



Land supply for rural housing

Rural Scotland is facing a housing crisis that puts communities and economic opportunities at risk. A shortage of homes is driving young people and families away, limiting job opportunities, and constraining local economies. The Scottish Government has declared a housing emergency, signalling the scale of response needed.

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The Commission proposes that government uses public land ownership more actively to:



Create a long-term pipeline of land for housing by using the powers of existing public bodies to buy, sell, and hold land.



Support this with a large-scale capital fund that can reuse money from land sales to keep the programme running and reinvesting.



Require public landowners to review their land and identify sites that could be used for rural housing.



Update Compulsory Purchase Order rules to make them easier to use when needed.



Provide better guidance and support to help public bodies release land for housing at effective prices to unlock development.



Focus public support for Local Place Plans in areas with potential for economic growth or where populations are declining.



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The proposal draws on findings from new research, commissioned by the Scottish Land Commission and conducted by the University of Glasgow, which reviewed practical steps to create a long-term land supply for rural housing.

The University of Glasgow report recommends establishing a Housing Land Agency to acquire and prepare land for development, based on similar models in England and Ireland. The Scottish Land Commission supports this recommendation and we propose this can be

achieved in the short-term using existing public body functions.

Private land owners, developers and communities all have a key role to play, but where there is not a land supply in active ownership for development, public bodies can and should step in to assemble the land needed. Doing so will create longer term certainty that will help underpin SME construction businesses and provide the scale at which long-term innovative finance can work. Some local authorities that are already leading the way demonstrate that this approach can work. However, it is crucial to expand and resource these efforts. Regional leadership can create the necessary scale, collaboration and align with economic priorities.

Alongside the significant action government is taking on planning reform and finance, establishing a long-term pipeline of land will help drive delivery of rural housing.



Land for rural housing – Summary of University of Glasgow research

1.1 Background and context to research

There is a need to increase the supply of rural homes. The Scottish Government has declared a housing emergency. There are two significant issues in rural Scotland which an increased supply of new homes would address:

- Many rural areas are fragile and are suffering from long term population decline
- There are major opportunities for sustainable economic growth that need to be supported by a huge increase in the delivery of new homes.

The Scottish Government has responded to demographic change in many rural areas by publishing a population strategy that aims to support repopulation in fragile communities. Highland Council recently revised its 10-year housing planning target from 9,000 to 24,000 homes - this reflects the scale of economic growth opportunities in the Highlands and the urgent need to deliver housing to realise the benefits this growth can bring.

The Scottish Land Commission's previous 2021 report on Land for Housing concluded that addressing these challenges will not be achieved without a significant and sustained intervention from the public sector. Much of rural Scotland suffers from housing market failure. Volume housebuilders are not active in rural Scotland while small and medium-sized enterprises (SMEs), who traditionally develop in smaller sites and require lower profit margins, have been in decline since the 2008 recession. The completion of affordable homes has also dropped in recent years due to a combination of reductions to capital grant and increased construction costs.

The Commission's previous research found that to address market failure there is a need for the public sector to intervene in housing land markets, by playing a more active role in supplying sites for housing and de-risking these sites for developers.

1.2 Research brief

In 2023 the Scottish Land Commission appointed the University of Glasgow to carry out research exploring ways to increase the supply of land for rural housing and therefore the supply of housing. The brief for the research was to provide practical, workable solutions to increase the supply of developable land in active ownership in rural areas (and therefore the supply of new rural homes).

1.3 Approach and outcomes

The researchers set out with four objectives:

- 1 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.
- **2** Explore the potential for alternative governance and ownership models that could unlock land for development.
- **3** Examine the potential of Local Place Plans to act as a key building block for delivering housing to support growth and repopulation.
- **4** Propose practical approaches to providing support to reduce risk for, and increase the capacity of, communities, landowners and SMEs to deliver new homes.

The research gathered information on successful approaches to delivering land for rural housing through an initial discovery workshop to identify the main issues and potential solutions. This was followed by two regional roundtable discussions and a series of key informant interviews to establish successful practical and replicable approaches.

1.4 Case studies:

Five case studies looked at rural development covering a range of geographies and scales and have a variety of landowners, developers and project promoters.

The case studies are:

- North Staneyhill, Shetland a planned extension of the main town of Lerwick. Key lessons were the importance of a public body owning the site, the benefit of masterplanning the site, the role of land assembly and the benefit of a single phase infrastructure contract unlocking the site.
- **Dunbeg, Argyll and Bute** this is a major extension of the existing town to support economic growth. Masterplanning and up front infrastructure were essential to unlock the site.
- Colonsay, Argyll and Bute the first new homes on the island for decades to meet a mix of needs, including housing for workers. Funding housing for workers as part of a mix of tenures made the site infrastructure affordable.
- Blair Mor, Fort William, Highland a large development to support economic growth and to provide affordable and mid-market housing.
- Hirschel Estate, near Coldstream, Scottish Borders a landowner led development to provide a mixed tenure development to meet a variety of needs. The landowner invested resources in planning and shaping the development which enabled a significant number of new homes to be delivered in an area where private housebuilders were not active.

1.5 University of Glasgow report recommendations

The research report makes the following recommendations:

- Land Agency a public Land Agency function is created to provide a 10 year supply of developable land and to help reduce risk in areas of market failure. This could be a series of regional approaches or bodies but would preferably be a new national agency similar to Homes England or the Irish Land Development Agency. Both agencies assemble land and enable development on sites that the private sector would not bring forward.
- Local Place Plans (LPPs) the Scottish Government and public bodies should support communities in priority areas (those with major economic growth plans and those suffering from population decline) to resource Local Place Plans. Local Housing Need and Demand Assessments (or equivalents) should be a core part of these LPPs, providing a clear evidence base of the types and numbers of housing needed for the place.
- Incentives to Supply Land the Scottish Government should review tax incentives for landowners to release land and consider new land acquisition tools and regulations to empower local authorities to acquire land in the public interest.
- Resources to Support Rural Housing there should be a review to explore all potential revenue-raising to channel funding and financial support to key delivery agents for acquiring and developing land for housing in rural areas.
- Supporting Key Delivery Agents the Scottish Government should consider what more it can do to support rural housing enablers and locally based, SME builders and contractors.
- Linking Economic Development to the Delivery of Housing and other Essential Infrastructure it should be made clear to companies investing in rural areas that housing is a core part of the infrastructure needed to enable economic development. (Highlands and Islands Enterprise are already engaging with major employers on this and the Scottish Southern Electricity Networks commitment to deliver 1,000 permanent homes may provide a template to link economic development to the provision of housing).



Supplied courtesy of John Gilbert Architects/ South of Scotland Community Housing

2. Scottish Land Commission proposal

The Commission proposes that government uses public land ownership more actively to:



Create a long-term pipeline of land for housing by using the powers of existing public bodies to buy, sell, and hold land.



Support this with a large-scale capital fund that can reuse money from land sales to keep the programme running and reinvesting.



Require public landowners to review their land and identify sites that could be used for rural housing.



Update Compulsory Purchase Order rules to make them easier to use when needed.



Provide better guidance and support to help public bodies release land for housing at effective prices to unlock development.



Focus public support for Local Place Plans in areas with potential for economic growth or where populations are declining.

These proposal draws on the commissioned research by University of Glasgow and the Scottish Land Commission's Review of Land for Housing, published in 2021.

The proposal develops practical ways to deliver on that review's core finding – that the public sector needs to play a more active and interventionist role in land assembly – in order to support delivery of rural housing.

It is clear that the market will not deliver the homes needed in rural Scotland without intervention. Housing associations, community organisations and private land owners all have a significant part to play but they cannot fully meet the need, nor is there available capital grant to support them to. There is a significant role for the public sector to play in ensuring a pipeline of developable land that underpins delivery.

2.1 Key Principles underlying our proposals

- There is a need to do things differently to deliver the homes needed in rural Scotland;
- Reforms to the way that land is brought forward for development can derisk sites and support the delivery of more homes;
- The public sector has to play a strongly interventionist role there is housing market failure in rural Scotland and these urgently required homes won't be delivered without intervention in the housing land market.
- There will be a cost to these proposals both capital to support land banking and revenue to provide skills and expertise – but this investment will deliver new homes and economic growth.

2.2 Scope of proposal

This proposal focuses on how to increase the supply of developable rural land in active ownership. There is significant action underway addressing many key elements for housing delivery including work on construction costs, planning, supporting SMEs, finance and investment. For these to amount to the step change required, a pipeline of land available in the right places at the right price is an essential underpinning. Providing a long-term pipeline of developable land in active ownership will support the planning reforms (such as masterplan consent areas) and innovative financed work (such as joint venture funding) already underway. It will help provide the certainty needed to build the system of finance, SME developers, economies of scale, and strategic planning that will secure a step-change in rural housing provision.

2.3 Supporting Scottish Government delivery

The proposal offers practical steps to support delivery of the Scottish Government's Planning and Housing Emergency Delivery Plan and the Rural and Island Housing Action Plan. It builds on the work of the South of Scotland Housing Action Plan and the Highlands and Islands Regional Economic Partnership's identified need for housing to support growth. It supports delivery of National Planning Framework 4 (NPF4), including rural repopulation.

It supports delivery of key aspects of the Programme for Government – principally growing the economy by providing a supply of land for key worker and mid- market housing but also addressing climate change by providing sites for energy efficient homes and reducing child poverty by providing land for affordable homes of all tenures.

By providing a supply of land that would support mixed tenure housing development (including housing for sale and market rent) the fund would support delivery of affordable housing, homes for key workers and midmarket housing and enable economic growth.





Housing at Stichill, Scottish Borders. Photo © Walter Baxter (cc-by-sa/2.0)

2.4 Creating a pipeline of land supply – the public sector role in land assembly

Without strong intervention by the public sector the housing needed to support economic growth opportunities and to reverse depopulation will not be delivered. Volume housebuilders generally cannot achieve the levels of profit their business model needs by developing in rural Scotland. The private sector, housing associations and community trusts have a vital role to play in delivering new homes and places, but this has to be enabled by public bodies providing a pipeline of developable land.

The report by University of Glasgow recommends the establishment of a public land agency, on a similar model to Homes England or the Irish Land Development Agency, with a purpose of acquiring, assembling and derisking land for development.

We have previously recommended establishing a national housing land agency function and continue to advise this is required. In the short-term, we do not need to wait or create a new agency in order to take forward more proactive land assembly in rural Scotland. Significant progress could be delivered by making more strategic use of existing agencies, their remits and functions, in line with public service reform principles.

This will need regional leadership by enterprise agencies and local authorities, national support from government and a strategy of active public land ownership backed by a capital land fund.

2.4.1 Regional collaboration and leadership – building on experience

There is growing leadership and collaboration at a regional level that should be supported.

Local Authorities as Strategic Housing Authorities play a key role. More recently both Highlands and Islands Enterprise (HIE) and South of Scotland Enterprise (SOSE) have stepped forward to be more active on housing supply, recognising its centrality to economic growth opportunities. Both agencies are already active in providing land for economic and business development and this approach should be developed to include the delivery of land for housing.

HIE is convening a housing group as part of the Regional Economic Strategy. This brings together key stakeholders to address the issue of housing delivery to repopulate rural communities and realise the significant economic growth opportunities in the region.

SOSE, along with Dumfries and Galloway Council and Scottish Borders Council, are supporting the Regional Economic Partnership to implement its South of Scotland Housing Action Plan which includes an action to develop and promote local housing land pipelines.

As well as this convening function, there is a need for collaboration and co-ordination across bodies that between them bring the powers, skills and resource to be proactive in land assembly. There is a good model evident in the collaboration established in Highland.

Case study: Highland Housing Alliance

Highland Housing Alliance, established in 2005, is a joint venture between The Highland Council, five Housing Associations and two Housing Trusts. Its original principal activity was to develop land and infrastructure to ensure an increased supply of housing, and in particular affordable housing, in the Highlands. While the focus of HHA changed from 2012 to delivering mid-market housing (as a result of the impact of the 2008 recession which limited the profitability of private development) the model offers a workable approach to unlocking sites for development.

Highland Council set up Local Development Forums on strategic

development sites. Scottish Government's More Homes division, planners and Key Agencies met regularly to review progress on sites and overcome challenges. Highland Council has recently committed to reinvigorating the forums and expanding their remit as part of a strategy to significantly increase housing delivery to meet need. The forums:

- Identify and prioritise individual communities for action
- Assess local housing needs identify size, type and tenure of housing required
- Identify sites, unlock constraints and develop appropriate solutions
- Prepare local place plans for identified communities
- Identify funding solutions
- Speed up the predevelopment process
- Feed into wider housing, economic and planning strategies.

Replicating this approach across rural Scotland (with flexibility for local circumstances) would support a collaborative approach to land assembly and project delivery. It would de-risk sites, allowing opportunities for SMEs and others to deliver homes.

To make this approach work some revenue resource is required at a regional level to drive the collaborative approach. This resource would provide expertise and capacity to identify and de-risk sites and build up a landbank. It would realise the potential of the existing pool of skills, remits and resource across public bodies that already exists to be drawn on.



Proposed action:

 Resource regional leadership and collaboration to co-ordinate public sector land assembly

2.4.2 A strategy of active public land ownership

Public land ownership has a key role in creating a long-term pipeline of housing land supply. There are two strands required. The first is that all public land owners should have an obligation to identify land within their existing holdings that could be suitable for rural housing. The second is to use public ownership more dynamically to bring land into active ownership for development, using existing bodies and remits to assemble land for development.

A range of public bodies already have powers to buy and sell land. For example, Forestry and Land Scotland has powers to buy, sell and manage land, including forested land but also other land to further sustainable development. Local authorities and HIE have land acquisition powers for both negotiated and compulsory acquisitions.

These powers could be used more deliberately to create a long-term housing land supply that dovetails with planning reforms already underway such as Masterplan Consent Areas and innovative finance work currently being explored by Scottish National Investment Bank (SNIB).

There is potential for a public land contribution to be treated as patient capital equity in joint venture developments. This would mean that the public sector would be reducing risk for partners and would be able to re-invest their share of profit in future developments.

While negotiated acquisition would likely be the norm, reforms to Compulsory Purchase Orders (CPO) are needed so that these are a viable option for authorities to use. At present the legal and financial risk mean that they are rarely seen as an effective tool. The Scottish Government is currently reviewing CPO operation and the opportunity should be taken to ensure that public authorities have effective compulsory acquisition powers at a fair value, with political backing for active use of CPO. Reforms would provide a backstop where necessary and its existence would also likely improve the terms on which a negotiated acquisition can be achieved.

Scottish Ministers and public bodies already own a substantial amount of land, not all of which necessarily requires to be in its existing use or ownership. The most extensive rural land holdings are the crofting estates owned by Ministers and the national forest estate managed by Forestry and Land Scotland. Croft land offers specific routes to enabling housing, within crofting regulations, and there is a strategic opportunity to create new crofts as part of the wider approach to rural population retention.

The Scottish Futures Trust has supported NHS bodies to look at their land and building portfolios and consider wider objectives when planning disposals. All public bodies that own land should be active in reviewing their assets, identifying land that has potential for rural housing and where appropriate transferring it into active ownership for development.

There is a strong public interest case for public bodies to be able to dispose of land below market value in order to deliver housing to support economic growth and repopulation. Discussions with stakeholders shows there is uncertainty around best value and when public bodies can dispose of land below market value.

To support this there is a need for improved clarity around the use of the Scottish Public Finance Manual, making clear that best value does not always mean highest receipt and that land can be transferred at a value that will help unlock development. Feedback indicates that this can be a block on land that could otherwise be transferred into active ownership for development.

There are examples of good practice in the public sector in the way that asset management and land disposals are approached (for example, Scottish Futures Trust work with the health sector), but there is a need for greater confidence and clarity in applying best value to dispose of land for housing in the public interest.

There is a risk that the challenges of the current public finance position place even greater emphasis on short-term highest financial return, when in fact a transfer for a lower value may unlock greater public benefit and create more value in the long term. Improved guidance, coupled with operational support for public sector estate managers, could help release more land to deliver housing in rural Scotland.

Scottish Futures Trust have the expertise to deliver this advice and support which would enable public bodies to make better use of their land. As with other parts of this proposal, there are funding and resource implications. Scottish Futures Trust would require direction from Scottish Ministers to undertake these actions and the appropriate revenue support to resource them.



Proposed actions:

- Require all public land owners to review land holdings and identify land potentially suitable for rural housing;
- Use existing powers in public bodies to buy and sell land in order to build a public land bank, creating a pipeline of land for housing in active ownership for development;
- Through the current review, reform the operation of Compulsory Purchase Orders to ensure they are a viable tool for authorities to use:
- Provide improved guidance on Best Value and operational support for public sector estate managers to enable release of more land for housing.

2.4.3 Capital land fund

Using public land ownership to create a pipeline land supply needs to be backed by a capital land fund. The fund could operate at national or regional levels and will require start-up funds to be established.

There is an established example in the Highland Landbank Fund, set up in 2005 using £5 million from the then Scottish Executive and £5 million from housing land sales. This start-up money is supplemented with income from council tax receipts on second homes and is used to buy land for affordable housing, with finance recycled where possible on project completion. The Highland Council has recently announced an additional £6 million investment into the fund.

Scaling up this approach for other parts of Scotland would require capital to start up, with the intention to establish a land fund that recycles receipts where possible. The focus of the proposed fund would likely be threefold – land for key worker housing, land for mid-market housing to support significant economic growth opportunities and support for identification and development of sites in repopulation areas – providing support for housing delivery where there are gaps in market provision. This would likely be best achieved through mixed tenure development.

Start-up finance for a capital land fund operating at regional scale could potentially be delivered using local authority borrowing powers.

In 2023, Scottish Futures Trust published a paper exploring the opportunity for local authorities to provide housing for market rent or sale in areas of market failure. The paper explored the case and legal basis for the delivery of these market value homes by councils to deliver housing. With further consideration of this approach and the relevant legislation/regulation, it could potentially be applied to support land supply in rural Scotland through enabling land assembly and land banking.

The Scottish National Investment Bank is already working with partners to explore options to fund housing delivery at a regional scale, including possible joint venture models. Provision of patient capital by SNIB could support the kind of recyclable capital required to support mixed tenure rural housing developments.

Another option to secure initial finance is to restructure part of the existing public land holding, selling land to release capital for reinvestment into a capital land fund targeting housing delivery. The public land holding across several bodies has built up over many years, ranging from large scale holdings such as that managed by Forestry and Land Scotland to smaller scale holdings in the health sector or local authorities. In some cases, there may be land surplus to core objectives, or a wider review might identify that a proportion of the capital held in land can deliver greater public benefit through sale and restructuring.

Setting up regional land banks at the scale required to address housing need and demand will require capital investment. This investment is, however, essential. Previous research for the Commission found market failure in rural housing land markets while the new report by the University of Glasgow makes clear that without public sector intervention in land markets, new homes will not be delivered at the scale required to support growth and repopulate rural areas.



Proposed action:

 Establish a capital land fund, able to operate at either national or regional level, intended to recycle land receipts where possible and support a rolling pipeline of housing land supply.

2.5 Continued planning reform

The reforms to housing land assembly proposed above need to work alongside continued planning reform. There is significant planning reform work underway and the importance of planning policy and practice has been flagged by all partners in discussing improvements to supply of land for rural housing. In particular, the use of Local Place Plans is identified as a positive opportunity, which targeted resourcing can support. Feedback has also highlighted opportunities for the implementation of planning policy to better support delivery.

2.5.1 Local Place Plans

Local Place Plans (LPPs) are a significant and widely supported approach to place-planning in a joined-up way.

Delivering an evidence based LPP likely to be adopted as supplementary planning guidance requires resource and skills. Given the current constraints on public finances it is not realistic to expect that every community can receive the necessary support to deliver this. We propose that Scottish Government, local authorities and key agencies target support on:

- Areas identified as having potential for significant economic growth;
- Areas identified as priorities for repopulation.

To better support housing delivery we also propose that Local Place Plans should be informed by a local housing need and demand assessment or equivalent. Note we do not propose the methodology used for Housing Needs and Demands Assessment (HNDAs) at a regional level which do not take sufficient account of future demand because the methodology relies on historic data, but a local assessment that provides granular evidence. There are examples of much more targeted local assessments that assess the real current and forward need, and this is what is required to support effective Local Place Plans.

There are already existing, successful approaches to supporting community planning and community led housing. In Argyll and Bute, a Community Housing Assessment Toolkit has been created to support community groups. Support for communities to develop Local Place Plans has been provided in Dumfries and Galloway and Scottish Borders, while the Communities Housing Trust and South of Scotland Community Housing provide resources and support to communities working to deliver housing across rural Scotland.

It is important that when plans are developed by communities, local authorities are engaged early so that effective connections and can be made. Creating this more structured approach to using LPPs to place plan for housing based on identified need would support early integration.

New planning mechanisms can also enable employers and developers to have a say in where housing is built to meet need and demand in areas of economic growth. Both Local Place Plans and Masterplan Consent Areas are tools that can de-risk development while making sure that homes are developed in the right places.

2.5.2 Delivering on National Planning Framework 4

Engagement with key actors has consistently raised three factors in planning practice affecting delivery:

- 1. Resource constraints and speed of decisions;
- 2. Level of infrastructure requirements not appropriate for a small rural project;
- 3. A perceived presumption against development in rural Scotland.

Resource Constraints

The constraints around planning resources and public sector finances more generally are well understood. The recently announced Planning Hub offers a potential solution by providing a central resource of expertise.

Infrastructure Requirements and Proportionality

Previous work on land for rural housing raised concerns that planning and development policies designed for towns and cities are applied to small rural developments, compromising their viability. A place-based approach should enable planning and roads authorities to take a proportionate approach to requirements, including specific rural planning and development polices based on scale and existing provision.

Support for Sustainable Rural Development

NPF4 makes the welcome commitment to support rural repopulation. To deliver this there is a need to provide more rural housing (of all tenures) and for planning policies to be supportive of development. While the high-level commitment to repopulating rural areas is widely welcomed, there is concern that detailed policies that promote 20-minute neighbourhoods and brownfield re-use (both essential in an urban context) can be interpreted as a driver to limit rural development. This has been described by some as



"urban good; rural bad" in the push to deliver net zero, which is clearly not the intent of NPF4.

The Chief Planner has already written to planning authorities in September 2024 emphasising the positive intent of policies on rural homes (17) and rural development (29), noting the flexibility within these policies. It will be important that a supportive approach and presumptions in favour of development of rural housing continue to be articulated clearly through government and planning authorities.

The Planning for the Housing Emergency paper outlines the role of planning in enabling housing delivery at a scale to address the housing emergency. Given the opportunity for economic growth in rural Scotland and the need to repopulate fragile rural and remote communities it should be possible for policies and actions to be adapted and applied to the rural context.



Proposed actions:

- Public support for the development of Local Place Plans is targeted in areas with significant economic growth opportunities and communities that have suffered from the impacts of depopulation
- The completion of a Local Housing Need and Demand Analysis should underpin these Local Place Plans in order to quantify housing need and demand.

2.6. Conclusion

There is a strong role for public bodies to play in establishing a pipeline of developable housing land that is in active ownership and which creates long term confidence in supply. To achieve this requires a deliberate strategy of acquiring land in the right places and at the right price to underpin viability.

The existing powers, remits and functions of public bodies can be used more strategically to create a housing land agency function. This should be backed by a clear strategy of using public land ownership, enabled by a capital land fund.

There is no route to addressing the housing crisis in rural Scotland that does not require finance and resource. The active role proposed here for public bodies will help ensure that resource is deployed to maximise impact, working in tandem with other parts of the Scotlish Government's response via planning and investment, enabling delivery through the public, private and community sectors.



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