utilise that funding.

What solutions have been put in place?

In March 2023, Harris Development Ltd. put in a bid to the Scottish Land Fund (SLF) to purchase three sites across Tarbert to create short-term, student-style

accommodation, comprising a bedroom with ensuite with access to shared kitchen and living space. The plan was for two modular units across the three sites, creating a total of 42 rooms for at least this number of workers across the island. This project was described as "niche" and "transformational" for the Harris economy which otherwise was at real risk of collapse, as were the islands public services. It would also provide an opportunity for people to come and have a 'taster' of island life before deciding whether they wanted to stay long-term.

The project was viewed not as the only solution to the problem but as a complement to the need for more affordable housing – as workers were able to live in the new units, the private sector accommodation that had been purchased by local businesses for their workers would be freed up again for the local market.

The bid to SLF1 was successful which led to a subsequent successful bid to SLF2. Key to the success of the bids was an agreement with North Harris Trust as the community landowner who agreed to donate the cost of the land to the project as match funding and to work in partnership. The funding from SLF has included capital funding to build the houses and revenue funding for another 2-year Development Officer post to run the project. However, somewhat ironically, the preferred candidate for the Development Officer post in the first round of interviews was unable to secure accommodation on Harris to take up the post. The land needs to be acquired and a resumption is required as its common grazing land, and then the design stage will start.

Harris Development Ltd. is also leading another project to purchase the former school on the island of Scalpay to create seven apartments. A community council is also seeking to build 12 social housing units in another part of Harris. The key worker project will work in tandem with these other housing-related projects, not least because the key worker accommodation is designed to be short-term and when people wish to move on from there, they will require somewhere to go. This planning for the future requires the individuals involved to do some visionary thinking about what Harris might look like in 15-20 years time, including in terms of the ageing population and the increasing demands on the care sector on the island. It was commented "We needed to take this action a decade ago, we need to do it now!"

Advancing the project was helped by the First Minister's announcement of a £25 million key worker fund, although the detail of that is still to be publicly announced. However, for the Development Officer, what is also interesting is the extent to which key worker accommodation projects have become more popular recently, having not been something that was talked about much in the past.

Returning to the issue of the groundworks, those involved in designing the project locally took on board the potential difficulties and costs of this element of the build, including through looking at other methods of housebuilding internationally. This informed their choice of a modular approach to the key

worker accommodation. In this case this means a factory-built approach with a pad laid underneath to avoid the need to dig down to build up. However, the final decision has not been reached on this approach as the cost of modular housing has increased hugely as a result of the cost-of-living increases, the war in Ukraine, etc. so another solution may need to be found.

What are the main recommendations for change?

It is vital to see housing in its wider context, and particularly in terms of the sustainability of island economies and communities. As the Development Officer said, "It all comes back to housing."

The role of the Development Officer, as a paid individual leading the project, has been critical in the success of this project, in terms of gathering data to inform the understanding of the level of current need and projecting ahead to foresee future levels of need, facilitating good relationships between stakeholders, submitting funding applications, maintaining good relationships with volunteer Board members, etc. Alongside that, the volunteer Board members across a number of organisations have been vital to the success of the project supporting the Development Officer's role.

Good relationships between, and buy-in from, local stakeholders, including local businesses and community groups, has been critical to the success of the key worker accommodation project so far.

The key worker accommodation project is part of a suite of housing-related projects on Harris. This demonstrates the importance of taking a place-based approach and not seeing funded projects in isolation.

Distinguishing between housing and accommodation in the project has been critical, including in gaining clarity about funding for which the project is eligible and for which it is not.

In its application, the Harris project noted that it was keen to be the pilot but then to share its learning with others seeking to do, or indeed requiring, similar projects to support their economies.

Flexibility for community groups, as bodies that are delivering affordable housing, to access the unused RPA. More broadly, flexibility is required across funding mechanisms to enable community groups to get involved in different ways; this may require public sector organisations to think and act differently to enable change to happen.

Annex 13 Island-specific & natural capital market SWOTs

Table 69 Orkney SWOT

Orkney Strengths
– Orkney the "brand" is a good marketing tool. – The product (beef in particular) has a good reputation within Scotland and further afield. – Skilled workforce, good stockmanship. – Many businesses have invested in technology to make them more efficient e.g. weigh cells, calving cameras etc. – Climatic conditions and soil make Orkney an excellent area for growing grass leading to obvious benefits for ruminant livestock production. – Farmers have a good work ethic. – Families with ties to the land for generations, want it to stay in "good heart". – Proud to farm in Orkney. – No foxes, badgers, moles, low crime rates. – The livestock systems are sustainable environmentally, Orkney is already renowned for its wildlife, lack of pollution and the carbon levels in the soil are high.
Orkney Weaknesses
– High costs (freight) associated with island locations. – Uncertainty of future ferry service to north isles (Westray, Sanday, Stronsay, etc.) – Lack of labour (even unskilled) – Lack of new, young people coming into the industry. – Average age of farmers in increasing – Price of produce influenced too much by supermarkets. – On farm infrastructure is deteriorating due to lack of grant assistance e.g. buildings and fencing. Additionally, effect of salt air corrodes infrastructure quicker than elsewhere in the country. – Very restricted to what we can produce, business have to concentrate on cattle and/or sheep. – Expensive winter, can't out-winter – Lack of local abattoir.
Orkney Opportunities
– Promote share farming/contract farming arrangements to bring in new (young) entrants into the industry. – Change the grading system for beef to have a strong emphasis on eating quality. – Highlight the negative impact of ultra processed food on health. Promote the health benefit of buying and eating locally produced food which is note ultra processed. – Educate children on the above. – Restructure farming subsidy to encourage beef production e.g. increase calf scheme payment. – Bring capital grants which are an effective way of supporting farmers who have the desire and determination to farm rather than dishing out money to landowners through BPS R1 who may be undertaking no activity e.g. funding for livestock sheds, slatted courts, grain stores, fencing etc. – Rebase LFASS to ensure farmers with breeding cattle actually get the payment uplift and those that don't have cattle anymore don't. – Need to encourage young folk into the industry, could there be a "Developer" fund (not just a new entrant/young farmer option). – Need an Orkney Land Management Plan, not a Scotland Land Management Plan. – Ensure government protects farmers from cheap imports entering the country which tend to be of lower quality. – Need to be allowed to capture and use our own to our own advantage. – Need accurate carbon and biodiversity audits so we can tell our own story. – Encourage more into producing milk for Orkney Cheese. – Build a local abattoir.
Orkney Threats
– Depopulation, particularly in the North Isles. Many farms are operated by individuals where there is no obvious succession. – Slipper farmers taking money out of the system which would be better directed to active farmers. – Less cows, knock-on effect to other businesses i.e. machinery dealers, mart etc. – Limited margin for fat cattle, how far can price of beef increase before sales drop in supermarkets?

- Small farms where farmer works part-time or in some cases full-time are too small to access extra funding i.e. through AECS, difficult to increase stock, business stagnates.
- Increasing transport costs, diesel and fertiliser costs.
- Public perception that farmers are to blame for global warming. Farmers feel the blame is not proportionate compared to other sectors e.g. shipping & tourism.
- Extra bureaucracy consuming more of a farmer's time and money and delivering little benefit e.g. what are the benefits of undertaking a biodiversity audit to highlight a habitat which has been there for decades?
- Government allowing cheap inferior food imports to flood the country replacing home produce.
- Supermarkets lack of loyalty to stock locally produced goods.
- New disease impacting on productivity.
- One or two of the current dairy farms leaving dairying and starting to farm for beef, could leave the Orkney Cheese factory completely unsustainable, with resulting job losses at the Creamery, on farm labour lost etc.

Table 70 Outer Hebrides SWOT

Outer Hebrides Strengths
– Store and breeding animals (high health) have a good reputation within Scotland. – Majority of stock can be outwintered without negative consequences. – Machair soil/system. Provides many benefits – agriculturally, environmentally, culturally, and economically. – Potential to use seaweed as fertiliser reduces reliance on bought in carbon intensive fertiliser. – Strong cultural identity of the crofting way of life and keeping livestock. – Few ground based predators/pests. – No foxes, badgers, moles. – Low input livestock systems have – evolved in a holistic manner with the environment. – Much of the more productive land is under some form of nature designation. – Crofting agriculture supports habitats for nationally and internationally rare species, such as great yellow bumblebee, red listed bird species. – High footfall of tourists due to unique habitats and wildlife maintained by active crofting. CAGS provides vital support for crofting infrastructure investment. Must be retained and strengthened.. – Informal subletting of crofts and common grazings ensures some active grazing in areas that would otherwise be abandoned
Outer Hebrides Weaknesses
– Lack of profitability for many production systems. – Public goods (beneficial environmental management, extensive livestock systems and cropping) not recognised in the market – nor explicitly by current direct support policy – High costs (freight) associated with island locations. – Uncertainty of future ferry service/reliability. – Lack of labour (even unskilled) – Lack of new, young people coming into the industry. Average age of crofters is increasing – On farm infrastructure is deteriorating due to lack of reinvestment due to lack of profitability, and grant schemes not keeping track with agricultural inflation. – Very restricted to what can be produced, business have to concentrate on cattle and/or sheep. – Expensive winter, due to cost of imported feed – Limited abattoir availability. – Mart frequency and coverage declining – Lack of awareness of future support changes, and the impact it will have on their business. – Issues with 4G/broadband coverage, particularly in relation to Scottish Government's push to more online applications. – Closure of one of two local marts, limited selling choice. – Current system allows and rewards non-activity – leading to significant reduction in active crofters and use of common grazings. – Number of unregulated common grazings – Current support structures not designed to support the active crofters
Outer Hebrides Opportunities
– Recognise the currently unrewarded public goods provided in the Outer Hebrides.

– Tier 2 contains options to reward active crofting. – Government supported succession process. – Support for sustainable native breeds. – Reworking of LFASS to support livestock production and cropping in peripheral areas. – Support for common grazing committees.
Outer Hebrides Threats
– Depopulation. Many crofts are operated by individuals where there is no obvious successor. – Active crofting is reliant on appropriate government support. Poorly designed/targeted/funded future schemes will severely undermine the entire crofting system. – Potential future support system allows and rewards non-activity. – Removal/dilution of CAGS support. – High compliance costs (as a percentage of turnover) for new support schemes for small businesses/common grazings. – Fewer livestock, knock-on effect to ancillary businesses. – Increasing transport and input costs. – New diseases impacting on productivity. – Lack of skills being passed on to new entrants. – Impact of predators and pests (such as WTE and geese) on sustainability of extensive livestock systems. – Climate change/increased storminess poses a threat to machair/dune systems. – Reliance on, and reliability of, bull hire scheme.

Table 71 Shetland SWOT

Shetland Strengths
– Strong knowledge and skills base in land management, stockmanship, shepherding – Strong local demand for local products – Local Mart, which operates online bidding system which has opened the local market up to buyers elsewhere and made it more competitive. – Local abattoir. Good uptake of abattoir to service local demand – LA currently supports this through local procurement of meat/dairy produce for LA services – Relatively good existing infrastructure within Shetland – High health status and the ability to protect it – Excellent LA support and funding for local Shetland animal health scheme matched with corresponding excellent crofter/farmer buy in – Good collaborative working in place for the above – vets, LA, Haulage companies, mart, abattoir, crofters and farmers – LA still relatively able to provide additional support for the sector and a good range of other local sources of funding for project work (e.g. Coastal Communities Fund, Community Benefit Fund) – Good local team at Lerwick SGRPID Office – Excellent local biodiversity value. Diverse range of habitats already in good agricultural and environmental condition. – Low levels of pollution – Buoyant local employment market – Local economy based on a diverse portfolio of industries with abundance of opportunities both existing and future. – Strong sense of community and good collective knowledge sharing – Local Climate Strategy in place – Presence of two strong heritage breeds, both hardy and well adapted to thrive in local conditions, with market recognition (especially for lamb/wool) – Existing PDO for Shetland Lamb and basic awareness of what provenance marketing is. Strong provenance story to tell. – Most land actively used with little to no abandonment – Relatively high numbers of local young people entering or looking to enter the sector. Strong YF club. – Strong sense of the cultural importance of crofting. – Active common grazings still relatively common – Limited pest/predator/disease problems due to geographical location – Already practicing low intensity farming

- Resourceful, resilient people

Shetland Weaknesses

- Harsh climate and short growing season
- Generally poor-quality marginal land
- Resulting in relatively limited agricultural options and much more work and risk involved in production
- Ageing population and ageing active crofting population
- Critical shortage of large livestock vets and limited capacity and service provision for animal health and welfare interventions
- Fragile rural communities
- Regular weather disruption to ferries and critically limited ferry capacity, especially for freight
- Haulage costs
- Cost of doing business significantly higher (internal and external costs)
- Distance from mainland markets
- Limited number of suppliers and limited access to supplies, lack of competition
- Sector is reliant on active crofters and farmers having supplementary off-property income
- Resistance to change
- Poor communications between agriculture sector and conservation agencies
- Conservation agencies often lack local knowledge and understanding of/respect for local land use and practices. Many are unable/unwilling to hire locally. Local volunteer recruitment is patchy and often not effectively deployed. Relations between land managers and conservation agencies are often compromised by lack of trust and/or effective communication
- Education and Skills development not currently ensuring we have locals qualified to take up conservation posts
- High levels of dependence on food coming in from the mainland – could be growing more of our own vegetables
- Precariously low numbers of dairy farmers mean co-operative dairy now at risk
- Low levels of available land for young people who want to come into the sector
- Still difficult to access the sector if you are not from a crofting family
- No local meat or fish stocked by supermarkets (limited to vegetables and milk in one and bread and milk in the other)
- Often very poor product positioning in store of the local produce they do stock. Lack of regulation to define how supermarkets may deal with local, small-scale producers or even if they have to.
- Cheap imported food that is not held to the same environmental or welfare criteria imposed on British producers. Unrealistically low pricing by the mass retail channels prices local out of the market.
- Amplified effect of mass retailers on fragile local economies. Small catchment area makes it tougher for local independent retailers to survive on such an uneven playing field.
- Decision makers in Shetland and centrally often lack a full grasp of the differing levels of rurality within Shetland - many who live/work centrally on mainland Shetland or in Lerwick believe "all of Shetland is rural" and do not fully grasp the additional challenges faced by more rural communities. SG then often think they are providing extra support for rural communities when in fact most of that support is hived off to semi-urban areas within Shetland.
- Many, even here, are disconnected from the work and true cost of the food on their plate. General populace has a poor understanding of the value of local produce.
- Cost of living is even higher here and those struggling are disproportionately affected by the cost-of-living crisis.
- Crofting Regulations can slow and sometimes hamper change and diversification
- Lack of rural housing and the cost of what is available
- Labour shortage. Relatively small pool of people available and difficult to recruit externally.
- Sometimes problematic mismatch between the people who want to move into rural communities and the skills and demographic profile the communities need to thrive.
- Training opportunities limited locally and significant extra cost barrier to train elsewhere or to bring training to Shetland.
- Due to market conditions and the lack of retailer regulation, relatively high proportion of agricultural income come from support payments.
- Degraded Peatlands
- Current lack of data-based decision making on Peatland policy
- Fragmented local peatland restoration sector and lack of clear joined up policy and legislation to enable restoration work to be carried out.
- Lack of bridging finance to help those who cannot afford to access CAGS grants or who wish to diversify but cannot secure bank finance against crofting assets
- Poor connectivity with many areas still not covered by mobile signal at all, broadband speeds are still woefully inadequate.

- Digital skills gap for many
- Difficult to maintain high health status and strong genetics
- Current PDO status held not a useful one to generate pride and income

Shetland Opportunities

- Renewable energies could generate income and cheap, clean, power for Shetland. Cheap power would significantly reduce cost of living gap and fuel poverty and could revolutionise growing opportunities as geothermal has in Iceland
- Excellent marketability with strong provenance and good quality product available
- Peatland Restoration if supported properly could reduce Shetland's emissions significantly
- Community benefit from engagement in well thought out Carbon investment
- Opportunity to support communities in setting up active grazings committees to tap into potential environmental schemes, collective animal welfare planning and community led development
- Young people keen to join the sector
- Excellent opportunities for developing the conservation sector and improving relations between land managers, crofting communities and the conservation agencies
- Creating real rewards for good agricultural and environmental practice
- Value, maintain, and build biodiversity both natural and agricultural
- Eco and Agri tourism still relatively underdeveloped. There are still excellent untapped opportunities for quality agri, eco, and food tourism experiences aimed at the development of sustainable tourism.
- Further development of local and external markets for food and drink placing emphasis on production for quality.
- Maintain and support local mart, abattoir and Shetland's Animal Health Scheme
- New bill could redress the injustices of previous funding schemes and redistribute funding to support the most vulnerable areas and the most vulnerable producers
- Licensing Methane inhibitors and co-ordinated bulk purchasing could reduce costs and emissions significantly
- Regionalise and tailor funding to specific local needs
- Opportunity to broaden the definition of agriculture to include horticulture and support heritage practices and collective projects. This could drive agricultural and non-agricultural diversification and facilitate effective succession
- Fixed links could make trading from and living in more rural areas more attractive helping to slow or reverse depopulation trends
- New and emerging markets such as Halal
- Tier 2 can reward existing good practice if well designed (sadly not much evidence of this so far)

Shetland Threats

- Decision makers' lack of knowledge/understanding of the challenges Shetland faces
- Continued centralisation of decision making, policy development and funding bodies
- Central belt focused thinking in all things
- Skills and labour shortage
- Lack of vets
- Inability to deliver some of the proposed outcomes already announced (e.g. bull fertility checks are unavailable in Shetland)
- Disproportionate impact of compliance costs for the smallest units
- Continued uncertainty against a backdrop of international turmoil and a quickly worsening climate emergency
- Lack of policy makers understanding how the climate emergency will affect food production
- Conflicting policy aims will ultimately be paid for by the most vulnerable communities
- Lack of regulation to create level playing field for producers and independent retailers in a globalised market where mass retailers are unaccountable for the impact they have.
- Cheap imports which are not held to the same standards as domestic producers
- Funding and policy is currently focused on short term while the decisions needed require long-term thinking and investment
- More frequent and prolonged travel disruption due to aged ferries, recruitment difficulties and increased extreme weather events
- Delays in getting new ferries and fixed inks. Transport Scotland delaying decision making without considering the impacts on island communities' lifeline service. Failure to hold service providers to their obligations as lifeline service providers (see Loganair profit v. service provision)
- Depopulation - compounded by muddle headed policy making which fails to approach rural communities with a joined-up approach
- Ageing population

- Loss of funding support for agriculture disproportionately onerous access to it will lead to many walking away from schemes and possibly also from agriculture. This would ultimately drive a loss of skills and knowledge from rural areas and ultimately contribute to an acceleration of depopulation.
- Unregulated carbon markets could create conflict between land managers, landowners, and communities and ultimately mean that financial benefit end up in the hands of entities outside the community. Uncertainty about the risks and liabilities and the unwieldy duration of contracts are barriers to peatland restoration
- If peatland restoration becomes an obligation for land managers there is insufficient funding and support available. Current monies are predominantly spent on larger projects, and this may mean that, once more, the small scale units will miss out and could be penalised in the future
- In the drive to address climate change, policy makers have lost sight of the fact that agricultural support should primarily support agriculture. Food production must remain at the heart of agricultural support. Environmental outcome should be funded from outside of the agricultural support package. They are interlinked but separate
- Blind adherence to environmental policy without questioning the data it is based on often makes it feel like we are focusing on the wrong things, and this makes it even harder for people buy into environmental initiatives
- Ever decreasing budgets for almost everything
- Increased red tape and one size fits all schemes for slurry management, calving intervals and support schemes.
- Ability to attract/retain young working aged families to the most rural communities (availability of affordable housing, schools, opportunities, etc. everything is interlinked)
- Policies made for larger units being forced onto crofters and small holders
- Lack of understanding that agriculture is not a purely a business for most but also their home, lifestyle and community.
- Succession – lack of willing successors and poor planning
- Escalating input costs and diminishing margins
- Continued adherence to unrealistic targets for environmental outcomes and emissions reductions will lead to poorer outcomes for everyone (SG CNIs in Yell already having difficulty because Yell's current assessments of their peatland would effectively make it impossible to ever reach net zero - this makes it more difficult for the project to motivate the community to work towards the achievable, they're beaten before they even started)
- Mental health crisis
- Lack of consideration for elevated numbers of people with learning difficulties within sector make schemes difficult to access without expensive support

Table 72 Natural Capital Markets SWOT

Natural Capital Markets - Strengths
– Nature markets enable private finance to be directed towards sequestration / restoration and close the finance gap for nature / climate; – Natural capital projects can offer an additional income stream to landowners (and potentially crofters), supporting rural livelihoods and profitability; – Natural capital projects can have a wide range of co-benefits, including shelter for livestock, additional crops (trees), improved access to land (peat), increased pollinators (biodiversity), etc. – Well-designed projects can deliver benefits to local communities and build community wealth, sometimes through benefits sharing agreements; – Wider benefits such as biodiversity uplift, hydrological regulation, clean air, and many more; – Nature markets can create opportunities for business diversification and new green jobs for a variety of rural people with transferrable skills; – Some land mangers see themselves as stewards of the natural environment and believe nature restoration is the right thing to do, enabled by nature markets;
Natural Capital Markets - Weaknesses
– Uncertainty / perception / stigma around carbon trading putting people off; – Long durations of contracts within most natural capital schemes (30-100y) cause concerns around burdening future generations with responsibilities without their consent; – Uncertainty surrounding risks and liabilities regarding ongoing maintenance of carbon projects and courses of action in the event of carbon sequestration reversals as a result of extreme weather events or similar; – Lack of funding or incentives for ongoing monitoring and maintenance of natural capital projects, outside of carbon credit schemes; – Administrative burden, opportunity costs of spending time on pre-development, & knowledge required to engage with the relatively new and confusing space;

- Lack of contractors with suitable skills and experience to implement natural capital projects; Relatively small labour pool overall, with competing pressures from other industries;
- Lack of capacity / long wait times for Peatland ACTION, Peatland Code;
- Natural capital projects are often only viable / profitable at larger scales (hundreds of hectares) due to fixed costs / overheads including project developer fees, validation and verification costs; Peatland ACTION is currently prioritising larger projects, with the result that smaller actors are unable to access this support to fund restoration work;
- Lack of proven, costed case studies in similar contexts and lack of relatable, concrete data to clearly demonstrate measured benefits of available schemes;
- Unresolved owner vs. tenant questions – Balancing risks and rewards, ownership of resulting credits, responsibilities of managing the project / land, eligibility to enter into schemes, etc. ; Common grazings committees perhaps not well suited to manage natural capital projects;
- Lack of stakeholder knowledge and understanding of legislation that governs the rights of land managers in crofting counties;
- Relative remoteness and inaccessibility of potential project sites leads to additional cost and effort to mobilise labour and machinery;
- Uncertainty around taxation of income from nature markets & regulatory environment generally;

Natural Capital Markets - Opportunities

- Increasing / improving body of case studies & guidance; Farmers swayed by what their neighbours are doing;
- De-risking involvement in nature markets for farmers through government support such as training, grant funding for project maintenance, and/or guarantees e.g. a price floor for credits;
- Establishing a Scotland Carbon Fund investment vehicle to aggregate private capital and scale restoration projects;
- Explore the potential for a contributions approach for long-term, ethical private investment in natural capital, for example leasing carbon credits rather than selling them on an unregulated open market;
- Simplifying application processes to schemes;
- Create standardised contracts / frameworks for owner/tenant benefit sharing agreements that adequately address the legal complexities of crofting regulations;
- Support Common Grazings committees to develop the capacity to initiate and manage natural capital projects, including giving them legal premise, practical tools, and resource to do so; Committees could be ideally placed if these barriers are overcome, as they already communally deliver environmental outcomes, but may need to develop more fit-for-purpose committee models to grow in this way;
- Addressing concerns about greenwashing by implementing buyer integrity tests;
- Exploring options for maintenance payments to reward good stewardship;
- Develop communications that tailor messages to different stakeholders' values, use trusted intermediaries, and provide outcome scenarios for various landholdings;
- Explore ways of developing farm business value from natural capital via diversification (i.e. eco- and agri-tourism); This will help to enhance pride in local natural assets, encourage appreciation of their intrinsic value, and foster understanding of the business benefits of investing in natural capital.

Natural Capital Markets - Threats

- Risks to selling offsets -- Carbon balance of the landholding, scope 3 emissions of downstream buyers; obligation to maintain project outcomes over long timescales with unknown maintenance costs and responsibilities in the face of unquantified risks;
- Issues around compatibility of post-restoration restrictions on land management with other economic activities (i.e. grazing densities);
- Future uncertainties including eligibility for agri-environment schemes, inheritance tax / succession implications;
- Future uncertainties around market entry requirements as the supply chain increases demands on upstream (scope 3) businesses;
- Existing market models may benefit intermediaries more than landowners;
- Regulation / stick – Fear of a tax on degraded peatland;
- Adherence to top-down environmental targets ignores local vs. national balance, providing limited options for active participation if schemes and objectives are not regionalised to fit local opportunities for positive outcomes;
- Climate change exacerbates the unknown risk factors limiting uptake, e.g. increased frequency of wildfires and landslides.

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