

CIC response to the House of Lords' Call for Evidence on 'Meeting the UK's housing demand'

September 2021

This is the response of the Construction Industry Council (CIC) to the House of Lord's Call for Evidence on meeting the UK's housing demand. The Call for Evidence seeks to understand the extent of housing demand in the UK, barriers to meeting it such as skills shortages and possible ways to overcome them.

The CIC would be delighted to expand on any of the issues we have raised in this submission.

The CIC's role in housing delivering and raising standards

The CIC is the representative forum for professional bodies, research organisations and specialist business associations in the construction industry. An appendix to this letter provides more information about us.

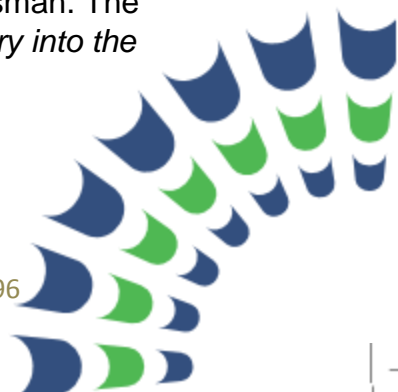
Our members collectively support and represent circa 500,000 individual professionals and 25,000 firms of construction consultants. Many of these professionals play a key role in the delivery of housing from its planning, procurement, design, construction and maintenance and management.

Importantly, our members' perspective comes from a view of what works best to provide much-needed housing that is well designed, well-constructed and safe, while building strong communities through excellence in place making.

We are keen to offer whatever support we can to the Inquiry in its objective of understanding housing needs and how the barriers to delivery can be overcome.

As an industry we need to embrace new skills to ensure homes are sustainable, help meet net zero targets, and provide the right comfort levels.

In the past five years we have been involved with a number of programmes to improve the quality of new homes and raise standards more widely. The CIC has provided the secretariat for the All Party Parliamentary Group for Excellence in the Built Environment, which has conducted two inquiries into housing quality in England. Two reports stemming from these inquiries were instrumental in the Government setting up the New Homes Ombudsman. The report from July 2016 was *More homes fewer complaints – an inquiry into the*



*quality and workmanship of new housing in England,*¹ which called for a New Homes Ombudsman. In 2018, to maintain the momentum, the group published *Better redress for homebuyers - How a New Homes Ombudsman could help drive up standards in housebuilding and improve consumer rights.*²

The CIC is also playing a central role helping to raise competence standards in the building industry in the wake of the Grenfell Tower disaster. CIC chief executive Graham Watts chairs the Competence Steering Group, set up in 2018. The CSG comprises more than 150 institutions and associations across the full spectrum of construction, built environment, fire safety and building owner/manager sectors. It constitutes the largest-ever number of organisations that have been brought together in the built environment and fire safety sectors for a common purpose.

Focus of our submission

The CIC's submission focuses on skills and capacity, planning reform and housing quality - areas where we bring unique insight and where there is commonality of views amongst our member organisations. (Please note, some members will be making their own individual submissions.)

Housing demand and delivery

2. What social and demographic factors shape housing demand in the UK? What are the expected future trends in housing demand?

The CIC does not produce figures indicating the level of housing need, but there are plenty of authoritative indicators pointing to demand outstripping supply. Analysis by Savills published in January 2021 reported that the number of homes in England grew by 1,819,200 between 2010/11 and 2019/20, an increase of 8%. Over that same period, England's population grew by 4,090,600.³

Savills pointed out that for every new home built, the population rose by 2.25. This mismatch of housing supply and need has had drastic consequences for

¹ More Homes Fewer Complaints, All Party Parliamentary Group for Excellence in the Built Environment, July 2016. <https://cic.org.uk/services/reports.php>

² Better redress for homebuyers - How New Homes Ombudsman could help drive up standards in housebuilding and improve, APPGEBE, June 2018. <https://cic.org.uk/services/reports.php>

³ <https://www.savills.co.uk/blog/article/309803/residential-property/housebuilding-2010-2020--population-growth-more-than-double-number-of-new-homes-built.aspx>

affordability. Rents increased 2% per year in England on average over the last decade, according to data from Hometrack and have risen sharply in the past year.

The Lord's call for evidence notes that Government has set a target of building 300,000 new homes per year by the mid-2020s. However, the Inquiry seeks to move beyond this target to understand whether the type, tenure and quality of new builds will affect whether the UK can meet its housing demand.

The Government's target is aspirational and not based on definitive need estimates; there will be major uncertainty about this because of changes in net migration post-Brexit and changes in preferences post-Covid with demand potentially rising in small towns outside the big cities as they look for more private space inside and outside. It is also worth noting that Government has moved targets from new build to net supply so numbers now include conversions via permitted development, which is not suitable for many households.

CIC agrees that there is a need for more affordable housing in the UK. However, success should not be purely measured in numbers of new homes but should take in other important considerations as well. These include:

- Providing good quality homes in the right places, as opposed to simply focusing on quantity.
- Ensuring that housebuilders are held to account and are delivering for the consumer.
- Improving the safety of new residential buildings to protect the lives of renters and homeowners.
- Creating new homes that can adapt to climate change and that focus on sustainability to create places for the future.
- Providing support to the construction industry to increase and bolster productivity in delivering new homes.
- Improving access to the market for SME housebuilders.
- Retrofitting existing homes so they reduce carbon footprint and fuel bills for their residents

Barriers to housing delivery

6. Is the construction sector able to deliver the UK's housing demand? What barriers are facing the sector?

The Government is yet to meet its annual 300,000 homes housing target, though we note that before the pandemic hit, new supply had risen to 244,000

for 2019/2020, the highest rate in 30 years.⁴ However, indications are that numbers will be lower for 2020/2021 because of the site closure of sites at the start of the pandemic – though output has been bouncing back strongly.

We are, however, concerned that output will be constrained by sharp price rises brought about by labour and materials shortages, which are forecast to continue into the next two 2-3 years.

Private housebuilders have been warning that this inflation could challenge delivery plans and could have a negative impact on the delivery of affordable housing in Homes England's 2021-2026 affordable homes programme.

Another factor diminishing supply could be the change from the use of Section 106 agreements, which seek to receive funding from private developers, to instead using the Infrastructure Levy.

The new measures set out in the Building Safety Bill, which we strongly support, looks to provide a greater level of scrutiny on the quality of medium and high-rise residential developments. These additional processes that higher rise developments will be forced to undertake could lead to a hiatus when they come into force and make it harder to significantly increase output.

Diversity and affordability

As the recent Parliamentary briefing paper published in January, *Tackling the undersupply of housing in England*, makes clear, there are a number of well-established barriers to housing delivery – and there is no one silver bullet to tackling them. The CIC would agree with this view.

The need for greater diversification of supply is paramount – private sector housing is still dominated by a handful of large companies.

The Government itself has acknowledged this and has been introducing a number of measures to support SMEs. As the reference paper reports, the Housing Minister, Christopher Pincher referred to Government support for SMEs during a Westminster Hall debate on Housing and Planning on 3 March 2020. He said: "We believe that SMEs have a key part to play by increasing their output, as the biggest home builders in our country will not meet the

⁴ Tackling the under-supply of housing in England, January 2021 House of Commons reference Library. <https://commonslibrary.parliament.uk/research-briefings/cbp-7671/>

Government’s housing building target alone. SMEs are well placed to help to deliver new homes, welcomed in their communities rather than resisted, and those homes will be built to last.”

However, surveys in 2020 of small and medium housebuilders by the Federation of Master Builders⁵ and the Home Builders Federation published in October 2020⁶ still point to huge challenges – not least the impacts of the pandemic, reduced finance and lack of small sites to develop.

The Letwin inquiry⁷ found that the build-out rate and the completed housing product would be significantly improved if SMEs had access to land, and we believe this would be a sensible area for Government intervention. In terms of policy recommendations, parcelling up public land for SMEs, giving priority to self and community builds on public land, a state investment bank to give SMEs access to cheap finance and distributing public land with a wider criterion of value than the financial bottom line would all benefit SME builders.

It is essential Government supports access to lower-cost bank lending by a government guarantee to encourage SMEs’ involvement in the market. In our view this should be available for the purposes of both site acquisition and working capital.

Another key factor affecting the number of new homes and affordability is the potential contribution of the local authority and housing association sectors.

In England housing associations are responsible for building around a fifth of all new homes – with councils still building very few. We are concerned that pressure on finances stemming from the building safety programme will make it harder for both housing association and council landlords to lever their own cash to deliver new housing. The levels of grant funding will need to be raised to higher levels.

Materials and skills shortages

As touched on above, we are concerned that materials and skills shortages leading to sharp rises in building costs could constrain housing delivery and potentially lead to poor quality homes.

⁵ <https://www.fmb.org.uk/resource/house-builders-survey-2020.html>

⁶ <https://www.hbf.co.uk/news/sme-housebuilders-face-tough-battle-ahead-growth-and-delivery-projections-fall/>

⁷ Ministry of Housing, Communities & Local Government (MHCLG) & HM Treasury, Independent review of build out, 29 October 2018

Material and skills shortages have been widely reported and stem from a range of factors.

- Covid-19 has affected supply from mills and factories
- supply chain bottlenecks due to global demand shocks
- shortage of haulage drivers
- container shortages and port delays
- construction demand fluctuations - sharp falls in the first half of 2020 followed by a steep recovery since
- increased administration at UK ports affecting imports and exports due to UK EU Trade and Cooperation Agreement
- sharp rises in shipping costs and temporary surcharges.

Brexit is adding to skills shortages, which in turn is putting pressure on costs. Emigration during the pandemic and following the introduction of the post-Brexit immigration system is taking its toll, with 1.3 million foreign nationals leaving the UK in the past year.⁸ Since 2017, there has been a 42% decline in the UK's EU construction workforce, according to ONS figures.

In London, which has the highest proportion of EU workers, the decline is 54%. Partly as a result, average earnings in construction shot up by 4.5% in May to £885 per week, according to data from self-employed payroll provider Hudson Contract.⁹

Surveys from across the sector are all pointing to the same thing: there is increased evidence of the challenges faced by the industry to deliver. For example:

- The Construction Products Association (CPA) has said that the key constraint on growth in its forecast for 2022 remains the cost and availability of imported products and skilled labour.¹⁰ The sharp recovery for both UK construction and also places such as the US has led to sharp cost increases and extended lead times for key products such as paint and varnishes, timber, roofing materials, copper and steel. According to figures published in September by BEIS, materials costs rose by 4.5% in July alone, with prices now up 20% over the year.

⁸ Estimating the UK Population During the Pandemic, Economic Statistics Centre of Excellence <https://www.escoe.ac.uk/estimating-the-uk-population-during-the-pandemic/>

⁹ <https://www.ft.com/content/6ddd9b7e-781c-477e-87b2-d4fd283362da>

¹⁰ <https://www.building.co.uk/news/cpa-sounds-warning-about-materials-shortages-as-fears-mount-over-spiralling-costs/5111455.article>

- At site level, three out of four UK contractors are experiencing problems with the supply of materials and products. Results from the Civil Engineering Contractors Association (CECA)'s quarterly Workload Trends Survey for Q2 2021 published in August found that while civils workloads remain buoyant, a record proportion of British firms (73%) cited issues with the supply of materials and products.¹¹
- Costs and tender prices balances have hit an all-time high, threatening to undermine the sector's ability to deliver the projects and jobs necessary to drive the UK's continuing economic recovery, CECA has said.
- A number of housebuilders including Berkeley Group have warned of challenges due to the impact of continued build cost inflation.¹²
- A report from CIC member, the Royal Institution of Chartered Surveyors (RICS),¹³ revealed that four in five construction firms said building material shortages were constraining activity, and two-thirds were finding it difficult to hire bricklayers and carpenters. The survey of more than 500 professionals found they expected overall construction costs to rise by 8% this year and construction material costs to rise by around 10% over the next year.
- This combination of material and skills shortages will inevitably add to overall building costs rising. The RICS' cost forecasting service BCIS has said that tender prices will rise by 21% over the forecast period (2Q2021 to 2Q2026).¹⁴

It is clear that the outlook for construction will be turbulent for the period ahead and could prove particularly risky for construction companies themselves, with no easy solutions.

By 2025, the industry will need to recruit an additional 217,000 new workers just to meet demand according to figures from the Construction Skills Network (CSN) 2021-25, published by CITB recently.

¹¹ <https://www.ceca.co.uk/ceca-contractors-report-record-cost-pressures-and-supply-concerns/>

¹² <https://www.reuters.com/world/uk/homebuilder-berkeley-flags-construction-cost-inflation-supply-chain-issues-2021-09-03/>

¹³ <https://www.constructionnews.co.uk/supply-chain/material-shortages-surveyors-predict-10-rise-in-costs-05-08-2021/>

¹⁴ <https://www.rics.org/uk/products/data-products/insights/bcis-five-year-forecast2/>

We are fully supportive of the Construction Industry's Council's Skills Plan for the sector – including measures to improve the diversity of the workforce and increase the number and types of apprentices to reflect increased digitisation and use of modern methods of construction and the move to build zero carbon homes. This plan aims to address systemic skills problems, but in the shorter term supports the call for a review of the occupations eligible for a visa and an immediate update to the shortage occupations list to include specialist piling rig operators, HGV drivers and others.

Construction employers of all sizes are now reporting challenges in employing suitably skilled workers and are calling for the new visa system to accommodate specialist construction workers to help alleviate the shortage in the short term whilst alongside this, education policies are aligned to support UK workers in gaining appropriate qualifications and training including apprenticeship.

Professional indemnity insurance

Another potential barrier to housing delivery, and especially where higher rise building is concerned, are the prohibitive restrictions and four-fold cost hikes in professional indemnity (PI) insurance. This is preventing companies taking on work and could delay the replacement of urgent remedial work to tower blocks in the wake of the Grenfell tragedy. But there is a wider knock-on effect too, as evidenced by the findings of a pan-industry survey carried out by Construction Industry Council on behalf of the Construction Leadership Council (CLC) carried out in March 2021.¹⁵

The results pointed to the widespread incidence of companies having to change the type of work they do because of restrictions on cover, with a quarter losing jobs because of tough conditions and limitations being set by insurance firms. Even though two thirds of respondents said that less than 5% of what they do is high rise residential, almost one in three were unable to buy the cover they wanted or needed.

The results of the survey also revealed premiums have increased nearly four-fold at the last renewal, after having doubled the year before; the average rate is 4% of turnover but one in five who gave figures are paying more than 10% of turnover for their PI insurance.

¹⁵ <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/03/Press-Release-30-March-2021-CLC-PII-survey.pdf>

Insurance premium hikes are affecting all in the sector – not just those involved in higher risk residential buildings - and could see many SMEs businesses become unviable.

It is paramount that Government and insurance firms work together to find solutions to this issue; otherwise, capacity of the building sector in both the consultant and contracting roles will be curtailed.

Planning reforms and housing delivery

7. The Government has published its proposals for reform of the planning system. How can the planning system be shaped to meet housing demand?

Broadly speaking we have not been entirely supportive of a number of the planning reforms being proposed by Government.

Our position is:

- The planning system is not broken. It works well if implemented as intended and should not be blamed for the fact that housing targets are not being met. It does not need to be ‘torn down’ as the PM stated in his introduction to the White Paper.

Members agreed that the failure to build enough new homes was more attributable to the market, and specifically the lack of housebuilders in the market. Housebuilding is still dominated by a handful of volume builders. SMEs do not have deep enough pockets to invest in infrastructure, which is more of a deterrent than planning issues.

- Drawing up local plans which would form a baseline for strategy and decision making needs to be made to be more enforceable. We note in the introduction to the White Paper that it states: “Although it is a statutory obligation to have an up to date Local Plan in place, only 50% of local authorities (as of June 2020) do, and Local Plan preparation takes an average of seven years (meaning many policies are effectively out of date as soon as they are adopted).”

Our view is that local authorities must draw up Local Plans to aid permissions and make sure the needs of various communities are balanced (for example, housing that enables older people to downsize). Local Plans must include plans for development that meet clearly expressed carbon reduction targets, both in terms of up-front

construction and whole-life consumption. Such targets must be set to enable to the UK to meet net-zero carbon commitment by 2050.

- We oppose the extension of permitted development rights – and do not think that is the way forward because it undermines the creation of communities.
- Planning departments are under-resourced, which can impact the delivery of well planned and good quality homes. The CIC welcomes the proposals to improve the digitisation of planning, especially as it should speed up the processing of planning applications. This, we consider, will increase efficiency of planning and ensure saved resources can be devoted to the vital preparation and adoption of Local Plans.

We expand on some of these points in more detail below.

Extension of permitted development rights

We are concerned that extending permitted development could have negative consequences and may be detrimental to communities in the longer term. These consequences include the inability to integrate new development with infrastructure, the risk of taking out premises which are cheap to rent and accessible to new start-up business, especially in the culture sector, and the risk of poorly designed and unneighbourly developments that potentially become ghettos for the least well off. The worry is that we will have new homes in old high-rise offices which are simply inappropriate for families.

Furthermore, it is unclear how homes created through permitted development can be subject to the same degree of building safety scrutiny if their passage through the planning system is not so tightly controlled. We appreciate that new dwellings formed from office or retail conversions will be subject to meeting appropriate Building Regulations, but we would welcome reassurance that oversight of the new Building Regulator will still apply, given it is widely expected that new homes over 18m will need to pass new Building Safety legislation. This whole area will need more clarity.

Space, quality standards and safety are all areas of concern to us, as is the fact that permitted development does not allow the knitting together of the necessary infrastructure.

At a time, too, when local resources are stretched, and will become even more so as councils count the cost of the pandemic, we see no reason why permitted development should be an exception to the principle of delivering sufficient infrastructure alongside new housing.

In debating these proposals CIC members suggest a number of ideas that could help provide confidence to communities and professionals that quality and safety will be safeguarded and that a greater provision of amenities will be provided in the locality.

- Introduce more prior approval conditions as part of the permitted development process to ensure that space, quality and safety are considered in relation to existing infrastructure and that they comply with the requirements set out in Local Plans' quality aspects covering materials, amenities and public realm.
- Incorporate permitted development for conversion to residential into Local Plans that can be updated regularly.
- Ensure housing delivered through permitted development incorporates an element of Community Infrastructure Levy or Section 106, providing contributions towards affordable housing and community infrastructure.
- Ensure that the homes delivered through permitted development are subject to all the checks and balances that will be applied in the new Building Safety legislation. This must include requirements that those buildings which fall under the new Building Safety legislation (currently 18m or more in height and other higher risk buildings) will be subject to the newly proposed Gateway One checks, even though there is no current requirement for a formal building application to be made at planning stage for permitted development housing schemes.
- Ensure that homes delivered through permitted development will be required to meet the new Future Homes Standard.
- Ensure that permitted development comes under the auspices of the New Homes Ombudsman, which CIC has been instrumental in campaigning for through its sponsorship of the All-Party Parliamentary Group for Housing, whose 2016/2018 reports called for the establishment of the Ombudsman. This would safeguard rights of redress of new homeowners in these schemes.

The infrastructure levy

We acknowledge the potential of the proposed new infrastructure levy to provide more certainty about developer contributions to infrastructure and new affordable homes. However, we are concerned that it has the potential to introduce as much uncertainty as the current systems, especially with respect to fixing levy rates, value thresholds and the valuation of gross development value at the time of planning consent and at final occupation.

We are particularly concerned at the way the proposals will de-link payment from the contractual obligations under Section 106 in relation to the provision of infrastructure. We also worry that local authorities will pay high risk premiums in borrowing against levy payments, reducing what is available to spend on infrastructure.

We would caution against the introduction of the infrastructure levy. But if it is to be introduced, then it will be absolutely critical to ensure the fund is ring-fenced and hypothecated in order to prevent the monies leaking into general local authority spending.

Looking at how Government's proposed planning reforms can help deliver well designed housing that meets local needs, the CIC response to *Planning for the Future*, Planning Reform White Paper should be of interest to the committee.
<https://cic.org.uk/admin/resources/cic-response-to-planning-for-the-future.pdf>

Designing for the future

8. What can be done to improve the quality of new homes? How can the design and aesthetics of new homes be improved?

National Planning Policy Framework and National Model Design Code

The Construction Industry Council welcomes the Government's desire to give greater weight to the importance of design considerations in planning decisions. 'Design' has been a challenging issue over the years for the planning system and for planners to address. We firm believe the new approach will provide planners with the guidance and authority to raise design standards.

In welcoming the approach, however, some aspects need to be given greater consideration in order to ensure that design codes are successful in driving up quality, and making developments attractive to communities in their neighbourhoods.

Design codes and permitted development rights

We have previously expressed reservations over the proposed extension of permitted development rights (PDR). These reservations have particular relevance to the concerns when trying to promote better design. There is an inherent tension between the deregulation that goes along with PDR and the need for those developments which benefit from PDRs to comply with design/codes.

One way to address this is to have a more limited approach to PDR or to ensure that prior approval is required on design matters (ie, compliance with guides/codes). Given the scale of PDR, this is an important issue and could seriously undermine the Government's ambition for promoting better design.

Promoting neighbourhood involvement

We endorse the approach of getting neighbourhoods involved in developing codes and guides. It is imperative that neighbourhoods are involved as much as possible in producing codes and designs. In the past, poor quality of design has been a reason why so much new development has been opposed locally. Neighbourhood-based guidance must be seen as positively encouraging good designs (where there is a proven need) but also preventing bad design.

If this is not accomplished, we fear that Government statements will be seen as mere rhetoric by neighbourhood groups and they will lose confidence in the planning system.

A further important consideration will therefore be to ensure a more integrated approach. For example, following planning consent, well designed schemes should not be fundamentally changed during the process of addressing matters of design detail: too often currently, what is finally built is 'bad' design.

We also support the proposal that local authorities should have the ability to comment on good design with the creation of the role of chief officer for design and placemaking, as expertise in this area is currently variable.

Designing to meet net zero

As we have stated above, the new design codes - implemented properly - and the introduction of New Homes Ombudsman are highly welcome steps that will drive up standards in design and construction quality.

The quality homes we need are those that are safe, but which also meet the growing demands of inhabitants in terms of climate change adaptation, decarbonisation, access to outdoor space and remote working. The homes built now will be inhabited for generations to come.

The government intends to deliver a safer built environment through the provisions contained within the Building Safety Bill, and the CIC has contributed to this accordingly. However, future-proofing to ensure that the quality of new homes improves to meet the demands of the climate emergency and post-

pandemic living is a different challenge. This challenge requires more immediate action than is currently planned.

The Future Homes Standard is a major part of Government's plans to build homes that are zero-carbon ready. Unfortunately, a full technical specification for the Future Homes Standard will not be consulted on until 2023¹⁶ and Government intends to introduce the necessary legislation in 2024, ahead of implementation in 2025.

If the Government is to consistently reach its target of 300,000 homes per year,¹⁷ this will mean that 1 million homes are likely to have been built before the Future Homes Standard is implemented.

These homes will only be subject to interim standards with some transitional arrangements still to be revealed. In addition to this, Building Regulations do not yet account for the reduction or even measurement of embodied carbon, which could make up 70% of a new home's whole-life carbon.

There is also the possibility that if the Future Homes Standard is perceived by housebuilders as increasing build costs, then plans may be rushed through to beat the legislation.

The recent 6th Assessment report¹⁸ from the Intergovernmental Panel on Climate Change (IPCC) laid out the implications of climate change in much starker and more immediate terms than before. Reducing carbon emissions is only one part of this challenge: ensuring all new homes are future-proofed for adaptation is also critical. In its latest Independent Assessment of UK Climate Risk¹⁹, the UK's independent adviser on tackling climate change – the Committee for Climate Change – reported high and immediate risk to human health, wellbeing and productivity from increased exposure to heat in homes and other buildings. Unprecedented rainfall this summer has led to severe flooding in areas containing new housing as infrastructure such as storm drains gets overwhelmed. The coming years will see new precedents²⁰ in terms of

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/956094/Government_response_to_Future_Homes_Standard_consultation.pdf

¹⁷ <https://www.gov.uk/government/news/government-announces-new-housing-measures>

¹⁸ <https://www.ipcc.ch/report/ar6/wg1/>

¹⁹ <https://www.theccc.org.uk/wp-content/uploads/2021/07/Independent-Assessment-of-UK-Climate-Risk-Advice-to-Govt-for-CCRA3-CCC.pdf>

²⁰ <https://www.metoffice.gov.uk/research/climate/understanding-climate/uk-extreme-events-heavy-rainfall-and-floods>

weather events in the UK and this likelihood needs to be built in to local and national plans immediately.

It is also crucial that all new homes satisfy future needs which have come about or been exposed as a result of the pandemic.

These may include the need to mandate infrastructure for bicycles or electric vehicles and satisfy the growing demand for separate household spaces for remote working. Research from McKinsey has indicated that more than 20% of the workforce could work remotely three to five days a week as effectively as they could if working from an office²¹. This would mean 3 or 4 times as many people working from home as before the pandemic.

Covid-19 has also exposed inadequate and unequal access to high quality green spaces which has implications for physical and mental health. Research from the University of the Highlands & Islands and the University of Aberdeen has found that people without patios and gardens experienced greater mental health challenges during the Covid-19 pandemic than those who have access to their own outdoor space²².

There is also strong evidence that in an urban context, green space is associated with heat reduction which could help with climate change adaptation.²³

In order to keep people safe and also protect their mental health during this and potential future pandemics, we feel that an analysis of housing and the built environment as it relates to transmission, mental and physical health during the pandemic should form a strand of the Covid-19 Inquiry with recommendations to be made on the basis of these findings.

Improving the existing housing stock

We appreciate that emphasis of the Inquiry is on the delivery of new housing, we believe that upgrading the energy efficiency of existing homes through repair, maintenance and improvement (RMI) work is an example of a socially valuable project that will support the economy, while providing an unprecedented opportunity to address the health and wellbeing of residents and

²¹ <https://www.mckinsey.com/featured-insights/future-of-work/whats-next-for-remote-work-an-analysis-of-2000-tasks-800-jobs-and-nine-countries>

²² <https://www.uhi.ac.uk/en/media/news/study-reveals-importance-of-personal-outdoor-space-during-covid-19-pandemic.html>

²³ <https://www.nature.com/articles/s43017-020-00129-5?proof=t>

make progress on the decarbonisation of existing homes as a key strategy to meet our net zero obligations.

This type of work is labour intensive and grounded within local supply chains, making it an ideal project to maximise employment within the construction sector, support regional growth and provide opportunities for training and retraining in low-carbon construction skills. The danger in ignoring the potential of RMI is that it will lead to a lower standard of housing that is not fit for occupation within future homes standards.

Retrofitting existing homes to meet newer standards of energy efficiency will also go a long way in helping the UK to reduce its overall carbon footprint and achieving net-zero targets whilst also providing residents with reduced monthly energy costs. This in turn will free up disposable income to be spent within local economies further stimulating growth across the country.

Taking a short-term approach to this, as in the recent Green Homes Grant often fall short of what is required to bring homes up to standard, as the National Audit Office recently concluded.²⁴ CIC is a supporter of the CLC's National Retrofit Strategy²⁵ which provides a twenty-year blueprint for how the construction industry can work with Government to retrofit the UK's 28 million existing homes. We urge the Government to build on this progress of the Green Homes Grant and other schemes and work with the CLC to implement a long-term national retrofit strategy as a core element of its Industrial Strategy. This will provide a clear direction of travel for the construction industry and the certainty that businesses need to create stable, green jobs beyond 2021.

Building Safety Bill

We welcome the measures being set out in the Building Safety Bill that will improve responsibility and accountability in the way that buildings are designed, constructed and managed. While this will not drive up the aesthetic appeal of new homes and refurbishments, the new requirements are intended to ensure higher rise homes are safer, which should drive up quality of work in their construction.

CIC, through our chief executive Graham Watts who is chairing the Competence Steering Group, has been at the centre of this work. The Competence Steering Group was instigated by Dame Judith Hackitt after the publication of her report *Building a Safer Future* in May 2018 revealed the

²⁴ <https://www.nao.org.uk/report/green-homes-grant/>

²⁵ <https://www.constructionleadershipcouncil.co.uk/news/national-retrofit-strategy-v2-launches/>

extent to which competence was lacking in safety critical trades and professions. Since that time the pan-industry group representing more than 150 organisations in the fire and construction industries has been working closely with Government and Dame Judith Hackitt to set out a process for change. The Competence Steering Group's report setting out a new regime was published in October 2020.²⁶

Although work is progressing at pace to produce new standards for the new duty holder roles set out in the Safety Bill, the extent to which many of the recommendations to lift the competence of those who work on high rise residential buildings, both in new build and refurbishment work, are given teeth will not be known until the emergence of secondary legislation.

We are aware that the industry needs to undergo a culture change to ensure it delivers to higher standards and acknowledge that it will take some time to put in place all the new competence frameworks across an industry that employs so many people.

Added to this task is the fact that the construction and refurbishment sector depends on the supply of transient semi-skilled labour to meet work peaks and troughs. Such workers rarely belong to any organisation long enough to justify the costs of worthwhile training. The Construction Statistics 2019 indicate that 96% of the 290,374 registered construction firms employ fewer than 14 people; 92% of all firms employ so few people they do not even have to legally maintain written H&S policies. The introduction of building standards compliance will be particularly hard to enforce within this cohort of workers, if for no other reason than it will impede their ability to continuing operating at a profit margin they can survive with. Compliance, training, and third-party accreditations all come with a high overhead that many of these workers cannot afford.

9. Is the workforce equipped with the professional, digital and other skills required to meet housing demand, for example in the construction, planning and design sectors? What can be done to overcome skills shortages?

Digital skills

The housing sector within construction has been slow to adapt to digital ways of working. While consultants and contractors working on projects such as schools and hospitals have been quicker to adopt digital construction processes to

²⁶ Setting the Bar, a New Competence Regime for Building a Safer Future, The Competence Steering Group, October 2020 <https://cic.org.uk/admin/resources/setting-the-bar-9-final-1.pdf>

improve collaboration and efficiency, this has not been happening to the same degree for housing projects. For example, some of the larger building contractors are using technology in a fully integrated way to streamline processes and drive up quality, with projects designed and 'built' digitally before starting on site. They are arming their site-based project managers with tablets and apps to check projects are being built as designed and snagging is completed before projects have been handed over.

The potential benefits of fully harnessing the advancement in technology and software is enormous and is very much at the heart of the Government's blueprint for the sector.²⁷

The housing side has been slower to pick up on changing working practices. This is for a number of reasons:

- Housing schemes are less complicated and generally at smaller scale.
- There has not been the same imperative from public sector clients and housing associations who contract with the private sector to build their housing projects as there has been in other public spending programmes.
- Two thirds or more of new housing is still delivered by private house builders who may not have seen an economic benefit to making an investment in technology such as building information modelling (BIM).
- The potential benefits of adopting digital technology have been well documented, including greater efficiency and reducing problems on site. For housing built using modern methods of construction combined with BIM, benefits include potentially fewer defects, less need for on-site labour and potentially being able to customise housing finishes more easily for buyers and residents.

The move to more digital working is achieving some traction in the public/housing sector. We welcome the requirement in the Building Safety Bill for there to be a 'golden thread of information' which will require information about a project to be handed over to the client in a digital format. The original consultation on this did however have limited requirements and how this might be developed and formatted is still to be drawn up. But the principle has sparked greater interest in adopting more digital ways of working in housing.

²⁷ The Government's construction play book, December 2020

<https://www.gov.uk/government/publications/the-construction-playbook>

The CIC has been instrumental in drawing up BIM protocols from the early days of its use and we have been encouraged to see a number of organisations within social housing coming together to produce guidance.²⁸

Modernising housebuilding will require Government encouragement and a huge transformation in terms of skills and mindset. Surveys point to the fact that the pandemic and more remote working it has entailed has led to the wider adoption of digital technologies across the sector as a whole,²⁹ but lack of skills is still holding up progress.³⁰

Housing projects are often competing for skilled professional and trades people against other projects – and there is concern that huge infrastructure scheme like HS2 could suck in skilled workers that might otherwise work in housing, which could add to the lack of availability.

Zero carbon skills

Site substitution and a failure for the workforce to meet necessary standards has contributed to failings in building performance and as regulations are raised to deliver zero carbon homes this is area where skills of the workforce will need to be improved. In 2014, a Zero Carbon Hub report³¹ studied the performance gap between how a building is designed to behave, and how it performs in reality. The assessment, which covered over 200 plots, showed widespread shortfalls in the performance of the housing stock in terms of energy performance. The study found glaring examples of errors that can undermine a home's performance on nearly all sites including windows being put in the wrong place, insulation that had been poorly fitted and incorrect measurements.

Moving forward

Implementing The Construction Leadership Council's (CLC) newly announced five-year plan for skills which set out key milestones and responsibilities for modernising the sector, including the development of digital skills, will be vital.

²⁸ BIM 4 Housing Associations: Asset Management in the 21st Century' Bim Alliance and National Housing Federation <https://www.ukbimalliance.org/project/bim4-housing-associations-project/>

²⁹ Construction Manager BIM survey May 2021. <https://constructionmanagemagazine.com/covid-aids-bim-adoption-but-barriers-remain/>

³⁰ Construction Manager BIM survey May 2020 <https://www.bimplus.co.uk/poor-digital-skills-hold-back-bim-adoption/>

³¹ The Performance Gap, The zero Carbon Hub, July 2014 https://www.zerocarbonhub.org/sites/default/files/resources/reports/EndofTerm_Summary.pdf

This could be aided by:

- Reform of the apprenticeship levy to ensure that it works for construction trades and professionals and delivers training and opportunity where it is needed – including green construction
- There is an urgent need to strengthen links between educators and industry to reflect more modern ways of working. Digital training programmes for construction are lacking; education has failed to mirror the industry's technological developments.
- Restore funding for further education – budget cuts have impacted heavily on courses and retain the funding for supporting level 2 and below training, which is now being reviewed.
- For government, local authorities and housing associations to support greater training and apprenticeships and investing in skills through best value procurement practice – including moving away from selecting bids on the lowest price and rewarding those companies that invest in training and skills development in their own companies and across the supply chain.

Annex A

About the Construction Industry Council

The Construction Industry Council (CIC) is the representative forum for the professional bodies, research organisations and specialist business associations in the construction industry.

Established in 1988 with five founder members, CIC now occupies a key role within the UK construction industry providing a single voice for professionals in all sectors of the built environment through its collective membership of circa 500,000 individual professionals and 25,000 firms of construction consultants.

The breadth and depth of its membership means that CIC is the only single body able to speak with authority on the diverse issues connected with construction without being constrained by the self-interest of any particular sector of the industry.

Organisations and Professional Bodies in membership of CIC are shown below.

Members of the Construction Industry Council

ACAI	Association of Consultant Approved Inspectors
ACE	Association for Consultancy and Engineering
APM	Association for Project Management
APS	Association for Project Safety
ASFP	Association for Specialist Fire Protection
BAFE	British Approvals for Fire Equipment
BCS	Chartered Institute for IT
BIID	British Institute of Interior Design
BRE	Building Research Establishment
BSRIA	Building Services Research and Information Association
CABE	Chartered Association of Building Engineers
CIAT	Chartered Institute of Architectural Technologists
CIBSE	Chartered Institution of Building Services Engineers
CIOB	Chartered Institute of Building
CIHT	Chartered Institution of Highways & Transportation
CIPHE	Chartered Institute of Plumbing and Heating Engineering
CIPS	Chartered Institute of Procurement & Supply
CIRIA	Construction Industry Research and Information Association
GF	Ground Forum
ICES	Chartered Institution of Civil Engineering Surveyors
ICWCI	Institute of Clerks of Works and Construction Inspectorate
IET-BES	Institution of Engineering and Technology - Built Environment Sector
IFE	Institution of Fire Engineers
IIRSM	International Institute of Risk and Safety Management
ISSE	Institute of Specialist Surveyors and Engineers
IStructE	Institution of Structural Engineers
IWFM	Institute of Workplace and Facilities Management
LABC	Local Authorities Building Control
LI	Landscape Institute
NHBC	National House-Building Council
RIBA	Royal Institute of British Architects
RICS	Royal Institution of Chartered Surveyors
RTPI	Royal Town Planning Institute

ends