

## Housing, Regeneration and Planning

# Investigation of Occupancy Controls in Rural Housing

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The aim of this research was to investigate policies being implemented in Scotland and other countries (including elsewhere in the UK) to resolve rural housing shortages, with a specific focus on the potential benefits of those which aim to restrict the occupancy of open market housing for owner-occupation. It was to make recommendations on whether and how policy lessons from other countries may be suitable for Scotland. The Scottish Government was keen to gather evidence on the criteria used to create residency restrictions and how these operate; the use of the planning system, with particular focus on land release and incentives to provide affordable housing; and the use of taxation systems to alleviate affordability problems in rural areas. The research was undertaken in the context of the Scottish Government Housing Supply Task Force's examination of means of facilitating rural and urban housing supply and the Scottish Parliament Rural Affairs and Environment Committee's investigation of rural housing.

## Main Findings

- Scotland's comparator countries have used occupancy controls in two main ways: on who can buy new market housing in rural areas and to prevent permanent residences becoming holiday homes.
- Limits to who can buy housing have been applied - on the basis of length of residence or for employment reasons - in English and Welsh National Parks. These show limited qualitative benefits. The same restraints severely curtail private housing development. It is likely that rural areas in Scotland adopting such a policy would face the same problem.
- In the face of extremely high externally-generated demand, the states of Jersey have had long-standing policies to restrict the ability to purchase to long-term residents. It is doubtful if Jersey's context is sufficiently similar to any part of rural Scotland to warrant consideration of such an approach here.
- Many rural county councils in the Republic of Ireland have recently implemented policies to restrict development to meeting 'rural-generated' demand. The impacts of this policy are unclear at this stage.
- In the face of depopulation of remote rural districts and high proportions of holiday homes in some settlements, many Norwegian municipalities have used licensing to deter permanent residences becoming holiday homes. To date the policy has shown no tangible benefits.
- Scotland and other UK countries and territories and Eire have enacted planning policies to secure contributions, including affordable housing, from uplifts in development value. These have tended to benefit larger settlements including market towns. Small gains have been made from rural exceptions policies in England.
- Some Scottish rural councils have been able to generate important contributions to housing development budgets from the revenue from reduced council tax discounts on second homes.

## Research objectives

The objectives of this research were to identify a limited number of comparable countries in which housing or planning policy includes particular innovative or useful solutions for rural areas; to examine the effectiveness of policy approaches in comparator countries; and to consider how policies used in comparator countries might work (or not) in Scotland.

The research was wholly desk-based and used previous research and literature to summarise the nature of housing affordability problems in rural Scotland and lessons from evaluations of policy responses. Second, the researchers looked at comparative experience in England and Wales and the states of Jersey. Third, expert reviews were commissioned to summarise the experience of the Republic of Ireland, Norway and Sweden.

### Housing affordability in rural Scotland

In rural Scotland today, and historically, problems of housing affordability are attendant upon local supply constraint. This is coupled either with an inability of some groups to compete with buoyant demand from in-migration or with economic fragility meaning that lower-income households are constrained from accessing the housing market. The Scottish Government (and predecessors) and local government have used an array of demand-side and supply-side mechanisms to attempt to resolve these, including tailored subsidies and reform to planning and land release policy. Whilst some subsidies have achieved some modest successes, these measures, and supply-side reform may need a step-change to mitigate seemingly-persistent rural housing affordability problems. Policies to restrain demand through occupancy control have had limited application in rural Scotland and there are qualifications on how successful they have been.

## Comparative evidence

Two sorts of rural housing problems emerge in the comparator countries – peri-urban

affordability difficulty and some evidence of depopulation of remote regions. Amongst the comparator countries, only Norway seems free of the former. The Scandinavian comparators share the characteristic of having local authorities leading on development planning, this seeming to generate at least the possibility of tailored approaches to sustainable development in Sweden. All of the comparators have some degree of recognition of rural settlements having relatively high proportions of holiday-homes. This not universally construed as a problem – in depopulating territories of Sweden particularly. Neither Norway's attempt to deal with adverse consequences through licensing nor English/Welsh National Park attempts through occupancy control seem to have had many positive consequences, and in Norway the opposite is closer to reality.

## Conclusions

Based on the research evidence, the report outlines a range of possible policy responses to housing affordability problems in contemporary rural Scotland, in the areas of planning, housing and local government finance. For each possible response, it shows the main benefits and costs of adopting the policy.

The table below summarises this discussion.

Possible measure	Benefits	Costs
Encourage land release for housing	Makes supply more responsive to demand	Implementation can be difficult and process is long-term
Discourage households from moving to rural areas through increasing cities' attractiveness	Reduces demand for rural housing	Damages rural economy, likely to be regressive, denies household aspirations, unlikely to succeed as counter to long-term trends
Occupancy control to limit external purchase	Favours 'local' people	Local economic stagnation, may stifle development, may be seen as discriminatory
Enhanced use of rural exceptions policies	Can overcome 'nimbyism'	Numerically small contribution overall
Create use class of affordable housing	Maintain affordable housing in perpetuity	Definition difficult, implementation problematic
Create second/holiday home use class	Discourage second/holiday home	Definition difficult, implementation problematic
Financial incentives for construction industry to build in specific areas or for self-build	Makes supply more responsive to demand	May not be efficient in long-term
Financial incentives for self-build	Cost-effective	Numerically small contribution overall
Remove discounts in council/ local tax on second homes	Encourages permanent residence, contribution to local housing development budgets	In itself, does not encourage supply, may be easy to avoid

This document, "An Investigation of Occupancy Conditions in Rural Housing" (the full research report of the project) and further information about social and policy research commissioned and published on behalf of the Scottish Government, can be viewed on the Internet at: <http://www.scotland.gov.uk/socialresearch>. If you have any further queries about social research, please contact us at [socialresearch@scotland.gsi.gov.uk](mailto:socialresearch@scotland.gsi.gov.uk) or on 0131-244 7560.



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