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Land supply for housing in rural Scotland

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REPORT

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1. Introduction

1.1 Research problem

There is a widely accepted view that there are not enough new homes being built to meet housing need and demand in rural Scotland, which is evidenced by the publication of the Rural and Islands Housing Action Plan (RIHAP) and declarations of housing emergencies by councils such as Argyll and Bute and the Scottish Borders..

In an earlier report commissioned by the Scottish Land Commission, Reid et al (2020) examined the role of land in enabling and/or constraining the supply of new housing in rural and remote rural areas of Scotland. They argued that a wide range of factors – including land ownership constraints, land prices, costs of development, site effectiveness, limited skills and resources, and planning constraints, for example – were preventing rural sites from being developed.

Increasing the supply of new build, affordable housing in rural Scotland is key to meeting housing need, as well as reversing depopulation and supporting economic growth opportunities (where these exist) in rural areas. The prescription offered by Reid et al was improving planning and engagement, supporting innovations where they prove effective and consolidating support structures (ibid: 4).

In this report, we pick up where they left off. Our aim is to build on their conclusions by making some practical recommendations to help deliver a 10-year pipeline of developable land for new housing development in rural Scotland. In the next section, we outline the evolving policy landscape before setting out our aims and objectives. This is then followed by a brief note on our methods and an outline of the report structure.

1.2 The evolving policy landscape

As recognised in the commissioner’s brief for this study, the research needs to be set in an understanding of the current, and changing, policy environment. The key elements of this are the Planning (Scotland) Act, 2019, National Planning Framework 4 (NPF4), the resulting Scottish Government activity to transform planning – particularly Local Development Planning – the Rural and Islands Housing Action Plan, the Land Reform Bill (progressing through Parliament at the time of writing) and the housing emergency. This section outlines the main features of these as they relate to our objectives.

1.2.1 The Planning (Scotland) Act 2019

One of the key objectives of the 2019 Act is to increase the focus in planning on implementation, as part of a culture shift away from the reactive towards a positive role. The Act sets out a broad range of changes to be made across the planning system including:

- arrangements for the preparation of development plans;
- proactive masterplanning;
- development management procedures and considerations;
- improved experience and influence of communities;
- strengthening enforcement; and
- stronger leadership and resources, alongside improved performance and positive outcomes.

(Scottish Government, 2021: 1)

1.2.2 National Planning Framework 4

NPF4 was published in 2023 as the national spatial strategy for Scotland to guide development to 2045 (Scottish Government, 2023a: 1). As discussed further below, its Annex E sets out the Minimum All-Tenure Housing Land Requirement (MATHLR) for each planning authority, i.e., the minimum amount of land to be provided by each planning authority in Scotland for a 10-year period. Within the main body of NPF4, policies 15 to 18 relate most directly to the current research, and some of the key statements are:

- Policy 15 “The LDP delivery programme is expected to establish a deliverable housing land pipeline for the Local Housing Land Requirement. The purpose of the pipeline is to provide a transparent view of the phasing of housing allocations so that interventions, including infrastructure, that enable delivery can be planned ... (an) annual Housing Land Audit will monitor the delivery of housing land to inform the pipeline and the actions to be taken in the delivery programme.”
- Policy 16 “Policy Outcomes (are that the)...identified local needs of people and communities in rural and island areas are met, homes are provided that support sustainable rural communities and are linked with service provision, the distinctive character...of rural areas (is) safeguarded and enhanced...LDPs should set out tailored approaches to rural housing and where relevant include proposals for future population growth...”
- Policy 17 clarifies the criteria for supporting housing development proposals in rural areas.

- Policy 18 (and preceding discussion) sets out an infrastructure first approach: “The LDP should be informed by evidence on infrastructure capacity, condition, needs and deliverability,...within the plan area,...set out the infrastructure requirements to deliver the spatial strategy, informed by the evidence base, identifying the infrastructure priorities, and where, how, when and by whom they will be delivered; and indicate the type, level... and location of the financial or in-kind contributions, and the types of development from which they will be required.”

1.2.3 Local Development Planning

The overarching aim in the Local Development Plans (LDP) with respect to rural development is to support the sustainability and prosperity of the rural economy. A key element to realise the emphasis on implementation is for the adopted LDP to be accompanied by a Delivery Programme. LDP guidance sets out its legislative requirements, including that “As a minimum, the Delivery Programme must set out...the expected sequencing of, and timescales for, delivery of housing on sites allocated by the LDP” (Scottish Government, 2023b: 146).

Site allocation should be consistent with the authority’s Local Housing Land Requirement (LHLR). The LHLR is one of the requirements in the Evidence Report submitted in the process of LDP preparation and is expected to be informed by the MATLHR, the Housing Needs and Demand Assessment (HNDA) and any more recent relevant information. The Evidence Report is also to be informed by outcomes of annual Housing Land Audits (HLAs, showing past completions and future programming of new houses), the demand for self-build housing land, the assumed contribution of windfall sites and the council’s Local Housing Strategy and Strategic Housing Investment Plan.

A possible tool to assist the local authority to take a proactive role in placemaking is the designation of Masterplan Consent Areas (MCAs). The MCAs have the potential to support the delivery of LDP spatial strategies and particular local priorities, by providing upfront consent for development that has been subject to community consultation and so supporting and actively incentivising investment in those planned developments (Scottish Government, 2024). At the time of writing, the Scottish Government is considering responses to a consultation on MCA regulations.

1.2.4 The Rural and Islands Housing Action Plan

The Rural and Islands Housing Action Plan (RIHAP) was published in 2023, emphasising the importance of affordable housing provision in rural and

island communities. It set out actions including those to:

- deliver 110,000 affordable homes across Scotland by 2032, including 10% in remote, rural and island communities;
- deliver the demand-led Rural Affordable Homes for Key Workers Fund, with councils and RSLs;
- support community-led affordable housing development, through the demand-led Rural and Islands Housing Fund;
- reform and modernise compulsory purchase legislation in Scotland;
- support collaborative and place-based approaches to identify land for affordable housing, including a focus on public sector assets, and land reform rooted in community empowerment; and,
- consider the case for Compulsory Sales Orders.

1.2.5 Land Reform

Following consultation in 2022-23, a Land Reform Bill was introduced to the Scottish Parliament in March 2024. As summarised by the Scottish Community Alliance (2024), it introduced three measures which would apply to owners of large-scale landholdings:

- Ministerial powers to make regulations to place new community engagement obligations on landowners to produce land management plans and to engage with local communities (applicable to holdings of at least 3,000 ha, or 1,000ha where that is at least 25% of the area of an inhabited island);
- requirements for community bodies to receive advance notice in certain cases that the owner intends to transfer a large landholding, or part of it, and provide an opportunity for community bodies in the area to purchase land (applicable to landholdings of at least 1,000ha);
- the introduction of a “transfer test” for certain transfers of all or part of a large landholding (applicable to landholdings of at least 1,000ha), to determine if the owner should be required to transfer the land in smaller parts (lotting).

The Bill also seeks to establish a new Commissioner at the Scottish Land Commission (SLC) to be known as the “Land and Communities Commissioner”, with responsibilities in relation to the new obligations on landowners and the transfer test. At the time of writing, stage 1 consultation on the Bill has been undertaken and responses are being considered.

1.2.6 The Housing Emergency

Following declarations by eight local authorities (Argyll and Bute, Edinburgh, Fife, Glasgow, Scottish Borders, South Lanarkshire, West Dunbartonshire and West Lothian), the Scottish Parliament declared a national housing emergency in May 2024. This marked recognition of extremely high pressure across the housing system. In June 2024, Shelter (Scotland), Homes for Scotland, the Scottish Federation of Housing Associations and the Chartered Institute of Housing (Scotland) set out key actions they believed necessary to address the emergency: urgently increase the supply of new social homes, make maximal use of existing homes for people in need, fully fund local homelessness services, and maximise affordability across all tenures.

1.3 Research aims and objectives

The operations of the housing land market and the challenges it faces are already well understood. These challenges have been the subject of previous research, including research undertaken by and for the Scottish Land Commission (James and Tolson, 2020; Reid et al. 2020; Satsangi et al, 2020). While we do consider these issues at different points throughout the report, noting especially new, emerging concerns, the primary aim of the research is to focus specifically on the role of land in, and to make practical recommendations for, increasing the supply of new homes (of all tenures) across rural Scotland.

We have four objectives, as follows:

- To make practical recommendations that would deliver a 10-year supply of effective land to meet housing need and demand, and support growth opportunities available in much of rural Scotland.
- Explore the potential for alternative governance and ownership models that could unlock land for development.
- Examine the potential of Local Place Plans to act as a key building block for delivering housing to support growth and repopulation.
- Propose practical approaches to providing support to reduce risk for, and increase the capacity of, communities, landowners and SMEs to deliver new homes.

With reference to the first objective, it should be noted that key stakeholders (see below) thought that it should be reviewed to better reflect the Planning (Scotland) Act 2019, suggesting:

“Make practical recommendations to help local planning authorities in their delivery programmes for housing land, and thereby support them to meet housing need and demand and support opportunities for growth available in much of rural Scotland.”

1.4 Methods for data collection

To meet these objectives, we used a mix of qualitative methods including: a discovery workshop with key stakeholders from across Scotland, a series of informative case studies, key informant interviews, and two roundtable discussions. We provide a little more detail on each method below.

1.4.1 Discovery workshop

We held a ‘discovery workshop’ with 20–25 key stakeholders from across Scotland, including representatives from local planning authorities (LPAs), registered social landlords (RSLs), community-led housing enablers, development trusts, SME developers, private sector consultants, and national organisations such as the Royal Town Planning Institute (RTPI), Scottish Futures Trust (SFT), South of Scotland Enterprise (SoSE), Scottish Land and Estates (SLE), and the Development Trust Association Scotland (DTAS).

We adapted and employed the ‘appreciative inquiry’ approach, which is more typically associated with organisational development but has also been used in education and health research (Jones and Masika, 2020; Merriel, et al. 2022). The appreciative inquiry approach involves moving through a series of focused discussions structured around the “five-Ds”, which we have adapted and presented in the figure below. It is sometimes described as a method of action research.

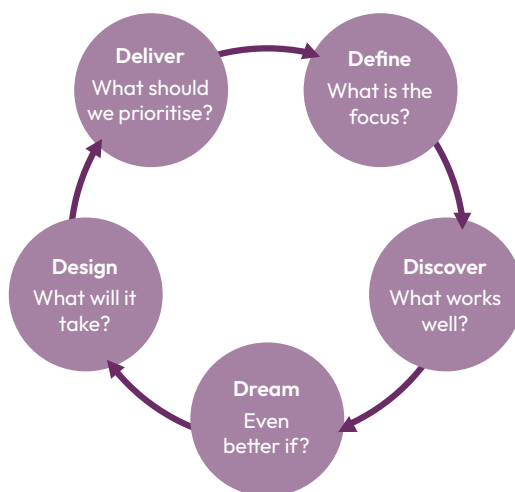


Figure: The Five-D Cycle of Appreciative Inquiry (adapted from Cooperrider and Srivastva, 1987)

The focus of appreciative inquiry is on positive discourse by posing questions about what is possible rather than what is impossible. The aim is not to ignore the problems (in this case, the barriers to land supply) but to turn them into ideas for improvement generated with people who can provide realistic and authentic insights. Some may consider the approach to be naïve for skimming over problems, but we consider it an appropriate approach to research focusing on controversial or sensitive issues where emotions may run high, or perspectives are contested. We adopted this approach to encourage a focus on practical policy solutions, although we did also give participants a chance to comment on the barriers in a short survey prior to the workshop and acknowledged these before moving on to discuss what works well, what could be done better, what it might take to get there, and what should be prioritised.

1.4.2 Case studies

We have also generated a series of seven informative case studies drawing on planning and other publicly available documents and key informant interviews. Five of these case studies are site-specific examples all located within rural areas of Scotland. The five Scottish case studies include the Dunbeg Development Corridor and the Colonsay Community Development Company-led development at Scalasaig, both in Argyll and Bute; the North Staneyhill masterplan extension near Lerwick on Shetland; three housing projects on the Hirsell Estate in the Scottish Borders; and Blar Mor, a key worker housing project in Fort William, in the Highlands. These case studies were chosen with stakeholder involvement to ensure a good spread in terms of geography, scale of development, and the lessons that can be learned from the different approaches taken.

We also look at broader national-level land supply strategies employed in England (through Homes England) and Ireland (through the Land Development Agency), as well as regional approaches in the Highlands and the Scottish Borders in each case, we attempt to extract key lessons that are informative for policy and practice in Scotland.

1.4.3 Key informant interviews

In addition to the above, we also conducted 17 key informant interviews, some specific to our case studies, but the majority of which focused more broadly on exploring our four research objectives. Interviewees were again drawn from across the public, private and third sectors. Interviews were conducted in-person and online, each lasting between 45 and 60 minutes.

1.4.4 Roundtable discussions

Lastly, we facilitated two roundtable discussions – one in the Scottish Borders and one in the Highlands – to explore land supply strategies at the local and regional levels. In both cases, the discussions were hosted by the local planning authority and were attended by planning and housing officers and locally active housing enablers and developers. The discussions lasted for 2.5 hours and focused on specific land supply strategies (e.g. estate rationalisation in the Borders, and the Highland Landbank), as well as what works and what more needs to happen to increase rural housing supply in these areas and more generally across Scotland. These discussions generated some very practical short, medium and longer-term priorities, which we report in Chapter 5 and 6.

1.5 Report structure

In Chapter 2, we present a review of the ways in which rural housing shortages have been addressed in the academic and policy literature.

In Chapter 3, we present the five Scottish case studies and summarise key learning points.

In Chapter 4, we explore the approach taken in England and Ireland by Homes England and the Land Development Agency, respectively, as well as regional/local land supply strategies drawing on roundtable discussions held in the Highlands and the Scottish Borders.

In Chapter 5, we present the results of a thematic analysis of key informant interviews.

In the final chapter, we summarise our conclusions and make some recommendations under each research objective.

2. Evidence review

The aim of this section is to set the context for the main phases of empirical work in this research. It reviews the way in which (affordable) housing shortages in rural Scotland have been addressed in academic and policy literature. In doing so, it brings in key points made by stakeholders in the discovery workshop held early in the research (see above for details).

2.1 The rural housing question

The quest for solutions to apparent shortfalls in the supply of (particularly) low-cost housing relative to demand in rural Scotland (and in other UK nations) is far from new. Indeed, over a century ago, the Report of the Royal Commission on the Housing of the Industrial Population of Scotland: Rural and Urban (1917) made particular reference to the conditions of agricultural labourers, noting their reliance on low and seasonal wages. Satsangi et al (2010) trace the history of relevant housing and spatial planning policy enquiry, design, evaluation and amendment. They contend that at the root of the rural housing question is a difficulty in resolving what the purpose of rural areas is: a wilderness to be preserved from 'urban' despoilment save for managed tourist incursion, a primary industry resource or a "living, working countryside" (following the title of the enquiry report from Taylor, 2008). The lack of resolution militates against durable 'solutions' at national and local levels.

The consequences of the unanswered rural housing question are witnessed in population age structures with relatively high numbers of elderly people and the depopulation of young, working age people (Copus and Hopkins, 2018; Hopkins and Piras, 2020), low school rolls and businesses finding it difficult to recruit – seen notably in the tourist sector. There are also concerns about meeting the housing needs accruing from significant new investment in jobs in the Inverness and Cromarty Firth Green Freeport area (see Scottish Housing News, 14 Feb 2024).

The simple response of capital subsidy for (particularly) social rented housing is faced notably with a challenging public finance context: but its role, and housing provision in general, has been recognised for some time in numerous studies (e.g., Satsangi et al, 2001; Satsangi, 2006; National Steering Group, 2001). Key stakeholders said that the capital grant regime for housing association, HAG and the associated regulation of its recipients, had been an "unsung hero" in affordable housing supply for rural areas. It has been noted that capital subsidy for self-build housing (Scotland's Rural Home Ownership Grant (RHOG) – now discontinued – partly modelled

on antecedents to the current Croft House Grant scheme) can also be an effective mechanism in particular circumstances (Morgan and Satsangi, 2011). Stakeholders acknowledged the positive roles of the Scottish Land Fund and Rural and Islands Housing Fund, with community asset transfers also seen as potentially useful.

Most recently, in research for the Land Commission on the role of land in enabling new housing supply in rural Scotland, Reid et al (2020) refer to barriers to provision, including:

- Land ownership constraints – some landowners pursue more active land management and development strategies than others (see Adams 1994). In some cases, land ownership might also be fragmented or unclear. A remedy strategy of estate rationalisation being pursued in some parts of Scotland was seen as valuable by stakeholders, and a way of making projects viable (see below).
- Land prices – high market demand or constrained land supply can put upward pressure on house prices and thus land prices. Land prices may also be low where the costs of development make it uneconomic for land to be developed (see also Foye and Shepherd 2023 for more on the relationship between housebuilders and the land market).
- A lack of published data on land transactions and options – this reduces the transparency of land sales and the market and makes it harder for landowners to assess whether or not offers represent best value (see also Hutchison et al. 2023 on the transparency of options agreements).
- Market failure(s) – the volume housebuilders tend not to operate in rural and remote rural parts of Scotland because ‘There is often not sufficient depth of demand nor value to allow developers to generate adequate levels of profit to sustain their business models’ (Reid et al. 2020: 5). This market is therefore said to be ‘missing’, resulting in a lack of ‘mid-market new build supply’ (ibid). Stakeholders also noted that the Global Financial Crisis (GFC) and its aftermath had seen a significant contraction, if not “total disappearance”, of small and medium-sized enterprises (SMEs) who had previously been very important in market supply in different rural markets.
- Costs of development – the costs of development tend to be higher in rural and remote rural areas resulting in house prices that may be beyond the reach of those living and working in rural communities. Even where land prices are low, it may be difficult for developers to make the economics stack up (ibid). The costs of development have also continued to inflate in the years since 2020, largely due to the fallout from Brexit, COVID-19 and

the Truss Government's so-called 'mini-budget'. Stakeholders reported this as a continued pressure on project viability.

- For rural social landlords, the cost of meeting EESSH2 and fire safety requirements could also be higher than for those in urban areas (SFHA, 2021).
- Site effectiveness – some land is expensive to service or requires an infrastructure first approach to unlock development potential which can be a barrier to not-for-profit organisations without public subsidy. Some sites are also included in Local Development Plans but are not deliverable in practice (Reid et al. 2020: 6).
- Limited skills and resources – many community groups and community development companies lack time, resources and skills to bring forward and progress challenging development opportunities. Many new projects also rely on grant subsidies which are limited (ibid).
- Planning constraints – projects can also be held back by an inability to secure planning permission, sometimes reflecting natural heritage constraints and/ or other technical consents.

2.2 Initiatives to answer the rural housing question

Outwith the apparently straightforward capital subsidy route to low-cost housing provision, Reid et al. concluded that 'greater facilitation and support, better approaches to rural planning and community engagement, improved private and public sector engagement together with support for new models and approaches would help support the delivery of more homes and better places across rural Scotland.' (ibid: 4). Stakeholders in our discovery workshop endorsed this view, emphasising engagement between planners, developers and landowners.

2.2.1 Public Interest Led Development

In its 2021 review of Land for Housing and subsequent recommendations to Scottish Ministers, the Land Commission itself proposed a new Public Interest Led Development, or PILD, approach to delivering new homes and creating places where people want to live, and at prices they can afford (SLC, 2021). Tolson and Rintoul (2018: 1) define PILD as an approach whereby 'a public sector body (local authority, regional development agency, government body) plays a leading role in initiating and driving forward major development in order to achieve particular public policy objectives.' Stakeholders supported the principles of PILD as a reinstatement of "positive planning...in the public interest."

Adams (2015) details the PILD approach further, its main characteristics being:

- PILD is where a local authority, government body or other public sector agency plays a leading role in driving forward major development to achieve specific public policy objectives, such as providing more housing.
- Almost always, PILD involves some form of partnership between the public sector and private sector landowners, developers and investors.
- In most cases, PILD involves public-sector land acquisition and assembly, often followed by infrastructure provision, and where required, remediation treatment. Serviced land can then be split up into different parcels and sold on to private developers. As such, PILD is primarily applicable to major development or regeneration areas, rather than small individual sites.
- Direct control of land ownership puts the public sector in a much stronger position to ensure well-integrated and properly coordinated development than where this is left simply to planning control.
- There is evidence that PILD can speed up the pace of development, because it enables a greater range of developers to be involved in any development project (including small and medium-sized companies) and because the provision of serviced plots means that developers can start almost straightaway.
- PILD is also an effective means to capture any value uplift from urban development through purchasing land at a fair price that takes account of all the public investment needed for major new projects, and in due course, recouping at least that investment through land sales.
- PILD involves some form of risk sharing with the private sector, which evidence suggests may well be welcomed by many private sector developers and investors. (Our own interviews add to this evidence).
- In terms of funding packages, PILD requires up-front public investment, which could be financed from the sale of bonds or from other potential investment sources. Indeed, with their 'triple A' credit rating, Scottish local authorities are in principle well placed to raise funds at competitive rates of interest. When combined with their land, property and planning powers, this means that local authorities are quite capable of initiating PILD, should they be encouraged to do so by the Scottish Government.
- Profits from land sales could be used to finance new projects, making PILD self-sustaining.
- Rather than expecting the private sector to take on all the risk of major

urban development, a shared approach in which the public sector plays an important leadership role, is more likely to produce greater benefits for all.

- PILD would be expected to focus on selective major urban development or regeneration projects, where public-sector leadership can add real value in bringing development forward faster, ensuring effective infrastructure provision, capturing significant land value uplift and creating more attractive places.

The model echoes recommendations from the Scottish Government's Land Reform Review Group (LRRG, 2014: 136):

'The solution to achieving Scottish Government housebuilding targets, in a way which delivers quality placemaking and improved housing standards is likely to be characterised by:

Managing the land supply in the public interest.

Capturing a greater percentage of rising land values to support the public interest.

Lowering land and house prices.

Encouraging a greater diversity of housing providers.'

The LRRG therefore proposed the establishment of a Housing Land Corporation – 'a new national body with a clear public interest remit', which would work 'alongside local authority planners' in order to 'achieve its public interest objective by taking land into public ownership at a low but fair price, investing in the necessary infrastructure, and then selling the land to house builders as serviced sites or plots. In addition to facilitating more house building (better designed and more energy efficient) more quickly and more cheaply, land ownership would provide increased control and ability to influence the quality of placemaking' (ibid: 136-7). Stakeholders were commonly supportive in principle of such an organisation, whilst recognising the importance of the detail of its governance and ways of working so that it could collaborate with existing public and private agents and complement and facilitate their work. They favoured a national or cross-regional, rather than localised operation. Assembly involving necessary infrastructure provision was noted as a particularly important objective.

This model also resembles the 'active land policy' common elsewhere in Northern Europe, whereby public bodies acquire land to be held over the long term until there is a need for new development. The public body can make a land use plan for the land, service it with basic infrastructure and sell

plots, with planning permission and infrastructure already accounted for, to housebuilders (Satsangi et al, 2020).

Countering some stakeholders' views, it is feasible that instead of having a separate body, the same functions could be performed by local authorities: if they are empowered and resourced to do so. It is important to recognise that the context at the time of writing is very difficult: local authority planning departments are stretched and must focus on delivering current statutory tasks. Our workshop participants noted that workload pressure meant that desirable tasks, such as pre-application consultations, had become much less common and that applications were commonly taking a long time to decide. They suggested that more delegation from committees to officers, streamlined applications for outline planning consent, and a mobile panel of rural planning experts operating nationally should be considered to deal with pressure. They identified that the new National Planning Framework (NPF4) has also increased the number of expectations put on local planning authorities. At the time of writing, the Scottish Government is considering responses to a consultation on how planning might be resourced.

2.2.2 Planning policy

Commenting in general some 20 years ago on planning policies that might favour affordable housing development in rural areas, Satsangi and Dunmore (2003: 215) concluded that as national policy in Scotland and England was tending to weight environmental concerns above social concerns, "...the planning system...is likely to remain a vehicle more suited to preventing development than to promoting affordable housing." As the Planning (Scotland) Act 2019 takes root, and the delivery programmes of local development plans are implemented, it is clearly expected that that conclusion should be seen as historic, although some of our stakeholders noted that part of the flexibility that had enabled rural housing development in Scotland pre 2023 had been lost in NPF4. At the time of writing, we understand that the Scottish Government is considering this and other feedback on the first year of operation of NPF4.

Looking in England, Gallent and Robinson (2011) found that the agenda of localism had seen rural community support for affordable housing development being predicated on very tight allocation policies. Thus, emphasising the local authority's need to take a strategic view across its settlements to guard against exclusion. It was noted that Scotland's Local Place Plans (LPPs) had a different statutory position to England's Neighbourhood Plans and stakeholders said that there was potential for

LPP preparation to encourage dialogue between communities, landowners and developers.

Several other studies have examined specific active land policies and mechanisms for delivering more rural homes. Stirling et al (2023), for example, look at housing delivery on rural exceptions sites (RES) in England. RESs are a policy mechanism for delivering affordable homes on small plots of rural land that would not otherwise be granted permission for housing development. Since 1991, housebuilding has been granted on these sites in the ‘exceptional’ circumstance that any development is guaranteed to provide affordable housing for people with a connection to the local area, in perpetuity. Otherwise, these sites would not be granted planning permission, meaning the land carries a lower value, potentially removing the cost impediment to affordable housing delivery. The value of these sites is not dictated by the policy and is open to negotiation in each case, but if land can be secured at a price well below the value of land for open-market development, this makes it possible to build affordable homes in rural areas’ (ibid: 7). A recent comprehensive review (Stirling et al., 2024) shows that RESs can deliver small volumes of housing in small settlements, but they can be jeopardised by landowners seeking hope values on the sale of land and are costly to deliver (i.e. negotiating the sale etc. takes a long time; see also Gallent and Bell, 2000).

Gallent et al (2019) look at attempts to prioritise local housing needs in rural areas by introducing a ‘principal residence’ clause as a planning condition for the development of new housing. Their conclusion is similar to evidence from prior experiments with residence restrictions in the Lake District and elsewhere: an overall reduction in house building (triggered by a shrinking of the market of eligible homebuyers) and a shift in demand by investors from new homes to the second-hand market can elevate house prices and reduce overall housing affordability. Older research on possible controls on second homes through occupancy control or creating a specific use class provides similar conclusions (Gallent and Tewdr-Jones, 2001). Local needs planning policies may be politically expedient, with local politicians responding to a call to action, but they also carry the risk of unintended consequences.

Gallent et al (2020) also look at the limitations of “downstream interventions” like occupancy controls. Perverse impacts of these lead them to argue in favour of “upstream interventions”, such as in the tax regime and land reform.

2.2.3 Upstream intervention: the tax regime and land reform

Looking at tax reform, Gallent et al (2020: 533) suggest that the UK government might consider: changes to capital gains tax (CGT) on primary and secondary residences, reforming the Council Tax, and/or abolishing residential Stamp Duty Land Tax (i.e. Land and Buildings Transactions Tax, or LBTT, in Scotland) and making it part of the CGT liability. They continue: “Merging SDLT with CGT would transfer the liability from buyers to vendors who, for example, could pay SDLT on a % of the price they paid for a property and the CGT as a % of the uplift, less retained reliefs. The objective of these changes would be to reduce house prices through the capitalisation of the new tax liabilities, thereby make housing more affordable, and promoting the needs of those needing a home to live in over those wanting to invest. The theory is that the ‘market’ could be made to cater for a wider spectrum of needs if there were fewer investors in that market, though such a big upstream shift would generate a range of economic knock-on effects” (ibid: 545). Drawing on Macfarlane (2017), the Land Commission has done work on tax changes pointing in a similar direction (SLC, 2022).

With respect to land reform, Gallent et al (2020) explore approaches to purchase and compensation that would bring land into either public or community ownership, resulting in a fairer distribution of value, and reflecting the state’s (and society’s) role in creating that value. The transfer of land into public ownership could be a precursor to community control and use, with land gifted to community trusts or housing associations. Community Land Trusts (CLTs) provide a vehicle for delivering affordable housing and thereafter controlling its use (ibid: 546). Evidence from Scottish community landowners attests to success in their quest to deliver housing, and bolster local economic development, as key planks of ensuring the communities’ survival (Satsangi, 2007; Satsangi and Purves, 2024). A key question is how to set the price to be paid to the landowner (SLC, 2018). The Land Reform (Scotland) Act 2016 established a ‘community right to buy for sustainable development’, which... ‘compels landowners to sell land to a community (or nominated third party) if that sale is judged by the Scottish Land Commission to support sustainable development’ (ibid: 547). Stakeholders recognised the potential support from Land Reform legislation for affordable housing provision in rural Scotland, as seen in the Scottish Government’s consultation paper (2022). It is noted, however, that unless amended, forthcoming legislation may have less impact here than had been anticipated (Scottish Community Alliance, 2024; Wightman, 2024).

2.3 Summary

Evidence reviewed in this chapter, including drawing on the experience of key stakeholders, recognises that ensuring an adequate supply of housing within the reach of all has remained an elusive policy objective across rural Scotland for many years. Direct intervention through public investment in social housing has had beneficial impacts, with some planning system-related interventions making modest contributions. There is some agreement that institutional reform to extend the scope of public interest led development holds promise, as would changes to UK-wide tax regimes. In the next chapter, we introduce five Scottish case studies and consider the lessons that each holds for land supply and new housing development in rural Scotland.



3. Scottish case studies

We looked at five Scottish case studies: North Staneyhill (Shetland), Dunbeg and Scalasaig, Colonsay (Argyll and Bute), Blar Mor (Highland), and the Hirsell Estate (Scottish Borders). These case studies were chosen in consultation with key stakeholders at our discovery workshop in Aviemore. Together, they provide a good geographical spread including island and mainland examples from the east and west coasts, plus the Highlands in the north and the Borders in the south. They also represent development at different scales, ranging from nine homes on one site in the Borders to 800 new homes planned for the Dunbeg Development Corridor. From each case, we extract key lessons for land acquisition and assembly which we summarise in section 3.6.

3.1 North Staneyhill, Shetland

3.1.1 Project description and background

North Staneyhill is a large-scale housing development which is being undertaken by Hjaltland Housing Association in partnership with Shetland Islands Council and the Scottish Government. This three-phase development project will deliver up to 350 new homes over 10-15 years, mostly for social rent but with opportunities for low-cost home ownership via shared equity housing and rent-to-buy properties. Plots may also be made available in later phases for self-build or commission works without grant assistance.



Image: North Staneyhill development site (reproduced with permission from Hjaltland Housing Association).

The site is located immediately north of Clickimin Loch on the edge of Lerwick, close to the new Anderson High School campus which opened in 2017. Lerwick is Shetland's only town, with a population of about 7,500 – although about half of the islands' 22,000 people live within 10 miles of the town centre.

The North Staneyhill Masterplan was completed in 2018 but subsequent progress stalled due to labour shortages resulting from competing infrastructure projects on the Islands and the onset of the COVID-19 pandemic. Enabling works commenced in December 2023 and will see a new spine road and services constructed ahead of the first phase of housing development which is due to commence in the summer of 2025.

3.1.2 Project promoter and funding

Hjaltland HA acquired the site from Shetland Leasing and Property Developments Ltd. (SLaP) in 2015. SLaP was a subsidiary of Shetland Charitable Trust (formerly Shetlands Islands Council Charitable Trust) which was established by the local authority in 1976 when the Sullom Voe Terminal began operating. The Trust was set up to receive and disburse money paid by the oil industry to the local community as compensation for the new terminal operating in Shetland.

SLaP bought, owned, and rented out land across the whole of Shetland. They initially bought the site at North Staneyhill with the intention of developing it themselves but following the turmoil of the Global Financial Crisis in 2007-08, they sought instead to dispose of the site.

Hjaltland HA received £1.425m funding from the Scottish Government following an agreement between the UK, Scottish, and local governments to write-off historic housing debt associated with the construction of a significant number of new homes to support the expansion of the oil industry in the 1970s. Hjaltland HA also received £20m from the Scottish Government's Housing Infrastructure Fund to support the creation of a new spine road and other enabling works.

3.1.3 Land and infrastructure challenges

The main land constraints in this case include the availability of sites near Lerwick where housing need and demand is greatest, competition for land for alternative uses (principally agricultural uses), and landowners' willingness to sell land for housing development. The topography of North Staneyhill is also challenging.

The land slopes steeply with shallow valleys cutting across the slopes.

Hjaltland HA employed engineers to undertake a massing study of the area to ascertain whether the new roads and other services could be delivered on the site while still achieving the density required to make the development viable. This work was carried out prior to Hjaltland purchasing the site from SLaP. Hjaltland HA also conducted topographical studies prior to tendering, including trialling different rock breaking methodologies. The results of these trials were included in the tender documentation.

The Housing Infrastructure Fund is also being used to front-end infrastructure development, including the installation of new roads network and utilities (including a district heating network) for the whole site. This Infrastructure First approach unlocks the development potential of the site enabling it to be built out over the next 10–15 years.

3.1.4 Planning and design

Following initial feasibility studies, Hjaltland HA commissioned a full masterplan that included extensive public and stakeholder consultation using the Scottish Government's Place Standard Tool and with the assistance of Architecture + Design Scotland. The masterplan team comprised of Malcolmson Architects, Mott MacDonald (engineers), Iglu Studio Design (landscape), and the consultancy firm ABA Associates. Shetland Islands Council were also a key partner in the development of the masterplan, which was formally adopted as supplementary guidance to its Local Development Plan in March 2018. The masterplan sets out various design considerations that must be used to inform more detailed proposals for the different phases of development.

There will be four design phases, each of which will involve further community and stakeholder consultation, resulting in four distinct areas: the Terrace, the Escarpment, the Plateau, and the Bowl. PJP Architects LLP, Mott MacDonald, and John Duguid Partnership (Quantity Surveyors) have been appointed to take forward Phase 1 (see above), which comprises the Terrace, a new spine road and other necessary services, and a green corridor.

A planning application for Phase 1 was submitted in July 2020 with permission granted (subject to conditions) in June 2021. The proposal is for 124 homes comprising of 61 one-bedroom flats, 57 two-bedroom houses and 6 four-bedroom homes. The steep topography determines an overall development pattern of 2–3 storey buildings, aligned along and across a south facing slope, that progressively step up the slope towards the moorland landscape to the north.



Image: Phase 1 masterplan, North Staneyhill (reproduced with permission from Hjalmland Housing Association).

The design of phases 2-4 has not yet been commissioned. However, the main services and infrastructure delivered in Phase 1 considers the requirements of future phases.

3.1.5 Key learning points

North Staneyhill is a good example of a large-scale phased masterplanned extension to an existing settlement in an area classed as remote rural. It demonstrates the value of early engagement and collaboration, and how an Infrastructure First approach, as promoted in NPF4, can help to unlock land for development in areas where land supply is otherwise constrained or where the topography is challenging. Without the upfront investment in the new spine road and other services the site would have been unviable. Including detailed site assessments in the tender documentation also provided a greater level of transparency helping to reduce risk for developers.

3.2 Dunbeg Development Corridor, Argyll and Bute

3.2.1 Project description and background

Argyll and Bute Council is one of eight local authorities in Scotland (to date) to have declared a housing emergency. The Dunbeg Development Corridor is a large-scale mixed-use development project designed to transform a 60-hectare stretch of land between Oban and the neighbouring village of Dunbeg. The masterplan (together with earlier phases) seeks to deliver 800 new affordable, energy efficient homes along with community and commercial premises, associated services, facilities and infrastructure.

The development has been built out over three phases to date, covering an area of 6.18ha. Phases 1 and 2 delivered 75 new affordable homes (comprising 50 intermediate rent-to-buy and 25 social rent homes). These earlier phases consist of 24 houses and 51 flats. Phase 3, which completed in October 2023, has added another 300 affordable homes, comprising 260 for general needs affordable rent, 17 mid-market rent and 23 shared equity homes. This latest phase consists of a mix of one to four-bedroom houses and flats, the majority of which are two-bedroom houses, 10% of which have been built to exemplar accessibility and space standards across tenure types to reduce the barriers faced by people with disabilities in accessing suitable homes.

The intention is to submit planning applications for Phase 4 in 2024, with construction works expected to commence in 2025. Phase 4 would see the delivery of circa 430 additional new homes containing a mix of affordable and private homes, including homes for elderly people and student accommodation, along with a community woodland area, and a new commercial area located alongside the A85.

3.2.2 Project promoter and funding

The project was initially promoted by West Highland Housing Association (WHHA). WHHA obtained an option on the site for 300+ new homes in 2007. They delivered the first 50 homes in 2014. However, for a small housing association like WHHA, the cost and risk of building out such a large site was too great and would have taken some considerable time to reach completion. WHHA therefore sought a development partner with whom to share the risk and build the site out more quickly. They appointed Link Group Ltd – one of the largest social landlords in Scotland – the “preferred development partner” in 2014. From 2014, the project has been led by Link Group (incorporating WHHA which joined the Group in 2015) in partnership with C~urb.

Funding and strategic support has been provided by Argyll and Bute Council (£3.6m from the Strategic Housing Fund) and the Scottish Government (£35.5 million from the AHSP), and private finance from Link Group of £23.7m and £0.9m from Scottish Water contributions. The Scottish Government also provided the Council with £2.1m from the Housing Infrastructure Fund to support the creation of new roadworks at Kirk Road, without which the Dunbeg development would not have been possible. The project also benefited from Tax Incremental Financing (TIF), which allows local authorities to capture locally generated, incremental non-domestic rate revenue from regeneration development that arises as a direct result of their investment in unlocking infrastructure.

Other partners include Argyll and Bute Health and Social Care Partnership and Argyll and the Isles Countryside Trust.

3.2.3 Land and infrastructure challenges

WHHA initiated in-depth scoping works in 2007 to identify constraints affecting the site. These assessments highlighted topographical challenges, challenging ground conditions, and environmental constraints. A sustained phased approach to development was proposed and adopted, which will enable the site to be built out over 15-20 years. These early assessments also identified the requirement for certain enabling works including upgrades to existing roads infrastructure in the surrounding area, as well as to existing utilities, sewers and drainage facilities.

Phase 1 is situated close to a site of archaeological interest. Six Bronze Age round houses were discovered after stripping off the topsoil and had to be removed to another location. A borrow pit was also established on-site to deal with unstable ground conditions.

Phase 3 also encountered specific challenges. The site had a mix of existing built forms, and a varied and undulating landscape that posed major engineering challenges including steep gradients, shallow rock (requiring blasting), and culverts and water courses requiring diversions and significant earth moving works to make the site work.

Enabling works at Kirk Road helped to unlock the site to complete Phase 3. In order to implement further phases of the development, a new access point needs to be created from the A85 trunk road in Dunbeg prior to any further properties being built. At the time of writing, the Council is currently in discussions with the Scottish and UK governments to establish funding mechanisms to deliver this and further infrastructure works as part of the plans for Phase 4.

3.2.4 Planning and design

A plan led approach has been taken with the whole masterplan originally identified within the Local Development Plan. The Phase 1 and 2 planning applications were approved in August 2012 and January 2015, respectively. Link Group commissioned a review of the initial masterplan and developed a detailed masterplan for Phases 3 and 4, which was approved in April 2017. The Phase 3 application was subsequently granted planning permission in September 2018.

The design team for the masterplan and Phase 3 comprised of Elder and Cannon Architects with Gillespie's Landscape Architects, G3 consulting engineers, and Armour Construction Consultants (Cost Consultants). Architecture+ Design Scotland also facilitated a collaborative approach, informed by use of the Place Standard Tool. The overall aim of the masterplan is to carefully integrate the new development with existing villages (Dunbeg and Ganavan), woodlands and the coastal setting.

The design team for Phase 4 comprises Hypostyle Architects, Gillespies Landscape Architects, G3 consulting engineers, and Armour Construction Consultants. The designs are currently being progressed with a view to submit to planning in 2024. As a result of the topography and challenging ground conditions already mentioned, the detailed planning applications will differ from the original approved masterplan. The presence of deep peat and the need to mitigate future flood risk, for example, determined the final layout of the commercial area in Phase 4, given the requirement in NPF4 to protect peatland and avoid flooding. In addition, to counter programming and resource issues experienced on Phase 3, which were the result of delivering at scale in a rural area, Link Group is considering the potential for modern methods of construction (MCC) in Phase 4.

3.2.5 Key learning points

The Dunbeg case study again demonstrates the importance of a sustained phased masterplanned development and Infrastructure First approach for releasing housing and other development sites at scale. However, delivering at scale remains a challenge in rural areas where labour is often in short supply. MMC may provide a solution to this problem, and it would therefore be useful to monitor the potential use of MMC in Phase 4 to see what lessons can be learned. The case study also demonstrates how early in-depth scoping studies and risk sharing can help to deal more effectively with land and infrastructure challenges and deliver new homes at scale and more quickly. This case also demonstrates how a long-term strategic planning approach allows for the planned assembly of different funding packages.

3.3 Scalasaig, Isle of Colonsay, Argyll and Bute

3.3.1 Project description and background

Like many other island communities, the population on Colonsay has decreased over several decades. Community surveys carried out by the Colonsay Community Development Company (CCDC) consistently point to a lack of affordable, secure housing as the key driver of depopulation on the island.

The new development at Scalasaig in Colonsay is a community-led, multi-partner housing project which will be delivered in two phases. Phase 1, which is nearing completion, is comprised of nine houses, three self-build plots and two commercial units. Phase 2 has indicative capacity for a further 12 homes. The total land area occupied by housing across both phases is 1.73ha.

Phase 1 will deliver a mix of two and three-bedroom detached and semi-detached houses of different tenures, including: two homes for low-cost home ownership, with proposals for a Rural Housing Burden to be attached, which are available at up to 30% discount; four homes for affordable rent; and three local worker houses for staff of MOWI Scotland Ltd – the UK's largest supplier of farm-raised salmon – which all meet HMO requirements.



Image: Phase 1 (Reproduced with permission from Communities Housing Trust)

The development also includes three self-build plots with Rural Housing Burdens attached, which are available for £25,000, but these have yet to sell so construction has not yet started.

3.3.2 Project promoter and funding

This is a multi-partner development project involving the CCDC, Communities Housing Trust (CHT), Argyll and Bute Council, the Scottish Government, MOWI Scotland Ltd, and Highlands and Islands Enterprise (HIE).

The CCDC, which was set up in 2001 to facilitate island projects including the development of affordable and community-owned housing, is the primary project promoter. CCDC identified a need to improve local housing options as well as maintain the viability of local services.

The CCDC obtained £390,000 grant funding from the Scottish Land Fund, £100,000 from Highlands and Islands Enterprise, and £28,500 from Argyll and Bute Council's Strategic Housing Fund, to facilitate the land purchase. The Strategic Housing Fund is primarily funded by revenue raised by reducing the council tax discount on empty and second homes in Argyll and Bute. CHT – a facilitator of community-led housing in Scotland – helped to negotiate the land purchase and project manage the build and housing allocations.

The project also attracted additional funding to cover build costs including a low-cost loan of £445,000 from the Council's Strategic Housing Fund, plus additional grant funding of £300,000 from the Scottish Government, HIE, and the Council. MOWI Scotland Ltd. has also made a financial contribution to capital costs including the total cost of the three worker homes and a significant contribution towards infrastructure costs for the full site. The remaining funds come from private finance (taken on by CCDC), other small grants, and community fundraising initiatives.

3.3.3 Land and infrastructure challenges

The primary challenge in this case appears to have been negotiating the land value. The land was owned by the Howard Family, who own most of the land on the Isle of Colonsay. While the landowner was willing to sell, the land acquisition process took eight years to complete due to valuation disputes which were eventually resolved through mediation led by CHT resulting in an independent valuation of £500,000. The community bought the land and then leased some of it to MOWI Scotland Ltd. on which the three worker houses are being built. Once MOWI's tenure on the island ends, these homes will revert to community ownership.

3.3.4 Planning and design

There were three planning applications for this development, covering the houses, self-build plots and the commercial units. For the housing, the application was submitted in January 2021 and granted in April 2021. A preplanning application had been submitted and a response received early in the development process, which helped to shape the development proposals and probably reduced timescales in respect to full consents being achieved. The self-build plot consents took much longer, while consents for the commercial units were more straightforward.

The project adopts a “design and build” approach and employed TSL – a SME builder based on the Isle of Mull – to carry out the work. The final contract price was agreed with the contractor in July 2021 and the groundworks commenced in August 2021, completion is scheduled for July 2024.



Image: Phase 1 (Reproduced with permission from Communities Housing Trust)

3.3.5 Key learning points

Community-led initiatives are valuable for smaller scale projects like this one. The case study also demonstrates the importance of intermediaries, or housing enablers, like Communities Housing Trust, which played a key role in negotiating the land sale and managing the project and allocations

policy in conjunction with the community. It is also acknowledged that the development would not have been possible without the investment from MOWI Scotland Ltd. Again, public sector funding played a crucial role, and the inclusion of two commercial units helped to attract different funding streams and reduced the prelims associated with the housing.

3.4 Blar Mor, Fort William, Highland

3.4.1 Project description and background

A shortage of housing in the Lochaber area meant that there was a pent-up demand for new homes. This led to housing shortages and problems for those employed in key services to find appropriate accommodation.

The site at Blar Mor in Fort William was purchased by the Highland Council with the vision to deliver 117 homes and a new hospital on the site which extends to over 40 hectares. There is a mix of homes for social and mid-market rent. The homes are a mix of one bedroom flats along with two- to four-bedroom homes. Work on the homes started in 2020 and there were phased handovers during 2022 and 2023.



Image: Blar Mor (Reproduced with permission from Helica (Scotland) Ltd)

3.4.2 Project promoter and funding

The project was delivered in partnership with Highland Housing Alliance (HHA). HHA were involved in the delivery of 20 homes for mid-market rent (MMR) which are a mix of two and three bedroom homes. Demand for the homes was high, with each home attracting over 50 applicants. With this level of demand, the Highland Council proposed that six of the homes be leased to HHA with the intention that HHA rent these out at MMR rent levels under the Blue Light Workers scheme.

This scheme was developed by the Council and HHA in Inverness, to target specific workers who were providing key roles in the community but who were unable to find suitable accommodation. Under this scheme, applicants need to meet specific criteria. These are:

- To be economically active;
- To apply for a size appropriate home;
- To have savings to cover the first month's rent and deposit.

Thereafter, priority is given to those employed by the NHS, Scottish Fire & Rescue Service, Police Scotland, HM Coastguard, social care workers and teachers. Where demand for these homes still outstrips supply, they are allocated to those who met all of the above points and also had points awarded under the Highland Housing Register scheme.

The project was funded through a combination of Scottish Government Housing Grant, the Highland Council's Infrastructure Fund, the Highland Council's landbank fund (see section 4.4) and private finance through the Council's prudential borrowing. The Council on-lended private finance to HHA for the delivery of their units.

3.4.3 Land and infrastructure challenges

The site was challenging due to the extent of peat which required an extensive management strategy along with platforming to enable the infrastructure and house build to be executed.

A major part of the of the site has been earmarked for a new hospital in Fort William and an extension to the local college. These did not meet their delivery stage in line with the housing which has meant that the proportionate infrastructure costs have yet to be reimbursed. The need for housing has driven the elements of shared infrastructure which would have ideally been fully designed and costs shared earlier in the process.

The effort placed on de-risking the site to make it attractive to potential

contractors did not increase the interest in pricing for the job, with only one contractor submitting a tender. It emphasised the problem of contracting resources in Fort William.

3.4.4 Planning and design

The original masterplan for the site was approved in 2010 majoring on commercial/ business use. The potential use of the site evolved over time and the focus changed to housing, a hospital, college provision and community uses.

This project was designed by Threesixty Architecture to create a sense of place on a highly visible site on the outskirts of Fort William. The design was supported with a broad mix of homes to add interest to the skyline and support the variations of tenure and housing needs in the community.

The challenge has been designing the housing and place without the benefit of the designs of the hospital and college. This has left areas of the site fallow as partners seek to secure funding.

3.4.5 Key learning points

This case study again demonstrates how public sector funding and a partnership approach to delivery can unlock sites and deliver housing at scale. It is also a good example of a scheme that helps to meet the specific housing needs of key workers, helping to support local employment opportunities and reverse depopulation. The diversification of tenure was also important to truly meet the needs of this community.

3.5 The Hirsell Estate, Scottish Borders

3.5.1 Project description and background

The Scottish Borders is another of the eight Scottish local authorities to have declared a housing emergency in 2024. We looked at three housing developments within the Hirsell Estate: Leet Haugh, East Haugh, and Crooks Farm. The Hirsell, which is part of the Douglas and Angus Estates, is a 3000-acre estate in the Scottish Borders. These three housing developments, which together constitute a significant housebuilding project for a rural area, have been driven by Hudson Hirsell LLP – a joint venture partnership between Jamie Hudson, formally of Hudson Homes Ltd, and the Hirsell Estate.

Leet Haugh is the largest of the three and is being delivered in seven-phases. It has obtained approval for 146 homes, of which 100 have been completed, comprising a mix of two- to five-bedroom properties and

a variety of typologies including bungalows, town houses, flats, and detached and semi-detached houses. In addition to for-sale market homes, the development integrates affordable housing in the form of shared ownership whereby the Estate retains a 25% share in the property which is redeemable at the point of resale. What is unique is that the homeowners do not pay interest or rent on the share retained by the Estate nor is there a timescale for redeeming the retained share.

East Haugh is a 15-unit development also comprised of two- to five-bedroom properties including detached homes and a selection of bungalows. It was run as a satellite of the Leet Haugh development and was completed in 2020. The affordable housing provision was dealt with by way of a commuted sum to Scottish Borders Council.

Crooks Farm is a nine-unit development comprised of one and two-bedroom bungalows which is being built on the old steading of Crooks Farm. The Hirsell Estate retains all of these units with seven of nine available for MMR and two let at the full market rent.

Leet Haugh and Crooks Farm are both located near Coldstream on the eastern boundary of the Hirsell, between the River Tweed to the south and estate-owned woodlands to the north. East Haugh is in the village of Birgham on the western boundary of the Estate.



Image: Leet Haugh Phase 1 (Reproduced with permission from Hudson Hirsell LLP).

3.5.2 Project promoter and funding

Hudson Hirsell LLP is a partnership between Jamie Hudson, formally of Hudson Homes Ltd, and the Hirsell Estate. Established in 2008, this Joint Venture Company was set up as a vehicle for delivering housing development on estate land.

Instead of applying for development loans, the Hirsell Estate approached their bankers, Coutts & Co., and pledged assets in the form of farmland as security on an overdraft. The Estate was therefore able to provide both the land and the funding for the project.

Jamie Hudson brought to the partnership the skills and experience needed to deliver the project, having successfully delivered rural housing developments in Duns, in the Scottish Borders. As Managing Partner of Hudson Hirsell LLP, he has managed to control overheads by bringing procurement, project management and marketing 'in-house'. A phased and flexible approach to development has also enabled the partnership to meet market demand as well as respond to fluctuation in the market.

3.5.3 Land and infrastructure challenges

The Crooks Farm development was effectively a brownfield site. The first phase of development involved the demolition of the old outbuildings. The second phase involved the redevelopment of the old sawmill and lambing barn to form four new dwellings. Due to concerns regarding potential land contamination, the project also involved soil sampling and testing which resulted in gas membranes and sub-slab ventilation. There were similar contamination concerns at East Haugh because the site previously housed a below ground petrol/diesel storage tank and associated dispensing infrastructure which required site investigations and risk assessments to be undertaken.

Across all three sites, there were significant infrastructure challenges, especially with regards to water and drainage. Hudson Hirsell LLP paid Scottish Water to undertake the required impact assessments and carry out the necessary upgrades. Similarly, the partnership put up a Road Bond of £250,000 in phase one. A Road Bond is a security held by the Council which is used to complete a road if a developer fails to comply with the conditions of the road construction consent. These are considerable costs for a SME builder to take on, particularly in a rural context where the costs of construction and infrastructure are typically higher than in urban areas.

3.5.4 Planning and design

The Leet Haugh development obtained planning permission for 105 new dwellings in May 2011 subject to conditions and the conclusion of a Section 75 legal agreement covering education contributions and affordable housing. The Section 75 legal agreement included the provision of four affordable units to be created from existing buildings at Crooks Farm. A second planning application for 49 additional homes and associated infrastructure was submitted in April 2012 and was approved in June 2013.

The initial planning application for Crooks Farm was submitted in March 2011 and sought to convert two existing (redundant) farm buildings into four new homes. This was the abovementioned affordable housing requirement generated by the larger development. Planning permission was granted in August 2011. A second planning application for the erection of five additional homes was submitted in April 2012 and approved in June 2013. The second phase required the removal of redundant farm buildings which were in various states of decay. The East Haugh development obtained planning permission for five dwellings in October 2015. A second planning application for ten additional homes and associated infrastructure was submitted in March 2018 and approved in July 2018.

All three developments were designed by Aitken Turnbull Architects Ltd. Leet Haugh has won a number of awards including Scottish Land and Estate's Helping it Happen Award, Scottish Borders Council's Designing for Streets and Place Making Award, and the NHBC Scottish Small Builder of the Year Award for Quality.

3.5.5 Key learning points

This case study demonstrates how joint venture initiatives can help to unlock land and drive development on estate land. Such an approach can be complex and risky and can only be replicated with the right partners and support. It also demonstrates how large estates can unlock asset value to enable development to take place, without having to rely on grant funding. The phased approach to development also helped with cash flow and managing fluctuations in demand due to factors outside the developer's control. The mixed tenure approach also helped to make the development viable. The shared ownership element helps to ensure that the estate retains a long-term interest, and the amalgamation of the three sites also helped to achieve economies of scale.



Image: Crooks Farm (Reproduced with permission from Hudson Hirsell LLP)



Image: East Haugh (Reproduced with permission from Hudson Hirsell LLP)



Image: East Haugh (Reproduced with permission from Hudson Hirsell LLP)

3.6. Summary

The following table summarises the key lessons learned from the five case studies above. In at least four of the case studies, the total costs of development appear to have been much higher than the development value, and therefore required public funds to plug the gap. The one exception, where no public grant was used, was at the Hirsell Estate, but even there the market for-sale housing at Leet Haugh appears to have helped to cross-subsidise the negative value of the development at Crooks Farm.

Table: Summary of key lessons

Case study site	Local Authority	Key lessons
North Staneyhill	Shetland	<ul style="list-style-type: none">• A phased masterplanned approach enables build out over 10-15 years• Infrastructure First approach unlocked development potential• Demonstrates value of early scoping studies and early engagement
Dunbeg Corridor	Argyll & Bute	<ul style="list-style-type: none">• A phased masterplanned approach enables build out over 10-15 years• Infrastructure First approach unlocked development potential• Demonstrates value of early in-depth scoping studies• Risk sharing can help to deal with land and infrastructure challenges and achieve scale
Scalasaig, Colonsay	Argyll & Bute	<ul style="list-style-type: none">• Housing enablers or intermediaries have an important role to play in community-led initiatives• Business investment in key worker housing can enhance viability• Mixed uses can attract different funding streams to support shared infrastructure
Blar Mor	Highland	<ul style="list-style-type: none">• Public sector leadership and funding can unlock development opportunities• A partnership approach can deliver housing at scale and helps to deliver specific housing needs (such as those of key workers)
Hirsel Estate	Scottish Borders	<ul style="list-style-type: none">• Joint ventures can unlock land, reduce risk and drive development on estate land• Assets can be leveraged by large estates to deliver housing without public grant• A phases approach can help with managing cash flow and market demand

4. National and regional approaches to land supply

After looking at the experience and achievements of local and sub-regional initiatives and partnerships to catalyse the successful development of housing land, this chapter provides a larger scale review. We look at national agency activity in England and the Republic of Ireland, and at Scottish regional approaches from Highland and the Borders.

4.1 Homes England

This section looks how Homes England, the major Non-departmental Public Body (NDPB) of England's Department of Levelling Up, Housing and Communities (DLUHC), uses its funding streams to enable housing development, especially affordable housing, in rural England. Homes England has broad statutory objectives, first set out in section 2 of the Housing and Regeneration Act 2008, recently confirmed in its Strategic Plan (2023-28) as:

“...to create high-quality homes and thriving places across England focusing on:

- regeneration and placemaking
- place based working supporting locally defined and led solutions
- long-term partnerships that meet local needs and aspirations
- the quality of what is being delivered including environmental sustainability, design and beauty.”

(Homes England, 2023a:3)

The agency is a facilitator, rather than being itself a developer: it can acquire and remediate sites to make them viable for interest from private sector developers, allocate grant for affordable housing, assemble land for complex sites, and provide financing for SMEs where they struggle to get it from other sources (ibid). Homes England works in the land market as a public sector agency, but in a commercial manner. Furthermore, investment appraisal decisions are rigorously debated and assessed according to the DLUHC's (2023) Appraisal Guide, recently accompanied by Homes England's guidance on Measuring Social Value (Homes England, 2023c). Critiques made of the approach include the possibility of projects failing approval even though the social costs of not proceeding are very high and taking inadequate account of land value uplift.

The agency's objectives are set by the Minister (at DLUHC): amongst these is the agenda of levelling-up, replacing what had been known as the 80:20 rule, whereby 80% of funding was directed to mitigate England's most severe housing affordability problems in (predominantly) London and the South East, and in the South West. Work by CaCHE for the Joseph Rowntree Foundation shows that the Scottish equivalent formula for AHSP allocation has tended to weight spending to offset deprivation (particularly towards the West) more highly than that to tackle affordability/ access (in the East) (Gibb and Young, forthcoming 2024). The levelling-up focus means enhancing Homes England's regeneration activity in the Government's priority areas, with an emphasis on placemaking.

As seen in the Strategic Plan, the agency's key objectives are in housing supply and regeneration. The recent Public Bodies Review recommended that its responsibilities for administering Help to Buy and Building Safety should be transferred. Homes England has had important roles in bringing public sector land to market and, in larger regeneration schemes, acting as master developer, thus exemplifying PILD, and the agency was recommended to enhance these functions.

The main funding programmes to deliver Homes England's housing supply objectives are set out in Appendix 1. The Brownfield, Infrastructure and Land Fund (BIL) is the newest, and it has more explicit regeneration activities. It is oriented towards housing-led regeneration: while this is recognised as valuable, experience recounted in interview suggests that enabling employment or commercial sector-led regeneration might allow wider regeneration benefits in other schemes consistent with the broad policy objective.

It is important to note that some of Homes England's activities generate receipts: Treasury targets on expected benefit: cost ratios mean high levels of financial additionality. Receipts can be used in other activities where the public benefits of spending (in health, education and community engagement for example) are less readily monetised. The 'bottom line' is that in 2022-23, Homes England is estimated to have generated £1.98 of social, economic, environmental and financial benefits for every pound of investment (DLUHC, 2024: 58). For BIL, there has been some Treasury latitude with expected benefit: cost ratios, recognising that regeneration schemes typically take several years, if not longer, for benefits to be realised. The fact that agency staff can bring skills in activities such as land assembly and masterplanning, which have been lost from many local authorities, is another 'output' that is not easily measurable (see DLUHC, 2024:41).

4.1.1 Rural strategy

Homes England's Rural Strategy (2023b) is aligned with the UK Government's policy statement **Unleashing rural opportunity**, with actions to support provision through rural exceptions sites, maximising Affordable Housing Programme outputs in rural areas, allowing rural councils to levy a 100% council tax premium on second homes and considering short-term let controls through planning or registration schemes (DEFRA, 2023: 19). Homes England's principal concern lies with the (affordable) housing supply action and the agency recognises that rural housing supply can be challenged by disproportionately high costs and risks, difficult access to development finance, and constrained mortgage availability due to local eligibility and connection requirements (Homes England, 2023b). The UK Government also pledged £2.5m to support rural housing enablers, recognising that they can help catalyse schemes including exceptions sites (see Bevan, 2009).

The mechanisms used in themselves and in combination by Homes England to support rural housing development are the Affordable Housing Programme (capital grant for registered providers, including in rural exception sites and in sensitive locations such as Sites of Special Scientific Interest and Areas of Outstanding Natural Beauty), the Home Building Fund (recoverable loans to SME developers for site preparation and infrastructure provision), now succeeded by the Levelling-Up Home Building Fund (recoverable loan, equity and development finance to SMEs, community trusts and self-build developers) for site preparation and infrastructure provision) and BIL (grants/ equity funding/ loans to tackle negative externalities, difficult land assembly, imperfect information, etc to enable private investment). The fact that the Home Building Fund and Levelling Up Home Building Fund both have recoverability of public spending built-in is important to note. BIL has been used for rural sites, for example, for preparation and enabling works and the provision of on-site and off-site transport infrastructure.

One example of Homes England applying programmes together is in Colyton, a rural market town in East Devon where there is high unaffordability. The site has c2ha brownfield land and 1ha greenfield. Most of the brownfield land was covered by a vacant and derelict ceramics factory, service roads and staff car parking area. The site was not allocated in the local plan for redevelopment.

Homes England bought the site through its Land Assembly Fund and secured outline planning consent in June 2020 for the demolition of the

existing buildings and the development of up to 72 new homes, with 20% of these as affordable housing. There would also be six light industrial units and high-quality public open space. The site was sold conditionally to a Regional Developer, which is now seeking planning consent.



Image: Ceramtec site, East Colyton (reproduced with permission from Homes England)



Image: Homes England, outline scheme, Colyton (artist's impression) (reproduced with permission from Homes England)

A different funding mix was used in Roborough, a small, remote village in Devon. Local property prices are high and incomes low and there had been no housing development for some time.

Recognising a need for affordable housing, residents formed Roborough Community Property Association Ltd (RCPAL) and worked with Devon County Council who made a site available. Planning permission was received for two linked but separate developments on the site. RCPAL became a Registered Provider and delivered four affordable rent homes with grant from the AHP of £190,000.

The old barns were converted into three open market houses and the remainder of the land was developed into five further market homes. The market homes were built by a SME contractor, who received a £982,000 loan from the Home Building Fund. The scheme also unlocked improvements in the village's playing field, car parking and changing facilities.

Here, Homes England had a key role in the developments: providing funding to promote housing choice, and indirectly supporting the improvements to leisure facilities and amenities.



Image: Roborough (reproduced with permission from Homes England)

4.2 The Land Development Agency (LDA), Republic of Ireland

This section looks at how Ireland's Land Development Agency (LDA) works as a land assembly and housing delivery agent across the Republic. The LDA works to "...maximise the supply of affordable and social homes on public land in a financially sustainable manner, supporting the creation of thriving communities and delivering ongoing positive social impact" (LDA, 2024: 3). It is a State-sponsored agency which is expected to make a commercial return on its spending. The LDA has two main functions:

- Coordinating appropriate State lands for regeneration and development, opening up key sites which are not being used effectively for housing delivery; and
- Driving strategic land assembly, working with both public and private sector landowners including counter-cyclical activity, to stabilise land values and deliver increased affordability.

The land price to be paid is determined by a valuer independent to the LDA and the current owner. It is felt that this is generally around the level of existing use value.

The LDA was set up in 2018 and its operating context is set by Ireland's hierarchy of plans:

- National – the National Planning Framework (NPF, 2018)
- Regional – 3 Regional Spatial and Economic Strategies
- Planning Authorities (31) – Development Plans and Local Area Plans

In addition, national Government can designate Strategic Development Zones, to facilitate particularly significant development.

At national level, compact urban growth and sustainable mobility are prioritised and this is expected to be followed through in the plans downstream. Part of the explanation of the focus is a recognition of a legacy of liberalism towards one-off housing in the countryside that tends to encourage more travel by private car. This has also encouraged moving towards "Strengthened rural economies and communities" as a cognate objective within the NPF.²

² Rural Ireland has experienced some depopulation issues similar to those in Scotland. Policy responses have been led by supporting the major agricultural and tourism-related economic bases of much of the countryside, rather than looking for other sectors to lead regeneration

Furthermore, national economic growth has been focused on Dublin, and the capital and its region have experienced the highest development pressure (witnessed in land and house prices). The Government's aim is to encourage more balanced development across the country, focusing on the other big cities and regional growth towns. The experience of the LDA in helping implement this rational cascade of plans from the national level down is that ensuring infrastructure delivery is demanding: needing alignment with the plans of transport and utilities agencies and power companies. To deal with this, the LDA has focused on sites where alignment of plans is most feasible.

National housing strategy is set by the Housing for All statement (Department of Housing, Local Government and Heritage, 2021). Recognising significant housing shortages, affordability problems and persistent homelessness, this aims to deliver over 300,000 houses by 2030 - 90,000 for social rental, 36,000 for affordable purchase, 18,000 for cost rental with 170,000 private homes.³ An annual public investment of €4bn was budgeted. Further monies were anticipated to flow from private investment and from revision to the provision (through part V of the Planning and Development Act 2000 as amended)⁴ for a share in the uplift in the value of land - consequent on it being zoned for housing or approved for developments that include housing - to accrue to the relevant local authority.

The main capital programmes funded by public expenditure (Irish Council for Social Housing, 2023) are:

- Local Authority Housing, Capital Advance Leasing Facility and Capital Assistance Scheme: supporting social rental housing delivery by councils and approved housing bodies (AHBs - regulated voluntary sector agencies, including housing associations and co-operatives) with the Capital Assistance Scheme allowing for 100% funding in some cases.
- Affordable Purchase and Cost Rental provision by AHBs, supported by the LDA and the Housing Finance Agency. (Founded in 1982, the agency provides loan finance for housing delivery by councils and AHBs and higher education institutions for housing and related purposes. Bulk borrowing allows it to lend at preferential rates of interest).

³ The Government can monitor delivery progress through a GIS-based tool, the Housing Delivery Tracker.

⁴ An additional obligation to provide for affordable and cost rental homes was introduced under the Affordable Housing Act 2021

In addition, capital funding for infrastructure related to housing provision in rural towns is eligible for competitive funding through the Rural Regeneration and Development Fund.

4.2.1 Housing delivery

The LDA's highest priority is on housing delivery. It therefore funds affordable and cost-rental housing projects identified with project partners. Its mechanisms include cost rental models on State lands and, in Project Tosaigh (Irish = to initiate), commercial agreements with private developers.

Regarding State lands, the LDA has worked to identify parcels of land owned by public bodies across the country in and around settlements of at least 10,000 people. The rationale for this is to take advantage of economies of scale. It has categorised these into lands that are readily developable, and those that need more work in preparation etc to be developable. An important part of its work here is in compiling a registry of lands.⁵ The LDA becomes the lead agent through the public consultation, masterplanning and development phases, partnering with city and county councils, Approved Housing Bodies (AHBs,) the Department of Housing, and other State agencies.

The LDA does not have power to compel State landowners to transfer land: the aim is to do so at existing use value, but achieving this can need an extensive negotiation period. Subsequent development of land is also dependent on the necessary infrastructure and the LDA cannot direct utility providers to invest in particular sites.

Project Tosaigh is targeted on sites owned by private developers that have full planning consent but have stalled due to difficulties in accessing loan finance or other constraints. The LDA becomes the owner of the houses that are built: mainly let at cost rent with the balance sold for affordable purchase (i.e., Low-cost home ownership, LCHO). Developers' incentives to transfer land have been increased by the introduction of the Residential Zoned Land Tax (in the Finance Act of 2021), an annual tax of 3% of the land value of serviced sites with full consent that are not being built out.

⁵ <https://lda.ie/public-lands/register-of-relevant-lands>.

4.2.2 Future development

As noted, the LDA is expected to work in a commercial manner, meaning that it needs to show public benefits commensurate with its spending. It generates receipts from its activities and wider social benefits are recognised (rather than every Euro of spend needing to be matched in direct income). Its progress is dependent on successful partnership with, among others, infrastructure providers and the LDA sees benefits from early discussion and possible synchronisation of plans.

4.3 Highland Landbank

This section looks at the ways in which the Highland Council has worked with its partners to assemble land for housing in its rural areas and to ensure that that land is developed. Key to this approach are the Landbank Fund (we note the evaluation undertaken by Newhaven Research (2008) for the Scottish Government, see Appendix 2), and the establishment and activities of the Highland Housing Alliance and Communities Housing Trust. We look at these in turn.

4.3.1 Landbank Fund

Since 2005, the Highland Council has bought strategic housing sites and used its initial landbank to assemble parcels of land that it can develop itself, transfer to housing associations, or sell to private developers. The surpluses it has made from land sales (ringfenced into the landbank fund) have enabled both subsequent land purchases, buying property for redevelopment and cross-subsidy of development (particularly affordable housing development) in areas where the excess of development cost over value (the NPV of rental income streams) would otherwise render these schemes unviable. The approach taken by the Highland Council is a precursor to the National Housing Trust model promoted by the Scottish Futures Trust in 2010 within the trough of investment and development caused by the Global Financial Crisis.⁶

Through the Landbank Fund, hundreds of new houses have been provided in over 50 communities, including both accessible and remote rural areas. Land assembly has involved investment from key infrastructure providers (water and sewerage, electricity).

⁶ The NHT was a guarantee-based model which guaranteed money borrowed by local authorities to help deliver affordable housing for between 5 and 10 years.

Until c2014, the strategic approach in using the Landbank Fund could be guided and implemented through local development fora, originating in the Rural Partnership for Change (RPfC) Pilot (Highland Council, 2001). These operated at small area level (based on primary school catchments) and brought the authority together with key partners, including community representatives, Scottish Water and SSEN as well as statutory environmental consultees such as Scottish National Heritage (Naturescot). The fora could identify sites best suited for housing development, as well as economic development needs. A feature of their success was the local presence of officers of the key infrastructure agencies. The changed operational structure of these agencies means that that local knowledge and expertise is not available, militating against more straightforward place-based discussion and planning.

The Landbank Fund was initially pump-primed by a £5m grant from the (then) Scottish Executive as part of RPfC, with some subsequent inputs from financial transactions capital funding. Paying for infrastructure provision was also facilitated by the Scottish Government's Housing Infrastructure Fund (HIF). The Landbank Fund is supplemented each year through income from Council Tax monies from second and holiday homes (see section 5.2). It is a condition of both the original grant from the Scottish Government and the Council Tax income that the funds must be used to provide additional affordable housing directly or indirectly. The fund has also been bolstered through the Highland Council's Prudential Borrowing.⁷

The curtailment of HIF loan funding to private sector developers from 2021 and the fact that the commercial terms from alternate sources (the Scottish National Investment Bank) haven't been a sufficient replacement makes for a threat to the future operation of the Landbank Fund. However, the advent of the Green Freeport means a significant amount of investment, new businesses and new employment, all boosting housing demand both in terms of the number of people and households looking to move to the area, and growth in local incomes. It is likely that this will mean more land being considered viable for private housing development, potentially allowing more surpluses to be generated by the Landbank Fund. Anticipating future housing developments should also act as a signal to infrastructure providers.

⁷ Since 2004-05, councils across the UK have been allowed to determine their own level of capital expenditure according to what they consider to be "affordable, sustainable and prudent" (CIPFA Prudential Code for capital finance in Local Authorities, 2021). We note that this (most recent) code took cognisance of calls for councils' assessments to be done on a more standardised, longer-term assessment of risk

4.3.2 Local Place Plans

Two LPPs have been registered so far in the Highland Council area. One community trust intends to use community benefit funds from wind farm development to develop affordable housing. It is recognised that other areas in Highland could do similar with funds from either wind farms or pumped storage hydro-electric schemes.

4.3.3 Overcoming barriers

It is important to recognise that the Landbank Fund approach continues to deal with challenges to making full use of the effective housing land supply. In particular, participants at a roundtable discussion drew attention to:

- Owners of identified sites holding on to land in the hope that it might fetch a higher price in the future with a higher value use (e.g., open market rather than affordable housing), commonly called **hope value**. In some circumstances, the threat of CPO had enabled sale at a compromise price. At the same time, however, some owners would likely hold the view that a Court would find in their favour against a possible CPO because it would be hard to prove that only that particular land parcel was suited to the public interest purpose (housing).
- Landowners being disincentivised to sell land as it would incur **capital gains tax**. Those owners might be more inclined to support leasing land to (affordable) housing developers, though the need for those providers to provide adequate security may inhibit that form of contract. Alternately, equity partnerships might be a solution if they gained sufficient confidence.
- **Monopoly landownership** underlies both points above. Competition between landowners makes it more likely that land can be secured. The lotting proposals in the current Land Reform Bill were seen as potentially helpful in this respect.
- **Crofting tenure** adding complexity: developing inbye crofting land requires agreement from individual crofters and the landlord and, for common grazing land, from all crofters via the local grazings committee. Further, even if common grazing land is released, the experience is that it tends to have poorer drainage and therefore higher site preparation costs. It was not clear that there were realistic solutions to these issues.
- **Housing Need and Demand Assessments** (HNDAs) using the current Scottish Government methodology were perceived by some discussants as potentially underestimating **local**, i.e., individual settlement or small area level housing demand and affordable housing need. In its RIHAP, the

Scottish Government reaffirms that it considers the HNDA methodology is sufficiently robust for the statutory task of assessing need and demand at the local authority level. However, it recognises for rural and island communities that the HNDA may not provide the granular level of information that may be required to support local housing decisions such as what type, size and tenure of homes may be required. In these circumstances, it was felt that the assessment model in England⁸ and the 3-fold approach taken by the Communities Housing Trust⁹ might potentially be more satisfactory. However, the RIHAP also commits to develop guidance to support communities, local authorities and others to undertake local housing assessments based on best practice and robust methodology. Participants felt that local HNDAs might be something that groups preparing local place plans could seek to undertake (recognising that this was not part of the 2019 Planning Act that framed LPPs).

4.3.4 The Highland Housing Alliance

The Highland Housing Alliance (HHA) is a not for profit development company working across the Highland Council area since 2005. It works closely with the local authority and other public and private sector partners.

Membership of HHA is made up of the Highland Council, Communities Housing Trust and four housing associations. HHA was initially set up to act as a private developer with positive outcomes and ambitions for the affordable housing sector and to assist in the delivery of additional homes. Initially, HHA centred on land acquisition, land assembly and opening up sites by installing infrastructure. After the crash in 2008, HHA went on to develop and deliver MMR homes, initially as part of the NHT scheme through Scottish Futures Trust and subsequently, in their own right. HHA develops and manages both MMR and fully private rental houses and works as a management agent for other private landlords. It also sells serviced plots of land. Providing housing for key workers has been a feature of its activity, notably via MMR within key strategic areas such as Inverness, the Cairngorms National Park, Lochaber and other locations where mainstream housebuilders are absent. (Section 3.4 looks in more detail at one of its projects that was focused on emergency service workers).

⁸ <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

⁹ Based on a survey of local needs and demand, assessing the potential for in-migration, taking depopulation and economic growth into consideration, and a survey of local businesses and landowners.

4.3.5 Communities Housing Trust

Communities Housing Trust (CHT) began life in 1998 as the Highland Small Communities Housing Trust. It is a registered charity and social enterprise, facilitating community-led housing across the north of Scotland and central belt¹⁰. It has enabled the development of houses to be let at MMR and lower rents as well as different forms of low-cost home ownership. It has also provided serviced plots for self-build housing. (See section 3.3 for an example where CHT played a key project management role).

4.4 The Scottish Borders

This section looks at the ways in which Scottish Borders Council has established its housing land supply. We also consider the role of RSLs in leading on new housing development in the region, and the establishment of a Housing Action Plan for the Borders and Dumfries and Galloway through the South of Scotland Regional Economic Partnership. South of Scotland Community Housing also plays a key role in enabling community-led housing projects.

4.4.1 The Council's land supply strategy

Land supply in the Scottish Borders is fragmented and land identified in the Local Plan is often in small parcels and is mostly controlled by private owners. The Council has limited land of its own available for housing development.

Scottish Borders Council's land supply strategy is set out in its Strategic Housing Investment Plan (SBC, 2022). The document states:

“Control of land supply is the key to successful programme delivery. The strategy proposed to secure short, medium and long term land supply to link in with SBC's SHIP and beyond is:

- Enter into agreements with landowners and developers
 - Purchase land using SBC revolving fund
 - Option available for RSLs to front fund land acquisitions
 - Improve effectiveness of Section 75 Agreements including early intervention with developers
 - Partnership acquisitions with SBC to assist in strategic land assembly
 - Work in partnership with SBC to acquire land through its strategic land disposal strategy
- (SBC, 2022: 47-8)

¹⁰ <https://www.chtrust.co.uk/>

Our roundtable discussion in the Borders suggested that the Council's land supply strategy has resulted in sufficient housing land to match the MATHLR figure in NPF4 and that the Council is now focused on ensuring that land is deliverable.

4.4.2 RSLs – the key delivery agents

It was clear from our roundtable discussion that RSLs are the key delivery agent in the Borders. Eildon Housing Association (EHA) has collaborated with developers to complete phases of housing in the Newton St Boswells' western expansion area, with further development planned under Section 75 agreements. EHA has also been proactive in securing ownership of various sites, providing certainty in project delivery. Notable projects include developments at Buckholm Phase 2, former Borders College Galashiels, Comrades Park East Chirnside, and Home Farm Eccles. Additionally, the Council led the acquisition of a former industrial site at Melrose Road, Galashiels, with part of it sold to EHA for future affordable housing.

Berwickshire Housing Association (BHA) has a small land bank and has reviewed its potential development sites and open spaces for redevelopment. BHA's significant acquisitions include sites at the former high school in Eyemouth, Springfield Phases 2 and 3 in Duns, and Acredale Phases 4, 5 and 6 in Eyemouth. In addition, BHA has recently purchased the former Duns Primary School playing fields site which has a capacity for circa 35-40 homes. The Association is also exploring the potential use of HUSK off-site construction system for redeveloping several garage sites in collaboration with SBHA.

SBHA, through its asset management strategy, has established a small land bank from site clearance of existing stock, garages, and public open spaces. Major sites include Stonefield Place, Leishman Place and Fairhurst Drive in Hawick. Leishman Place and Fairhurst Drive are now under construction. Other recent acquisitions include a greenfield site at Linglie Road in Selkirk. SBHA are progressing a planning application for this site over the summer of 2024. SBHA recently also purchased land at Heather Mill in Selkirk which is a sizeable site with capacity for circa 60-70 homes.

4.4.3 A Housing Action Plan

The South of Scotland Regional Economic Partnership has brought together key partners across the region and nationally to develop a regional strategic housing action plan for the South of Scotland (including the Scottish Borders and Dumfries and Galloway). This initiative has generated a set of actions that could help to deliver more homes and support key parts of the economy across the region. It is expected that this work will be published in July and will include recommendations that will be of interest to the Scottish Land Commission and other key stakeholders.

4.4.4 South of Scotland Community Housing

SOSCH operates as a community-led housing enabler, delivering essential services to both rural and urban communities across southern Scotland. The organisation is dedicated to enhancing the capacity, scale and sustainability of community-led housing initiatives by providing comprehensive support throughout all stages of housing development. Since 2018, it has helped to facilitate the growth of the community-led housing sector, yielding significant results, including the provision of 24 new homes across nine distinct projects. The number of groups progressing through their housing schemes with SOSCH's assistance has also increased from six in 2018 to 37 in 2023.

4.5 Summary

The two national agencies are distinctive models of housing and land market intervention and channelling of public housing investment at national scale. Both work to remits set by their respective Governments but, being outwith the immediate structure of their administrations, can work in slightly different ways that have some commercial body characteristics. They can, however, bring scale and the backing of Government to bear. For Homes England in particular, another important feature is the availability of a pool of expertise that can complement local resources where needed. The LDA's strategic approach marks its activity.

At regional level, the key features of the success of the Highland approach to land assembly have been:

- local leadership and strategic direction (from the Council as both statutory housing authority and local planning authority):
- engaged partnership with stakeholders (such as HIE and infrastructure providers), delivery agents (such as Highland Housing Alliance, Communities Housing Trust and housing associations) and community groups;

- supportive funding arrangements with the Scottish Government; and,
- the recycling of surpluses within the Landbank Fund

Some similar conclusions apply to the Borders, although it is a rather earlier stage than Highland. Community housing, for example, was said to be “in its infancy” compared to CHT in Highlands but expanding from Dumfries into Borders in recent years. SoSE has played a similar role to HIE, but is also much newer.



Image: Leet Haugh Phase 1 (Reproduced with permission from Hudson Hirsell LLP)

5. Stakeholder insights

In this section, we present a thematic analysis of 17 key informant interviews. In doing so, we briefly revisit the barriers to land supply for housing before moving to discuss the following themes that emerged from our analysis: potential tax and policy reforms; the public sector as enabler; persuading landowners to release land; land acquisition and assembly tools; and collaboration and partnership approaches.

5.1 Revisiting barriers to land supply for housing

5.1.1 Ownership constraints

Notwithstanding examples of positive engagement around the country, large-scale and concentrated land ownership in rural Scotland can restrict economic opportunities by limiting the diversity of land uses. Such concentrated ownership typically prioritises commercial interests over community sustainability or public benefit. The Scottish Land Commission has previously highlighted these issues (SLC, 2021), proposing a new Land Reform Bill (currently working its way through Parliament) to address these imbalances. One participant referred to a well-known Trust, stating:

...it owns 26,000 hectares of land... and the community could not find a site to develop, and in the end they had to buy less than an acre of land from the NHS on a road junction in the village, because there was not land made available by the Trust, despite being asked over a number of years to make land available for housing development.

The same stakeholder suggested that most large landowners in Scotland are unwilling to sell land for affordable housing (an observation that was echoed by others during interviews and roundtable discussions):

I think there's a real lack of desire on the part of most landowners to transfer land for [affordable and accessible] housing for all sorts of reasons, and I think part of that is a threat of loss of control. Part of it is that, you know, they don't see the [financial] values.

Negotiating with landowners can often be a protracted and resource-intensive process, as evidenced by cases like Colonsay (see section 3.3) and Islay, where community-driven housing initiatives faced significant hurdles. As one participant put it:

If they don't want to sell it, irrespective of how much you're willing to pay for it, then you're not going to access that land.

Another potential constraint is a lack of awareness among landowners

regarding local housing needs. As one participant explained, many landowners (especially large estates) prioritise their own land-based enterprises and may not fully grasp the demand for housing in their local areas, unless it directly affects their operations, or they play an active role in the community. The issue of absentee landowners compounds these challenges. Some large estate owners reside overseas and are unlikely to prioritise supporting local housing initiatives.

Large estates, such as those managed by Buccleuch, often have internal expertise and resources to handle development projects efficiently. In contrast, according to one informant, smaller landowners typically outsource these tasks, leading to higher costs and potential delays in housing projects. Speculative land buying has also exacerbated the problem, particularly where land was purchased before the 2008 Global Financial Crisis.

...back in the day... let's just take 2006... when things were, you know, warming up nicely... people would buy pockets of land speculatively, they would get outline planning on them, and then the plan obviously was when the market was absolutely hot, they would flip it onto a housing developer, who would then build it out... But obviously, post 2009, those land values absolutely crashed in rural areas. They've never ever recovered.

The substantial increase in build costs and physical constraints (see below) often means that land has near-zero or even negative development value in some rural areas. The crash in land values has left many of these sites undeveloped, as owners are unwilling to accept current market values because they are significantly lower than previous peaks.

Lastly, crofting land regulations add another layer of complexity. Developers must navigate regulations that balance housing needs with traditional crofting livelihoods. Land designated as crofting land may have implications that require de-crofting procedures to avoid legal complications later in the development process.

5.1.2 Planning constraints

Despite much positive content in NPF4 and guidance on LDPs, and the recent directive from the Chief Planner urging heads of planning to adopt a more supportive stance towards rural housing, some participants noted the legacy of an urban-centric perspective in policy and guidance. The particular needs of rural communities might not always, therefore, be taken into account.

As an example, one participant referred to roads policy and practice:

...every road on Tiree is a single-track road with passing places, and yet Macleod's [Construction Ltd] wanted to build a small development of private houses, and they were told they needed to put a two-lane road in. Why, why would you do that? And then, planners say, well, does not compute. That's what the policy says.

Interviewees also cited new planning considerations introduced by NPF4. NPF4 addresses a range of issues, including peat preservation, flood risk management, food growing opportunities, play parks, parking, and environmental requirements such as Sustainable Urban Drainage Systems (SUDS) ponds for drainage. While these considerations are essential for sustainable development, some participants suggested that they can also complicate site design, reducing the amount of on-site space available for new homes. Some SME developers also noted that, for them, the planning process under NPF4 is slower and more expensive. They relayed experiences of delays in pre-application feedback, which can add months to project timelines, and difficulties navigating technical approvals which have, according to them, become more challenging. One SME builder said:

...it's definitely got harder to get technical consents and, actually, another thing I've only become really acutely aware of recently is the regional discrepancies and policy across every single strand, I would say, of the technical approval process. So that's everything from how different authorities are tackling NPF4; how local development plans are progressing; how local authorities handle master planning and whether they require it or not; how they deal with their Section 75s; how strong their leadership is... whether they're sympathetic to our sector or not; whether you can have a conversation with them; whether you can engage with them...

Pre-application discussions, intended to help developers navigate these requirements, also appear to vary significantly across local planning authorities (LPAs). Some LPAs offer these discussions for free, providing valuable early-stage guidance. Loch Lomond and the Trossachs, for example, was cited by one participant as a positive example where effective pre-application discussions facilitated a smoother planning process. However, not all LPAs provide this service.

It is also widely acknowledged that LPAs are under-resourced. This lack of resources can therefore result in prolonged approval times and increased frustration for developers and other stakeholders, not to mention planners themselves.

5.1.3 Physical constraints

In many areas, the easy-to-develop sites have already been utilised, leaving behind more challenging sites that require significant investment and overcoming physical barriers such as unfavourable topography, poor ground conditions, and lack of services. These physical constraints incur higher development costs which act as a break on development.

Proximity to existing communities and infrastructure, and connections to existing utilities services, were a major theme to emerge from our interviews. Insufficient water infrastructure and difficulties securing a power supply, for instance, were consistently described as major hurdles. Statutory providers were said to sometimes demand that developers make upgrades beyond the immediate development site, which can significantly impact the feasibility and affordability of housing projects. As one SME builder noted:

...we are building 12 new homes in that small community and Scottish Water then insisted that we do the full upgrade to the water main coming into the site. Not just our site but the whole community. That was going to cost an extra £200,000, which, when you think about it, for 12 units, that's a lot of extra money to add on to the overall cost...

Access to sites is another issue. Land designated for housing in LDPs might require enabling infrastructure, such as road improvements, in order first to unlock the development opportunities that exist. Developers are typically reluctant to bear these extra costs, especially in a rural context where construction costs are already higher.

5.1.4 Market constraints

One of the foremost constraints to development is the viability of potential sites. In many parts of rural Scotland, housing development is often deemed unviable due to weak market demand, low land values, and insufficient profitability for volume house builders.

One of the reasons the effective land supply isn't used is because housing development isn't really viable... Markets will deliver housing in certain locations in Scotland, but there are many places in Scotland, including some whole [local] authority areas, where the market is not able to deliver new housing and that's to do with market demand. It's to do with land values and it's to do with profitability for the volume house builders and their economic model. They identify a site, line things up and then go to the Board making the case to take on this site and to develop it out. They're competing against other colleagues presenting to the Board.

The Board's got a certain pot of money, it's looking at the returns on the pot of money, and so a lot of rural sites are more marginal: more difficult and in areas with weaker demand. So, the rational economic actor says no to them.

Consequently, volume house builders prioritise more lucrative areas, principally in the central belt and the Lothians (where land values are higher), leaving some rural local authorities struggling to attract them to their areas. This is a significant problem for a lot of rural authorities in Scotland.

This problem is compounded by the shortage of locally based, SME builders and contractors. The aftermath of the GFC saw a loss of several regional housebuilders, with Stewart Milne being a notable recent example. This reduction has left a gap in some areas that is difficult to fill. In some places, many local developers and builders are already at full capacity or have shifted their focus from residential housing to commercial and economic developments. In Shetland, for example, local builders are occupied with major projects like wind farms, gas plants, and the new Space Centre. Attracting contractors for housing projects in such a competitive environment, especially against more lucrative contracts in mainland Scotland, remains a significant challenge.

Market failure can be addressed by replacing the market, replacing a key element (e.g. national land agency), or doing what needs to be done through regulation, subsidy or market provision to make the market work for private actor (see section 5.3 and 6.1-6.2).

5.1.5 Funding and financial constraints

One participant suggested that the funding available from the Scottish Government over the past six or seven years (through the Scottish Land Fund, the Rural and Islands Housing Fund, the Housing Infrastructure Fund, etc.) has been more than sufficient for land acquisition.

It's not been about the allocation of funds; it's not been about finance. That's not been the constraint... it's identifying, negotiating that land purchase with landowners.

However, reductions to the Affordable Housing Supply Programme in 2024 and the shift to funding allocations on a year-by-year basis were also cited because these introduce significant uncertainty which complicates long-term planning for housing projects and creates a challenging environment for developers, RSLs and local authorities.

At the same time as budgets are being cut, the escalation of build costs over the past couple of years especially presents a substantial financial constraint to development. One SME builder who spoke about “picking up the pieces” in the aftermath of the Truss Government’s September 2022 mini budget, said:

...costs have gone up in net terms. There’s more volatility in the market, funding costs have gone up and revenue’s come down.... you’re getting hit in every direction... it was challenging before and... [now] a lot of development we just wouldn’t even consider because the thresholds got that much more challenging.

According to the Scottish Social Housing Tender Price Index (SSHTPI, 2024), build costs have increased significantly over the past four years. This index records approved tenders which government deems to be value for money. However, the SME builder quoted above suggested that the true increase in costs is likely much higher than reflected in the SSHTPI data. They claimed that the SSHTPI underestimates the increase because it excludes tenders that are rejected for being too expensive and includes discounted housing under Section 75.

5.2 Potential tax and policy reforms

Interviewees discussed several tax and policy reform ideas which could potentially help to facilitate housing development and support community sustainability in rural Scotland. One notable suggestion was to use tax relief as an incentive to encourage landowners to release more land. Under the devolved powers of the Scottish Government, mechanisms such as business rates relief or credits could be used to incentivise landowners to bring land forward for housing development.

Additionally, using revenue from Council Tax on second and empty homes to help fund new supply was mentioned by several interviewees. One interviewee said:

Increasing multiples of Council Tax for second homes won’t make much difference to people who are going to buy them. But the revenue from that should be earmarked for housing.

Second and long-term empty homes are currently subject to a default 50% discount on Council Tax. However, the Council Tax (Variation for Unoccupied Dwellings)(Scotland) Regulations 2013 introduced local authority discretion to reduce this discount to anywhere between 50% and 10%. The key point to make is that income generated from reducing the

discount has “to be ring-fenced for affordable housing” and this includes “land acquisition for affordable housing development”. It is important also to note that income that would be generated from the recent regulations allowing local authorities to charge up to double the full rate of Council Tax on second homes is not ring-fenced for housing. The lack of ring-fencing is part of the Verity House agreement between the Scottish Government and Convention of Scottish Local Authorities.

The Land Reform (Scotland) Bill, which was introduced in the Scottish Parliament in March 2024, proposes new obligations on landowners (see section 1.2.5). These measures could potentially help to release more land for housing development in rural Scotland, but at least one participant thought the measures could be strengthened.

... we think the [lotting] threshold should be reduced [from 1,000] to say 500 hectares.... [we need to be] thinking about how we use those lotting provisions and the notification of sale provisions, which do need to be strengthened.

The Housing Bill is also currently working its way through Parliament. The Bill includes measures on rent regulation, tenants’ rights, and homelessness prevention. There was some suggestion that the measures (particularly rent control) introduce additional complexities that may deter some landowners from developing and managing housing projects, particularly in cases where the resultant properties are intended for the rental markets.

Several interviewees and participants also called for more place-specific and flexible planning solutions under NPF4. NPF4 policies were described by some as being “too rigid” and there were calls for more practical, pragmatic approaches that focus on desired outcomes and impacts, rather than strict adherence to (what some see as) “inflexible” policies (see the reference to Tiree, above).

5.3 The public sector as enabler

Public sector leadership was identified as key to addressing market failure and meeting housing needs in rural Scotland. Effective leadership at different levels of governance was seen as necessary to facilitate land acquisition and assembly for new housing developments, especially on challenging sites.

Ultimately, the issue’s about creating areas where new houses are going to be built, or I suppose, refurbishments and brownfield site redevelopments. But broadly speaking, you need land to be built-on,

which means people need to give up land and make land available through long term leases and outright ownership. It just needs really firm leadership at different levels.

Participants explored the potential for a national land agency. A national agency with power to actively intervene in the land market could significantly impact rural housing development. Such an agency could also leverage expertise in managing complex and expensive tasks such as site investigation and biodiversity enhancement calculations, benefiting from economies of scale. A national agency could buy land, obtain planning consents, install the necessary infrastructure, and sell to private developers at a cost that reflects the “oven-ready” status of sites. Smaller developers could access these prepared sites through auctions, enhancing the diversity of the development sector. This approach could also generate surplus funds to support development in areas with negative development value.

This was a contentious issue, however, and there were arguments for and against a national agency, with some preferring instead to empower local authorities and/or other existing public sector agencies with development rights (e.g. Crown Estates Scotland) to achieve the same ends. As one participant put it:

There could be some advantages to giving these powers to local authorities and the National Parks: you’ve got local knowledge and you’ve got established relationships with existing stakeholders, and you’ve got a democratic structure around it.

However, the same participant also expressed concerns about “conflicts of interest”, while others noted that some local authorities may lack the necessary skills and resources, which a central agency could consistently provide across Scotland.

Some participants suggested that granting existing organisations (e.g., RSLs, Crown Estate Scotland, Highlands and Islands Enterprise, Forest Land Scotland, and South of Scotland Enterprise) more powers to acquire land for development could be a practical alternative to creating a new national agency. These existing organisations could temporarily acquire land then sell it to private developers, RSLs, or communities. This approach was used to deliver a new modular village at Inverness Campus, spearheaded by HIE at a cost of £2m, where serviced plots will offer self-build opportunities for businesses. As one participant noted:

...this is where I think HIE and SoSE should be given the specific remit to deal with making sites ready, running the services, dealing with the

Roads Department of the local authority, all that kind of stuff that gets stuck, that's why you take eight years to get anything to happen. There needs to be some resource reallocated to make it happen, because whatever's happening now isn't working.

These organisations would need to be equipped with the necessary resources and have a clear mandate to address systematic issues effectively.

Overall, there was strong support for the concept of “pump-priming” sites by the public sector. As our case studies have shown, Argyll and Bute Council uses its Strategic Housing Fund to do something similar. This SHF, which generates £2m annually from reduced Council Tax discounts on second and empty homes, is used to support affordable housing and infrastructure projects that enable housing development to take place. Officers can approve grants of £12,000 per unit of affordable housing. In cases where additional funding is required for land purchases or infrastructure projects, council approval is required. At the time of writing, the Fund is being used to support enhancements to water and sewerage infrastructure on the island of Ulva, as part of a community buy-out facilitated by the Scottish Land Fund, which is expected to facilitate the development of more homes.

However, as one participant put it, “A little bit of public sector pump-priming is helpful, but what would be much more help from the public sector is to deal with systems failure.” It was suggested that the public sector's role should focus on enabling the private sector to perform efficiently by removing barriers and facilitating development processes. This could significantly reduce the time and cost associated with bringing new housing projects to fruition.

5.4 Persuading landowners to release land

Participants suggested various strategies to persuade landowners to engage in housing development, with emphasis given to community support, financial incentives, and regulatory mechanisms, as well as the provision of information and assistance.

5.4.1 Community support and engagement

Engaging and securing the support of local communities was said to be fundamental in persuading landowners to release land for housing development.

...perhaps people living within the community that have land might be more willing to engage in releasing land if they knew that the community

really wanted it to happen and there was an agreement with the people living in the area – or willing to invest in it – about how it would develop.

A strong community-driven effort can demonstrate the local need and benefits of new housing, encouraging landowners to contribute. Colonsay, where community efforts led to land release for new housing development, is an example – albeit one that took a long time to come to fruition. Several participants noted the potential of Local Place Plans (LPPs) as a means of articulating need and demand in local communities. This is a point we return to in more detail in the concluding chapter (see section 6.3).

5.4.2 Addressing regulatory and operational challenges

Several participants suggested that large landowners, including prominent organisations like the National Trust for Scotland, John Muir Trust, and RSPB, are hesitant to develop or manage housing as it is outside their core mission and involves significant regulatory challenges. Therefore, some suggested that mechanisms need to be established to facilitate the sale or donation of land by these organisations for housing development (see section 5.5).

While businesses are primarily focused on their business activities, some do also feel responsible for supporting their communities. One such participant, speaking on behalf of Salmon Scotland, emphasised the importance of collaboration with landowners, local development groups, and community councils to achieve this. They saw the role of fostering community development as essential and suggested that efforts in housing and community involvement enhance the social license to operate a business, earning local goodwill and trust.

Local landowners who need housing for their own business operations can, like other development stakeholders, face barriers such as funding, planning regulations, and infrastructure costs (see section 5.1), so simplifying these processes and reducing associated costs could encourage more landowners to release land.

5.4.3 Financial mechanisms and incentives

Some larger estates have successfully used alternative financial approaches to overcome viability gaps. For instance, the Hudson Hirsell development in the Borders (see section 3.5) was accomplished by mortgaging a farm, bridging the viability gap with lower costs compared to traditional development finance. This approach highlights how scale can provide financial flexibility and efficiency. However, it was suggested by one

participant that smaller landholdings often require partnerships and government funding. Some form of tax or business rates relief (discussed in section 5.2) could also act as an incentive for landowners to release land for housing development.

Landowners have varied motivations, from community improvement to financial gain. It was suggested that strategies to align landowners' interests with community needs might help. Such strategies might include, for example, allowing landowners to retain some plots for personal use while developing affordable housing on remaining plots. One local authority informant said:

I think it comes down to this: how is the landowner going to benefit? What do they want out of this situation? So, there are opportunities there to work with landowners and to lever-in public money that could be justifiably spent. My example of the six houses [a specific development referenced earlier in the interview], then part of that deal is that the landowner retains 2 plots.

However, as the same participant went on to explain, it is important that retained properties are used for permanent occupancy rather than second or holiday homes to avoid them being “sold to sit there for 50 weeks of the year, empty”. This can be achieved using Rural Housing Burdens. Introduced by the Title Conditions (Scotland) Act 2003, a Rural Housing Burden is a title condition which protects affordable housing stock for local communities in perpetuity and allocations policies prioritise people with a need to live or work in the area. Rural Burdens were used in the Colonsay example (section 3.3)

5.4.4 Regulatory measures

Some participants felt that while incentives (carrots) can work for some, regulatory measures (sticks) will be necessary to compel less cooperative landowners.

...absolutely there are carrots. But you always need that stick, because a large number of estates, and you know, I am absolutely not anti-landowner in any sense... [but] the vast majority of landowners, particularly absentee landowners... they're not really bothered about community sustainability and delivering housing. It's not on their agenda at all.

One participant also suggested that planning consent should be viewed as a contract to deliver within a set period, and more than one stated that failure to develop should then trigger mechanisms allowing public acquisition of land at its existing use value or mandating its sale on the open market.

5.5 Land acquisition and assembly tools

5.5.1 Compulsory Purchase Orders (CPOs)

CPOs featured heavily in discussions with interviewees and roundtable participants. CPOs are powerful tools that allow public authorities to acquire land without the consent of the owner, provided it is in the public interest. However, their use in Scotland is limited due to cultural and legal challenges. As one participant remarked, “People are nervous... about using CPOs because...they’re gonna lose or because they think it’s an imposition on the rights of landowners.” In some rural areas, the use of CPOs is also particularly challenging because of local and political dynamics. The desire to maintain community support, for example, can discourage authorities from employing CPOs, preferring voluntary land release instead.

One participant noted that, “For CPO or any other land assembly tool to work effectively, they need to be supported by up-to-date planning policies and allocations. This is part of demonstrating that a CPO is in the public interest.” Others described the process as “burdensome”, “bureaucratic”, and “very resource-intensive”. The Scottish Government has a longstanding commitment to reform CPOs, but, despite a review by the Scottish Law Commission (2014–16), the process remains largely unchanged. Government is however currently undertaking another review and reforms are anticipated, but substantial changes are unlikely before 2025–26. One participant suggested that a “how to” guide could enhance understanding and application of CPOs, addressing skills and confidence issues within some local planning authorities.

5.5.2 Alternative tools: CSOs, LDOs and MCAs

Interviews also touched on alternative mechanisms for land acquisition and assembly. Compulsory Sales Orders (CSOs) were proposed as a means to compel landowners to sell land for development when it remains undeveloped despite planning consents. Such an approach, which was also proposed by the Land Reform Review Group (2014), could address situations where landowners hold out for higher land price valuations, stalling development.

One participant also mentioned Local Development Orders (LDOs), used effectively in England, which grant planning permission for specified uses on designated sites: “The LDO grants planning permission and is supported by a design code which sets the parameters for individual self-build plots.” The same participant pointed to an example from Oxfordshire, where a local council’s use of an LDO has helped to facilitate self-build housing on a

former Ministry of Defence site. In this case, the council bought the former MoD site, adopted an LDO, and began releasing self-build plots in 2016. Around 400 homes have been built so far and there are plans for 1,500 more. Further research is needed to understand more fully this approach and the extent to which it has been successful, but certainly the intention behind LDOs, as set out in England's National Planning Policy Framework, is to boost the availability of land in the right places for development and to make better use of underused land.

There are no LDOs in Scotland, but an alternative (and perhaps similar) approach is Masterplan Consent Areas (MCAs). The aim of MCAs is to streamline the planning process by giving in advance several types of consent, including planning permission and roads construction consent, for example. The Scottish Government sees potential for MCAs to be used to deliver significant infrastructure projects, including green freeports and offshore wind projects, and the Highland Council appears to be supportive. However, these proposals are still under consultation and critics have pointed out that MCAs, in their proposed form, are merely a rebranding of Simplified Planning Zones which have been around since the late 1980s and have rarely been implemented.

5.6 Collaboration and partnership approaches

5.6.1 Community Housing Network Group

In Argyll and Bute, participants spoke of a Community Housing Network Group, which is comprised of Community/Development Trusts and is facilitated by online meetings. It has proven beneficial for sharing information and progress across community housing projects. For example, participants explained that the network helps communities to navigate funding challenges by pooling resources and knowledge.

5.6.2 Strategic Housing Forum

Also in Argyll and Bute, the Council has established a Strategic Housing Forum which plays a significant role in fostering collaboration between key development partners. These forums involve regular meetings chaired by the leader of the council. These are face-to-face meetings focused on housing project updates and overcoming barriers to development. The forum brings together council executives, the CEOs of housing associations, statutory providers, and SMEs to coordinate development efforts. As one SME put it, "it is a useful tool" because, by building relationships and maintaining open communication, the Forum helps to pre-empt and resolve issues.

Another example of a local authority-led initiative came from Midlothian where the local authority invites farmers and landowners to face-to-face meetings to discuss housing need and demand. This approach encourages landowners to present comprehensive estate management plans, enabling the Council to foster a more integrated and strategic overview of development opportunities. Through these discussions, landowners also become more aware of housing needs and are involved in the planning process, while the council gains a better understanding of land use.

In both cases, the key ingredient is getting the right people around the table to discuss, pre-empt and resolve issues, in person.

5.6.3 Joint Ventures

Joint Ventures are another effective model of collaboration, as demonstrated by the Hudson Hirsell case study (section 3.5). In another example, one of the SME builders we spoke to partnered with the Housing Growth Partnership (HGP) to deliver a site that had been “on the balance sheet” since 2006. HGP provided equity and special advisors, while the SME managed the project with Special Purpose Vehicle (SPV) funding from Lloyd’s Banking Group. Speaking about this partnership, the SME participant stated:

...that unlocked the site for us... we didn’t want it in our balance sheet. It just wasn’t viable for a long time.... by partnering with Housing Growth Partnership, we’re able to dilute our own risk as well and fund it off balance sheet. So, it’s about risk management, relationships, diversifying, and having patient capital coming in, to help fund the [development]. It also enabled us actually to secure standalone debt for that one company. So, we’ve got our debt facility just for that, just for that development... We don’t have to utilise any of our main bank facility to fund that project and that’s, that funding can be quite challenging to get. But because Housing Growth Partnership were behind it, because they’ve got a whole team of finance experts... that gives the lenders confidence to fund. So, it’s good stuff there. I think they do quite a bit with Homes England actually down South...

Such an approach can therefore help to unlock stalled sites, manage risk, and open up new funding sources to support housing development.

A similar approach – which did not feature in our interviews or wider discussions – was proposed by David Adams, former Land Commissioner. Adams (2013) proposed a model based on land readjustment which he called an ‘Urban partnership Zone’. It is worth quoting Adams at length:

In practical terms, an Urban Partnership Zone would be an area specially designated for redevelopment by the local planning authority, where a development partner is also selected by the authority through open competition. At that stage, neither the local authority and nor its development partner need own any land within the proposed UPZ but nonetheless, a joint-venture development company would be formed between them, in which the local authority would be entitled to at least a minimum share irrespective of any land owned, in order both to reflect its own commitment and to ensure local democratic accountability. In some circumstances, partners who already hold an ownership stake in a suitable UPZ might invite the local planning authority to enter into partnership rather than vice-versa. It would be for the local authority to decide how best to respond to such an approach.

Once an Urban Partnership Zone is declared, existing landowners would acquire the statutory right either to join the development partnership or to sell out to it. Crucially, then in contrast to compulsory purchase, the process of land assembly would be designed to promote co-operation not confrontation between the joint-venture development company and existing landowners. (Adams, 2013: 15).

It may be worthwhile exploring how such proposals could be made to work in a rural context.

5.6.4 Community-business partnerships

There was strong support for partnerships between communities and businesses, especially those needing housing for workers. Participants cited successful examples in Rum and Colonsay where investment by MOWI Scotland Ltd has made community housing projects possible (see section 3.3). These partnerships bring expertise and financial support, enabling housing projects to progress. It was also suggested that pragmatism, flexibility and a long-term perspective is needed to support scaling up of community-business partnerships, along with thoughtful planning to ensure that the housing helps to address wider issues like depopulation and community sustainability.

5.7 Summary

Our interviews highlighted several tax and/or policy reform options aimed at promoting housing development and community sustainability in rural Scotland. One such proposal involves offering tax relief to incentivise landowners to release land for housing, utilising mechanisms like business

rates relief under the Scottish Government's devolved powers. Additionally, the revenue from increased Council Tax on second and empty homes could be allocated to fund new housing supply.

The Land Reform (Scotland) Bill introduced in March 2024 aims to mandate Land Management Plans from landowners and implement notification of sale provisions for large land holdings. The Bill, though potentially beneficial, may require further strengthening according to some participants. The Housing Bill, also under consideration, raises concerns about increased complexities and rent regulation, which might deter landowners from engaging in housing projects, particularly rentals.

Public sector leadership was considered essential for overcoming market failures and addressing housing needs in Scotland. The proposal for a national land agency to actively intervene in the land market could significantly impact rural housing development by preparing sites for private developers. While this idea has both supporters and detractors, alternatives such as empowering local authorities or existing public agencies with development rights received almost universal support. Agencies such as HIE have already demonstrated success with projects such as the modular village at Inverness Campus, and others like SoSE have similar potential.

Collaborative approaches, including community-business partnerships and strategic forums, also featured prominently in interviews. The Community Housing Network Group in Argyll and Bute, for example, fosters information sharing and resource pooling for community projects. Similarly, strategic housing forums and joint ventures between councils, landowners and private developers have proven effective in unlocking development opportunities and managing risks. These collaborations underscore the importance of bringing together various stakeholders (and preferable in person) to pre-empt and resolve issues to facilitate delivery of new homes in rural Scotland.

In the next and final chapter, we present some concluding thoughts and make practical recommendations structured around the four research objectives.

6. Conclusions and recommendations

In this final chapter, we provide some concluding thoughts in relation to each of the four research objectives set out in Chapter 1. These are:

- To make practical recommendations that would deliver a 10-year supply of effective land to meet housing need and demand, and support growth opportunities available in much of rural Scotland.
- Explore the potential for alternative governance and ownership models that could unlock land for development.
- Examine the potential of Local Place Plans to act as a key building block for delivering housing to support growth and repopulation.
- Propose practical approaches to providing support to reduce risk for, and increase the capacity of, communities, landowners and SMEs to deliver new homes.

We deal with each in turn, and, under each heading, we present our recommendations – some of which we consider to be achievable in the short term, while others may require legislative or cultural change and would therefore take longer to implement.

6.1 Delivering housing land

The key to delivering housing land is the land assembly process. Our empirical evidence on Homes England, the Irish Land Development Agency and the Highland Landbank Fund approaches shows a shared feature in the commitment to take public action to deliver on the identified public interest.

Many of our discussants and interviewees saw merit in this characteristic, and supported the establishment of a Housing Land Agency to acquire land on a temporary basis so that it can be parcelled, supplied with infrastructure, and taken through consultation with statutory bodies. (While this study has been focused on rural Scotland, a national agency would need to cover the whole country). Land parcels would then be made available for development by a statutory housing authority (i.e., a local authority), a regulated social landlord (i.e., a housing association or community housing trust where it is a registered housing body), or a private developer. A private developer would be expected to pay a price for the land that recognised its ‘oven-ready’ nature for development. The price should also be sufficient to generate a surplus for the agency that can be recycled to projects in the public interest but with zero or negative development value. The way in which the agency’s finances would work would also need to fit

the Section 75 regime and the possible infrastructure levy identified in the Planning (Scotland) Act 2019.

Such a proposal carries the risk of developers/ communities, where development value is strongly positive, perceiving that ‘their surpluses’ are leaking away to fund ‘non-viable’ schemes. The definition of public interest and the accountability of the agency are key to addressing these concerns. A possible extension of the land assembly role would be to enable placemaking via public interest led development (as discussed in Chapter 2).

A land assembly agency would need some pump-priming from Government. However, part of this should be recouped by a reduced call on Affordable Housing Supply Programme grant funding for individual developments. Pump-priming could be done most straightforwardly by a grant, but a patient loan could also be considered suitable. Our understanding is that the Scottish Government’s Housing Investment Taskforce is examining patient capital supply.

Some key informants questioned the need for a new agency. A first concern relates to accountability: a new national agency may be quite centralised and remote from the realities of housing delivery and might subtract from the statutory authority of councils. A related issue is about how the agency’s responsibilities would fit with those of existing national organisations such as the LAR Housing Trust. The second concern is about need. Reference was made here to the way in which the Planning Act is aiming to ensure delivery of housing land, and the complementary action related to delivery in the Rural and Islands Housing Action Plan (RIHAP). Both are outlined in Chapter 1 of this report. The processes of LDP preparation and adoption, including liaison with partners, and councils and key stakeholders collaborating as recognised in the RIHAP should ensure that the public interest in rural housing delivery is achieved. The conclusion drawn as a result is that a new agency may have no clear role. Furthermore, as the culture change of the 2019 Act embeds, distracting attention towards the establishment of a new agency, as would inevitably happen, may be counterproductive.

The outstanding question is on supporting housing delivery in the areas where project costs continue to exceed development value. The likelihood is that for some local authority areas, there would be little or no prospect of cross-subsidy from high value projects, and therefore continued calls for public support. Continuing fiscal constraint means that relevant Delivery Plans would need tight prioritisation of projects.

6.2 Alternative governance models to deliver new development

Should a new agency be deemed desirable, consideration would need to be given to the form of agency that can assemble land in the manner outlined above. Our evidence points in different directions on this point, with the options and their key pros and cons set out in the table below.

Table: Land assembly agency models

Form	Advantages	Disadvantages
National	Bargaining power as a national agency. Enables effective pooling and cross-subsidy. Economies of scale.	Centralisation and remoteness from local contexts, so possible information deficits and questions over accountability.
Regional	Bargaining power (though less than national). Some economies of scale. Better sense of local markets than a national body. Effectiveness of pooling and cross-subsidy depends on health and trajectory of constituent land markets.	How are the regions built to have meaning, identity and contiguity with existing boundaries? Possibly difficult to avoid 'rich' and 'poor' regions.
Local	Awareness of local context so good information base. Local accountability.	Limited bargaining power. High degree of variation in capacity to deliver at present. Some local agencies are very likely to struggle to raise surpluses, and therefore will make greater call on public subsidy, leading to perceived unfairness. Funding vulnerability.

Notes: There are different possible regional models: (i) To follow the current Scottish Government More Homes set-up of North, East and West; (ii) To align with the current Enterprise Agency boundaries of HIE, SoSE and SE; (iii) To follow the model of Regional Economic Partnerships.

The conclusion from the table is that adopting a single model is unlikely to be optimal. Rather, it would seem sensible to opt for a flexible model that can blend (in particular) the advantages of the national and local set-up (and avoid the possible disadvantages of each).

The way that Homes England operates may be an approach to consider adopting, whilst adapting for Scotland's current agency structure: the identification of rural projects is essentially bottom-up, coming from councils and housing associations in liaison with local-based Homes England staff (who can bring development expertise – legal, financial, commercial – as needed). At the same time, the national agency has the necessary 'clout' with stakeholders to make these projects happen and can draw on a bigger possible cross-subsidy pool. A further benefit to reflect in Scotland is that the combination can avoid either replicating, or super-imposing a tier on to, current partnership approaches that can deliver more with increased support (see section 6.4), or that might be facilitated to evolve to do so. This approach has the accountability advantage of projects coming from councils, with elected members or recognised housing associations, with boards of directors. A national agency could take different forms: the recent Public Bodies Review of Homes England considered the benefits and limitations of alternate forms and concluded that its NDPB status was optimal. It is likely that very similar considerations would apply in Scotland. Part of the argument against establishing an agency is that there would be no need to develop any new governance or accountability framework. This is because it is elected local authorities who are responsible for the Delivery Plan.



Recommendation 1:

The Scottish Land Commission is well-placed to consider the constitution, structure, financing and appropriate powers of a Scottish Housing Land agency. We therefore recommend that it does so, should it be determined, in the light of implementing the 2019 Act, that an agency is merited.

6.3 Local Place Plans

Our evidence shows that LPPs have clear potential, but some limitations on their effectiveness. The principal potential benefits of the LPP are that they can bring together community representatives, key voluntary and public sector agents, landowners and business interests to develop a shared vision for the future of a place. The place-based focus might bring a relatable scale, making community engagement more meaningful than for the local authority area as a whole. In principle, therefore, LPPs could

make an effective mechanism for the bottom-up identification of housing projects and give communities a positive role in shaping places rather than reacting to development proposals. LPPs need to be considered when local authorities produce their Local Development Plans. A possible development of the LPP, suggested within some of the consultations we have undertaken, would be to require it to include a local housing needs and demand assessment (LHNDA). The main benefit of this would be to make a sound evidence base for any housing development calls within the LPP. However, current methodologies for LHNDA's may lack consistency and, particularly where they rely on relatively small sample household surveys, produce estimates that have a high error margin and make for an aspirational measure. We understand that the Scottish Government is considering providing a robust methodology for LHNDA's that is consistent with the local authority's whole area-level assessment conducted for its Local Housing Strategy, which LPP producers could use in the future.

The main limitation on the LPP is its resourcing: there is no clear professional capacity (or funding) to support LPP development, meaning that places rich in resource (financial and social capital) might move rather faster and more effectively than resource-poor areas. If possible, it seems desirable to redress this inequality through some form of revenue grant.

We appreciate that these propositions are likely to call for increased resource from the local planning authority, including the time of professional staff. However, the current context is of high, if not excess demand, on planners and significant pressure on local government budgets. We understand that the Scottish Government is currently considering responses to its consultation on 'Resourcing the Planning System'.



Recommendation 2:

The Scottish Government should consider the desirability and feasibility of amending the support given to LPP production in the light of its response to the resourcing consultation.

6.4 Increased support to expand existing provision

In this final section, we present some additional practical recommendations to providing support to reduce risk for, and increase the capacity of, communities, landowners and SMEs to deliver new homes. These are all measures that could be explored and/or actioned in the short to medium

term. Our aim is to identify a combined ‘carrot and stick’ combination to tackle problematic concentrations of land ownership and persuade more landowners to release land for housing in rural Scotland.



Recommendation 3:

The Scottish Government should seek to explore the cost effectiveness of tax incentives for landowners to release land as well as the introduction of new land acquisition tools and regulations to empower local authorities to acquire land in the public interest.

Our research suggests the (un)willingness of some key landowners to release land is one of the main barriers to new housing development. A combination of ‘carrots and sticks’ is therefore required to persuade landowners to release land because while some landowners are willing to sell land to meet local housing needs and support community sustainability, others are not.

The Scottish Government should therefore explore tax incentives for landowners who release land for housing where a local need has been identified. This exploration could include an economic evaluation, so that extra-marginal subsidy can be avoided. While some taxes (e.g. capital gains tax) are reserved to Westminster, the Scottish Government does have the power to provide business rates relief to landowners who release otherwise unproductive land in areas where there is unmet need.

Where landowners remain unwilling to release land, despite a demonstrable need, wider use of CPOs, and wider recognition that they will be used, to deliver public good. As we noted earlier, the Scottish Government is currently undertaking a review of CPO and are consulting on Masterplan Consent Areas (MCAs). CPOs are considered to be complex and resource-intensive, so a “how to” guide may be useful to help local authorities prepare a case for the use of CPOs. Many local authorities have no experience of CPOs and are therefore wary of them. CPO guidance should therefore reinforce to local authorities’ and landowners’ lawyers that Scottish Government accepts that CPOs are an acceptable instrument in pursuit of the public interest.

As part of its review of CPO, the Scottish Government should also consider what new land acquisition powers might be useful to local authorities. The

Land Reform Review Group (2014) and the Scottish Land Commission (2018) recommended Compulsory Sales Orders which would give local authorities the power “to require land that has been vacant or derelict for an undue period of time to be sold by public auction to the highest bidder” (ibid: 1). The intention behind such an intervention would be to transfer land from passive to active ownership, potentially bringing problematic sites back into productive use, much like CPO but without requiring the local authority to make a strong public interest case first. The Scottish Government should reconsider CSOs as part of the review of CPOs.

Consultation on MCAs is ongoing. MCAs could be a useful tool to bring clarity and confidence, and stimulate participation and investment in the market. They could also be a key planning instrument if they are prepared in a robust, viable and timely manner and are subjected to rigorous co-operative engagement with all stakeholders. However, the Scottish Government should, in the light of Resourcing Planning, seek to ensure that there are clear plans for putting in place the skills, resources and the funding required to deliver MCAs. Otherwise, the risk is that MCAs give way to the same problems that led to the non-delivery of Simplified Planning Zones (SPZs).

To tackle the problem of monopoly power that arises from concentrated land ownership, the Scottish Government has tabled the Land Reform (Scotland) Bill which includes a Public Interest Test and prior notification of sale principles. The former applies to certain transfers of all or part of a large landholding (applicable to landholdings of at least 1,000ha), to determine if the owner should be required to transfer the land in smaller parts (lotting); while the latter is intended to ensure that community bodies receive advance notice in certain cases that the owner intends to transfer a large landholding, or part of it, and provide an opportunity for community bodies in the area to purchase land (again, applicable to landholdings of at least 1,000ha). The Scottish Government should consider strengthening the provisions in the Land Reform (Scotland) Bill. One such measure might be to reduce from 1,000ha to 500ha the trigger for activating prior notification and lotting provisions which might help to make more land available to communities where there is an interest in developing housing on that land; as well as extending prior notification principles to include RSLs, businesses, individuals, and others who might face the same (or similar) challenges as communities when it comes to participating in the market.



Recommendation 4:

The Scottish Government should explore all potential revenue-raising opportunities in conjunction with local authorities and other key stakeholders to channel additional funding and financial support to key delivery agents for acquiring and developing land for housing in rural areas.

The common features of most of the case studies we have looked at for this research are the high costs of development in rural areas and the negative development value of land, thus requiring public grant to become viable. There are many reasons for this, which we have explored in detail in Chapter 5, but a key challenge is often the costs associated with infrastructure and enabling works required to unlock sites. The Scottish Government and local authorities have made a positive difference in tackling these issues through the use of e.g., the Housing Infrastructure Fund, the Highland Land Bank Fund, and the Strategic Housing Fund in Argyll and Bute. In the context of a Housing Emergency more now needs to be done to build on these successes, and our research points to some very specific and practical revenue-raising mechanisms for the Scottish Government to consider.

For instance, the Scottish Government and COSLA could revise the Verity House Agreement to allow for all revenue raised from reducing the Council Tax discount or increasing council tax on long-term empty properties should be ring-fenced for use by local authorities to support the delivery of affordable housing (whether through land purchase, infrastructure and enabling works or directly for housing development). The funds could be placed into a local Strategic Housing Fund and made available to SMEs, community organisations or RSLs in the form of grant or low-cost loans, as is the case in Argyll and Bute. Recipients would need to be seen to be similarly secure to RSLs to protect public investment.

Crown Estate Scotland (CES) also provides leases for areas of seabed which are used to farm salmon and trout. This is another potential revenue-raising mechanism worth exploring. The Scottish Government estimates that about 2,000 jobs are directly supported by salmon and other finfish production, and as our research has demonstrated, these employers require housing to house their staff. The Scottish Government should explore the potential for some or all of the revenue generated from fish farm leases to be ring-

fenced to support the delivery of affordable housing in rural Scotland. This would help to ensure that large employers help to support rural housing. It is our understanding that CES are interested, along with organisations like BE:ST, in how to develop local market analyses of housing market requirements where coastal and other rural net-zero renewable investment might take place (i.e. the labour shortages associated with new economic investments are in large part due to housing market failure). Where local housing need has been met, revenue raised through this mechanism could help to cross-subsidise affordable housing provision in areas with unmet need.

The Scottish National Investment Bank (SNIB) is another potential source of funding. SNIB was established to address long-term persistent challenges facing Scotland. One of its three missions is to transform communities and make places where everyone thrives. However, the Bank typically invests in businesses and projects seeking more than £1m in investment support, which is far higher than most rural housing projects require. The Scottish Government, perhaps through its Housing Investment Taskforce, should therefore work with SNIB (and other organisations such as the Scottish Futures Trust) to explore options and develop patient capital products that might help to fill demonstrable gaps in finance for public good.



Recommendation 5:

The Scottish Government should consider what more it can do to support rural housing enablers and locally based, SME builders and contractors.

The absence of the volume housebuilders and the shortage of locally-based builders and contractors is a major break on development in rural Scotland. Our research has shown how community-led initiatives have risen to plug the gap and deliver new housing projects where there is a clearly identified need. Our work has also demonstrated the crucial role of rural housing enablers, such as Rural Housing Scotland, Communities Housing Trust and South of Scotland Community Housing, in making many of these projects happen. The Government should continue to support housing enablers and SMEs to participate in the market and support community-led housing initiatives.

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Appendix 1: Homes England Funded Programmes

Name	Overview	Funding over its period (£m)	Type	Status
Grant funding to support delivery of – or unlock land for – new homes				
Shared Ownership and Affordable Homes Programme (2016–21)	Supports the cost of building affordable housing of a range of tenures (affordable rent, social rent, rent to buy, shared ownership and supported/ specialist housing).	4,910	Grant	Closed to new bids
Affordable Homes Programme (2021–26)	Supports the capital costs of developing affordable housing for rent or sale.	7,380	Grant	
Housing Infrastructure Fund (2019–28)	Funding for infrastructure that will unlock housing development across England.	3,500	Grant	Closed to new bids
First Homes	An affordable homes purchase scheme offering first-time buyers up to 30% off the market value of the property – the discount on these properties is offered in perpetuity.	139	Capital	Pilot closed to new applications
Financial tools i.e. loans, equity investments and guarantees that support the demand for or delivery of new homes				
Home Building Fund (short-term) (2016–22)	Supports the diversification of the market through key sectors including the SME developer market and modern methods of construction.	2,196		Closed to new applications
Home Building Fund (long-term)	Recoverable loan funding to the private sector working on large-scale residential sites where mainstream funding is not viable. Funding supports site preparation and infrastructure to enable housing delivery.	1,700		Recoverable capital funding

Levelling Up Home Building Fund (2022–31)	Fund to unlock and accelerate housing delivery in areas of need through place-based interventions – supporting diversification, innovation and capacity in the market.	2,026	Loan, equity and development finance.	Open to applications
Help to Buy (2021–23)	Equity loan of 20% (40% in London) to allow purchase of new-build home by those with a 5% deposit.	24,900	Equity loan	Closed to new applications.
Help to Build (2023–28)	Funding for customised or self-build homes.	150	Equity loan	Open to applications
Home Building Fund – Infrastructure Loans (2021–25)	Continuation of the Home Building Fund (LTF), providing loans to the private sector to invest in transforming predominantly brownfield land, improving public transport, building schools and providing infrastructure to unlock and accelerate new homes.	1,500	Recoverable capital funding	Open to applications
Flexible funding to support regeneration				
Brownfield, Infrastructure and Land Fund (BIL) (2023–26)	The BIL Fund will support economic growth and housing supply where there is evidence of need and opportunity. It will tackle the market’s failure to build housing and other uses on challenging sites that demonstrate negative externalities, difficult land assembly, imperfect information and other barriers which prevent the private sector from taking on alone. Funding to unlock up to 40,000 new homes and up to 200,000 sqm employment floorspace on challenging brownfield sites the market wouldn’t bring forward alone. Will support a range of interventions – assembling and remediating land; grants or financial transactions for infrastructure that unlocks new developments.	around 1,000m	Capital [CDEL]	Open to new bids

Guarantees				
Affordable Housing Guarantee Scheme 2013	Loans for up to 30 years to support the delivery of new affordable housing.	3,500	DLUHC guarantee	Closed to new applications
Affordable Homes Guarantee Scheme 2020	The successor to the 2013 scheme also offering loans for up to 30 years.	3,000	DLUHC guarantee	Open to applications
Private Rented Sector Guarantee Scheme	Loans to support the delivery of purpose-built private rented housing.	3,500	DLUHC guarantee	Closed to new applications
Enable Build	Guarantees to banks for newly originated loans to SME house builders.	1,000	DLUHC guarantee	
Land-focussed interventions				
Land Assembly Fund (2018-present)	Funds the acquisition, de-risking and disposal of land suffering market failure, to accelerate housing delivery.	858	Capital	Open to new bids

Appendix 2: Review of the Highland Housing Alliance and the Highland Revolving Landbank Fund - research finding

Newhaven Research Limited was commissioned by the Scottish Government to assess the extent to which the establishment of a housing development agency called the Highland Housing Alliance and the Highland Council operated Land Bank Fund have increased the supply of housing in the Highlands, and whether similar bodies might operate effectively if introduced in other parts of Scotland. This paper highlights the findings and conclusions drawn.

Main findings

- The Highland Council Land Bank Fund was established in 2005. By August 2008, the Land Bank Fund stood at over £15 million, having made loans of nearly £13 million since establishment, and had £7 million repaid.
- The Highland Housing Alliance is a private limited company co-owned by the Highland Council and a number of locally operating Registered Social Landlords and Trusts. To date the Alliance has acquired a dozen sites across the Highlands, capable of delivering around 900 dwelling units, and around a third of which will be affordable.
- Overall the Land Bank Fund and the Highland Housing Alliance have proved highly successful in promoting development that would have otherwise not occurred.
- The Alliance has been successful to date largely because it was built on a framework of strong local relationships, and because it has managed to walk a fine line between what Registered Social Landlords involved in development activity and private developers see as their respective areas of responsibility. The Council has assisted the Alliance in this by making a significant amount of land available to it. It was also assisted in making significant surpluses to reinvest by the market conditions prevailing between 2005 and late 2007. Further key factors in Alliance success have been the commercial culture embedded within the organisation (which has allowed it to respond to opportunities quickly and flexibly), and local political support.
- The Alliance now faces changing times and more difficult operating conditions, including flat housing and land markets, a diminishing stock of Council owned land, and concerns on the part of some that it may soon be encouraged to act as a lead development agency. How it reacts to these issues will determine the future success of the Alliance.

- The Land Bank Fund model is a valuable mechanism for Councils to help them translate LHS affordable housing priorities into actions on the ground. Transfer would not necessarily involve Scottish Government funding support. A number of necessary conditions for success would have to be met for successful transfer of the Alliance model to other parts of Scotland.

Background

The Land Bank Fund and the Highland Housing Alliance were initially conceived as vehicles for addressing difficult housing development circumstances and a chronic shortage of affordable housing across the Highlands.

The Scottish Government is keen to establish ways to enhance the supply of housing across Scotland and to reduce the costs of procuring affordable housing. In Autumn 2007 it established a Housing Supply Task Force to identify and tackle impediments to increasing housing supply across all tenures. The Task Force was interested in considering whether the Highland initiatives offer potential for use in other parts of Scotland. To inform its thinking an independent review of Land Bank Fund and Alliance activities to date was commissioned.

Method

The study involved three components,

- A review of national economic and housing market developments and their local Highland impacts.
- A detailed examination of Land Bank Fund and Highland Housing Alliance activities between March 2005 and August 2008.
- An assessment of impact, based on interviews with a range of interested parties from government, the social and private sectors, and with members of the organisations, and also based on four case studies of Alliance activities.

Findings

The Land Bank Fund was initially funded through Scottish Government grants of £5 million, and subsequently augmented by annual contributions from the Highland Council second and holiday homeowner Council Tax receipts.

The Highland Council formally operates the Land Bank Fund. The source of ideas for applications of the Fund is mainly a network of Local Development

Fora that the Council uses as the main mechanism for translating Local Housing Strategy priorities into affordable housing development activity.

To date the Land Bank Fund has provided soft loans for site acquisition and infrastructure work prior to residential development. Increasingly however it is being used in the form of grant to help meet development costs on sites that would otherwise fail to qualify for Affordable Housing Investment Programme support from the Scottish Government.

The Land Bank Fund has been used to assist a range of bodies involved in affordable housing provision within the Highlands.

The evidence indicates that the Land Bank Fund has smoothed the affordable housing development process in the Highlands, in part through helping to bridge finance activity across financial years where streaming of Affordable Housing Investment Programme funding might otherwise cause disruption, and in part by supporting early site feasibility studies to reduce the number of false leads being followed by affordable housing providers. In addition, the Fund has, through refundable loans to the Highland Housing Alliance, given the Council and Registered Social Landlords much greater control over the timing of affordable housing procurement than would have been possible through a standard 'Section 75' approach

To date, the main activity of the Highland Housing Alliance has been acquisition of a land bank, and orchestration of development across the sites acquired. These sites have been predominantly but not exclusively acquired from the Council.

Alliance activity was initially concentrated in the inner Moray Firth area, but the spread of sites it now owns is broad, with major developments underway in Lochaber, Sutherland and elsewhere. By common consent it has unlocked land that had been allocated for housing development within Local Plans, but had proved difficult to progress, and it has secured subsidy for affordable housing through undertaking mainstream housing development activity.

Registered Social Landlords would not be able to directly undertake the open market activities that the Alliance does. While Councils have more leeway in this regard, neither type of body would be expected (or be likely to feel comfortable) in undertaking activities with significant risks attached. The Alliance is a body configured and co-owned by the Council and Registered Social Landlords to do this on their behalf. It has proved of considerable value to its owners because it has a commercial outlook and has adopted a private sector culture. Because not for profit organisations

actually own it, they trust it, even though it is essentially a private sector organisation.

The private sector also sees an organisation it can understand and be understood by. Over its first three years of operation, overall private sector opinion of the Alliance has been very high. It has not been seen as a competitor, as it has worked on sites that by virtue of nature or ownership would not have been otherwise available. In this way it has provided additional work for the private sector that would not have otherwise existed.

The Alliance has earned a considerable surplus to date from its trading activities. This was strongly assisted by land and property market trends up till the end of 2007, but it required skill and drive on the part of the Alliance to translate a potential surplus into a real one. There is very little perception that in this process the Alliance has had any untoward influence on land prices. This is consistent with the predominant source of its land to date being the Council.

The heady days of 2005 - 2007 are now long gone, and residential market retrenchment is well underway, with best estimates suggesting that a return to anything like normal trading conditions before 2010 is very unlikely. In this context the scope for earning future surplus is significantly diminished. However, the existence of the Land Bank Fund, the cushion provided by surplus already banked, and continued prudent management mean there is no real threat to the continued financial viability of the Alliance. Indeed, it stands out as an organisation that financial institutions are willing to extend credit to even in these troubled times, and more than one builder is looking to the Alliance as a potential source of work in coming months

The following are critical success factors underlying Alliance performance to date:

- The initial situation that spawned it: The Alliance has worked as well as it has because of pre-existing levels of co-operation, goodwill and trust across the Highland development community.
- The skills and attitudes of Alliance and Council development and planning staff, and continued support from locally based Scottish Government personnel.
- Capital funding support through the Land Bank Fund, and revenue funding support in the first three years of operation.
- Political support, both in terms of trust shown to the Alliance, and preparedness on the part of the Council to stand up for it in the face of external criticism.

- Alliance willingness to push development forward as quickly as possible, keeping all interested parties fully informed along the way, and to shoulder costs up front on behalf of other parties, recouping these later.

HHA has also benefited from the level of funding for affordable housing provision in the Highlands since 2005, as well as the generous supply of suitable land available to the Council for transfer to HHA for housing development.

Critical success factors underpinning the Land Bank Fund are:

- The priority given housing by the Highland Council. In particular, the Council has backed statements of priority with real resources and actions.
- The quality and culture of Council personnel involved in Land Bank Fund administration.
- The existence of a strong network of housing agencies through which to distribute available funding, and the mechanism of Local Development Fora to identify possible uses.

The £5 million of initial funding provided by Scottish Government was not necessarily a critical success factor - the Council could still have established a Land Bank Fund, and grown it (as it has) year on year, by using Council Tax revenue and land sale receipts.

Similarly the existence of the Alliance was not a critical success factor for the Land Bank Fund in the same way that the Fund was one for the Alliance. The Council has never seen the Land Bank Fund as dedicated to Alliance operations, and it has continued to support a range of other housing bodies through the Fund.

As regards transferability:

- The Alliance model might transfer to some parts of Scotland, but not all, and it should not be assumed that any such transfer would necessarily be easy to achieve.
- Because of the smaller number of key interests, the Alliance model lends itself more to rural than urban settings.
- Strong and unambiguous Council support for an Alliance type body once established, and ongoing strong proactive planning support and engagement at local level, would be essential for it to succeed.
- Revenue and capital support to kick start new Alliance type ventures would strongly assist their development elsewhere, but that does not mean such support would necessarily have to come from central government

- If an Alliance type approach were to be developed in other areas of Scotland, consideration would have to be given to how the development of a multiplicity of 'closed shops' could be avoided, where potential incoming (or already present) organisations that are not initially part of the venture subsequently feel they are excluded from development opportunities as a result.
- There is greater immediate scope for establishment of a Land Bank Fund approach elsewhere. A Land Bank Fund would provide a valuable mechanism for Councils to ensure Local Housing Strategy affordable housing priorities are being effectively translated into actions on the ground. Again, this does not necessarily imply a need for Scottish Government financial support.

Source: <https://webarchive.nrscotland.gov.uk/20190116222942/http://www2.gov.scot/Publications/2008/11/26094641/1>

Ma tha sibh ag iarraidh lethbhreac den sgrìobhainn seo sa Ghàidhlig, cuiribh post-d gu commsteam@landcommission.gov.scot no cuiribh fòn gu **01463 423 300**.

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