SPF VOICE

April 2020

INSIDE THIS ISSUE

Robin Blacklock
SPF Chair
MD Dowbrae Property Consultancy

Let me start by saying that I hope that you and those close to you are safe and healthy.

On my desk in my office I have a day-to-month calendar on which I decided to track the days of "lockdown". By the time this is published the count will number "37". The last time I started counting days like this was when I gave up booze in January.

In a chaotic world of uncertainty each one of these counted days has followed a very familiar routine. A kind of Groundhog Day, where everything appears the same except the world is very different.

And if we look back over these 37 days it's very clear that – despite having barely moved – we've come a long way.

On only the first day of lockdown we were speaking with the Chief Planner, John McNairney, about the implications on the planning system and by the end of that first week we'd gone into print to the Scottish Government with a variety of issues and concerns raised by members. By the end of the second week the Scottish Coronavirus Bill became an Act and it was reassuring to see that our representations were reflected.

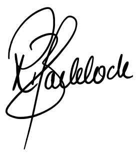
In the third week we were dealing with the practicalities of a prolonged shut down and its impact on the economy. It is clear that both residential and commercial tenants have been offered protection and we have been supportive of these moves. There are many great examples of landlords acting pragmatically, but it is important that the economic impact on owners is not forgotten. Our work on this front continues.

As counting days gives way to counting weeks we look forward and our focus has shifted to ensuring that – when it is safe to do so – there is a clear strategy for getting our industry functioning more normally. This includes working with other trade bodies in the construction sector to find a path towards having development sites active once more. We are exploring measures that might be taken to boost activity in our sector to assist with an economic recovery, and more generally to understand what the phased return to work might look like.

We continue to work hard on your behalf to ensure that we do all we can to mitigate the negative effects on our members. In this respect, if you have any issues or concerns where you feel we can help, please do get in touch.

Oh, and that count from January, got up to 70 days before an abrupt halt days before the lockdown. It hasn't gotten beyond three since…

Stay safe and well. We're here to help.



SCOTTISH PROPERTY FEDERATION TEAM

David Melhuish
Director
dmelhuish@bpf.org.uk
Tel 0131 220 6353

Gail Hume
Business & Events Manager
ghume@bpf.org.uk
Tel 0131 357 8667

Mandy Catterall
Government Relations Manager
mcatterall@bpf.org.uk
Tel 0131 220 6304

Murray Horn
Policy & Communications Officer
mhorn@bpf.org.uk
Tel 0131 306 2222

Karlen Lambert
Policy & Communications Officer
klambert@bpf.org.uk
Tel 0131 370 0795 @scotpropfed

6th Floor
3 Cockburn Street
Edinburgh
EH1 1QB

POLICY INSIGHTS

EMERGENCY CHANGES TO THE PLANNING PROCESS

Regulations laid at Holyrood and approved by Parliament, aim to keep the planning system moving and ensure that applications can continue to be submitted during this emergency period.

The Regulations and supporting guidance establish temporary arrangements to suspend the requirement for a public event in relation to pre-application consultation; local review bodies meeting in public; and hard copies of EIA reports in physical places.

The SPF has engaged fully with the Scottish Government as these arrangements have developed and we now look to planning authorities to use this pragmatic and flexible approach to help unlock development and support jobs.

The Chief Planner's letter published on 3 April, highlights the Scottish Government's intention to continue work on NPF4, which will be important in supporting our future economic recovery. It looks likely that a draft will be laid in the Scottish Parliament and consulted on publicly during 2021.

Meanwhile, DPEA has also issued updated guidance on progressing cases during lockdown.

CLIMATE CHANGE: THE ENDURING EMERGENCY

The response to the coronavirus crisis highlights the need to rethink Scotland's approach to combating climate change. Until now, regulations aimed at reducing built environment emissions have, arguably, been relatively light touch, but more extensive interventions are on the horizon for all property types. These regulations could arrive at a time of severe disruption to our industry and to property owners, both large and small. Not only have cash flow and investment been impacted, but forecasters are predicting an economic downturn with no certainty on when we might 'bounce back'.

The COVID-19 response shows both the UK and Scottish governments are not afraid to pull out all the fiscal stops in the face of an emergency. Whilst on a different timeline, climate change will be one of the greatest challenges faced in our lifetimes and requires similar action. A whole-economy approach is vital if the public and private sectors are to work together to combat emissions, with fiscal incentives coming in tandem with more rigorous regulation.

COVID-19: LANDLORDS AND RETAIL TENANTS JOINTLY SEEK GOVERNMENT SUPPORT

The retail, leisure and hospitality sectors were early victims of the economic lockdown and the consequence of this for their landlords and investors was clear to see in the recent English quarterly rent returns from March. The overall rent recovery for these sectors was estimated to be 30-40% and a repeat outturn, with us nearing the Scottish May quarterly day, could be devastating for many landlords and investors. The BPF, the British Retail Consortium, and REVO have therefore jointly approached the UK Government to seek support for property costs, in a similar vein to the example of Denmark with its rental support scheme. We will ensure that any updates on the joint approach are communicated quickly to members.

The extent of the COVID crisis for the economy has been starkly revealed by Scottish Government estimates that the economy may have shrunk by a third. It was welcome therefore to see the grant support for small businesses and for retail, hospitality and leisure businesses extended beyond the first property, albeit at the lower rate of 75% of the relevant grant for each additional property.

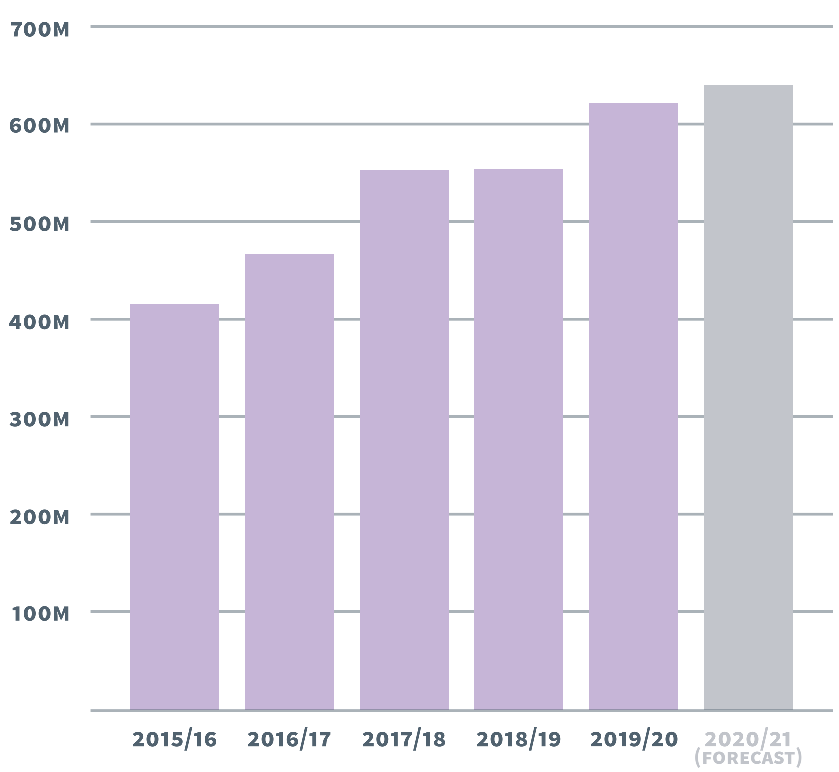
The business support measures do provide a platform for recovery, but we must look to our own sector for proposals on how we re-start our businesses. Clearly, no one wishes to risk the public health of the country after the sacrifices and fabulous performance of our healthcare professionals. But there needs to be a plan for economic recovery, and we are engaging with the government on this agenda. The construction sector will certainly hope to see early action and there should be strong evidence from England on how safe working practices can reopen sites. Retail Parks might also be reopened safely, as social distancing can be achieved in these outlets, indeed arguably more easily than food stores. Offices may need to be adapted to provide more distance between employees. These are some suggestions discussed to date and we would welcome further ideas from you on how our sector can emerge from lockdown.

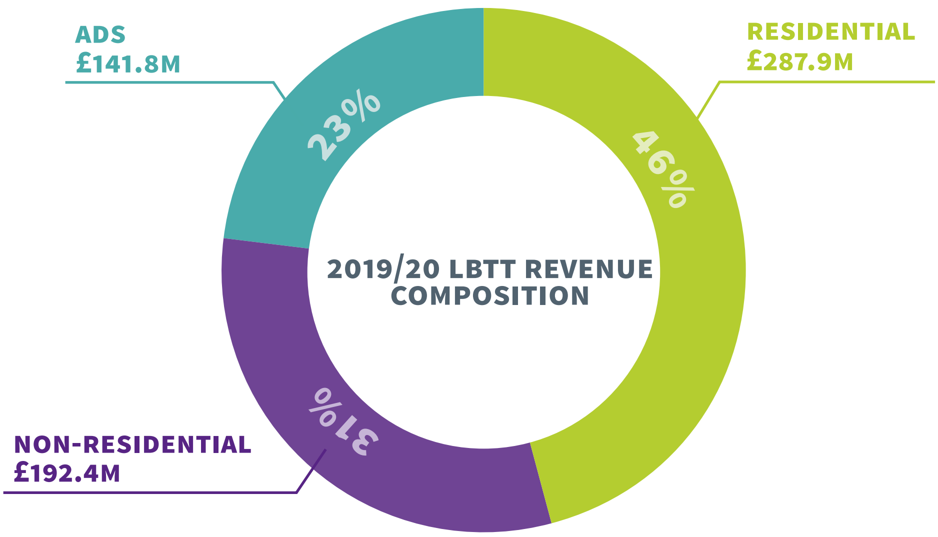
CLICK HERE FOR THE SPF COVID-19 RESOURCE AND INFORMATION DOCUMENT: LAST UPDATED 20 APRIL

RESEARCH

£622.1M
TOTAL LBTT REVENUE FOR 2019/2020

£67M
12.1% UP FROM 2018/19





TOTAL ADS LIABILITY SINCE 2016: £524.9M

TOTAL LBTT

The latest figures from Revenue Scotland has revealed that LBTT revenue for the 2019/20 tax year stood at £622.1m, some 12.1% higher than in 2018/19. Higher revenues from the residential element of the tax and the additional dwellings supplement (which was increased to 4% in 2019) led to the increase in total revenue, with non-residential revenue falling slightly (2.2%) in 2019/20.

ADS

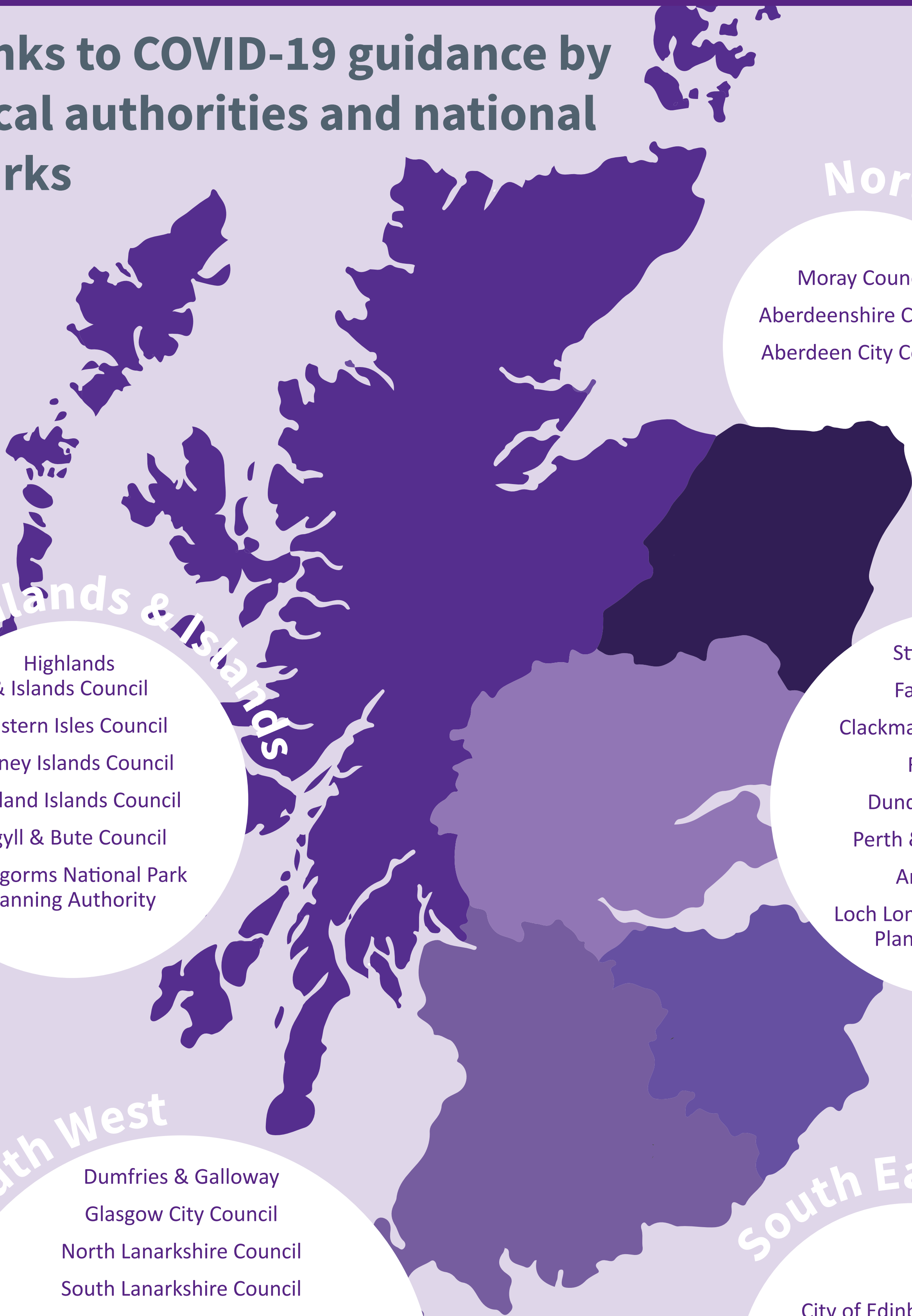
The additional dwelling supplement (ADS) continues to contribute significantly to the total LBTT collected. In 2019/20 it totalled £141.8m, just under a fifth of the total LBTT outturn for the year. However, it also continues to be paid by buyers that inadvertently become second homeowners, leading to many to reclaim ADS at a later date. Since ADS was established in 2016, some £116.7m (22%) of the total liability of £524.9m has been repaid.

2020/21 FORECAST

In February 2020, the Scottish Fiscal Commission (SFC) forecasted that LBTT would generate £641m in 2020/21. However, much has changed in the relatively short time since the SFC's predictions. The coronavirus has caused significant problems with the registration of property and there is an expectation that the economic shock associated with the pandemic will negatively impact the Scottish property market for some time to come.

REGIONAL SPOTLIGHT

Links to COVID-19 guidance by local authorities and national parks



North East

Moray Council

Aberdeenshire Council

Aberdeen City Council

Highlands & Islands

Highlands & Islands Council

Western Isles Council

Orkney Islands Council

Shetland Islands Council

Argyll & Bute Council

Cairngorms National Park Planning Authority

Central

Stirling Council

Falkirk Council

Clackmannanshire Council

Fife Council

Dundee City Council

Perth & Kinross Council

Angus Council

Loch Lomond National Park Planning Authority

South West

Dumfries & Galloway

Glasgow City Council

North Lanarkshire Council

South Lanarkshire Council

Inverclyde Council

East Dunbartonshire Council

West Dunbartonshire Council

Renfrewshire Council

East Renfrewshire Council

North Ayrshire Council

South Ayrshire Council

East Ayrshire Council

South East

City of Edinburgh Council

East Lothian Council

Midlothian Council

West Lothian Council

Scottish Borders Council

INDUSTRY INSIGHT

COVID-19: positive business measures

A spark of hope for businesses in financial distress

Allana Sweeney
Senior Associate, Restructuring and Business Advisory Team
Shepherd and Wedderburn
0141-566 7215 | allana.sweeney@shepwedd.com

Each day brings fresh challenges as a consequence of the COVID-19 pandemic, giving rise to understandable anxiety among businesses and wider society. However, there have been welcome announcements from the **UK Government** and **Scottish Government** in terms of the support they are providing to those facing or bracing for insolvency in order to mitigate financial liabilities. Details of some of these measures are set out below and we would encourage businesses to identify as many viable options as is possible in early course:

1. Insolvency reforms are anticipated imminently that will undoubtedly provide breathing space and further comfort to businesses affected by the COVID-19 pandemic. In particular, the UK Government has indicated the reforms will:

- temporarily suspend wrongful trading for a three month period commencing 1 March 2020;
- introduce a moratorium for companies to prevent certain enforcement action being taken and assist with rescue and restructure strategies;
- introduce a new restructuring plan process; and
- amend the essential supply provisions contained within the Insolvency Act 1986 to ensure continuity of supply.

It is clear that the wider implications and consequences of the COVID-19 pandemic continue to be taken under consideration, and further measures are due to be introduced to further support the retail sector and protect the UK high street.

2. HMRC has issued insolvency guidance for the purposes of providing support to:

- insolvency practitioners, individuals and businesses that are subject to an existing voluntary arrangement, where COVID-19 has an impact on the ability of the parties to make contributions or meet the post-arrangement tax liabilities. This support includes a three-month break in contributions being made to HMRC; and
- debtors by pausing the majority of insolvency activity for a period of time. In particular, HMRC will not petition for bankruptcy or winding up unless deemed by HMRC to be essential (for example due to fraud or criminal activity).

Further details can be found **here.**

3. The Bank of England has **announced** an emergency cut to interest rates, lowering the base rate to 0.1%.

4. The Coronavirus Job Retention Scheme will enable businesses to retain staff at least until the end of June (extended from end of May), during which they will be able to recoup 80% of their employment costs up to a maximum sum of £2,500 per month per employee. This will require the status of employees to be altered to being a furloughed worker.

5. 100% relief from business rates has been announced for the tax year 2020/2021 for various different categories of business including:

- retail, hospitality and leisure sector businesses with occupied properties; and
- nurseries (this is new for England – since April 2018, nurseries in Scotland have been entitled to 100% relief); and
- Scottish airports and relevant handling services at Scottish airports.

In England, there is no action required because the rates will be applied to the relevant Council Tax bill. In Scotland, we do not expect there to be any change in process for obtaining relief.

6. In addition to the above, the Scottish Government has announced a 1.6% relief on non-domestic rates for the year 2020/2021, effectively reversing the poundage change for that year. This will be applied automatically to bills going forward.

7. A grant of £10,000 will be available to small businesses that pay little or no business rates in respect of occupied properties, including:

England – those who would ordinarily be entitled to Small Business Rate Relief, Rural Rate Relief and Tapered Relief.

Scotland – a small business support grant for those who would be entitled to Small Business Bonus Scheme Relief and Rural Relief. It is also available to a business which is eligible for Small Business Bonus Scheme Relief but which is in receipt of Nursery Relief (see point 5 above), Disabled Relief, Business Growth Accelerator Relief, Discretionary Sports Relief, Enterprise Areas Relief or Fresh Start. A 100% grant is available on the first property and, from 5 May 2020, it would appear a grant at 75% will be available for each subsequent property.

8. There are also cash grants available for businesses in the

CONTINUED

retail, hospitality and leisure sector with occupied properties. There are some nuances in the Scottish position:

England - a grant of up to £25,000 per property is available depending on the rateable value. Where the rateable value is under £15,000, the grant entitlement is £10,000. A rateable value of £15,001 - £51,000 gives rise to a grant entitlement of £25,000. The relevant local authority will write to eligible businesses.

Scotland

i. a one-off grant of £25,000 will be available for businesses with a rateable value of £18,000 - £50,999. The application can be made from 24 March 2020 and will be available until 31 March 2021. A list of those businesses that are eligible and ineligible is available **here**. From 5 May 2020, it would appear further grants at 75% may be available for each additional eligible property;

ii. the small business support grant referred to at 7 above may also be payable where a business is not eligible for the Small Business Bonus Scheme Relief but does have multiple properties where the rateable value of each property is less than £18,000 and the combined rateable value of all of the properties is between £35,001 and £51,000.

9. VAT payments will automatically be deferred for the three-month period from 20 March 2020 to 30 June 2020. The relevant business will have until the end of the 2020/2021 tax year to pay the deferred tax liability. VAT refunds and reclaims will continue as normal.

10. New measures for the self-employed have been introduced including:

- a coronavirus self-employment income support scheme;
- a new £100 million fund in Scotland to assist the newly self-employed and viable micro and SME businesses suffering distress due to the pandemic; and
- automatic deferral of income tax payments for self-employed from 31 July 2020 to 31 January 2021.

11. HMRC is also scaling up its Time to Pay arrangements for those with outstanding tax liabilities who are facing temporary financial distress during this period. There is a dedicated telephone line available to contact HMRC for such arrangements: 0800 0159 559.

12. SME businesses and employers with fewer than 250 employees as at 28 February 2020 will be entitled to reclaim Statutory Sick Pay paid to employees. Details of the rebate scheme to claim repayment are awaited.

13. The Coronavirus Business Interruption Loan Scheme (CBILS) has been introduced (and further extended) by the British Business Bank, which loans will be available through a variety of lenders with the lending being 80% government backed. This funding can be accessed by:

- SMEs and other businesses with a turnover of less than £45 million to provide access to finance of up to £5 million. Importantly, there will be no personal guarantees required for debt less than £250k and where the debt is over £250k the guarantee is to be limited to 20% of the outstanding balance. Insufficient security cover is no longer an eligibility requirement; and
- businesses with a turnover of between £45 million and £500 million who are unable to secure regular commercial financing. Lending of up to £25 million is available to businesses with a turnover of between £45 million and £250 million. Lending of up to £50 million is available to businesses with a turnover of more than £250 million.

14. A new 'bounce back' loan scheme has been announced to provide access to finance to smaller businesses. Funding of up to £50,000 or 25% of turnover will be made available and will be 100% backed by the UK Government, with the UK Government also paying the interest for the first 12 months. It is hoped that the funds will be available within 24 hours of approval. It is understood the application process will involve a standardised form with simple eligibility criteria and no requirement for forward-looking tests of business viability. Applications can be made from 4 May 2020.

15. The Bank of England is also making available a financing facility known as the Covid Corporate Finance Facility (CCFF) whereby it will purchase short-term debt (with a maturity date of up to one year) in the form of "commercial paper" from larger firms to support liquidity. The CCFF is aimed at non-financial companies that make a material contribution to the economy and satisfy the Bank of England's eligibility criteria. A key requirement is that the business was in sound financial health prior to the COVID-19 outbreak, meaning a short or long-term rating of investment grade, as at 1 March 2020, or equivalent. Further details of what is meant by "commercial paper" and the eligibility criteria can be found **here** and further information on participating lenders is available on the **UK Finance website**.

16. It may well be possible to make an insurance claim as guidance has been issued that suggests those businesses, including those in the hospitality and leisure sector affected by COVID-19 crisis/lockdown, may be able to make a claim (subject to the wider policy conditions being met/complied with). It is therefore worthwhile to continue to review the policies you have in place and engage with your insurers accordingly.

17. If insolvency does occur, the Crown preference provisions giving HMRC an elevated position as a preference creditor will now be delayed from 6 April 2020 and will apply to insolvencies from 1 December 2020 (see our previous **note** regarding the nature of the preference being given). However, the prescribed part available to unsecured creditors in insolvency has increased from £600,000 to £800,000 in relation to insolvencies with floating charges created on or after 6 April 2020.

18. On 25 March 2020, the First Minister **announced** further support in relation to bus companies that have reported a significant drop in concessionary travel. Since then, further grants and funding options have been announced by the Scottish Government in relation to creative industries, the third sector, seafood fishing and processing industries, coastal businesses and third sector organisations.