

OUR ISLANDS  
OUR DEAL 

# ISLANDS GROWTH DEAL

## Annual Performance Report

APRIL 2024 - MARCH 2025



Scottish Government  
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# CONTENTS



Joint Foreword	3
Executive Summary	4

5

Our Islands, Our Deal

8

Programme Activity 2024/25

10

Project progress and future milestones

29

Financial Summary

30

Programme Structure and Governance

32

Benefits Realisation

33

Looking Ahead

34

Acronyms

34

Key Contacts & Further Information

# JOINT FOREWORD

**W**hilst still in its relative infancy we have already seen that the Islands Growth Deal is having a transformative impact on Orkney, the Outer Hebrides and Shetland through the development and commencement of a number of projects. We are proud that collaboration, networking and partnership working across alliances, islands and sectors continue to be key attributes at all levels and stages of the deal.

The second year of the Islands Growth Deal has seen the commencement of the Full Business Case (FBCs) approval process to begin investing our £100m deal opportunity in activities which will revolutionise the economic, social and community landscapes of our islands. Our deal will continue with its aim of harnessing the islands unique assets and supporting transformative, innovative and inclusive activities that address our demographic challenges through nurturing local sectors and encouraging globally focused initiatives and industries.

Another five programmes and projects entered into their delivery phases during 24/25, committing £14.4m of the Islands

Growth Deal to the islands and sectors, providing a good basis towards achieving our goals and to begin realising the benefits of our Deal. We can already see a higher volume of FBC's coming forward in 25/26 and we're looking forward to seeing more activity commencing.

This year also focussed on developing the governance structure of the programme, ensuring that the fundamentals are in place, including robust and transparent processes, to deliver an efficient and effective package to stakeholders. There was also a period of change internally as we thanked the previous Programme Director for their service and contribution and welcomed a new Director to the post.

Whilst it is already evident that match funding and cost escalation will continue to have a major impact on project development in the coming year, we will continue to work closely with partners to support them through the process. A full programme review will look at the current project portfolio and identify their feasibility and deliverability within the Islands Growth Deal. Together we will continue to ensure that our deal will lead the way to a low carbon future, whilst also supporting growth and communities in our islands.



*Cllr Paul Steele  
Leader  
Comhairle nan Eilean Siar*

*Cllr Emma Macdonald  
Leader  
Shetland Islands Council*

*Cllr Heather Woodbridge  
Leader  
Orkney Islands Council*

# EXECUTIVE SUMMARY

## DEAL OVERVIEW

This Annual Report  
covers the period



2024-25 IS YEAR

**2** of the  
Islands  
Growth  
Deal

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.

ORKNEY

OUTER  
HEBRIDES

**£100** million funding agreed over  
**10** years

**£50 Million**



UK Government

**£50 Million**



Scottish Government  
Riaghaltas na h-Alba  
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Aiming for further investment of

**£216 million** in match funding.

**16** projects and programmes

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



## KEY ACHIEVEMENTS IN 2024/25

Up to the end of

**MARCH  
2025**

**£22.6m** of funding was approved for investment by the Joint Committee over the

**10-year** Programme,

equating to 22.6% of the value of the Deal.

**£14.4m** of Government investment was released in the second year of the Growth Deal

**Five**

Full Business Cases endorsed and moved into delivery.

**£7.92**

match funding leveraged in to support Islands Deal projects.

OUR ISLANDS  
OUR DEAL





Yesnaby Cliffs, Orkney – Stock/Swen Stroop

## Our Islands

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

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

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

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

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

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

The island's locations have each led to innovation and self-sufficiency being evident in the local economies. Island communities characteristically require to be resourceful and are well-versed in providing community-led solutions and responses to economic

and social needs. This is apparent in the levels of community landownership, social enterprise and community businesses, with communities responding to meet demand, and need for supplies and services, where there is market failure or opportunity.

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

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

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



**Productivity**

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

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

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

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

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

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

**Our Deal**

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

Orkney, Shetland and the Outer Hebrides have access to a unique range of assets and economic opportunities which can be leveraged to achieve the step change necessary to change our demographic trajectory, transform our economies, and enhance the significant contribution our islands make to the

economic vitality, cultural diversity and international reputation of Scotland and the United Kingdom.

The Islands Growth Deal will deliver an investment of £50 million each from the Scottish and UK Governments, and an anticipated £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. Therefore, this Deal includes an integrated package of proposals to create new infrastructure, support innovative Research and Development and showcase the islands assets.

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



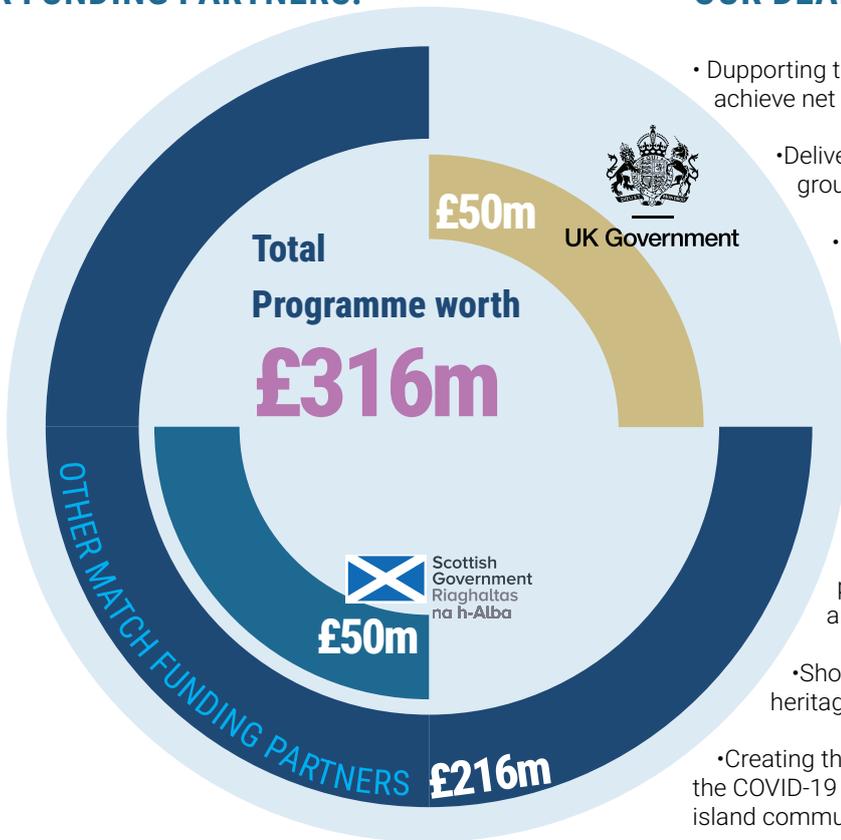
This annual report summarises progress for the second year of the Islands Growth Deal Programme, from April 2024 to March 2025.

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

**OUR ISLAND LEADS:**



**OUR FUNDING PARTNERS:**



**OUR DEALS STRATEGIC AIMS:**

- Supporting the islands to be among the first places in the UK to achieve net zero.
- Delivering over 1,300 jobs by 2032 across the three island groups
- Improving economic productivity by securing further investment of up to £216m to deliver Growth Deal Projects
- Creating new and internationally significant port infrastructure that will play an important role in supporting Scotland and the UK to achieve net zero targets.
- Strengthening the islands' place as unique 'living laboratories' for global innovation in low carbon technologies, wellbeing research and sustainable food production in partnership with their leading universities and research institutes.
- Showcasing the islands' outstanding natural environment, heritage, culture and creativity to the world.
- Creating the foundation for an innovation-focused recovery from the COVID-19 pandemic and support inclusive growth across all the island communities.

**OUR THEMES:**

**1** Leading the Way to a Carbon Future

**2** Supporting Growth and Future Industries

**3** Thriving Sustainable Communities

## 2. PROGRAMME ACTIVITY 2024/25

### PROGRAMME ACHIEVEMENTS IN 2024/25

**£14.4m**

of Islands Growth Deal committed through approved Full Business Cases

**£7.92m**

of Match Funding levered in.



Full Business Cases approved

Annual Performance Report 22/23 approved by Joint Committee

Commenced a full Programme Review

Implemented the updated IGD Communications Plan



### PROJECT SUCCESSES:

**UHI**

**TalEntEd**

held their first annual stakeholder event signifying the commencement of the programme.

Outer Hebrides UHI Campus Redevelopment nearing completion



Calanais broke ground and commenced build



Neil, Iain and Stewart MacLean of Seas the Catch  
Photo Courtesy of Highlands and Islands Enterprise

Acarsaid Improvements completed as part of the Outer Hebrides Food and Drink Programme.

# PROGRAMME RISKS AND CHALLENGES:

Delays in the submission of several anticipated Full Business Cases, coupled with staff changes within the Programme Management Office (PMO), resulted in a slower than anticipated pace of the Islands Growth Deal Programme. Year two therefore remained in the latter sections of the development stage of the Programme, with it expected to fully enter delivery stage in the next financial year.

Similarly to 2023/24, progress towards delivery has continued to encounter challenges, and slippage was yet again experienced due to delays in the development and submission of some Full Business Cases, which in turn led to further underspend against the financial allocation for 24/25. This was caused by inter-related challenges across

the Programme, funding and developmental landscape. The management of strategic risks across the programme is monitored via the Programme Risk Register which is reviewed monthly by the Programme

Management Board (PMB) and quarterly at Joint Committee.

Elements of the management of the Programme required to be paused during a three-month gap when awaiting a new Islands Growth Deal Programme Director to commence in post following the departure of the previous postholder. Any obligations and programme risks continued to be managed by both the PMB and PMO team members during this hiatus to ensure there was no impact on the delivery of the programme.

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 are monitored and reviewed monthly by the PMO and PMB.



Photos IGD Project - 1 Ring of Brodgar, Orkney World Heritage Site – Orkney Islands Council, 2. Spaceport 1 – Scolpaig enabling works, Comhairle nan Eilean Siar. 3. Dales Voe - Lerwick Port Authority 4. Mussel Farming, Shetland - Shetland Islands Council

The following are examples of Risk managed at all levels in the last year:

Risk	Rating	Issue	Treatment
Poor IGD programme management, governance and financial controls	Green	Potential for compliance, reporting and monitoring issues impacting on overall programme delivery.	Comhairle nan Eilean Siar undertakes an annual Internal Audit of all the programmes processes. 24/25 review reported no issues.
Increased construction costs and overall deliverability across the Programme.	Red	Recurrent issue in island development.	Manage costs, Value Engineering, when possible, Postpone delivery of project until costs are manageable and funding in place.
Projects prove unviable during the development of FBCs or unable to secure mat funding.	Yellow	Competitive match Funding market and resulting timescales may impact upon the project's viability.	Project-specific issues log in place between each Council and the PMO to monitor projects viability.
Underspend / overspend against IGD Financial Profile and available funding	Red	Funding unable to be drawn down as projected.	Many projects have reported underspend due to programme slippage. Financial forecasts closely scrutinised with all stakeholders to identify solutions.

## 3. PROJECT PROGRESS AND FUTURE MILESTONES.

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

In moving from Outline to Full Business Case, a number projects within the Islands Growth Deal are standalone capital investments, for which one Full Business Case (FBC) will be developed and approved to allow funding to

be released. The remaining proposals are more complex, containing distinct elements which may have different development, delivery and match funding timescales and these result in the need for a Programme

FBC followed by a series of individual Project FBC's submitted as and when the project is fully developed and ready for delivery. The table below provides an overview of the status of each of these up to end of March 2025.

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	In Delivery
<b>Islands Centre for Net Zero - OH</b>	<b>Outer Hebrides</b>	<b>FBC annexe for Creed Hydrogen Skills &amp; Innovation Centre submitted.</b>	<b>In Delivery</b>
Islands Centre for Net Zero - Shetland	Shetland	FBC approval - scheduled for May 2025.	In Development
Future Fuels Hub	Orkney	Project in review	Under Review
Outer Hebrides Energy Hub	Outer Hebrides	FBC approval - scheduled for 25/26	In Development
Dales Voe Ultra-Deep Water Quay	Shetland	FBC approval - scheduled for late 2025.	In Development
<b>Theme 2 - Supporting Growth &amp; Future Industries</b>			
<b>Creative Islands Wellbeing - Collaborative Programme</b>	<b>Pan-island</b>	<b>FBC approved - February 2025</b>	<b>In Delivery</b>
Creative Islands Wellbeing - Pier Arts Capital Project	Orkney	FBC Annexe approval – scheduled for 25/26	In Development
Creative Islands Wellbeing - An Lanntair Capital Project	Outer Hebrides	FBC Annexe approval – scheduled for 26/27	In Development
Creative Islands Wellbeing - Taigh Chearsabhagh Capital Project	Outer Hebrides	FBC Annexe approval – scheduled for 27/28	In Development
<b>Destination Development - Calanais</b>	<b>Outer Hebrides</b>	<b>FBC approved - April 2024</b>	<b>In Delivery</b>
Destination Development - Ionad Hiort	Outer Hebrides	Project in review	Under Review
Destination Development - Hiort na Hearadh	Outer Hebrides	FBC approval - scheduled for 25/26	In Development
Destination Development – Sealladh Hiort	Outer Hebrides	Project in review	Under Review
Destination Development – Iolaire	Outer Hebrides	Project in review	Under Review
Orkney World Heritage Gateway - Programme	Orkney	OBC approval - scheduled for late 25/26	In Development
Orkney World Heritage Gateway - Active Travel and Access Project	Orkney	OBC approval - scheduled for 26/27	In Development
Orkney World Heritage Gateway - Digital and Interpretation	Orkney	OBC approval - scheduled for 26/27	In Development
Orkney World Heritage Gateway - Orientation Centre	Orkney	OBC approval - scheduled for 26/27	In Development
Orkney World Heritage Gateway - Skara Brae Improvements	Orkney	OBC approval - scheduled for 26/27	In Development
Vertical Farm	Orkney	OBC approval - scheduled for 25/26	In Development
<b>Shell-volution</b>	<b>Shetland</b>	<b>FBC approved - September 2024</b>	<b>In Delivery</b>
Outer Hebrides Food & Drink - Programme and Pier & Harbour Improvements	Outer Hebrides	Programme FBC approved - March 2024	In Delivery
Outer Hebrides Food & Drink - Brevig Harbour	Outer Hebrides	FBC approval - scheduled for 25/26	In Development
Outer Hebrides Food & Drink - Uist Food Processing	Outer Hebrides	FBC approval - scheduled for 25/26	In Development
Spaceport1	Outer Hebrides	FBC submitted - approval scheduled for 25/26	In Development
<b>Theme 3 - Thriving, Sustainable Communities</b>			
<b>TalEntEd Islands Programme</b>	<b>Pan-island</b>	<b>Programme FBC approved - October 2024</b>	<b>In Delivery</b>
Orkney Research & Innovation Campus (ORIC2)	Orkney	FBC Approval – scheduled for 25/26	In Development
Shetland Campus Redevelopment	Shetland	FBC Approval – scheduled for 25/26	In Development
Outer Hebrides Campus Redevelopment	Outer Hebrides	FBC Approved - June 2023	In Delivery
Knab Redevelopment - Programme	Shetland	FBC Approval – scheduled for 25/26	In Development
Knab Redevelopment - Student Accommodation and Creative Hub	Shetland	FBC Approval – scheduled for 25/26	In Development
Knab Redevelopment - Housing Developments	Shetland	FBC Approval – scheduled for 25/26	In Development

# PROJECTS

APPROVED IN 2024/25:

## CREATIVE ISLANDS WELBEING

**Our Islands – Our Living Culture: Islands  
Centre for Creative Ageing  
Imagining an Island  
ACROSS - from the island to the island**

## DESTINATION DEVELOPMENT

**CALANAIS CENTRE REDEVELOPMENT**

## SHELL-VOLUTION

## ICNZ OUTER HEBRIDES

**CREED HYDROGEN  
SKILLS & INNOVATION  
CENTRE**

## TALENTED ISLANDS PROGRAMME

## 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)

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

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

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

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



<b>Islands Deal Investment</b>	£16.5m (£0.5m Scottish Government / £16m UK 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
<b>Project Vision</b>	To accelerate our islands’ transition to net zero.



IGD Project - Islands Centre for Net Zero (ICNZ) – Colin Keldie at EMEC

Headline Achievements in 24/25	Achieved
First phase of ICAN community resource centres operational in Orkney, Shetland, and the Outer Hebrides (WP5)	Mar 2024
Data governance and ethics frameworks approved (WP2)	Oct 2024
Progress on match funding through 2024/25: Collaboration agreement signed on Sea Change project on zero-emissions shipping (£0.5M / WP6)	Nov 2024
Launch of first Transition Labs (School Run) to develop and test systemic transition solutions (WP3)	Dec 2024
Approval of first two Orkney demo zones in agriculture (projects trialling specialist foliar fertiliser sprayer and a methane monitoring system to guide selection of lower-emission, high-efficiency breeding cattle) (WP4)	Dec 2024
ICNZ OH Transition Fund Opened (WP8)	Dec 2024
Energy and carbon baseline metrics established for each island aligned with Scottish Governments Climate Intelligence Service (WP2)	Feb 2025

Key Milestones Planned for 25/26	Due Date
Housing transition lab launched (WP3)	Mar 2025
Submission of updated programme FBC (expanded project scope to include OH & Shetland transition projects) (WP7 & 8)	May 2025
Orkney Transition Project screening complete (WP9)	Jun 2025
First transition projects approved in Shetland and the Outer Hebrides (WP7 & 8)	Jan 2026

# ORKNEY FUTURE FUELS HUB

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

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

An appraisal of potential options has concluded that the Hub would best be located within the Orkney Logistics Base adjacent to an expanded Hatston Pier. Analysis shows this will better serve the multitude

<b>Islands Deal Investment</b>	£6.5m Scottish Government
<b>Lead Partner</b>	Orkney Harbour Authority, Orkney Islands Council
<b>Current Status</b>	Under Review

Headline Achievements in 23/24	Achieved
Further Review of Future Fuels landscape	December 2024
Review of Future Fuels Hub within the Islands Growth Deal	September 2024

Key Milestones Planned for 24/25	Due
Completion of Project Review within Deal	April 2025

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.

# OUTER HEBRIDES ENERGY HUB

Located adjacent to Stornoway's new £60m Deep Water Terminal, the Outer Hebrides Energy Hub will be a multi-user Green Hydrogen Production, Storage and Distribution Facility. With first production scheduled for 2027/28, the Energy Hub's initial priority will be the supply of Green Hydrogen, by tube trailer, to a number of high-value local industries which depend on steam for their industrial processes and are keen to decarbonise by substituting Green Hydrogen for Heating Oil or LPG.

The Energy Hub will then supply Public Sector fleet and some Public Sector District

<b>Islands Deal Investment</b>	£11m UK Government
<b>Lead Partner</b>	Comhairle nan Eilean Siar
<b>Other Partners</b>	Petronas, GreenCat Hydrogen, Navantia
<b>Current Status</b>	Revised OBC in preparation, FBC anticipated end 2025
<b>Project Vision</b>	Green Hydrogen production for local use and export

Heat Networks with Green Hydrogen before ramping up production to supply SGN's decarbonising, 1,700 consumer Stornoway Town Centre Propane Network.

From 2030, the Energy Hub will produce Green Hydrogen for ship-borne export as a Hydrogen derivative and, ultimately, for export in the form of gaseous Hydrogen by

the planned West-of-UK subsea Hydrogen pipeline.

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

Headline Achievements in 24/25	Achieved
Identification of two key project partners	November 2024
Project realignment to mitigate risk of SGN withdrawal	January 2025
Identification of full suite of potential offtakers	February 2025

Key Milestones Planned for 25/26	Due Date
Refreshed Outline Business Case	April 2025
Initial project design	September 2025
Full Business Case	December 2025

# DALES VOE ULTRA-DEEP WATER QUAY



IGD Project - Dales Voe - Lerwick Port Authority

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

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

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

<b>Islands Deal Investment</b>	£9m Scottish Government
<b>Lead Partner</b>	Lerwick Port Authority
<b>Current Status</b>	Full Business Case scheduled for Autumn 2025

Headline Achievements in 24/25	Achieved
Consenting work progressed	Continued throughout 2024/25
Updated Costings based on Phased approach	Drafted April 2024
Phase 1 progressed as part of larger Harbour Dredging Project	Continued throughout 2024/25
HIE Funding Phase 1 UDWQ Funding Application approved in principle, pending final costs	February 2025
Credit approval for new bank facility to support Harbour Dredge (including Phase 1 UDWQ)	December 2024
Dales Voe Laydown Planning Consent received	January 2025

<b>Islands Deal Investment</b>	£9m Scottish Government
<b>Lead Partner</b>	Lerwick Port Authority
<b>Current Status</b>	Full Business Case scheduled for Autumn 2025

The project will be delivered in Phases, with Islands Deal funding supporting Phase 2 and 3 to create the laydown space, prepare the seabed and build the harbour. The development will

create 100 jobs that will be sustained for the next 25 years, as well as creating a new supply chain that does not currently exist in the UK, along with significant GVA impacts.



## THEME 2 - SUPPORTING GROWTH & FUTURE INDUSTRIES

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

The Islands Deal will deliver a programme of investment across six programmes and projects designed to accelerate economic growth and innovation. £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 (Decision expected imminently)
<b>Project Vision</b>	'Our Islands, our living culture: Building communities of creative practice in Scotland's Islands'

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

- Creative Practice Hub, Stromness, Orkney, led by Pier Arts Centre
- Residency Centre, Birsay, Orkney, led by Pier Arts Centre
- An Lanntair Creative Practice Hub, Isle of Lewis
- Taigh Chearsabhagh Creative Practice Hub, Lochmaddy, North Uist

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

- Imagining an Island: Academic Research and post graduate creative practice led by the UHI Centre for Islands Creativity, Shetland.
- ACROSS - from the island to the island: UK and international collaboration and knowledge exchange led by Pier Arts Centre, Orkney and delivered in partnership with Shetland Arts, Taigh Chearsabhagh and An Lanntair.
- Our Islands – Our Living Culture: Islands Centre for Creative Ageing led by An Lanntair and delivered in partnership with the NHS.

The programme will create new jobs in the islands' creative industries sector, support creative businesses to increase their turnover, strengthen the international

profile of our creative industries, lever additional research income into the islands, and increase levels of wellbeing in the islands.



Shetland *arts*



Headline Achievements in 24/25	Achieved
Taigh Chearsabhagh secured £50k IIF for detailed site survey work	Nov 24
Pier Arts awarded RCGF funding and appointed a Dev Manger funded by HIE	Sept and Nov 24
Final Business Case Signed off	Feb 25

Key Milestones Planned for 25/26	Due Date
First PHD Students recruited to Imagining an Island	Summer '25 ?
Creative Ageing Project recruits Project Delivery Post	May/June 2025
Pier Arts Project Out to Tender	Qtr 1 2026

# OUTER HEBRIDES

## DESTINATION DEVELOPMENT



IGD Project - Calanais Stones, Isle of Lewis – Stock

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

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

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

<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.
<b>Current Status</b>	Calanais project underway.

Key Milestones Planned for 25/26	Due Date
Review Sealladh Hiort project	April 2025
Tender Hebrides People project	October 2025

Headline Achievements in 24/25	Achieved
Calanais construction contract started	August 2024
Iolaire development supported by UKSPF	October 2024
Hebrides People development supported by UKSPF	October 2024
Ionad Hiort supported by HIE for development officer	January 2025

for which UNESCO World Heritage Site status will be sought.

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

# ORKNEY

## WORLD HERITAGE SITE



<b>Islands Deal Investment</b>	£6.5m
<b>(£5.5m Scottish Government / £1m UK Government)</b>	August 2024
<b>Lead Partner</b>	Orkney Islands Council
<b>Other Partners</b>	Historic Environment Scotland, Highlands and Islands Enterprise
<b>Current Status</b>	Programme Outline Business Case approval scheduled for 2026
<b>Project Vision</b>	"To provide a world-class, innovative solution to heritage management and sustainable tourism at

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

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

Islands Growth Deal investment will

HEADLINE ACHIEVEMENTS IN 24/25	Achieved
Project Manager in post	November 2024
Rescope project to a programme with 3 key projects areas	December 2024
Projects defined and project teams set up that are fully scoped in looking at the key problem	January 2025
Funding Manager in post	February 2025

Key Milestones Planned for 25/26	Due Date
Stakeholder Engagement Plan	Summer 2025
Draft Funding and Resource Strategy	Summer 2025
Draft Project Outline Business Cases	December 2025
Draft Programme Outline Business Case	December 2025

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.

## ORKNEY VERTICAL FARM

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

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

<b>Islands Deal Investment</b>	£2m
<b>(£0.5m Scottish Government / £1.5m UK Government)</b>	August 2024
<b>Lead Partner</b>	James Hutton Institute
<b>Other Partners</b>	Orkney Islands Council
<b>Current Status</b>	Outline Business Case approval scheduled for March 25

Headline Achievements in 24/25	Achieved
Revision of leadership	01/08/2024
Reshaping and contextualisation of OBC	17/03/2025
Increased access to data (food demand, energy etc)	10/02/2025
Discussion and integration with ICNZ	01/02/2025
Preliminary site review	21/01/2025

Key Milestones Planned for 25/26	Due Date
Submit updated OBC	31/04/2025
Develop a funding strategy and apply for funds for research and support	05/2025
Undertake a further series of stakeholder engagements	07/2025
Submit revised draft FBC	1/12/2025

# SHELL-VOLUTION

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>Islands Deal Investment</b>	£4.4m UK Government
<b>Lead Partner</b>	University of the Highlands and Islands
<b>Other Partners</b>	Shetland Mussels, Association of Scottish Shellfish Growers, HIE, Seafood Shetland
<b>Current Status</b>	Full Business Case Approved - September 2024
<b>Current Status</b>	Programme Outline Business Case approval scheduled for 2026

Headline Achievements from 24/25	Achieved
Submission of FBC	May-June 2024
Approval of FBC	September 2024
Advertisement of key posts	January 2025

Key Milestones Planned for 25/26	Due
Recruitment - post holders 'in role'	April 2025.
Project set-up for next 2 years	June 2025
Begin Delivery of outputs	June 2025

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

# OUTER HEBRIDES

## FOOD AND DRINK PROGRAMME

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

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

The Programme will lead to business creation and growth and generate a range of new

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

Headline Achievements in 24/25	Achieved
Delivery of Acarsaid Harbour Improvements	June 2024
Progressing development of several Food Hub projects	December 2024
Utilisation of UKSPF Capital	March 2025

Key Milestones Planned for 25/26	Due Date
Delivery of Lochboisdale Fish-processing Project	April 2025
Delivery of Vatersay Pier Improvements	November 2025
Delivery of Brevig Harbour Improvements	December 2025
Development of South Uist Food Hub (Meat Processing)	March 2026
Development of Lewis Food Hub (Venison Processing)	March 2026

employment opportunities. This will develop local food and drink markets and respond to market opportunities linked to product

diversification and value added, building economic resilience, community wealth and well-being.



Lochboisdale Marina – courtesy of CnES Planning dept

# SPACEPORT 1



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

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

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

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

Spaceport 1 will provide significant economic benefit in the Uist context by

<b>Lead Partner</b>	Comhairle nan Eilean Siar
<b>Other Partners</b>	Highlands and Islands Enterprise
<b>Current Status</b>	Full Business Case approval scheduled for Spring 2025.
<b>Project Vision</b>	To establish the UK's primary commercial suborbital launch site.

Headline Achievements in 24/25	Achieved
Match funding from CnES secured	October 2024
Match funding from HIE secured	October 2024
Principal contractor appointed	October 2024
Pre-construction planning conditions discharged	November 2024
Construction of enabling infrastructure commenced	November 2024

Key Milestones Planned for 25/26	Due Date
Procurement of cultural heritage specialist	April 2025
Construction of enabling infrastructure completed	April 2025
Fibre broadband installed	April 2025
Procurement of private sector operator commences	May 2025
Appointment of private sector operator	November 2025

employing 25 people by year 3, providing training opportunities, and creating

additional economic return as a result of the construction and operational activity.



## THEME 3 - THRIVING, SUSTAINABLE COMMUNITIES

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

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

## TALENTED =

- Talent Attraction
- Enterprise and Entrepreneurship
- Education

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

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

1. UHI - Innovative Islands Work Based Learning (£2m)
2. RGU - Islands Entrepreneurship Network (£1.2m)
3. HWU - Islands Innovation & Commercialisation (£1.3m)
4. RGU - Innovative Islands Intrapreneurship (£2.05m)

<b>Islands Deal Investment</b>	£5.9m
<b>(£4.4m Scottish Government / £1.5m UK Government).</b>	Comhairle nan Eilean Siar
<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 Approved



<b>Headline Achievements in 24/25</b>	<b>Achieved</b>
Approval of Full Business Case	October 2024

<b>Key Milestones Planned for 25/26</b>	<b>Due Date</b>
Recruitment of funded staff	April 2025
Commercialisation WP Innovation Grants awarded	March 2026
Work-based learning pilot curriculum developed	March 2026
Islands Entrepreneurship Network partnership development and delivery of support	March 2026

# ORKNEY RESEARCH AND INNOVATION CAMPUS 2 (ORIC 2)

<b>Islands Deal Investment</b>	£8m UK Government
<b>Lead Partner</b>	ORIC is a Limited Liability Partnership between Orkney Islands Council and HIE.
<b>Current Status</b>	Full Business Case approval scheduled for Autumn 2025

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

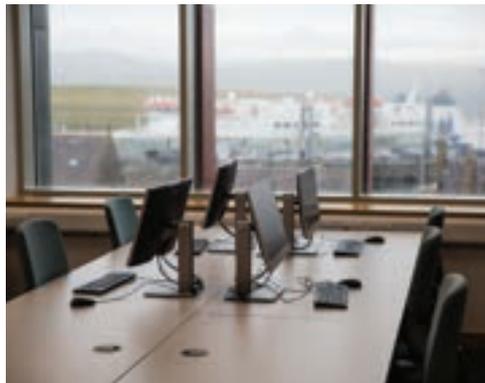
ORIC 2 comprises of several capital investments across the Campus which will make a substantial contribution to ORIC's long-term vision and masterplan. These include:

- Achievement of operational net zero across the Campus.
- Property redevelopment to create an 'ORIC Exchange and Incubator Hub' to enable commercial application of convergent research and technologies.
- Measures to improve standards and increase lettable space in existing buildings.
- Improved on-site infrastructure and increased parking provision.

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



IGD Project - Orkney Research & Innovation Campus 2



Orkney Research & Innovation Campus LLP (ORIC)

Headline Achievements in 24/25	Achieved
Completed planning submission	December 2023 and resubmitted December 2024
Building Warrant Approval	In stages throughout 2024

Key Milestones Planned for 25/26	Due Date
Obtaining planning consent	April 2025
Construction phase tender published	June 2025
Submission of FBC	August 2025
FBC Approval	Oct/Nov 2025
Construction contract awarded	November 2025

# 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 2025/26

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

The project will also help meet the training and skills development needs of current and emerging local business sectors including renewables, decommissioning and satellite launching. In doing so, this project will

contribute to economic development and inclusive growth in the islands as well as to the zero-carbon economy.

The intended outputs will include creating an immersive classroom and Newton Room, as a part of a STEM Hub. This will involve transforming existing spaces at the UHI Shetland campus to both increase the attractiveness of the campuses for traditional, on-campus students and, through the integration of new technologies, enable



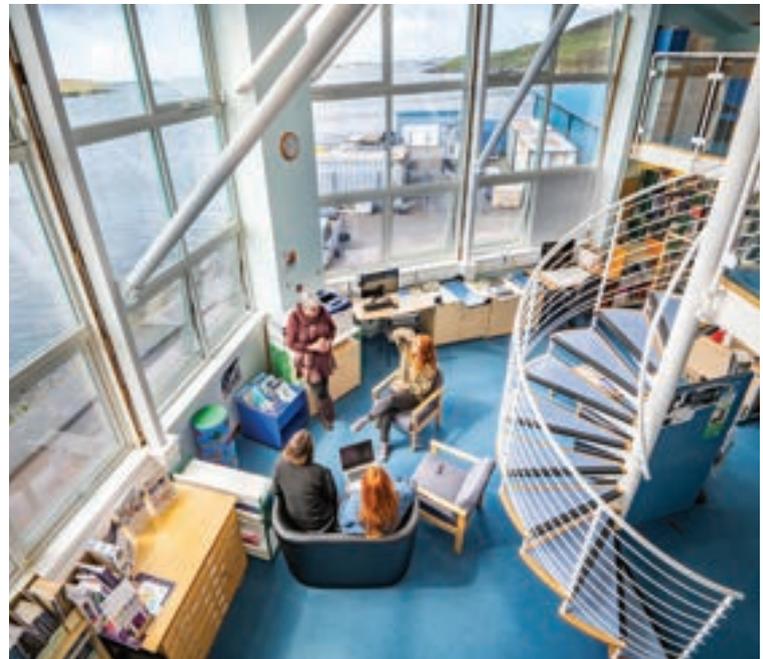
a greater degree of outreach to more remote learners and island businesses. In addition, a range of mobile facilities and equipment will be established that further enable outreach capability



IDG Project - UHI Shetland photoshoot - UHI Shetland



IDG Project - Scalloway Campus - UHI Shetland



IDG Project - Current Student Space - UHI Shetland

Headline Achievements in 24/25	Achieved
Appointment of Architects and Engineers	May 2024
Submission of Planning Application	August 2024
Submission of first draft of FBC to Scottish Government	November 2024

Key Milestones Planned for 25/26	Due Date
Approval of Planning Application	April 2025
Tender for substantial construction works for project	July 2025
Submission of FBC to Scottish Government	October 2025
Approval of funding	January 2026
Commencement of works, phase 1	March 2026

# OUTER HEBRIDES CAMPUS REDEVELOPMENT

<b>Islands Deal Investment</b>	£1.5m Scottish Government
<b>Lead Partner</b>	UHI North, West and Hebrides
<b>Other Partners</b>	Highlands and Islands Enterprise (HIE), funder £250k Islands Programme Fund (IPF), funder £250k CnES, funder £236k UHI Executive Office
<b>Current Status</b>	Project due to complete Spring 2025

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

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

1. Transforming the Technology and Innovation Centre (TIC) at the Stornoway Campus to enable the delivery of a range of innovative curricula.
2. Creating a Student Hub at the Stornoway Campus where students can socialise and engage in collaborative or student-led learning.
3. Establishing a Newton Room at the Stornoway Campus to provide high quality learning experiences for primary and early secondary school pupils in STEM subjects.
4. Developing a range of Mobile Facilities and Equipment that can be transported to remote venues in the Outer Hebrides, further enhancing the college's educational outreach offering.



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



Headline Achievements in 24/25	Achieved
Completion of all construction works associated with the development of the new TIC on the Stornoway Campus	May 2024
Identification, management and resolution of all works covered by construction rectification period.	Jan 2025
Initiation of all procurement exercises for furniture and equipment associated with the project workstreams.	July 2024

Key Milestones Planned for 25/26	Due Date
Completion of all procurement exercises associated with outfitting of the TIC.	March 2025
Completion of all procurement exercises for the furniture associated with redevelopment of the Student Spaces on the Stornoway Campus	March 2025
Completion of all procurement exercises associated with the mobile equipment and facilities.	March 2025
Host an official Opening Ceremony attended by all stakeholders, including the Deputy First Minister of Scotland.	May 2025



# KNAB REDEVELOPMENT

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

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

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

<b>Islands Deal Investment</b>	£9.6m Scottish Government
<b>Lead Partner</b>	Shetland Islands Council
<b>Current Status</b>	Programme FBC approved, subsequent Project FBC’s in development

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.

Headline Achievements in 24/25	Achieved
Completion of demolition of former school campus	May 2024
Full planning permission for infrastructure and public realm works obtained	May 2024
Contract awarded and Contractor appointed for core site infrastructure works contract	February 2025

Key Milestones Planned for 25/26	Due Date
Commencement of core site infrastructure construction work on site	May 2025
Procurement and appointment of design team for refurbishment of Janet Courtney building	June 2025
Completion of Stage 1 of core site infrastructure works	March 2026



## 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. Leading the way to a low carbon future</b>	Islands Centre for Net Zero (Orkney)	-	6,500,000	-	6,500,000
	Islands Centre for Net Zero (Outer Hebrides)	250,000	4,750,000	1,806,000	6,806,000
	Islands Centre for Net Zero (Shetland Clean Energy Project)	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. Supporting Growth &amp; Future Industries</b>	Creative Islands Wellbeing	3,000,000	2,600,000	5,479,206
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. Thriving Sustainable Communities</b>	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>

The following shows the amount of Government **funding drawn down to 24/25**:

PROJECT	22/23	23/24	24/25	Total Claimed
	Total	Total	Total	
Islands Centre for Net Zero (Orkney)	28,897	541,000	1,102,819	1,672,716
Islands Centre for Net Zero (Outer Hebrides)		44,984	163,428	208,412
Outer Hebrides Campus Redevelopment		1,195,074	251,419	1,446,493
Outer Hebrides Food and Drink Programme		96,789	53,211	150,000
TalEntEd Islands programme			36,951	36,951
Outer Hebrides Destination Development			1,032,593	1,032,593
	28,897	1,877,847	2,640,421	4,547,165

### KEY HEADLINES

- Since the Full Deal was signed in January 2023, £4.5m of funding has been released (3.4% of the Islands Growth Deal award)
- Up to the end of March 2025, the Joint

Committee has approved £22.6m of its awarded funding. This equates to c22.6% of the overall Deal funding.

- Drawdown has initially been slow due to

delays in FBC approvals resulting in delayed project delivery. It is forecasted that 25/26 will begin to show a marked increase in IGD drawdown.

# 5. PROGRAMME STRUCTURE AND GOVERNANCE

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

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

**Accountable Body:** Comhairle nan Eilean Siar acts as the Lead Authority and the Accountable Body for the Islands Deal in terms of the relationship with UK and Scottish Government. Islands Deal funding is channelled through the Comhairle who has entered into Grant Agree-

ments governing its distribution to Grantees.

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

**Local Programme Boards:** Local Programme Boards have been established in each of the local authority areas within the Growth Deal. These bring together lead officers involved in the development and implementation of the Deal in each specific island group to support

its successful progression and maximise local benefit and impact.

**Programme Management Office:** The Programme Management Office (PMO) function within the Islands Growth Deal consists of those officers employed to coordinate the operational tasks necessary to implement the delivery of the Growth Deal Programme. The cost of the PMO is split between the three island authorities and is approved annually through the Islands Growth Deal Joint Committee Budget. The following posts sit within the PMO: Programme Director, Project Officer, Senior Accountant (p/t). 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 which is on the Islands Deal website.

**KEY CHANGES DURING 2024/25:**

- Chair of Joint Committee moved from Orkney Islands Council to Comhairle nan Eilean Siar in July 2024.
- Chair of Programme Management Board moved from Comhairle nan Eilean Siar to Shetland Islands Council in June 2024.

## INTERNAL AUDIT REVIEWS

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

### 1. The scope of the Governance audit included the following objectives:

- Confirm that governance arrangements are in place, including key roles and responsibilities;
- Confirm there are policies and procedures in place to review and approve business cases;
- Confirm that business cases are approved by the programme board and other relevant forums;
- Confirm that monitoring processes are in place and sufficient; and

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

### The conclusions of the Internal Audit report were that:

■ **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.**

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

- Management information is reliable and adequate with staff working in adherence to management policies, statutory requirements.
- Controls to detect fraud and non-compliance are in place and operating effectively.
- Confirm that the monthly financial plan and monitoring processes are sufficient,

with accurate projections and monitoring processes, including where changes have been made to business cases.

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

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

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

### The conclusions of the Internal Audit report were that:

- **there are no significant issues arising from our review which require management attention.**



ICNZ visit 2024 Colin Keldie - EMEC

## 6. BENEFITS REALISATION

The Islands Growth Deal Benefits Realisation Plan (BRP) sets out the overall vision, aims and targets for the Islands Growth Deal. It details how the outputs, outcomes and impacts of individual programmes and projects within the Deal are anticipated

to contribute towards achievement of this vision. It provides a monitoring and evaluation framework to measure progress towards the strategic objectives of the Deal, aligned with the requirements from Government. The Islands Growth Deal Benefits Realisation Plan (BRP) is accompanied by a Benefits Register.

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

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

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

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

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

	KPI	Achieved April 24-March 2025	Achieved in Total to March 25
3.1	Other Public Sector Investment match-funding to deliver Growth Deal projects (£)	£11.47m	£24.22m
3.2	Private Sector Investment match-funding to deliver Growth Deal projects (£)	£2.133m	£2.789m
3.3	Research and innovation grant match- funding to deliver Growth Deal projects (£)	£1.6m	£1.6m
4.2	Net additional FTE jobs created (Islands Deal)	5	16
6.3	Number of PhDs, FE and HE students supported through Growth Deal projects (No.)	3	4



## 7. LOOKING AHEAD

### PRIORITIES FOR 2025 / 26

Whilst steps were taken in 24/25 to refine the process of getting Full Business Cases to a satisfactory stage for their submission to Scottish and UK Government, it continues to take longer than anticipated. Consequently, supporting the timely progression of FBCs will continue to be a focus for Year 3 of the Islands Deal. Nevertheless, several FBCs have entered the review process, with approval and project activity anticipated to commence in 25/26 and onwards.

Following a programme deliverability review identifying several change requests coming forward from projects in Orkney and the Outer Hebrides, a 'Programme Reset' proposal will be compiled and submitted to the UK and Scottish Governments in the first quarter of 2025/26. This proposal followed a programme stocktake to identify projects which may not be fully developed, or fully funded, within the Growth Deal envelope. This rationalisation will not only assist to streamline the programme but also redirect

funding to projects which have suffered cost escalation due external variables such as inflation, construction costs, and delays.

As the Deal lacked a full-time Programme Director for a period in 24/25 a number of actions have been carried forward into 25/26. These will be prioritised, where appropriate, alongside new actions and include:

- Develop and submit a Programme Reset Proposal for the Islands Growth Deal.
- Increased scrutiny of Full Business Cases to ensure operational costs are adequately considered and that projects are sustainable beyond initial investment.
- Ensure 'lessons learnt' from initial FBCs and their feedback is communicated to all Project Leads.
- Ongoing communication with Scottish and UK Government to improve the quality of FBC submissions to streamline and refine feedback processes.
- Seek to co-ordinate activity across the

islands to secure match funding and leverage for Islands Deal projects.

- Seek to implement relevant approved subsidy schemes to rationalise approach to subsidy control within the programme.
- Support the development and implementation of monitoring and evaluation at project level and implement enhanced reporting processes at Programme level.
- Review and enhance the PMO's internal financial monitoring processes, whilst also working with projects leads to refine forecasting and claims submissions.
- Review the Programmes Benefits Realisation Plan, and support projects in monitoring and evaluation reporting.
- Review the PMO's resource needs going forward.
- Review and action the IGD Communications plan, to promote supported projects and benefits realisation.

## 8. ACRONYMS

BRP	Benefits Realisation Plan
CHSIC	Creed Hydrogen Skills & Innovation Centre
Cllr	Councillor
CnES	Comhairle nan Eilean Siar
EMEC	European Marine Energy Centre
FBC	Full Business Case
FE	Further Education
FTE	Full-time Equivalent (job)
GVA	Gross Value Added
Ha	Hectares
HE	Higher Education
HIE	Highlands & Islands Enterprise
HWU	Herriot Watt University
ICNZ	Islands Centre for Net Zero
IGD or ID	Islands Growth Deal
JC	Joint Committee
KPI's	Key Performance Indicators
MF	Match Funding
MOD	Ministry of Defence
NHS	National Health Service
No.	Number
OBC	Outline Business Case

OH	Outer Hebrides
OHWS	Orkney World Heritage Site
OIC	Orkney Islands Council
ORIC	Orkney Research and Innovation Centre
PB / PMB	Islands Growth Deal Programme Management Board
PhDs	Doctor of Philosophy
PMO	Programme Management Office
RCGF	Rural Community Grant Fund (Scottish Government)
RGU	Robert Gordon University
SCEP	Shetland Clean Energy Project
SFC	Scottish Funding Council
SG	Scottish Government
SGN	Scottish Gas Network
SIC	Shetland Islands Council
STEM	Science Technology Engineering and Mathematics
TIC	Technology Innovation Centre
UDWQ	Ultra Deep-Water Quay
UHI	University of the Highlands & Islands
UK	United Kingdom
UKG	UK Government
UKSPF	United Kingdom Shared Prosperity Fund
WP	Work Package

## 9. KEY CONTACTS & FURTHER INFORMATION:

### PROGRAMME MANAGEMENT OFFICE (PMO):

Programme Director	Kathlene Morrison
Project Officer	Kirsty Laing
Senior Accountant	Elaine MacKenzie

### LOCAL AUTHORITY CONTACTS:

#### Comhairle nan Eilean Siar:

Leader	Cllr. Paul Steele
Chief Executive	Malcolm Burr
CnES IGD Co-ordinator	Charlene MacMillan

#### Orkney Islands Council:

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

#### Shetland Islands Council:

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

For further information please email the PMO Team on:

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

Publications, including the Deal Document and Joint Committee Papers can be found on:

### [www.islandsdeal.co.uk/deal/documents-publications](http://www.islandsdeal.co.uk/deal/documents-publications)

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