

COMMITTEE	Communities, Housing and Infrastructure
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REPORT TITLE	Buildings Performance Policy Review
REPORT NUMBER	CHI/17/063
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## **1. PURPOSE OF REPORT:-**

1.1 The purpose of this report is to review the Buildings Performance Policy (BPP) and accompanying Building Performance Checklist (BPC), agree any amendments and instruct officers to assist and oversee implementation. The policy outlines requirements in terms of construction principles and connectivity

## **2. RECOMMENDATION(S)**

2.1 It is recommended that members:

- a) Approve the adoption of the revised BPP as detailed in Appendix 1,
- b) Instruct officers responsible for overseeing building development and refurbishment to implement the requirements of the BPP and the BPC (as per the detailed guidance in Appendix 2 and 3),
- c) Ensure all project proposals/business cases relating to new development/refurbishment take into account the BPP.
- d) Instruct officers within CHI to undertake scrutiny of policy compliance and report back to committee with an annual review and progress report in 12 months, envisaged to be May 2018.

## **3. BACKGROUND**

3.1 In January 2016 the BPP was approved (20th January 2016, CHI/15/256), establishing standards for construction of new buildings and refurbishment projects overseen by the Council. The BPP goes beyond section 7 of Building Standards, exceeding minimum requirements and encouraging more demanding sustainability standards in construction and refurbishment of Council owned properties. It relates wider than just the built form with a scope that includes location and accessibility.

3.2 During the year since the BPP was approved time has been spent by Officers to refine it and refresh guidance dating back to 2008. This has included detailed conversations with:

- Energy Management Team
- Digital Connectivity Team – through Economic Development
- Asset Management
- Architects
- Design Team

- Aberdeen Heat and Power
- Local Development Plan
- Environmental Policy
- Procurement
- Project Management Office
- Schools Assets and Estates
- External developers

3.3 It has also included embedding the requirements of the BPP and BPC into corporate practice, raising awareness of the requirements of these documents and provision of training to a wide array of stakeholders including elected members, senior management and various Council Officers.

3.4 It was agreed at the time of approval that the BPP be reviewed and progress of use reported upon on an annual basis.

3.5 There have been revisions to the BPP. These are detailed in Table 1 alongside the rationale behind the change.

3.6 Major changes include the reduction in conformance with the Home Quality Mark (HQM) standard, lower compliance levels for Energy Performance Certificates (EPC) for certain properties and reference to district heating connectivity.

- 3.7 The implementation of the BPP and BPC has a number of implications:
- Ensuring that the BPP is referred to in Council procurement documents and considered when specifying requirements. This will require the CPU to ensure standard wording is incorporated into relevant contracts.
  - Ensuring relevant personnel who use the BPP and BPC are aware of them through a rolling training programme for new starts and consultation during annual review. This will require Officer time to schedule refresher and induction training and undertaking annual consultations.
  - Ensuring decision makers are aware of the BPP and BPC. This will require Officer time to raise awareness through internal communications channels and face to face meetings.
  - Ensuring that the BPP is embedded in PMO processes such as in Project Proposals and Business Cases, and that the PMO raise awareness of compliance when supporting infrastructure related projects. This will require the PMO to amend business case templates, mention the requirements within the Project Management training and report upon project compliance to help fulfil annual reporting on BPP compliance and Climate Change Duties reporting.
  - There will be a requirement to audit the BPP. Projects will be audited at random to assess whether the BPP was adhered to and if adequate explanation was provided where the BPP was not adhered to. Time will need to be taken for Officers to be trained in audit processes and complete the audits themselves.

**Table 1 – Amendments to the BPP**

	<b>Policy as of January 2016</b>	<b>Policy as of January 2017 (if approved)</b>	<b>Rationale for change</b>
<b>Non-domestic new build</b>	EPC <sup>1</sup> A BREEAM <sup>2</sup> Excellent Fibre ready	EPC A BREEAM Excellent Fibre and district heating network ready	In accordance with Scottish Government’s heat strategy and the need to reduce/eliminate fuel poverty; there is a requirement to see expansion of the district heat network. This amendment takes cognisance of this, ensuring developments are either connected as soon as the building becomes operational or future proofed, so when the network is expanded connection is an option.
<b>Non-domestic refurbishment</b>	EPC B BREEAM Very Good Fibre ready	EPC B BREEAM Very Good Fibre and district heating network ready	
<b>Domestic new build</b>	EPC A Home Quality Mark <sup>3</sup> 4 Stars Fibre ready	EPC A Home Quality Mark 1 Star Fibre and district heating network ready	When the original policy was being developed the Home Quality Mark scheme was also being designed. Since approval it has become apparent that achieving 4 stars is not realistic at this time. Achieving 1 star is doable but goes some way above current building standards and will require more consideration at the design stage. See comments above regarding being district heating network ready.
<b>Domestic refurbishment</b>	EPC A Home Quality Mark 3 Stars Fibre ready	EPC B – where possible BREEAM Domestic refurbishment standard Fibre and district heating network ready	Through discussion with asset management and energy management, it has been established that it is incredibly difficult to achieve an EPC rating of A for a refurbishment without considerable expense. This revised target is more realistic. The Home Quality Mark is not valid for domestic refurbishment, therefore the BREEAM Domestic refurbishment standard will replace this. See comments above regarding being district heating network ready.

<sup>1</sup> Energy Performance Certificate - <https://www.gov.uk/buy-sell-your-home/energy-performance-certificates>

<sup>2</sup> Building Research Establishment Environmental Assessment Methodology - <http://www.breeam.com/>

<sup>3</sup> Home Quality Mark - <http://www.homequalitymark.com/>

## 4. FINANCIAL IMPLICATIONS

4.1 The aim of the revised BPP and supporting BPC is to take a strategic view when making decisions on development of new and existing corporate assets. This is to ensure that our buildings are future proofed and designed to reduce the financial liability of corporate assets through:

- Reducing operating costs.
- Reducing building emissions and the associated Carbon Reduction Commitment penalty through preventative measures taken at the design stage and then implemented.
- Future proofing buildings enabling them to be flexible and withstand predicted change in climate patterns and technological advances. Such measures can reduce insurance premiums and negate need for future claims or maintenance.

4.2 Conversely if the BPP and supporting BPC aren't complied with, our corporate assets are liable to witness increases in revenue costs associated with operation, fiscal penalties and potential issues arising from weather impacts.

4.3 It is envisaged that there will be additional capital costs associated with ensuring corporate assets comply with the BPP and BPC. These are likely to be balanced by savings from within revenue budgets that may have a return of investment longer than typical corporate budgeting cycles. For example, district heating connectivity pay back may span a number of decades as opposed to years with economies of scale being factored in.

4.4 As the range of buildings which this BPP and BPC would apply to is very broad it is not possible to calculate the financial impact of every scenario. It will be the responsibility of the project design team and the SIP and Capital Board, to examine this on a project by project basis to ensure value for money. Consideration could be given to utilising our issuer credit rating, set at Aa2 to raise funds for potential shortfalls. Further, projects may seek additional funding from external sources to use innovative technologies and implement sustainability measures.

4.5 The cost implications of compliance can be broken down into three key elements:

### **Building Works (capital cost versus revenue saving)**

It is an objective of the BPP to ensure value for money over the life time of the project. Time will need to be spent at the design stage to consider the implications in detail. This is the most important stage for ensuring compliance to the BPP and BPC. Ultimate decision making is left to the SIP and Capital Board, based upon the business cases and their compliance with the BPP and BPC. The Project Management Office (PMO) has been asked to ensure business cases take cognisance of this policy in their template revisions.

### **Officer time in terms of oversight on the BPP and BPC.**

This will be largely dependent on the scale of the project being proposed. This will also include time spent to audit compliance. It is recognised that until familiar with the BPP and BPC there may be more time needed during design processes than before, but as it becomes more embedded this will become part of daily work practice.

### **Officer time as an assessor.**

As the Council have a range of trained BREEAM assessors where drawing on these officers is more cost effective than employing outside consultants, this

approach will be considered. The “development project” would be responsible for reimbursing the relevant service for officer time, it must be remembered however that none of these officers are specifically employed in this role.

## **5. LEGAL IMPLICATIONS**

5.1 There are no significant legal implications arising from the recommendations of this report. However, complying with the BPP helps meet statutory obligations under the Climate Change (Scotland) Act 2009 and likely upcoming requirements on the draft Scottish Government Energy Strategy and associate suite of regulations currently out to consultation. By fulfilling the requirements of the BPP many other pieces of topic specific statute will also be met, aside from the Council’s own corporate policies, plans and strategies.

5.2 Further, it helps ensure the Council is seen as a leader and promoting best practice within development management, something which the Council encourages private developers to do as part of the planning process for city wide development.

5.3 If compliance with the BPP is not obtained, there will likely be increased revenue costs which will impact upon the Council’s Carbon Reduction Commitment<sup>4</sup>. This is a mandatory reporting and pricing scheme which covers large public and private sector organisations. The more emissions from corporate assets there are, the more penalty tax is paid. It is unclear how this scheme will operate in light of the current political uncertainty.

## **6. MANAGEMENT OF RISK**

### **Financial**

6.1 The purpose of the BPP is to limit the financial risk to the Council in terms of increasing sustainability demands in place now and into the future, by reducing this through better building practises, with a predominant focus on energy demand. It also aims to reduce emissions through the BREEAM and EPC assessment process. This rewards the use of sustainable alternatives to those which are deemed non-sustainable.

6.2 There may be a financial implication in terms of capital cost but these will be balanced against the running cost and the need for future retrofit in the case of digital and district heating infrastructure. This will be considered by the SIP and Capital Board when determining a projects future. Further, additional funding may be available through external sources. Projects would be assessed on an individual basis through consultation with the Funding team.

### **Environmental and technological**

6.3 At present there is the risk that processes to manage and benefit from the effects of severe weather and climate change are not effective. Further embedding sustainability principles into asset development isn’t considered Complying with the BPP will aid the Council in being compliant with key legislative requirements, including the Climate Change (Scotland) Act 2009. Implementation of the BPP is seen as a mitigation measure against this risk, taking cognisance of advances in technology and digital solutions. At present control for this risk is currently assessed as partially effective.

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<sup>4</sup> <https://www.gov.uk/guidance/crc-energy-efficiency-scheme-qualification-and-registration>

6.4 Please note that this paper is discussing only the over-arching impact of implementing the requirements of the BPP. The management of any negative or positive risks associated with individual projects would be detailed at that level, illustrating any mitigation measures where appropriate.

#### **Employee / Customer / Citizen**

6.6 If the Council implements the BPP then it may see improvement in the health, safety and well-being of people working and living within the new or refurbished building. For example, through improved living conditions from less exposure to damp and mouldy conditions, to ensuring buildings do not over-heat.

#### **Reputational**

6.7 The Council is considered some way behind other public sector organisations in the standard of its new buildings and refurbishments. This makes it difficult for Planning and Sustainable Development Officers to persuade developers to take cognisance of better building practice when the Council itself is not leading by example. This has a harmful impact on the Council's reputation. Implementing the BPP and promoting the outcomes will ensure all further new buildings and refurbishments meet certain standards and that no further negative publicity in this area is generated. In some instances, dependent upon the buildings performance once complete, they can be showcased as exemplars and gain recognition through construction award schemes.

## **7. IMPACT SECTION**

### **People, place and technology**

7.1 Implementation of the BPP and BPC will help to improve customer experience through better quality environments, lower energy bills and improved access to digital infrastructure. This would apply both within our public and office buildings, and also for tenants of Council properties by providing high quality buildings with lower energy bills and a greater degree of connectivity.

7.2 Similar to the customer experience the staff experience would be improved through a better quality working environment. This is a cornerstone of the BREEAM assessment methodology which examines things such as air quality, access to facilities, access to natural light, thermal comfort, acoustic performance as well as supporting sustainable transport modes through walking and cycling facilities and access to public transport.

7.3 Implementation of the BPP is likely to have a positive impact upon those with protected characteristics and doesn't involve obtained data from the public. As such a full Equality and Human Rights Impact Assessment (EHRIA) and Privacy Impact Assessment (PIA) are not deemed necessary.

### **Economy**

7.4 It should be noted that compliance with the BPP helps support directly/indirectly the majority of the plans, policies and strategies illustrated in the literature review which accompanies Powering Aberdeen. This is available here: <http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=70268&SID=25580>

7.5 Further, compliance with the BPP helps support the requirements of the Local Outcome Improvement Plan 2016-2026 when considering the wide array of benefits it has upon place, people and the economy.

7.6 Building and refurbishments which comply with the BPP will gain recognition through BREEAM and EPC reporting, enhancing Council reputation and corporate image through best practice and exemplar projects. In some instances, this can be the catalyst for future investment in infrastructure projects. Further it provides opportunities for contractors.

7.7 The BPP offers many opportunities for working with multiple partner organisations, especially when shared estate is involved.

## 8. BACKGROUND PAPERS

- CHI/15/256 Buildings Performance Policy, January 2016<sup>5</sup>.
- CHI SMT paper, October 2016
- Powering Aberdeen Literature Review<sup>6</sup>.

## 9. APPENDICES (if applicable)

- Appendix 1 – Buildings Performance Policy review
- Appendix 2 – Building Performance Checklist
- Appendix 3 – Building Performance Guidance

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<sup>5</sup> <http://councilcommittees.acc.gov.uk/ieListDocuments.aspx?CId=503&MId=3790&Ver=4>

<sup>6</sup> <http://www.aberdeencity.gov.uk/nmsruntime/saveasdialog.asp?IID=70268&slD=25580>