

## ***Our Islands: Our Future: Submission to The Smith Commission***

### **Introduction**

The Our Islands: Our Future (OIOF) campaign welcomes the opportunity to submit proposals to the Smith Commission. The further devolution of powers is the fundamental principle of OIOF, and the Islands Councils of Shetland, Orkney and the Outer Hebrides fundamentally believe that devolution should be an ongoing process which should not stop with the devolving of powers to the Scottish Parliament but should continue, to the most appropriate local level possible. This view is consistent with the Scottish Government's "Lerwick Declaration".

On the basis that any expansion of powers to the Parliament should, where appropriate, be followed by reciprocal devolution to the three islands groups, the three Island authorities are supportive of the expansion of the powers to the Scottish Parliament

The views set out in this submission take account of both UK Government's "A Framework for the Islands" and Scottish Government's "Empowering Scotland's Island Communities" documents. These two documents clearly recognise that the three Scottish Islands groups face "unique circumstances owing to their geographical positions" and that "Scotland's islands are special". Both documents offered additional powers and influence to the islands. The proposals recommended in this submission therefore have direct resonance and direct impact on the future prospects of the three Island groups.

### **Crown Estate**

- 1.1 OIOF believes that the coastal zone is critically important to the three Island groups; possibly more so than any other part of the UK.
- 1.2 The marine assets of island communities are key to their future and the wealth that is generated from coastal assets should be reinvested to safeguard that future. However, currently, whilst it is the coastal communities that bear the impact of developments, the income from leases and other legal agreements flow directly to the UK Treasury.
- 1.3 The Scottish Affairs Committee published its **Report** (<http://tiny.cc/txohox>) on the Crown Estate in Scotland on 19 March 2012. OIOF supports the conclusions they reached, in particular, that responsibilities should be transferred to Local Authority and local community level "to the maximum extent possible". The Scottish Government, in its Prospectus, 'Empowering Scotland's Island Communities' concluded that 100 per cent of the net income from the islands' sea bed leasing revenues should go to island communities rather than to central government – (<http://tiny.cc/s2ohox>). OIOF supports this conclusion.

**Proposal 1.1: Transfer Crown Estate ownership of the seabed and foreshore to the Scottish Parliament provided that all functions and revenues generated in Island waters/seabed/foreshore are transferred onward to Local Authority / local community control.**

### **Renewables Energy / Grid Connectivity**

- 2.1 Shetland, Orkney and the Outer Hebrides are home to Europe's richest renewable energy resources in terms of both wind and marine resources. The Islands have the potential to deliver significant amounts of clean, green renewable energy to the Scottish and UK consumer. The Islands can help meet Scotland and the UK's emission reduction targets, help energy security and reduce dependence on fossil fuels. OIOF believes that the islands are essential if the UK is to maintain and expand a world-class research and development capability in the marine sector, and allow the UK to lead in the commercial development of the new industry. This is acknowledged in "A Framework for the Islands" where the UK Government states that "the three island groups are vital to meeting the UK's energy needs".
- 2.2 Shetland, Orkney and the Outer Hebrides have over the last decade, in partnership with industry, developed significant, feasible generating projects, which are both consented and contracted to grid and therefore ready for deployment. These projects have been unable to progress, however, due to the lack of electricity grid connections to the UK grid network and a transmission charging system that discriminates against the islands through excessive use of system charges contrary to Article 16 of EC Directive 2009/28/EC. .
- 2.3 OIOF believes that the present UK regulatory regime has failed and continues to fail the three Scottish Islands groups. To allow progress to be made on the Scottish Islands renewable energy potential, it is essential that:
  - a) the islands are immediately connected to and become part of the UK grid network;
  - b) an islands appropriate Contract for Difference with ongoing visibility on the support mechanism is put in place; the present discriminatory transmission charging mechanism is reformed to bring the charge for the Scottish islands into broad parity with the average UK charge and, as a minimum, ensuring that the charge for the Scottish islands is not greater than that levied in the north of Scotland;
- 2.4 It should not require further devolution for these critical elements to be delivered. Given political will and an appropriate regulatory approach a), b) and c) above could be achieved under the present settlement. Experience over the past decade, however, suggests that the present regulatory system is too rigid and too inflexible to allow decisions to be made in the best interests of the islands. To facilitate progress OIOF would propose the following:

**Proposal 2.1: Transfer powers to the Scottish Parliament to entitle communities to financial benefit from renewable energy schemes within their locality.**

**Proposal 2.2: Devolve to the Scottish Parliament the power to set the level of support mechanisms under Contracts for Difference to ensure a price appropriate to the requirements of the Scottish islands (this would, in effect return to Scotland, a power broadly equivalent to the setting of the old Scottish Renewables Obligation).**

## **Fisheries**

- 3.1 The UK Government has stated that it is fully committed to providing support for Scotland's priorities in EU negotiations as an integral part of the UK. This must take account of many aspects of policy, such as implementation of the Common Agricultural

Policy and the Common Fisheries Policy and management of Structural Funds programmes.

The campaign has had sight of the proposed submission by Shetland Islands council to the Commission and supports the points made which it considers to be applicable to all three island areas and, in particular the direct applicability of CFP regulation (EU) No 1380/2013 and considers that the proposals in that submission are also applicable to Orkney and the Western Isles.

## Europe

- 4.1 Being on the periphery of Europe, the three Islands Councils have always had a keen interest in EU legislation, policy and funding and specifically how these impact on the islands. This has done this through direct lobbying of the EU institutions and politically thorough our MEPs, independently and collectively as well as with wider Highlands and Islands partners. Historically, the Islands have benefited significantly from European Funding programmes, but with enlargement and a gradual and significant reduction of funding in successive EU programmes, the three islands have a key concern about the effectiveness of cohesion and domestic regional policy in terms of the islands.
- 4.2 The island areas are similarly concerned about the effects of both marine and land designations which can stifle economic development. It is therefore essential that Scotland and the Scottish islands have a greater say and greater input into both the formulation of policy and negotiation of outcomes through local management schemes, particularly with regard to designations.

**Proposal 4.1: The three Islands' Councils support a greater role for the Scottish Parliament in its relationship with the EU on the basis that it is best placed to represent Islands' interests in terms of future legislation, policy and funding.**

**Proposal 4.2: Involve the Scottish Government in negotiations with the EU in relation to the extent of designations required in the Member State and provide that all such designated areas shall be subject to local management arrangements if that is the wish of the communities concerned**

## Welfare

- 5.1 There are significant areas of deprivation in some of our island communities, perhaps most significantly, in the unacceptable high levels of fuel poverty. Some island areas have the highest levels of fuel poverty and severe and extreme fuel poverty in the UK. This is exacerbated by energy companies charging an additional regional tariff on Highland and Islands consumers.

**Proposal 5.1: Fully devolve welfare spending to the Scottish Parliament to allow the formulation of an approach and policy that meets the specific needs of Scotland and the Islands.**

**Proposal 5.2: Establish a Scottish Energy Regulatory body to allow a regulatory approach appropriate to the needs of Scotland to ensure fairness in the energy supply market across Scotland.**

**Proposal 5.3: The devolution of responsibilities at 6.1 should include a legislative duty on the Scottish Parliament to extend the derogation currently enjoyed under the “Rural Fuel Scheme” to Heating Fuel in light of the absence of an effective piped gas network in Island communities.**

## **Oil and Gas**

The campaign has had sight of the proposed submission by Shetland Islands Council to the Commission and supports the points made which it considers to be applicable to all three island areas.

## **Taxes**

7.1 It is universally accepted by all political parties that islands’ geographical isolation and remoteness means day-to-day life has significantly higher costs than mainland and metropolitan areas, particularly those costs relating to transport. Every item used on an island has to be transported by sea or air. Acknowledgement of these costs has led to the introduction of a number of derogations around air transport and fuel duty. There is also a long standing ‘distant island allowance’ paid to public sector workers to acknowledge the additional costs of life in the islands.

**Proposal 7.1: While we recognise the considerable variation in the proposals relating to taxation, we would welcome the commitment to make the Scottish Parliament more accountable to the Scottish People for the expenditure that it incurs.**

**Proposal 7.2: Create a general power of competence for the Scottish Government to be able to vary rates of any UK Government-determined taxes, levies, benefits and allowances to reflect the particular costs and restrictions associated with island communities without the need for special agreement in each case.**

## **Our Islands: Our Future: Proposals to Government**

8.1 As outlined in the introduction to this paper OIOF fundamentally believe that devolution should be an ongoing process and that devolution should not stop at Edinburgh. The devolving of powers to the Scottish Parliament should continue, with the ongoing devolution of powers to the islands. In the run-up to the Referendum OIOF made that case to both the UK and Scottish Governments respectively. Both Governments engaged positively with the OIOF campaign and agreed with much of what OIOF said. In their “A Framework for the Islands” and “Empowering Scotland’s Island Communities” documents, both Governments laid out in detail their commitments to the Scottish Islands.

8.2 It is essential for the future of economic prosperity of the Scottish islands that both Governments continue to engage positively with OIOF and to deliver on the campaign and their commitments to the islands.

**Proposal 8.1: That the Commission acknowledges “Our Islands Our Future” and supports its critical objective of onwards devolution of power from London and Edinburgh to the Scottish Islands.**

**Proposal 8.2: That the Commission acknowledges the UK Government’s “A Framework for the Islands” and Scottish Government’s “Empowering Scotland’s Island Communities” documents and places a duty on both Governments fully to implement all possible commitments given in these documents.**

**Proposal 8.3: that the White Paper to be produced by the Smith Commission is “island-proofed” in line with the policy commitments of UK and Scottish Governments set out in “A Framework for the Islands” and “Empowering Scotland’s Island Communities”.**

## **CONCLUSIONS**

**We welcome support for the view that local government decision making should be strengthened.**

**We support a commitment to community empowerment, the principle of subsidiarity and respect for the “Lerwick Declaration”.**

**We support the proposals by the main political parties to enshrine in law the existence of the Scottish Parliament and also seek that the same security be afforded to the three Islands’ Councils.**

**We welcome the emphasis placed by the main Scottish political parties on the central and independent role played by local government in our democracy. In particular, we give our complete support for proposals for extending the powers to Islands’ Councils. These proposals will assist the Islands’ Councils to sustain long term economic development. We support especially the proposals that legislation should be introduced to impose upon Scottish Ministers and quangos a duty to co-operate with Local Authorities and that Local Authorities should have a greater role in economic development.**

**We also feel it essential, due to the unique challenges of the three Island groups, that the three Leaders of the Islands’ Councils are given the opportunity to address the Smith Commission directly as this is a generational opportunity to transform the lives of Islanders within the context of a dynamic constitutional settlement.**

**For ease of reference and prior to the Leaders making their submission, the relevant background documentation is attached to this submission**