Our Islands
Our Deal

ISLANDS GROWTH DEAL

Annual Performance Report

APRIL 2025 - MARCH 2026

Orkney Islands Council
Shetland Islands Council
Comhairle nan Eilean Siar
Scottish Government
Riaghaltas na h-Alba
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UK Government

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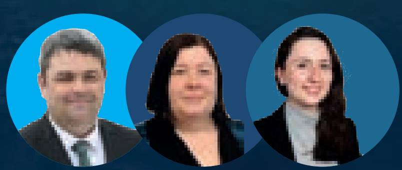
JOINT FOREWORD

The third year of the Islands Growth Deal has combined delivery progress with essential programme strengthening. As more projects moved into delivery to realise transformative change in Orkney, the Outer Hebrides and Shetland, we also reflected, evaluated and planned ahead. Alongside this, the Deal and its partners supported projects to progress Business Case development, planning and benefits realisation—strengthening the pipeline for investment decisions and delivery. Once delivered, this work will harness the islands' unique assets to drive productivity, innovation and inclusive growth, help address our demographic challenges, and create opportunities for people to live, work and thrive across the islands.

Delivery across the portfolio has continued to progress well, with key milestones achieved during the year. We welcomed the official opening of enhanced facilities at the Outer Hebrides UHI Stornoway Campus, creating a high-quality learning environment that supports skills development. In Shetland, the Shell-volution project launched and is working with industry partners to develop new approaches to sustainable mussel farming, supporting innovation and future employment. The TalEntEd Programme has also expanded across Orkney, the Outer Hebrides and Shetland, providing workshops and entrepreneurial support to help people and businesses develop ideas and grow.

Cost certainty remains challenging for some projects, particularly where match funding is constrained and compounded by global economic conditions continuing to increase costs. While this has contributed to delays, we anticipate these projects will now come forward in 2026/27, which is shaping up to be a busy year for approvals and progress. To ensure the Islands Growth Deal remains viable, deliverable and impactful, partners have been supporting the compilation of a Programme Reset proposal. This proactive approach will maintain momentum, protect community benefits and ensure best value from available funding. This may result in a number of projects transitioning to alternative funding routes, with their allocations redistributed across the remaining portfolio to support their increased costs and strengthen delivery plans.

While the coming year will continue to bring challenges for the Deal and its projects, we remain focused on working closely with partners, to support projects through development and into delivery, ensuring benefits are realised. Together, we will continue to drive transformational change in each island—creating opportunities for people and strengthening the resilience and prosperity of our communities.



Cllr Paul Steele
Leader
Comhairle nan Eilean Siar

Cllr Emma Macdonald
Leader
Shetland Islands Council

Cllr Heather Woodbridge
Leader
Orkney Islands Council

EXECUTIVE SUMMARY

DEAL OVERVIEW

This Annual Report covers the period APRIL 2025 – MARCH 2026

SHETLAND

2024-25 IS YEAR 3 of the Islands Growth Deal

Islands Growth Deal was signed 20th January 2023, in Orkney

ORKNEY

Developed by

COMHAIRLE NAN EILEAN SIAR · ORKNEY ISLANDS COUNCIL · Shetland Islands Council

Comhairle nan Eilean Siar, Orkney Islands Council and Shetland Islands Council, together with public, academic, business, community and third sector partners.

OUTER HEBRIDES

£100 million funding agreed over 10 years

£50 Million – UK Government

£50 Million – Scottish Government / Riaghaltas na h-Alba / gov.scot

SCOTLAND

Aiming for further investment of £293 million in match funding.

16 projects and programmes

Across three themes low carbon; supporting growth and future industries; and thriving sustainable communities.

KEY ACHIEVEMENTS IN 2024/25

Up to the end of MARCH 2025 £22.6m of funding was approved for investment by the Joint Committee over the 10-year Programme, equating to 22.6% of the value of the Deal.

£9 m match funding leveraged in to support Islands Deal projects.

OUR ISLANDS OUR DEAL

7 projects are in delivery

1 project COMPLETED

Our Islands
Comhairle nan Eilean Siar, Orkney Islands Council and Shetland Islands Council are the smallest Local Authorities in Scotland, with a combined population of approximately 71,000 (1.3% of Scotland's population) and their communities are some of the remotest from the main population centres of Scotland and the UK. Yet despite their size and challenges, the islands:

- Are already delivering for the Scottish and UK economies.
- Have huge economic potential.
- Attract interest from around the world.
- Have world-class natural and archaeological heritage.
- Offer a fantastic quality of life.

The profile of our islands is global, regularly topping international lists of the best places to visit. They contribute substantially to Scottish and UK cultural, historic and natural heritage and are recognised world class tourist destinations.

The islands make an outsized contribution to the UK and Scottish economy, including 50% of Scotland's aquaculture GVA (Gross Value Added), 30% of Scottish sea fish GVA, and they handle 13% of the oil and gas produced in UK waters. With 47% of Scotland's marine estate and 40% of its coastline, the islands also have access to significant untapped blue economy opportunities in areas such as offshore renewable wind, wave and tidal energy, sustainable aquaculture and marine biotechnology.

In addition to their attractiveness to visitors, our islands also offer a fantastic place to live and are often recognised as such in national polls – with low crime rates, excellent levels of educational attainment, good public services, and evidence of strong community cohesion and collaboration reflected in a vibrant community and third sector.

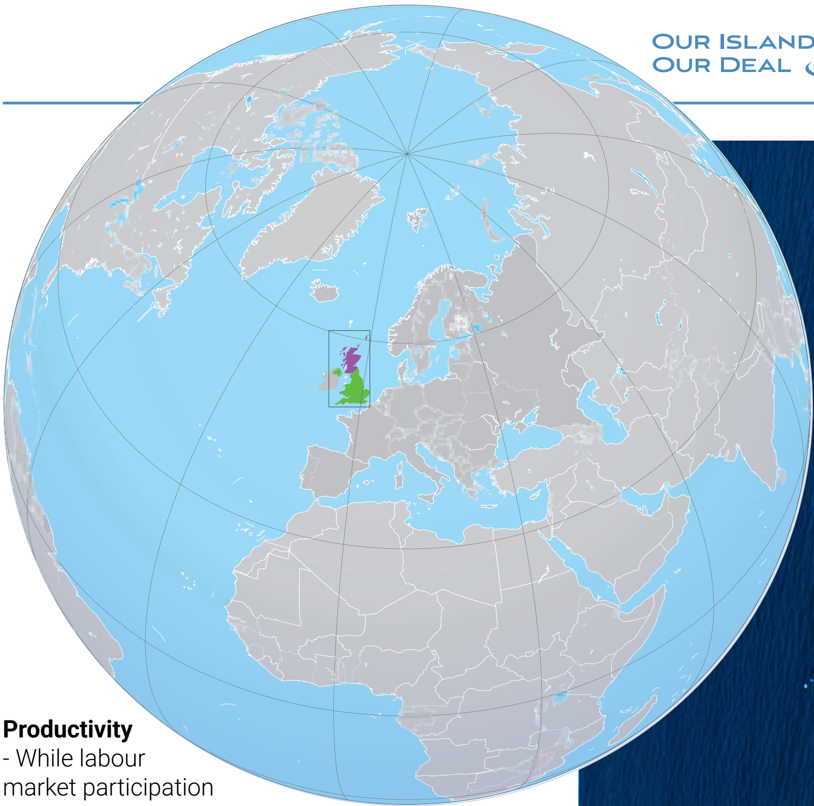
The island's locations have each led to innovation and self-sufficiency being evident in the local economies. Island communities characteristically require to be resourceful and are well-versed in providing community-led solutions and responses to economic and social needs. This is apparent in the levels of community landownership, social enterprise and community businesses, with communities responding to meet demand, and need for supplies and services, where there is market failure or opportunity.

Our islands continue to face specific challenges which need to be tackled if we are going to maximise our economic potential, transition to net zero, and achieve an inclusive approach to growth, and a wellbeing economy across all parts of our island communities. Key issues include:

Population - Our islands each face a demographic challenge that threatens the long-term sustainability of our economies and communities.

Labour Market - The reducing and ageing population ultimately impacts upon the availability of a labour force over coming years. A major strategic effort is required to retain and attract the workforce to fill the vacancies resulting from community activism, and expansion and innovation in existing and emerging sectors.

1. Scotland's Census 2022 - Rounded population estimates - data | Scotland's Census



Productivity - While labour market participation is higher than average, productivity in the islands tends to be lower than average, largely due to the sectoral mix of the islands' economy and place-based factors.

Island Cost of Living - Geographic remoteness impacts significantly on the cost of living, working and doing business in our islands.

Connectivity - transport connectivity including availability, cost and reliability, digital infrastructure availability and reach, and the presence of appropriate interconnectors.

Housing – lack of access to affordable and well insulated housing across a range of tenures and island locations to suit all needs.

Achieving a Just Transition to Net Zero - Our islands have the highest rates of fuel poverty in Scotland, despite being strategically positioned for renewable energy generation.

Some of these are the focus of specific attention through the Growth Deal investment, others can be seen as part of the wider enabling infrastructure necessary to ensure that people can continue to live and work on our islands.   The Islands Growth Deal investment sits alongside wider commitments from our local authorities, regional and national agencies and governments in supporting identified enablers such as housing provision, digital, and energy transport connectivity.

Our Deal

The Islands Growth Deal has been developed by Comhairle nan Eilean Siar, Orkney Islands Council and Shetland Islands Council, together with public, academic, business, community and third sector partners.

Orkney, Shetland and the Outer Hebrides have access to a unique range of assets and economic opportunities which can be leveraged to achieve the step change necessary to change our demographic trajectory, transform our economies, and enhance the significant contribution our islands make to the economic vitality, cultural diversity and international reputation of Scotland and the United Kingdom.

The Islands Growth Deal will deliver an investment of £50 million each from the Scottish and UK Governments, and an anticipated £293 million from project partners, subject to final approval of robust business cases. It includes a total of sixteen area-specific projects and pan-island innovation-focused programmes in the areas of low carbon technologies, creative industries and wellbeing, and skills and talent attraction. Therefore, this Deal includes an integrated package of proposals to create new infrastructure, support innovative Research and Development and showcase the islands assets.

Collectively these will the aim to improve economic productivity, deliver new jobs, and support the islands to achieve net zero.

Orkney Wind Turbines, Image courtesy of EMEC (Colin Keddie)

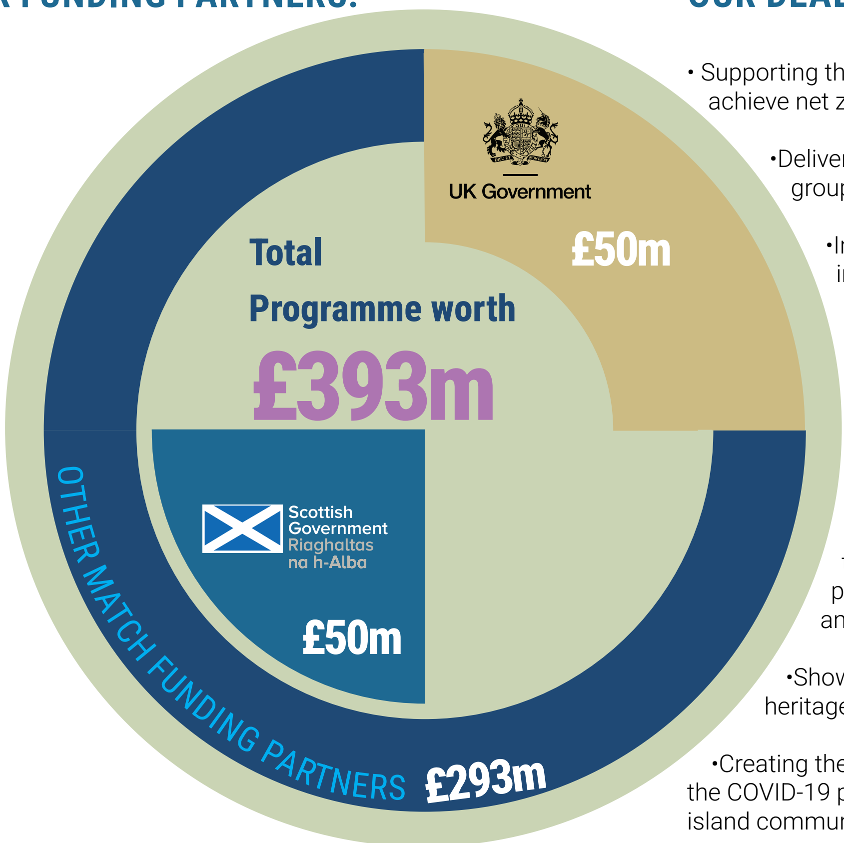
This annual report summarises progress for the third year of the Islands Growth Deal Programme, from April 2025 to March 2026.

Our Vision: To harness the unique assets of Orkney, the Outer Hebrides and Shetland to create world class, innovative and globally focused industries that will help address the Islands' severe demographic challenges and strengthen the distinct and important contribution our Islands make to the economic vitality and international reputation of Scotland and the United Kingdom.

OUR ISLAND LEADS:

Comhairle nan Eilean Siar
Orkney Islands Council
Shetland Islands Council

OUR FUNDING PARTNERS:



OUR DEALS STRATEGIC AIMS:

- Supporting the islands to be among the first places in the UK to achieve net zero.
- Delivering over 1,300 jobs by 2032 across the three island groups
- Improving economic productivity by securing further investment of up to £293 million to deliver Growth Deal Projects
- Creating new and internationally significant port infrastructure that will play an important role in supporting Scotland and the UK to achieve net zero targets.
- Strengthening the islands' place as unique 'living laboratories' for global innovation in low carbon technologies, wellbeing research and sustainable food production in partnership with their leading universities and research institutes.
- Showcasing the islands' outstanding natural environment, heritage, culture and creativity to the world.
- Creating the foundation for an innovation-focused recovery from the COVID-19 pandemic and support inclusive growth across all the island communities.

OUR THEMES:

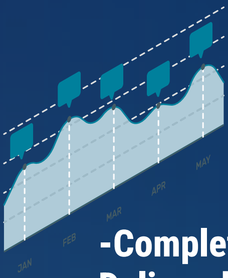
1 Leading the Way to a Carbon Future

2 Supporting Growth and Future Industries

3 Thriving Sustainable Communities

2. PROGRAMME ACTIVITY 2025/26

PROGRAMME ACHIEVEMENTS IN 2025/26



-Completed a Deliverability Review of the Islands Growth Deal, ensuring value for money

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- Submitted a Programme Reset Proposal to both the UK and Scottish Governments

Supported the development of a Community Empowerment subsidy control scheme which can be applied to Islands Growth Deal projects when applicable

Annual Performance Report 24/25 approved by Joint Committee

Internal Audit reviews reported no issues

PROJECT SUCCESSES:

UHI

Outer Hebrides UHI Campus development official launch

TalEntEd

Programme launched and engagement event held in Shetland

SHELL-VOLUTION

Shell-volution launched and research commissioned

ICNZ
Islands Centre for Net Zero

'Islands Centre for Net Zero support pilot projects'

CALANAIS

Calanais Redevelopment nearing completion

Construction of Creed Hydrogen Skills and Innovation Centre commenced

PROGRAMME RISKS AND CHALLENGES:

The challenges experienced in previous years continued through to 2025/26, with Year 3 progressing slower than anticipated due to a range of factors that impeded progress and increased programme slippage. Delays occurred at both project and programme level, including business case development being hindered by increased project costs, planning issues and changing timescales. At programme level, the preparation and submission of the Islands Growth Deal Programme Reset Proposal also impacted portfolio deliverability, as it awaits the implementation of any proposed amendments and reallocations. Collectively, these factors resulted in further underspend against the 2025/26 financial allocation and forecast.

The Deal's Programme Management Board (PMB) continuously monitors and manages these strategic risks on a monthly basis through the Programme Risk Register, which the Programme Management Office (PMO) maintains and observes. The Joint Committee also reviews the register quarterly. The highest programme risks have remained broadly the same over the period, and a range of mitigation measures have been implemented or are ongoing.

The following are examples of Programme Risks which are managed at all levels in the last year. These also provide an insight into the economic fragility and issues that the programme and projects are faced with:

Risk Event	Initial Risk Assessment	Initial Rating	Risk treatment actions	Revised Risk Assessment Rating
Projects prove unviable during the development of FBCs or unable to secure match funding.	Projects agreed within Full Deal are unable to proceed. Results in issues. Competitive match funding m reputational arket and resulting delays may impact upon the project's viability.	Extreme	A Deliverability Review of the Deals portfolio undertaken to identify projects which require re-evaluating and to determine should they remain within the Deal. Outcomes to inform proposals set in a Programme Reset document to be submitted to both Governments proposing a potential change within the Deal to ensure viability.	Medium
Implementation of Programme Reset Proposal is delayed	Projects unable to proceed due to unconfirmed IGD contribution. Programme targets and objectives are not reflective of current aims. Further delays impacting projects progress.	High	Delays in final approval impacting upon approval timelines. Continue to liaise closely with UK and Scottish Governments, Local Authorities and project partners to refine the proposal and agree a final document asap to not impact projects progress and implement immediately upon approval.	Low
Underspend / overspend against the Deals Financial Profile and available funding	Funding unable to be drawn down as projected within the forecasted financial year.	Extreme	Ensure continued monitoring and meetings with all projects to understand progress. Closely monitor monthly forecasts, against bi-annual and implementation plans and query any deviations. Communication is key with all stakeholders.	High
Subsidy Control requirements not met	Funding would need to be returned to Scottish Government.	Medium	Ongoing implementation of agreed subsidy control approach. IGD Legal and Governance Group assesses all subsidy queries to verify decision rational.	Low
Insufficient resourcing of PMO	Programme cannot be delivered as required in terms of claims, monitoring, reporting, etc.	Medium	As activity increases, all Councils to review internal resource commitment to the IGD and ensure it is adequately supported. External Funding Assistant post to be recruited to assist with administration and claims.	Low
Poor IGD programme management, governance and financial controls	Potential for compliance, reporting and monitoring issues impacting on overall programme delivery.	Medium	Annual Comhairle internal audit reviews on governance and claims processes undertaken. Continue to monitor and review all processes.	Low
Increased construction costs and overall deliverability across the Programme.	Recurrent issue in island development. Cost escalation through materials and transportation.	High	Manage costs, value engineering, when possible, postpone delivery of project until costs are manageable and funding in place.	Low

3. PROJECT PROGRESS AND FUTURE MILESTONES

The Deal is comprised of 16 transformational programmes and projects across 3 themes.

In moving from Outline to Full Business Case, a number projects within the Islands Growth Deal are standalone capital investments, for which one Full Business Case (FBC) will be developed and approved to allow funding to be released. The remaining proposals are more complex, containing distinct elements which may have different development, delivery and match funding timescales and these result in the need for a Programme FBC followed by a series of individual Project FBC's submitted as and when the project is fully developed and ready for delivery. The table below provides an overview of the status of each of these up to end of March 2026.

PROGRAMME / PROJECT	LOCATION	BUSINESS CASE STATUS	COMMENT
Theme 1 - Leading the way to a Low Carbon Future			
Islands Centre for Net Zero - Orkney	Orkney	Programme FBC approved - March 23	In Delivery
Islands Centre for Net Zero - OH	**Outer Hebrides**	**Project FBC for Creed Hydrogen Skills & Innovation Centre approved – Sept 24.**	**In Delivery**
Islands Centre for Net Zero - Shetland	Shetland	OBC submitted, approval expected Q2 26/27. FBC approval - scheduled for Q4. 26/27.	In Development
Future Fuels Hub	Orkney	Project in review	Under Review
Outer Hebrides Energy Hub	Outer Hebrides	FBC approval - scheduled for Q4 26/27	In Development
Dales Voe Ultra-Deep Water Quay	Shetland	FBC approval - scheduled for Q4 26/27	In Development
Theme 2 - Supporting Growth & Future Industries			
Creative Islands Wellbeing - Collaborative Programme	**Pan-island**	**FBC approved - February 2025**	**In Delivery**
Creative Islands Wellbeing – Orkney Creative Catalyst	Orkney	FBC submitted - approval scheduled for 26/27	In Development
Creative Islands Wellbeing - An Lanntair Capital Project	Outer Hebrides	FBC approval – scheduled for 26/27	In Development
Creative Islands Wellbeing - Taigh Chearsabhagh Capital Project	Outer Hebrides	FBC approval – scheduled for 26/27	In Development
Destination Development - Calanais	**Outer Hebrides**	**FBC approved - April 24**	**In Delivery**
Destination Development - Ionad Hiort	Outer Hebrides	FBC expected 27/28	In Development
Destination Development - Hiort na Hearadh	Outer Hebrides	FBC submitted - approval scheduled for 26/27	In Development
Destination Development – Sealladh Hiort	Outer Hebrides	Project in review	Under Review
Destination Development – Iolaire	Outer Hebrides	Project in review	Under Review
Orkney World Heritage Gateway - Programme	Orkney	OBC approval - scheduled for 26/27, FBC expected 27/28	In Development
Vertical Farm	Orkney	OBC approval - scheduled for 26/27	In Development
Shell-volution	Shetland	FBC approved - September 24	In Delivery
Outer Hebrides Food & Drink - Programme and Pier & Harbour Improvements – including Acarsaid Pier	Outer Hebrides	Programme FBC approved - March 24	In Delivery
Outer Hebrides Food & Drink – Programme – Acarsaid Pier	Outer Hebrides	Included within Programme FBC – approved March 24	Completed
Outer Hebrides Food & Drink - Brevig Harbour	Outer Hebrides	FBC approval - scheduled for 26/27	In Development
Spaceport1	Outer Hebrides	FBC submitted - approval scheduled for 26/27	In Development
Theme 3 - Thriving, Sustainable Communities			
TalEntEd Islands Programme	Pan-island	Programme FBC approved – October 24	In Delivery
Orkney Research & Innovation Campus (ORIC2)	Orkney	FBC Approval – scheduled for 27/28	In Development
Shetland Campus Redevelopment	Shetland	FBC Approval – scheduled for 26/27	In Development
Outer Hebrides Campus Redevelopment	Outer Hebrides	FBC Approved - June 2023	In Delivery
Knab Redevelopment - Programme	Shetland	FBC Approval – scheduled for 26/27	In Development
Knab Redevelopment - Housing Developments	Shetland	FBC Approval – scheduled for 27/28	In Development

THEME 1

LEADING THE WAY TO A LOW CARBON FUTURE

DEAL INVESTMENT - £43 MILLION

The ambition within this theme is for our islands to be among the first parts of the UK to reach the Governments' net zero carbon emission goal; to be global leaders in the development and adoption of the technologies and processes associated with this transition, and to develop a thriving low carbon business and research base selling products, services, and expertise around the world.
The Islands Deal will deliver a programme of investment across five programmes and projects within this theme, building on strong foundations to accelerate the islands' transition to net zero.

ISLANDS CENTRE
FOR NET ZERO (ICNZ)

Project Vision: To accelerate our islands' transition to net zero.

The Islands Centre for Net Zero is a pan-island innovation centre that will support Orkney, Shetland and the Outer Hebrides to become lighthouse communities in the energy transition by exploring, trialling and accelerating solutions to decarbonisation that have replicability and application worldwide.

Islands Growth Deal funding is supporting the islands to reach net zero emission, job creation in local green industries, stimulating supply chain development and promoting the islands net zero ambitions internationally. This will include the creation of a decarbonisation toolbox, and investment in energy transition capital projects across Orkney, Shetland and the Outer Hebrides.

Key Milestones Planned for 26/27	Due Date
Third phase of CRCs (ICAN) established, expanding geographic and thematic reach - CES	Apr 2026
First round of technology and solution demonstrations completed, with results shared via Knowledge Exchange Hub - EMEC	Aug 2026
ICNZ Exploitation Plan completed, outlining commercialisation pathways for key project outcomes - EMEC	July 2026
Transition Labs expanded to address additional challenges in energy, transport, and community systems - HWU	Oct 2026
Leading communities of practice complete action plans for local decarbonisation - CES	Apr 2027

ICNZ have created different Work Packages (WP) with the aim to cross the three islands groups by supporting activities to:

1. Contribute towards a just decarbonisation of the three island groups energy systems
2. Generate sustainable "green" jobs based within the islands
3. Generation of new enterprise and revenue streams
4. Strengthen other strands of the Islands Deal and add value to existing initiatives
5. Contribute towards outcomes of national and international significance, including transferability of solutions

Headline Achievements in 25/26	Achieved
Successful appointment of new Programme manager, initial programme transformation	Dec 2025
Launched the Household Calculator at the Island Games, trialled the Carbon Audit Service and updated and developed the Data Exchange platform.	Oct 2025
Results of the "Understanding essential thermal comfort needs in island communities" (match funding of £50k) presented at the final Decarbonisation of Heating and Cooling conference	Jun 25
Match funding success: Scotland Beyond Net Zero financed (£11.9k) the CARE (Community-led Affordability and Residential energy Equity) project, bringing together HWU, and the Universities of Edinburgh and Glasgow, supported by CES. A digitally assisted flexibility trial with Orkney Housing Association tenants is going to start in May 26	July 25

Islands Deal Investment	£16.5m (£0.5m Scottish Government / £16m UK Government)
Lead Partner	European Marine Energy Centre (EMEC)
Other Partners	Heriot-Watt University, Aquatera Limited, Shetland Islands Council, Comhairle nan Eilean Siar, Orkney Islands Council, Community Energy Scotland and University of the Highlands and Islands (UHI).
Current Status	Full Business Case approved March 2023 – Project in delivery

CASE STUDY – UPDATE ON PROGRESS IN 2025/26

At a glance (2025/26)

• Agriculture identified as a priority emissions source in Orkney, prompting a test and demonstration zone with local farmers.
•Four pilot projects underway to establish baselines and evidence carbon savings, with a focus on jobs and scalability.
•Three further projects approved with Orkney Islands Council, including solar PV and battery back-up for a communications hub.
•Aquaculture demonstration at Hunda replacing diesel compressors with electric aeration.
•Data Exchange platform moved into operational support with governance in place; ICAN grew to 71 members.

Agriculture: test and demonstration zone
Recent emissions data from Orkney, Shetland and the Outer Hebrides identified agriculture as the largest source of greenhouse gas emissions in Orkney. In response, the Islands Centre for Net Zero (ICNZ) prioritised a test and demonstration zone focused on agricultural innovation. Working directly with local farmers, ICNZ is gathering insights to co-design projects that improve efficiency, reduce emissions and strengthen resilience across the sector.

Pilot projects and approvals
Four pilot projects launched in the previous year are now underway, collecting baseline data to quantify carbon savings and assess wider impacts, including green job creation and potential for replication. Building on this progress, three additional projects were approved in partnership with Orkney Islands Council. Two initiatives focus on reducing emissions from council-owned properties through innovative technologies, including replacing a diesel back-up generator at a communications hub with a solar photovoltaic array and battery storage system capable of maintaining operations during outages of up to 24 hours.

Aquaculture: demonstration zone
A demonstration zone has been established within aquaculture. At a fish farm in Hunda, diesel-powered compressors are being replaced with electric aeration systems to reduce the carbon footprint of fish farming—an essential part of Orkney's economy—while also improving fish welfare and providing a model for more sustainable practices.

Digital infrastructure: Data Exchange platform
ICNZ has also progressed digital infrastructure through its Data Exchange platform, transitioning from development to operational support. A governance board is now in place to support collaborative decision-making across partner islands. Engagement with the Scottish Climate Intelligence Service has opened pathways for data sharing, strengthening regional baseline data and enabling broader collaboration.
Over the coming year, ICNZ aims to:
•onboard additional partners
•expand services such as carbon audits for businesses
•deliver personalised household recommendations

Community engagement: ICAN
Community engagement remains central to ICNZ's approach. The Island Community Action Network (ICAN) has grown to 71 members across the three island groups, with increasing participation in monthly meetings and cross-network collaboration. ICAN has supported initiatives such as the Orkney Circular Economy Network and facilitated knowledge exchange visits across island communities, strengthening connections and shared learning.

Communications
In Shetland, ICNZ focused on strategic planning and stakeholder engagement, including major events and the development of an Outline Business Case to guide future investment. Meanwhile, communications and knowledge exchange activity has expanded ICNZ's visibility through national and international events, media engagement, and digital tools such as a carbon calculator and island baseline data resources.

Overall
Collectively, these efforts demonstrate ICNZ's integrated approach to achieving net zero—combining innovation, data and community collaboration to deliver practical, scalable solutions tailored to island contexts.

ORKNEY
FUTURE FUELS HUB

The Future Fuels Hub will be a storage and distribution facility for low and zero carbon fuels, and a production plant for hydrogen, ammonia, and potentially methanol.

While Scapa Deep Water Quay had initially been identified as the preferred location for a Future Fuels Hub, working with the marketplace has become clear there could be restrictions at this location, with significant offshore wind activities now forecast.

An appraisal of potential options has concluded that the Hub would best be located within the Orkney Logistics Base adjacent to an expanded Hatston Pier. Analysis shows this will better serve the multitude of opportunities in terms of Future Fuels, servicing Offshore Wind, lifeline ferries, the variety of supply vessels, cruise etc. as well as shore-based fuel requirements in Orkney.

Key Milestones Planned for 25/26	Due Date
Review funding strategy and timescales	March 26
Confirm project plan	June 2026

OUTER HEBRIDES
ENERGY HUB

Located adjacent to Stornoway's new Deep Water Terminal, the Outer Hebrides Energy Hub will include the development of a green hydrogen demonstration project and technology deployment site consisting of a 2MW hydrogen production project alongside the development of a serviced site designed to host hydrogen technology field trial and development projects.

The Islands Growth Deal would also support the conversion of existing equipment at a nearby site from kerosene-only to dual fuel hydrogen/kerosene and will provide an opportunity to offer a base at which technology developers could come to test and demonstrate a range of hydrogen technologies.

The Energy Hub will create significant economic benefit and added value for the Outer Hebrides, supporting the local and national Energy Transition while providing an exemplar for other potential Hydrogen production locations across the UK.

Islands Deal Investment	£11m UK Government
Lead Partner	Comhairle nan Eilean Siar
Other Partners	Petronas, GreenCat Hydrogen, Navantia
Current Status	OBC v2 submitted
Project Vision	Green Hydrogen production for local use

Headline Achievements in 25/26	Achieved
Refreshed Outline Business Case	April 2025
Initial project design	September 2025
Identification of full suite of potential offtakers	February 2025

Key Milestones Planned for 26/27	Due Date
Approve Outline Business Case	August 2026
Submit Full Business Case	March 2027
Identification and confirmation of revenue match funder	February 2026

DALES VOE ULTRA-DEEP WATER QUAY

IGD Project - Dales Voe - Lerwick Port Authority

Dales Voe has been identified as the optimal location for the only Ultra-Deep-Water Quay (UDWQ) in the UK, for the assembly and decommissioning of large-scale floating structures and is the only port with sufficient alongside water depth to accommodate the world's largest lifting vessels. This location provides a sheltered approach, natural deep-water channels and in close geographical proximity to both the existing oil and gas infrastructure and the locations that will be used for future offshore wind and low carbon energy sector.

The project will deliver a new quay with water depth of an initial 16m, and preparatory work to increase to 21m in the future, alongside with associated laydown area. It will also provide the specialised infrastructure required to support the deployment, operations and maintenance, and marshalling and assembly of offshore floating wind structures.

This project will result in transformational change in Shetland and will build on existing reputation in the decommissioning sector. It also presents significant opportunities in the offshore wind sector.

The project will be delivered in Phases, with Islands Deal funding supporting Phase 2 and 3 to create the laydown space, prepare the seabed and build the harbour. The development will create 100 jobs that will be sustained for the next 25 years, as well as creating a new supply chain that does not currently exist in the UK, along with significant GVA impacts.

UPDATE ON PROGRESS IN 2025-26

Phase 1 of the Project commenced in June 2025 and is due for completion by August 2026. This phase involves dredging the area in front of the proposed Ultra-Deep Water Quay to 16m depth in preparation for Phases 2 & 3. Environmental survey work required to inform an Environmental Impact Assessment and allow for the necessary Harbour Revision Order to allow for Phase 2 and 3, has continued during 2025/26.

Headline Achievements in 25/26	Achieved
Phase 1 commenced and 57% completed on 31 March 2026	Ongoing
Environmental Survey work undertaken	Ongoing

Islands Deal Investment	£9m Scottish Government
Lead Partner	Lerwick Port Authority
Current Status	Full Business Case scheduled for Autumn 2026

Key Milestones Planned for 26/27	Due Date
Completion of Phase 1	Aug 2026
Draft Full Business Case	Nov 2026
Progress consenting work	Mar 2026
Approval of Full Business Case	Mar 2026

THEME 2

SUPPORTING GROWTH & FUTURE INDUSTRIES

DEAL INVESTMENT - £28 MILLION

This theme's ambition is for our islands to provide a collaborative environment that supports creativity, innovation, growth and productivity improvement within key island industry sectors, and to fully exploit the islands' unique assets to create new, high growth sustainable industries of the future.

The Islands Deal will deliver a programme of investment across six programmes and projects designed to accelerate economic growth and innovation.

CREATIVE ISLANDS WELLBEING

Project Vision: 'Our Islands, our living culture: Building communities of creative practice in Scotland's Islands'

Creative Islands Wellbeing is a cross-island programme, which aims to strengthen the islands' reputation as creative centres of excellence and to increase the economic and social impact of the creative economy in the islands. Islands Deal investment will deliver a network of Creative Practice Hubs across the islands, providing the facilities, space and support required by creative practitioners to increase their output and economic sustainability, including:

• Creative Practice Hub, Stromness, Orkney, led by Pier Arts Centre

• Residency Centre, Birsay, Orkney, led by Pier Arts Centre

• An Lanntair Creative Practice Hub, Isle of Lewis

• Taigh Chearsabhagh Creative Practice Hub, Lochmaddy, North Uist

Supporting the capital projects is a revenue and a Research and Development programme which will be delivered through the following three Collaborative Work Packages:

• Imagining an Island: Academic Research and post graduate creative practice led by the UHI Centre for Islands Creativity, Shetland.

• ACROSS - from the island to the island: UK and international collaboration and knowledge exchange led by Pier Arts Centre, Orkney and delivered in partnership with Shetland Arts, Taigh Chearsabhagh and An Lanntair.

• Our Islands – Our Living Culture: Islands Centre for Creative Ageing led by An Lanntair and delivered in partnership with the NHS.

The programme will create new jobs in the islands' creative industries sector, support creative businesses to increase their turnover, strengthen the international profile of our creative industries, lever additional research income into the islands, and increase levels of wellbeing in the islands.

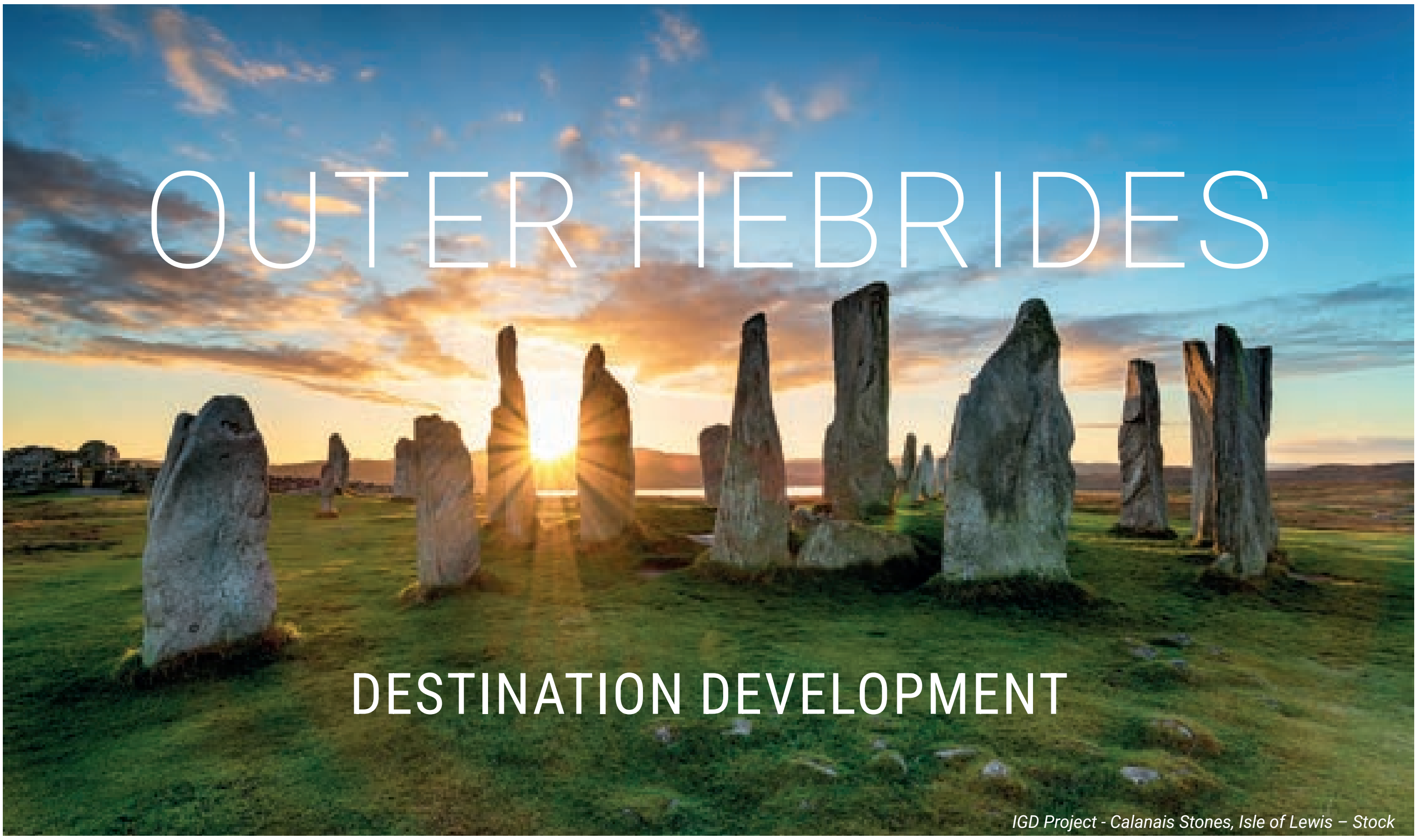
Islands Deal Investment	£5.6m (£3m Scottish Government / £2.6m UK Government).
Lead Partner	Comhairle nan Eilean Siar
Other Partners	Highlands & Islands Enterprise; Centre for Island Creativity, University of the Highlands and Islands; Shetland Islands Council; Orkney Islands Council; Pier Arts Centre; Shetland Arts Development Agency; An Lanntair; Taigh Chearsabhagh; NHS Western Isles (in liaison with NHS Orkney and NHS Shetland)
Current Status	Programme Full Business Case approved March 25

Headline Achievements in 25/26	Achieved
Pier Arts Centre's FBC developed and submitted to Governments	
ACROSS – From Island to Island launched	January 2025

Key Milestones Planned for 26/27	Due Date
Creative Ageing Consultant in place to support delivery	May 26
Taigh Chearsabhagh Business Plan updated	Summer 26
Pier Arts Centre's FBC approved and commences Delivery	March 26

OUTER HEBRIDES

DESTINATION DEVELOPMENT



IGD Project - Calanais Stones, Isle of Lewis – Stock

Destination Development will develop and enhance the top culture and heritage assets, and deliver new, complementary facilities and attractions at key locations across the Outer Hebrides. Capital funding through the Islands Deal will deliver a suite of community-led and owned new or enhanced visitor and heritage/cultural attractions as outlined below.

• Slighe Hiort (The St Kilda Trail) - St Kilda is the UK's only dual World Heritage Site, but this unique status, and the quality and global resonance of the St Kilda story does not currently feature strongly in the Outer Hebrides visitor economy and this work will aim to put a spotlight on the archipelago.

• Calanais: The Neolithic Centre - The iconic heart of the Outer Hebrides neolithic landscape is Calanais, a 4,000-year- old arrangement of standing stones up to 4m high. Investment in the site and associated visitor facilities will bring the Calanais standing stones and Calanais Visitor Centre together into a single, coherent visitor destination, and establish the site as a true world-class heritage attraction, for which UNESCO World Heritage Site status will be sought.

The programme will meet unmet demand and enhance the reputation of the Outer Hebrides as a destination, generating additional good quality employment opportunities, increased visitor numbers and spend, and increasing the overall value of the tourism sector in the islands.

Islands Deal Investment	£8m (£4m Scottish Government / £4m UK Government).
Lead Partner	Comhairle nan Eilean Siar
Other Partners	Highlands and Islands Enterprise, Outer Hebrides Tourism, Visit Scotland, Urras nan Tursachan, Ionad Hiort, Northton Heritage Trust, Sealladh Hiort, Iolaire Centre Ltd.
Current Status	Partial Delivery

UPDATE ON PROGRESS IN 2025-26

The Calanais Redevelopment project is in construction and entering its final stages, with handover expected in summer 2026. A new website and booking system have been launched to support increased visitor capacity, build on growth in cruise tourism, and help stimulate surrounding businesses and organisations.

The Slighe Hiort projects in Harris and Uig—Hiort nan Hearadh and Ionad Hiort—also continued to progress. Hiort na Hearadh has reached RIBA Stage 4 and is close to completing its Full Business Case. Ionad Hiort has focused on digital engagement and fundraising, launching a new website and advancing an innovative funding approach. Both projects are awaiting decisions on several funding applications to move into delivery.

Key Milestones Planned for 2026	Due Date
Calanais Visitor Centre opening	July 2026
Ionad Hiort – fundraising review	Jun 2026
Hebrides People – FBC approval	July 2026
Hebrides People – commence construction	July /Aug 2026

Headline Achievements in 2025/26	Achieved
Ionad Hiort – Fundraising and Development Officers recruited	Jan 2026
Calanais Visitor Centre – commenced recruitment	Sept 2025
Hebrides People – submitted first draft of FBC	Oct 2025
Calanais booking website launched	Mar 2026

ORKNEY
WORLD HERITAGE SITE

Project Vision: "To provide a world-class, innovative solution to heritage management and sustainable tourism at the Heart of Orkney World Heritage Site, enabling exceptional engagement with and connection to the sites and their history for visitors and residents, and protecting the outstanding value of the heritage for generations to come"

IGD Project - Ring of Brodgar, Orkney World Heritage Site – Orkney Islands Council

Orkney's tourism economy is founded on the remarkable history and landscape of the islands. At the core of the offer is the Heart of Neolithic Orkney World Heritage Site, a globally important collection of ancient monuments and settlements, including the outstanding Ring of Brodgar, Stones of Stenness, Maeshowe chambered tomb, and the world-famous settlement of Skara Brae.

The Orkney World Heritage Site programme will create a world leading sustainable tourism offer and transform the visitor experience through investing in the sites and surrounding infrastructure. Innovative technologies will be used in visitor management, on-site zero and low carbon transport options and inspiring visitors to explore other parts of Orkney.

Islands Growth Deal investment will improve the visitor experience and safeguard the World Heritage Site and local environment, optimise economic benefits of tourism in a sustainable manner, and disperse socio-economic benefits of tourism across the islands.

Islands Deal Investment	£6.5m (£5.5m Scottish Government/£1m UK Government)
Lead Partner	Orkney Islands Council
Other Partners	Historic Environment Scotland, Highlands and Islands Enterprise
Current Status	Programme Outline Business Case approval scheduled for 2026

UPDATE ON PROGRESS IN 2025-26

Finance
- Budget well managed in FY25/26 - underspend recorded.
- Outline budget agreed by HES and OIC for FY26/27.

Consultancy
- Movement study partly complete, considering design of paths, road network, and public transport
- Outline Interpretation Plan drafted

Orientation Centre
- Outline spatial plans completed

Engagement
- Positive discussions with landowners ongoing
- Engagement with stakeholders, including communities, related to Movement/Interpretation completed in March 2026.

Headline Achievements in 25/26	Achieved
New Steering Group, Board in place and team expanded	Sept 2025
Movement study begins	Oct 2025
Movement engagement events	Mar 2026

Key Milestones Planned for 26/27	Due Date
Movement and Interpretation Consultancy concluded	Jun 2026
Outline Programme Business Case drafted	Aug 2026
Orientation Centre concept design	Aug 2026
Full Programme Business Case signed off	Nov 2026

ORKNEY VERTICAL FARM

Investment will create an islands' vertical farm where crops are produced indoors in vertical structures to increase production per square metre. The environment is controlled (lighting, ventilation, and water/nutrient provision). Vertical farming incorporates hydroponic or aeroponic growing systems rather than traditional growing media.

The project will establish Orkney as a leader in the people-centric design of vertical farming and renewable technology within an island and rural context, building expertise in vertical farming renewable technology, enhancing agricultural research and innovation capacity, creating sustainable, high-quality green jobs, additional local food supply, and increasing productivity of businesses.

Islands Deal Investment	£2m
Lead Partner	(£0.5m Scottish Government / £1.5m UK Government)
Other Partners	James Hutton Institute
Current Status	Orkney Islands Council
Current Status	Outline Business Case approval scheduled for March 25

Overview of 25/26	Achieved
Review project match funding and timescales	March 26

Key Milestones Planned for 26/27	Due Date
Confirm project plan	June 2026

SHELL-VOLUTION

Project Vision: To enable sustainable growth in the mussel farming sector.

The Shell-volution project has been designed as a new and innovative technical programme enabling future growth in the low-carbon and sustainable mussel farming sector in Shetland, and more widely in Scotland.

Through a phased programme of research and development, focusing on better ways to farm within the marine environment, small businesses in the sector will be able to share in an anticipated growth in output of about 10,000 tonnes by 2038-39.

Productivity, efficiency, and resilience of existing farm sites will increase, while some new locations will be developed. Employment that is supported by the sector is anticipated to broadly increase by 50% to support this. Consumer markets are considered to have capacity to absorb this gradual increase in production; and mussel processors in Scotland will also benefit from the sustainable growth in farmed production.

Islands Deal Investment	£4.4m UK Government
Lead Partner	University of the Highlands and Islands
Other Partners	Shetland mussel industry [Project Board representatives include: Seafood Shetland, Association of Scottish Shellfish Growers, Scottish Shellfish, Highlands and Islands Enterprise, Crown Estate Scotland, Scottish Aquaculture Innovation Cluster, Shetland Islands Council]
Current Status	Project in delivery

Key Milestones Planned for 26/27	Due
Completion of 1st two projects	Apr - May 2026
Successful tender of Round 2 projects	Oct 2026
Learning journey (international)	Feb 2027
Academic seminar series	Nov 26–Mar 2027

CASE STUDY – UPDATE ON PROGRESS IN 2025-26

With the appointment of the Shell-volution project team on 1 April 2025, the project moved from establishment into delivery. The initiation phase has included putting key governance and delivery structures in place including visual identity, website, and developing a clear understanding of the prioritised needs of the mussel farming sector.

Engagement with the mussel farming sector has been central to delivery throughout the year. The project team worked closely with farmers across all stages of programme development, from early idea generation through to project assessment and decision making. This ensured that Shell-volution activity reflects real operational challenges and opportunities faced by the sector. The project teams also engaged with academic colleagues, strengthening links between applied research capability and industry need within the islands. A key area was the development of a clear and credible process through which the ideas and priorities expressed by individual farmers could be collated and translated into a robust and transparent project pipeline. This was not fully achieved at the first attempt, and feedback from Board members and farmers highlighted the need for greater clarity and confidence in the process. In response, the approach was reviewed and refined collaboratively. The revised process now provides a structured framework through which ideas gathered via stakeholder engagement can be refined, assessed and prioritised in a consistent and transparent way, with a clear focus on activity that offers the greatest potential benefit to the sector.

The Shell volution Project Board has played a critical role in steering the project. Recognition is due to the farmer members of the Board, whose contribution has been extensive. Farmers have committed a significant proportion of their time to supporting the project team, including participation in detailed project scoring and assessment, scrutiny of proposals and tenders, and the provision and interpretation of farm level data. Their insight and practical experience have been fundamental in ensuring that decisions are evidence based, proportionate and grounded in the realities of the sector.

Board members from across partner organisations have also made a substantial contribution, providing constructive challenge, sharing expertise and supporting connections across the wider aquaculture, economic development and innovation landscape. This collaborative approach to governance and locally informed delivery has strengthened accountability and confidence in the Project.

Two projects are currently in delivery; the Baseline Spat Assessment and Interactive Mapping project focuses on establishing a clearer baseline understanding of mussel spat supply to Shetland farms, bringing together existing information and presenting it in a practical format to support long-term monitoring. The second, Shetland's Data Landscape, examines the current data landscape available to the mussel sector, from farm level records to wider public and industry datasets, identifying opportunities to strengthen decision making, productivity and longer term planning.

Alongside this activity, Shell volution continues to encourage ongoing engagement through open Expressions of Interest, supporting the development of a strong and responsive pipeline of future activity.

Overall, the year represents an important stage in the maturation of Shell volution. The foundations established through sustained engagement, committed governance and strong industry leadership provide a solid platform for future delivery.

Headline Achievements from 25/26	Achieved
Project Director and Manager in post	Apr 2025
2 projects awarded	Sept 2025
Stakeholder engagement with 80% of Shetland Mussel Industry	Mar 2026
Contribution and engagement by mussel industry circa 200hrs	Mar 2026
Visit by UnderwaterAI Robotics Ltd.	Mar 2026

PHOTO: IGD Mussel Farming, Shetland - Shellvolution, Michael Tait

OUTER HEBRIDES
FOOD AND DRINK PROGRAMME

The Food and Drink Programme will invest in infrastructure across the Outer Hebrides to support the development of the food and drink-related primary production industries to increase the availability of locally grown and sourced produce and stimulate local interest in the sector.

The suite of activities has been developed in agreement with local community landowners, the aquaculture, and fishing industry representatives who will support the delivery of the projects. These include developing Food Hubs in South Uist, Harris and Lewis, to create clusters of local food and drink production units and outlets in areas where no such provision currently exists. Investment in selected piers and harbours will provide improved and renovated facilities to enable the local fishing fleet to supply direct to the local market. Capital investment for food processing capacity and innovation will increase the capability of on-island food processing and increase the proportion of the processing value chain located in the Outer Hebrides.

The Programme will lead to business creation and growth and generate a range of new employment opportunities. This will develop local food and drink markets and respond to market opportunities linked to product diversification and value added, building economic resilience, community wealth and well-being.

Islands Deal Investment	£1.5m Scottish Government
Lead Partner	Comhairle nan Eilean Siar
Other Partners	HIE and UK Shared Prosperity Fund (UKSPF)
Current Status	Programme Full Business Case approved, including the Harbour and Pier developments
Project Vision	To facilitate growth in local Food & Drink production

Headline Achievements in 2025/26	Achieved
Marine Licence application submitted	Mar 2026
Modelling Report	June and Oct 2025
CnES Feasibility Report	Oct 2025

Key Milestones Planned for 2026/27	Due Date
Marine Licence Approved	May 2026
Contractor Appointed	June 2026
Full Business Case development	June 26
Works Complete	Aug 2026
Development of Lewis Food Hub (Venison Processing)	March 2026

PROGRESS IN 2025/26

Brevig Pier Project - Two wave studies were commissioned to assess the causes and effects of wave and swell conditions within the harbour. The findings indicated that sand dredging would reduce impacts inside the harbour; while rock removal may also deliver benefits, further investigation is required to fully understand its effects. Comhairle nan Eilean Siar subsequently completed a feasibility report, including project costings and a detailed design/methodology. An application for the required Marine Licence has been submitted and is currently awaiting determination.

IGD Project - Spaceport 1 – Scolpaig enabling works, Comhairle nan Eilean Siar

By building a modest and adaptable launch facility at Scolpaig Farm, North Uist and leveraging existing infrastructure at the MOD Hebrides Range, Spaceport 1 will provide commercial suborbital launch services to the growing global spaceflight market.

Islands Deal investment will support the enabling infrastructure phase of the project – upgrading the infrastructure on the site, installing fibre broadband and securing Planning consent (and discharging the associated conditions) and airspace change. The investment will lever in private sector funding for the construction of the required spaceport infrastructure and will secure an operator for Spaceport 1.

Islands Deal investment will also contribute to developing a strategy for the future use and development of the Scolpaig Farm site to ensure that the community, environmental, cultural, heritage, tourism and recreational opportunities associated with Scolpaig Farm can be realised.

Islands Deal Investment	£1m Scottish Government
Lead Partner	Comhairle nan Eilean Siar
Other Partners	Highlands and Islands Enterprise
Current Status	Full Business Case approval scheduled for Summer 2026.

Spaceport 1 will provide significant economic benefit in the Uist context by employing 25 people by year 3, providing training opportunities, and creating additional economic return as a result of the construction and operational activity.

UPDATES ON PROGRESS 2025/26

2025/26 saw significant milestones being achieved, most notably the completion of the enabling infrastructure, getting approval from the Civil Aviation Authority for the permanent airspace associated with Spaceport 1 and publishing the Invitation to Tender for the Concession Contract to operate the facility.

Headline Achievements in 25/26	Achieved
Enabling infrastructure completed & fibre broadband installed	Apr 2025
Airspace Change Proposal approved	Jan 2026
Future Contract Opportunity for Spaceport 1 Operator published	Jan 2026
Scolpaig Farm Cultural Heritage workstream kicked off	Jan 2026
Tender for Spaceport 1 Operator published	Mar 2026

Key Milestones Planned for 26/27	Due Date
Spaceport 1 Operator appointed	Sept 2026
Work on Benefits Realisation Strategy commences	Sept 2026
Construction of Spaceport Infrastructure commences	Nov 2026
Scolpaig Farm Cultural Heritage Strategy published	Mar 2027
Full Business Case approved	Mar 2027

THEME 3

THRIVING, SUSTAINABLE COMMUNITIES

DEAL INVESTMENT - £28M

This aims for our islands to be recognised for the high quality of life available to all in our communities, as attractive and affordable places for young people and families to live and realise their ambitions, and where you can live healthily and happily into old age. As a result, we aim to decisively shift the dial on our long-term demographic trends.

The Islands Growth Deal will invest in five projects that will strengthen academic and research facilities in all three islands, support skills development and entrepreneurship and deliver a major place-making project in Lerwick, Shetland.

TalEntEd
ISLANDS

TalEntEd is a university-led programme that will deliver activity across Orkney, Shetland and the Outer Hebrides, creating attractive opportunities for people to remain in the islands through study and work; and attracting new people to the islands. The **TalEntEd** Islands Programme will create opportunities for education, skills, entrepreneurship and workplace innovation in our islands. It will grow the level of university activity on the islands, and support island businesses to test and commercialise new ideas. The theme of transition to net zero and supporting sustainable green jobs is a priority across the programme.

TALENTED =

- **Tal**ent Attraction
- **Ent**erprise and Entrepreneurship
- **Ed**ucation

TalEntEd Islands has been designed to provide underpinning support to the Islands Growth Deal by creating opportunities for education, skills, entrepreneurship, intrapreneurship and commercialisation supporting the increase in sustainable 'green' jobs across all three island groups.

The Programme, led by University of the Highlands and Islands (UHI), is a partnership between three universities – UHI, Robert Gordon University (RGU) and Heriot Watt University (HWU) and they are working together to deliver a suite of four independent, but complementary work packages.

Islands Deal Investment	£5.9m (£4.4m Scottish Government / £1.5m UK Government).
Lead Partner	University of the Highlands and Islands
Other Partners	Robert Gordon University, Heriot-Watt University
Current Status	In delivery

CASE STUDY – UPDATE ON PROGRESS 2025/26

At programme level, focus has been on partnership development, reporting and governance, and development of programme-wide communications and supporting resources including website and promotional materials. A successful stakeholder engagement event held in Lerwick, Shetland in March 2026 marked a 'soft relaunch' of the programme now that all work-packages have recruited project staff and commenced delivery.

Work Package 1: UHI: Work-based learning (WBL) - £2m:

- In Outer Hebrides, early WBL developments include SCQF Level 11 micro-credits modules/units in Greenhouse Gas Auditing and Carbon Accounting.
- A Personal Effectiveness & Study Skills' at SCQF Level 6-equivalent access course has also been developed within UHI's Virtual Learning Environment and presented for internal approval prior to piloting.
- An existing Professional Development Award in Renewable Energy is being reshaped and updated making it more tailored for work-based upskilling, focusing on the energies of the Islands.
- In Orkney, early work has focussed on strengthening strategic links across government, industry, and academia, including with UHI's existing hydrogen training capability, to further shape hydrogen WBL development in the islands.
- Cross workstream links with UHI North West & Hebrides has supported the development of the next level SQA accredited Hydrogen Professional Development Award qualification.
- A hydrogen planning case study was carried out for the Scottish Government's Improvement Service and a "hydrogen for planners" course to support confident decision making in Scotland's planning context is in development. Scope was identified for the potential to improve hydrogen skills programme for schools and identify funding opportunities. Work is being progressed to renew the campus' SCQF accreditation capacity for levelling courses.

Headline Achievements in 25/26	Achieved
Recruitment of funded posts across the islands	Dec 2025
Successful stakeholder engagement delivered across the partnership	March 2026
Award of innovation grants totally £130k (WP3)	March 2026

Key Milestones Planned for 26/27	Due Date
Work-Based Learning (WBL) Pilot recruitment & delivery	Sep 2026
Raising awareness of existing WBL	Mar 2027
Continued Award of innovation grants, and associated project delivery	Mar 2027
Development of support from IDM including to completed projects, to enable the continued growth of businesses	Ongoing

Work Package 2: Robert Gordon University (RGU): Islands Entrepreneurial Network (IEN) - £1.2m:

- The Accelerator programme is underway with 13 participants, and a Creative Entrepreneurship Showcase underway across the islands.
- Several Masterclasses have been delivered across the islands on the topics of design thinking, speaking & listening skills, and islands music industry.
- Planning is underway for an Innovation Challenge in Orkney at the end of April in partnership with Nordic Arctic Programme (NAPA) on Food and Drink.
- Two new programmes: The Tides Project (for over 55s) and Freelance Academy (for 18-30s).
- Accelerator participants met in person on 18th March across Western Isles (Stornoway), Orkney (Kirkwall), and Shetland (Lerwick) for a hybrid session and activities with the added opportunity to network.
- The Creative Entrepreneurship showcase offers the chance for participants to network with cohorts from the other IEN programmes. A Networking booster was held in Lerwick on 24 Mar 2026.

Work Package 3: Heriot-Watt University: Islands Innovation & Commercialisation - £1.3m

- The Innovation & Commercialisation programme has seen the development of the Innovation & Development Manager (IDM) role, which has helped build a diverse pipeline of applications for innovation grant funding covering healthcare, ocean-based robotics, sustainability of island heritage, resilience of food supply, home-based learning, innovation in knitted products, and food and drink. The team has conducted several visits across the island groups over the past year to build relationships with innovators.

- The Industry Advisory Board (IAB), comprising industry, third sector and HIE membership, over the past year has reviewed 10 applications for innovation grant funding. It awarded four £25k Adopt, and one £5k Develop award, three were invited for re-submission, and two were rejected.

- The programme is more than a grant funding scheme; the IDM offers support with guidance on innovation pathways, potential leveraged funding and support, and sequencing of funding, which is valued by innovators operating in a complex national landscape of support.

Work Package 4: Robert Gordon University - Innovative Islands Intrapreneurship (£2.05m)

- Scheduled to come online later in the programme. Collaborating with the local authorities on its development.

ORKNEY RESEARCH
AND INNOVATION CAMPUS 2 (ORIC 2)

The Orkney Research and Innovation Campus Phase 2 (ORIC 2) project will provide the necessary space for the continued growth and expansion of the Orkney Research and Innovation Campus (ORIC) as a base for academic collaboration. ORIC is located in Stromness, with campus organisations including the European Marine Energy Centre (EMEC), Heriot-Watt University (HWU), Aquatera, Robert Gordon University and Solo Energy. Occupants are at the forefront of research, teaching and consultancy centred on marine renewable and low carbon technologies, and the campus is a catalyst in securing high value added business and employment opportunities for the Orkney Islands and wider region.

ORIC 2 comprises of several capital investments across the Campus which will make a substantial contribution to ORIC's long-term vision and masterplan. These include:

- Achievement of operational net zero across the Campus.

- Property redevelopment to create an 'ORIC Exchange and Incubator Hub' to enable commercial application of convergent research and technologies.

- Measures to improve standards and increase lettable space in existing buildings.

- Improved on-site infrastructure and increased parking provision.

ORIC 2 will support the growth of businesses and organisations engaged in low carbon, marine engineering and associated technologies and services. It will provide campus facilities that actively foster collaboration between the knowledge base, business, funding, place-making and other communities to maximise opportunities for the convergence of emerging technologies.

Headline Achievements in 25/26	Achieved
Securing of planning consent.	March 2026

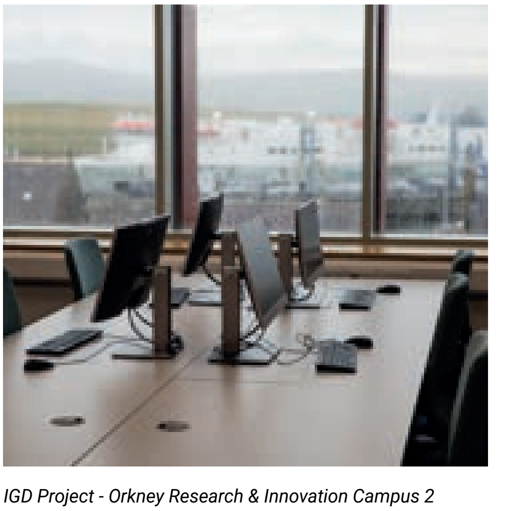
Islands Deal Investment	£10.62m (UK Government / Scottish Govt. contribution split post-reallocation to be advised by IGD team.)
Lead Partner	Orkney Research and Innovation Campus LLP
Other Partners	Highlands and Islands Enterprise
CURRENT STATUS	Building warrant, procurement and FBC in development

Orkney Research & Innovation Campus LLP (ORIC)

Key Milestones Planned for 26/27	Due Date
Securing of Stage 3 Building Warrant.	June 2026 – TBC.
Completion of procurement process (1st phase works – CCB fabric and low carbon heating system)	September 2026

UPDATE ON PROGRESS 2025/26

The main achievement during 2025 / 26 was securing planning consent for next phase proposals from Orkney Islands Council. With this key milestone achieved the project team can now focus on next steps which include securing Stage 3 Building Warrant, preparation of a tender pack for procurement for phase 1 focusing on net-zero related works in the Charles Clouston building.



IGD Project - Orkney Research & Innovation Campus 2

SHETLAND
CAMPUS REDEVELOPMENT

This project is focused on creating modern, high-quality learning and training facilities and innovative approaches to digital and distance learning, tailored to the specific needs of Shetland's communities.

The project will also help meet the training and skills development needs of current and emerging local business sectors including renewables, decommissioning and satellite launching. In doing so, this project will contribute to economic development and inclusive growth in the islands as well as to the zero-carbon economy.

The intended outputs will include creating an immersive classroom and Newton Room, as a part of a STEM Hub. This will involve transforming existing spaces at the UHI Shetland campus to both increase the attractiveness of the campuses for traditional, on-campus students and, through the integration of new technologies, enable a greater degree of outreach to more remote learners and island businesses. In addition, a range of mobile facilities and equipment will be established that further enable outreach capability

Islands Deal Investment	£3m Scottish Government
Lead Partner	UHI Shetland
Current Status	Full Business Case approval scheduled for 2026/27

Headline Achievements in 25/26	Achieved
Work with UHI Shetland Board of Management on refocusing and developing the strategic direction of the Islands Deals following failure to secure the required planning permission to progress the programme as originally foreseen.	Aug 2025
Business case for Port Arthur House top floor reinstatement (9 student beds + Student Experience Hub) developed and approved by UHI Shetland Finance and General Purposes Committee, demonstrating financial viability across three modelled scenarios including a conservative case.	Sept 2025
UHI Shetland Board of Management confirmed Scalloway as the single main campus, supported by the Scottish Funding Council, with a target completion of early to mid-2031. This provides the strategic foundation for the refocusing of the project.	Feb 2026

IDG Project - Current Student Space - UHI Shetland

Key Milestones Planned for 26/27	Due Date
Refocusing and updating of project deliverables and timelines to encompass Student Accommodation within Phase 1 of the updated project with Student Experience Hub and Lecture Theatre improvements.	Apr 2026
Design development completed for Phase 1 options, Student Accommodation, Student Experience Hub and Lecture Theatre with preferred options confirmed through cost comparison and value engineering.	Oct 2026
Scope refinement for Phase 2 options, including modernise teaching spaces, flexible teaching delivery, AV, video conferencing, workshop developments and Foyer & Learning Centre hub.	Oct 2026
Full Business Case for Phase 1 submitted to the Scottish Government via the Islands Deal Programme Management Office, in Green Book compliant five-case model form.	Nov 2026
Construction tender issued via Public Contracts Scotland and contractor selection substantially complete, running in parallel with Scottish Government FBC review.	Feb 2027

UPDATE ON PROGRESS 2025/26

Progress during 2025/26 was largely constrained by challenges in securing the planning permission required to advance the original proposals. Significant engagement was undertaken with the Local Authority's Roads and Planning departments to address their objections, but approval was not achieved. Consequently, the project's strategic direction was revised to respond to these constraints, including the potential of incorporating the student accommodation component from another Islands Deal funded Knab Redevelopment project into the broader campus redevelopment scheme.

OUTER HEBRIDES
CAMPUS REDEVELOPMENT

Project Vision: To create a modern, high-quality STEM learning environment that supports regional economic growth, strengthens local skills pipelines, and provides industry-relevant, future-focused facilities & equipment that attracts students seeking to study while living in the Outer Hebrides.

Islands Deal Investment	£1.5m Scottish Government
Lead Partner	UHI North, West and Hebrides
Other Partners	Highlands and Islands Enterprise (HIE), funder £250k Islands Programme Fund (IPF), funder £250k CnES, funder £236k UHI Executive Office
Current Status	In Delivery - Construction Complete

The Outer Hebrides Campus Redevelopment project will upgrade and expand facilities and learning technologies on offer at UHI North, West and Hebrides to support the delivery of a modern curriculum that meets the expectations of a 21st century student body and the needs of the local economy and workforce.

The project will transform the Further Education and Higher Education offer provided by UHI North, West and Hebrides. The enhanced facilities, learning and training opportunities across the Outer Hebrides will attract more people to remain / relocate to study in the islands and will support the current and future needs of the local economy and skills base. This will include:

1.Transforming the Technology and Innovation Centre (TIC) at the Stornoway Campus to enable the delivery of a range of innovative curricula.

2. Creating a Student Hub at the Stornoway Campus where students can socialise and engage in collaborative or student-led learning.

3. Establishing a Newton Room at the Stornoway Campus to provide high quality learning experiences for primary and early secondary school pupils in STEM subjects.

4. Developing a range of Mobile Facilities and Equipment that can be transported to remote venues in the Outer Hebrides, further enhancing the college's educational outreach offering.

Headline Achievements in 25/26	Achieved
Facilities formally opened for active academic use	May 2025

CASE STUDY – UPDATE ON PROGRESS IN 2025/26

The Outer Hebrides Campus Redevelopment Project at the Stornoway campus has progressed from concept to completion as a flagship investment aligned to regional economic priorities and the Islands Growth Deal. Early stages focused on developing a robust business case, securing funding contributions from multiple partners, and ensuring alignment with national and regional strategies around local skills needs, net-zero, and sustainable economic development. The project brief was established that prioritised modern STEM provision, flexibility of space, and strong links to industry.

Design development was undertaken with a focus on creating high-quality, adaptable teaching and learning environments capable of supporting current and future curriculum needs. Particular emphasis was placed on engineering and technical training spaces, alongside digital infrastructure and environmental performance. Stakeholder engagement, both internally with academic and research teams and externally with industry partners and funders, played a key role in shaping the final design to ensure it met user requirements and wider economic objectives.

The construction phase was delivered to programme, cost, and quality expectations, with a strong emphasis on utilising local expertise and supply chains. Key roles were undertaken by island-based firms. This approach not only supported the local economy but also brought valuable regional knowledge to the project, helping to navigate the practical challenges of island construction such as logistics, weather, and material availability. The use of experienced local partners contributed to a smooth delivery process and reinforced the project's alignment with wider community and economic development objectives.

Since completion, the facility has transitioned into operational use, with students and staff actively utilising the upgraded spaces. Early indications suggest that the redevelopment has enhanced the student experience, improved the quality of teaching delivery, and strengthened the campus's ability to support STEM-related courses aligned with regional skills needs. The project now moves into its benefits realisation phase, with ongoing monitoring focused on student recruitment, retention, and progression, as well as engagement with employers and contribution to the local economy.

IDG Project - UHI Stornoway Campus Redevelopment UHI North, West & Hebrides

Key Milestones Planned for 2026/27	Due Date
Year 01 Benefits Realisation Review completed	Sept 2026
New cohort of engineering, joinery, construction apprentices starting.	Sept 2026
Launch of new specialist training courses in hydrogen technology	Sept 2026

KNAB REDEVELOPMENT

Shetland's Knab Redevelopment project aims attract and retain people to live and work in Shetland. It will go beyond creating a simple housing project, by delivering a mixed-use site that embeds living and ageing well, creative innovation, wellbeing and a dynamic use of public space, alongside future fit housing that enables a flexible approach to work and life. The development will include:

- enhanced specification to the proposed housing
- a creative hub
- student accommodation
- high quality public realm

Funding from the Deal will allow for spending on a future-fit development, including energy efficient housing, technology-assisted living, spaces for homeworking, network improvements and electric vehicle charging points.

Ensuring high energy efficiency standards will improve the energy efficiency of the housing stock in Shetland, reducing fuel poverty rates and emissions. The public realm elements of the project are further expected to have a positive impact on wellbeing and to foster a sense of community.

The project will set a blueprint for similar low-carbon developments in Shetland by showing how a similar project can be delivered and the costs associated with low carbon solutions in the islands.

Islands Deal Investment	£9.6m Scottish Government
Lead Partner	Shetland Islands Council
Current Status	Programme FBC due Q3 2026/27, subject to early approval of Programme Reset. Subsequent Project FBC's in development

UPDATE ON PROGRESS 2025/26

Construction work comprising site preparation and the installation of core infrastructure is progressing and is approximately 50% complete.

- An IGD Change Request has been submitted and is currently being considered by the Deal.
- The procurement of design services for the conversion of the Janet Courtney Hostel is underway. Tenders have been received and are currently being evaluated, with appointments anticipated in June 2026.
- An options appraisal is underway to consider the tenure mix for future phases of the Knab housing developments. This will inform the design briefs and scope for delivery and construction of housing.

Key Milestones Planned for 2026/27	Due Date
Issue and return of tenders for design services for the Janet Courtney Hostel renovation project.	May 2026
Appointment of design team for Janet Courtney Hostel renovation project.	Jun 2026
Acquisition of statutory consents for Janet Courtney Hostel refurbishment project.	Feb 2027
Procurement and appointment of contractor for Janet Courtney Hostel refurbishment project.	Mar 2027
Completion of Core Infrastructure construction project.	Apr 2027

Headline Achievements in 2025/26	Achieved
Commencement of Knab Redevelopment Core Infrastructure construction work.	May 2025
Submission of draft Full Business Case to the Scottish Government.	May 2025
Completion of bulk excavations for Core Infrastructure construction project.	March 2026

Knab Redevelopment, Shetland.

4. FINANCIAL SUMMARY

When the Islands Growth Deal was signed in January 2023, the financial commitments for projects made from Scottish and UK Government were set out, along with an estimate of match funding and total project cost. The table below has been updated to reflect the current position, reflecting amendments in projected total project cost and anticipated match funding. No amendments have been requested or agreed in relation to the allocation of UK and Scottish Government funding.

Investment Theme	Project / Programme	SG Funding (£)	UKG Funding (£)	Match Funding (£)	Total Project Cost (£)
1. Leading the way to a low carbon future	Islands Centre for Net Zero	0.50	16.00	0.00	16.50
	Scapa Flow Future Fuels Hub	6.50	0.00	42.80	49.30
	Outer Hebrides Energy Hub	0.00	11.00	124.50	135.50
	Dales Voe Ultra-Deep-Water Port	9.00	0.00	24.03	33.03
2. Supporting Growth & Future Industries	Creative Islands Wellbeing	3.00	2.60	4.48	10.08
	Orkney World Heritage Gateway	5.50	1.00	5.43	11.93
	Orkney Vertical Farm	0.50	1.50	1.73	3.73
	Outer Hebrides Destination Development	4.00	4.00	30.72	38.72
	Outer Hebrides Food and Drink Programme	1.50	0.00	2.49	3.99
	Spaceport 1	1.00	0.00	2.34	3.34
	Shell-Volution	0.00	4.40	2.20	6.60
3. Thriving Sustainable Communities	TalEntEd Islands	4.40	1.50	0.65	6.55
	Orkney Research & Innovation Campus 2	0.00	8.00	5.70	13.70
	Outer Hebrides Campus Redevelopment	1.50	0.00	0.50	2.00
	Shetland Campus Redevelopment	3.00	0.00	0.00	3.00
	Knab Redevelopment	9.60	0.00	45.37	54.97
	Total Funding	**50**	**50**	**292.9**	**392.95**

The following shows the amount of Government **funding drawn down to 25/26:**

		22/23	23/24	24/25	25/26	
PROJECT	**Award**	**Total (£)**	**Total (£)**	**Total (£)**	**Total (£)**	**Total Claimed (£)**
Islands Centre for Net Zero (Orkney)	6,500,000	28,897	541,000	1,102,819	1,320,803	2,993,519
Islands Centre for Net Zero (Outer Hebrides)	5,000,000		44,984	163,428	929,776	1,138,187
Outer Hebrides Campus Redevelopment	1,500,000		1,195,074	251,418	45,389	1,491,881
Outer Hebrides Food and Drink Programme	1,500,000		96,789	53,211	0	150,000
Outer Hebrides Destination Development	8,000,000			1,032,593	1,961,142	3,113,126
Shell-volution	4,400,000				209,794	209,794
Spaceport1	1,000,000				250,000	250,000
TalEntEd Islands programme (Capital R&D)	1,500,000			24,749	142,833	167,582
TalEntEd Islands programme (Revenue)	4,400,000			12,201	327,543	339,745
Creative Islands Wellbeing (Revenue)	600,000				19,292	19,292
		28,897	1,877,847	2,640,419	5,206,571	£9,873,126

KEY HEADLINES

• Since the Full Deal was signed in January 2023, £4.5m of funding has been released (3.4% of the Islands Growth Deal award)

• Up to the end of March 2026, the Joint Committee has approved £22.6m of its awarded funding. This equates to c22.6% of the overall Deal funding.

• Drawdown has increased in 25/26 due to more projects coming on stream, this trend is forecasted to continue to upwards as more Business Cases are approved in 26/27 onwards. ‘

5. PROGRAMME STRUCTURE AND GOVERNANCE

The three island councils have put in place the following structure to manage the Deal, and is detailed in a formal Governance Agreement.

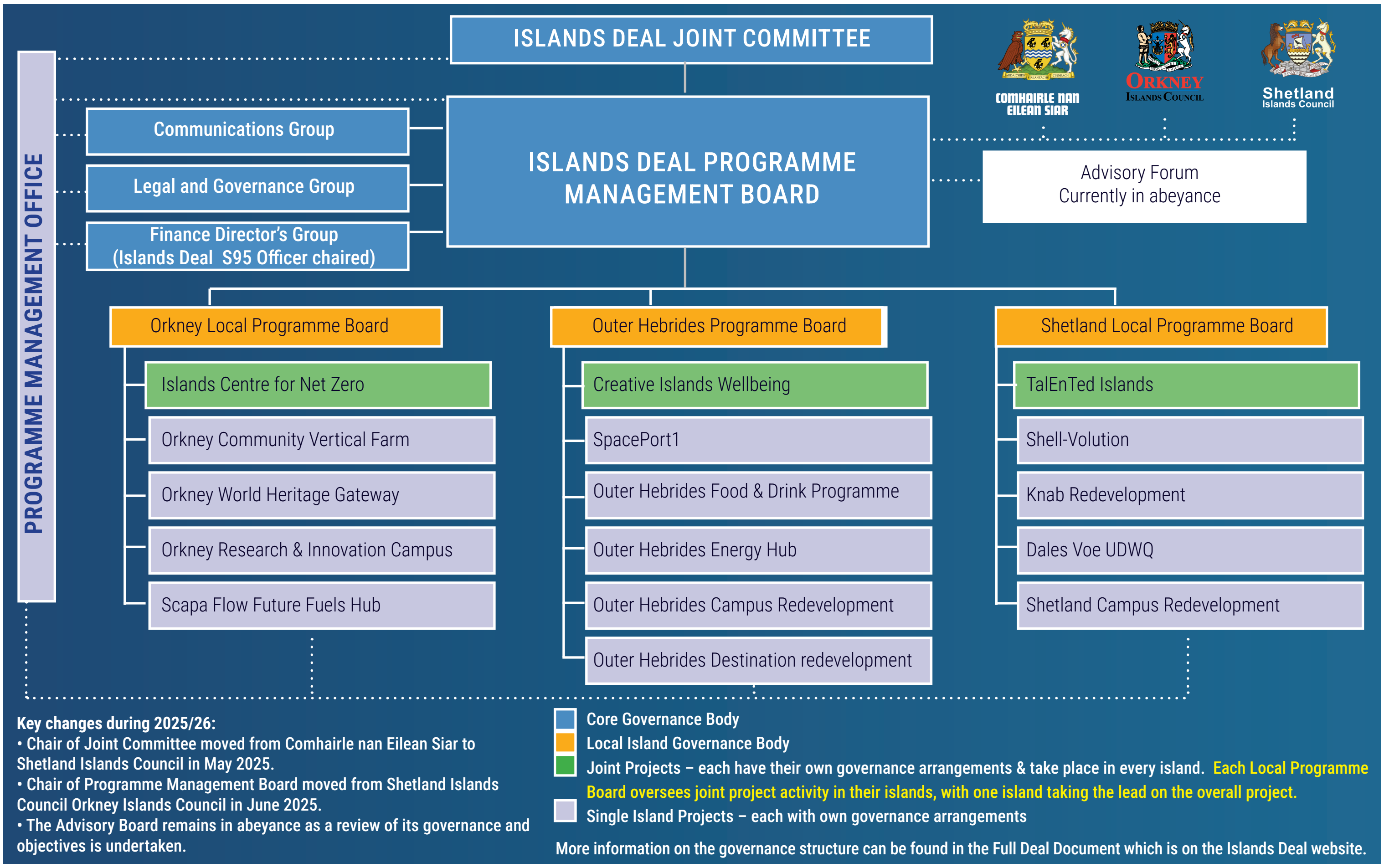
Islands Growth Deal Joint Committee: A Growth Deal for the Islands Joint Committee was established by the three local authority partners, Shetland Islands Council, Orkney Islands Council, and Comhairle nan Eilean Siar, in 2021. They have each agreed to become a Constituent Authority of the Joint Committee, which is constituted under Section 57 of the Local Government (Scotland) Act 1973. The Joint Committee consists of six members, who are appointed by the Constituent Authorities from among their own members, and is the primary decision-making body for the Deal.

Accountable Body: Comhairle nan Eilean Siar acts as the Lead Authority and the Accountable Body for the Islands Deal in terms of the relationship with UK and Scottish Government. Islands Deal funding is channelled through the Comhairle who has entered into Grant Agreements governing its distribution to Grantees.

Programme Management Board: A Programme Management Board (PMB) is in place to support the delivery of the Deal, ensuring that it is aligned towards achieving its inclusive growth ambitions, to ensure proper processes and procedures are in place in the delivery of the Deal, and to monitor financial spend against profile and delivery of milestones against agreed timescales. Representatives at Chief Executive and Director level from the three local authorities, along with a Senior Management representative from HIE, sit on the PMB.

Local Programme Boards: Local Programme Boards have been established in each of the local authority areas within the Growth Deal – Orkney, Outer Hebrides and Shetland. These bring together lead officers involved in the development and implementation of the Deal in each specific island group to support its successful progression and maximise local benefit and impact. These each include a mix of both local project leads and officers from the local Authorities, Highlands and Islands Enterprise and the University of the Highlands & Islands. Their remit includes reviewing business cases, and routinely monitoring project progress and emerging issues, undertaking Project Deliverability/Stage reviews and escalating matters to the overarching Programme Management Board where necessary.

Programme Management Office: The Programme Management Office (PMO) function within the Islands Growth Deal consists of those officers employed to coordinate the operational tasks necessary to implement the delivery of the Growth Deal Programme. The cost of the PMO is split between the three island authorities and is approved annually through the Islands Growth Deal Joint Committee Budget. The following posts sit within the PMO: Programme Director, Project Officer, Senior Accountant (p/t) and External Funding Assistant (p/t). As the Islands Growth Deal covers three separate local authorities, with distinct geographical areas and circumstances, each council has appointed a dedicated Islands Deal local co-ordinator to support the PMO. Additionally, there are a further existing council staff across all departments involved in delivering the Deal from project leads to financial accounting.



INTERNAL AUDIT REVIEWS

Comhairle nan Eilean Siar's Internal Audit function undertook its concurrent audits on the Islands Growth Deals Governance and Claims Processes in accordance with Internal Audit Standard PSIAS. The overall objective of these annual internal audit reviews are to assess key controls over procedures in order to confirm that they are operating as expected.

The scope of the Governance audit included the following objectives:

■ Confirm that governance arrangements are in place, including key roles and responsibilities;

■ Confirm there are policies and procedures in place to review and approve business cases;

■ Confirm that business cases are approved by the programme board and other relevant forums;

■ Confirm that monitoring processes are in place and sufficient; and

■ Review the processes in place for funding drawdowns, cash flows and clawback.

The conclusions of the Internal Audit report were that:

■ **a substantial level** of assurance can be placed upon the control environment of the service/area under review.

■ A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

The most significant issues arising from the review which required management attention were:

■ Official meeting records to document when scheduled meetings are cancelled; and

■ Document version control sheets to be implemented.

Programme Activities and Claims Processes Audit review: 2. The scope of the Programme Activities and Claims Processes review included the following objectives:

■ Management information is reliable and adequate with staff working in adherence to management policies, statutory requirements.

■ Controls to detect fraud and non-compliance are in place and operating effectively.

■ Confirm that the monthly financial plan and monitoring processes are sufficient, with accurate projections and monitoring processes, including where changes have been made to business cases.

■ Terms and conditions of grants are compliant prior to disbursement, and drawdowns from UK/SG Governments are in line with terms of the programme as per the IGD Grant Claim processes.

■ Confirm that monthly/quarterly/annual reports to Joint Committee and UK/SG Governments are submitted timeously and accurately; and

■ Post completion project reviews are undertaken to confirm that grant funding has been used for its intended purpose, with corrective action taken where relevant.

The conclusions of the Internal Audit report were that:

■ a **Substantial** level of assurance can be placed upon the control environment of the service/area under review.

■ A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

The most significant issues arising from our review which require management attention are:

■ Scottish Government to be made aware of the incorrect information on the previously submitted return and this error to be corrected within the next return;

■ Claims forms submitted by local authorities to be signed off by appropriate parties within the organisations prior to being submitted; and

■ Project post completion processes, checks and documentation to be created.

OUR ISLANDS OUR DEAL

6. BENEFITS REALISATION

The Islands Growth Deal Benefits Realisation Plan (BRP) sets out the overall vision, aims and targets for the Islands Growth Deal. It details how the outputs, outcomes and impacts of individual programmes and projects within the Deal are anticipated to contribute towards achievement of this vision. It provides a monitoring and evaluation framework to measure progress towards the strategic objectives of the Deal, aligned with the requirements from Government. The Islands Growth Deal Benefits Realisation Plan (BRP) is accompanied by a Benefits Register.

Our approach to Benefits Realisation seeks to focus attention on the direct impact of the Growth Deal, recognising that it will be challenging to directly attribute change to the investment, and that there are a range of factors that will impact on the socio-economic context in the islands over the coming decade. The Growth Deal partners have committed to reviewing the Benefits Realisation Plan and Benefits Register annually.

Key performance indicators (KPIs) have been identified for the Programme and are measurable outputs and outcomes which will arise from Growth Deal activity. These will enable us to see our progress in relation to the short, medium and long-term impacts envisaged in the Programme Theory of Change, and ultimately, the extent to which the Growth Deal is achieving its strategic objectives.

Project-specific impacts will be captured and collated through a Programme Benefits Register. The Benefits Register takes the form of a detailed spreadsheet summarising the contribution that each project is anticipated to make to the KPIs and thereafter tracking progress towards these outcomes. There is flexibility within the Programme Benefits Register to allow us to capture other or unanticipated benefits of individual projects within the Deal (out with the set of Programme KPIs) on areas such as inclusive growth, equalities and fair work practices. The Benefits Register will seek to capture and breakdown impacts and benefits by equalities groups where possible.

Strategic Objectives	Ref	Proposed outcomes and outputs to measure impact
Demonstrate how to achieve Government net zero carbon targets and be the first parts of the country to do this.	1.1	Reduction in carbon emissions across Orkney, Shetland and the Outer Hebrides
	1.2	No. of businesses and individuals supported to decarbonise through the Growth Deal programme
Create internationally significant new port infrastructure that will play an important role in supporting Scotland and the UK to achieve net zero targets.	2.1	Land developed or regenerated for port and related infrastructure associated with net zero activity (Hectares)
	2.2	Value of private sector and commercial activity associated with or arising from new port infrastructure funded through the Growth Deal (£)
Secure further investment of up to £235 million to deliver Growth Deal Projects	3.1	Other Public Sector Investment match-funding to deliver Growth Deal projects (£)
	3.2	Private Sector Investment match-funding to deliver Growth Deal projects (£)
	3.3	Research and innovation grant match-funding funding to deliver Growth Deal projects (£)
Create over 1,300 sustainable jobs across the three Island groups.	4.1	Number of Gross FTE Construction Jobs (Person Year Equivalent) by 2033
	4.2	Net additional FTE jobs created (Islands Deal)
	4.3	Net additional FTE jobs created (Scotland)
	4.4	Net Additional GVA by 2033 (£m) (Islands Deal)
	4.5	Net Additional GVA by 2033 (£m) (Scotland)
Showcase the islands' outstanding natural environment, heritage, culture and creativity to the world.	5.1	New or redeveloped Cultural / Creative attractions or facilities (m2)
	5.2	Active participant and audience member numbers at new Cultural / Creative facilities or venues (No.)
	5.3	Increase in visitor numbers to the islands
	5.4	Increase in visitor spend on the islands
Strengthen the islands' place as unique 'living laboratories' for global innovation in low carbon technologies, wellbeing research and sustainable food production in partnership with their leading universities and research institutes.	6.1	Businesses supported through Growth Deal investment (No.)
	6.2	Businesses supported to undertake R&D through Growth Deal investment (No.)
	6.3	Number of PHDs, FE and HE students supported through Growth Deal projects (No.)
Create the foundation for an innovation-focused recovery from the COVID19 pandemic and support inclusive growth across all the Island communities.	7.1	Total area of land reclaimed, (re)developed or assembled (Ha)
	7.2	New floorspace created and / or refurbished (m2)
	7.3	New / improved public realm space (Ha)
	7.4	Increased wellbeing or satisfaction with place as a result of Growth Deal investment
	7.5	Community wealth building - Spend on local suppliers (£)
	7.6	Number of New Affordable Housing Units (broken down by private housing, affordable housing, and social housing units)
	7.7	No. of people participating in skills, training and learning opportunities as a result of the Growth Deal funding

The following are KPI's which from the projects which have their FBC's approved and now in their Delivery Phase. They demonstrate the impacts of the Growth Deal on the islands. With the programme now due to increase in pace, with more projects and activities coming on-stream, then more outputs and benefits will be realised and reported in the coming years.

	KPI	Achieved in Total to March 26
3.1	Other Public Sector Investment match-funding to deliver Growth Deal projects (£)	£8.56m
3.2	Private Sector Investment match-funding to deliver Growth Deal projects (£)	£0.533m
4.2	Net additional FTE jobs created (Islands Deal)	16
6.3	Number of PhDs, FE and HE students supported through Growth Deal projects (No.)	4

7. LOOKING AHEAD TO 2026/27

2026/27 will be a critical year for the Islands Growth Deal, with delivery activity expected to intensify significantly. Ten business cases are forecast to progress through the Programme Management Office and Government assurance processes, with at least six expected to secure approval and move either to Full Business Case stage or into delivery. This marks a significant transition in the Deal, with the focus broadening from primarily programme development to increased delivery and benefits realisation.

A key priority will be concluding the Programme Reset process. The deliverability review undertaken during 2025/26 has confirmed the need to maintain a focused, affordable and deliverable portfolio, aligned to current project conditions and the wider economic environment. This has reinforced the need to focus the programme on those investments that are most viable, deliverable and capable of generating impact within the agreed funding envelope and timeframe.

The Reset proposals are intended to strengthen the overall resilience of the Deal by enabling resources to be concentrated where delivery confidence is strongest, while also providing flexibility to respond to sustained cost pressures arising from global economics, inflation, construction market conditions and delivery issues. In this way, the reset is not simply a rationalisation exercise, but a strategic repositioning of the portfolio to deliver outcomes, maintain momentum and maximise the long-term value of public investment.

The latest draft reset proposal was submitted in March 2026, with approval and implementation expected in Quarter 1 of 2026/27. Timely conclusion will be critical to providing clarity for partners, supporting robust delivery planning and ensuring the programme is positioned to move forward with greater pace, focus and certainty.

PRIORITIES FOR 2026 / 27

As the Reset proposals took longer than anticipated a number of actions will be carried forward and undertaken in 26/27, along with new priorities and these include:

- Increased local scrutiny of Full Business Cases to ensure operational costs are adequately considered and that projects are sustainable beyond initial investment.
- Ensure 'lessons learnt' from initial FBCs and their feedback is communicated to all Project Leads.
- Ongoing communication with Scottish and UK Government to improve the quality of FBC submissions to streamline and refine feedback processes.
- Seek to co-ordinate activity across the islands to secure match funding and leverage for Islands Deal projects.
- Continue working with projects leads to ensure delivery as per the approved FBC and refine forecasting and claims submissions.
- Support the development and implementation of monitoring and evaluation at project level and implement enhanced reporting processes at Programme level.
- Review the Programmes Benefits Realisation Plan, and support projects in monitoring and evaluation reporting.
- Review and action the IGD Communications plan, to promote supported projects and benefits realisation.
- Commission a mid-term review of the Islands Growth Deal.

8. ACRONYMS

BRP	Benefits Realisation Plan
CHSIC	Creed Hydrogen Skills & Innovation Centre
Cllr	Councillor
CnES	Comhairle nan Eilean Siar
EMEC	European Marine Energy Centre
FBC	Full Business Case
FE	Further Education
FTE	Full-time Equivalent (job)
GVA	Gross Value Added
Ha	Hectares
HE	Higher Education
HIE	Highlands & Islands Enterprise
HWU	Herriot Watt University
ICNZ	Islands Centre for Net Zero
IGD or ID	Islands Growth Deal
JC	Joint Committee
KPI's	Key Performance Indicators
MF	Match Funding
MOD	Ministry of Defence
NHS	National Health Service
No.	Number
OBC	Outline Business Case
OH	Outer Hebrides
OHWS	Orkney World Heritage Site
OIC	Orkney Islands Council
ORIC	Orkney Research and Innovation Centre
PB / PMB	Islands Growth Deal Programme Management Board
PhDs	Doctor of Philosophy
PMO	Programme Management Office
RCGF	Rural Community Grant Fund (Scottish Government)
RGU	Robert Gordon University
SCEP	Shetland Clean Energy Project
SFC	Scottish Funding Council
SG	Scottish Government
SGN	Scottish Gas Network
SIC	Shetland Islands Council
STEM	Science Technology Engineering and Mathematics
TIC	Technology Innovation Centre
UDWQ	Ultra Deep-Water Quay
UHI	University of the Highlands & Islands
UK	United Kingdom
UKG	UK Government
UKSPF	United Kingdom Shared Prosperity Fund
WP	Work Package

9. KEY CONTACTS & FURTHER INFORMATION:

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Senior Accountant	Elaine MacKenzie
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Chief Executive	Martin Joyce
CnES IGD Co-ordinator	Charlene MacMillan

Orkney Islands Council:

Leader	Cllr. Heather Woodbridge
Chief Executive	Oliver Reid
OIC IGD Co-ordinator	Inga Burton

Shetland Islands Council:

Leader	Cllr. Emma Macdonald
Chief Executive	Maggie Sandison
SIC IGD Co-ordinator	Louise Shearer

Islands Deal website: **www.islandsdeal.co.uk**

Publications, including the Deal Document and Joint Committee Papers can be found on: **www.islandsdeal.co.uk/deal/documents-publications**

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