Argyll and Bute
Rural Growth Deal
Annual Report

March 2025 - March 2026



Argyll Bute COUNCIL

UK Government

Scottish Government
Riaghaltas na h-Alba
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Glossary

BJC	Business Justification Case
CEIC	Clyde Engineering and Innovation Centre
CNI	Carbon Neutral Islands
FBC	Full Business Case
HIE	Highland and Islands Enterprise
KSS	Kintrye Seasports
OBC	Outline Business Case
MAP	Marine Aquaculture Programme
MCP	Maritime Change Programme
MICT	Mull and Iona Community Trust
PMO	Programme Management Office
RCGF	Regeneration Capital Grant Fund
RGD	Rural Growth Deal
RPC	Rothesay Pavilion Charity
RSAP	Rural Skills Accelerator Programme
RSL	Registered Social Landlord
SOC	Strategic Outline Case
SAMS	Scottish Association for Marine Sciences
SSEN	Scottish & Southern Energy Network
STEM	Science, Technology, Engineering & Maths

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1. Introduction

The last year has seen Argyll and Bute's Rural Growth Deal moving at pace – starting, of course, with the formal Deal signing, by the Deputy First Minister of Scotland, the Secretary of State for Scotland and myself as Leader of the Council, taking place on the Isle of Bute on 10th March 2025.

Argyll and Bute's Rural Growth Deal will deliver £50m of investment from the UK and Scottish Governments, along with £30m of match funding from the Council and other key delivery partners. This is a ten-year investment programme which will deliver projects that drive inclusive and transformational economic growth across Argyll and Bute where the overarching strategic aim is securing population growth for economic success. We expect the Deal to deliver more than 300 jobs, training opportunities for over 6,000 people, and help to bring in excess of 70,000 visitors each year.

It is fitting that our formal Deal signing happened on Bute, which is home to one of the first projects receiving support through the Deal – the restoration of the iconic Rothesay Pavilion, for which the Full Business Case has been conditionally endorsed by central government and which sits in the tourism theme.

Full Business Cases are being developed for appraisal for Kintyre Seasports (supporting Kintyre's peninsula communities with investment to support growth and further development of water sports) and Enabling Worker Accommodation (access to affordable accommodation on Mull, where there is evidence of employment growth and potential for more if housing challenges can be addressed). Our delivery partner Highlands and Islands Enterprise has also recently secured business case endorsement for its Business Skills programme, providing leadership skills and training for current and future business and community leaders to support contribution towards the overall transformation opportunities that the Deal offers.

Looking ahead, we will be focusing on progressing delivery of STEM (Science, Technology, Engineering and Mathematics) hubs to boost opportunities for skills development and learning across the area, with online offers as well as physical hub premises in Dunoon and Dunstaffnage. Connecting the skills and aquaculture themes are the innovation, research and development projects at Machrihanish and the Scottish Association for Marine Science. There are many more strands to our Deal and considerable work under way to prepare for delivery of all projects across the wider programme.

Argyll and Bute needs the transformation that the Rural Growth Deal can deliver. We are ambitious for it, we are working for it, we are ready for it.

Cllr Jim Lynch, Leader of Argyll and Bute Council



2. Rural Growth Deal Summary

Date Deal Signed
10th March 2025



£50 million
government allocation

£30.6 million
match funding committed

£80.6 million
total deal value

£6.8 million
funding claimed to date

300
additional jobs to be delivered

1
number of projects in delivery

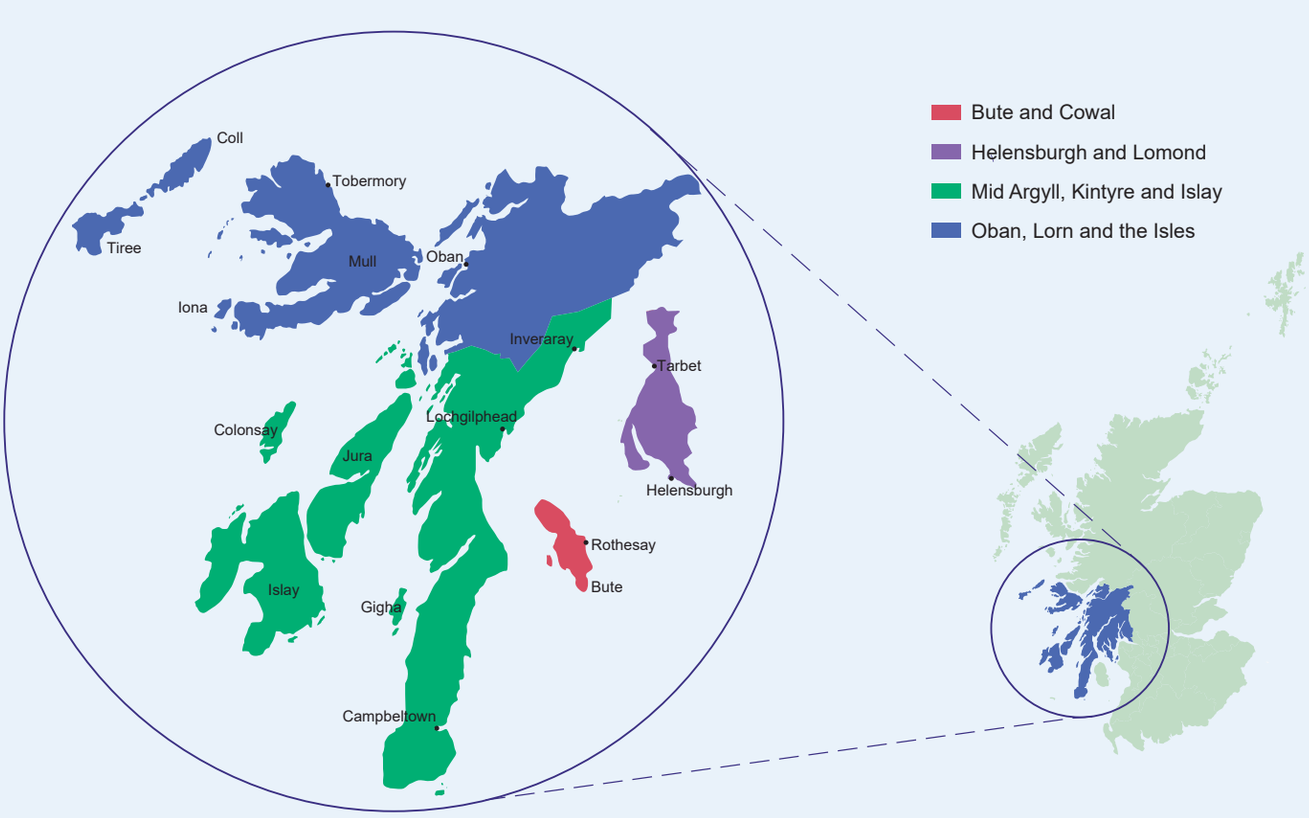
6,500 m2
of new business space created

3. Rural Growth Deal Overview

The Rural Growth Deal (RGD) is a partnership approach to rural economic development which will deliver £50 million of investment equally funded by the Scottish and UK Governments where it will best develop Argyll as an inclusive, sustainable, economically successful region and driver for Scotland and the UK. Argyll and Bute Council, along with key stakeholders, committed to contribute at least £20 million of match funding throughout the 10 year programme in order to accelerate inclusive economic growth for the region. As of 2026, Argyll and Bute Council and RGD Partners have confirmed £30m of match funding for Rural Growth Deal projects.

The RGD provides a catalyst for a transformative step change for the businesses and communities of Argyll and Bute by increasing productivity, growing the working age population, addressing key infrastructure and skills gaps and delivering a more inclusive economy.

Argyll brings together much of what is best about Scotland – natural resources that drive national and international business markets, expertise that inspires innovation and people committed to developing the prosperous future the area needs and deserves. Argyll is also a predominantly rural region including 23 inhabited islands. Residents and businesses experience challenges associated with access to essential services, high cost of delivering services, employment opportunities and an ageing and declining population in certain areas. These challenges have acted as barriers to economic growth and the RGD will help to address these by accelerating the delivery of essential infrastructure and capitalising on some of the key opportunities for growth in the region.





Our RGD proposals are designed to deliver success across Argyll, based on three key drivers:

- **Connecting:** our high-value business sectors with national and international business markets; our local economic successes with national strategic priorities;
- **Attracting:** additional skills, training and learning opportunities; new residents, visitors and businesses;
- **Growing:** doing more of what works; making more of our natural and built resources.

The RGD is an innovative, multi sector partnership which provides a catalyst for change. Further details of key RGD stakeholders can be found in Appendix 2 of the accompanying Governance Plan.

The following seven investment themes underpin the RGD:

1. **Tourism – Creating a World Class Visitor Destination**
2. **Creating a Low Carbon Economy**
3. **Rural Skills Accelerator Programme**
4. **Housing to Attract Economic Growth**
5. **Clyde Engineering and Innovation Cluster**
6. **West Coast UAV Logistics and Training Hub**
7. **Marine Aquaculture Programme**

Argyll and Bute Rural Growth Deal

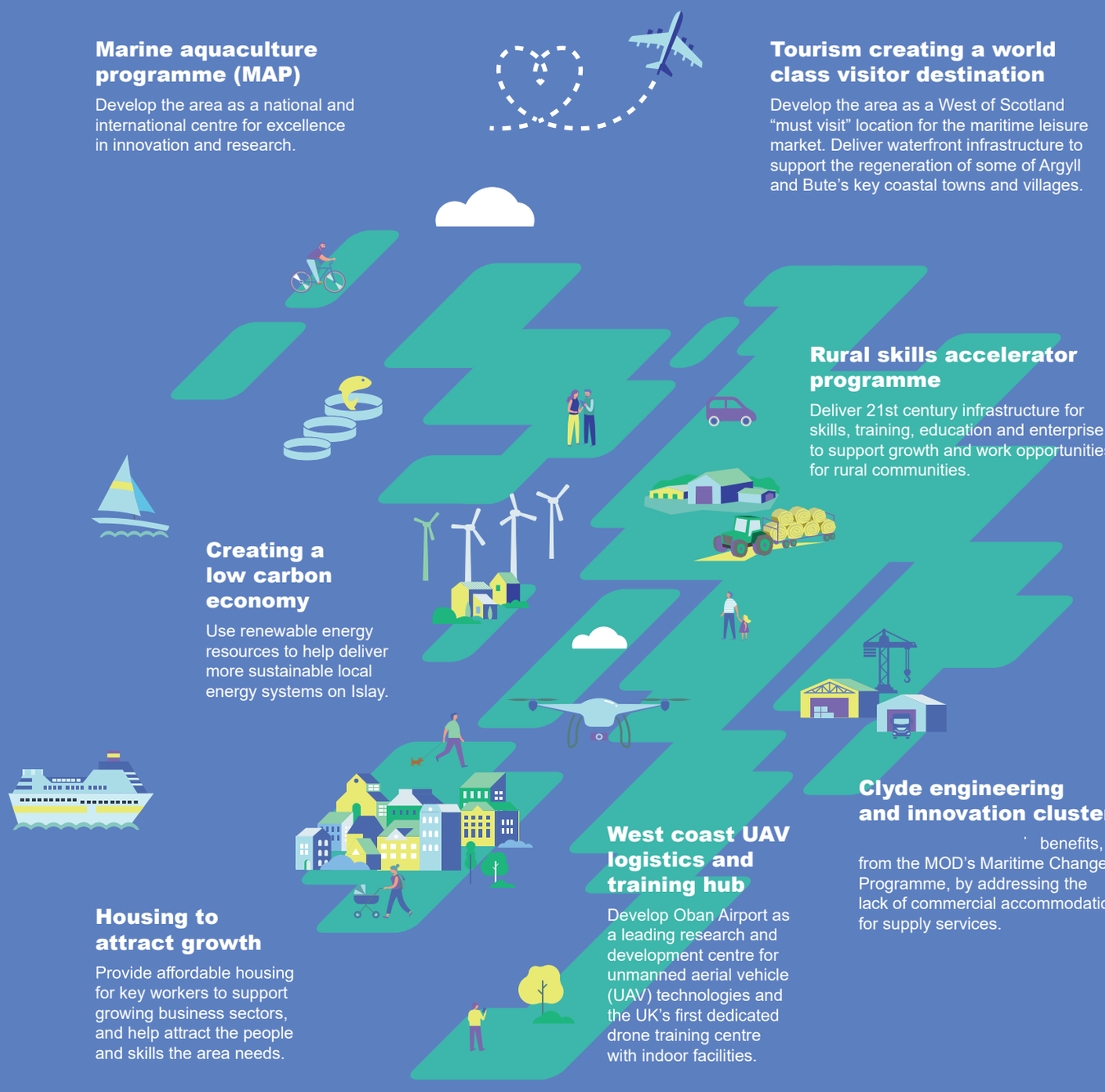
Argyll and Bute Council

Marine aquaculture programme (MAP)

Develop the area as a national and international centre for excellence in innovation and research.

Tourism creating a world class visitor destination

Develop the area as a West of Scotland "must visit" location for the maritime leisure market. Deliver waterfront infrastructure to support the regeneration of some of Argyll and Bute's key coastal towns and villages.



Rural skills accelerator programme

Deliver 21st century infrastructure for skills, training, education and enterprise to support growth and work opportunities for rural communities.

Creating a low carbon economy

Use renewable energy resources to help deliver more sustainable local energy systems on Islay.

Clyde engineering and innovation cluster

benefits, from the MOD's Maritime Change Programme, by addressing the lack of commercial accommodation for supply services.

West coast UAV logistics and training hub

Develop Oban Airport as a leading research and development centre for unmanned aerial vehicle (UAV) technologies and the UK's first dedicated drone training centre with indoor facilities.

Housing to attract growth

Provide affordable housing for key workers to support growing business sectors, and help attract the people and skills the area needs.

INVESTMENT GROWS HERE



4. Programme Update

4.1 Programme Headlines - 2024/25

Since the signing of the Full Deal Agreement, the Rural Growth Deal has moved from a predominantly development and approval phase into active project delivery. Progress has been accelerated through increased match funding certainty, which has also helped de-risk future delivery.

- **Signing of the Full Deal Document**
  The Rural Growth Deal Full Deal Agreement was signed on 10th March 2025 on the Isle of Bute.

- **Rothesay Pavilion – conditional endorsement of Full Business Case**
  The first Rural Growth Deal FBC was conditionally endorsed in September 2024, allowing the next stages of the Rothesay Pavilion renovation to proceed.



4.1 Programme Headlines - 2024/25 Continued

- **Tobermory Worker Accommodation – completion of site infrastructure**

  Funded via the Scottish Government's Islands Programme and Crown Estates Scotland, site infrastructure works were completed in July 2025. The Rural Growth Deal will fund the construction of worker accommodation on the site, with construction programmed to start in early 2027.

- **Total of £6.8m of Rural Growth Deal funding claimed**

  All funding claimed to date has been allocated to Rothesay Pavilion.

- **Signing of the Community Regeneration Partnership**

  A total of £20m of funding was agreed between the UK Government and Argyll and Bute Council. Some of the funding will directly support Rural Growth Deal projects, in particular the housing projects on the Isle of Mull and Isle of Islay and UAV Hub proposals.

- **Announcement of Defence Growth Deal Funding**

  As part of the UK Government's Defence Growth Deal, £5m of funding has been agreed to match fund the £7m RGD commitment for the Clyde Engineering and Innovation Centre. This was announced by the Defence Readiness Minister and Secretary of State for Scotland on 12th March 2026.

- **First Rural Growth Deal Annual Conversation**

  Took place on 30th April 2026 at Kilmory Castle, Lochgilphead.

4.1 Overview of the status of Rural Growth Deal projects

High level phases of the lifecycle of projects:

SOC	OBC	FBC	Delivery	Closure
Strategic outline case	Outline business case	Full business case	Project in delivery	Project complete and being closed

Project	Lifecycle stage				
	SOC	OBC	BJC/FBC	Delivery	Closure
Tourism – Creating a World Class Visitor Destination	**Complete**				
Rothesay Pavillion			Conditionally Endorsed	March 2025 - February 2027	
Kintyre Seasports		**Approved**	Expected December 2026		
Creating a Low Carbon Economy Islay	**Complete**	At options appraisal			
Rural Skills Accelerator Programme	**Complete**	**Approved**			
South STEM Hub (Dunoon)			BJC submitted in February 2026		
North STEM Hub (Oban)			Expected 2026/27		
UHI Argyll College Built Environment			Expected 2026/27		

4.1 continued.

Project	Lifecycle stage				
	SOC	OBC	BJC/FBC	Delivery	Closure
Business Skills			BJC submitted in January 2026		
Housing to Attract Economic Growth	**Complete**				
Tobermory, Isle of Mull		**Approved**	Expected October 2026		
Bowmore, Isle of Islay		In progress	Expected 2027/28		
Clyde Engineering and Innovation Cluster	**Complete**	**Approved**	Expected 2028/29		
West Coast Aviation, UAV, Robotics and Compliance Hub	**Complete**	**Approved**	Expected 2030/31		
Marine Aquaculture Programme	**Complete**				
Machrihanish Innovation Campus		On hold	Expected 2027/28		
SAMS Centre for Seaweed and Shellfish Innovation and Development		**Approved**	Expected 2026/27		
Marine Skills Excellence		TBC	TBC		

5. Financial Overview

The overall Rural Growth Deal is currently worth in the region of £80m. This represents Rural Growth Deal funding investment of £25m each from the UK and Scottish Government, and a further £30m of match funding from deal partners. The target match funding for the Rural Growth Deal is £20m, and thanks to additional funding sources being identified and successfully applied for in 2025, the match funding committed to date has now reached over £30m.

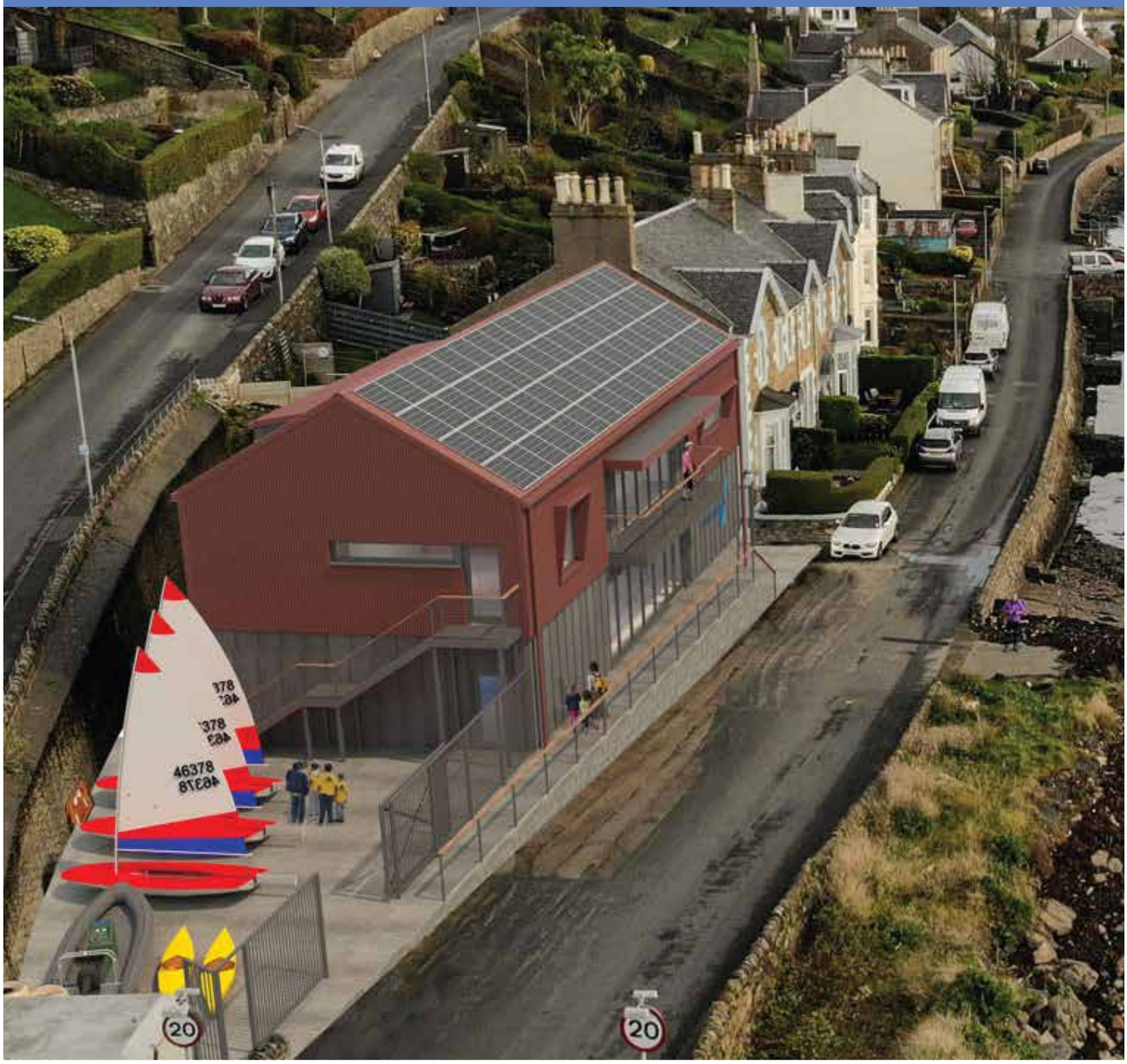


Table 1: Rural Growth Deal Financial Overview

Project Name	Funding Committed	UK Government	Scottish Government	Match Funding
Tourism – Creating a World Class Visitor Destination:				
Rothesay Pavillion	£9m	£4.5m	£4.5m	£14.95m
Kintyre Seasports	£2m	-	£2m	£1.29m
Creating a low carbon economy - Islay	£3m	£1.5m	£1.5m	£0.05m
Rural Skills Accelerator Programme:				
South STEM Hub - Dunoon	£2.5m	-	£2.5m	£0.81m
North STEM Hub - Oban	£2.5m	-	£2.5m	£0.16m
UHI Argyll College Built Environment	£1.5m	-	£1.5m	£0.27m
Business Skills	£0.5m	-	£0.5m	-
Housing to Attract Economic Growth:				
Tobermory, Isle of Mull	£1.5m	-	£1.5m	£2.4m
Bowmore, Isle of Islay	£1.5m	-	£1.5m	£2.03m
Clyde Engineering and Innovation Cluster	£7m	£7m	-	£5.28m
West Coast Aviation, UAV, Robotics and Compliance Hub	£4m	£4m	-	£3.95m
Marine Aquaculture Programme:				
Machrihanish Innovation Campus	£5.27m	£5.17m	£0.1m	-
Centre for Seaweed and Shellfish Innovation and Development	£8.93m	£2.33m	£6.6m	-
Marine Skills Excellence	£0.8m	£0.5m	£0.3m	-
Total Funding	**£50m**	**£25m**	**£25m**	**£31.29m**

Funding split is still subject to the approval of UK and Scottish Government

5.1 Financial Drawdown Summary

Since the Rural Growth Deal was signed in March 2025, a total of £7,063,036 has been awarded by Central Government, with a total of £6,808,068 claimed to date, as shown at Table 2:

Table 2: Allocation and Drawdown

Financial Year	Grant Allocation	Total Grant Claimed	Variance
2024/25	£ 1,038,036.00	£ 808,068.72	£ 229.967.28
2025/26	£ 6,025,000.00	£ 6,000,000.00	£ 25,000.00
Total	**£ 7,063,036.00**	**£ 6,808,068.72**	**£ 254,967.00**

Financial draw down to date has all been associated with the Rothesay Pavilion project and the Council continue to work with the Rothesay Pavilion Charity and other funding partners to address the actions necessary to achieve full endorsement of the project business case. This is necessary to enable draw down of the full £9m RGD allocation for this project.

The total variance in funding claimed to date is circa £254,967, with the majority of this occurring in the 2024/25 financial year. This was due to lower than forecast construction spend at Rothesay Pavilion, however it is expected that this funding will now be drawn down in the 2026/27 financial year. The underspend of £25k in 2025/26 is attributable to delays with the RSAP Business Skills and Leadership programme however, the BJC for this project is nearing full endorsement with tenders also completed by Highlands and Islands Enterprise. It is anticipated that this project will commence delivery and funding drawdown in 2026/27.

It is considered that the underspend incurred to date is manageable within the wider RGD programme and positive progress is being made which will enable a number of projects to commence delivery and spend in the 2026/27 financial year.

<u>Financial Forecasting</u>

It is anticipated that the following projects will achieve Full Business Case endorsement during the 2026/27 financial year and will commence draw down of Rural Growth Deal funds:

- Kintyre Seasports
- Enabling Worker Accommodation – Isle of Mull
- Rural Skills Accelerator Programme – STEM Hub South
- Rural Skills Accelerator Programme – Business Skills & Leadership Programme

6. Project Updates

6.1 Tourism – Creating a World Class Visitor Destination

The growth of tourism has been a major success in recent years in Argyll and Bute supported by our Economic Growth Team and key partners such as the Argyll and the Isles Tourism Cooperative. Projects included under this key theme include the renovation of the iconic Grade A Listed Rothesay Pavilion on the Isle of Bute and funding to support local growth of marine tourism, skills and training delivered via the Kintyre Seasports project.



Rothesay Pavillion

Lead Partners : Argyll and Bute Council | **Business Case Stage: Full Business Case – conditionally endorsed**

Current Status : Construction works ongoing. Rothesay Pavilion Charity are aiming to open in Spring 2027.

Headline Achievements	Next Milestones
• FBC conditionally endorsed • Start of Stage 2b/c construction works by Robertson Construction Central West • £6.8m of Rural Growth Deal funding claimed • Appointment of new Board of Trustees to Rothesay Pavilion Charity	• Full endorsement of FBC • Construction completion • Handover to Rothesay Pavilion Charity • Reopening of Rothesay Pavilion in Spring 2027

Project Objectives

- Conserve the past and secure the future of Rothesay Pavilion, as a fine and unique example of modernist architecture.
- Increase the range and number of visitors and revive Bute's tourist economy.
- Enhance Rothesay Pavilion's vital role in the Bute community as a visitor attraction and centre for a wide range of accessible social, cultural and leisure activities.
- Renew the reputation of Bute and the Firth of Clyde more generally as a rewarding place to visit, live and work



Rothesay Pavilion is a striking, three-storey Grade A listed building on Rothesay's seafront which, once completed will provide a range of modern, flexible, and fully accessible space and amenities. Despite its heritage significance and prominence within the island of Bute, Rothesay Pavilion has been closed for a number of years to enable a complex programme of regeneration to be undertaken. This has been beset with challenges due to the scale of the building, remote island location, cost pressures driven by inflation and other external factors such as the pandemic.

A £9m investment via the Rural Growth Deal is supporting the final phases of regeneration including internal structural and fit out works. Throughout 2025 and into 2026, construction activity has progressed at pace, with works remaining on programme to ensure a planned reopening of Rothesay Pavilion in Spring 2027.

On completion, the building will be managed by the Rothesay Pavilion Charity (RPC) which will enter a 25-year full repairing and insuring (FRI) lease with the Council who will retain ownership of the building. The Council will also continue its commitment to support the operational costs of the Pavilion by providing revenue funding support during the first 5 years of operation.

Rothesay Pavillion

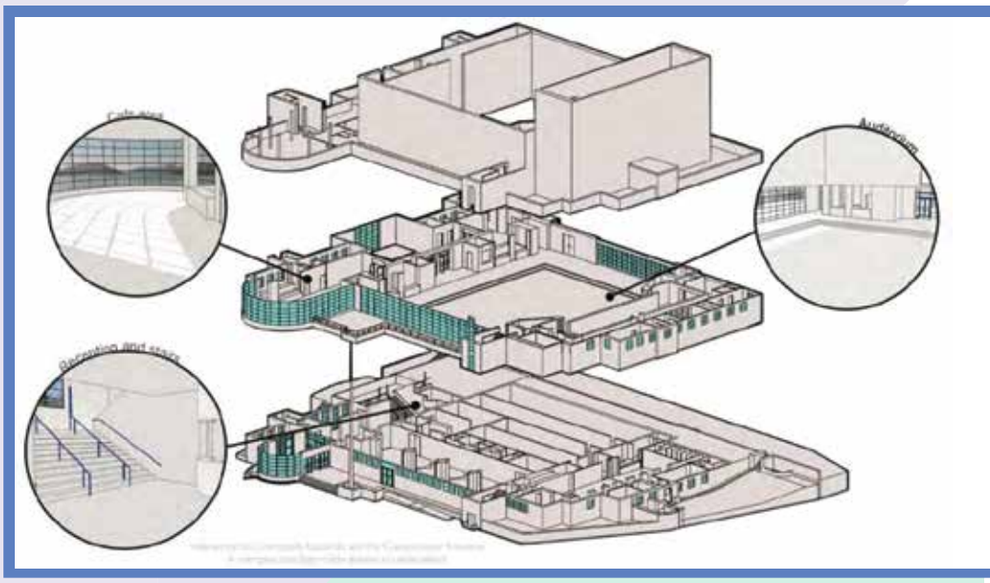
Funders	Value
UK Government	£ 4.5 M
Scottish Government	£ 4.5 M
Match Funding	£ 14.9 M
	Total: £23.9 M

Risk

- FBC is not fully endorsed in 2026, meaning that full RGD funding cannot be claimed.
- Risk of cost escalation due to discovery risk and/or construction inflation pressures.
- Delays to construction programme.

Mitigation

- PMO working with project team and Rothesay Pavilion Charity to progress outstanding actions to allow updated FBC to be completed
- Construction Team working closely with Argyll and Bute Council to reduce additional costs and value engineer where possible.
- Construction team are regularly reviewing construction programme. There is contingency built into the programme.



Forward Look

The construction works on Rothesay Pavilion are scheduled to complete by the end of 2026. The RGD PMO are working with key partners to address the Action Plan which was agreed as part of the conditional FBC endorsement. A key priority is to ensure an updated FBC is submitted to Government in 2026, which when endorsed will enable full draw down of RGD funds allocated to this project.

The RPC are currently working to develop a programme of events for the opening of the Pavilion in Spring 2027.

Kintyre Seasports

Lead Partners : Argyll and Bute Council/Kintyre Seasports

Business Case Stage: Full Business Case

Current Status : Match funding now confirmed and detailed design being progressed. Project team working to draft tender documentation for the construction phase works with the intention to award contracts by the end of 2026. The FBC is currently in draft with the project team aiming to submit initial drafts to Central Government in Summer 2026.

Headline Achievements

- Award of £100k from Sportscotland's Sports Facilities Fund.
- Award of £200k of Crown Estates Scotland funding to support foreshore development.
- Award of £800k of Regeneration Capital Grant funding from Scottish Government.
- MOWI Scotland agreement to fund the purchase of a powerboat for marine training. Investment of circa £200k.
- Ongoing engagement with multinational commercial operator on potential Joint Venture.
- Material start made on site in line with planning conditions.

Next Milestones

- Complete detailed design for preferred option
- Submission of Full Business Case to Central Government.
- Tender for construction works.
- Commence foreshore redevelopment works.
- Commence main construction works January 2027.

Project Objectives

- **Objective 1 - Marine Tourism & Access:** Kintyre Seasports will provide excellent access to the marine environment and create more opportunities for visitors from Campbeltown and beyond to engage in water-based activities..
- **Objective 2 - Skills Development:** Kintyre Seasports will deliver internationally recognised maritime vocational training courses and outreach programs to support skills development and educational outcomes.
- **Objective 3 - Regenerative Growth:** Kintyre Seasports will be an asset that contributes to the attractiveness of the waterfront area & marine environment and supports the local economy.



Kintyre Seasports requires a new and modern facility to meet the growing demand for marine skills and tourism both locally and nationally. The existing sailing club does not meet the standards required of a modern, inclusive seasports and training centre and can no longer accommodate the increasing demands of a growing sector. The proposals will attract local people and visitors wishing to take part in maritime training and will help to deliver the outdoor, coastal tourism ambitions set out in the regional tourism strategy.

This project will also help to address nationwide shortages in marine skills required to support growth in the blue economy.

Kintyre Seasports

Funders	Value
UK Government	-
Scottish Government	£ 2 M
Match Funding	£ 1.29 M
	Total: £3.29 M

Risk

- Tendered costs in excess of available budget.
- Delays to project milestones leading to delays and additional costs.
- Limited supply chain and capacity within local supply chain.
- Delays finalising funding agreements between Argyll and Bute Council and Kintyre Seasports.
- Marine and Planning Consent not secured for foreshore redevelopment works.

Mitigation

- Consider further value engineering.
- Consider further match funding opportunities.
- Architect reviewing project plan on a monthly basis.
- Project team meeting at least fortnightly.
- Early market engagement to be undertaken by Argyll and Bute Council.
- External legal support has been commissioned to support funding agreement development.

Local Supply Chain:

The project has engaged local Argyll and Bute based suppliers to undertake Biodiversity Studies and is also engaging with local Campbeltown based contractors to undertake the redevelopment of the foreshore area.

MOWI Scotland have committed to provide Kintyre Seasports with a fast coded workboat, become a customer, and assist other business development via its industry network. MOWI are currently developing plans for Sanda Island, which, should permissions be granted, will create a further 14 new jobs, including apprentice positions. With this vessel in place, MOWI will use Kintyre Seasports as its training provider for any of the maritime skills which could be provided locally in Campbeltown, but especially the RYA Advanced Powerboat course. MOWI will also encourage other local aquaculture and supply companies to utilise the Kintyre Seafarers programme.

Forward Look

2026 will be a pivotal year for the Kintyre Seasports project. The focus in 2025 has been securing the match funding necessary to proceed with the preferred option and detailed design works have been delayed to reduce the risk of abortive spend. The project team have recently been advised that a funding bid to the Scottish Government's Regeneration Capital Grant Fund (RCGF) has been successful, which has secured a further £800k of match funding and resulted in the project now being fully funded (subject to final tendered costs). Funding has also been secured from the Sportscotland's Sports Facilities Fund and Argyll and Bute Council's Crown Estates Scotland funding. In total these applications have provided an additional £1.1m of match funding for the project. The focus in 2026 is to complete the technical design work, procurement and secure endorsement of the project Full Business Case with a view to commencing construction in January 2027. It is also hoped to complete works to the foreshore in advance of the main construction tender.



6.2 Creating a Low Carbon Economy

Lead Partners : Argyll and Bute Council | **Business Case Stage: Options Appraisal – Pre OBC**

Current Status : The project remains at options appraisal, with a range of projects being considered. A change request may be required if a viable project on Islay cannot be identified.

Headline Achievements	Next Milestones
• SSEN have confirmed that grid upgrades have been agreed with OFGEM. • £790k of Carbon Neutral Islands funding allocated to the Isle of Islay, to date.	• Completion of options appraisal. • Appointment of consultant support to draft Outline Business Case. • OBC to be submitted to Government for appraisal.

Project Objectives

- Achieve Whole Life Carbon savings.
- Reduce dependency on imported fuels.
- Support inclusive growth and wellbeing by enhancing opportunities to sustain local green jobs, and jobs linked to the wider supply chain; and
- Enhance skills and training opportunities linked to net-zero/green jobs.



Argyll and Bute Council is working in partnership with the UK and Scottish Governments, Highlands and Islands Enterprise and local stakeholders to explore opportunities that support Islay's transition to net zero. The Isle of Islay is a protected area that has a significant industrial base supported by the expanding and buoyant local distilling sector. The island is also an international tourism destination driven by the pristine local environment, golf, cultural and whisky sectors.

The RGD will invest up to £3 million, with £1.5 million from both the Scottish Government and UK Government to fund the delivery of low carbon infrastructure that will support the island's pathway to net zero. The RGD presents an opportunity for public sector investment that will create an impactful change for the community. The island is also one of six that has been included as part of the Scottish Government's Carbon Neutral Islands (CNI) programme. The CNI programme recognises the huge potential and natural capital of Scotland's islands and the potential this provides to help the country achieve our ambitious net zero and climate resilience ambitions.

The challenges identified on Islay are significant; however, they are also representative of many other island and remote rural communities. This has been exacerbated by rising global energy prices driven by factors such as the Covid-19 pandemic and wars in Ukraine and the Middle East. As such, it is anticipated that the RGD aligned to other net zero interventions such as the CNI Programme, has the potential to act as a pilot, which can demonstrate best practise and ultimately be replicated in other rural and island communities.

Creating a Low Carbon Economy

Funders	Value
UK Government	£ 1.5 M
Scottish Government	£ 1.5 M
Match Funding	£ 0.05 M
	Total: £3.05 M

Risk

- Viable project cannot be identified due to grid constraints and budget.
- Lack of buy in from stakeholders including the local community.
- Delays in confirming project options.

Mitigation

- Grid upgrades have been approved by SSEN. Further information required on timescale for implementation.
- Other locations to be considered as part of wider options appraisal.
- Early engagement with key stakeholders as part of options appraisal process including end users and communities.
- Ensure consultation and engagement with Islay Energy Trust.
- Engagement with national public and private sector organisations to assess options for delivery.
- PMO have advised Government that a change request may be necessary, should viable project not be identified.
- Project moved to end of RGD timeline, to ensure maximum time available to assess options.



Forward Look

Argyll and Bute Council will work with partners to complete an options appraisal that will identify projects that could utilise the £3m of funding available. To date, a key barrier to development has been the lack of grid capacity on Islay which significantly constrains options for increased electrification on the island. Scottish and Southern Energy Networks (SSEN) have advised that significant grid upgrades for the island have been agreed and it is now a priority for the project team to understand the timescales for these improvements and whether they will be completed in time to impact the options considered for funding via the Rural Growth Deal.

Over the next year, the RGD PMO hope that the options appraisal will be complete and a viable project identified. As part of the options appraisal, the project team are considering a number of options on Islay, including looking at heat network feasibility, transport infrastructure and community led energy efficiency projects. Consideration will also be given to alternative locations in Argyll should a suitable project on Islay not be viable within the RGD programme lifecycle. This includes the potential for a solar farm within the Kilmory Estate in Lochgilphead.

6.3 Rural Skills Accelerator Programme

Lead Partners : Argyll and Bute Council

Business Case Stage: Programme Level OBC – Approved.

Headline Achievements

- Approval of RSAP Programme Level Outline Business Case.
- Submission of Dunoon STEM Hub and Business Skills BJCs.
- Installation of Immersive Classroom at Dunoon Grammar School using funding from Clyde Mission Programme.

Next Milestones

- Construction of Dunoon STEM Hub in Summer 2026.
- First cohort of Business Skills Programme
- Drawdown of first RGD funds for RSAP.

Project Objectives

- **Objective 1: Widening Participation –** Increase participation across all parts of Argyll and Bute for all ages and stages, including learning for pleasure, school curriculum, access to modern apprenticeships, further and higher education, and workforce training and development.
- **Objective 2: Responding to Change –** Underpin sustainable economic growth and improved public and third sector performance through investment in a fit-for purpose skills and education system, that supports the Just Transition to Net Zero and the digital economy and can swiftly adapt to the constantly changing world of work.
- **Objective 3: Targeting Opportunities & Challenges –** Provide Argyll and Bute's business base and public and third sector organisations with the skills required to take advantage of economic opportunities and equip companies with the leadership skills required to innovate, provide fair work, and navigate challenges, such as skills shortages and supply chain threat.
- **Objective 4: Supporting the Wider RGD –** Use the Rural Skills Accelerator Programme as the launchpad to realise the full transformational impacts of the RGD Programme by targeting and aligning education and skills provision.

The Rural Skills Accelerator Programme (RSAP) will be supported by an investment of up to £7 million by the Scottish Government. The programme is a vehicle that will provide the 21st century infrastructure and delivery mechanisms needed for skills, training, education and enterprise to facilitate inclusive growth in the rural economy.

The RSAP consists of 3 interdependent projects:

- Community STEM Provision – STEM Hubs in Oban and Dunoon
- Business Skills Support
- UHI Argyll Estate Enhancements

STEM Hub South (Dunoon)

Lead Partners : Argyll and Bute Council

Business Case Stage: BJC – being appraised

Current Status: The BJC has been submitted and construction is programmed for the school summer holiday period in 2026.

STEM Hub North (Oban)

Lead Partners : Scottish Association for Marine Sciences

Business Case Stage: Pre Business Justification Case

Current Status: The project has recently benefited from an award of £80k from Argyll and Bute Council's Crown Estates Scotland allocation. This has allowed SAMS to commission design work for the project.

Rural Skills Accelerator Programme

STEM Hub North (Oban)

Lead Partners : Scottish Association for Marine Sciences

Business Case Stage: Pre Business Justification Case

Current Status: The project has recently benefited from an award of £80k from Argyll and Bute Council's Crown Estates Scotland allocation. This has allowed SAMS to commission design work for the project.

UHI Argyll Estate Enhancements – Construction, Engineering & Renewables Centre (Lochgilphead)

Lead Partners : UHI Argyll

Business Case Stage: Pre Business Justification Case

Current Status: UHI Argyll are undertaking a programme of stakeholder engagement to solidify the level of demand for skills training and are drafting a design brief for the BJC.

Business and Leadership Skills Programme

Lead Partners : Highlands and Islands Enterprise

Business Case Stage: BJC – being appraised

Current Status: The BJC for the project has been reviewed by Government and final changes are being made by HIE. A tender for a consultant to run the programme is underway, with contracts expected to be awarded in April 2026.

Funders	Value
UK Government	£-
Scottish Government	£ 7 M
Match Funding	£ 1.25 M
	Total: £8.25 M

Risk

- Project partners cannot resource project development costs.
- Planning and consents are not secured or are delayed
- Increased revenue costs to Council and/or key stakeholders

Mitigation

- RGD PMO to work with project partners to identify sources of match funding and cashflow support.
- Ensure project plans allow for delay to consents.
- Early engagement with key stakeholders regarding future revenue costs.

Forward Look

The component projects of the Rural Skills Accelerator Programme are all making good progress, with this expected to continue over 2026. It is expected that the Business Skills programme will go into delivery in April 2026 and construction of the Dunoon STEM Hub should commence in Summer 2026 to coincide with the school holiday period.

The STEM Hub South and UHI Argyll's Estate enhancement projects will both progress with project development work in 2026, which will enable development of their respective BJCs over the next 12-18 months.

6.4 Housing to Attract Economic Growth

Lead Partners : Argyll and Bute Council

Headline Achievements	Next Milestones
• Completion of Site Infrastructure Works at Rockfield Road. • Mull and Iona Community Trust confirmed as preferred operator for Worker Accommodation at Tobermory. • Announcement of Community Regeneration Partnership, providing additional £3m of funding for housing projects. • Approval of Argyll and Bute Council to progress with design and build tender for Tobermory worker accommodation.	• Mull - Appointment of contractor for next stages of construction. • Mull – submission of Full Business Case. • Islay – confirmation of preferred site. • Islay – approval of Outline Business Case .

The Rural Growth Deal Housing projects will be supported with an investment of up to £3 million from the Scottish Government. Rural Growth Deal investment will be further supported by a total of £3m from the UK Government's Community Regeneration Partnership.

Ensuring that local communities have access to suitable, high-quality homes that are affordable is critical to enabling economic growth in the region. However, within Argyll and Bute Council, there has been a rise in homelessness post-pandemic and an increasing lack of housing choice driven by private sector market failure and other factors such as high levels of ineffective stock in certain locations. This has had a direct impact on property prices locally.

As such, Argyll and Bute Council became the first local authority area in Scotland to declare a housing emergency in 2021. The RGD programme will be used to pilot innovative approaches to address some of our rural housing challenges building on a programme of housing work already being delivered by the Council and key partners such as local Registered Social Landlords (RSL).

The focus of the RGD investment will be the islands of Mull and Islay. Both islands have experienced pressure in the local housing market due to high local construction costs, market failure in private sector house building and high levels of second home ownership and holiday accommodation resulting in inflated prices and high levels of ineffective housing stock.



Project Objectives

- **Objective 1:**
  Improved access to suitable high-quality homes for workers.
- **Objective 2:**
  Enable economic growth by giving employees access to suitable accommodation.

Housing to Attract Economic Growth

These islands have also seen growth in local employment sectors such as tourism, aquaculture, and distilling; however, local workers and residents find it difficult to access accommodation, creating local recruitment challenges.

The Council is working with key stakeholders, developers, and community groups to explore innovative housing pilots aimed at providing local workers with access to affordable, high-quality homes within vibrant, sustainable, and connected communities.

It is anticipated that the RGD can act as a pilot to demonstrate how collaborative approaches are necessary to address the region's housing emergency.

Risk

- Delay in FBC endorsement leading to delays in construction programme.
- Agreement on location and scope of Enabling our Island Communities Project cannot be agreed with stakeholders.
- Significant infrastructure issues are identified at the sites

Mitigation

- Approval from Argyll and Bute Council to progress tender in advance of FBC endorsement, using CRP and Strategic Housing Fund as cash flow.
- Early engagement with key stakeholders, including landowners, RSLs and Government.
- Infrastructure works completed on Isle of Mull project. Infrastructure issues to be reviewed as part of site selection process for Isle of Islay project.

Enabling Worker Accommodation – Isle of Mull

Business Case Stage: Full Business Case – in development

Current Status: The Council are working in partnership with Mull and Iona Community Trust (MICT) to identify innovative ownership and operating models for local worker accommodation. This includes consideration of appropriate tenancy agreements for worker accommodation taking cognisance of the needs of seasonal workers on island communities.

Site infrastructure works at Rockfield Road were completed in July 2025, majority funded by the Scottish Government's Islands Programme. Argyll and Bute Council are now progressing a tender to appoint a contractor to undertake the design and build of the accommodation. It is hoped that construction will progress before the end of 2026.

Building our Island Communities – Isle of Islay

Business Case Stage: Outline Business Case

Argyll and Bute Council are working alongside stakeholders to identify the preferred location for RGD investment and to confirm what type of housing will be delivered. This work includes engagement with local land owners, developers and RSL. It is likely that RGD investment will focus on the community of Bowmore which is the main settlement on Islay.

Funders	Value
UK Government	£-
Scottish Government	£ 3 M
Match Funding	£ 4.28 M
	Total: £7.28 M

Housing to Attract Economic Growth

Local Supply Chain:

Site infrastructure works at Rockfield Road, Tobermory were completed by TSL Contractors Ltd, who are based on the Isle of Mull.

Additionally, Argyll and Bute Council have contracted Macdonald & Cameron Ltd to provide development support services, including project management, clerk of works and pre-development services. Macdonald & Cameron are based in Oban and have extensive experience in the development of new build housing, particularly in the RSL sector.

Forward Look

The Housing to Attract Economic Growth projects are both progressing with construction works on Mull likely to commence in 2026. With the completion of the site infrastructure works at Tobermory, Isle of Mull, the focus has now moved to the procurement of a contractor to construct the housing. Argyll and Bute Council are working alongside Mull and Iona Community Trust to agree the operating arrangements for the accommodation.

The key priority for the Enabling our Island Communities project on the Isle of Islay is to confirm the preferred site for Rural Growth Deal investment and confirm the tenure of the housing to be developed. This project remains at Outline Business Case stage and it is hoped that the OBC can be approved by Government in 2026/27 to allow the project to progress to next stages of design and construction.

The Council are engaging proactively with a number of local landowners and RSL.



6.5 Clyde Engineering and Innovation Centre (CEIC)

Lead Partners : Argyll and Bute Council | **Business Case Stage: Outline Business Case - Approved**

Current Status : Argyll and Bute Council have commissioned consultant support to undertake further flood risk assessment work, engagement with key statutory bodies and progress design and planning work for the proposed development. Once this work is complete, Argyll and Bute Council will look to progress with site acquisition and further design work. This will include extensive consultation with key stakeholders at HMNB Clyde, who will become the end users of the CEIC facility.

Headline Achievements

- Defence Growth Deal funding of £5m announced in March 2026.

Next Milestones

- Completion of flood risk works and site design.
- Site acquisition by Argyll and Bute Council.
- Stakeholder engagement with key base contractors

Project Objectives

- Maximise the economic opportunity from the £1.3 billion investment into HMNB Clyde.
- Anchor the economic opportunity to Helensburgh and Lomond and the wider Argyll and Bute area by addressing the existing lack of available commercial accommodation.
- Address the needs of some supply chain businesses servicing HMNB Clyde by providing (potentially up to) 3,000 sqm of modern commercial accommodation proximate to the Base.
- Enable the development of an engineering cluster in Helensburgh and Lomond through the provision of modern commercial accommodation.
- Stimulate and facilitate innovation and enhance company interaction, co-operation and collaboration by co-locating part of HMNB Clyde's supply chain in appropriate space



The Clyde Engineering and Innovation Cluster (CEIC) project will be supported with an investment of up to £7 million from the UK Government. The expansion of HM Naval Base (HMNB) Clyde through the Maritime Change Programme (MCP) provides the impetus for this project. The MCP will consolidate the UK's submarine fleet and all its support services to HMNB Clyde. The RGD provides a unique opportunity to support this transformational programme of change and maximise the local economic benefits. This project will deliver new, modern commercial business space and will represent Phase 1 of a potential business and engineering cluster at the Colgrain business park site near Helensburgh. It was announced in March 2026 that the project will also be part of the UK Government's Defence Growth Deal, with an additional £5m of funding allocated to the project subject to FBC endorsement.

Clyde Engineering and Innovation Centre (CEIC)

Funders	Value
UK Government	£ 7 M
Scottish Government	-
Match Funding	£ 5.28 M
	Total: £12.28 M

Risk

- Preferred site is deemed unviable for development as a result of flood risk and/or protracted land negotiations.
- Delays in statutory consents due to objections from key consultees.
- Delays in site acquisition.
- Align programme with industry requirements.

Mitigation

- Consultant support has been appointed to undertake further flood risk work, with the results of this expected in 2026.
- Early review of risk of planning challenge/appeals.
- Property and Estates are in regular contact with landowner.
- Stakeholder engagement throughout design process to ensure that CEIC meets needs of HMNB Clyde contractors.
- Argyll and Bute Council to ensure that anchor tenants are identified in advance of construction .



Forward Look

The announcement of the UK Government's Defence Growth Deal in March 2026 and confirmation of £5m of match funding has accelerated progress with this project. Over the next year priorities are to conclude land negotiations and commence applications for statutory consents on the preferred site.

The Council will also engage closely with key industrial partners at HMNB Clyde as part of the detailed design process for this project.

6.6 West Coast UAV Hub

Lead Partners : Argyll and Bute Council | **Business Case Stage: Outline Business Case - Approved**

Current Status : The project is not currently due to be delivered until 2032/33. The project will be located at Oban Airport Business Park, with the first two stages of this development in early construction stages and due to complete in 2027. Highlands and Islands Enterprise have commissioned further market research into the local economic value of UAVs in Argyll and Bute. The outcomes of this research will directly influence the next stages of the UAV Hub project including further industry engagement.

Headline Achievements

- Community Regeneration Partnership funding and TIF secured for initial phases of development at the Oban Airport Business Park site.
- Award of £500k of Regulators Pioneer Fund funding for further trials and training activity.
- HIE research commissioned.

Next Milestones

- Outcomes of HIE's research into drones and robotics use
- Completion of first 2 phases of Oban Airport Business Park by 2027.
- Development of project FBC.

Project Objectives

- **Objective 1**: To increase inclusive employment levels in high-growth and high-tech sectors.
- **Objective 2**: To help address / reverse the net migratory outflow in Argyll and Bute in the 20 - 44 age group.
- **Objective 3:** To improve the attractiveness of Oban Airport Business Park to operators and maintain the services required for the sustainability of local communities in the area, particularly the island communities of Coll, Colonsay, Islay and Tiree.
- **Objective 4**: To improve connectivity between settlements in terms of supporting the provision of key services such as health and education.
- **Objective 5:** To ensure solutions are in line with net zero commitments and reduce carbon emissions relative to the current position.

The West Coast UAV Logistics and Training Hub project will be supported with an investment of up to £4 million from the UK Government.

This intervention will involve investing in new business park infrastructure at Oban Airport to allow it to become a leading innovative research and development centre for UAV technologies, building on the success of recent pioneering trials using drone technology to provide essential services to some of Scotland's most fragile rural and island communities.

The investment will deliver a specialised drone training and research centre, providing enhanced R&D capabilities, space for UAV pilot training, laboratories, and lecture suites, which will enable direct access between the facility and the airfield.

The UAV Hub will also provide state of the art hangars with maintenance facilities for UAVs and general aviation aircraft. Oban Airport's position on the West Coast of Scotland, with access to clear airspace, will provide enhanced capability to trial Beyond Visual Line of Site (BVLOS) flights. This controlled airspace will also support the safe integration of UAVs and general aviation traffic across the UK, future-proofing our airspace for all users.

West Coast UAV Hub

Funders	Value
UK Government	£ 4 M
Scottish Government	-
Match Funding	£ 3.95 M
	Total: £7.95 M

Risk

- Meeting lifecycle costs of assets.
- Facility operates under capacity.
- Regulatory barriers impact use of UAVs in controlled airspace.

Mitigation

- Early engagement with market i.e. HIE's Drone and Robotics survey
- Work to identify potential anchor tenants
- Use of match funding, include UKGRPF to undertake further research and training into UAV use.
- Continued industry engagement with Civil Aviation Authority.



Forward Look

While the project is not currently scheduled to deliver until the final years of the Rural Growth Deal programme, work is being progressed to engage stakeholders and identify uses for UAV technology. Highlands and Islands Enterprise have commissioned research into the future of drones and robotics in the Highlands and Islands, and the results of this research will be pivotal to developing the next stages of the UAV Hub. Additionally, Argyll and Bute Council have been awarded £500k of Regulators Pioneer Fund funding, with the Strategic Transportation Team preparing a scope of works for a tender relating to activities which will be delivered. It is anticipated that this activity will include drone pilot training for Council staff given the potential for drones to support future service delivery.

Argyll and Bute Council are also progressing the development of the wider Oban Airport Business Park,with the first two phases of this development due to be completed by 2027. This work will deliver the wider infrastructure that will support the UAV Hub site as a future phase of development within the wider business park

6.7 Marine Aquaculture Programme

Lead Partners : Highlands and Islands Enterprise

Headline Achievements	Next Milestones
• Programme reviewed in light of UHI Argyll's decision to withdraw from MITC project . • Change Request submitted to Government, with agreement on broad proposals of Change Request agreed. Further work required to get to change request approval.	• Approval of Programme Change Request. • Updated Business Case and project delivery timelines to be agreed.

The vision is to make Argyll and Bute the leading region for innovation in marine aquaculture in Scotland, UK and globally, by underpinning sustainable, inclusive business growth through investment in world-class marine science and technology creating the following inter-woven partnership assets.

In 2025, UHI Argyll took the decision not to progress with the Marine Industry Training Centre. This decision has necessitated a Change Request to be submitted to Government. It is now proposed that the Marine Aquaculture Programme will deliver the following 3 key projects, subject to approval of the change request:

- Machrihanish Innovation Campus
- Scottish Association for Marine Science (SAMS) Centre for Seaweed and Shellfish Innovation and Development (C-SSIDe)
- Marine Skills Excellence Programme

Progressed in synchrony, these developments will establish an integrated regional capability through investment in distributed state-of-the-art facilities to enable businesses to capture the opportunities in UK and global aquaculture through experimental scale research, product and service development and testing, commercial trials, skills development and training.

Machrihanish Innovation Campus

Lead Partners : University of Stirling

Business Case Stage: Outline Business Case - on hold

Current Status: The University of Stirling are currently rescoping their project. They have reconsidered their preferred option and are working to develop this proposal.

Centre for Seaweed and Shellfish Innovation and Development

Lead Partners : Scottish Association for Marine Sciences

Business Case Stage: Outline Business Case – approved

Current Status: SAMS are working on developing scopes for design works. Argyll and Bute Council are working with SAMS to identify funding to support their project development costs.

Marine Skills Excellence

Lead Partners : Highlands and Islands Enterprise

Business Case Stage: awaiting approval of Change Request

Current Status: This new addition to MAP will co-ordinate and support development of vocational and workplace learning (CPD) and FE opportunities in the blue economy and marine sectors, with a key role acting as a bridge between demand (employers, industry bodies) and supply (e.g. UHI Argyll, SAMS, UoS, private training providers) to ensure that skills development aligns with regional priorities and opportunities. Subject to approval of the Change Request, HIE will progress Business Case development work over 2026.

Marine Aquaculture Programme

Risk

- Delay in approval of Change Request leads to delay in project progress.
- Partners cannot resource project development costs, required in advance of drawdown of RGD funds.

Mitigation

- HIE working closely with MAP project leads to agree timescales for change request and impacts on project progress.
- HIE and Argyll and Bute Council developing processes to support projects to access cash flow funding or identify match funding.

Forward Look

The key focus for the Marine Aquaculture Programme is to get agreement for the Change Request from the UK and Scottish Government. Once the Change Request is agreed, the component projects can progress to the next stages of project development.



	Value
UK Government	£ 8 M
Scottish Government	£ 7 M
Match Funding	£ 0.1 M
	Total: £15.1 M

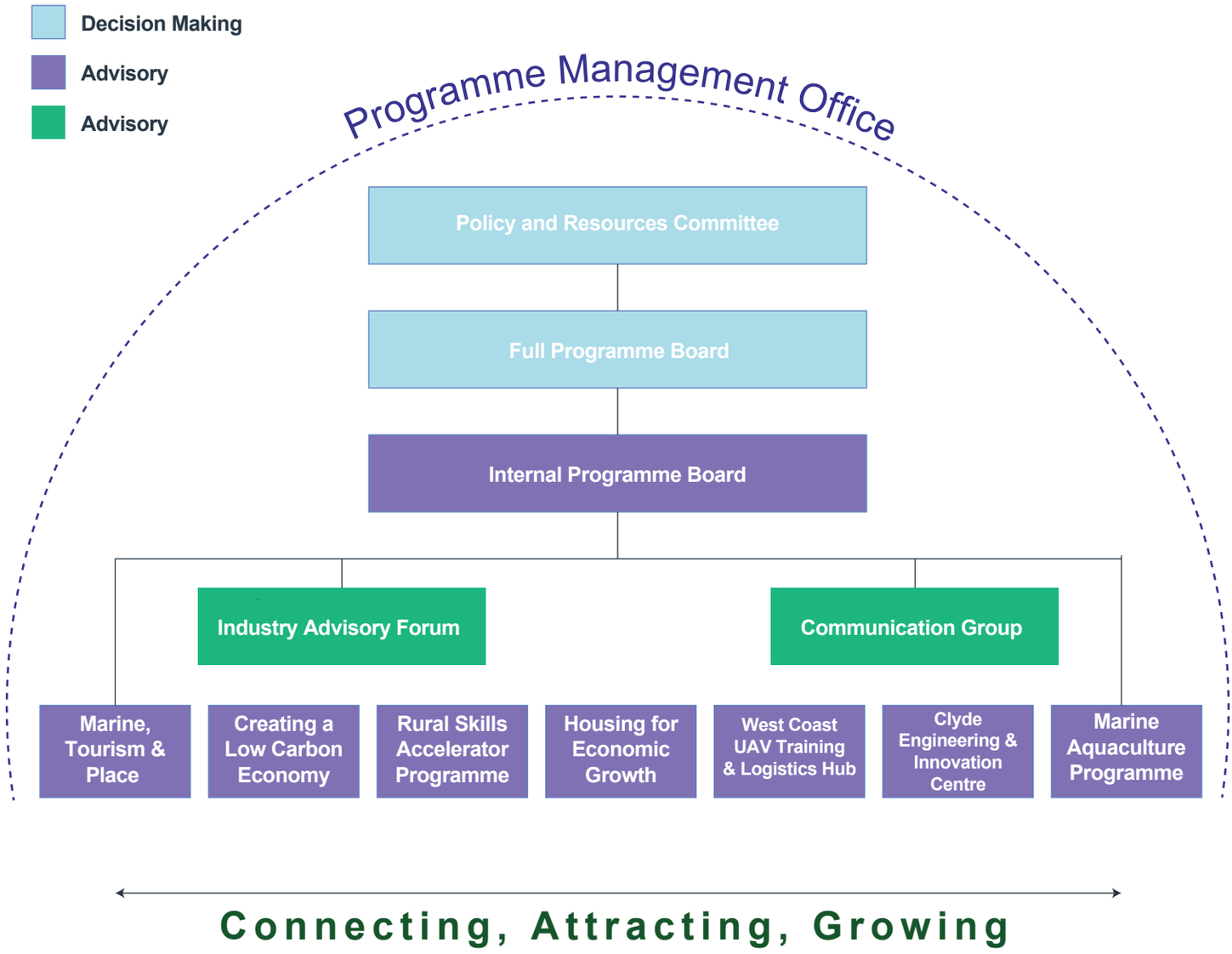


7. Benefits Realisation

As set out in the Rural Growth Deal Agreement, the RGD partners will work with both Governments to agree a Benefits Realisation Plan for the RGD. The Benefits Realisation Plan will set out the overall vision, aims, and targets for the RGD, how the outputs, outcomes, and impacts of individual programmes and projects within the RGD are anticipated to contribute towards the achievement of this vision, and provide a monitoring and evaluation framework to measure progress towards the strategic objectives of the RGD, aligned with the requirements from the Government. At regular intervals, to be agreed with both Governments, the Programme Board will carry out a thorough review and evaluation of the impacts of the RGD programme.



8. Rural Growth Deal Governance Structure





Rural Growth Deal Governance

8.1 Programme Structure and Governance

Argyll and Bute Council is the Accountable Body for the Rural Growth Deal and has agreed to a Governance Plan, which will enable sound decisions to be taken in an open, inclusive, and transparent way. The governance arrangements for the RGD seek to ensure that there is a strategic and operational framework in place that ensures accountability, probity, transparency, robust internal control and strong financial management, compliance, and value for money.

The RGD Programme Board is the governing authority for the RGD with the remit to provide strategic direction and exercise high-level oversight and overall control, serving as the forum for joint decision making at the highest level within the governance framework. The Internal Programme Board meet 2 weeks prior to the Full Programme Board to ensure scrutiny of all project work being submitted to the Programme Board for approval.

The Council's Policy and Resources Committee are the decision-making body for any Council funding and resources necessary to deliver the RGD programme.

8.2 Programme Management Office

The PMO for the RGD is hosted by Argyll and Bute Council and reports to the Head of Development and Economic Growth. The PMO oversees the development, delivery and day-to-day management of the RGD. This includes the delivery of project business cases and procuring specialist support necessary to support the delivery of RGD projects..

8.2 Programme Management Office continued.

In 2025, the RGD PMO moved into the wider Transformational Projects and Regeneration Team, within the Development and Economic Growth Service, with the Rural Growth Deal Programme Manager taking on the role of Transformational Project and Regeneration Manager. The following staff are responsible for the management of the Rural Growth Deal:

- Fergus Murray – Head of Development and Economic Growth;
- Jonathan Welch, Transformational Projects & Regeneration Manager
- Aileen Semple, Rural Growth Deal Project Officer
- Nicole Finn, Rural Growth Deal Admin Officer

The PMO reports quarterly to the Internal Programme Board and Programme Board and also reports to the Council's P&R Committee bi-annually or where approval for funding and resources is necessary. The PMO also meet with the UK Government and Scottish Government on fortnightly basis to discuss progress and any arising issues. This is in addition to the formal Quarterly Progress meetings which review performance and look ahead to future activity.

The RGD PMO regularly engage with other Growth Deals, across Scotland, Wales and Northern Ireland through the National PMO Networking Group. The National PMO Network is a positive forum to exchange best practice and learn from the experience of other Growth Deals. There are a number of subgroups which look at specific themes including Benefits Realisation, Finance and Decarbonisation. The Rural Growth Deal PMO chair the National Decarbonisation Subgroup which focuses on the implementation of the City and Growth Deal Carbon Management Guidance.





9. Reflections and the Year Ahead

9.1 Reflections

The Rural Growth Deal was signed in March 2025 and while there have been challenges in project delivery, it is generally considered that the RGD has progressed positively over the first 12 months of delivery:

- Funding drawdown has been maximised, with Rothesay Pavilion covering underspend on projects that have been delayed;
- Confirmed match funding has now reached £31m;
- Project business cases are progressing to enable projects to enter delivery in 2026/27

9.2 Upcoming Rural Growth Deal Activity Planned for 2026:

Over the coming year, the Rural Growth Deal Programme Management Office are looking forward to a number of milestones which are detailed at Table 3:

Table 3: Upcoming Milestones

Milestone	Target Date
First Annual Conversation with Scottish and UK Government	30th April 2026
Grant Offer Letter for 2026/27 to be agreed with Scottish Government, confirming funding for the year	April 2026
Agree Change Request for Marine Aquaculture Programme	June 2026
Publication of the first Rural Growth Deal Annual Report	September 2026
Commencement of RSAP Business Skills and Leadership Programme	July 2026
Opening of STEM Hub South (Dunoon)	September 2026
Progress Benefits Realisation Plan, subject to Government Guidance becoming available	December 2026
Endorsement of Full Business Cases to Government for the following projects: • Kintyre Seasports • Enabling Worker Accommodation	December 2026
Start of construction works on the following projects: • Kintyre Seasports • Enabling Worker Accommodation	December 2026
Opening of Rothesay Pavilion following completion of renovation works	April 2027

9.3 Upcoming Challenges to be managed

While the Rural Growth Deal has had a largely positive first year of delivery, there remain a number of significant risks to the programme including:-

Impact of inflation and cost escalation
Cost inflation continues to impact capital projects across Scotland with rural areas particularly vulnerable. Whilst inflation has dropped recently, the impact of the conflict in the Middle East represents a significant risk to projects with energy costs rising nationally.

The RGD PMO will work alongside project leads and project partners to review projects, considering value engineering where appropriate and to consider opportunities and applications for additional match funding where necessary.

Project development costs
RGD funding is not available to claim until the Full Business Case for the project is endorsed by Central Government. Project partners are required to incur significant expense on pre-construction costs at risk in order to complete the FBC necessary to enable funding draw down. Incurring spend at risk and associated cashflow pressures are challenging for deal partners to manage and could threaten the viability of certain projects.

The requirement to cashflow project development costs places considerable pressure on deal partners and this could be exacerbated by fluctuations in borrowing costs.

Resource and Capacity Pressures
Staff capacity remains challenging for RGD partners including Argyll and Bute Council. It is likely that external support will require to be procured as projects move towards delivery.

Project Uncertainty
There remains uncertainty on the projects that are to be delivered on the Isle of Islay, with neither of the projects on the island having an approved OBC. The Low Carbon Economy project remains at options appraisal stage, with limited project options that can be delivered within existing grid constraints and budget available. There is also uncertainty over the Building our Island Communities project and the preferred site for delivery. The RGD PMO are working alongside colleagues in Housing Services to agree a preferred site and operating model for accommodation that may be delivered.

Argyll and Bute

Rural Growth Deal Annual Report

March 2025 - March 2026

Argyll and Bute Council

UK Government

Scottish Government
Riaghaltas na h-Alba
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