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

Report Annexes

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Orkney Islands Council

Comhairle nan Eilean Siar

Shetland Islands Council

HIE
Highlands and Islands Enterprise
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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

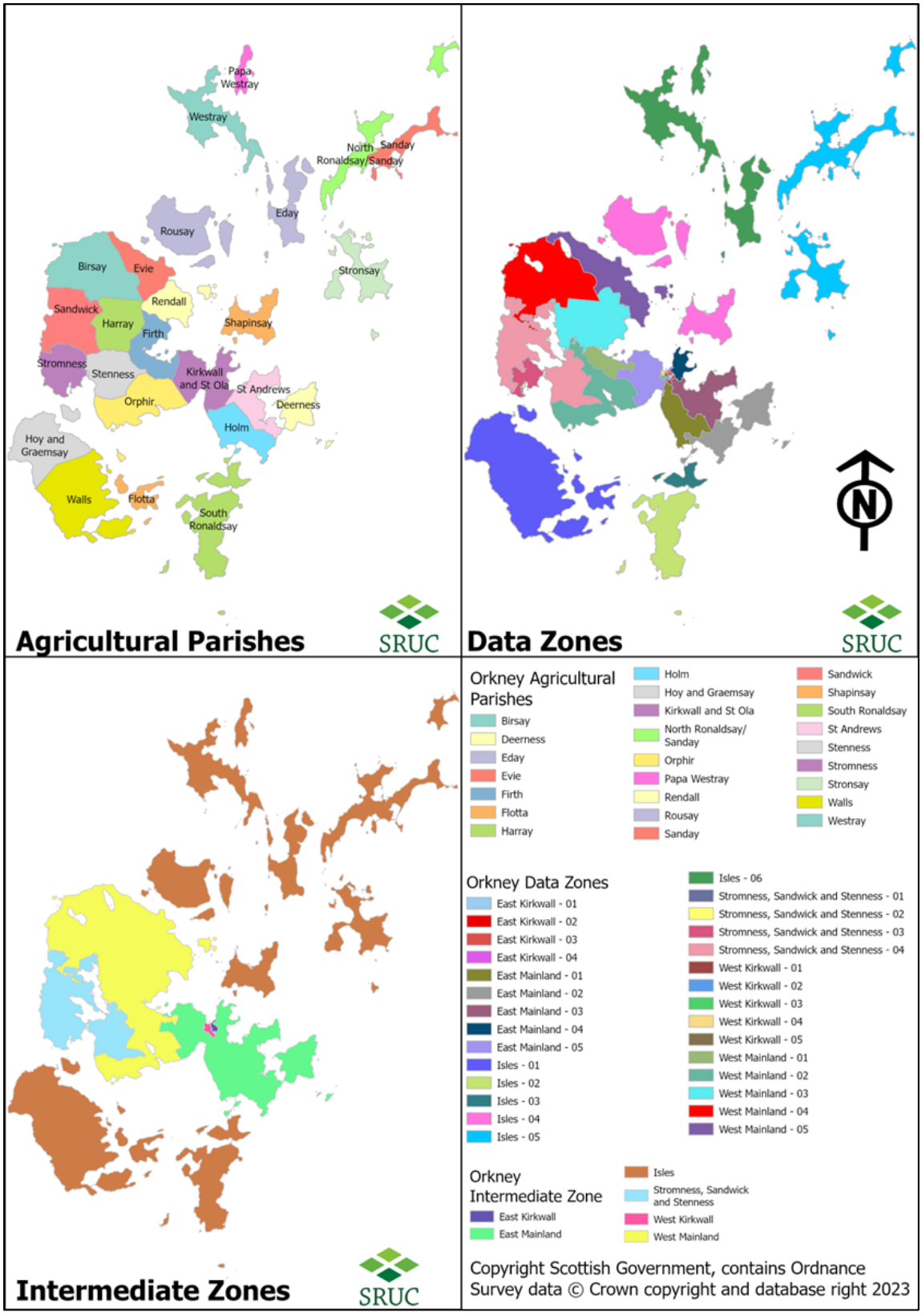


Figure 66 Administrative geographies, Outer Hebrides

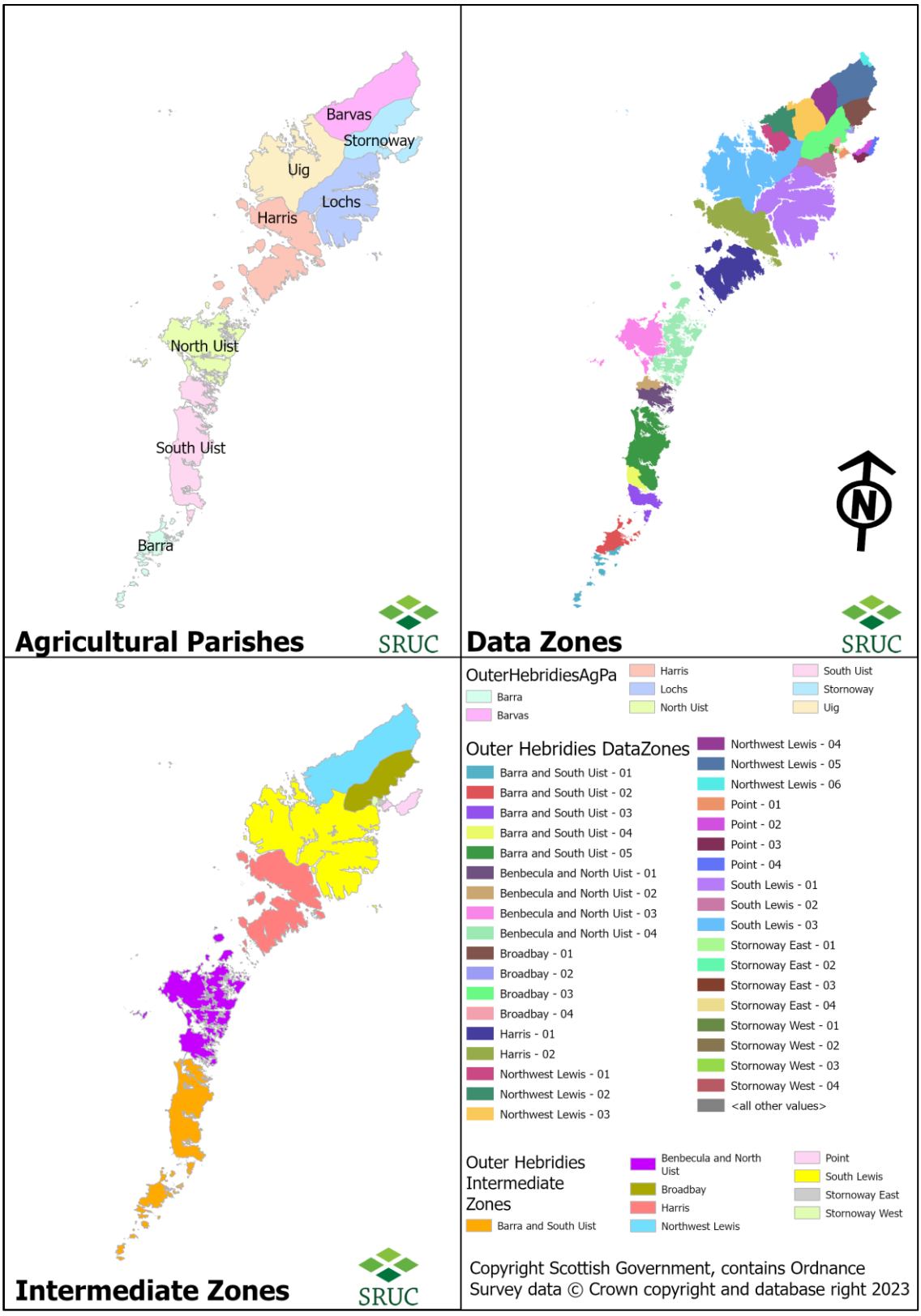
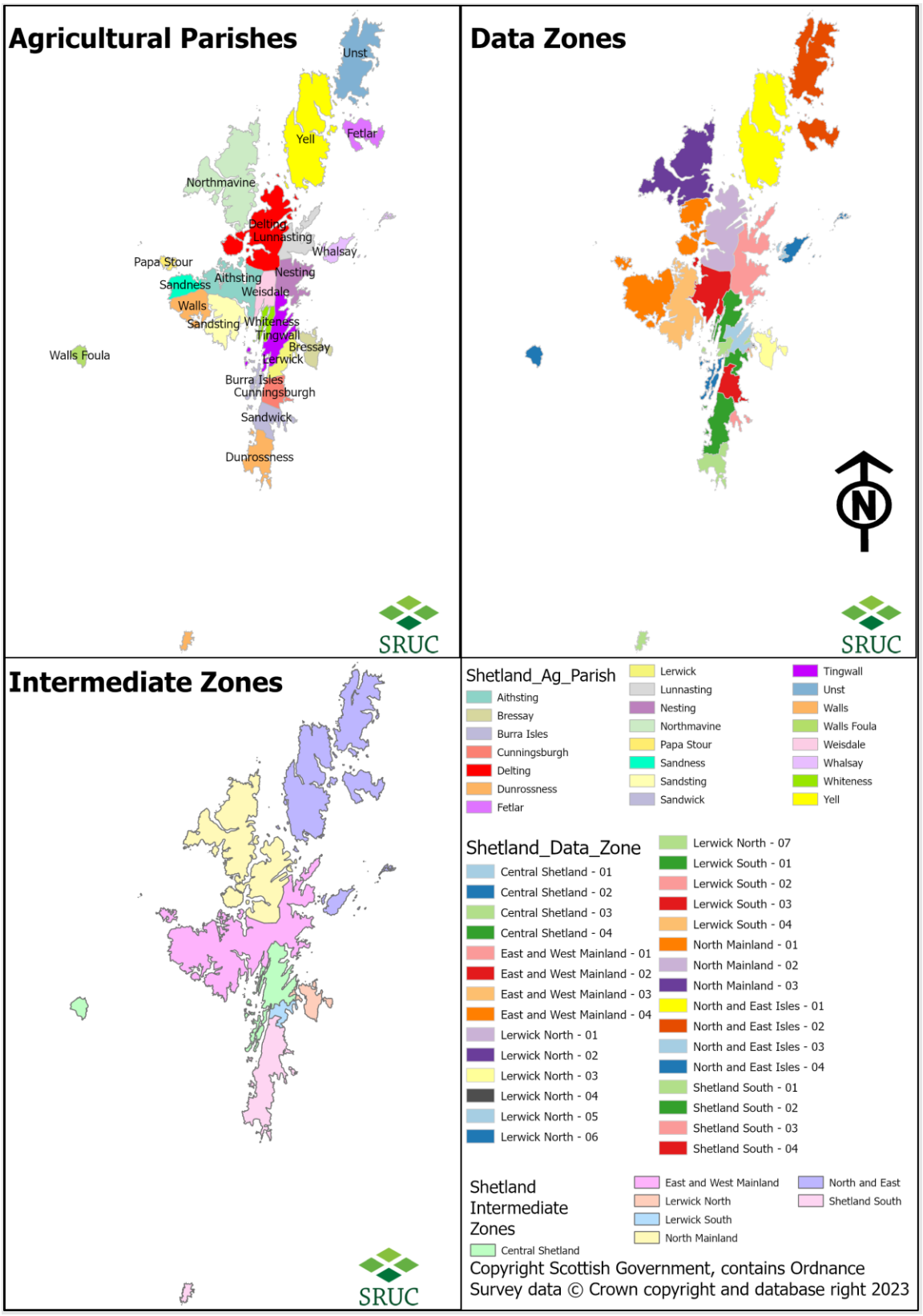


Figure 67 Administrative Geographies, Shetland



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

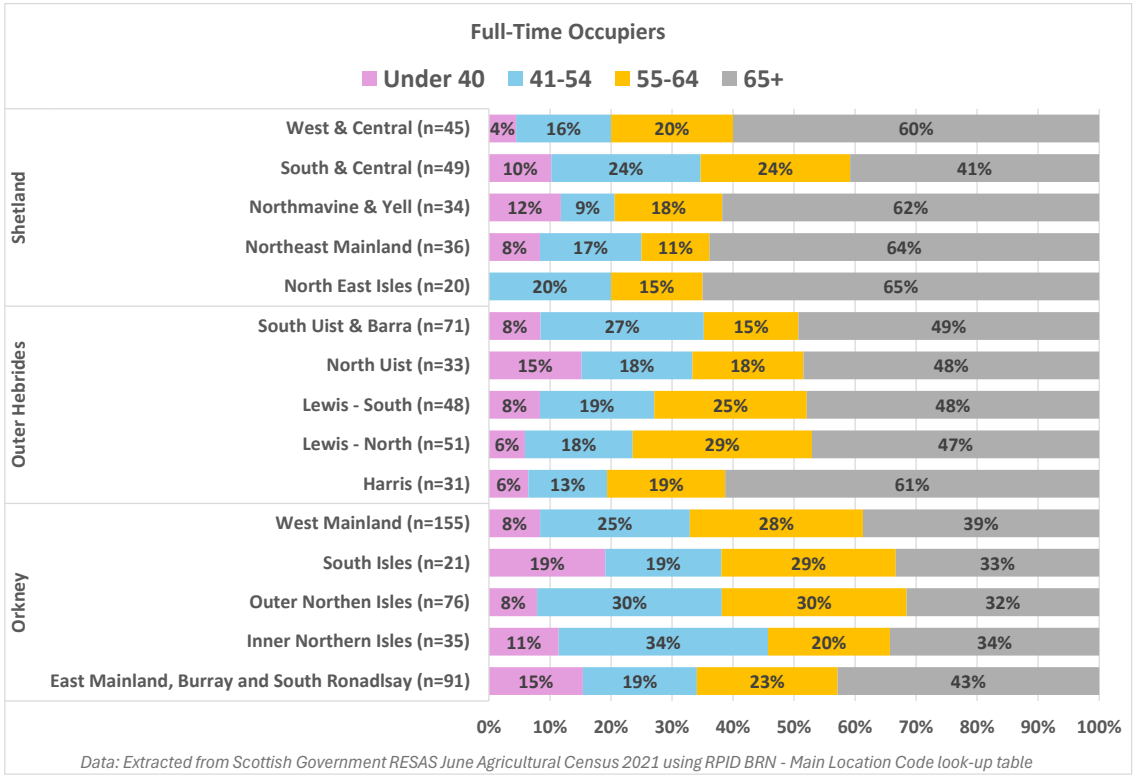
Orkney	2014	2022	2014-2022
East Mainland, Burray and South Ronaldsay	£4,914,671	£5,067,844	3%
Tier 1&2	£4,274,468	£4,813,591	13%
Tier 3	£640,203	£254,253	-60%
Inner Northern Isles	**£1,889,216**	**£2,128,042**	**13%**
Tier 1&2	£1,448,460	£1,843,699	27%
Tier 3	£440,757	£284,343	-35%
Outer Northen Isles	**£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

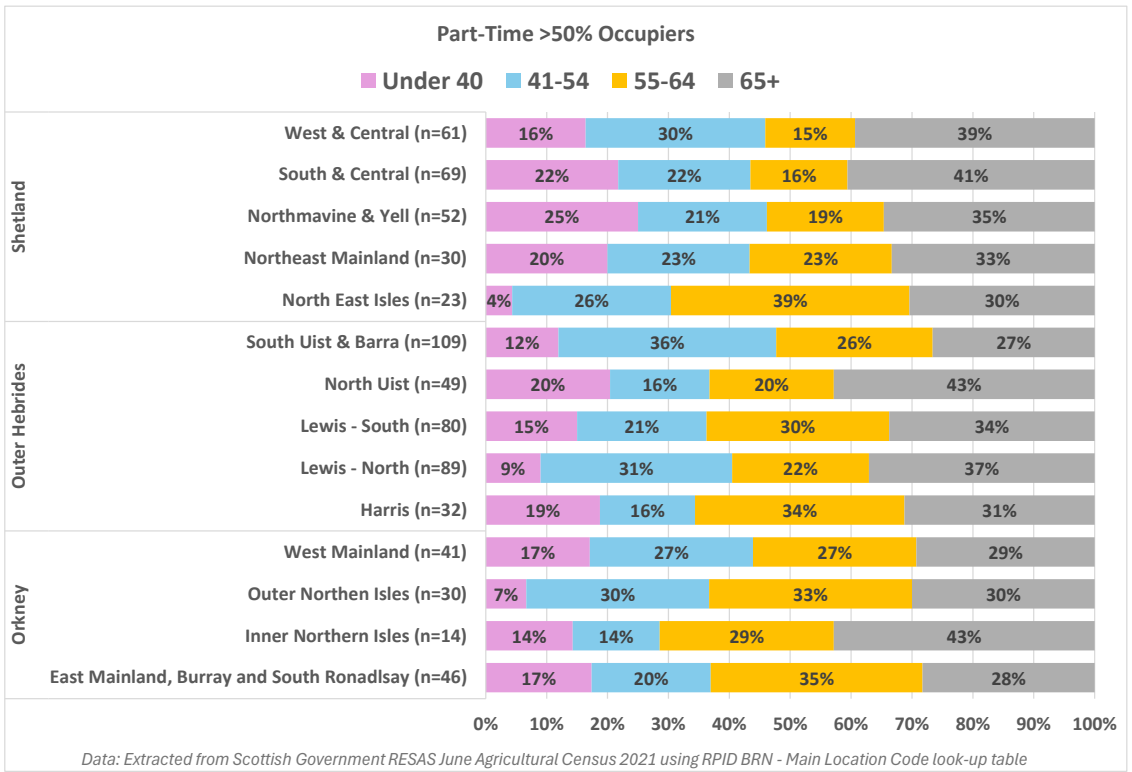
Orkney	2014	2022	2014-2022
East Mainland, Burray and South Ronaldsay	**220**	**189**	**-14%**
Tier 1&2	213	187	-12%
Tier 3	52	42	-19%
Inner Northern Isles	**72**	**61**	**-15%**
Tier 1&2	69	60	-13%
Tier 3	32	23	-28%
Outer Northen Isles	**140**	**121**	**-14%**
Tier 1&2	130	118	-9%
Tier 3	48	50	4%
South 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

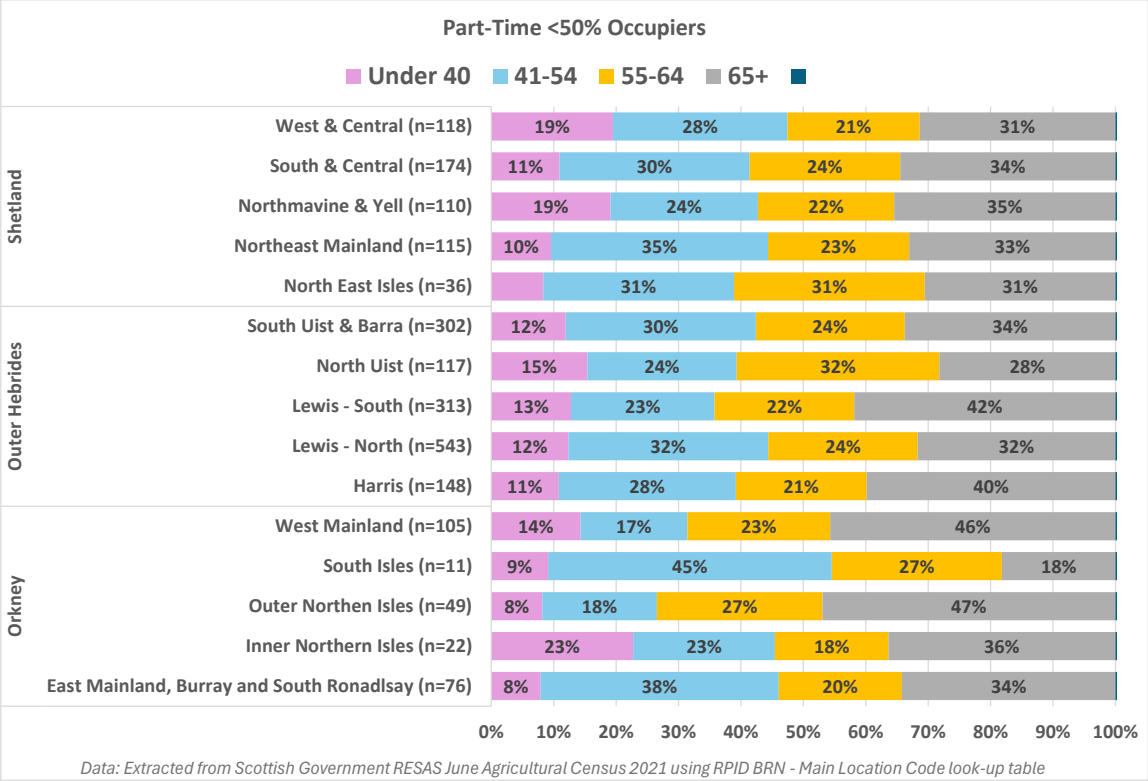


Figure 69 Standard Labour Requirements

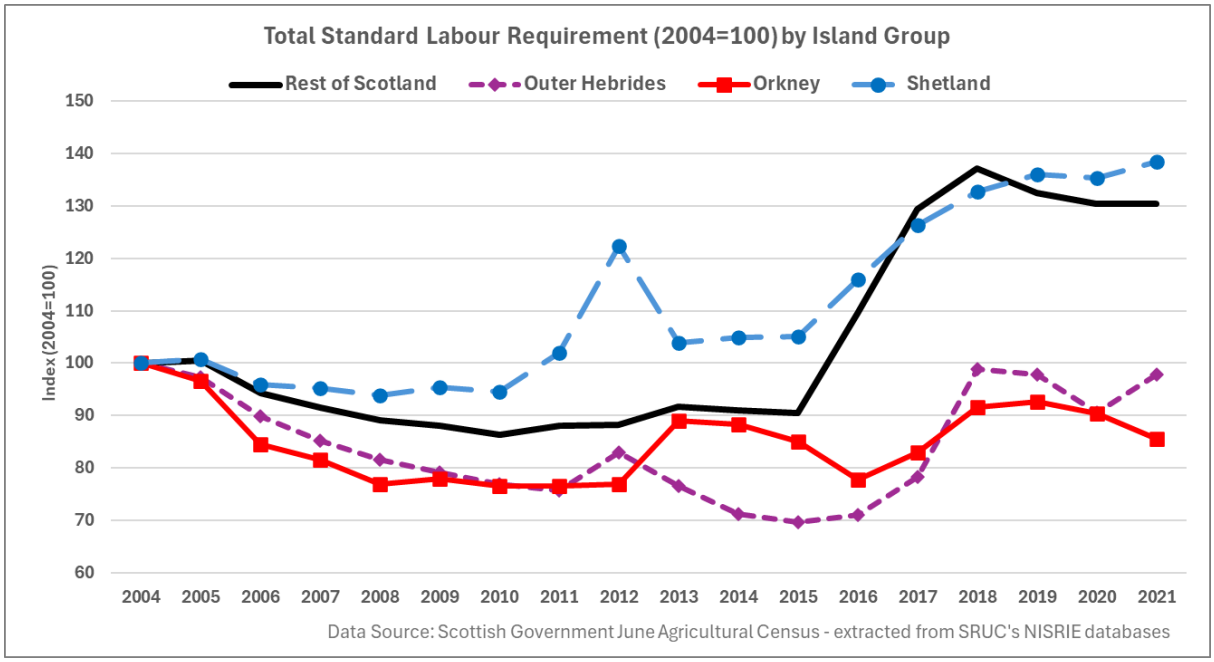
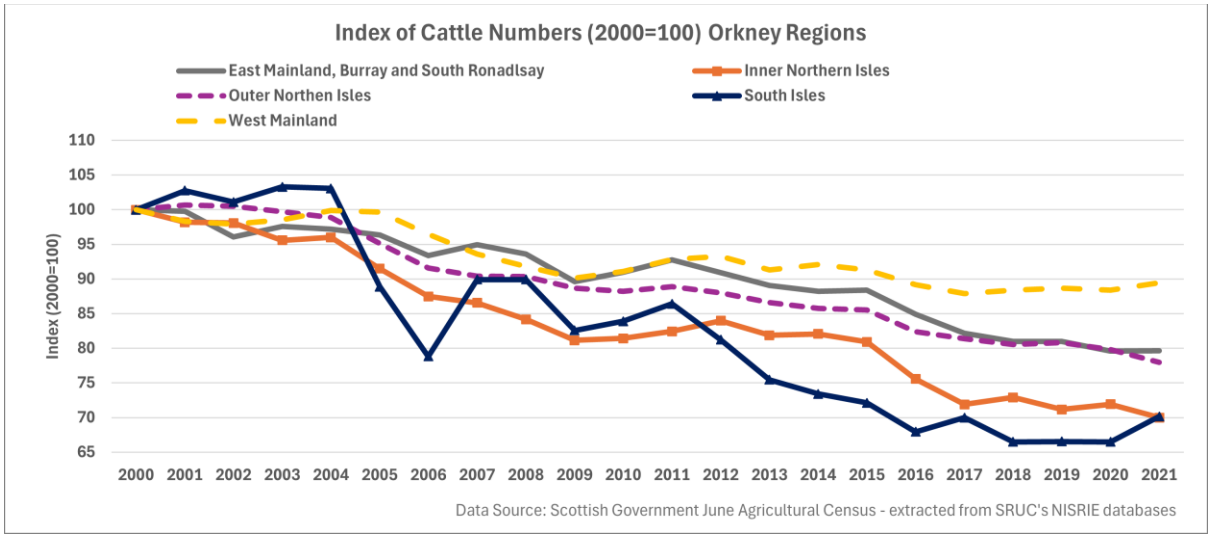
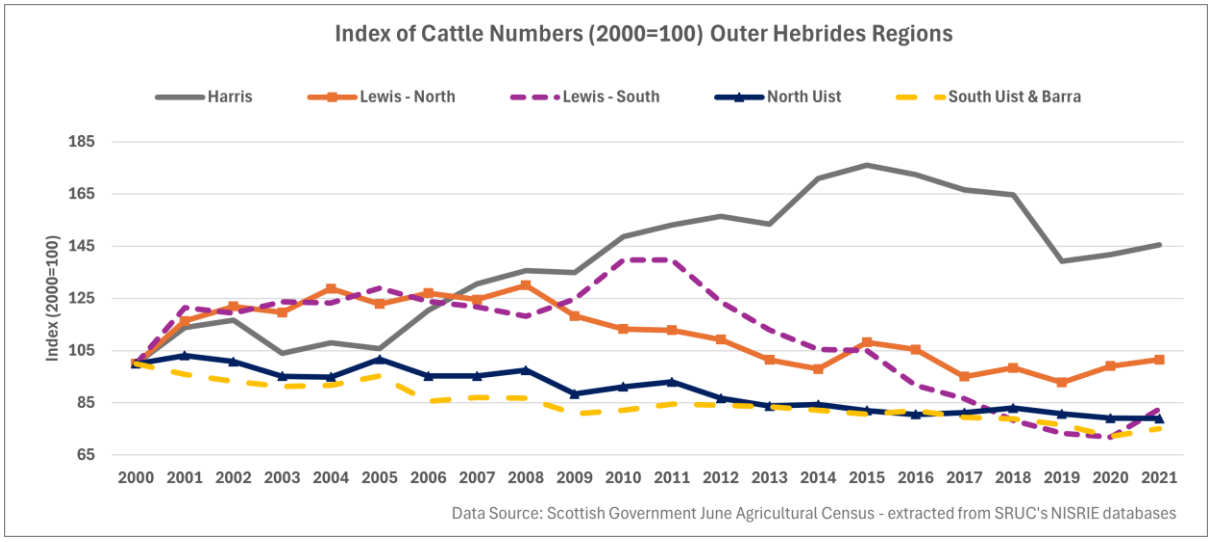


Figure 70 Index of cattle numbers by sub-island regions





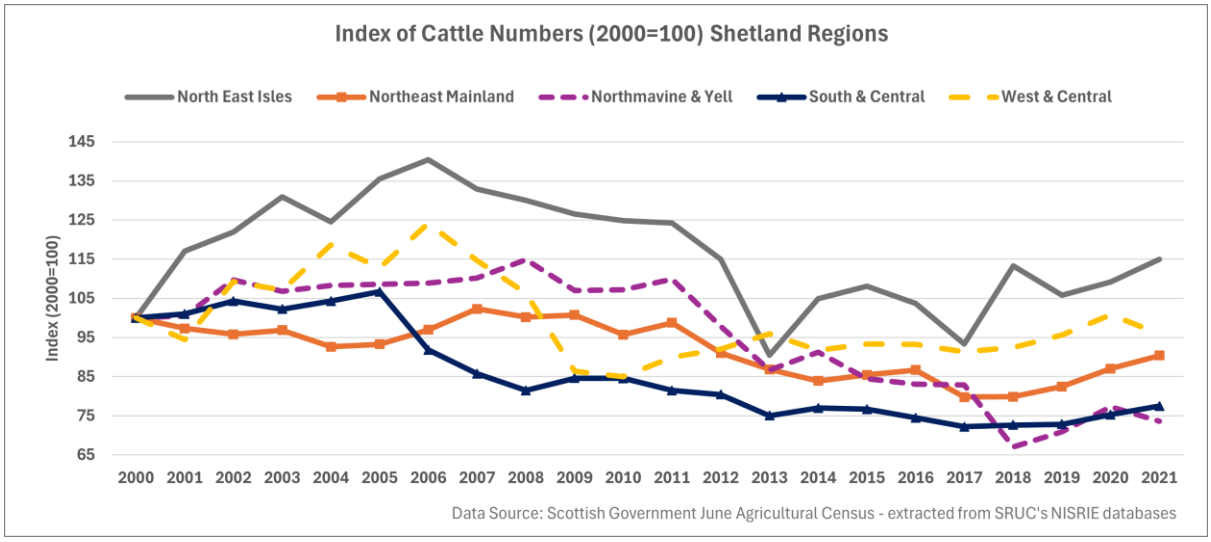


Figure 71 Calf registration dates 2022

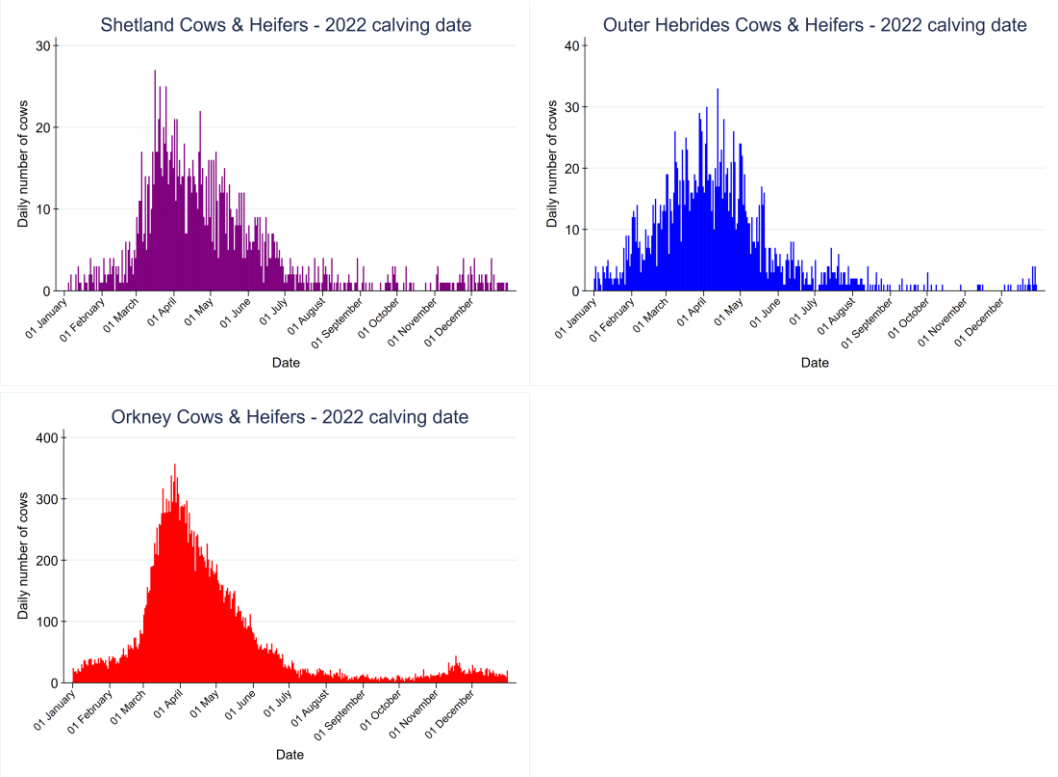


Figure 72 Age at first sale of calves, 2022

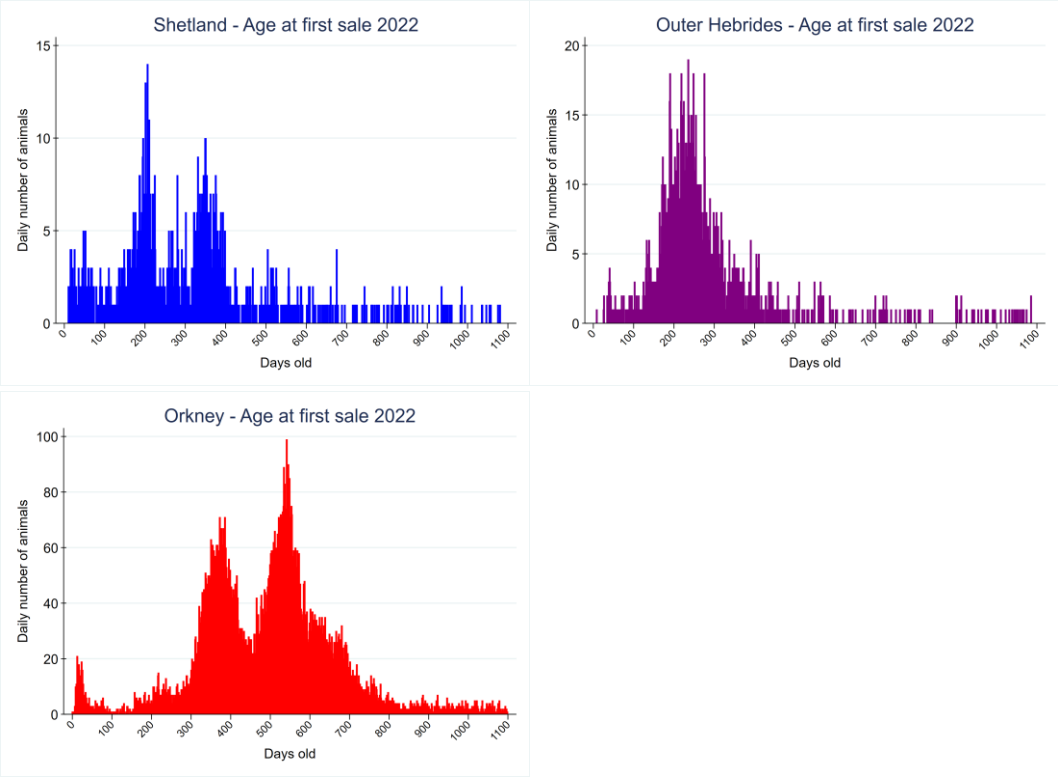
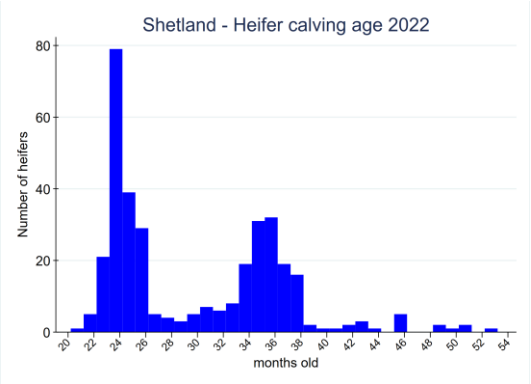
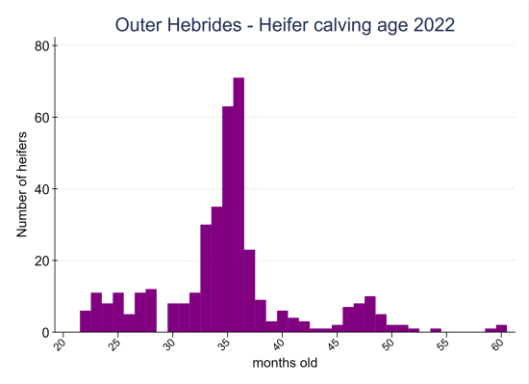


Figure 73 Heifer calving age, 2022





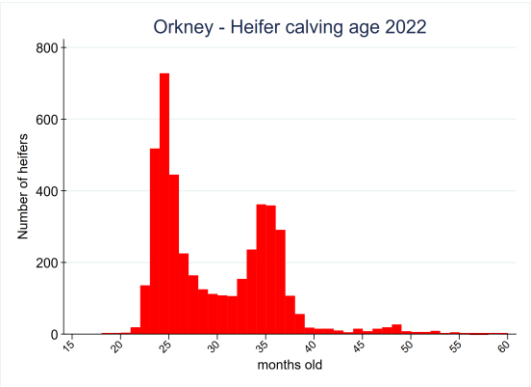
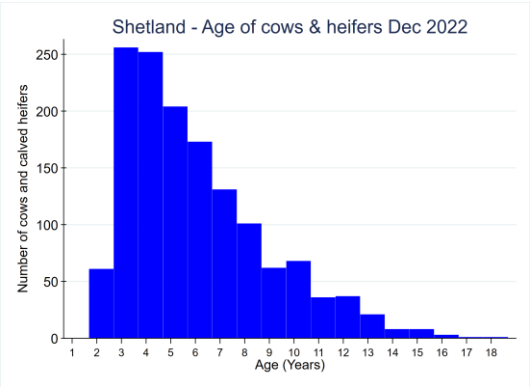
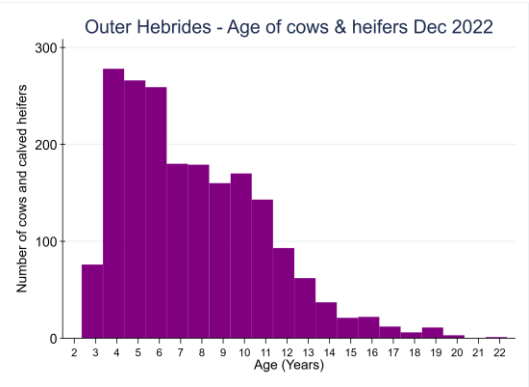
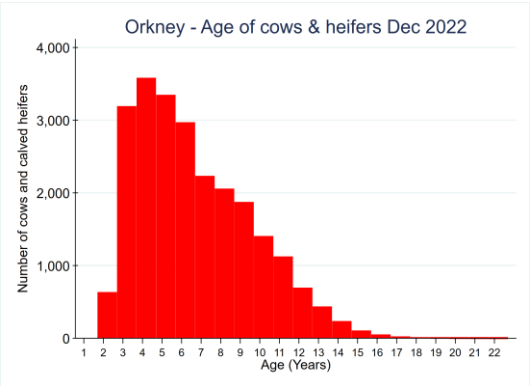


Figure 74 Dam Age, 2022

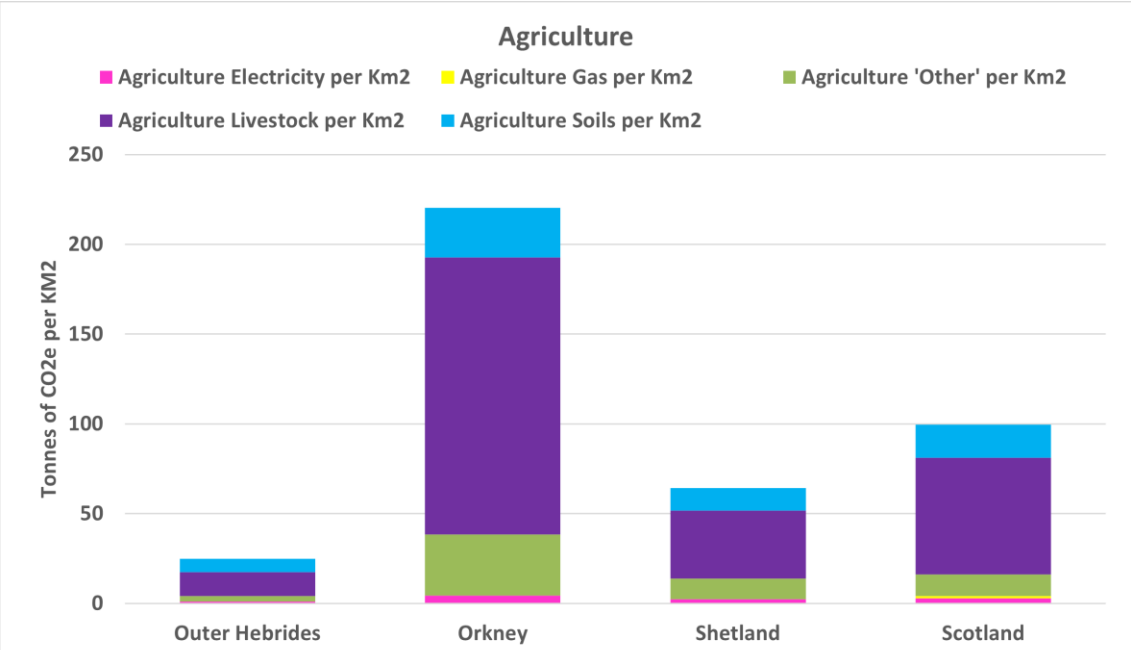






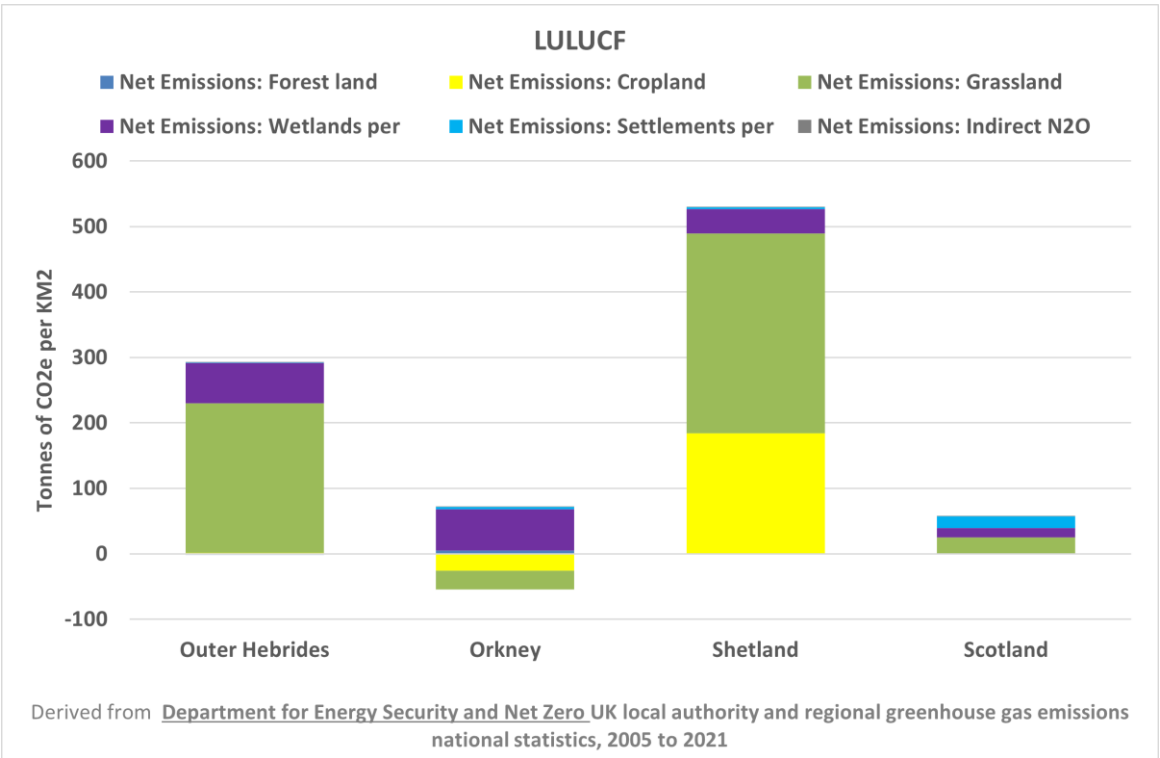
Annex 5 Agriculture and LULUCF GHG Emissions

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

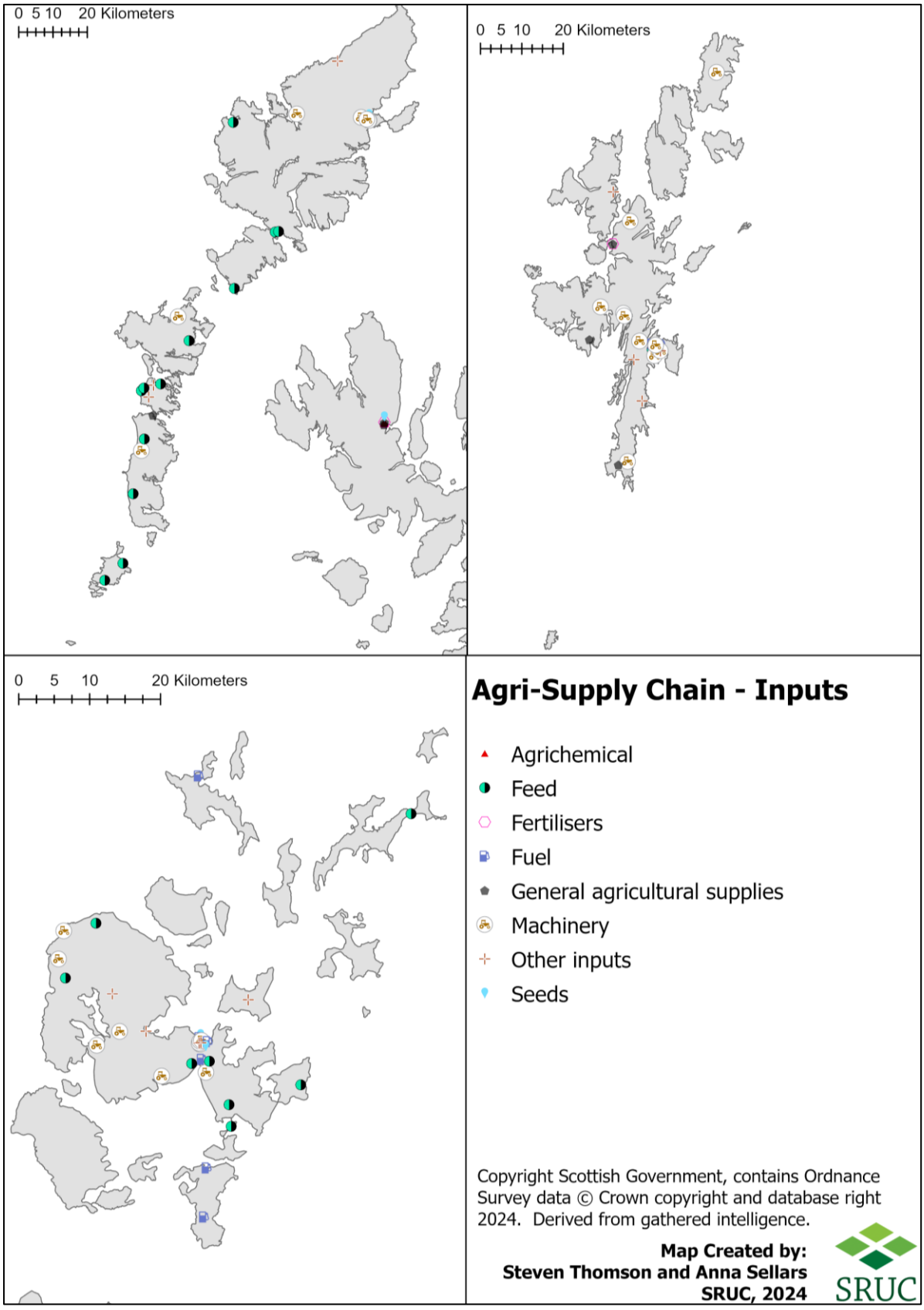


Figure 78 Supply chain business typology map – Services and downstream

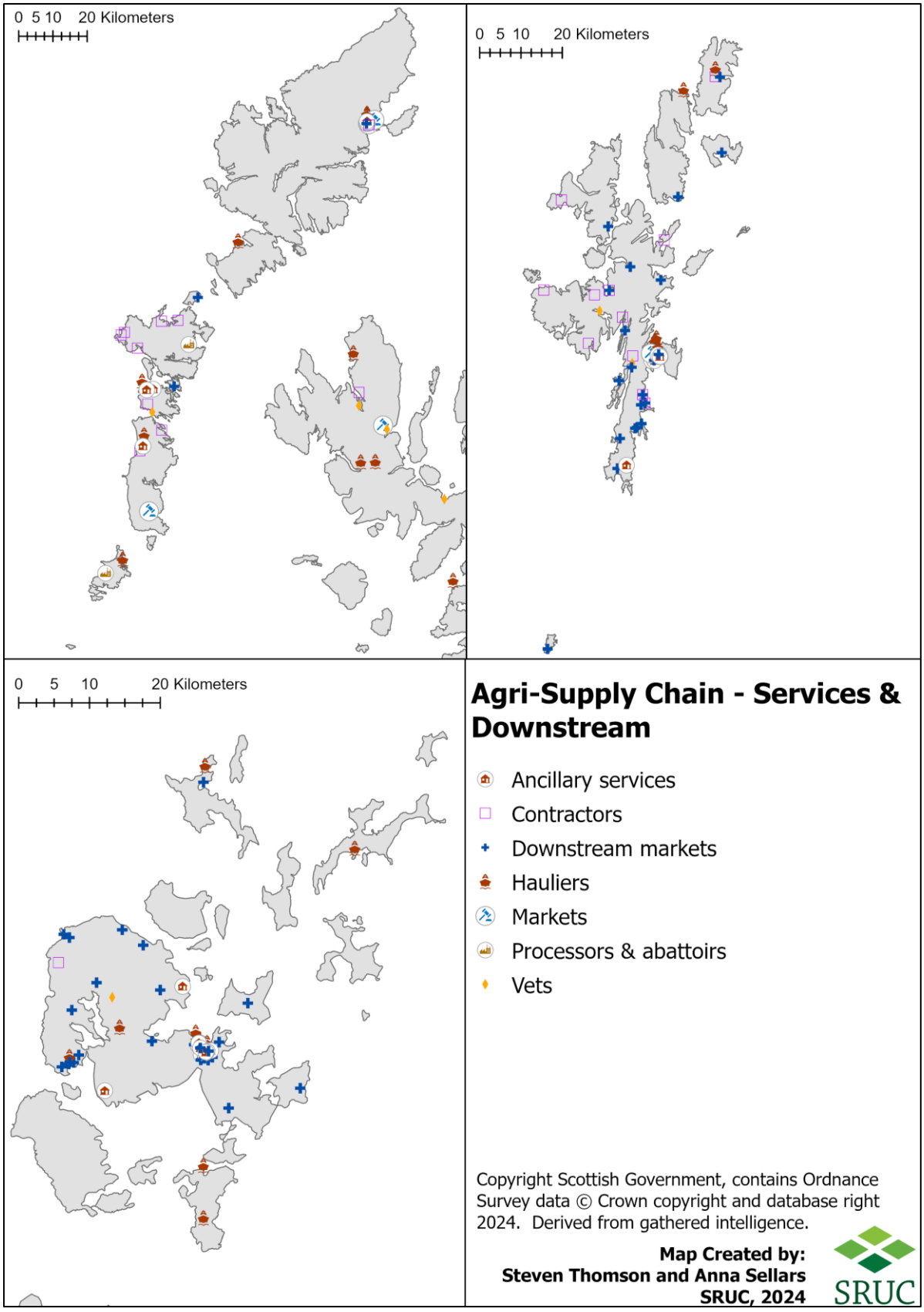


Figure 79 Population trends by age group and island grouping, 1983 – 2021

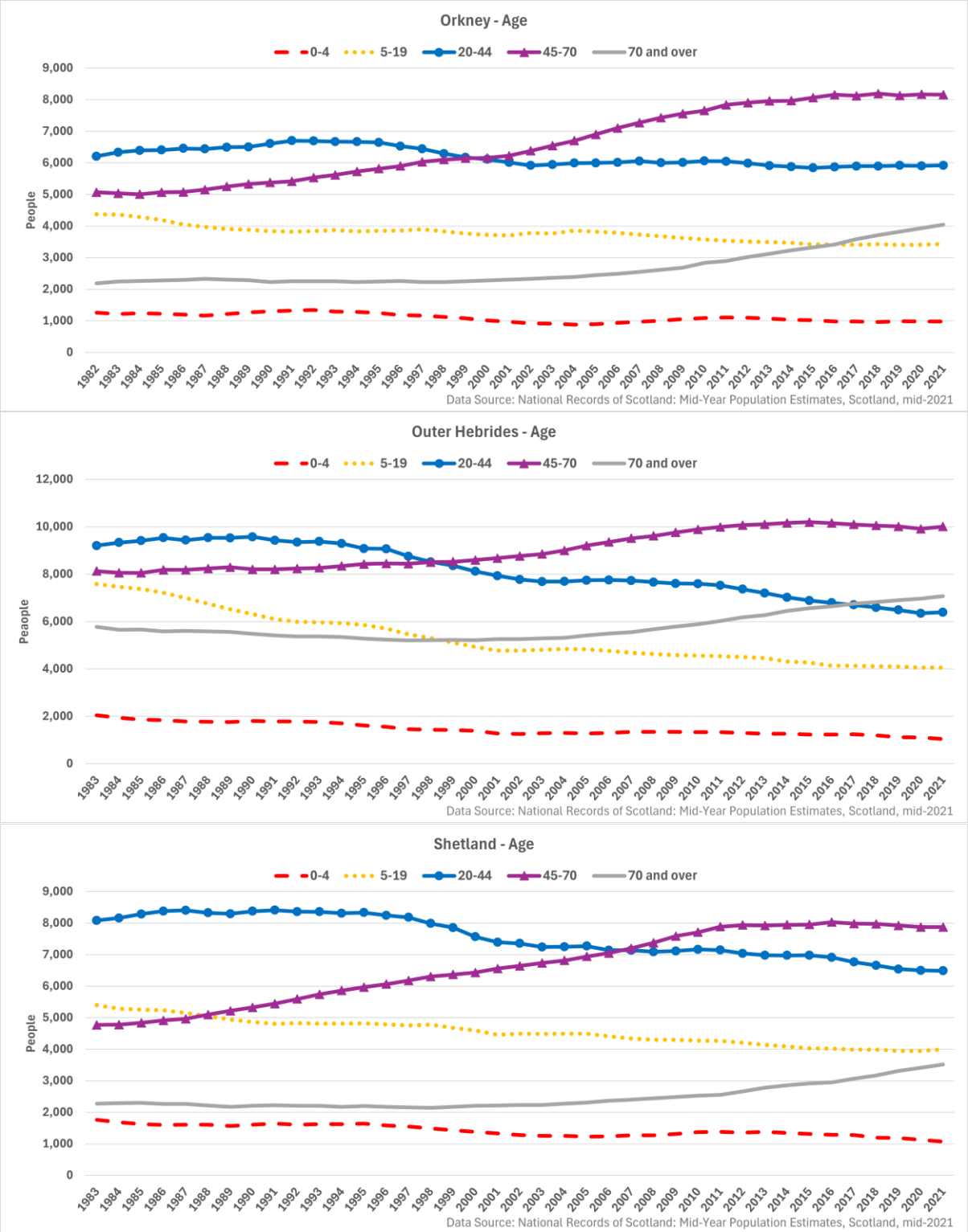


Figure 80 Proportion of matched premises without access to 2Mbit/s fixed broadband download speeds, September 2023

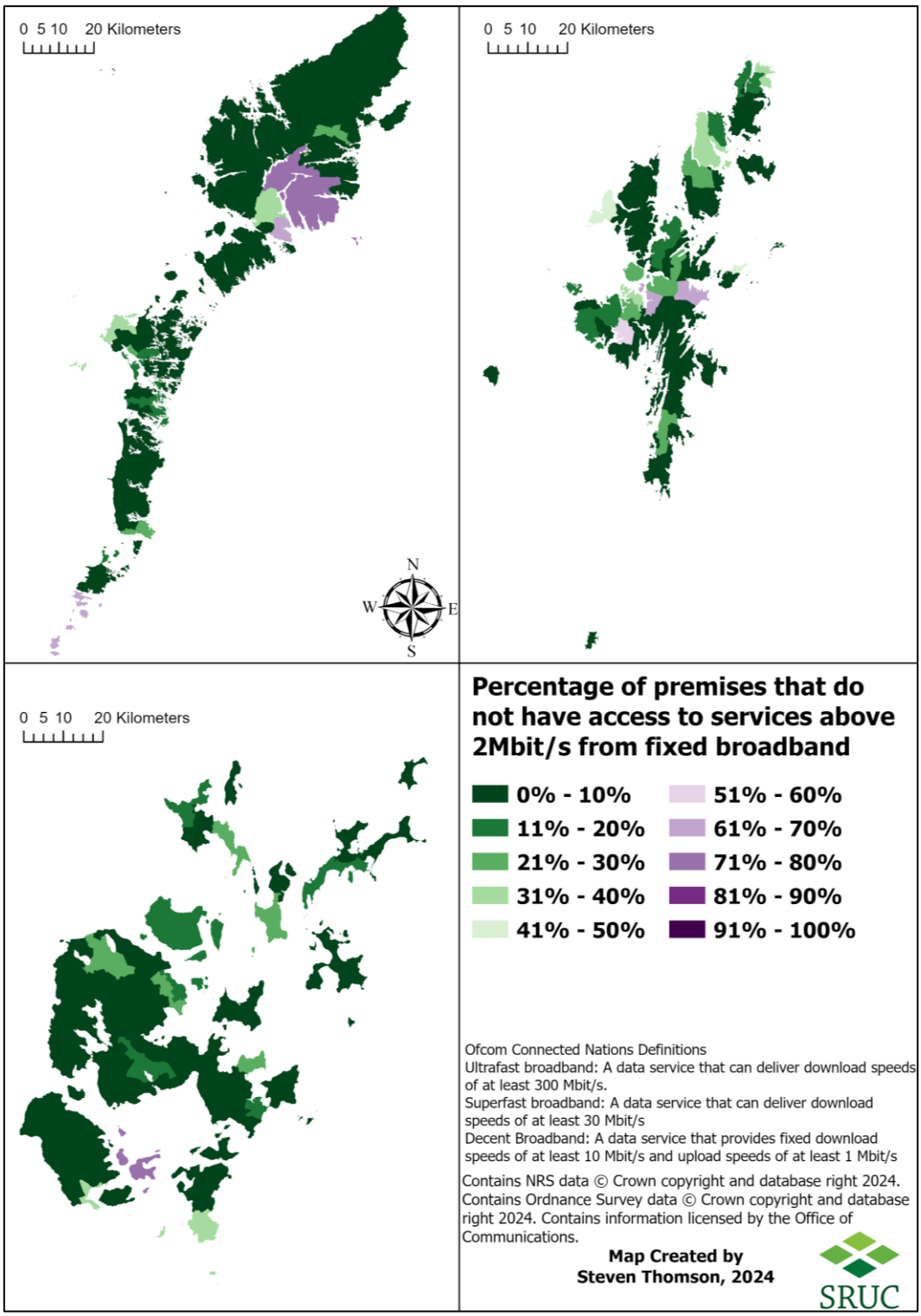


Figure 81 Proportion of matched premises without access to 5Mbit/s fixed broadband download speeds, September 2023

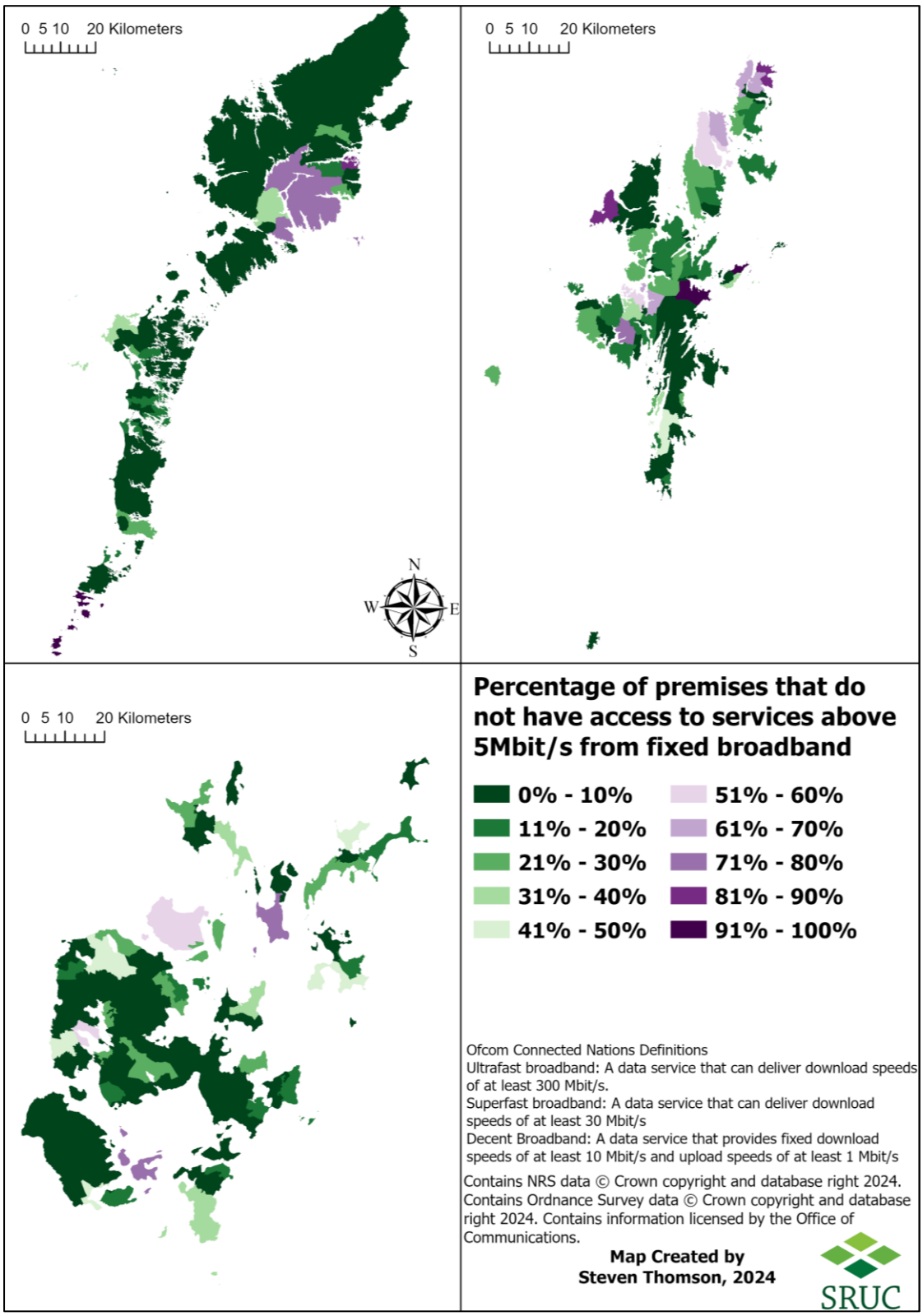


Figure 82 Proportion of matched premises without access to 10Mbit/s fixed broadband download speeds, September 2023

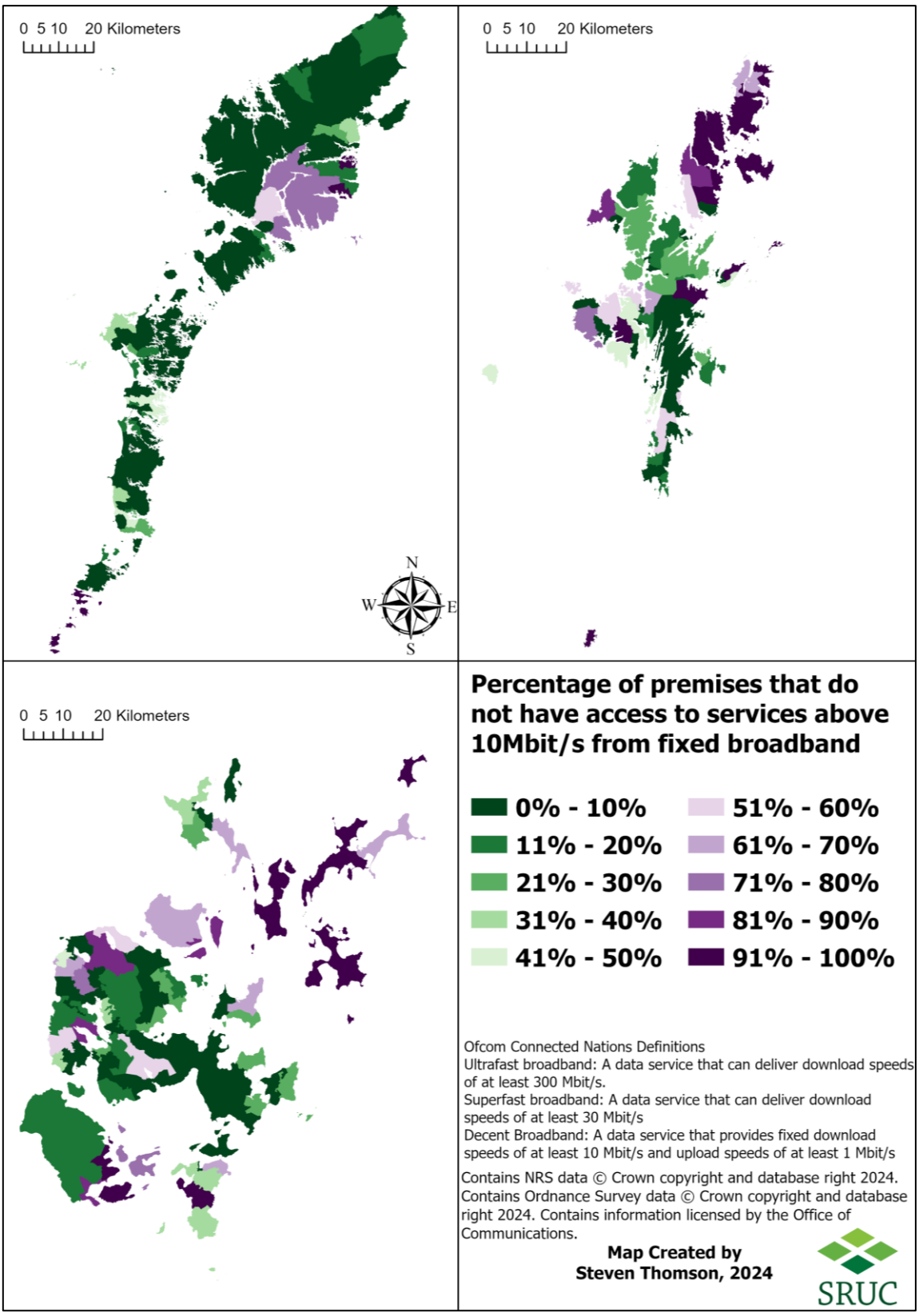


Figure 83 Proportion of matched premises without access to 30Mbit/s fixed broadband download speeds, September 2023

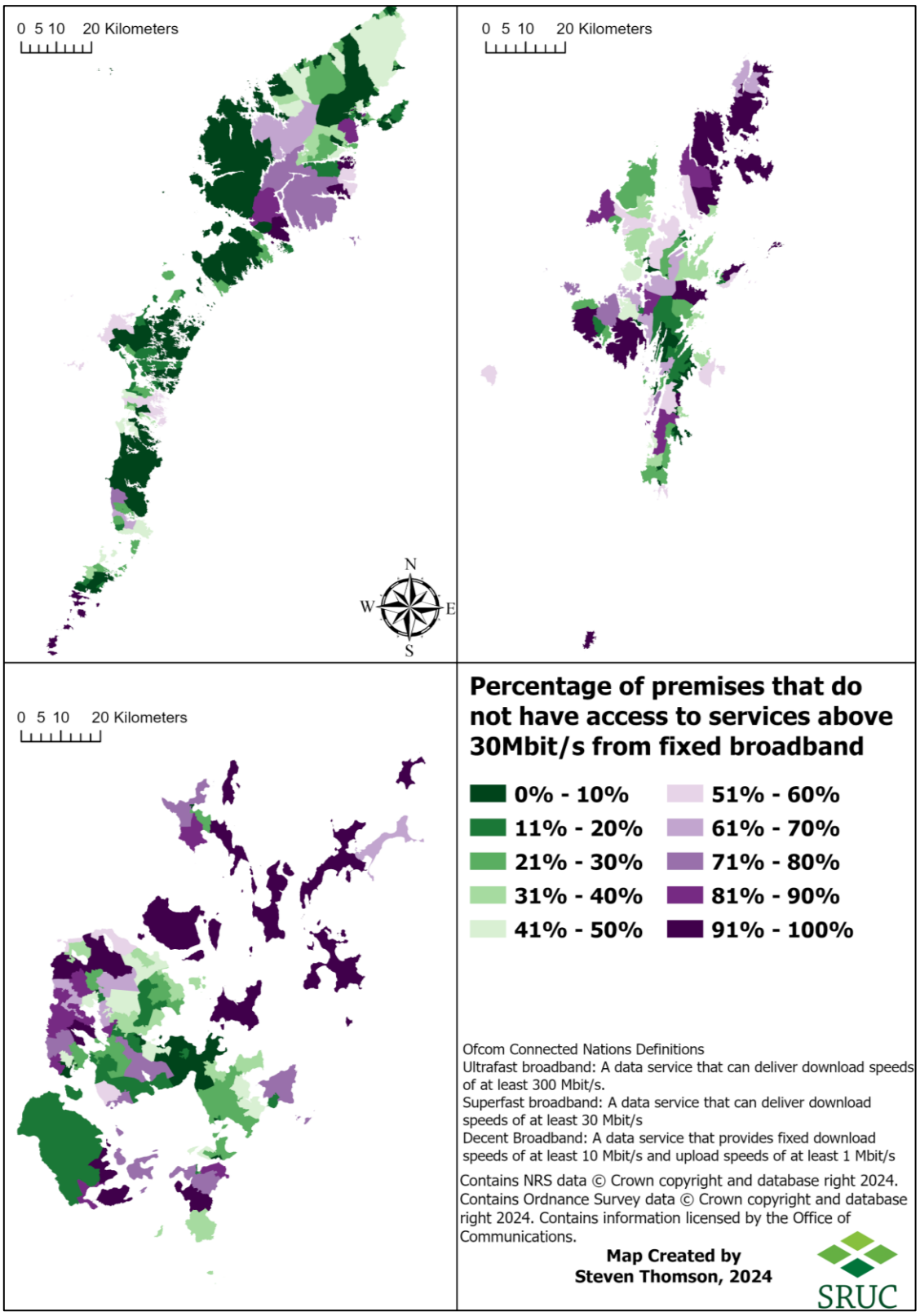


Table 67 Total Industry GVA, and GVA from Agriculture, forestry and fishing; mining and quarrying and Manufacture of food & beverages, 1998-2021 (£m expressed in 2019 prices)[223]

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

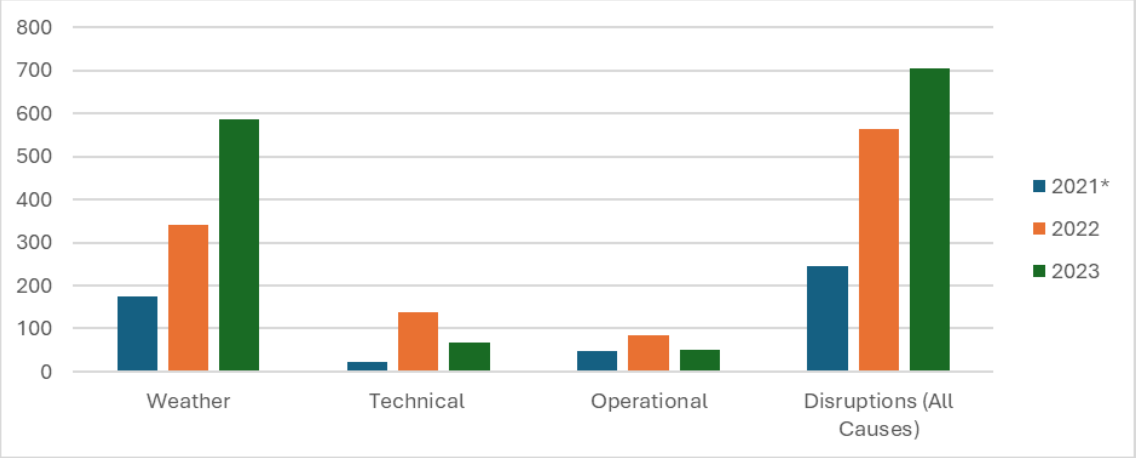
Annex 7 Ferry disruptions in Orkney

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.

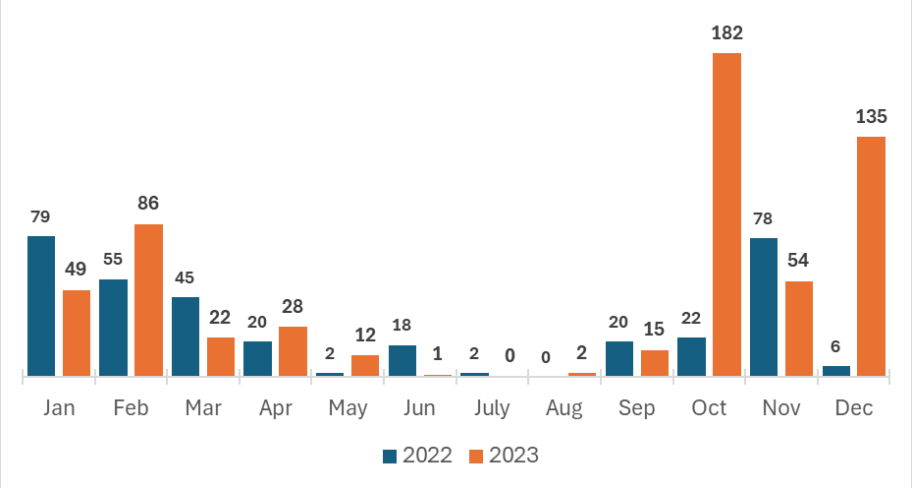
Table 68 Orkney Ferry Disruptions

	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.

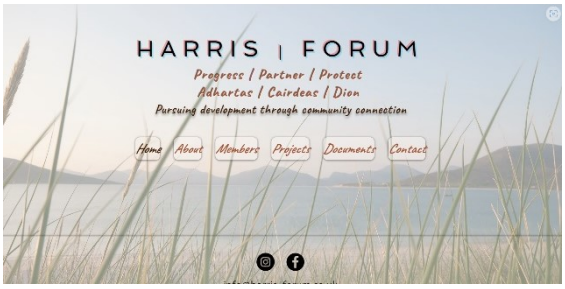
Targeting support at *active* crofting, with particular focus on encouraging and enabling the next generation of crofters on Uist. This might also entail support and provision of housing for new crofting entrants.

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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