

Rural and Island Housing

Written Evidence for the Local Government, Housing and Planning Committee

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About Scottish Land & Estates

At Scottish Land & Estates (SLE) our work helps to ensure that rural Scotland thrives. We are a membership organisation for landowners, rural businesses, and rural professionals. We promote the wide range of benefits land-based businesses that provide: tourist attractions, leisure facilities and landscapes enjoyed by the public, as well as housing, employment, tourism & enterprise and farming opportunities. We represent the interests of our members and wider rural Scotland to the UK and Scottish Governments to help ensure that policy and legislation reflects the unique requirements of rural Scotland and its communities.



Introduction

Jobs supported by rural estates play an important role in sustaining population in some of Scotland's most fragile communities. The provision of housing is key to this, and evidence compiled by BIGGAR Economics¹ shows that rural estates provide homes to around 8,250 private tenants and to around 4,700 agricultural tenants across Scotland.

The shortage of housing is a consequence of changing needs of the rural population and is exacerbating rural depopulation. The 10% of the diminished affordable housing budget ringfenced for rural developments does not come close to matching the needs of the 17% of our population that live in a rural area, where development costs are higher. This funding commitment should match the needs of the population. This allocation is inequitable, and sends a message to rural communities that their needs are not as important as that of the urban population.

It is important to take the rural and island housing shortage in the context of the rural economy. Some geographic locations need housing more than others, not just in holiday hot spots, but also where there are expanding employment opportunities. **A plentiful supply of the right housing in the right place is key to sustainable communities and a thriving rural economy.** It is therefore essential that the Scottish Government implements the "tailored approach" that the Housing Minister has recognised is required.

Scottish Land & Estates calls for the Scottish Government to focus on proactive, outcome driven policy which is adequately adaptable so that it can adjust to the variety of housing needs across rural and island locations:

- Funding commitments need to be equitable and longer term, and eligibility criteria must be more flexible
- The Private Rented Sector needs to be embraced and its trust rebuilt to make private letting an attractive option
- As an incentive, tax breaks could be provided to private landlords providing housing at rents tied to the local "affordable" rate – this would be equitable with RSLs
- Better resource is necessary to support to aid partnerships, private developers and community groups who lack experience but are key to housing delivery
- Solutions need to be found that facilitate a short-term tenancy option to avoid tied housing lying empty due to 2016 Act constraints
- Local authorities need better guidance to enable them to use better discretion over premium taxation so that it is fairly applied
- A workable strategy is required to deal with under-occupation of existing housing
- A workable strategy is needed for addressing infrastructure first to de-risk otherwise unviable sites
- More appropriate use of permitted development rights and application of planning policy would improve the viability in terms of cost and speed up delivery

¹ [The Contribution of Rural Estates to Scotland's Wellbeing Economy](#)

What makes rural housing different?

A changing demographic and economic landscape

Rural and Island areas are in general experiencing depopulation, but this is not generating more housing availability. The reasons for this housing shortage are multi-faceted, and especially because of the nuance across the rural and island areas of Scotland.

- **More housing in needed for fewer people:** The rural population is getting older and there are more single person and single parent households. Compounding this, the scarcity of housing in rural areas limits choice, therefore under-occupation is also an issue, making it harder for more working age population to move to an area.
- **Low rents typical in rural areas can be a barrier to migration** as it is harder for tenants on a low rent to move to where the rents are higher. This can also lead to under-occupation.
- **More holiday lets have been generated from diversification of marginal farming businesses into tourism, and the uncertainty of letting properties in the Private Rented Sector (PRS).** Where bank loans are used to upgrade property, the payback period often requires a level of income that only holiday letting will satisfy.
- **Rural Scotland can also be seen as a victim of its own success** – for example the explosion of holiday lets is a consequence of the growing tourism industry, that is in turn being held back by the shortage of housing as the service industry struggles to house the workers it needs.

Has government action on housing been effective for rural Scotland?

In 2020 SLE responded to the consultation on Housing 2040. In that response SLE broadly supported the vision and principles offered in Housing to 2040. However, SLE stressed that **care needed to be taken so that policy did not undermine the private rented sector** as it was an important part of housing supply; that a **critical issue was not the availability of land, but more the availability of developable /viable land**; and that the proposed route map was unworkable due to financial and workforce constraints.

SLE called for greater flexibility in the application of planning policies to **ensure that the right housing is built in the right places**; a **subsidy that is focused on small towns** and **investment in education, training and skills to ensure that there is a workforce capable of delivering the housing**.

It is now 2024, a serious housing crisis is widespread, and all the above concerns still apply, and now more than ever. This would suggest that the actions that have been taken by the Scottish Government since Housing to 2040 was published have failed to address the growing housing crisis. In part this is because government policy has been allowed to develop in silos with conflicts creating uncertainty and undermining the good intentions of the strategy.

More recently, SLE welcomed the Rural and Islands Housing Action Plan particularly because there was a need for a more specific strategy that acknowledged the regional difference between urban and rural and the disparity throughout rural and island Scotland. However, the government action continues to be

too reactive, focused on addressing the symptoms of a housing crisis, rather than acting with conviction to ensure that there is an adequate supply of housing for the future.

In recent years there are plenty of methods that have seen housing delivery which have been utilised by communities and private businesses throughout rural and island Scotland. Some of these have only happened due to grant funding², others have taken place without public funding³ - but not without challenges. It is not necessarily new initiatives that are required, but better support and flexibility for those embracing the challenge of delivering housing to generate more delivery, faster.

Government action needs to focus on outcomes for the greatest delivery impact

This would be a key factor in adopting a “tailored approach” to housing delivery. For instance, a single new house can have a greater impact in a small community than many in a larger one. Therefore, the approach needs to change to an emphasis on achievable and impactful outcomes rather than unit numbers. Several factors need to be considered:

Funding commitments need to be equitable, longer term and more flexible:

- During the most recent Scottish Budget, it was announced that 10% of Scotland’s affordable housing spend would be allocated to rural housing. Delivering homes in rural areas already costs more than in cities, so even an equal allocation based on population would fail to meet the needs of rural Scotland. However, this allocation does not represent a fair share for our rural population, which accounts for 17% of Scotland’s total, spread across 98% of our land mass. This inequity must be addressed.
- The Scottish Empty Homes Partnership is a vital force in helping reduce the number of unoccupied properties throughout Scotland. Scottish Government needs to give it a long-term funding commitment to provide certainty to enable this programme to be even more effective. Funding this programme on a 12-monthly basis constrains the full capability of this service, especially in rural and island areas.
- Eligibility criteria for grant funding needs to be broader, for example the Key Worker Fund is limited to RSLs and Local Authorities and precludes Community Development Trusts and private developers seeking to build affordable or MMR housing. Also, all grant funding, including the Rural and Islands Housing Fund has new requirements relating to the Real Living Wage that does not adequately reflect the rural economy.
- Rural Housing Burdens⁴ can limit funding options and SLE would like to see the government working with lenders so that there is a solution that overwrites the negative outcomes of a restrictive covenant being attached to a title. These are a social positive and value needs to be attributed to that. This would enable more funding options.
- Loans caps, such as with the Self-Build Loan, need to take account for inflation so that they are more attractive and therefore properly enabling for those unable to access other finance.

² For example, [Glengorm Home Farm, Mull](#) – Private and Community partnership with public funding.

³ For example, Leet Haugh & Crooks Farm, Coldstream – No public funding and only possible due to scale offering alternative funding sources.

⁴ Rural Housing Burden information sheet: <https://www.chtrust.co.uk/rural-housing-burden1.html>

- Better support is needed for SMEs and training centres in rural areas so that it is easier to facilitate apprenticeships and career development.

Where the viability of housing development is so sensitive, changes to Scottish Government promises can add to uncertainty and slow housing delivery. The recent cut to the funding for the Affordable Housing Programme implied that the Scottish Government was not prioritising the housing crisis.

Infrastructure First

Much of the issue of rural and island housing is not land availability but *availability of viable land* due to there being poor infrastructure. Poor sites need to be derisked with the support of the government to become easier for developers to take forward development. It is not only the cost of installing electricity, wastewater treatment works and fibre, but also the cost impact of the time it takes for the utilities to install services.

Premium rate taxation: discretion is important for parity

Double taxation on empty properties has been introduced “as a disincentive for homes to be left unoccupied indefinitely”⁵ and may help in a small way to help alleviate the rural housing crisis. However, it will make little impact unless applied to the right property in the right location. Similarly, premium taxation on second homes should not penalise owners unfairly. SLE is calling for updated guidance with clearer definitions for local authorities so that they can apply discretion fairly. Failure to use their powers of discretion fairly means that this taxation essentially becomes a money raising exercise that affects some property owners disproportionately and undermines the potential benefit because such properties are never likely to enter the housing stock. Scenarios where it is unreasonable for premium rate taxation include:

- Where it is inappropriate to bring a property back to the main housing stock due to its condition (e.g. the cost of installing services to bring it to the Repairing Standard makes it unviable to renovate) and location (e.g. poor proximity to amenity);
- If a tied cottage is empty pending occupancy for an employee, the Private Housing (Tenancies) Act 2016 (the 2016 Act) means that properties let on a Private Residential Tenancy cannot be repossessed for an employee, so the business has no choice but to keep the property empty unless they risk being unable to house an incoming employee;
- As MSPs themselves are aware (they have been granted an allowance towards the tax), second home ownership is often a necessity, rather than a luxury. Those that require a second home for good reason should not be penalised.
- Where the circumstances of a property mean that it is in a place that would make it unsuitable for letting or selling as a main residence. E.g. health & safety issues if located in a farmyard; or was created for a specific purpose.

A Multi-Tenure Approach

⁵ <https://www.gov.scot/publications/consultation-council-tax-second-empty-homes-thresholds-non-domestic-rates>

Government support should be cross-tenure. Historically the rural Private Rented Sector (PRS) has been a key provider of rented housing in rural locations. Given the shortage of alternative sector housing, it needs to be embraced, not crushed. It is well placed to help resolve the rural housing crisis, but recent and proposed legislation has eroded trust, and has disproportionately affected rural PRS landlords compared to those in accessible or urban locations because rents are lower and maintenance costs higher. Alternative uses for existing properties, such as short-term letting or selling, are now a less risky alternative – neither of these help those in need of rented housing. This is a missed opportunity because rural landlords are well placed to work with local communities to satisfy local demand for rental property.

SLE calls for an incentive in the form of taxation benefits for PRS landlords if they are providing housing with rents tied to “affordable” levels to give more parity with the RSL who would otherwise be providing the service. Furthermore, in rent control environments where landlords within the PRS are providing affordable housing they should not be treated differently to the Social Rent Sector (SRS) as occurred under the Cost of Living (Tenant Protection) Act 2022.

Worker accommodation is important to rural business

Many rural businesses cannot grow or be sustained without accommodation near to the place of work. It is no surprise that a recent SLE survey⁶ found that 82% of estates in highlands and islands still provided housing to the local workforce. Tied housing is still common on rural farms and estates.

Due to the inability to repossess properties for use by an employee under the 2016 Act, “tied” housing that is needed for future employees can lie empty for some time. This situation could be corrected to enable shorter term lets for those that seek them, and to ensure that properties do not lie empty unnecessarily. SLE proposes the following solutions:

- Permitted Development Rights to build new housing for employees where the only alternative would be to repossess existing housing.
- An appropriate repossession ground to be incorporated to the 2016 Act.
- A new short-term Private Residential Tenancy that could be used in certain circumstances.

A short-term tenancy option could also enable owners of a holiday lets to let their properties for a period during the year without leaving the property lying empty for fear of being unable to regain possession to recommence holiday lets.

Results showed that 50% of those surveyed were suffering recruitment issues, and a majority put that down to a shortage of local housing. There is no surprise therefore that many also have an appetite for delivering housing, some already have projects in process, some with plans in the pipeline would prefer to do it themselves, but the majority would seek to carry out future projects in partnership with a third party. Responses also showed frustration regarding the development process and lack of trust in the Scottish Government.

Housing options underpin sustainable communities

⁶ Survey carried out by SLE for and as a member of HIREP Housing Sub Group, April 2024

It is often the lack of options that drive away the very people that are needed for the sustainability of a community. It is important that those who were once the working population are not inadvertently stopping the next generation of workforce moving to an area or staying in an area. A recent feasibility study undertaken by an SLE member, for a new affordable housing development in Ayrshire, has shown that sometimes not the obvious housing type that is needed. Their research has shown that the real local need is for older person housing in order to free up under-occupied family accommodation.

Flexibility of Planning

SLE has long called for Permitted Development Rights on rural landholdings to expedite housing delivery in rural locations. It is possible to develop a workable system based on criteria that takes account of the ultimate outcome in terms of community impact. As an available option for small scale housing solutions, such a tool, and improvements to the application of planning policy that considers the benefits of the outcome so that appropriate flexibility can be applied, would not only improve the viability of projects in terms of cost, but it would speed up delivery.

Conclusion

Private landowners and businesses, community trusts and other small stakeholder groups have long been delivering housing across the rural and island areas of Scotland, but they could be delivering more with the right support and certainty from the Scottish Government. There have been many approaches to housing delivery and the experience is available to be shared so that the successes can be replicated and scaled. The rural and island community is simply asking for government support to enable them to deliver more housing, faster, and to take care to consider the impact other policy areas may have on housing delivery.

An outcome driven strategy would allow for a more tailored approach, but to be successful there needs to be a holistic view, the right support and flexibility, irrespective of tenure. Housing is necessary for the whole rural and island working population to address depopulation and allow communities to thrive so that the demographic imbalance can be redressed.