



FUTURE ECONOMY SCOTLAND

Members' Business: Deconcentrating Land Ownership A Community Land Scotland and Future Scotland Scotland Briefing

Overview

The Scottish Government has committed to delivering a just transition to net zero, and bringing in a Land Reform Act and a Community Wealth Building Act. Fundamental reforms are required to deconcentrate the ownership and governance of Scotland's land market to achieve the Scottish Government's stated objectives. To do so, government should advance the following strategic objectives:

- Curtailing absentee corporate and individual models of land ownership;
- Aligning the governance of land and natural capital markets with Community Wealth Building principles;
- Scaling up community ownership of land across Scotland;
- Promoting new partnership models for managing land and natural capital;
- Ensuring that public funding is aligned with Community Wealth Building objectives; and
- Establishing new sources of finance to support activities that contribute to Community Wealth Building goals.

Scotland's rural land market: Longstanding features

- **Large rural land mass:** [98%](#) of Scotland's land mass is rural. In mid-2020, [91%](#) of Scotland's population lived in built-up areas of Scotland, which made up 2.3% of Scotland's total land area.
- **Highly concentrated land ownership:** Community ownership accounts for only about [3%](#) of the total land area of Scotland. As the Scottish Land Commission [noted](#) in 2021: "The risks associated with such concentration of power run counter to the needs of a modern, dynamic economy. They can result, sometimes inadvertently, in dysfunctional rural land markets that can make it difficult for rural communities to fulfill their economic potential, limit opportunities for community development and can constrain or even damage social resilience."

- **Lightly regulated land market:** Scotland's rural land market remains largely unregulated, meaning that anyone in the world can buy land with relatively little scrutiny and transparency. As a [report](#) by Savills comparing rural land markets around the world noted: "The UK has no restrictions on inward investment and is among the few developed markets not to have some form of government involvement when buying."
- **Tax and subsidies:** Rural landowners benefit from a number of tax exemptions and can also access a range of subsidies, which has served as an important driver of demand.

Scotland's rural land market: Recent developments

- **Rising land prices:** According to [Strutt & Parker](#), £247m was the gross cumulative sum spent on the purchase of Scottish estates in 2021 – a record sum and an increase of 119% on 2020 (the previous record year). The average price of estates increased by 87% between 2020 and 2021 – from £4.7m to £8.8m, while the total number of estates sold increased by just 14% (from 24 to 28).
- **Rise of commercial forestry and natural capital activities:** As the Scottish Land Commission [notes](#): "Scotland's increasingly valuable rural land is only available to a limited few as high demand from forestry, natural capital investment, and corporate estate buyers continues to drive high prices."
- **Investor motivations are changing:** As Scottish Land Commission [states](#): "Corporate and institutional investors are most active in the estates market, but now appear more interested in acquiring land as a financial asset and are less explicit about natural capital investment – or other land uses – as a motivation."
- **Lack of transparency:** [61%](#) of the successful transactions were handled privately in 2021, and access to data on land ownership remains fragmented.

Wider challenges facing rural communities

- **Fuel poverty:** Recent energy price hikes have pushed many into fuel poverty, disproportionately impacting rural communities. People in Caithness and Sutherland, for example, are paying [25%](#) more for their fuel bills than the rest of Scotland.
- **Housing insecurity:** A rise in second home ownership and holiday lets, including AirBnB, is creating implications on housing security. Around [6%](#) of homes in Argyll and Bute and in Na h-Eileanan Siar are second homes, and it has been reported that around [40%](#) of properties on Arran are second homes or short-term lets.

Policy interventions: Democratising Scotland's rural land

Policy	Expected impact
<p>A new statutory power to apply a public interest test on all landholdings of significance and/or any above 500 ha in size should be introduced, backed up by the power to issue compulsory sale orders for existing landholdings that fail to meet the test's criteria as a last resort. This should apply to all current landholdings above a specified size, not just at the point of sale or transfer.</p>	<p>Diversify Scotland's highly concentrated pattern of land ownership and ensure that the governance of land in Scotland is aligned with Community Wealth Building and the principles set out in the Scottish Land Rights and Responsibilities Statement.</p>
<p>Public acquisitions of land via Forestry and Land Scotland and Crown Estate Scotland should be significantly scaled up, and compulsory purchase powers should also be strengthened to enable public bodies to acquire land for the purposes of achieving sustainable development.</p>	<p>Enable more of the value of Scotland's natural capital potential, forestry and renewables to be captured for public benefit rather than it being extracted by absentee investors, and create opportunities to break up large estates into smaller sites, which can be transferred or sold to local communities in support of Community Wealth Building objectives.</p>
<p>All land should be brought onto the valuation roll, and non-domestic rates should be applied to all wooded land. Agricultural land should remain exempt from non-domestic rates for the time being, but this should be reviewed periodically. In addition, the rate of LBTT on rural land transactions should also be equalised with that paid on residential transactions, and a surcharge introduced on land holdings over a certain scale threshold.</p>	<p>Address longstanding distortions in Scotland's land market that reinforce a highly concentrated pattern of ownership; and raise revenue that can be used to scale up Community Wealth Building approaches to local development across Scotland.</p>
<p>The Scottish Government should set out a long-term ambition to replace non-domestic rates with a Land Value Tax, and lay the groundwork for this by making efforts to address the associated practical barriers during the current parliamentary term.</p>	<p>Enable more of the value of Scotland's natural capital potential to be captured for public benefit, and ensure some of the public money going into increasing land values through public subsidy is recaptured by the public, while incentivising the efficient use of land and generating revenue to support policy objectives, including those relating to Community Wealth Building.</p>
<p>Funding for community initiatives should be scaled up via the establishment of a new Community Wealth Fund. Communities should be invited to submit funding applications to the fund which would be</p>	<p>Provide new sources of funding for community initiatives to compliment the Scottish Land Fund, and scale up Community Wealth Building approaches to local development across Scotland.</p>

assessed on the basis of Community Wealth Building criteria.	
The benefits of establishing a new National Wealth Fund should be explored, learning from international experience of sovereign wealth fund models.	Ensure that a share of the value generated from Scotland's natural capital is invested for the long-term in the national interest, generating revenue that can be used to support public policy objectives including those relating to Community Wealth Building.
The Scottish National Investment Bank should establish a dedicated fund to support community owned initiatives that would be tailored to the specific needs and context of the sector.	Address the challenges community initiatives face accessing finance, which acts as a significant barrier to scaling up Community Wealth Building approaches to local development across Scotland.
A cap on the amount of public grants that any single landowner or beneficiary can receive should be introduced, and eligibility criteria for grants relating to woodland creation and peatland restoration should be reviewed to ensure alignment with public policy objectives.	Ensure that public funds are being used effectively to promote policy objectives such as Fair Work, Community Wealth Building and the principles outlined in the Land Rights and Responsibilities Statement.
Community Right to Buy powers should be strengthened, making it easier for communities to register initial interest in land and examining the scope to enable communities to purchase land at below market value under certain limited circumstances. In addition, the Scottish Government should examine the potential impact of a cap on land ownership. The issue of cross compliance - including subsidies, grants, tax reliefs, carbon codes - should be conditional on factors such as meaningful community engagement, agency, and ownership.	Scale up land ownership models that are aligned with Community Wealth Building principles, and help diversify Scotland's highly concentrated pattern of land ownership.
The Scottish Government should explore new measures to enhance transparency in the land market and prevent off-market land sales happening under the guise of secrecy. It should also increase efforts to establish accurate, up to date data on land values, ownership and use across Scotland.	Provide local communities, policymakers and other key stakeholders with accurate information about Scotland's land market, which in turn will empower local communities and facilitate more informed policy decisions.

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