



SCOTTISH LAND COMMISSION
COIMISEAN FEARAINN NA H-ALBA

Commissioners' Meeting, 1st October 2024
An Lochran, Inverness
12.30pm – 3.00pm.

A G E N D A

Item no	Item	Paper no	Action	Lead
	Welcome/Apologies			Chair
	Declarations of Interest			Chair
1.	Minutes of the previous meeting	1	For agreement	Chair
2.	Commissioners' updates	Verbal Briefing	For information	Commissioners
3.	Report from ARC meeting	2	For information	Lorne MacLeod
4.	2023/24 Annual report and accounts - Annex A: External auditors annual report - Annex B: Draft Annual Report & Accounts	3	For agreement	Nikki Nagler
5.	Land Reform Bill – interim advice	4	For agreement	Hamish Trench
6.	Advice on tax	5	For agreement	Kathie Pollard
7.	Rural land market data report	6	For information	Hanna Wheatley
8.	Communications update	Verbal Briefing	For information	Scarlett Macfarlane
9.	AOB			



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Minute of the meeting of the Scottish Land Commissioners held on Tuesday 3 September 2024 online

Commissioners Present: Michael Russell (Chair) Deb Roberts, Craig Mackenzie, Lorne MacLeod, Sally Reynolds (Land Commissioners), Bob McIntosh (Tenant Farming Commissioner)

In Attendance: Hamish Trench, Emma Cooper, Andrew Megson, James MacKessack-Leitch, Fliss Peall (minutes)

Apologies: None

Declarations of interest: Lorne noted his new role as a member of the Crown Estate Scotland board, which commenced on 1 September 2024.

Minutes of previous meeting 2 July 2024

The minutes from the meeting held on 2 July 2024 were agreed as a true and accurate record.

Matters Arising:

- **Cancellation of Thurso Board Meeting:** Michael extended his apologies for the cancellation of the Thurso board meeting due to the latest spend controls required by Scottish Government.

1. Commissioners Updates

The Commissioners provided updates on their key activities and events since the last meeting. Michael also provided an update on board member recruitment and Lorne an update on the recent meeting of the Community Land Leadership Group.

Commissioners also noted an update received following a community meeting at Tayvallich regarding the potential sale of land. The implications for the community of potentially short timeframe land sales was discussed, including opportunities for a public body to step in on an interim basis. The Board agreed that such an option would be preferable to the land going back on the open market, given the progress made with community involvement and the established community interest in acquisition.

2. CEO Update – Scottish Government spend controls

Hamish updated the board on the spend controls introduced as required by Scottish Government. He noted guidance has been shared with all staff. While most of the Commission's business plan activity is committed he made the board aware of the impact on the planned work to move the website to a more resilient platform, which is within the scope of 'marketing' spend government has asked be paused.

Hamish also provided an update on forthcoming reports and publications, confirming their current status and progress.

3. Audit and Risk Committee annual report 23/24

Lorne presented the 23/24 annual report from the Audit and Risk Committee. The committee met four times over the year, focusing on medium and long-term financial planning, cyber resilience, and cyber plus accreditation, key interrogations of the risk register were discussed.

Commissioners welcomed the report and asked that the Committee continue to maintain a focus on ensuring that audit recommendations and actions are proportionate to the small size of the organisation.

It was noted that the cost of external audit, set by Audit Scotland, remains disproportionately high and should continue to be challenged.

4. Review of Convened Groups

The board reviewed the status of five convened stakeholder groups, noting both the value in the Commission's leadership role and the need to continually review the deployment of limited resource.

It was agreed that the Land and Human Rights Advisory Forum should cease in its current form, having undertaken a valuable role particularly in advance of the land reform bill.

The opportunity for other organisations to convene some groups was discussed, noting it may be appropriate at a future point for others to step into the role. It was agreed this should be kept under review. At present, it was agreed there is continued value in the Commission convening the four specific groups and that they should continue as set out in the paper.

5. Conference Evaluation report

The board considered the evaluation report for the recent conference, "*Pioneering Possibilities - Shaping Scotland's Future Through Inclusive Land Ownership*," held on 12th June 2024. The report indicated strongly positive feedback.

The board discussed the demonstrable appetite for in-person events and the value in the Commission convening space for others to engage in discussions on land reform, noting the evaluation should inform planning for future events.

6. AOB

No other business was raised.

Next meeting 1 October 2024



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Paper 2

Report from the Chair of the Audit and Risk Committee – Meeting held on 9th September 2024

- The Audit and Risk Committee (ARC) met on 9th September 2024 with full attendance from members, Deloitte (External Audit) and BDO (Internal Audit).
- Concern was again raised about the level of the external audit fee and it was agreed that the CEO would write to Audit Scotland to seek a discussion with them.
- Following a detailed review of the Annual Report and Accounts for 2023/24, it was agreed to recommend approval to the Board of the Scottish Land Commission.
- Internal Auditors, BDO, presented three reports for consideration; Health & Safety, IT & Cyber Security Review, and Risk Management. No significant concerns were highlighted.
- A review of the Risk Register was undertaken and a detailed risk interrogation of Risk 2 was made, 'Ability to react quickly in matching resources to changes in priorities.'
- In Year Spend Controls' guidance for staff was considered and a discussion took place on controls now in place.
- A key piece of work that shall become a standing agenda item at ARC meetings going forward is 'Resource Planning'. This shall involve scrutiny of budgets and forecasts that input to forward resource planning. A detailed review was undertaken at the ARC meeting.
- A discussion took place about Global Internal Audit Standards that take effect in 2025 and key issues to be considered by the ARC Committee were emphasised.
- Following conclusion of the ARC meeting a closed session with ARC members and BDO, Internal Auditors, was held. No concerns were highlighted.

Lorne MacLeod, Chair, ARC, 20th September 2024



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PAPER 3

2023/24 Annual Report and Accounts

Purpose:	To approve the Commission's annual report and accounts for 2023/24
Business Plan context:	N/A
Previous board papers:	N/A
Action required:	For approval

The Audit and Risk Committee met on 9th September to consider the annual audit report and the annual report and accounts for the financial year 2023/24. The Committee has recommended to the board approval of the annual report and accounts.

In doing so Commissioners are asked to consider the annual audit report and opinion provided by our external auditors, Deloitte, in particular the key messages set out in section 1.

The accompanying papers include:

- Annex A: External Auditors Annual Audit Report
- Annex B: Draft SLC Annual Report and Accounts

If approved by the board, the annual report will be signed on behalf of the Commission and our external auditor, before being submitted to Parliament ahead of our required deadline in December.

Nikki Nagler



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PAPER 4

Land Reform Bill – interim advice

Purpose:	To agree interim advice on the land reform bill
Previous board papers:	N/A
Action required:	For agreement

Background

The Commission gave evidence to the NZET Committee on 12th June 2024, drawing on our published research and recommendations to inform consideration of the Bill. Following this, and in discussion with the Bill team, the Commission undertook to develop further advice on specific aspects of the measures set out in the Bill.

The purpose of this advice is to support the Scottish Government and Parliament in its consideration of the Bill.

Focus

Our advice focuses on the following specific aspects:

- The criteria for holdings in scope of the measures;
- Prior Notification – advice on the operation of the prior notification measure;
- Transfer Test and lotting – advice on the operation and impact of the lotting measures;
- Land Management Plans – advice on the approach and requirements;

Proposed advice

The draft advice is set out in Annex A for consideration and agreement. It provides a summary, with annexes providing the more detailed discussion and advice.

Next steps

If agreed by the board we will share this as interim advice with the Bill team. Staff have worked closely with the Bill team in sharing our thinking so far, but it will be helpful to provide a consolidated set of advice at this point.

We will continue to develop aspects of the advice and develop a document for publication.

Hamish Trench, James MacKessack-Leitch & Kathie Pollard



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PAPER 5

Updating Advice on Taxation

Purpose:	To agree key points of updated advice for Ministers
Business Plan context:	Approaches to land valuation- Develop advice on ways land value can support community wealth building, drawing on previous work on land and taxation
Previous board papers:	12/06/24 – Land Reform and Taxation – Briefing
Action required:	For Agreement

Background

The Scottish Government has asked the Commission to refresh and update the advice we provided in January 2022 on 'Land Reform and Taxation', in order to inform government's publication of a Tax Strategy and subsequent work.

This paper reviews that 2022 advice and changes in context in the meantime, and it proposes key messages for refreshed advice.

Once agreed, refreshed advice will be shared with Scottish Government in advance of the Tax Strategy. We then anticipate working with Scottish Government to support their programme of engagement.

Context

In January 2022 the Commission published advice to Scottish Ministers on land reform and taxation.¹ This was written 2021, with a focus on pragmatic solutions supporting economic recovery from the pandemic. The advice identified the role of land and property taxation in supporting a just transition to net zero and to drive economic wellbeing where opportunities, wealth and power are shared more fairly.

The rationale for this advice still stands in 2024 and has become more significant as a result of increasing pressure on public finances and the need for land use transformation driven by climate and nature goals. Tax is potentially one of the most significant levers in influencing land reform outcomes.

¹ [Land Reform and Taxation Advice to Scottish Ministers 2022](#)

The SLC is reviewing its 2022 advice to help inform Scottish Government's upcoming Tax Strategy and the consultation on carbon land and environmental taxes, expected late 2024. The latter will examine how fiscal levers can support existing policies and interventions to improve a wide range of land management outcomes, including the restoration of peatlands and the creation of more woodlands.

Since the publication of our advice the body of evidence and calls for reforming land and property taxation has grown, often with reference to the SLC's report. The policy landscape has also developed rapidly. The Land Reform Bill consultation asked for views on the future role of taxation in supporting land reform. Responses included support for SLC proposals, caution about unintended consequences and calls for a coordinated approach as well as specific reforms. However, the Bill as introduced in 2024 does not include any provisions for tax or reforms to the valuation roll.

The new UK Government is considering fiscal reforms and while most of our advice is focused on devolved tax powers, reserved taxes such as capital gains tax should continue to be in scope of future advice on tax.

Proposed key messages for refreshed advice:

Annex A reviews the recommendations made in 2022 and provides commentary on changes in context and a basis for updated advice. We propose key messages for refreshed advice are:

- The core recommendation to begin a programme to bring all land onto the valuation roll remains key. This will open up the options available to Ministers, enable a medium-term shift towards annual taxation of land value, and be a necessary systemic change to support the planned consideration of carbon land and environmental taxes.
- Taking a longer-term view to ensure taxation supports a productive economy, there is a strong logic (articulated for example in the Mirrlees Review) to replacing Land and Buildings Transactions Tax with a reformed annual land tax, however this would need significant preparatory work.
- In the short term however, the potential to apply a surcharge to Land and Buildings Transactions Tax for high value transactions remains a deliverable option to ensure a greater share of high land values is returned for public good. This revenue could be allocated to meet costs associated with bringing all land onto the valuation roll, or it could support an increased Scottish Land Fund.
- The reforms to Non-Domestic Rates to enable local authorities to set their own rate relief on listed buildings is welcome. We should continue to advise that this approach be extended to include power to vary rate relief on vacant and derelict sites/empty properties.
- The case for reviewing options for taxation to support climate and nature goals is even stronger than in 2022. However, this should take a broader view than simply looking at carbon values as referenced in our earlier advice.

Review should consider the use of tax in coordination with other fiscal and policy levers.

- There is renewed purpose to engaging with a new UK Government on introducing progressive reforms to capital taxation, including reforms and exemptions that promote active farming and diverse land tenure.

Next steps

During October we will finalise refreshed advice to share with Scottish Government ahead of their publication of the Tax Strategy, which we expect to accompany the budget. The Chair will also write to the Cabinet Secretary for Finance to offer the Commission's further support in subsequent engagement on potential reforms in relation to taxing land, including government's commitment to consult on approaches to carbon land and environmental taxes.


We are planning to be able to undertake work on taxation over the next six months, for the remainder of this financial year. Beyond this, capacity and priorities will need to be considered in discussion with Scottish Government and in our business planning.



Recommendation



Commissioners are asked to consider the context and proposed key messages to refresh our advice on land reform and taxation.

Kathie Pollard, Policy & Practice Lead

Annex A: Review and status of SLC tax recommendations

Priority	2022 Recommendation	2024 Status and relevance
	<p>1. We recommend that the Scottish Government takes steps to increase the options available to it by strengthening the role of land in the tax base, through:</p> <ul style="list-style-type: none"> • Establishing programme to bring all land on valuation roll- currently agricultural and forestry exempt. This presents a partial picture and limits current tax powers. • Developing a one-stop-shop approach to information on land ownership, use and value. Committing to the development and use of a consistent and comprehensive cadastral approach which would enable the integration of information on land ownership, use and value, building on the current work of Registers of Scotland. 	<p>The body of evidence and calls for a system of land use data have increased. Research institutions, including SRUC and JHI, are working on projects linked to land data improvement for policy. While progress is being made to update the Land Register there are still challenges with the data and the register is will not be complete by 2024.</p> <p>The need for better and joined up land data is highlighted in Land Reform Bill which includes provisions for owners of large landholdings to be identified.</p> <p>There has been no progress on the valuation roll, despite further calls for reform. Our advice in 2024 should more strongly emphasise the need and benefit of putting all land on the valuation roll. Benefits include:</p> <ul style="list-style-type: none"> • Increased tax base • Option to tax on annual basis rather than event basis making this a stable and more predicable revenue stream. For example, via Non-Domestic Rates rather than Land and Building Transaction Tax. • Option to apply exemptions/reliefs and surcharges. • Local authorities could use their discretionary relief payments. • Option to steadily reform. <p>We should continue to advocate for better and more joined-up data but more sharply focus on increasing the tax base by bringing all land onto the valuation roll. This will help make the case for tax to be applied to support a variety of policy objectives, including climate and environment, while providing a more predictable revenue stream.</p>

	<p>2. To encourage diverse landownership, we recommend that:</p> <ul style="list-style-type: none"> • that the Scottish Government considers further the potential role of Land and Buildings Transaction Tax in relation to shaping the land market in a just transition. Specifically, we have considered the potential of a surcharge applied to land holdings over a certain scale threshold, operating on a similar principle to the Additional Dwelling Supplement. • that the Scottish Government seeks opportunities to engage on a UK basis on the potential for a more progressive approach to the use of reliefs and exemptions in relation to land that would support diversification of ownership. 	<p>No progress. This proposal is still a deliverable, short-term option. While this unlikely to significantly affect behaviour or concentration of landownership, the hypothecation option remains of interest to the SLC especially as the context for financing community land acquisition has become more challenging as a result of rising land values and reduction of the Land Fund. We should make explicit that the LBTT surcharge could be a ring-fenced contribution to support the Land Fund and /or it could help fund the steps needed to bring all land onto the valuation roll.</p> <p>In the longer term, moving toward a system of annual taxation of land values would potentially reduce the need for LBTT. Our advice should more strongly reconcile the short-term option for an LBTT surcharge, with our longer-term vision for land taxes, considering the impacts of annual taxes vs one-off/event-based taxation such as windfall or transaction taxes such as LBTT.</p> <p>There have been new indications of openness to changes in capital taxation (e.g. inheritance and capital gains tax) by UKG. Advice could be strengthened to call on SG to be proactive and clear in what changes Scotland wants.</p>
	<p>3. To support town centre regeneration and vacant and derelict land:</p> <ul style="list-style-type: none"> • additional reliefs on non-domestic rates (NDR) and council tax for newly built properties on long-standing vacant sites to incentivise reuse. • a new power to enable local authorities to continue to apply NDR to newly derelict properties to discourage them from being allowed to fall into disrepair. 	<p>SG has now granted local authorities the right to vary or abolish NDR rate relief on listed buildings. There is some debate on whether this will incentivise re-use but Renfrewshire, Glasgow, Edinburgh and Aberdeen have all reduced or abolished reliefs. The SLC could recommend reviewing the effectiveness of the reform and continue to promote our existing NDR proposals, extending reliefs to VDL sites.</p> <p>SLC's Vacant and Derelict Land Taskforce recommendations review suggests that Tax Incremental financing and Grow Accelerators (both forms of tax hypothecation) have successfully brought forward</p>

		<p>development land at scale. SLC could continue to promote this as good practice/a case study as part of VDL work.</p> <p>Moving towards an annual land tax system will have implication on vacant, derelict and development land. We should consider this in scope under recommendation 1.</p>
	<p>4. To support a just transition and investment in natural capital we recommend that specific consideration is given to the role of taxation in securing a productive balance of public and private benefit from future carbon values. This needs to be considered in the context of wider fiscal policy.</p>	<p>The context and understanding in this space evolved significantly since the development of our advice. SG is imminently publishing a policy natural capital market framework to help govern private investment in natural capital and ensure a productive balance of public and private benefits. SLC Community Benefit Guidance has been published Carbon credit codes have been updated to reflect community benefits and a good practice programme established. The carbon credit market is also no longer a key driving force behind land sales. At UK level, the Treasury consulted on VAT linked to sale of carbon credits on secondary markets.</p> <p>The upcoming carbon land and environmental tax consultation provides an opportunity to consider specific instruments that can support land use outcomes that balance public and private benefits. This is an opportunity to also consider the relationship with other fiscal policies.</p> <p>One of the major hurdles to introducing any carbon land or environmental tax will be data and the inclusion of land on a tax base i.e. the valuation roll. This recommendation should be reframed and merged into 1 and instead include an offer input/work with SG officials on role of tax in delivering public value from natural capital/nature via the consultation.</p>
	<p>5. To increase active farming and diverse agricultural tenure we recommend that Scottish Government seek opportunities to engage on a UK basis on the potential for a more progressive approach to the use of reliefs</p>	<p>The decline of tenanted sector is still a concern. The case for using tax to support a healthy tenanted sector and wider active farming remains strong.</p>

	and exemptions in relation to land, including potential for an income tax relief to support letting of agricultural land.	In the longer-term, bringing agricultural land onto the valuation roll and into the tax base, would enable tax to be a more effective lever to deliver productive land use.
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PAPER 6

Land Market Data Report 2024

Purpose:	To note the findings of the draft Land Market Data Report 2024 and future market reporting strategy
Business Plan context:	Reforming Land Markets - Ongoing engagement and monitoring of land market implications
Previous board papers:	05/03/24 – Land Market Insights Report 2024 – briefing to Commissioners
Action required:	For Information

Rural Land Market Data Report 2024

As part of our ongoing work monitoring the rural land market, the Commission publishes two reports each year, the Insights report and the Data report. Following the Rural Land Market Insights Report 2024 published earlier this year, the Data Report is almost complete, and on schedule to be published in November.

A final draft of the Report is attached to this paper as Annex A.

The Data Report provides quantitative backing to the key findings of the Insights Report, and in combination these two reports provide one of the most detailed analyses of the Scottish rural land market available. The report combines market data for the four calendar years 2020-2023, and as such, is now able to better identify emerging trends.

The report acknowledges the various challenges and caveats around the data available, particularly highlighting issues with estates data given the small number of transactions, opacity around some of the details, and uncertainty of definitions within the data. However, once again, the findings echo those of the Insights Report as well as other industry reports covering the same period, demonstrating that despite data challenges the approach is robust and findings accurate.

This work was completed as part of our ongoing research collaboration with SRUC which runs 2023-26, and benefitted from their support, advice, and data sharing. Both SRUC and Andy Wightman plan to publish land market analyses before the end of 2024, both of which will use different methodologies.

Key findings

- **This year's report provides quantitative evidence for the emerging trends discussed in the Insights report, including subdued activity across the board in 2023 compared with immediately preceding years.** There were fewer land market transactions covering a smaller area of land. Only 0.5% of Scotland's land (41,271 ha) transacted in 2023. This echoes the Rural Land Market Insights report, based on interviews with land agents over the same period, which described restricted supply and weakened demand in 2023.
- **The growing influence of forestry discussed in previous iterations of this report appears to have peaked in 2021/22. Earlier iterations of this report found rapid growth in forestry prices, particularly in Eastern Scotland. This report demonstrates that much of this heat has subsided from the market.** Forestry per/ha values appear to have peaked in 2021, which industry reports are also now confidently claiming. The overall area of forestry sold reduced by 54% compared to 2022. The number of sales overall reduced most in Eastern Scotland (including the Borders), where the number of forestry sales reduced by 71%.
- The total area of farmland sold also decreased by 32% compared to 2022, but farmland prices remained relatively stable in 2023, despite reports of upland and marginal land prices falling following a bubble in 2021-22.
- **The report adds weight to increasingly important assessments of the number of large-scale land sales each year.** In terms of number of sales, in general the land market is dominated by transactions of relatively small areas. 2023 was no different, with 94.5% of sales under 500 ha. Analysis supporting the Land Reform Bill identified 1,066 landholdings above 1,000 ha. Only 29 sales over the four-year period 2020-2023 were larger than 1,000 ha, with between five and 12 sales each year, representing 0.5% - 1.1% landholdings of this size as identified by the BRIA.
- The report identifies six estate sales over £10 million since 2020, of which four were in 2023. Strutt & Parker also commented on the number of very high value estates sold in 2023, reporting that natural capital investment was the motivating factor in each case. All 5 sales over 1,000 ha in 2023 were estates. Strutt & Parker reported that 57% estate sales in 2023 were private, compared to 39% in 2022. There appears to be a new trend in the registration of estate sales with RoS, whereby they are reportedly sold for "implementation of missives" rather than providing a sale price, reducing market transparency. This requires more research in next year's report.
- **Linked to the above, the report also highlights ongoing challenges with land data in Scotland.** The methodology used in this report continues to be time and resource intensive, and is still likely to be an underestimate of the land market as a whole. In addition to issues previously highlighted, the emerging finding around ways to avoid revealing price paid using "implementation of missives", as well as the data requirements for the Land Reform Bill, point to a real need to redesign Scotland's land data provisions to meet user needs, from policy-makers to researchers.

Discussion

Commissioners are asked to consider the key findings arising from this year's Rural Land Market Data Report, and to consider:

- The key messages arising from this research (in bold in above list).
- The implications for our work particularly on land governance and the Land Reform Bill.

Hanna Wheatley, Researcher & Data Analyst

James MacKessack-Leitch, Policy & Practice Lead