



Scottish Property

VOICE

IN THIS ISSUE

- PAGES 1-2
Chairman's Column
Miller Mathieson - CBRE
- PAGE 2
SPF Annual Dinner 2019
- PAGE 3
Winchburgh Expansion
Robin Matthew - PPCA
- PAGE 4
CBRE
- PAGE 5
Conference Report
Murray Horn
- PAGE 6
Womble Bond Dickinson
- PAGE 7
Policy Round-Up
Mandy Catterall - SPF

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Chairman's Column

Team Scotland Gets its act together



A number of you in recent years have questioned Scotland's inability to come together to make the best possible pitch for major property investment. This year's promotion of Team Scotland at MIPIIM has raised the bar and established Scotland, alongside the UK's Department for International Trade, the Midlands, Manchester etc at the world's premier real estate investment conference.

This is not to dismiss the presence and initiatives of individual cities, Glasgow in particular, and the umbrella body the Scottish Cities Alliance in previous events both at MIPIIM, Expo and similar high-profile initiatives. But there is no doubt that the feeling among both investors and Scottish delegates is that the new collaboration of Team Scotland has helped us to raise our game to the level of other parts of the UK, in the perceptions of investors and of our own industry.

The key to MIPIIM is the follow up on the interests shown and contacts made and we will be supporting Team Scotland to do this in the next few weeks. It will be critical when speaking to decision-makers in the private sector that the

good access and engagement fostered both at MIPIIM and previously, is built upon. In short, MIPIIM was not the end but hopefully the beginning of a much more obvious Team Scotland approach to securing investment in Scotland.

The precursor to MIPIIM was our own annual conference Creating Value: Building Scotland's Economy on 6th March, which was addressed by key industry leaders, local and central government leaders and politicians, including the Finance and Economy Secretary Derek Mackay. Other articles in this newsletter will cover the conference, which featured strong engagement with sponsors and delegates, and I thank you for your strong support for this key industry event.

A centrepiece of our public messages during our annual conference was that the Planning Bill, as amended during its Stage 2 consideration at Holyrood, is simply not fit for purpose. Instead of simplifying the Planning system it has made it both more complicated and more expensive.

... continued on page 2

The revised Financial memorandum published recently by the Scottish Government reveals the potential costs for public authorities, communities and the private sector alike.

The potential costs of this Bill to the private sector are estimated by the Scottish Government to be in excess of £1bn over 10 years. This includes the cost of the proposed infrastructure levy but even without the levy, the Bill is estimated to introduce costs of up to £400mn for the private sector over 10 years. For the public sector the costs of the Bill could be up to £74mn over the same time period and for communities potentially up to £12mn. This simply cannot be allowed to become law and we must see this Bill substantially revised towards its original intent, or bluntly speaking, we should start again.

No doubt the next few weeks will continue to see Brexit dominate our media and our political leaders' mindsets. The high-level focus on Brexit is understandable but we will also be keeping our eye

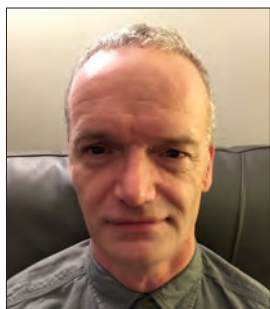
on the domestic front as key initiatives on infrastructure; the Scottish National Investment Bank; Land Value Capture; the Planning Bill and business rates come forward, or are developed in the next month. I look forward to raising these issues and more when we gather in Glasgow for a reception at Glasgow Caledonian University on the evening of 9 May, entitled Growing Glasgow & An Industry for All. This event is intended to highlight the opportunities that exist for the property markets in Glasgow, as well as to address our continuing need to open our industry up to a wider section of society.

In the meantime, stay positive and I look forward to meeting many of you in Edinburgh, Glasgow and Dundee in the next few weeks.



SPF are delighted to announce that this year's SPF Annual Dinner will be held on Thursday 7th November 2019 at the Edinburgh International Conference Centre. Our annual dinner is a black-tie occasion and our most popular membership event with between 550-600 of the industry's finest regularly attending. Further details on the event and table reservations, including sponsorship opportunities, can be obtained by emailing Gail Hume at ghume@bpf.org.uk, or calling 0131 220 6303.

Edinburgh International Conference Centre, 150 Morrison Street, Edinburgh EH3 8EE



Winchburgh Expansion Approach to Infrastructure Delivery

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Most new residential developments across Scotland have to deal with two principal infrastructure cost contributions towards (a) affordable housing and (b) education expansion. These are in many cases the most significant development contributions either in terms of financial transfer or land.

The strategic expansion of Winchburgh, West Lothian, which will see the settlement grow from circa 2,000 to 11,000 residents over a 15-20 year period, will deliver 3,450 new homes including affordable housing, new secondary and primary schools, new motorway junction, a reinstated rail station, a new town centre, employment and commercial areas, strategic and local open space and leisure provision and the full remediation of a former landfill site. It will deliver services and physical infrastructure upgrades such as drainage, roads and utilities including several kilometres of electrical connection upgrade to the primary grid.

The basis of the overall expansion is set out in a planning permission in principle supported by a set of forty five suspensive planning conditions and detailed Section 75 legal agreement all supported by a comprehensive masterplan. The approach taken in the development masterplan, which was submitted in 2005 for "Outline Planning Consent", is one that truly reflects current planning policies in terms of the aspirations for great Place Making and sustainable development.

The first phase of development is now complete having been funded, primarily, by Winchburgh Developments Limited. The full delivery of the expansion would not have been possible without the unique set of circumstances put in place in agreement with West Lothian Council and the Scottish Government to enable the phasing and funding of each component part of the overall scheme.

A flexible approach to the timing of new / expanded infrastructure as set out in the planning conditions and Section 75 legal agreement was necessary for the first phase of 550 new homes that saw the phased expansion of existing primary and secondary schools and delivery of affordable housing through a combination of onsite provision, transfer of land and commuted sum payments. This required intensive iterative engagement with West Lothian Council service departments and third party infrastructure providers as well as other developers. It has also

delivered the first phase of the new expanded town centre and major services and utilities upgrades and enabled improvements such as superfast broadband connection.

The second and later phases of development, given the quantum and cost of necessary supporting infrastructure, required a different partnership approach to funding and delivery.

To that end, a tri-partite agreement between Winchburgh Developments Ltd (a JV Co owned by West Coast Capital and Cala), West Lothian Council and the Scottish Government to deliver and guarantee major infrastructure items including a new secondary schools campus - the first new catchment secondary schools built in Scotland for a number of decades - was drawn up over a two year period of negotiation and agreed at the end of 2018.

New schools provision will be built and forward funded by West Lothian Council, as education authority, with financial support from the Scottish Government, but will be ultimately be paid for by new housebuilders within Winchburgh and the wider area via roof tax receipts as housing is developed and occupied. Together with Winchburgh Developments Limited's ongoing equity funding, a Scottish Government HIF loan facility has also been agreed for the delivery of other major infrastructure items to unlock the residential, employment and commercial potential of an expanded Winchburgh. The loan facility, from the Housing Investment Fund, is for a capital cost of £26.8m towards the remediation of the former landfill site and to fund major transport, drainage, water and utilities infrastructure on a secured and interest bearing basis.

This mechanism will enable the full delivery of the strategic masterplan and vision for an expanded Winchburgh over the coming years in partnership with numerous bodies and organisations committed to that end.

The model and process were discussed as part of the recent SPF Annual Conference in Edinburgh hosted by Gavin Esler and with John Hamilton, CEO of Winchburgh Developments Limited, as a panellist commending the funding model as one which could be replicated across Scotland as a means of unlocking strategic infrastructure to meet the Scottish Government aim of delivering more housing.

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CREATING VALUE Building Scotland's Economy

6 March 2019 - Edinburgh International Conference Centre



The SPF's 12th Annual Conference was hosted by television and radio broadcaster Gavin Esler, who engaged panellists and delegates in lively discussions covering investment and development in Scotland.

The conference began with a call from the SPF's Chairman for Parliament to work together to fix the Planning Bill, which he described as an 'unworkable tangle'. Miller Mathieson also set out his 'property wish list', which included better policies on tax, business rates and sustainability.

BPF CEO Melanie Leech CBE then introduced the organisation's plan for increasing diversity in the industry and announced the expansion of BPF Futures into Scotland. Futures is an initiative that offers new entrants to the property industry the opportunity to develop and network within the sector.

Melanie was followed on stage by Gavin Winbanks, Deputy Director of Capital Investments at the UK Government Department for International Trade (DIT). Gavin discussed the work of DIT to promote investment in the property industry, both in Scotland and the wider UK.

The keynote speech was given by Derek Mackay MSP - Cabinet Secretary for Finance, Economy and Fair Work.

The Cabinet Secretary spoke about the strong and collaborative working relationship between the Scottish Government and the SPF - and noted his shared concern with the SPF about the state of the heavily amended Planning Bill.

The event closed with the afternoon panel sessions, which explored the issues of local leadership and investing in places. The former saw several senior local government representatives - including the leader of Glasgow City Council - discuss the role of local authorities in promoting development, while the latter debated Scotland's investment potential. Interestingly, both panel sessions discussed the importance of public/private partnership, especially around the perennial issue of infrastructure.

This year's event was kindly sponsored by **CBRE**, **Winchburgh Developments** and **Womble Bond Dickinson**.



Conference Host Gavin Esler welcoming delegates to the SPF's 2019 conference.



Miller Mathieson calling for significant reform to the Planning Bill in his Chairman's Address.



BPF CEO Melanie Leech addressing the 240 strong audience.



Finance Secretary Derek Mackay MSP meeting the SPF's Chair and Vice-Chair ahead of his keynote speech.



East Ayrshire Council CEO Fiona Lees with Cllr. Kate Campbell of City of Edinburgh Council.



The Investing in Places panel taking questions from delegates.

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Policy Round-Up March 2019

Some key policy developments for the industry

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Property finance was high on the Agenda this month as representatives of the SPF met with Bank of England Financial Policy Committee (FPC) member, Anil Kashyap. The wide-ranging discussion covered the key dynamics of the Scottish real estate markets, as well as looking at potential opportunities and risks to the economy.

Further afield, speaking alongside the Finance Secretary Derek Mackay MSP at MIPIM 2019, SPF Chairman Miller Mathieson called for continued and improved collaboration between cities, government and the private sector in Scotland. MIPIM this year allowed some of Scotland's major projects and developments to be showcased as part of Team Scotland, with major office, leisure, build-to-rent, industrial and technology-based projects taking centre stage.

The Scottish Parliament has also been busy. Views on a proposed national long-term investment bank are being sought by the Scottish Parliament's Economy, Energy and Fair Work Committee, as part of its scrutiny of the Scottish National Investment Bank (SNIB) Bill. The Scottish Parliament's Finance and Constitution Committee has also launched a call for views on the Bill's Financial Memorandum. The call for views closes on Friday 26 April 2019.

The creation of a new South of Scotland Enterprise Agency has also been given support by the Scottish Parliament's Rural Economy and Connectivity Committee. The findings were contained in the Stage 1 Report on the South of Scotland Enterprise Bill.

Meanwhile, the newly established Infrastructure Commission for Scotland (ICS) has called for stakeholders to give their views on Scotland's future infrastructure priorities. The deadline for submission of evidence is 3 May 2019.

South of the Border the UK Government has published draft legislation on introducing a new, permanent allowance for investments in non-residential structures and buildings in the UK. The government intends to introduce legislation to establish the Structures and Buildings Allowance (SBA) early this summer but is currently seeking comments on the Draft Bill.

On **the property tax front**, the Scottish Government launched a consultation on its approach to the planning, management and implementation of the fully devolved taxes. Responses to the consultation will help to inform a Devolved Taxes Policy Framework. Meanwhile, telecommunications firms will soon be able to make use of a 100% non-domestic rates relief on new fibre broadband infrastructure.

The Residential Investment and Management Committee learned this month that High Court judges have ruled that it would be illegal to implement the 'Right to Rent' scheme in Scotland, Wales and Northern Ireland, without further evaluation. The scheme requires landlords to check the immigration status of tenants and was introduced in England in 2016 with the expectation that it would be rolled out to Scotland and the rest of the UK.

The Building Standards and Sustainability Committee met with the Scottish Government's Building Standards Division, to discuss planned changes to fire safety and compliance regulations in Scotland. The Committee heard details of a number of changes that are expected to be introduced this year.

In a flurry of activity on **the Planning (Scotland) Bill** the SPF called for the Scottish Parliament to fix its Planning Bill, which is now widely viewed as an unworkable tangle. Speaking at the SPF's Annual Conference, SPF Chair Miller Mathieson, said that the Bill, which policy makers hoped would lead to a more efficient and effective planning system, is now unrecognisable from its original purpose, following amendments at Stage 2. He called on all political parties to work with the industry to fix the Bill to avoid the disaster of an unworkable planning bill becoming Scottish law.

Meanwhile, all three members of the independent planning review panel have written to the Minister for Local Government, Housing and Planning, Kevin Stewart MSP, to express serious concern about the progress of the Bill.

The publication of a revised Financial Memorandum shows that the costs of the Bill to planning authorities, over 10 years, could range from almost £19m to over £74m. The costs to the development industry could also increase by anything between £45m and £400m, which could rise to in excess of £1bn due to the impact of the potential infrastructure levy. This is vastly different from when the Bill was introduced, with anticipated savings of up to £33m that could be reinvested in other planning activities.

Clearly, the Scottish Government share many of our concerns with the amended Bill, as reflected in the Planning Minister's recent blog and the clear message from Finance Secretary Derek Mackay at our annual conference. The Scottish Government is currently considering how best to remove unnecessary burdens before Stage 3, and we will be meeting with the Bill Team again in early April as part of that process. We recently met with senior Scottish Conservatives who also share our concerns and they have committed to work together to develop a workable piece of legislation.