



SCOTTISH LAND COMMISSION
COIMISEAN FEARAINN NA H-ALBA

Meeting of the Commissioners

Tuesday 1st June 2021, 9.30am
By Video-Conference

AGENDA

Item no	Item	Paper no	Action	Lead
	Welcome/Apologies			Andrew Thin
	Declarations of Interest			Andrew Thin
	Matters Arising - Commissioner engagement with human rights advisory group			Andrew Thin
1.	Minutes of previous meeting 11 th May 2021	1	For agreement	Andrew Thin
2.	Review of Land for Housing and Development: final report and recommendations	2	For decision	David Stewart & Shona Glenn
3.	Taxation of land and property – interim report and next steps	3 & presentation at meeting	For decision	Kathie Pollard & Shona Glenn
4.	Public meetings programme	-	For discussion	Andrew Thin
5.	AOB			

Actions from Board Meetings - Update of actions to date

Action number	Date Raised	Context	Action Detail	Responsible	Date Required	Date Closed	Comments
21051101	11/05/2021	Framework Agreement	Hamish to check the wording re delegated authority with Scottish Government	Hamish Trench			Wording is correct



Commissioners' Meeting, 1st June 2021

PAPER 2

Purpose:	To agree the main recommendations of our Review of Land for Housing & Development; to set out plans to communicate the recommendations on publication; and to consider the next steps.
Business Plan context:	Reforming Land Markets: 3.1 Advise on options for reforming the housing land market
Previous board papers:	December 2020 and March 2021
Action required:	For approval

Background

Over the past 2 years the Land Commission has undertaken a Review of Land for Housing and Development, examining the operation of the housing land market in Scotland. The appended paper sets out the final report and recommendations from this Review. It recommends a series of significant and deliverable reforms to help achieve a significant shift in the way the housing land market works, necessary to deliver better housing and place outcomes.

The final report builds on the Commissioners' discussion in March which sought improved clarity on the Commission's core focus on reforms to the land market.

Review of Land for Housing & Development – Workstreams

The Review consisted of the following key pieces of research:

- [Land and Housebuilding](#)
- [Land for Rural Housing](#)
- [The Benefits of Early Engagement](#)
- [Case Studies: Delivering More Homes and Better Places](#)
- [Land, Housing and Placemaking: Lessons from Europe](#)

These were carried out alongside extensive stakeholder engagement. Throughout the review, detailed engagement took place with the Centre for Collaborative Housing Evidence (CaCHE) Housing and Place Delivery Forum. The forum is a knowledge exchange initiative which brings together key policy makers, industry experts and practitioners involved in planning, developing and delivering new housing supply in Scotland. The forum helped select the case studies for the CaCHE report, took part in workshops and events throughout the review and provided a sounding board for our findings and proposals.



Review: Main Findings

The review found that large private housebuilders, the main developers of new housing in Scotland, focus on the development of greenfield sites around cities and growth areas. This is to reduce risk and maximise returns. Developers largely build larger, higher value homes - again to maximise their profits.

This means that little new commercial housing is delivered in remote rural Scotland or in regeneration areas, while large parts of society (e.g. younger people and older people) do not have their housing needs met by the main suppliers of new homes.

Pursuit of this model has resulted in a situation where many developers compete less on the quality of the product they deliver than on their ability to access land. If we are to solve Scotland's housing crisis then this needs to change.

The report concludes that to achieve public interest outcomes there needs to be significant reform to the way land is brought forward for housing and development. It proposes a change from the status quo, where the private sector is responsible for strategic land promotion, to a new model where the public sector leads on land promotion and shapes the housing market. This requires the public sector to share the risk in land promotion but also, importantly, to benefit from the rewards.

The recommendations set out five key building blocks which together would deliver this shift. Recognising the scale of culture change implied, the recommendations are structured to provide a practical pathway to implementing reforms in a phased way.

Recommendations

1. The introduction of a recyclable land fund to support the delivery of a network of **Place Pioneers** – repurposing publicly owned property in town centres and privately owned housing in rural areas to provide quality affordable housing. This delivery model would enable and promote the provision and growth of **new models of housing delivery**, better suited to delivering public interest outcomes, particularly in **rural Scotland** and **regeneration areas**.
2. A new statutory mechanism to speed up the redevelopment of land in fragmented or multiple ownership. This mechanism – **Regeneration Partnership Zones** - will enable housing development and investment in regeneration areas.
3. Local Authorities should be empowered to create **legally binding masterplans** for designated development zones that would provide certainty about the nature and form of acceptable development and ensure that, if necessary, public authorities are able secure land for development net of the infrastructure and servicing costs for the site.
4. The creation of a new **Land Agency**, empowered and resourced to ensure that a steady supply of development ready sites is brought forward at the right time and in the right places to meet Scotland's housing needs. The agency should prioritise allocation of sites to support rural housing development and urban regeneration and sites for development by alternative delivery models.
5. The introduction of a new **transparency obligation** that would require options agreements and conditional contracts over land to be disclosed on a public



register and for summary information on this to be published on a regular basis alongside a regular statistical bulletin covering **land sales prices**.

Communications

As part of the communications plan to support the launch of the report we propose to produce the following:

- a short animation highlighting the main findings of the review and our proposals to reform land markets to deliver more homes and better places;
- a blog sharing the main findings and recommendations;
- a recorded webinar presenting the recommendations; and
- a briefing for all staff and commissioners highlighting the key messages we would like to communicate.

Subject to approval from Commissioners and completion of the outputs listed above we aim to publish the review in the week beginning 14th June.

Next Steps

Beyond the initial communication of the review's main findings and recommendations, there will be a need to work with stakeholders and Scottish Government to build understanding of the proposed reforms and, if Government wishes to pursue these recommendations, consider further advice to inform implementation.

Within this year we therefore plan to be able to deliver the following:

- a programme of engagement with local authorities, professional bodies and other key stakeholders to communicate the recommendations and consider opportunities for change in practice;
- continued engagement with the Scottish Government on the potential practical implementation of the recommendations, particularly on the introduction of the Place Pioneers network;

Longer term, there is an opportunity to work with the housebuilding and landowning sectors to develop voluntary approaches to improving transparency over land sales and options agreements through our good practice programme to be considered in future work planning.

Action Required

Commissioners are invited to:

- a) approve the final recommendations/provide feedback on the appended report;
- b) discuss the key messages emerging from the Review to inform the Communications plan;
- c) agree the focus for next steps.

David Stewart and Shona Glenn

June 2021



Commissioners' Meeting, 1 June 2021

PAPER 3

Purpose:	To provide context and background for discussion on the work on tax on land and property. It will be accompanied by a presentation at the meeting outlining the findings of the work to date.
Business Plan context:	Reforming Land Markets: 3.2 <i>Conduct a Review of potential tax reforms to support economic recovery, re-use of vacant land and a more diverse and productive pattern of land ownership</i>
Previous board papers:	Paper 6; 07/07/20; Tax Scoping Report and Next Steps
Action required:	To agree approach to next steps.

Background

One of the objectives in the Land Commission's current strategic plan is to: *"improve the efficiency and equity of land markets to support a fair and productive economy."* Reform of the tax system is one mechanism that could be used to help deliver this. To further this objective the current business plan includes a commitment to *"conduct a Review of potential tax reforms to support economic recovery, re-use of vacant land and a more diverse and productive pattern of land ownership"*.

Over the past six months the staff team have progressed a number of strands of work to inform this review, including:

- establishment of an expert advisory group to help identify and consider options for reform;
- establishment of a liaison group involving key representatives from Scottish Government Directorate of Tax and Fiscal Sustainability;
- development of outline principles for reform.
- preliminary modelling work to explore the potential of some of the options emerging from the scoping work undertaken by Alma Economics in 2020;
- in-house research and analysis of wider options for reform.

The purpose of this briefing is to summarise the work that has been undertaken to date to inform a discussion with the Board at this interim stage about next steps. The paper has been drafted to complement a structured discussion with the Board, which will include a presentation from staff on the emerging findings and conclusions from the work to date.

Expert Advisory Group

In December 2020, the Scottish Land Commission assembled an Expert Advisory Group comprised of individuals with different areas of relevant expertise. Their task was to inform and help shape options for reform that the Scottish Land Commission could consider as part of its recommendations and report to Ministers.



The group was invited to input on three distinct areas:

- the principles for reform that could be used to guide long-term systemic change;
- short term options for reform (focusing on existing tax instruments within the Scottish Parliament's competency that could be reformed in the near-term);
- longer term priorities for reform of land and property taxation that should be considered by the Commission.

The Expert Advisory Group met four times between December 2020 and May 2021. The meetings were chaired by Lorne MacLeod. Papers to inform the discussions of the group were prepared in advance by staff with further analysis and refinement of ideas being undertaken between meetings.

Summary notes of the first three meetings can be found [here](#). A note of the final meeting of the Group, which took place on 20th May 2021, will be made available on the website in due course. Key themes emerging from the Group will be highlighted as part of the discussion with the Board.

Engagement with Scottish Government and other Stakeholders

The Land Commission has met with Scottish Government officials six times since March 2020. Representatives from the non-domestic rates, Land Building Transaction Tax, income, landfill, reserved and domestic tax teams regularly attend these meetings to discuss progress on the Commission's work on tax, including the meetings of the Expert Advisory Group, potential policy options and principles, and to identify opportunities for broader policy alignment. Over the course of the meetings, it has become apparent that the Scottish Government recognises the added value that the Land Commission could bring to this policy area and it would be interested in collaborating with the Commission on the next steps of this work.

In February 2021, the Town Centre Action Plan Review Group published its [findings and recommendations](#) for supporting town centre revitalisation. This includes recommendations on tax on land and property and the report references the work of the Commission's Expert Advisory Group within this context. Since its publication, the Review Group has consulted the Commission on these recommendations and a potential role has been identified for the Commission in helping drive forward the Review Group's next steps. The Commission is continuing to engage with the Group and has identified an opportunity to support this work over the coming months, making links to the Commission's work on tax as well as land for housing and development and vacant and derelict land.

Rationale and Principles for reforming tax on land and property

The Commission has developed a draft set of guiding principles for longer term reform of tax on land and property. Establishing a set of principles can help us bring into focus the purpose of tax as a policy lever to support land market reform and frames discussions about tax system change within a wider economic context. A clear and robust framework could help determine when tax is the most appropriate tool for achieving a policy objective, test options as they are developed, and structure debate about any proposals arising. These will be discussed more in the presentation.

Preliminary Modelling Work by Alma Economics



In 2019, Alma Economics were commissioned to undertake a [scoping exercise](#) to help identify a range of potential options for tax reform that could help the Land Commission's long term outcomes. In the autumn of 2020 Alma Economics was commissioned to undertake preliminary modelling of a sub-set of options that could help to progress the specific priorities identified in the Land Commission's 2021/22 business plan (specifically options to help avoid the creation of a new legacy of vacant and derelict land and promote a more diverse pattern of landownership).

The purpose of this exercise was to identify options for reform that could be implemented relatively easily in the near term. As such the remit of the exercise was explicitly on existing tax instruments already within the competence of the Scottish Parliament.

The options considered as part of the modelling exercise were identified and refined with input from the Expert Advisory Group. Four options were ultimately selected for preliminary modelling work, which taken together would provide a revenue neutral package of reform. The four options modelled were:

1. Apply full non-domestic rates relief for a longer period of time (suggested at least three years) where a non-domestic property is developed from a site that has been derelict for an extended period.
2. Apply full council tax relief for an initial period for new dwellings developed from derelict sites that have been derelict for an extended period.
3. Introduce a new power for local authorities to apply non-domestic rates to newly derelict properties.
4. Introduce a Land and Buildings Transaction Tax (LBTT) surcharge for purchases made by landowners with existing large landholdings.

Further detail about each of these options, including the assumptions used in the modelling work are provided in the Alma Economics report circulated alongside this briefing and will be discussed with Commissioners at the June board meeting.

Additional Short-term Options for Reform

A number of additional options for reform were identified through discussion with the Expert Advisory Group that were not included in the preliminary modelling exercise either because they were outwith the remit of the exercise or because of insufficient data. These options included:

5. Introducing additional council tax band/s on high value properties.
6. Taxing second and holiday homes.
7. Introduction of a Capital Gains Tax rollover relief for negotiated transfers between landowners and communities as modelled on the Compulsory Purchase Rollover relief.
8. Extending VAT exemptions that already apply to new build homes to retrofitting existing buildings.
9. Irish Style Income Tax Relief for Agricultural Land Letting.
10. Proposals in [A New Future for Scotland's Town Centres](#) report. These include:



- a. Amend the non-domestic rates system so as to reduce rates for town centre uses and increase them elsewhere including for out-of-town uses. As part of this, the scope of the non-domestic rates system should be reconsidered in terms of the rateable value and chargeable rate on all uses and particularly those that serve the final customer to ensure modern channels are reflected properly in the non-domestic rates system.
- b. Amend the VAT chargeable rate by location and by development type. This could consider zero-rate developments and/or operations in a town centre, or even a high street.
- c. Introduce an annual out-of-town car parking space levy on all out-of-town centre car parking spaces (not just retail).
- d. Introduce a digital tax better reflect economic activity and raise local government finance from local economic activity.

The staff team has undertaken desk-based analysis of these options, drawing on material provided by the Expert Advisory Group and other publicly available sources. This analysis has been supplemented by detailed discussion with the Expert Advisory Group.

Emerging conclusions about each of these options will be presented as part of the Board discussion in June.

Approach to Longer-term reform

During the course of the work to date a number of themes have emerged that could helpfully inform the design of the next steps of the work. These themes include:

- The importance of land values as a source of wealth and the advantages of moving toward a system that better reflects this.
- The scope for taxing residential land values.
- How land values might change in the future in response to the emergence of the carbon market, what role tax could/should play in ensuring that the public receives a fair share of the benefits arising from this.
- The redistributive potential of taxing land values and the opportunities presented by negative land values.
- The role of fiscal policy in driving changes in land values (e.g. forestry) and the need to consider this alongside any reforms to tax policy.
- The need for further baseline research to help better understand the potential for land value taxation in different scenarios, (particularly in relation to carbon market opportunities).
- The importance of public support for systemic reform and opportunities for engaging this support.

Questions for Discussion

This paper has been drafted to provide background and context for the discussion at the board meeting in June. The staff team will present some emerging conclusions from the work to date and ideas for next steps for discussion but in advance of this Commissioners are particularly invited to reflect on:

- The underlying rationale and intended outcome from this area of work and how the narrative around this can be framed most effectively.



- Priorities for short term reform, building on the work undertaken to date by Alma Economics and the Expert Advisory Group.
- The longer term role of the Land Commission in this area and how we can most effectively add value to the efforts of others.
- Format and positioning of the key outputs from this work.

Shona Glenn and Kathie Pollard

May 2021