

Agenda Item	7
Report No	HC/21/25

The Highland Council

Committee: Highland Council

Date: 26 June 2025

Report Title: Highland Housing Challenge – Partnership Action Plan

Report By: Assistant Chief Executive - Place

1 Purpose/Executive Summary

- 1.1 This paper provides Members with an update of work to address the Highland Housing Challenge. It presents the draft partnership action plan for scrutiny and approval, along with a draft Regional Skills plan for Energy and Construction, which is also presented for member approval.
- 1.2 The partnership action plan for the Highland Housing Challenge outlines important areas of activity, outlines targets and timescales and locks in partner contributions and commitments for action in three key thematic areas:-
 - Land;
 - Finance; and
 - Developer Capacity
- 1.3 Importantly, the plan is a live document that will flex to reflect progress over time and was developed following a Housing Summit in Aviemore in October 2024 and a follow up seminar in Inverness in June 2025.
- 1.4 We have already had some important successes to date, since establishing the challenge:-
 - Established a call for sites which has delivered 250 sites, with a potential 25,000 housing units which will support deliver against the target of an additional 12,000 houses over the next 10 years;
 - Realising our 24,000 target for house building over the next 10 years will achieve investment of £3bn into Highland – ensuring a secure and sustained programme of building over this period.
 - Agreed an approach for identifying and progressing masterplan consent areas to support accelerating building across Highland;
 - Established an integrated property service which will support accelerating the pre-application processes for developments;
 - Working with Scottish National Investment Bank, good progress is being made in establishing a new public/private joint venture model;

- Agreed for the Council to progress developing and delivering mid-market rental properties, with a particular focus on key worker accommodation; and
- Through the Social Value Charter, SSEN Transmissions have committed to delivering on legacy housing for Highland, with a minimum of 400 housing units.

1.5 It is proposed that the Highland Housing Challenge action plan will be incorporated into the Council's Operational Delivery plan and reported through the agreed routes for this.

2 Recommendations

2.1 Members are asked to:-

- Consider and note** the update on the Highland Housing Challenge, including the Seminar held on Friday 6 June 2025;
- Agree** the Highland Housing Challenge Partnership Action Plan found within Appendix 2;
- Agree** the Highland Regional Skills Plan found within Appendix 4;
- Agree** to assimilate the Highland Housing Challenge Action Plan into the Operational Delivery Plan; and
- Note** that a further seminar on building developer capacity will be established later in 2025 and will be reported to a future Housing and Property Committee.

3 Implications

3.1 **Resource** – there are no new resource implications as a result of the report. The commitments attributed to the Council within the Partnership Action Plan e.g. development of mid-market rent, have already been agreed, along with corresponding resources. Any further resourcing commitment would require to be considered by the relevant Council committee.

3.2 The Council currently has an annual affordable housing building programme of between £45-£50m. This is comprised of borrowing against the Housing Revenue Account (HRA), supported by government grant. As previously reported to the Housing and Property Committee, historic lower than inflation rent levels combined with improvements to existing homes, additional regulation related to net zero and historic debt have all impacted upon the level of current debt within the HRA budget.

3.3 Pre-devolution historic debt still totals £81.5m and costs £6.7m in annual loan charges against the HRA budget. If the pre-devolution historic debt burden was removed from the Housing Revenue Account, that would reduce the proportion of the revenue budget meeting debt costs from 41.8% to 31%, freeing up additional resource for investment in existing housing along with new affordable housing developments.

3.4 Accordingly, it has agreed that a financial strategy for the HRA which will include a long-term rent strategy, is essential. Through this process, this will consider the long-term options for addressing the levels of debt alongside the options for increased affordable house building across Highland.

- 3.5 **Legal** – The Housing (Scotland) Act 2001 places a statutory duty on local authorities to produce a Local Housing Strategy which sets out its priorities and plans for the delivery of housing and related services over a 5-year period, and which should be supported by an assessment of housing provision and related services. This is interlinked with the Housing Need and Demand Assessment which the Council provides to the Scottish Government, and which evidences the demand for housing across Highland by tenure and type. A revised HNDA has just been commissioned and is planned to report by the end of the calendar year.
- 3.6 The detail around the delivery of affordable housing supply is included in the annual Strategic Housing Investment Plans which are also submitted to the Scottish Government as part of their governance process.
- 3.7 It should be noted that there is no statutory duty on local authorities to fund or facilitate housebuilding. However, increasing housing supply will assist Highland with meeting other statutory duties such as those relating to homelessness.
- 3.8 **Risk** – addressing the housing challenge in Highland is critical to meeting the level of housing need and demand across the area. This is both to support existing housing demand – noting that there are currently 8,767 applicants on the Highland Housing Register (at 31 March 2025) – and to meet the emerging and predicted demand from economic growth.
- 3.9 From an affordable housing perspective, it is critical to deliver on growth to prevent homelessness, support measures to reduce levels of poverty intrinsically linked to housing and deliver on housing to retain people within their communities, sustain service provision and prevent depopulation.
- 3.10 Failure to increase housing supply to meet the demand as a result of economic opportunities has a two-fold risk, one to limit the scope of that growth and two, putting pressure on the existing housing market, inflating prices and exacerbating the current challenge.
- 3.11 This is not something the Council can deliver in isolation, it requires all partners to play their part. The shared commitment, as articulated within the action plan, will support and achieve this.
- 3.12 There are particular risks currently identified by partners related to grid capacity and current house building standards that have the potential to put at risk the building programme. It will be critical to work with Scottish and UK Governments to address and overcome these particular issues.
- 3.13 **Health and Safety** (risks arising from changes to plant, equipment, process, or people) – No specific implications.
- 3.14 **Gaelic** – There are no Gaelic implications.

4 Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3. An Integrated Impact Assessment screening has been undertaken on the Partnership Action Plan. This has highlighted that overall, the likely impact from the action plan is positive as a result of increased housing provision across Highland which should have a positive impact from a socio-economic perspective, on key equality groups and on rural communities across the area. A summary of the screening can be found within **Appendix 1**.

4.4

Impact Assessment Area	Conclusion of Screening
Equality	Positive impact
Socio-economic	Positive impact
Human Rights	Positive impact
Children's Rights and Well-being	Positive impact
Island and Mainland Rural	Positive impact
Climate Change	Positive and negative impact
Data Rights	No impact

5 Background and Context

- 5.1 In June 2024, the Council agreed a Highland Housing Challenge in recognition of both the issues in meeting the current need for housing across communities in Highland and the anticipated future demand for housing based upon the economic opportunities coming to the area.
- 5.2 There are currently 8,767 people on the Highland Housing Register (at 31 March 2025). The numbers on the register have been steadily growing over the past number of years. In 2024/25, there were 1,270 homeless presentations in Highland, which whilst a 3-year low, is still significant for the families and individuals affected. Homeless prevention work is critical and has been successful in reducing the levels of homeless, including supporting households to move into mid-market rentals and providing financial assistance using the Council's Rent Deposit Scheme. However, the private rental sector and availability of mid-market housing in Highland is restricted which places additional pressure on the social housing sector.
- 5.3 Based on an assessment undertaken as part of work on development the business case for the Inverness and Cromarty Firth Green Freeport, forecasts suggest that 24,000 new homes are required over the next 10 years to meet housing demand in Highland. This is 12,000 more than the current anticipated completion rates of 12,000 over this period. It is important to note that this is housing across all tenures and types across the Highland area. A significant shift is therefore required in order to deliver against this demand.

5.4 *Scale of the Opportunity*

The scale of the transformational opportunity coming to Highland, through a range of sectors including renewables and energy sectors, has recently been quantified in the [Regional Transformational Opportunities Report](#), commissioned through the Regional Economic Partnership (HIREP). Across the Highlands and Islands as a whole, the potential investment pipeline is estimated to be over £100bn, supporting over 114,000 FTE job years in construction¹ and a further 18,000 direct FTE operational and maintenance jobs by 2040. 41% of the investment is estimated to take place in Highland. The study highlights the longer-term benefits of this investment, including an increase in population and notes that the anticipated benefits are spread throughout the whole of the Highland area. The report specifically details how fundamental housing is to support and enable these opportunities to be realised.

5.5 Whilst the future opportunities are considerable, growth is already being realised in a number of areas. Within the Green Free Port major investment is already underway at Nigg, through Sumitomo and at Ardersier through Haventus where over £600m of investment has already been committed. On the west coast at Kishorn, a £42m expansion project is underway. These investments are already a reality, bringing jobs and economic growth to Highland. Housing is critical to support this and failure to address this effectively is likely to have a negative impact upon the area, increasing pressure on an already pressured housing market.

5.6 *Working to Address the Housing Challenge*

The solutions to addressing the Housing Challenge are complex and interdependent. No one area of work or sector is able to deliver this in isolation. It has been identified that actions are required across three critical areas:-

- Increasing land – housing cannot develop without a sufficient pipeline of sites and critically sites in the right locations to meet both need and demand. This therefore requires sites across the whole of the Highland area.
- Increasing finance – different sources and models for finance are required beyond the current planned building programme. It needs to maximise funds derived from investment to the area, increasing the affordable housing programme and seek solutions to addressing the exceptionally high costs of building in some rural parts of Highland.
- Increasing developer capacity – this includes building confidence within the existing development sector, attracting new partners and types of building to the area and addressing the challenges to build e.g. grid capacity. Strengthening and growing the construction sector is critical and therefore workforce skills and capacity is a critical area for focus.

5.7 In October 2024, a Highland Housing Challenge summit was held in Aviemore. With over 100 participants across all sectors, it focused on discussing both the opportunities and challenges to be overcome in accelerating house building in Highland. The summit also focused on identifying potential solutions and actions. Key messages included:-

- Creating a pipeline of sites and activity to build confidence from developers;
- Seek different financial investment models;
- Develop guarantee schemes to support development;
- Strengthen the relationship with planners and accelerate the planning process;
- Repurpose existing buildings;

¹ A job year is one job for one year. If that job lasts two years, that would equate to two job years.

- Enabling permitted development; and
- Workforce development for the construction sector to ensure it is not left behind with the competing economic demands

5.8 *HHC Seminar – June 2025*

In the intervening period, work has progressed in a number of these areas, which is discussed further in section 6 but also focused on developing the partnership action plan. A smaller, more focused seminar was held on 6 June 2025, both to agree with partners the draft action plan and hear from sectoral representatives on the actions to date and the challenges requiring to be overcome. Attended by both the Deputy First Minister and Housing Minister, the key representatives from developers, contractors, Registered Social Landlords were all in attendance alongside investment partners, public sector partners and national property enablers.

- 5.9 The seminar focused on establishing our collaborate approach to development and reaffirmed the collective commitment from partners to work together and address the Housing Challenge across Highland. Partners were asked to identify their commitments to delivering on the Housing Challenge. These are summarised within **Appendix 3**. Partners were also asked to review the actions required and the Partnership Action Plan (**Appendix 2**), and discussed further in section 7, articulates the commitments and actions from partners but also recognises some of the significant challenges to be overcome, creating a truly shared plan that reflects the interdependence of the actions required.

6 **Delivery to Date**

- 6.1 At the October Summit, the Council made a number of commitments to progress and enable housing development in Highland. The commitments and progress against these are outlined below:

6.2 **Call for Development Sites – delivered**

As part of the development of the new Local Development Plan, a call for sites was initiated in January, running to May 2025. During this period there was direct engagement with developers and landowners to support and encourage site to come forward. Analysis of submissions is ongoing but around 300 submissions have been received on 250 sites. The majority of locations are across the Inner Moray Firth area, particularly Inverness where need and demand is greatest, but locations have been received across the Highland area.

- 6.3 There will be infrastructure issues and local opposition to some of these sites however submissions suggest a capacity of around 25,000 housing units could be delivered. Whilst some of these will be accounted for within the current LDP, this represents a significant opportunity to deliver against the requirement for additional land and the need for more sites than required, given that not all will progress. The team are currently analysing all the submissions received. The information from the Call for Sites will be in the public domain by 30 June 2025. Further analysis will be informed by the Housing Needs and Demand Assessment (HNDA) that is expected to report by the end of the year.

- 6.4 At this stage it is estimated that in addition to the 12,000 houses already programmed, realising our 24,000 target for house building over the next 10 years would bring an additional investment of £3bn into Highland – ensuring a secure and sustained programme of building over this period.

6.5 Rural Housing Policy – delivered

In response to feedback from developers and learning from existing practice, a change in interpretation of Highland **Housing in the Countryside** policy was agreed by Committee in November 2024. A more supportive approach to developing housing in rural areas has now been agreed, than the nationally set guidance or indeed our own previous Council guidance, reflecting the needs and demands for housing in rural communities.

6.6 Masterplan Consent Areas (MCAs) – underway

The Council has committed to developing 3 masterplan consent areas over the next 12 months. MCA is a discretionary legal power for a council to unlock and accelerate a development site. An MCA, if and when “made” (adopted), removes the need for planning permission (and potentially other consents) but can specify conditions, limitations and exceptions to this streamlined approach. It is a helpful tool to accelerate development and has been specifically introduced by the Scottish Government to aid in addressing the Housing Challenge.

6.7 Further to the commitments last year on MCAs, secondary legislation has now been passed and guidance issued in January. Meetings have taken place between Scottish Government and Council officials with Highland identified as an early adopted of MCAs. This has been recognised in the Programme for Government and an offer of feasibility funding made to support delivery.

6.8 As part of the Development Delivery Plan which was considered at the Economy and infrastructure committee in May 2025, a set of criteria for identifying potential MCA sites/locations was agreed. These will be subject to further feasibility work, consultation with affected community bodies and landowners, and come back for subsequent Committee consideration and approval. The call for sites has specifically supported identification of some larger sites and these are currently being assessed as potential MCAs.

6.9 Integrated Housing Delivery Service – delivered

The Council launched a new Integrated Housing Delivery service in March 2025. Managed by the planning service, this provides the opportunity for developers with housing developments of 10 or more units, to meet with senior staff and resolve issues stalling the grant of planning permission and thereby the delivery of development. This is in direct response to feedback from developers, including RSL partners, on the need to a process to respond to system blockages. It brings together Council officers not just from planning but also key consultees such as transport planning, forestry and environmental health where appropriate and is run on a clinic format basis. The approach to date has been welcomed by developer partners.

6.10 Landbank Funding – delivered

The Landbank Fund plays an important role in enabling affordable housing to be delivered either through loans and grants to our partner housing organisations, or directly to part fund the provision of new council housing. The Council committed a further £6m to the landbank in October 2024 and there is a further £14m to be committed to the fund over the next few years. This will be crucial in financing affordable housing across Highland. The Council is also committed to borrowing up to £25m per annum to deliver its existing Council house programme and part fund some of its housing partners to deliver their programmes. Enhancing that programme, through different mechanisms is being considered and forms part of the proposed action plan.

6.11 **Social Value Charter for Renewables – underway**

Housing is one of the 9 points for developers to consider contribution to within the Social Value Charter and seeks developers to contribute to directly delivering housing projects, contribute finance to housing projects, support the refurbishment of older housing and leave infrastructure behind from worker camps that can support future housing projects.

6.12 SSEN Transmission are the first developer to make commitments to legacy housing under the Charter and have committed to contributing over 400 permanent homes in the Highland Council Area. A strong partnership has been established between SSEN, the Council, Registered Social Landlords (RSLs) and SSEN's contractors looking to develop sustainable and legacy housing for Highland. A range of accommodation solutions are being progressed which will deliver a combination of permanent housing, refurbishment of older housing stock and temporary worker accommodation villages. Where accommodation villages are required, the infrastructure associated with these (water, sewage, roads, paths) will be left after use to enable future house building.

6.13 **Developer Capacity – Workforce and Skills – underway**

Workforce development is a critical area for Highland. A core priority for partners in the public and private sector, this is reflected in the Council's Delivery Plan under Workforce for the Future. Ensuring there are the appropriate skills pathways to create a skilled workforce across both our core sectors e.g. construction, as well as our emerging sectors e.g. renewables, is absolutely critical. Workforce North is the partnership approach to growing and expanding the Highland workforce. A workforce summit was held in April with representatives from the business and public sector to explore options and develop a draft framework for action. This draft regional skills plan is shared within **Appendix 4**.

6.14 **Emerging Barriers and Challenges**

Over the course of the last 8 months, a number of emerging challenges have been identified by partners that require to be addressed and are reflected in the partnership action plan. These include:-

- *Building standards* - the pace and scale of the improved environmental standards for house building is impacting upon delivery, including delaying the delivery of some sites due to lack of infrastructure and grid capacity and making other low value sites unviable it is vital that standards are introduced in a measured way to balance the need to reduce carbon and create energy efficient homes with the need for housing.
- *Private rental sector* – the lack of an effective private rental sector in Highland impacts upon all areas of housing provision. Uncertainty as a result of proposed rent caps in the draft Housing Bill is exacerbating that uncertainty. Initial commitments from the Housing Investment Taskforce, discussed further at section 8, are welcome in terms of addressing some of that uncertainty.
- *Grid Capacity* - a number of sites in Highland are already unable to progress due to a lack of capacity within the grid, which was unknown prior to commencement. For example, the East Inverness expansion will have to be placed on hold, affecting 4 sites in the short term. These sites are programmed to deliver upwards of 1000 homes. These are currently the restrictions known about. The issues with grid capacity must be addressed if the aims of the Housing Challenge are to be realised.

7 Developing the Partnership Action Plan

7.1 The partnership action plan, found at **Appendix 2**, has been developed based on engagement and areas for development identified over the course of the last 8 months. A number of the actions are already underway. The Plan is set out under the three priority areas of finance, land and developer capacity. A summary of key actions under each are set out below.

7.2 Increasing Finance for Housing Development

- 7.2.1
- Priority: Developing approaches for increasing investment:-
 - Utilising non-domestic rates from the Inverness and Cromarty Firth Green Freeport towards housing projects.
 - Deliver a joint venture model between public and private sector partners and the Scottish National Investment bank to enable investment in and delivery of mixed tenure housing.
 - In collaboration with Scottish Government, develop a guarantor model to allow an element of underwriting to developments – subject to legislative duties.
 - Through the development of a finance strategy for the HRA, including a long-term rent strategy, consider the options to target additional investment in social housing through investment of HRA and direct government grant.
- 7.2.2
- Priority: Targeted accommodation solutions:-
 - As part of the Lochaber Care Model redesign, explore accommodation solutions to support people to remain in their own homes and/or communities.
 - As agreed through the Budget setting process 2025/26, the Council to develop a vehicle for delivering mid-market rent housing in Highland, with a particular focus on supporting key worker housing.
- 7.2.3
- Priority: Historic debt write-off:-
 - Seek support of UK government and Scottish government for the write off of historic HRA debt, for the purpose of allowing further investment in housing through direct spend.

7.3 Increasing Land for Housing Development

- 7.3.1
- Priority: Creating more land capacity:-
 - Identify and deliver new housing sites through the call for sites.
 - Through a public sector land audit, identify sites to be delivered for development.
 - Deliver a new housing need demand assessment to identify and evidence demand across communities.
 - Develop a toolkit to support small rural housing developments.

- 7.3.2
- Priority: Accelerating Development
 - Deliver 3 masterplan consent areas to support streamlining the planning process.
 - Review and simplify the Roads Construction Consent process.
 - Establish and deliver an Integrated Housing Delivery Service for developments greater than 10 units.

7.4 Increasing Developer Capacity

- 7.4.1
- Priority: Increasing certainty for developers:-
 - Delivery of the Regional Skills Workforce Plan in order to build capacity within the construction sector and confidence to develop.
 - Explore establishing a pipeline approach to development sites to building confidence to develop.
 - Develop test models in west and north Highlands to deliver high-cost rural housing projects.
- 7.4.2
- Priority: Building capacity for delivery in Highland:-
 - Work with Scottish Government and build to rent investors to open up opportunities in the Highlands.
 - Explore with Scottish Government opportunities to exempt mid-market rent/build to rent from proposed rent controls.
 - Work with Build Environment Smarter Transformation (BEST) to identify a site for a manufacturing Hub in Highland.
 - Taking a pilot approach, support a local modular contractor to develop a delivery model for rural housing.
- 7.4.3
- Priority: Overcoming barriers to development:-
 - Work with Scottish and UK Governments, SSE and Ofgem to identify solutions to current grid capacity issues.
 - Work with Scottish Government to address concerns regarding housing building standards.
 - Review of the Council's affordable housing standards (Firm Foundations).

8 Next Steps

- 8.1
- The detailed action plan can be found within **Appendix 2**. This will be incorporated into the Council's delivery plan, under the Reconfiguring our Asset Base and specifically the Affordable Housing project. Progress against the plan will be monitored through the Portfolio board and committee updates. Ongoing partnership engagement and action will continue, progressing the actions contained within the plan. It is proposed that a follow-up seminar is held towards the end of the year, bringing partners together, as an opportunity to review progress and additional areas for action or activity.

- 8.2 A key feature of the plan is engagement with the Scottish Government, in particular to progress a number of significant obstacles to progressing development. The Scottish Government have been extremely supportive of the Highland approach, as evidenced in the attendance and comments from the Deputy First Minister and Housing Minister at the recent seminar. It is encouraging that the Scottish Government's Housing Investment Taskforce has included a number of actions that align with, and would support, the Highland Partnership's action plan. These include exempting build to rent and mid-market rent properties from rent controls, ensuring the planning system is an enabler for increased supply and fast tracking decisions, SNIB's role in bringing together private/public sector partnerships, long term commitment to a minimum level of funding for new affordable housing and seeking a write off of historic HRA debt to provide immediate capacity for new supply. The Council, on behalf of Highland partners, will continue to engage and work with Government to seek change in critical areas to support and accelerate housing development.
- 8.3 The Partnership Action Plan sets out the commitments and ambitions of housing partners across Highland to grow housing across the area and across all tenures. It recognises the crucial role housing plays across our communities, as an enabler and driver for economic growth and realising opportunities but critically to reduce the experiences of poverty, deliver services and accordingly sustainable communities across the Highland area. The actions contained within the plan reflect that dual purpose.
- 8.4 The Partnership Action Plan set out the roadmap and the collective approach to be taken, for delivering the shared ambitions of the region for housing and addressing the Highland Housing Challenge.

Designation: Assistant Chief Executive - Place

Date: 13 June 2025

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Background Papers: None

Appendices: Appendix 1 – Integrated Impact Assessment
Appendix 2 – Highland Housing Challenge – Partnership Action Plan
Appendix 3 – Highland Housing Challenge – Partner Commitments
Appendix 4 – Regional Skills Plan

Integrated Impact Assessment – Screening Summary

Highland Housing Challenge – Partnership Action Plan

Equality, Poverty and Human Rights

The impacts identified are anticipated to be positive. The HHC action plan is intended to enable and support house building across the area. There are specific actions to assist in growing the affordable housing programme, which should have a positive impact upon those seeking homes and therefore a positive impact on age (children) and also potentially on gender (women), as break-up is one of the top reasons for homelessness in Highland and women are more likely impacted than men.

There is a specific action related to exploring accommodation solutions as part of the Lochaber Care Model Redesign. This is likely to have a positive impact on those receiving care but wishing to remain in their own home or community - age (older people) and disability.

It is anticipated the action plan should have a positive socio-economic impact. The aim is to increase house building across all tenures in Highland, creating more homes for those that are resident here, but also delivering homes to attract and realise investment opportunities which in turn will create employment opportunities.

There is a specific focus on delivering homes across all areas of Highland but recognises the challenges of building in rural areas and therefore a specific focus on creating a developer toolkit for building in rural areas and looking at finance models for supporting building in high-cost rural areas.

Overall, the action plan aims to increase housing availability across all tenures and specifically in types that are currently under-represented at present e.g. mid-market rent and buy to rent, which should have a positive socio-economic impact.

The action plan aims to increase the availability of housing across all tenures and therefore should specifically have a positive impact on the right to a private and family life, home and correspondence and the right to peaceful enjoyment of property.

Children's Rights and Wellbeing

There is anticipated to be an indirect positive impact on children's rights, through increasing the availability of housing across all tenures. This impact is likely to be in relation to article 3 – *you are working in the best interests of the child* and article 27 – *children have a standard of living that is good enough to meet their physical and social needs and support their development*. Good quality, secure housing is known to have a direct link with positive outcomes on children's wellbeing and learning.

Rural and Island

The action plan aims to deliver homes across all areas of Highland, but recognises the challenges of building in rural areas. There is therefore a specific focus on creating a developer toolkit for building in rural areas and looking at finance models for supporting building in high cost rural areas.

Climate Change

Through any kind of development, including the house building proposed within the action plan, there would be anticipated to be some level of environmental impact and CO2 emissions generated from any development. However, it is known that to realise and support the proposed renewables developments, additional housing is required.

Highland Housing Development Partnership – Draft Action Plan

Appendix 2

1. Increasing Finance for Housing Development

The actions described below reflect our current planning to secure important sources of finance to enable us to meet the identified challenge of building an additional 12,000 homes in the next ten years. The current estimation of the costs of building those houses is around £2.8 billion. While the large part of that additional finance will come from private sector development, there are a number of specific areas in which Highland Council can act or influence the partnership towards the objective of maximising housing supply.

This area of activity seeks to build on the important opportunities for co-investment with private sector enterprises. It incorporates a £6 million commitment from Highland Council to invest in the landbank.

Priority	Contribution to Challenge	Specific Actions	Lead	Timescale
Developing approaches for increasing investment	a. Use of Non-domestic rates concession - Development of a mechanism for deployment of NDR funds from the Green Free Port to open up infrastructure developments on constrained sites and subsidise affordable housing for the free port's requirements.	<ul style="list-style-type: none"> Secure agreement of the IGCFGP Company to leverage NDR and develop a fiscal model to do so Work with housing developers to bring forward projects that can be part-funded or supported 	Highland Council and ICFGF Highland Housing partners	By March 2026 create the NDR mechanism, linked to key projects.
	b. Implementation of Strategic Investment Vehicle for Social Value Charter - Creation of the strategic vehicle to draw in external sources of funding from renewable investment as part of the Social Value Charter, to enable legacy investments in community benefits at scale – such as housing.	<ul style="list-style-type: none"> Create the investment vehicle and its appropriate governance within the CPP and including community and industry representatives Publish Strategic Investment Plan prospectus of developments linked to this fund Development of a commercial model to manage delivery and risk of legacy housing 	Highland Community Planning Partnership SSEN	By Sept 2025 establish the strategic vehicle August 2025

Priority	Contribution to Challenge	Specific Actions	Lead	Timescale
Developing approaches for increasing investment	c. Building a Guarantor Model Increase private housing investment in the Highlands through utilising the Government's various levers to underwrite developments in various ways.	<ul style="list-style-type: none"> In collaboration with Scottish Government, develop a guarantor model to allow an element of underwriting to developments – subject to legislative duties. 	Highland Council and Scottish Government	December 2025
	d. Developing new investment models - By increasing the funding from large institutions which have capital reserves to deploy for investment returns, we can develop housing infrastructure, long term funding, increasing supply of housing.	<ul style="list-style-type: none"> Establish a Joint Venture funding model with private sector partners, supported by the Scottish National Investment Bank with a core purpose to enable house building for mixed tenure, including mid-market rent, to enable a return on investment to repay up-front costs. 	Scottish National Investment Bank	By September 2025 the JV model established.
	e. Strategic Use of the Housing Revenue Account As part of the development of a long term rent strategy, options to include the potential to increase social housing supply through targeted investment in housing in communities for the purpose of increasing and improving the housing stock and increasing our revenue base through rent and council tax.	<ul style="list-style-type: none"> Option to target investment in social housing through investment of HRA as part of the long term rent strategy along with direct government grant 	Highland Council	By Jan 2026

Priority	Contribution to Challenge	Specific Actions	Lead	Timescale
Targeting Accommodation Solutions	f. Accommodation with care Test a new approach for accommodation with care provision to support retaining people within local communities	<ul style="list-style-type: none"> As part of Lochaber Care Model redesign, explore accommodation solutions to support people to remain in their own homes and/or communities 	Highland Council and NHS Highland	December 2026
	g. Developing key worker housing As part of the Council's commitment to developing an approach to mid-market rent, a particular focus will be on the opportunities for this to support key worker housing	<ul style="list-style-type: none"> Council to develop a vehicle for delivering mid-market rent housing 	Highland Council	December 2026
Historic Debt Write Off	h. Historic Debt Write Off Potential to increase social housing supply and investment in council stock by writing off of historic housing debt related to new build development (up to 2006).	<ul style="list-style-type: none"> Seek support of UK government and Scottish government for the write off of this historic debt, for the purpose of allowing further investment in housing through direct spend. 	Scottish Government/ Highland Council	By November 2025
Funding for Rural Housing	i. Creating a funding vehicle for rural housing Through HIREP, develop a solution for joint funding of high-cost rural projects – permanent housing legacy projects for the purpose of increasing developer capacity.	<ul style="list-style-type: none"> Develop test models in west and north Highlands to deliver high cost rural housing projects. 	HIREP	By December 2025

2. Increasing Land Supply

The partnership as a whole needs to get access to a greater number of potential sites for housing and to speed up the process of converting these sites into actual developments.

Key actions include the focus on realising the opportunities from new powers to accelerate development, to address barriers within the pre-application process and through creating more land capacity by identify more land available for housing, repurposing existing land and assets and developing new approach to encourage development in high cost rural communities.

In addition, the council has statutory powers in relation to compulsory purchase, which can be utilised under certain conditions. Consideration will be given to how best to deploy such powers and for which purposes.

Priority	Contribution to Challenge	Specific Actions	Lead	Timescale
Accelerating Development	a. Developing Masterplan Consent Areas Speed up predevelopment process and identify additional sites through the establishment of masterplan consent areas.	<ul style="list-style-type: none"> Highland Council will establish 3 masterplan consent areas to streamline planning processes. 	Highland Council	March 2027
	b. Improve the Pre-development Service Speed up predevelopment process to enable programmes and projects to come to fruition timeously.	<ul style="list-style-type: none"> Highland Council will develop an Integrated Housing Service for developers to ensure that programmes and projects can be accelerated. Review and simplify the Roads Construction Consent Process Introduce a webinar series – <i>what makes a good submission</i> 	Highland Council Highland Council Highland Council	March 2025 December 2025

Priority	Contribution to Challenge	Specific Actions	Lead	Timescale
Creating more land capacity	c. Identify new housing sites Identify additional sites to meet demand and establish these within the overall development plan for the area to enable investment opportunities.	<ul style="list-style-type: none"> As part of the Highland Local Development Plan, identify new housing sites through a call for sites Undertake a new Housing Need Demand Assessment 	Highland Council Highland Council	June 2025 January 2026
	d. Repurposing Public Sector Assets Public sector partners are committed to working together to develop our shared public sector asset map, shared use of assets and land and release of surplus assets and land for repurposing.	<ul style="list-style-type: none"> Undertake a land audit to identify potential sites to bring forward As part of a single public sector estate, release surplus buildings, either for direct use for housing or creating capital for future investment. 	Highland Property Partnership	September 2025
	e. Rural Development Develop a small rural development toolkit to aid developers wishing to take forward developments in rural areas.	<ul style="list-style-type: none"> Deliver a small rural development toolkit 	HIE	March 2026
Encouraging development through use of legislation	f. Existing Developers to Commit to Projects Release more land for affordable and private housing through a planned programme to enable this.	<ul style="list-style-type: none"> Sites to be de-allocated should development not commence within the lifetime of the LDP 	Highland Council	September 2025
	g. Utilising Compulsory Purchase and Sales Orders Powers Highland Council may have recourse to utilise such powers as it has at its disposal to enable developments and meet the housing challenge.	<ul style="list-style-type: none"> Deliver sites where owners unwilling to sell 	Highland Council	September 2025

3. Increasing the Developer Capacity

To double our build out rate for housing in Highland we need to strengthen the capacity across the system. This involves giving more certainty to developers as to the pathway to realising developments that can come forward. This links to the additional sources of financing for developments.

Key elements of this programme focus on ways of increasing certainty for developers, building additional capacity for delivery and addressing barriers and inhibitors to development.

It is also critical to ensure that there is an available workforce with the skills and knowledge required to service the industry's range of employment demands across the broad range of activities.

Priority	Contribution to Challenge	Specific Actions	Lead	Timescale
Increasing certainty for developers	a. Increase construction sector capacity Increase skills base to deliver more homes in the Highlands by having a structured programme to develop a future workforce	<ul style="list-style-type: none"> Delivery of the Regional Skills Workforce action plan 	Skills Development Scotland	TBC
	b. Create pipeline of projects Creating a pipeline of projects with clear timescales, across developers, to support confidence from contractors and investors.	<ul style="list-style-type: none"> Deliver a pipeline of projects 	Scottish Gov Highland Council/RSL partners	By March 2026
	c. Multi-year affordable housing funding Work with Scottish Government to request the introduction of funding on a multi-year basis for the affordable housing programme to enable longer term planning and certainty	<ul style="list-style-type: none"> Work with Scottish Government to establish multi-year funding programme for affordable house building. 	Scottish Government	By March 2026
	d. Create a funding vehicle for rural housing Through HIREP, develop a solution for joint funding of high-cost rural projects – permanent housing legacy projects for the purpose of increasing developer capacity.	<ul style="list-style-type: none"> Develop test models in west and north Highlands to deliver high-cost rural housing projects. 	HIREP	By December 2025

Priority	Contribution to Challenge	Specific Actions	Lead	Timescale
Building Capacity for Delivery in Highland	<p>e. Identifying and Securing More Affordable Housing Partners Maximise affordable housing delivery and investment – increase capacity and skills base within the Highland area, making sure we can operate on a universal pan-Highland basis.</p>	<ul style="list-style-type: none"> Work to encourage new housing providers to deliver in Highland 	Highland Housing Development Partnership	October 2025
	<p>f. Build to rent Meet unmet demand for rented accommodation. Linked to how we might develop private sector investment models, focus on targeting growth in mid-market rent.</p>	<ul style="list-style-type: none"> Work with Scottish Government and build to rent investors to open up opportunities in the Highlands and Explore with Scottish Government opportunities to exempt mid-market rent/build to rent from proposed rent controls 	Highland Council and Scottish Government	December 2025
	<p>g. Developing a Highland's Manufacturing Hub Work with Built Environment Smarter Transformation (BEST) to identify a site for a manufacturing Hub in Highland</p>	<ul style="list-style-type: none"> Identify a site for a manufacturing Hub in Highland Taking a pilot approach, support a local modular contractor to develop a delivery model for rural housing 	HIREP	December 2025

Priority	Contribution to Challenge	Specific Actions	Lead	Timescale
Overcoming barriers to development	<p>h. Addressing Grid Capacity In order to unlock and progress housing development, work collectively with Scottish Government and energy providers to increase grid capacity in the short and long term</p>	<ul style="list-style-type: none"> Working with Scottish Government, SSE and Ofgem, identify solutions to current grid capacity issues 	Highland Council / Scottish Government	August 2025
	<p>i. Reviewing Standards Review the range of standards in place for the development of new housing to consider those inhibiting development affordable and general housing to Review the Council's affordable housing standards (Firm Foundations) with a view to removing unnecessary elements inhibiting development</p>	<ul style="list-style-type: none"> Review the Council's affordable housing standards (Firm Foundations) Make representations to the Scottish Government on the implications of proposed standards within the Housing Bill. Work with Scottish Government to address existing standards inhibiting development to consider potential solutions or alternatives 	<p>Highland Council</p> <p>Highland Council / Highland Development Partners</p>	By December 2025

Highland Housing Challenge – Summary of Partner Commitments

Name of Organisation	Commitments for Delivering the HHC Action Plan
Scottish Land and Estates	<ul style="list-style-type: none"> • Communicate need and tools available to support partnerships with landowners to deliver sites and/or housing. • Promote development of local place plans
Robertsons Timber Engineer	<ul style="list-style-type: none"> • Construction solutions and over 30 years' experience in the local marketplace • Support the delivery of 1,500 homes a year. • Invest in training and bringing through the next generation of employees - investing in young people, currently employ 20% of workforce between the age of 16-28 years of age. • Knowledge, skills and experience from the wider Robertson business.
Cairngorm National Park Authority	<ul style="list-style-type: none"> • Development of CNPA Local Development Plan, taking into account potential implications of the Green Freeport for the National Park, and overall level of need for housing and affordable housing within National Park. • Commitment to CNPA planning service improvements, for example, to expedite delivery of planning measures (including for example speeding up S75 processes) • Willingness to engage with partners to look at new/different delivery models.
TSL Contractors	<ul style="list-style-type: none"> • Experience in delivering various scales of housing including rural/island sites from 10 units to 100+. Multi disciplined work force including ground work, joiners, plant ops etc. • Able to offer multi trade apprentices • Keen to capitalise on housing opportunities in Inverness and surrounding areas.
Compass Building & Construction Services	<ul style="list-style-type: none"> • Delivery of high quality mixed tenure housing, including housing in major conurbations and rural locations. • Innovation in housing solutions. • Multiple career pathways. Diverse workload and skills to sustain skills for other sectors of construction to ensure continuity for the workforce beyond the current identified.
SSEN Transmission	<ul style="list-style-type: none"> • Contribute to development of 400+ new homes and service sites to support further developments as part of our pathway to 2030 programme. • Opportunity to build on this for beyond 2030 investments and replicate model for other developments.

Name of Organisation	Commitments for Delivering the HHC Action Plan
Kirkwood Homes Ltd	<ul style="list-style-type: none"> • Delivery of high quality housing, a range of housing solutions, including affordable units in partnership with RSLs/councils, which can be tailored to market demand in terms of location and price. • Working in partnership with other developers to bring forward strategic opportunities in future. • Contributing to the ongoing periods of working collaboratively to realise the strategic economic objectives for the region. Inputting expertise and experience to support the process. • In delivery, providing employment to sub-contractors.
Highlands and Islands Enterprise	<ul style="list-style-type: none"> • Make the case for additional support needed for costly rural housing in order to stem population. • Consideration of short term/interim accommodation solutions for rural and island communities (whilst they await their funded permanent housing)
Haventus	<ul style="list-style-type: none"> • Investment, growth, jobs and opportunities • Participate in the activities with people and housing, both in kind and cash
University of the Highlands and Islands	<ul style="list-style-type: none"> • Co-deliver a regional skills programme across the Highland region, include innovation on critical skills areas such as planning
Albyn Housing Society	<ul style="list-style-type: none"> • 600 affordable houses over the next 5 years. • Continue to work flexibly with housing partners to manage opportunities to ensure our programme stays on track. • Work with communities to assess and explain the impact of new affordable housing.
Prosper	<ul style="list-style-type: none"> • Continue to create and advocate and convene for the right regional and national policy, regulatory and legislative environment to drive economic and social growth. • Utilisation of our recent housing report – Housing supply for a growing economy to drive development.
Barratt and David Wilson Homes North Scotland	<ul style="list-style-type: none"> • Volume development and creation of mixed communities – at pace, resulting in new and expanded communities. • Employment of apprentices and support employment opportunities. • Ability to upskill and deliver development at pace were in partnership with end user.

Name of Organisation	Commitments for Delivering the HHC Action Plan
Springfield	<ul style="list-style-type: none"> • Delivery of housing and accommodation
Inverness and Cromarty Firth Green Freeport	<ul style="list-style-type: none"> • NDR retention fund support • Communication regarding long term need, the energy imperative and the climate imperative
Scottish Futures Trust	<p>SFT has experience in delivering many of the areas highlighted in the draft action plan.</p> <p>Our relevant work within these areas include:-</p> <ul style="list-style-type: none"> • Working with Councils to develop and operate new mid-market rent housing vehicles. • Oversight of the model and support for Councils to develop TIF projects based on generation of additional NDR income to enable economic growth. • Working with Councils to consider and understand worker housing demand in their region to deliver economic opportunities. • Analysis of Key Worker Housing demand, models and wider considerations. • Development of innovative finance solutions for housing such as long lease investment. • Development and operation of guarantee initiatives for housing delivery such as the National Housing Trust which was underwritten by a Scottish Government guarantee. • Collaborative procurement and modern methods of construction through the Edinburgh Homes Demonstrator. • Working with public sector organisations on the decommissioning and sale of sites for housing. • Place based thinking for integration of housing/ economic/ community needs at local and regional delivery levels in areas such as the Western Isles. • Town centre living and use of vacant properties. • Routes for delivery of market value housing (for rent and sale) by Councils. • Net zero building retrofit. • Support for development of Business Cases to secure public sector investment in strategic housing sites.
Hub North Scotland	<ul style="list-style-type: none"> • Expertise and resource support across a range of functions: studies, business cases, development appraisal, supply chain commissioning. Essentially support to augment THC resources and in-house teams. • Developing an alternative funding model.

My Highland Future: A Regional Skills Programme (Plan on a Page)

The model below captures the feedback from a broad range of stakeholders at the recent Workforce North Summit. The broad agreement on these elements constitutes a call to action.

Pledges will be sought from various private and public sector organisations to build the programme.

APPENDIX 4

Why	How			What
Vision for Creating Our Future Workforce	Key Systems We Will Deploy to Do So			Outputs We Will Achieve Together
The vision for the future is expressed in a number of key entitlements: <ul style="list-style-type: none"> All children and families learn about the opportunities and challenges of energy in the Highlands and how it is at the heart of the UK's future security All children and families learn about this in relation to the world of 2050 that they will live through All children experience work related learning about career options in Highland All families have access to information and activities to help inform them Adults who require it, have opportunities to reskill themselves to seize opportunities Highland can demonstrate a full employment model. 	There is a core lifelong offering to engage the 31,000 children in schools and their parents in understanding the vision for the future green economy of the Highlands, which relates to the Regional Workforce and DYW Plan, focusing on construction, engineering and care:			We will enable change by: <ul style="list-style-type: none"> Deploying partnership resources in a shared apprenticeship Gaining pledges from Highland employers to support agreed programmes and put these on our strategic map of supply side solutions Demonstrate the performance of our programme and build the confidence of future investors to relocate Align all sources of funding to the plan Building a partnership team which can demonstrate its impact (business growth, GVA, job creation) Increase the numbers of business mentors, STEM ambassadors and work experience programmes across Highland
	Universal Programme What everyone can experience <ul style="list-style-type: none"> A major campaign to raise public awareness of the future workforce opportunities in the area and to galvanise talent attraction Learner-centred Early Years Programmes address future careers & unconscious Bias Through the BGE, family-centred activities to learn about careers and entrepreneurship (including careers fairs, STEM inputs, entrepreneur programmes, class-based learning about the future opportunities and SDS inputs) In the senior phase, all young people have access to careers coaching and mentoring, with specific careers advice and guidance. 	Targeted Programme Additional support for individuals and groups <ul style="list-style-type: none"> All young people have the chance to experience a vocational qualification as part of their senior phase All young people have the chance to experience a digital programme as part of the senior phase There will be an expanded offering of Foundation Apprenticeships and Modern Apprenticeships across the partnership (focusing on key priorities of engineering) Targeted Entrepreneur Development programmes which enable people to undertake the path to creating businesses Increase opportunities for internship – try before you buy schemes. 	Intensive Programme Those most at risk or on elite pathways <ul style="list-style-type: none"> School-based interventions for those at greatest risk of exclusion from the labour market Employability support for all adults not in employment or training (Employability Pathway) Bespoke vocational path for children with ASN Job academies for Care Experienced Young People Optimise DWP schemes for those with disabilities Accelerated degree pathways (including Graduate Apprenticeships) for young people incorporating HNC provision in S6, HND and Degrees through UHI (supported by Industry) Increase the numbers of research degrees available in the area as part of an integrated approach to developing Research & Development 	
The Values Shaping our Partnership	Our Processes and Resources to Support Development			Outcomes We Will Deliver Through
Key values shape our programme: <ul style="list-style-type: none"> We are global in outlook and local in action – and are focused on creating a positive personal, family and economic future for people We are scientific and data intelligent in approach We are focused on ensuring Highland communities thrive We promote diverse communities, and we are inclusive – especially as we welcome a future workforce We promote green energy as part of a sustainable future – and look across disciplines to do so We provide hope for the future, where there is doubt about sustainability. 	There is a single team approach across all agencies to delivering the future workforce that the region needs. All partners support and align to these processes to secure our objectives.			We measure success by how we enable economic transformation and create a future workforce: <ul style="list-style-type: none"> Growing our activity and completion rates for the Family of Apprenticeships (FA, MA, GA) Attracting talent to the area (people by sectors and skills) Retaining young people in the area Delivering key entitlements in the 'My Highland Future Programme' to (successful universal, talented & intensive programmes) Adding value to the economy (measured in GVA and average wage increases) Reducing vacancy rates for employment positions Increasing economic activity for key groups Growing the numbers of jobs to achieve our area targets.
	Strategic Mapping / Data Management Ensuring we are scientific in approach <ul style="list-style-type: none"> There is regional mapping of business workforce employment demand by area, sector and company type There is regional mapping of supply side solutions by both public and private sector partners There is systematic gathering of data to facilitate planning and coordination – based on labour market insights and regional skills assessments The workforce demand is mapped to the related challenge of providing an appropriate future housing supply to create the conditions for success. 	Partnership Coordination There is a single team approach <ul style="list-style-type: none"> Across the partnership there is a single team concept (based on the rugby team structure) for matching supply to demand There is a central, coordinating team, anchored by Highland Council, but incorporating key partners to enable planning – relating to the DYW boards Sector skills boards established to enable more effective pathways for specific industry areas Secure industry pledges for aspects of the 'My Highland Future' programme' – to map industry contributions, based on what employers prioritise to solve their recruitment issues A shared apprenticeship programme to align of potential employees for future opportunities to enable 'over-supply' 'over-training'. 	Alignment of Resource All partnership resources are transparently shown <ul style="list-style-type: none"> All partnership resource will align to the broad 'My Highland Future' skills plan We align the Green Freeport NICs to the Powerhouse Plan, which is embedded in this 'My Highland Future Plan' approach There is local coordination of programmes There is a live date base of offerings Map delivery vehicles for skills (state, 3rd & private sector) & consider their functionality within current and future system delivery Enable infrastructure investment to build capacity (state, 3rd & private sector) Supply investment from employers to fund the future systems (procurement; levy; THC – Social Value from Renewables, etc). 	