

# ISLANDS GROWTH DEAL JOINT COMMITTEE

Minute of Meeting held through Microsoft Teams, Council Offices, Stornoway on Friday, 17 December 2021 at 2.00pm.

## PRESENT

CLlr Roddie Mackay (Chair) Comhairle nan Eilean Siar  
CLlr James Stockan (Vice-Chair) Orkney Islands Council  
CLlr Steven Coutts, Shetland Islands Council  
CLlr Donald Crichton, Comhairle nan Eilean Siar

## APOLOGIES

CLlr Alastair Cooper, Shetland Islands Council  
CLlr Graham Sinclair, Orkney Islands Council

## OFFICERS IN ATTENDANCE

Ms Maggie Sandison, Shetland Islands Council  
Mr Neil Grant, Shetland Islands Council  
Ms Louise Shearer, Shetland Islands Council  
Mr Jan Riise, Shetland Islands Council  
Mr John Mundell, Orkney Islands Council  
Ms Lorna Richardson, Orkney Islands Council  
Mr Malcolm Burr, Comhairle nan Eilean Siar  
Ms Kate Gwynn, Scottish Government  
Ms Anne Murray, Islands Growth Deal Programme Director

## MINUTES

Minute of Meeting of 22 November 2021 1

The Minute of the Meeting of 22 November 2021 was approved.

Declaration of Interest 2

There were no declarations of interest.

Outline Business Cases 3(a)

### Orkney Research and Innovation Campus

Mr Gareth Waterson, Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, Orkney Islands Council and Ms Anne Murray, Islands Growth Deal Programme Director, submitted a Report which sought approval to submit the Outline Business Case (OBC) for the Orkney Research and Innovation Campus to UK and Scottish Governments. The Report detailed the Orkney Research and Innovation Campus 2 (ORIC 2) project will create a physical hub which will host and facilitate key initiatives related to the 'Leading the way to a low carbon future' theme while also providing the necessary space for the continued growth and expansion of the existing Orkney Research and Innovation Campus (ORIC) as a base for academic collaboration.

The Report stated that the project is profiled to draw down up to £8M capital funding from the Islands Growth Deal. This covers the capital ask required for design, construction, and delivery of the various components of Phase 2. Match funding of £5.7m is required, with funding anticipated to come from Orkney Islands Council and Highlands and Islands Enterprise (50/50).

The Report further stated the investment objectives of the project, which included:

- Increased high value-added employment (leading to income and GVA benefits). Gross direct FTE jobs at ORIC: rising from 134 in baseline to 240 by year 10.
- Reduction in net operational CO2 (Achievement of operational net zero across the ORIC estate).
- Increased business growth (incubator). Maximum number of businesses in incubator at 80% occupancy: 11 SMEs. 5% of SMEs graduating from the incubator each year. Growth of 1.1 FTE per annum post-graduation
- Increased business growth (inward investment). Gross direct jobs from inward investment projects: 50 FTEs.
- Increased business growth. Establishment of ORIC Innovation Exchange and Incubator Hub (Block 3) and recruitment of Campus Co-ordinator to maximise use of collaborative and events space per annum.

Mr Waterson noted that the project was anticipated to provide significant economic benefit and it is estimated 173 jobs will be created (along with 76 jobs during the construction phase) and the creation of £30.7m GVA to the islands.

**It was agreed:**

- (1) to approve the submission of the Orkney Research and Innovation Campus (ORIC) OBC to Scottish and UK Government;**
- (2) to note that the OBC will be subject to a process of feedback from both Governments; and**
- (3) to note that the final version of the OBC will be presented to the Islands Growth Deal Programme Board and Joint Committee.**

**3(b) Orkney World Heritage Gateway**

This item was deferred to a future meeting.

**3(c) Shell-volution**

Mr Neil Grant, Director for Development, Shetland Islands Council and Ms Anne Murray, Islands Growth Deal Programme Director, submitted a Report which sought approval to submit the Outline Business Case (OBC) for the Shell-volution project to UK and Scottish Governments. The Report detailed that the Shell-volution project had been designed to enable expansion 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 to 18,000 tonnes by 2037. Productivity and resilience of existing farm sites will increase, and new locations will be developed / currently unused sites brought back into production.

The Report stated that it is anticipated that Growth Deal investment of £4.4 million over the ten-year duration of the project, will leverage an additional £2.2 million from other sources, potentially including Innovate UK and ARCH-UK, UK Seafood Innovation Fund, Crown Estate Scotland, UHI Aquaculture Industry Engagement Fund, Marine Alliance for Science and Technology for Scotland, Highlands and Islands Enterprise, Sustainable Aquaculture Innovation Centre, and businesses. Around £640k of in-kind support from industry is anticipated.

The Report further stated the investment objectives of the project, which included:

- Sectoral Growth
- Increased employment
- Leverage significant levels of additional funding

- Increased long-term capacity and capability in Island Tertiary Education
- Contribution to healthy eating and healthy ageing
- Adding value through synergy with other relevant Islands Growth Deal projects in Shetland
- Deliver outcomes of international significance

**It was agreed:**

- (1) to approve the submission of the Shell-volution OBC to Scottish and UK Government;**
- (2) to note that the OBC will be subject to a process of feedback from both Governments; and**
- (3) to note that the final version of the OBC will be presented to the Islands Growth Deal Programme Board and Joint Committee.**

3(d) TalEntEd

Mr Neil Grant, Director for Development, Shetland Islands Council and Ms Anne Murray, Islands Growth Deal Programme Director, submitted a Report which sought approval to submit the Outline Business Case (OBC) for the TalEntEd Islands Programme to UK and Scottish Governments. The Report detailed that the TalEntEd Islands Programme will help the universities and academic partners on the islands develop new approaches that will be built into long-term provision and aligned to need, while attracting people to stay and come to the islands, responding to the demographic challenges and outmigration of young people, and therefore contributing to their longer-term sustainability.

The Report stated that the project is profiled to draw down up to £5.9M funding from the Islands Growth Deal over a six-year period. The funding package is a mixture of revenue (£4.4m), capital (30k) and capital R&D funding (£1.47m). As part of the Intrapreneurship work package the three local authorities have committed a further £648,000 in match funding, including £150,000 each in-kind staff resources and £66,000 each to invest in the implementation of selected projects. This brings the total TalEntEd Islands Programme investment to £6.548 million.

The Report further stated that the investment objectives of the TalEntEd Islands project, which included:

- Increased opportunities for work-based learning with a focus on transitioning to net zero and green jobs.
- Increased opportunities for entrepreneurship, focussing on the transition to net zero and green jobs.
- Increased level of workplace innovation through intrapreneurship programmes, encouraging a just transition to net zero.
- Increased in the level of businesses testing and commercialising ideas within our islands associated with transition to net zero.
- Grow university activity in our islands.
- Greater accessibility of opportunities in our islands, supporting just transition to net zero, with a focus on equalities particularly regarding Gaelic and physical/digital accessibility, with specific regard for those with disabilities.
- Deliver a Net Zero TalEntEd Islands Programme.

Mr Grant noted that based on the benefits realised and funding required the Benefit Cost Ratio has been calculated at 10.5: 1 at Island level. Four workstreams had been identified to progress the programme:

- Workstream 1 – Innovative Islands Work Based Learning Models (UHI to lead).

- Workstream 2 – Net Zero innovation, Leadership and Entrepreneurship Programme (Robert Gordon University to lead).
- Workstream 3 – Islands Innovation Commercialisation Programme (Heriot-Wat University to lead).
- Workstream 4 – Innovative Intrapreneurship Programme (Shetland Islands Council to lead).

**It was agreed:**

- (1) to approve the submission of the TalEntEd Islands OBC to Scottish and UK Government;**
- (2) to note that the OBC will be subject to a process of feedback from both Governments; and**
- (3) to note that the final version of the OBC will be presented to the Islands Growth Deal Programme Board and Joint Committee.**

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#### Orkney Future Fuels Hub

Mr Gareth Waterson, Interim Executive Director of Finance, Regulatory, Marine and Transportation Services, Orkney Islands Council and Ms Anne Murray, Islands Growth Deal Programme Director submitted a Report which sought approval to submit the Outline Business Case (OBC) for the Scapa Flow Future Fuels Hub to UK and Scottish Governments. The Report detailed that the Scapa Flow Future Fuels Hub will be a storage and distribution facility for low and zero carbon fuels, and a production plant for ammonia, and potentially hydrogen in the longer term, which will be located on Scapa Deep Water Quay in Scapa Flow, Orkney.

The Report stated that the project is profiled to draw down up to £6.5m capital funding from the Islands Growth Deal. The total cost of this project is £49.3m of which the private sector operator will contribute £29.0m. Of the remainder, £6.5m is sought from the Islands Deal and £13.8m will be sought from Orkney Islands Council. As the facility is not due to be constructed until 2027 there is limited information available at this time regarding costs.

The Report further stated that the outcomes and associated targets for the Orkney Future Fuels Hub project included:

- Increased infrastructure for greener maritime fuels in Scotland and Northern Europe.
- Securing the future economic wellbeing of Orkney and its harbours as part of the transition from oil and gas.
- Orkney becomes a more attractive port of call due to provision of low and zero carbon fuels.
- Orkney becomes key supply centre for Scotland / UK / Europe for low and zero carbon fuels
- There is a switch to low and zero carbon fuels by terrestrial users in Orkney.

In discussion, it was recognised that each individual Business Case should look to minimise carbon output as much as possible, and that the carbon impacts, and support in moving to Net Zero, would be considered against the overall Islands Growth Deal.

**It was agreed:**

- (1) to approve the submission of the Scapa Flow Future Fuels Hub OBC to Scottish and UK Government;**

- (2) to note that the OBC will be subject to a process of feedback from both Governments; and
- (3) to note that the final version of the OBC will be presented to the Islands Growth Deal Programme Board and Joint Committee.

Programme Update and Risks 4

Ms Anne Murray, Islands Growth Deal Programme Director, provided an update in terms of the programme delivery and associated risks. Ms Murray stated that initial work had focussed on the submission of Outline Business Cases to UK and Scottish Governments. Five OBC had now been submitted to both Governments, with a further four approved for submission. Initial feedback had been received on three OBC, with project/programme leads accepting of the positive feedback received. Ms Murray noted that there are eighteen OBCs in total, and that further OBCs would be submitted to the Committee in early 2022.

Ms Murray noted that there remained risks to projects/ programmes in terms of the level of matched funding required for some projects/ programmes, the impacts of cost inflation, and ensuring consistency and continuity across projects/ programmes as personnel change.

Members of the Committee highlighted the importance of communicating progress with the Growth Deal, for example through issuing press releases and other methods of communication. Ms Murray stated that an Islands Growth Deal Communications Sub-group had been established with representatives from each local authorities Communication Team, and the UK and Scottish Governments, forming part of the membership. There is an agreed Communications Protocol in place to ensure consistent messaging across the islands. A dedicated Islands Growth Deal website is being developed and will be used to promote the work of the projects/ programmes and to engage with the wider community.

Ms Kate Gwynn, Scottish Government, noted her appreciation of the progress made in terms of the projects/ programmes, submitted to the Scottish Government, and the high level of quality of the submissions made.

Ms Maggie Sandison, Shetland Islands Council, stated that notification had been received that a Best Value Audit and Inspection of Shetland Islands Council would be held in early 2022. Partnership working, including the Islands Growth Deal, would be explored as part of the audit.

**It was agreed that Ms Anne Murray, Islands Growth Deal Programme Director, would provide a Programme Update and Risks Review to the Committee on a quarterly basis.**

Date of Next Meeting 5

The Islands Growth Deal Joint Committee will next meet on Wednesday, 26 January 2022 at 4.00pm. The meeting will be held through Microsoft Teams.