Scottish Policy Forum

Focus on the future

STAGE 2 CONSULTATION PAPER

Rural economy

Scottish Labour

1. Introduction

This paper looks at economic policy with specific regard to rural and island areas and the cross-cutting issues that need to be considered. As such, the approach of this paper is 'rural specific' – considering policy with rural areas at the forefront, rather than thinking in national, urban, or suburban terms and then adapting that thinking to rural areas subsequently.

Scottish Labour's approach to growth and description of business must embrace all ownership types including co-operative, worker owned, mutual, community, municipal and public, as well as private. The greater the local ownership of assets the greater the opportunity to sustain and grow communities. This is looked at in more detail in a companion Stage 2 Scottish Policy Forum paper, but these principles also inform this paper.

Economic development support needs to be locally and regionally delivered. The strength of the primary industries (food production, forestry, and fishing/fish farming) is inter-dependent with rural development policy.

Land, our natural capital, and energy generating potential, need to be seen as critical and strategic national assets that can serve the common good, as much as private interests.

Growing Scotland's rural economy requires the development of modern factors of production. Housing supply needs to be a clear part of economic and business growth policy, not just a social policy priority. Halting the 'brain drain' from Scotland's rural and island areas is not only essential for maintaining our rural communities, it is vital for ensuring growth.

Consideration also needs to be given to the key role that towns play in the rural economy, both in the provision of essential services to rural communities, and as a place of exchange.

2. Land use, ownership, and Community Wealth Building

Agricultural payments in Scotland are in need of reform. Small farmers and those growing for local markets often receive little by way of financial support, while landowners farming thousands of hectares are eligible to

receive hundreds of thousands of pounds. Reform is needed to support small scale farms and crofts; and the integration of trees and carbon sequestration into farming while still producing food.

Effective land management will contribute to Scotland's net-zero ambitions. The Scottish Government needs to support Scottish forestry and peatland restoration, ensure the benefits of this are shared amongst communities and do not just benefit private finance who own the land or buy land for tax avoidance purposes. Scottish Labour wants a Just Transition plan for industries producing and using peat-based growing media.

Scotland's forests are an enormous natural resource. Consideration should be given to how investment can be supported into woodland restoration and development. Scotland should be at the forefront of the development of mass timber (which offers a structurally efficient yet low-carbon alternative to steel or concrete for construction) encouraging its use in projects and more of its ownership shared with communities.

Scottish land is increasingly used for the purposes of investment returns and tax avoidance. Regulatory and tax frameworks should not serve to maintain and increase the wealth of the wealthiest. The Natural Capital Market Framework for Scotland is in urgent need of reform, with clear requirements for community benefit, share offers and shared ownership. Scottish Labour should further explore carbon and social value credits to support local timber production for the retrofit of rural housing.

Further land reform measures could be implemented to apply public interest and benefit tests to the acquisition of land and ensure that public subsidies support community ownership, use and benefit.

Further reform of crofting legislation is urgently required. Scottish Labour's future policy should recognise common grazings as important land with continuing traditional use and within strategic land use for economic development in renewables and natural capital, where the rights of crofters are recognised and strengthened as necessary.

Furthermore, the community right to buy is in need of reform. Under existing legislation, the opportunity for communities to purchase land and assets only ever arises when property actually comes up for sale, but the nature of these holdings means that they are often never sold on the open market. A Scottish Labour government should explore reforming the Community Empowerment (Scotland) Act to provide greater opportunities for communities to exercise the right to buy. Scottish Labour is continuing to take forward land reform even in opposition with Mercedes Villalba MSP lodging her Proposed Land Ownership and Public Interest (Scotland) Bill.

Government should make greater use of conditionality to promote Community Wealth Building and Fair Work in rural industries, including unionisation of key industries such as tourism, hospitality, food and agriculture, and renewables.

Procurement policy could include a community owned energy preference and look at how private developers should be required to offer credible share ownership to communities, with community benefit payments mandatory and linked to profit, rather than flat rates.

Government should prioritise the development of value chains in the rural economy to ensure that high quality jobs stay in the rural economy.

Scotland is uniquely well placed due to its natural and geographic features to seize the opportunity of the clean energy transition, with significant opportunities for community owned hydro, wind and solar power. A Scottish Labour government would look to ensure that community benefits are mandatory and that they truly deliver for communities.

Denmark, for instance, mandates that at least 20% of a project should be owned by local communities or local authorities. This ensures the benefits of large-scale renewable energy projects do not go to large landowners alone, but help to create a fairer, more just energy transition.

A new Scottish Labour government should look at the example of municipal ownership of renewable energy which was pioneered by the Labour led North Ayrshire Council. There is scope for councils and other public bodies who are large landowners to use their land for renewable

energy schemes. Any such scheme should be designed to maximise the benefit to the local community.

There are many community owned renewables projects but there is a lack of support for communities and there is the additional obligation for community owned renewables to be linked to land reform legislation and so the option of a Community Co-operative Energy should be looked at.

The Scottish Government has repeatedly failed to support the right to food. Legislation is required to provide a genuine and effective right to food. Such legislation should also address the rights of workers across the food chain including field workers, logistics, factory workers, hospitality workers, and delivery drivers.

3. Key sectors

Agriculture, forestry and fishing accounts for 15% of workers in remote rural areas compared to 12% in accessible rural areas and 0.5% in the rest of Scotland[1]. The agricultural sector employs around 67,000 people directly in Scotland and makes up around 2.5% of the country's employment[2]. Farm work has become increasingly uncertain with around 12% of the agricultural workforce classed as either seasonal or casual labour.

Driving up pay, conditions and income in the sector is essential. This is true across the food supply chain from farming to hospitality. Food plans and procurement processes associated with measures relating to the Good Food Nation Bill should include targets and processes based on the application of Fair Work principles, including the extension of "workers voice" through trade union access and trade union recognition across the food chain.

Food security is a national security issue and it continues to be crucial to economic growth. Agriculture policy is devolved, and Scottish Labour will champion Scottish farming and will work to safeguard the sustainability of our agricultural sector.

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[1] Scottish Government (24 February 2021) Rural Scotland Key Facts 2021

[2] Scottish Government (15 August 2024) Scottish Rural Development Programme 2014-2020: Evaluation of Capital Grant Schemes: Annex A - Sector overview

Tourism is also a cornerstone of the rural economy. Scottish Labour wants tourism to bring money into our rural and island areas and ensure the money stays there, supporting local communities to have control over tourism in their area.

Scotland has the advantage of possessing a highly regarded national brand and a strategic partnership between government and the tourism industry can lead to substantial growth in the sector.

But poor infrastructure and integration can be a drag on tourism. Scottish Labour will learn from best international practice to build a joined-up offering. A Scottish Labour government will address skills gaps and drive excellence through clear career pathways, working with businesses and educational institutions to create specialist training routes for those in hospitality, tourism, and food and drink.

However, tourism puts further pressure on housing stock in rural and island areas, as supply is used for rentals such as AirBnB.

4. Housing

A lack of adequate housing is a key barrier to economic growth in Scotland's rural areas. It is more expensive to build houses in rural areas but more houses need to be built across all tenures, including more affordable socially rented housing. Scottish Labour will ensure that there is a genuine allocation for rural homes in the affordable housing supply programme and increase housebuilding across all tenures. A Scottish Labour government will also improve the certainty and speed of planning decisions to support SMEs who build the majority of rural homes.

The inadequacy of housing supply is reflected in housing costs which are unaffordable to locals. Previously, the relatively low income levels in Scotland's rural areas was compensated for by relatively low housing costs – however, it is now the case that in many rural areas housing costs match or even exceed urban areas without a commensurate increase in incomes. This is unsustainable.

Further work is needed to improve regulation on second home ownership, which takes housing out of local supply for tourism.

The planning system needs to be reformed to provide for housing development to be more nationally strategic. Compulsory purchase needs to be reformed and complemented by the introduction of compulsory sale orders to increase the flow of land.

The housebuilding market is increasingly concentrated, with a decline in small builder firms who previously played a key role in the housing supply chain in rural areas. Work needs to be undertaken to make smaller, rural developments an attractive proposition for developers. Firmer requirements on developers are needed to provide social housing, starter homes and homes for single people.

5. Skills and tertiary education

Employers repeatedly say that the lack of an adequately skilled workforce is holding back economic development. Furthermore, the opportunities to develop such skills locally are diminishing.

The role of regional development agencies such as Highland and Islands Enterprise and South of Scotland Enterprise need to be considered in developing the skills base in their respective areas to meet local needs. A more robust, strategic approach to how the Apprenticeship Levy operates in Scotland is needed to ensure that the levy is being used to maximise productivity.

Scotland's colleges should be key partners in skills development. At present, the relationships between colleges and development agencies is not close enough. These relationships should be much closer, with development agencies playing a key partnership role in decisions relating to course provision.

A significant contributor to the 'brain drain' in Scotland's rural areas is the limited opportunity to undertake higher education in rural areas. There are two principal causes of this.

The first is a lack of adequate campus-based higher education provision. The south of Scotland is served by two satellite campuses of central Scotland universities, offering a limited range of courses. While UHI has many achievements to be proud of, it needs to further develop into a general university in the way envisaged in the early 90s. The range of courses on offer remains limited and patchy, especially at postgraduate level. This limits the supply of graduates in the rural workforce.

Placing a university structure on top of an assortment of further education colleges was always going to be limiting – with investment decisions heavily influenced by the need for relationship management within the network. Consideration should be given to the structural and organisational barriers preventing UHI from reaching its full potential, with a particular focus on developing its HE role in the Highlands and Islands.

The second barrier to access to higher education in rural areas is entitlement to student support. At present, students studying full-time on campus receive SAAS support with respect to both tuition fees and costs of living; whereas those studying part-time and/or remotely do not receive any cost of living support. This is especially absurd where a course of remote study is full-time. Many higher education providers are keen to develop their online offering, but the market is limited as financial support structures favour on campus study, despite such a mode being more expensive for both providers and taxpayers. Any reforms of student finance should look at how this perverse incentive can be changed and to assist in providing greater opportunities for students to study where they already are.

6. Rural towns

The challenges faced by towns are well rehearsed. However, these challenges are especially acute in Scotland's rural towns and often compounded by their distance from cities and other large towns.

The ready availability of development land on the outskirts of rural towns has resulted in significant 'doughnutting' – the depopulation of town centres and considerable sprawl. Reforms to planning, tax and rates systems should incentivise the development of residential

accommodation within town centres. These might make prime candidates for the development of starter homes and homes for single people, in particular.

Properties in Scotland's rural towns are, on average, significantly older than those in central Scotland. Ownership of properties is often uncertain, and many vacant properties are *bona vacantia*. The King's and Lord Treasurer's Remembrancer's (KLTR) Ownerless Property Transfer Scheme process is slow, requiring considerable legal expertise (which is often in short supply in small rural local authorities). The KLTR should be provided with a proactive mandate to support local authorities in which ownerless property is located, while the Registers of Scotland should be supported to pro-actively investigate and register ownership of property with a particular focus on town centres.

While our ambition is for every property in Scotland to have access to high speed, full-fibre broadband, it is somewhat understandable that this is challenging in very small, remote settlements. It is absurd, however, that it is difficult to obtain a full-fibre connection in major regional towns like Arbroath, Dumfries, and Elgin. While such connections are often physically possible, a lack of engineers means customers can regularly wait several months before it is possible for such connections to be made. The rural economy requires having enough people with the necessary skills.

While the Scottish Government's R110 scheme funds connections to those areas where it would not be viable to do so on a purely commercial basis, such funding should be contingent on performance metrics with respect to commercial connections as well.

7. Transport

Transport is a significant barrier to growth in Scotland's rural economy, both in terms of rural communities' connections to the major settlements in the central belt, and in terms of their connections with each other.

Notwithstanding the value and utility of rail in some rural areas, roads are the most significant transport infrastructure for the vast majority of Scotland's rural and island communities. Scotland's rural road network is

unsafe and in poor condition. Transport Scotland's programme of work on improving connections to Scotland's rural communities ought to be accelerated, with consideration given to expanding the scope of these projects.

Buses are of vital importance in rural communities, but for decades private operators have cut services to focus solely on the most profitable routes. In many areas local authorities have stepped in to fill the gap, with the unsatisfactory result that public money effectively subsidises greater profit for private shareholders. Assistance could be given to local authorities to help them with start-up costs to allow them to establish municipally controlled buses.

Regional transport partnerships are under-resourced, rendering them unable to undertake impactful projects. These partnerships should be either reformed or abolished, with their functions undertaken by bodies with the powers and resources necessary to deliver major projects.

The current model of ownership and operation of Scotland's ferry network is inadequate and in need of review. Consideration should be given to the future role of Caledonian Maritime Assets Limited (CMAL), whilst ensuring that it continues to be publicly owned. Given Anas Sarwar's drive to declutter Scotland's quango landscape, the merging of CMaI (which owns the ferries and harbours) and Caledonian MacBrayne (which operates the ferries) into one entity would be a sensible move.

Consideration should also be given to reviewing Scotland's public procurement rules in light of the Procurement Act 2023.

QUESTIONS

1. Does Scotland need a targeted rural economic strategy or can both rural and island and urban Scotland be served by the same one? How do we ensure that rural and island communities are sustainable?

2. Should we have different expectations of what a vibrant rural economy looks like and whether rural and urban economic outcomes should differ?

3. How can rural microbusinesses and businesses be supported and growth encouraged?

4. How can the housing needs of our rural areas be met?

5. How can connectivity within and between rural, island and urban areas be met?

SUBMISSIONS

This paper draws out areas that we wish to seek specific evidence and opinions on and we hope to encourage submissions that focus on these questions. However, we welcome responses that are not raised explicitly in the paper.

Submissions should be sent to: **scottishpolicyforum@labour.org.uk**

Please give your name, organisation name (if relevant) and a contact email address.

The deadline for submissions is Saturday 28 June 2025.

Thank you.

Scottish Labour

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