



## **RURAL AFFAIRS AND ENVIRONMENT COMMITTEE'S RURAL HOUSING INQUIRY**

### **SUBMISSION BY SCOTTISH ESTATES BUSINESS GROUP**

#### **1. BACKGROUND**

SEBG represents a group of progressive land-based estates with significant agricultural and rural business interests. It aims to promote a modern business approach in the management of Scotland's land resource in ways which deliver social, economic and environmental benefits. The Group seeks to secure a sustainable and prosperous future for rural areas.

Estates are proven business models that assist the development of smaller rural businesses, and landowners and estates have a vital role to play in the ongoing and future development and prosperity of Scotland. SEBG is committed to rural economies and its members work hard across Scotland to stimulate enterprise and economic development.

#### **2. SEBG OVERVIEW OF RURAL HOUSING**

Members of SEBG currently manage in excess of 3,000 private let properties across Scotland, mostly in rural areas, so issues related to the delivering of rural housing are ones with which the organisation has much experience. A number of Members are actively engaged in innovative schemes to tackle the increasing shortage of affordable homes to rent or buy which is threatening the sustainability of many of Scotland's rural communities.

Given the importance of rural housing provision to the sustainability of rural communities, the Group welcomes the Rural Affairs and Environment Committee's Inquiry into Rural Housing. SEBG feels there needs to be wider understanding of how the needs of rural communities may differ from those of larger settlements; the most appropriate solutions will be those that address those different needs. For example, it may seem appropriate that new housing should be located on the outskirts of existing settlements and in larger groupings, but very often the real need is for the expansion of existing villages, for small groups of houses or even single plots in a more rural setting. Whilst the planning system has the facility to respond to such localised need, it is more often the case that there is a planning presumption against small or single developments.

The availability of private affordable housing is a factor in retaining existing local tradesmen and their families by allowing them to compete in the property market and in encouraging skilled tradesmen to settle and work in rural areas. These sectors of society are the lifeblood of thriving local communities and it is essential that they be retained to ensure the long term sustainability of rural communities and economies. Rural communities are already struggling from skill shortages, and this problem can be

expected to become more acute over time as the property market continues to rise, pricing more and more out of whatever housing may be available. This is one of the biggest threats to sustainable rural communities.

SEBG has already stated its support for the Scottish Government's aim of increasing the supply of housing; with supply heavily influencing price, increases in the rate of house building should at the very least help to damp down the rate of house price inflation seen in recent years across Scotland. However, it is all too easy for local interests to support housing expansion in principle but to object to specific projects as "not appropriate for this area". There needs to be earlier and better engagement with communities from the inception of development projects, their potential benefits explained and community input and ideas considered, and individual schemes adjusted accordingly. Ultimately, it is in the interests of the delivery of the increased rate of house building that plans are able to win approval.

### **3. RESPONSES TO QUESTIONS POSED BY THE COMMITTEE**

#### Q. Role of the planning system:

- [Are changes required to planning legislation or guidance to make the planning system more effective in rural areas?](#)
- [How effective is the implementation of local authority policy and decision-making, in conjunction with other relevant organisations, in addressing rural housing need?](#)

Structure and Local Plans are often out of date and with little prospect of being updated promptly, given the resource implications of their review. Local Planning Authorities are understaffed and under resourced. The Right to Buy has depleted public sector housing stock levels whilst increasingly restricted local authority funding has led to a virtual standstill in public sector new build. All these factors together have led to a situation where, with a shortage of land zoned for housing, the planning system exhibits a presumption against development which is hindering rather than enabling rural housing.

What is needed is a culture change, both for local authorities and their local communities, backed up by sufficient resources to deliver a dynamic, constrictive and "can do" approach to development. That culture change needs to extend to recognition that development requires change, but that change can be well-managed. Increased supply would help tackle rising house prices and the provision of affordable housing, but that requires housing development. Good planning allied to early and inclusive consultation with communities can limit any negative impact of new development.

There also needs to be recognition that economic viability is required to underpin effective housing provision. Sometimes landowners are prepared to make land available at below market prices, and sometimes even for free, if the circumstances are right but such projects often flounder when faced by planning restrictions which inhibit the development's viability. A more pragmatic approach is needed by the planning system towards the mix of developments which are proposed for rural areas. Very often the economics of a project to deliver affordable housing can only be made to work if approval is given at the same time for a number of units for disposal on the open market, in order to "balance the books". For rural areas, which may require the provision of perhaps only a handful of units, the 25% affordable rule may render the

development economically unviable since the developer has less scope to recover the costs of the development from the units to be sold in the open market.

As stated above, it is very often the case that there is a planning presumption against small or single developments in rural or remote areas, with the need to protect the countryside environment regarded as more important. Such an approach by local planning authorities can have important knock-on effects for rural enterprise. For example, the issue of availability of housing in rural areas is seen by potential new entrants to the agricultural sector as a major barrier to entry. The average age of farmers is 58 and rising, yet the problem for many is that they are unable to retire and leave the farmhouse to make way for younger farmers since there is nowhere local for them to retire to. A more pragmatic approach by planners to small development in the countryside would go a long way to helping free up property for rent or sale in appropriate circumstances, thereby helping to underpin the continued development of a key rural industry and the creation of rural opportunity for young people.

#### Q. Supply of land and infrastructure:

- In what circumstances is a lack of available land suitable to build on the main obstacle to meeting local housing needs?
- To what extent is the problem related to providing connection to essential services (particularly water and sewerage, but also electricity and roads)?
- Where land supply is an issue, what are the main factors preventing land suitable for house-building becoming available, particularly at an affordable price, and how can these be addressed?

The real issue is a lack of land zoned for housing, rather than a lack of land. This problem may be partially resolved by the review of Structure and Local Plans against assessments of local need, but given Plans in many cases are out of date with reviews long overdue, it is unlikely that that sufficient zoning for housing to resolve the shortage will be brought “onstream” by the planning process in the near future.

For example, the Atholl Estate has offered land for housing in the last 2-3 years but since the areas concerned are not zoned for housing development, no progress can be made towards addressing local housing need until the lengthy review and consultation process is completed. With review of urban plans generally seen as a higher priority than rural, the Estate expects it to be some years before it is able to progress its plans for housing development on those sites.

One measure which could go a long way to support the provision of rural housing in Scotland - and not just starter homes - is the acceptance by the planning system of the concept of “rural exception sites”, whereby consent may be granted for housing development, more usually only one or two units, on sites not zoned for housing in the Local Plan but for which a specific need can be demonstrated. Too often landowners are wrongly accused of failing to release land for development when in fact there is no prospect of the land in question being given planning approval. Exception sites are a clearly defined way of helping to break the deadlock.

The scheme had already delivered a significant number of houses in rural areas south of the border, and whilst SPP15 allows planning authorities the scope to apply them, only a few Councils have adopted this approach as a way of helping to resolve rural housing issues. If local authorities were explicitly required to develop a rural exception site policy,

it would do so much to encourage innovative developments which may not have been foreseen when the local housing plan was drawn up. Section 75 agreements could be used to safeguard local communities from any adverse impact from the exception site and reassure that the project delivered a practical solution to an acknowledged local housing problem.

However, whilst zoning for housing may be developed at a local level on the basis of local need, it will have little chance of success if suppliers such as Scottish Water are unable to finance, at the right time, the provision of the infrastructure which is required to support it. Realistically, landowners are unlikely to be prepared to offer land for sale to a development which faces the prospect of a delay for a year or two before sewerage works can be upgraded, since the market is likely to support a better return for the sale of the land when the development is finally able to go ahead and deliver its return to the builder.

For some developments, the developer is looked to for the funding of necessary infrastructure, but if applied to smaller projects of perhaps a handful of units – very often what is needed in rural areas - the cost of the development can be made uneconomic if infrastructure costs are included, since lack of volume renders unit price prohibitive.

What is needed is more joined up thinking between the planning system and the providers of infrastructure such as water, power services and transport, along with measures to address the availability or cost of new provision of infrastructure. For example, the Local Plan preparation process should be linked in a more meaningful way with Scottish Water's upgrade and extension programme to ensure that zoning of development land within a new Local Plan coincides with delivery of upgraded services. Another possible solution might be if Scottish Water were to commit to fund the infrastructure requirement of all sites zoned in local plans over a 5-year timeframe. Developers could then provide the infrastructure themselves upfront, with Scottish Water refunding the cost when its resources allowed. Such an approach would speed up delivery of new rural housing without impacting on the public purse as Scottish Water has committed to the funding.

There is also a need for other public agencies to take an approach consistent with that of Scottish Water, rather than the present position where Scottish Water's proposed solution to infrastructure provision issues can conflict with the positions taken by for example SEPA or SNH.

Tax issues are also relevant to the question of land supply for housing. For example, the landowner who makes land available may incur Capital Gains Tax liability, in turn reducing the margin on the return of the development and possibly rendering it economically unviable. VAT considerations impact on the refurbishment of property for let – in some cases it can be more cost effective to leave a property empty for a year, rather than let it out. Such regulations work against measures to encourage and support housing provision.

#### [Q. Funding considerations](#)

- [How can public funds most effectively be deployed in rural areas to increase the supply and quality of affordable housing?](#)

- Are there examples of existing grant schemes or other financial mechanisms proving effective in increasing the supply of appropriate rural housing; and are there other examples which demonstrate shortcomings with those schemes and mechanisms?

Estates traditionally provided houses for their estate workers but a changing pattern of rural employment and rising property ownership have meant that in recent years many rural estate properties have become available for rent and have been offered to local people, often at below market rents. The growth in rental of estate properties is such that now estates in Scotland are large scale providers of affordable housing.

Some estates have recently been looking to take support for their local communities one stage further and have been investigating ideas which would allow them to deliver new housing in rural areas, but the inability to channel the necessary public sector support directly to private landlords rather than through RSLs has proved to be a stumbling block.

For example, one SEBG Member has been investigating for some time the development of a shared equity scheme of new housing provision. A model was developed to provide rural housing for people in local employment, who had a family connection in the area or could contribute to sustaining the local rural economy. The project aimed to support rather than compete with RSLs in providing low cost home ownership. Once planning permission was granted and the values of houses confirmed, purchasers would be able to buy up to 75% of the property and receive full title to the house along with full home ownership responsibility. The Estate would retain the remaining percentage. On subsequent sales the Estate would retain its share ensuring that a similar discount would be made available to the next occupant. A right of pre-emption, through planning agreements between the local planning authority and Estate, would also be used to ensure that when the occupant chose to sell, the Estate would have first right of refusal to buy the house, so that the house would not be lost from the “affordable” market.

However, despite the land for the project being made available by the Estate free of charge, it has so far proved impossible to create a workable model in the absence of the availability of public sector funding for a model involving the private sector rather than a registered social landlord. SEBG would suggest that a more pragmatic approach should be taken to access by the private sector to public funding to support innovative schemes designed to deliver new housing in rural areas, in order to allow the implementation of schemes such as that outlined above.

There would also be much merit in the development of schemes to facilitate the improvement of derelict rural properties or the adaptation of farm buildings for rent as affordable housing. The Rural Empty Properties Grants available through Communities Scotland have proven to be useful in encouraging private landlords to bring derelict properties back into use for long term residential lets but the scheme lacks adequate funding. Another option might be to offer grant to offset the VAT element of the cost of renovation of rural derelict buildings on condition they were subsequently let as affordable housing to meet local need. Landowners, for example, might be prepared to improve or convert properties for housing, sometimes at below market rents, but the costs of upgrading some properties may be rendered unfeasible by the application of VAT at 17% on top of necessary building costs. Another alternative would be a more

pragmatic approach to be taken by planning authorities to applications for consent to develop rural properties or for change of use consents.

In rural and remote areas, small scale development (3 houses) may adequately address local housing need and help keep and attract workforce to those areas. The SRPBA New Build for Rent Scheme, recently announced by the Government, is to be applauded in that it is based on a partnership approach with the private sector and aims to support small scale developments in those areas where RSLs and local authorities would not be interested in developing. The £5million Scheme aims to deliver around 100 new houses for rent over 3 years, with the new properties remaining in the affordable rented sector for a minimum of 30 years. SEBG suggests that the progress of the project should be monitored closely, with increased funds being made available to expand the pilot if successful in delivering much needed affordable housing for remote and rural areas.

#### Q. Affordability

- What does “affordable” mean in the context of rural housing, given the differential incomes available (and costs applicable) in communities across Scotland?
- What factors prevent the housing that is available in particular local communities being affordable for the people who most need it?
- What are the most effective ways of ensuring that housing that is affordable when first put on the market (for rent or for sale) remains affordable in the longer term?

The current trend for purchase of country property as a lifestyle choice, whether for commuting or for weekend retreat, has had a major impact on the market price of rural property and in many cases has taken it out of the reach of local purchasers. Mechanisms such as S75 Agreements can help to mitigate rising prices by restricting occupancy and thus resale value.

In seeking to resolve the need for affordable rural housing, it may be more cost effective to target support at the rental rather than purchase sector. SEBG Members provide long term housing rental, often at below market rates, for reasons more to do with the long term benefits to the local community than the commercial return on letting rural properties.

A mechanism needs to be developed which would ensure that affordable housing can remain affordable, subsequent to any sale. There is little incentive for landowners to provide land at below market price or even for free, if the resultant affordable housing can then be sold on at market price level, with the original buyer making a tidy profit but the property then taken out of the “affordable” price bracket. “Rural housing burdens” under the Title Conditions (Scotland) Act 2003 allow the creation of a right of pre-emption in favour of a rural housing body as defined by Scottish Ministers, which can help to ensure that affordable property remains affordable. The restriction reduces the resale value of the property, helping it to remain “affordable”. However, the restrictions on what constitutes a rural housing body limits them to registered social landlords and effectively rules out the private sector from such a role, thereby limiting the potential use by landowners or developers of rural housing burdens in developing housing which can be kept affordable in perpetuity.

As already mentioned above, SEBG would suggest a more pragmatic approach be taken to access by the private sector to public funding to support innovative schemes designed to deliver new and affordable housing in rural areas.

#### Q. Environmental sustainability

- How can new rural housing be made more environmentally sustainable, and its long-term running costs made more affordable, without this reducing its initial affordability (to buy or rent)?
- How can existing rural housing be made more sustainable at reasonable cost?

The costs of developing housing in rural locations are necessarily going to be higher per unit than for rural areas. With lower numbers of units, price per unit will be higher when infrastructure costs are included and when materials and often labour have to be transported in.

Nevertheless, timber for construction, higher specification for insulation, renewable energy for power – solar, biomass, district heating – offer potential in terms of security of supply, price, and sustainability.

#### **4. CONCLUSIONS**

SEBG believes that there are a number of key areas which need to be addressed in tackling the issue of affordable housing in rural areas:

- earlier and better engagement with communities and individual schemes adjusted accordingly.
- better resourcing of planning provision to ensure recruitment, training and retention of a sufficient level of innovative and professional planning officials
- more pragmatism in the approach taken by local planning authorities to rural development – a presumption in favour rather than against development in the countryside, with safeguards
- zoning of land for housing to meet local need
- greater application of a rural exception sites policy
- more joined up thinking between the planning system and the providers of infrastructure such as water, power services and transport
- review of Scottish Water's approach to the funding of infrastructure improvements/expansion allowing costs to be met up front by developers and then reimbursed
- review of the tax treatment of housing development when its aim is the provision of affordable housing in rural areas
- greater involvement of the private sector through partnership to deliver rural housing, with better access to public sector funding for innovative schemes for delivering new and affordable housing in rural areas
- an extension of the SRPBA New Build for Rent Scheme through increased funding support
- examination of the scope and possible extension of the use of rural housing burdens.

**SEBG**  
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