

STIMULATING HOUSING DEVELOPMENT IN THE HIGHLANDS AND ISLANDS

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INTRODUCTION

The availability of, and access to, housing in the Highlands and Islands of Scotland is a long-standing concern being associated with population decline and the tendency for young people to leave Highland communities, with knock-on effects on the sustainability of local services, especially schools. It is also associated with various manifestations of rural poverty, including homelessness and hidden homelessness. Highlands and Islands Enterprise, local authorities across the Highlands and Islands and other public sector bodies aim to promote policies and strategies that reverse population decline and promote economic growth to encourage young people and families to move to, and remain in, the Highlands and Islands. These ambitions depend on there being access to affordable housing for young people and families.

As well as being associated with outward migration, inward migration to the Highlands and Islands has long been identified as a factor that has tended to exacerbate trends towards an ageing population and increased pressure on housing markets. As one observation from a study of rural poverty in Scotland noted, population change, housing and the local economy are intricately entwined.

“there is also a belief that rural problems have been exacerbated in recent years, partly due to increased population pressure and competition for housing from more affluent in-migrants coinciding with a labour market characterised by low wage employment.”¹

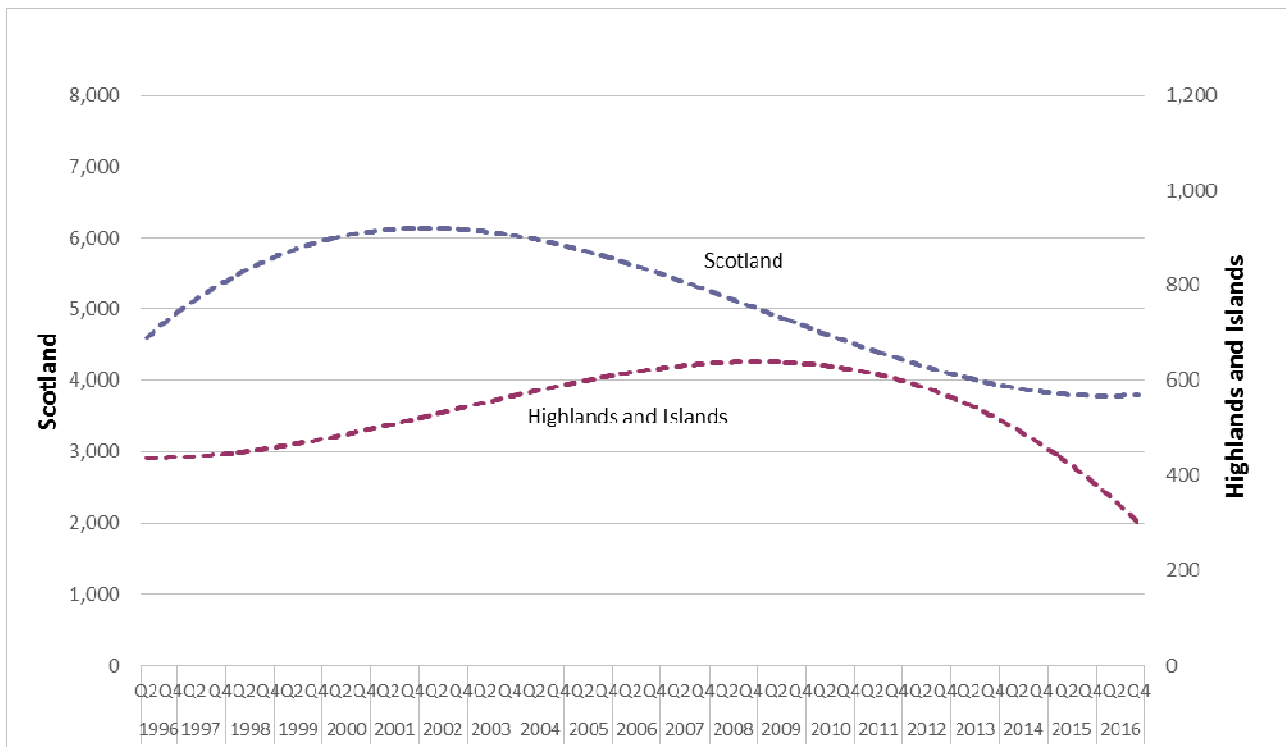
Thus, even the most superficial analysis of housing in the Highlands and Islands quickly finds a complex multi-dimensional problem involving population and the local economy but also shaped by factors such as access to land, transportation costs, local skills and labour supply. Local geography, land conditions and the ability of local infrastructure to support new housing development and, in remote and rural locations, the need to balance housing and other planning, conservation and environmental considerations play a significant part in shaping the acceptability of new development, the size and types of development that are encouraged and the viability of both commercial and publicly-supported development.

The context within which these detailed considerations of housing development are considered is inevitably shaped by financial considerations and recent years, especially since the financial crisis that began in 2008, have seen a significant shift in access to and the cost of commercial funding while ‘austerity’ has placed significant constraints on public support for housing developments.

The impact of the financial crisis on housing in the Highlands and Islands is particularly stark. Whereas there had been a long-term trend of declining housing completions in Scotland (shown on the left axis) from a peak around 2002, since 2009, the number of new build completions in the Highlands and Islands has declined sharply, as the chart below shows.

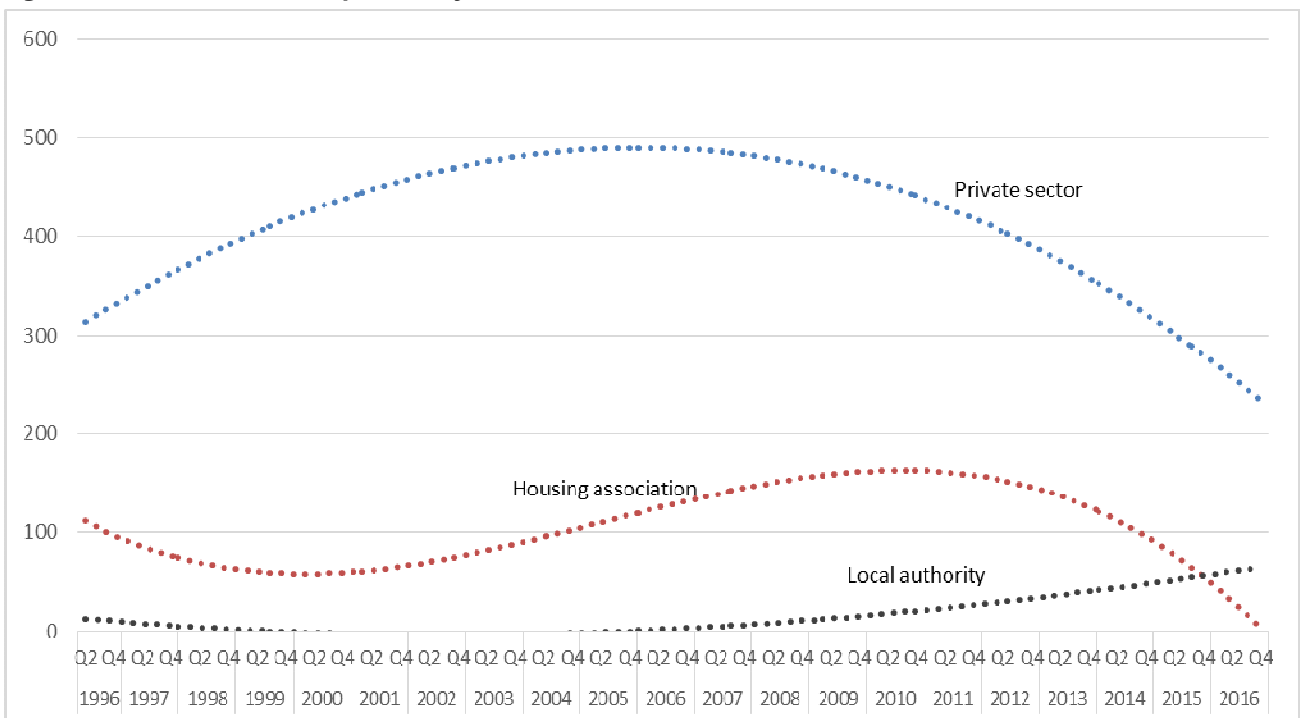
¹ Bailey, N., Bramley, G and Gannon, M (2016) Poverty and social exclusion in urban and rural areas of Scotland: Poverty and Social Exclusion UK Survey 2012 Working Paper, University of Glasgow and Heriot Watt University

Figure 1: Quarterly Trends in house completions Scotland and the Highlands and Islands



Within the different housing sectors in the Highlands and Islands there has been some variation, although the difference is mainly for the decline to begin earlier in private sector completions around 2007 with a slightly later downturn in housing association completions since 2010. Since 2007, local authority completions have increased slightly although not by enough to significantly help offset the combined impact of falling private and housing association completions.

Figure 2: Trends in house completions by sector



This combination of housing development as both a long-standing concern and as the more recent significant decline in the numbers of new-build properties sets the context for this study, commissioned by Highlands and Islands Enterprise with the following objectives, to:

1. Assess the current housing policy landscape in Scotland, identifying policies to support housing development in the Highlands and Islands
2. Provide an overview of the current housing stock, housing market and demographic trends
3. Explore the barriers and challenges to housing development, highlighting differences across the Highlands and Islands
4. Investigate mechanisms to encourage and increase housing development across the Highlands and Islands, in remote and rural communities, highlighting areas with the greatest potential
5. Provide a range of case studies of different approaches to housing development in remote or rural areas that have been significant for community sustainability.

These objectives have been addressed through desk research reviewing current policy related to housing, covering policy aimed at supporting housing supply and the broader planning and regulatory policy. A review of issues related to housing needs and demand, drawing together local housing need and demand assessments and other strategic documents provides an overview of housing demand, underlying housing market and economic trends and supply-side responses.

Wide-ranging consultation with stakeholders in the housing system in the Highlands and Islands, representing local authorities, other social housing providers, funders, private developers and land-owners, community representatives, utilities and services providers, organisations supporting rural development, other public agencies across National and local government and academic experts formed the bulk of the data collection and these discussions were followed up by more detailed discussion with numerous partners involved in individual projects, selected to illustrate the key themes emerging from the stakeholder consultations, which provide the structure to this report.

THE POLICY LANDSCAPE

The public policy framework in Scotland for housing supply covers a range of objectives, methods and enabling tools. The land use planning system determines where and how house building occurs (as well as all other land uses). There are many other enabling policies, with current public policy focus in Scotland being to increase the supply of affordable housing. Key stakeholder consultation identified the main issues around the policy landscape and how this contributes or constrains development, with the following chapters developing these themes with evidence provided through case study examples.

The land use planning system

Planning law under the Town and Country Planning (Scotland) Act 1997, with revisions and regulations, determines all land uses. The planning system in Scotland (and across the UK) has come under considerable criticism for many years with Scottish Government instigating a planning review in 2015. There are numerous and well-documented^{2,3,4,5,6,7} concerns about the current system, summarised by consultees interviewed for this research, around bureaucracy and the focus on an application demand-led system, rather than being a development planned system which leads and incentivises development. In January 2017, Scottish Government's consultation paper **Places, people and planning** outlined proposals for reform. Consultation closed in April 2017. The key elements of proposed reform are in four main areas:

- Simplifying and strengthening development planning
- Improving the way communities are involved in the planning process
- Planning should enable and co-ordinate building more homes and delivering infrastructure
- Removing processes that do not add value, strengthening leadership, resources and skills.

Many experts and stakeholders in this field suggest the proposed reform is not sufficiently ambitious, and that **land policy** needs more radical reform, not just **land use** policy to be more aligned to European models.⁸ This would cast the local authority in the role of 'market maker', taking much greater control of land and taking the lead in bringing it forward for development through proactive land assembly and site preparation. Many commentators have recommended the concept of national or regional land corporations which lead on this role. Others argue that local authorities have existing powers that are not being fully used, with counter arguments around lack of local authority resources and skills to make these powers effective.

² [Building a Better Scotland \(2014\) RICS](#)

³ [Delivering Better Places in Scotland - A guide to learning from broader experience \(2010\); Adam D et al](#)

⁴ [Delivering Great Places to Live - 10 Propositions aimed at transforming Placemaking in Scotland \(2012\); Gulliver, S, Tolson, S, University of Glasgow and RICS](#)

⁵ [Empowering planning to deliver great place \(2016\), Scottish Government](#)

⁶ [Capacity in the house building industry \(2017\), Communities and Local Government Committee](#)

⁷ [Commission on Housing and Wellbeing, Shelter Scotland](#)

⁸ [Planning as 'market maker': How planning is used to stimulate development in Germany, France and The Netherlands \(2015\) RTPi](#)

Scottish Government's Position Statement on Places, People and Planning

The Scottish Government published a [Position Statement](#) on its Places, People and Planning review in June 2017, following consultation responses on its previous paper published earlier in 2017. Its key statements relating to stimulating housing supply, and addressing infrastructure challenges are:

- Regional partnership working – there should be more proactive regional partnership working, with wider and more flexible collaborative planning. Proposals include new duties for agencies to work together to address regionally significant spatial planning and development issues, and there are proposals for additional powers for local authorities to work individually or in partnership with others on a more discretionary basis, focusing on issues with a cross-boundary dimension including infrastructure delivery and housing.
- Stronger Local Development Plans that deliver, and releasing more development ready land - shift to a focus on delivery and implementation of plans rather than continuous review and plan writing. This includes measures for ensuring that allocating development land in a plan attracts more confidence in development delivery with a minimum level of information to be provided alongside development proposals, greater leadership from planning authorities in zoning land for development, and a stronger commitment from the key agencies to the development plan. Plans are to be brought forward for legislative change that will refresh and rebrand Simplified Planning Zones.
- Embedding an infrastructure first approach – the review consulted on infrastructure governance, roles and responsibilities. It found consensus on the need to address challenges in delivering infrastructure requirements, but not on how that should be achieved. As there are different views on the appropriate arrangements, but consensus on the need for action in the short term, Scottish Government has asked Scottish Futures Trust to take forward support for significant stalled sites. Scottish Government is also continuing to consider options for a national delivery group to support improved co-ordination of development and infrastructure issues, including current key public agencies and private sector delivery partners including rail, electricity, gas and telecommunications / digital infrastructure. In the longer term, in terms of funding infrastructure, the Scottish Government wants to create a fairer and more transparent approach to funding infrastructure and following consultation, remains of the view this should be in the form of an infrastructure levy, with [research](#)⁹ being finalised to identify options on how this could be achieved.

The deadline for responses to the Position Statement was 11 August 2017.

Infrastructure

There is clear agreement that infrastructure – roads, utilities (water and waste water, gas, electricity, fibre), and in some cases education requirements – is a key barrier to viable housing development. The constraints are characterised by large, uneven, and often up-front capital funding needed to open sites, which put pressure on developer cash-flow and increases risk. There are also issues around the availability of finance: many of the mainstream banks may fund acquisition of land, take security over the land but then may not lend on infrastructure costs, especially when development schemes stretch over a long period.

⁹ Research project to identify and assess the options for the introduction of an infrastructure charging mechanism in Scotland (stage 1 and 2), Peter Brett Associates, December 2016

The Scottish Government's response has been to launch the [Infrastructure Fund](#) in 2016 with an initial budget of £50m for 2016-17. The emphasis of the Fund is on strategic sites to support delivery of the Scottish Government's target of 50,000 affordable houses over the next 5 years, although it is also supporting private developers. Support is through loans for private developers and grants for housing associations. There is some concern noted that the infrastructure fund's focus on strategic sites does not cater for the needs of rural and remote housing development, although the Scottish Government emphasises that 'strategic' could imply smaller sites that are critical to economic growth and community sustainability, where these are identified as high priorities in local authority Strategic Housing Investment Plans. As yet, there are no examples of such sites supported by the Infrastructure Fund. The Highland Council has secured funding for its own revolving Infrastructure Fund as part of the [Inverness and City Region Deal](#). This means the Council can decide on the fund distribution, rather than this happening centrally by Scottish Government.

The Infrastructure Fund is not seen by the Scottish Government as a long-term solution; it has made several proposals regarding infrastructure approaches in its Planning Review [Places, People and Planning](#), including the introduction of an infrastructure levy. These proposals recognise the difficulties associated with financing infrastructure and seek to encourage local authorities to use their land assembly and borrowing powers further for infrastructure coordination and investment. The summary proposals for land and infrastructure are set out below.

<p>10__ Being clear about how much housing land is required. Planning should take a more strategic view of the land required for housing development. Clearer national and regional aspirations for new homes are proposed to support this.</p> <p>11__ Closing the gap between planning consent and delivery of homes. We want planning authorities to take more steps to actively help deliver development. Land reform could help to achieve this.</p> <p>12__ Releasing more 'development ready' land. Plans should take a more strategic and flexible approach to identifying land for housing. Consents could be put in place for zoned housing land through greater use of Simplified Planning Zones.</p>	<p>13__ Embedding an infrastructure first approach. There is a need for better co-ordination of infrastructure planning at a national and regional level. This will require a stronger commitment to delivering development from all infrastructure providers.</p> <p>14__ A more transparent approach to funding infrastructure. We believe that introducing powers for a new local levy to raise additional finance for infrastructure would be fairer and more effective. Improvements can also be made to Section 75 obligations.</p> <p>15__ Innovative infrastructure planning. Infrastructure planning needs to look ahead so that it can deliver low carbon solutions, new digital technologies and the facilities that communities need.</p>
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Places, People and Planning: Scottish Government 2017, page 5 and Chapter 3: Building More Homes and Delivering Infrastructure.

Land reform

One of the constraints to development is access to affordable land. The Scottish Government has taken forward a programme of change to improve the transparency of land ownership in Scotland, and provides opportunities to support community ownership of land and buildings. The [Land Reform \(Scotland\) Act 2003](#) has been amended by the Crofting Act 2010 and the Community Empowerment Act 2015. Further provisions relating to access to land are included in the [Land Reform \(Scotland\) Act 2016](#). Provisions enacted so far enable community right to buy (from a willing seller) and crofting community right to buy (from unwilling seller). Provisions yet to be enacted are targeted at unwilling sellers and are more like compulsory purchase powers, to be considered as a last resort, and

include a community right to buy abandoned, neglected or detrimental land and a right to buy land to 'further sustainable land'. These apply to all forms of land and building irrespective of the owner. Land reform provides some scope for access to more land (at market value) for community bodies but as with traditional land transactions, the easiest routes to land for community organisations will be where there is a willing seller, with the compulsory routes still likely to be difficult and lengthy processes. Land reform does not overcome the challenges where there are unwilling sellers, with many arguing there is a need to streamline compulsory powers, regardless of whether it is a community right to buy or a standard compulsory purchase process.

Affordable Housing Programme

The **More Homes programme** is focused on grant subsidy for new social rented, shared equity and mid-market rent¹⁰ housing, with higher grant rates for rural areas, acknowledging the different build and infrastructure costs. The Scottish Government has set a target to deliver 50,000 homes within 5 years, backed by £3 billion and has moved to five-year resource planning assumptions so that affordable housing investment is based on more long-term planning for local authorities and RSLs.

There are several other mid-market rent mechanisms supported by the Scottish Government, including the Scottish Futures Trust sponsored **National Housing Trust**. This was a loan guarantee scheme, involving a joint venture between the Scottish Futures Trust, the local authority and a developer (which could be an RSL) to provide mid-market rent homes. One criticism from smaller local authorities was the complexity and resources required to set up these joint ventures, and the concern over the viability of the mid-market rent tenure, where there might be little difference between local social rents and private rents. The NHT programme has now completed with no further round of procurement being considered as the focus of this initiative was to stimulate housing development post-recession. **LAR Housing Trust** is a new entrant affordable developer since 2016, supported by soft loans¹¹ from the Scottish Government and is focusing on mid-priced rents within Local Housing Allowance levels. LAR focuses on areas where mid-market rents are viable, typically city and urban environments, or pressured areas, where demand and rental prices are higher. In 2016, the Scottish Government announced **Mid-Market Rent – New Offer** which invited developers to bring forward proposals for mid-market rent to contribute to the 50,000 affordable home target. The challenge to bidders was to minimise the use of public subsidy, although since bids were submitted in late-2016 no further announcements have been made. It is expected that any developments coming forward will mainly be in the central belt. In January 2017 the Highland Council agreed the [Inverness and City Region Deal](#) with funding support from Scottish Government, The Highland Council and its partners, and the UK Government. This deal included £5m towards a programme of mid-market rent property to create more new homes which will be initially targeted at young people.

Low cost home ownership is supported through **Help to Buy**, including a small developer scheme which recognises the challenges faced by small to medium enterprises - there is ring-fenced funding for smaller developers within the larger Scottish Help to Buy scheme. **Open Market Shared Equity** allows the purchase of existing properties, with equity support from the Scottish Government, with owners contributing 60-90% of the purchase price. There are

¹⁰ Properties typically rented from a housing association at lower than market rents and usually at 100% of the local housing allowance, which represents the rent paid on the lowest 30% of private rented properties in a broad housing market area.

¹¹ Soft loan is a term used to describe financing provided by government, or its agencies which offers preferential rates and/or terms, usually lower than market rates offered by private financial institutions.

suggestions from consultees that open-market shared equity is not effective in many rural and remote areas where threshold prices are too low for access to existing properties coming on the market.¹²

Rural Housing Fund and Islands Housing Fund

These **funds** aim to increase the long-term availability of affordable housing in rural and island areas. Proposals are required to be for residential development which must become a primary residence. A wide range of organisations can apply including community bodies, RSLs and private developers. Projects can include building new houses, refurbishing or renovating empty houses, or converting non-domestic premises. The funding can also be used for feasibility work (e.g. housing needs assessment, architects' fees etc.) and applicants can apply for grant and/or loan for capital costs. The Scottish Government launched the £25 million Rural Housing Fund in February 2016, which will be available for three financial years from 2016/17 to 2018/19. On 13 September 2016, an additional £5m ring-fenced for island communities was added. Funding will be provided as a contribution to capital costs and the **Affordable Housing Supply Programme** benchmark subsidies¹³ are used to allocate funding.

A core aim of the Rural Housing Fund is to deliver additionality to existing provision. The means in which this additionality is hoped to be achieved is through helping existing public funding to achieve more, in a wider range of rural areas. This is often where choices are limited but less likely to be delivered by mainstream providers. It is hoped that the RHF will also empower communities to take control of at least some of the new affordable supply.

A range of views have been expressed regarding the Rural Housing Fund. It is seen as a useful way to pool resources by many housing associations and partners – it can help increase the scale of projects, partner projects and manage the development risk. On the other hand, there is the view expressed that the funding is quite fragmented and that the Rural Housing Fund is not as dynamic or flexible as it might be. This means that those already skilled in navigating funding options may be better placed to use the Rural Housing Fund. This 'enabling' function will be critical to ensuring that maximum funds are levered in and collaborative approaches (which the fund encourages) are more likely to bear fruit.

Scottish Land Fund

The **Scottish Land Fund** is delivered by Highlands and Islands Enterprise in partnership with the Big Lottery Fund, on behalf of the Scottish Government. It is a four-year programme to assist community bodies across the whole of Scotland to acquire land and buildings for community benefit. The budget for 2016/17 was £10 million. Applicants must clearly demonstrate that their project will help their local community to: achieve more sustainable economic, environmental and/or social development through ownership of land and buildings; have a stronger role in and control over their own development; own well managed, financially sustainable land and buildings. Communities and community-led housing associations can apply to the SLF for certain housing related projects. The Scottish Land Fund can provide funding as a percentage of market value regarding the purchase of land/buildings – it is not limited to affordable housing rates for land purchase as with the Rural Housing Fund. Staff working on the

¹² There are limits set on the price of homes that can be bought under the open market shared equity scheme to ensure that only 'starter' properties are available through the scheme - these are known as threshold prices. These limits vary according to house prices in different parts of Scotland and are often referred to as local maximum price ceilings.

¹³ Benchmarks are the amount of grant subsidy that Scottish Government will allocate per unit, based on house size by per person

Scottish Land Fund and the Rural Housing Fund have regular meetings to discuss pipeline projects as match funding across these two programmes is encouraged. For example, both funds can contribute to the feasibility stage; the Scottish Land Fund can help with asset purchase; and the Rural Housing Fund with post-acquisition development.

Self-build

The **Self-Build Loan Fund** is a two-year pilot scheme running until March 2018. It is a £4 million rotating loan fund available to plot owners in the Highland Council area. The aim is to address one of the key barriers to self-build since the financial collapse by making loan funds available in the absence of support from commercial lenders. Loans through the loan fund enable self-builders to take their development to a stage where they would have access to normal mortgage finance. At this point, the Loan Fund loan can be repaid. Borrowing of up to £175,000 is available, allowing around 35 units per year to be funded. In its first year, the Self-Build Loan Fund had attracted significant interest in terms of enquiries, website visits and downloads of brochures from the website but in terms of applications, the response has been lower than anticipated, with 35 stage 1 applications and 6 loans made. The scheme is currently being reviewed, although there has been interest in seeing the scheme expanded beyond Highland.

Croft House Grant Scheme

The **Croft House Grant Scheme** (CHGS) helps crofters living in inadequate or substandard accommodation or who do not have a home on their croft to build new homes or improve existing croft houses. Changes were made to the scheme from 1 April 2016, which included increases in the grant rates so that crofters can apply for up to £28,000, or £38,000 if they live on an island or in a specified mainland area. In 2017/18, additional funding was provided for the scheme taking the total allocation to £2 million.

The latest data for February 2017 CHGS applicants shows that 59 new homes received an average payment of £36,272 and 14 Improved/Refurbished homes received an average £18,571. Overall, almost 57% of applicants were successful, with applicants in North and South Uist and Skye having relatively more success. Unsuccessful applications did not comply with guidance (36%) or with legal crofting status (28%) and a further 28% were incomplete applications. The remaining 8% have scope for an appeal or re-submission.

Empty Homes

The **Empty Homes Partnership** is funded by the Scottish Government and run by Shelter Scotland in partnership with local authorities. Since 2014 the Partnership has brought 1,700 homes back into use, with **Empty Homes Officers** based in all the mainland local authorities in the Highlands and Islands, with a part time EHO based on the Orkney Islands. The other island authorities do not have their own EHOs, although this is a priority policy area with advice and resources being drawn through the Partnership. There is also a Town Centre Empty Homes fund, with properties brought back into use in Inverness and Elgin through this fund.

Conclusion

Public policy in Scotland aims to increase the supply of housing across Scotland, focusing on affordable housing supply. The Scottish Government's current Planning Review has identified many of the constraints to housing

development, and has proposed a range of approaches to facilitate increased supply including more proactive regional partnership working, allocation of more development ready sites, and taking an 'infrastructure first' approach. The effectiveness of these measures will all rely on leadership and resources from the Local Authorities, and proactive use of existing and potential new powers to be brought forward through new legislation, which will take time to implement. As identified by the Planning Review and previous commissions, one of the most significant barriers to development is the challenge in providing infrastructure required to open up sites, and while the Rural Housing and Islands Funds are directed towards smaller rural and remote communities, the focus of policy and new interventions around infrastructure appear to be focused on strategic and larger sites. Short term measures to use Scottish Futures Trust to facilitate movement in stalled sites is also focusing on significant sites. The following sections provide insight to barriers to housing development, with examples of how these have been overcome in some cases, but where the challenges are too great to enable delivery in others, particularly in rural and remote environments.

THE HOUSING GAP IN THE HIGHLANDS AND ISLANDS

There are three key elements to the housing planning framework in Scotland:

Housing Need and Demand Assessments (HNDA) – provide the statistical evidence to enable local authorities to estimate the need and demand in different tenures at the local housing market area level. HNDA present data on the profile of the stock and pressures, as well as the need for specialist provision. Guidance from the Scottish Government’s Centre for Housing Market Analysis and its accompanying HNDA Tool, sets out the steps local authorities are expected to undertake to achieve a robust and credible needs assessment.

The Local Housing Strategy – provides a policy interpretation of the evidence presented in the HNDA. The Local Housing Strategy develops a **housing supply target** for market and affordable housing for each housing market area, including provision for specialist accommodation. The housing supply target is based on the HNDA estimates but also incorporates analysis of construction capacity, land supply, financial constraints and other factors that might affect what can be delivered on the ground.

The Strategic Development Plans¹⁴, and Local Development Plan outlines the **housing land requirement** and should reference the HNDA and the housing supply target. This provides the planning interpretation of the housing supply target, outlining the housing land needed for market and affordable housing in each housing market area, as well as the land allocation for specialist provision.

Local authorities and their partners across the Highlands and Islands have all developed housing need and demand assessments (HNDA) to help them plan future housing requirements. To provide an overview of housing need and demand across the Highlands and Islands, we have extracted key pieces of information from the HNDAs, Local Housing Strategies and Strategic Housing Investment Plans. Strategic Housing Investment Plans (SHIPs) are part of the Local Housing Strategy (LHS) process and set out the key development priorities in each local authority to inform Scottish Government housing investment decisions. It is expected that SHIPs will be directly informed by the LHS and be developed in consultation with key stakeholders. The SHIP sets out details of investment priorities over a five-year period, showing how these will be developed and how these will be funded. The SHIPs vary in format but often show details of projects underway (often at a site-by-site level) and planned completion timescales over the five-year period.

It is important to note that these needs assessments have been produced for different periods and based on different assumptions and methods (depending if produced before or after the 2014 HNDA Guidance). This inevitably poses some issues for data comparability.

The estimate of additional housing units by tenure

Under the 2014 HNDA Guidance the need for housing should be based on needs that can only be satisfied through the provision of **additional** property. This means housing need is based on the number of homeless

¹⁴ Strategic Development Plans (SDPs) in the four largest city regions, with Local Development Plans in these areas, and all other local authority areas of Scotland. The current Scottish Government Planning Review is proposing to abolish SDPs.

people who are in temporary accommodation and not housed and on the number of overcrowded **and** concealed households (such as a single parent or a couple living with their children and their parents).

This means that the guidance assumes that other aspects of housing need, for example due to poor condition or single household overcrowding (a household that needs an additional room) can, in most cases, be resolved without needing an additional unit of housing. Housing can be improved or the overcrowded household can move to a larger home, freeing up their current property to another household within the housing system.

Across the Highlands and Islands, there is a concern that this approach to housing need does not capture a key element of need – among young people who move away because they are unable to afford to live in the local area. These young people do not appear in housing need and demand estimates as they are not part of an overcrowded and concealed household and leave the area rather than present as homeless to their local authority.

Many of the stakeholder consultees were concerned that this trend-based modelling of housing need perpetuates the assumption that younger people will leave, which means that estimates of the requirement for affordable housing are based on continuing out-migration and housing meeting the needs of those who stay in the Highlands and Islands, rather than the population that the Highlands and Islands needs to attract and retain.

A composite picture of housing need, demand and supply

The figures below draw together information about the annual need for affordable and market housing across the Highlands and Islands, based on the estimates in the most current HNDAs. As mentioned above, some of the HNDAs are currently being updated, others are very new and others are older. This means that the accuracy of some estimates may be more variable, if based on pre-financial crash household projections, in the case of HNDAs produced before 2014. Each local authority was asked to examine the estimates to determine that they were the most recent data. Some provided updates based on draft 2017 HNDA estimates.

In most cases, the estimates are based on a principal projection using National Registers of Scotland household estimates¹⁵ (although the base year of estimates vary). The exceptions are Highland, which uses its own household projections and a higher migration projection and Argyll and Bute, which uses a principal projection based on limited/modest growth but based on their own household projections.

Some of the HNDAs are based on the 2014 CHMA guidance and use the HNDA tool¹⁶ which was developed in 2014 while other HNDAs pre-date this guidance and so take a traditional 'gross flows' approach. As all the local authorities will use the 2014 guidance (or subsequent updated guidance) in future, the composite picture of need and demand will be easier to collate (albeit the time periods may still differ).

A further layer of complexity is the timing of the latest Strategic Housing Investment Plan, which sometimes refers to a previous Local Housing Strategy and earlier HNDA estimates.

¹⁵ <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/households/household-estimates>

¹⁶ <http://www.gov.scot/Topics/Built-Environment/Housing/supply-demand/chma>

The table below shows a composite picture, comparing the annual need figures for each local authority, by housing market areas. Where information is provided in enough detail in the area's Strategic Housing Investment Plan that is also presented, for comparison.

Across the Highlands and Islands, the equivalent of just over **1,800 new properties** are needed each year across the market and social sectors, with an estimated **1,071 affordable homes** required each year and **742 market properties**.

Combining the current Strategic Housing Investment Plans, an average of around **992 affordable properties a year are planned** across all the local authorities in the Highlands and Islands.

Based on the most recent currently available information, the plans in the SHIP are to deliver around 79 **fewer** new affordable houses each year than are required. This is based on a comparison between the principal scenario for each local authority, from the most recent HNDA, except Highland, who use the high migration scenario.

In arriving at the SHIP target, some local authorities have developed a Housing Supply Target (HST) that is higher or lower than the housing need identified in the HNDA. For example, Argyll and Bute have a HST of at least 110 affordable homes per year, to help offset rural depopulation. The Highland SHIP target of 500 unit approvals a year is consistent with the aims of their Local Housing Strategy while the Moray 350-unit target in the SHIP over three years (117 a year) is considerably below the level of need, due to financial constraints.

Table 1: Assessed need and planned completions of affordable and market housing by local authority (annual estimates)

Location	Affordable	Market	Total	SHIP - annual
Argyll and Bute	60	55	115	238
Eilean Siar	69	†	69	49
Highland*	562	451	1,013	500
Moray	237	187	424	117
Arran	8	5	13	5
Cumbræ	0	0	0	0
Orkney	72	44	117	83
Shetland	63	†	63	†
Total	1,071	742	1,814	992

† Not available (Na h-Eileanan an Iar does not specify affordable housing requirement, so total allocated to affordable here)

* High migration scenario

Note: Moray HNDA estimates are provisional, as the HNDA is still being finalised

Completions - sectoral and geographical variation

The final part of the picture is the number of properties completed. The chart below shows the completions in each calendar year in the social rented and private sectors.

Figure 3 shows the house completions by sector across the Highlands and Islands, comparing RSL, local authority and private sector provision. Data for calendar years is shown, as private sector data is not available for Q1 2017 to allow financial year analysis for the private sector. Across the six main local authorities in the Highlands and Islands

(excluding North Ayrshire) the contribution of the private sector fell from a high of 2,490 units in 2007 to between 1,130 and 1,556 in the last few years, a reduction of between 934 and 1,360 units. **Compared with the level of market demand identified, (of 742 properties a year) this level of private sector provision is more than required.**

The combined total of local authorities and RSLs new-build figures in 2016 accounted for the same level of new-build provided by RSLs before the financial crash - around 500 units a year. However, in 2016 there were around 1,000 fewer properties delivered by the private sector in the year compared to 10 years previously. Nevertheless, as noted above, this is more than the requirement estimated across the HNDAs of just 742 additional private sector/market properties each year.

Looking at completions data for 2016, **we see a total of 1,627 completions** across the Highlands and Islands – 187 fewer than the annual need figure across all tenures of 1,814 (90% of the target). However, for the social rented sector, completions stand at 497 across the six main local authorities (North Ayrshire completions are excluded). According to the combined affordable needs estimates from above, the 497 social sector completions are just over 50% of the SHIP affordable housing target of 992 properties a year that social housing providers should be delivering and just 46% of the estimated 1,071 affordable properties needed each year. However, these 497 completions in 2016 show **a 17% increase** in delivery from the 424 affordable completions in 2015.

Figure 3: House completions by sector – Highlands and Islands



Source: Scottish Government, New House Building in Scotland, 2016

Social landlords have made a significant and increasing contribution to sustaining the delivery of affordable housing, but not at the level of the SHIP targets set or the level of need found in the HNDAs. This suggests that there is a need to understand more about the barriers and constraints to affordable housing supply.

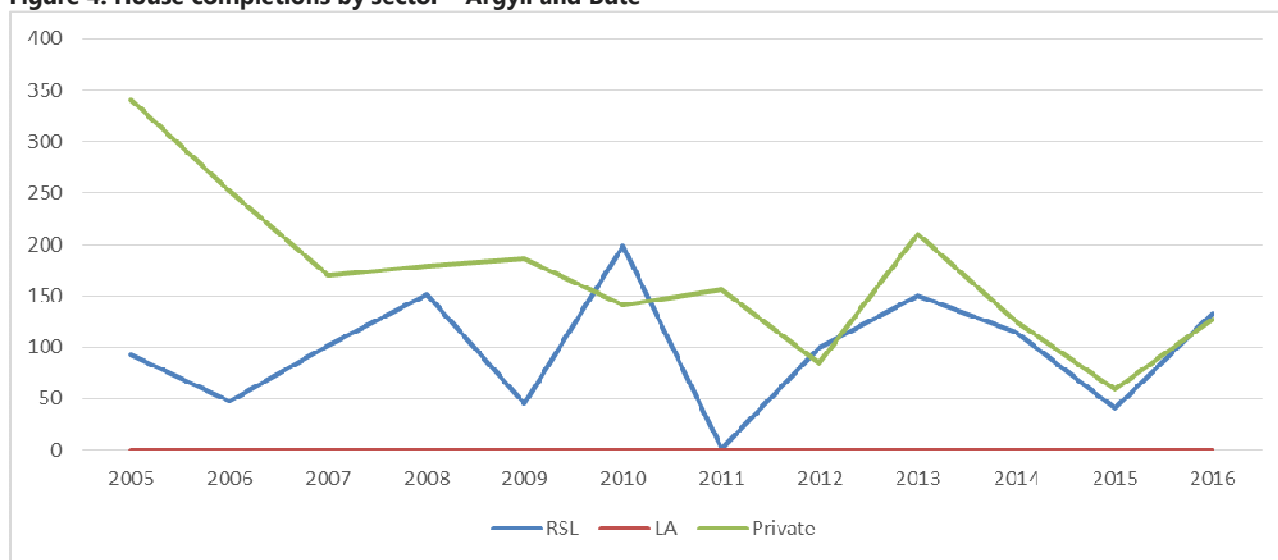
It is notable that the Highland SHIP target in 2017-2022 is considerably higher than the SHIP target in the 2015-2020 SHIP (up from 350 to 500 a year over 5 years). There is also 'over-programming' in the SHIP which takes the notional unit approvals to 575 units a year compared with an average of 286 unit approvals a year in the first three years of the 2015-2020 SHIP.

Strategic Housing Investment Plans are based on financial viability/funding availability as well as construction sector capacity and land availability. Some local authorities have set Housing Supply Targets below the required level of affordable housing need, largely due to financial constraints. Other local authorities have set more ambitious Housing Supply Targets to meet the needs of current affordability and to contribute to the aim of encouraging in-migration and retaining young people.

Higher housing supply targets do not necessarily filter through to completions. The figures below show the completions in each local authority, by sector.

Argyll and Bute shows a very volatile development pattern over the period, with reduced provision in four separate periods of decline. By 2015, housing association new-build in Argyll and Bute was almost as high as private development, which has fallen away to 59 units a year from a high of 341 and an average of around 160-180 units a year. RSL and private sector new-build figures in 2015 were still in decline, with affordable provision at 40 units (compared with a need of 60 units) and private sector 59 (against a need for 55 units a year). However, delivery improved markedly in 2016, with 133 RSL units and 127 private units delivered, suggesting recovery from the low level of completions in 2015. Argyll and Bute’s own data shows completions of 154 in 2016-17 but completions/expected completions in 2017-18 at just 78 (though a significant share is in Island communities).

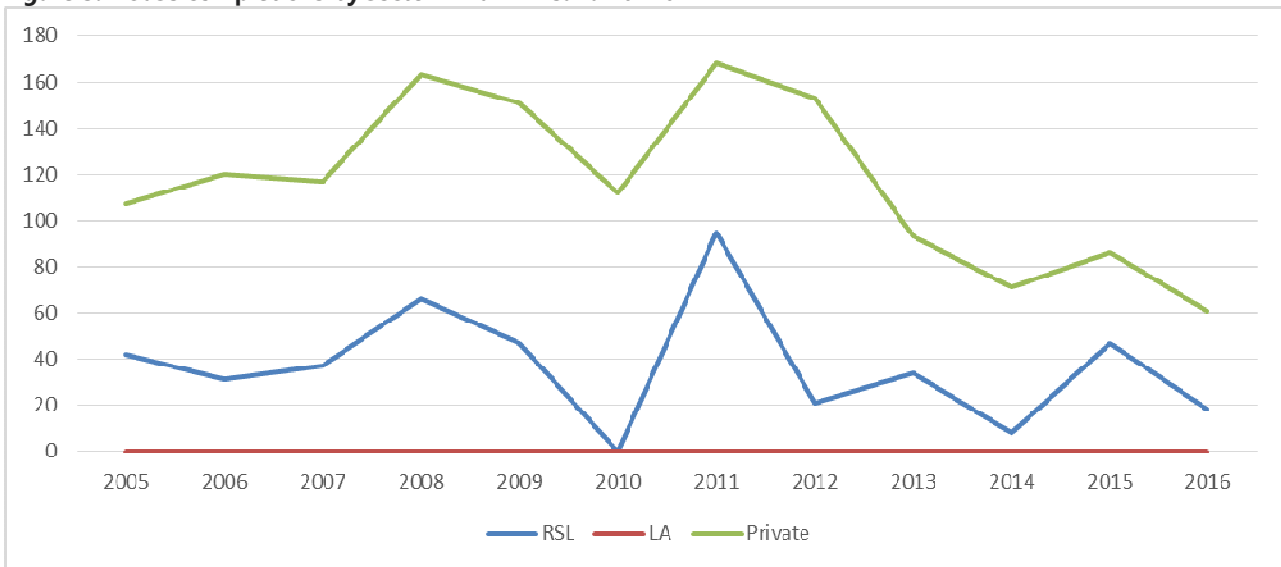
Figure 4: House completions by sector – Argyll and Bute



[Source: Scottish Government, New House Building in Scotland, 2016](#)

In **Na h-Eileanan an Iar**, we see more of a recent recovery in private sector new-build rates in 2015, before a dip again in 2016. RSL new-build patterns follow that in the private sector, with a couple of significant periods of decline in 2006 and 2010, with a peak in 2011 before two smaller periods of decline in 2012 and 2014. This volatile picture means that the improved picture in 2015 has not been sustained. The combined needs estimate in Na h-Eileanan an Iar is for 69 units, which could be met across private sector and affordable housing combined but not if the 69 units are to be affordable (with supply at 47 affordable units in 2015 but just 18 in 2016).

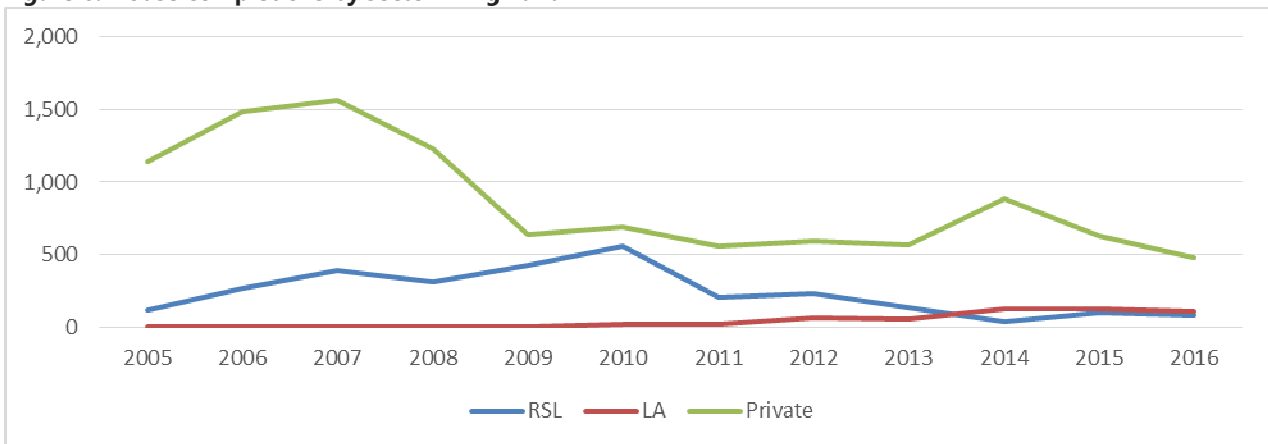
Figure 5: House completions by sector – Na h-Eileanan an Iar



Source: Scottish Government, [New House Building in Scotland, 2016](#)

In the **Highland** area, the private sector typically delivers around 600 units a year, which is greater than the need identified of around 450 units a year. The Council delivers more affordable housing in Highland than is the case elsewhere, delivering more units than the RSL sector so that the joint social new-build is at pre-crash levels. However, 2016 saw fewer affordable properties delivered than in 2015 (down from 220 to 182). Private sector development in 2016 also stood at just 474 units, compared with 627 in 2015 and over 1,500 a decade ago.

Figure 6: House completions by sector – Highland

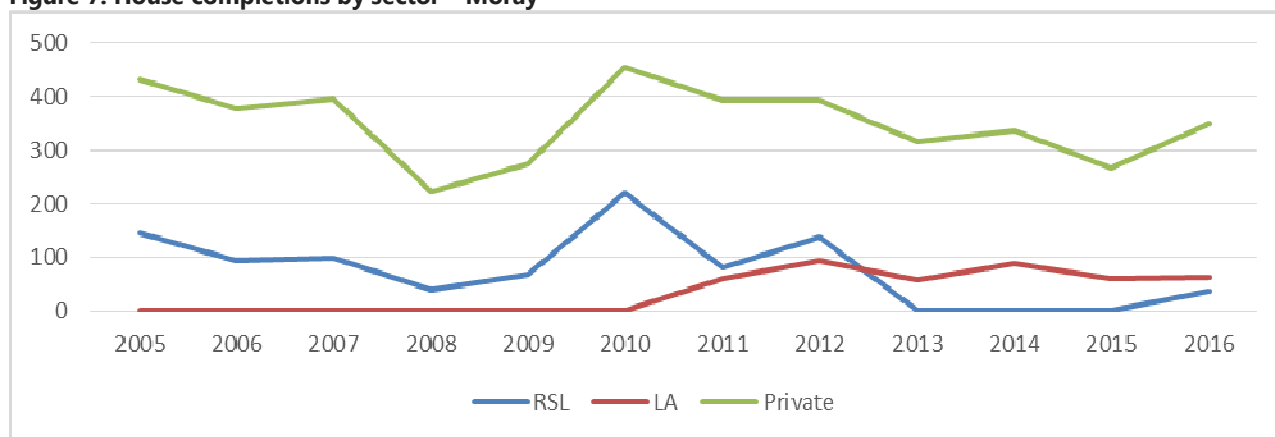


Source: Scottish Government, [New House Building in Scotland, 2016](#)

This combined provision stands at 65% of the 1,000 or so properties needed each year in Highland. Recent trends in affordable provision are stable rather than increasing with a combined total of 182 units completed in 2016 across the LA and RSL sectors, compared with 220 in 2015 and 159 in 2014. The Housing Supply Target in the 2015-2021 SHIP was around 300 units a year, aligned to the 2010 Local Housing Strategy target of 350 affordable unit approvals each year. So completions of 159 to 220 units represent around 53% to 73% of the target. The Highland SHIP target for 2017-2022 is an average of 500 affordable unit approvals each year, which is consistent with the 2017 Local Housing Strategy, so we would expect completions to rise in Highland in future in line with this. That takes targets far closer to the annual need figure of 562 affordable units from the HNDA.

Private sector completion rates for **Moray** suggest a cyclical decline, with a decline in completions that begins before the financial crash, recovers in 2010 and then decline again, before an increase every other year, including 2016. What is also notable in Moray is the replacement of RSL new-build with local authority new-build, with no RSL new-build in Moray between 2013 and 2015. The 349 market properties completed in 2016 are well beyond the annual need figure of 187 market properties but the RSL/local authority provision of 99 units is less than half of the 237 affordable units needed annually (just 42%). However, this is a significant improvement on the 59 units completed in 2015. It is also worth noting that Moray's HNDA figures are provisional as the HNDA is still in draft, so these estimates may be subject to revision.

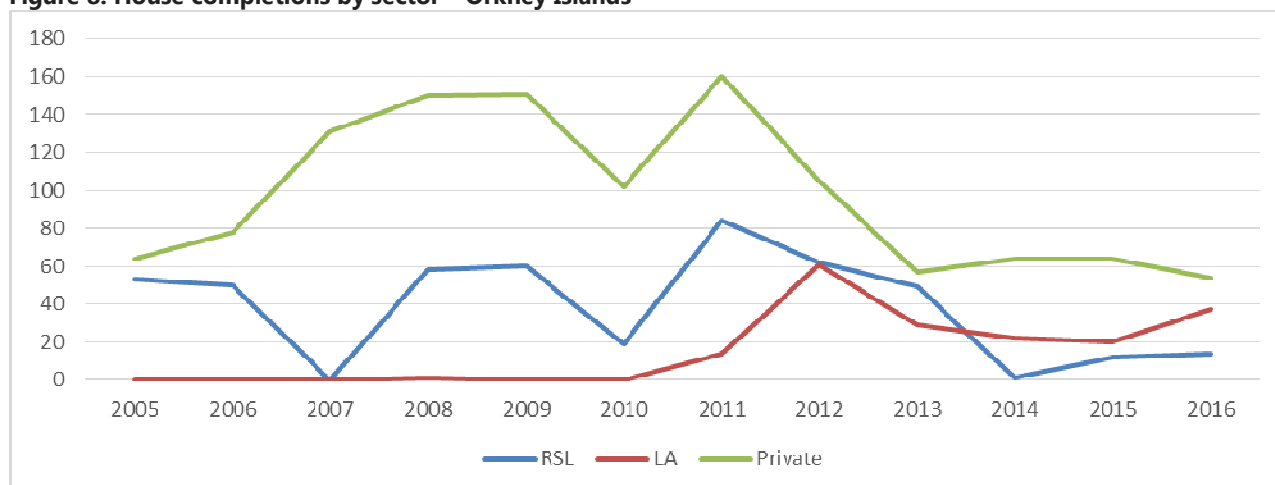
Figure 7: House completions by sector – Moray



Source: [Scottish Government, New House Building in Scotland, 2016](#)

Completions in the **Orkney Islands** have also shown a lot of volatility in recent years, but private sector new-build is now back to pre-crash rates, with the combined RSL and local authority new-build combined also now at around the 2005 RSL completion levels. Private sector completions stood at 54 in 2015 compared with a need for 44 units a year, while 51 affordable properties were built in 2016, (though 72 were needed according to recent annual HNDA estimates). The needs figures and SHIP targets above are based on the current Orkney HNDA, while the planned provision in recent years would have been informed by the previous HNDA.

Figure 8: House completions by sector – Orkney Islands



Source: [Scottish Government, New House Building in Scotland, 2016](#)

The RSL completions in the **Shetlands Islands** have been very volatile, ranging from 6 units to 83 units in a year while private building has shown fairly steady decline since the peak of 131 units built in 2006. Since 2011, private new build seems to range between 45-75 units a year (65 in 2016). The HNDA estimate does not indicate the level of need for market provision, but the requirement for 63 affordable units each year has not been met in 2015 or 2016, with just 26 RSL units completed in 2015 and 14 in 2016. Shetland is currently in the process of completing its HNDA, so these needs figures may be subject to change.

Figure 9: House completions by sector – Shetland Islands



Source: [Scottish Government, New House Building in Scotland, 2016](#)

The completions data show a picture of RSLs and local authorities managing to provide a significant quantity of affordable housing that, in some areas, provides the same level of social house-building that occurred before the financial crash. Completions of 497 affordable properties in 2016 were 17% greater than in 2015, when they stood at 424.

However, the level of provision of affordable housing is still well below that required according to the housing needs assessment estimates. This is not the case for private sector housing, where the estimates of market need are for more modest requirements each year in the private sector, that are currently met by the existing level of completions.

These graphs also show large variations and volatility across the last ten years, with private sector completions very significantly lower in most areas and some recent reductions in affordable supply in some areas in recent years, with considerable variability in affordable supply also year on year. Overall, current completions of affordable housing are considerably below what is required across the Highlands and Islands with some areas having very significant shortfalls in affordable housing completions compared with need, with Shetland and Na h-Eileanan an Iar providing only around 1 in 4 and Moray providing less than half of the affordable units needed.

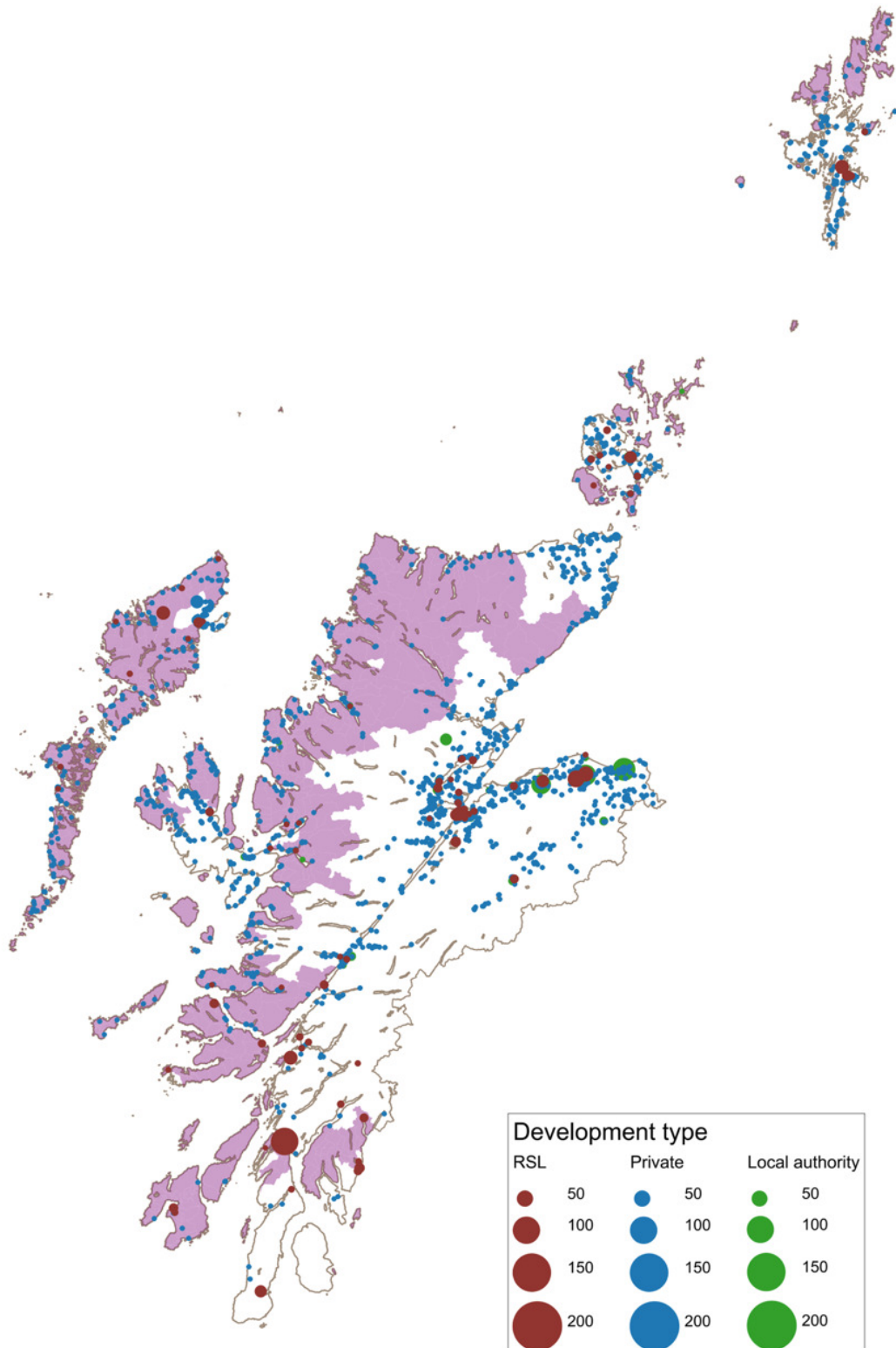
Argyll and Bute met their Housing Supply Target of providing at least 110 affordable homes a year in 2016 but this looks more challenging for 2017-18. Orkney also showed increased delivery in 2016, of 70% of the affordable homes needed. Highland has a challenging Housing Supply Target of 500 affordable homes a year compared with the recent completions rate of 220 affordable homes in 2015 and 182 completions in 2016. However, at the time these developments were planned this would have been 73% of the SHIP target of around 300 unit approvals per

year (based on the 2015-2021 SHIP). The SHIP for 2017-2022 identifies an average of 575 potential units over the five years, including capacity for over-programming.

The map below shows the location of recent housing completions across the Highlands and Islands, from Scottish Government completions data from 2012-2016. This indicates that completions in recent years have been heavily concentrated in non-fragile areas (white areas) closer to major settlements rather than in fragile areas (purple). Development in fragile areas is also generally limited to single dwelling sites.

Stakeholder consultation reinforces the view that development in fragile areas, particularly low cost housing, is an unattractive commercial proposition as risks and costs of obtaining planning permissions combine with the accumulated impact of diseconomies of scale, higher transport costs, the need to move labour, and the cost of connecting sites to services make development unprofitable.

Figure 10: House completions in fragile¹⁷ and non-fragile areas



Source: Scottish Government completions data (2012-2016)

Note: It has not been possible to map every completion due to insufficient information or incorrect information in the completions data.

¹⁷ <http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/review-of-fragile-areas-and-employment-action-areas-in-the-highlands-and-islands---executive-summary.html>

Detail provided in the Strategic Housing Investment Plans suggests that there is better provision for affordable housing in fragile areas in some local authorities than in others and that the picture is evolving, particularly due to the availability of new funding streams like the Rural Housing Fund. The Argyll and Bute SHIP shows that a substantial proportion of completions in 2016-2017 in fragile areas. Of 154 total units, around 10% of provision is in areas designated as 'fragile' by the HIE fragility index - 10 units in Bowmore and 5 in Iona. In 2017-2018, 20 of 78 planned completions are in fragile areas – 2 on Coll and 18 on Islay.

In Na h-Eileanan an Iar, the 25 units planned for 2017 are all in fragile areas of the rural housing market, though the total requirement stands at 39 units a year for the rural housing market area between 2016-2020.

The Highland SHIP for 2015-2020 showed limited provision in fragile areas - 3 units – in Kilchoan, Ardnamurchan in 2015-2016 and 8 units in Kyle of Lochalsh in 2016-17 (these 8 units were still being investigated for viability, though). These 11 units were just 3% of the total programme. By the 2017-2022 Highland SHIP, there were over 100 units in the SHIP in fragile areas, suggesting an increased commitment to development in fragile areas.

In Orkney, 2 of 125 units planned between 2017-2018 and 2019-2021 are planned in 'the Isles' Housing Market Area, with a further 36 units seeking funding through the Rural Housing Fund (with a projected completion date of 2017-18), while in the Shetland Island SHIP there is no detail about the provision in fragile areas.

Conclusions

The annual social housing requirement across the Highlands and Islands is around 80 units more than is currently planned for in the existing SHIP targets across the Highlands and Islands each year and considerably more than the number of social units completed in 2016. There were just the 497 social sector completions in 2016, 50% of the current SHIP affordable housing target of around 992 properties a year (but 63% based on the pre-2017 target of 300 unit approvals a year in Highland). This is currently just 46% of the estimated 1,071 affordable properties needed each year.

Affordable completions are **well below** what is required, with significant gaps in some areas, like Shetland, Na h-Eileanan an Iar and Moray. Financial constraints and viability issues are a key consideration for the deliverability of Strategic Housing Investment Plans, particularly in fragile areas.

There has been something of a switching of roles between the private and social sector and from the RSLs to the local authorities but considerable variation in affordable supply also, in recent years. Private sector completions have not recovered to pre-financial crash rates but currently stand at **well above** the level required according to the Highlands and Islands-wide estimate of market requirements.

The affordability of private sector new-build is a potential concern and house prices are analysed further below. Certainly, private sector completions are largely clustered in more accessible areas close to urban centres and there is far less development in fragile areas across the Highlands and Islands.

HOUSING AND THE LOCAL ECONOMY

Introduction

This section provides a picture of the broader economic and demographic issues faced by the Highlands and Islands and the relationship between the local housing markets and local economic development. It pulls together information from the local Housing Need and Demand Assessments and some of the case study insights from housing providers, communities and local business representatives.

Local economic trends

Depending on the timing of the Housing Need and Demand Assessment, the economic outlook presented is driven by either pre-crash or post-crash household projections. Post-crash household projections are based on lower levels of net migration, lower house prices, rents and incomes. This means that the few local authorities using older HNDA data may have slightly higher needs estimates, having been based on higher rates of new household formation. This may be balanced out by lower affordable housing need figures (due to higher income growth). Many of the HNDAs reflect on the change in economic outlook over the period, and the differences in experience between different housing market areas, which can often depend on the proximity to employment centres and commuting possibilities.

Overall, economic activity is relatively healthy in **Argyll and Bute** with consistently low, and decreasing unemployment in comparison to Scotland. However, there are high levels of part-time and seasonal employment and significant levels of self-employment. This puts many households at a disadvantage in securing a mortgage.

Na h-Eileanan an Iar is expected to see modest economic growth, expected to be below the Scottish average (which is itself modest). The local economy is currently characterised by high levels of dependency on public sector investment and employment. The HNDA identifies a need to encourage more diversity within the local economy, specifically more employment in the private sector will have a major impact on housing demand in the longer term.

Highland has stronger economic growth than in Scotland overall, but economic output remains below the national average. There is a greater dependency on public sector jobs, with a high dependency on tourist related employment, and a higher proportion of self-employed people. Highland has high levels of economic activity but lower incomes than the national average.

Moray has had lower than average levels of unemployment for many years but also low average incomes. This is due to the large proportion of traditionally lower paid, lower skilled, service sector and manufacturing employment sectors. The local economy is heavily reliant on military. Highlands and Islands Enterprise has carried out three studies to assess the impact RAF Kinloss and RAF Lossiemouth have on the wider Moray community. The most recent study found that the bases collectively support 5,711 FTE jobs in the local economy, the equivalent of around 16% of all FTE jobs within Moray. The associated gross income is slightly over £158 million.¹⁸ RAF Kinloss

¹⁸ Economic Impact of RAF Kinloss and RAF Lossiemouth, Final Report to Highlands and Islands Enterprise, August 2010 available at: <http://www.moraytaskforce.com/facts-and-figures.html>

subsequently closed, but in 2016, Boeing confirmed it will invest about £100m in an operational support and training base at RAF Lossiemouth, creating more than 100 new jobs.¹⁹

Information on the economic profile of **Arran and Cumbrae** is presented in the North Ayrshire Council Rural Housing Paper²⁰. It is noted that there is a heavy reliance on tourism and a high number of holiday homes in both locations. It is notable that small employers and self-employed are the largest socio-economic classification group on Arran at 25.6%. Recent research on housing and the economy in Arran found that 15% of businesses reported that they were unable to recruit as many staff as they would like due to a lack of accommodation/housing and the employment impact of this constraint equals 92 jobs or a GVA impact of £3.14M for the island as a whole.

Orkney has a strong diverse economy with key sectors being the traditional farming and public services, as well as tourism and construction. Constraints around Orkney's electricity grid connection to mainland Scotland has limited the expansion of jobs in the marine renewables sector. The arrival of oil through the Flotta Oil Terminal in the 1970's provided many jobs, but with oil production in the North Sea slowing it is hoped that another industry like renewables or potentially decommissioning can be attracted to deliver additional jobs and benefits to the local economy.

Shetland has a high level of employment and a low level of unemployment. The 2011 HNDA noted the large-scale construction projects intended at that time, including a gas processing plant constructed by petrochemical company Total and two new high schools (in Lerwick and Mid Yell) and the Mareel entertainment venue. The gas processing industry brings significant employment to the area but also contributes to an extreme shortage of rented accommodation and puts considerable pressure on construction capacity.

A common theme across the Highlands and Islands is high levels of employment but lower income levels and a reliance on self-employment and seasonal employment. This means households can struggle to meet more stringent lending requirements. Recent economic output is below the Scottish average but local authorities are planning for growth in the local economies. There is some reliance on few industries in some areas, with vulnerability to shocks

Housing market trends

As in Scotland overall, the Highlands and Islands has seen a recent slow-down in house sales and downward pressure on house prices. However, in many locations house price growth is higher than in Scotland more generally. The recent pan-Scotland Housing Need and Demand Assessment categorised each local authority in Scotland according to its level of self-containment in the local area (derived through analysis of 2011 Census data) and analysis of house price data.

Self-containment is measured using origin and destination information from people moving in the year prior to the Census. The analysis summarized in the table below groups local authorities based on the proportion of household moves originating within each local authority, according to Census 2011 migration data. Areas with above average self-containment, compared across local authorities, have proportionately more moves originating within the local

¹⁹ <http://www.bbc.co.uk/news/uk-scotland-scotland-business-36763883>

²⁰ <https://www.north-ayrshire.gov.uk/Documents/PropertyServices/HousingBuilding/lhs-rural-housing.pdf>

authority. Areas with lower than average self-containment, particularly where there are higher than average house prices may be more pressured housing markets.

	Above median house price growth 2009-14	Below median house price growth 2009-14
Above median self-containment	Angus Fife West Lothian Highland City of Edinburgh West Dunbartonshire Shetland Islands Orkney Islands	East Ayrshire Inverclyde South Ayrshire South Lanarkshire Falkirk North Lanarkshire Renfrewshire Dumfries and Galloway North Ayrshire
Below median self-containment	Argyll and Bute Moray Midlothian Perth and Kinross East Dunbartonshire Na h-Eileanan an Iar Aberdeenshire East Renfrewshire Aberdeen City	Stirling Dundee City Clackmannanshire Glasgow City East Lothian Scottish Borders

Source: [Affordable Housing Need in Scotland, 2015](#)

We see that Highland, Shetland and the Orkney Islands are all classed as having above average house price growth and above average self-containment. These areas have buoyant housing markets but show a below average proportion of moves originating within the local authority. However, despite showing higher than average self-containment, both Orkney and Highland show recent population growth and positive net-migration, with the population growing by more than 10% between 2001 and 2011 in both areas.

Argyll and Bute, Moray and Na h-Eileanan an Iar are also classed as having above average price growth but below average self-containment. In these areas, we might expect to see more price pressure from more in-movement of households to the local authority from other areas.

Insights from the individual HNDAs suggests that Highland foresees in-migration as a key to future growth. The Highland housing market area analysis shows that Inverness city has a market area which spreads widely across the larger Inverness area and into Mid-Ross; the Black Isle and Nairn-shire. Flows out to, and back into, the other main settlements in the neighbouring areas e.g. Nairn, Dingwall, Alness and Invergordon are less strong.

It is also worth noting that although relatively self-contained, Shetland has the issue of temporary migration among construction workers exerting external pressure on that market.

Affordability pressures

In some HNDAs, there is very detailed area-level comparison of incomes and housing costs, but this is not the case across the board and some HNDAs are in the process of being updated. To allow comparability of affordability pressures, we have used Scotland-wide house price data at datazone level for 2014 and 2015 compared with

income modelled by Heriot Watt University from 2014 Scottish Household Survey data.²¹ This provides some useful comparative data on affordability but it is important to note that there are datazones that have no house sales for either 2014 or 2015, so the data cannot provide a complete picture.

There is considerable variation between and within local authorities on the median house prices to median incomes. The tables below show the top and bottom 20 datazones, based on the ratio between median house price and median income.

At the top end of the market, Highland has the most datazones in the 'top twenty' while Moray has three datazones and Shetland one high price to income datazone. These areas have median house prices that are around **seven times** median incomes, so extremely pressured, from an affordability perspective.

Table 2: Datazones with the highest median price to median income ratios

	Local authority	Ratio
Loch Ness – 05	Highland	7.14
Black Isle North – 03	Highland	7.13
Heldon West, Fogwatt to Inchberry – 01	Moray	7.11
Lochalsh – 02	Highland	7.11
Forres Central East and seaward – 06	Moray	7.08
Lochaber East and North – 05	Highland	7.07
Inverness West Rural – 05	Highland	7.07
Badenoch and Strathspey North – 02	Highland	7.06
Lochaber East and North – 06	Highland	7.06
Nairn West – 06	Highland	7.03
Sutherland South – 02	Highland	7.02
Black Isle South – 02	Highland	7.00
Badenoch and Strathspey North – 06	Highland	6.99
Ross and Cromarty North West – 05	Highland	6.99
Muir of Ord – 01	Highland	6.98
Inverness West Rural – 04	Highland	6.97
Elgin Cathedral to Ashgrove and Pinefield – 04	Moray	6.96
Lerwick North – 03	Shetland Islands	6.94
Inverness Crown and Haugh – 02	Highland	6.92
Sutherland South – 01	Highland	6.92

Sources: CHMA 2014 and 2015 median house prices by datazone <http://statistics.gov.scot/data/house-sales-prices>
 Heriot Watt income model by datazone – <http://statistics.gov.scot/data/local-level-average-household-income-estimates-2014>

Many areas of Highland also appear at the lower end of the market, with house price to income ratios of less than three. This includes parts of Caithness, Wick and Thurso.

²¹ <http://statistics.gov.scot/data/local-level-average-household-income-estimates-2014>

Several locations in Argyll and Bute are also at the lower end of the market (Campbeltown, Lochgilphead and the island of Bute), with areas in the Shetland and Orkney Islands and the Isle of Lewis in the Outer Hebrides.

Table 3: Datazones with the lowest median price to income ratios

	Local authority	Ratio
South Lewis - 01	Eilean Siar	2.66
Greater Lochgilphead - 02	Argyll and Bute	2.65
Thurso East - 03	Highland	2.62
Thurso East - 04	Highland	2.58
Bute - 01	Argyll and Bute	2.56
North and East Isles - 02	Shetland Islands	2.56
Wick North - 03	Highland	2.53
Northwest Lewis - 02	Eilean Siar	2.45
Caithness North East - 01	Highland	2.42
Wick South - 01	Highland	2.39
Isles - 06	Orkney Islands	2.35
Thurso East - 02	Highland	2.33
Caithness North West - 01	Highland	2.32
Findhorn, Kinloss and Pluscarden Valley - 03	Moray	2.25
North and East Isles - 04	Shetland Islands	2.20
Lochaber East and North - 04	Highland	2.08
Greater Lochgilphead - 04	Argyll and Bute	1.89
Findhorn, Kinloss and Pluscarden Valley - 02	Moray	1.83
North and East Isles - 03	Shetland Islands	1.59
Campbeltown - 04	Argyll and Bute	1.28

Sources: CHMA 2014 and 2015 median house prices by datazone <http://statistics.gov.scot/data/house-sales-prices>
Heriot Watt income model by datazone - <http://statistics.gov.scot/data/local-level-average-household-income-estimates-2014>

There is less availability of private rented data at the lower area level. The figures below show the most recent Scottish Government Broad Rental Market Areas (BRMA) data on private rents. The two broad rental markets of interest are Highlands & Islands and Argyll & Bute. A BRMA is an area 'within which a person could reasonably be expected to live having regard to facilities and services for the purposes of health, education, recreation, personal banking and shopping, taking account of the distance of travel by public and private transport, to and from facilities and services of the same type and similar standard.' It must contain a variety of residential property types held a variety of tenancies. It must also contain 'distinct areas of residential accommodation'²². The Highland and Islands BRMA incorporates the whole of Highland, Na h-Eileanan an Iar, Orkney, Shetland and almost all of Moray (two small parts of Moray are part of Aberdeen and Shire). Argyll and Bute BRMA is contiguous with the local authority boundary.

²² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/422155/Supporting_people_into_work-Housing_Benefit_consultation.pdf

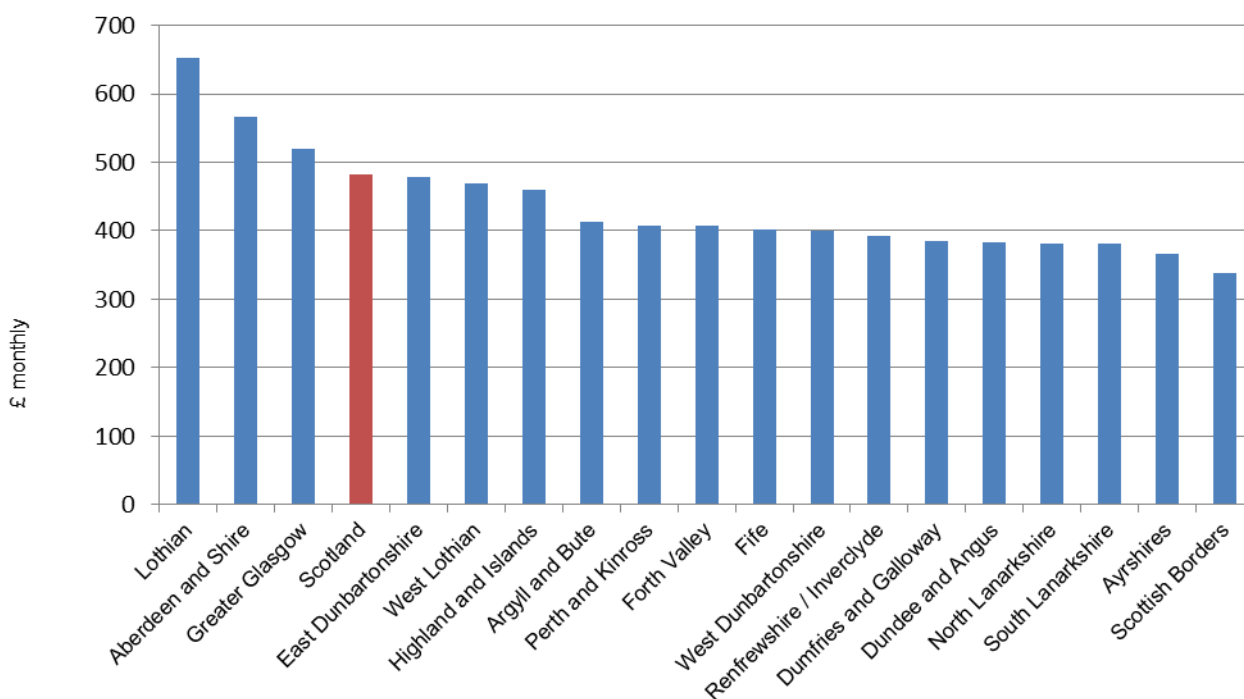
The average one-bed rent in the Highlands and Islands was £461 while in Argyll and Bute it was £412. A one-bedroom flat is chosen for analysis as this is a suitable 'starter flat' for young people accessing the housing market.

Taking a target affordability ratio of paying no more than 30% of disposable income on rent, that would make the average Highland and Islands rent affordable to households with a net income of over £1,537 a month or £18,444 per year. For Argyll and Bute, rents at £412 would meet the 30% affordability ratio with an income of £1,373 or £16,476. This would be within the average annual net income in Highland (£25,203) or in Argyll and Bute (£24,080) from 2015 Scottish Household Survey data.

Younger, lower income households would struggle to afford these rents, with the lower quartile income in Highland and Argyll and Bute of just £13,000 a year. An affordable rent (assuming paying 30% of net income on rent were affordable) at that level of income would be just £325 a month.

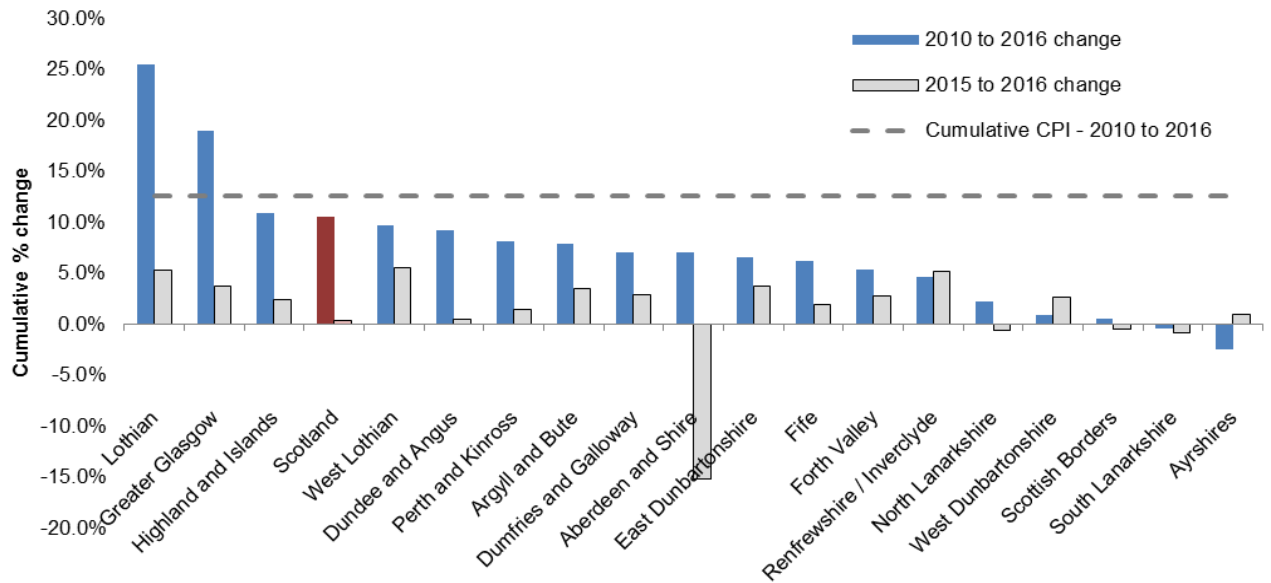
Rents for one-bedroom properties in the Highland and Islands BRMA have increased by 10.5% between 2010 and 2016 while in Argyll and Bute rents increased over the period by 7.9%. This is below the rises seen in the Lothians and Glasgow and below the cumulative rate of inflation. However, as we can see from the local variations in house prices above, these overall rents figures will mask considerable variations. For example, we would expect to see higher private rates in Inverness, which may contribute to the higher rent increases found in the Highland and Islands rental market area.

Figure 11: Average (mean) Monthly Rents 2016 by Broad Rental Market Area - 1-Bedroom Properties



Source: Scottish Government Private Rents Data, 2016

Figure 12: Cumulative % Change in Average (mean) Rents from 2010 to 2016 by Broad Rental Market Area - 1-Bedroom Properties



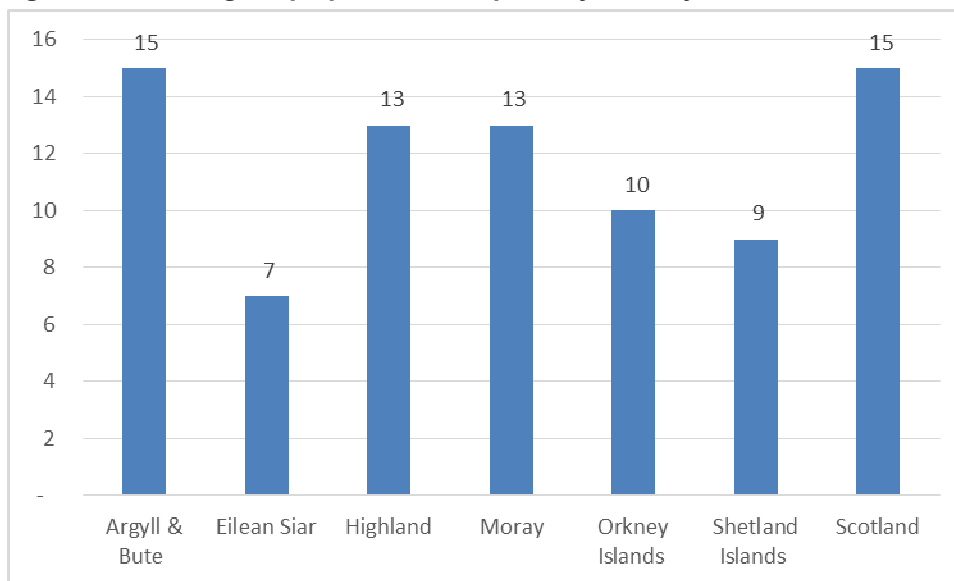
Source: Scottish Government Private Rents Data, 2016

Private rents in the Highland and Islands broad rental market areas are typically difficult for people on modest incomes to afford, though data on rents is not generally available at a lower level for remote and rural areas.

Stock availability pressures

The proportion of the stock in the private rented sector varies from area to area, from 7% in Na h-Eileanan an Iar and 9% in Shetland to 15% in Argyll and Bute.

Figure 13: Percentage of properties rented privately or with job/business



Source: Scottish Government, [Housing Statistics for Scotland](#) (2015)

There are also significant variations in the availability of private rented accommodation by housing market areas. This is a significant constraint on a household's ability to access housing, given the difficulties in accessing mortgage finance, which makes access to private renting more important.

In Argyll and Bute, a study of the private rented sector (PRS) study in 2013 also found that the income profile of private rented tenants is significantly lower than that of the general population; and that 35% of the current PRS tenant population devote more than 40% of their income to rental costs. There is considerable variation, with rents highest in Helensburgh & Lomond (17% higher than average) and considerably lower in the Mid Argyll; Kintyre; and Islay, Jura & Colonsay region (12% lower than average).

The **Highland** HNDA reported a lower proportion of social rented housing in Highland than in Scotland. This contributes to housing pressure across most housing market areas through a lack of affordable supply. There is also considerable variation in house prices, ranging from £99,000 in Caithness to £165,000 in Badenoch and Strathspey and £168,250 in West Ross, compared with £147,000 across Highland. Private rents are higher in Inverness, Lochaber rural and Caithness but it was also acknowledged that getting accurate rents data in rural areas is very challenging, due to the numbers let informally.

Private purchase and private rented accommodation in **Orkney** are generally unaffordable for households on lower quartile incomes, leaving them with only the social rented sector for housing. The 2017 HNDA notes that low-cost home ownership options like Shared Ownership and Open Market Shared Equity have been hugely successful in Orkney and will be key to providing affordable housing for emerging households over the coming years. Additional flexibility around self-build opportunities in rural areas would also allow households in these areas that want to remain in the area the opportunity to do so.

A quarter of properties in Arran and 32% of properties on Cumbrae are holiday homes. Incomes and house prices are higher than the North Ayrshire average in Arran, while Cumbrae, by contrast, has lower income households, lower property prices and a stock profile dominated by flats and low-value properties offering limited options for family housing²³

Demographic trends

The key demographic trends identified across the different local authorities show some common themes, with population decline and an ageing population common challenges. It is acknowledged that there are also methodological concerns in population projections in rural areas being inherently pessimistic. However, there are differences in experiences, with decline worse in some fragile areas.

In **Argyll and Bute**, an in-house variant of the National Registers Scotland (NRS) 2012-base principal population and household projections (in 2015) suggested an **overall decline** in the population and in the number of households in Argyll and Bute over the next 10 years and well beyond. However, there are significant variations across the housing market areas and sub-areas. In Lorn and the Mull, Iona, Coll & Tiree grouping of islands there is a significant projected **increase** more in line with national trends. The population of Argyll and Bute is set to age at an

²³ <https://www.north-ayrshire.gov.uk/Documents/PropertyServices/HousingBuilding/lhs-rural-housing.pdf>

even higher rate than the national trend, and a recent survey of older people indicates that the majority will continue to live in their own homes and primarily occupy the private sector as they age.

Na h-Eileanan an Iar is currently updating its HNDA. The 2011 HNDA reported that the population had continued to decline over the previous decade. Despite some increase in the number of households 'pre-crash' the HNDA noted a discernible trend for long-standing residents to move from more remote areas to the main settlements of Stornoway and Balivanich. The demographic profile in Na h-Eileanan an Iar is becoming increasingly orientated towards older people, with an above average proportion of the population aged over 45 and over 80 years. 2011 Census data shows more recent population growth in Na h-Eileanan an Iar (an increase in the population of 4.5% between 2001 and 2011), so the up-coming HNDA report may show further growth.

There are significant variations in the age structure across the Highland Council area, with the percentage of one person households age 65+ in Sutherland much higher than in Inverness (18.7% and 11.8% respectively).

In **Moray**, the 2011 HNDA reported an increase in the population but at an uneven rate, with the highest percentage growth in Elgin and Speyside housing market areas and decline in Buckie and Forres. There is a projected increase in single adult households, an ageing population and a projected reduction in families with children. Like Na h-Eileanan an Iar, Moray is currently revising the HNDA, so this outlook may change.

North Ayrshire includes the Islands of Arran and Cumbrae. The population of Arran is projected to decrease by 25% by 2026. In contrast, the population of the North Coast, which includes Cumbrae, Largs, Fairlie and West Kilbride, is projected to increase by 6.8%. Although Cumbrae data cannot be disaggregated from the North Coast, qualitative research indicates concerns with population retention on the Island. Population estimates also suggest an older population in both Arran and Cumbrae with 26.6% and 31.5% of the populations of Arran and Cumbrae respectively aged 65 years old and over.²⁴

Orkney's population has grown quite significantly over the past 30 years, but the 2017 HNDA notes that this growth is uneven. The population growth is projected to continue over the next 20 years, with the East and West Mainland areas seeing the highest growth and the outer Isles seeing a continued decline. Again, we see an expected shift towards an older population, along with reductions in the working age population.

The latest HNDA for **Shetland** (in 2011) showed a slight increase in the population in the previous ten years but a general ageing trend. The greatest positive difference between births and deaths were found in areas neighbouring Lerwick: Tingwall, Whiteness and Weisdale and Gulberwick, Quarff. Scalloway, Burra & Trondra and Northmavine showed less stable birth rates.

During the consultation with key stakeholders, it has also become clear that some local authorities have concerns with the HNDA methodology and its application in remote, rural areas. The HNDA tool and population projections are based on recent household population trend data, which are felt to perpetuate recent declines in population or draw too heavily on pessimistic projections. Argyll and Bute and Highland have developed housing supply targets based on encouraging young families into the area, through providing affordable housing. This is against the recent trends in most of the housing market areas, as highlighted above.

²⁴ <https://www.north-ayrshire.gov.uk/Documents/PropertyServices/HousingBuilding/lhs-rural-housing.pdf>

The **Highland** Housing Market Partnership decided to adopt a **high migration** scenario as the baseline of its 2015 HNDA (using bespoke population estimates). This is because Highland has seen steady growth in population and households over the long-term and all the migration scenarios in the Scottish Government's HNDA tool. The HNDA tool is an Excel-based tool designed by the Centre for Housing Market Analysis and populated with housing market data, 2012-based household population projections and data on incomes. The tool allows users to select from low, principal and high migration household growth projections to test different scenarios, as well as select variations in house price and income growth. Highland Council's own projections are higher than those in the HNDA tool, as they take the view that using population projections driven by the last five years of data underestimates the likely level of growth in the next five years, as they are based on short-term trends during an economic downturn. Argyll and Bute have used the principal scenario in arriving at their affordable housing estimate, but also used the high migration scenario as a 'higher' estimate in formulating their Housing Supply Target.

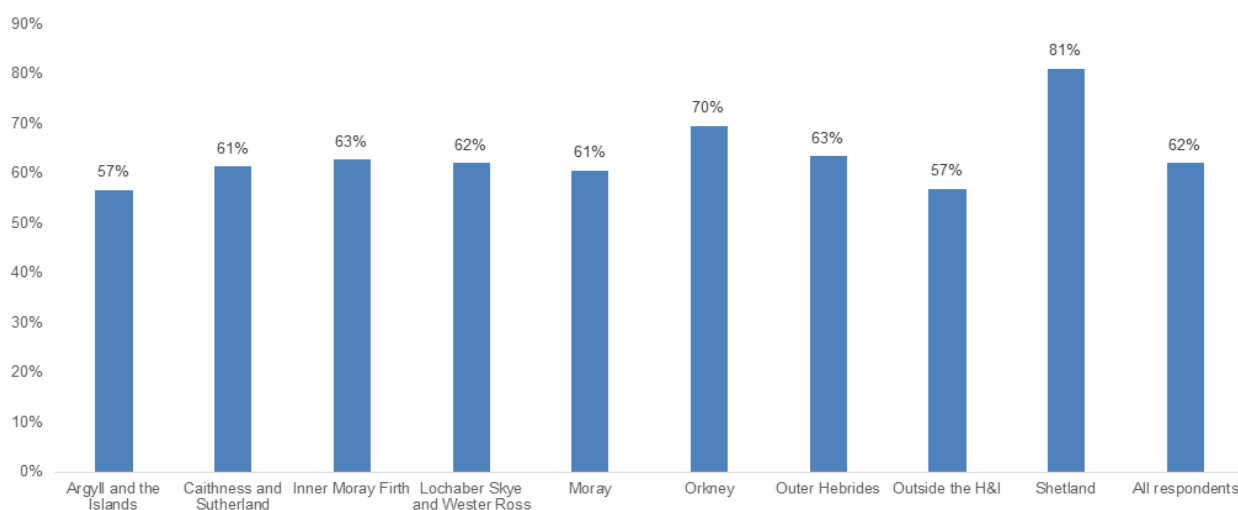
Retaining young people in the Highlands and Islands

The recent population trends observed across many areas in the Highlands and Islands indicate that attracting and retaining young people to the Highlands and Islands are key concerns for sustaining the population in future. In the recent survey of young people conducted by Highlands and Islands Enterprise²⁵, when asked how important different things were in making the Highlands and Islands a more attractive place for young people to live, 62% said that housing was very important. This view was particularly strongly felt in Shetland.

Young people were also asked to what extent they agreed or disagreed with several statements about housing. 45% of young people disagreed that there was a good choice of rental housing in the Highlands and Islands and 48% disagreed that there was a good choice of appropriate housing for people to buy. Looking at young people aged 20 years or older, 53% disagreed that there was a good choice of rental housing in the Highlands and Islands and 55% disagreed that there was a good choice of appropriate housing for people to buy. Young people in the Shetland Islands, the Outer Hebrides and Lochaber, Skye and Wester Ross were most likely to disagree that there was good renting or buying options.

²⁵ www.hie.co.uk/young-people-research

Figure 14: Percentage of young people saying good access to housing is very important



Source: HIE Young people survey dataset (based on all responding, excluding 'not applicable')

We used the Scottish Household Survey data for 2015 to construct a measure of the prevalence of households containing young people aged at least 26 years old who are neither the householder nor the spouse in the household in which they live, who are working full-time or are self-employed. These are young people who we might expect to be forming a new household if that were possible. They represent constrained housing aspirations - 'young and stuck' – with the potential to leave if they do not find affordable independent housing.

Across Scotland, an estimated 2.1% of households contains at least one 'young and stuck' person. To examine the likely prevalence of these types of household in different areas across Scotland and the Highlands and Islands, we used the 2011 ONS Classification data to generate small area estimates. That process involves assigning every Census Output Area in Scotland to an ONS classification type (based on 2011 Census data) and then using the ONS types of cases in the Scottish Household Survey to generate an estimate for every output area, based on the subgroup type. The data is then aggregated to datazone for analysis and mapping.

Aggregating the datazone estimates up to compare Enterprise Regions, we see a significantly higher proportion of households containing 'young and stuck' people in the Highlands and Islands Enterprise area (3.1%) compared with other regions. Aberdeen City and Shire has 2.6% and the South of Scotland 2.4%.

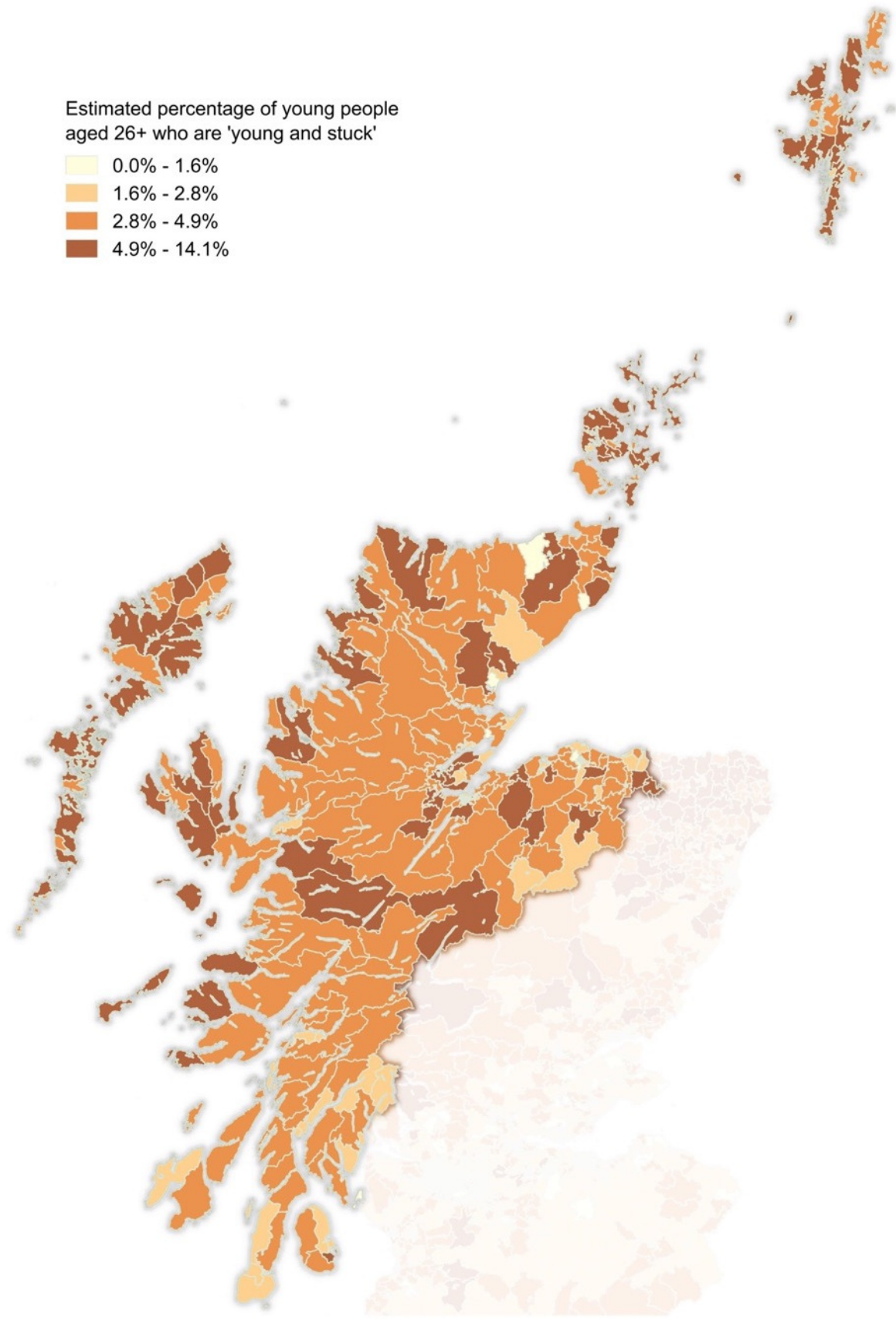
Table 4: Estimated % of household that are young and stuck, by enterprise area

Aberdeen City and Shire	2.6%
East of Scotland	2.1%
Highlands and Islands	3.1%
South of Scotland	2.4%
Tayside	2.3%
West of Scotland	2.1%

Source: Scottish Household Survey, 2015 dataset

Below, we see the map of where the 'hot-spots' of young and stuck households are, as a proportion of all households in that datazone.

Figure 15: The locations of concentrations of 'young and stuck' people in the Highlands and Islands



The highest estimated prevalence of 'young and stuck' households are in the following datazones, with more than 6% of households containing a young person aged 26 years old or older, in full time work or self-employed who is neither the householder or spouse:

- Skye South (6.3% of households)
- South Lewis (6.2%)
- Conon (6.2%)
- Ross and Cromarty North West (6.2%)
- South Speyside and the Cabrach (6.2%)
- Black Isle South (6.2%)
- West Mainland, Orkney Islands (6.2%)
- Mull, Iona, Coll and Tiree (6.2%)
- Sutherland North West (6.1%)
- Northwest Lewis 6.1%)
- Lochalsh (6.0%).

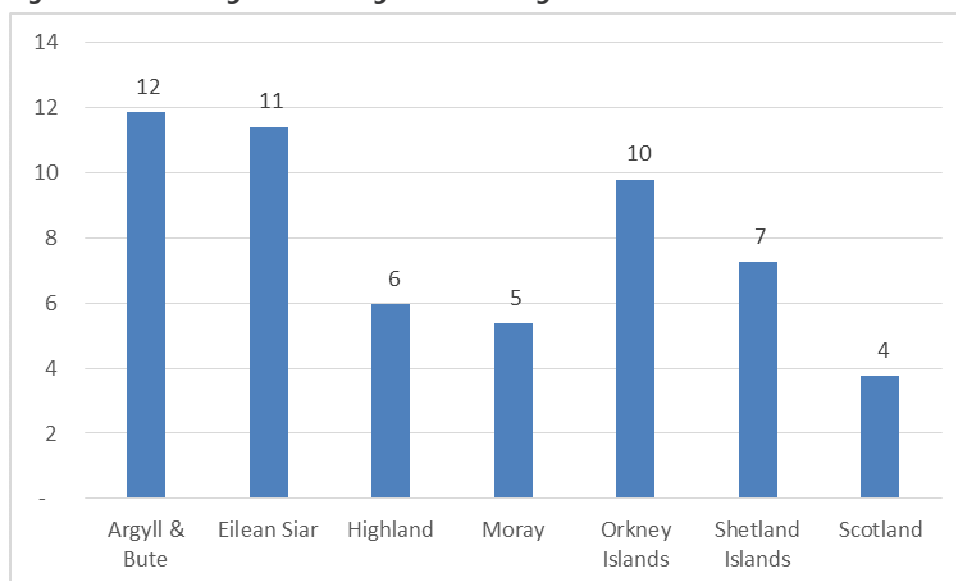
There is a significant correlation between the level of fragility, from the HIE fragility index, the estimated proportion of young and stuck households and the median house price to median income ratio. Young people in fragile areas tend to face higher average house prices, have lower average incomes and are more likely to be unable to form new households. The areas where young and stuck people are concentrated, then provide a good indicator affordability pressure.

This analysis supports recent work by Rural Housing Scotland showing lower levels of RSL new-build of affordable housing in more fragile and remote areas.

Empty properties and second homes

The level of empty properties and second homes is a considerable challenge for the Highlands and Islands. The latest Scottish Government data shows a considerable level of empty properties and second homes in the Highlands and Islands, with particularly high levels in Argyll and Bute and Na h-Eileanan an Iar.

Figure 16: Percentage of dwellings that are long-term vacant or second homes



Source: Scottish Government, [Housing Statistics for Scotland](#) (2015)

For individual housing market areas, second homes can put significant pressure on the local housing market. Analysis conducted by the Cairngorms National Park Authority found considerable variations in the prevalence of holiday homes across the Park. Four datazones in the **Highland** area of the national park were estimated to have around one in five properties being holiday homes (in Badenoch and Speyside South and Central). Across the Park area, almost 800 properties in the Highland Council area are holiday homes and almost 200 long-term vacancies in private dwellings (which could be rented or owned).

In **Moray**, there is also a datazone with almost 15% of properties being holiday homes (in South Speyside and the Cabrach). This is 61 of 422 dwellings in that datazone, with a further 30 long-term vacancies.

In **North Ayrshire**, the number of second homes remains an issue on both islands. One in three Cumbrae properties is a second home; on Arran, the figure is one in five. This limits the amount of housing available for island residents, creating pressure in the market and driving up rental charges and house prices.

From 1st April 2013, local authorities gained the discretionary power to remove the council tax discount associated with long term empty properties or to set a council tax increase of 100% on certain properties which have been empty for 12 months or more. The [latest figures](#), from the Scottish Government suggests that these powers may be being used in about one in three cases where properties have been empty for more than six months. Empty homes, and holiday homes were an area where consultees felt additional work could be done in very pressured areas where there is a considerable lack of affordable housing.

Limits on business development and expansion

Several stakeholders identified critical impacts from the lack of affordable housing on the ability to recruit and retain staff, with business expansion adversely affected by these issues. This was particularly problematic in areas where tourism and second homes put pressure on accommodation, including the two National Park areas and the island of Arran. Shetland also experiences difficulties in providing worker accommodation.

The latest Cairngorms Business Barometer found that a lack of affordable accommodation has negatively impacted around a third of new job positions recruited for in the Park area in the last three years. While a shortage of housing was rated as a “moderate” problem overall, a third of businesses consider it a major issue.

Case study examples include:

A technology business trading internationally and employing individuals at reasonable salaries that is struggling to get skilled people to relocate to Badenoch and Strathspey because of a lack of accommodation for rent. Where accommodation has been found, this has resulted in a round trip commute of up to 60 miles, restricting growth in this business.

Another business that employs over 50 people and which recruited a very senior member of the leadership team who has been unable to relocate his/her family from the central belt because of a lack of an affordable home to buy, despite a search of up to 40 miles away. This business is at risk of losing this key employee.

A hotel provides accommodation for employees on site and invested in training those employees. As those employees develop in their careers and move on with their personal lives they look to move out of the provided accommodation. Given the severe lack of affordable accommodation they are often unable to do so. This restricts recruitment into entry level roles because on site accommodation is ‘blocked’ and a loss of key employees as they move to areas outside of the national park where they can find accommodation. This is restricting growth and employment opportunities.

One local business started with 8 FTEs and now employ 45 FTEs. The youngest and lowest waged often stay with family or friends and almost all are looking for somewhere of their own. There is a problem with managers and mid-wage families securing accommodation and this impacts on business continuity. If skilled staff have to leave due to the lack of affordable housing locally, the business cannot grow as needed. They see the need to offer housing of a mix of types throughout the national park area.

The Loch Lomond National Park Development Plan²⁶ highlights that around 70% of the properties within the National Park are sold to people from outside the National Park, with access to housing for many local people, younger households and those not able to afford full market value for a home, being extremely difficult. The Plan identifies the importance of attracting and retaining more skilled working age and young people within the National Park to address the population decline and ensure continued growth and improve the economy of the National Park.

Marine Harvest was keen to move fish farming sites away from sea lochs into oceanic water where there would be less interaction with wild fish, reduced disease and less need for chemical management of sea lice. However, establishing farm sites highlights issues of both permanent and temporary accommodation for the staff of up to 10 needed to manage the fish farm. One site off the island of Muck illustrates how the company has worked with the local community, with the support of the Highland Small Communities Housing Trust to address the housing problem and generate wider community benefits.

With no accommodation available on the island, the solution to the housing problem was simply to build houses on the island, owned by Marine Harvest and available for the fish farm workers. On Muck this has resulted in one three-bedroom house for the farm manager and two detached houses for migrating staff.

²⁶ http://www.lochlomond-trossachs.org/rr-content/uploads/2017/03/NPPP-Consultative-Draft-Final-PUBLISHED.pdf?utm_source=PDF%20download&utm_campaign=NPPP%20PDF%20download

Although most of the jobs are migratory, with staff working two-week shift rotations, the development of the houses and the increased activity generated by the business (landscaping, maintenance, etc) and additional workers living on the island for two weeks means additional spending on local services. In addition, building the houses and facilities for the farm has led to improvements to local roads and the harbour, including improved mooring facilities that can be used by visiting yachts.

In May and June 2016, Business Gateway Service Arran and Cumbrae carried out a survey of businesses on Arran to identify how the local housing market influences employment and recruitment. This survey outlined there was a total of 168 businesses on Arran with a total of 1,673 employees and an average of 9.96 employees per business. The size of businesses ranged from sole traders to larger businesses, employing over 150 staff (NAC, Highlands & Islands Enterprise & Arran Economic Group, 2016). One of the key themes explored within the survey was the influence housing has on employment and the ability of businesses to recruit. Appropriate housing which meets the needs of employees was cited by 55 businesses (32%) as having an adverse impact on their business, the most common reasons were being unable to recruit and retain staff, a lack of accommodation for single person households and an adverse impact on company expansion plans.

Conclusions

Retaining young people in the Highlands and Islands is an important theme running through the Housing Need and Demand Assessments. Many areas, particularly more remote and fragile areas, are losing young people. This poses the challenge of providing affordable housing to retain and attract younger people while providing accommodation for the ageing population.

Current HNDA methods are not fine-grained enough to provide insights below the Housing Market Area level and tend to be based on estimates of past trends in household formation. Small area estimates suggest that there are higher proportions of young people unable to form households in fragile areas with high house prices relative to incomes.

There is considerable pressure in many areas with some 'hotspots' in fragile areas where young people are more commonly stuck and unable to form households, facing higher average house prices with lower average incomes. These are commonly tourist destinations with very high numbers of second homes. There is a tension between providing tourist accommodation for a critical industry in the Highlands and Islands and providing affordable accommodation for young people and families wishing to live and work in the Highlands and Islands.

Although the HNDA estimates suggest that there is currently adequate provision of new-build private sector housing, the affordability of that housing is likely to be a considerable issue for many local people with modest earnings, particularly in Highland and Moray. Evidence also shows that recent completions – in market housing and affordable housing – have been in more accessible areas rather than in more fragile areas.

BARRIERS TO DEVELOPMENT AND POTENTIAL SOLUTIONS

During the initial stakeholder consultations a number of thematic areas of interest emerged. These were:

- Supporting population and economic growth, especially in fragile communities
- How multi-agency collaboration can stimulate housing development
- Promoting self-build
- Enabling community leadership in housing development and capacity building
- Breaking down the barriers to housing development - around infrastructure
- Conservation and development
- Innovation in housing construction.

Case studies were identified, through HIE and stakeholders across the Highlands and Islands, that provided good examples of these barriers and constraints and how projects have experienced/sought to approach these.

The case studies covered a broad range of geographies to provide examples of key issues, in a range of settings to cover urban and rural areas, remote areas and some unique examples of developments or challenges. However, some local authorities have more examples than others depending on where particular innovations, pilot approaches or developments have arisen:

- Supporting population and economic growth, especially in fragile communities – Rum and Muck, Skye and Ulva Ferry, Achtercairn, Gairloch
- Multi-agency and community collaboration – Highland Housing Hub, Simplified Planning Zone Pilot in Argyll and Bute, and Burnside in Plockton
- Promoting self-build – Orkney services self-build sites
- Enabling community leadership in housing development and capacity building – Strontian and Acharachle in Lochaber, Iona in Argyll and Bute and Helmsdale in Caithness and Sutherland
- Breaking down the barriers to housing development - around infrastructure – Ardgeal, Speyside; Tornagrain, Inverness and Nairn; Torvean, Ness-wide, and Fort William
- Conservation and development – Rothiemurchus, Grantown on Spey and Boat of Garten in the Cairngorm National Park and Staffin on the Isle of Skye
- Innovation in housing construction – in Rum/Muck in the Inner Hebrides and Alness in Highland.

During the case studies, it became clear that the initial list of seven thematic areas straddled a smaller range of overlapping barriers, constraints and opportunities, outlined below. These were:

- access to land (that is 'effective' and can be built on without considerable risks)
- infrastructure costs and barriers and the burden of regulation through planning permission and building regulations, with conservation issues being a 'special case'

- organisational disconnects and friction
- limited building capacity
- innovations – in building methods and approaches and funding

The case studies are presented throughout this chapter.

Access to land, of the right type, in the right places

There are mixed issues raised amongst stakeholders regarding the availability of land for housing:

- many consider that there is sufficient, even generous supply of land allocated for housing, but there were issues around the effectiveness of that supply – whether the land allocated for housing is realistically able and likely to be developed
- that land may be allocated for housing but it may be in control of a small number of landowners or developers who are not bringing the land forward due to price expectation and other reasons
- there are some positive views held about land reform, Scottish Government funds supporting that and how this is assisting rural and remote communities to access land.

In terms of the supply of land allocated for housing, planners are generally of the view that there is a good supply of land for housing. This was not universally the case, with one local authority stating that its call for sites did not produce land that was in the right locations for housing, and was looking to start to build relationships with landowners for a more productive process. It was also qualified that much housing development occurs on windfall sites – land not allocated in the development plan that becomes available for development – adding to the overall supply. But most of the planning authorities consulted have recently, or are due to undertake an audit of effective sites, and are going through the process of refining what is in their Local Development Plans to make sure the land that is allocated is effective, and are taking out ineffective/surplus land. Other development professionals argue that there is often a difference between what planners, and others consider to be *fully* effective, or credible land, with the difference usually defined around economic viability to develop, often associated with infrastructure requirements. In response, some local authorities have a policy, or were looking to develop a policy where allocated sites that have not come forward for development within five years, would be removed from the supply, with alternatives sought. This tool is only useful in those areas where there is plentiful potential supply. It was also noted that most of the *easy* land has been developed, and increasingly developers are working with more difficult and expensive land to develop.

In Orkney, planning consents outweigh the completions that come through – so people are taking sites through the consent process but then the completions are not delivered for a variety of reasons – these could be lack of access to finance, perceived lack of demand, or viability of the development. Since 2014, the local development approach changed so that the Council was not only calling for sites, but requiring written commitment to develop the land within five years. If they did not, then the land would be deallocated and put into ‘long-term land supply’, so that the Council could allocate more land that is effective and can be developed within five years. The planning officer consulted would like to see a shift in culture in the direction of compulsory purchase to use this as an enabling tool for strategic sites. But Orkney is a small authority and it is felt unlikely that there would be the political will for greater use of compulsory purchase.

Consultees raised the prospect of greater emphasis on the enabling role of local authorities expected to come through the Scottish Government Planning Review. While this is welcome, consultees wonder how this will be

resourced with reducing personnel and skills within local authorities. Stakeholders generally resist the concept of regional planning or that development agencies take control over land and infrastructure issues, suggesting that this is not relevant for small rural remote areas where there needs to be a localised approach.

While there might be sufficient land allocated, the problem is getting access to that land, with a relatively small number of people controlling the land, whether landowners or developers who may have unrealistic expectations over price, and/or developing out at their own pace for capacity or profit reasons. Land reform is considered a good step in the right direction, supported by Scottish Government funds, and several positive examples were provided of working with landowners and prospective residents to access relatively small areas of land to develop urgently needed housing to support small and fragile communities (see case studies across all themes). However, while many agreed that land reform and the Community Empowerment Act are useful tools (even using the threat of those powers) most said that the real issue is around infrastructure – getting to sites, opening them up and site viability, particularly smaller and more rural/remote developments (see further on infrastructure discussion below).

The **Ardgeal** project emerged from discussions in 2001 between Highlands Small Community Housing Trust (HSCHT), Kincaig and Vicinity Community Council, the Highland Council and others, which sought to identify suitable sites for affordable housing in the village, to allow local young people the opportunity to own a home within their community and to assist in keeping the local primary school open. Kincaig lies alongside the Spey, midway between Aviemore and Kingussie, in the western part of the Cairngorms National Park. House prices were high and rising within the Park, with strong demand for second homes. A local housing needs survey in 2003 undertaken by HSCHT identified 31 needs, the majority being young people seeking affordable homes. Whilst demand was known, identifying suitable sites for development was problematic. A site owned by the Forestry Commission was selected 2km south-east of the village, with the land transferred under the National Forest Land Scheme (NFLS) – this had reasonable access to services and communications, and provided affordable land relative to other local land prices. Under the NFLS houses must be secured within the affordable sector, in perpetuity. The housebuyers funded the purchases from mortgage finance and Rural Home Ownership Grants which provided grants of between 25% and 42% of the purchase price. HSCHT holds a 35% stake in the properties and a pre-emption right in the titles gives the Trust the right and discretion to buy back the plot including the house and other permanent structures whenever the owner decides to sell. Two phases were built providing a total of 10 houses between 2001 and 2014.

Lessons learned from this project for HSCHT, the Forestry Commission and the community are:

- Phase 1 plots were too large, with increased density adopted for phase 2 to keep costs down.
- Applicants were offered houses very early in the development process, however, as cost pressures led to design changes there were some tensions and issues with communication.
- Phase 1 took the brunt of the infrastructure costs, which was offset by grants to enable the properties to be affordable. Phase 2 required much lower subsidy level.
- From the Forestry Commission's perspective, key lessons were around land sale processes which tested the Scottish Ministers' consent process (now encapsulated in the replacement Forest Enterprise's Community Asset Transfer Scheme), and housing need where the Forestry Commission was clear that local housing need should be demonstrated, and not relying on larger local authority waiting lists, or housing need and demand assessments.
- From the community's perspective, 10 local families are now living in a relatively low cost, owned home within their local community; it has also freed up 10 houses for rent in Kincaig. The Community Council also observed that the

location of this site means that residents need a car given the distance from the village, but this was unavoidable due to the very limited choice of land for the development.

- The experience of this development shows it remains difficult to combine affordable housing with sustainable building in rural and remote locations - finding the right land, in the right location, at the right price and homes built to sustainable but affordable standards. However, the housing development is now home to ten families, with 12 children (at 2014 when phase 2 owners moved in) who have been able to remain in their preferred community. One of the homeowners said, they have an “amazing house in an amazing setting”.

There are also smaller-scale examples of innovative approaches to providing developable parcels of land, with partners owning different plots ‘swapping’ these to be able to produce a viable development. This has involved the local authority and a local RSL or the Highland Small Communities Housing Trust working together to identify where land can be pooled to produce a more viable site – a larger piece of land, closer to infrastructure for example.

The Highlands Small Communities Housing Trust has been involved in several developments where the development has been enabled by the provision of small-scale private sector development alongside affordable housing supply. This encourages private landowners to make land available for affordable housing development.

One example of this is at Rothiemurchus, which is providing four local families with affordable housing alongside two houses for private sale by Rothiemurchus Estate. The seven friends who make up the ‘Inverdrue Sawmill Co-operative’ have been working for five years to establish the sustainable housing scheme. Highland Small Communities Housing Trust helped the Co-operative to evidence their need for affordable housing at the outset and designed a financial solution to help the build become viable.

Four of the homes are intended for Co-operative members, and two more houses will be sold on the open market, cross-subsidising the affordable housing by giving the land owner Rothiemurchus profit while at the same time greatly reducing the purchase cost of the land for the affordable plots.

A partnership with Rothiemurchus Estate was critical to the build, with Rothiemurchus being willing to sell land to the group at half the open-market price for house plots. However, the total build costs were still not unaffordable to the Co-operative members.

The Highlands Small Community Housing Trust brokered a potential solution through reducing the plot sizes and adding two house plots where the landowner would sell the land for the four self-build houses to HSCHT at approximately 40% of the market value for house plots, but could still find a market-level profit through the sale of two open market plots.

The use of HSCHT’s Rural Housing Burden (RHB) means that, the properties are to be sold at a fixed price set by the housing trust and not for profit on the open market, so remain affordable in perpetuity. Aviemore Community Council has described the development as ‘an exemplar in delivering affordable housing for local people in a sustainable way’²⁷.

The RHB is a title condition that HSCHT applies to all plots or houses it sells and has two main elements. Firstly, it gives HSCHT an equity share of the property that protects the discount given to the original purchaser by suppressing the selling price in the event of a resale. Secondly, it gives HSCHT a right of pre-emption to buy the property back if the owner does wish to sell, allowing HSCHT to find another suitable local buyer. The equity share that HSCHT holds depends on the

²⁷ <http://www.strathspay-herald.co.uk/News/Pioneering-low-cost-housing-plans-for-the-Cairngorms-17112016.htm>

discount in the market price it pays for land. In this case, it is likely to be around 40% of the market value of the completed houses.

Another example of innovative approaches to land-assembly, involving different land-owners trading parcels of land to deliver a feasible site, is seen in Strontian:

The Strontian project delivered six units, with few issues albeit the need to position the site to be nearer the road to minimise access costs. Funding was secured through HSCHT to develop three Rent-to-Buy properties on a low-cost home ownership basis with a Rural Housing Burden attached, plus three properties for affordable rent for Lochaber Housing Association. A further serviced house plot was sold at a market value of £50,000 to cross-subsidise the affordable units.

Lochaber Housing Association (LHA) owned several plots separated by privately owned plots which made development neither feasible nor economical. HSCHT bought parcels of land to complete a strip of land from the owner's representative to create a developable site. Transfers of land between LHA and HSCHT were undertaken to create two areas suitable for their development requirements. The total cost for land assembly was £30,000. There was also a Feasibility Study – Flood Risk assessment costing £3,190. The total project cost was £835,086, an average cost per unit (after the sale of the plot) of £130,848.

Infrastructure – opening sites and challenges with the utilities

Infrastructure is commonly identified as the single most important barrier to housing development. This is caused by the high upfront capital costs of infrastructure, which can make smaller sites unviable. The challenges are around opening sites including roads, utilities, and sometimes education contribution requirements and how these are paid for. These challenges are exacerbated in more rural and remote sites by the natural environment (rock, peat, and access to remote sites).

The utilities are identified most commonly as barriers with upfront capital payment creating cash flow problems for developments and often causing sites to be unviable. Upfront, or 'lumpy' capital requirements are combined with the difficult operational activity, including lack of capacity, and bureaucracy of these utility companies. Scottish Water is often singled out, although some consultees did identify notable recent changes in Scottish Water's approach. Consultation with Scottish Water for this research confirms that the company is aware of the difficulties and is developing systems to provide data on 'development ready' sites, and provide easily accessible asset capacity information for developers. However, Scottish Water also acknowledge that the fundamental capital investment barriers may continue to exist: the key reason for this is that as a public-sector body with duty to protect public sector funds, Scottish Water does not wish to make considerable investment unless it is confident that a development will come forward. One developer provided an example of negotiating vigorously with Scottish Water over its waste water requirements to find a viable, yet relatively unusual and individual solution for their large, long-term master plan area. However, this type and level of development negotiating expertise, and time resource will rarely be available for smaller, more rural and less viable sites. It was also noted that is why affordable housing is often now put on site first, so that its funding stream can be used to open up the site, and provide some confidence and alleviate some of the risk for the private sector (see Fort William case study below). There was a recurring theme from private developers consulted that they are less likely to develop in more rural and remote areas where the development constraints and risks are greater, than where access to sites is easier, and demand more certain in more populated and urban areas.

In relation to roads, a recurring theme from stakeholders is the lack of flexibility from some local authorities on the standards required, with the cost implications this brings - some arguing this stifles development. However, some examples were also provided by consultees around the confidence of other local authorities to relax approaches to create private roads, and to take a more flexible approach to road adoption, and balancing this with maintenance implications.

A recurring theme coming from individual stakeholder consultees, focus groups and case studies is that there is lack of strategic oversight of the utilities, and with this a lack of strategic investment to open up land / areas for investment. It is argued that the utility companies rely on developers (whether private or public) to enable infrastructure investment on a piecemeal, iterative approach as and when demand appears, rather than the utilities, or the public sector taking an overview of this development and deciding where strategic investment should be made. It was observed by some consultees that this is not only a barrier to housing investment, but also to economic and community development. This links back to arguments made in a number of the land and housing commissions completed prior to the Scottish Government's current review which argued for a more public sector interventionist approach like the European model. Here, municipalities take much greater land and infrastructure development control than has been the convention in the UK, preparing and selling on development ready plots to builders who build houses, and are not speculating on land value. Many stakeholders interviewed for this research stated that there needs to be much more public sector intervention in making sites development ready, especially in areas where the private sector is not taking an interest – with the local authority taking greater oversight and control to enable development, and to support landowners to release land, and using compulsory powers where necessary. Most local authorities suggested the level of resources required for this approach would be too great although there is evidence of this approach from Highland Council (see case study below). A private sector example of enabling and providing service sites is Tornagrain led by Moray Estates (see case study below). These examples are in more urban areas or larger towns where there is greater demand and a speculative market, with the enabling role more difficult in more rural remote areas due to the scale of the infrastructure challenge/cost and lack of demand at scale, and therefore speculative market. The Highlands Small Community Housing Trust was commonly referred to as the coordinating organisation for development in rural and remote communities, but it has a limited capacity relative to the level of demand, and does not have the enabling powers of a local authority.

Private sector leadership in housing development

We have found a number of examples of the private sector battling to find solutions through resource intensive negotiation with all statutory agencies to drive development. One strategic site example is the new town of Tornagrain which is being built half way between Inverness and Nairn. Planning permission in principle is secured for 4,960 homes, a secondary school, three primary schools, 100,000ft of business space, 200,000ft of retail space and a host of social, community and institutional space. There will be a final population of 10-12,000 people. The Tornagrain development is a response to the rapid growth of Inverness and the Inner Moray Firth area.

The landowner is Moray Estates and planning permission in principle for the overall masterplan was granted in 2013, with first homes completed in 2017 – fifteen years after first concepts. It is expected to take 50 years to complete. It is an exemplar under the Scottish Government's Sustainable Communities Initiative. Moray Estates has funded all the pre-planning, planning and enabling infrastructure from cash-flow and bank finance. Pre-planning, planning and phase 1 design costs amount to c£5.0m. The infrastructure package to open up the site (roads, services, water and drainage) cost approximately £12m although £6.5m will be recoverable through utility asset sales and partnership support from Scottish Water. The development model suggests the company will be profitable in 2025, 20 years after commencement

of work in earnest. This level of long term commitment is unusual, and faced with these costs and pay-back period, most developers would walk away. While Moray Estates has a strong ethos around fostering a vibrant and resilient community, Tornagrain is intended to be very much a commercial proposition. Current prices for the development are in line with Inverness market (circa £190/sqft) but the expectation is to outperform that market by at least 10%. This is based on evidence collected by Savills and Knight Frank who have valued sustainable urbanism which suggests that after the initial large infrastructure investment is complete, and the development becomes more established, then house values will outperform the local market by between 10-25%.

The key challenges faced by Tornagrain have been around infrastructure requirements: the Section 75 requirements for roads, public transport, education and affordable housing; and utilities, specifically foul drainage, water and gas. There are challenges from building regulations around energy efficiency requirements, and in overall terms the Planning and Building Regulations system is risk averse when faced with different, or new design solutions.

The key lessons learned from this development are:

- Scottish Water – the traditional approach to water and drainage system investment for new development does not encourage development. This is due to the upfront funding requirements which put considerable pressure on business plans. Strategic relationships are key to find partnership solutions which are pro-development and work for all parties. Operational challenges can also be overcome if local project management from Scottish Water is in place to overcome day to day challenges.
- Gas and electricity constraints – as with water, dealing with other utility infrastructure can be complicated, and often requires major upfront investment by the developer to enable the site to proceed. It is often prohibitively expensive to secure the necessary capacity for very large sites which means periodic uncertainty about long term supply. This is exacerbated by what is argued by this consultee to be the opaque planning and capacity assessment approaches of the grid operators, and the need for individual developers to fund major constraint relief. Whilst mechanisms exist to aid cost recovery, utility constraints are a major problem for housing and economic growth in some areas. There needs to be strategic oversight and long term investment solutions developed for this problem for the Highlands to assist in housing, and wider economic development. It would be advantageous if either government or the asset owners were required to provide growth capacity which could be recovered through connection charges.
- Energy efficiency – there is a one size fits all approach to SAP (Standard Assessment Procedure) regulations which creates much greater viability challenges in areas of low land value where the additional build costs are often not recoverable in house prices and thus feed back in to land value or project margin.
- Planning, and building regulation – it takes time (and money) to persuade local authority officers over the merits of different and higher standards of design.

Public sector leadership in land assembly

The Highland Council has created solutions to the land and infrastructure constraints by taking a proactive approach to enabling and infrastructure investment, using its existing powers. Three different sites at Torvean, Ness-side in Inverness; East Inverness, and at Fort William demonstrate their approach.

Torvean and Ness-side are two separate sites covering 154 hectares to provide mixed uses of up to 1,432 houses, commercial uses, sports and open spaces. To overcome the barriers of the different land ownership, Highland Council instigated negotiation and land assembly, taking a development brief and master planning approach to determine land uses. The development brief forms supplementary planning guidance and includes the masterplan and design code setting out expectations on how the areas should be developed.

Ness-side site had considerable challenges due to ownership by six different landowners. This required skilled and lengthy negotiations to mediate between the different interests to determine the best land uses. This involved a threat of Compulsory Purchase Orders, but Highland Council was able to achieve agreement with the various landowners without enforcing this option. The Torvean site involved three owners – the Council, the Torvean Golf course and another private land owner. The complexity of this site led to the Council's decision to purchase some of the land from the golf course and the private developer; it is making the planning permission, undertaking all the land assembly and enabling infrastructure requirements. The development involves 166 units; 25% social rent (Highland Council), 25% for low cost home ownership and 50% for private ownership. It is developing the social housing and is undertaking all the site preparation and servicing for the private plots, and will sell these plots on for private housing development, recycling the profits for future housing developments.

Highland Council is taking a similar approach at Stratton Farm on the east side of Inverness where intervention is required to open this site for development. Highland Council has recently been delegated £9m from the Scottish Government's Infrastructure Fund, with £1m contribution from Highland Council to be used for strategic sites. On the Stratton Farm site a £5.8m infrastructure loan will be provided by Highland Council for land assembly and infrastructure investment, to be repaid over 5 years, which will then be recycled for other developments.

Highland Council is taking these enabling principles forward at the Upper Achintore site, Fort William. Significantly increased housing demand is projected because of the acquisition of the Lochaber Smelter by Liberty Aluminium. The Upper Achintore site comprises three housing phases being brought forward through a partnership approach with Highlands and Islands Enterprise. A total of 200 homes will be provided with a mix of social rent, mid-market rent and housing for sale. HIE has adopted an innovative role of funding some of the road and service infrastructure due to the combined uses of land for business and housing. HIE contributed the equivalent of a third of the overall length of road, which provides access to industrial units as well as housing. A neighbouring site has also benefitted from this partnership approach where the services put in place for the industrial plots have facilitated access to services for this neighbouring housing site. This approach demonstrates the benefits of joint working where there are shortages of both business and housing land.

Highland Council's approach and experience has shown:

- A development plan led approach supported by development brief is an important tool to bring landowners on board and to negotiate interests in complex site development
- It is possible for the local authority to take a proactive enabling approach using existing powers, assuming there are adequate skills, experience and confidence in leading land assembly and infrastructure investment
- There is scope to develop the enabling model further into joint ventures with landowners to stimulate housing supply

- This enabling approach may assist in rural and remote areas, but lack of market interest and even greater infrastructure challenges in some areas may mean an even wider enabling approach is required across strategic partners
- A recurring theme from partners is the difficulty in working with the utilities, and the lack of national or regional oversight that exists in strategic investment in the utility infrastructure.

On a small scale, local authorities address the issues faced by single dwelling developments by providing service sites for self-build where the main services – water, sewerage, electricity and telecommunications – have been provided to the site ready for connection to the new build property. These are well-established in Orkney where the sites are sold at market values of around £30,000.

Apart from these strategic approaches, the Scottish Government Infrastructure Fund is one funding route to removing the uneven capital infrastructure requirements to help smooth cash flow for developers. The focus is on ‘strategic sites’ although this could be applied to small sites with strategic relevance e.g. sustaining schools, employment in areas – but there is no actual project experience of this happening. The proposals in the Scottish Government Planning Review consultation published in January 2017 emphasise local authorities’ existing enabling powers, releasing more development ready land, and embedding an infrastructure-first approach. The Scottish Government also points out that the Infrastructure Fund is not a long-term solution, with the Planning Review proposing new powers for an infrastructure levy to overcome some of the challenges in funding infrastructure and limitations in the Section 75 requirements where developers make contributions to infrastructure relating to a specific site, but which do not cater for wider strategic infrastructure requirements. The rationale for the levy is that local authorities may be able to raise finance to front fund infrastructure, which may work in a different way to the site specific section 75 system. Scottish Government is considering the options for the levy, with the final stage of the research being completed to identify refined options for testing through consultation.

Planning and Building Regulations

According to consultees, planning processes are also seen as a barrier. These relate to:

- the development planning process – the length of time it takes to get to an approved plan with ‘effective’ land supply
- the slow planning application processes (from some, not all local authorities) which many developers say cause time delays which cost money
- inflexibility - it takes time (and money) to persuade local authority officers over the merits of different and higher standards of design.

One way of overcoming the limitations of the planning system identified in the Scottish Government’s Planning Review is **Simplified Planning Zones (SPZ)**, already actioned through pilot funding. A simplified planning zone is an area where planning permission is not required for certain types of development. Argyll and Bute Council is currently taking forward two simplified planning zones: one in Lochgilphead, which is a council-owned site and will include self-build plots; and one in Mull, owned by a private house builder.

The potential benefits identified by Argyll and Bute Council are:

- a streamlined and simplified planning process, whilst aligning with the development plan, saving time, money and effort to developers and investors;
- a positive development management tool using proportionate planning controls;
- promotes collaborative working;
- a potential approach to enable innovative forms of housing;
- an opportunity to explore innovative approaches to infrastructure first and new packages to support housing delivery.
- The SPZ combined with remediation of the brownfield site and preparation of the plots should de-risk the sites for development by self-builders. Potential issues identified by Argyll and Bute Council are a loss of planning control, loss of planning fees, resource required to deliver the SPZ, failure to realise the potential benefits and a lack of neighbour notification.

Adoption of the simplified planning zones is expected by August and November respectively. Assuming the zones are adopted, development can then proceed with planning permission. Building Warrant will still be required, but it is anticipated that the design code in the SPZ should also cut down bureaucracy and timescales in this area.

On a smaller scale, the concept of simplified planning zones is being applied to self-build development in Dumfries and Galloway and Glasgow where the concept of the 'plot passport' is being used to give clear guidance to builders about the type of development that would be accepted. Provided the proposed build is consistent with the design brief developed for the sites, the planning process is either substantially simplified or removed entirely.

Other issues raised by developers included planning requirements related to:

- a general shift in planning requirements, with more work needed for outline planning permission which, although it should reduce the work needed to obtain detailed permission, has led to duplication, especially where objectors take each stage as an opportunity to raise objections
- site design and density requirements, limiting the number of housing units on sites
- the requirement to provide what is considered excessive parking and amenity space, reducing housing
- over-specification of materials and finishes (such as slate or timber).

These issues were cited as factors leading to increasing development costs, which had to be passed on in the selling price. Factors such as site density, space standard and materials were identified as significant contributors to the increasing cost of flats and first-time buyer properties, with many arguing it is now difficult to provide low-cost starter homes.

The benefits of smaller accommodation are currently being explored with the Scottish Government by North Woods Construction Ltd through their concept of 'huts'. But it should be noted that while this type of structure is encouraged in planning policy, building regulations do not consider this as housing, but rather for leisure or recreational accommodation.

In terms of building regulations, energy efficiency requirements were identified as the most significant limitation of the building regulations in the rural and remote context because of the additional building costs that they bring where properties are off the gas grid. The problem relates to the SAP rating method (Standard Assessment Procedure) used to assess the energy and environmental performance of dwellings. Where dwellings rely on electricity, including renewable solutions, achieving the required SAP rating requires additional insulation and other

building costs, and life cycle costs for renewables – which in turn reduces land value and feasibility. Consultees also argued that SAP does not acknowledge the superior performance of prefabricated cross laminated timber, which offers effective airtightness, good insulation and very low energy cost homes, but still results in a mid-range SAP rating. An example was provided by one developer consultee where considerable investment was being made in a biomass solution, but where the SAP rating system did not recognise the low carbon benefits of this energy approach. As a result, this developer was seeking a derogation from this part of the building regulations. This provides an example of where building regulations appear to be lagging innovation in the sector.

A recurring theme was the application of building regulations and the lack of flexibility on the part of most local authority building control officers, even where, in the consultees' opinion the result may be better quality, or better suited to the rural/remote environment.

Many stakeholders see the benefits of using off-site and modular construction as one way of standardising housing products, and so overcoming some of the challenges in Planning and Building Regulations through a systemised building method. These methods increasingly use cross-laminated timber to increase the efficiency and speed in house building, to improve the quality of the end product, and to offset capacity constraints and the cyclical nature of the traditional construction sector. A few consultees discussed occasional examples of modular build, and that they would like to see more, with some noting that this could be a 'huge solution'. However, it was noted that modular methods in particular also require to build a steady workstream to maximise production and efficiency. One of the challenges with this approach is the potential impact this may have on the traditional trades, particularly in rural and remote areas. The majority of house builders now use kit homes for construction, but key players in innovation in the field of off-site construction and modular market in the Highlands and Islands are [Heb Homes](#), [Carbon Dynamic](#), and at a micro level [North Woods Construction](#).

One construction method used to overcome constraints in planning and building regulations is modular, or volumetric build. Carbon Dynamic manufactures low energy houses through natural sustainable materials. Carbon Dynamic's buildings are reported to withstand the most challenging climatic and environmental conditions in the UK, and it has manufactured buildings for some of the most remote and extreme locations in the Highlands. The Carbon Dynamic buildings use cross laminated timber, a structural engineered timber product of incredible robustness. The use of these materials is commonplace elsewhere in Europe but is only slowly being adopted in Scotland. Other companies such as Heb Homes and North Woods Construction are also promoting the use of cross-laminated timber as a sustainable, high performance method of construction. Over the last two years Carbon Dynamic has built eight houses for Highland Council in a pilot development at Alness, is working with Albyn Housing Society and NHS Highland on the provision of 16 ['FIT' homes](#) (designed with falls prediction system), and with Highlands Small Community Housing Trust on the Isle of Rum on the provision of four flexible community homes for residents and workers for the local employer, Marine Harvest. The flexibility comes from the fact that the larger housing units are designed so that they can be split into smaller units as needs in the community change.

Conservation and development

Housing development is often at odds with conservation concerns, particularly in areas designated as 'Natura' sites.²⁸ These sites cover almost half of the planning area of Cairngorms National Park, almost 30% of the Western Isles and over 20% of the area of Highland and Argyll & Bute councils.

There are now more resources for affordable housing than have ever been, which should enable the development of more sites, but some sites are difficult to move forward particularly where there are conservation concerns. The key constraints in conservation areas are the environmental impact of water, roads and people; issues that are exacerbated by the European Natura designations.

This poses a challenge for conservation areas but development is possible and has been achieved to a high standard. There are positive examples of community engagement in developments across the Highlands and Islands but also others that seem 'stuck' with no resolution in sight.

Planning issues are particularly important where there are also conservation concerns, which is the case in a large section of the National Parks and many other remote and rural areas. This includes Sites of Special Scientific Interest and Special Areas of Conservation. There are additional planning requirements in these areas to cover, for example, ecological surveys across a range of plants, protected mammals and protected birds, as well as water quality surveys (around water where protected fish or mammals live). These surveys identify the potential impact of development, with mitigation required to satisfy the strict legislation associated with protected species.

Sites across Scotland cover more remote terrain and woodland sites, with woodland sites in the Cairngorms particularly important to capercaillie, a fragile species with diminishing numbers.

Stakeholders discussed the requirement for the various ecological and other conservation-related surveys as a source of financial costs and risks. This causes frustration where, if planning decisions are delayed then additional surveys may need to be carried out due to the 'shelf-life' of some of the surveys.

Development at **Boat of Garten**, sought by the local community to help secure the viability of the local school, was nearing completion at the time this consultation was undertaken, with the first homes almost ready to be occupied.

The site was near to Boat of Garten woods, where capercaillie nest, making this a critical issue to be addressed in ensuring that the development was delivered in a sensitive way.

Development was progressed through a collaborative approach looking at impact assessment, pathways and communication. Essentially, there was a need to develop a mitigation strategy to minimise disruption to nesting sites within the breeding/rearing season (1st April to 15th August). Scottish Natural Heritage (SNH) input to the process was critical.

The type of mitigation activities explored included:

- Using signage to ask people to stay on paths during the bird breeding / rearing season
- Planting native vegetation along paths in high and medium sensitive areas to establish screening

²⁸ <http://www.snh.gov.uk/protecting-scotlands-nature/protected-areas/international-designations/sac/>

- Erecting temporary hessian screens to deliver more immediate screening until native vegetation was established
- Requesting that dogs be kept on leads in the high and medium sensitive areas during the bird breeding / rearing season
- Alternative off lead dog walking areas / routes could be improved
- Supporting these activities through having a Ranger, articles in the Boat of Garten Standard, signage on site and information on the community path leaflet.

Various partners involved in conservation areas acknowledge that this process can be very time-consuming and cause considerable frustration. Their experience suggests it is important to involve Scottish Natural Heritage at a very early stage in the development, so they can offer guidance at the most helpful stage. A more strategic, planned approach to partnership development in conservation areas would be beneficial. A more strategic approach would mean partners agreeing the critical aspects of conservation that need to be taken account of in a particular site, providing detailed specification of the required ecological surveys or other works, or even being involved in the oversight of the specified work, to ensure better compliance.

SNH has been involved in supporting the planning process for 'An Camas Mor' in Aviemore. However, this was at a later stage in the process than ideal, as a reaction to the submission not meeting the requirements of a Recreational Management Plan. SNH only became involved when it became clear that the documentation to support the Planning in Principal did not provide the required level of detail in the consideration of mitigation plans and activities, despite there having been several revisions. It is quite common for planning submissions to not quite meet the level of rigour required, in terms of the supporting surveys or other documentation. This inevitably leads to additional delays and development costs and the view expressed, among developers, that the 'goalposts have been moved'.

A number of partners point to the need for planners, developers and statutory consultees to collaborate at a far earlier stage in the planning process, at the Local Development plan stage, so that when working out land allocations conservation issues can be made transparent so that the developer requirements are clear.

There are examples where better information and advice can streamline planning. These include issuing Development Briefs, producing case studies of developments, Planning Advice Notes, encouraging the use of pre-planning application advice and more use of processing agreements in planning. A processing agreement is a project management tool for a planning application. Processing agreements can be used to set out the key processes involved in determining an application, identify what information is required, and from whom, and set the timescales for the delivery of various stages of the process. These approaches provide greater transparency and consistency.

There are also models of working that reduce organisational friction and provide the structures to drive activity forward – e.g. Highland Housing Hub and Simplified Planning Zones – both in two local authorities with significant conservation areas.

Organisational disconnects and friction

Consultation with stakeholders explored the role of collaboration between organisations to alleviate constraints and stimulate housing development. Organisational constraints exist where individual local authority departments and other public and private agencies do not act corporately, or with a broader partnership focus.

Stakeholder opinion suggests that collaboration between partners is essential to achieving the most efficient and timely housing solution, but in the more rural and remote areas, achieving *any* housing solution depends on proactive enabling roles between small communities, the statutory authorities and delivery partners whether private or public/not for profit sectors.

People describe this collaborative approach as taking some of the risk out of processes, although others pointed to the fact the de-risking requires even more intervention – land assembly and infrastructure intervention from the public sector authorities /agencies to enable land to come forward for development (discussed further in land/infrastructure section).

As evidenced by the case studies below, collaboration needs leadership. Where there is no private sector interest, who is the lynchpin or co-ordinator that initiates how housing supply is to be delivered? Who takes oversight of the whole system: from identifying housing demand and needs, identifying a suitable site, liaising with the community and local businesses on tenure and type of provision, design, liaison with statutory authorities, and coordinating build? In many cases individual housing associations have fulfilled this role, as have Highlands Small Community Housing Trust, Rural Housing Scotland, and the Highland Housing Hub is now an important collaborative structure in channelling all efforts for the delivery of affordable housing supply in the Highland Council area. In Argyll and Bute, a working group was established by the local authority to plan Dunbeg, a long-term growth area, and its pilot Simplified Planning Zone in two areas of Argyll will test how this approach might stimulate supply.

Several consultees mentioned that more resources are required in these enabling functions, especially in the more rural and remote areas. These examples focus on supplying affordable housing, which raises the question as to whether more can be done to support stimulation of supply in the private sector.

The **Highland Housing Hub** was established in 2016 to help resolve challenges and impediments in the housing development process. The key driver to the Hub was to work collaboratively, as one unit rather than separate entities, to deliver the Highland five-year new build Affordable Housing Programme. Although the emphasis is the affordable housing programme, the Hub also involves private developer partners where they are involved in mixed tenure sites. The Highland Council hosts the Hub which meets weekly between 9.30am and 4pm.

The Hub comprises a core team of the Highland Council, Scottish Government, and developer partners. Other attendees include representatives from the full range of Highland Council departments, including social care, education, planning and building, roads & ecology, as well as external attendees from other agencies including Scottish Water, other utilities, the NHS and private developers. The number of people attending varies between 8 and 17 people, depending on the agenda each week.

The Hub started with all the partners meeting and it soon became clear there needed to be a co-ordinator to manage processes between meetings, to make sure the partners' time was focused on action rather than administration.

As the Hub has been developing over the last nine months the team is discovering that its reach is going much further than expected. The weekly meetings involve reviewing progress on the development programme, identifying challenges,

and solutions by taking a problem-solving approach in an environment where people can feel safe and supported to break through constraints.

The overall outcomes achieved in the last financial years 2016/17 was to exceed the SHIP financial target and the number of houses delivered, with the original target being £27.9m with final outturn of £32.8m. The Hub considers that this outcome could not have been achieved without the collaborative structure and approach, shared learning and risks taken by all the partners within the Hub. The Hub continues to build momentum and develop links across the housing development industry.

In the Cairngorms National Park Authority (CNPA) there are examples of community-led master-planning, with 'walk-arounds' held in communities to identify possible development sites, attended by a wide range of partners. This is a collaborative approach that has involved consultation with the community and other key stakeholders.

Walk-arounds have been undertaken in four communities across the CNPA area so far – Carrbridge, Aviemore, Boat of Garten and Coylumbridge. The aim of the walk-arounds is to identify the possible sites and opportunities available for housing. The walk-arounds have a range of participants, usually including 4-5 community members. These form part of the consultation process and are minuted.

The sites for the walk-arounds are suggested by community council members though they have been fed into the CNPA 'Call for Sites' process so the paper trail will come from that. There are supporting documents for each walk-around - assessment matrices and minutes from the post walk around meeting. Attendees involve community members, staff from CNPA, the local authority, the local RSL and Highland Small Communities Housing Trust.

In each settlement, around 3-4 sites are examined, with the community and other stakeholders identifying any key issues or constraints with the site. These might relate to land ownership, current land use or drainage issues, for instance.

The next stage of the process involves CNPA staff, in partnership with the local authority, assessing the proposed sites and ideas, looking in greater detail at those with potential to build, before feeding back suggestions to the Community Councils. This then informs the Local Development Plan, which needs to identify a detailed five-year land supply and an indicative ten-year land supply.

In Plockton, concern from the Community Council about the falling school roll led to collaboration between the landowner, local crofters and a range of local and regional stakeholders to deliver 24 affordable houses.

Plockton is a conservation village, and one of the most pressured communities in the Highlands due to tourism and high level of holiday/second homes at around 50%. The community were concerned about the falling school roll and fragility of the future community. The project was achieved by the effective collaboration between the community, crofters, landowners, Lochalsh and Skye Housing Association (LSHA), the local authority and Scottish Government. The community and LSHA were involved throughout the project to resolve the issues with:

- Identification of suitable land – this required the National Trust as landowner, and agreement from crofters to release some of the crofting common grazing land for housing
- Working with the Planners for allocation of the land, and working through the design requirements for the site which had to be sympathetic given its location and gateway to a conservation village
- Discussing through the housing mix and tenure
- Resolving some infrastructure constraints including disposal of peat.

In terms of the ability to repeat this type of project, the crofters' committee and the landowner are clear that there is very little scope to release further land for housing in Plockton. This is because they wish to preserve the crofting tradition and landscape. The presumption of the crofters and the National Trust is not to release grazing land. This type of

collaboration and working around challenges takes time – in this case 7 years. It is difficult to see how in this case timescales could have been shortened due to the range of stakeholders involved and the considerable issues to resolve – many of which were driven by the land, and the site / infrastructure constraints.

Another planned development in a conservation area is that in Staffin. This shows a community-led approach to development in a conservation area of geological significance.

Staffin is in the north-east of the Isle of Skye, in the Scottish Highlands. It is world-renowned for its scenery and thousands of people from all over the world come to see the Quiraing, Old Man of Storr and Kilt Rock. The resident population of more than 500 people live in 23 different crofting townships dotted around Staffin Bay and the Trotternish Ridge. The Staffin Community Trust was formed by residents to improve the economic prospects of the rural community and has attracted more than £1.5million of investment in its 22-year existence. The Trust works with, and for the community. Its project work is supported and funded by Highlands and Islands Enterprise's Community Account Management programme for fragile communities.

Staffin Community Trust conducted an affordable housing needs study in 2014, funded by Highlands and Islands Enterprise and Highland Council and supported by the Highlands Small Communities Housing Trust. There is considerable housing pressure in the local area, with many holiday homes, a lack of permanent employment and recent provision of affordable housing in larger settlements, like Portree.

A 'Housing Summit' was held in September 2014 led by the Community Council and the Staffin Community Trust. There was a local 'call for sites' which generated seven possible sites, all with advantages and disadvantages. A preferred site was selected for six three-bedroom homes – with two properties owned by the Highlands Small Communities Housing Trust, Localsh and Skye Housing Association and the Staffin Community Trust. There was also proposed to be business units and a doctor's surgery, to replace current provision. The view among the community is that the land for the proposed development is rough, common grazing and so a better option for housing development than higher-quality grazing land. The project has potential funding through the Rural Housing Fund, with a budget of around £120-£130,000 per property plus infrastructure costs. The partnership benefits from the local Localsh and Skye Housing Association and the Highland Small Communities Housing Trust providing expertise in procurement and project management.

The selected site is part of the Trotternish National Scenic Area and because of this, the planning decision about the development has been 'called in' to the Scottish Government. Staffin was designated as a National Scenic Area in 1976 and there is a concern that six houses would adversely impact on the scenery. Scottish Natural Heritage generally prefer to see individual dwellings rather than multiple dwelling groups where there is NSA designation.

A partnership approach has been very important in Staffin, with the development very 'in tune' with the community. The Trust meets once a month and advertises the 'call for sites' using posters and newsletters. It also has a community-based office. Generally, the Community Council has been very supportive and is keen to see families remain in the area. The community are very keen on the proposed site, which is near the local primary school, so ideally placed for family housing. The Staffin community has been lobbying their case with the support of MSPs, the HSCHT and Community Land Scotland.

Several recommendations from stakeholders were aimed at streamlining the planning process to reduce organisational friction, risk and costs. There was a strongly supported view that development should be led by the Local Plan. However, the land supply in the Local Plan should be **effective land supply**, land identified as ready for development where conservation issues and other requirements have already been determined.

There was a common view that the local development plan needs to clearly set out the requirements for developers on a site-by-site basis, to limit risk and increase viability. Other recommendations included the need for clearer **leadership** in development, or **ownership** of the development requirements. This way, developers would fund the planning work and associated surveys needed for development to happen but the risks associated would be far less.

Limited building sector capacity labour supply

There is a strong theme identified around lack of construction sector capacity, and lack of private developer interest in the more rural and remote areas of the HIE area – this includes Argyll and Bute, some of the more remote lower demand parts of the west Highlands, and all the Islands.

In Argyll, it was noted by several consultees that there are now only two local house builders who concentrate on affordable housing provision, with the occasional one-off individual private build, with no speculative developers in the area. Pre-recession there were four to five contractors each with 40-80 employees, with the decline reflecting lack of market demand and a lack of interest from developers because there is easier and more profitable work in the central belt. Speculative builders are unwilling to look further north than Helensburgh due to the cost of the supply chain, logistics, infrastructure and difficulty in sourcing sub-contractors in more remote areas. One consultee noted a large gap in the market for entry-level and mid-priced housing for sale, which no builder or developer appears willing to fill. This in turn fuels demand for affordable rented housing. A similar trend is noted in some of the more remote parts of the Highlands where there is lower market demand.

For the Islands, it was noted that capacity in the housing construction sector is cyclical, depending on contracts coming through major public sector build like schools or hospitals, or in the case of Shetland, dependent on the oil and gas industry. On the Islands, it was emphasised that there is no speculative market, with private provision traditionally met through self-build.

Consultees suggested the need to promote construction sector training, and promotion of the construction trades, from school. The Cairngorms skills project was identified as a good example of training young people in the Park area, giving real experience in construction combined with college in Inverness. Others emphasised the general economic problem of a lack of sufficient scale in rural and remote areas to give an incentive for the supply chain. Others suggested greater stimulus for private supply is required with some suggesting that revisions are required to the current shared equity model, or introduction of other home ownership grants to be tailored to rural and remote markets.

Apart from the shortage of capacity and skills in the construction sector, consultees also noted the reduction of knowledge and skills within local authorities in relation to planning and building control due to recent public sector cuts. Some consultees claim this has generated a more risk averse approach from those that may be less experienced than their predecessors, particularly in relation to the application of planning or building regulations, or generally slowing the approval process down.

Reduced capacity has also been felt in the housing association sector, where reduced grant rates have led to less development by many housing associations, with a knock-on effect in the number of development staff they employ. Since January 2016, the grant rate has been increased, along with the affordable housing programme

budgets. However, there has been a lag in rebuilding capacity in the development skills and many associations are collaborating to share skills and services. In relation to other professional skills some local shortages were noted in quantity surveyors and structural engineers.

The tension between housing supply and economic development was voiced by several consultees. One person summarised this dilemma as 'it is not a case of build and they will come – we have to be very careful and provide a range of housing options at the right scale'. The small scale of demand means for many rural and remote areas it is very difficult to balance small scale supply and viability to make sites stack up. This is particularly the case where significant infrastructure costs are involved.

There are examples of small-scale community-led developments that have involved developers committing to take on a Modern Apprenticeship as part of the build. This has been mentioned as a wider impact of development on the wider community. However, these are ad-hoc and small scale developments so the impact on training and skills is not likely to be at a sufficient scale.

Innovations in funding

Several consultees have noted that there is a very wide range of funding mechanisms now in place to assist affordable housing development and community-led development. A further range of solutions to encourage housing development through reducing risks to the private sector are through new funding mechanisms.

Public sector funding – The Rural Housing Fund was launched in 2016. The £25 million Rural Housing Fund and the new £5 million Islands Housing Fund will run from 2016 to 2019. Both funds aim to increase the supply of affordable housing of all tenures in rural Scotland and contribute to the Scottish Government's target of 50,000 new affordable homes. The funds have two parts:

- a main fund that offers capital support (grants and loans) for direct provision of new affordable housing, and refurbishment of existing empty properties
- a small fund that contributes to feasibility studies.

Both funds are open to a wide range of applicants including community organisations, development trusts, private landowners, private developers and traditional housing providers. To be eligible, projects must have a specific site or properties in mind and be in an eligible rural area – levels 4, 5, and 6 of the Scottish Government's six-fold urban/rural classification. Islands Housing Fund applications must also be located on a Scottish Island. Applicants can apply to either the Rural Housing Fund or the Islands Housing Fund, not both.

Applicants must be able to demonstrate housing pressure in the location identified, have the support of the local authority and be prepared to undertake community engagement as part of the project. Projects must be able to provide long-term, affordable housing. A core aim of the Rural Housing Fund is to deliver additional provision through the Affordable Housing Supply Programme by helping existing public funding to achieve more, in a wider range of rural areas. This is often where choices are limited but less likely to be delivered by mainstream providers. It is hoped that the RHF will also empower communities to take control of at least some of the new affordable supply.

There is also a focus on innovation through leveraging in additional funding. The fund is intended to help to develop practical, replicable initiatives and on maximising value for money through joint projects and the use of multiple funding sources, encouraging new partnerships between communities, landowners, housing enablers and providers.

The feasibility fund supports projects at the early development stage to build the evidence for applications to the main fund or other funding streams, with the emphasis on feasibility studies that are likely to have limited funding support. Where other sources of funding are possible, such as the Big Lottery Fund, Foundation Scotland, Highlands and Islands Enterprise and some local funds, these are expected to be sought first.

Fundamentally, the policy is designed to offer flexible funding opportunities for rural areas. By the time the consultation took place, there had been 90 expressions of interest, with two-thirds approved to the next stage by the Scottish Government's area office network. About half the applicants were community-led organisations. Where applications have not been successful, this is because the local authority has not been supportive, need was not evidenced, the proposed development was not appropriate, or there were feasibility or viability issues. In some cases, feedback suggested partnering with a housing provider.

At the time of the consultation, two RHF-funded projects had completed. A clear challenge for the fund will be to deliver at scale within the funding period, with many developments facing complex planning and infrastructure issues. Experts who can make projects work can often get more value from a project, or lever in additional funding so partnerships with enabling organisations will be important to the deliverability of the fund.

One of the most interesting community-led funding approaches explored in the case studies is also one of the most complex.

Creative community-led funding – Helmsdale

Helmsdale & District Development Trust (HDDT) was started by a group of local residents who wanted to try and reverse some of the decline in resources in the area over the past decades. In order to address these priorities most effectively, through accessing a wide range of funding, the group registered for charitable status in 2012.

As part of the project planning phase, following the introduction of HIE's [community account management \(CAM\)](#), the need to build affordable homes was identified as a key priority project by the community. The Highlands and Islands Enterprise Growth at the Edge fund supports the community to fund the Local Development Officer to help the community to bring projects forward.

The Development Trust has effectively accessed a wide range of funding for their housing project, including funding through the Scottish Government Innovation Investment Fund. The community secured the funding to deliver affordable housing and the development of four dwellings is the first stage of their planned developments. The homes, provided at a total project cost of £638,000 (build cost was £514,000), are owned by the Community Development Trust, with management support from Albyn Housing Association.

It took two years to get the funding for the scheme into place. The scheme came before the Rural Housing Fund started and involved 18 different funders. There was little contingency and so they needed to be extremely careful with the budget. However, the project came in under budget and on time.

The build also benefited from a very understandable contractor, who held the price for a significant period. The funding for the project came through Triodos Bank, bringing attractive rates of interest but also knowledge and expertise to share with the partnership. Initial approaches to other, mainstream lenders suggested that they didn't 'get' community-led projects.

It is widely acknowledged that Helmsdale is a success in community ownership, as one of only two rural areas to receive funding through the Innovation Fund. Those involved feel that it has been a genuine partnership, with the local authority contributing land, Albyn Housing Association providing expertise in project management and Clerk of Works and enabling reduced procurement costs and the Highland Small Community Housing Trust providing advice on needs

analysis and funding mechanisms. Its funding depended on a considerable effort from the Local Development Officer and the Community Development Trust.

In future, the Trust will be looking to the Rural Housing Fund and this was seen as a significant positive funding development. As well as the four houses, the development has gained recognition through the Highland Third Sector Initiative Award, a Creative Place award and a SURF award for community-led regeneration. The team has hosted nine study visits and presented at several conferences and events.

Another innovative source of funding being developed in the private sector is the 'Help to Build' model by Rettie. The funding model is a long-term finance mechanism to fund elements of the infrastructure costs faced by builders. The model is based on the premise that a lack of infrastructure at scale is critical to unlocking house-building at scale.

Private sector funding – the Rettie 'Help to Build' model

The funding model under development by Rettie is premised on unlocking house-building at scale, and altering the financial structure to the benefit of house buyers and the local community. It is a long-term funding model focused on encouraging pension funds into funding land, infrastructure and developer contributions to education, transport etc. through long-term financing.

This funding mechanism removes the cost of 35-45% of a new property from the housebuilder balance sheet, reducing their need for debt and so opens up the market to smaller builders, who then only need the capital required to build the homes rather than the additional infrastructure cost.

The home-buyer takes out a mortgage to repay the house-builder for the house itself, and agrees to pay a Community Homes and Infrastructure Payment (CHIP) which sources the long-term finance for infrastructure, land and s.75 costs (Section 75 costs are Planning Obligations) from pension funds at what are historically low rates.

The considerable benefits of the model can be to reduce deposits required of purchasers by 50% and reduce the upfront capital requirement per property from, say, £250k to £135k. The model can also generate a long-term revenue stream for the Community Trust through a margin on the infrastructure funding.

The key is a Local Authority or Government guarantee for the infrastructure funding. This support is likely to be far more cost effective than direct payments such as Help to Buy and has a much greater impact on house building, house design, and above all housing costs. It also provides wider economic stimulus by building more homes, more quickly, and it means home buyers put more of their earnings into the local economy rather repaying a mortgage.

The Trust has a 2nd ranking interest in the house, but also retains a golden share and option to buy the home in the event of a persistent and abusive default on the CHIP ensuring the home can be retained in the structure. Home owners have a £1 share in the Community Trust. The structure allows for multiple tenures on one site, with social and retirement housing paying lower CHIPs and larger private housing paying higher pro-rata CHIPs. Home owners can sell on to realise a pro rata return on their upfront investment but the objective is to keep housing within the Trust structure and so permanently affordable.

The structure allows for the cost of the guarantee and does not require any new legislation. It is consistent with Scottish title law. Rettie & Co. have an in principle offer of up to £250m of long term funding from a leading pension fund to support development of the initiative.

Access to community assets can also provide a useful source of funding for housing development, alongside market-based subsidy.

Community-based assets – This Strontian Community Benefit Society project delivered six affordable housing units - three Rent to Buy properties built on a low-cost home ownership basis with a Rural Housing Burden attached, plus three properties for affordable rent from Lochaber Housing Association. A further serviced house plot was sold at a market value of £50,000 to cross-subsidise the affordable units. A Rural Housing Burden is a title applied to a property or house plot which gives rural communities and community landowners the right of pre-emption and control of future sales when the property is to be sold. This title can only be created on rural land, generally in settlements of under 10,000 residents and is applied by a Rural Housing Body. Rural Housing Burdens help to prevent rural housing stock from being sold off into the holiday home and second home market.

The Strontian Community Benefit Society had undertaken a range of community development projects over recent years but had not undertaken a housing project before, so decided to involve a housing provider. They had access to a strong team, with contacts in The Highlands Small Community Housing Trust, with the Community Benefit Society keen to 'up their game'. The first step was to conduct a community appraisal, which identified housing need and the needs of older people, among other community priorities. The Highlands Small Community Housing Trust came to the area to hold 'housing need surgeries' and were convinced about the level of local need.

A critical 'string to the bow' of the Strontian Benefit Society is that they have access to financing through a Community Hydro Scheme. They have been able to buy land using commercial banking finance and also accessed funding through HSCHT. What has been critical to ensure community 'buy in' has been the 'Master-planning' and consultation with the community. That master-planning involved looking at the village spatially to identify potential sites. This exercise was funded through Highlands and Islands Enterprise, Highland Council, the private landowners and through HSCHT.

This consultation approach was important as there was an 'old plan' for 50 houses in the village that had frightened the community. The masterplan is based on a 'gradualist' approach of delivering 4-6 units every few years. They also hope to attract infrastructure funding for the school – to retain young families - and for road building to open up new housing sites in future.

As well as these innovative funding models, there are also numerous examples of cross-subsidising affordable development with private sector development on a smaller or larger scale. Sites are opened through RSL development to encourage private sector development or the profits from private sector development cross-subsidise affordable housing development.

However, stakeholders identify the need for strategic thinking and leadership in development. These 'ad-hoc' developments tend to be feasible in higher demand and lower risk areas but are less feasible where demand is less clear. There is a rural development function to drive housing development that remains currently unfilled. There are various funding mechanisms but there is a need for greater co-ordination and leadership in rural housing development.

Enabling community-led approaches

A solution to the lack of developer-led housing development, in remote and rural areas is for the community to take the role in taking forward housing development. In recent years, the various policy instruments outlined earlier have sought to encourage greater involvement of the community in identifying housing needs and delivering solutions.

There are examples of community involvement in many of the case studies highlighted above. However, below are a few examples of community-led approaches and experiences.

Community-led development often relies on the single-minded determination of a small number of community members, in response to an identified local need. That might be the local school being in danger of closure, concerns about depopulation and fragility or specific areas where affordability is a concern.

Helmsdale is a small community located on the North East coast of Scotland in the sparsely populated county of Sutherland. Affordable housing was identified as a priority by the community as no new homes had been provided there for around 35 years and this was thought to be having a negative impact on the sustainability of the community. Plans were developed with the Helmsdale and District Development Trust which resulted in four homes and three plots in 2015. The homes are owned by the community and rented to local people. Any surplus income from the housing asset is retained for capital replacement in future years. Housing management is carried out by Albyn Housing Society, which is perceived to ensure objectivity in lettings so that the community does not select the tenants.

Helmsdale has particular challenges – being fragile, rural and remote and experiencing deprivation and issues of low demand housing. This is a particularly challenging area to attract development. It took an estimated £20k more in costs to build in Helmsdale than in an equivalent urban area. In addition, there were substantial infrastructure costs - £23k for drainage and £27k for the electrical supply.

Highlands Small Communities Housing Trust supported the development partnership with housing needs analysis, with a postal survey and door-to-door consultation. The need to retain young families in the community and affordable housing provision were two key issues identified.

The decision was taken to go via the ‘design team’ route. This was felt to be possibly more expensive but far more efficient. The local authority owned the land and the Development Trust delivered the housing. HSCHT and Albyn Housing Society provided critical housing professional support and knowledge, supporting from funding applications to logistical issues.

A key benefit for the build was also the involvement of Albyn Housing Society, providing project management and clerk of works skills. The build also benefited from reduced procurement costs through Albyn which reduced the costs by almost £50k. The homes are owned by the Community Development Partnership and managed by Albyn Housing Society.

The build has achieved practical benefits for occupants – with solar power contributing to considerable fuel savings for residents. This is particularly important as fuel poverty is a concern in the area.

The project took a long time to get underway from a funding perspective and in future the Trust is planning to access the Rural Housing Fund, as well as loan finance. This successful community development project offers an example of a community-led and owned project combining various grant-based and charitable funding sources with private finance. The next steps for the partnership include building a further eight units, incorporating Housing with Care and linking in health provision.

There are examples of projects where the community wishes to deliver housing on their own terms and have felt ‘thwarted’ in some respects by infrastructure issues, organisational and funding structures. An example of this is in Iona, where the community struggled to deliver their community-led project in the face of what they perceived to be numerous organisational obstacles. At its core, the Iona project shows a fundamental difference in opinion between the community and the Council about how publicly funded projects should be delivered.

Iona - The build on Iona was led by the Iona Housing Partnership (IHP), a sub-committee of Iona Community Council (ICC). The IHP was formed in 2003 following growing demand for secure, permanent, good quality accommodation for residents on the Isle of Iona. Initially, there had been the need for accommodation for the local Iona Heritage Centre but the partnership realised that it would be more cost-effective to build more houses rather than a single property.

The land purchase from the Church of Scotland took some time, with costs increasing over time. There were some considerable additional costs of the build because two ferry trips were needed to get materials etc. onto the site. There were also costs to upgrade the BT exchange, sewerage connection and archaeological investigations. There were organisational changes within the IHP and a change in architect to reduce the costs of the build.

The IHP generated a large amount of the funding for the build, with fundraising events taking place over a number of years. Around £60,000 was raised through barbecues, ceilidhs and boat trips among other events and the 'Buy a Virtual Brick' donation scheme. There were also a number of charitable foundations who funded a significant proportion of the build.

The Rural Housing Service assisted the community in the planning and development stages, and Argyll and Bute Council contributed a grant of £360k from their Rural Housing Development Fund. There was a funding gap of about £100k which was filled through a combination of private borrowing through the West Highland Housing Association (WHHA) accessing loan finance and a grant from the Scottish Government. This process involved the Iona Housing Trust handing the project over to the West Highland Housing Association to enable completion.

The community put considerable effort into the project over a long period, with it taking around 12 years to come to reality. The final stages of the project, where the transfer of ownership moved from the community to the West Highland Housing Association caused frustration to the community. They fought hard to deliver the quality and energy efficiency in the housing that they wanted. This high level of the building standard meant that value for money was a concern to Argyll and Bute Council, as spent differently the investment could have supported more properties being built. There were also concerns about the level of funding and the potential financial risk within the longer-term Business Plan for the development. It was the view of the Council that the funding could be better spent to deliver more properties at a reduced specification and cost.

The issues surrounding the specification and funding of the project mean that the community perspectives and those of the other partners differ markedly. Although the housing was delivered at the end of the day, there are clearly very different views about the learning to be taken from the project.

There are also other examples of tensions in community-led development. In some communities, participants in community-led development have learned about the 'gulf' in the community between people who need affordable housing and those who are affluent and retired with no concept of how modest local wages are. The evidence presented as part of a community master-planning process can help to defend the need for affordable housing to people who have little awareness of this need.

Longer-term planning – 'master-planning' is an important part of many community-led developments, with communities identifying current needs but also thinking about longer-term requirements and the role of the community in managing its assets.

The **Strontian** community company has data from a local housing needs analysis, which they plan to use as evidence for future funding applications. They have plans to build a primary school as a stop-gap measure to meet the needs of the local children until the school can be combined with the local secondary school.

Since the proposed school building is a short-term fixture, the community company has designed the footprint of the planned primary school building to be adaptable as older people's accommodation in future.

The current housing project has delivered six houses initially, as part of the gradual provision in the masterplan over coming years. The Community Benefit Society now has the positive experience of the housing development, with a relationship with the HSCHT to build on.

Most of the land locally is in private ownership, with absentee owners. Lochaber Housing Association also owns some land. In future, community land ownership is likely to be important. The company has ambitious plans to deliver housing for older people and possibly purchase vacant property from the NHS.

Community land ownership brings the prospect of new responsibility, with the Rural Housing Burden critical to preserve community assets. In the past, tenants may have needed greater individual rights and protection but now that communities are becoming asset owners, they need to represent the interests of the wider community as a group, to ensure that the asset is looked after in perpetuity for the future good of the community.

They have learned that, with the range of funding mechanisms and partners there are now many more options than before. Strong, positive personalities have helped deliver in Strontian. This prevents a masterplan from sitting on a shelf.

Communities can also have very clear ideas about how they want affordable housing to be allocated on a very localised level, which may appear at odds with local RSL allocation policy. There are examples of the use of intermediaries to help RSLs and local communities to develop community-led lettings initiatives that meet the aspirations of the community and the requirements of social housing allocation policy. In one case, community representatives wanted to ensure that the lettings approach was objective and separate from community members, so handed over full responsibility for lettings to the RSL to make it fairer and more transparent. In other areas, community members were keen to have a more be-spoke and localised lettings policy than the RSL had, so worked with an independent consultant and the RSL to design a local lettings policy that worked within the overall RSL policy but had provisions for a smaller catchment area for potential residents, with local connection critical.

Community involvement in master-planning can also be at a very large scale. Aviemore Community Council has had a critical role in the development of affordable housing in Aviemore. Almost 30 years ago, Aviemore Community Council identified the need for a significant number of affordable housing units. The planning application for An Camas Mor, led by Rothiemurchus Estate, is not a community-led development but the Community Council has been involved from the early stages of the master-planning. This is an ambitious (and controversial) project combining affordable and private sector housing with recreation, with planned funding routes including the Infrastructure Fund. It is a large development within the National Park, which has generated both community support and also objections, with more than 200 submissions as part of the planning-in-principle process.

Conclusion

Land supply has generally not been found to be problematic, but supply of *credible* land is in short and decreasing supply, where the risks and costs to enable viable development are often too great without intervention, especially in more rural and remote environments. While the various Land Reform legislation can provide more options and

assist in opening dialogue with landowners, these do not overcome the considerable cost in opening up sites due to infrastructure requirements, and what many consider to be inappropriate and onerous burdens in the rural context imposed through planning, building and road construction regulations.

In rural and remote environments, where scale of demand or housing need is smaller, there are seldom the economies of scales to enable private developers to take the considerable risks involved to develop. In some areas, this is coupled with limited capacity in the house building industry which shows no signs of recovering since the economic downturn, and in rural and remote areas the industry's preference to build for lower risk affordable housing developments. We have seen through the case studies many examples of creative methods to overcome barriers to housing supply in rural communities, but compared to house building in urban areas, development is typically inefficient and intensive in human and financial resources, and extremely time consuming to achieve completion. The Infrastructure Fund is supporting development of large strategic sites, but to date there is no evidence of support for smaller rural sites. The Rural and Islands Housing Fund is available to provide additionality to existing housing subsidies, but experience on the ground suggests fragmentation of funding, with greater flexibility required for communities in rural and remote areas to make full use of this resource. Proposals in the Scottish Government's Planning Review potentially provide means of overcoming current planning and infrastructure barriers, with calls for local leadership and partnership working at the regional level, and coordination across private and public organisations to stimulate development.

Community-led development can harness the significant skills of local communities. These are often considerable, with remote and rural communities having a high degree of self-sufficiency and resilience. However, community members and partners identify the importance of having access to 'enablers'. Having access to advice and support – from RSLs or enablers like the Highlands Small Communities Housing Trust and Rural Housing Scotland can help communities to access resources more effectively, deliver more innovative solutions and navigate the complexities of planning and development.

Current 'enablers' included HIE-funded local development officers, HSCHT and RHS. These resources can appear very thinly spread across a wide range of areas and developments. Further investment in these types of activities will be critical in encouraging community-led development.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The brief

The background to this research is the concern that a lack of housing in certain areas of the Highlands and Islands is a constraint to population growth, and the tendency for local households, and especially young people to leave the region, with knock-on effects on the sustainability of fragile rural and remote communities.

This work considers the dynamics of need, demand and supply of housing across the Highlands and Islands, and considers how barriers and challenges to housing supply in rural and remote areas can constrain community sustainability, particularly in more fragile areas.

National housing policy and HIE's strategic direction

Public housing policy is focused on increasing affordable housing supply. The Scottish Government's current Planning Review identifies many of the constraints to housing development, and has proposed a range of approaches to facilitate increased supply, including more proactive regional partnership working, allocation of more development-ready sites, and taking an 'infrastructure first' approach. The effectiveness of these measures will rely on leadership and resources from local authorities, coordination with its public and private partners at the regional level, and proactive use of existing and potential new powers to be brought forward through new legislation.

This approach sits well with HIE's recent decision to refocus its priority for strengthening communities and fragile areas, its policy emphasis on partnership work, and place-based approach. In term of **partnerships**, HIE seeks to influence policy and legislation and ensure greater collaborative working with partners to add value and deliver greater impact. In terms of its **place-based approach** it will seek to use the breadth of HIE's powers, expertise and resources, combined with those of key public, private and community partners to make a concerted effort to support the regeneration of challenge areas, focusing on fragile areas. The final policies and regulations to be presented through the Scottish Government Planning Review will take time to materialise through legislation, regulation and guidance, but there is a key opportunity to work with each of the Highlands and Islands local authority partners to shape local and regional policy and action plans to ensure that existing and new emerging powers are used to the advantage of fragile communities.

The gap between housing need, demand and supply

Across the Highlands and Islands, it is estimated that

- just over **1,800 new properties** are needed each year across all tenures made up of an estimated **1,071 affordable homes** required each year and **742 market properties**
- an average of around **992 affordable properties a year are planned** across all the local authorities in the Highlands and Islands meaning that across the Highlands and Islands the SHIPs, **if viable**, will deliver **79 fewer properties than needed** each year.
- the contribution of the private sector has fallen from a high of 2,490 units in 2007 to 1,130 in 2016, a reduction of 1,360 units per annum over the period. **Compared with the level of market demand of 742 per**

annum identified, the current level of private sector provision is more than the requirement identified across the HNDA estimates.

- Looking at completions data for 2016, **we see a total of 1,627 completions** across the Highlands and Islands – **187 fewer** than the annual need figure across all tenures of 1,814 (**90% of the target**). According to the combined affordable needs estimates from above, the 497 social sector completions in 2016 (though a significant increase on 2015) are still just **50% of the SHIP** affordable housing target of around 990 properties a year that social housing providers **should be delivering** and just **46% of the estimated 1,071 affordable properties needed each year**.
- There has been progress on delivery, with a 17% increase in affordable supply completions between 2015 and 2016, with Argyll and Bute, Moray and Orkney all increasing their supply. Argyll and Bute and Highland have set ambitious Housing Supply Targets based on higher migration HNDA scenarios. However, Shetland and Na h-Eileanan an Iar are still delivering just 1 in 4 of the affordable properties needed each year, with Moray providing less than half of what is needed.
- The **affordability** of private sector new-build is a concern, so that access to housing is confined to subsidised affordable housing (if it is available) for households with incomes below the median income in many areas. Private sector completions are largely clustered in more accessible areas close to urban centres and there is **far less development in fragile areas** across the Highlands and Islands.
- Housing supply and its affordability has a critical influence on the **ability of businesses to recruit and retain staff**, with business expansion affected by these issues. This is particularly problematic in areas where tourism and second homes put pressure on accommodation, and other areas of seasonal or cyclical employment.

The Scottish Government has committed a record level of resources to increase the affordable housing supply, and we have found through this research considerable effort from local authorities and partners to increase supply. However, the scale of the gap between housing need, demand and supply indicates the need for even more, or different positive action and intervention, to increase the number of houses being completed in both the public and private sectors, with a problem in affordable housing supply.

The current process of assessing need has been heavily criticised as failing to reflect the needs of rural areas, of entrenching past trends and failing to reflect the aspiration in many communities to reverse these, rather than incorporate them into future plans. This means the level of need and shortfall in supply may be even greater, if the needs of hidden, and 'young and stuck' households were considered. In addition to the understatement of need in areas of historical population decline and hidden households, the current housing need and demand methodology do not allow for adequately evidencing housing need below sub market area, therefore obscuring the needs of smaller, fragile communities. The Rural Housing Fund gives some potential for resourcing feasibility/needs studies, but these rely on ad-hoc initiative from communities, and a more systematic approach to understand the needs of rural and remote communities is required.

More generally, our assessment is that the system of needs assessment and the subsequent translation of those needs into strategy and investment plans fails as the additional housing need is whittled through supply target setting that incorporates (or accepts) all the constraints that make it impossible to meet the identified level of need. Targets are set based on what can be achieved given constraints, rather than what is needed. What if local

authorities were required to develop strategies and investment plans that **had** to meet identified need within 10 years and set out what needs to happen for that need to be met?

Land, infrastructure and regulatory constraints

Land supply has generally not been found to be problematic, but supply of *credible, effective* land is in short and decreasing supply, where the risks and costs to enable viable development are often too great without intervention, especially in more rural and remote environments. There is considerable cost in opening up sites due to infrastructure requirements, and costs associated with planning, building and road construction regulatory burdens, some of which disadvantage the rural and remote context, particularly where there is rigid application of regulations with little flexibility for the individual context. These constraints, exacerbated by lack of economies of scale means the risks are often too great for private developers to supply in rural and remote areas.

There are a number of key areas where changes to current policy and practice have the potential to minimise these risks, and incentivise development:

- 1. Local Development Plans** to zone land that is **development ready**, and removing the upfront information requirements and costs associated with surveys and information required for planning applications which is a considerable factor influencing private and social sector development. One option suggested by stakeholders is for local authorities to bear the cost of information requirements, even if later recovered through planning charges. The Scottish Government Planning Review Position Statement has recognised this issue and states that *'it will work with stakeholders to explore a proportionate framework to provide clarity on delivery whilst minimising additional investment in assessment. The proposal will be supported through secondary legislation and guidance.'* It is unclear from this statement as to the balance between local authority investment and private sector investment; where there are few incentives for the private sector to invest in fragile areas, there is a case for greater public sector involvement to reduce risk, and incentivise private sector investment.
- 2.** Extending support from the **Infrastructure Fund** to smaller sites in rural and remote communities. To date the infrastructure fund has been targeted for large strategic sites, and the Scottish Government's short term measure to use the Scottish Futures Trust to kick start 'significant' sites appears also to be focused on larger long-term growth area. Could the 'strategic' term currently used as a criterion for the Infrastructure Fund be applied to include sites of strategic importance for community sustainability and regeneration in fragile areas? In the longer term, the Scottish Government's proposal for a more transparent and fairer funding mechanism of infrastructure through an **infrastructure levy** must have application in the rural and remote context, and should not prejudice small development, which may lack the economies of scale for a levy to pay for necessary infrastructure. How will an infrastructure levy work for small rural and remote developments?
- 3.** The fall in **self-build completions** in the Highlands and Islands has had a significant impact on new supply over the last decade, caused by the restructuring of the mortgage market after 2008. While the Self-Build Loan Fund provides an alternative source of finance to compensate for the withdrawal of commercial lenders, uptake of the fund has been disappointing. The Scottish Government's review of the fund has not been completed but many of the issues common to other developments are generally identified – land,

planning and finance – as constraints to self-build. Measures to ameliorate are already being implemented, including the provision of serviced sites and simplified planning zones, which lower the risk to purchasers. Self-build land is not immune to price pressure and the costs of plots is likely to be a barrier since a precondition for access to the loan fund is possession of a plot. Could the loan fund be extended to site acquisition? Could the local authorities facilitate more serviced sites, with plot passports, that could be marketed to potential self-builders?

4. Increasing **supply for entry level, low cost private housing** has become more difficult with planning and building regulations, road construction and energy efficiency requirements (where there are limitations in rural areas), all combining to push up the cost of development, taking properties beyond the reach of first time buyers. There is scope to consider how strategic housing, planning and building control duties can be used to encourage the supply of lower-cost starter homes in fragile communities where entry-level housing is key to retaining young people and sustaining communities.

Communities support, resources and funding

We have found that in many fragile areas, community initiative and leadership is the catalyst for new housing supply, perhaps due to the threat of a school closure or the need for housing to support the growth of a local business. Housing need in small fragile communities is identified through this bottom-up approach, rather than the systematic assessment of need (as discussed above). This has been supported in many communities by enabling, third sector organisations who show impressive innovation, ingenuity and tenacity in their approaches to obtaining development funding. It has been found that the processes can be complex and time consuming, and applying to various fragmented funding streams can be tortuous. While there are examples of success, we have also found that the resources of communities and enabling organisations are spread very thinly, and further investment in these types of activities will be critical in encouraging community-led development in fragile areas. The research raises the following questions and options:

1. How many more **fragile communities could be sustained and supported** if there was more support and resources for local communities, and systematic ways of establishing housing need in these communities? While community leadership is often very powerful and effective, what about those fragile communities where there is need but no-one able or willing to take the lead? How is that community's housing needs assessed and addressed? What is the role for HIE to support the local authority in identifying need and supporting its priority fragile communities, and/or are more resources required for the existing enabling third sector organisations?
2. How can **funding processes be simplified** while made flexible to meet the requirements of different rural and remote circumstances without sacrificing the policy objectives that stimulated the creation of the various funds? There is scope to develop both the Rural Housing Fund and Self-Build Fund. On the Rural Housing Fund: outlining the complexity of navigating different funding streams for communities; discussing how this can be simplified and streamlined with other funding streams; consideration of delegation of funds from Scottish Government to local authorities and/or other support agencies to bring funding and human resources together to help reach communities and support them in their application / implementation of development. On the Self Build Fund recommendations are listed above (using the fund for site purchase;

servicing of sites by local authorities), and another suggestion is to look at a similar scheme to the Croft House Grant scheme to stimulate self-build.

3. What value can be achieved in **combining resources** to achieve different policy objectives in housing supply and economic development in fragile communities. Examples of combining resources and policy objectives have been shown at a recent housing and business site in Fort William. Can the principles underpinning the opening of this site for investment be replicated in more remote locations to regenerate fragile communities?

Leadership and enabling roles

In a context where the market is unable to respond to needs and demands, intervention needs strategic oversight of housing development – assessment of what is needed, where, and a lead role in ensuring delivery. Each of the local authorities has a statutory role as strategic housing authority, planning authority and responsibility for building control. The Scottish Government Planning Review is also encouraging local authorities to take an even more proactive public leadership role in enabling development, and coordinating action with public and private partners using existing and new proposed powers. Through its regional economic and community development role, HIE can support these wide-ranging roles and responsibilities, particularly considering its refocused policy around partnership and place-based approach. The emphasis from the Scottish Government for regional working in development provides a refreshed opportunity to formulate what partnership working may look like, and from that what action it produces for communities on the ground. One exemplar model in the Highland Housing Hub shows what can be achieved with very intense collaborative working, and while this model might be difficult to replicate across all geographies, other structures with similar aims and focus might also work.

The public sector finance context means there is currently little scope to allow ‘speculation’ in the public sector to drive private sector investment. The Scottish Housing Regulator focus on viability leads to risk-averse decision-making among the RSL sector, which stifles innovation. This means ‘riskier’ innovations may need additional resource or special policy provisions if the gap between housing demand, need and supply is to be met. It is here where the combined forces of the skills and resources in the public sector should support delivery.

Community-led development in the context of rural and remote communities is critical but can be very time-consuming and frustrating for the volunteers involved. As discussed above, more support is needed to help communities navigate the housing supply system.

Summary of recommendations

Stimulating housing supply in the Highlands and Islands will be achieved through working in partnership around a place-making approach, with Scottish Government, each of the seven local authorities and other private and public sector partners using their respective powers and responsibilities to support housing supply planning and delivery. The priority areas for partnership working are:

1. **Assessing housing need and demand** – Changing to an assessment method which reflects the aspirations of communities for growth and development, rather relying on projected figures. There also needs to be systemised methods to identify local need at community level, well below housing market area level. This should not be left only to the initiative of communities who are motivated to raise concerns. There may be

many other fragile communities 'at risk' who also need their requirement for additional housing assessed and addressed, but who may not have the resources to take the lead. This change requires discussion with each of the local authorities, and Scottish Government to influence change in the standard HNDA guidance and approach.

- 2. Matching housing need and demand assessment with investment planning** – The current Housing Supply Target and Strategic Housing Investment Planning (SHIP) approach sets targets on what housing supply is achievable, based on constraints, rather than housing need. This should be refocused to meet need and demand, rather than to reflect their constrained capacity to supply.
- 3. Local development plans to facilitate development-ready land** – The Scottish Government planning review proposals are likely to change existing approaches to encourage more development-ready land. Ideally, developer investment and risk would be minimised upfront (even if the costs are recovered later) to incentivise housing investment particularly where the risks are greater in more fragile areas.
- 4. Infrastructure fund** – Public sector partners should explore the current criteria of 'strategic sites' for infrastructure funding with Scottish Government, to ensure that the criteria are sufficiently broad to include smaller sites which contribute to sustaining fragile communities. The public sector partners could discuss with the Scottish Futures Trust its short-term role in enabling stalled sites, and whether any key rural/remote sites can be included in this intervention.
- 5. Infrastructure levy** – Scottish Government's plans for an infrastructure levy should cater for the needs of smaller sites in the rural and remote context. The final part of research on the levy is underway and public sector partners should explore and influence Scottish Government on the extent to which fragile community needs will be met through this approach.
- 6. Self-build** – Despite the Self Build fund, self-build supply has struggled since 2008. There is potential for Local Development Plans, serviced sites for self-build and housing investment policy to encourage greater supply. Loans for site acquisition is one element that could be incorporated into self-build loans.
- 7. Stimulation of entry level, low cost private housing** – Public sector partners should explore how Local Development Plan policies and practice can change to encourage supply of smaller properties, and discuss with Scottish Government how Building Regulations could be amended to relieve the constraints to the provision of low-cost starter homes – particularly in respect of energy efficiency requirements and space standards.
- 8. Supporting communities and enablers** – Assessment of need and leadership of development of housing at the community level requires more support and resource – supporting both communities directly and enablers such as HSCHT and Rural Housing Scotland. Public sector agencies should explore how this is best achieved and resourced.
- 9. Funding sources** are complex, fragmented and most are centralised through Scottish Government. The application of these funds should be simplified and applied more flexibly, based on the needs of local communities. A local authority-based specific approach should be discussed in each area. There is scope

for the public sector to combine financial and human resources to support housing and place-based economic and community development objectives in fragile priority areas.

- 10. Leadership and enabling** – HIE should support the seven local authorities in their lead role as regional enablers and regulators of housing development particularly as each of the local authorities develops its 'refreshed' role as the Planning Review proposals are implemented. This will reflect HIE's refocused partnership and place-making approach. All public sector agencies should ensure the regional leadership framework supports community-level leadership resources.