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WORKER ACCOMMODATION DEMAND IN SHETLAND

EXECUTIVE SUMMARY

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Executive Summary

The Brief: The main objectives of the study were to provide an overview of the Shetland economy and key drivers; to quantify the supply and demand for worker accommodation; and to produce proposals for ways in which the needs identified might be addressed.

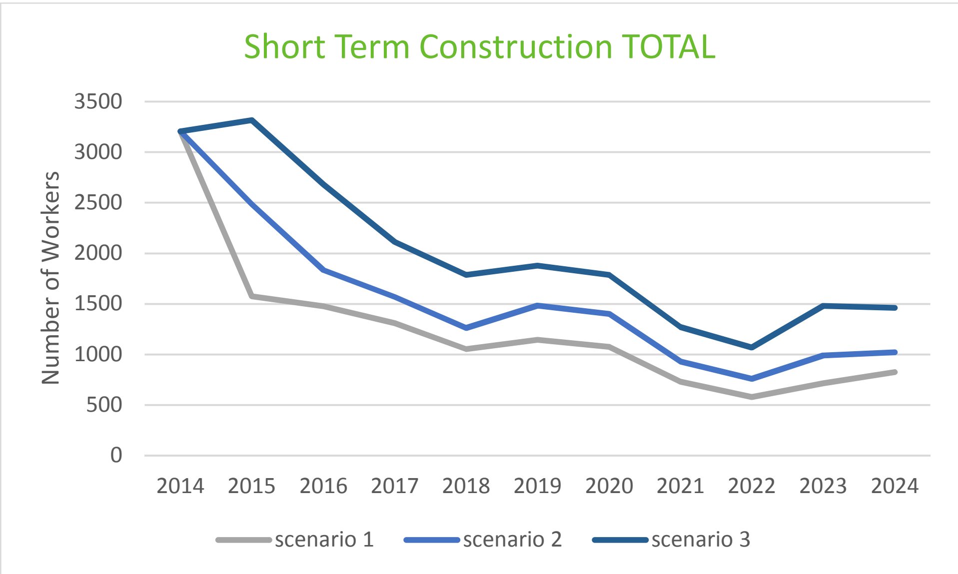
Economic Overview: It is clear from a review of the key indicators that the Shetland economy is currently in a strong position, with employment, output, and population growing, high economic activity levels, and very low unemployment. There is evidence of wage inflation, house price and rent inflation, and a shortage of labour. There is, however, some uncertainty as to how long the current high level of activity might last, which is reducing confidence to invest; there is evidence that business growth and new developments are being constrained by some of the impacts of success; the public sector is contracting and has limited resources. Housing growth has not matched economic activity growth.

Key Drivers: The key drivers for worker accommodation demand are expected to continue to be oil and gas plus further investments in energy infrastructure, accommodation, housing, and public sector projects, whilst other sectors have potential for growth, including fisheries and aquaculture, tourism, and creative industries.

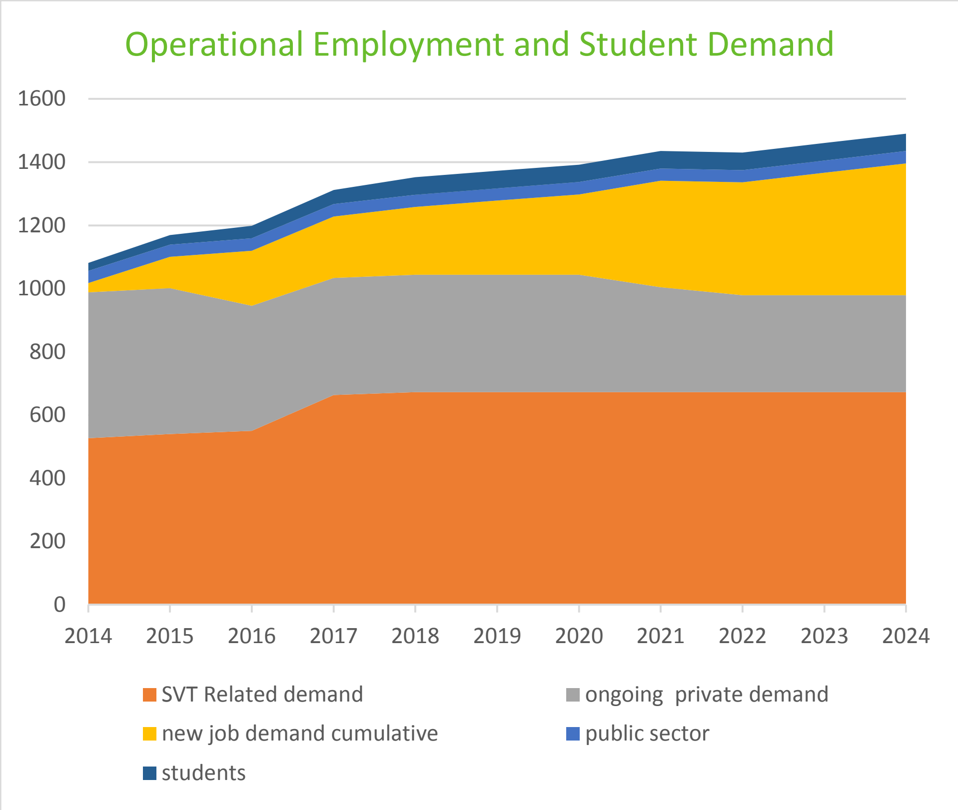
Key Messages raised during the consultation stage include:

1. Businesses are being constrained by a shortage of labour and accommodation.
2. The public sector is also struggling to recruit either locally or from outside Shetland, partly due to accommodation issues.
3. The big issue is the availability and cost of private housing to rent or buy.

Demand: Eight different categories of workforce demand were identified and assessed, and three demand scenarios created to span the range of estimates and variables.



The key conclusion from the analysis of short term worker employer demand is that, while there will be a significant drop from the current Sullom Voe Terminal influenced peak of over 3,000, there is likely to be a continuing demand for workers who will need accommodation of between 500 and 1,500 per annum up to at least 2024.



Ongoing operational demand and demand due to new jobs is expected to maintain the pressure on accommodation over the next 10 years due to the need to recruit people from outside Shetland in both the private and public sectors. These trends are illustrated above.

Supply: In recent years, worker accommodation demand has been met through a mix of facilities that include hotels, self-catering and rented houses, barges and ships, and Sella Ness accommodation block, with a likely similar mix over the next few years.

Solutions: Given the very varied sources and durations of demand, more than one solution will be required to maximise the benefits to Shetland from improving worker accommodation supply. A range of accommodation types need to be provided through a number of different vehicles. The businesses that need accommodation for their workers, whether temporary or longer term, have an interest in securing accommodation, but efforts are also required by the public agencies to achieve the best result for the Shetland community as a whole through negotiation, the planning process, accessing external funding, acting as a broker to encouraging more housing to be built, and providing support where appropriate to businesses.

Conclusions and Recommendations: The key **conclusions** from this study are:

(a) that the strong demand for employees and worker accommodation is likely to be maintained throughout and probably beyond the next 10 years, albeit at a lower level than the current peak which is being met by barges and flotels; and

(b) that the pressure on accommodation, particularly private rented housing**, will not be short lived**.

Thus, a top priority for action is considered to be providing more small housing units for incoming private sector workers. It is estimated from this study's analysis that this could be in the order of **24-**

70 per annum over 5 years, **plus 35-40** for public sector workers. This increased supply is on top of new affordable housing provision required by the Shetland population. Without more housing, businesses will continue to be constrained from growing and achieving their potential, and new businesses will find it more difficult to become established due to the cost and availability of labour. If more houses are built then the population can grow and the age structure will become less skewed if younger people can find affordable accommodation. Also if key worker housing can be built for incomers, it will help to relieve the pressure on the housing stock and on the social housing need.

Short Term Construction demand is likely to continue largely to be provided for, at least in the short term, by the industry through Sella Ness, barges and ships, and other short term provision.

The shift to rotational operation staff at the Sullom Voe terminal is a key issue for the Shetland economy and community, with potentially significant economic impacts through loss of income (estimated at £12m per annum) if BP meet their needs through the proposed new 120 bed hotel at Brae; and social ramifications through the loss of people resident in the community. It would be desirable, in terms of socio economic benefits, for the majority of the workforce to be resident in Shetland.

Finally, if benefits are to be maximised from this future phase of high activity, it is critical that there is even closer coordinated action among the stakeholders to help achieve the vision for Shetland as set out by the Community Planning Partnership. Otherwise the benefits could be limited and short term, with Shetland left to pick up the legacy of temporary facilities, being unable to realise other development potential, and being left with a static and ageing population.

A range of **recommendations** for action have been put forward that should help to maximise the benefits to Shetland from the high demand for currently non-resident workers and achieve the vision of a vibrant and growing community.

1. **Planning and Coordination**

- Cooperation and coordination are considered vital to maximise the benefits to Shetland. This means the public agencies working closely with the private sector to monitor needs and take actions, with agreement on the solutions and way forward. Therefore, it is suggested that at least two high level joint public/ private working groups should be established:- (a) to plan for accommodation needs in a coordinated way, and (b) to encourage training and local recruitment and grow the construction sector.

2. Development of Delting/North Mainland

- Produce a strategy and vision for the development and regeneration of Delting/North Mainland, including the location of any new accommodation and facilities, to address the development pressures and problems in the area.

3**. Worker Accommodation**

- Prepare the way for additional new housing by identifying and agreeing suitable sites.
- Support new private housing developments, especially small flats, to meet new incoming worker demand – in the order of 24-70 units p/a over 5 years, on top of striving to meet the already identified local affordable housing need of 53-72 units per annum. If the private sector is unable to provide these houses, the public sector needs to consider alternative vehicles.
- Create accommodation for around 35-40 new public sector key workers – some with shared facilities, and some self contained, to give options. This could be through conversion of existing premises or new build, and in partnership and cooperation with the private sector.
- Pursue different models for delivery of accommodation, including public/private partnerships with mixed funding sources and shared risks.
- Support the concept of a locally owned and managed high quality workers accommodation village in Lerwick and/or expansion of the Sella Ness facility – subject to developer interest.
- Support new budget hotels as well as a smaller 4/5* hotel.

4. Student Accommodation

- Provide accommodation for at least 30 additional students over the next 5 years. This could be considered in conjunction with providing accommodation for incoming public sector workers.
- Investigate the feasibility of using existing buildings at the old Anderson High School site to provide an immediate solution.

5. Lobbying and Funding

- Make representations to Government at the highest levels about the worker accommodation problem and the special case for funds to build more houses, since there is strong national interest in terms of government policy and oil revenues and thus in not constraining the developments in Shetland and ensuring that any negative impacts are mitigated.
- Keep to the fore the need to improve transport services (and their affordability) to and from Shetland to complement accommodation measures.

6. Other Proposals

- Increase the capacity of the construction sector in Shetland, including setting up an apprenticeship recruitment and subsidy scheme to encourage more local recruits into the construction and engineering sectors.
- Set up a scheme to recruit and train more local people to take up operational oil related jobs at SVT.
- Reinforce the campaign to attract more people to come to Shetland to live and work and invest.

If these actions are taken it will help to address the accommodation needs identified and ensure that benefits from the strong economic activity in the islands are maximised for the wider and longer term benefit of Shetland.

It is important to appreciate that worker accommodation demand scenarios will change as certain projects are delayed due to the international oil price trend, new projects currently unforeseeable are brought forward, and new opportunities emerge for Shetland. Therefore, the quantified demand

and supply analysis in this report should be reviewed both periodically, and whenever a major new project is mooted, or an existing plan cancelled, delayed or modified.

Our analysis has focused on housing and other accommodation requirements related to the demand for employees in Shetland exceeding the capacity of residents to take up this work. Other needs relate to the more general issue of housing supply matching aspirations and opportunities for population growth in Shetland – across the islands and in specific locations.

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