



Housing Supply for a Growing Economy

May 2025

prosper



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Foreword

Having a safe, warm and affordable home is something we all aspire to and is a critical part of our economic system. Prosper (Scottish Council for Development and Industry) was set up in the 1930s in the wake of the great depression to consider what was needed to be done to bring renewed prosperity to Scotland. This work builds on that mission which has not changed since then.

In the past 12 months our members across Scotland have been telling us that a lack of housing and of appropriate housing in the right places is a barrier to economic growth and prosperity today and is a barrier to future investment. To investigate this, Prosper initiated this study and report.

In this report we have focused on understanding why we are not building enough new homes, rather than how we can make better use of existing stock although we recognise both are important. We have looked at what barriers exist to a well-functioning housing market across Scotland for all types and tenures and what solutions could unlock new housebuilding, enabling economic growth, jobs and prosperity.

The recommendations set out in this paper were informed by extensive discussion with a broad range of stakeholders across four workshops, through partner feedback and via one-to-one interviews. The workshops covered four topics: Rural Growth, Urban Growth, Modern Homes, and Skills and Supply Chain. The choice of these topics was intentional to address perceived gaps in focus and so as not to duplicate work being undertaken by others in this area.

The views and conclusions set out are those of Prosper and are not necessarily the views and conclusions of the partners and should be read as such. We are grateful for the generous sponsorship of our partners in enabling this project to proceed. We'd like to thank our partners, workshop attendees and all project stakeholders for their time and expertise which enabled the development of this report. Our partners are BE-ST, Brodies LLP, Homes for Scotland, Scottish National Investment Bank, and Wheatley Group.



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Environment
—
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Transformation



To ensure a diverse range of perspectives we engaged with a broad range of stakeholder groups and organisations – a full list of which can be found in the full report. Our thanks also go to Brodies LLP, The Crichton Trust, BE-ST and Glasgow Caledonian University for generously hosting the workshops.

- | | | | |
|------------|------------------------|-----------|---------------------------------|
| 4 | Insight Workshops | 6 | Partner Steering Group Meetings |
| 12 | Stakeholder Interviews | 31 | Expert Panel Speakers |
| 136 | Attendees | | |

Executive Summary

WHAT OUR EVIDENCE SHOWS – KEY INSIGHTS

We won't achieve our economic or social ambitions without housing

Scotland is poised to benefit from one of the most significant cycles of economic growth since the discovery of oil and gas in the North Sea. The expansion of renewable energy and related infrastructure activities are predicted to lead to up to £98bn investment in the Highlands and Islands alone, supporting the success of the Green Freeports. There is a strong correlation between housing supply and economic performance and productivity in all parts of Scotland. Yet our research has shown that a lack of appropriate housing is a constraint on these investment plans. A lack of affordable housing can also exacerbate regional inequalities and contribute to poor health outcomes and social inequality. The nature of the challenge differs across geographies, but a lack of key worker accommodation is putting pressure on the delivery of local services in many rural areas.

There is a perceived lack of ambition at national and local levels

Interviewees and delegates expressed a frustration at a perceived lack of ambition by Scottish Government to deliver new housing of all tenures and to remove barriers to housebuilding. Whilst the principles of the government's Housing to 2040 Strategy are welcome, it was recognised that the strategy is in difficulty. The experience of working with local authorities was also patchy and inconsistent. Some rural areas seemed more susceptible to pressures from residents to new homes. With the renewed focus on housing in England by the Labour UK Government, the UK context has changed with Scotland's ambition now falling behind the rest of the UK. Homes England was frequently referenced throughout the project engagement as an example of better ambition, co-ordination and delivery.

A mixed tenure response is critical to dealing with the backlog

The housing market in Scotland is not functioning as well as it should. There has been a shortfall of new homes built since the financial crash in 2008. This undersupply is thought to have contributed to an estimated shortfall of over 100,000 homes in Scotland since 2008. Unless the pace of new housebuilding of all types and tenures can be accelerated the undersupply will persist.

Uncertainty over planning remains a challenge

Whilst measures to invest in and reform planning, including the Planning Hub, are welcome there is a frustration that the time taken to go through the planning process for new housing, the likelihood of securing consent and the potential cost of any planning obligations are far too uncertain, adding cost to and reducing the viability of some sites. Delays add cost and are particularly hard to bear for smaller builders. Better co-ordination with and insight from utilities providers would accelerate delivery of sites.

The regulatory context is one reason for the undersupply of homes

Investors and developers have spoken about a lack of confidence in the policy landscape which is holding back private sector investment in Build to Rent purpose-built rental homes, following a period of rapid regulatory change and uncertainty. This has also impacted on those building and operating as registered social landlords as rent controls, a reduced Affordable Housing Supply Programme and single year funding have hampered their ability to invest in new homes. There was a strong desire to have clarity, certainty and stability to unlock investment.

Supply chain and skills constraints have pushed up costs

The cost of building homes has been rising due to skills shortages, construction inflation and regulation. One reason costs are higher is a limited supply chain. This is particularly acute in rural areas, where quoted per unit costs to deliver were significantly above the average. In the Build to Rent sector a limited choice of subcontractors was cited as a constraint and a pressure on costs.

Rural areas face challenges

In addition to a restricted supply chain and higher costs, in the South of Scotland, where we held our workshop, these are compounded by a lack of appropriate grant funding to pump prime rural housing. Overly restrictive rural eligibility criteria for the Rural and Islands Housing Fund limited take up in the South of Scotland, whilst there was a view that ‘one size fits all’ planning conditions, whether sustainability, fire safety or accessibility, made smaller volume rural schemes unviable.

Accelerate adoption of modern methods

In the near-term unfavourable demographics will compound current skills constraints, in turn constraining the rate of new housebuilding. There is need for innovations that can help deliver housing faster, better and cheaper but also sustainably and with fewer people. Accelerated adoption of modern methods of construction (MMC¹) and digitalisation is needed, with levels of understanding of their potentially transformative impact on quality, waste and sustainability low. Nevertheless, we heard about a good deal of innovation in the sector and an ambition to accelerate the adoption of modern methods of construction in England. In contrast there is greater understanding and capability in Scotland of how to achieve our low carbon homes ambitions. Affordability remains a concern though some expressed the view that we need to reframe the discussion around why we cannot afford not to do this and need further investment in evolving pilot projects to further reduce costs.

Workforce challenges will be exacerbated by demographics

Labour market challenges include worker and skills shortages. Challenges are likely to become more acute in the future as the size of the working age population decreases, and projected workforce demand increases. Investing in skills and modern methods of production can address these. There was no sense of a co-ordinated plan to address this, particularly in the face of competing demands from other sectors. There is frustration with the both the UK Government and CITB levy systems and the transparency around how that funding is spent to support the sector address these issues. There is also a desire for more access to funding training that is flexible and more quickly adapted to meet industry need. The skills delivery landscape is seen as complex and fragmented.

Act now to change our course and unlock Scotland’s potential

We need to embrace the reality of the barriers facing the different elements of the sector and to proactively find solutions to these. Recognising the role the housebuilding sector can play, and the importance of an effectively functioning market, is critical.

¹ MMC is the collective term for building methods that are designed to be more efficient and effective than traditional ‘brick and mortar’ methods. They include innovations in the techniques used in both on-site and off-site processes, and in the manufacture of housing or housing components. This incorporates a range of methods from factory produced structures built entirely off-site, to modular components that can be quickly assembled on-site, and includes other techniques or innovations that increase productivity on construction sites. A new definition framework was developed in 2019 which sets out the various methods considered to fit under the MMC umbrella.

Some recommendations made here do require additional or reprioritised public investment which we believe can be accommodated in existing budgets. Most are about delivery, about ensuring current systems and the legislative framework are operating as effectively as possible and about leveraging partnership with the private and the not-for-profit sector to deliver homes. Most important will be a mindset shift to recognise and commit to the critical role that housing of all tenures must play unlocking both our economic and social ambitions for Scotland over the coming decade.

SUMMARY OF RECOMMENDATIONS



Prioritise the role of housing in driving growth

1. Scottish Government should set an ambition of 25,000 homes of all tenures to be built per annum.
2. Scottish Government should remove barriers to investment and create a welcoming and stable operational and regulatory environment.
3. Scottish Government should mandate housing as a key priority for Scotland's enterprise agencies.
4. Scottish Government to create an oversight function with responsibility to deliver housing ambition across all types and tenures.
5. Scottish Government to establish the Affordable Housing Supply Programme as a three-to-five-year funding commitment to accelerate delivery of more homes and provide confidence in the supply chain.
6. Scottish Government to reintroduce the presumption in favour of sustainable development planning guidance in National Planning Framework 4 (NPF4).
7. Introduce an expedited planning process for brownfield developments to make it easier for land to be developed to deliver new homes more quickly.



Implement ways to unlock rural housing and growth

8. Local Authorities should aggregate and communicate local housing pipelines for procurement.
9. Local Authorities should incentivise the SME contractor market by expediting planning for allocated sites in the Local Development Plan.
10. Scottish Government to broaden the rural eligibility criteria for the Rural and Island Housing Fund to unlock more rural and community-led housing.
11. Local Authorities to work with Prosper and stakeholders to develop a joint regional legacy housing plan to leverage investment in renewable energy and related infrastructure.



Create certainty and develop new partnerships to deliver urban homes

12. Through the Housing Bill, Scottish Government to implement inflation-linked rent controls CPIH+1% (with a 6% ceiling) and eliminate rent controls between tenancies.
13. Scottish Government to continue to work with partners to fund infrastructure that supports and unlocks new and stalled projects, actively exploring other finance options.
14. Scottish Government and industry to explore new partnership models for delivery such as for-profit registered providers and other vehicles.



Work with industry to transform and modernise housebuilding

15. Scottish Government to review evidence from the EHD programme and introduce an incentive to mitigate the uplift in costs related to early adoption.
16. Scottish Government should encourage accelerated adoption of offsite construction with a 50-75% closed panel mandate for each affordable housing development* and explore the introduction of a phased Pre-Manufactured Value target.
17. Scottish Government and Enterprise Agencies should invest in the offsite manufacturing supply chain cluster including it in any advanced manufacturing programmes and create an innovation fund to advance more companies to investment readiness.
18. Scottish Government should amend *Scottish Building Standards Section 7 Sustainability* to encourage the adoption of offsite construction by including a waste reduction target of 50%.
19. Innovate UK should open a refreshed Offsite Manufacturing Grant Fund opportunity.

* Where there are 50 homes or more on the total site (not phases).



Work with industry to transform and modernise housebuilding

20. Scottish Government and Skills Development Scotland jointly and urgently refresh analysis of projected skills demand from the construction and related sectors taking into account Scotland's transformational opportunities pipeline.
21. Scottish Government should fund meaningful upskilling, re-skilling, and CPD to improve productivity and competence outcomes across the construction sector and reinstate the Flexible Workforce Development Fund.
22. Awarding bodies, colleges/universities, industry representative groups and other stakeholders to work together to develop national response to improve the responsiveness of standards and the curriculum to the pace of industrial transformation.
23. The national response to be supported by allocating investment in college capital requirements and exploring opportunities for the college sector to make long-term strategic financial investment decisions.

Introduction

There is a strong correlation between housing supply and economic performance. Undersupply of homes relative to the demand for them, especially since the financial crisis of 2007-08, has been a cause of low productivity growth in the UK economy.²

Housebuilding in Scotland makes a significant contribution to Scotland's social ambitions, providing that vital link between homes, sustainable communities and local services.^{3, 4}

The negative effects of years of undersupply of housing on growth, living standards and wellbeing are an increasing concern for the public⁵, UK⁶, Scottish and local Governments, all political parties, economists from the left⁷ and right⁸, and employers.

Prosper's Blueprint for the Scottish economy, *Making A Good Living*, published in 2021, identified increasing the supply of new homes as one of 12 main priorities. Since then, housing shortages have increasingly been raised as a constraint by employers across Scotland.

The precise nature of the problem differs across diverse communities and geographies, but all parts of the country are being affected by a crisis in the housing market, and this has affected all tenures with shortages of private housing, as well as affordable housing.

The economic prize on offer is substantial if new housing can be built. Economic opportunities are present or emerging across many parts of Scotland, but to highlight just one, the shift to clean power and associated infrastructure investment, could be bigger by some estimates than the wave of economic investment in fossil fuels in the 1960s and 1970s. But this activity requires people to fill jobs. Some will come from existing communities, and some will relocate to take up new jobs. All need to be housed, either on a permanent or temporary basis and action is needed to ensure local communities are not priced out.

This research has been prompted by evidence of a range of constraints facing new housebuilding including planning delays and uncertainty, investor confidence, skills shortages, supply chain constraints, net zero regulation and the need to accelerate the adoption of modern methods.

The objectives of our work have been to:

- Build insights and support for actions and new solutions to increase housing supply in Scotland which generates sustainable and inclusive economic growth;
- Create a series of policy papers with recommendations for Scottish Government, local government, the construction sector and supply chain;
- Identify solutions and how and where they could be piloted/implemented; and
- Promote political consensus and policy certainty around solutions to the housing emergency in advance of the next Scottish Parliament Election.

² Maclennan and Long (2023) – [How does the housing market affect UK productivity?](#)

³ Homes for Scotland (2022) – [The Social and Economic Benefits of Home Building in Scotland](#)

⁴ Maclennan (2025) - [Prosperity Begins at Home](#)

⁵ Aref-Adib *et al.* (2024) – [Home truths](#) • Resolution Foundation

⁶ UK Government (2024) – [Housing targets increased to get Britain building again](#)

⁷ Fry and Waites (2024) – [The growth mindset](#) • Resolution Foundation

⁸ Bootle and Vitali (2024) – [The UK's Broken Housing Market](#)

This paper focusses solely on how we might unlock new housebuilding to address the backlog and bring forward more new homes where they are needed, although we recognize the need to also upgrade existing stock.

This paper brings together the findings of four deep dives to explore: how to unlock more private housing where it would enable economic growth in urban and rural areas; how to build good homes of all tenures more efficiently to the standards the market can afford; and how to boost the health of the supply chain.

Our work reflects four months of intensive engagement with housebuilders, supply chain companies, enterprise and skills bodies, investors and property developers. We have extensively reviewed the evidence and data on the subject, interviewed academic and industry experts and welcomed the views of a diverse group of over 100 stakeholders across four deep dive workshops. The report also highlights case studies of innovations in housebuilding across Scotland.

In this report we recommend tangible ways governments and other stakeholders should address Scotland's housing emergency and unlock new housebuilding. Some are for immediate action and others address the more systematic changes over coming years required to set the housebuilding sector on a more sustainable path. Some re-prioritisations of public funding and investment is required to support them, but many recommendations do not cost anything.

New housebuilding can unlock economic opportunities in cities and towns across Scotland, breathe new life into rural places facing depopulation and is an essential prerequisite to meeting both the social and economic ambitions set out in the National Strategy for Economic Transformation and the Green Industrial Strategy.

But it needs consistency, stability, urgency and partnership to deliver. We owe it to future generations to get this right. We look forward to further discussion with our members and with governments and other stakeholders to take forward these actions.



Policy and Market Context

HOUSING MARKET OVERVIEW

The latest housing statistics show that the housing emergency continues across Scotland with both all-sector starts and completions down for the third successive year. New housebuilding starts and completions decreased by 7% and 9% respectively in 2024. This represents the lowest point since the year to December 2013, with completions at their lowest since 2017.⁹ The cumulative shortfall in Scotland is now in excess of 100,000 homes since the global financial crash in 2007/8.

The private sector is the largest contributor to new housebuilding, accounting for 76% of all homes completed¹⁰ in 2024. It should be noted that dwellings can be transferred to other agencies after completion, but the statistics consider dwellings to be completed by the first agency. Social sector housebuilding contributed 24% of all new build homes in 2024 (Table 1).¹¹

Table 1: Scottish Housing Statistics, 2021 - 2024

| | 2021 | 2022 | 2023 | 2024 |
|--|---------------|---------------|---------------|---------------|
| Starts | 21,449 | 21,806 | 16,588 | 15,050 |
| Private Sector | 12,648 | 16,083 | 13,222 | 11,617 |
| RSLs | 3,652 | 2,672 | 2,114 | 2,002* |
| Local Authorities | 1,714 | 2,745 | 1,252 | 1,431 |
| * Lowest level of starts since 2015. Levels were 5,038 starts in 2020. | | | | |
| Completions | 21,064 | 23,418 | 21,238 | 19,797 |
| Private Sector | 15,167 | 16,809 | 15,185 | 15,066 |
| RSLs | 3,824 | 4,597 | 4,091 | 3,016 |
| Local Authorities | 2,073 | 2,012 | 1,962 | 1,715 |
| New Build Completion per 10,000 Population (financial year) | 29 | 40 | 44 | 36 |

Research also demonstrates significantly higher levels of housing need in Scotland than is currently being accounted for in planning guidance, and it has been estimated that there are around 693,000 households who have some form of housing need.¹²

While the Scottish Empty Homes Partnership has helped to bring 10,889 homes into use¹³, this has not stemmed the increasing numbers of homes that are empty in Scotland, including the numbers empty for more than 6 months and those long-term empty (more than 12 months).¹⁴ The scale of need underlines that building new homes must form the majority part of the solution to meeting the need for housing.

⁹ Scottish Government (2025) - [Housing Statistics for Scotland Quarterly Update](#)

¹⁰ Dwellings are recorded as completed when ready for occupation regardless of whether it is occupied or not. In some instances, dwellings are then transferred to another agency.

¹¹ Scottish Government Statistics (2025) - [New Build Housing Completion Rates \(2025\) \[Excel\]](#)

¹² Homes for Scotland (2024) - [Existing Housing Need in Scotland - Homes for Scotland](#)

¹³ Scottish Empty Homes Partnership (2024) - [2024 Impact Report](#)

¹⁴ Scottish Government (2024) - [Housing statistics: Second homes and empty properties](#)

POLICY AND FUNDING CONTEXT

National

Housing to 2040 is the Scottish Government's route map for housing published in 2021. It sets out the Scottish Government's target to deliver 110,000 affordable homes by 2032. In May 2024, the Scottish Parliament declared a national 'housing emergency' while more than a third of Scotland's local authorities (13 out of 32) have also declared a housing emergency.

In November 2024, the Scottish Government published their *Planning and the housing emergency: delivery plan* which sets actions for planning in tackling the housing emergency. This includes actions on policy; on enabling and facilitating delivery; on efficiency and capacity, and to work better with SME housebuilders to understand the challenges they face with the planning system such as developing tailored guidance specifically to support SMEs through the complexities of the planning system.

In her *Planning 2025 Priorities letter*, the Scottish Government's Chief Planner recognised the urgent need for more affordable homes in rural and urban areas as we transition to net zero and develop the infrastructure required for this. The Chief Planner also set out that planning is key part of the solution and encouraged all planning authorities to facilitate development and investment. She set out the opportunities for Masterplan Consent Areas (MCAs) and pointed to discussions in January 2025 with industry on new provisions for MCAs to take action to tackle the housing emergency.

The *Housing Investment Taskforce* established by Scottish Government will identify a range of actions to unlock both existing and new commitments to investment in housing. It aims to do this by bringing together the key interests of investors and investees and is due to report in spring 2025. The Minister for Housing has confirmed that Rural Housing Burdens will be a theme discussed by the Taskforce and that it will look at ways to bring confidence to investors as well as innovations in delivery models.

Local housing policy - both the Highlands and Islands, and South of Scotland Regional Economic Partnerships (HIREP, and SOSREP respectively) have housing as key priorities. Indeed, housing is an underpinning enabler of many of the scenarios set out in HIE's forthcoming Regional Transformation Opportunities modelling.

The Scottish Government's *Programme for Government 2025/26* (PfG) outlines the investment of £768m for the AHSP as set out in the Scottish Budget, and commits to implementing the recommendations of the Housing Investment Taskforce to unlock new opportunities across all tenures.

For 2025/26 the PfG commits to 'delivering over 8,000 affordable homes for social rent, mid-market rent and low-cost home ownership, with a focus on acquisitions and family sized homes', along with unlocking stalled housing sites which could deliver up to 20,000 homes. Additionally, it recommits to the 110,000 affordable homes by 2032 target, citing leveraging in further private and social sector investment to create a total package of around £20bn that will support 12,000 to 14,000 jobs each year. At the time of writing, we await greater clarity on the details of the £20bn package.

PfG also includes a welcome range of measures to tackle homelessness and deliver housing adaptations for disabled tenants as well as delivering the Housing (Scotland) Bill and reducing the numbers of privately owned long-term empty homes through investment in the Scottish Empty Homes Partnership. Finally, the PfG commits to publishing an action and implementation plan based on assessments of the regulatory controls which exist in key growth sectors starting with housing. This is set to be done by the end of 2025 with the aim of making it easier to do business.

Rural and Islands

The Scottish Government's *Rural and Islands Housing Action Plan* supports their commitment to 10% of the total 110,000 affordable homes to be built across Scotland to be delivered in rural and island areas – vital for people and families to stay in or relocate to these communities.

- In his letter on *Progress with Delivery of Actions in the Rural and Islands Housing Action Plan* to the Convenor of Scottish Parliament's Local Government Housing and Planning Committee, the Minister for Housing provided an update, including more than 11,000 privately owned homes brought back into use through the Scottish Empty Homes Partnership since 2010.¹⁵
- Up to £25m (2023-2028) is being made available from the Affordable Housing Supply Programme to enable local authorities and registered social landlords to acquire or lease properties for homes for key workers in rural communities.¹⁶ However, it was revealed in December 2024 that only 17 homes had been approved in the previous year.¹⁷
- The Minister also outlined that planned independent research to review affordable home ownership in rural and island areas was paused stating that he will review timescales on this; and that work has now commenced on Local Housing Strategy guidance updates. Due to financial pressures, work around the *Island Skills and Repopulation Pilot* has been paused. This work had aimed to explore opportunities to address skills and capacity issues in construction supply chains in these areas.

The Scottish Government's Rural Housing Fund and the Islands Housing Fund aim to increase the supply of affordable housing of all tenures with £30m available in the current parliamentary term.¹⁸ The current position is that:

- The funds are open to a range of applicants including private landowners and developers along with community organisations, development trusts and traditional housing providers. The Programme for Government 2025/26 extended applications to the funds to March 2028.
- A total of 356 homes have received project approval (April 2025), however not all of these are complete.

A recent report from the Planning, Infrastructure and Place Advisory Group (PIPAG) considers the legacy of the impact of large developments in rural areas beyond the construction and notes:

*"...unresolved rural housing shortages risk not maximising the social and economic benefits of infrastructure investment, particularly the legacy benefits of renewable energy projects."*¹⁹

A proposal by the Scottish Land Commission (SLC) – *Land Supply for Rural Housing: Proposal* – sets out that land acquisition by public bodies has a stronger role to play in addressing Scotland's rural housing crisis – this is highlighted overleaf in Figure 1. The proposals draw on new research from the University of Glasgow which was

¹⁵ Scottish Government (2024) - [ruralandislandshousingactionplan.pdf](#)

¹⁶ Scottish Government (2023) - [Affordable housing initiative for key workers](#)

¹⁷ Scottish Government (2024) - [ruralandislandshousingactionplan.pdf](#)

¹⁸ Scottish Government (2023) - [Rural and islands housing: action plan](#)

¹⁹ Scottish Futures Trust (2024) - [Planning, Infrastructure and Place Advisory Group: Annual Report 2024](#)

commissioned by SLC to review the practical steps needed to establish a long-term land supply for housing.²⁰ The full report recommends the establishment of a Housing Land Agency, however the SLC believes that this can be achieved in the short term through the leverage of existing public body functions.

The **Scottish Land Commission** proposal recommends that government uses public land ownership more effectively to:

- Create a long-term pipeline of land for housing by using the powers of existing public bodies to buy, sell, and hold land.
- Establishing a large-scale capital fund to recycle proceeds from public land sales into further acquisitions and development.
- Requiring public landowners to identify land suitable for rural housing.
- Updating Compulsory Purchase Order rules to make them easier to use when needed.
- Providing better guidance and support to help public bodies release land at effective prices.
- Focusing public support for Local Place Plans in areas with economic potential or declining populations.

Source: Scottish Land Commission, 2025

Figure 1: Scottish Land Commission Proposal

The **Scottish Land Fund** provides grants of up to £1 million to help communities take ownership of the land and buildings that matter to them, as well as practical support to develop their aspirations into viable projects.

The SOSREP (South of Scotland Regional Economic Partnership) sets housing as a Priority Action as set out in the recently published **Delivery Plan** (November 2024), Priority Actions 1-3 are highlighted in Figure 2 overleaf. The **South of Scotland Housing Action Plan** (July 2024) was developed with extensive stakeholder engagement, and establishes six areas of focus rooted in this engagement.

In embracing these six focus areas, the Housing Action Plan seeks to achieve Priority Action 1 through 10 key actions over the next two years. A majority of the actions detailed are now underway, with focus now turning to those with outcome targets set for late 2025 into 2026 including scoping innovative funding and financing approaches to unlock more development at all scales, including removing the upfront barriers to development.

Work is currently underway in the South of Scotland to assess the need and demand for key worker housing through surveys conducted with both employers and employees. This work is expected to publish shortly²¹ with key headlines likely to show that a lack of homes is significantly affecting recruitment and retention of staff across the area, and that barriers including funding for community-led housing, planning processes, and social housing allocations are hampering delivery.

²⁰ James, Satsangi and Lawson (2025) - **Land supply for housing in rural Scotland**

²¹ South of Scotland Regional Economic Partnership - **Key Worker Homes in the South of Scotland**



Figure 2: South of Scotland Regional Economic Strategy Delivery Plan: Priority Actions

The HIREP (Highlands and Islands Regional Economic Partnership) sets housing as its top goal in the *Highlands and Islands Regional Economic Strategy* (June 2024). The strategy has 7 Goals including on housing, skills and transport, along with supporting effective policy, some of this are highlighted in Figure 3.

HIREP has a Housing subgroup tasked with considering ‘in the round’ the challenges of housing across the region, and to take an action focussed approach to addressing systemic challenges. The Group has successfully brought the severity of the rural housing to the fore through their engagement with a wide range of stakeholders – challenging those policies or regulations that do not necessarily fit with rural conditions.

- Goal 1: Become a region which delivers high quality and affordable housing for residents.
- Goal 2: Transform the region’s transport infrastructure into an exemplar of efficient rural mobility.
- Goal 6: Develop a coordinated response to skills and labour requirements across the region.
- Goal 7: Increase the profile and understanding of the Highlands and Islands to support effective policy

Figure 3: HIREP Regional Economic Strategy Goals

Highland Council agreed a number of strategic objectives in June 2024 with the aim of finding solutions to a **Highland Housing Challenge**. One of these was to convene the Highland Housing Challenge Summit in October 2024 in partnership with Prosper, and another the future development of a Highland Housing Action Plan to be based on agreed Strategic Objectives (**Highland Council - Highland Housing Challenge**). A follow-up event is planned for Summer 2025.

Urban Homes

The **Housing (Scotland) Bill** which is currently at Stage 2, will introduce new measures designed to improve the rental sector and address homelessness. Amendments to the bill have been broadly welcomed by the sector as helpful in meeting some, but not all, of the concerns of investors.

New affordable housing in many cities is supported by the Scottish Government's **Affordable Housing Supply Programme**. With £768m set to be invested in 2025/26. Whilst an increase on the previous year (but a reduction on 2022/23), many have called for this increase to be sustained to allow the affordable programme to recover to previous levels and to meet its overall programme targets.

Scottish Government's **New Supply Shared Equity scheme** allows buyers to purchase between 60 to 80% of the property while Scottish Government retains the remaining equity share. The scheme has a narrow application. Threshold limits mean that only homes priced under the lower quartile of a local urban market, and homes below local median value in rural areas, can be purchased under the scheme, furthermore, the scheme is only open for purchased from RSL or local authority developers; homes built and sold by private developers cannot be purchased through the scheme. Unlike shared ownership, no rent is charged on the retained equity share. This approach significantly lowers upfront costs and ongoing monthly payments, offering an affordable option.

Major regeneration schemes which include residential property continue to be built led by cities and city region partnerships. These include Granton Waterfront, the St Enoch District project in Glasgow, Dundee Waterfront and Perth Waterbank. Several of the funds available in the past to support regeneration in Scotland's towns and cities e.g. Vacant and Derelict Land Programme and the Regeneration Capital Grant Fund are currently suspended due to funding pressures.

Modern Homes

There is a commitment to greater use of Modern Methods of Construction (MMC) in current policy. **Housing to 2040** states that making greater use of offsite in the construction of new affordable homes will help accelerate the aim for all new homes delivered by RSLs and Local Authorities to be zero emissions homes by 2026. The national strategy also includes plans to extend the use of MMC to overcome some of the delivery challenges in rural areas.

Despite an established and successful panelised timber system manufacturing base in Scotland, there have been challenges in recent years to the more advanced *modular* aspects of MMC housing, and a small number of high-profile failures in that sector which have unfortunately dominated the recent narrative around modern methods of construction.

In autumn 2024, the Scottish Government **consulted on Building Regulations** on energy and environmental standards to determine the principles for a Scottish equivalent to the Passivhaus standard. This will be followed up with a further consultation on the detailed proposals for specific changes to performance targets and supporting compliance processes in summer 2025 with a view to Ministerial submission seeking approval in early 2026. The preferred implementation option is to bring in a mandatory standard in early 2028.

Homes for Scotland (HFS) proposed the setting of a *New Scottish Equivalent Standard*. This proposal improves the fabric of the home (reducing Space Heating demand) whilst also targeting reductions in all areas of operational energy use. The HFS model delivers on the Scottish Government ambitions of reducing carbon emissions and reducing fuel poverty whilst at the same time ensuring that the number of homes that Scotland needs can still be delivered at scale and in a manner cost effective to homeowners.

Innovations already being adopted to reduce supply chain emissions include using more indigenous timber, reducing the reliance on imported timber to reduce the risks of global deforestation, mass timber (engineered structural wood products) and support for the forestry and timber industries through greater investment in the supply chain. This will be boosted by the recent UK government announcement that the planned boost in UK housebuilding will include greater use of timber. This is accompanied by a newly published *Timber in Construction Roadmap 2025* which will promote innovation in the supply of and use of timber in construction in England.

The **Edinburgh Home Demonstrator (EHD)** programme has delivered a new approach to briefing, design, procurement and construction to realise the ambition of the Edinburgh and South East Scotland City Region Deal that some of their housing programme be delivered through a standardised off-site manufactured product. The programme aggregates customer demand across a number of local authority areas together with suppliers.

Working with a range of partners including six local authorities, offsite manufacturers, and design professions, the EHD programme has developed a suite of housing typologies that are aligned with offsite manufacturing processes in Scotland.

The EHD **Delivery Model for Affordable Homes** was designed to be easily understood and scalable across different regions and geographies. It sets out three thematic areas of Policy, Product, and Alliance. There is a commitment to expand the use of the demonstrator within the City Region and to make its kit of parts available to all local authorities in Scotland.

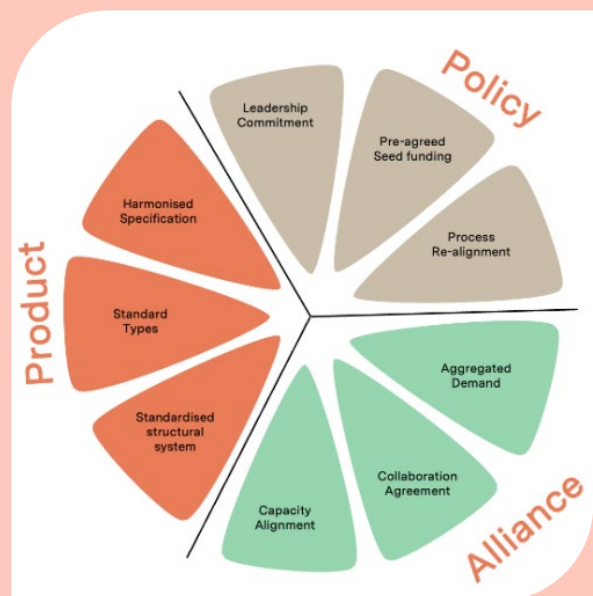


Figure 4: Case Study, Edinburgh Home Demonstrator Programme

The Scottish Government estimate that buildings across Scotland account for 20% of national emissions (13% from domestic buildings, 7% from non-domestic) – it is therefore essential to Scotland’s 2045 net zero ambition that buildings and in particular new buildings are decarbonised. Mechanisms to support Scotland’s net zero ambition include the *Net Zero Public Sector Buildings Standard and Document Suite* – a voluntary standard owned by the Scottish Government which is applicable across all new or major refurbishment construction projects. Figure 4 highlights the *Edinburgh Home Demonstrator* (EHD) programme.

In 2023/2024, *Scottish Government consulted on a Heat in Buildings Bill* with aim to phase out the use of polluting heating systems. However, it was confirmed in March 2025 that the Bill would not be brought forward in its published form, with a revised version expected later in 2025. The reworked Bill will likely include a target for decarbonising heating systems by 2045, powers to set minimum energy efficiency standards in the owner-occupier and non-domestic sectors, and requirements for public buildings to connect to district heat networks where available.²² The Scottish Government is however, pressing on with regulations to introduce minimum energy efficiency standards in the private rented sector.

Skills

Scotland’s skills landscape is complex – reaching across reserved and devolved matters. Apprenticeships are devolved which means that Scotland (along with Wales and Northern Ireland) manage their own programmes. This becomes more complex through the interaction with the Apprenticeship Levy which is collected by HMRC from companies across the UK but allocated to Scotland via the block grant (a similar setup exists for Wales and Northern Ireland).

All employers in Scotland can access approved Apprenticeships and most of the funding is available to employers regardless of size or whether they pay the Levy. They do not have to spend their funds on Graduate Apprenticeship programmes and can access a range of training. This is contrast to England where levy funds must be spent on apprenticeships that are officially registered and modified. Until the 2023/24 and 2024/25 budgets funding included access to the Flexible Workforce Development Fund, which was then withdrawn along with the Upskilling Fund.

In addition, the Construction Industry Training Board (CITB) and the Engineering Construction Industry Training Board (ECITB) operate their own levies – the Apprenticeship Levy applies regardless of contribution to the ITB levies.

In January 2025, the UK Government published the much-delayed *2023 Industry Training Board (ITB) Review: Transforming the construction workforce* by Mark Farmer, which includes the CITB and the ECITB. The review concludes that whilst the current model has enabled ‘worthwhile training’ it is not currently ‘delivering the level of strategic forward thinking, scale and pace of influence or tangible bottom line impact that the industry now requires to futureproof it’. Further details are included in Figure 5.

The UK Government has also announced a raft of investments into construction skills in England to support their housing ambition of delivering 1.5m homes by the end of this Parliament. This includes funding for additional placements, establishing Technical Excellence Colleges, launching new apprenticeships, and expanding Skills Bootcamps.

²² Scottish Parliament (2025) - *Meeting of the Parliament: 03/04/2025*

Skills funding and reform

Funding for colleges and universities has eroded over the past decade. Coupled with sharply rising costs, colleges and universities are now facing acute financial pressures. National Insurance Contributions from April 2025 are estimated to cost colleges an additional £20million, and universities £45m for the financial year 2025/26.²³

It has been estimated that after inflation, the main university teaching grant was 19% lower per student in 2023/24 than it was in 2013/14.²⁴ Audit Scotland highlight that the Scottish Government's funding for the college sector was static for three years followed by a 17% real-terms reduction in college funding for 2024/25 since 2021/22.²⁵ Colleges Scotland state that the settlement for the colleges sector 'fails to recognise the vital role colleges play in driving economic growth, reducing poverty, and strengthening communities'.²⁶ A revision to the Scottish Budget saw new investment of £3.5m to enhance skills development across the college sector but not for the construction and housebuilding sectors.²⁷

The tertiary education sector continues to experience challenges relating to containing costs in areas such as infrastructure costs and maintaining estates, investment required for digital, competition from private sector training providers, and the challenges of raising further income from non-teaching activities.²⁸ The removal of the FWDF also reduced addition earnings from training delivery to smaller businesses.

Two major independent reviews were published in June 2023 which made recommendations for both post-school skills delivery and for qualifications and assessment. The **Withers Review** and the **Hayward Review** respectively. The Withers review set out that the Scottish Government should redesign the process for funding of learning and training provision (including for apprenticeships) to ensure that allocation is prioritised to deliver strategic outcomes and best value for public investment. It also recommended the establishment of a single funding body and ensuring that colleges and universities are afforded equal esteem within the system.

The review makes 63 recommendations across 17 strategic recommendations including retaining but modernising the statutory levy-grant system, a strategic focus on improving competency and productivity of the existing workforce (not just new entrants), reducing the time lag between levy returns and levy payments, and to work with other agencies on the development of an industry wide digital skills passport system.

Recommendations also cover such topics as procurement, future communication by the ITBs to government and industry on the rationale for investment, and greater transparency on the funding spent directly on training and operational costs.

In their response, the UK Government accepted 35 of the 63 recommendations without amendment including the retention of the levy, partially accepted 25 of them subject to further scoping, and chose a different approach for the remaining three.

Figure 5: 2023 ITB Review

²³ SPICe (2025) - **Further Education (FE) and Higher Education (HE) Budget 2025-26**

²⁴ Ogden and Thomas (2024) - **Scottish Budget: Higher education spending | Institute for Fiscal Studies**

²⁵ Audit Scotland (2024) - https://audit.scot/uploads/docs/um/briefing_240919_Scotlands_colleges.pdf

²⁶ Colleges Scotland (2024) - **Comment from Colleges Scotland - Draft Budget**

²⁷ Colleges Scotland (2025) - **New Investment for Scotland's Colleges**

²⁸ Audit Scotland (2024) - **Scotland's colleges 2024**

There has been limited progress in implementing recommendations made, which is causing continued uncertainty for colleges. The Scottish Government **consulted** on the post-school education and skills reform legislation between June and September 2024, publishing the **independent analysis** of responses in January 2025.

In February 2025, the **Tertiary Education and Training (Funding and Governance) (Scotland) Bill** was introduced to Scottish Parliament. As introduced, the Bill will change the way that funding is provided for post-school education and skills training. The Bill will work through due process including through the **Education, Children and Young People Committee**.

The Bill seeks to transfer the responsibilities for apprenticeships from Skills Development Scotland to the Scottish Funding Council and offers an opportunity to modernise elements of skills landscape funding. This forms part of an ongoing programme of post-school reform in Scotland. Figure 6 includes further detail.

The policy aim of the **Tertiary Education and Training (Funding and Governance) (Scotland) Bill** is to:

‘facilitate different, more transparent ways of funding apprenticeships, alongside further and higher education, so that the system is easier for learners to navigate. This will also help ensure learners have access to the skills and training employers need.’²⁹

The Bill confers upon the Scottish Funding Council (SFC) the powers and duties in respect of funding and securing the delivery of NTPs, apprenticeships, and work-based learning – this is an expansion of the statutory duties of the SFC. It is also a transfer of responsibility from Skills Development Scotland (SDS) to the SFC.

The Bill will also create a new legislative framework for apprenticeships. The SFC will be required to establish an apprenticeship committee to advise it on matters concerning to apprenticeships. It is anticipated that this committee will have responsibility for preparing Scottish apprenticeship frameworks. SFC must take account of for example: skills needs in Scotland; issues affecting the economy of Scotland; and social and cultural issues in Scotland. These duties will naturally extend to the new functions and responsibilities set out in the Bill.

‘Skills need’ and ‘issues’ are defined within the 2005 Act which established the SFC. In both cases the need or issue must be ‘live or anticipated’ and to be capable of being addressed by fundable further or fundable higher education. This would include apprenticeships or work-based learning within the wider remit of the SFC’s functions.

Figure 6: Tertiary Education and Training (Funding and Governance) (Scotland) Bill

²⁹ Scottish Parliament (2025) - **Policy Memorandum**



RECOMMENDATIONS: PRIORITISE THE ROLE OF HOUSING IN DRIVING GROWTH

1. To reinvigorate their strategy, Scottish Government should **set an ambition of 25,000 homes of all tenures to be built per annum**.
2. Scottish Government should **identify and set a clear intention to remove barriers to investment and creating a welcoming and stable operational and regulatory environment** for the housebuilding and contracting sectors which explicitly and proactively seeks to create the best conditions for housebuilding and minimises policy interventions which disrupt growth.
3. Scottish Government should **mandate housing as a key priority** for Scotland's enterprise agencies recognising the economic development opportunity aligned with creating high quality indigenous supply chains.
4. **Create an oversight function to drive delivery of new housing** with responsibility to set, monitor and evaluate housing targets across all tenures and types, set and evaluate subsidy levels, oversee data collection, co-ordinate activity to ensure consistency and to work with the private sector to deliver more homes.
5. Address the major barrier of uncertainty around future funding of affordable housing. Create a stable environment for partner investment by **investing in the Affordable Housing Supply Programme at previously committed levels for three to five years**. Enable greater flexibility for RSLs in grant administration to accelerate the delivery of more homes. A longer horizon also provides confidence to offsite manufacturers and housebuilders in the supply chain.
6. Reintroduce the **presumption in favour of sustainable development** in planning guidance in National Planning Framework 4 (NPF4) to unlock more sites in both rural and urban areas.
7. **Introduce an expedited planning process for brownfield developments** to make it easier for brownfield land to deliver new homes more quickly.

Challenges Facing Rural Housing

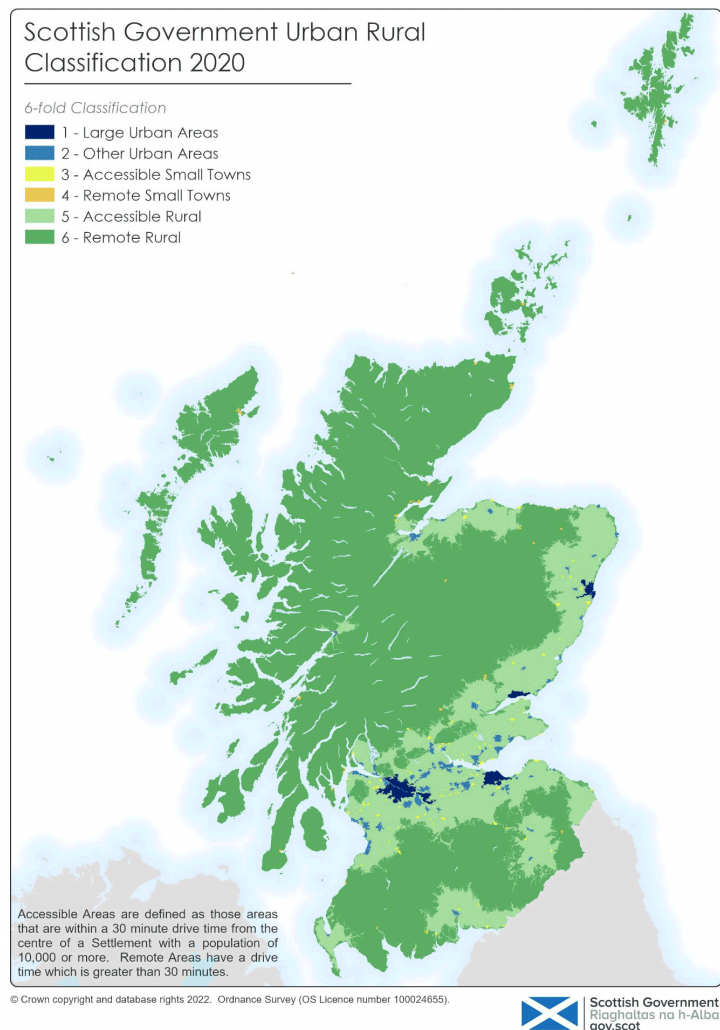
EVIDENCE

An economically successful Scotland needs strong and sustainable rural, island and coastal communities and economies. This includes the rural economy primary sectors, but also the vast array of businesses and organisations located across rural Scotland such as the NHS and our further and higher education institutions.

There is also a need to recognise that the economy in rural areas is not one and the same but contains very different economic realities and circumstances across different parts of the country. Scotland-wide interventions will rarely be successful, and a toolkit of actions and interventions that can be chosen to suit the differing needs of distinct areas is needed.

Rural Scotland³⁰ accounts for 98% of the land mass of the country and is home to 17% of Scotland's resident population.³¹ Figure 7 illustrates the proportion of urban and rural land across Scotland. There has been an overall increase in the population of Rural Scotland since 2001 – this has largely been in accessible rural areas.³² However, this increase has slowed in the last decade and is declining in remote rural areas.

New economic and employment opportunities are forecast for some rural areas, for example the Moray Firth, from growing sectors such as renewable energy. Rural Scotland is a key enabler of these opportunities for economic growth and prosperity including in key growth sectors such as food and drink, energy, and infrastructure. However, there is a lower proportion of people aged 16-44 than the rest of Scotland, driven by the outward migration of younger people for higher education and employment opportunities.³³



Source: Scottish Government (2022)

Figure 7: Scottish Government Urban Rural Classification 2020

³⁰ Rural Scotland is classified by Scottish Government within the commonly used 6-fold Urban Rural Classification as 'areas with a population of less than 3,000 people' and then as either 'accessible rural' or 'remote rural' depending on drive time to a settlement of 10,000 people.

³¹ Scottish Government (2021) - <https://www.gov.scot/publications/rural-scotland-key-facts-2021/>

³² Scottish Government (2025) - 4. Population and skills - Trends in Rural Scotland: a working paper

³³ Richardson and Roy (2023) - Most of Scotland is Rural, and Plans for Net Zero Must Make That Work

Housing in rural Scotland is transformational to rural areas and is considered a cornerstone in ensuring that rural, island, and coastal communities thrive and remain vibrant whilst also redressing depopulation challenges. Rural housing is vital to supporting a Just Transition, and an important enabler in the Scottish Government's Green Industrial Strategy.

The housing challenge in rural areas include meeting the need for higher priced homes that attract higher skilled occupations, business leaders and managers, and the need for short-term accommodation required for people working in infrastructure projects or in seasonal tourism and agricultural roles. Market supply tends to be oriented to family accommodation, which supports the retention and attraction of working people, but smaller households have grown increasingly common. Housing is critical in the delivery of a range of better economic, social and environmental outcomes.

Highland Council's Housing Need and Demand Assessment estimates that the area will need an additional 24,000 homes over the next 10 years to accommodate the expected 8,000+ jobs in the new Inverness and Cromarty Firth Green Freeport. The council estimates that under current rates of building, it would take over 20 years to reach the needed number of new homes. It estimates that £2.8bn of extra investment is needed to accelerate the construction programme.

Figure 8 highlights new research from Highland and Island Enterprise on the potential scale of the transformational opportunities across the Highlands region.

Highland and Island Enterprise in partnership with the Highlands and Islands Regional Economic Partnership have commissioned research to fully understand the scale and breadth of the economic opportunities across the Highlands and Islands. Preliminary findings indicate that across around 250 projects, the aggregated impacts between 2025 and 2040 are estimated as:

- Total potential investment of £100.4bn
- Total GVA of £76.6bn (£41.7bn direct and 34.9bn indirect)
- 114,040 job years from construction and development phases
- 16,270 temporary working age population increase at peak construction points
- 17,930 direct, additional operational jobs by 2040.³⁴

The scale of this economic pipeline exceeds those witnessed in previously transformational periods for the region, including the total capital expenditure on the exploration and development of oil on the UK continental shelf between 1965 and 1980 which has been estimated to be around £78.3bn in 2023 prices.³⁵

Housing will be essential to realising these opportunities, and the findings point to a regional existing backlog and demand of 11,680 homes over the next five years before any additional housing requirement to support the regional transformational opportunities. When the opportunities are factored in, this figure rises to a total demand estimate of 24,430 homes over the next five years.

Figure 8: Highlands and Islands Regional Transformation Opportunities

³⁴ HIE (2025) – [Regional Transformational Opportunities research](#) | HIE

³⁵ *Ibid.*

There is a widely accepted view that not enough new homes are being built to meet need and demand for housing in rural areas. The National Planning Framework 4 sets out the Minimum All Tenure Housing Land Requirement³⁶ for Scotland’s Local Authorities; 4,550 in Dumfries and Galloway and 4,800 in Scottish Borders. This equates to 9,350 homes across the South of Scotland. This figure is 9,500 for the Highlands and Islands – far below the figure estimated in the HNDA. Housing of all tenures and types will be needed to meet the needs of the housing crisis. An additional housing challenge for rural areas is the increasingly aging population. Table 2 below highlights population change over the last two decades.

Table 2: Population Change Rural Scotland

| | 0-15 years | 16-64 years | Over 65 years |
|---|------------|-------------|---------------|
| Scotland Population Percentage Change 2003-2023 ³⁷ | -5% | +5% | +36% |
| ‘Accessible Rural’ Rural Scotland Population Change ³⁸ 2001-2022 ³⁹ | - | - | +74% |
| ‘Remote Rural’ Rural Scotland Population Change 2001-2022 ⁴⁰ | - | - | +53% |

Registered Social Landlords (RSLs) and Local Authorities both have a significant role to play in bringing forward new homes or refurbishing existing stock. Community-led Housing and Charitable Trusts also have a role to play in bringing forward affordable housing though face similar challenges in doing so.

Community-led housing takes a range of approaches including by development trusts, community groups, or cooperatives and can involve new build, self-build, regeneration of the use of existing buildings. It encourages a more participatory and democratic model of development.⁴¹ Figure 9 and Figure 14 overleaf highlight projects that have been supported by South of Scotland Community Housing.

The cost of build for a 2-bedroom home in rural Scotland is estimated to be in excess of £300,000, against the national average £200,000.⁴² Land must be both available and cost effective to developers for homes to be built. But there are currently a complex range of factors involved, and no single approach is applicable to every project.

One of the barriers to delivering more rural housing has been the decline in SME housebuilders. SME developers deliver less than 20% of new home sales per year in Scotland – down from 40% in 2017.⁴³ The biggest barriers for them in rural areas are:

- Lack of government/local authority support and increased financial risks;
- Concerns about the cost of planning obligations;
- The cost and challenges of infrastructure delivery; and,
- Limited access to essential services.

³⁶ Scottish Government (2022) - [Minimum All-Tenure Housing Land Requirement \(MATHLR\)](#)

³⁷ National Records of Scotland (2024) - [Mid-2023 population estimates](#)

³⁸ Population statistics including projections are due to be updated later in 2025.

³⁹ Scottish Government (2025) - [4. Population and skills - Trends in Rural Scotland: a working paper](#)

⁴⁰ *Ibid.*

⁴¹ Communities Housing Trust (2023) - [Community Led Housing - May 2023 DRAFT](#)

⁴² SOLACE (2023) - [Housing in Scotland Current Context and Preparing for the Future - July 2023](#)

⁴³ Homes for Scotland (2024) - [Scotland's SME Home Builders 2024](#)

The cost of buying a home is also more expensive on average with prices highest in Accessible Rural Areas followed by Remote Rural Areas, although prices have been increasing in all areas in Scotland.⁴⁴ There are also a higher proportion of owner-occupiers. There is a lower proportion of flats compared to the rest of Scotland, and properties are more likely to be houses or bungalows. The average energy efficiency profile of properties in rural areas is lower than for urban properties (33% of households rated EPC C or above, compared with 56% in urban areas).⁴⁵

South of Scotland Community Housing (SOSCH) is an award-winning SCIO that provides long-term support to community organisations relative to the planning and delivery of community-led housing. They get involved with a community at the very start of a housing conversation, supporting them all the way through to delivery and beyond. This work is inclusive of Housing Needs and Demand Assessment, project development, delivery and housing management.

Projects address local housing need, along with town centre regeneration, combatting economic decline, repopulation, reinvigoration of empty housing stock and supporting the local economy.



The Old Police Station, Langolm

The Eskdale Foundation

B-Listed building renovated into four homes including a family home and an accessible flat. This brought an empty building back into use and regenerated the town centre.



Castle Crescent, Closeburn

Nith Valley Leaf Trust

Scotland's first community-led passive-certified development of three new build homes. This tackled population decline and increased the local primary school roll. The development won a SURF Award in Housing and Regeneration.

Photos: South of Scotland Community Housing

Figure 9: Case Study, Community-led Housing

⁴⁴ Scottish Government (2025) - 3. Housing - Trends in Rural Scotland: a working paper (2025)

⁴⁵ Scottish Government (2025) - 3. Housing - Trends in Rural Scotland: a working paper (2025)

The Scottish Empty Homes Partnership (SEHP) estimates that there were 43,538 empty properties in Scotland (liable for council tax but have been empty for six months or more) in 2024. Of these, 31,596 have been empty for over a year – with around half located in local authorities with a declared housing emergency.⁴⁶

Applying the Randall Definition⁴⁷ of rurality a significant number of Scotland’s empty homes are located in rural areas of the country - Table 3 highlights the figures. In 2023/24 Empty Homes Officers facilitated the return of 1,875 properties into use – some of these had been empty for over five years.

Table 3: Empty Homes in Scotland 2023-2024

| | Empty Properties (6 months+) | Long term Empty Properties (12 months+) |
|--|------------------------------|---|
| Scotland Wide | 43,538 | 31,596 |
| Rural Scotland | 36,799 | 28,177 |
| Percentage of Scotland’s empty properties located in rural Scotland | 84.5% | 89.2% |

It will be important to attract private capital into the sector. For this to be successful, investors need to have confidence in a long-term, shared vision for a region. The Scottish National Investment Bank have a new market creation function and are exploring ways to create these types of partnerships, to aggregate projects, and to delivery mixed tenure opportunities. Examples include the use of joint ventures with aligned public, private and third sector parties working together.

Other conversations with the sector indicate a desire to consider how additional grant funding but also partnerships, co-investment models and other guarantees might unlock more homes. An innovate model to deliver housing on Colonsay is highlighted below in Figure 10.

More than 40% of the housing on Colonsay is second home or self-catering accommodation with young people and families often priced out of the local housing market. Since 2012 **Colonsay Community Development Company** has been working to solve this challenge and finally procured two sites to develop 24 homes and 2 business units in 2020. They achieved this with funding from the Scottish Land Fund, Highlands and Islands Enterprise, Argyll and Bute Council, and private industry partner MOWI. The development delivered a number of affordable homes, some serviced self-build plots, and a number of houses for MOWI to provide worker accommodation.



Photo: CCDC

Figure 10: Case Study - Innovative Community-led Funding Model

⁴⁶ Scottish Empty Homes Partnership (2024) - **Where are Scotland’s Long Term Empty Homes?**

⁴⁷ The definition includes 14 rural local authorities: Aberdeenshire, Angus, Argyll and Bute, Dumfries and Galloway, East Ayrshire, Highland, Moray, Comhairle nan Eileanan Siar, Orkney Islands, Perth and Kinross, Scottish Borders, Shetland Islands, South Ayrshire, Stirling.



RECOMMENDATIONS: IMPLEMENT WAYS TO UNLOCK RURAL HOUSING AND GROWTH

8. Local authorities should work to attract housebuilders and contractors to rural areas by regularly **aggregating and communicating local housing procurement pipelines** to promote housing development opportunities with packages tailored to local capacity to maximise delivery.
9. Local authorities should incentivise the SME contractor market, accelerate delivery, free up resource and reduce costs, by expediting **planning for allocated sites in the Local Development Plan**.
10. Scottish Government should **increase funding and broaden rural eligibility criteria for the Rural and Island Housing Fund** to enable greater take-up including community-led housing developments. The Rural and Island Housing Fund is a vital tool to ensure that the housing needs of more settlements in rural Scotland can be met.
11. Local authorities should work with Prosper and regional stakeholders from all sectors to **develop a joint regional legacy housing plan** to leverage investment in the housing that will be required by utilities and construction companies over the coming decade to deliver and operate renewable energy infrastructure and projects.



WORKSHOP FINDINGS

The rural housing workshop in Dumfries consisted of two panel sessions followed by a Q&A session and discussion session. Panel speakers and participants discussed:

Panel 1

Rural areas face particular housing challenges which will potentially be coupled with large scale infrastructure development, growth in some sectors/by large employers, and a changing/aging population. What are the most significant housing challenges facing rural areas of Scotland over the next 10 years? How do these challenges differ within and between regions of rural Scotland such as the South of Scotland?

Panel 2

Land supply and connection to infrastructure/utilities needed for housing development can be particularly challenging in rural areas. What are some of the constraints in the South of Scotland and elsewhere with regard to land, and what actions are needed to unlock opportunities for housing across rural Scotland? Is there a role for different/innovative models of funding and delivery?

Participants reflected on a range of issues and challenges for the South of Scotland and rural Scotland more widely. Participants confirmed that rural housing can be transformational to communities – with even one new home having lasting impact.⁴⁸ Rural housing will also be vital in achieving Scotland’s Just Transition and will bring significant benefit to rural areas. However, the success of major developments such as the Inverness and Cromarty Green Freeport relies in part on suitable and available housing.

The Opportunities for Action highlighted below stem from discussions at the workshops and through subsequent stakeholder interviews and engagement and are aimed at a range of different stakeholders including industry, government, training providers, and other key organisations. They form the basis for the recommendations that this report seeks to make.

⁴⁸ Scottish Land & Estates (2024) - [rural-and-island-housing.pdf](#)

Opportunities for Action

1. Review administration of grant funds:

- a. Establish the Affordable Housing Supply Programme as a multi-year scheme and enable greater flexibility in its administration to facilitate certainty for Local Authorities and RSLs to accelerate the delivery of more homes.
- b. Broaden the rural eligibility criteria (subject to added conditionality) for the Rural and Island Housing Fund to ensure that the housing needs of more settlements in rural Scotland can be met.
- c. Rural Affordable Homes for Key Workers Fund - increase communications and raise awareness of this fund.

2. Effective communication of and use of data

- a. Local Authorities can better utilise data to develop, aggregate and communicate local housing land pipelines and promote housing development opportunities with packages tailored to local capacity to maximise delivery.
- b. New south of Scotland data on key worker housing need and demand expected in spring 2025 will help in exploring constraints of housing on employers and employees.

3. Innovations in delivery and finance

- a. Partnership working is key to delivering housing in rural Scotland, and opportunities should be taken to explore ways for collaboration to develop local supply chain growth and innovation to maximise delivery.
- b. Streamline the planning approach for allocated sites in the Local Development Plan to speed up delivery and reduce costs for both developers and local authorities.
- c. Explore opportunities to create flexibility in the guidance to incentivise and enable small scale rural development.

4. Urgent action at every level of government required to tackle the housing emergency

- a. Political leadership must take action at a scale and pace that enables Scotland's industrial ambitions to be realised whilst also supporting the delivery of more homes of all types and tenures.
- b. Local government action and investment is required to resolve issues relating to planning and land supply through measures such as increasing planning resource and capacity.
- c. Scottish Government action and investment is required to incentivise and support the delivery of housing across rural Scotland
- d. Accelerate introduction of mandatory training on the planning system for Elected Members.

Challenges Facing Urban Housing

EVIDENCE

National Records for Scotland data confirm the importance of our urban places and cities as places to living. It confirmed: the majority (almost three quarters) of people live in large urban areas (37%) and other urban areas (34%).⁴⁹

Younger people are more likely to live in urban areas. The median age of people in large urban areas was 39, versus 52 for rural areas. That said older people can still make up a significant proportion of urban areas. Scotland's 'oldest' neighbourhood is in Falkirk town centre where the median age is 73 due to specific housing in that area.

Urban areas in Scotland – both cities and towns – have been expanding in terms of their populations. In the most recent estimates Edinburgh, Glasgow and Aberdeen saw the biggest increase in absolute numbers of people.^{50, 51}

Whilst the Scottish Government has not set a national target for housing, Local Planning Authorities are required to set out what their Local Housing Land Requirement is, and this is expected to be greater than the 10-year Minimum All Tenure Housing Land Requirement (MATHLR). Over the last 5 years, 7 LPAs, including Edinburgh and Glasgow have achieved housing completions at less than 75% of their MATHLR.⁵²

More smaller households have also helped to drive the rise in Scotland's households in all places, up 14% over the past 20 years, linked in part to older single person households. Scotland has the highest number of 1 person households in the UK, and this is now the most prevalent household type in percentage terms.⁵³

Housing of all tenures and types will be required to meet the needs of urban areas including new build homes for sale and rented accommodation. Purpose-built student accommodation has been expanding in many cities to accommodate some, but not all, of the requirements of that sector.

Registered Social Landlords (RSLs) and Local Authorities both have a significant role to play in bringing forward new homes or refurbishing existing stock for use though investment by both is currently constrained by cuts in grant funding, cost inflation and restrictions on income generation related to rent controls. Community-led Housing and Charitable Trusts also have a role to play in bringing forward affordable housing though face similar challenges in doing so.

Thinking about the future of cities and urban places also must account for changing needs. We have seen the emergence of co-living Build to Rent models where studio apartments with generous communal services or spaces appeal to a mix of short and longer-term, and typically younger, residents. This is seen as a small but growing option, particularly for single households looking for an affordable rent.⁵⁴

There has always been a private rented sector, with many small landlords and fewer larger. However, recent years have seen this sector face increasing regulatory pressures which has led to more private sector landlords removing their properties from the

⁴⁹ National Records of Scotland (2024) - [Small area population estimates: mid-2022](#)

⁵⁰ In percentage terms, bigger increases in [household numbers](#) in East and Mid Lothian reflect overspill from the Edinburgh housing market. Accessible rural areas have also seen demand.

⁵¹ National Records of Scotland (2024) - [Mid-2023 population estimates](#)

⁵² CMA (2024) - [Scotland summary](#)

⁵³ National Records of Scotland (2023) - [Households and Dwellings in Scotland, 2023](#)

⁵⁴ Ryden (2023) - [How Co-Living Could Get a Foothold in Scotland](#)

market. At the same time interest has grown in the emerging Build-to-Rent (BTR) Market.⁵⁵

The Scottish Property Federation describes build to rent as:

*“An emerging market in which homes are built specifically for rent, rather than for sale. Build-to-rent is quickly becoming an established sector in the UK housing market to meet demand for high-quality, well-managed rental housing”*⁵⁶

They argue that the sector can offer a better tenancy experience through more on-site management and added-value service. They also suggest that they can bring more homes for predictable rents for integrated communities to the market quickly given that they typically are larger scale and mostly flatted developments. This has primarily been a city or urban housing offering to date though there is increasing interest in more suburban schemes around the UK with Single Family Housing (SFH) making up about half of Build to Rent investment in the year to 2024 Q3.⁵⁷

The Build to Rent Market is worth an estimated £4.5bn of investment across the UK in 2023, suggesting there is demand for high quality rental accommodation.⁵⁸ Investment in Scotland has however, been more limited due to uncertainty in the market related to the implementation of rent controls and market regulation proposed in the [Housing \(Scotland\) Bill](#) currently at Stage 2.

Rettie estimates there has been virtually no new investment in the BTR sector in Scotland over the past two years and estimate 14,000 units are stuck in the planning pipeline.⁵⁹ Glasgow is doing slightly better than Edinburgh but both cities well behind most other UK cities, although they also point to a slow-down in UK investment driven by rising costs. In Scotland there is demand and some existing sites including Moda, Holland Park and Casa, Vista Park in Glasgow, as well as Moda, The McEwan in Edinburgh alongside a small number of investments in Perth and Aberdeen according to the pipeline data.⁶⁰

There is interest in growing the residential element of urban areas, particularly post-pandemic, but other challenges remain around unlocking sites and achieving the desired mix of integrated commercial, retail and residential property in towns and cities. The speed of planning remains a barrier to all types of new residential investment along with the challenges of ensuring that appropriate infrastructure is in place in time and at a cost which is viable. At the same time, an emphasis on brownfield first land can only deliver the homes needed if there is a sufficient supply of such land across all our cities and in those locations where people want to live.

There has been interest in whether new funding models or partnerships might facilitate investors taking a longer-term view of creating new homes and communities. The Scottish National Investment Bank are developing their thinking in this area. Other conversations with the sector indicate a desire to consider how additional grant funding but also partnerships, co-investment models and other guarantees might unlock more homes. Figure 11 highlights a number of urban growth case studies.

⁵⁵ Scottish Association of Landlords (2024) - [Landlord portfolio and investment survey](#)

⁵⁶ Scottish Property Federation (nd) - [SPF - Build-to-rent](#)

⁵⁷ Savills (2024) - [Savills UK | UK Build to Rent Market Update – Q3 2024](#)

⁵⁸ *Ibid.*

⁵⁹ Rettie (2024) - [Build to Rent \(BTR\) in Scotland Market Review November 2024](#)

⁶⁰ Scarlett (nd) - [Build to Rent Pipeline in Scotland | Scarlett Land and Development](#)

Urban Growth

The **Granton Waterfront regeneration** plans moved forward in 2024 with approval for the first phase of the regeneration which will see 847 new homes in partnership with Cruden Homes which will be a mix of social, mid-market rent and homes for sale including family and accessible homes. Further phases could deliver up to 3,500 homes.

Lar Housing Trust was set up in 2015 as a charitable model to test the concept that a loan-based model, supplemented by Bank of Scotland/Scottish Widows funding, could be sustainable in delivering housing. Lar now has 754 completed mid-market rental (MMR) homes across **10 different Local Authorities** which have been delivered without grant funding and at a lower cost per unit.

Laurieston Living will see phase 3 deliver 191 new homes and apartments as part of **Urban Union's highly successful regeneration project** of the Gorbals area in Glasgow which has already seen 537 new homes. Phase 3 is set to complete in summer 2026.

Build to Rent (BTR)

A £13.7million partnership between Secure Trust Bank (STB) Real Estate Finance and Edmond de Rothschild Real Estate Investment Management is building 100 BTR properties of one, two and three-bed apartments, **Stead's Place** at the foot of Leith Walk in Edinburgh, due to come on stream in early 2025. This follows their development at Minerva Square in Glasgow.

Dalian House, a former office space in Charing Cross, Glasgow by Calmont Group, financed by Maven Capital Partners for 92 BTR apartments.

The **Social Hub Glasgow** - a co-living model - has 346 BTR apartments, developed by a joint-venture between Drum Property Group and Stamford Investments on behalf of Legal & General.

A development by Robertson Group for Moda Group in **Holland Park**, Glasgow, for 433 apartments, funded by a joint venture between Harrison Street, NFU Mutual and Apache Capital.

Figure 11: Case Study, Examples of Urban Developments



RECOMMENDATIONS: CREATE CERTAINTY & DEVELOP NEW PARTNERSHIPS TO DELIVER URBAN HOMES

12. Provide certainty on the mechanisms for allowing rent controls and proceed with the Scottish Government's proposed amendment to limit rent increases in rent control areas to **CPIH+1% (with a 6% ceiling) but also eliminate rent controls between tenancies.**ⁱ
13. Scottish Government should **continue to work with partners to fund infrastructure that supports and unlocks new and stalled projects**, actively exploring other finance options. The uncertainty around the costs of infrastructure, in terms of planning obligations, is a barrier and can often be the factor that tips consented developments into unviable territory.
14. **Explore new partnership models to unlock investment in and the delivery of new build affordable housing** such as for-profit registered providers and other vehicles which could help share the risk around brownfield regeneration sites. Work with industry to transform and modernise housebuilding.

ⁱ If they remain the Bill should include mechanisms for below market rent to return to market rates and provisions to allow landlords to recover costs between tenancies costs for repairs, improvements or upgrades. This is preferable to exemptions for BTR and MMR are sub-optimal in that the definitions may be poorly defined for emerging segments (for example, Single Family Homes) and a lack of clarity will continue to stymie investment. They could also draw legal challenge from those not included risking a delay to the passing of the Bill, creating even more long-term uncertainty.



WORKSHOP FINDINGS

The workshop consisted of two panel sessions followed by a Q&A session and discussion session. Below are the prompts given to the panel speakers and participants in advance of the event.

Panel 1

How healthy is the build to rent sector? Where are the emerging opportunities and what is needed to unlock these? How do we ensure the right mix to meet the needs of all generations?

Panel 2

How can we unlock more sites and delivery? How will the planning hub deliver more homes? What are the ways we can unlock infrastructure?

Participants reflected on a range of issues and challenges for urban housing growth including planning constraints, the Housing Bill, the need to meet demand for all tenures and demographics, and financing the housing system.

The Opportunities for Action highlighted below stem from discussions at the workshops and through subsequent stakeholder interviews and engagement and are aimed at a range of different stakeholders including industry, government, training providers, and other key organisations. They form the basis for the recommendations that this report seeks to make.

Opportunities for Action

- 1. Scottish Government to set a long-term all-tenure ambition for housing** – to make clear the commitment to new housing of all types including emerging segments. Change development plan guidance to ensure that higher targets are set and monitor delivery by Local Authorities. Allocate more land and promote competition in the market (to lower prices). Lower the planning gain for brownfield sites.
- 2. Rebuild Investor confidence**
 - a. Consider if there are any planning or policy amendments measures requiring little or no new legislation that could unlock investment, for example additional tiers of affordability between MMR and open market rent.
 - b. Reintroduce a Rental Guarantee Scheme (or similar) – this sends a signal that the government is not likely to further undermine the sector in the medium term.
 - c. Adapt to bring forward a new model for investment in BTR and consider new

partnership models. Co-invest through investment in existing models such as LAR and Thriving Investment (formerly PFP Capital).

- 3. Share risk** – Explore new partnership models to unlocking investment in and delivery of new build affordable housing such as for-profit registered providers and other vehicles such as urban regeneration companies to share risk around brownfield regeneration sites where there is market failure and a need for joint risk/reward sharing.
- 4. Create oversight body** - Put housing beyond the political cycle by creating a third-party organisation or partnership with responsibility to set housing targets, tenure, subsidy levels, data collection and to work with private sector partners to bring forward major regeneration partnerships and land assembly.
- 5. Create certainty for infrastructure costs** – work with partners to fund infrastructure that supports and unlocks stalled and other projects, and actively explore other models of finance and delivery.
- 6. Fix the Housing Bill**
 - a. Through the Housing Bill, Scottish Government to implement inflation-linked rent controls CPIH+1% (with a 6% ceiling) and eliminate rent controls between tenancies.
 - b. High quality data collection is needed to evidence the rental market with transparent and comprehensive data on achieved rents, tenancy increases and market trends.
- 7. Create a long-term sustainable private rented sector**
 - a. Better quality data collection with more comprehensive and robust data indicators such as achieved rent collected over time will better inform future policy.
 - b. Properly resource local authorities to act within existing powers against those landlords failing to meet their obligations.
- 8. Learn from models of senior living from elsewhere** – To create greater choice in the market. Consider how a specific housing policy for older people might facilitate this.
- 9. Enable strong regional Housing Partnerships** - Engage with housing markets at the level at which they operate – beyond local government boundaries. Consider how planning might support this and how to make use of a single pot of public money, available on a multi-year basis, to de-risk brownfield sites.
- 10. Focus on reform of planning to increase certainty and reduce cost** – Be more forthright in guidance – either in NPF or other guidance – in advance of the updates of the Local Development Plans as to what is permitted. Invest in and better integrate planning functions. Rationalise statutory consultees and consider how technology, including AI, might improve the planning and consenting processes and mitigate planner shortages. Ensure planning guidance is clear with regard to brownfield first in urban locations for all tenures.

Modern Methods of Building, and Low Carbon Homes

EVIDENCE

There is growing consensus that the construction sector as currently constituted, with unfavourable demographics compounding current skills constraints, will struggle to quickly meet this demand for new housing. There is therefore a need for innovations that can help deliver housing faster, better and cheaper but also sustainably and with fewer people.

Innovation may come in the form of productivity-enhancing investments in digital technologies, in novel funding or procurement models, in sustainable materials or systems and in the greater adoption of modern methods of construction (MMC). MMC is the collective term for building methods that are designed to be more efficient and effective than traditional 'brick and block' methods. They include innovations in building techniques that increase productivity on construction sites, new materials and the manufacture of advanced housing components and full modular housing. Figure 12 on the next page highlights the seven categories.

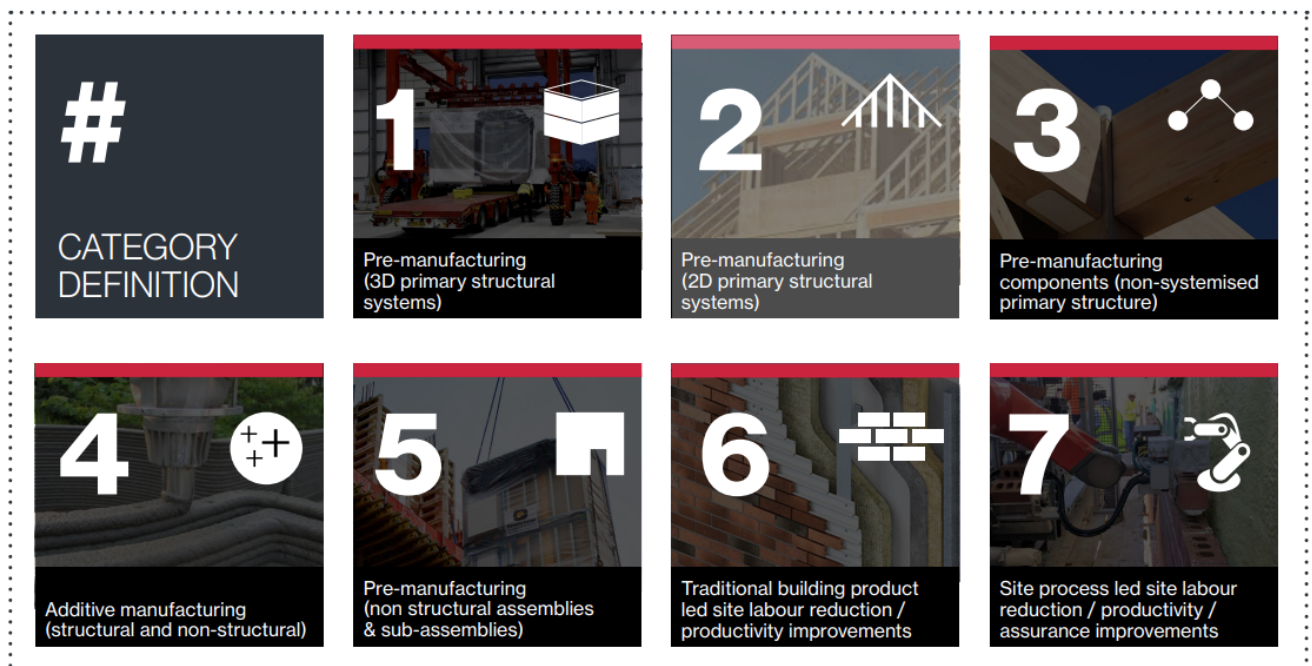


Figure 12: MMC Definition Framework

MMC in some senses is not 'modern' as some of the first applications of off-site manufacturing could be seen after the Second World War. The focus on quantity over quality meant that issues with the design and construction of these homes only came to light decades later. The failings gave rise to a government statutory scheme of assistance for people who had purchased a defective home. As a result, some of these construction methods have experienced a lingering negative stigma amongst consumers, builders, investors, and insurers, which is one factor that has limited their further development and uptake.

In non-residential settings, however, the commercial MMC market is mature. One reason is that there has been a steady pipeline of demand in some commercial and public sectors e.g. in education. The 2017 Grenfell disaster has also had an impact on how novel approaches in the sector, around building materials, are perceived.

In 2019, a new definition framework was developed that categorised the different construction methods considered to fit under the MMC umbrella.⁶¹ It set out seven categories along with examples of what structures or components would fall into each one. The framework can be found in Appendix Two - MMC Categories, and is also highlighted above.

The construction and housebuilding sectors in the UK have embraced innovation and technological advancements, with many companies investing in research and development to enhance their MMC capabilities.

The UK Collaborative Centre for Housing Evidence (CaCHE) reports that use of MMC can boost housing supply, but that expansion requires a range of regulatory mechanisms, supply chain considerations, and in many instances the transformation of existing business models.⁶² The research also shows that in international contexts where the use of MMC is more prevalent, the state and market worked together to facilitate its wider use. Figure 13 highlights some examples of Scottish companies including CCG Scotland and Ecosystems Technologies.

In its recent market study, the CMA observed that the adoption of MMC in the housing sector had seen a notable uptick in recent years reflecting the ‘growing recognition of the need for more efficient, sustainable, and cost-effective approaches to meeting the increasing demand for housing’.⁶³ It also noted that data on the use and number of homes delivered using various types of MMC was not readily available making it hard to judge just how widespread the techniques had become. Analysis by Savills of CITB data estimated that between 6 and 10% of homes built in 2020 used MMC, however the extent to which different methods were used varied across housebuilders.⁶⁴

Scotland has been ahead of the rest of the UK by default as a high percentage of homes are already built using a kit of timber parts. Figures show that in Scotland forms of timber frame construction accounted for 92% of new homes built. In contrast this was 22% in Wales and just 9% in England.⁶⁵

Scotland has a long-established offsite cluster. Collaborative groups such as Offsite Solutions Scotland (OSS), and strategies such as *Roots for Growth* highlight Scotland’s dedication to advancing timber technologies and integrating innovative building practices. OSS is a consortium of leading offsite manufacturers in Scotland working together to make Scotland a centre of excellence for the offsite construction industry using world leading offsite timber solutions from Scotland. The collaborative encourages sharing knowledge, best practice, skills and experience, co-operation in shared technical/innovation projects, and research and development.

Innovations in timber are not the only area of advancement in Scotland, and there are examples of companies innovating through the use of recycled glass and steel such as Iron and Pine, and VASO Build as illustrated in Figure 14 and Figure 15.

⁶¹ Modern Methods of Construction Definition Framework - [MMC Definition Framework](#)

⁶² Payne and Serin (2023) - [20230310_MMC_PayneSerin_V4.pdf](#)

⁶³ SMA (2024) - [Housebuilding market study final report](#)

⁶⁴ Savills (2020) - [Savills Blog | Could MMC help kick-start the construction industry post-Covid-19?](#)

⁶⁵ Structural Timber Association (2022) - [stamarketresearchresidentialsectoroct2022251022.pdf](#)

CCG has pioneered offsite MMC in Scotland. CCG Offsite Manufacturing has a purpose-built factory. Working with partners MAST Architects and consultants Carbon Futures, they have developed the CCG Net Zero Home – designed to a platinum level of carbon reduction using their enhanced iQ Timber System plus enhanced window and door sets.

They offer both custom and volume solutions, meaning that house types for a range of development scales can be created. Since the launch of CCG OSM, they have delivered over 11,000 homes.



Photo: CCG Scotland

Ecosystems Technologies design, manufacture and install high-quality, versatile, modular buildings for a range of uses including residential, education, office, and industrial sectors. They bring together renewable sources, local supply chains, and innovative methods to develop a new model for the sustainable development of the built environment.

Social Bite, a charity and social business aiming to end homelessness had the 'Nest House' commissioned from locally sourced timber to deliver a new kind of housing for their Social Bite Village.



Photo: Social Bite

Figure 13: Case Study, Low Carbon Homes

The desire to build more quickly is happening at the same time as our need for and ambitions to build more sustainable homes with better energy efficiency and lower running costs. Scotland has ambitious targets to become a net zero nation by 2045. To achieve this goal, all sectors and industries, including construction and housebuilding, will need to innovate and adapt to new legislation and standards for materials and with regards to design for energy efficiency.

Carbon measuring and reporting are increasingly part of legal requirements around the world, helping to account for global GHG emissions. This also applies to the decarbonisation of the built environment, including both operational and embodied carbon, the latter of which is of growing concern. Operational carbon being the emissions associated with the energy used to operate the building; and embodied carbon being the remaining emissions that are associated with the materials and construction throughout the lifecycle of the building including maintaining, repairing, or even demolishing it.

Recognising a need for affordable housing, KPT Development Trust have undertaken a feasibility study, funded by SOSE to identify a suitable site for housing and are now in the final stages of drafting a business plan to attract funding for the purchase of the site and construction of the appropriate housing.

The *Glebe Housing Concept* is a new and innovative approach to providing affordable housing in Scotland that meets or exceeds current building standards providing an economical solution with the construction of high quality modular off-site homes that are comfortable, light and spacious to live in. The development takes a novel approach to tenure with a diverse offering that includes non-residential and community space with the potential for this model to be replicated across the South of Scotland and other rural areas of the country.

Construction would be undertaken by Iron & Pine. *Iron & Pine* is a leading manufacturer of luxury modular buildings based in Dalbeattie, transforming recycled shipping containers into living and working spaces. Through high levels of insulation, MVHR, air source heat pumps and solar PV alongside natural solar gain, their buildings are net zero energy use. The Glebe Park development would be a showcase of off-site modular construction fulfilling a real housing need.

Source: KPT Development Trust



Figure 14: Community Housing Development, Penpont

Further ways in which to support innovation and productivity would be through exploring mechanisms to introduce waste reduction targets. This could be achieved through the amendment of the Sustainability requirements of the Scottish Building Standards. Any tool or mechanism would, however, need to allow for side-by-side comparison of offsite construction with onsite construction to drive innovation across the sector.

The contribution of housing to decarbonisation is significant, and innovation has a key role to play across the sector in tackling efficiencies and in addressing skills shortages. A range of principles and methods are important here including circular economy principles, the use of modern methods of construction and sustainable building materials, implementing green building design practices, and embracing renewable energy technologies.

VASO Build Ltd design, develop and manufacture structural composite panels from recycled glass. This circular innovation creates a new build system and building modules with scalable manufacturing, positively disrupting the market and creating high growth potential. The panel components are endorsed and indemnified by Lloyds of London.

Precision manufacturing processes and speed of build differentiate the VASO Build solution from the traditional construction approach. The systems model taken by VASO Build integrates human expertise and ecological goals, digital design, integrated manufacturing and semiautonomous construction through Industrialised Construction methods.

As a partnership, VASO Build, **Nith Valley Leaf Trust**, South of Scotland Community Housing, and South of Scotland Enterprise recently commissioned a feasibility report for development of a brownfield site in Dumfries and Galloway with construction utilising the VASO Build system. The report sets out two design schemes that can accommodate up to five dwellings along with a community garden and multi-purpose community spaces. The design schemes represent a wholly new housing typology and will enhance five homes already owned by NVLT.

The feasibility study includes a traditional build cost plan alongside that of a VASO Build cost plan. A comparison finds that the VASO Build solution would represent a 20-week time-saving that could see £14,585 in additional rent income for the intended client. The comparison is highlighted below:

| | Traditional Build Cost Plan | VASO Build Cost Plan |
|----------------------------------|------------------------------------|-----------------------------|
| Estimated Contract Period | 33 weeks | 13 weeks |
| Project Construction Cost | £1.83m | £1.47m |

The proposed development will enhance current affordable housing owned by NVLF adding significant community cohesion and connectivity by linking with other community housing and facilities such as a café shop. NVLT is a Community Development Trust with a strong track record in delivering community-led housing in Closeburn, Dumfries and Galloway. SOSCH is a community-led housing enabler that supports Development Trusts to deliver innovative housing that meets identified local need.

Source: Unpublished Feasibility Report, Roost Architects, 2024

Figure 15: Case Study, Innovative Delivery and Construction Model



RECOMMENDATIONS: WORK WITH INDUSTRY TO TRANSFORM AND MODERNISE HOUSEBUILDING

15. Accelerate take-up beyond its current geography by **rapidly review evidence from the Edinburgh Home Demonstrator programme** and introducing an incentive to mitigate the uplift in costs related to early adoption.
16. **Use policy and housing grant funds to encourage accelerated adoption of offsite construction** for new homes with a 50–75% closed panel construction offsite mandate for each affordable housing development (where there are 50 homes or more on the total site (not phases)). In addition, **explore the introduction of a phased Pre-Manufactured Value target** with clear guidance on pathways to achieving different scores.ⁱ
17. Scottish Government and Enterprise Agencies should **invest in the offsite manufacturing supply chain cluster** including in it any advanced manufacturing programmes, and **create an Innovation Fund** to provide equity investment in early adopters and advance more companies to investment readiness.
18. **Amend *Scottish Building Standards Section 7 Sustainability* to encourage the adoption of offsite construction** by including a waste reduction target of 50%. Work must also be undertaken to develop a single tool to enable side by side comparison of offsite construction with onsite construction.
19. Innovate UK should **open a refreshed Offsite Manufacturing Grant Fund** opportunity focusing on ways to demonstrate the accelerated adoption of energy efficient and digitally enabled housing components.

ⁱ PMV is already implemented by Homes England. The choice of PMV should reflect the capabilities and evolution of the Scottish offsite manufacturing supply chain cluster. This should be accompanied by clear guidance on the pathways to achieving different scores.

ⁱⁱ No Scottish company received MMC or Offsite capital expenditure investment from the UK Government in the previous award. This would benefit Northern England and Scottish housing supply.

WORKSHOP FINDINGS

The modern homes workshop consisted of two panel sessions followed by a Q&A session and discussion session. Below are the prompts given to the panel speakers and participants in advance of the event.

Panel 1 - Modern Methods of Construction and Innovative procurement

What are the innovations that will unlock and deliver more homes at a pace that will support growth and our industrial ambitions around Scotland? How do we create more scaled procurements? How might we encourage more innovative funding models to get more developments started? How do we create greater awareness, confidence and adoption of offsite?

Panel 2 - Achieving Our Net Zero Ambitions. How could we balance net zero and delivery of more homes at pace?

How might legislation help drive innovation and what is the right balance? How can lenders support household investment in lower carbon new homes and initiatives? How might better data on performance or cost help?

Participants reflected on a range of issues and challenges for modern homes including offsite manufacturing, procurement of innovation and standardisation, upskilling, measuring embodied carbon, net zero homes, and retrofit.

The Opportunities for Action highlighted below stem from discussions at the workshops and through subsequent stakeholder interviews and engagement and are aimed at a range of different stakeholders including industry, government, training providers, and other key organisations. They form the basis for the recommendations that this report seeks to make.

Opportunities for Action

1. Work with industry to accelerate and scale adoption of Modern Methods of Construction (MMC)⁶⁶

- a. Establishing the Affordable Housing Supply Programme on a multi-year budget will provide pipeline continuity and confidence to invest in factory capacity.
- b. Scottish Government should use policy and housing grant funds to encourage accelerated adoption of offsite construction for new homes with a 50% offsite mandate for each affordable housing development (where there are 50 homes or more on the total site (not phases)).
 - i. Explore the introduction of a phased Pre-Manufactured Value target. This is already implemented by Homes England.
- c. Scottish Government should review evidence from the Edinburgh Home Demonstrator programme and introduce an incentive to mitigate the uplift in costs related to early adoption.
 - a. Scottish Government, SNIB and Enterprise Agencies should invest in the offsite manufacturing supply chain cluster and create an Innovation Fund to advance more companies to investment readiness.
 - i. Innovate UK should open a refreshed Offsite Manufacturing Grant Fund opportunity. This would benefit Northern England

⁶⁶ MMC is the collective term for building methods that are designed to be more efficient and effective than traditional 'brick and block' methods. They include innovations in building techniques that increase productivity on construction sites, new materials and the manufacture of advanced housing components and full modular housing.

and Scottish housing supply.⁶⁷

- ii. Map the capacity of manufacturers across Scotland to highlight opportunities and barriers. Workforce development planning should take any recommendations into consideration to ensure competency and availability to deliver demand.

2. Invest in the skills we need for modern methods of construction

- Develop a 5-year skills partnership between BE-ST, tertiary education and other providers to respond to deliver a construction workforce plan which meets current and emerging skills needs.

3. Leadership to drive adoption and regulation

- a. Amend *Building Standards Section 7 – Sustainability Technical Standards* to include a waste reduction target of by 50%. Work needs to be undertaken to develop a single tool to enable side by side comparison of offsite construction with onsite construction.
- b. Create a network of Construction Innovation Champions in Planning Authority teams across the country responsible for advancing adoption of innovative methods, reporting to the Chief Planner.
- c. Put in place a co-ordinating body, authority or partnership [also referenced in our Urban Housing workshop] with some of the powers of Homes England to drive policy and adoption of modern methods of construction.
- d. Provide clear incentives for builders and investors to adopt new standards or materials e.g. home-grown or reclaimed timber, modern methods, or other new materials that support low carbon homes.

4. Develop and implement an industry-led MMC data innovation action plan with BE-ST to:

- a. Accelerate the creation and dissemination of the ways in which modern methods of construction of all types are better, faster and cheaper.
- b. Pilot and incentivise housebuilders to apply data to drive continuous factory improvements and as-built energy performance targets.
- c. Continuously collect and openly share data on energy performance and embodied carbon to drive industry readiness for embodied carbon regulation and procurement for whole life costing.

5. Remove market friction created by net zero standards

- Work with other UK governments to remove market friction and agree a common net zero standard with common implementation dates across UK nations. This should retain flexibility to take account of affordability constraints in rural areas.
 - Support a collaborative project between Scotland, Wales and England on creating a standardised standard to support greater adoption of offsite manufacturing, enhanced building performance, and increases the opportunities for Scottish manufacturers to deliver products in England and Wales is key.

⁶⁷ No Scottish company received MMC or Offsite capital expenditure investment from the UK Government in the previous award.

Skills and Supply Chain Resilience

EVIDENCE

Skills and supply chain underpin our ability to build and deliver new homes as well as meeting our industrial and low-carbon ambitions. A mindset shift is needed if we are to recognise and commit to strengthening and building resilience into our homegrown skills and supply chains. Housing is critical to economic growth, and we must begin to move the dial in order to unlock these economic and social ambitions for Scotland.

Skills

Data from the Business Barometer report found that in Scotland, over half (56%) of organisations are still reporting skills shortages.⁶⁸ The CITB have identified the major sectors with greatest demand for recruitment as private housing, infrastructure, and repair and maintenance.

Occupations with the highest recruitment requirement values include labourers, electrical installation trades, and non-construction professional and technical office-based staff.⁶⁹ There will also be pressures on occupations such as civil engineers, architects, and roofers where demand is high compared to their workforce level. This is also compounded by an ageing workforce. The UK Trade Skills Index 2024 estimates that 35% of the current workforce are over 50 years old with many planning on retiring within the next decade.

The [Construction Leadership Forum](#) was established in 2019 with a focus of creating a more sustainable, productive, innovative, and diverse construction industry. Through the Construction Accord and associated Transformation Action Plan, the CLF has 11 working groups including on topics such as Fair Work, Procurement, Data and Insights, MMC, Pipeline, Supply Chain, and Skills.

The Skills working group which works to ensure the sector has the skilled workers it needs with equality of opportunity and fair and inclusive work practices. The vision of the working group is to ‘increase the capacity, capability, and diversity of the workforce with a focus on future skills and industry attractiveness’. The group has a range of associated initiatives including ensuring collaboration on the development of apprenticeship frameworks, and assessing skills implications across the sector e.g., digital, net zero, MMC that can feed into the new skills framework.⁷⁰

Colleges have traditionally been a key route for training, however there are a range of skills and training entry points, including foundation apprentices, modern apprentices, graduate apprentices, further education and higher education programmes. Over 30 organisations covering trade skills, industry bodies and professional and institution organisations the sector provide several skills support and careers entry routes.

The Graduate Apprenticeship programme appears to have been very successful for the professional trades such as quantity surveying. However, there are skilled labour shortages in areas such as bricklaying and wet trades where there is greater competition for the same work. Planning uncertainty has also likely decreased investment into skills and training due to the additional costs associated with any delays and associated workforce planning.

⁶⁸ The Open University (2024) - [New report: The Business Barometer 2024 | Open University](#)

⁶⁹ CITB (2023) - [ctb1003_csn-rep_regional_scotland_aw.pdf](#)

⁷⁰ Scottish Construction Leadership Forum - [Sills - Construction Accord Transformation Action Plan](#)

Research by the Construction Industry Training Board (CITB) shows that there was a decrease in the Scottish construction workforce from 241,000 in 2018 to 231,400 in 2023 with the South East of Scotland showing the largest gap between supply (36,700) and demand (57,750) meaning that workers are being drawn in from surrounding areas.⁷¹ Figure 16 highlights the work of the CITB.

Whilst Scotland's overall population is projected to continue increasing – by 4.4% in the ten years to mid-2032, and by 6.2% by mid-2047 – the main driver of this growth is expected to be from migration. In addition, the population is projected to age, with the number of people aged 75 and over set to rise by 341,000 by mid-2047. The same cannot be said for the 16-29 aged population which is set to decline by 57,300 people.⁷² The available pool of working-aged people is set to decline over time which will increase pressures on the workforce in due course.

The CITB report confirms that the majority of the construction workforce is recruited and developed in Scotland, and projects that labour market pressures look set to continue. Addressing the skills gap across Scotland's regions will be key to supporting the construction industry meet demand and to deliver a built environment that is both sustainable and energy efficient. Table 4 highlights that whilst the industry was able to deliver projects in 2022 this work was not always met by people living in the same area with major shortages relative to demand in the cities.

We would welcome additional clarity on the impact of this in Scotland and would encourage the UK Government to keep the needs of Scottish companies and the construction sector in mind during the design of the UK Growth and Skills Levy which will replace the Apprenticeship Levy.

Demand for construction skills is not just from housing. New housing supply accounts for 25% of construction sector activity, amounting to around £5bn per year for the Scottish economy (2019). In addition, it is estimated that for domestic retrofit, the combined market for energy efficiency measures in the social housing and private rented sectors is £9.8bn, and for the owner-occupied sector is £20.05bn in Scotland alone. This is driven by the aim for EPC C or better by 2028.⁷³

The CITB is the **industry training board** for the construction sector in England, Scotland, and Wales. They help the industry to attract talent and to support skills develop in order to build a better Britain. Their purpose is to support the construction industry to have a skilled, competent, and inclusive workforce now and in the future.

- Inform and enable the right people into construction
- Develop a training and skills system to meet future needs
- Support the industry to train and develop its workforce

They undertake research and survey activities that report, research and forecast on a range of issues and topics such as labour demand, information for policymakers, and the **Construction Skills Network** which produces a suite of reports at UK, national and regional levels.

Figure 16: The CITB

⁷¹ CITB (2023) - [2486_CITB_Local Skills Scotland Report 2_240723.indd](#)

⁷² National Records of Scotland (2025) - [Projected Population of Scotland: 2022-based](#)

⁷³ Scottish Enterprise (2023) - [energy-efficiency-market-analysis-and-economic-opportunity-assessment](#)

In the short term, increasing capital investment in the affordable housing programme by Scottish Government, in infrastructure and in public buildings, renewables and utilities are also creating demand for skills in the sector. These pressures will likely be felt to differing degrees across Scotland’s diverse geographies, adding pressures to the workforce across the country. Companies are also likely to be competing for workers from the same pools.

Table 4: Gap analysis breakdown by local area, Scotland 2022

| Occupational Group | Aberdeen City and Shire | Glasgow and West | Highlands and Islands | Lanarkshire | South East | South West | Tayside, Forth and Fife |
|--|-------------------------|------------------|-----------------------|---------------|----------------|--------------|-------------------------|
| Construction Managers and Supervisors | -700 | -1,450 | 750 | 2,400 | -3,300 | 1,250 | 1,300 |
| Construction Professional/Technical | -650 | -1,450 | 1,100 | 2,450 | -3,900 | 1,300 | 1,450 |
| Labourers | -200 | -450 | 100 | 600 | -700 | 350 | 400 |
| Non-construction trades | -50 | -150 | 50 | 200 | -300 | 100 | 150 |
| Skilled trades - bricklaying | -100 | -200 | 200 | 300 | -600 | 150 | 250 |
| Skilled trades - electrical | -450 | -950 | 500 | 1,400 | -1,900 | 700 | 850 |
| Skilled trades - other occupations | -650 | -1,600 | 700 | 2,200 | -3,100 | 1,250 | 1,500 |
| Skilled trades - painting and decorating | -150 | -350 | 150 | 400 | -650 | 250 | 300 |
| Skilled trades - plumbing & HVAC | -200 | -500 | 350 | 650 | -1,050 | 350 | 450 |
| Skilled trades - wood occupations | -400 | -900 | 650 | 1,350 | -2,150 | 700 | 850 |
| Support staff - office based | -600 | -1,300 | 850 | 2,100 | -3,250 | 1,150 | 1,200 |
| Total | -4,250 | -9,250 | 5,400 | 14,150 | -21,050 | 7,450 | 8,750 |

(Source: CITB) Green = more supply than demand; pink indicates a gap in supply.

In 2019, and prior to the impact of the COVID-19 pandemic, a Scottish Government Independent Short Life Working Group was established to assess and provide recommendations for skills the new housing construction sector would need over the short, medium and long term.⁷⁴

This includes actions like focussing on industry shortages such as bricklayers, joiners, and painter and decorators; reviewing the quantity of Scottish Government construction skills funding that is actually reaching the sector (specifically SMEs); greater clarity for industry on the outcomes of their contributions to the apprenticeship levy; and investment in both resources and capital funding for the college sector to deliver future skills training.

The construction industry (including new housing supply) is complex, and there are many skills pathways that can transfer between the different sectors. At a policy level, the construction industry reports to – or intersects with – multiple government

⁷⁴ Smith (2019) - [New Housing and Future Construction Skills](#)

departments and ministers. There are suggestions that – given the future demand and acute role of construction across so many policy areas of significance – a ministerial portfolio for construction or a senior civil servant post is appointed for the sector.

There is also a need for a joined-up approach to supporting skills growth and the supply/demand of these skills across the many different sub-sectors. With the changing nature of skills demand across the industry, focus is needed both in the attraction of new entrants and on the upskilling and retention of existing workforce. This requires a different approach to the training offer.

This includes meeting the needs of an evolving skills landscape that includes increasing adoption of offsite construction – increasingly part of new build construction – and the skills needed in improving EPC ratings across current housing stock. This includes the incorporation of and retrofit of energy efficiency measures such as EV points, batteries, solar panels and air source heat pumps (and larger scale initiatives such as district heating).

Whilst there is clearly a challenge in balancing these pressures on the workforce, there is also an opportunity for the whole sector to attract a wider and more diverse range of entrants given the scale of the job and career opportunities.

The **Construction Accord for Scotland** is a commitment between industry and the public sector to create a thriving and high-performing construction sector in Scotland. The development of The Accord has been led by the Construction Leadership Forum and has established a dynamic collaboration for all the Scottish public sector and the whole of the construction industry to improve outcomes for the businesses and workforce which make up the construction and associated industries.

The Accord includes:

- A shared vision for the construction and related industries in Scotland
- A series of agreed outcomes which support the shared vision
- Collaborative working arrangements based on our work which is chaired by the Minister for Business
- An approach to developing a **Transformation Action Plan** for the industry along with commitments to principles and behaviours of participation

The CITB's **Construction Skills Network report** revealed that an additional 26,100 workers (5,220 per year) will be needed to meet demand in the next 5 years to 2028. There is also a current net outflow of workers, with around 16,000 workers joining but slightly more leaving each year – highlighting the need for additional recruitment into the sector.

Data from 2020 showed that in the construction industry in Scotland, 84.6% of workers were men, with 15.4% women. Only 1.6% of workers within the industry were minority ethnic workers (lower than the overall Scotland average of 4.3%) suggesting that there may be headroom for recruitment from a wider section of the population.⁷⁵

The **Construction Leadership Forum** (Figure 17) set out an **Action Plan** to better understand the barriers faced in the recruitment of a more diverse workforce within Scotland. They aim to develop a specific baseline on current diversity performance that can be used to track progress and will report on this action plan in 2026.

Figure 17: Construction Accord for Scotland

⁷⁵ Construction Leadership Forum (2022) - **Increasing Diversity of Construction has never been more critical**

Supply Chain

The availability of skills is linked to the health of supply chain businesses as many of the workers needed are supplied via these companies.

The CLF working group on Supply Chain works to establish a shorter and more resilient supply chain creating greater opportunities to spread economic benefits more widely. The group has a vision for ‘maximising opportunities for shortened and resilient supply chains’ and initiatives include establishing a Scottish supply chain marketplace and platform to support the sustainable growth of the sector.⁷⁶

The impacts of Brexit and the COVID-19 pandemic on the resilience of the sector should not be underestimated. Figures from 2022 estimated that the cost of materials surged by 23%, and that imported sawn or planed wood cost 74% more than in August 2020.⁷⁷ The BCIS estimate that building costs will increase by 17% over the next 5 years, with additional impacts on labour and therefore overall costs including increased NICs and the National Living Wage rise.⁷⁸

Scottish Government Businesses in Scotland: 2024 data shows that there has been a decrease in the number of construction businesses in operation in Scotland between 2023 and 2024.⁷⁹ This is highlighted below in Table 5.

Table 5: Construction Businesses in Operation in Scotland, 2021–2024

| Year | Total | 0 Employee | 1-4 Employees | 5-9 Employees | 10-19 Employees | 20-49 Employees | 50-249 Employees | 250+ Employees |
|------|--------|------------|---------------|---------------|-----------------|-----------------|------------------|----------------|
| 2021 | 40,980 | 28,325 | 8,410 | 2,240 | 1,090 | 480 | 315 | 120 |
| 2022 | 47,055 | 33,730 | 8,935 | 2,345 | 1,120 | 495 | 310 | 120 |
| 2023 | 44,705 | 31,165 | 9,045 | 2,400 | 1,160 | 505 | 315 | 120 |
| 2024 | 43,270 | 29,905 | 8,955 | 2,325 | 1,160 | 490 | 320 | 110 |

(Source: Scottish Government)

Homes for Scotland’s recent report *Scotland’s SME Home Builders 2024* showed a significant reduction in the number of SME home builders operating in Scotland along with a contraction in their market share and the value of the homes they are building. The headline findings in the report are:

1. SMEs account for less than 20% of new home sales per annum – until 2017 SMEs accounted for 40% of sales
2. More than one third of housing delivery in rural and remote areas is undertaken by SME developers
3. SMEs are crucial to brownfield delivery with over 90% of SME development undertaken on brownfield sites in main urban centres compared to just 70% for large home builders
4. The number of SME home builders being dissolved increased since the pandemic with 2023 levels 45% higher than in 2019.

⁷⁶ Construction Leadership Forum - [Supply Chain - Construction Accord Transformation Action Plan](#)

⁷⁷ Marsh (2022) - [Brexit One Year On: What’s the effect on UK construction? | Marsh](#)

⁷⁸ BCIS (2025) - [Construction Industry Forecast | BCIS](#)

⁷⁹ Scottish Government (2024) - [Supporting documents - Businesses in Scotland: 2024](#)

The report included results of an SME home builder survey which included a range of questions including on topics such as planning and consenting, on regulation, and on the supply chains that support SME businesses. Some results are shown in Figure 18 below and highlight the impact to businesses of challenges such as labour supply and skills availability along with the cost and supply of materials, and energy costs. Respondents were asked to rank their views assessing whether topics/themes provided a beneficial or a detrimental impact.

Q19: Materials, Labour and Skills

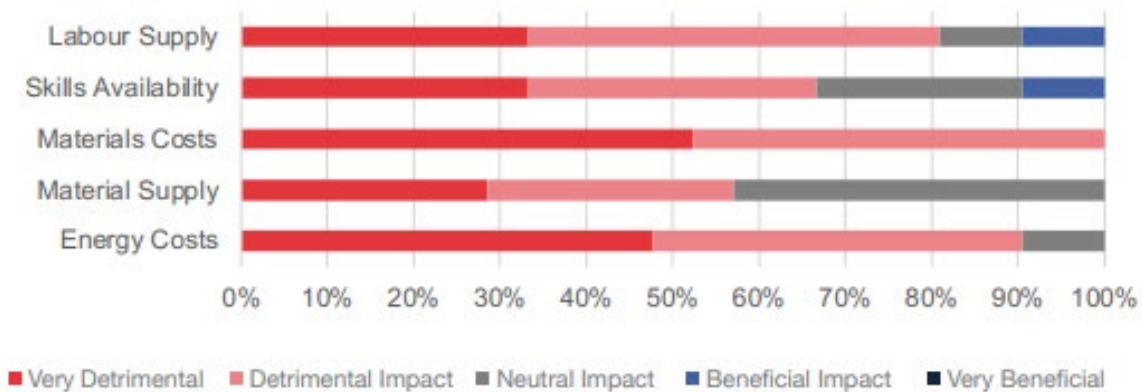
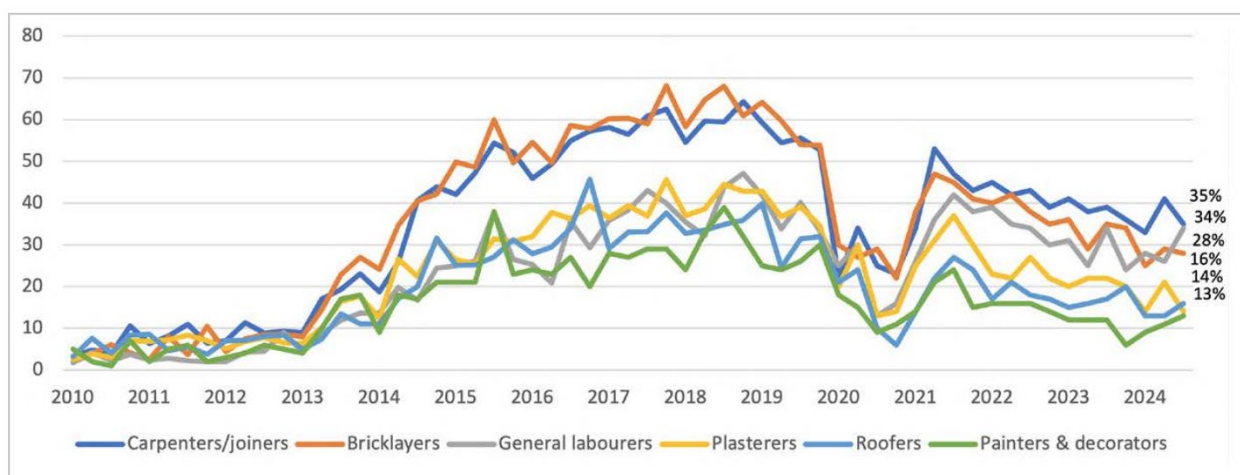


Figure 18: Homes for Scotland Survey Results

A survey by the Federation of Master Builders also highlighted that builders' workloads were at their highest levels for 10 years in 2021. They also noted that this rise in Scotland is being matched by steep increases in the cost of materials and a struggle to secure labour – particularly carpenters and bricklayers.⁸⁰ Figure 19 below shows the relative difficulty of FMB members across the UK in recruiting for a range of occupations from their State of Trade Survey Q3 2024.⁸¹



Graphs 6 - Q10. For which of the following trades has your company found it difficult to recruit skilled staff over the period of July to September 2024? Base: Total (n=232)

Figure 19: Relative Difficulty in Recruitment, Federation of Master Builders

⁸⁰ Federation of Master Builders (2021) - Builders' workloads rise as material availability falls

⁸¹ Federation of Master Builders (2024) - State of Trade Survey Q3 2024



RECOMMENDATIONS: COLLABORATE TO FUTUREPROOF THE WORKFORCE

20. Scottish Government and Skills Development Scotland should jointly and **urgently refresh analysis of projected skills demand** from the construction and related sectors for the coming decade to ensure the competency profile of the workforce meets anticipated industry demand and facilitates increased delivery of homes. This should take into account projected workforce demand of the transformational opportunities pipeline across Scotland.
21. To help smaller firms to access a flexible range of training options Scottish Government should **fund meaningful upskilling, re-skilling, and CPD** to improve productivity and competence outcomes across the construction sector, increasing the flexibility of choice for employers. Reinststate the Flexible Workforce Development Fund.
22. Collective work is needed across awarding bodies, colleges/universities, industry representative groups and other stakeholders to produce a **national response to improve the responsiveness of standards and curriculum developments to the pace of industrial transformation and to support educator upskilling** across the college sector to ensure industry practices are reflected across learning.
23. The national response should be supported by allocating investment in college capital requirements for **machinery, equipment, technology, and supporting infrastructure**, and exploring opportunities for the college sector to make long-term strategic financial investment decisions.

WORKSHOP FINDINGS

The workshop consisted of two panel sessions followed by a Q&A session and discussion session. Below are the prompts given to the panel speakers and participants in advance of the event.

Panel 1

What are the specific skills shortages or gaps we need to address to fully deliver the homes we need? How will these change over the coming 5 years? Why do we need to think differently about the workforce of the future? What are the barriers and solutions?

Panel 2

Do we have the supply chain needed to deliver new housing? What are the challenges they face and how can we ensure they are attracted to and ready to support the forthcoming pipeline?

The Opportunities for Action highlighted below stem from discussions at the workshops and through subsequent stakeholder interviews and engagement and are aimed at a range of different stakeholders including industry, government, training providers, and other key organisations. They form the basis for the recommendations that this report seeks to make.

Opportunities for Action

There are many opportunities for action across the skills landscape and supply chain sector including in skills funding reform, reviewing the skills landscape, encouraging greater investment in innovation and training, and in fostering greater partnership working along with collective and collaborative working.

1. Boost and Modernise Construction Skills Funding to Meet Industry Demand

- a. Scottish Government and Skills Development Scotland should jointly and urgently refresh analysis of projected skills demand from the construction and related sectors for the coming decade to ensure the competency profile of the workforce meets anticipated industry demand and facilitates increased delivery of homes. This should take into account projected workforce demand of the transformational opportunities pipeline across Scotland.
- b. To help smaller firms to access a flexible range of training options Scottish Government should fund meaningful upskilling, re-skilling, and CPD to improve productivity and competence outcomes across the construction sector, increasing the flexibility of choice for employers. Reinststate the Flexible Workforce Development Fund.
- c. Scottish Government should increase revenue and capital investment allocation in colleges to reflect the future demand for construction and related courses and the higher costs of providing facilities in which to learn modern construction skills. This should include capital investment in machinery, equipment, technology, and supporting infrastructure.
- d. Scottish Government should invest to develop a bespoke agile Construction Skills Programme with BE-ST, industry, SDS/SFC, colleges and universities to tackle the emerging and future skills gaps and shortages, matching commitments made by UK Government to the sector.

- e. CITB should consult with a broad range of employers on proposed changes. Scottish Government and CITB Scotland should work to ensure that the changes reflect the needs of Scottish employers.
- f. UK Government should design the UK Growth and Skills levy with the needs of the Scottish construction sector in mind and make publicly available the revenues raised in Scotland. Levy funding should be made available to support the upskilling of existing workforce and new apprentices.

2. Improve responsiveness of skills landscape to industry demand and transformation

- a. To improve the responsiveness of standards and curriculum development to the pace of industrial transformation and to support educator upskilling, a collective national response is needed across awarding bodies, the skills and qualifications system, industry and other stakeholders. This should:
 - i. Focus on training for both the current workforce and new entrants.
 - ii. Explore alternative training and apprenticeship models to address the skills gap faster. For example, shortened and more flexible Graduate Apprenticeships, modular models.
 - iii. Utilise the Scottish Credit and Qualifications Framework to ensure that flexible, bitesize courses are accredited, verified, and eligible for funding support to give firms of all sizes more immediate return on investment in skills and increase their confidence in the skills system. For example, now withdrawn Timber Frame Erection course.
 - iv. Increase the appeal and attractiveness of courses and increase on-site and practical, experiential learning.
 - v. To futureproof the sector, this must address skills for modern methods, digitalisation and low-carbon building. In addition, the Tertiary Education and Training (Funding and Governance) (Scotland) Bill should be amended to place duties on government to regularly refresh and report on analysis of projected demand from the construction and related sectors.
- b. Industry should collaborate to improve workforce competency, boosting productivity and quality by leveraging the wider skills system and improving understanding of competency across career lifespans.
- c. CITB, in collaboration with industry and key stakeholders, should lead the development of a Digital Skills Passport that is clearly linked to a strategic workforce plan for the industry. This must be a digitally enabled national competency register and passport system. It should span the whole workforce, with accreditations, qualifications, and experience all codified with proven competencies registered, and their maintenance policed.⁸²

3. Encourage Innovation and investment

- a. To grow the supply chain and foster confidence in the pipeline, a programme of support is needed for SME and Micro-businesses to scale up. This should:
 - i. Support and encourage engagement with the Built Environment Innovation Cluster to ensure businesses benefit.
 - ii. Address risk and capital needs across development stages and provide

⁸² Recommendation 10 as set out in [Transforming the construction industry: 2023 ITB Review](#).

Conclusion

This short and intense investigation into the key barriers to housebuilding in Scotland has highlighted that there are many people working towards a solution to the housing crisis. However, it has also demonstrated that greater urgency and oversight of housebuilding is needed to address the continuing housing emergency as well as unlock the future opportunities pipeline across Scotland. We have set out key recommendations in this respect for local and national governments, industry, the skills and qualifications system and wider stakeholders.



Real ambition is needed that recognises the clear role housing plays in driving growth. There is a strong correlation between housing supply and economic performance and productivity in all parts of Scotland and without a high level of coordination and ambition for housing, key economic growth opportunities and strategies will be stymied by a continued lack of homes putting at risk our wider economic and social ambitions. The introduction of an all types and tenure housing ambition of 25,000 homes per annum along with establishing an oversight function would help to drive the coordinated, consistent and transformative change needed across the country.

The challenges faced across rural Scotland vary, and housing policy and delivery needs to be adaptable to their challenges and to the ways in which rural parts of the South differ from the Highlands and Islands. Attracting and incentivising contractors and housebuilders is key to tackling the housing challenge in rural areas, and better communication of local housing procurement pipelines along with improving planning and grant funding opportunities will be vital. Additionally, a strategic approach is needed

to work with industry to leverage investment in the housing that will be needed to fulfil the pipeline of renewable energy and other infrastructure opportunities for the benefit of rural communities.

Developers and builders have told us that at present Scotland is not as attractive an investable location as other parts of the UK where they are focussing their efforts. In addition, limited public funding means there is a need to bring forward new models of delivery and partnership along with greater support for infrastructure and stalled developments. A critical pre-requisite for this is policy clarity, certainty and stability around the Housing Bill and in areas such as planning guidance and across the policy landscape.

Scotland is already ahead of the rest of the UK in the adoption of modern methods of construction and innovating to build to net zero standards. We are home to world class academic expertise in this respect and a long-established offsite cluster. However, stakeholders have told us there is more that can be done to incentivise and share the risk around further adoption and innovation. Policy, procurement and grant funding are mechanisms, but we should also encourage greater investment in manufacturing. Low carbon homes will increasingly become a focus within the context of reaching net zero, along with the circularity of material use and reducing waste. Net zero homes won't be achieved without greater adoption of offsite so the two should be considered together.

Skills is a major barrier, and we urgently need to improve resilience across the skills and supply chain by improving access and support for flexible, agile, and meaningful training opportunities. A major housebuilding construction programme is required along with changes to the skills and skills funding landscapes needed to improve responsiveness to industry transformation, and to improve confidence in the skills system. Investment is needed in our vital college sector to enable the workforce to meet anticipated and projected industry demand, including investment in modern capital equipment.

These findings have led us to key recommendations to facilitate new housing supply for a growing economy through greater ambition, policy stability, skills investment and a clear focus on delivery and collaboration.

Appendices

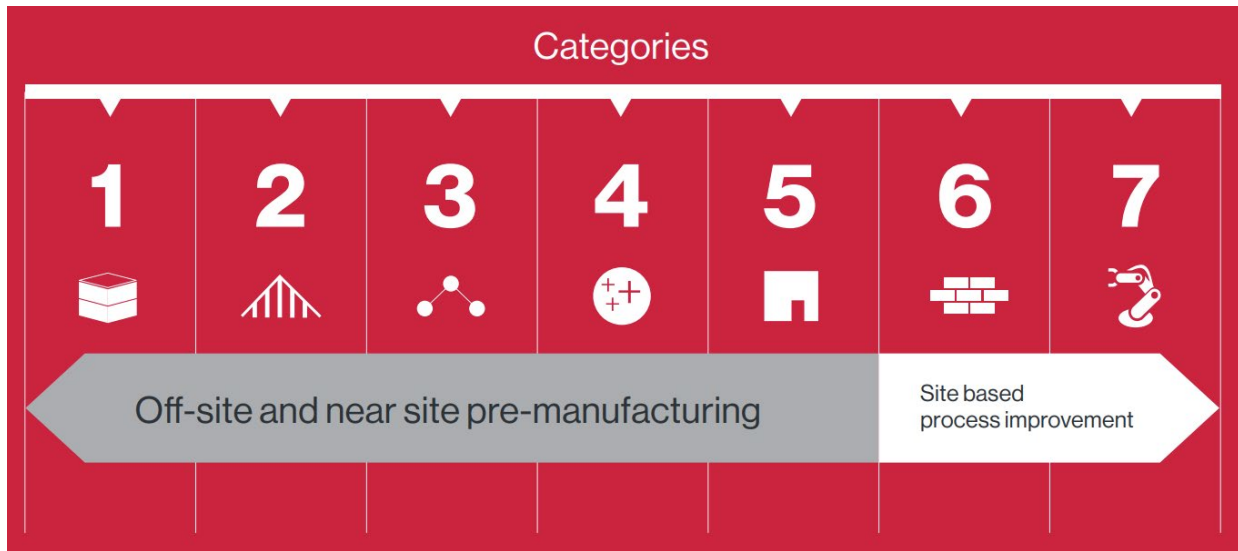
APPENDIX ONE - STAKEHOLDER ENGAGEMENT







| | |
|--|---|
| Architype | Openreach Limited |
| Bakkafrost Scotland Limited | Ove Arup & Partners International Limited |
| Barratt Scotland Limited | Ryden LLP |
| BDP | Salmon Scotland |
| Bellway Homes | Santander UK Plc |
| BiGGAR Economics Ltd | Scottish Borders Council |
| BoCreate | Scottish Borders Housing Association |
| Borders College | Scottish Empty Homes Partnership |
| Bracewell Stirling Consulting Architects | Scottish Enterprise |
| Brodies LLP | Scottish Government |
| Built Environment - Smarter Transformation (BE-ST) | Scottish Futures Trust |
| CBRE Ltd | Scottish Land Commission |
| Colleges Scotland | Scottish Land & Estates |
| Construction Industry Training Board (CITB) Scotland | Scottish Power Energy Networks |
| Crosswind Developments | Scottish Property Federation |
| Dowbrae Real Estate Consultancy | Scottish National Investment Bank |
| Drum Property Group | SCQF |
| Dumfries and Galloway Council | SELECT |
| Dumfries and Galloway Chamber of Commerce | SFHA |
| Eco Group | Skills Development Scotland |
| Eildon Housing Association | South of Scotland Community Housing |
| Europa Capital Partners LLP | South of Scotland Enterprise (SOSE) |
| Glasgow Caledonian University | Story Homes Ltd |
| Glasgow City Council | Taylor Wimpey |
| Highlands and Islands Enterprise | The Crichton Trust |
| Homes for Scotland | Thriving Investments |
| Hub West Scotland | University of Edinburgh |
| Lar Housing Trust | University of Glasgow |
| Larner McGrath Planning Consultants | University of Stirling |
| Marchstone Homes / Burgess Homes | Wheatley Homes South |
| McTaggart Construction Limited | Whiteburn Projects Ltd |
| Miller Homes | Whole Life Consultants Ltd |
| NHS Highland | Will Rudd Davidson |
| Octopus Energy | |

APPENDIX TWO - MMC CATEGORIES

These categories were established by a specialist sub-group of the UK Government’s Modern Methods of Construction working group. The MMC Definition Framework also supports the industry’s ability to evaluate the different ways available of increasing the ‘Pre-Manufactured Value’ (PMV) of its residential built assets.

There are seven categories, with five of these covering offsite and near site pre-manufacturing and two covering site-based process improvement. [The MMC Definitions Framework](#) contains a range of additional information.



| | | | |
|--|--|---|--|
| <h1>#</h1> <p>CATEGORY DEFINITION</p> | <h1>1</h1>  <p>Pre-manufacturing (3D primary structural systems)</p> | <h1>2</h1>  <p>Pre-manufacturing (2D primary structural systems)</p> | <h1>3</h1>  <p>Pre-manufacturing components (non-systemised primary structure)</p> |
| <h1>4</h1>  <p>Additive manufacturing (structural and non-structural)</p> | <h1>5</h1>  <p>Pre-manufacturing (non structural assemblies & sub-assemblies)</p> | <h1>6</h1>  <p>Traditional building product led site labour reduction / productivity improvements</p> | <h1>7</h1>  <p>Site process led site labour reduction / productivity / assurance improvements</p> |

About us

Prosper is a unique membership organisation with a proud history of bringing people together from government, business and civil society to effect change. Our purpose is to create a prosperous Scotland which benefits all its people and places.

With members from across Scottish society - from charities to local authorities and micro businesses to multi-nationals - Prosper always considers the big picture and longer term when it comes to Scotland's future.

Our shared ambition is to support economic growth and prosperity for all of Scotland, but our thinking extends beyond economic success to deliver better social and environmental outcomes. Prosper makes a positive impact on the big challenges facing the country by bringing our members and partners from across the economy together.

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