Local Government and Regeneration Committee

Regeneration Inquiry

Submission from Orkney Islands Council

1. Orkney as the UK’s smallest Local Authority and one of the UK’s most remote communities has a much envied abundance of natural resources as well as huge potential to grow sectors like renewables, archaeology, tourism, food and drink, oil and gas and the potential for an inter-continental transhipment hub. However, there are also key barriers to maximising these opportunities, as well as key challenges that need to be overcome in order to sustain, and in places regenerate, our islands and economy.

2. In respect of published deprivation statistics and the traditional approaches to defining areas of great need of regeneration Orkney is unlikely to score highly compared to the standard measures of regeneration which focuses on more urban models. However, the fragile nature of many of Orkney’s smaller islands and the logistical and financial pressures which face those wishing to invest in development and economic activities in Orkney present additional challenges to regeneration. There are also growing indications of a risk of a building up of barriers to new development and investment into Orkney arising from the wider economic climate which indicates some sectors edging toward a tipping point which could spiral into worsening circumstances if early action is not identified to promote investment before longer term decline sets in.

3. Some of the key constraints are around infrastructure. For example, the main electricity transmission cable from Orkney to the Mainland of Scotland is currently operating at maximum capacity and this is restricting the islands’ ability to maximise our renewable energy potential, both at an individual household level and on a much larger commercial scale. The costs associated with connecting to the network, and the penal transmission charges that are imposed, must be addressed before Orkney can maximise its potential to contribute to national renewable energy targets. Maximising this potential is also key to helping sustain and drive growth in Orkney so more needs to be done at a local and national level to accomplish this. There are also geographic limitations to the scale of projects that can be developed in Orkney which can lead to increased overall per unit cost and more limited capacity to weather financial barriers than in areas with much larger markets and supply chain opportunities.

4. Orkney has always had an entrepreneurial pedigree and has consistently punched above its weight in various industry sectors. That continues today with Orkney being in a world leading position in the development of marine renewable energy.

5. Orkney businesses have established international markets in the design and manufacturing of jewellery, in arts and crafts, and food and drink. However, increasing global competition, and the factors associated with distance from the popular supply and demand markets, represent increasing barriers to growth and threaten the very survival of our many small producers.
6. Orkney’s popularity and reputation as a must visit tourist destination continues to grow but tourism in Orkney is a very seasonal activity with seasonal and part-time employment at the lower end of the wage structure. Less seasonal and higher paid jobs will be necessary in order to maintain a stable and sustainable local economic community.

Town Centre Regeneration

7. Turning to our key town centres - there has long been a presence of national retailers in Orkney, nearly all in the main town of Kirkwall. Up until the 1990s, the major national chains were based right in the heart of the town centre with their stores located on the main shopping street. This offer helped to boost footfall, drew people to the town centre to do their weekly shopping as well as other shopping. In the years before the emergence and rapid growth of internet shopping, most shopping was done within the islands’ internal markets, with mail order catalogues providing a wider range of products to those who desired greater choice. With the development of new larger supermarkets on the edge of the town centre and retail hardware services also growing on the nearby Hatston Industrial Estate, the retail focus has moved out of the town centre to a much wider area.

8. The closure of the Kirkwall Woolworths store had a major impact on the main shopping street and the outdoor goods chain that replaced it for a number of years didn’t attract anywhere near the same level of footfall. This significant drop in consumer footfall also affected the surrounding retail goods and services outlets, and the expanding edge of town supermarkets continue to benefit from that. Online shopping, as it is everywhere in the UK, represents a major competitor to Orkney’s retailer sector and coupled with the above mentioned events and changing consumer demand patterns, presents a real and significant challenge to Orkney’s two town centres and our rural and island villages.

9. Orkney is a car centric society. With a small and dispersed population, public transport services cannot offer a suitable alternative to the car, and the free parking and perceived greater choice offered by the larger edge of town retailers has enabled them to capture an increasing share of consumer spending. This has led to calls for free parking within the town centre and the Council is now rolling out a programme of time-limited free parking in town centre car parks.

The Future of Our Town Centres

10. As mentioned above Orkney’s town centres have undergone many changes over the years. The vibrancy and viability of our town centres is key to preserving the Orkney community, its heritage and culture, all of which combine to make Orkney such an attractive place to live and work. Orkney’s town centres are fragile - National patterns of centralised shopping and the establishment of national multiples locating outwith town centres have presented challenges to Orkney’s traditional town centres. Whilst on the surface these centres maintain a healthy appearance, there are indications of fragility. Initiatives are underway to address
this, including investment in both Stromness and Kirkwall town centres by both the private and public sectors. There is a need to continue this works and it is important that future Scottish Government regeneration strategies respond to these needs.

11. For example, placemaking is a concept that the Council is pursuing in relation to improving, sustaining and regenerating our key town centre. The Town Heritage Initiative (THI) which is nearing completion in the historic town of Stromness, with support from the Heritage Lottery Fund, Historic Scotland and the European Regional Development Fund has greatly improved the ‘place’ that is Stromness town centre. Buildings have been repaired and restored to their former glory, the main street has a newly refurbished traditional paved surface and the town centre now looks much more traditional and attractive.

12. New offices have been created for business from a previous derelict building and many other buildings have been restored and/or adapted, all of which aims to revitalise to the town centre. However this physical regeneration has to be combined with economic regeneration, and with the current challenging economic climate that is not easily achieved. Nevertheless, businesses are beginning to utilise the commercial buildings that have been renovated and created.

13. The act of regeneration can also itself provide some short-term disruption to businesses and the community as streets are often closed for short periods to undertake public realm and/or major building works. Therefore it is vital to work alongside the business community throughout the process, keeping them informed of what is planned and the impacts it may have as well as trying to keep business operating as usual during as much of the process as possible. Clear communication and consultation with all stakeholders is key to maintaining a functional town centre through any major works. This is a key issue for the planning and delivery of future regeneration projects and it is essential that future strategies and funding opportunities recognise this need for engagement and support to surrounding businesses.

14. Due to the success of the THI project in Stromness Orkney Islands Council is pursuing a similar project in the main town of Kirkwall. It will be smaller in scale but utilising the experience gained during the previous project, will deliver similar benefits. The Council is working closely with the newly established BID team, to the extent that the project managers for both projects will be sharing an office. Consultation has taken place on the proposals for the town centre with the public and key town centre partners and stakeholders. This proved a very worthwhile exercise and many good ideas have come forward from various quarters.

15. One of the key challenges is tying in funding to push forward the softer aspects of regeneration. Funding for placemaking for example is limited, and funding for economic regeneration to tie in with the physical works is difficult to attract. The Scottish Government’s £2 million fund for utilising town centre buildings to provide residential accommodation might help with this, but better signposting to available funding streams would be very helpful.
16. The Council in partnership with Orkney Housing Association has begun the process of re-introducing housing to the town centre and similar schemes will be pursued when appropriate land or buildings are identified and funding is made available.

**Sustainability and Regeneration of Orkney’s Islands**

17. Orkney is an archipelago of 70 islands, 17 of which are inhabited. The populations of the islands range from a single family up to around 17,000 on Mainland Orkney. Each island has its own distinct characteristics and unique challenges, which requires the sustainability and regeneration of the islands to be addressed on an individual island basis rather than on a broad-brush one-size fits all approach.

18. This can be challenging and very resource intensive in areas such as public transport, health care and education, where providing lifeline services to small and disparate communities can require unique solutions. For example, utilising the world’s shortest scheduled flight, children from the island of Papa Westray are flown daily to the island of Westray to attend school. As the UK’s smallest Local Authority, challenges like these can stretch services, finances and human resources.

19. Orkney Islands Council works closely with partner agencies in the health, development and voluntary sectors to try to maximise the services that are offered, and we work jointly as much as possible. In this respect our small size is beneficial as partner agencies and the individuals within them know and work with each other quite often.

20. One of the key ways of trying to encourage and stimulate communities to improve their island or community and its sustainability, including providing services that the Local Authority and its partners cannot provide affordably, has been community empowerment through Islands Development Trusts and a recent pilot programme to engage more closely with Community Councils in relation to the delivery of some services more locally.

21. A number of island Development Trusts, with the support of the Council and Highlands and Islands Enterprise, have acquired commercial scale wind turbines to provide the Trusts with income streams. A group of 5 islands came together to each purchase an Enercon E44 900kW wind turbine to generate electricity and feed it into the National Grid. These turbines then provide an income which goes towards repaying the capital loans on the turbines, but also provides the island with an additional revenue stream that it can use to improve services and facilities.

22. However, the lack of capacity within the subsea cable that connects Orkney to Mainland Scotland has prevented a number of these turbines from producing the energy that they are capable of, thus reducing the projected income flowing into the Development Trusts. This in turn reduces their ability to re-invest that income in their islands and, in some cases, may even jeopardise their ability to meet the
repayment terms on the loans taken out on the turbines. If our islands are to maximise their potential they need to have the infrastructure to be able to support them.

23. This is not restricted to national grid capacity. Broadband, mobile phone signal and transport links are all vitally important to sustaining rural and island areas. Most of these areas are out with the immediate control of the Council and even areas like replacement of internal ferries require engagement with external partners and agencies to identify appropriate mechanisms for investment. The continuation and enhancement of lifeline ferry and air services to isles communities are essential to any future regeneration opportunities and must be considered in any proposals and strategies for islands as these are developed.

24. The Council, with support from Highlands and Islands Enterprise, has just launched a pilot project on two of its outer islands designed to give the Community and Community Council in particular more direct involvement in local island based services. If the pilot proves successful similar schemes could be rolled out on other islands. The key outcomes of the pilot are; to create efficiencies in terms of resource and/or cost; increase employment opportunities; up-skill the island based labour force; and improve access to services through building capacity to manage and deliver local services.

25. Feedback from various participants of the feasibility study carried out to inform the project highlighted that a significant aspect of the success of the project would depend on the level of support provided to the Community Councils in taking this project forward. Consequently, the main cost of introducing the early stages pilot project was identified as staff resources.

26. Physical, social and economic regeneration are key and all very much linked. If there are no jobs or means of making a living, then people have to leave the island in search of work. This increases the fragility of the community, especially in areas like healthcare and education where a critical mass is required to maintain services. If employment can be provided more people are drawn there to live. If an island’s population and wealth are growing, the physical regeneration is then more sustainable.

National Funding

27. Orkney has succeeded in in attracting European Regional Development Fund (ERDF) funding for a number of high profile regeneration projects which have contributed to ensuring that there are continued opportunities for inward investment and economic development. These vary from new piers and infrastructure to support the growing renewables industry, to a grant towards the redevelopment and restoration of a key building within the Stromness Conservation Area in support of the Town Heritage Initiative. Regeneration relies on a range of funding mechanisms being available and it is important that future funding opportunities and strategies recognise the needs of island communities, and support early action to pre-empt more substantial regeneration requirements.