

## **House of Lords Select Committee on National Policy for the Built Environment – CIOB submission**

*The Chartered Institute of Building submission to the House of Lords Select Committee on the Call for Evidence on the development and implementation of national policy for the built environment*

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### **1. About the CIOB**

- 1.1 The Chartered Institute of Building (CIOB) is at the heart of a management career in construction. We are the world's largest and most influential professional body for construction management and leadership. We have a Royal Charter to promote the science and practice of building and construction for the benefit of society, which we have been doing since 1834. Our members work worldwide in the development, conservation and improvement of the built environment. We accredit university degrees, educational courses and training. Our professional and vocational qualifications are a mark of the highest levels of competence and professionalism, providing assurance to clients and other professionals procuring built assets.
- 1.2 Professionalism at all levels and stages within the construction industry is at the core of our work. We play a leading role in the development and continued improvement of standards in the industry at a national and international level. We recognise the challenges facing the built environment, such as the unprecedented skills shortage in the professions, the ageing workforce and the complexity of developing policy that improves coordination, design and the overall decision-making process, and we work with government and industry to outline and implement solutions.

### **2. Summary**

- 2.1 Ensuring the construction industry has a sustainable supply of labour with the necessary skills is of paramount importance to the built environment.
- 2.2 Even as industry output levels recover and show signs of steady growth, concern over the resilience of the construction workforce remains, with a significant number of hard-to-fill vacancies recorded across the professions.
- 2.3 Difficulties recruiting the right calibre of candidate have been felt across the built environment professions. With the numbers enrolled on construction courses and apprenticeships having fallen sharply over the last few years, more needs to be done to reverse this trend and ensure that the workforce is both sustainable and equipped with the necessary skills.
- 2.4 Official statistics value the UK's construction programme at more than £100 billion<sup>1</sup>. However, this ignores much of what most people think of as construction or construction-related, including the crucial design work contributed by architects and

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<sup>1</sup> CIOB, [No more lost generations: Creating construction jobs for young people](#), February 2015

engineers, cash-in-hand work, construction work undertaken directly by non-construction firms, and it also ignores all the real estate activities central to the development, management and sale of the built environment.

- 2.5 When drawing up its construction industry strategy, the Department for Business, Innovation & Skills (BIS) recognised this disparity between how construction is measured and what it really is. It defined the sector as: (i) the construction contracting industry; (ii) the provision of construction related professional services; and (iii) construction-related products and materials<sup>i</sup>. On this basis it estimated the industry to comprise of over 280,000 businesses, covering some 2.93 million jobs; 10% of total UK employment.<sup>2</sup>
- 2.6 Calculations by Dr Stephen Gruneberg of the University of Westminster, based on official sources, suggest that construction is actually equivalent to 15.3% of GDP<sup>ii</sup> - significantly higher than the official 6.4% quoted by the ONS. That would make its contribution equivalent to about £250 billion annually.
- 2.7 With the introduction of the Localism Act 2011 under the coalition government and plans for devolution laid bare in the Queen's Speech, we forecast profound changes to the way we approach the built environment at a regional level and think about both planning and design.
- 2.8 To reduce the sector's reliance on the current system of development control and to deliver more projects ahead of schedule and within budget, as was outlined in the coalition government's Construction 2025 industrial strategy, professionals in the built environment must work towards a more proactive approach to planning and design.
- 2.9 Amongst other factors, education and training will be central to this. Crucially, the task of ensuring excellence in the built environment will require current educational frameworks to go beyond the boundaries of each profession and deliver a well-connected, integrated syllabus.

### 3. Full response

**Q1. Are the decisions that shape England's built environment taken at the right administrative level? What role should national policymakers play in shaping our built environment, and how does this relate to the work and role of local authorities and their partners?**

- 3.1 Following the outcome of the 2015 General Election, the Conservative government announced its intention to enter a new phase of dialogue with the construction industry. This transition marked a shift from a relationship which was previously built on the idea of a 'partnership' between industry and government. The implication is on ensuring the industry itself can create solutions to the major challenges it faces.
- 3.2 This change in positioning has been combined with the decision to discontinue the role of Chief Construction Adviser, a much valued resource and voice for construction professionals in the built environment. Given the economic importance of the sector, we believe the industry must be given a clear and effective channel to engage with government.
- 3.3 These changes, when combined with the government's commitment to devolution, which was laid bare in the Queen's Speech, signal a greater role for local authorities in

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<sup>2</sup> BIS, [\*UK construction: an economic analysis of the sector, a supporting document to Construction 2025: industrial strategy for construction - government and industry in partnership\*](#), 2 July 2013

the decision making process. As was expressed in the 2014 Farrell Review, a more proactive approach to planning would likely allow local authorities to use their time and resources more effectively. Whilst it is encouraging that the government's reforms aim to give neighbourhoods a greater say over the decisions which affect them, there remains a strong case for a degree of centralisation in the decision-making process. To this effect, the government should aim to provide the industry with a sense of overall direction and engage in meaningful dialogue.

**Q2. How well is policy coordinated across those Government departments that have a role to play in matters such as housing, design, transport, infrastructure, sustainability and heritage? How could integration and coordination be improved?**

3.4 There is an inherent complexity associated with the coordination of policy that covers the built environment. With a plethora of government departments linked to the built environment on issues as wide-ranging as economy, energy efficiency, building regulations and procurement, alongside departments such as DH, DfE, MoD and MoJ who spend billions of pounds on construction, it can often be difficult to decipher which department should assume primary responsibility for the implementation of each announcement and policy development. Currently, the failure to join the dots with each of the respective departments has created a somewhat fragmented approach to construction and the built environment.

3.5 Integration and coordination could be improved across each of the listed areas by providing an effective and direct channel for professionals in the built environment to engage with policy makers. Over the course of the last six years, the Chief Construction Adviser has provided an effective channel for the industry, including professional bodies, to engage with policy makers and we therefore welcome an independent review of the decision not to continue the role. However, overall the CIOB welcomes the recent BIS changes to the Construction Leadership Council and the indications of a greater level of dialogue between industry and government are positive. The use of prominent construction business leaders spearheading work streams provides a solid platform to deliver improvements to working practices and skills provision in the industry.

3.6 Another possible solution to improve the level of integration and coordination between departments would be to establish an independent infrastructure commission, as was previously recommended by Sir John Armitt. We believe the establishment of an independent commission has the potential to set a long term vision which could outline what infrastructure would be needed – and by when. By devising a vision and planning ahead in this way, the commission would also have the potential to manage industry expectations and clarify the demand for skills and labour. Nevertheless, it is important to recognise that better integration and coordination in the decision making process is no guarantee that this will be accurately reflected on the ground. And while there is scope for government departments to improve coordination, it is vitally important that this integration is both horizontal and vertical in scope.

**Q3. Does the National Planning Policy Framework provide sufficient policy guidance for those involved in planning, developing and protecting the built environment and natural environment? Are some factors within the NPPF more important than others? If so, what should be prioritised and why?**

**Q4. Is national planning policy in England lacking a spatial perspective? What would be the effects of introducing a spatial element to national policy?**

**Q5. Is there an optimum timescale for planning our future built environment needs and requirements? How far ahead should**

**those involved in the development of planning and built environment policy be looking?**

- 3.7 To deliver an increasing number of projects ahead of schedule and within budget, we believe there ought to be a rethink to how we approach both planning and construction. In order to help deliver the government's priorities for the sector, the majority of which were outlined in the Construction 2025 strategy, we welcome a shift towards a more proactive approach to planning.
- 3.8 To create a long-term planning approach, we recommend government to consider adopting a 10-15 year timescale for planning major developments. Given the significance of the sector in terms of its contribution to UK GDP, any timescale proposed should go beyond the duration of each parliament and seek to provide industry with a sense of clarity and stability. We believe a forward plan, such as the one proposed, has the potential to help the industry manage its expectations and workforce more effectively. Although the adoption of a 10-15 year timescale may be a useful place for policy makers to start, some of the pressures facing the built environment may require a longer approach to be taken. In particular, issues related to climate change, such as efforts to mitigate against flooding, may require an even longer consideration.
- 3.9 The construction industry itself should not be immune from criticism in the process of planning future built environment needs and requirements, particularly the business models of many major contractors, which are characterised by multiple levels of subcontracting and bidding low for work. This increases risk throughout the supply chain and means margins are often very low - typically 1 or 2%. Such low margins, which often turn into losses if there are problems on projects, inhibits investment for the future, decreases the scope to improve productivity and significantly reduces the opportunity to build a steady and stable workforce.

**Q6. What role should the Government play in seeking to address current issues of housing supply? Are further interventions, properly coordinated at central government level, required? What will be the likely effect upon housing supply of recent reforms proposed for the planning system?**

- 3.10 The government has a significant role to play in terms of helping the industry to overcome the current issue of housing supply. And, whilst the government has committed itself to extending Right to Buy to housing associations, it is important to remember that such schemes are demand-side responses to predominantly supply-side problems. Whilst the CIOB welcomes the government's intention to build one million homes by 2020, it is essential that there is an added emphasis and focus on ensuring quality in the built environment. Housing built to poor standards affects not only its longevity, but the wellbeing of residents. In 2010, Ecotec produced various estimates of the impact of poor housing. While the estimates can be challenged, the study put the added cost to the police of responding to crimes related to poor housing at £1.8 billion a year, the costs associated with poor health at £2.5 billion a year, and damage to the economy by £14.8 billion a year through poor housing's effects on educational standards.<sup>3</sup>
- 3.11 Ensuring high quality is, however, just part of the solution to the housing crisis. Affordability is strongly linked to the supply of housing. And whilst increasing the supply of housing has the potential to improve affordability, it is essential that properties are bought and occupied, and are not simply purchased as foreign investments. This, as has been frequently documented, does little to address the current shortage of housing, especially in the capital. Additionally, services associated with the wider home improvement sector of the construction industry – documented

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<sup>3</sup> Danny Friedman, Ecotec, [Social impact of poor housing](#), March 2010

in ONS figures as the Repair, Maintenance and Improvement (RMI) sector – benefit economically from greater levels of owner occupation, and suffer from lower levels. This has been recently documented with home improvement retailer B&Q announcing the closure of 60 stores.

- 3.12 To ensure quality in the built environment, we need to see a greater commitment to improve training and professional development. According to research by the CIOB into the value of professionals and professional bodies, a poll reveals that 77% of the general public who had some prior knowledge about the role of professional bodies would be more inclined to trust a professional if they knew they were a member of one<sup>4</sup>. A further 83% of the public who had prior knowledge of professional bodies agree that they help to raise standards. We believe these findings have important implications for professional bodies across a range of sectors, and we encourage government to fully recognise their role, and indeed ability, to develop and drive up industry standards and indirectly improve quality.
- 3.13 The CIOB also notes that the All Party Parliamentary Group for Excellence in the Built Environment will launch a consultation on the subject of building quality in the near future, which it will be issuing a response to and we ask the Select Committee to engage on this debate also.

**Q7. How do we develop built environments which are sustainable and resilient, and what role should the government play in any such undertaking? Will existing buildings and places be able to adapt to changing needs and circumstances in the years to come? How can the best use of existing housing stock and built environment assets be made?**

- 3.14 To create buildings and develop environments which are sustainable we need to ensure that professionals in the built environment are suitably qualified and receive proper training. In the existing building stock, we need to see a greater commitment towards energy efficiency and insulation in order to reduce our reliance on unsustainable sources of energy. Adapting existing disused buildings to other uses is also vital and cost-effective. The recent trend in major towns and cities for disused office buildings to be adapted as domestic dwellings is a good example of making the best use of existing buildings and the legislative arrangements and incentives that encourage this should be continued and potentially extended to other types of development.
- 3.15 Decisions on whether to re-use buildings or replace them with new ones will very often be flawed because not enough is known about the energy performance and sustainability of either new or existing buildings. Indeed, the design vs as-built performance gap for new properties just highlights this disparity. However, the majority of construction activity concerns what we do to existing buildings and not in the construction of new ones. There are also various estimates of how many of today's buildings will exist in 2050 with a figure of between 70% and 85% commonly quoted. That means a necessity to focus on what we do with our current building stock in terms of its use, re-use, management, retrofit and refurbishment.
- 3.16 As buildings are such valuable assets, mistakes can be costly. Consideration for refurbishment and new uses is made via feasibility studies and options appraisals. These take account of potential viable uses, the investment needed and ongoing in-use costs. This can then allow a comparison between re-use of an existing building with the construction of a new one. Whilst there can be a fair degree of accuracy in costing the initial work, the costs in use are much more difficult to accurately calculate and will increasingly see energy costs as a significant proportion that will increase in size over the life of the building.

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<sup>4</sup> CIOB, [Understanding the value of professionals and professional bodies](#), 29 September 2015

**Q8. To what extent do we make optimum use of the historic environment in terms of future planning, regeneration and place-making? How can more be made of these national assets?**

- 3.17 In keeping with the recommendations from the Farrell Review, more should be done to encourage these buildings to open to the public. Local authorities should identify those historic buildings most at risk and devise a strategy for their conservation.
- 3.18 Good practice repair and maintenance of pre-1919 buildings in particular can have a profound effect on energy performance. Building services and equipment has an obvious connect with this, but it also relevant to building fabric. Damp walls, for example, could be over 30% less energy efficient than a comparative dry wall<sup>5</sup> and manufacturers of liquid water repellents for use on masonry are now using the energy efficiency benefits as their main selling point. This and other evidence points towards maintenance and repair being a primary energy saving measure. It means that basic maintenance such as clearing overflowing gutters that discharge water onto walls is necessary to save energy.

**Q9. Do the professions involved in this area (Skills and design) (e.g. planners, surveyors, architects and engineers etc.) have the skills adequately to consider the built environment in a holistic manner? How could we begin to address any skills issues? Do local authorities have access to the skills and resources required to plan, shape and manage the built environment in their areas?**

- 3.19 The number of individuals starting construction apprenticeships has increased for the first time since the recession. The number of apprenticeship starts in 2014 was 18,493 – a 15% increase on 2013 – though many typically drop out<sup>6</sup>. A recent parliamentary commission set up by CITB and think-tank Demos found that 120,000 apprentices were required over the next five years to 2020.
- 3.20 According to figures from The UK Commission for Employment and Skills (UKCES)<sup>7</sup>, there will be a need for an average of 100,000 new recruits across the built environment a year between 2012 and 2022. Part of the reason for the high projection is the older than average age profile of the construction workforce; approximately 20% of the construction workforce is expected to retire in the next five to ten years.<sup>8</sup>
- 3.21 UKCES projections suggest the construction industry in 2022 will employ more people than at any time since 1990, with the biggest growth rates in management and technical occupations rather than in the more traditional skills; in those ten years UKCES predicts almost 400,000 new and replacement management, professional and technical roles will be needed. The implication is that the profile of the construction workforce will steadily become more white collar. The shift is expected to be mirrored in the educational background of those within the industry. The numbers with higher degrees and doctorates is expected to more than double. To make this scale of transformation within the industry, newcomers to construction are therefore expected to be on average far more highly educated and the role for professional bodies in accrediting courses and providing relevant qualifications will likely expand in scope.
- 3.22 Aside from the professional roles, one of the more stand-out statistics from UKCES is that, with the steady decline in skilled trades in manufacturing and other sectors expected to continue, more than half of *all* new skilled trades jobs created in the UK

<sup>5</sup> Building Conservation Directory 2012: [www.buildingconservation.com/books/directory2012/](http://www.buildingconservation.com/books/directory2012/)

<sup>6</sup> Building, *Apprentices in construction: One step forward*, 6 March 2015, David Blackman

<sup>7</sup> UKCES, *The Future of Work: Jobs and skills in 2030*, February 2014

<sup>8</sup> ONS, *Labour market statistics, July 2013*, 17 July 2013

between 2012 and 2022 are projected to be in construction. The UKCES projections suggest the industry needs to find 461,000 skilled tradespeople in the period 2012 to 2022. The combination of this and the ever-increasing array of professional roles should place construction central in the minds of careers advisers.

- 3.23 Even as industry output levels recover, concern over the sustainability of the construction workforce remains, with a significant number of hard-to-fill vacancies recorded across the professions. The increase in university tuition fees in England and Wales in September 2012 has also attracted a great deal of controversy and attention for its effect on the number of students applying to university. As a result, universities are now able to charge students up to £9,000 per year to study. According to the University and Colleges Admissions Service (UCAS) the numbers studying built environment related courses has slumped significantly, with UCAS reporting a 16% drop between those applying in 2011, and those applying in 2012.<sup>9</sup> And whilst the government has committed itself to deliver three million apprenticeships over the course of the next five years, employers in construction have reported difficulties attracting and retaining the right calibre of candidate.
- 3.24 For many individuals, degrees remain an expensive route to a professional career. And, whilst apprenticeships often come without the cumbersome debt that is associated with university education, more needs to be done to advertise the various routes through which individuals can gain the necessary skills to progress in the industry. We believe that by protecting the term apprenticeship in law, and by increasing the routes through which it is possible to join the industry and progress, the sector will increase its ability to attract skilled recruits.
- 3.25 The CIOB has published a number of skills audits which document the shortages present in the industry. We have been clear that to address some of the skills problems, we need to see a greater commitment to help the industry help overcome some of the issues surrounding its image. Current perceptions of the industry reinforce the assumption that it is a dangerous, male-dominated and dirty field of employment. Initiative such as Open Doors ([opendoorsweekend.co.uk/](http://opendoorsweekend.co.uk/)) do help to engage the general public and particularly schoolchildren by allowing access to construction sites, but more is needed to be done to change the image and reflect the fact that much of the work within the industry occurs off-site, and away from view. This includes showcasing the vast array of careers available within construction.
- 3.26 Currently, there are a number of issues with the supply of labour to local authorities. To help overcome this, we believe teaching that covers the built environment should begin as early as possible. In keeping with the findings from the Farrell Review, local authorities should be encouraged to partner with schools specialising in subjects with clear ties to the built environment. Schools should also be encouraged to offer more built environment courses - similar to the Design Engineer Construct! (DEC!) curriculum, which falls under the Class Of Your Own (COYO) initiative.<sup>10</sup>
- 3.27 Furthermore, to improve skills within the industry and help local authorities to source skilled personnel, educational establishments should also look to increase the integration of education courses which concern the built environment. To this effect, schools should be encouraged to offer exchange courses and placements to allow students studying construction-related courses with a greater appreciation for both architecture and planning, and vice versa. This, we believe, would provide professionals with more of a holistic understanding of the built environment, and its requirements.

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<sup>9</sup> Higher Education Funding Council for England (Hefce), [Data about demand and supply in higher education subjects – undergraduates in higher education disciplines, table 2.2.5](#), July 2013

<sup>10</sup> Design Engineer Construct! - <http://designengineerconstruct.com>

- 3.28 As highlighted in the Richard Review of Apprenticeships, there has long been a social stigma attached to apprenticeships which place them as second-best to university degree programmes. There are perceptions that apprenticeships are for those who did not achieve the grades required to get into university and, as stated in the Review, this is a view that is shared amongst young people, friendship groups, parents and teachers. However, high quality apprenticeships provide one of the very few debt-free education routes that also enable individuals to ‘earn-and-learn’.
- 3.29 The work of the coalition government in raising the profile and social status of apprenticeships was positive. In 2011, £1.2 billion was invested into apprenticeship schemes, describing them as the ‘new norm’ for school leavers opting to not go to university. In the same year, 457,200 people started training (more than double the average number starting in the last decade). However, we believe the term ‘apprenticeship’ was used far too generously and many employers badged any retraining or work-experience under the name. These standards fall short of those proposed in the Richard Review. Furthermore, despite the positive number of apprenticeship starts, the National Audit Office (NAO) suggested that many of these apprenticeships were created in ‘fast growing’ sectors such as IT and telecoms and over a fifth of apprenticeships lasted less than six months.
- 3.30 Although the figures seem positive and it is clearly important to get young people into work, there must be rigorous and high standards to ensure they lead to fully fledged careers. With short term training in jobs that do not require any extra learning badged as apprenticeships, it is no surprise that they are not an attractive option for young people. Furthermore, as the National Minimum Wage for an apprentice was until recently £2.73 per hour (and as of 1 October 2015 is £3.30), apprenticeships may be perceived as a way of recruiting cheap labour.
- 3.31 The erroneous perception that construction is a low skilled and low paid career choice makes recruiting apprentices even more challenging. This is disappointing since apprenticeships in Construction, Planning and the Built Environment tend to be considered among the most beneficial in any sector in terms of training quality. They often last two to four years and are designed by the sector skills councils that work with business representatives from relevant industry sectors to develop course content. Most courses are also recognised at Level 2 and Level 3 under National Apprenticeship Frameworks. Indeed, official statistics from BIS rate apprentices in Construction, Planning and Built Environment frameworks as being particularly effective in improving apprentices ability to carry out their job, with almost all (98%) reporting an improvement in this case. This compares to the lowest ranked subject in Business Administration and Law frameworks, where just over two thirds (69%) reported an improvement in ability to carry out their job.
- 3.32 Overall, the skills crisis in construction is complex and there isn’t one direct contributing factor. One consequence of the lack of available skills is the importing of migrant labour. Construction globally has always relied on migrant labour and, looking at the supply side, migration is essential to provide the flexible supply of labour needed to meet volatile demand generated at a local level.<sup>11</sup> It reduces shortages when activity expands rapidly. It reduces unemployment among construction workers when workloads plunge. And it can help to smooth otherwise volatile wage rates, reducing financial uncertainty for clients, contractors and workers. But while migrant labour will always have a role to play in a flexible industry such as construction, it should not become a substitute for training UK citizens in sufficient numbers to provide a sensible base of workers needed within the nation’s construction sector.

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<sup>11</sup> CIOB, [An Analysis of Migration in the Construction Sector](#), March 2015

- Q10. Are we using the right tools and techniques to promote high quality design and ‘place-making’ at the national level? How could national leadership on these matters be enhanced?**
- Q11. Do those involved in delivering and managing our built environment, including decision-makers and developers, take sufficient account of the way in which the built environment affects those who live and work within it? How could we improve consideration of the impacts of the built environment upon the mental and physical health of users, and upon behaviours within communities?**
- Q12. How effectively are communities able to engage with the process of decision-making that shapes the built environment in which they live and work? Are there any barriers to effective public engagement and, if so, how might they be addressed?**
- 3.33 In order to increase the public’s engagement with the decision making process, local authorities should look towards creating a series of online forums. In doing so, this would provide the public with an opportunity to have their say on planning decisions which affect them.
- 3.34 However, it is important to realise that knowledge of what makes good buildings may not be widely held amongst the public. It is therefore important that the public have the opportunity to engage with planners, architects and professionals in the construction industry. If the public have a greater understanding of what makes good buildings, it may spur individuals to demand higher quality buildings and indirectly drive up industry standards.

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<sup>i</sup> BIS UK construction: an economic analysis of the sector, a supporting document to Construction 2025: industrial strategy for construction - government and industry in partnership, 2 July 2013

<sup>ii</sup> Provided in a note for *The Real Face of Construction*, published by CIOB September 2014, by Dr Stephen Gruneberg: The question of the size of construction as a percentage of the economy rests on the difference between the net contribution of construction as an on-site activity only (i.e. the last stage in a process of assembly), and the share of the production of the built environment as a final good. Construction value added represents 7.4% of all value added, a concept used to establish the total size of the economy, avoiding counting the inputs into the construction process from other sectors such as manufacturing, real estate etc. When you take them into account then the value of construction output (i.e. GDP) increases. As the size of the economy remains the same, the result is that construction is 15.3% of the economy. If this method were applied to aggregate all sectors of the economy there would be double counting in some areas and so, in theory, one would need to subtract those inputs from the relevant manufacturing sectors and do the same in other sectors to get an idea of how final goods make up the economy. The reason for this issue is that the share of construction in GDP is based on value added, which is used to find the total size of the economy without double counting, not the relative importance of construction gross output as a measure of an industry producing final goods. *Dr Stephen Gruneberg is Reader at the Faculty of Architecture and the Built Environment University of Westminster. He is an expert in construction economics and the measurement of construction output*