



SPF VOICE

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INSIDE THIS ISSUE

Chair's Column
Sustainability
SPF Events Recap

Tax
SPF Dispatches
SPF Annual Conference 2023



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SPF Chair

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An era ends but political challenges for real estate endure

On 14 February the First Minister Nicola Sturgeon announced she would be standing down as leader of the SNP and First Minister of Scotland. This is the end of an era in many ways but does offer the opportunity for a reset of business government relationships in Scotland. We need to see a higher priority given to the economy and supporting business to deliver the jobs and yes, the public revenues required to support the public services.

“This is the end of an era in many ways but does offer the opportunity for a reset of business government relationships in Scotland”

In the meantime, the rent cap legislation continues to evolve at Holyrood. We have again directly told the Scottish Parliament this was not proportionate legislation. But it was also interesting to note the clear need for private sector investment to support new rented homes of all tenures echoed across most other witnesses including housing officers and Registered Social Landlords (RSLs).

We do not expect that the Regulations to increase the rent cap from 0% to 3% will be amended however and the next major decision point is likely to be this summer when the government will review the case for extending the rent cap and moratorium measures beyond 30 September to 31 March 2024. The focus of MSPs is also turning to

the next Housing Bill which is expected to include a permanent form of national rent control for the Private Rented Sector (PRS). It is vital any such proposal is fully scrutinised with its consequences on investment in Scotland and the supply of new rented homes in Scotland.

I am delighted that our forthcoming annual conference *Redefining Real Estate* on 19 April will be opened by Councillor Susan Aitken, Leader of Glasgow City Council. We have a superb array of key industry and public sector input from across our range of panellists to look at a host of key issues for the real estate sector in Scotland. This includes the rent cap and residential investment, planning and NPF4, sustainable towns, and investment for innovation districts. This is our first such event in Glasgow, and I look forward to seeing as many of you as possible on the day.

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INDUSTRY INSIGHT



SCOTLAND AND THE NET ZERO AGENDA

PETER KERR

Director
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Atelier Ten's Peter Kerr considers the complexities and challenges of our built environment net zero policy agenda

There have recently been some significant developments in driving the net zero carbon agenda for buildings in Scotland. We have seen the introduction of new energy requirements following the update to Section 6 of Building Regulations, including the updates to the EPC carbon factors and the implementation of the Net Zero Public Sector Buildings Standard to name a few. Next year we can expect more regulation change with the introduction of the New Build Heat Standard. These combined with a variety of industry and investor led benchmarking solutions such as the UKGBC Net Zero Carbon Buildings Framework, considering both operational and embodied carbon, and NABERS, focusing on design for performance and energy use, mean we are in a very confusing and conflicting place.

How will this affect our decision-making process in development, investment, design and occupation? We need to take a step back and take a holistic approach to protect the environment instead of a relentless pursuit of an ill-defined term 'net zero' which seems to mean something different to anyone you meet.

We have listed some examples below to show the complexity of the problem we are facing and make us pause for thought.

Should we super insulate our buildings when the carbon emissions taken to make the insulation is exponentially increased when moving from U-value of 0.2 to U-value of 0.1? (Refer to chart 1.1)

Are photovoltaic panels sustainable or merely a means to reduce energy costs? Similarly to the scenario with increased level on insulation, the operational carbon savings will never payback the carbon emissions resulting from making them. (Refer to chart 1.2)

While trying to strike the balance in minimising both operational and embodied carbon emissions, we cannot forget about the social dimension of sustainability.

The social cost of the drive towards net zero emissions is especially critical in the domestic sector. Whilst the commercial sector has the access to the best wholesale electricity rates, this is not the case for residential property owners.

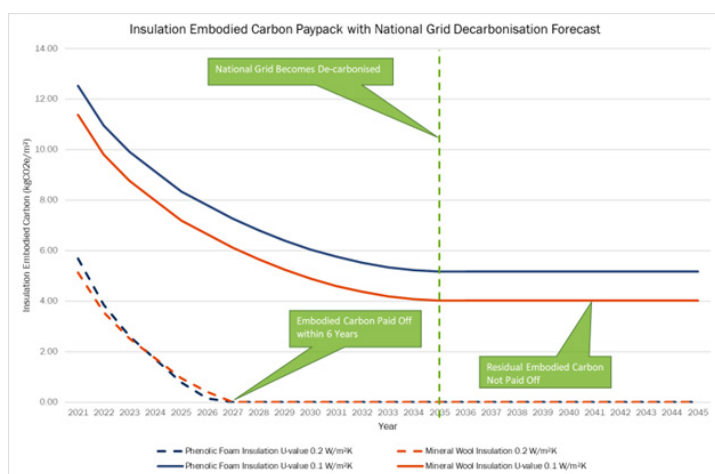


Chart 1.1 : Insulation Embodied Carbon Payback with National Grid Decarbonisation Forecast

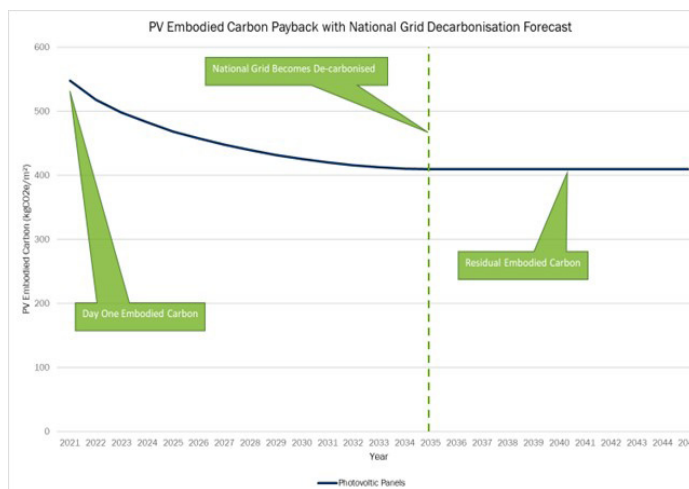


Chart 1.2 : PV Embodied Carbon Payback with National Grid Decarbonisation Forecast

INDUSTRY INSIGHT

Chart 2.1: Average Standard Electricity and Gas bills (current prices)

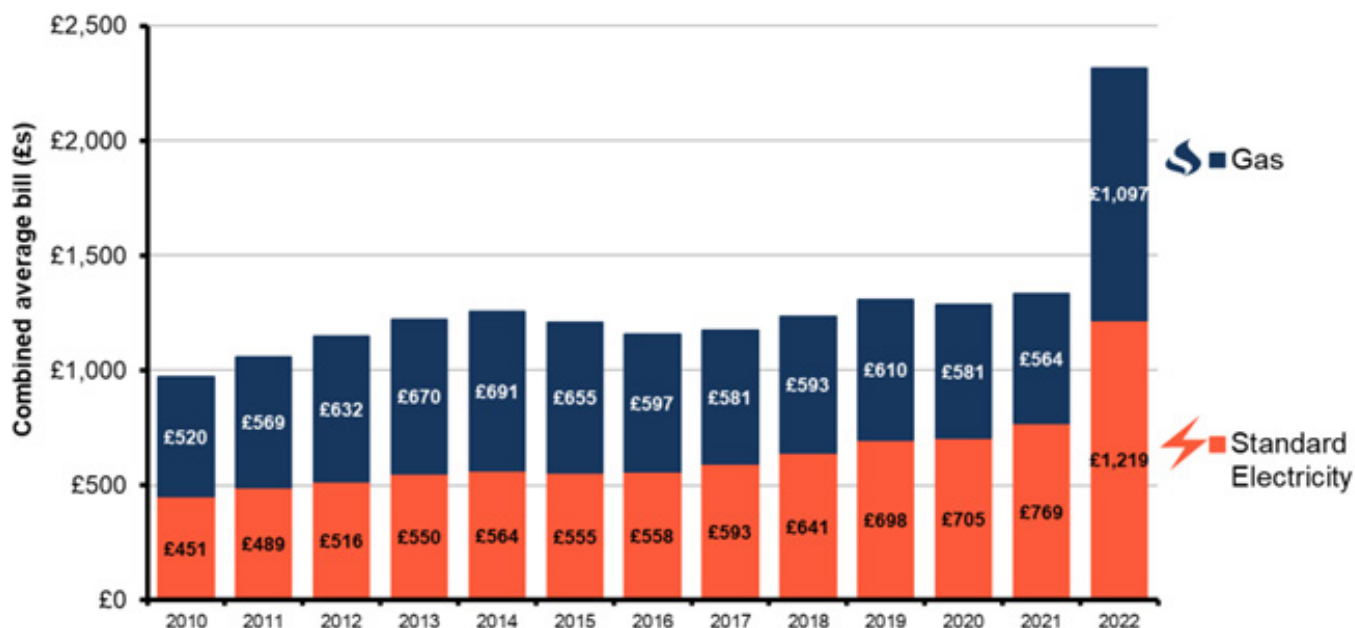


Chart 2.1 : Average Standard Electricity and Gas bills (current prices)

The chart 2.1 above, which is an extract from the Department for Business, Energy & Industrial Strategy website is based upon 3,600 kWh electricity consumption and 13,600 kWh gas consumption for an average household giving average rates of 33.86p/kWh for electricity and 8p/kWh for gas. With gas being more cost-effective solution at the moment, the big question arises: what is the incentive is to make the shift to all electric solutions? Unfortunately, the efficiency of heat pumps will not cover this disparity.

Taking a step back and looking at the big challenges, we find that decision making cannot be merely driven by reducing carbon emissions in the operation of buildings. We have to take a broader, informed approach and consider not only the environmental impact, but also recognise the social aspect of these decisions. While keeping the operational cost down should be the priority, we can no longer depend on non-renewable energy sources in the time of climate emergency.

Therefore, we think that the building industry needs to respond with the cost and carbon efficient materials and systems, which reduce the energy use in all-electric buildings supplied from a net zero electric network while the government needs to assess the environmental and social cost applied to electricity and gas unit prices as well as funding appropriate infrastructure to help deliver buildings which are constructed from low carbon impact materials.

Have your say:

Heat Networks consultation- closes 11 March, 2023

Draft Energy Strategy and Just Transition Plan consultation- closes 4 April 2023

If you would like to comment on these consultations please contact spf@bpf.org.uk

EVENTS RECAP



SPF supported the Scottish Property Awards held at the prestigious EICC to honour excellence in the commercial and public property industry. The event witnessed over 650 attendees to celebrate the achievements in Scottish real estate sector.

Huge congratulations to all the finalists and winners and to **Stuart Heslop** for winning the 2023 Business Leadership Award this year!



HIGHLIGHTS FROM BPF FUTURES



BPF Futures in Scotland held a successful speed-networking event at the stunning Bryce Hall, The Mound, kindly sponsored and hosted by Bank of Scotland. We were joined by more than 50 young-in-career professionals.

BPF Futures is open to anyone with less than 10 years in the property industry. Join for free online, sign up to the newsletter and take part in events across the country.

Help create a more diverse property industry.



INDUSTRY INSIGHT



SCOTTISH GOVERNMENT CONSULTS ON ADS

ISOBEL D'INVERNO

Head of Corporate Tax and Incentives
Brodies LLP

Following last year's review of the Land and Buildings Transaction Tax Additional Dwelling Supplement (ADS), the Scottish Government has published details of proposed changes to the ADS and is **consulting on the draft legislation** until 5 April 2023.

A number of very positive changes to the ADS rules have been proposed, which is particularly welcome given the unexpected increase in the ADS from 4% to 6% from 16 December 2022 which has made ADS even more of a factor in many transactions. The main proposals are as follows:

Replacement of main residence time limits increased from 18 months to 36 months

The time limits for:

- buying a new main residence after disposing of a former main residence
 - disposing of a former main residence after buying a new main residence; and
 - considering whether a property was the buyer's only or main residence in the period before the purchase of a new main residence
- are to be increased from 18 months to 36 months.

These extensions to the time limits will bring many more purchases within the replacement of main residence rules (which mean that ADS does not have to be paid or can be reclaimed), and could also help divorcing or separating couples.

Inherited property

Property which is inherited after conclusion of missives for the purchase of a new main residence will no longer be taken into account for ADS; this will assist some purchasers, although a longer "grace period" for inherited properties had been suggested by some.

Part shares in dwellings

Part shares in a jointly owned dwelling will only be taken into account for ADS if the value of the part share itself is £40,000 or more (not the value

of the whole property, as at present) – this is a helpful change which will apply to all jointly owned dwellings.

Relief for local authority purchases to provide affordable housing

A relief from **both** LBTT and ADS is to be introduced for local authority purchases intended to provide affordable housing and which are funded under section 2 of the Housing (Scotland) Act 1988. This new relief will bring the treatment of local authorities in line with that of Registered Social Landlords, and will be widely welcomed.

Divorce and separation

There will be a relief from the ADS on the purchase of a new main residence where a previous main residence has to be retained under a court order or similar. This will help some divorcing and separating couples, though it will not address all the issues in this area.

Joint purchasers

A number of proposed changes are intended to improve the position for joint buyers in relation to repayments of ADS. These include treating both buyers as meeting the ADS repayment conditions where only one buyer can actually meet them and taking into account disposals of a previous main residence in both the 36 months before and the 36 months after the purchase of a new main residence. In addition, where a buyer is deemed to have an interest in a property for ADS, a disposal of that property will be treated as a disposal by the buyer. These changes appear to focus on repayment of ADS, rather than whether ADS has to be paid in the first place, though of course amendments to the draft legislation could be made as a result of the consultation process.

The ADS changes proposed in this consultation will undoubtedly address many of the situations where the current rules appear to give an unfair result, but the complexity of the ADS regime is likely to mean that some scenarios will still present challenges.



SPF DISPATCHES

Anti-Avoidance Regulations introduced ahead of 1 April revaluation

New anti-avoidance regulations for non-domestic rates (NDR) are expected to come into effect at the start of April in a bid to tackle tax avoidance through the improper use of insolvency and leasing arrangements. These measures come at a time of sweeping detailed reforms to the rates system ahead of the first revaluation since April 2017, which also includes a freeze of the poundage rate, the introduction of upwards transitional relief as well as the devolution of empty property rates. The anti-avoidance regulations leave significant scope for local authorities to intervene in cases where our concern is that genuine commercial intentions to change property use, or seek demolition could be blocked. When airing these matters to the Scottish Government officials felt that local councils would be unlikely to challenge genuine decisions, unless there is a valid reason, but officials also noted that the government is set to provide non-statutory guidance to support authorities on the application of the Scottish General Anti-Avoidance Regulations (GAAR).

Historic Environmental Strategy

This month SPF submitted comments to a consultation by Historic Environment Scotland (HES) for their re-draft of Scotland's Historic Environment Strategy. The strategy is wide ranging and this consultation focused on the broader range of priorities, measures and actions for its policies. It outlines key principles for the historic environment that will enable the protection of historical assets, support a transition to net zero and a wellbeing economy. Each priority had key performance indicators associated with it to express a set of expected outcomes that aim to measure the success and delivery of the strategy. We emphasised the need for positive private and public sector collaboration that will support the restoration, redevelopment and adaptation of historical buildings to ensure they can remain in effective use and occupation.

Scottish Parliament looks ahead to next housing legislation

The Scottish Government's rent cap and evictions moratorium policy is next expected to be considered formally in summer, when a decision on whether to extend for a further six months from 30 September to 31 March 2024 is anticipated. Meanwhile, the Scottish Parliament's Local Government, Housing and Planning Committee is looking at how it will scrutinise the upcoming Scottish Housing Bill intended to take forward the New Deal for tenants consultation which closed in April 2021. This legislation is expected to include the government's proposal for a national form of rent control and would be expected to be introduced to parliament before the summer recess, although latest discussions with officials indicate that one consequence of the Cost of Living Act is a likely delay in the publication of this housing Bill, possibly to late summer or autumn this year.

Planning Reform Update

On 21st February, the High-Level Planning Group on Planning Performance – Applicant Stakeholder Group met, chaired by Dr Fiona Simpson, Chief Planner.

The main purpose of this session was to get industry feedback on NPF4 adoption and its Delivery Plan. Other key issues included the appointment of a Planning Improvement Coordinator, local authority resourcing, Section 75 obligations and Development Planning.

Key points discussed included timescales for determining local and major applications, monitoring the planning applications process from inception until end, the aspiration of full cost recovery for fees and what this would actually include as a cost. The meeting also heard concerns over delays of local plan adoption that will result in a scarcity of land allocations, which in turn would impact the housing supply.

This 'high-level' group is established as part of the NPF4 Delivery Programme and these meetings will take place quarterly, chaired by Scottish Government.



SPF EVENTS 2023

The SPF Annual Conference 2023

Redefining Real Estate *for Scotland*

REGISTER
TODAY

Wednesday 19 April 2023

Scottish Events Campus, Glasgow

Contact SPFEvents@bpf.org.uk for sponsorship opportunities

~ Save the Date ~

The **Tenth** SPF Annual Dinner

Thursday 12 October 2023

EICC, Edinburgh

