

BREEAM COST REVIEW

INDUSTRIAL DEVELOPMENT
MIPA PAINTS LIMITED
FULFLOOD ROAD, HAVANT
DIXON SEARLE PARTNERSHIP

DATE: 23.07.2021

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DOCUMENT AUDIT RECORD

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Introduction

ERM has been commissioned by Dixon Searle Partnership to carry out an independent review of the submitted costs in connection with achieving a BREEAM 'Very Good' rating at a proposed new warehouse with associated office space for Mipa Paints Limited (Mipa) at Fulflood Road, Leigh Park, Portsmouth, PO9 5AX.

Background

Condition 14 of the planning permission required the development to attain, *"... a minimum standard of [a] 'very good' BREEAM rating, unless otherwise agreed in writing by the Local Planning Authority following the submission of details and subsequent assessment to demonstrate that this rating is not attainable due to the financial or technical viability of the scheme."*

The developer's agent has written to Havant Borough Council seeking to remove the condition on the grounds that, *"BREEAM is not attainable due to the financial viability of the scheme."*

Mipa commissioned Kingfisher Ecology Ltd., in association with Energy Report Ltd. to provide a BREEAM Pre-assessment Strategy Report, dated November 2018. The conclusion to that report stated, *"...that there is an acceptable route to BREEAM 'Very Good' Certification for the commercial industrial development Mipa Paints Facility."*

The BREEAM Pre-assessment Strategy Report identifies targeted credits totalling 45.4%, which is below 'Very Good', and an enhanced credit score of 65.7%, well above the 'Very Good' requirement of 55%. A targeted score of at least 58% was recommended should any of the targeted credits fall short during construction stage. The report provided a summary of possible enhancements to increase the score to 'very good' and suggested additional costs would be between £28,500 - £32,000. However, this identified items that have, "Potentially no cost, just time" and excluded some other items.

We have received conflicting information regarding the cost of implementing BREEAM 'Very Good'. The developer's agent in his letter to the council stated the cost of implementing BREEAM would increase the lowest tender price received by £210,000. The post-tender report included an additional cost of £203,596. We have also seen a spreadsheet that gives a total of £311,000.

Cost review

Mipa obtained tenders for the new warehouse in November 2018. Tenderers were not provided with the BREEAM pre-assessment strategy report. Consequently, post tender clarifications from the lowest tenderer confirmed their tender excluded costs associated with works to achieve a BREEAM 'Very Good' rating over and above any that were included in the original tender drawings. Post tender negotiations took place and a revised tender figure was submitted including, "BREEAM Associated Costs - Subject to Strategy". These 'associated' costs totalled £203,956.

BREEAM Associated Costs - Subject to Strategy		
ADD	Pre-Assessment Strategy Ref: Man03.2	£ 3,000.00
ADD	Ref: Man03.3 Considerate Constructors Fee	£ 705.00
ADD	Ref: Man03.4 Transport Data (Gate man)	£ 21,571.00
ADD	Ref: Man04.3 Thermographic Survey & Report	£ 3,240.00
ADD	Ref: Hea01.1 Glare Control Blinds	£ 5,000.00
ADD	Ref: Hea02.1 Indoor Air Quality Plan	£ 1,080.00
ADD	Ref: Hea02.2 Ventilation	£ 10,000.00
ADD	Ref: Hea02.4 VOC Emission Levels	£ 2,000.00
ADD	Ref: Hea04.1 Thermal Modelling	£ 3,000.00
ADD	Ref: Hea05 Acoustician Report	£ 8,000.00
ADD	Ref: Hea05 Acoustic Enhancements	£ 10,000.00
ADD	Ref: Ene01 Energy Performance Upgrade	£ 50,000.00
ADD	Ref: Ene08 Energy Efficient Equipment Upgrade	£ 1,000.00
ADD	Ref: Tra05 Travel Plan	Excl.
ADD	Ref: Wat01 Water Efficient Sanitaryware	£ 10,000.00
ADD	Ref Wat03.1 Leak Detection System	Incl.
ADD	Ref: Mat03.2 Upgrade Material Performance	£ 15,000.00
ADD	Ref: Mat05 Protection Barriers etc.	£ 17,500.00
ADD	Ref: Le02.1 Ecologist Report	£ 2,500.00
ADD	Ref: Le02.2 Enhanced Ecology / outcome of report	£ 7,000.00
ADD	Ref: Pol01.2 Refrigerant Leak Detection	£ 10,200.00
ADD	Ref: Reduction of Noise Pollution	£ 10,000.00
		£ 190,796.00
BREEAM Assessor from pre-assessment through to completion including fees and reports.		£ 12,800.00
		£ 203,596.00

The lowest tenderer's additional costs noted above relate mainly, but not totally, to achieving the enhanced score suggesting the original tender design met some of the targeted credits. The additional costs listed include items that the table of possible enhancements in the Pre-assessment Strategy Report excludes and/or suggests have no cost. We are inclined to agree with the assessment of the tenderer that the relevant items probably do have cost implications. It should be noted the majority of the costs are noted as provisional sums and we are of the opinion that the allowances are reasonable with the exception of "Ref: Wat01 Water Efficient Sanitaryware", where the sum of £10,000.00 for low flow, taps, cisterns, etc, is high.

In addition to the costs identified by the lowest tenderer Mipa will incur additional direct costs such as consultant fees to produce a site-specific travel plan.

The spreadsheet provided totalling £311,000 is based on the list above with figures updated from 2018 and includes consultants' fees excluded by the lowest tenderer.

BREEAM Associated Costs - Subject to Strategy		
ADD	Pre-Assessment Strategy Ref: Man03.2	£ 3,300.00
ADD	Ref: Man03.3 Considerate Constructors Fee	£ 1,870.00
ADD	Ref: Man03.4 Transport Data (Gate man)	£ 23,728.10
ADD	Ref: Man04.3 Thermographic Survey & Report	£ 3,564.00
ADD	Ref: Hea01.1 Glare Control Blinds	£ 8,250.00
ADD	Ref: Hea02.1 Indoor Air Quality Plan	£ 2,750.00
ADD	Ref: Hea02.2 Ventilation	£ 23,100.00
ADD	Ref: Hea02.4 VOC Emission Levels	£ 3,932.50
ADD	Ref: Hea04.1 Thermal Modelling	£ 3,850.00
ADD	Ref: Hea05 Acoustician Report	£ 8,800.00
ADD	Ref: Hea05 Acoustic Enhancements	£ 13,200.00
ADD	Ref: Ene01 Energy Performance Upgrade	£ 61,325.00
ADD	Ref: Ene08 Energy Efficient Equipment Upgrade	£ 3,025.00
ADD	Ref: Tra05 Travel Plan	£ 8,250.00
ADD	Ref: Wat01 Water Efficient Sanitaryware	£ 13,200.00
ADD	Ref Wat03.1 Leak Detection System	£ 2,750.00
ADD	Ref: Mat03.2 Upgrade Material Performance	£ 20,900.00
ADD	Ref: Mat05 Protection Barriers etc.	£ 23,100.00
ADD	Ref: Le02.1 Ecologist Report	£ 3,850.00
ADD	Ref: Le02.2 Enhanced Ecology / outcome of report	£ 9,350.00
ADD	Ref: Pol01.2 Refrigerant Leak Detection	£ 11,220.00
ADD	Ref: Reduction of Noise Pollution	£ 13,200.00
	BREEAM Assessor from pre-assessment through to completion including fees and reports.	£ 16,500.00
	Extra over to achieve BREEAM 'Very Good'	£ 283,014.60
	Cost to Achieve BREEAM 'Good'	£ 27,985.40
		£ 311,000.00

Excluding the items not included at post-tender stage the uplift amounts £68,419 or 33.6%. In addition, they have added fees for the travel plan, the cost of a leak detection system and an allowance for achieving BREEAM 'Good'. Although there is a cost of achieving 'Good', those costs would have been included in the original tender sum. Similarly, the cost of the leak detection system was included in the original tender sum. The uplift of 33.6% is consider excessive as BCIS data suggests general building costs have increased by 7.4% over the period.

Summary

The BRE briefing paper, "The value of BREEAM" states the cost of achieving a BREEAM rating has reduced over time with the table below showing the indicative percentage increase in capital costs for different building types.

Increase in capital costs for different building types and certification levels

	 Education	 Industrial	 Retail	 Office	 Mixed Use
Rating	School	Industrial	Retail	Office	Mixed Use
Very Good	0.2%	0.1%	0.2%	0.2%	0.15
Excellent	0.7%	0.4%	1.8%	0.8%	1.5%
Outstanding	5.8%	4.8%	10.1%	9.8%	4.8%

Source: Tata Steel, British Constructional Steelwork Association Limited, AECOM, Cyril Sweett, The Steel Construction Institute, Development Securities PLC, 2012.

This suggests the additional cost of achieving 'Very Good' for the Mipa building would be 0.2%, or less than £10,000 based on the lowest tender received. This is unrealistic.

The extra cost of achieving a BREEAM rating of 'Very good' is stated by the developer's agent to be £210,000. We consider this to be a reasonable estimate based on the figures provided as part of the post-tender negotiations and making allowance for Mipa's direct costs.