

SPF VOICE

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SPF Chair

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Over the next fortnight the world literally comes to Scotland when the COP26 conference opens in Glasgow in a few days' time. Ahead of this event both the UK and Scottish governments have outlined ambitious proposals for their heat and buildings strategies. In Scotland's case, this comes with a price tag of some £33bn to retrofit the residential property sector to the appropriate standard by 2033.

Despite this ominous price-tag I have been impressed by the determination and engagement from the industry that I have seen in recent events representing the SPF on your behalf. This aspiration to live and work more sustainably is shared by our investors, and corporate and residential occupiers, who highlight ESG policies and increasingly choose high performing energy efficient, sustainable buildings.

The magnitude of the climate challenge and its impact on how our industry will work in the future is no doubt daunting. But I am positive about the opportunity we have as an industry to play a leading role in adapting our existing buildings and developing new communities for people to live in, work and enjoy. There is little doubt in my mind therefore, that this is an agenda in which we simply must be a leading voice as an industry, if we are to be seen as relevant to the demands and challenges of our modern society.

As a part of the Build Better Now partnership, we have supported a series of key events during COP26 and I invite you to support these events through the [COP26 Built Environment Virtual Pavilion](#).

Beyond COP26, it was great to see the wider BPF receive a name check by Chancellor Rishi Sunak during the UK Budget in relation to a new rates relief to encourage building improvement and to support the transition to net zero. As part of our representation to the Scottish Government ahead of the Scottish Budget we will be pressing the Finance Secretary to implement a similar measure here. Another positive from the UK Budget is the confirmation of the exemption from the Residential Property Developer Tax for the PBSA sector, and those who develop and continue to own build-to-rent developments. We hope that this will help both sectors to continue to expand in Scotland and supply much needed, high-quality properties.

Elsewhere, you will see from our Policy Insights page that we are considering a number of key measures under review by the government. I encourage you to give your insights to help develop the SPF's responses to these consultations and to support our continued representations through our Sustainability and Building Design Committee.

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POLICY INSIGHTS

HEAT IN BUILDINGS STRATEGY

The Scottish Government has published its long-awaited Heat in Buildings Strategy, setting out the direction of travel for the decarbonisation of heat in Scotland over the next decade and beyond. The wide-ranging document covers a number of key issues including the modification of energy grids; financing and coordinating the necessary changes; and setting minimum standards in regulation.

In relation to new buildings, the government is currently developing regulations (The New Build Heat Standard) which will require all new buildings, for which a building warrant is applied for from 2024, to use zero emissions heating. Electricity grid capacity remains a key hurdle to achieving the proposed standard, with may zero carbon heat systems significantly increasing electricity demand. While the Strategy takes note of this challenge, there are few concrete measures proposed to address the issue.

In existing residential properties there has been a change to the phased approach previously trailed by the government for PRS. PRS properties will now see a minimum energy efficiency standard introduced in 2025 as opposed to 2022 in recognition of the effect of COVID-19 on the market. However, such properties will now need to reach the higher standard of EPC C, where 'technically feasible and cost-effective', at change of tenancy, with a backstop of 2028 for all remaining PRS properties. Meanwhile, all other homes will need to meet EPC C by 2033.

For existing non-domestic buildings, the government is expected to consult on the regulatory approach in 2022 and introduce regulations by 2025 that could require owners to reduce demand for heat or install zero emissions heating systems.

The Strategy also notes that a consultation will be held on how Business Rates can be used to de-risk investment and drive net zero behaviour. In addition, a National Public Energy Agency will be established to lead the roll out of energy efficiency measures.

A LOOK AHEAD

Over the next month the SPF team will lead a series of high-profile engagements with government across a range of membership business interests. We begin with a high-level engagement with the Scottish Government to discuss its intentions for PRS reform. This is followed by a meeting with the newly appointed Chief Planner, Dr Fiona Simpson, to discuss the government's planning system priorities, including the draft NPF4 anticipated to be published this side of Christmas.

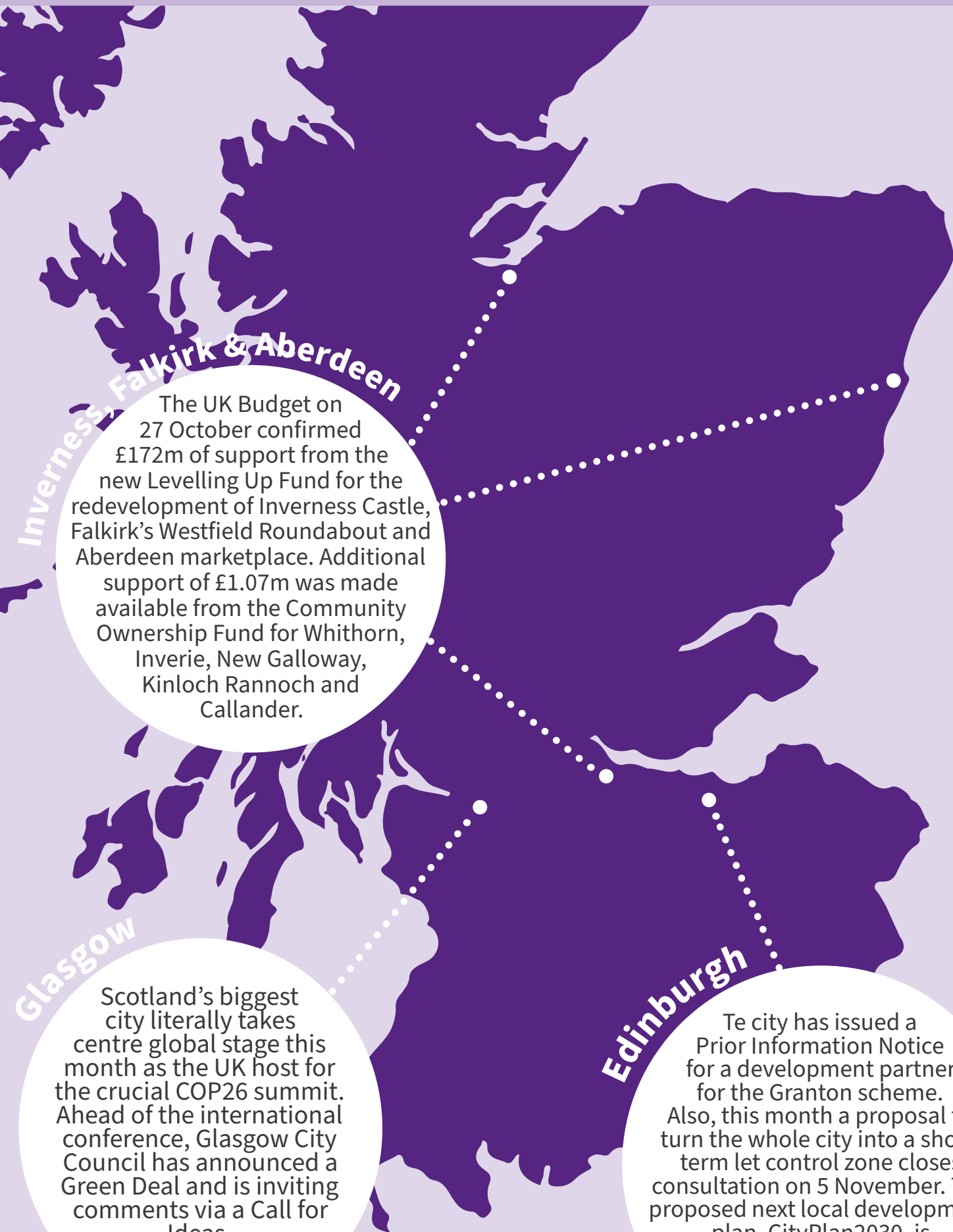
Business rates are also a hot topic. On 9 November, we are due to give direct evidence to the Scottish Parliament's Local Government, Housing and Planning Committee on secondary legislation that will restrict rating appeals lodged based on a material change of circumstances because of the impact of the pandemic. Our Business Rates Working Group is leading our response to two consultations covering the transfer of Valuation Appeal Committees' functions to Tribunals, and second a wide-ranging consultation on the reforms for proposals for appeals, the draft valuation roll, and the content of valuation notices.

The Scottish Government review of the PBSA sector will move forward with the close of a new procurement notice for a wide-ranging research project. The research is intended to examine student welfare issues as well as consider the links between providers, education institutions and their local authorities. The deadline for bids to undertake the research is 10 November, with the project to be reported to the government by May 2022.

A further [public contract notice](#) has been issued by the Scottish Land Commission to analyse and report on the current pattern of activity in Scotland's rural land markets, and to develop a methodology for gathering data land market activity. Again, to register interest for this work, members need to respond by 10 November.



REGIONAL SPOTLIGHT



Inverness, Falkirk & Aberdeen

The UK Budget on 27 October confirmed £172m of support from the new Levelling Up Fund for the redevelopment of Inverness Castle, Falkirk's Westfield Roundabout and Aberdeen marketplace. Additional support of £1.07m was made available from the Community Ownership Fund for Whithorn, Inverie, New Galloway, Kinloch Rannoch and Callander.

Glasgow

Scotland's biggest city literally takes centre global stage this month as the UK host for the crucial COP26 summit. Ahead of the international conference, Glasgow City Council has announced a Green Deal and is inviting comments via a Call for Ideas.

Edinburgh

The city has issued a Prior Information Notice for a development partner for the Granton scheme. Also, this month a proposal to turn the whole city into a short-term let control zone closes consultation on 5 November. The proposed next local development plan, CityPlan2030, is expected to be open for public comment from 7 November for six weeks.

£406M

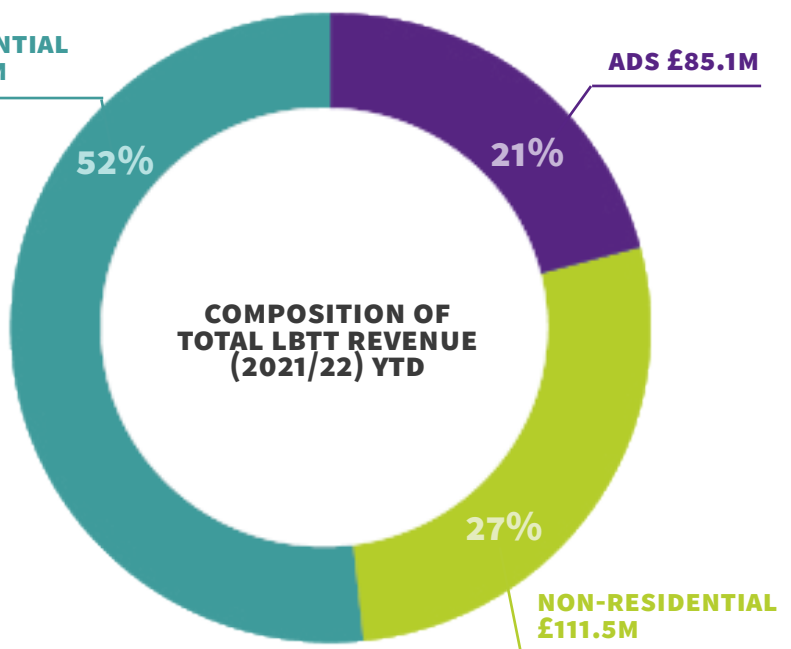
**TOTAL LBTT REVENUE FOR 2021/22
(APRIL-SEPTEMBER)**

↑ £239M

**143% UP ON
2020/21
(APRIL-
SEPTEMBER)**

**RESIDENTIAL
£209.1M**

ADS £85.1M



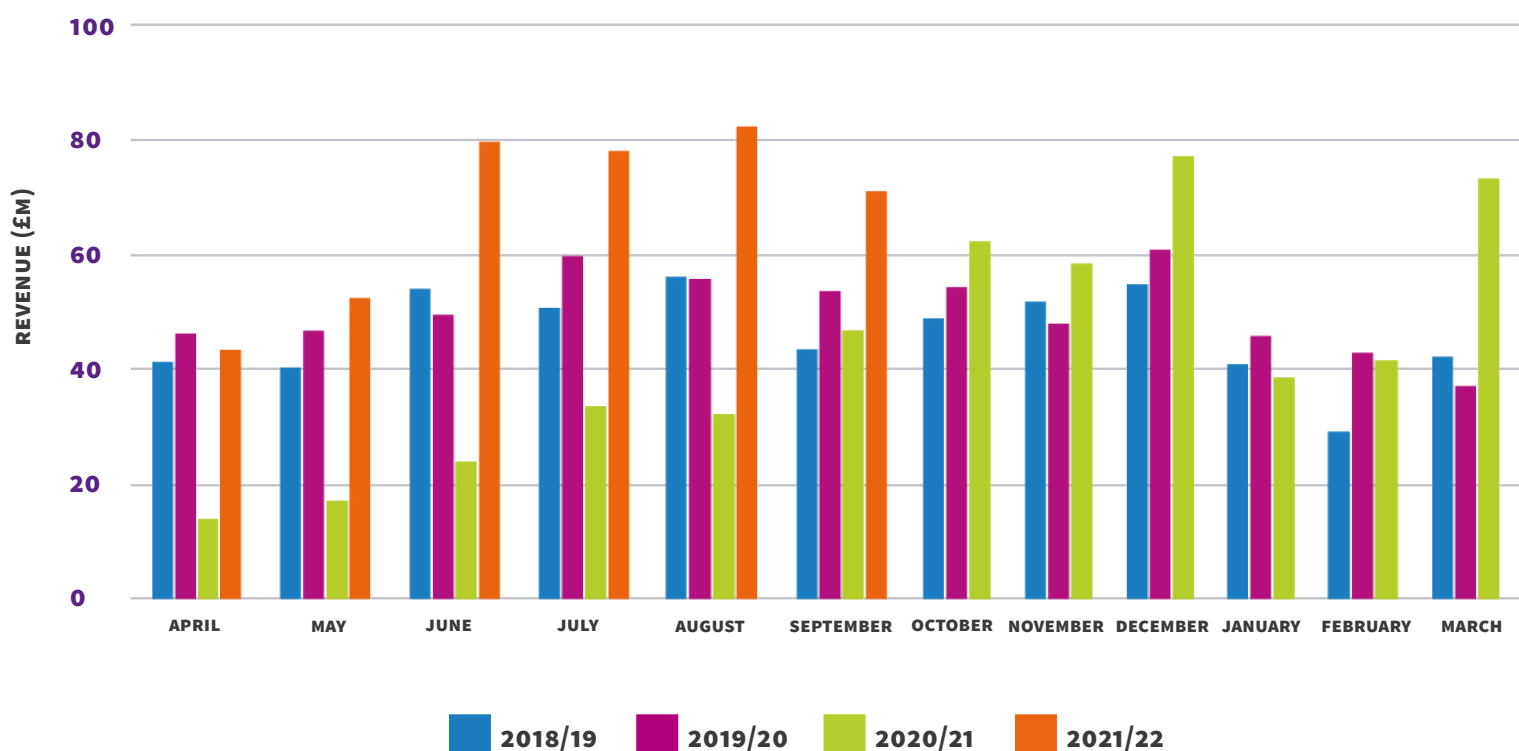
OVERVIEW

The SPF's analysis of the latest data from Revenue Scotland has found that Land and Buildings Transaction Tax receipts have strongly rebounded in the first half of 2021-22. The data shows that this tax year has already seen the three highest monthly totals for LBTT (June, July and August) since its introduction in 2015, with £406m generated between April and September - 143% more than the same period in 2020-21.

BREAKDOWN

Residential revenues currently account for the lion's share of LBTT revenues at £209m, while non-residential makes up just over a quarter of total revenue in this tax year to date. Meanwhile, the ADS charge, which is expected to be reviewed by the Scottish Government during the course of the current parliament accounts for slightly over a fifth of total LBTT revenue at £85m (albeit this is subject to being reviewed downward due to refunds).

TOTAL MONTHLY LBTT REVENUES (2018/19 - 2021/22)



BUILD BETTER NOW COP26

Building net zero: Mobilising capital for a sustainable built environment

Wednesday 3rd November 2021
9am-10am

FIND OUT
MORE &
REGISTER

Commercial real estate accounts for a great deal of embodied carbon and significant ongoing emissions, but the complexity of how buildings are constructed, maintained and refurbished, owned, financed and occupied, means that improving the sector's carbon profile is surprisingly difficult. To rise to the challenge, professionals who traditionally operate in separate siloes need to work together more effectively. This session explores that challenge and the scope for optimism by bringing together decision-makers from investment and finance with built environment experts.

This session will provide an overview of the challenges and opportunities around the decarbonisation of the built environment, with a particular focus on the role of informed and committed capital in achieving it. The discussion will focus on buildings that are rented out to businesses, households or individuals by investors. We will explore what built environment experts believe should be done to decarbonise, and what barriers need to be overcome. Examples will be shown of what commercial real estate is doing to drive decarbonisation. It will conclude by drawing those different strands together.

This event has been organised by Better Buildings Partnership (BBP), British Property Federation (BPF), Chatham House, Commercial Real Estate Finance Council (CREFC) Europe, European Public Real Estate Association (EPRA), Institution of Structural Engineers (IStructE), Loan Market Association (LMA).

BUILD BETTER NOW

31ST OCTOBER - 12TH NOVEMBER

A **virtual exhibition and events series** highlighting the built environment's role in tackling the climate and ecological crises



COP26 BUILT
ENVIRONMENT
VIRTUAL PAVILION



INDUSTRY INSIGHT



To build or refurbish – the embodied carbon dilemma?

Michael Bennett

Principal Associate
Shoosmiths

Out with the old and in with the new has long been a mantra in the construction sector. Old buildings are demolished to make way for newer, more energy efficient structures. However, talk is now turning to “embodied carbon” and whether it really is better to keep building new, instead of refurbishing old.

What is embodied carbon?

Embodied carbon is the CO₂ emitted in producing materials. This may, for example, be created in the production of the clinker which is used to make cement, or by the burning of gas to make steel in a blast furnace. The difficulty is that this is fairly removed from the ordinary person. It is easy to understand that the cars around you are producing harmful gases, but when it comes to looking at a bag of cement in the hardware store it becomes more difficult to conceptualise. It is often, therefore, not at the forefront of people’s minds when considering carbon emissions.

Why is it significant?

Construction embodied carbon is particularly significant as the production of steel and cement makes up between 16% and 18% of global CO₂ emissions annually. What is more, the RICS has estimated that 35% of the typical lifecycle carbon for a typical office development - or 51% for a residential building - is emitted before the building is opened. As energy production becomes greener, this percentage will no doubt increase.

Therefore, while it is correct to say that a new build will be more energy efficient, it is questionable whether the difference in energy efficiency is worth the CO₂ cost of production.

What should be done?

There are a number of options which could be used to reduce the carbon footprint of developments. One that has found favour in a number of countries is the requirement for developers to undertake carbon impact calculations during planning, including a comparison of the carbon impact of refurbishment versus new build. The calculations could then be used by the planning committee either as criteria for granting approval, or by imposing conditions in relation to carbon offset.

However, any such approach needs to be flexible as new technologies with the potential to significantly reduce the levels of embodied carbon for new builds are being developed all the time. For example, JCB recently announced that it is targeting the sale of hydrogen powered diggers by the end of 2022. There are also options for low carbon concrete and zero carbon steel production, which would significantly alter the emissions calculations for a new development. It would be unfortunate if the route chosen for dealing with embodied carbon in older buildings were not flexible enough to adapt with the technology.

Conclusion

There will always be some good reasons for demolishing older buildings - they may no longer be suitable for the purposes we need them for, or perhaps there are deep rooted structural problems that cannot be overcome. However, in this time of environmental importance, consideration must be given to the environmental effects of new builds. It is no longer fair to say that a new building will be more energy efficient without embodied carbon being considered as part of the decision-making process.