

# WORKER ACCOMMODATION DEMAND IN SHETLAND

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August 2015



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# 1. Introduction

## 1.1 Brief

The brief sets out the following three main objectives for the study:-

- Present an overview of the Shetland economy and outline the key growth opportunities, with a focus on the main development projects planned over the short (1-2 years), medium (5 years) and long-term (10 years), giving due cognisance to the scale of planned projects and further inward investment opportunities that could significantly impact on the provision of worker accommodation.
- Identify and map out the future demand for worker accommodation over the next ten years in Shetland. Consider the accommodation provision that will be required and compare this to the current situation, identifying the main gaps in provision.
- Provide recommendations on the future investment and infrastructure requirements to address the gap in the provision of worker accommodation in Shetland and the role of private developers and the public sector to meet these demands. This will involve presenting various options to address both the temporary and permanent requirements over time.

## 1.2 Methodology

In order to address these three objectives it has been necessary to adopt a range of approaches to the different tasks and outputs. The current position of the key components of the Shetland economy has been established as well as a review undertaken of the accommodation sector. This required desk based research as well as collection of primary data and consultation with the key stakeholders.

The key drivers for growth in the local economy have been reviewed and highlighted, especially those that will require construction and engineering works and thus a demand for workers' accommodation. These activities cover the oil and gas sector and decommissioning work as well as renewable energy and other public infrastructure such as schools, harbour works, upgrading water schemes, a new power station, heritage and tourism projects, and house building. It was also important to consider the sectors where there might not be future substantial infrastructure projects, but where there is a demand for migrant workers and also thus for their accommodation, such as tourism, fish processing, and building companies.

The quantification of likely demand for worker accommodation over the next 10 years was undertaken through discussions with representatives of the agencies and the main sectors. These discussions also provided an opportunity to consider various options to address the strategic requirements and mitigate any negative effects.

Over 50 interviews face to face or by phone were completed during the survey (see **4.1** for more detail on those interviewed).

Our analysis used a range of forecasting and foresighting techniques. The data gathered during the survey and consultation stage were systematically brought together to form the basis of projections of likely demand and supply over the next 10 years. Given the degree of uncertainty and number of variables, three scenarios were produced based on different probabilities of projects going ahead and their timing – to reflect a most likely situation with high and low possibilities on either side of that.

Our projections of the supply of accommodation has been limited to existing and known projects to enable the gap between future supply and demand to be clearly highlighted and options to be considered on how best to fill that gap.

The likely impacts, both positive and negative, on the Shetland economy (spanning its industry sectors) and the local community (e.g. access to housing) have been analysed from the information gathered as well as from our own knowledge and understanding of the key issues from other work. This relied on qualitative assessments supported by quantification where figures are available. Account has been taken at community level of increases or decreases in population and changes in housing demand expected to occur due to demographic or other factors relatively independent of workforce housing demand.

This analysis, in conjunction with the projections of demand for workers' accommodation and of the supply options, provides the evidence to explore the need for actions and how policies and actions could be developed in order to influence what happens in the future. Therefore, a number of alternative scenarios were constructed from the study findings. Appropriate action can manage and reduce uncertainties, plan for a positive legacy, and maximise the longer term benefits from expected workforce demand.

## 2. Overview of the Shetland Economy

### 2.1 Economic Context

On the basis of the main economic indicators, the Shetland economy is currently very buoyant, with a significantly higher labour demand than can be met by the resident available workforce.

A review of the key indicators is included in **Appendix 1** which shows that the Shetland economy is currently in a strong position with employment, output, earnings, 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 resident labour. There is also some uncertainty as to how long this may last which is reducing confidence to invest. There is evidence that business growth and new developments in some sectors are being constrained by some of the impacts of success; the public sector is contracting and lacks resources; and the availability and cost of transport are also causing problems.

### 2.2 Analysis of Key Sectors and Drivers and Development Projects

The key sectors in the local economy, based on the most recent Input/Output results<sup>1</sup>, are the public sector, fisheries, energy, construction & engineering, and tourism.

**Fisheries**, which includes catching, processing, and aquaculture, accounts for 10% of total employment directly, 17% inclusive of the multiplier, and nearly 30% of Gross Value Added (GVA). It is thus a key driver in the local economy, and it is important that it is not damaged by the current boom conditions.

**Energy Sector:** With regard to **oil and gas**, there is a push to start extracting more oil and gas from the West Shetland licencing areas, which has created a demand for onshore infrastructure to support offshore extraction activity. There is expected to be sufficient oil and gas to keep the Sullom Voe terminal operating through to 2040 and beyond. This activity and confidence has brought new oil and gas companies into the islands and led to the need for a complete refurbishment of the terminal, creation of a new Gas Sweetening plant (BP), and a new gas plant for Total for the Laggan/Tormore fields.

In addition there are other players considering options for using Shetland such as Chevron who are looking to exploit their finds West of Shetland, e.g. Rosebank. However the recent fall in the price of oil may dampen down the likely activity level over the next year or two (and possibly beyond as companies strive to reduce their operating costs).

West of Shetland is seen by some as a “key zone for new oil”. A report by Hannon Westwood (energy consultants) in 2008 suggested that the area accounted for 50% of the new UK reserves in 2007, i.e. 942m barrels of oil equivalent. In 2009, Faroe

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<sup>1</sup> Shetland Regional Accounts 2013, Hutton Institute and A B Associates for Shetland Islands Council, 2013

Petroleum announced new strikes at Glenlivet and Tornado Fields, with further exploration ongoing at Ann Marie, Cardhu, and Lagavulin. This is in addition to Total's activity at Laggan and Tormore with a gas pipeline into SVT, Chevron at Rosebank/Lochnagar Fields some 100 miles north west of Shetland, and BP at Clair and Schiehallion Fields. Some of the main discoveries West of Shetland are summarised in Table 2.1 below.

**Table 2.1: West of Shetland Activity**

Fields	Company	Discovery Date	Gas/Oil
<b>Active Fields</b>			
Clair	BP +	1977	oil/gas
Schiehallion/Loyal	BP	1993	oil
Foinaven	BP	1992	oil
<b>Discoveries under Development</b>			
Laggan/Tormore	Total	1986	gas/oil
Rosebank/Lochnagar	Chevron	2004	gas
<b>Discoveries not yet Developed</b>			
Glenlivet	Faroe/Dong	2009	gas
Tornado	Faroe	2009	oil
Tobermory	Total	1999	gas
Solan/Strathmore	Premier Oil	1990s	oil
Victory	Texaco	1977	gas
Torridon	Chevron	1985	gas
Suilven	Conoco	1996	gas
Cambo	Hess	2002	oil
Laxford	Total		gas
<b>Active Exploration</b>			
Cardhu	BP		
Lagavulin	Chevron		
Ann Marie (Faroe sector)	Eni		
Brugdan (Faroe sector)	Statoil		
60 + licences active			

Sources: various reports and websites

Some of the key relevant facts about West of Shetland are:-

- 30 + companies with an interest in West of Shetland
- 60 licences West of Shetland
- 20 undeveloped discoveries
- Potentially 40 + wells
- Potentially 15 + years of gas production
- Potentially 800km of new pipelines
- Over 2 trillion cu ft of gas discovered
- Over 4 trillion cu ft of undiscovered potential
- 3-4 billion barrels of oil in West of Shetland fields that could be recovered by 2035

There is an expectancy that the active lifespan of West of Shetland activity is well beyond 25 years, and could be 30-40 years. This has been the pattern in the North

Sea where the life of Sullom Voe Terminal, based on North Sea oil/gas, was expected to be 25 years maximum, but could now be 45 years +, with further extension through West of Shetland fields.

Government tax breaks for companies working in deep water West of Shetland could help to bring forward more developments in this area. A number of new areas West of Shetland have been included in recent licensing rounds through to November 2014 (see **Appendix 2** for Maps of 27<sup>th</sup> and 28<sup>th</sup> Licencing Rounds). Thus there seems little doubt that there will be more activity West of Shetland, with the potential for spin offs in Shetland, especially through ongoing movement of people and goods offshore, even if there are short term delays in some fields due to oil prices.

A second dimension of the oil and gas sector is **Decommissioning** of the infrastructure in fields that have reached the end of their life. Shetland is well placed to attract some of this business, and Lerwick Port Authority and One Peterson have been preparing onshore infrastructure to put themselves in position to compete for this businesses. Considerable investment has been made at the Greenhead Base and Dales Voe, and it is anticipated that projects could start within the next 5-10 years. The timing is dependent on oil prices because if the oil price is high it is likely to prolong the life of fields, but if the price is low then fields could be closed sooner. The current low prices, if maintained for any length of time, could bring forward the timetable.

#### **Photo of Dales Voe Base**



Image: Lerwick Port Authority



## Photo of Greenhead Base



Image: Lerwick Port Authority

A third area is **renewable energy** which has the potential to become a driver. It is still in its early stages but there could be major development of onshore wind (Viking and other projects in Yell, West Mainland and South Mainland as well as in Lerwick), and tidal and wave devices. However, wave & tidal might not develop to any significant extent until beyond the next 10 years and is certainly dependent on an interconnector being in place with spare capacity.

**Tourism:** At a much lower gross level (around £16m in 2012/13), the tourism sector is considered to have potential for further growth given the range of attractions, events, and activities available in Shetland, and the limited extent of marketing in recent years to tourist visitors. Marketing has not been necessary in the recent past for many of the accommodation establishments due to the very strong business and worker accommodation markets.

**Table2.2: Value of the Tourism Sector**

	2000	2006/7	2012/13
Output	£12M	£15.3M	£16.2M

Source: Visitor surveys

**Creative Industries:** This is a growth sector nationally with evidence of increased activity and potential in Shetland. There has been a resurgence in interest and activity, especially in textiles and other crafts, which is supported by new developments and activities such as Mareel (the new arts centre); with a new UHI Chair of Creative Industries having been established in Shetland. A number of courses are being launched by UHI, such as in music, which could generate demand

for student accommodation. The range and quality of craft goods being produced has grown significantly and the annual craft fair was the largest ever in 2014.

**Public Sector:** Traditionally the public sector has been a significant driver in remote rural economies through its promotion of capital projects, its spend on operational activities, and the salaries that it pays. This has become less so with constraints on public spending and reductions in the sector's labour force (e.g, SICs employment has fallen by around 500 in the last few years). Nonetheless, it is still a significant spender and employer, although capital programmes have been cut.

**Infrastructure projects** have been and should continue to be another driver in the economy for increasing construction and engineering activity. Projects are expected to come from a range of sectors and activities, and include public sector projects and utilities as well as housing and community projects. These are covered in more detail in the following sections.

In summary, the main drivers include the following:-

- ***Fisheries and Aquaculture***
  - Range of infrastructure
- ***Energy***
  - Oil and gas– SVT onsite Gas Sweetening Plant, maintenance, refurbishment
  - SVT offsite HQ , hotel
  - Chevron Rosebank development
  - Offshore activity West of Shetland
  - Decommissioning
  - New Power Stations – Lerwick and SVT
  - Wind energy, especially Viking Energy
  - Interconnector cable for electricity
- ***Transport***
  - Airport and Harbours
- ***Tourism***
  - Heritage projects – Scatness
  - Accommodation – new hotels, refurbishments
- ***Public Sector***
  - SIC – Anderson High School, Eric Gray Centre, social care
  - Hjaltland Housing Association
- ***Other Private Sector investments***
  - Construction and engineering projects
  - Housing – new and conversions
  - Sella Ness work camp extension
  - Energy Recovery Plant/District Heating Scheme investment
  - Shetland Recreational Trust, UHI/College accommodation

In **conclusion**, the key drivers summarised above will continue to generate demand for worker accommodation, especially oil and gas, followed by decommissioning, energy investments such as the power stations, wind energy and the interconnector, public sector investment and house building. Other sectors expected to grow include fisheries and aquaculture, and the provision of accommodation itself.

### 3. Recent/Current Accommodation Supply and Demand

This section provides some background on the current situation and covers the full range of recent/current demand for and supply of worker accommodation in Shetland.

Shetland has a long history of relatively high numbers of business visitors (especially compared with the other island groups) who come to the island for a few days or longer periods. This demand has risen to significant peaks at different times in the past, e.g. relating to the herring fishery, the construction of SVT, the “corrosion under insulation” project at SVT, and more recently, the development and refurbishment of SVT, the TOTAL project, and other major public infrastructure projects.

The accommodation provided to meet these peaks has ranged from the “gutters huts”(for herring processing workers) to the work camps at Toft and Sella Ness. Although facilities within the temporary accommodation provided have improved a little through time, it is interesting that some of the older facilities have provided a lasting legacy by remaining in use far beyond their original function, and have indeed been subsequently modernised and converted into office use at North Ness. The legacy from the SVT camps at Toft and Firth has not been as long, though use was made of the main service blocks for a number of years.

#### Temporary Construction Workers

The main demand in recent years has been from oil related activity, with maintenance and new investments at SVT as well as capital projects such as the new Mid Yell School and Sumburgh Head refurbishment.

**Table 3.1: Temporary Construction Workers**

	2012	2013	2014
BP SVT maintenance/refurbishment	400	400	660
Total Laggan/Tormore Gas Plant	1,500	2,100	2,500
Sella Ness Accommodation Block/Moorfield Hotel	40	40	
Other projects	30	30	30
Total	1,970	2,570	3,190

Source: own research

It is clear that demand has risen significantly over the last few years. Before this, demand was very much lower and could fluctuate quite widely from year to year depending on what capital projects were underway.

#### Offshore Workers

A further source of demand for short term accommodation has come from offshore workers who are passing through Shetland and transferring from fixed wing to helicopters, and from crew changes for oil related vessels. This can generate peaks for beds in the order of 60-100 for helicopters at one time for one or two nights. The demand is very weather dependent and occurs primarily in the summer six

month period. This can arise from Scatsta or Sumburgh traffic as well as smaller numbers from Lerwick and Scalloway harbours.

The numbers of helicopter and fixed wing passengers passing through Scatsta and Sumburgh have been as follows:-

**Table 3.2: Passengers Numbers at Scatsta and Sumburgh Airports 2001-2013**

	2001	2006	2010	2012	2013
<b>Scatsta</b>					
Helicopters	n/a	n/a	n/a	139,671	137,206
Fixed wing	n/a	n/a	n/a	164,809	161,102
<b>Total passengers</b>	<b>247,000</b>	<b>255,000</b>	<b>279,000</b>	<b>304,480</b>	<b>298,308</b>
<b>Sumburgh</b>					
Helicopters	41,311	18,198	10,051	5,731	15,477
Charter fixed	14,824	9,727	10,160	144,836	196,756
scheduled	112,146	125,326	131,184		
<b>Total passengers</b>	<b>168,281</b>	<b>153,251</b>	<b>151,395</b>	<b>150,567</b>	<b>212,233</b>

Source: HIAL and NATS websites and press releases

These figures show a steadily rising demand through Scatsta, with a more erratic pattern through Sumburgh. An overall estimate of over 300,000 passenger movements at Sumburgh for 2014 would suggest that throughput is still rising<sup>2</sup>. A recent study of Offshore Helicopter Services for HIE concludes that Sumburgh airport should be in a strong position to further develop helicopter transport facilities.<sup>3</sup>

### Underlying Visitor Demand

The underlying demand from shorter term visitors has largely been met through Shetland's wide range of "tourist" or "visitor" accommodation, i.e. hotels, guest houses, B&Bs, and self-catering. Provision has been as follows:-

**Table 3.3: Visitor Bedspaces 1996-2015**

	1996	2006	2010	2015
Hotel	596	545	551	550
Guest house	170	185	199	206
B&B	208	168	109	108
Self-catering	421	437	542	564
Hostel, bods	125	99	139	213
Sub total	1,515	1,434	1,540	1,641
Camp/caravan	162	230	237	233
<b>Total</b>	<b>1,677</b>	<b>1,788</b>	<b>1,777</b>	<b>1,874</b>

Source: Visit Shetland Guides and SIS; Shetland Accommodation Occupancy Surveys

Over the last 10-15 years, the overall level of registered accommodation has remained relatively stable, although there have been some fluctuations, most notably a fall in B&B spaces and an increase in self-catering spaces. The fall in B&B

<sup>2</sup> HIAL press release Feb 2015

<sup>3</sup> Offshore Helicopter Services in the North of Scotland , Frontline for HIE , 2014

spaces may be partly due to retirees, partly to some guest houses being taken over by companies for their workers, and partly through some providers no longer participating in the VisitScotland network. In addition, there are known to be bedspaces available in non-member properties. It is estimated these could amount to a further 15% of bedspaces to bring total bedspaces to around 1,900 in 2015 (excluding camping/caravanning). The numbers of visitors in recent years gleaned from visitor surveys are as follows:-

**Table 3.4: Visitor Numbers 2000-2012/13**

	2000	2006/7	2012/13
Business	20,573	22,099	26,541
Holiday	17,737	24,774	26,706
Visiting Friends and Relatives	8,869	13,081	11,412
Sub total	47,179	59,954	64,655
Yachts and cruise ships	18,473	44,327	46,041
<b>Total</b>	<b>65,652</b>	<b>104,281</b>	<b>110,696</b>

Source: Visitor Surveys 2000, 2006/7 2012/13; Cruise ship figures include passengers and crew (25,470 and 17,565 respectively in 2006, and 26,477 and 18,000 in 2013). The estimate for cruise ships in 2012/13 was based on passenger figures from Lerwick Port Authority, plus the same proportion of crew as in 2006. It should be noted that the number of cruise ship passengers rose dramatically to 43,056 in 2014, which would give an overall total of 72,334 (passengers and crew). The 2012/13 yacht figure was an estimate based on 520 yachts with an average crew of 3.

The number of holiday visitors travelling annually to Shetland by boat or plane is around 26,000 and these visits are concentrated in June, July and August, with most others in May and September. The majority of the visitors in 2012/13 were from the ABC1 social group (69%). This was broadly equalled by the number of business travellers, who are more spread throughout the year.

### **Operational Staff Accommodation**

The public agencies traditionally provided some accommodation for incoming key workers, e.g. Police, NHS and SIC. The provision was greatly increased in the 1970's to meet the needs of the growing economy, including the oil and gas industry and the growth in public services in response to increasing population and responsibilities.

External funding and loans were secured to help provide some of this housing, such as at Nederdale (Scottish Special Housing Assoc), Moorfield in Brae (SIC), and Firth and Mossbank (SIC). These were on top of the provision of houses for teachers, especially in rural areas. BP also provided housing for some of their key workers, e.g. alongside Moorfield in Brae and in Voe, as did Bristows in the South Mainland.

The NHS have built up a stock of accommodation that is usually fully utilised, and only partly meets their needs. In addition they rent other accommodation, especially for visiting services or other temporary contracts.

**Table 3.5: NHS Accommodation in 2014**

	2014
Hostel type bedspaces	28 bedspaces
Houses	7 houses with 21 bedrooms
Flats	6 flats to accommodate 11 persons

Source: NHS

The Police have also had houses for staff throughout the isles, though some of these have been sold over the years, e.g. at Scalloway and Dunrossness. This means that they now have a shortage of accommodation and are looking to obtain more to help in staff recruitment.

Some businesses in the private sector have also provided housing for workers from outside Shetland. This has been the case with fish processing, especially where there have been seasonal peaks, but also more recently for year round core staff e.g. Saga and then Scottish Seafarms and Shetland Catch who have become more dependent on migrant workers. Also, oil related businesses in the 1970s and 80s provided housing, e.g. for helicopter pilots, and more recently other companies reliant on workers from the south, e.g. Technip, have done so.

### **Housing Stock and Housing Market**

Since the 1980s, many of the houses originally provided for a specific purpose have come onto the open market, while the Local Authority stock has shrunk due to sales and fewer new builds. For example, in the 10 years to 2005 an average of 60 local authority houses were sold each year<sup>4</sup>. The Local Authority no longer provides dedicated key worker housing for incoming workers, although they are eligible to apply for a house within the general stock.

Hjaltland Housing Association has been a key provider of new affordable housing for the local market. No houses have been created specifically for incomers or key workers, since the priority and funding is for social housing.

**Table 3.6: Housing Stock in Shetland, Sales and Prices 2006-2013/14**

	2006	2010	2012	2013/14
SIC/HHA housing stock	2,198	2,220	2,284	2,383
Private housing stock	8,002	8,370	8,526	8,600
Total stock	10,165	10,590	10,810	10,983
No of house sales	276	201	237	218
Mean sales price Shetland	£98,415	£114,424	£120,533	£133,715
Mean sales price Scotland	£144,112	£163,356	£158,491	£162,266

Source: Shetland in Statistics 2013, Scottish Neighbourhood Statistics, Scottish Assessors Association. Around 5% of the housing stock is vacant at any one time and 1-2% of units are estimated to be second homes. The 2011 Census recorded 9,950 households with residents.

Table 3.6 also shows that the number of house sales per annum has been relatively steady while there has been a significant increase in prices compared with the national picture (+35% as against 12%) between 2006 and 2013/14.

<sup>4</sup> Scottish Neighbourhood Statistics

**Table 3.7: House Completions in Shetland 2006-2013**

	2006	2007	2008	2009	2010	2011	2012	2013
Social housing	43	16	6	83	22	72	13	30
Private housing	131	111	94	90	70	84	69	45
<b>Total</b>	<b>174</b>	<b>127</b>	<b>100</b>	<b>173</b>	<b>92</b>	<b>156</b>	<b>82</b>	<b>75</b>

Source: [www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildAllSector](http://www.gov.scot/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildAllSector)

The number of new house completions in Shetland has varied from less than 100 to over 170 in recent years, averaging at around 122. The current Local Housing Strategy<sup>5</sup> identifies an overall housing supply target (including affordable and private housing) of an estimated 1,230-1,420 homes required over a ten year period. This is equivalent to 123-142 homes per year.

Completions in the private sector, in particular, have recently fallen, possibly due to a combination of factors such as access to finance, difficulty of getting a builder, and cost increases.

In relation to the social rented sector, the Local Housing Strategy identifies a need for 53-72 additional affordable housing units each year for the next 10 years. An average of 36 houses pa were completed in the social housing sector between 2006 and 2013. Since adoption of the strategy the average is 38. In 2014/15 the Council completed 10 units at Brae, and Hjaltland Housing Association completed 57 units in Tingwall and Lerwick, with a further 38 units due for completion by March 2015. Beyond 2015, the Housing Investment Plan currently contains proposals for a further 80 additional units up to March 2020<sup>6</sup>. This would give a total of 185 new affordable houses over a 6 year period - an average of 31 per year. This reflects the funding available from the Scottish Government.

At the same time SIC and Hjaltland Housing Association are working to maximise external funding for new build housing and also to stimulate future housing supply through a range of incentives and initiatives, such as a rent to buy or developer incentives.

The SIC is focussed on meeting its statutory duties (e.g. regarding homelessness). Its resources are stretched in meeting these responsibilities, and as a result the need for accommodation for migrant and temporary workers is generally seen as a matter for the private sector.

There is also a recognition that currently the housing market in Shetland is skewed. There is little house building, other than self build, at a time when the construction sector is buoyant and not using its land bank for development. Much of the private rental market in Shetland is directed at the corporate sector. This makes it very difficult for local people to get on the housing ladder – or even to find accommodation they can afford. This is especially true of those who don't qualify for social housing and can't easily afford to buy a property.

<sup>5</sup> Shetland's Local Housing Strategy 2011-2016.

<sup>6</sup> Strategic Housing Investment Plan 2015/16 – 2019/20. Shetland Islands Council.



The 2001 Census showed 508 households living in private rented accommodation<sup>7</sup> – excluding those renting from their employer or a relative. Figures from the 2011 Census suggest there were 856 privately rented households (8.6% of the total)<sup>8</sup>. This is significantly more than the number of properties registered by landlords in 2011, although it includes those renting from relatives and employers. The number of properties registered by private landlords in Shetland has increased by 60% in recent years (see Table 3.8 below).

**Table 3.8: Private Rented Property in Shetland 2011-2014**

year	number
2011	495
2012	580
2013	679
2014	794

Source: SIC register of private landlords

Anecdotal evidence is available on rent levels but reliable evidence is hard to come by, although the SIC did carry out a survey in 2008 which showed that the average monthly rental on long term lets was £400-£500 excluding Council Tax and utility costs. Data from Rent Service Scotland<sup>9</sup> suggests rents for a 2 bed property in the Highlands and Islands Rental Market Area rose from £503 to £532 per month between 2010 and 2014. This is the market area used as the benchmark for Housing Benefit purposes, which means that in Shetland the current assumed rent for a 2 bedroom property is £109.62 per week.

Discussion with local providers suggests that while rental values depend on the quality of the property and the specific demand at the time, recent actual rents for 2 bedroom properties in Lerwick have been in the region of £1,250 per month, while a family house in the Brae area might cost in the region of £3,000. In recent years, there has been increased interest in the buy to let market in Shetland, with investors attracted by the potential returns. This puts extreme pressure on local people wishing to rent properties privately. The Local Housing Strategy concludes that “private rented housing in Shetland is largely unaffordable for households on average incomes”<sup>10</sup>

There has been a notable increase in private developments in Lerwick to provide one bed facilities, such as the conversion of two ex-Council offices in St Olaf Street, Leog on Hillhead, flats above the Marlex, and redevelopment of the Malcolmson bakery site, as well as in housing and chalet activity around Brae. The Sumburgh Hotel is expanding its accommodation through acquisition of property to add to its existing portfolio (which includes serviced apartments in Lerwick).

<sup>7</sup> Scottish Neighbourhood Statistics

<sup>8</sup> Census 2011 table KS402SC - Tenure

<sup>9</sup> [www.gov.scot/Publications/2014/11/2313](http://www.gov.scot/Publications/2014/11/2313)

<sup>10</sup> Local Housing Strategy 2011-2016, para 11.15



A new type of business started in Shetland in the last few years which is to manage and rent property. Traditionally this has been limited to a few individuals with their own properties and the solicitors who help clients buy and sell properties. Two new businesses are now offering a full range of services to property owners who wish to rent out their properties. They have over 100 properties on their books.

There have not been many houses in Shetland registered for **Multiple Occupation (HMOs)**. 49 licences were issued between 2003 and 2010 but only 6 HMOs were actually in place in 2010. Currently there are 16 active properties with licences (which are valid for 3 years), however 4 are sheltered accommodation and 1 is student accommodation, thus leaving 11 for workers. These provide space for over 100 people. Around 30% of these are for NHS staff.

### **Migrant Workers**

Over the past 20 years there have been increasing numbers of migrant workers coming to Shetland from outside the UK to fill essential jobs in fish catching, processing, aquaculture, tourism, construction, and other services such as shops.

In the early 2000s, 280 migrant workers registered at the Job Centre in Shetland. This represented 2% of the working age population (source ONS). However this is not the full picture as a migrant worker can register for work in any Job Centre in the UK and move to another area without any record kept. There is no wholly accurate way of calculating the actual numbers of migrant workers in Shetland at any one time as there are no records of the numbers moving in and out of Shetland.

Between 2004/5 and 2006/7, 360 National Insurance numbers were issued to non UK nationals in Shetland (compared with 290 in the Western Isles and 180 in Orkney). In 2006/7, 170 were issued. Most of these migrants were aged between 18 and 34 (73%), and 75% came from the A8 states (i.e. the EU accession countries).

**Table 3.9: NINo Registrations in Shetland, 2004-2013**

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Registration	86	105	146	173	160	159	113	104	108	194	1,348

Source: Dept of Work and Pensions NINo registrations (National Insurance Numbers)

The numbers in Table 3.9 represent an average of 135 p/a. but it is not clear how many stayed and for how long? And how many more have come in after registering elsewhere in the UK? This information is not available. A guesstimate, informed by the results of a survey in Orkney<sup>11</sup> and the total numbers registered, suggest that the number of migrant workers in Shetland could be between 700 and 1,000 at any one time, depending on the numbers staying or leaving and those moving from other areas. This assumes that the proportion of non locally registered migrant workers is similar in both island groups.

The 2011 Census showed 1,172 people living in Shetland but born outside the UK. 727 of these had lived in the UK for less than 10 years and 529 for less than 5 years.

<sup>11</sup> Employer Study into the Impact of Migrant Workers in Orkney, Orkney Islands Council and HIE Orkney, 2007

Not all of these will be migrant workers, but these figures do support the above guesstimate.

### **Student Accommodation**

The number of students from outside Shetland enrolled at Shetland College is quite low, although there are more at NAFC.

Shetland College does not provide any accommodation for students whether from outside Shetland or from the remoter parts of Shetland who need to stay in Lerwick while attending a course. NAFC provides 29 bedspaces in 25 bedrooms on their site in Scalloway which are used mainly by cadet students. The demand for accommodation from students at both campuses could grow in the future as more Higher Education courses are developed, such as in creative industries and summer schools. In common with elsewhere in Scotland, however, annual FE enrolments have fallen in recent years due largely to significant FE funding cuts by the Scottish Government.

**Table 3.10: Students Enrolled at Colleges in Shetland 2006-2014**

	<b>2006/7</b>			<b>2012/13</b>			<b>2013/14</b>			<b>2014/15</b>		
<b>Students</b>	FT	PT	T	FT	PT	T	FT	PT	T	FT	PT	T
<b>Shetland Coll</b>												
<b>FE</b>	71	1,281	1,352	66	1,220	1,286	53	966	1,019	70	749	819
<b>HE</b>	84	132	216	90	251	341	88	191	279	93	102	195
<b>Short courses</b>							0	1,417	1,417			
<b>NAFC</b>												
<b>All students</b>	n/a	n/a	806	n/a	n/a	794	n/a	n/a	1,045	n/a	n/a	n/a

Source: Shetland College and NAFC

Increased future demand could be for 20 beds for Shetland College and another 5-10 for NAFC. A study was carried out by UHI into the feasibility of providing accommodation for 25-30 students that included NHS, SIC, and Police trainees as well as UHI. There was a proposal from the UHI to provide some accommodation through a private sector special service provider, but this did not proceed as the guarantees required were considered too onerous. There were also issues about the flexibility of use of the accommodation during student holidays.

## 4. Analysis of Future Accommodation Supply and Demand

### 4.1 Analysis and Methodology

In order to help quantify accommodation supply and demand a survey was carried out through interviews (some face to face, but largely by phone or through emails), of a range of employers and public agencies. The initial target for 35-40 interviews was exceeded, with 54 interviews in total undertaken across the following sectors:-

**Table 4.1: Record of Interviews**

Sector	Number of interviews	Numbers contacted
Public Agencies	11	11
Oil and Gas and Decommissioning	9	11
Construction and Engineering	8	8
Tourism	8	9
Transport	6	9
Fish Processing	3	6
Housing and Property	3	4
Infrastructure and Other Developments	6	6
Total	54	64

The sample was chosen to focus on the key sectors and businesses which are (or will be likely to be) driving demand, such as oil and gas, construction and engineering as well as other sectors being affected by accommodation issues such as transport, tourism, and fish processing; and the public sector that is facing similar difficulties recruiting staff. The information received from this process was supplemented by data from a variety of other sources as well as our local knowledge, in order to come up with some credible estimates of demand and supply.

From this analysis, it seems certain that there will continue to be strong demand for short term worker accommodation over the next 10 years (and beyond). Less certain is the level of demand, when it will occur, and how long it will last.

### 4.2 Analysis of the Survey Responses

The key messages raised during the interviews are summarised below.

1. Businesses are being constrained by a shortage of labour, especially skilled trades, and accommodation.
2. The public sector is also struggling to recruit either locally or from the south, with the latter mainly due to accommodation availability.
3. The big issue is seen as the cost and availability of private housing to rent or buy.
4. A degree of uncertainty in the oil and gas sector is making businesses cautious about expanding and taking on permanent staff in case of a downturn - the recent reduced price of oil having increased caution.

5. More effective cooperation and coordination between the public and private sectors are considered vital to finding solutions to the pressure on accommodation that will provide lasting benefits to Shetland

#### 4.3 Demand 2015-2024

Eight different categories of demand for accommodation were identified and considered separately, as requirements tend to be different. These categories are:-

1. Short term construction demand
2. Ongoing maintenance at SVT
3. Offshore workers
4. Oil related operational/rotational employment
5. Other operational employment in the private and public sectors
6. Migrant workers
7. Students
8. Business travellers

Our estimates for the demand for accommodation have been derived from the survey we carried out, supplemented by data from other sources. Three scenarios are put forward to reflect the range of possible demand and levels of uncertainty, especially in relation to capital projects. Our main assumptions are summarised in Table 4.2.

Demand from tourists and other non business visitors is also relevant to demand for certain accommodation types and we also considered this – both currently and in the future with potentially increased tourism.

**Table 4.2: Demand Scenarios**

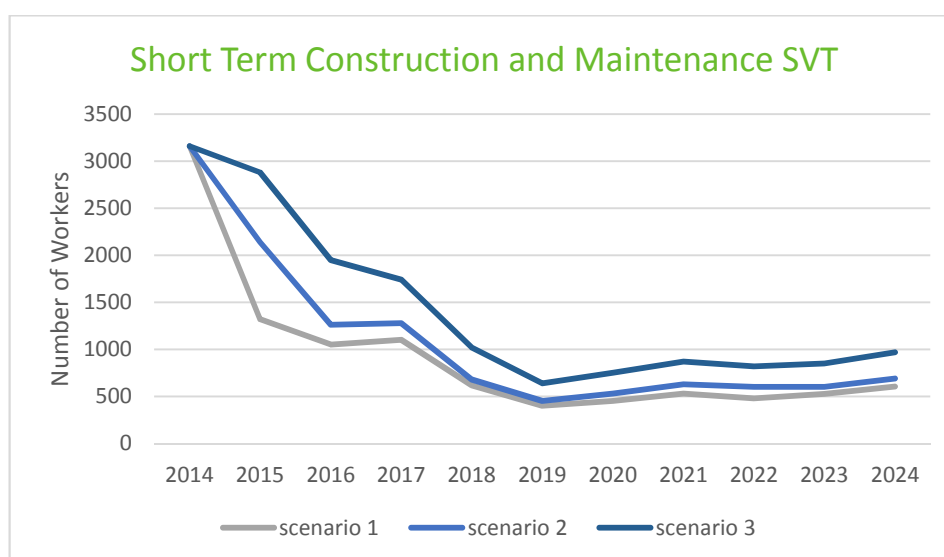
Assumptions	Scenario 1	Scenario 2	Scenario 3
1.Estimate of demand from capital projects	Lower end of range	Mid range	Higher end of range
2.Timing of projects	Some assumed to slip	Most assumed to be on schedule	All projects on schedule
3.Allowance for less certain and new projects	None included	A few projects included	Several projects added (but more could emerge)
4.Price of oil	Price remains low and depresses demand for new developments, but decommissioning brought forward	Oil price rises sufficiently so that projects remain on schedule	Oil price recovers to former high level thus more demand offshore but decommissioning possibly postponed

5.Students	Limited new demand	Demand up by 50% from Scenario 1	Demand doubles from Scenario 1 over the next 5 years
6. Migrant workers	Number of migrant workers falls	Number of migrant workers remains at recent level	Number of migrant workers increases
7.Business travellers	Decrease in demand	Stays at same level	Increase in demand

### Construction and Maintenance Demand (1 and 2 above)

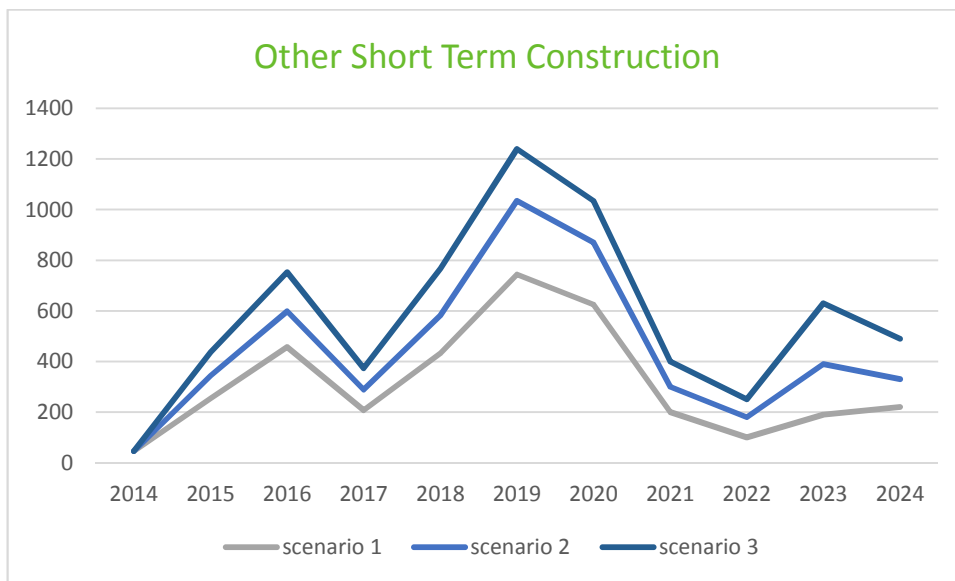
The first Figure below shows the demand from works at SVT, the second picks up the demand from a range of other projects throughout Shetland, and the third brings the data together in one graph. The SVT labour demand projections include maintenance, refurbishment, etc, where carried out by contractors rather than BP or TOTAL staff.

**Figure 4.1: Short Term Construction and Maintenance Demand SVT 2014-2024**



The notable feature in Figure 4.1 is the steep drop between now and 2019 followed by a more steady baseline pattern for the remaining period of between 500 and 1,000 workers across the three scenarios. The mid range scenario suggests the demand for accommodation could be maintained at a level in excess of 500 per annum.

**Figure 4.2: Other Short Term Construction Projects 2014-2024**



The data in Figure 4.2 have been derived from the expected demand for short term construction accommodation from a wide range of construction projects across all sectors on the islands (see indicative list on Page 7 ).

The irregular pattern in Figure 4.2 is much influenced by the short term nature of specific construction projects, especially those expected to come together in 2018-20.

**Figure 4.3: Total Short Term Construction and Maintenance Demand 2014-24**

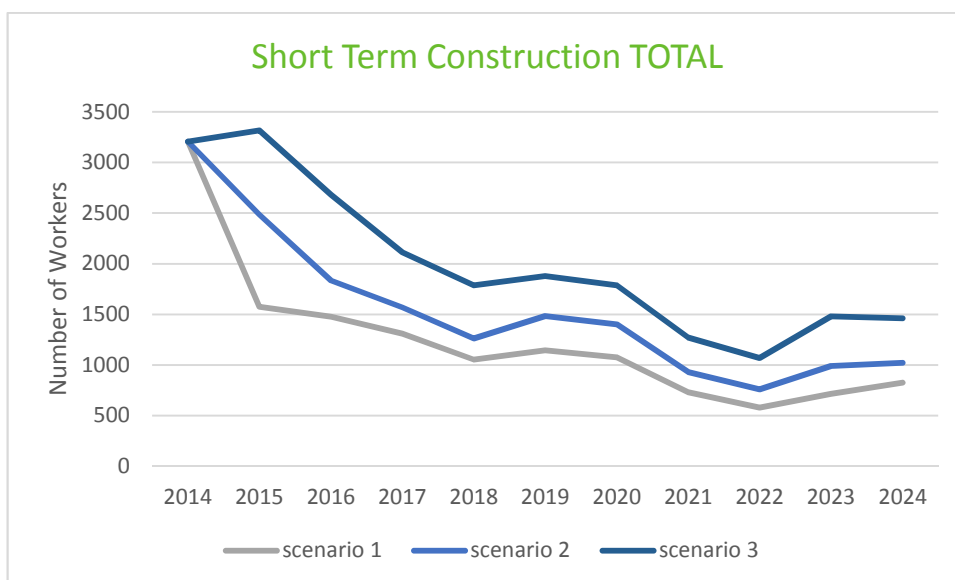


Figure 4.3 brings the data together from SVT (new build, maintenance, and refurbishment) and other capital projects (public and private) throughout the isles, i.e. it includes all those in categories 1 and 2 listed at the beginning of section 4.3.

Three broad demand phases are evident, although there could well be significant new projects in the latter part of the ten year period not currently identifiable. Projections made in 2004 would have been unlikely to have predicted the actual 2014 demand!

1. 2015-2016: 1,500-3,300 workers
2. 2017-2021: 700-2,000 workers
3. 2022-2024: 500-1,500 workers

**Figure 4.3 shows that while accommodation demand is likely to fall from the current peak, it is likely that significant levels of demand will be maintained, levelling out at between 500 and 1,500 (which is a broad range – itself an important study finding)**

The estimates embodied in Figure 4.3 are based on a range of main construction projects expected over the next ten years. They do not include most of the smaller projects which are expected to be undertaken by local contractors, although it is possible that local contractors may be able to take on more major work and reduce the need for external contractors. Without a more detailed analysis of the construction and engineering sectors it is difficult to be more precise about their capacity and the likely level of future work on smaller projects, although there is known to be a backlog of projects as well as the recent level of planning applications being maintained. Thus, while the local contractors may be able to make more of a contribution to some of the major projects, this is not expected to reduce accommodation demand significantly. Indeed, in general, local contractors would be likely to find themselves recruiting from outside Shetland to carry out any significant subcontracting work on major projects, or for their own housing and commercial building work.

The demand from short term construction workers is generally for work camp style accommodation, hotels and rented accommodation. There are expectations of increasing standards for camp style accommodation, as evidenced by provision in other parts of the world and by the negative reaction of workers to sharing at Sella Ness which led to an industrial dispute and strike action. Work camp accommodation and facilities generally need to be of at least similar quality to a budget hotel.

### **Offshore Workers (3)**

The demand for oil and gas workers moving to and from offshore installations is much more unpredictable and intermittent. Some estimates have been made based on known bednights per annum and could be in the order of 3-4,000 per annum over the next few years. The demand here is primarily for budget hotel type accommodation, although it is difficult to translate the demand for bednights into bedspaces required based on the data available. 4,000 bednights would equate to approximately 200 occupied beds for a working year.

There is evidence from a recent study that there could be a growth in the short to medium term in the demand for helicopter services and movements due to the development of over 20 new oil fields around Shetland <sup>12</sup>

The study also highlights the fact that there is inadequate support infrastructure at the moment, such as overnight accommodation in or close to Sumburgh airport, which could limit new development.

Furthermore it is expected there will be a need for additional fuelling and training facilities as projects are developed around Shetland. As a result, one of the five development options put forward in the report suggest that the agencies should work with the private sector to attract investment in new accommodation, among other facilities.

#### **Oil Related Operational /Rotational Employment (4)**

Oil related operational demand is from additional operational staff requirements and from the move to rotational staff at SVT (up to around rotational 350 workers expected), where the immediate plan is to provide accommodation in two hotels. However, this may not be the most economic solution for the industry and may not meet all the demand. It therefore has to be assumed there could be more demand for housing, which could be a preferable solution from the perspective of maximising benefits to Shetland with the increased scope for rotational staff to be replaced by permanent residents over time – with population benefits in local communities.

#### **Operational Employment and Migrant Workers (5 and 6)**

The “private” operational demand in Figure 4.4 is spread across the whole private sector, with the main concentrations in construction and engineering, fish processing, transport, and tourism. Housing is the main requirement for meeting this demand, ranging from shared accommodation to single person and family units.

This demand is both ongoing and from new jobs that are likely to be created. Currently there are estimated to be around **460** workers, many of whom are considered currently to be in inadequate or unsustainable accommodation (both in terms of price and facilities). This demand includes migrant workers but does not include SVT related jobs such as at Sella Ness, Moorfield hotel, and the power station that aggregate to around another 170; or the jobs on the SVT site.

Some of these jobs relate to short term contracts, e.g. in construction and engineering, but as shown elsewhere there is already unsatisfied demand and other development projects that are likely to maintain demand for similar skills. In ten years time, this category of demand is estimated to be around the 300 level. If more satisfactory accommodation is not available in the right locations it could be increasingly difficult to retain or recruit staff; thus constraining opportunities for local companies.

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<sup>12</sup> Offshore Helicopter Services in the North of Scotland , Frontline for HIE , 2014



In addition to this, there is estimated to be **new demand** from new developments that will require to recruit workers from outside Shetland. These include jobs in transport, energy projects, the accommodation and tourism sectors, aquaculture, services, creative industries and other new businesses. This new demand is likely to be spread across the next ten years and could amount to around **400** jobs. Some of these workers may be housed in accommodation vacated by some of the short term construction workers, or through a drop in demand for oil related work, or by businesses providing space for some of their workers, but there are still likely to be substantial numbers seeking accommodation. This demand could be reduced by some local recruitment, but given the ongoing overall demand for employees, a limited labour pool, and full employment, this is not likely to be significant. Thus, there is clearly a demand for further accommodation provision beyond that providing for ongoing demand if new workers are to be attracted to Shetland to realise the potential that businesses envisage over the next ten years.

Even if it is assumed there may be some local recruitment to meet this 400 employee demand (25% or 100), some accommodation is provided, e.g. by hotels (for 100), and some of the accommodation used by the more temporary construction activity becomes available (50 units or 150 workers), there could still be a need for additional accommodation for 200 from new job demand and 150 from ongoing demand based on conservative estimates and assumptions, i.e. **350** in total. This could translate into 120 to 350 housing units depending on occupancy assumptions, or **24 to 70** per annum over a five year period. This additional housing provision would meet at least some of the expected need and relieve pressure on the private rented sector and social housing stock.

These demand figures are considered to be at the low end of the scale and if this level of units is provided there should be more than sufficient demand to fill them. It should also be stressed that the figures are a most likely scenario with the possibility of demand being higher or lower, though the latter is considered much less likely. It is also worth stressing that the analysis is still based on a partial analysis of the local economy and a fuller analysis could reveal further demand not so far identified. It should also be noted that no multiplier effect has been added. It would be reasonable to assume if more workers are domiciled there could be a knock on effect with further employment demand in a range of population based services. Thus these figures should provide considerable comfort to any prospective developer in relation to demand and the likelihood of achieving high occupancy rates very quickly.

Public sector demand relates to recruitment demand for employees from the south, and applies across the sector. Our demand projection is based on annual recruitment figures and estimates from discussions with those in the sector, and has been estimated at **35-40** new workers per annum.

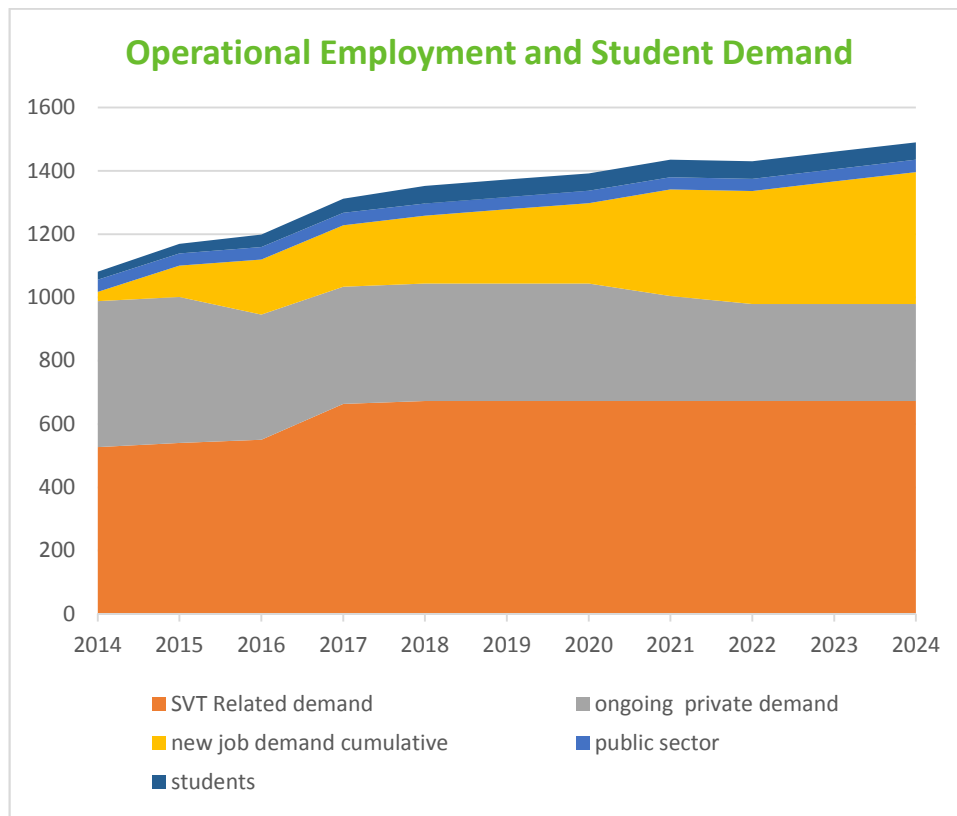
Figure 4.4 summarises the demand for operational employment over the next 10 years in relation to accommodation. The “SVT related demand” includes all the

operational jobs (up to 670) arising from its operation including the power station and accommodation as well as rotational jobs. The ongoing private demand reflects the current and continuing demand in other sectors for external workers (300 to 460 over the period), while “new job demand” is the estimated new private sector jobs per annum added together through time (400). The public sector figure reflects the need to seek external recruits each year (35-40).

### Students (7)

The demand for additional student accommodation is based on discussions with both Colleges and their plans for developing various courses that could attract students from outside Shetland, such as cadets at NAFC and creative industries at Shetland College. Our estimate for demand comes to around 25-30 additional bedspaces in hostel/rented housing accommodation over and above the current level of around 25. These are included in Figure 4.4 below.

**Figure 4.4: Operational Employment and Student Demand (mid range scenario 2) 2014-2024**



### Business Travellers and Holiday Visitors (8)

It is assumed that the underlying demand from business travellers will be maintained and will focus on hotel and self-catering type accommodation. Holiday visitors are likely to focus on the traditional accommodation of bed and breakfast and self-catering, though there could be increased demand for quality and budget hotel bedspaces.

## Conclusions

The key conclusion from this analysis of worker accommodation demand is that while there will be a significant drop in the peak demand from short term construction work which has largely been SVT generated, there is expected to be continuing demand at a substantial level from both short term construction workers and longer term operational staff in both the private and public sectors, as well as from business travellers. This means continuing demand for “camp style accommodation” for short term construction workers, as well as a significant demand for housing (owned or rented) for operational staff needs, to enable local businesses and the public sectors to recruit successfully from outside Shetland. Such housing provision will itself generate yet further new construction worker demand.

## 4.4 Supply of Accommodation and Potential Solutions 2015-2024

### 4.4.1 Current and Future Supply

Accommodation provision to meet demand to-date has included:

Demand	Current solutions
1.Short term construction	These workers are accommodated in the Sella Ness work camp and flotels as well as across a range of visitor accommodation
2.Annual maintenance SVT	These are accommodated in rented houses, hotels, and barges
3.Offshore workers	These are accommodated mainly across a number of hotels
4/5/6.Operational workers	Some public agencies offer a relocation package plus limited accommodation for rent e.g. NHS and Police. SIC only has a relocation package Private companies either rent houses or buy them and rent to employees Companies with employees on rotation are providing their own hotel accommodation, e.g. Total
7.Students	Only NAFC provides some accommodation
8.Business travellers	These are accommodated primarily in hotels and self catering

It has been possible to quantify some of the above provision, especially the visitor accommodation, work camps and flotels. However, it has not been possible to obtain robust figures for the amount of property that is currently rented out for worker accommodation or is likely to be available.

The oil industry aims to cover most of its operational demand through the two hotels for rotational/operational staff, plus Sella Ness and barges for refurbishment work, plus use of some private rented and visitor accommodation for maintenance workers.

As noted earlier, house building is currently mainly one offs, with little evidence of much speculative building, and with new provision aimed at corporate market private rentals. Businesses have effectively been taking property out of the market and squeezing the supply that is available for the local population.

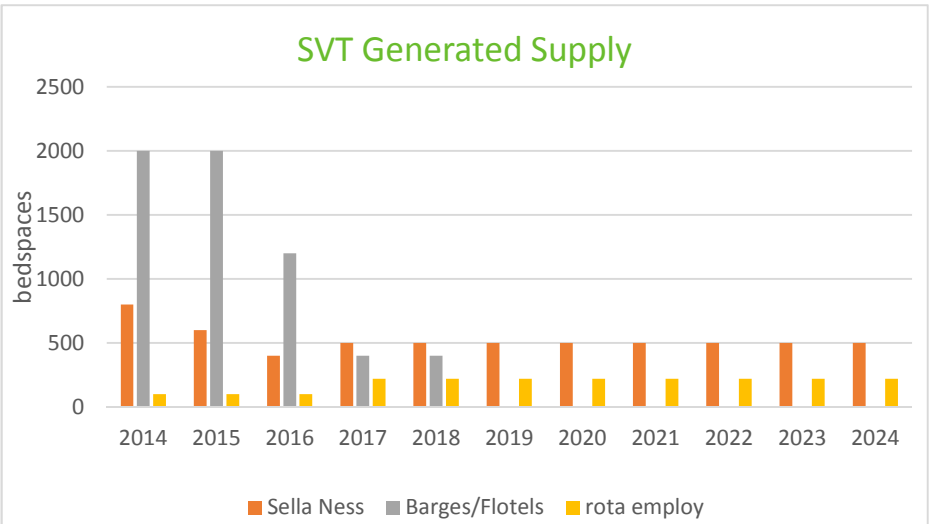
The private sector has been responding with these new developments, but data are not readily available to quantify approvals or provide any detail on completions, and considerable research into all recent cases would be required.

The private sector also has proposals for at least three new hotels, a work camp in Lerwick, and more accommodation at Sella Ness.

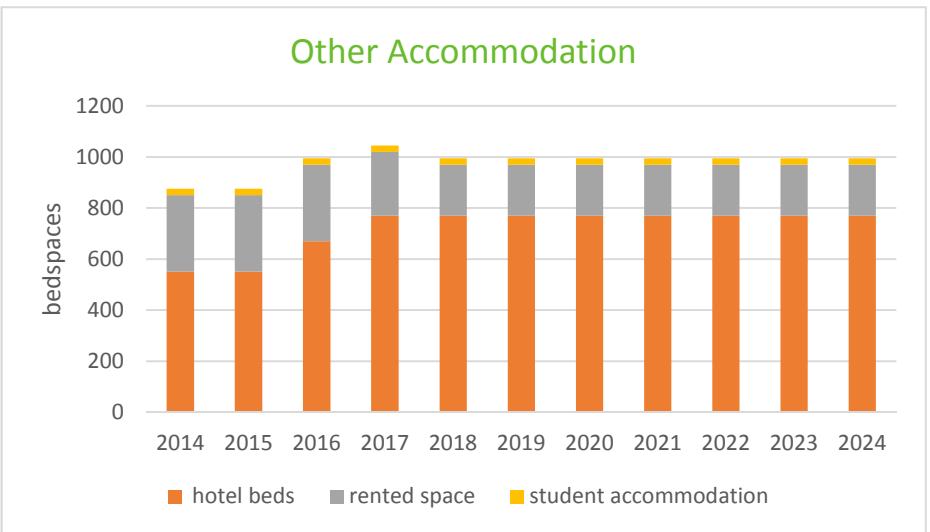
The public sector has been continuing to build houses for local need (see chapter 3 for more detail).

Our best estimates of what could be available or is in use, plus plans for known additional accommodation, are summarised in the following diagrams:-

**Figure 4.5a: Supply of Accommodation 2014-2024**



**Figure 4.5b: Supply of Accommodation 2014-2024**



The main demand for short term accommodation has been met to-date through the barges and ships and an accommodation block at Sella Ness; the creation of a hotel in Brae for operational requirements; the use of hotels, self-catering, and

rented properties for maintenance workers; and the use of rented houses for operational staff across a number of sectors.

However, gaps remain in supply, both for meeting local needs and for new worker accommodation. This is reflected in the escalation of prices for properties and rental levels, as well as the difficulties companies and the public sector are encountering in trying to recruit staff from outside Shetland.

The local housing stock has been under pressure, with many properties taken out of the market for use by businesses or for renting to contractors. It has not been possible to put a precise figure on the number of houses taken out of the market, but it could be up to 300 on top of previous norms for privately rented property (based on the difference between the number registered in 2014 as against 2011, i.e. 800:500). This increase represents around 3% of Shetland's total housing stock.

**Table 4.3: Gaps between Supply & Demand**

Supply and Demand	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
STC demand <sup>*1</sup>	3,206	2,484	1,833	1,568	1,262	1,484	1,400	930	760	1250	760
STC supply <sup>*2</sup>	2,800	2,650	1000	900	900	500	500	500	500	500	500
Rotational demand <sup>*3</sup>	120	330	290	340	350	350	350	350	350	350	350
Rotational supply <sup>*4</sup>	100	100	100	220	220	220	220	220	220	220	220
Ongoing job demand <sup>*5</sup>	461	461	396	371	371	371	371	331	306	306	306
Company rented units operational ongoing demand <sup>*5</sup>	150-300	150-300	150-300	120-230	120-230	120-230	120-230	120-230	120-230	100-200	130-200
Operational new jobs <sup>*5</sup>		29	109	184	204	224	307	327	357	387	417
Rented house supply <sup>*6</sup>											
Public sector demand <sup>*7</sup>	39	39	39	39	39	39	39	39	39	39	39
Supply <sup>*7</sup>											
Hotel bedspaces <sup>*8</sup>	550	550	550	670	720	770	770	770	770	770	770
Student demand <sup>*9</sup>	25	30	40	45	50	50	50	50	50	50	50
Student supply <sup>*9</sup>	25	25	25	25	25	25	25	25	25	25	25

- <sup>\*1</sup> Short Term Construction demand is the mid range figure from all construction projects
- <sup>\*2</sup> STC supply is an estimate for barges, ships and Sella Ness. Any shortfall is likely to be met through further flotels, unless more accommodation is provided on shore
- <sup>\*3</sup> Rotational demand for both Total and BP could increase to around 350. This could include some existing as well as new staff, e.g. for the new Gas Sweetening Plant
- <sup>\*4</sup> Rotational supply from two hotels. This may need to be supplemented by other accommodation to meet demand, though a few may still be resident in Shetland and may not need accommodation if allowed to travel home while on shift.
- <sup>\*5</sup> Rented house ongoing operational demand comes from across all sectors, with some related to SVT activity. It is based on total demand from around 460 workers now and falling to around 350 over the following 5 years and finally to nearer **300** per annum. This could give rise to a demand for 100 to 300 rented units (depending on occupancy assumptions). Given the wide range of factors that could influence demand and the fact

that some properties housing short term construction workers may become available over the next few years, it would be sensible to err on the side of caution initially and assume that 50 units housing up to 150 could become available, reducing the demand for new to **50-150**.

- <sup>\*5</sup> Rented house demand from new workers is estimated be around **400** over the next ten years. The figures shown are cumulative totals per annum. After an allowance for some local recruitment and accommodation provided by employers, this is likely to leave demand for **200** spaces that could translate into **70-200** units.

In total this would mean a demand for rented accommodation in the order of **120-350** units.

It should also be noted this does not include around 170 new jobs arising from SVT operations which are assumed to be accommodated by employers or be on rotation, thus in hotels

- <sup>\*6</sup> Rented house supply: the supply of houses is difficult to pin down as it is price elastic and some are being used to meet short term construction demand. There is evidence that 300 have come onto the market in recent years (see Table 3.8), though several of these are considered poorer quality properties and may not be in suitable locations. It is possible that some of this demand may be accommodated in private rented accommodation released by short term construction workers (it is assumed that 50 could become available). Otherwise new rented properties are needed to meet this demand.
- <sup>\*7</sup> Public Sector Supply and Demand: Currently all available properties are in use. The demand identified is additional. It is assumed that public sector employment will not fall much further and will remain relatively stable.
- <sup>\*8</sup> Hotel bedspaces assume some new facilities do come on stream in the next few years to meet the demand from business travellers and offshore workers
- <sup>\*9</sup> Student Supply and Demand: Currently there are 25 spaces in use by NAFC. The demand shows a growth of a further 25.

The supply side figures should be treated with some caution as they are based on current provision plus some known proposals.

There are proposals to meet the demand as described above but are they enough? Are they targeted at the right market?; and will they maximise the benefit to Shetland in the longer term? These questions will be addressed in the next section.

#### 4.4.2 Future Solutions

Given the very varied sources of demand, no single solution will maximise the benefits to Shetland, though it is clear that some would be more beneficial than others. Thus it is useful to consider the optimal provision that would give the maximum or best legacy for Shetland.

**The Short Term Construction Workforce:** There will continue to be significant fluctuations in demand between years and between summer and winter. Duration could be from several weeks to several years depending on the scale of the project – although the composition of on-site workforces could vary over the period of a contract. Workers could fit into several types of accommodation from B&B, hotel, and self-catering to onshore work camps, accommodation village, and flotels. Facilities onshore owned and run by a local company are likely to give the best return to the local economy through investment in services and facilities, spin off for local companies, and retention of profits and income from running the facilities.

The impact of the Sella Ness accommodation block was estimated to be between £2.6m and £7m per annum in gross output terms, between £500,000 and £3m in gross wage income and between 26 to 130 gross job years<sup>13</sup>. There is also similar impact evidence from other facilities around the world.

For the purposes of this study it is assumed that the capacity of Sella Ness is reduced from its initial 800 in twin bedded rooms to around 400 sole occupancy rooms. This would bring it line with the standard of facilities at similar work camps. It is also assumed that there could be a small extension to the facilities (+100 beds).

To meet high peaks, flotelts are likely to be the easiest solution for the industry, and these may have to be accepted in the short term.

**Annual Maintenance:** This demand arises for at least 6 months of each year, primarily from SVT, with hotels, self-catering accommodation and rented houses used, as well as Sella Ness and barges. Modular accommodation could equally serve this need. An accommodation village could be a solution for this demand as well as operational demand (subject to developer interest), and would leave a legacy for other uses such as housing for the local population, or as a venue for hosting sporting events and conferences – although SVT and other workforce demand is likely to be sustained over the medium to longer term. The potential market for events and conferences would need to be explored separately.

**Offshore Workers:** They have an irregular pattern of demand with short term peaks of a few days. Given this, it is difficult to see any alternative to budget hotel beds (e.g. in Lerwick or Sumburgh), or reasonably good quality accommodation village/camp provision such as digstogo, stayover, Atco, Snooze Box, or other prefabricated units. Alongside this demand, helicopter pilots on rotation will have intermittent demand that could be met from rented houses, if they are not domiciled in Shetland.

**Operational Worker Requirements:** It would be desirable for all operational workers (private or public sector) to be domiciled in Shetland - with their families where applicable. This would maximise the income circulated in the local economy and improve the viability of local facilities and services, as well as boost the resident population. In outlying areas in particular, there is spare capacity in schools, leisure facilities, and other public and private services (e.g. local shops).

If no families are involved, single person accommodation, e.g. in the form of one bedroom flats, studio flats or HMOs (i.e. en suite rooms with shared kitchen and laundry facilities) should be an acceptable alternative for several categories of workers, including migrants who would not wish to move their families to Shetland.

If workers are on a rotational system it is still desirable for them to become resident in Shetland rather than stay in a hotel. A study in Australia identified a net loss of

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<sup>13</sup> Socio Economic Impact of Sella Ness Accommodation Block, A B Associates for Total, 2010

\$15m annually in worker spend with 400 workers in camps rather than resident.<sup>14</sup> If this methodology were applied in Shetland, lost income to the local economy from the projected 350 non-resident rotational staff could amount to £12m per annum.

Given the different durations of operational jobs, a mix of permanent housing types would be the optimal solution for this category of demand.

The lack and cost of accommodation are seen as key problems for businesses and the public agencies who need to recruit workers from outside Shetland. Thus, more accommodation is considered critical to addressing a problem which has become increasingly evident for a number of years.

**Students:** The requirements for students are not as high as for workers, and they are usually willing to share facilities, either in a shared house, or a hostel with their own bedrooms and shared kitchen and other facilities. However, mature students from outside Shetland might prefer more independent facilities. Small 1 bedroom flats or bedsits could be rented by students, operational workers, or local people subject to price. There have been VAT issues where property built as student accommodation has been used by other people. HMRC did have a concession for student accommodation with no VAT payable for new builds, and it was possible for HE institutions to rent out these rooms during vacation periods to non students and still benefit from zero rating. However, as from 1<sup>st</sup> April 2015, it would appear that these concessions have been withdrawn for new builds.

Several options were discussed with Shetland College and each could be considered for additional student accommodation:-

- Convert unused space at the College into accommodation.
- Extend the new AHS hostel
- Use the old AHS hostels: The Bruce Hostel may not be possible due to structural issues, but the Janet Courtney has space for up to 90, though more recently it has only accommodated around 60 pupils.
- An undeveloped site to the east of Shetland College

Of these options the one which may be most easily and economically realised could be the use of the old AHS hostels, once they are vacated by the school. It would also appear that this would be a preferred site for the students, given its location closer to facilities, rather than a site at the College.

**Business Travellers:** These workers usually stay for periods of days rather than weeks, and are looking for value for money and/or good quality hotel or B&B accommodation, or semi serviced self-catering with office facilities.

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<sup>14</sup> In House Report for Mid Western Regional Council, and Socio Economic Impacts of proposed temporary accommodation in Singleton for FIFO workers, SGS Economics and Planning , May 2013



## Conclusions

It is clear that most demand other than from short term construction workers could be met through either small housing units and flats (with or without shared facilities) or family housing, whilst short term peaks of construction work could be met by a combination of onshore and floating work camps - although there would still be a need for more traditional visitor accommodation for business travellers and offshore workers, which could include more budget hotel accommodation. These solutions are summarised in the following table as actions that would help maximise economic and social benefits to Shetland.

**Table 4.4: Summary of Demand for Accommodation and Possible Solutions**

Demand for Accommodation	Possible Solutions to maximise benefits
1. Short term construction and maintenance work  Continuing future demand through a range of new developments; with peaks in particular years and for periods during some years	<ul style="list-style-type: none"> <li>• Expand/upgrade Sella Ness and/or</li> <li>• Create a new accommodation village in Lerwick</li> <li>• This would reduce the need for flotel and the pressure on rented property (unless more is built to rent)</li> </ul>
2. Rotational staff (as an alternative to BP's plan to build a 120-bed hotel in the Brae area).	<ul style="list-style-type: none"> <li>• Build more houses in Delting/North Mainland</li> <li>• Give priority to Firth Mossbank</li> <li>• Or Create a games type accommodation village (subject to developer interest)</li> </ul>
3. Operational staff Public Sector  Private Sector  Migrant workers	<ul style="list-style-type: none"> <li>• Conversions or new build houses to provide 35-40 units for incoming key workers</li> <li>• Conversions and new build in the order of 24-70 p.a. over 5 years for incoming workers</li> <li>• Investigate Modular or prefab units with manufacturers and developers</li> </ul>
4. Students	<ul style="list-style-type: none"> <li>• Reuse existing building such as Anderson High School (AHS) hostels, or</li> <li>• Investigate unused space in the College, or</li> <li>• Build new accommodation using modular systems</li> <li>• Consider integrating with housing development</li> </ul>
5. Offshore workers	<ul style="list-style-type: none"> <li>• Support proposals for a new budget hotel and/or a modular accommodation village</li> </ul>
6. Business travellers	<ul style="list-style-type: none"> <li>• Support new quality hotel bedspaces and/or aparthotel</li> </ul>

## 4.5 Approaches and Options

### 4.5.1 Approaches

The process of reviewing what options might be possible for tackling the worker accommodation needs in Shetland was aided through our consultation with the key stakeholders and a workshop session held with members of the Accommodation Working Group. It is clear that the local public sector has

limited resources to act alone and that the way ahead lies in close cooperation with industry, and with outside agencies and funding sources, to provide appropriate additional accommodation. In looking ahead the Accommodation Working Group has a key role to play in monitoring the situation, identifying actions needed and getting the respective organisations and businesses fully engaged in developing and delivering solutions.

Action could be taken through:

- Expanding the capacity of the local construction sector through new training schemes and incentives (e.g. for apprenticeships).
- Recruiting and training more local staff to reduce reliance on itinerant workers. While it is recognised there are some existing schemes in this area it is suggested they need to be revisited in the light of the data and evidence presented in this report.
- Producing a vision for the development of the North Mainland/Delting and reassessing the benefits of another hotel development in Brae (which BP plans to build) primarily for oil and gas rotational staff
- Encouraging workers to take up residence in Shetland – promoting Shetland as a good place to live
- Attracting funding from industry and from outside Shetland to provide the necessary infrastructure
- Pressing government for funds for worker accommodation, on the basis that developments in Shetland are in the national interest, and driven by national incentives to the oil industry to develop West Shetland resources. In the future, both decommissioning and the Viking wind farm are major developments that will also be of national value.

#### 4.5.2 Delivery Options

It is critical to consider who is to provide these solutions. An onus is clearly on the businesses who need the accommodation, but the public agencies can also play important roles in achieving the best result for the Shetland community as a whole through negotiation, the planning process, accessing funding, acting as a broker to get more housing built, and providing support where appropriate to businesses.

#### ***How could more housing be delivered?***

**Firstly**, what are the options for the vehicles for delivery?

- Private sector development: The private sector could either build on spec or with some occupancy guarantees. The government has a Small Developer Scheme for speculative developments that provides help to buy, especially in remoter locations. However no local builders are part of that scheme.
- Private sector companies needing accommodation could come together and help finance housing either through providing capital or guaranteeing occupancy with a developer; or build houses and agree to hand them over to a local agency in good order when/ if no longer required.

- Shetland Enterprise Investment Fund: This has been set up to exploit long term investment opportunities in Shetland. It aims to access up to £500m and to target a diverse range of asset backed projects in the energy sector and infrastructure, including accommodation. The return on investment required may mean this option is not feasible, however.
- Shetland Leasing and Property Company: SLAP might have been another vehicle for investment in property developments, since they are essentially a property company; but their investment requirements are such that they are not likely to be a feasible option either.
- Public sector developer: SIC, NHS, Police, and HHA could combine to raise funds and build to at least meet their own key worker housing needs. This has already been under discussion. Any houses built for other workers should be on basis of guarantees to underwrite the cost to avoid what happened in the 1970s which left the SIC with a substantial debt.
- Joint venture: between private and public for key worker housing. This could be using the National Housing Trust model or be independent from it. The former involves setting up a Limited Liability Partnership (LLP) that includes several partners such as the Council, developer, and Scottish Futures Trust. An agent can be set up to manage and run the properties.
- Special Purpose Vehicle: set up to design, build and manage property along the lines of the UHI proposal for student accommodation.

**Secondly,** what are the different types of building solutions?

- Refurbish existing buildings such as Quendale House and the AHS, e.g. the Janet Courtney hostel.
- New build conventional homes – a mix of semi-detached, terraced, and detached.
- New build flats or micro homes, especially in Lerwick
- Modular homes in the form of an accommodation village with some shared facilities, or pod type housing
- Onshore work camp facility.
- New hotel beds.

**Thirdly,** what are the possible sources of funding?

- The industry that needs the accommodation - potentially from savings (e.g. from not operating a Fly in Fly Out (FIFO) system).
- Commercial sources, e.g. financial institutions
- Public loans or grants
  - Central government, local government, housing association, or development agency

Another factor that will need to be considered is the availability of sites and land for any of the accommodation identified. This could be a constraint on delivery and therefore needs to be taken into account at an early stage.

#### 4.5.3 Solutions from Around the World

Shetland is not unique in needing accommodation solutions to large scale developments in remote locations. There are oil and mining developments in other countries, in particular, where creative solutions have been developed in conjunction with local communities. There are interesting examples in Canada (oil sands workers) and Australia, such as Stayover accommodation for Ausco mining with private eco-friendly rooms within modular structures. Accommodation tends to be prefabricated, transportable, self-contained, single person quarters, often called “dongos”, and there is a substantial micro housing movement in the USA.

There are also many examples where communities and these industries have not been able to agree on the best way forward. For example, at the Chevron Wheatstone gas project in Western Australia the local community are wanting a new 300 bed village built in the main town of Onslow to maximise local benefits, but Chevron want to use a construction camp which is on the gas plant site 65 minutes away for their operational workforce. The local politicians are planning to lobby Chevron in the US to get Chevron Australia to change its mind. Interestingly, Chevron has set up a \$250m community fund to build new infrastructure such as power, water, hospital, and desalination plant. Chevron are also building 50 new houses in the town for some of their workers.

#### 4.6 Impacts of Different Scenarios and Courses of Action

Given the degree of uncertainty about what is likely to happen and when, three demand scenarios have been constructed to aid analysis, especially for short term construction demand. These have been described in Table 4.2. Having established possible levels of demand, it is now appropriate to consider the wider socio economic effects from the expected demand and the actions that could or should be taken to maximise benefits to Shetland, and mitigate potential negative impacts.

As a result three “what if” Scenarios or Options have been created, based on different levels of action/intervention to assess the likely outcomes from each and determine which is likely to provide optimal benefits for Shetland.

**Scenario 1, Leave it to the industry and market forces:** Under this scenario the public sector would take a reactive though supportive role; there could be some house building and conversions; ships and barges will be brought in to meet industry needs as they arise; another hotel could be built in Brae to meet FIFO operations; and a new budget hotel might be built in Lerwick.

However, with non-intervention, the community could be left to pick up future costs such as infrastructure repair and renewal, reputational damage to Shetland, a constrained tourism sector, and negative impacts on other sectors; without some of the potentially longer term benefits or legacy, e.g. in terms of ongoing revenue and income for Shetland businesses, improved facilities, and an enhanced population level and improved age structure.

There would undoubtedly still be benefits to some sectors, and to Shetland, but these would be likely to be at the lower end of the scale as well as shorter lived.

**Scenario 2, Some Engagement:** This would be as Scenario 1, but with some engagement or intervention through planning controls and efforts to encourage those businesses needing accommodation to minimise any negative effects and with some provision of key worker housing.

As a result there should be more significant benefits than under Scenario 1 but still with potentially negative effects and costs as well as constraints on other sectors.

**Scenario 3, More Active Engagement:** This would aim to maximise benefits to Shetland through the public sector being proactive in supporting onshore facilities, promoting Shetland and domiciling operational workers, lobbying for funding for worker accommodation, increasing the capacity of the construction sector, and developing plans for Delting.

This Scenario should generate the greatest level of benefits and income in the community and a lasting legacy, reduce disruption to the economy and community, and lead to an increase in the resident population and an improved age structure – with the higher population, especially in rural and remoter areas, helping to sustain local public and private services (including primary schools, leisure facilities, shops, etc).

The decision on which scenario to pursue and the courses of action to be taken should relate to what the aspirations are for the size, type, and composition of the Shetland community over the next 10-20 years, e.g. an aspiration to increase the population to 25,000 would seem a plausible aim.

The current objectives and vision for Shetland are set out in the Community Planning Partnership and Single Outcome Agreement. The vision is for Shetland to be a vibrant and prosperous community where “the economy is healthy, competitive and diverse with secure transport links”. Some of the more specific objectives include:-

- A more diverse business base through:-
  - Creating and implementing a Renewable Energy Development Plan
  - Creating a working group and developing a 5 year plan to attract people to live, work, study and invest in Shetland
  - Ensuring New Generation Broadband is available to 75% of the Shetland population by 2016
  - Developing masterplans for SIC ports
  - Working in partnership to maximise returns from community assets and overcome barriers to employment and development
  - Identifying skills and trade shortages and developing action plans to help the unemployed and underemployed to access training

- More resilient and sustainable communities and community enterprises across Shetland
- Sustaining high rates of employment

This vision and these objectives could be more difficult to achieve (e.g. attracting people to Shetland and creating more sustainable communities) unless the current issues associated with worker accommodation and domiciling of operational staff are well understood and addressed.

## 5. Conclusions and Recommendations

### 5.1 Conclusions

The key findings from this study are that strong demand for employment and worker accommodation are likely to be maintained throughout and probably beyond the next 10 years, albeit at a lower level than the current short term construction peak which is being met by barges and flotels; and that the pressure on accommodation for operational needs, particularly housing, will not be short lived, but continuing (though varying from year to year).

Thus a top priority for action is considered to be providing more housing for incoming operational workers in both the public and private sectors, as well as attracting more people to live in Shetland to contribute towards meeting the demand. 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 can become less skewed if younger people can find affordable accommodation. Also if key worker housing can be built it will help to relieve the pressure on the housing stock and the social housing need.

It is also clear that if no or limited action is taken then there could be significant missed opportunities and costs to the economy and the community both in the short and longer term, through potential income and turnover going out of the islands, income and turnover not realised due to constraints on expansion and new developments, and a need for more infrastructure maintenance.

Specific conclusions include:-

- 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. There is also likely to be some use of hotels and rented houses.
- The shift to rotational operation staff at the Sullom Voe terminal is a key issue for the Shetland economy and community with significant economic impacts through the loss of income (£12m per annum) where these workers are not permanent residents, and social ramifications (eg reduced primary school rolls) through the loss of people with families resident in the community. It would be desirable for the majority of the rotational workforce to be resident in Shetland.
- Underlying ongoing demand for more hotel bedspaces and work camp facilities is the subject of proposals by the private sector, and this could be facilitated by the public sector.

- The need for ongoing and even closer cooperation and coordination among the key stakeholders is considered inescapable if the accommodation and labour issues are to be tackled successfully in the best interests of Shetland.
- There is a need for more strategic planning and control of new developments, as well as the identification of land for new development, including housing, especially in Delting and Central Mainland/Lerwick, in order to manage the demand for new developments in relation to local needs and facilities. These suggestions have come from a number of people in both the public and private sectors, and have arisen from (a) the perceived need to respond to development pressures for various types of accommodation and direct them to locations that make the best use of facilities and services and minimise costs to the public sector, (b) the need to address some of the problems in the area and achieve more balanced development; (c) the need to take account of issues such as access; and (d) the opportunity to attract other services and facilities and to help make communities more sustainable.
- Action is required to address related issues such as training and the capacity of the Shetland construction/engineering sector to help secure longer term benefits to the economy and community.

Finally, if benefits are to be maximised from this next phase of high activity, it is critical that a strong vision is maintained, with coordinated action at the highest level by the stakeholders. Otherwise benefits could be limited and short term, and slip away, with Shetland needing to pick up the legacy of temporary facilities no longer required, and being left with a static and ageing population.

## 5.2 Recommendations

The conclusions summarised above suggest that a range of actions should be considered, and a range of recommendations for action are put forward below 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.

<b>Actions</b>
<p>1. Planning and Coordination</p> <ul style="list-style-type: none"> <li>• Ongoing 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</li> </ul>
<p>2. Development of Delting/North Mainland</p> <ul style="list-style-type: none"> <li>• Produce a strategy and vision for the development and regeneration of Delting, including location of any new accommodation and facilities, to</li> </ul>



address the development pressures and problems in the area.
<p>3. Worker Accommodation</p> <ul style="list-style-type: none"> <li>• Prepare the way for additional new housing by identifying and agreeing suitable sites.</li> <li>• 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.</li> <li>• 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.</li> <li>• Pursue different models for delivery of accommodation, including public/private partnerships with mixed funding sources and shared risks.</li> <li>• 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.</li> <li>• Support new budget hotels as well as a smaller 4/5* hotel.</li> </ul>
<p>4. Student Accommodation</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Investigate the feasibility of using existing buildings at the old Anderson High School site to provide an immediate solution.</li> </ul>
<p>5. Lobbying and Funding</p> <ul style="list-style-type: none"> <li>• Make representation 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.</li> <li>• Keep to the fore the need to improve transport services (and their affordability) to and from Shetland to complement accommodation measures.</li> </ul>
<p>6. Other Proposals</p> <ul style="list-style-type: none"> <li>• Increase the capacity of the construction sector in Shetland through setting up an apprenticeship recruitment and subsidy scheme to encourage more local recruits into the construction and engineering sectors.</li> <li>• Set up a scheme to recruit and train more local people to take up operational oil related jobs at SVT.</li> <li>• Reinforce the campaign to attract more people to come to Shetland to live and work and invest.</li> </ul>

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.

## Appendices

1. Review of Indicators in the Shetland Economy
2. Maps of West Shetland 27<sup>th</sup> and 28<sup>th</sup> Licencing Rounds

## Appendix 1: Review of Key Indicators in the Shetland Economy

### Demographics

The total usually resident population rose by 5.4% in the decade 2001 to 2011 from 21,988 to 23,167 according to the Population Census, as compared with 7.5% growth in the Highlands and Islands.

**Table 2.1: Population Change 2001 - 2011**

	2001	Number change	% change	2011
Shetland	21,988	+1,179	+5.4	23,167
Highlands and Islands	433,524	+32,588	+7.5	466,112
Scotland	5,062,011	+233,392	+4.6	5,295,403

Source: 2001 and 2011 Population Censuses

Since 2011 the population has stayed at a similar level, with the mid year estimates for 2012 and 2013, from the National Records of Scotland, being 23,210 and 23,200 respectively. In recent years, however, some of the remoter areas have experienced a decline, such as Unst and Fetlar.

Shetland has an ageing population in common with most areas but has a marginally younger age structure than the Highlands and Islands, e.g. with 18.8% of its population under 16 compared with 17.3% in the Highlands and Islands, and 17.1% in Scotland as a whole. However for the 16-29 age group the position is reversed, with 16.1% in Shetland compared with 18.3% in Scotland<sup>15</sup>.

The latest official projections, which are based on the 2012 figures, show a possible further growth of 8.4% over the next 25 years to 25,147. The increase in the population of pensionable age is expected to increase by 44%, one of the highest rises in Scotland<sup>16</sup>.

The 2011 Census identified 9,950 households in Shetland with an average of 2.3 residents per household. Around a third of all households were single person households and the trend towards more smaller households is expected to continue, thus creating a demand for more housing even if the population remains static. The number of households is projected to increase by 17% between 2012 and 2037<sup>17</sup>.

### Economic Activity

According to the Census in 2011, 78% of the population aged 16 to 74 in Shetland were economically active compared with 71.3% in Highlands and Islands and 69% for Scotland. A much higher proportion of the economically active were actually in employment than in both the Highlands and Islands and Scotland. The total population of working age 16-64 was estimated to be 14,824, or 63.9% of the 2012

<sup>15</sup> National Records of Scotland 2012 population estimates

<sup>16</sup> NRS press release 14.5.14

<sup>17</sup> NRS 2012 based demographic projections

population. This is higher than the proportion in the Highlands and Islands (62.4%), though lower than Scotland as a whole (65.4%)<sup>18</sup>.

## Unemployment

Unemployment levels in Shetland are amongst the lowest in the UK and are the lowest in the Highlands and Islands, with a rate of 0.5% in December 2014 compared with 2.3% for Scotland as a whole.

**Table 2.2: Unemployment in Shetland and Scotland 2001-2014**

	2001	2006	2010	2011	2012	2013	2014
Jan	266	260	185	217	221	213	136
July	178	207	206	180	231	161	103
% Shetland	1.3	1.5	1.4	1.3	1.5	0.9	0.8
% Scotland	3.3	2.7	4.0	4.3	3.8	3.1	2.8

Source: ONS based on % 16-64 of population claiming job seekers allowance; %s are annualised figures

Figure 2.1 illustrates the trends in unemployment rates for Shetland and Scotland between 2006 and 2013. Percentage values are based on the resident population between the ages of 16 and 64 who claimed Job Seekers Allowance during this period.

**Figure 2.1: Unemployment Rates, Shetland & Scotland 2006 – 2014**



Source: ONS NOMIS

## Employment

The number of jobs in Shetland has been growing and the most recent data from a Shetland Islands Council (SIC) survey in 2011 indicated a total number of jobs in

<sup>18</sup> NRS 2012 population estimates

Shetland of 13,586, an increase of 1,342 from the total of 12,244 in 2007 – although it is important to note that these figures do not represent all jobs. For example, they do not include agricultural employment, which is likely to be around 400 if only including full time and part time employees and occupiers who are full time or more than 50% part time. Also, the SIC survey of jobs is difficult to compare with figures for people resident and economically active, because some people have more than one job, and due to people living outside Shetland but working in Shetland on rotation.

Table 2.3 below illustrates the changes in the main employment sectors in Shetland over the 1981-2011 period which shows a general increase in overall employment numbers through time, with significant fluctuations in construction. The 1971 Census, prior to the Sullom Voe Terminal, showed a much lower employment total of 6,433.

**Table 2.3: Employment in Shetland 1981-2011**

	1981	1991	1997	2000	2007	2011
	SIC	SIC	SIC	SIC	SIC	SIC
<b>Primary</b>	938	1,258	1,465	1,055	1,136	1,247
<b>Manufacturing</b>	940	1,121	1,322	1,052	906	1,072
<b>Construction</b>	906	817	946	1,375	893	841
<b>Services</b>	6,189	5,817	8,125	8,416	9,309	10,426
<b>Self Employed*</b>	1,452	1,691	-	-	-	-
<b>TOTAL</b>	<b>10,425</b>	<b>10,704</b>	<b>11,858</b>	<b>11,898</b>	<b>12,244</b>	<b>13,586</b>

Source: Shetland in Statistics, \*Figures for Self Employed are included within Primary, Manufacturing, Construction and Services from 1997 onwards

A more detailed breakdown of Shetland's employment by sector reveals that the main growth sectors between 2007 and 2011 were fisheries, energy, manufacturing, other services and health, education and social work. The other sectors remained fairly static. It also shows that the bulk of the growth has been in part time employment. These trends are illustrated in Table 2.4.

**Table 2.4: Employment in Shetland by Sector, 2007 and 2011**

	Full-Time		Part-Time		Total		FTE*	
	2007	2011	2007	2011	2007	2011	2007	2011
<b>Fisheries &amp; Agriculture</b>	956	1,070	209	354	1,165	1,424	1,026	1,188
<b>Energy</b>	315	390	18	39	333	429	321	403
<b>Manufacturing</b>	381	520	163	146	544	666	435	569
<b>Construction</b>	827	778	66	63	893	841	849	799
<b>Accom &amp; Catering</b>	340	334	432	412	772	746	484	471
<b>Business Services</b>	450	266	136	206	486	472	395	335
<b>Health, Education &amp; Social work</b>	508	692	444	906	952	1,598	656	994
<b>Public Administration</b>	1,824	1,834	2,372	2,499	4,196	4,333	2,615	2,667
<b>Transportation &amp; Com</b>	713	728	265	233	978	961	801	806
<b>Wholesale &amp; Retail</b>	824	734	550	665	1,374	1,399	1,007	956
<b>Other</b>	263	303	288	414	551	717	359	441
<b>TOTAL</b>	<b>7,301</b>	<b>7,649</b>	<b>4,943</b>	<b>5,937</b>	<b>12,244</b>	<b>13,586</b>	<b>8,949</b>	<b>9,628</b>

Source: Economic Development, SIC. \*FTE = Full-Time Equivalent jobs, 3PT jobs = 1FTE.

It is difficult to compare these locally generated figures with external data due to differences in definitions and samples. For example, the Population Census for 2011 gives a total of 12,627 in employment which is a count of those in employment, which will inevitably be lower than a job count. The number of jobs (employees and working proprietors, excluding agriculture) from the Business Register and Employment Survey shows a total in 2012 of 13,400, which represents 7,128 per 10,000 adults as compared with 5,519 in the Highlands and Islands and 5,540 for Scotland. This reflects the higher activity levels in Shetland as well as non-residents working in Shetland. The equivalent figure for 2013 is 13,900, which suggests the growth trend has continued. Of particular interest to this study is the change in the proportion of construction jobs from 7.5% in 2011 to 11% in 2013<sup>19</sup>.

### Output & Gross Value Added (GVA)

Shetland's total output has fluctuated over the last 15 years as shown in Table 2.5 below. In particular, significant increases in real terms were achieved in fish catching, the aquaculture industry, manufacturing, the transport & communications sector, and public services.

**Table 2.5: Total Output (£ million) by Sector in Shetland, 1996/97 – 2010/11**

SECTOR	YEAR		
	1996-97	2003	2010-11
Agriculture	18.859	16.184	18.450
Fish Catching	34.517	44.265	70.900
Aquaculture	57.597	108.014	156.266
Extraction industries	108.245	82.145	58.542
Manufacturing	117.723	109.251	158.934
Construction	98.825	73.700	77.714
Wholesale & Retail	53.819	52.733	69.240
Accommodation & Catering	11.988	12.554	22.389
Transport & Communications	80.865	94.954	153.088
Public Services	97.913	167.261	205.734
Other Private Services	93.814	109.071	100.162
<b>TOTAL OUTPUT</b>	<b>774.164</b>	<b>870.132</b>	<b>1,091,419</b>

Sources: Shetland Input-Output Study 1996-97; 2003; 2010-11, A B Associates Ltd. Figures have been adjusted for inflation to 2010 prices using ONS RPI all items index

The extraction industries experienced a decline in output in real terms between 1996 and 2011, while the construction sector declined in the first period and grew marginally in the second.

In terms of GVA, both Shetland and Scotland have shown a consistent increase in total and per head of population over the last 10 years or so. Table 2.6 shows the total Workplace GVA for Shetland and Scotland between 1997 and 2012.

<sup>19</sup> Annual estimates of employees from the Business Register and Employment Survey 2013

**Table 2.6: Workplace GVA for Shetland & Scotland, 1997 – 2013**

Year	Total Shetland (£m)	Total Scotland (£m)	Per head* Shetland (£)	Per head* Scotland (£)
1997	327	63,810	13,321	12,553
1998	339	66,506	14,917	13,099
1999	332	66,071	14,758	13,027
2000	321	69,726	14,487	13,772
2001	342	74,280	14,879	14,668
2002	366	77,940	15,584	14,385
2003	377	82,863	16,623	16,349
2004	439	88,038	17,150	17,316
2005	456	92,866	19,886	18,173
2006	427	99,551	20,502	19,394
2007	446	103,028	19,949	19,928
2008	461	108,130	20,528	20,783
2009	460	108,660	20,175	20,769
2010	501	108,344	21,732	20,589
2011	496	111,535	21,326	21,045
2012	487	111,819	20,984	21,420
2013	524	117,116	22,578	21,982

Source: ONS, Dec 2014. These figures are based on current basic prices.

\*Per head data refers to per head of population.

The figures above show that Shetland's GVA per head of population has been consistently close to and sometimes ahead of the Scotland average. If comparison is made with the other Highlands and Islands regions, Shetland has consistently outperformed them all. Accurate measurement of GVA for regions of Scotland is inherently difficult, however, so the figures should be treated with caution.

### Other Factors

There are still problems and fragility issues in Shetland due to the short term nature of the current high levels of construction work, public sector cuts, and the underlying problems due to extreme peripherality, insularity, and geography which result in a high cost of living and a high level of fuel poverty. Also, the current boom in construction/engineering, while benefiting many companies and individuals, is having a negative knock on effect on other sectors through wage inflation, loss of workers, and the increasing cost of construction projects and housing.

The table below tracks average house prices in Shetland, and shows a substantial increase in prices (before inflation) between 2008 and 2014 - although these figures need to be interpreted with care due to sample sizes and the effect of either high or low transaction numbers in a given period.



**Table: 2.7: House Price Trends 2004-2014**

Annual data	2004	2013	2014		04-14
Av price Scotland	£115,056	£154,387	£157,476		+37%
Av price Shetland	£74,995	£119,475	£128,621		+72%
Quarterly data		2 <sup>nd</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	
Av price Shetland		£137,655	£126,089	£159,116	
Detached		£158,874	£139,167	£182,660	
Semi detached		£111,283	£90,004	£128,845	
Terraced		£127,457	£98,069	£136,540	
Flatted		£120,993	£134,638	£130,125	

Source: Registers of Scotland

## Wages

The gross annual mean rates of pay in Shetland tend to be lower than in Scotland while the median levels are higher, with median rates (given below) considered the better indicator. The provisional results for 2014 are not given as the Shetland figures do not seem plausible (which can be the case with small sample surveys such as ASHE).

**Table 2.8: Median Gross Annual Pay for All Employees, 2011 and 2013 (£)**

a) 2011	Male	Female	Total
Shetland	27,734	n/a	22,593
Scotland	25,259	16,325	20,400
UK	26,293	16,175	21,093

Source: 2011 Annual Survey of Hours and Earnings (ASHE), by workplace

b) 2013	Male	Female	Total
Shetland	29,782	n/a	22,767
Scotland	26,427	17,258	21,586
UK	27,169	17,000	21,905

Source: 2013 ASHE by workplace

Shetland individuals had higher rates of pay than the averages for Scotland and the UK both weekly and annually. The figures by residence also show higher median rates for Shetland than for Scotland or the UK, especially in 2013.

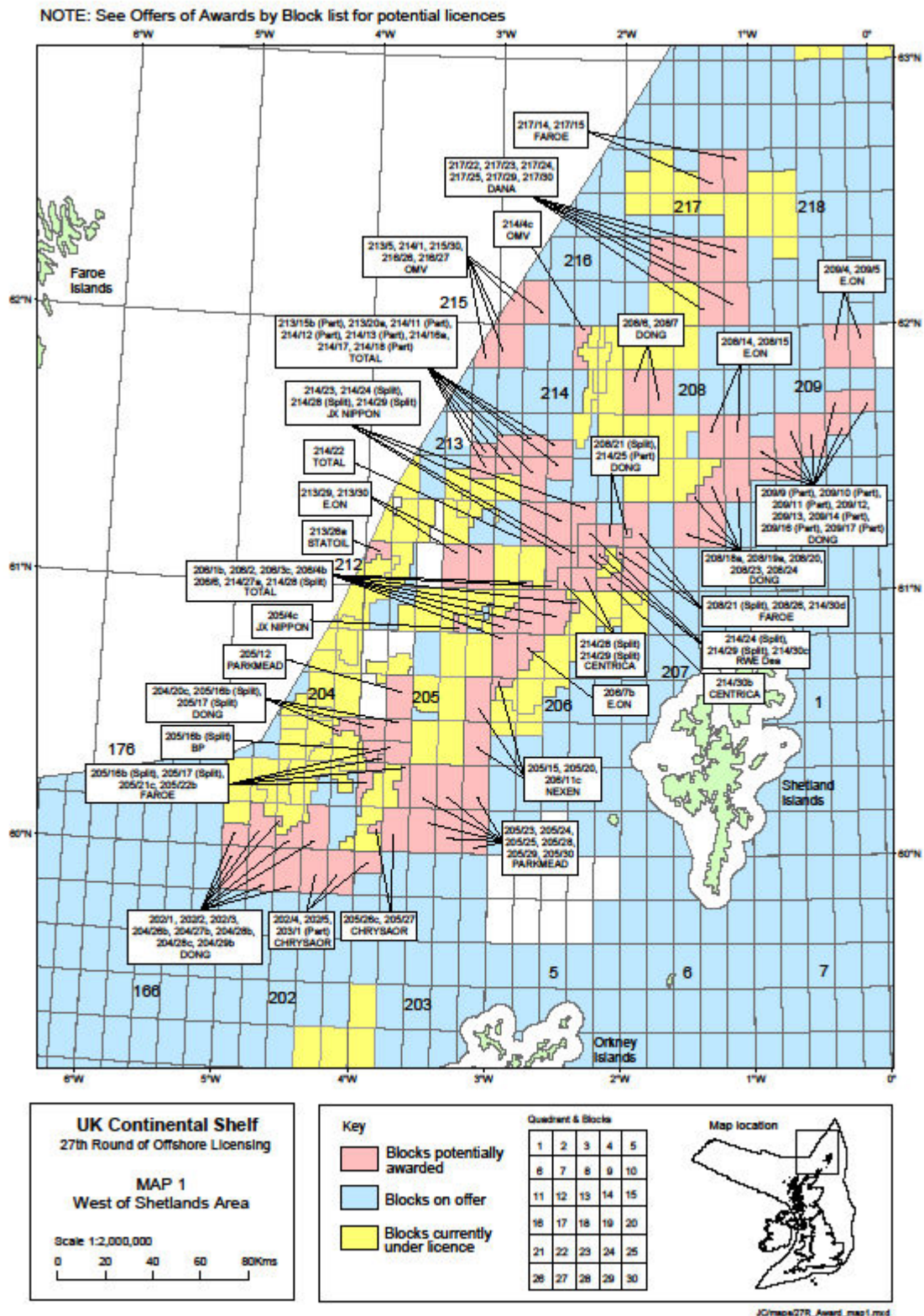
**Table 2.9: Gross Weekly Median Full Time Pay Rates (£s)**

	2006	2007	2008	2009	2010	2011	2012	2013
Shetland	384.4	446.0	461.2	506.5	502.2	545.7	546.1	585.8
Scotland	427.9	440.9	462.9	472.2	486.9	490.6	498.3	508.0

Source: ONS – ASHE, by residence

The figures in Table 2.9 show rates of pay in Shetland rising to 15% above the national average in 2013 from 10% below in 2006. If workplace rather than residence figures are used, the median in Shetland in 2013 rises to £600.9 (18% higher).

## Appendix 2: Maps of West Shetland 27<sup>th</sup> and 28<sup>th</sup> Licencing Rounds

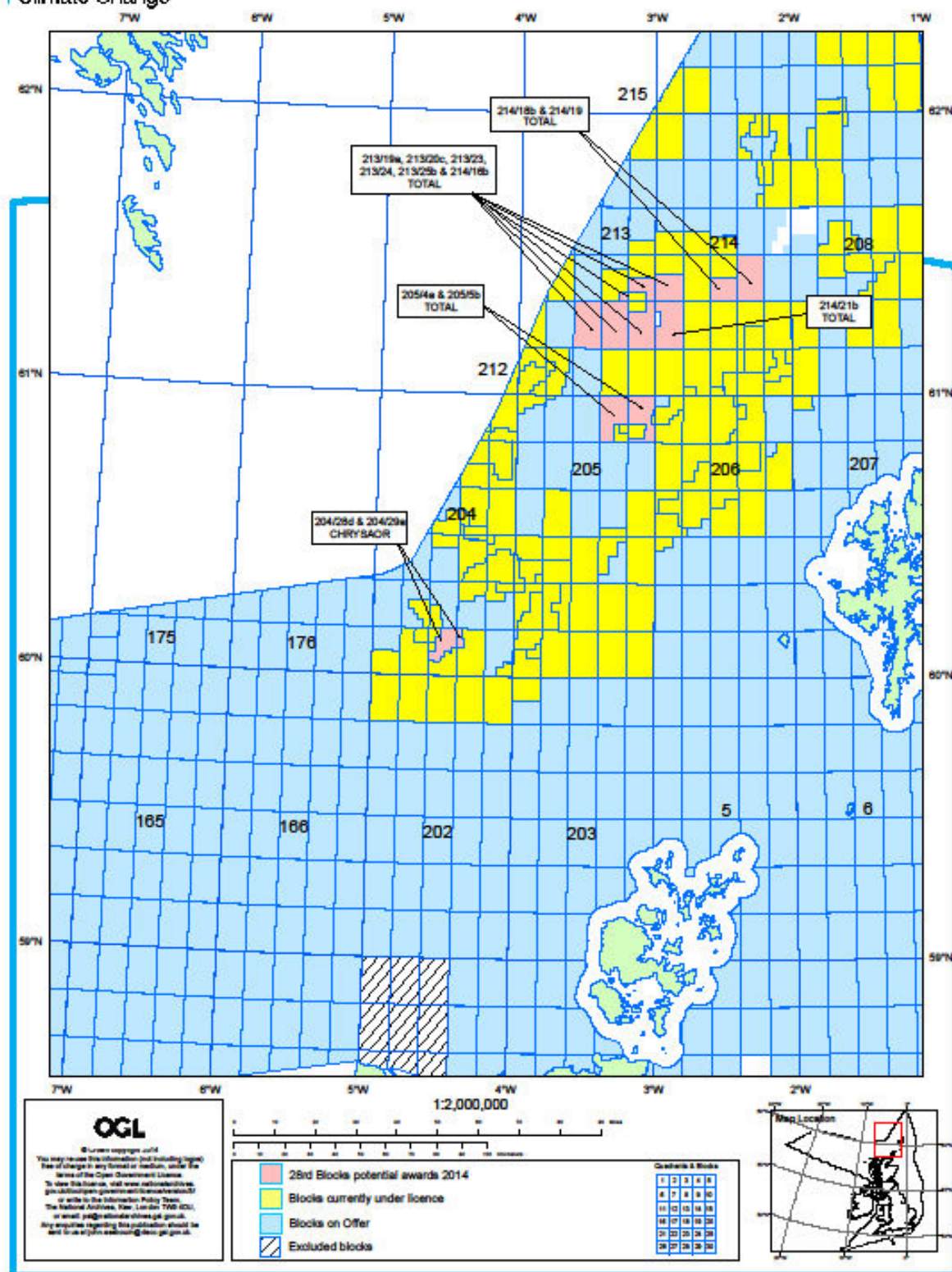


NOTE: See Offers of Awards by Block list for potential licences



Department  
of Energy &  
Climate Change

## UK Continental Shelf 28th Round of Offshore Licensing Map 1 West of Shetlands Area



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