



SPF VOICE

April 2021

INSIDE THIS ISSUE

Chair's Column
Manifesto Overview

Regional Spotlight
Research

MySPF
Industry Insight



Kevin Robertson
SPF Chair

I'm delighted to be able to write to you for the first time since taking over the SPF Chair from my predecessor Michaela Sullivan, who has recently become Head of Planning at East Lothian Council. I'd like to thank Michaela for her fantastic stewardship of the SPF and wish her all the best in her exciting new role.

I'm in the fortunate position to lead the SPF at a critical juncture for our industry and the wider economy. For the first time since last summer, there once again appears to be light at the end of the COVID-19 tunnel, and the gradual easing of restrictions will no doubt bring renewed optimism across the board. With the First Minister proposing that Scotland could enter Level Zero restrictions in a matter of months, we could once again see the widespread reopening of COVID-secure offices and city centre economies - a much-needed shot in the arm for Scotland Plc.

In addition to the evolving picture around the pandemic, the next few weeks and months will be vital to setting the political discourse for the next 5 or so years. With the Holyrood elections just days away, we've been able to see each of the parties' manifestos and what their priorities would be if elected.

On the face of it, there are many positives to take away from the various manifestos. Our arguments for the coordination of infrastructure appear to have

gained considerable traction, with support for a 'national infrastructure company' and 'public energy agency' from the SNP, while the Conservatives have proposed to make the Infrastructure Commission more powerful in regional infrastructure provision. Meanwhile, the debate around business rates has also advanced, with most parties accepting that the status quo must change and that the system must be more competitive and responsive.

However, there are also a number of red flags that will require close attention from the SPF going forward. A proposal to remove the Scottish Government's ability to call in planning applications, new legislation for land value capture, and a lack of detailed commitments to support the regeneration of our high streets are three topics that particularly stand out. An overview of proposals that may be of interest to the industry can be found in the Policy Insights pages (3&4).

Whatever the outcome of the election, we will continue to work proactively with officials and Ministers from the outset to help realise the potential of the industry in Scotland. Now is the time for us to get ready to reshape the future of real estate and lay a strong foundation for recovery from COVID-19.

SCOTTISH PROPERTY FEDERATION TEAM

David Melhuish
Director
(Reservist Leave)

Gail Hume
Head of Events & SPF Operations
ghume@bpf.org.uk
Tel 0131 357 8667

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

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



POLICY INSIGHTS

Election 2021

With the Holyrood election just days away, we look at some of the key proposals from Scotland's political parties that could affect the built environment and Scotland's property sector. If you've not read it already, check out our [2021 election action plan](#) for realising the potential of the property industry.



SNP



CONSERVATIVE



LABOUR



GREENS



LIBERAL DEMOCRATS

Wellbeing Economy

- Reduce LBS so large businesses do not pay more than England and explore raising the poundage on properties where the owner is registered in a 'tax haven'.
- Maintain the Business Growth Accelerator for new developments and the occupiers of new developments.
- SNIB capitalised by £1bn over the next Parliament.
- No change to LBTT, but a review of the ADS charge.
- New Strategy for Economic Transformation and the creation of a Council for Economic Transformation.
- A 'wholesale' review of the business rates system in the next Parliament, with a 25% rates discount for the retail, leisure and hospitality sectors in 2022/23.
- Maintain the poundage rate freeze until the 2023 revaluation.
- Proposal to increase the LBTT threshold to £250,000 and to reintroduce Help-to-Buy.
- Establish an economic development agency in each region of Scotland.
- Greater use of the Scottish National Investment Bank to support innovation in the economy.
- Reduce business rates on non-grocery bricks and mortar shops and set up a taskforce to fully examine how business rates need to change with the expansion of the digital economy.
- Replace council tax with an alternative based on property values and ability to pay.
- Establish local development organisations to lead local economic development.
- Local devolution of business rates and reliefs.
- Scrap council tax and replace with a new 'residential property tax' connected to current property values.
- Replace council tax with potential to introduce 'business rates' like valuations process.
- Reform business rates, with support for a land value element. Full devolution of rates and reliefs to local authorities.

Net Zero

- Implement policies in line with the Heat in Buildings strategy.
- Creation of a National Public Energy Agency to 'coordinate and accelerate' heat and energy efficiency work.
- Decarbonise the heating of one million homes by 2030 and review energy standards.
- Support the expansion of onshore wind capacity in Scotland where it is agreed by local communities.
- Carry out a feasibility study on a 'hydrogen network' between Aberdeen and Inverness.
- Amend the Fuel Poverty Act so that the Scottish Government will have to support all fuel-poor households to reach EPC C by 2030.
- Review and update the EPC system.
- Upgrade all homes to at least an energy efficiency rating of C or higher by 2030 and, where possible, zero carbon by 2045.
- Establish a national housing agency to work closely with local authorities and coordinate the roll out of energy efficiency measures and net zero heat.
- Review mandatory minimum space, quality standards and energy performance in new and refurbished homes.
- Restore onshore wind development, with c.200 new turbines installed every year of the next decade.
- Require all homes to meet EPC C at the point of sale.
- Convert one million homes to net zero emissions heating by 2030 and regulate for all new build-residential properties to meet EPC A by 2025.
- Reintroduce energy efficiency regulations for PRS.
- Work with the UK Government to build resilience in the energy grid to support more electric power for heat and transport.

POLICY INSIGHTS

Election 2021



SNP



CONSERVATIVE



LABOUR



GREENS



LIBERAL DEMOCRATS

Better, Greener Places

- Commitment to bring new legislation forward for land value capture.
- Establish 20-minute communities with more residential development in town centres and a new Retail Strategy to help high streets.
- Introduce a new Land Reform Bill, with a pre-emption in favour of community buy-out.
- Creation of a National Infrastructure Company.
- Amend planning laws so that the Scottish Government cannot overturn a local planning decision.
- Introduce Compulsory Sales Orders for 'long-term unoccupied properties' in Scotland.
- Redevelop brownfield sites in the centre of large towns and cities as new park areas.
- Put the Infrastructure Commission on a statutory footing and allow it to work with regional transport partnerships to produce long term plans.
- Establish an agency centrally responsible for the acquisition of finance; land and housing; dealing with derelict and vacant land; and act as a prime mover in driving the delivery of housing.
- Reinstate the ability of public authorities to acquire land at existing use value for social homes.
- Make 15-minute neighbourhoods a key principle in the National Planning Framework.
- Introduce restrictions on overseas ownership of land and put the Land Rights and Responsibilities Statement on a statutory footing.
- Change planning regulations, so that town centres can adapt to new demands.
- Give Scottish Land Commission legal powers to enforce voluntary Land Rights and Responsibilities, and support landowners and managers to stimulate innovation and diversification.
- Implement a brownfield first policy and require planning applicants to show there is no other possibility before using greenfield sites.

Resilient Communities

- Reform to RPZ's and develop a new 'rented sector strategy'.
- Create a new Housing Standard, covering homes of all tenures. This will set out minimum standards on space, digital connectivity and energy efficiency.
- 100,000 new homes by 2032.
- Deliver 60,000 new affordable homes in the next Parliament.
- Support the establishment of Freeports in Scotland, including joint bids.
- Provide full funding for councils to scrap parking charges on publicly-owned car parks.
- Support building 200,000 zero carbon social homes over ten years.
- Implement a Fair Rents Bill to limit rent rises, improve quality standards in the PRS and make it easier for tenants to challenge 'unfair' rents.
- Install a regulatory framework for short-term lets, including the licensing provisions and taxation of 'Airbnb'.
- 70,000 new homes by 2026.
- Introduce points-based system of rent controls, ban winter evictions and make all grounds for eviction discretionary.
- Establish a PRS regulator to oversee the sector and investigate complaints.
- Make local councils responsible for common land in new housing estates, with developers contributing a 30-year 'dowry' for maintenance.
- 60,000 new affordable homes over the course of the next Parliament.
- New 'help to renovate' loans to bring derelict housing back into use.

REGIONAL SPOTLIGHT



Glasgow & Highland

Scotland's draft Heat in Buildings Strategy suggests that hydrogen could play a significant part in replacing natural gas heating from 2030. This month saw a the 'Opportunity Cromarty Firth' hydrogen production project given in-principal backing by Highland Council and Scottish Power submit a planning application to deliver the UK's largest green hydrogen plant near Glasgow.

Clyde

We recently responded to a [call for ideas](#) by the Scottish Government on the Clyde Gateway Mission. The Mission includes a number of projects funded by the government via the relevant local authorities to support regeneration along the Clyde, from its source to Dunoon. We expect to see further project support announced later this year.

Dundee

Dundee City Council have [written](#) to us seeking initial views on the default all-tenure housing land requirement figures published by Scottish Government for the Tay Cities Region. We have also been asked for suggestions of valid inputs to the calculation of alternative locally adjusted figures. If you would like to contribute to our response, please get in touch by the end of the month.

£532.1M

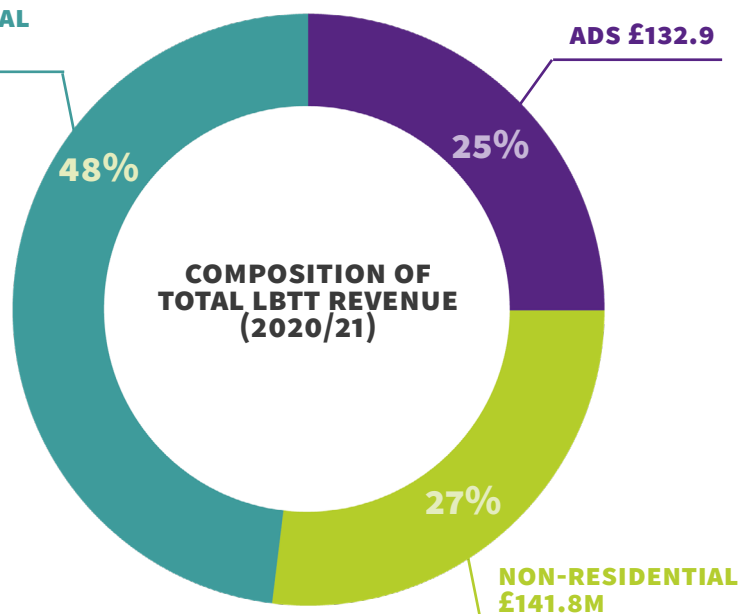
TOTAL LBTT REVENUE FOR 2020/2021

£70M

↓ 11.7% DOWN FROM 2019/2020

RESIDENTIAL
£257.4

ADS £132.9



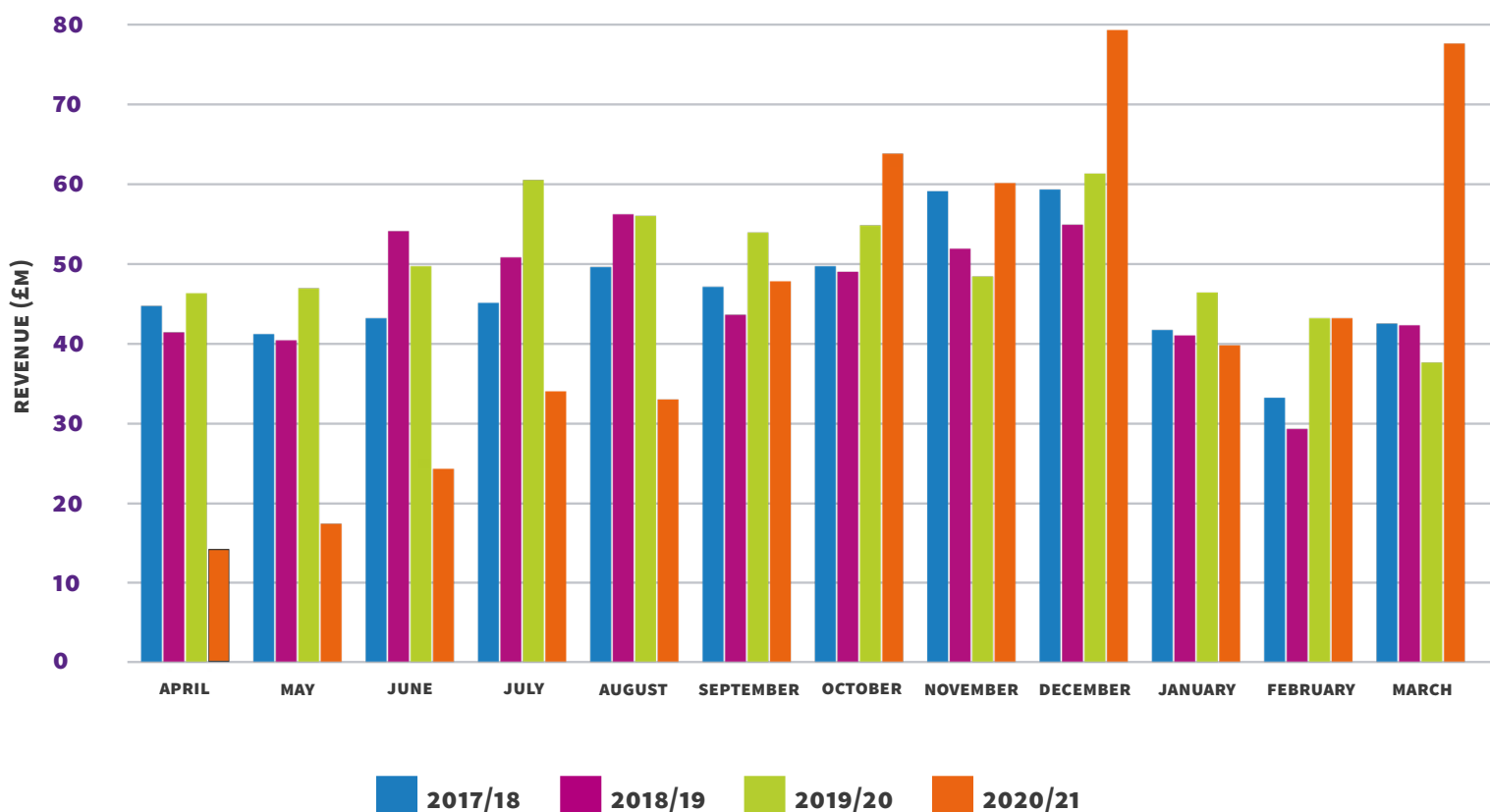
OVERVIEW

The SPF's analysis of the latest data from Revenue Scotland has shown that Land and Buildings Transaction Tax receipts totalled £532.1m in 2020/21, some 11.7% down on the outturn for 2019/20. This is the lowest amount generated by the tax since 2016/17, with transactions heavily impacted by the effect of the coronavirus restrictions on the market.

BREAKDOWN

The Additional Dwellings Supplement continues to make a significant contribution to LBTT revenues, accounting for a quarter of the total in 2020/21. Compared to 2019/20, revenues from the non-residential element of the tax fell by 26.2% to £141.8m (its lowest annual total on record), while residential revenues fell by a less severe 10.4% to £257.4m.

TOTAL MONTHLY LBTT REVENUES (2017/18 - 2020/21)



Calling all commercial property owners Help us to Tell Your Story

We need your help:

The national ban on commercial evictions, statutory demands and winding up petitions has been extended to June 2021 – and now the UK Government is consulting on whether to extend this further and how discussions on unpaid commercial rent should be managed through a 'Call for Evidence on commercial rent and Covid-19'. The pandemic has brought insecurity and debt to thousands of businesses across the country – and the commercial property sector has been asked to support tenants with no direct support itself.



VISIT OUR
CAMPAIGN
WEBSITE HERE

PLEASE RESPOND TO THE CALL FOR EVIDENCE

It is critical that Government hears directly from property owners and receive as many responses to the [Call for Evidence](#) as possible. The Call for Evidence questions can all be found [here](#) for ease, but do respond through the gov.uk webform as only those responses will be taken into account.

HELP INFORM THE BPF RESPONSE

We will be responding to the Call for Evidence as the representative body for the sector, and we need your help. We would be grateful if you could fill out our survey in order to inform our response and to ensure that we can fully represent the sector and highlight the collaboration between property owners and occupiers over the last year.

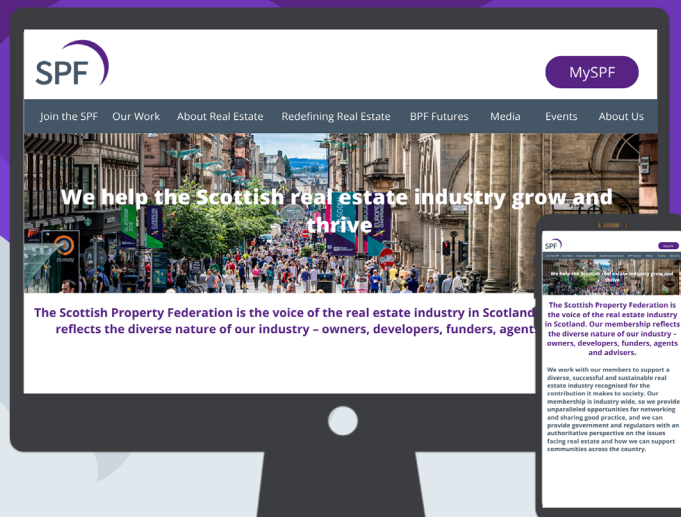
For more information on the BPF response, please [contact](#) Ion Fletcher, Director of Finance Policy.

For more information on the campaign, please contact feedback@bpf.org.uk

We've launched our new member portal MySPF!

Register now to join in the conversation and tailor your preferences to ensure you see what's most relevant to you.

REGISTER
HERE



INDUSTRY INSIGHT



Emerging from lockdown – what landlords need to know

Kevin Mulligan

Solicitor

Pinsent Masons LLP

The temporary measures designed to protect distressed commercial tenants and other businesses have recently been extended by the UK and Scottish Governments. Restrictions on issuing statutory demands and winding up petitions are now due to expire on 30 June 2021, and the restriction on irritancy due to lease arrears is due to expire on 30 September 2021.

With the rollout of vaccinations and relaxation of restrictions on movement and businesses both ongoing, there is an expectation that this recent extension may be the last before restrictions cease or are at least subject to gradual withdrawal. However, notwithstanding these and the other tenant protections available, many of the challenges faced by commercial landlords and tenants are set to continue as lockdown rules are eased. For example, many tenants will be under pressure to deal with accumulated rent arrears – especially where no payments have been made to arrears during the current 14 week minimum notice period to remedy non-payment of rent.

Whilst the restrictions on a landlord's ability to irritate their lease or wind up their tenant will continue to apply until later this year, options such as mutual concessions with tenants or the use of summary diligence such as charges for payment and attachment still remain available. However, the outlook for landlords and tenants remains uncertain due to an ever-changing insolvency landscape and the UK Legislatures having to keep up.

Collaboration between landlords and tenants

There is an expectation that, if they have not already done so, tenants will engage with landlords about possible new arrangements. Prior to any engagement, landlords should be aware of their rights as well as the principles contained within the UK Government's "Code of Practice for commercial property relationships during the COVID-19 pandemic", which continues to apply until 24 June 2021.

Tenants may also seek to utilise the standalone moratorium introduced by the Corporate Insolvency and Governance Act 2020 (CIGA). Its intention is to provide businesses with a temporary stay on enforcement action by creditors, including landlords, to allow them to restructure their liabilities and ultimately rescue the business as a going concern. However, rent is still required to be paid during this moratorium period.

CVAs and the emergence of the Restructuring Plan

Many recent CVAs have sought to amend the terms of leases such as changes to turnover-based rent, reductions in rent as well as some seeking to compromise rent arrears altogether. However, with the outcome of the landlord challenge to the New Look and Regis CVAs expected imminently, the future use of CVAs as a restructuring tool by companies with large lease liabilities is uncertain.

The Virgin Active group Restructuring Plan, which is currently going through the courts in England, is the first to seek to compromise lease liabilities. UK Restructuring Plans were also introduced by CIGA and draw inspiration from the Scheme of Arrangement but can be imposed on a dissenting class of creditors by use of a "cross-class cram-down". As a court-sanctioned process, they also allow a company to seek sanction of their proposals from the court at the outset and, if successful, provide them with certainty.

If this Restructuring Plan is sanctioned by the court at its sanction hearing on 29 April, we would expect more Restructuring Plans akin to CVAs to be proposed in future – adding to the many economic challenges already facing landlords.

What can landlords do now?

Proactivity from the outset remains vital. In the event of a tenant exhibiting signs of financial distress, it is important that both parties engage as soon as possible in an attempt to reach a consensual solution.