

Orkney Local Housing Strategy – House Builders Meeting

**Note of meeting held on 7 March 2025 at 3:00 pm in the Chamber,
Council Offices.**

Present:

Orkney Islands Council:

- Councillor Sandy Cowie (Chair), Depute Leader.
- Councillor Heather Woodbridge, Leader.
- Councillor Gwenda Shearer, Chair of Education, Leisure and Housing Committee.
- Councillor James Moar.
- Councillor, Jean Stevenson.
- James Wylie, Corporate Director of Education, Leisure and Housing.
- Frances Troup, Head of Community Learning, Leisure and Housing.
- Laura Baillie, Team Manager (Housing Strategy, Development and Data).
- Gavin Barr, Interim Head of Planning and Community Protection.
- Susan Shearer, Service Manager (Development and Marine Planning).
- Karen Bevilacqua, Service Manager (Legal Services).

Scottish Government:

- Mairi Ross-Grey, Highlands and Islands Area Manager, 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:

- Representative of R Clouston Ltd.
- Vincent Walls, WRC Construction.
- Luke Fraser, Director, L & L Fraser Ltd.

- John MacGregor, Director, J McGregor Builder (Orkney) Ltd.
- Stephen Kemp, Managing Director, Orkney Builders.
- Steven Pyke, Development Manager, Orkney Builders.
- Callum Murdoch, Contracts Manager, Orkney Builders.
- Scott Barnett, Project Manager, Casey Construction.
- Iain Logue, Consultant, Casey Construction.

1. Welcome

Councillor Cowie welcomed everyone to the meeting. He advised that he would be deputising as Chair of the meeting in Councillor Bevan's absence. The purpose of the meeting is to hear the presentation from the house builders in relation to their report on affordable housing development.

2. Presentation from House Builders

Luke Fraser delivered the presentation on behalf of the construction industry. Key points included:

- Concerns the builders felt around a large external affordable housing provider and lack of information about what that might look like in practice. However, there have been some good conversations recently that have helped allay some of those concerns, including information from the Scottish Government about how the provider has worked in other areas.
- The construction industry feel it is possible to develop entirely with local resources and propose an 'Orkney programme' that maximises local capacity and development.
- Recommendations from their report were noted:
 - Prioritising local-led development.
 - Ensuring a community wealth building approach.
 - Maintaining high quality standards and specifications.
 - Encouraging design and build projects and proposals from developers.
 - Facilitating direct developer engagement.
 - Ensuring that all contracts for housing projects are tendered in Orkney.
 - Ensuring equitable access to funding and best value considerations.
 - Establishing a Developers Forum to potentially meet three times a year.
- They would also like assurances to help with some of the remaining concerns:
 - The new provider won't develop housing for market sale.
 - They will tender projects in the same way that OIC and OHAL currently do.
 - They won't disrupt the local market.
 - They won't restrict OHAL's ability to develop additional social rented, low-cost home ownership or potential mid-market rent properties.
 - The affordable housing development programme will be developed and rolled out in line with relevant local strategic priorities and objectives.

3. Response from Orkney Islands Council

Frances Troup welcomed the feedback from the Scottish Building Federation and the acknowledgement of the opportunity the additional provider could bring in terms of resilience and additional funding. She provided a brief recap on what had been discussed at the meeting in January, including the role of the Strategic Housing Authority and position around the Local Housing Strategy.

Frances and Anna Evans delivered a presentation outlining OIC's response. Key points included:

- The identification in the HNDA and LHS that there is an inadequate supply of affordable housing.
- The need for 103 additional properties each year for the next decade with a 60 / 40 affordable split.
- More specifically the need for 437 affordable homes over the next 5 years, or 630 affordable homes over 10 years, split across multiple tenures including social rent, mid-market rent, shared equity, low-cost home ownership.
- A total investment of between £110-130 million is required for 437 affordable homes. This is based on current estimated costs for affordable house building of £250,000 per unit. Some of this is grant and some is private finance. This would be equivalent to £55-80 million private finance over the next five years being invested in Orkney. Over 10 years, the total investment is between £180-220 million, which equates to an estimated £90-130 million of private finance. The analysis for the Local Housing Strategy shows that this level of financial capacity is not currently available in Orkney.
- An additional affordable housing provider can bring further funding and resilience, which is positive, to meet Orkney's housing needs, alongside OHAL's commitment to obtain additional private finance and its proposed community bond. This is a work in progress and is to be confirmed, but OHAL are committing to a 3-4 times increase in housing, compared to what it has been able to provide over the last 10-15 years. This is positive but also presents risk and the Strategic Housing Authority needs to have assurance that its strategy can be delivered through the providers. Programmes work best where there are a range of providers, adapting to changes in capacity, sites, planning, and to manage risk in development programmes etc.
- The Council has a significant role in relation to strategic delivery and is required to ensure a well-functioning local housing market that meets housing needs. The LHS will continue to be monitored on an annual basis, including ensuring that it is delivering the numbers required and allowing the grant available to be spent.
- The Council must ensure that it is completely compliant with a range of processes, ensuring legal compliance, fairness and transparency. The housing programme will be developed through procurement procedures which allow the necessary legal and regulatory requirements and facilitate competition. All developments will be considered on a case-by-case basis through the strategic housing investment

process, which is now well established. The SHIP will be monitored on a monthly basis.

- There was a recap in terms of the consultation and information that had been provided which included:
 - The Housing Market Partnership, which met 8 times over 2023, featuring 9 separate organisations. The HMP developed the LHS, which was approved following consultation in 2024.
 - A range of other strategies were approved, including the Essential Workers Housing Strategy and the SHIP. Governance was also obtained around the Council's business plan for the Housing Revenue Account.
 - Discussions took place with two housing providers with additional financial capacity who had been identified by the Scottish Government. One provider remains interested. Those discussions involved Orkney Builders and OHAL.
 - Ongoing discussions with OHAL and the Director (James Wylie) and Head of Service (Frances Troup).
 - As key stakeholder, OHAL discussions with Director and Head of Service since draft LHS and ongoing to update.
- The main objective is to achieve the absolute maximum that is possible in terms of affordable housing, maximising the local housing market with a broad range of providers working together with one coherent aim. In doing so, an overall increase in house building and construction activity within Orkney is anticipated over the next decade.
- No one single provider will be favoured. It is about having a single strategic aim to increase provision of new, high quality, affordable homes across Orkney.

4. Discussion and Next Steps

Councillor Cowie thanked everyone for their presentations and opened the meeting for responses and questions.

James Wylie reminded everyone of the discussion at the last meeting around the governance procedures that the Council had been working on throughout 2024. In line with those procedures and in agreement with the Housing Market Partnership, an action plan was developed, which included seeking an external provider. With support from the Scottish Government, potential providers were identified and one of those providers have continued discussions, while another withdrew their interest in Orkney. It was only in November 2024 that the Council was in a position to provide clarity that the provider was fully interested in coming to work in Orkney and engaging in creating a legal framework. The discussions are still ongoing and confirmed that the external provider wishes to mirror the local procurement processes. It is not their intention to bring in a supply of staff and contractors. They want to use local resources. Luke stated that the confirmation James had provided was reassuring. James noted that he understood the concern but stated there had not been a lot of information provided yet because a legal contract has not been signed and no formal structure is in place yet. The discussions that are taking place is about looking for what is in the best interests of Orkney.

Councillor Shearer requested another explanation from Steven Paterson around his experience of working with Places for People (PfP), finding that it had been useful at the previous meeting. Steven gave examples of what had happened with Highland and Moray Councils. Highland Council wished to utilise the full extent of PfP in terms of social rent, mid-market rent, low cost home ownership and private development in line with Highland's housing need and demand requirements. Moray Council have gone a slightly different route with PfP, focusing on social rent and mid-market rent. They are not interested in having them do any commercial or private properties and PfP have indicated that they are quite content to proceed on that basis. Mairi Ross Grey added that she had found them to be very professional and communicative and will work to the local authority's strategy. Mairi also noted that there have been national housing associations moving in and out of the areas that they cover, stating that it is quite a natural thing for the rest of Scotland.

Stephen Kemp expressed his thanks for the reassurances that have been offered. Craig Spence agreed, noting that there had been a lot of concern about the concept of a private developer for sale coming in.

Craig also provided some further information in relation to OHAL's capacity, noting the work that had been done to increase their financial capacity to deliver more housing. OHAL have mapped out building 50 affordable homes per year, which was the capacity that they developed at, at the start of the last decade. Because they have a certain amount of properties which are mortgage free now, they would have more capacity. Their total investment over the duration of the plans would be £93 million (£10m from [bank], £25 million of finance from a bank and £68m of self generated finance).

James noted that as a Strategic Housing Authority, there is a strategic plan that must be fulfilled and it has a duty to ensure that within the range of partners there is enough finance to meet that plan. He added that he was reassured by what he had heard at the last two meetings, but a meeting took place yesterday where OHAL's financial capacity and the community bond were discussed. There will be more on that in due course. James noted that there is lot of partnership working but there is a need to get in a position where the finance stacks up.

Stephen stated that some years ago there had been a sectoral forum for the construction industry, where brief presentations were delivered around the build / capital programme from key organisations, which was really helpful. He felt it would be useful to bring these meetings back. James stated that this is something that is being explored but that was potentially wider than the role of the Housing Market Partnership including other departments in the Council.

Councillor Moar queried where the houses were going to be built. James replied, stating that this was contained within the SHIP but would be happy to discuss that with him outwith the meeting. Councillor Moar also queried how all of this was going to get through the system, noting issues with planning and building warrants. Frances noted that it was part of the standard operational processes and Housing work closely with Planning all the time. The aim is to develop a pipeline of work. Gavin Barr added that they are refreshing the approach to how the Council's capital programme is managed, and how the Planning Service and Building Standards Service engage with that ahead of procurement.

Councillor Stevenson raised a few queries in relation to Luke's presentation, noting the comment about new providers and lower standards, querying if there was any evidence of

that. Luke responded to say this was primarily in relation to tenant satisfaction, noting the annual assessment by the Scottish Housing Regulator, which had identified some lower standards. It was also about making sure that the properties that are built are high quality. The concerns were noted as the Building Federation felt that they had not been involved in any of the discussions so just wanted to make sure that point was underlined. Councillor Stevenson asked if he felt those concerns had been addressed today. Luke confirmed that it had, if they were going to follow the Council's procurement strategy.

Councillor Stevenson also noted that £70 million had been mentioned several times throughout the presentation and wondered what the context of that was. Luke said that this was based on £7 million [Scottish Government grant requirement] a year, which was estimated in terms of government funding that would be required to deliver the SHIP's targets.

Brian Kynoch asked if Steven Paterson could explain more about PfP's commercial wing, what the commercial entity is and what it does. Steven noted that PfP have a bit of a complicated structure, having taken over different entities and would advise looking at their website to see the structure in more detail.

Following on from Councillor Stevenson's query around standards, Brian queried what the aftercare and tenant satisfaction are like, as there's more than just the build quality. Frances responded, noting that PfP would be looking for contractors to build the properties through local builders, as was discussed. PfP would not necessarily be managing the renting out of the properties themselves and would be looking for another service provider to do that on their behalf, but would be expected to comply with certain standards, the same as other providers. In relation to tenant satisfaction, Frances noted a need to be clear on the range of indicators in this area as some can be distorted by other factors which may not always be the responsibility of the housing service, e.g. satisfaction with the neighbourhood can be affected by wider decisions on grounds maintenance contracts.

Brian also asked what the Council's own housing investment was going to be. Frances said that there is limited room inside the Housing Revenue Account over the next 30 years so would be looking at around 13-15 houses per year at a net cost of around £113,000 per unit.

Luke requested confirmation that the Council is looking at a Moray style model where PfP would be coming in to build affordable rented and mid-market rent but were not looking to build housing for sale, rather than the Highland model where they're coming in to do everything. Frances advised that it was too early to determine what the definite mix would be as a legal agreement had not been signed yet.

Councillor Moar queried if there was a time limit for getting the legal agreement signed off with the other housing provider. Frances said this would be done as swiftly as possible, noting the issue around the need for housing and the requirement to spend the grant allocation.

Scott Barnett asked if the new provider would be expected to have a permanent local base. Frances said that, at the moment, it is the Council's understanding that they do not expect to have a local office, but would contract with a service provider to let out their properties and manage them on their behalf.

James noted that there have been two meetings to discuss the relevant issues and didn't anticipate having another, unless anyone in the room felt there was a need for further discussion. Stephen agreed, noting that since the Housing Market Partnership is going to continue, it could be picked up there. James added that from his perspective it gave the absolute clarity that the second meeting had tied up a shared understanding of where things are, where they are going and what the next steps are. He thanked everyone for their input.

Councillor Cowie expressed his thanks to everyone for their participation and closed the meeting.