

OUR ISLANDS  
OUR DEAL 

# ISLANDS GROWTH DEAL

FULL DEAL DOCUMENT





## STROMNESS, ORKNEY

*Courtesy of Orkney.com*

ISLANDS GROWTH DEAL: FULL DEAL DOCUMENT

**Our signing of this document confirms  
our joint commitment to achieve full  
implementation of the Islands Growth Deal.**

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**Mr Ivan McKee MSP**

Minister for Business, Trade, Tourism  
and Enterprise

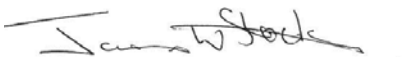
Scottish Government



**Lord Offord of Garvel**

Parliamentary Under Secretary of  
State for Scotland

UK Government



**Cllr James Stockan**

Leader

Orkney Islands Council



**Cllr Paul Steele**

Leader

Comhairle nan Eilean Siar



**Cllr Emma Macdonald**

Leader

Shetland Islands Council



FREESTER IN SOUTH  
NESTING, SHETLAND

*Courtesy of SIC*

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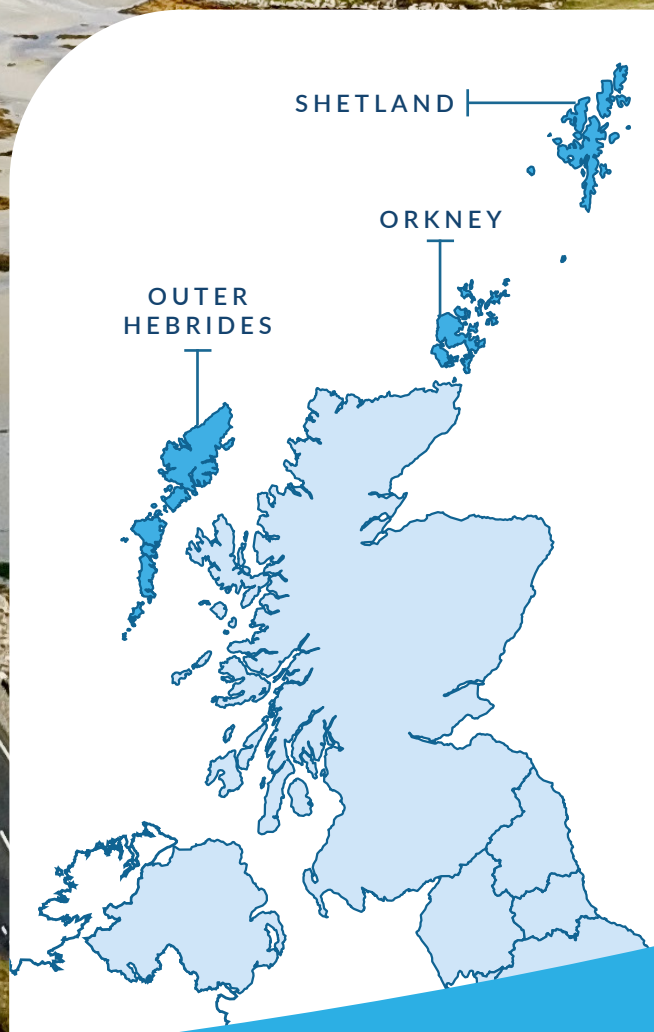
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# Executive Summary

- City Region and Growth Deals establish new collaborative partnerships, delivering long-term, strategic investments which will improve regional economies.
- 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.
- Jointly funded by up to £100 million from the Scottish Government and the UK Government (£50 million Scottish Government and £50 million UK Government), the Islands Growth Deal will attract further investment of £293 million in match funding.
- 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.
- Partners have joined together to develop an integrated and coherent package of proposals that will invest in these assets and opportunities. The Islands Growth Deal will invest in sixteen projects and programmes built around three strategic themes of low carbon; supporting growth and future industries; and thriving sustainable communities, subject to approval of Full Business Cases.
- Through the projects we aim to improve economic productivity, deliver up to 1,300 jobs by 2032, support the islands to be among the first places in the UK to achieve net zero, create the foundation for an innovation-focused recovery from the COVID-19 pandemic, seek to address our demographic challenges, and support inclusive and sustainable growth across our island communities.
- This document builds on the Heads of Terms signed on 17 March 2021, and provides an overview of the Islands Growth Deal investment programme. It is the statement of commitment by all parties to supporting and delivering the Islands Growth Deal and it is underpinned by a suite of detailed documents.





CAUSEWAY, NORTH UIST  
AND GRIMSAY



# 1 Context

- 1.1 The Islands Growth Deal priorities, themes and programme of investment are informed by our islands' strengths, opportunities and challenges.

## Our Island Strengths and Opportunities

- 1.2 The three island groups of Orkney, Outer Hebrides and Shetland share several significant opportunities and challenges, which have led to strong joint-working in recent years. Proposals for a 'Growth Deal for the Islands' emerged from joint work across the three Councils on the '[Our Islands Our Future Campaign](#)', and the investment proposals were developed in tandem with much of the work around this.
- 1.3 The three councils are the smallest in Scotland, with a combined population of around 72,000 (1.3% of Scotland's population)<sup>1</sup> and their communities are some of the remotest from the main population centres of Scotland and the UK. Yet despite their size and remoteness, the islands:

- **Are already delivering for the Scottish and UK economies.** Our islands make an outsized contribution to the UK and Scottish economy, including 50% of Scotland's aquaculture Gross Value Added (GVA), 30% of Scottish sea fish GVA, and they handle 13% of the oil and gas produced in UK waters. 77% of Scottish farmed mussels are produced in Shetland.<sup>2</sup>
- **Have significant economic potential.** Our islands have some of the best wind, wave and tidal renewable energy resources in Europe, which could supply up to 5% of Britain's total electricity demand by 2030 and generate £750m GVA for our island economies over 15 years<sup>3</sup>. 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. We have the two best locations in the UK for vertical satellite space launch at Scolpaig, North Uist, and Unst, Shetland, which could ensure the UK captures a major share of a global space economy which is projected to grow to £490 billion by 2030.<sup>4</sup>

1. **Mid-2021 Population Estimates Scotland**, National Records of Scotland
2. **Scottish Shellfish Farm Production Survey 2021**, Marine Scotland
3. **Economic Opportunities of Renewable Energy for Scottish Islands Communities**, Report to the Scottish Government (March 2016), Baringa
4. **National Space Strategy**, UK Government (September 2021)



- **Attract interest from around the world.** Our islands have a global profile and reach, regularly topping international lists of the best places to work, live and visit.
- **Have world-class cultural, natural and archaeological heritage.** Our islands are home to two of Scotland's six UNESCO World Heritage sites, St Kilda and the Heart of Neolithic Orkney, with Shetland's 'Crucible of the Iron Age' being considered for future world heritage status. St Kilda in the Outer Hebrides is the UK's only Dual UNESCO World Heritage site (Cultural and Natural) and only one of 39 globally. Shetland is one of only two areas with UNESCO Global Geopark status in Scotland and is one of only six such Geoparks in the UK.
- **Offer a great quality of life.** Our islands 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, resourcefulness and collaboration reflected in a vibrant community, social enterprise and third sector.

## Our Island Challenges

1.4 Our islands 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, community wealth building and wellbeing across all parts of our island communities.

- **Population:** Our islands face a demographic challenge that threatens the long-term sustainability of our economies and communities. The trend is for a smaller and older population by 2043. There are differences in the extent of the demographic challenges across our islands, and these issues are particularly acute in our more remote island areas. Overall, the islands are projected to experience significantly greater reductions in the number of young people and working age populations than the Scottish average, at the same time as the 65+ older population is increasing substantially. By 2043, the overall population for all three island groups is forecast to decline (to 65,949 from 2018 population total of 72,010), with the Outer Hebrides facing the most extreme reduction of 16%.<sup>5</sup> Long-standing net out-migration of young people is the most significant contributing factor to this, caused by young people moving out of the islands to pursue educational and employment opportunities elsewhere. Research carried out for Highlands and Islands Enterprise (HIE) found that there is an increasing desire among young people to stay in or relocate to the region – but they require the factors in place to facilitate this, including good pay levels, high quality jobs and housing, a low cost of living and opportunities for career progression.<sup>6</sup>

5. Regional Skills Assessment Data Matrix. Skills Development Scotland (April 2022)

6. Young People and the Highlands and Islands: Maximising Opportunities, HIE, (2018)



- **Labour Market:** The reducing and ageing population will affect the availability of a labour force over coming years. The scale of labour market demand over the next ten years will impact all sectors of the economy, with a projection of 7,100 job openings in the islands between 2024 and 2031, largely due to replacement demand.<sup>7</sup> A major strategic effort will be required to retain and attract the workforce to deal with vacancies as a result of expansion and replacement demand in existing sectors.
- **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. Economic growth is forecast to be slower in the islands compared to Scotland and the UK.
- **Island Cost of Living:** Geographic remoteness impacts significantly on the cost of living, working and doing business in our islands. Island households experience higher living costs than those in mainland Scotland, including rural areas in Scotland. This is due to higher prices for food, clothes and household goods; considerably higher household fuel bills, influenced by climate and fuel sources; and the longer distances that people have to routinely travel, particularly to work.<sup>8</sup>
- **Connectivity:** Our ability to innovate and grow the digitally enabled businesses of the future is held back by poor internet and mobile connectivity in many parts of our islands. Our huge renewable energy production potential is also held back by the lack of electricity grid capacity and mainland interconnectors. The success of our economy depends on having the transport connectivity in place that supports movement to, from and within our islands, and significant challenges remain in this respect.
- **Housing:** Access to affordable and well insulated housing across a range of tenures and island locations is central to population attraction and retention. The housing market in the islands is currently acting as a constraint to people who wish to stay and work in the islands, or who wish to move into the islands to start businesses or take up employment opportunities, exacerbating skill shortages in certain localities and sectors.
- **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.

7. **Regional Skills Assessment, Islands Growth Deal, Skills Development Scotland** (April 2022)

8. **A Minimum Income Standard for Remote Rural Scotland: A Policy Update, HIE** (2016)





STORNOWAY,  
ISLE OF LEWIS

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## Impact of Covid-19 and Brexit

- 1.5 Heads of Terms for the Islands Growth Deal were signed in March 2021, just over a year from the start of the Covid-19 pandemic, and three months after the United Kingdom's departure from the European Union. The challenges and opportunities arising from these major events have been a consideration throughout the development of the Islands Deal proposals and individual projects. These events have reinforced the importance of the Deal's focus on building resilient regional economies. They have also brought new interest in the opportunities offered by Scotland's islands for 'stay-cations', remote working and relocation. Covid-19 and Brexit impacts will continue to be monitored, along with other socio-economic contextual factors, throughout the delivery of the Deal.

## Islands Deal Priorities

- 1.6 The Islands Deal programme is focused on the need to retain and attract population, to develop new and high-value economic opportunities and to support key sectors to add more value locally. We need to ensure that there is a prospect of well paid, well skilled, and diverse employment opportunities across all parts of our islands. The development of the programme has considered the wider social and wellbeing impacts of investment, the infrastructure required in the islands to support our existing and potential workforce, and some of the challenges of living, working and doing business in the islands.



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YESNABY CLIFFS, ORKNEY

## BETWEEN ISLANDS

Courtesy of An Lannair







## 2 Impact of the Islands Growth Deal

- 2.1 The Islands Deal investments aim to improve economic productivity, deliver up to 1,300 jobs by 2032, and support the islands to be among the first places in the UK to achieve net zero.
- 2.2 The Islands Deal will also:
- Create new and internationally significant port infrastructure that will play an important role in supporting Scotland and the UK to achieve net zero targets.
  - 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.
  - Showcase the islands' outstanding natural environment, heritage, culture and creativity to the world.
  - Create the foundation for an innovation-focused recovery from the COVID-19 pandemic and support inclusive growth across all the island communities.
- 2.3 Inclusive economic growth is a fundamental objective of the Islands Deal and will be integrated throughout project development and delivery to ensure Deal investment has a positive impact in building a fairer, more equal society in our island communities.
- 2.4 Linking to the community wealth building priorities of the Scottish Government, our approach will seek to maximise the retention of investment within the local economy, emphasising progressive and joined up procurement practices across the Growth Deal, and seeking to maximise spend on, and benefit to, local suppliers, the workforce and supply chain.
- 2.5 An Islands Community Impact Assessment for the Islands Deal has identified approaches we will embed into the delivery of the programme to ensure the impact of investment is felt across all parts of the three island groups. In addition, ongoing consideration will be given as to how learning, good practice and benefits arising from the Islands Deal can be applied across areas, sectors, and locations in the islands.
- 2.6 The Outer Hebrides is the heartland of the Gaelic language and culture. Gaelic is embedded within the Islands Growth Deal, and projects in the Outer Hebrides area will take a bilingual approach where possible.

## 3 Islands Deal Proposals

- 3.1 The Islands Deal proposals each contribute to the Deal's strategic ambition and have inclusive and sustainable economic growth at their core.
- 3.2 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.
- 3.3 The pan-island projects will undertake activity in all three island groups. Each island group has lead responsibility for the coordination of one of these programmes, creating strong island-based partnerships between business, academia and research organisations, public agencies, and local communities.

## Overview of Programme and Project Funding

3.4 The table below provides an overview of each project in respect of investment theme, anticipated total project cost and respective contributions from UK and Scottish Governments.

3.5 A full business case will be developed for each project using Green Book methodology, for approval by the Islands Growth Deal Joint Committee and the UK and Scottish Governments prior to draw down of funding. In preparing the business cases, lead partners will be responsible for ensuring that all public funding proposals established in the business case for that project can be awarded in compliance with the UK Government's Subsidy Control regime.

Investment Theme	Project / Programme	SG Funding (£m)	UKG Funding (£m)	Match Funding (£m)	Total Project Cost
1. Leading the way to a low carbon future	ICNZ	0.5	16	-	16.5
	Scapa Flow Future Fuels Hub	6.5	-	42.8	49.3
	Outer Hebrides Energy Hub	-	11	124.5	135.5
	Dales Voe Ultra-Deep Water Quay	9	-	24	33
2. Supporting Growth & Future Industries	Creative Islands Wellbeing	3	2.6	4.5	10.1
	Outer Hebrides Destination Development	4	4	30.7	38.7
	Orkney World Heritage Gateway	5.5	1	5.4	11.9
	Orkney Vertical Farm	0.5	1.5	1.7	3.7
	Shell-volution	-	4.4	2.2	6.6
	Outer Hebrides Food and Drink	1.5	-	2.5	4
	Spaceport1	1	-	2.3	3.3
3. Thriving Sustainable Communities	TalEntEd Islands	4.4	1.5	0.7	6.6
	ORIC2	-	8	5.7	13.7
	Shetland Campus Redevelopment	3	-	-	3
	Outer Hebrides Campus Redevelopment	1.5	-	0.5	2
	Knab Redevelopment	9.6	-	45.3	54.9
Total Project Cost		50	50	293	393



## Growth Deal Themes and Investment Areas

### Theme 1: Leading the way to a Low Carbon Future

- 3.6 The ambition within this theme is for our islands to become among the first parts of the UK to reach the Governments' net zero carbon emission goal; to become 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.
- 3.7 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. £43 million of Islands Growth Deal funding will be invested in the following projects and programmes, leveraging in a further £191 million from other sources.

### Islands Centre for Net Zero (ICNZ)

- 3.8 The Islands Centre for Net Zero will be supported with joint investment of up to £16.5 million from the Scottish and UK Government (£0.5 million Scottish Government / £16 million UK Government).
- 3.9 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, generating additional GVA and green jobs for the islands.
- 3.10 Islands Deal funding will support the establishment of the core centre facility at the Orkney Research and Innovation Campus, the creation of a decarbonisation toolbox, and investment in energy transition capital projects across Orkney, Shetland and the Outer Hebrides.
- 3.11 In Shetland, the Shetland Clean Energy Project, which is part of the ICNZ, also referred to as the Shetland energy transition projects, will support the islands' necessary transition away from hydrocarbons towards affordable clean energy. Options are being explored for smart use of electricity and the production, storage, distribution and use of green hydrogen, along with the use of bi-products of heat and oxygen.
- 3.12 The project lead is European Marine Energy Centre (EMEC). Other partners include 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).



## Scapa Flow Future Fuels Hub

- 3.13 The Scapa Flow Future Fuels Hub will be supported with investment of up to £6.5 million from the Scottish Government.
- 3.14 The Future Fuels Hub is part of a wider project to develop Scapa Flow, Europe's largest natural deep-water harbour, and Orkney into a world-class green energy centre of excellence. 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, located on the proposed new Scapa Deep Water Quay.
- 3.15 The Future Fuels Hub will provide infrastructure for greener maritime fuels in Scotland and Northern Europe, safeguarding and growing Orkney's maritime businesses and positioning Orkney as a key supply centre for Scotland, UK & Europe for low and zero carbon fuels. The project will also grow Orkney's skills and employment base in the field of decarbonisation and net zero fuels, secure the future economic wellbeing of Orkney and its harbours as part of the transition from oil and gas, and facilitate a switch locally to low and zero carbon fuels.
- 3.16 The project lead is Orkney Harbour Authority (part of Orkney Islands Council). Orkney Harbours will invest in the core infrastructure and pipework of the Future Fuels Hub, with an arrangement being entered into with a private sector operator for its construction and operation.

## Outer Hebrides Energy Hub

- 3.17 The Outer Hebrides Energy Hub will be supported with investment of up to £11 million from the UK Government.
- 3.18 Located at Stornoway's new £50 million Deep Water Port at Arnish Point, the Energy Hub will be a Green Hydrogen Production, Storage and Distribution Facility which will, by 2030, supply Green Hydrogen for the 100% conversion of Scotland Gas Network's (SGN's) Stornoway Town Centre Propane network. The facility will then be scaled up to produce additional Green Hydrogen for local use in heat and transport and for the bulk, ship-borne export of Hydrogen through conversion to Ammonia or Methanol.
- 3.19 The project will create significant economic benefit for the Outer Hebrides; support local and national transition to net zero through increasing green hydrogen production; be a UK pathfinder in 'Hydrogen for Heat'; and address local levels of fuel poverty.
- 3.20 The project lead is Comhairle nan Eilean Siar. There are a wide range of strategic and commercial partners engaged in the project consortium.



## Dales Voe Ultra-Deep Water Quay

- 3.21 The Dales Voe Ultra-Deep Water Quay will be supported with investment of up to £9 million from the Scottish Government.
- 3.22 Current water depths at UK ports are restricting the UK's capability to compete for larger oil and gas platforms due to be decommissioned in coming years and support for the assembly and deployment of large-scale floating offshore wind structures. Dales Voe has been identified as the optimal location in the UK for an ultra-deep water decommissioning facility due to its sheltered approach, naturally deep-water channels and its 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 21m and increasing to 24m depth 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.
- 3.23 This project will result in transformational change in Shetland and will build on Shetland's existing reputation in the decommissioning sector. It will develop the only an ultra-deep water quay in the UK and the only port with sufficient alongside water depth to accommodate the world's largest lifting vessels. It also presents significant opportunities in the offshore wind sector. The project 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.
- 3.24 The project is led by Lerwick Port Authority.



DALES VOE

Courtesy of Lerwick Port Authority



## Theme 2: Supporting Growth & Future Industries

- 3.25 The ambition within this theme 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.
- 3.26 The Islands Deal will deliver a programme of investment across six programmes and projects designed to accelerate economic growth and innovation. £29 million of Islands Growth Deal funding will be invested in the following projects and programmes, leveraging in a further £49 million from other sources.

### Creative Islands Wellbeing

- 3.27 The Creative Islands Wellbeing Programme will receive joint investment of up to £5.6 million from Scottish and UK Government (£3 million Scottish Government / £2.6 million UK Government). £600k of the Scottish Government funding will be revenue funding.
- 3.28 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 Hubs across the islands, providing the facilities, space and support required by creative practitioners to increase their creative output and economic sustainability, including:
- The Old Post Office, 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
- 3.29 Supporting the capital projects is a revenue and R&D programme which will focus on UK and international collaboration and knowledge exchange, academic research and post-graduate creative practice, and lead to the creation of an Islands Centre for Creative Ageing.
- 3.30 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.
- 3.31 Led by Comhairle nan Eilean Siar, the programme has been developed through a strong partnership between the three local authorities in Orkney, Shetland and the Outer Hebrides; Highlands and Islands Enterprise; leading arts and culture organisations in the islands An Lanntair, Pier Arts Centre, Shetland Arts Development Agency and Taigh Chearsabhagh; UHI's Centre for Islands Creativity; and the NHS.

## Outer Hebrides Destination Development

3.32 Outer Hebrides Destination Development will receive joint investment of up to £8 million from Scottish and UK Government (£4 million Scottish Government / £4 million UK Government).

3.33 Destination Development will develop and enhance the Outer Hebrides top culture and heritage assets, and deliver new, complementary facilities and attractions at five key locations across the Outer Hebrides. Capital funding through the Islands Deal will deliver new/enhanced and redeveloped visitor and heritage/culture attractions (two existing centres and three new attractions) as follows:

- **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. 'Slighe Hiort' will address this through the creation of a network of three visitor centres (in Lewis, Harris and North Uist).
- **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. Proposals to invest 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.
- **Iolaire Centre.**  
The Iolaire Centre, Stornoway, aims to be a world-class visitor attraction, which commemorates and tells the tragic story of the Iolaire maritime disaster.

3.34 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.

3.35 The programme lead is Comhairle nan Eilean Siar, working closely with Highlands and Islands Enterprise, Outer Hebrides Tourism, and Visit Scotland. Each of the five capital projects is being delivered by a specific, community-led, organisation and will be a community-owned asset.

ST KILDA

## Orkney World Heritage Gateway

- 3.36 The Orkney World Heritage Gateway project will be supported with joint investment of up to £6.5 million from the Scottish Government and UK Government (£5.5 million Scottish Government / £1 million UK Government).
- 3.37 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.
- 3.38 The Orkney World Heritage Gateway project 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.
- 3.39 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.
- 3.40 Project partners are Orkney Islands Council, Historic Environment Scotland, and Highlands and Islands Enterprise.

## Orkney Vertical Farm

- 3.41 The Orkney Vertical Farm will be supported with joint investment of up to £2 million from the Scottish Government and UK Government (£1.5 million UK Government / £0.5 million Scottish Government).
- 3.42 Investment will create an islands' vertical farm through Orkney College and its Agronomy Institute, powered by renewables.
- 3.43 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.
- 3.44 The Orkney Vertical Farm project is led by Orkney College, part of Orkney Islands Council and an academic partner of the University of the Highlands and Islands, working collaboratively with the James Hutton Institute and IGS Technologies Ltd., and is aligned to other key projects within the Islands Deal.



## Shell-volution

- 3.45 Shell-volution will be supported with investment of up to £4.4 million from the UK Government.
- 3.46 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 to 18,000 tonnes by 2037.
- 3.47 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.
- 3.48 The Shell-volution project is led by the University of the Highlands and Islands, working in close partnership with industry.

## Outer Hebrides Food & Drink Programme

- 3.49 The Outer Hebrides Food and Drink Programme will be supported with investment of up to £1.5 million from the Scottish Government.
- 3.50 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. These investments have been agreed as priorities with community landowners, aquaculture, and fishing industry representatives. The programme will create Food Hubs in South Uist, Harris and Lewis, creating 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 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.
- 3.51 The Programme will lead to business creation and growth and generate a range of new employment opportunities. It 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.
- 3.52 The strategic programme lead is Comhairle nan Eilean Siar. Each of the capital projects will be delivered by a specific public sector or community-led organisation.

## Spaceport 1

- 3.53 Spaceport 1 will be supported with investment of up to £1 million from the Scottish Government.
- 3.54 Spaceport 1 aims to respond to the growing market for suborbital launch related activities, by building a modest and adaptable launch facility at Scolpaig Farm site (North Uist) and leveraging existing infrastructure at the MOD Hebrides Range, to establish the UK's primary commercial suborbital launch site. Islands Deal investment will support the development of a fully serviced launch facility for the suborbital market, providing a launch pad and permanent facilities and utilities tailored to specific needs of launch operations.
- 3.55 It will provide significant economic benefit in the Uist context, seeking to employ 25 people by 2025, providing training opportunities, and securing economic return as a result of the construction and operational activity associated with launch activity.
- 3.56 Spaceport 1 will be delivered through a strategic consortium led by Comhairle nan Eilean Siar.

## Theme 3: Thriving, Sustainable Communities

- 3.57 The ambition within this theme is 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 have decisively shifted the dial on our long-term demographic trends.
- 3.58 The Islands Growth Deal will invest in five projects that will strengthen academic and research facilities in all three island groups, support skills development and entrepreneurship and deliver a major place-making project in Lerwick, Shetland. £28 million of Islands Growth Deal funding will be invested in the following projects and programmes, leveraging in a further £52 million from other sources.

### TalEntEd Islands

- 3.59 TalEntEd Islands will be supported with joint investment of up to £5.9 million from the Scottish Government and UK Government (£4.4 million revenue funding from Scottish Government / £1.5 million capital funding from UK Government).
- 3.60 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.
- 3.61 The Project Lead is the University of the Highlands and Islands, working closely with Highlands and Islands Enterprise and academic partners such as Robert Gordon University and Heriot-Watt University. The TalEntEd Islands Partnership also includes representation from the three island local authorities, Skills Development Scotland, and the Scottish Funding Council.



## Orkney Research and Innovation Campus 2 (ORIC 2)

- 3.62 ORIC2 will be supported with investment of up to £8 million from the UK Government.
- 3.63 The Orkney Research and Innovation Campus 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.
- 3.64 The proposed ORIC Phase 2 (ORIC 2) project comprises a number of capital investments across the Campus which will make a substantial contribution to ORIC's long-term vision and masterplan. This will include achievement of operational net zero across the Campus, property redevelopment to create an 'ORIC Exchange and Incubator Hub', and measures to improve standards and increase lettable space in existing buildings.
- 3.65 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. Investment will also create business incubation facilities that actively enable commercial application (commercialisation) of the convergent research and technologies.
- 3.66 ORIC is a Limited Liability Partnership between Orkney Islands Council and HIE.



## Shetland Campus Redevelopment

- 3.67 The Shetland Campus Redevelopment project will be supported with investment of up to £3 million from the Scottish Government. The previous standalone proposal at Heads of Terms for a Shetland Space Innovation Campus project has been integrated into this project. The budgets have been merged and the training, education and research elements of the Space Innovation Campus have been repositioned within the Shetland Campus Redevelopment as part of UHI Shetland's intention to develop provision in relation to the space sector.
- 3.68 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.
- 3.69 This will include creating a Newton Room, immersive classroom, upgrading workshop spaces and learning centres. It will involve transforming existing spaces at the Lerwick and Scalloway campuses 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.
- 3.70 The Shetland Campus Redevelopment project is led by UHI Shetland.

## Outer Hebrides Campus Redevelopment

- 3.71 Outer Hebrides Campus Redevelopment will be supported with investment of up to £1.5 million from the Scottish Government.
- 3.72 The Outer Hebrides Campus Redevelopment project will upgrade and expand facilities and learning technologies on offer at UHI Outer 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.
- 3.73 The project will transform the Further Education and Higher Education offer provided by UHI Outer 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.
- 3.74 The Outer Hebrides Campus Redevelopment project is led by UHI Outer Hebrides.



## Knab Redevelopment

3.75 The Knab Redevelopment will be supported with investment of up to £9.6 million from the Scottish Government.

3.76 Shetland's Knab Redevelopment project aims to 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

3.77 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. Choices on these elements will rely on academic evidence seeking to inform which are the best solutions within a Shetland context. 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.

3.78 The Knab Redevelopment project is led by Shetland Islands Council, working in partnership with Shetland Arts Development Agency on the creative hub and UHI Shetland on the student accommodation elements.

STUDENTS ON CAMPUS AT UHI  
OUTER HEBRIDES, STORNOWAY  
*Courtesy of UHI and Tim Winterburn*



## 4 Delivering the Islands Growth Deal

### Governance Agreement

- 4.1 A Governance Agreement is in place between the three local authorities and forms the basis for our Governance Plan. The function of the governance plan is to ensure the successful implementation of all projects and programmes, and to maximise learning and links within and between islands and projects.

### Islands Growth Deal Joint Committee

- 4.2 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. The Joint Committee is the primary decision-making body for the Deal. The three local authorities 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.

### Programme Management Board

- 4.3 A Programme Management Board 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 Programme Management Board.

### Local Programme Boards

- 4.4 Local Programme Boards have been established in each of the local authority areas within the Growth Deal. These bring together lead officers involved in the development and implementation of the Islands Deal in each specific island group to support successful progression of the Growth Deal, and to maximise local benefit and impact.

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## Programme Management Office

- 4.5 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 covered through the Islands Growth Deal Joint Committee Budget, which is approved annually. The following posts sit within the PMO: Programme Director, Project Officer, Finance Officer (p/t). As the Islands Growth Deal covers three separate local authorities, with distinct geographical areas and circumstances, each local authority has further committed to allocating internal staff resources to support co-ordination and management of programme activity in each island group.

## Monitoring and Reporting

- 4.6 Proposals for monitoring and reporting have been informed by the requirements set for Growth Deals by Scottish and UK Government.

### ■ Benefits Realisation Plan

- 4.7 The partners have worked with both Governments to agree a Benefits Realisation Plan for the Deal. The Benefits Realisation Plan (BRP) sets out the overall vision, aims and targets for the Islands Growth Deal, how the outputs, outcomes and impacts of individual programmes and projects within the Deal are anticipated to contribute towards achievement of this vision, and provides a monitoring and evaluation framework to measure progress towards the strategic objectives of the Deal, aligned with the requirements from Government. The Benefits Realisation Plan will be reviewed at least annually.

### ■ Programme Progress Reporting

- 4.8 A financial and performance monitoring report will be produced by the PMO and reviewed by the Programme Board and Joint Committee every quarter. This will be shared with UK and Scottish Governments. This will update on progress against the financial plan and programme milestones, and will support risk management within the Programme. Alongside the project reporting, it will also inform the annual update of the Programme-level Implementation Plan.



## ■ Project Reporting

- 4.9 Quarterly reports at Programme level will be informed by information supplied by Projects. Grantees will be required to have in place a short Project Implementation Plan which will form the basis for the Grant Offer, and drawdown of funds thereafter. Project Implementation Plans will reflect the detail within the approved Full Business Case, summarising anticipated Financial profile (both drawdown and leverage of funds), Project Milestones, and Project Outcomes
- 4.10 Once they are into implementation and claiming Growth Deal funding, Project Leads will be asked to submit a monthly financial forecast and a Quarterly Performance Report
- 4.11 On an annual basis, Project Leads will be asked to provide a summary of the previous year's activity to include an update on progress against their Implementation Plan, and to update on their Projects contribution to the Programme's Benefits Register.

## ■ Annual Performance Report

- 4.12 An Annual Performance Report will be produced by the Programme Director based on the previous year's activity across the Islands Growth Deal. The Annual Performance Report will be signed off by the Programme Board and the Joint Committee. The Annual Report will form the basis for the Annual Conversation with Scottish and UK Government to formally review progress in implementing the Deal.

## Risk and Audit

- 4.13 A Programme Risk Register is in place. This is held by the PMO and reviewed by the Programme Board and Joint Committee every quarter.
- 4.14 Processes to reduce risk, fraud and other financial control procedures have been established for the Islands Growth Deal Programme in line with Comhairle nan Eilean Siar's Financial Regulations and internal processes.
- 4.15 In addition to compliance with normal internal and external audit controls, the Programme will be subject to an audit, the focus of which will be determined by the Accountable Body's Internal Audit Team, every second year as a minimum. The Accountable Body will be responsible for allocating Internal Audit resources for Islands Growth Deal Programme activities. The results of the audit will be submitted to Scottish and UK Government upon completion of the audit. All Islands Growth Deal Internal Audit work undertaken by the Accountable Body will be carried out in line with the Public Sector Internal Audit Standards (PSIAS).

## External Evaluation

- 4.16 As part of the Benefits Realisation approach, it is intended that independent impact evaluations will be undertaken after 3 years, 5 years and then after the 10-year period. A baseline study will be carried out in 22/23. Mid-term evaluations will allow for an opportunity to refocus and identify mitigating actions where there is a risk that the Deal is not moving towards achievement of spending objectives.





RING OF BRODGAR, ORKNEY

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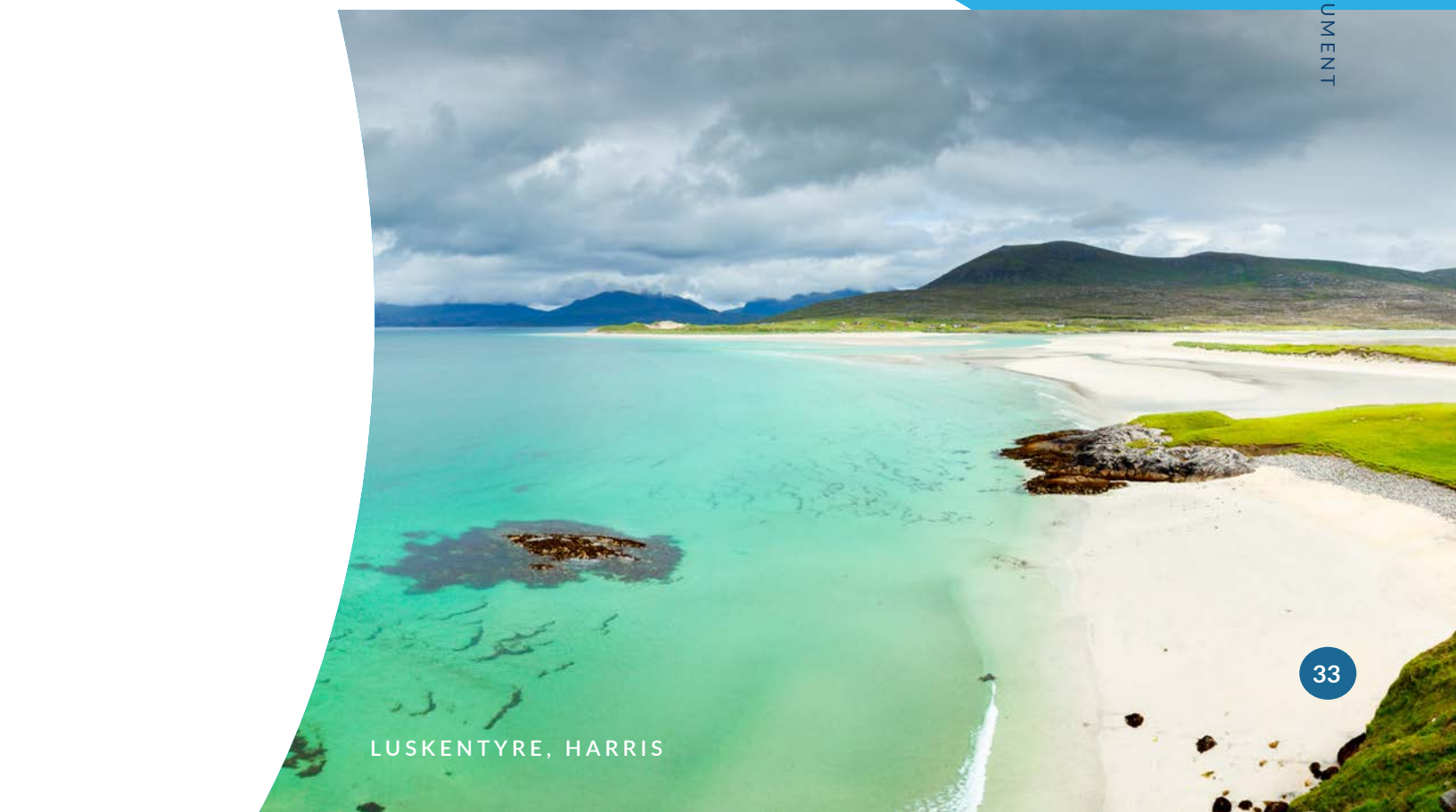
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KNAB REDEVELOPMENT  
*Courtesy of SIC*

ISLANDS GROWING DEARER FULL OF LIFE DOCUMENT



LUSKENTYRE, HARRIS





ST NINIAN'S ISLE, SHETLAND

Courtesy of SIC

FRONT COVER IMAGES:

CALANAIS STONES, ISLE OF LEWIS

WIND TURBINES, ORKNEY

*Picture by Colin Keldie.*

MUSSEL FARMING, SHETLAND

*Courtesy of SIC*

OUR ISLANDS  
OUR DEAL 