**MEMBERS’ PAPER: HOUSING SUPPLY IN REMOTE, RURAL AND ISLAND AREAS**

1. **Background**

This paper seeks to stimulate a discussion with you on housing related issues following the publication of the Housing to 2040 (H2040) strategy earlier this year and our recent commitment to develop a Remote, Rural and Island Housing Action Plan as part of our H2040 delivery.

Housing to 2040 puts our ambitions for place at its core, creating not only quality homes but quality places too. This applies to all communities in Scotland, recognising that all places are distinct, but also taking account of the particular challenges faced by our remote, rural and island communities as well as our town centres and urban communities

H2040 is Scotland’s first ever long-term national housing strategy with a vision for what we want housing to look like and how it will be provided to the people of Scotland, no matter where they live and what point in their life they are in. The vision and principles underpinning the strategy were agreed following extensive consultation with an extensive range of stakeholders including rural and island communities.

The principles supported the delivery of a range of good housing options, to support rural communities to grow and thrive. They recognised the role that housing can play in securing the future of local facilities such as schools and shops and sought to ensure that rural and island communities feel they are on a level playing field with the big cities.

Housing to 2040 (H2040) commits to taking action so that rural and island communities have access to high quality affordable and market housing, that is planned alongside the infrastructure that helps people live, work and thrive. It recognises the overall quality of life and well-being in rural Scotland but also recognises some of the **different characteristics and challenges.**

* The diversity of rural communities ranging from areas with relatively high average incomes, to more remote rural and island communities with amongst the lowest average incomes in Scotland, particularly for women.
* More people working part-time or as a self-employed person in remote rural areas compared to more urban areas.
* Challenges of depopulation in some areas, with young people in particular moving away either by choice or because it can be difficult to access appropriate employment, education or housing locally.
* Many areas face difficulties retaining key workers particularly where competition for homes is high
* Housing delivery tends to be more diverse: rural Scotland has more experience in self-build and relies on smaller builders, and developments costs are higher.
* Often relatively small-scale actions can bring about significant impacts, for example, a small number of additional homes can have a generational impact and help build the long-term resilience of communities.
* Recognises the distinct role of crofting and seeks to sustain and grow crofting communities

There are a number of **actions and commitments** in Housing to 2040 that will have a positive impact on housing in rural and island areas, these have been boosted further through commitments in Programme for Government 2021/22.

* to deliver a further 110,000 energy efficient, **affordable homes** by 2032 – at least 70% of which will be in the social rented sector and 10% in remote, rural and island communities.
* The development of a **Remote, Rural and Island Housing Action Plan** to meet the housing needs of these communities and help to retain and attract people.
* Continuation of the **Rural and Island Housing Fund** with the availability of £30m available over the lifetime of the current Parliament. ,
* Introduction of a new **Rented Sector Strategy** to improve accessibility, affordability and standards and ensure that all new homes achieve zero emissions.
* to develop a new **Housing Standard**, set in law, to cover all homes, new or existing, including agricultural properties, mobile homes and tied accommodation.
* extend the use of **modern construction methods** to help overcome some of the delivery challenges
* scale up opportunities for **self-provided housing**
* support the better use of existing housing including the development of a new fund for local authorities to apply to in order to bring **empty homes** back into use.
* take steps to regulate **short-term lets** to empower local authorities to strike a better balance between local housing needs and the concerns of residents with that of the tourism industry
* we will give local authorities the powers they need to manage **second homes**, where this is a problem in their area
* new **Permitted Development Rights** for the conversion of agricultural buildings to residential and commercial uses. These came into force on 1 April 2021 and will help support the provision of new homes in rural areas and help succession planning on farms.
* Work with Community Land Scotland and others to bring forward more **land** **for housing** in rural areas
* Adopting an **infrastructure-first approach** to neighbourhood planning, meaning that more homes will be encouraged in areas where there is, for example, already capacity in schools or health services. It also means including blue-green infrastructure.
* Through the new NPF4 and the development planning system identify a greater **choice of land** for community-led and self-provided housing, affordable housing and new build homes.
* Identify how our planning policies can help to sustain and grow **crofting communities.**
* Improve the **condition and quality** of existing properties, including agricultural tenancies and tied accommodation, through the new Housing Standard.
* Consider how the **concept of 20 minute neighbourhoods** in rural and island communities could apply, delivering homes in existing communities with access to the services and amenities that the community needs.

Through our More Homes Division, Area Teams liaise regularly with local authorities and other partners to ensure effective delivery of the affordable housing programme**.** This continues to be a key area of activity and reinforces the primary role of local authorities as the strategic housing lead on all housing matters for their area.

We have a range of existing tools and funds to help us achieve our collective ambitions and a strong track record in delivery. Further details on current funds and programmes is included at Annex 1. Case studies below illustrate the quality of the outcomes we are delivering, underlined by joint working and co-operation.

1. **Case Studies**

**Colonsay Affordable Housing Project**

Colonsay is a fragile community with a need for affordable homes and homes for key workers and essential services. The majority of land is in private ownership and 42% of homes are second homes are holiday lets.

Colonsay Community Development Company (CCDC) was successful in obtaining funding from the Scottish Land Fund to buy a site at Scalasaig. Working with the Communities Housing Trust to deliver affordable homes, grant funding of £1,205,888 has been awarded through the Scottish Government’s Rural and Islands Housing Fund (RIHF) for the development of 6 affordable homes, 4 for social rent and 2 for low cost home ownership.

This is part of a larger project involving local employer MOWI who has worked in partnership with CCDC and contributed £1.2m to deliver infrastructure works and a further 3 homes for rent for MOWI workers. CCDC will also provide 3 serviced plots to deliver affordable self-build opportunities on the island. In addition CCDC has secured grant funding of £335,000 from the Scottish Government’s Regeneration Capital Grant Fund to develop business units to support economic development.

**Isle of Skye – Key Worker Housing**

Scottish Government More Homes Division and local housing delivery partners have worked closely together with NHS Highland (NHSH) to address accommodation issues for local NHS Highland staff. Working collaboratively with Lochalsh and Skye Housing Association 7 properties have been made available to NHS Highland on a fixed term lease arrangement over a three year period.  This includes 4 properties in Broadford, 2 in Raasay and 1 in Portree all of which include an option to re-let as required.   All repairs obligations remain with the Housing Association however all matters relating to the tenancy issues is managed by NHS Highland.

The Housing Association had previously leased the property in Portree to the Scottish Ambulance Service (SAS) who ended the arrangement earlier in 2021, which allowed the Association to subsequently lease it to NHS Highland.

1. **Remote, Rural & Island Housing Action Plan**

The Remote Rural & Island Action Plan (‘the action plan) will support our rural and island housing policy and investment commitments by working to remove key barriers to housing delivery.

While the Action Plan will be rooted in the actions, principles and vision of Housing to 2040, its development and implementation presents a new and vital opportunity for all organisations to channel their efforts, work effectively, and collaboratively to deliver more and better housing in remote, rural and island areas.

In the coming months, we will engage more broadly on the development of the Action Plan with a view to better understanding the perceived barriers and identify joint solutions that we can collectively take forward.

1. **Discussion**

**We are keen to hear views from COHI members on the following suggested areas of focus:**

**Delivery in support of Affordable Housing** **in Remote, Rural and Island Areas**

The Scottish Government has set an ambitious commitment to the delivery of affordable homes across Scotland, with the delivery of 110,000 affordable homes by 2032, with at least 70% in the social rented sector and 10% in our remote, rural and island communities. To ensure this investment delivers benefits across Scotland, we are developing a Remote, Rural & Islands Housing action plan, to meet the housing needs of these communities, backed by at least £45 million as part of our overall affordable housing supply programme funding in this parliamentary session.

The long‑term target will support about £18 billion in total investment and up to 15,000 jobs a year, and contribute to Scotland becoming a net zero nation through modern, energy efficient housing.

The Rural and Islands Housing Fund is delivering for rural communities and providing an additional funding route backed by up to £30 million for those not able to access traditional affordable housing funding.

Over 6,000 affordable homes were delivered in rural and island areas across Scotland during the last Parliamentary term and through our next ambitious phase of the programme we will continue to deliver for rural and island communities.

Local authorities as the statutory housing and planning authority have a central role in assessing and prioritising how housing requirements in their area will be met but what more can they do and what more can we collectively do to support them?

We know that the delivery of high quality, place sensitive housing, particularly in rural and island communities takes time and commitment. For new build homes, there are issues of land availability, quality and cost, as well as higher materials, transport and development costs.

**Question 1**

**What more could we collectively do to support local authorities and housing partners to deliver the right homes in the right places?**

**Prompts**

What do you consider the barriers to delivery to be?

Where things are working well what can we learn from this?

We have a wide range of funds and tools but what more may we need?

Who could play a greater role to support our joint ambitions?

**Support Capacity and Delivery of Community Led Housing in Rural and Island Areas.**

The Rural and Islands Housing Fund (RIHF) has been referred to as a game changer and is providing support to help meet the needs of communities in rural and island communities. There are a number of excellent examples of housing projects delivered through the RIHF but as previously noted these projects take time and intense commitment to move from initial concept to delivery. The RIHF provides an element of feasibility support to communities and organisations including Communities Housing Trust and Rural Housing Scotland are actively supporting and assisting communities to enable more affordable housing.

**Question 2**

**How can we best support communities to build their capacity and confidence to bring forward new projects in rural and island communities?**

**Prompts**

What is working well and what can we learn?

How can we collectively guide communities through this process, sources of funding, professional and technical support, feasibility funding?

Who can help communities in the delivery of the homes – who is best placed, do we have capacity?

Who could play a greater role to support our joint ambitions?

**Construction Capacity and Skills**

We recognise the need for strong collaboration with home builders and the construction sector as well as the need to work with materials suppliers/manufacturers to look at opportunities to develop/strengthen the supply chain in rural and island areas.

In rural and island communities, the private sector housebuilding sector is limited and where it does exist is characterised by small to medium sized local builders.

To increase the scale and pace of delivery we will need to the skills, capacity and materials to support it however we also recognise the need for the reorientation of our skills through the [Climate emergency skills action plan ( CESAP](https://www.skillsdevelopmentscotland.co.uk/media/47336/climate-emergency-skills-action-plan-2020-2025.pdf)), and the role that businesses, communities and individuals across Scotland will play in achieving this.

**Question 3**

**How can we enhance construction capacity and skills to increase and speed up delivery of more homes in rural and island communities?**

**Prompts**

Where are the current barriers / issues?

Are there examples of innovation that’s worked well?

How do we make the most of these opportunities – both to deliver homes, improve skills and capacity but also to support the rural and circular economy?

**Annex A– Current Funds and Programmes to Support Rural & Island Housing**

**Affordable Housing Supply Programme**

The Affordable Housing Supply Programme (AHSP) comprises a range of funding mechanisms to enable affordable housing providers to deliver homes for social rent, mid-market rent, and low cost home ownership in communities across Scotland to support local authorities’ Local Housing Strategies.  Funding can be provided to Registered Social Landlords (RSLs), councils, community partnerships and trusts, individuals and private developers.

We will invest £3.5 billion in housing in this Parliamentary term, £3.44 billion of that will deliver more social and affordable homes, continuing to ensure the right homes in the right places. This includes £831.615 million to deliver affordable homes in 2021-22. Annex B details the resource planning assumptions for each local authority area over the next five years.

The main grant funding element of the AHSP is allocated through Resource Planning Assumptions. We recently announced that Council areas across Scotland will share more than £3.2 billion in grant funding over five financial years to 2025-26. That’s an increase of more than £541 million on the previous five year allocations.

Since 2016, 4,800 affordable homes have been delivered in rural and island communities.

A Strategic Housing Investment Framework (SHIF) was agreed with the Convention of Scottish Local Authorities (COSLA) to determine the allocation of funding to 30 of the 32 local authority areas, (funding for Glasgow City Council and City of Edinburgh Council is agreed separately and includes funding from the Local Government Settlement).  The SHIF formula takes into account four indicators; affordability, deprivation, rurality and homelessness.

**Rural and Islands Housing Fund**

In November 2020, we announced that the demand led Rural and Islands Housing Fund (RIHF) would continue beyond March 2021 as a continuing scheme with up to £30 m being made available (£30 million grant funding over this Parliamentary Term).

**Empty Homes**

The Scottish Empty Homes Partnership (which is hosted by Shelter Scotland) was established in 2010 to tackle the blight of empty homes on local communities and make better use of this wasted resource. The Partnership works with local authorities and other organisations to help them develop policies and processes for engaging with private sector empty home owners. We continue to support the work of the Scottish Empty Homes Partnership and our network of dedicated Empty Homes Officers (SG grant £300,970 for 21/22). The current funding for the Partnership is due to end in 21/22.

The £4.5m Empty Homes Loan was launched in 2012 and funded 17 projects across Scotland. The beneficiaries (mainly councils) provide loans to private owners to help bring homes back into use. Some of these projects are still ongoing. In addition, a number of councils also operate their own local empty homes funds.

**Self-Build Loan Fund**

The £4 million national Self Build Loan fund launched in September 2018. It offers short-term loans of up to £175,000 to borrowers unable to access standard bank to assist with development costs relating to the construction of their self-build home.

It follows on from the Highland pilot which will result in 14 new self-build homes in the Highland Council area.

In February 2021, Ministers agreed to extend the original three year fund by an additional year to address delays resulting from the impact of COVID-19 and allocated £2 million additional funding. The fund is open to new applications until September 2023 with all loans to be repaid by 2024.

Under the **New Supply Shared Equity** scheme, the Scottish Government gives grants to registered social landlords to help them build or buy new homes for sale and provide them on a shared equity basis to people on low to moderate incomes. Buyers fund 60 to 80 per cent of the purchase price and the Scottish Government holds the remaining share under a shared equity agreement.

The **Open Market Shared Equity** scheme helps eligible buyers on low to moderate incomes to buy a home that is for sale on the open market. It is administered through agents on behalf of the Scottish Government. Purchasers fund 60 to 90 per cent of the purchase price and the Scottish Government holds the remaining share under a shared equity agreement.

**Home Owners Support Fund**

The Mortgage to Rent scheme and the Mortgage to Shared Equity scheme make up the **Home Owners' Support Fund**, which helps home owners at the lower end of the market who are experiencing difficulty in paying any loans that are secured against their property. The Mortgage to Rent scheme enables home owners to remain in their home by selling it to a social landlord - such as a housing association or local authority – and allowing them to continue to live there as a tenant. The Mortgage to Shared Equity scheme involves the Scottish Government taking a temporary equity stake in the property. This reduces the amount to be paid by the owner to the lender every month.

**Housing Infrastructure Fund (HIF)**

HIF was introduced in 2016 to support the delivery of the 50k affordable homes target through the provision of grants to RSL’s and Council’s and loans to private sector for housing related infrastructure to support affordable homes. To date it has invested nearly £50 million loan and grant across urban and rural areas to fund infrastructure that will help unlock delivery of over 12,600 homes, of which approximately 3,600 will be affordable.

**Islands Communities Fund**

The Island Communities Fund (ICF) will function as one strand of the 2021/2022 Islands Programme (IP) providing capital investment for community-led projects that align with community wealth building approaches and support employment, community resilience and contribute to Scotland’s just transition to net zero and climate resilience.

The £2 million ICF was launched by the Islands Secretary on 17 June. Applications were invited until noon, Friday 16 July 2021.

**Islands Infrastructure Fund**

The £30 million Islands Programme encompasses three project strands which are being delivered in collaboration with Scottish Futures Trust (SFT), Inspiring Scotland, HIE and other key partners. As part of this, the Islands Infrastructure Fund (IIF) represents a £6.2 million capital investment in 2021-2022.

Based on community input and in collaboration with HIE and our local authority partners in Shetland and Argyll and Bute, two key projects totalling £1.2 million for this financial year under the IIF strand of the Islands Programme, have already been approved by the then Minister for Energy, Connectivity and the Islands. These are the Kerrera Track upgrade, and the Fair Isle Bird Observatory rebuild.

The remaining £5million will be allocated direct to the six island local authorities based on specific delivery criteria still under development.

**Annex B** – **Five Year** **Affordable Housing Resource Planning Assumptions**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2021-22** | **2022-23** | **2023-24** | **2024-25** | **2025-26** | **New 5 Yr. RPAs£m** | **Prev. 5 Yr. RPAs****£m** |
| **Aberdeen City** | 20.658 | 16.026 | 15.981 | 16.037 | 16.302 | **85.004** | 80.486 |
| **Aberdeenshire** | 32.626 | 27.675 | 27.596 | 27.693 | 28.152 | **143.742** | 126.979 |
| **Angus** | 10.491 | 9.043 | 9.017 | 9.049 | 9.199 | **46.799** | 37.977 |
| **Argyll & Bute** | 21.250 | 18.317 | 18.264 | 18.328 | 18.632 | **94.791** | 76.797 |
| **Clackmannanshire** | 6.666 | 5.746 | 5.730 | 5.750 | 5.845 | **29.737** | 25.668 |
| **Dumfries & Galloway** | 23.796 | 20.511 | 20.453 | 20.524 | 20.864 | **106.148** | 91.091 |
| **Dundee City** | 19.977 | 17.219 | 17.170 | 17.230 | 17.516 | **89.112** | 75.568 |
| **East Ayrshire** | 14.910 | 12.852 | 12.815 | 12.860 | 13.073 | **66.510** | 53.001 |
| **East Dunbartonshire** | 10.082 | 8.690 | 8.665 | 8.696 | 8.840 | **44.973** | 33.732 |
| **East Lothian** | 13.651 | 11.767 | 11.733 | 11.774 | 11.969 | **60.894** | 47.716 |
| **East Renfrewshire** | 8.406 | 7.246 | 7.225 | 7.250 | 7.370 | **37.497** | 26.633 |
| **Edinburgh City** | 52.418 | 45.182 | 45.053 | 45.211 | 45.960 | **233.824** | 201.451 |
| **Eilean Siar** | 9.709 | 8.367 | 8.343 | 8.372 | 8.511 | **43.302** | 37.477 |
| **Falkirk** | 14.601 | 12.586 | 12.550 | 12.594 | 12.802 | **65.133** | 50.373 |
| **Fife** | 40.205 | 34.655 | 34.556 | 34.677 | 35.252 | **179.345** | 143.696 |
| **Glasgow City**  | 120.578 | 103.934 | 103.638 | 104.001 | 105.724 | **537.875** | 459.260 |
| **Highland** | 53.828 | 46.398 | 46.266 | 46.428 | 47.197 | **240.117** | 190.223 |
| **Inverclyde** | 11.428 | 9.623 | 9.595 | 9.629 | 9.789 | **50.064** | 46.734 |
| **Midlothian** | 12.256 | 10.564 | 10.534 | 10.571 | 10.746 | **54.671** | 38.584 |
| **Moray** | 10.357 | 8.927 | 8.902 | 8.933 | 9.081 | **46.200** | 40.512 |
| **North Ayrshire** | 18.205 | 15.692 | 15.648 | 15.702 | 15.963 | **81.210** | 66.636 |
| **North Lanarkshire** | 38.246 | 32.967 | 32.873 | 32.988 | 33.534 | **170.608** | 151.278 |
| **Orkney Islands** | 3.980 | 3.431 | 3.421 | 3.433 | 3.490 | **17.755** | 16.763 |
| **Perth & Kinross** | 19.298 | 16.634 | 16.587 | 16.645 | 16.921 | **86.085** | 74.585 |
| **Renfrewshire** | 19.942 | 17.189 | 17.140 | 17.200 | 17.485 | **88.956** | 72.500 |
| **Scottish Borders** | 18.562 | 16.000 | 15.954 | 16.010 | 16.275 | **82.801** | 65.756 |
| **Shetland Islands** | 5.987 | 5.160 | 5.146 | 5.164 | 5.249 | **26.706** | 21.815 |
| **South Ayrshire** | 14.793 | 12.751 | 12.715 | 12.760 | 12.971 | **65.990** | 52.908 |
| **South Lanarkshire** | 34.990 | 30.160 | 30.074 | 30.180 | 30.680 | **156.084** | 119.278 |
| **Stirling** | 11.968 | 10.316 | 10.287 | 10.323 | 10.494 | **53.388** | 40.258 |
| **West Dunbartonshire** | 12.515 | 10.788 | 10.757 | 10.795 | 10.974 | **55.829** | 51.868 |
| **West Lothian** | 17.889 | 15.420 | 15.376 | 15.430 | 15.685 | **79.800** | 61.804 |
| **Total** | **724.268** | **621.836** | **620.064** | **622.236** | **632.545** | **3220.949** | **2679.407** |