



ISLANDS GROWTH DEAL: OUTER HEBRIDES FOOD & DRINK PROGRAMME UPDATE

Report by Depute Chief Executive

PURPOSE

- 1.1 The purpose of the Report is to update the Comhairle on progress made with the Outer Hebrides Food & Drink Programme component within the Islands Growth Deal - specifically with regard to developments at Acarsaid and Vatersay Harbours.

SUMMARY

- 2.1 The Outer Hebrides Food & Drink Programme contributes to the Islands Deal's investment objectives by stimulating the creation and growth of businesses and jobs, making significant capital investment in key food and drink-related infrastructure, and contributing to the reduction of carbon emissions by shortening food logistics supply chains.
- 2.2 The Food & Drink Programme will enable the sustainable development of the islands' primary food production industries in a radically altered socio-economic context: developing local food and drink markets and responding to sectoral opportunities linked to product diversification and value added, in order to build economic resilience, community wealth and well-being.
- 2.3 The Programme will deliver three inter-related elements of capital investment in new or upgraded infrastructure: Harbour/ pier improvements in Vatersay, Eriskay, Lochboisdale and Brevig; Food Hubs in South Uist, Harris and Lewis; and Capital investment for food processing capacity and innovation.
- 2.4 A Full Business Case (FBC) was submitted to Scottish Government early in 2024 seeking approval for £150k towards the redevelopment of Acarsaid Harbour, Isle of Eriskay, and investment of £24k for creation of a gear storage facility at Vatersay Pier. The FBC was formally approved in March 2024.
- 2.5 A contract for the redevelopment of Acarsaid harbour was awarded to Breedon Hebrides subsequently, with work commencing on-site early in April and project completion anticipated in June 2024. Designs for the Vatersay harbour project have been approved and are awaiting planning consent.

RECOMMENDATIONS

- 3.1 **It is recommended that the Comhairle notes the progress of the Islands Growth Deal Outer Hebrides Food and Drink Programme.**

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Appendix: Islands Growth Deal Food & Drink Programme – Financial Forecast (March 2024)

Background Papers: None.

IMPLICATIONS

- 4.1 The following implications are applicable in terms of the Report.

Resource Implications	Implications/None
Financial	None.
Legal	None.
Staffing	None.
Assets and Property	None
Strategic Implications	Implications/None
Risk	The principal risk is ensuring that the proposed funding scheme is delivered per internal eligibility criteria.
Equalities	None
Corporate Strategy	Economy and Jobs - to collaborate with partners, Scottish and UK Government to strengthen our local economy and our communities. The current activity is a key element of the Comhairle's Economic Recovery Strategy, as agreed by Comhairle nan Eilean Siar in August 2020.
Environmental Impact	None.
Consultation	None.

BACKGROUND

- 5.1 The Islands Growth Deal (IGD) is a ten-year investment programme jointly funded by the UK and Scottish governments, the three Island Councils and their partners from the public, academic, community and business sectors.
- 5.2 The Outer Hebrides Food & Drink Programme contributes to the Islands Deal's investment objectives by stimulating the creation and growth of businesses and jobs, making significant capital investment in key food and drink-related infrastructure, and contributing to the reduction of carbon emissions by shortening food logistics supply chains.
- 5.3 It is also aligned with the Outer Hebrides Destination Development component within the IGD by enhancing the islands' already high-quality sustainable food products, and developing a food and drink offer that is more attractive to domestic and international visitors.
- 5.4 The Food & Drink Programme will enable the sustainable development of the islands' primary food production industries in a radically altered socio-economic context: developing local food and drink markets and responding to sectoral opportunities linked to product diversification and value added, in order to build economic resilience, community wealth and well-being.
- 5.5 A Full Business Case (FBC) was submitted to Scottish Government early in 2024 seeking approval for £150k towards the redevelopment of Acarsaid Harbour, Isle of Eriskay, and investment of £24k for creation of a gear storage facility at Vatersay Pier. The FBC was formally approved in March 2024.

OUTER HEBRIDES FOOD AND DRINK PROGRAMME

- 6.1 The Food & Drink Programme will deliver strategic investment in infrastructure and physical assets to support the development of the food and drink-related primary production industries in the Outer Hebrides, via three inter-related elements of capital investment in new or upgraded infrastructure:

- **Harbour/ pier improvements** at Vatersay, Eriskay, Lochboisdale and Brevig - to provide improved and renovated facilities to enable the local fleet to diversify their target species and catch effort by enabling the carrying of a wider range of equipment to target multiple species and increase the landings of a more varied catch. This can be seen in Vatersay for example, where the creation of gear storage will allow the fleet to target a wider variety of species resulting in a reduced effort and less pressure on traditionally targeted species;
- **Food Hubs in South Uist, Harris and Lewis** - creating clusters of local food and drink outlets in areas where no such provision currently exists. The blueprint for this will be the local food hub proposed by Stòras Uibhist in South Uist: a cluster of lettable units that will be exclusively used by food producers, creating a single focal point for the production, processing, and sale of local food. The hub will also utilise social media and emerging platforms to assist marketing and sale of produce; and
- **Capital investment for food processing capacity and innovation**, to increase the capability of on-island food processing and increase the proportion of the processing value chain located in the Outer Hebrides.

6.2 The outputs of the Programme will benefit local fishers, agricultural and horticultural producers, and food processors in the Outer Hebrides. The Food & Drink Programme will ultimately enable Outer Hebrides producers greater access to local markets, capacity to add value to local produce - and in turn increase access to local, fresh produce for Outer Hebrides communities and businesses. Therefore, residents and visitors to the Outer Hebrides staying in self-catering accommodation, as well as businesses in hospitality and food service will benefit.

PROGRESS TO DATE – ACARSAID AND VATERSAY HARBOUR DEVELOPMENTS

- 7.1 Formal approval of the FBC Scottish Government enabled a contract for the redevelopment of Acarsaid harbour to be awarded to Breedon Hebrides – following a full tendering process - with work commencing on-site early in April and project completion anticipated in June 2024. Designs for the Vatersay harbour project have been approved and are awaiting planning consent.
- 7.2 Acarsaid is a strategically significant harbour on the Island of Eriskay. Offering excellent shelter from all-weather directions, its location allows easy access to the fishing grounds of the South, East and West coasts. The original pier requires life-extension works to ensure its long-term viability. The pier facilitates the crane and fuel tank which are crucial to the viability of the port in general. The investment will provide for pier strengthening and remedial works to the main support piles, struts, and decking timbers. The development of Acarsaid Harbour, Eriskay – a Comhairle nan Eilean Siar asset - is a key project within the 'Outer Hebrides Food & Drink Programme' and a key component of the Islands Growth Deal.
- 7.3 Vatersay is a strategic location for accessing fishing grounds to the East and the West of the southernmost part of the Hebrides. Vessels going from the East side to the West side target lobster and crab from the western slipway during the summer months, and prawn and crab from the eastern slipway during the winter months. With access to different species fishers require two sets of gear to target the prawn, crab and lobster with the result that gear storage is an ongoing issue at this exposed location near Vatersay causeway. Improvements relating to landing and gear storage are required.
- 7.4 At present, a forecasted estimate of additional jobs created as a direct result of both the Acarsaid and Vatersay pier interventions is not available. However, as part of the projects' Benefits Realisation Plan, baseline figures for this will be followed up as part of a mid-term Programme evaluation, to determine the actual increase in jobs since the developments took place.

- 7.5 In the coming period, proposed improvements at Lochboisdale include a drying-out berth on the slipway for painting and maintenance, as well as a secure area to store gear to reduce marine litter and the associated health and safety risk..
- 7.6 In addition, Brevig Pier Users Group have proposed several projects that could potentially be progressed when sufficient match-funding is identified, for example: provision of a concrete hard-standing; provision of gear-storage compounds; removal of the rock face on the West side of the harbour approach; and undertake an assessment of the legalities around dredging requirements.

COSTS AND FUNDING

- 8.1 The Food & Drink Programme amounts to £2.898m of capital expenditure, broken down as follows.
- Harbour/pier improvements: £598,057
 - Food Hubs: £2,000,000
 - Food processing capacity/capability: £300,000
- 8.2 Of the proposed overall project cost of £2.898 million, Islands Deal funding represents £1.5 million with indicative match funding of £1.398 million. Match funding is anticipated to be sourced, for example, from the Comhairle's own resources, Highlands and Islands Enterprise, the Regeneration Capital Grant Fund, and UK Shared Prosperity Fund.
- 8.3 The anticipated payment stream for the Programme over its intended life span is set out below.

	Total	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31
Islands Deal	£1,500,000	£150,000	£91,800	£629,200	£90,000	£224,500	£45,000	£224,500	£45,000
Match funding	£1,398,057	£332,257		£644,800	£60,000	£150,500	£30,000	£150,500	£30,000
Total	£2,898,057	£482,257	£91,800	£1,274,000	£150,000	£375,000	£75,000	£375,000	£75,000

- 8.4 The project at Vatersay harbour is anticipated to cost £24k, funded through the IGD.
- 8.5 The successful tender for Acarsaid harbour redevelopment came in at £482,257, which was significantly higher than originally forecasted. It will be funded through £150k from the Islands Growth Deal and £332,257 from the UK Shared Prosperity Fund (UKSPF).
- 8.6 UKSPF replaced the European Structural and Investment Funds. The UK SPF is a central pillar of the UK Government's Levelling Up agenda. Comhairle nan Eilean Siar received £2.2m from the UKSPF over three years (2022-2025), £613k of which was allocated as capital funding to support projects within the Outer Hebrides Food & Drink Programme.
- 8.7 The latest full financial forecast for the Outer Hebrides Islands Growth Deal Food & Drink Programme is appended to this report.

CHALLENGES

- 9.1 As indicated by tender returns for the Acarsaid Project, it is acknowledged that the economic landscape has changed significantly since the inception of the Deal and indeed, the Food and Drink Programme.
- 9.2 In light of ongoing cost escalation and match-funding issues, an Islands Deal Programme-wide deliverability review was undertaken towards the end of 2023, which included a full assessment of the Food and Drink Programme and its components.

- 9.3 The outcome of this review indicate that there may be a requirement to rescope some of the smaller, undefined aspects of the Food and Drink Programme to support delivery of more economically impactful Projects, that are also reflective of the FBC process. However, no definitive changes on this have been progressed to date and deliverability options are being kept under review.

CONCLUSION

- 10.1 These developments at Acarsaid and Vatersay will support their respective existing local 28 and 26.5 FTE fishing employment directly - with the predominate intended outcomes relating to improved sustainability, business growth and diversification through increased landings at both harbours. The developments will allow for greater landing values and handling capacity, leading to increased value-added onshore processing, consequently resulting in higher GVA.

Funding	ISLANDS GROWTH DEAL: OUTER HEBRIDES FOOD & DRINK PROGRAMME - FINANCIAL FORECAST (AS AT MARCH 2024)											
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Outer Hebrides Food and Drink Programme (Drawdown Profile)												
Year	1	2	3	4	5	6	7	8	9	10	11	Notes
Fin Year	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	Total (£)
SG (Capital)		-	174,000	697,000	90,000	224,500	45,000	224,500	45,000	-	-	1,500,000
UK Govt (Capital)												-
Others		-	332,257	644,800	60,000	150,500	30,000	150,500	30,000			1,398,057
Total	-	-	506,257	1,341,800	150,000	375,000	75,000	375,000	75,000			2,898,057

Outer Hebrides Food and Drink Programme (Spend Profile)												
Year	1	2	3	4	5	6	7	8	9	10	11	Notes
Fin Year	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	Total (£)
SG (Capital)		-	174,000	697,000	90,000	224,500	45,000	224,500	45,000	-	-	1,500,000
UK Govt (Capital)												-
Others		-	332,257	644,800	60,000	150,500	30,000	150,500	30,000			1,398,057
Total	-	-	506,257	1,341,800	150,000	375,000	75,000	375,000	75,000			2,898,057

Outer Hebrides Food & Drink Programme - Breakdown by Component													
	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	Total	Notes
Acarsaid, Eriskay (Pier)			482,257									482,257	
Brevig, Lewis (Dredging)			-	67,800								67,800	
Lochboisdale (Gear Storage/ Drying berth)				24,000								24,000	
Vatersay (Gear storage area/winter boat park)			24,000									24,000	
Lochboisdale, Isle of South Uist (Food Hub)				1,100,000								1,100,000	
Harris Community Growing & local food hub					150,000	150,000						300,000	
Two Food Hubs, Lewis							300,000		300,000			600,000	
Capital expenditure to improve Processing Capacity and Capability							75,000	75,000	75,000	75,000		300,000	
Total	-	-	506,257	1,191,800	150,000	150,000	375,000	75,000	375,000	75,000		2,898,057	

Match Funding Anticipated Source (£m)										
	Total Project Cost	Growth Deal	CNES	HIE	SG Funding (RCGF)	Other UKG Funds (UKSPF)	Other Public Funds	Private Investment/ Own Funds	Other Match TBC	Notes
1. Acarsaid	482,257	150,000		-		332,257		-	-	
2. Brevig	67,800	67,800		-				-	-	
3. Lochboisdale (drying out berth/ gear storage)	24,000	24,000		-				-	-	
4. Vatersay	24,000	24,000		-				-	-	
Lochboisdale, Isle of South Uist (Food Hub)	1,100,000	515,200		-	-	280,670	264,330	39,800	-	
7. Harris Community Growing & local food hub	300,000	180,000		30,000				30,000	60,000	
8. Two Food Hubs, Lewis	600,000	359,000		60,000				60,000	121,000	
9. Processing Capacity and Capability	300,000	180,000		30,000				30,000	60,000	
OH Food & Drink Programme	2,898,057	1,500,000	-	120,000	-	612,927	264,330	159,800	241,000	