

Orkney Local Housing Strategy – House Builders Meeting

**Note of meeting held on 30 January 2025 at 10:00 am in the Chamber,
Council Offices.**

Present:

Orkney Islands Council:

- Councillor Graham Bevan, Convener (Chair).
- Councillor Heather Woodbridge, Leader.
- Councillor Gwenda Shearer, Chair of Education, Leisure and Housing Committee.
- Councillor Ivan Taylor, Vice Chair Education, Leisure and Housing Committee.
- Councillor John Ross Scott.
- Councillor James Moar.
- Councillor Sandy Cowie.
- Councillor, Jean Stevenson.
- James Wylie, Corporate Director of Education, Leisure and Housing.
- Frances Troup, Head of Community Learning, Leisure and Housing.
- Lesley Mulrairie, Service Manager (Housing, Homelessness and Schoolcare Accommodation).
- Laura Baillie, Team Manager (Housing Strategy, Development and Data).
- Glen Thomson, Service Manager (Property and Capital Projects).
- Gavin Barr, Interim Head of Planning and Community Protection.
- Susan Shearer, Service Manager (Development and Marine Planning).
- Karen Bevilacqua, Service Manager (Legal Services).
- Kirsty Groundwater, Team Manager (Communications).

Scottish Government:

- Steven Paterson, More Homes Division Co-ordinator.

Hub North:

- Marcus Weurman, Development Manager, Hub North Scotland.
- Anna Evans, Housing Consultant for Hub North / Director, Indigo House Group.
- Graham Harper, Consultant, Indigo House Group.

Orkney Housing Association Ltd:

- Craig Spence, Chief Executive.
- Brian Kynoch, Chair.

- Fiona Lettice, Vice Chair.

Construction Industry:

- Representatives from R Clouston Ltd.
- Martin Flett, Managing Director, Alfred Flett.
- Vincent Walls, WRC Construction.
- Luke Fraser, Director, L & L Fraser Ltd.
- Davie Campbell, Housing Consultant for Development Trusts.
- John MacGregor, Director, J McGregor Builder (Orkney) Ltd.
- Stephen Kemp, Managing Director, Orkney Builders.
- Callum Murdoch, Contracts Manager, Orkney Builders.
- Stewart Henderson, Director, Stewart K Henderson.
- Robbie Thomson, Director, B Thomson Building Contractors Ltd.
- Scott Barnett, Project Manager, Casey Construction.

1. Welcome

Councillor Bevan welcomed everyone to the meeting and explained the purpose. He hoped it was an opportunity to have an open and frank discussion but to get clarity on the massively important theme for Orkney – the Local Housing Strategy.

2. Role of the Strategic Housing Authority

Frances Troup and Anna Evans went through a presentation, presenting some background information and outlining the role of the Strategic Housing Authority. Key points included:

- Facilitating and enabling role which includes the dissemination of Scottish Government grant for the development of affordable housing.
- The role and work of the Housing Market Partnership.
- Key strategic documents, including the Housing Need and Demand Assessment, Local Housing Strategy and the Strategic Housing Investment Plan.
- Council governance and public consultation processes.

3. Update on Local Housing Strategy

Anna provided more detail around the facts and figures, stating that Orkney requires 1,035 new houses (103 per annum) with a 60/40 split between affordable and private housing. There is a requirement for more affordable housing, including mid market rent. A copy of the presentation will be circulated after the meeting so that everyone has the necessary information and data which has been discussed.

Frances noted that between the Council, OHAL and the Development Trusts, there isn't the financial capacity for delivery of 60 affordable housing properties per year. In order to increase financial capacity, there is a need to bring in an additional housing provider. She made it clear that they are not a building contractor but a housing association who would be investing in Orkney, using the same procurement processes as OIC and OHAL currently do. This would allow Orkney to use the allocated grant and potentially attract further grant

from the Scottish Government – as £9m has been returned since 2016/17. The plan with the other housing provider is that when it comes to renting their properties, they would use local suppliers for their housing management services and also for their repairs.

Frances went on to explain that the Scottish Government had been working closely with the Council to find a suitable organisation. There were initially two organisations that discussions took place with but one interested party remains. The organisation has been to Orkney and met with the Council, OHAL and two local construction firms. The purpose is about long-term investment in Orkney, which should generate more security and stability, as well as providing more contracts for the construction industry.

4. Questions and answers

Councillor Bevan opened the meeting for any questions following the presentation.

The representative from R Clouston noted that although he was part of the Housing Market Partnership (HMP) and had attended the majority of the meetings, he was concerned around what he felt was a lack of consultation around bringing in another housing provider. He added that the HMP had not met throughout 2024 until December.

Frances stated that the Council had tried hard to make sure the building reps were involved and was sorry if he felt that he was not heavily enough involved. She explained that the intention of the HMP when it was formed in 2023 was the development of the key strategic documents. It met 8 times throughout 2023. Following this, the Local Housing Strategy went through a process of public consultation in 2024. The documents were taken through the Council's governance process throughout 2024. The HMP would then be restarted to monitor the Local Housing Strategy. One of the key points discussed through the HMP was that Orkney had not fully used the grant that had been allocated, which was due to financial capacity. It was established that OIC could deliver around 13-15 properties per year, while OHAL was around 20, falling short of the target of 103 properties a year. As a result of this, bringing in another housing provider was discussed at the HMP.

The Clouston's representative felt that while he was involved in a brief meeting with the potential RSL, he had not been aware that this was definitely the route that was being taken forward and there had been no communication from either them or the Council since then.

Councillor Bevan asked for clarity around taking in the third provider, which was in the delivery plan and the strategy, querying how long it had been a part of those documents. Frances confirmed it has been in since 2023 and then went out for public consultation in January 2024.

James Wylie acknowledged that the points Clouston's made would be taken on board when moving forward with the HMP but provided further clarification, stating that the Council only knew that there was a real commitment from the other provider at the end of last year. The meeting that they had with Clouston's and Orkney Builders was about establishing whether there was a pipeline to build houses. James added that it had been his understanding that Orkney Builders had follow-up conversations with the RSL on a few occasions throughout the last year. Stephen Kemp advised that he would need to check what correspondence he had with them but couldn't recall any conversations with them other than when they were in Orkney and when he had bumped into them at an awards event. He added they he had

submitted a tender to them about a year ago but that was so they could explore mid market rent.

Councillor Shearer explained the governance procedures that had to take place with the strategic documents. As Chair of the Education, Leisure and Housing Committee, she provided assurances that these documents were well scrutinised by Members and then progressed for ratification at Full Council. Everything had gone through a proper, robust Council procedure, which is a lengthy process.

Frances used the example of Warmworks, where the Council acts as the facilitator, with Warmworks (a national body) being the managing agent, which then employs Clouston's as the local contractor. Frances viewed that as a similar structure to what would take place with the new provider and queried whether it was being viewed differently. Clouston's stated that there is no clarification around how they are going to procure or how they are going to perform. Frances reiterated that it would be the same as what the Council and OHAL do. She added at a later stage there would be the opportunity for the provider to speak further with the building industry. Clouston's had concerns around money leaving Orkney and the new provider bringing in contractors from outwith Orkney. Steven Paterson and Anna both queried this point. Steven provided some of his experience with the RSL, noting that they are working in the Highland and Moray council areas. He stated that they are utilising local contractors in the area to develop affordable housing. Anna added that they are a landlord, not a contractor, and would be committing to Orkney long-term through investment. This would be money that Orkney doesn't currently have to utilise for affordable housing. The RSL will be a rented landlord with houses in perpetuity, therefore they would have to stay in Orkney.

Stephen Kemp noted that around 8-10% of a development is the administrative consultancy and there were concerns around what that would look like with an external developer. Steven Paterson gave his experience of working within the Scottish Government, stating that Highland Council have to procure services from outwith the area just now due to availability of those services. He stated this was quite a common practice and is no different than what happens across the country.

Stephen Kemp added that there had also been concerns as a result of a Radio Orkney broadcast in December where it said the new developer would be looking at providing more than just affordable housing. Frances clarified that it was about affordable housing with government subsidy, including things like low cost home ownership and mid-market rent. Private sector housing is a different market.

Steven Paterson advised that the Council, as a strategic housing authority, will determine whether the RSL will get to do private housing within a development. It would only be in the circumstance where an organisation held land that they could ask to take forward private sale for that. He explained that in Highland, where land has transferred from the Council to the RSL, the Council have asked them to provide a full mix of housing – social, mid market rent, low cost home ownership and homes for private sale, because that was Highland's request. In Moray they have been clear that they do not want private sale and are delivering social and mid market rent, which the organisation is quite happy to work with the strategic authority on to deliver their wishes. Councillor Bevan noted that this gives an indication of control and an element of reassurance that can be teased out in further discussion.

Craig Spence noted that OHAL's business plan for 2022-25 worked on the basis of 20 affordable rent build per year. After full financial remodelling to support the new business plan launching at the end of March, he stated that they now have capacity to build 50-52 per year for the next 5 years. Beyond that is subject to future finance. James noted that this was a higher figure than what had been presented in December but would look forward to hearing more detail behind that and how it sits with the local housing strategy in due course.

Councillor Bevan thought it would be useful to have a further discussion around the mix of affordable and private housing and how it is spread in the developments that are coming up, ensuring it is the right mix for Orkney. Susan Shearer advised that the review of the local development plan is around looking at the mix of housing and sustainable communities.

Councillor Moar queried how many affordable houses had to be on a particular site. Susan confirmed that Scottish Planning Policy states there should be at least 25% on a housing development.

David Campbell queried what the next steps would be and if today's conversation would change anything. Councillor Bevan advised that no changes would be made today but action points will be taken away to be followed up by the Housing Market Partnership.

Councillor Bevan invited Stephen Kemp to provide a brief overview in relation to the report that is being published from the construction industry. Stephen advised that the main concerns for the sector was around the prospect of having a new RSL and potentially a new developer. He acknowledged that the feedback from Steven Paterson was helpful and added that it would be interesting to understand more about OHAL's re-evaluated output capacity. With this, he felt that it would be coming up close to the SHIP's proposed output and wondered whether there would be government grant money to cover everything if another provider is coming in, or if it is possible to re-evaluate the whole process and establish if there is a potential for an Orkney model to work.

5. Next steps

James Wylie was clear that no legal contracts have been signed and the Council remains in discussions in relation to the additional RSL. In relation to the increased figures provided by OHAL today, James confirmed that OHAL and the Council have met and will continue to meet on OHAL's new financial model and which will also be scrutinised by the Scottish Housing Regulator. He stated that he felt that Orkney is potentially in one of the best places it's been in for a very long time due to the possibility for a lot of finance and investment in housing to meet the housing crisis and build homes that people need. He stated that if the construction sector are able to build the houses we need then we're in a brilliant position, and that there will have to be more conversations with this group so there is shared understanding of the facts and what the sector can do for private and affordable housing.

Steven Paterson added that the more financial capacity and opportunities that can be brought into the area, the better. While funding cannot be guaranteed at this point, the Scottish Government budget will be going through in due course and there is hope that there will be longer-term planning funding to come into that.

Councillor Shearer thanked everyone for attending and looked forward to a further productive meeting in the future.

Councillor Bevan agreed, noting that taking on board the expertise within the local community is crucial and would like to make sure to keep the conversation going. He thanked everyone for their contributions and closed the meeting.