

OUR ISLANDS  
OUR DEAL 

# Islands Growth Deal

SKETLAND

ORKNEY

OUTER  
HEBRIDES

## Annual Performance Report

JANUARY 2023 - MARCH 2024



Scottish Government  
Riaghaltas na h-Alba  
gov.scot





# Contents

|                                           |    |
|-------------------------------------------|----|
| Executive Summary                         | 4  |
| Joint Foreword                            | 5  |
| 1. Our Islands, Our Deal                  | 6  |
| 2. Programme Activity 2023/24             | 8  |
| 3. Project progress and future milestones | 10 |
| 4. Financial Summary                      | 31 |
| 5. Programme Structure and Governance     | 33 |
| 6. Benefits Realisation                   | 36 |



Dales Voe, Shetland. Courtesy of Lerwick Port Authority

# Executive Summary

**2023**

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

## Developed by

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

**£100M**

£100 million funding agreed over 10 years.

£50 million Scottish Government and £50 million UK Government.

## Further Investment

Aiming for further investment of

**£216M**  
in match funding.

**16**

Sixteen projects and programmes.

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

## March 2024

Up to the end of March 2024, £9.9m of funding was approved for investment by the Joint Committee over the 10-year programme, equating to around 10% of the value of the Deal.

**£1.9M**

£1.9m of Government investment was released in the first year of the Growth Deal.

**£19.4M**

£19.4m leverage and match funding was secured by Islands Deal projects.

**35**

Three Full Business Cases approved: Islands Centre for Net Zero, Outer Hebrides Campus Redevelopment, Outer Hebrides Food & Drink Programme.

Five Full Business Cases have entered the approval process, representing a further £12m of Islands Deal funding anticipating to be approved over coming months.

This Annual Report covers the period January 2023-March 2024.



# Joint Foreword

As Leaders of Orkney and Shetland Islands Councils, and Comhairle nan Eilean Siar, we were delighted to meet with UK and Scottish Government in Orkney in January 2023 as we reached the milestone of signing the Islands Growth Deal, a £100m investment in inclusive economic growth across our island communities.

During this first year of the Islands Deal, we have taken key steps in the development and delivery of the programme. This Annual Report provides an overview of progress and upcoming milestones as we seek to deliver a suite of area-specific projects and pan-island programmes across the themes of leading the way to a low carbon future, supporting growth and future industries; and thriving sustainable communities.

During the first year of the Deal, three projects had Full Business Cases approved, representing approval of £9.9m by the Islands Deal Joint Committee from the full £100m Deal.

We have continued to work in partnership as three island groups to maximise the impact of resources, share expertise and strengthen collaborative working within and across the islands. The investment we have been able to secure through the Islands Growth Deal is a testament to the strength of this partnership working, and also the significant assets and growth potential within our islands due to our renewable energy resource, strategic position within the UK, our strong performance in key sectors such as tourism and food & drink, and the creative, innovative and entrepreneurial spirit within our communities.

However, these are challenging times, and we would like to thank government, public sector, academic, business, community and third sector partners for their work in the past year to drive forward the ambitions of the Deal in a difficult financial context. As a Joint Committee, we have sought to maintain oversight of the viability and deliverability of the component parts of the Islands Growth Deal and we will continue to seek a responsive approach to delivery challenges while maintaining focus on the vision for the Deal 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.



Cllr Paul Steele  
Leader  
Comhairle nan Eilean Siar



Cllr Emma Macdonald  
Leader  
Shetland Islands Council



Cllr Heather Woodbridge  
Leader  
Orkney Islands Council

# 1. Our Islands, Our Deal

## Our Islands

The three councils are the smallest in Scotland, with a combined population of around 72,000 (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 remoteness, 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, 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 remoteness of the islands has led to innovation and self-sufficiency being evident in the local economy. Island communities need to be resourceful and are used to 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 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, a wellbeing economy across all parts of our island communities. Key issues include:

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

**Labour Market** - The reducing and ageing population will affect the availability of a labour force over coming years. 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.

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

**Connectivity** - transport connectivity, digital, interconnectors.

**Housing** - access to affordable and well insulated housing across a range of tenures and island locations.

### 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 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 Deal is an integrated package of proposals that will invest in these assets and opportunities with the aim of:

- improving economic productivity
- delivering up to 1,300 jobs by 2032
- supporting the islands to be among the first places in the UK to achieve net zero.



### It will do this through:

- 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.

The Islands Growth Deal will deliver an investment of £50 million each from the Scottish and UK Governments, and an anticipated £216 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.

This annual report summarises progress for the first fourteen months of the programme, from 20th January 2023 to 30th March 2024.



## 2. Programme Activity 2023/24

### Programme Level Activity

At a programme level the Programme Management Office established key processes for the Islands Deal over the period, supported effective governance, engaged with wider stakeholders, and sought to support Project Leads through the FBC process. This has included:

#### GOVERNANCE

- Regular meetings of the Programme Board, Joint Committee and Local Programme Boards in Orkney, Outer Hebrides and Shetland.
- Programme Governance Review, which led to changes in the operation of the Advisory Forum and its linkages to the Programme Board.
- Project Governance Review as part of due diligence by Programme Board.
- Review of Governance Agreement to share risks and liabilities across the three island councils was agreed.

#### PROCESSES

- Establishment of claims processes and guidance for funding claims.
- On time submission of monthly financial forecasts, bi-annual financial forecasts, and quarterly claims to Scottish and UK Government.
- Monitoring and performance reporting processes established and operational.
- Monitoring of the financial plan through the Programme Board and quarterly meetings of finance leads of the three Councils.
- Agreement and implementation of approach to subsidy control across the Programme.

#### PROJECT SUPPORT

- Workshops and one-to-one meetings with Project Leads on claims process, project progress, FBC requirements and submission processes.
- Workshops held with Project Leads and Scottish Government contacts in relation to Net Zero in Business Cases, and on Community Wealth Building, Equalities & Inclusive Growth policy.

#### ADDED VALUE & WIDER ENGAGEMENT

- Work across the three Councils to develop 'Strategic Procurement Guidance' for Islands Growth Deal project leads.
- Working in partnership with Supplier Development Programme to develop 'Islands Deal – Information for Suppliers' and on an introductory supply chain webinar which was held on 5th March 2024.
- Engagement with a range of bodies including UKIB, SNIB, Creative Scotland, HES, UHI and HIE.
- Participation in the wider PMO Growth Deal network and engagement with specific Growth Deals notably Argyll & Bute, Moray, and Tay Cities, in terms of lessons learned and information sharing.



## Programme Risks and Challenges

The Programme remains largely in development rather than delivery stage, which is to be expected in Year 1.

Progress towards delivery has experienced challenges, and slippage was experienced in the development and submission of some Full Business Cases, which in turn led to underspend against the financial allocation for 23/24. This was caused by inter-related challenges across the Programme. The management of strategic risks across the programme is monitored via the Programme Risk Register which is reviewed monthly by the Programme Board and quarterly at Joint Committee. A Project-specific Issues Log is also in place between the Programme Management Office and the Local Co-ordinator in each island Council and is reviewed monthly.

The highest programme risks have remained broadly the same over the period and a range of measures has been taken or is ongoing to mitigate these. These efforts will continue and develop into Year 2 of the Islands Deal. Main risks have been increased capital and operational costs; resourcing and progression of Full Business Cases; and projects being unable to secure match funding.

### Priorities for 2024 / 25

The process of getting Full Business Cases to a satisfactory stage for their submission to Scottish and UK Government has taken longer than anticipated but progress accelerated in the latter half of 23/24, and a number of FBCs are now in the review process, with project activity anticipated to commence in 24/25.

The year ahead is anticipated to provide ongoing challenges with cost inflation, requiring projects to secure more funding, value engineer or scope out alternative delivery options. Supporting timely progression of FBCs in the context of these challenges will continue to be a focus for Year 2 of the Islands Deal. To support this, priority will be given to the following activities in conjunction with embedding delivery of the Programme:

- Increase scrutiny of Full Business Cases to ensure operational costs are adequately considered and that projects are sustainable beyond initial investment.
- Assess overall Programme deliverability on at least an annual basis to identify and progress any changes that may be required to the suite of projects, in consultation with Scottish and UK Government.
- 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 and to streamline and refine feedback processes.
- Seek to co-ordinate activity across the islands to secure match funding and leverage for Islands Deal projects.
- Seek to implement a number of approved subsidy schemes to rationalise approach to subsidy control within the programme.
- Support the development and implementation of monitoring and evaluation at project level.

### 3. Project progress and future milestones.

This section of the Annual Performance Report summarises the projects within the Islands Growth Deal, and is aligned to the Implementation Plan, with any updates to milestones and risks highlighted.

The Deal is comprised of 16 programmes and projects across 3 themes. The table below provides an overview of the status of each of these up to end of March 2024.

In moving from Outline to Full Business Case, most 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. There are a smaller number of proposals which are more complex, containing distinct elements which may have different match funding in place, be at varying stages of development, and be ready for implementation at different times. For these, there will either be distinct FBCs or a Programme FBC followed by a series of FBC Annexes as and when funding approval is being sought for each element. This is reflected on page 11.

#### **Projects in delivery to end March 2024:**

Islands Centre for Net Zero (Orkney)

Islands Centre for Net Zero (Outer Hebrides)

Outer Hebrides Campus Redevelopment

Outer Hebrides Food & Drink Programme – Acarsaid Harbour

Outer Hebrides Food & Drink Programme – Vatersay Gear Storage



#### **Projects anticipated to enter delivery during 2024/25:**

TalEntEd Islands Programme

Orkney Research & Innovation Campus (ORIC2)

Shetland Campus Redevelopment

Knab Redevelopment – Infrastructure and design

Creative Islands Wellbeing – Islands Centre for Creative Ageing

Creative Islands Wellbeing – Imagining an Island

Destination Development – Calanais Centre Redevelopment

Shell-volution

Creed Hydrogen Skills and Innovation Centre (ICNZ OH capital project)

| Programme / Project                                             | Location       | Business Case Status                                                | Comment                          |
|-----------------------------------------------------------------|----------------|---------------------------------------------------------------------|----------------------------------|
| <b>Theme 1 - Leading the way to a Low Carbon Future</b>         |                |                                                                     |                                  |
| Islands Centre for Net Zero - Orkney                            | Orkney         | FBC approved - March 2023                                           | Project in delivery              |
| Islands Centre for Net Zero - OH                                | Outer Hebrides | FBC annexe for Creed Hydrogen Skills & Innovation Centre submitted. | Project in delivery              |
| Islands Centre for Net Zero - Shetland                          | Shetland       | FBC approval - scheduled for early 2025.                            | Project in development.          |
| Future Fuels Hub                                                | Orkney         | OBC approval - scheduled for 25/26                                  | Project in development           |
| Outer Hebrides Energy Hub                                       | Outer Hebrides | FBC approval - scheduled for 25/26                                  | Project in development           |
| Dales Voe Ultra-Deep Water Quay                                 | Shetland       | FBC approval - scheduled for early 2025.                            | Project in development           |
| <b>Theme 2 - Supporting Growth &amp; Future Industries</b>      |                |                                                                     |                                  |
| Creative Islands Wellbeing - Collaborative Programme            | Pan-island     | Programme FBC submitted.                                            | Delivery will commence in 24/25. |
| Creative Islands Wellbeing - Pier Arts Capital Project          | Orkney         | FBC Annexe approval – scheduled for 24/25                           | Project in development           |
| Creative Islands Wellbeing - An Lanntair Capital Project        | Outer Hebrides | FBC Annexe approval – scheduled for 25/26                           | Project in development           |
| Creative Islands Wellbeing - Taigh Chearsabhagh Capital Project | Outer Hebrides | FBC Annexe approval – scheduled for 25/26                           | Project in development           |
| Destination Development - Calanais                              | Outer Hebrides | FBC submitted – approval scheduled for May 2024                     | Delivery will commence in 24/25  |
| Destination Development - Ionad Hiort                           | Outer Hebrides | FBC approval – scheduled for 24/25                                  | Project in development           |
| Destination Development - Hiort na Hearadh                      | Outer Hebrides | FBC approval - scheduled for 24/25                                  | Project in development           |
| Destination Development – Sealladh Hiort                        | Outer Hebrides | FBC approval – scheduled for 26/27                                  | Project in development           |
| Destination Development – Iolaire                               | Outer Hebrides | FBC approval – scheduled for 28/29                                  | Project in development           |
| Orkney World Heritage Gateway                                   | Orkney         | OBC approval - scheduled for 25/26                                  | Project in development           |
| Vertical Farm                                                   | Orkney         | OBC approval - scheduled for 25/26                                  | Project in development           |
| Shell-volution                                                  | Shetland       | FBC approval - scheduled for August 2024                            | Delivery will commence in 24/25. |
| Outer Hebrides Food & Drink                                     | Outer Hebrides | Programme FBC approved - March 2024                                 | Project in delivery              |
| Spaceport1                                                      | Outer Hebrides | FBC approval - scheduled for 24/25                                  | Project in development           |
| <b>Theme 3 - Thriving, Sustainable Communities</b>              |                |                                                                     |                                  |
| TalEntEd Islands Programme                                      | Pan-island     | Programme FBC submitted - approval scheduled for July 2024          | Delivery will commence in 24/25. |
| Orkney Research & Innovation Campus (ORIC2)                     | Orkney         | FBC Approval – scheduled for December 2024                          | Project in development           |
| Shetland Campus Redevelopment                                   | Shetland       | FBC Approval – scheduled for 24/25                                  | Project in development           |
| Outer Hebrides Campus Redevelopment                             | Outer Hebrides | FBC Approved - June 2023                                            | Project in delivery              |
| Knab Redevelopment                                              | Shetland       | Programme FBC submitted - approval scheduled for September 2024.    | Delivery will commence in 24/25  |



Wind Turbines, Orkney. Picture by Colin Keldie.

# Theme 1

## Leading the way to a Low Carbon Future

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.

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.

## Islands Centre for Net Zero (ICNZ)

|                                |                                                                                                                                                                                                     |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Islands Deal Investment</b> | £16.5m (£16m UK Government / £0.5m Scottish Government)                                                                                                                                             |
| <b>Lead Partner</b>            | European Marine Energy Centre (EMEC)                                                                                                                                                                |
| <b>Other Partners</b>          | 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). |
| <b>Current Status</b>          | Full Business Case approved March 2023 – Project in delivery                                                                                                                                        |

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.

Islands Deal funding is supporting 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.

| <b>Orkney Headline Achievements</b>                                                                                                                             | <b>Achieved</b> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| ICNZ Steering Committee and Terms of Reference established                                                                                                      | May 2023        |
| Pan-island hybrid public open day event                                                                                                                         | December 2023   |
| Data Exchange platform built                                                                                                                                    | January 2024    |
| Funding secured for decarbonisation activities from UKRI Innovate UK for Rural Energy Hubs, IsleAI, and a further funded project to be announced in early March | March 2024      |
| 8 additional FTEs and 1 PhD scholarship brought to Orkney                                                                                                       | March 2024      |

| <b>Outer Hebrides Headline Achievements</b>                                                                                                                                     | <b>Achieved</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Outer Hebrides Project Board and Terms of Reference established                                                                                                                 | July 2023       |
| Pan-island hybrid public open day event                                                                                                                                         | December 2023   |
| ICNZ 2024 Strategy Day                                                                                                                                                          | February 2024   |
| Carbon baselining local data gathering exercise                                                                                                                                 | March 2024      |
| 3 additional FTEs to the Outer Hebrides                                                                                                                                         | March 2024      |
| Funding secured for decarbonisation activities from Innovate UK Fast Followers and Emerging Energy Technologies Fund (EETF) for the Creed Hydrogen Skills and Innovation Centre | April 2024      |

| <b>Shetland Headline Achievements</b>                                                      | <b>Achieved</b> |
|--------------------------------------------------------------------------------------------|-----------------|
| Pan-island hybrid public Open Day event                                                    | December 2023   |
| Funding secured for decarbonisation activities from UKRI Innovate UK for Rural Energy Hubs | December 2023   |
| Draft Shetland Energy Strategy out to consultation                                         | February 2024   |
| ICNZ 2024 Strategy Day                                                                     | February 2024   |

| <b>Key Milestones Planned for 24/25</b>                                                    | <b>Due</b>   |
|--------------------------------------------------------------------------------------------|--------------|
| First phase investment projects deployed in Orkney                                         | June 2024    |
| Shetland Climate Strategy drafted                                                          | July 2024    |
| Shetland Islands Council submit Full Business Case for Shetland Clean Energy Project       | January 2025 |
| Comhairle nan Eilean Siar submit Full Business Case for Outer Hebrides Transition Projects | January 2025 |

# Orkney Future Fuels Hub

|                                |                                                  |
|--------------------------------|--------------------------------------------------|
| <b>Islands Deal Investment</b> | £6.5m Scottish Government                        |
| <b>Lead Partner</b>            | Orkney Harbour Authority, Orkney Islands Council |
| <b>Current Status</b>          | Outline Business Case scheduled for 2024/25      |

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.

The Future Fuels Hub OBC is being refreshed in line with these market, policy and project developments and will come forward in 2024/25 seeking Government approval of this change.

The Future Fuels Hub project scope is largely the same as previously proposed. Orkney Harbour Authority, with grant funding support from the Islands Deal, will be responsible for developing the site (e.g. a minimum of access, groundwork, fencing, bunds and pipework), whilst a future private sector partner will invest in the superstructure.

The Islands Deal financial support is fundamental to realising Orkney's continued first-mover position necessary in order that the Hub be delivered; and given Orkney's strategic geographical position in relation to the other island groups, the Hub will also support fuel transition over a much wider area.

| <b>Headline Achievements</b>                               | <b>Achieved</b> |
|------------------------------------------------------------|-----------------|
| Review of Future Fuels landscape                           | December 2023   |
| Options Appraisal on optimum location for Future Fuels Hub | December 2023   |
| Market testing with potential operators                    | March 2023      |

| <b>Key Milestones Planned for 24/25</b>                                          | <b>Due</b>    |
|----------------------------------------------------------------------------------|---------------|
| Agreement by OIC regarding location of Future Fuels Hub at Hatston               | April 2024    |
| Agreement of commercial and contractual arrangements with private sector partner | November 2024 |
| Revised designs and costings                                                     | January 2024  |
| Outline Business Case for Future Fuels Hub at Hatston                            | March 2025    |

# Outer Hebrides Energy Hub

|                                |                                         |
|--------------------------------|-----------------------------------------|
| <b>Islands Deal Investment</b> | £11m UK Government                      |
| <b>Lead Partner</b>            | Comhairle nan Eilean Siar               |
| <b>Current Status</b>          | Full Business Case scheduled for 2025/6 |

Located adjacent to 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, from 2026, supply Hydrogen for local demand in industry and transport. From 2027/2028, the Energy Hub will scale up to supply Hydrogen to SGN's Stornoway Town Centre Gas Network, converting from Propane, and, from 2031, the Hub will produce large volumes of Green Hydrogen for ship-borne Hydrogen derivative export before direct export of gaseous Hydrogen is introduced through the planned Hydrogen Backbone Link (HBL), a subsea pipeline running from the west of the UK to domestic and European markets.

The Hydrogen landscape and market opportunities have changed considerably since inception of the Energy Hub and, during 2024/25, the project will be re-defined to accommodate the recent emergence of Hydrogen Allocation Rounds, Low Carbon Hydrogen Agreements, etc and new interest from some major industry partners. Significant early-stage concept development and business planning has been undertaken in tandem with industry partners and leading energy consultancies. Further scoping and planning will be undertaken over the course of 2024 leading to finalised project design and implementation plans in early 2025.

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.

| <b>Headline Achievements</b>                                                                                                | <b>Achieved</b>    |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------|
| Introduction of three global energy companies to the Net Zero Hub opportunity                                               | December 2023      |
| Collaboration with Scottish Government and Scottish Development International to issue study into on-island Hydrogen demand | October 2023       |
| Collaboration with on-island Renewable Energy developers to identify energy supply options for the Net Zero Hub             | Throughout 2023/24 |
| Review of potential sites for Net Zero Hub                                                                                  | Ongoing            |

| <b>Key Milestones Planned for 24/25</b>                                                   | <b>Due</b>         |
|-------------------------------------------------------------------------------------------|--------------------|
| Secure match funding for Phase 1 of the Net Zero Hub                                      | Throughout 2024/25 |
| Secure land option with The Stornoway Trust for micro-siting of Net Zero Hub              | September 2024     |
| Issue Prior Information Notice and identify industry partner(s) for Net Zero Hub delivery | September 2024     |
| Enter design and consent process for Net Zero Hub                                         | December 2024      |

# Dales Voe Ultra-Deep Water Quay

|                                |                                          |
|--------------------------------|------------------------------------------|
| <b>Islands Deal Investment</b> | £9m Scottish Government                  |
| <b>Lead Partner</b>            | Lerwick Port Authority                   |
| <b>Current Status</b>          | Full Business Case scheduled for 2024/25 |

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 quay 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.

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 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.

| <b>Headline Achievements</b>                                | <b>Achieved</b>    |
|-------------------------------------------------------------|--------------------|
| Consenting work progressed                                  | From October 2023  |
| Updated costings/risk review                                | From November 2023 |
| Expansion of available laydown space – planning application | December 2023      |

| <b>Key Milestones Planned for 24/25</b> | <b>Due</b>    |
|-----------------------------------------|---------------|
| Full Business Case to be drafted        | November 2024 |
| Full Business Case approval             | February 2025 |

Students on campus at UHINWH, Stornoway.  
Courtesy of UHI and Tim Winterburn



## Theme 2

# Supporting Growth & Future Industries

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.

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.

# Creative Islands Wellbeing

|                                |                                                                                                                                                                                                                                                                                                               |
|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Islands Deal Investment</b> | £5.6m (£3m Scottish Government / £2.6m UK Government).                                                                                                                                                                                                                                                        |
| <b>Lead Partner</b>            | Comhairle nan Eilean Siar                                                                                                                                                                                                                                                                                     |
| <b>Other Partners</b>          | 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) |
| <b>Current Status</b>          | Programme Full Business Case submitted.                                                                                                                                                                                                                                                                       |

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

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.

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.

| <b>Headline Achievements</b>                                                            | <b>Achieved</b> |
|-----------------------------------------------------------------------------------------|-----------------|
| Programme FBC submitted                                                                 | December 2023   |
| Pier Arts - secured £760k UK Shared Prosperity funding to progress design and tendering | February 2024   |
| An Lanntair – agreement on preferred location for hub                                   | February 2024   |
| Creative Islands UHI PHD project secured UHI formal backing                             | January 2024    |

| <b>Key Milestones Planned for 24/25</b>                                                     | <b>Due</b>   |
|---------------------------------------------------------------------------------------------|--------------|
| Pier Arts – achievement of RIBA Stage 4 for Creative Hub at the Old Post Office, Stromness. | May 24       |
| Islands Centre for Creative Ageing – staff in post                                          | August 2024  |
| Our Islands our Living Culture – enrolment of first PHD students                            | September 24 |

# Outer Hebrides Destination Development

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

Destination Development will develop and enhance the Outer Hebrides' top culture and heritage assets, and deliver new, complementary facilities and attractions at key locations across the Outer Hebrides. Destination Development will deliver a suite of new/enhanced and redeveloped visitor and heritage/culture 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. '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.

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.

Each of the capital projects is being delivered by a specific, community-led, organisation and will be a community-owned asset.

| <b>Headline Achievements</b>                                         | <b>Achieved</b> |
|----------------------------------------------------------------------|-----------------|
| £950k Regeneration Capital Grant Fund secured for Ionad Hiort        | January 2022    |
| £2m Regeneration Capital Grant Fund secured for Calanais             | January 2023    |
| £55k Islands Programme Fund secured for RIBA 4 for Hiort nan Hearadh | August 2023     |
| RIBA 4 achieved for Sealladh Hiort                                   | July 2023       |
| Destination Development Project Board established                    | September 2023  |
| RIBA 4 achieved for Calanais                                         | October 2023    |
| RIBA 4 achieved for Ionad Hiort                                      | December 2023   |
| Calanais capital procurement underway                                | December 2023   |
| Ionad Hiort capital procurement underway                             | January 2024    |

| <b>Key Milestones Planned for 24/25</b>                                                                                    | <b>Due</b>        |
|----------------------------------------------------------------------------------------------------------------------------|-------------------|
| Appoint contractor for Calanais                                                                                            | June 2024         |
| Ionad Hiort - Progress with Philanthropic Funding raising                                                                  | April 2024        |
| Commence construction - Calanais                                                                                           | July 2024         |
| Ionad Hiort - Determine and engage with preferred contractor, allowing subsequent establishment of construction timescales | April – Sept 2024 |
| Secure additional Match Funding – Hiort nan Hearadh                                                                        | July 2024         |
| Commence Procurement – Hiort nan Hearadh                                                                                   | December 2024     |
| Appoint contractor – Hiort nan Hearadh                                                                                     | March 2025        |

# Orkney World Heritage Gateway

|                                |                                                                 |
|--------------------------------|-----------------------------------------------------------------|
| <b>Islands Deal Investment</b> | £6.5m (£5.5m Scottish Government / £1m UK Government)           |
| <b>Lead Partner</b>            | Orkney Islands Council                                          |
| <b>Other Partners</b>          | Historic Environment Scotland, Highlands and Islands Enterprise |
| <b>Current Status</b>          | Outline Business Case approval scheduled for 2025/26            |

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 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.

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.

| <b>Headline Achievements</b>                                                                                                                                                                                                    | <b>Achieved</b>       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Initiation of Heritage Impact Assessment                                                                                                                                                                                        | June 2023             |
| Up to £132K approved for a Project Manager post over 4 years by Orkney Islands Council (matched by Historic Environment Scotland).                                                                                              | December 2023         |
| £200k funding approved to support Business Case development for this and other projects by Orkney Islands Council (matched by Historic Environment Scotland and Highlands and Islands Enterprise as per partnership agreement). | December 2023         |
| Partner in the North Atlantic Trail Project through the Nordic Atlantic Cooperation and Sisimuit Movement, a project and network across the North Atlantic focussed on UNESCO World Heritage Sites.                             | From March/April 2023 |

| <b>Key Milestones Planned for 24/25</b>     | <b>Due</b>    |
|---------------------------------------------|---------------|
| Appointment of Project Manager              | May/June 2024 |
| Creation of stakeholder engagement plan.    | August 2024   |
| Creation of funding and investment strategy | November 2024 |

# Orkney Vertical Farm

|                                |                                                                                                            |
|--------------------------------|------------------------------------------------------------------------------------------------------------|
| <b>Islands Deal Investment</b> | £2m (£1.5m UK Government / £0.5m Scottish Government)                                                      |
| <b>Lead Partner</b>            | James Hutton Institute                                                                                     |
| <b>Other Partners</b>          | Orkney Islands Council, Orkney College UHI, University of the Highlands and Islands, IGS Technologies Ltd. |
| <b>Current Status</b>          | Outline Business Case approval scheduled for 2024/25                                                       |

Islands Deal funding will invest in an Orkney Vertical Farm, powered by renewables, which seeks to lead the way in vertical farming and renewables technology within an island/rural context.

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.

| <b>Headline Achievements</b>                                                                                           | <b>Achieved</b> |
|------------------------------------------------------------------------------------------------------------------------|-----------------|
| Appointment of consultants to finalise Business Case for the Orkney Vertical Farm.                                     | August 2023     |
| Partnership visit to the Vertical Farm facility operated through James Hutton Institute and IGS Technologies in Dundee | October 2023    |
| Appointment of James Hutton Institute as the Project Lead                                                              | February 2024   |
| Appointment of the European Marine Energy Centre onto the Steering Group                                               | February 2024   |

| <b>Key Milestones Planned for 24/25</b>                                                                                                                                                           | <b>Due</b>    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Appointment of new Director of Agronomy at UHI Agronomy Institute in Orkney to support the development and partnership working on research and innovation associated with Orkney's Vertical Farm. | April 2024    |
| Community and stakeholder engagement events.                                                                                                                                                      | April 2024    |
| Development of a research and funding strategy to add value and attract national and international investment.                                                                                    | November 2024 |

# Shell-volution

|                                |                                                                                                      |
|--------------------------------|------------------------------------------------------------------------------------------------------|
| <b>Islands Deal Investment</b> | £4.4m UK Government                                                                                  |
| <b>Lead Partner</b>            | University of the Highlands and Islands                                                              |
| <b>Other Partners</b>          | Scottish Shellfish Marketing Group, Association of Scottish Shellfish Growers, HIE, Seafood Shetland |
| <b>Current Status</b>          | Full Business Case to be submitted May 2024                                                          |

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.

| <b>Headline Achievements</b>                                                                    | <b>Achieved</b> |
|-------------------------------------------------------------------------------------------------|-----------------|
| Short-life working group established with key partners and industry to progress FBC development | January 2024    |
| Draft FBC                                                                                       | March 2024      |

| <b>Key Milestones Planned for 24/25</b>                                                               | <b>Due</b>    |
|-------------------------------------------------------------------------------------------------------|---------------|
| Submission of FBC                                                                                     | May-June 2024 |
| Approval of FBC                                                                                       | August 2024   |
| Recruitment of key posts                                                                              | November 2024 |
| Project set up and preparation of proposed research plan for first two years of activity and delivery | March 2025    |

# Outer Hebrides Food and Drink Programme

|                                |                                                   |
|--------------------------------|---------------------------------------------------|
| <b>Islands Deal Investment</b> | £1.5m Scottish Government                         |
| <b>Lead Partner</b>            | Comhairle nan Eilean Siar                         |
| <b>Current Status</b>          | Programme Full Business Case approved April 2024. |

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.

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.

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.

| <b>Headline Achievements</b>                             | <b>Achieved</b> |
|----------------------------------------------------------|-----------------|
| Leverburgh Pier project delivered by the local community | October 2023    |
| Full funding package identified for Acarsaid Harbour     | January 2024    |
| Tender awarded for Acarsaid Harbour project              | February 2024   |
| F&D Programme FBC approved                               | April 2024      |

| <b>Key Milestones Planned for 24/25</b>               | <b>Due</b>    |
|-------------------------------------------------------|---------------|
| Completion of Acarsaid Harbour project                | May 2024      |
| Completion of Vatersay Harbour project                | August 2024   |
| Development of Brevig Harbour project to tender-stage | December 2024 |

# Spaceport 1

|                                |                                                         |
|--------------------------------|---------------------------------------------------------|
| <b>Islands Deal Investment</b> | £1m Scottish Government                                 |
| <b>Lead Partner</b>            | Comhairle nan Eilean Siar                               |
| <b>Current Status</b>          | Full Business Case approval scheduled for December 2024 |

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.

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.

| <b>Headline Achievements</b>                           | <b>Achieved</b> |
|--------------------------------------------------------|-----------------|
| Amended governance structure implemented               | May 2023        |
| Planning consent granted                               | July 2023       |
| Prior Information Notice completed                     | October 2023    |
| Options Appraisal on procurement of operator completed | February 2024   |

| <b>Key Milestones Planned for 24/25</b>             | <b>Due</b> |
|-----------------------------------------------------|------------|
| Procurement of pre-construction environmental works | March 2024 |
| Procurement of operator to commence                 | April 2024 |
| Procurement of construction works                   | May 2024   |
| Construction to commence                            | July 2024  |



Orkney Research and Innovation Campus,  
Courtesy of Orkney.com

## Theme 3

# Thriving, Sustainable Communities

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.

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. £28 million of Islands Growth Deal funding will be invested in the following projects and programmes.

# TalEntEd Islands

|                                |                                                          |
|--------------------------------|----------------------------------------------------------|
| <b>Islands Deal Investment</b> | £5.9m (£4.4m Scottish Government / £1.5m UK Government). |
| <b>Lead Partner</b>            | University of the Highlands and Islands                  |
| <b>Other Partners</b>          | Robert Gordon University, Heriot-Watt University         |
| <b>Current Status</b>          | Full Business Case submitted April 2024                  |

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. 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.

The Project Lead is the University of the Highlands and Islands (UHI), in collaboration with academic partners Robert Gordon University (RGU) and Heriot-Watt University (HWU). The TalEntEd Islands Programme also includes representation from the three island Local Authorities, Highlands and Islands Enterprise (HIE), Skills Development Scotland (SDS), and the Scottish Funding Council (SFC).

The four work packages are:

- Innovative Islands Work Based Learning (led by UHI)
- Islands Entrepreneurship Network (led by RGU)
- Islands Innovation & Commercialisation Programme (led by HWU)
- Innovative Islands Intrapreneurship Programme (proposed to be led by RGU)

| <b>Headline Achievements</b>                       | <b>Achieved</b> |
|----------------------------------------------------|-----------------|
| Review of Work Package activities and deliverables | February 2024   |
| Submission of Full Business Case                   | April 2024      |

| <b>Key Milestones Planned for 24/25</b> | <b>Due</b>  |
|-----------------------------------------|-------------|
| Approval of Full Business Case          | June 2024   |
| Delivery commences                      | August 2024 |

# Orkney Research and Innovation Campus 2 (ORIC 2)

|                                |                                                                                                                                                      |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Islands Deal Investment</b> | £8m UK Government                                                                                                                                    |
| <b>Lead Partner</b>            | Orkney Research and Innovation Campus (ORIC) is a Limited Liability Partnership between Orkney Islands Council and Highlands and Islands Enterprise. |
| <b>Current Status</b>          | Full Business Case approval scheduled for December 2024.                                                                                             |

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 and Robert Gordon University. 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 Phase 2 (ORIC 2) 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 progress towards an operational net zero position 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.

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.

| <b>Headline Achievements</b>              | <b>Achieved</b> |
|-------------------------------------------|-----------------|
| Design Team appointed                     | October 2022    |
| Planning Permission application submitted | December 2023   |
| External Works Project contract awarded   | November 2022   |

| <b>Key Milestones Planned for 24/25</b> | <b>Due</b>   |
|-----------------------------------------|--------------|
| Building Warrant application submitted  | March 2024   |
| Planning consents awarded               | June 2024    |
| Construction phase tender published     | June 2024    |
| Submission of FBC                       | August 2024  |
| FBC Approval                            | Oct/Nov 2024 |

# Shetland Campus Redevelopment

|                                |                                                   |
|--------------------------------|---------------------------------------------------|
| <b>Islands Deal Investment</b> | £3m Scottish Government                           |
| <b>Lead Partner</b>            | UHI Shetland                                      |
| <b>Current Status</b>          | Full Business Case approval scheduled for 2024/25 |

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.

This will include creating a Newton Room, immersive classroom, upgrading workshop spaces and learning centres. It 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.

| <b>Headline Achievements</b>                       | <b>Achieved</b> |
|----------------------------------------------------|-----------------|
| Architectural Project Feasibility Study completed. | August 2023     |
| Project Manager in post                            | January 2024    |

| <b>Key Milestones Planned for 24/25</b>                             | <b>Due</b>    |
|---------------------------------------------------------------------|---------------|
| Appointment of Architects & Engineers for FBC.                      | May 2024      |
| Submission of draft FBC.                                            | August 2024   |
| Planning Permission obtained for Phase 1.                           | August 2024   |
| FBC submitted to Scottish Government for final review and approval. | November 2024 |
| Start of construction on Phase 1 of the project.                    | February 2025 |

# Outer Hebrides Campus Redevelopment

|                                |                                          |
|--------------------------------|------------------------------------------|
| <b>Islands Deal Investment</b> | £1.5m Scottish Government                |
| <b>Lead Partner</b>            | UHI North, West and Hebrides             |
| <b>Current Status</b>          | Construction due to complete Summer 2024 |

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.

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. A main aspect of the development works will be for the creation of facilities supporting STEM fields of academic study.

The key element of the project is the modernisation of the Technology and Innovation Centre at the Stornoway Campus to enable the delivery of a range of innovative curricula and support education, training and design in fields such as alternative energy technologies, hydrogen energy and wind power, improving UHI Outer Hebrides capability to contribute to the realisation of a net-zero carbon economy. In addition, a range of mobile facilities and equipment will be established that further enable outreach capability at the learning centres in the Uists and Barra.

| <b>Headline Achievements</b>                                               | <b>Achieved</b> |
|----------------------------------------------------------------------------|-----------------|
| Construction contract awarded for new Technology & Innovation Centre (TIC) | July 2023       |
| Construction commenced on site                                             | August 2023     |
| Future Energy Lab completed and handed over to UHI                         | January 2024    |

| <b>Key Milestones Planned for 24/25</b>                                 | <b>Due</b> |
|-------------------------------------------------------------------------|------------|
| Complete procurement of furniture and equipment for TIC and Newton Room | March 2024 |
| Complete procurement of mobile facilities and equipment                 | March 2024 |
| Complete redevelopment of student spaces                                | March 2024 |
| Complete construction of new TIC                                        | May 2024   |

# Knab Redevelopment

|                                |                                                |
|--------------------------------|------------------------------------------------|
| <b>Islands Deal Investment</b> | £9.6m Scottish Government                      |
| <b>Lead Partner</b>            | Shetland Islands Council                       |
| <b>Current Status</b>          | Programme FBC submitted to Scottish Government |

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

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.

| <b>Headline Achievements</b>            | <b>Achieved</b> |
|-----------------------------------------|-----------------|
| Delivery of demolition contract on site | 2023/2024       |
| Submission of planning application      | Oct 2023        |

| <b>Key Milestones Planned for 24/25</b>                  | <b>Due</b>  |
|----------------------------------------------------------|-------------|
| Achieve planning consent for infrastructure              | April 2024  |
| Completion of demolition                                 | May 2024    |
| Submission of FBC                                        | May 2024    |
| Completion of infrastructure design and tender documents | May 2024    |
| Issue of tender documents for infrastructure works       | June 2024   |
| Appoint housing design team                              | August 2024 |
| Start on site                                            | August 2024 |

## 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 (£) |
|----------------------------------------------------|----------------------------------------|-------------------|-------------------|--------------------|------------------------|
| <b>1</b><br>Leading the way to a low carbon future | Islands Centre for Net Zero (Orkney)   | -                 | 6,500,000         | -                  | 6,500,000              |
|                                                    | Islands Centre for Net Zero (OH)       | 250,000           | 4,750,000         | 1,806,000          | 6,806,000              |
|                                                    | Islands Centre for Net Zero (SCEP)     | 250,000           | 4,750,000         | -                  | 5,000,000              |
|                                                    | Scapa Flow Future Fuels Hub            | 6,500,000         | -                 | 42,800,000         | 49,300,000             |
|                                                    | Outer Hebrides Energy Hub              | -                 | 11,000,000        | 31,000,000         | 42,000,000             |
|                                                    | Dales Voe Ultra-Deep Water Quay        | 9,000,000         | -                 | 29,000,000         | 38,000,000             |
| <b>2</b><br>Supporting Growth & Future Industries  | Creative Islands Wellbeing             | 3,000,000         | 2,600,000         | 5,479,206          | 11,079,205             |
|                                                    | Outer Hebrides Destination Development | 4,000,000         | 4,000,000         | 20,414,289         | 28,414,289             |
|                                                    | Orkney World Heritage Gateway          | 5,500,000         | 1,000,000         | 5,433,000          | 11,933,000             |
|                                                    | Orkney Vertical Farm                   | 500,000           | 1,500,000         | 1,734,000          | 3,734,000              |
|                                                    | Shell-volution                         | -                 | 4,400,000         | 2,200,000          | 6,600,000              |
|                                                    | Outer Hebrides Food and Drink          | 1,500,000         | -                 | 1,398,057          | 2,898,057              |
|                                                    | Spaceport 1                            | 1,000,000         | -                 | 2,342,099          | 3,342,099              |
| <b>3</b><br>Thriving Sustainable Communities       | TalEntEd Islands                       | 4,400,000         | 1,500,000         | 648,000            | 6,548,000              |
|                                                    | ORIC2                                  | -                 | 8,000,000         | 8,900,000          | 16,900,000             |
|                                                    | Shetland Campus Redevelopment          | 3,000,000         | -                 | -                  | 3,000,000              |
|                                                    | Outer Hebrides Campus Redevelopment    | 1,500,000         | -                 | 838,812            | 2,338,812              |
|                                                    | Knab Redevelopment                     | 9,600,000         | -                 | 61,859,758         | 71,459,758             |
| <b>Total Funding</b>                               |                                        | <b>50,000,000</b> | <b>50,000,000</b> | <b>215,853,221</b> | <b>315,853,221</b>     |



Wave test site maintenance, Orkney. Courtesy of EMEC

## The following Government funding was drawn down in 23/24:

| Project               | Funding drawn down 23/24 |
|-----------------------|--------------------------|
| Outer Hebrides Campus | 1,195,073                |
| OH Food & Drink       | 101,367                  |
| ICNZ (Outer Hebrides) | 44,983                   |
| ICNZ (Orkney)         | 569,897*                 |
| <b>Total</b>          | <b>1,911,320</b>         |

\*Includes 28,897 drawn down in 22/23.

## Key Headlines

Since the Full Deal was signed in January 2023, £1.9m of funding has been released.

Up to the end of March 2024, the Joint Committee approved £9.9m of its awarded funding. This equates to c10% of the overall Deal funding.



Mussel Farming, Shetland, Courtesy of Shetland Mussels Ltd.

## 5. Programme Structure and Governance

The three island councils have put in place a governance structure to manage the Deal which is detailed in a formal Governance Agreement. Governance arrangements remain as agreed at Full Deal.

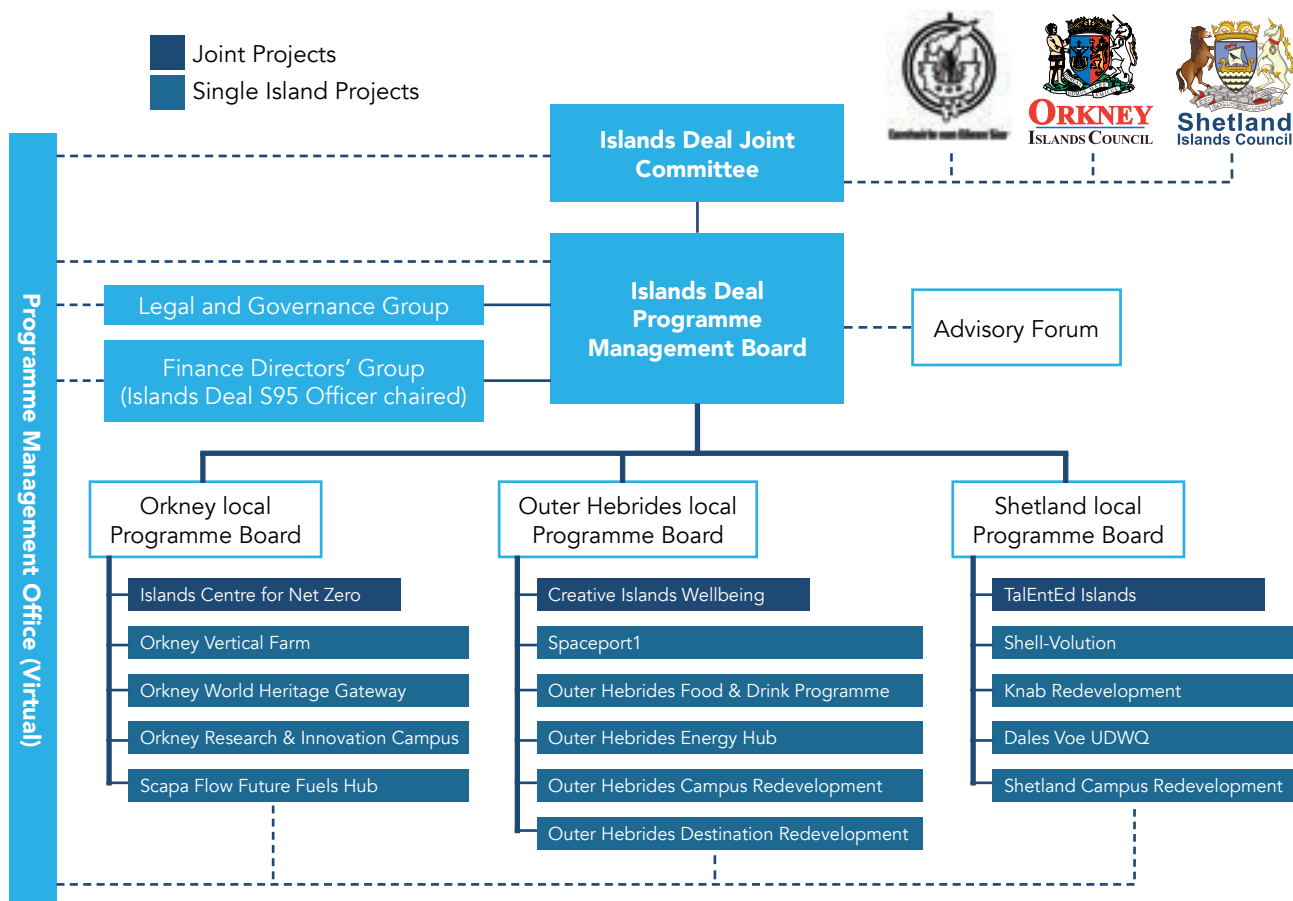
**Islands Growth Deal Joint Committee:** A Growth Deal for the Islands Joint Committee was established by the three local authority partners, Shetland Islands Council, Orkney Islands Council, and Comhairle nan Eilean Siar, in 2021. The Joint Committee is the primary decision-making body for the Deal. 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.

**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 then enters into Grant Agreements governing its distribution to Grantees.

**Programme Management Board:** 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:** 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.

**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 covered through the Islands Growth Deal Joint Committee Budget, which is approved annually. The following posts sit within the PMO: Programme Director, Project Officer, Senior Accountant (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 lead on co-ordination and management of programme activity in each island group.



More information on the governance structure can be found in the [Full Deal Document](#).

### Key changes during 2023/24:

- Chair of Programme Board moved from Orkney Islands Council to Comhairle nan Eilean Siar in February 2023.
- Chair of Joint Committee moved from Shetland Islands Council to Orkney Islands Council in July 2023.
- Review of governance structures was carried out and led to changes in the composition and Chairing arrangements for the Islands Deal Advisory Forum, and its relationship to the Programme Management Board.
- Stocktake of project governance was carried out as part of ensuring there are appropriate arrangements being implemented at individual project level.

## Internal Audit Reviews

In December 2023, Comhairle nan Eilean Siar's Internal Audit function undertook an audit in accordance with Internal Audit Standard PSIAS, on the Comhairle's Governance Arrangements for the Islands Deal. The scope of the audit included a review of 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:

- From our review we have received detailed information on the governance processes and are satisfied that these are comprehensive, well communicated and satisfy the needs of all parties involved in the Islands Growth Deal at this time.
- Our review concluded that there were no issues concerning the Comhairle's Governance Arrangements in relation to the Islands Deal, and therefore have no recommendations to make at this time.
- Based on the audit work carried out our overall opinion is that a Full level of assurance can be placed upon the control environment of the service/area under review.
- Internal control, governance and risk management are of a high standard. A sound system of control to achieve the system objectives exists and the controls are being consistently applied.

**In March 2024, a further Internal Audit review was carried out into Islands Growth Deal Claims Processes. The scope of the audit included a review of 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:

- For our review we have received detailed and well documented information on the claims processes and Internal Audit are confident that the information provided and checked satisfies the requirements of the terms and conditions set by Scottish Government.
- Based on the audit work carried out our overall opinion is that a Full level of assurance can be placed upon the control environment of the service/area under review.
- Internal control, governance and risk management are of a high standard. A sound system of control to achieve the system objectives exists and the controls are being consistently applied.



Calanais Stones, Isle of Lewis

## 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

The Growth Deal partners have committed to reviewing the Benefits Realisation Plan and Benefits Register annually. The first of these reviews was carried out in February 2024 to inform this Annual Report.

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. Key performance indicators (KPIs) have been identified for the Programme and are listed below. These 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                          |

In Year 1 of the Deal, the following impacts against the KPIs were demonstrated through a review of the Benefits Register by independent consultants in March 2024. Given the stage of the projects, the job and student achievements are modest. There has been reasonable success in attracting in match funding in Year 1:

|     |                                                                                  |         |
|-----|----------------------------------------------------------------------------------|---------|
| 3.1 | Other Public Sector Investment match-funding to deliver Growth Deal projects (£) | £12.75m |
| 3.2 | Private Sector Investment match-funding to deliver Growth Deal projects (£)      | £654k   |
| 3.3 | Research and innovation grant match- funding to deliver Growth Deal projects (£) | £6m     |
| 4.2 | Net additional FTE jobs created (Islands Deal)                                   | 11      |
| 6.3 | Number of PHDs, FE and HE students supported through Growth Deal projects (No.)  | 1       |

These impacts are in relation to the following projects which have received FBC approval or are proceeding at risk: Islands Centre for Net Zero, Creative Islands Wellbeing, Orkney WHGS, ORIC, OH Campus Development, Destination Development, Food and Drink.



Knab Redevelopment, Shetland. Courtesy of SIC

## Further Information:

Islands Deal website: [www.islandsdeal.co.uk](http://www.islandsdeal.co.uk)

Publications, including the Deal Document and Joint Committee Papers:  
[www.islandsdeal.co.uk/deal/documents-publications](http://www.islandsdeal.co.uk/deal/documents-publications)

Follow us on X @IslandsDeal

e-mail: [islandsdeal@cne-siar.gov.uk](mailto:islandsdeal@cne-siar.gov.uk)

Luskentyre, Harris



# OUR ISLANDS OUR DEAL



Cover Images: UHI Shetland students, Lerwick. Courtesy of UHI and Tim Winterburn