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SCOTLAND ACT 2018
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Islands Green Recovery Programme (IGRP) Prògram Ath-Shlànachaidh Uaine nan Eilean (IGRP)

Information and Guidance Notes Fiosrachadh agus Notaichean Stiùiridh



Scottish Government
Riaghaltas na h-Alba
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INSPIRING SCOTLAND

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About the Programme

A £230 million Stimulus Package was announced by the Cabinet Secretary for Finance on the 16th June 2020. The package was launched to help stimulate Scotland's economy following the coronavirus (COVID-19) pandemic. The initiative covers construction, low carbon projects, digitisation and business support and will provide a flow of work for businesses and support jobs. It is funded by the reallocation of underspends from schemes interrupted by COVID-19.

One of the projects featured in the package is the £2m Islands Green Recovery Programme (Prògram Ath-Shlànachaidh Uaine nan Eilean) (IGRP). This will be split into four strands and managed by four partners delivering investment in active and low carbon transport, food sustainability and zero waste projects.

This application and guidance relates to the one strand of the IGPR which Inspiring Scotland is delivering, worth £900,000 and specifically targets our 93 inhabited islands. Applications for up to a maximum of £100,000 are encouraged from island community groups and businesses for capital expenditure projects that contribute to green recovery and carbon emission reductions.

Community led projects, linked to the [National Islands Plan](#), should support post-COVID recovery and build resilience through job creation and/or sustainable employment.

It is expected that funded projects will support and enhance health and wellbeing while reducing the financial burdens that can sometimes be required in order to be environmentally responsible. Recipients of the funding are encouraged to spend grant allocations within island geographies and by the end of the 2020/2021 financial year (end of March 2021).

We are looking for projects which can be delivered in line with [Scottish Government social distancing guidelines](#), and, ideally where appropriate, have delivery models which can adjust in line with the different stages.

We expect that applicants will set out clear benefits for their communities and that these should align to the [National Performance Framework](#) outcomes

Given the programme scale, it is anticipated that we will be able to support between 10-20 projects, including a number of smaller projects (under £15k) as well as larger investments of less than £100k. The programme aims to spread the investments across the islands.

This strand of the Islands Green Recovery Programme is being delivered by [Inspiring Scotland](#). Inspiring Scotland strives for a Scotland without poverty or disadvantage, where everyone, no matter who they are, has the same opportunities to reach their potential and lead happy and healthy lives. We have a long track record of working with communities to build on their strengths, maximise their impact and deliver lasting change.

Programme Objectives

The Programme aims to support capital expenditure that contributes to green recovery, where the coincidence of emissions reductions, the development of natural capital and job creation are the strongest.

Projects must help to build a better, fairer, more carbon neutral economy on the Scottish Islands.

What Projects are Eligible?

To be eligible to apply, you must confirm that you meet the following criteria.

- You must be a Scottish island business, organisation or community group.
- You must fit one of the following legal organisational categories: Social Enterprise; Cooperative; Community Interest Company; Charity; Company Limited by Guarantee; Incorporated Group; Sole Trader; Ltd Company
 - If you are an island community group you must be formally constituted and governed
 - Applications from non-affiliated groups, through partnership with a constituted group, may be permitted. The constituted group must be the lead applicant
- Your application must be for capital expenditure only
- Applicants must spend the funding within island geographies, or procure within the islands. If you are procuring outwith the islands, there must be clear evidence that the expenditure will benefit the islands.
- You must spend the funding grant by the end of the 2020/2021 financial year.

Applications where the lead applicant is a local authority, or other public body, are not eligible

Programme Overarching Priorities

The investments made by this programme will contribute to a number of important Scottish Government Policies. The IGRP will reach deep into island communities by providing capital investment for projects that align fully with these overarching policies and priorities. Applications will be priority ranked against how well they support this range of Policies and Priorities.

These are listed below.

- Return to Work / Green Recovery and deliverable low carbon ambitions
- The National Islands Plan
- The Climate Emergency
- Post-COVID Islands Recovery and Return to work
- Programme for Government
- National Performance Framework
- Local impact and Legacy - Local spend (e.g. island based contractors)

Alignment to these overarching priorities and the potential impact of projects will be central to decision making for funding allocation rather than simply the quality of the application. The legacy, sustainability and potential for future impact from projects is important, however, this may be proportional to the level of grant requested.

Summary of Priority Policies

Return to Work Package

The Islands' Green Recovery Programme (IGRP) is allocated capital grant funding from the [Return to Work Package](#) announced on the 16th June 2020. A range of projects are expected to be supported to help stimulate Scotland's economy following the coronavirus (COVID-19) pandemic. The initiative covers construction, low carbon projects, digitisation and business support and will provide a flow of work for businesses and support jobs. It is funded by the reallocation of underspends from schemes interrupted by COVID-19.

The National Islands Plan

The Plan sets a direction of travel for the Scottish Government and provides a framework for action in order to meaningfully improve outcomes for island communities. Development of the Plan has been guided by the legislation, by the experience and expertise of partner agencies and is informed by wider Scottish Government policy and strategy. It has also been shaped by what people said was important to them.

Reflecting feedback from the consultation that was carried out between April and July 2019, the Plan was launched on 27th December 2019 and also includes other issues that are important to our island communities: housing, climate change, energy, education and cultural heritage.

The [National Islands Plan](#) provides a framework to meaningfully improve outcomes for island communities through **Fair, Integrated, Green** and **Inclusive** actions.

Applicants will be asked in the applications form to indicate which of the Strategic Objectives listed in the plan your project contributes to. The objectives are:

1. To address population decline and ensure a healthy, balanced population profile
2. To improve and promote sustainable economic development
3. To improve transport services
4. To improve housing
5. To reduce levels of fuel poverty
6. To improve digital connectivity
7. To improve and promote health, social care and wellbeing
8. To improve and promote environmental wellbeing and deal with biosecurity
9. To contribute to climate change mitigation and adaptation and promote clean, affordable and secure energy

10. To empower diverse communities and different places
11. To support arts, culture and language
12. To promote and improve education for all throughout life
13. To support effective implementation of the National Islands Plan

Post-COVID Islands Recovery and Return to Work Plans

Highlands and Islands Enterprise provides [guidance on economic recovery](#) and how to return to work. There are potential for associated local economic benefits (proportional to the size of the community and relative impact).

Scotland's Programme for Government & Climate Emergency

The [2020-21 Programme for Government](#) includes actions to end Scotland's contribution to global climate change and transition to net zero emissions. The PfG emphasises that the response to the global climate emergency is based on principles of social justice and building a fairer and more prosperous country. Similarly, approaches to economic growth should be inclusive, sustainable and fair.

The Programme for Government also includes information on how Scotland will address the [Climate Emergency](#).

Scotland's National Performance Framework

The purpose of the framework is for all of Scotland to aim to:

- create a more successful country
- give opportunities to all people living in Scotland
- increase the wellbeing of people living in Scotland
- create sustainable and inclusive growth
- reduce inequalities and give equal importance to economic, environmental and social progress

To help achieve its purpose, the framework sets out 'National Outcomes'. These outcomes describe the kind of Scotland it aims to create.

These national outcomes are that people:

- grow up loved, safe and respected so that they realise their full potential
- live in communities that are inclusive, empowered, resilient and safe
- are creative and their vibrant and diverse cultures are expressed and enjoyed widely
- have a globally competitive, entrepreneurial, inclusive and sustainable economy
- are well educated, skilled and able to contribute to society
- value, enjoy, protect and enhance their environment

- have thriving and innovative businesses, with quality jobs and fair work for everyone
- are healthy and active
- respect, protect and fulfil human rights and live free from discrimination
- are open, connected and make a positive contribution internationally
- tackle poverty by sharing opportunities, wealth and power more equally

In your application it would be useful to talk about how your proposal links to the [National Performance Framework](#) outcomes.

Programme Specific Outcomes

Your project must contribute to one or more of the following specific fund outcomes:

- Support green recovery and carbon emissions reductions, with links to the development of natural capital and/or job creation/sustainable employment
- support COVID-19 recovery through increased resilience of communities
- support and enhance health and wellbeing
- reduce the financial burdens that can sometimes be required in order to be environmentally responsible
- support and impact upon sustainable employment.
- contribute to and promote a Green circular economy and local supply chains; enhancing economic output while contributing to the reduction of emissions and waste.

In the application form you will be asked to indicate which of these outcomes your project will support.

Eligible Expenditure

Applications can be made for up to a maximum of £100,000 and are encouraged from island community groups and businesses for **capital expenditure projects** that contribute to green recovery and carbon emission reductions.

What is meant by Capital Expenditure?

Capital Expenditure is money spent by a business or organisation on acquiring or maintaining fixed assets, such as land, buildings, and equipment.

Capital expenditure creates or enhances a non-current asset (known as a fixed asset), provided the value exceeds the thresholds set by the Scottish Government.

Types of assets include the following:

- Capital assets (tangible and intangible) are used to produce or supply goods and services, for rental or administrative purposes. They are expected to be used for more than one year and their value will decrease over their lifetime if subject to depreciation charges.
- Tangible assets - property, plant and equipment (PPE) include land, buildings, dwellings, transport, equipment and IT.
- Intangible assets are non-monetary assets without physical substance. Examples are software, software licenses, research and development, website costs and EU emissions.
- Assets (other than assets that are still under construction/development) added to the non-current asset register (NCAR) will decrease in value if they are subject to capital charges known as depreciation or amortisation.

Further details can be found in Appendix 2 - Examples of directly attributable costs of assets and costs that cannot be accounted for as capital'.

Regulatory Compliance and COVID-19.

All organisations receiving funding must adhere to relevant laws and regulations as part of project implementation. Regulatory compliance deals with a set of guidelines that the law requires organisations to follow. This might involve, for example, observing rules set forth by Health and Safety Commission, following the guidelines of the Equal Opportunities and equalities Commission to ensure discrimination-free hiring practices or ensure planning permission is in place for any new build. Regulatory compliance also pertains to specific industries including for example: tourism, agriculture, construction, and the food industry. It is the responsibility of the lead applicant to understand the regulations relating to your project and to ensure your project complies with them.

All projects will also be asked to ensure they follow Government and health board guidelines around COVID-19.

Due Diligence

Inspiring Scotland will conduct due diligence on applicant organisations. This is a comprehensive appraisal of an organisation to determine legal entity and financial resilience, establishing assets and liabilities in order to evaluate the potential to deliver the project effectively.

Expectations of Successful Applicants

Successful applicants will be required to monitor, evaluate, and report on funded work to an agreed high standard. Support with this will be available. Reporting will occur every 3 months and every funded organisation will receive a dedicated contact within Inspiring Scotland. It is expected that any concerns, issues, or problems during the grant period will be brought to the attention of Inspiring Scotland early to allow for the necessary support to be put in place in a timely manner.

Application Process and Timeline

Access to all documentation related to the application process is available on the [Inspiring Scotland website](#) from 8th September 2020. This includes:

- Link to the Online Application Form
- Fund Information and Guidance Pack
- Application Form Template and Guidance
- Budget Template (Excel format)

The first stage in the application process is to complete the **Pre Application Eligibility Check**. This involves answering Yes or No to the following 5 questions.

1. Are you a Scottish island business, organisation or community group?
2. Does your organisation fit into one of these categories: Social Enterprise/ Cooperative / Community Interest Company / Charity / Company Limited by Guarantee/ Incorporated Group / Sole Trader/ Ltd Company
3. Are you applying solely for capital costs?
4. Do you anticipate the funding will be spent in the current financial year (ending March 2021)
5. Is the lead applicant a local authority or other public body?

Applicants who answer Yes to questions 1-4 and No to question 5 will be provided with access to the full application form. Applicants who do not meet this criteria will be alerted that they are not eligible and a reason will be provided for ineligibility.

We encourage you to download the application form template and work on your application off line. Once your application is complete, you can cut and paste the text into the online form. The online platform does allow you to save work as you progress through the form and return to it later. Once complete, you will receive an email confirmation with details of your question answers.

If you have any questions about the programme that is not covered in the guidance pack, please email IGRPenquiries@inspiringScotland.org.uk and we will endeavour to reply within 4 working days.

Programme Phase	Date
Programme Launch	Tuesday 8 th September
Applicant Guidance and Support	Wednesday 9 th Sept – 15 th October
Submission Deadline for Applications	12 noon on Wednesday 21 st October
Assessment and Due Diligence Process	22 nd October – 18 th November
Ministerial Announcements	w/c 23 rd November
Partnership Agreements Issued	w/c 23 rd November

Frequently Asked Questions

Can we use this programme as match funding for an existing project?

Yes. A grant may be considered for projects that have already received funding, on the condition that the funded phase of the project delivers against the overarching priorities of the Green Islands 'Return to Work' Grant.

Can we use this funding as 'last brick' investment?

Yes. A project may already have commenced but be incomplete, on the condition that the funded phase of the project delivers against the overarching priorities of the Green Islands 'Return to Work' Grant this would be considered.

Can we make a partnership application?

Yes. Your lead applicant needs to comply to the eligibility criteria and be an eligible organisation. The application form provides space to give details on partnerships.

If we have no track record in securing government funding, should we still apply?

Yes. Applications are encouraged from businesses and community groups that have previously been unsuccessful for other Scottish Government funding.

Can funding be sought for projects that are already in development?

Yes. It may support an application when existing planning and procurement processes have already been outlined (e.g. quotes, planning permission etc.).

Does my project need to have match funding?

No. Match/joint funding approaches are encouraged, but are not essential.

How important is the geographic reach of my project? Will investment in a micro setting be considered?

Where possible, a desire exists to deliver a geographic spread through the delivery of the Green Islands 'Return to Work' Grant. Ideally, this will extend across the three Island local authorities and the three local authorities with islands. That being the case, it would be preferable to avoid funding hotspots concentrated in a small geographical area. A list of eligible islands is included in Appendix 1.

What about VAT?

The grant should be provided net of recoverable VAT. If a project cannot recover the VAT they are allowed to include this in the project costs.

When will we receive the funds and how will they be staged?

Finance will be allocated within four weeks of a project being awarded grant funding assuming due diligence process with grant letters is passed and grant letters signed.

Is payment in advance or in arrears?

Projects under £15k will receive full payment in advance. Projects costing over £15k will receive payments in two installations.

Can we submit more than one application?

Multiple applications are welcome from any island business or island community group, with the understanding that a preference exists for funding to be allocated to multiple projects. In this regard, two different premises owned by the same business/community group may represent different projects.

What monitoring will be required if we are successful?

Your project will be connected with others in the fund and an Evaluation Framework will be developed for the portfolio. You will be required to provide Budget updates on a quarterly basis. Any underspend will be reinvested in the fund. You will need to report against your projected targets and outcomes at the end of March 2021.

Can you provide examples of the type of projects that are likely to be funded?

Projects that support environmental sustainability whilst contributing to economic recovery. The following types of investments could be considered (not limited to this list) if they met the programme criteria and contributed to the outcomes and policies provided:

- Installation of facilities to support green tourism
- Sustainable agriculture
- Electric transport
- Renewable energy sources

- Recycling / repurpose projects
- Green tourism facilities
- Micro farming
- Small scale recycling
- Sustainable transport
- Active travel

Will there be funding after March 2021?

At this stage it is unlikely that there will be further round of this funding.

Who can I contact you to get more information and support?

For further questions about the application process please contact IGRPenquiries@inspiringscotland.org.uk and we will respond in 4 working days.

About Inspiring Scotland

[Inspiring Scotland](#) strives for a Scotland without poverty or disadvantage.

Inspiring Scotland was formed in 2008 to identify and solve the entrenched social problems faced by Scotland's people and communities. We want to create a Scotland where everyone, no matter who they are, has the same opportunities to reach their potential and lead happy and healthy lives.

We work with visionary entrepreneurs, business people, philanthropists, charitable trusts and Scottish Government to design and implement bold, long-term solutions – drawing on expertise and experience from across disciplines and sectors.

We identify organisations tackling deep social issues and invest time, money and expertise in them, establishing close working relationships and cooperative networks. We help organisations to maximise their social impact in these areas and rigorously evaluate performance to continuously improve and develop.

We help essential charities to become extraordinary charities, allowing them to better help the vulnerable and disadvantaged in our communities and transform our society.

Since 2008, we have worked with more than 300 charities across 10 funds, managed more than £140m in funding and transformed the lives of more than 200,000 people.

The Programme will be delivered by a team of Inspiring Scotland Staff including a Fund Manager. Our team includes highly skilled and experienced staff recruited from senior positions across the private, public and third sectors. They include former managing directors, civil servants, social entrepreneurs, risk practitioners, lawyers, accountants, investment managers and charity sector leaders. Each organisation we

support within a portfolio is allocated a key contact who works with the portfolio to develop connections and maximise impact from the investment. We will also draw on the experience within Inspiring Scotland's central functions including communications, project management, IT, finance and strategy in order to build organisations capacity and capabilities.

Appendices

Appendix 1 - Eligible Islands

Within the Programme Guidance there is reference made to there being 93 inhabited islands within the National Islands Plan.

The breakdown of the 93 inhabited islands includes 5 inshore islands which are:

- Inchfad in Stirling
- Inchmurrin in West Dunbartonshire
- Moncrieffe in Perth & Kinross
- Inchtavannach and Innes Chonan, both Argyll and Bute.

The 88 offshore islands are:

- 21 in Argyll and Bute Council
- 14 in Highland Council
- 3 in North Ayrshire Council
- 20 in Orkney Islands Council
- 16 in Shetland Islands Council
- 14 in Comhairle nan Eilean Siar (Western Isles Council)

The programme focus is primarily with the 88 offshore islands, however, inshore islands are eligible to apply.

Appendix 2 - Examples of directly attributable costs of assets and costs that cannot be accounted for as capital (Provided by Scottish Government)

1. Tangible Assets – PPE

Examples of Costs that can be capitalised.

The cost of an item of Property, Plant & Equipment comprises:

- (a) its purchase price.
- (b) any costs directly attributable to bringing the asset to its location and condition for it to be capable of operating in the manner intended by management.
- (c) the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

For software which is integral to the operation of hardware, e.g. If a PC is purchased with software such as Microsoft etc, we normally do not split the invoice between Tangible Hardware and Intangible Software Licences; the whole purchase would normally be treated as Hardware (i.e. the purchase of a PC).

Examples of directly attributable costs are:

- (a) staff costs arising directly from the construction or acquisition of the asset (see further information below for Capitalised Staff Costs);
- (b) costs of site preparation;
- (c) initial delivery and handling costs;
- (d) installation and assembly costs;
- (e) costs of testing whether the asset is functioning properly; and
- (f) professional fees.

Examples of Costs that should not be capitalised.

Examples of costs that are not costs of an item of Property, Plant & Equipment are:

- (a) costs of opening a new facility;
- (b) costs of introducing a new product or service (advertising/promotion);
- (c) costs of conducting business in a new location (training);
- (d) administration and other general overhead costs;
- (e) scoping;
- (f) feasibility studies;
- (g) tendering;
- (h) pilot studies.

Please note that this list is not exhaustive and any clarity or advice should be sought from your DG Finance team.

2. Intangible Assets

Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

The following criteria in paragraphs 2.1 to 2.4 should be met before costs relating to software licenses, research & development, website costs and staff costs can be capitalised.

2.1 Software Licenses

Software licenses are treated as:

Capital Expenditure

Where the license does not have a time restriction on it, therefore where a single payment is made covering the life of the software with the expectation being to have the right to use the software as long as required and there is no need for us to make any renewal payments.

For example, in the case of the asset register software license, we have the right to use the software for as long as we want to, so this is capital expenditure. However, for depreciation purposes, you will still be expected to provide an estimate of the period (asset life) that you expect the asset to be used.

Current Expenditure

When paid on a recurrent basis, even when repayment periods are more than one year.

For example, if the SG purchase a license that allows us to use a programme for 3 years, this is current expenditure and cannot be capitalised (the expenditure relating to future years can be treated as a prepayment if material).

2.2 Research & Development (internally generated software)

Expenditure involved in the internal generation of an Intangible Asset falls into two phases – a research phase and a development phase. “Research” is defined as “...original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding”. “Development” is defined as “...the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use”.

Research expenditure cannot be capitalised. If the two phases are indistinguishable all the expenditure on the asset should be attributed to the research phase.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- (a) The project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- (b) The Department intends to complete the asset and sell or use it;

- (c) The Department has the ability to sell or use the asset;
- (d) How the Intangible Asset will generate probable future economic benefits can be demonstrated e.g. the presence of a market for it or its output or where it is to be used for internal use, the usefulness of the asset;
- (e) Adequate financial, technical and other resources are available to the Department to complete the development and sell or use the asset; and
- (f) The Department can measure reliably the expenses attributable to the asset during development.

2.3 Website Costs

For the public sector, it has been made clear that Websites designed for the purpose of informing stakeholders of the services or other objectives of the reporting entity should not be capitalised. The exception can be made for income generating websites so you should discuss and clarify the particulars with your DG Finance team.

2.4 Capitalised Staff Costs

These costs are attributed to capital expenditure, when staff have been engaged in IT development work. These costs should only be capitalised for staff *directly involved in the development or construction of an asset*. Costs for staff providing clerical or managerial support should not be capitalised.

Costs for staff involved in the development of Intangible assets (e.g. IT Software) should be capitalised under Intangible AUD; Costs for staff involved in the construction or major enhancements to Tangible Assets (e.g. IT Hardware) should be capitalised under Tangible AUC.

The type of work that may be capitalised:

- (a) Activities undertaken by IT staff, which are directly attributable to bringing a capital asset into working condition for its intended use;
- (b) Work which produces an item of Property, Plant & Equipment, or Intangible Asset (PC, printer, server etc. Prototypes are not classed as assets);
- (c) These include:
 - (i) business analysis;
 - (ii) system design;
 - (iii) system testing;
 - (iv) system documentation
- (d) They exclude:
 - (i) system investigation;
 - (ii) business case preparation;
 - (iii) project management;

Accounting journals for Capitalised Staff Costs:

Staff paid via Payroll:

DR Asset Account Code
CR 40000467 (Capitalised Staff Costs)

Staff not paid via payroll (contractors, consultants etc)
Assuming that the original costs have been posted to Agency, Temp and Contract
Staff account codes, then

DR Asset Account Code
CR 40001110 (Capitalised Contingent Staff Costs)

3. Subsequent Expenditure

Costs of day to day running of equipment, including servicing, small replacement parts and repairs and maintenance should not be capitalised, but the replacement of a significant component that delivers future economic benefits should be capitalised.

Examples of projects which could now be capitalised are:

- Like-for-like window replacement
- Installing revolving doors
- Partitioning
- Health and safety requirements, such as ramps

Budget managers should contact FMR to ensure that the replaced part is correctly accounted for, as these should be de-recognised.

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