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**Carbon Neutral Islands**

**Capital Fund**

**2025/26**

**Guidance For Applicants**

**May 2025**

Please read this guidance before an application is made to the CNI Capital Fund.

1. **INTRODUCTION**
   1. This document is intended to help applicants prepare and submit their applications to the 2025/26 Carbon Neutral Islands (CNI) Capital Fund (CF).
   2. The document provides further information on:

* the background and strategic context of the CNICF
* the application process
* eligible organisations
* eligible project types
* examples of potential eligible investment
  1. The 2025/26 CNI CF application process builds on lessons learned from the Islands Programme, the CNI project to date and capital funding provided to the CNI islands in 2023/24 and 2024/25.

1. **ABOUT THE CARBON NEUTRAL ISLANDS CAPITAL FUND**
   1. The allocation for the 2024/25 CNICF is **£1.4 million.**
   2. It will be open to applications from projects on the six CNI Islands; Barra, Great Cumbrae, Hoy, Islay, Raasay and Yell.
2. **STRATEGIC CONTEXT**
   1. The 2025/26 CNI CF will be delivered in partnership with local government to support locally developed critical capital projects which involve local communities, helping to deliver the CNI objectives and critical, transformational infrastructure and impacts.
   2. All projects should align with applicable overarching priorities including:

* [The National Islands Plan](https://www.gov.scot/publications/national-plan-scotlands-islands/);
* [National Performance Framework](https://nationalperformance.gov.scot/);
* [Equality, Opportunity, Community – Our Programme for Government](https://www.gov.scot/publications/programme-government-2023-24/documents/)
* [Infrastructure Investment Plan](https://www.gov.scot/publications/national-mission-local-impact-infrastructure-investment-plan-scotland-2021-22-2025-26/);
* Place Principle: introduction - gov.scot (www.gov.scot)
* [National Transport Strategy](https://www.transport.gov.scot/publication/national-transport-strategy-2/#:~:text=National%20Transport%20Strategy%202%20The%20National%20Transport%20Strategy,Health%20and%20Wellbeing%2C%20each%20with%20three%20associated%20outcomes.) and [Strategic Transport Projects Review 2](https://www.transport.gov.scot/our-approach/strategy/strategic-transport-projects-review-2/); and
* [Community Wealth Building](https://www.inclusivegrowth.scot/our-work/community-wealth-building/2021/03/community-wealth-building-delivering-a-wellbeing-economy-in-scotland/)
* Climate Change Plan
* Just Transition Planning
* Heat in Building Policy
* National Planning Framework 4
* 20 Minute Neighbourhoods
* Place Principle: introduction - gov.scot (www.gov.scot)
  1. The overarching objectives of the CNI CF for 2025/26 are to:
* Reduce greenhouse gas emissions or remove greenhouse gases from the atmosphere.[[1]](#footnote-2)
* Sustain, enhance and develop transformational and critical infrastructure projects based on local priorities which centre on local need and include local delivery.
* Support shovel- ready projects, co-ordinating with other funded and planned CNI and net zero activity initiatives on the islands to drive sustainable island growth and leverage partnership and investment to maximise delivery and outcomes.
* Support projects which use clear Place based, Community Wealth Building principles to support inclusive island growth while working to achieve the Scottish Government’s Net Zero Ambitions and a Just Transition.
* Ensure interventions are sustainable and will have a ‘lifetime/long term’ impact; and
* Gather key learnings and knowledge for replicability.

1. **APPLICATION PROCESS**
   1. The CNI CF is open to applications from the Local Authorities associated with each CNI island (Argyll and Bute Council, Comhairle nan Eilean Siar, Highland Council, North Ayrshire Council, Orkney Islands Council and Shetland Islands Council). These councils will act as the lead applicant.
   2. The 2025/26 CNI CF is being delivered on a competitive bid basis across the six local authorities with islands for investment in their respective Carbon Neutral Islands: Barra and Vatersay, Cumbrae, Hoy, Islay, Rassay and Yell.
   3. We are not seeking applications directly from community or other organisations, recognising the important strategic role which local authorities play in supporting island infrastructure and communities.
   4. Applicants are expected to bring forward project proposals which have been developed with the involvement and support of relevant communities, as well as third sector and private sector partners as appropriate.
   5. A minimum application amount of £75,000 has been set per application. There is no maximum application amount. An additional £40,000 has been allocated directly to each CNI Local Anchor Organisation to invest in smaller projects – this allocation is outwith the guidance in this document.
   6. No ceiling has been set on the number of applications which may be submitted per Local Authority for 2025/26. However, officials may wish to consider the size of the fund, the impact on resource required and submission quality of, for example, submitting in excess of three applications.
   7. Applicants will be asked to prioritise their applications, if they wish.
   8. There will be one application stage.
   9. The application process is supported by an Investment Panel which will agree recommendations of which project proposals should receive an offer of grant. This ensures a fair and transparent process, so the Investment Panel will not be prepared to revisit any of its recommendations after they have been made. The Investment Panel is still being finalised, with thought being given how to ensure members do not have conflicts with the likely projects to be submitted.
   10. **The deadline for applications is noon on 22nd July 2025.** Further information on practical considerations for preparing and submitting your application is included at **Annex A**.
   11. See **Annex B** for further information on how applications will be assessed and recommendations made by the Investment Panel.

Indicative timeline for 2025/26

* 1. The timeline for 2026/26 funding is indicated as follows (but may be subject to change):
* Applications deadline – 22 July 2025
* Investment Panel recommendations – Mid-August 2025
* Projects for 2024/25 funding announced – Late August 2025
* Grant drawdown / project delivery – by 31 March 2026

1. **READINESS TO DELIVER** 
   1. Clear readiness to deliver within FY 2025/26 will be a crucial point for consideration in the application and panel evaluation process.
   2. The CNI CF Funds must be committed and drawn by 31st March 2026 and there will be no facility for Scottish Ministers to carry funds over to the next financial year.
2. **ELIGIBLE ORGANISATIONS**
   1. The CNI CF is open to applications from the six island Local Authorities (Argyll and Bute Council, Comhairle nan Eilean Siar, Highland Council, North Ayrshire Council, Orkney Islands Council and Shetland Islands Council).
   2. Projects must be based upon one of the already identified CNI Islands – outlined at 2.2.
   3. Project proposals are expected to be brought forward with the involvement and support of relevant communities, and third sector and private partners where appropriate.
   4. We are seeking project proposals brought forward by Local Authorities which use clear Place based, Community Wealth Building principles to support inclusive island growth while working to achieve Scottish Government’s net zero ambitions and delivery of the Carbon Neutral Islands programme.
   5. Where Local Authorities are submitting applications on behalf of others (e.g. community organisations) they are still responsible for ensuring that the information presented is accurate, realistic, and that the project proposal aligns with the latest aims and objectives of the CNI CF. Successful Local Authority applicants to the CNI CF will be the grant offer recipients and primarily responsible for meeting the agreed grant offer conditions.
3. **ELIGIBLE PROJECTS / INFRASTRUCTURE**
   1. Eligible projects are those looking for capital grant, for FY 2025/26, to cover capital costs.
   2. Applicants should provide evidence of how the investment will be managed and maintained to attract further investment to secure and sustain its productive future use.
   3. The project must be delivered in the Local Authority’s Carbon Neutral Island.
4. **PROJECT PROPOSALS**
   1. Project proposals should:

* Meet the overall objectives of the Carbon Neutral Islands Capital Fund as set out in 3.3 above;
* Align with local critical infrastructure priorities, the relevant island’s Community Climate Action Plan (CCAP) and have the potential to collaborate with other place-based investment opportunities to maximise benefits;
* Demonstrate project readiness, maturity, collaborative and partnership models, project viability and long-term sustainability;
* Demonstrate replicability for other island communities, for example by creating and enhancing opportunities for education and skills development directly or as a result of replicability.
* Demonstrate clear Community Wealth Building principles (such as local benefits from procurement and support for local supply chains) and community involvement and engagement.
  1. As part of the appraisal process, applicants will be asked to demonstrate value for money in addition to describing clear Community Wealth Building principles to support inclusive growth. This might include evidencing that the project has high Net Zero, social and economic impacts locally for the amount invested, demonstrating long term social, economic, and environmental improvements towards Net Zero or making a lasting Net Zero difference to the locality (and beyond).
  2. As part of the appraisal process, applicants will be asked to Demonstrate Partnership working. This might include details of lasting relationships with other stakeholders, including funders and financial institutions, industry and wider communities or a match funding contribution (this must be a clear funding commitment, not just in-kind support).
  3. The possibilities for sustaining, enhancing, and developing capital projects are wide ranging and so the CNICF will not be restricted to particular project types. Projects may also include nature-based investment including forestry and improved biodiversity.
  4. Areas which have been identified in the CCAPs include energy, transport, land use, land use change and forestry, agriculture, waste, blue carbon and community resilience.
  5. See **Annex C** for examples of potential capital investment.

1. **COMPLIANCE, MONITORING AND EVALUATION**
   1. The bidding partners are responsible for satisfying the applicable Subsidy Control schemes requirements.
   2. All applicants must satisfy themselves that they are compliant with relevant equalities and environmental legislation, and where appropriate confirm that an Island Communities Impact Assessment has been completed and accommodated.
   3. Grantees will be asked to execute a standard security in favour of the Scottish Ministers over any property acquired or developed as part of the Project. Under limited circumstances, Grantees may negotiate the terms of this standard security. In this case, Grantees must fully explain the reasoning for the change in standard terms within this application.
   4. Successful bids will be expected to report progress against stated plans and spend against profile during the project lifecycle. Details will be included in Grant offer letters. Where there are issues with this the Scottish Government may take action including withdrawing funding, or claw back.

**ANNEX A – SUBMITTING YOUR APPLICATION**

**The deadline for completed application forms is 22 July 2025.**

* Application forms must be submitted by an eligible organisation (Argyll and Bute Council, Comhairle nan Eilean Siar, Highland Council, North Ayrshire Council, Orkney Islands Council and Shetland Islands Council).
* The application form and further guidance will be made available to the six island Local Authorities at the time of the launch of the 2025/26 programme.
* A separate application form should be completed for each project. However, we do not require a separate application form where individual project sites make up a portfolio programme of activity – one single form covering those will suffice.
* Completed applications should be emailed electronically to: nicola.crook[@scottishfuturestrust.org.uk](mailto:NEED%20NEW%20ADDRESS@scottishfuturestrust.org.uk)
* Please ensure that the project proposal is submitted by an appropriate official from your organisation and that the individual is available to respond quickly to any requests for clarification that might follow. If possible, please include details of an alternative contact in the allotted space.
* Alongside the application form, applicants are asked to provide confirmation of the following:

1. that their organisation pays at least the Real Living Wage to all directly employed staff, apprentices, 16–17year-old workers as well as contracted and agency staff directly involved in delivering the grant funded activity;
2. that workers employed within their organisation have access to effective workers’ voice channel(s);
3. their organisation is committed to meeting/working towards the remaining Fair Work First principles as set out in the Fair Work First Guidance.

This confirmation should be signed by a relevant trade union representative, or a workers’ representative(s) where there is no union present.

Grant applicants are also asked to consider including a short overview of their commitment to the Fair Work First principles on their own website. This will be most valuable if endorsed by a recognised trade union or by another appropriate workers’ representative where there is no such union recognition. The confirmation provided at (a) to (c) above can be used for both the grant application and the organisation’s own website.

In support of point (a) above (Real Living Wage), grant applicants are also asked to provide evidence showing payment of at least the Real Living Wage for each category of employee. Multiple sources of evidence may be required depending on the make-up of the workforce. Please refer to Annex B of the [Fair Work First guidance](https://www.gov.scot/publications/fair-work-first-guidance-2/pages/11/) for more information on the evidence required for grants requested equal to and above £100,000 and below £100,000.

If you are submitting multiple applications, you need provide confirmation of the above Fair Work First commitments once to cover all of your applications at this stage but you may need to provide different evidence in relation to the Real Living Wage requirement depending on the value of each of the grants requested.

**Grounds for a limited exception**: where a local authority genuinely cannot afford to pay the real Living Wage to part(s) or all of its workforce, a limited exception can be requested, with suitable evidence provided regarding the Local Authority’s current financial position, the costs of uprating the pay of that part (or parts) of the workforce, and any consequential or additional costs. Where an organisation’s request for an exception to the Real Living Wage condition for part(s) or all of its workforce is approved, the organisation would still be expected to work towards payment of the Real Living Wage to the entire workforce within a reasonable timescale.

A streamlined process for requesting exceptions to the standard Real Living Wage grant condition for local authorities has been agreed by the Scottish Government and COSLA. The template is available [here](https://www.gov.scot/publications/fair-work-first-guidance-2/documents/).

**Prioritising your project proposals**

* Applicants submitting multiple project proposals are asked, if they wish, to number applications in order of priority, one being the highest priority.
* A key consideration will be whether the proposed project is ready to be delivered in financial year 2025/26, so please consider that when prioritising.

**Demonstrating eligible costs/expenditure**

* Project proposals can request 100% of the cost of the project. The Investment Panel will consider project proposals containing evidence of other investment as it indicates stronger support and collaboration. However, match or other funding is not a prerequisite.
* Include details on expenditure beyond the funding period (including if multiyear) if appropriate – e.g. if onward development is planned, how it is expected to be financed. Please note that CNI CF funding is only available in the current financial year, but other funding may fall out with this period.
* Note that any grant offered will be paid in arrears to the relevant Local Authority and must relate to spend actually incurred or legally committed. Please ensure expenditure figures are consistent with start and end dates of the project. Grant cannot be claimed for costs incurred prior to 1 April 2025.

**ANNEX B – HOW YOUR APPLICATION WILL BE ASSESSED**

* All applications will be considered by the Investment Panel – currently expected to meet in August 2025.
* Applications will be assessed against the eligibility criteria, against the aims and objectives of the CNI CF and within the broader context of strategic priorities, evidence of ability to be delivered using grant offered in 2025/26, and anticipated outcomes from the project.
* A qualitative approach will be taken for assessing how an application meets the CNICF’s objectives. Applicants are asked to demonstrate clear alignment with relevant CNICF Objectives and scored based on whether the project meets the delivery criteria and predefined objectives.

Scoring

* We will score all applications using a panel of assessors from within and out with the Scottish Government. Project viability and deliverability in 2025/26 will be critical and all successful projects must demonstrate their ability to deliver and to commit all Scottish Government funding this financial year. Delivery risk may be considered where bids score similarly.
* Projects will be scored and weighted using the following criteria:
* Part A – 60% overall, comprising
  + Deliverability – (30%)
  + Need and Partnership – 30%)
* Part B – 40% CNI Project Objectives, comprising
  + Reduce greenhouse gas emissions or remove greenhouse gases from the atmosphere.[[2]](#footnote-3)
  + Sustain, enhance and develop transformational and critical infrastructure projects based on local priorities which centre on local need and include local delivery.
  + Support shovel- ready projects, co-ordinating with other funded and planned CNI and net zero activity initiatives on the islands to drive sustainable island growth and leverage partnership and investment to maximise delivery and outcomes.
  + Support projects which use clear Place based, Community Wealth Building principles to support inclusive island growth while working to achieve the Scottish Government’s Net Zero Ambitions and a Just Transition.
  + Ensure interventions are sustainable and will have a ‘lifetime/long term’ impact; and
  + Gather key learnings and knowledge for replicability.
* The Investment Panel will not be prepared to revisit its recommendations – those recommendations are final.
* The Investment Panel will make recommendations on the projects to be offered grant support to the Cabinet Secretary for Rural Affairs and Islands. Final decision-making rests with Scottish Government.

**Legal requirements**

* Project proposals are invited on the basis that necessary legal requirements are covered and will flow through to the contents and conditions of a grant offer. That means Public Procurement, Subsidy Control, Environmental Impact, Equalities Impact Assessment, Planning Permission, Fairer Scotland Duty (as part of the Equality Act 2010) and any other legal requirements that are specific to individual projects.
* All projects will need to comply with all relevant legislation relating to the implementation of projects. Local Authorities will be responsible for ensuring these elements. Further information may be required from applicant organisations potentially prior to any offer of grant being issued.

**ANNEX C –EXAMPLES**

Areas which have been identified in the CCAPs include energy, transport, land use, land use change and forestry, agriculture, waste, blue carbon and community resilience. The types of capital projects which applications may include are wide-ranging. Examples may include carbon savings relating to:

* Key social facilities
* Key iconic buildings, fundamental to a place
* Utilities
* Open space
* Places to Play
* Places to Meet
* Lighting
* Hubs for remote or shared working
* Access to places of work, e.g., roads to remote timber or processing sites
* Business units
* Shared live/work units
* Reductions in GHG emissions from transport infrastructure and links
* Active travel routes
* Housing stock
* Local heating networks
* Coastal protection
* Waste management including sewage and septic tanks
* Forestry
* Improved biodiversity
* Local heat networks
* Infrastructure and adaptions to meet Net Zero targets e.g., EV charging points
* School & nursery estate
* Further and Higher education estate
* Sports venues

Please note this is not an exhaustive list and for guidance only.

1. Greenhouse gases include: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), and fluorinated gases [↑](#footnote-ref-2)
2. Greenhouse gases include: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), and fluorinated gases [↑](#footnote-ref-3)