

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

14.09.20 Dear Chancellor,

The UK is now positioned for recovery following one of the most challenging periods in the nation's recent history.

The Construction Leadership Council has seen the enormous impact that Covid-19 has had on employees and companies in our sector. But we have also been encouraged by how the sector has responded. By prompt and collaborative action, we have safeguarded employee health and maintained vital services even in the heart of the crisis. Businesses moved to build new capacity for the NHS, including the Nightingale hospitals, at record pace.

This has been made possible thanks to clear support and guidance from the UK Government. We particularly welcomed the Coronavirus Job Retention Scheme, which ensured that we avoided catastrophic job losses in the sector.

With appropriate controls in place, our industry returned to work. This is important given the fundamental role of construction to the UK economy. The industry employs more than 2.3m people and creates assets worth more than £130bn each year.

We know that other sectors, particularly those in retail, leisure, and tourism, will face a harder fight to rebuild. As such, our sector must do everything it can to help stimulate renewed economic activity.

To make sure we are fit to meet this role, in June the Council published '*Roadmap to Recovery*', a plan to get the UK construction sector firing on all cylinders. We are delighted by how effective this work has been, with many of its early recommendations already making the difference across the country.

As you prepare for the autumn Comprehensive Spending Review, we have considered how our sector can most effectively support the UK's recovery. We recognise that difficult decisions will have to be made, so have focussed on a small number of strategic interventions that we believe will drive growth while rebalancing opportunities and securing net zero carbon. Our recommendations form a package that will ensure employment for thousands of workers nationwide while building a better economy:

1. Support a net zero carbon retrofit programme for existing homes

Retrofitting the UK's existing homes, buildings and assets will be essential to secure the UK Government's carbon commitments. This will also provide substantial new employment for those losing jobs elsewhere in the economy, while safeguarding existing employment.

We ask that the Government builds on its commitment to a £9.2bn national retrofit programme of energy efficiency improvements, creating a long-term plan for carbon reduction for homes.

For properties not covered by the programme, we would welcome a 'Help to Fix' interest-free loan scheme, predicated on energy efficiency, that improves the quality of the nation's housing stock.

2. Ensuring vital building safety improvements are delivered

Building Safety is of vital importance, brought home with such devastating effect by the Grenfell Tower disaster, and will be the subject of the proposed Building Safety Bill. 600,000 people currently live in high-rise buildings that are clad in ACM or other combustible materials and many others in lower height buildings.

Of those most at risk, more than 2,000 high-rise residential buildings are still clad in combustible materials and although the Government's cladding remediation fund is welcome, the £1.6bn provided is insufficient to complete the remediation of all these buildings. The true amount required has been estimated by government officials at £3.5bn for 18m+ blocks, which means that approximately two-thirds of relevant homeowners may miss out on making their homes safe and effectively consigns the current programme to being a lottery. In order to safeguard residents in their own homes, provide a stimulus to that sector of the industry (more jobs, more products, more innovation, more overseas inwards investment), and restore faith in the safety leadership of the UK, it is essential to increase the value of the fund to represent the task at hand.

Residents in sub-18m high blocks are also living in buildings that are potentially unsafe, through no fault of their own. It should be a policy priority to establish a cladding remediation fund for sub-18m blocks, which currently have no Government funding, for the same reasons as for those higher buildings.

Government support for remediating unsafe cladding in high-rise residential accommodation is essential to avoid the current toxic situation stifling property sales, due to zero valuations and lack of mortgage availability.

3. Funding to unlock infrastructure that enables local regeneration programmes

Recovery from Covid-19 presents an opportunity to look at how regeneration can revitalise communities. There is significant long-term demand for regeneration activity not only to deliver on the Government's housing targets but to also support the levelling up agenda and promote economic growth and opportunity at a local level across the country. Covid-19 has proved a catalyst for levelling up with the shift in commuter patterns and behaviours putting more emphasis on the regeneration of areas across the UK where people are spending a greater proportion of their time. Additionally, there is growing interest from private sector institutional investors in opportunities to invest and deliver more social and environmental benefit from their assets, aligned to the Government's aspirations. However, the structure and incentives of the current model for regeneration focuses on redevelopment rather than revitalisation of a local area, neglecting social, environmental and economic outcomes that could potentially deliver on longer-term government ambitions. This is due to a number of factors: firstly, private sector finance is attracted towards the lowest risk projects within a regeneration development and therefore prioritises short term turnaround of capital in high confidence market priced investments, whilst more ambitious regeneration developments which have complex phasing challenges, but higher community value are not pursued, secondly the simplicity of allocation of many of existing Government funds encourages short-term tactical project investments rather than ambitious programmes/deals for revitalisation of places to achieve transformational outcomes, and finally the ability of the local authority to set the strategic priorities and deliver these supported by quantifiable metrics is challenged by their current capacity and in house specialist capability to develop and construct deals with the private sector at scale.

We ask that the Government supports development of a Regeneration Investment Bank/Fund with the development capability and access to finance at lower than private sector rates to develop and deliver regeneration deals with the private sector on behalf of the local authorities and LEPs. This would be based around a Government-backed finance product with a minimum value of £10bn but expected to leverage 3 times. The initiative would have the ability to draw on existing funds (regional growth funds, local growth funds, Stronger Towns fund, Local Prosperity fund, City Deals, Growing Places fund, Future Highstreets fund) to structure regeneration deals which strengthen the leverage of private sector investment and keep development gains within the community by utilising the lower finance rates. It would be managed by property and finance professionals who would bring development capability to the deals underwritten, in turn supporting the local authorities as a trusted partner in delivery and

giving central government confidence in their delivery. It will be open to local authorities, public-private partnerships and not-for-profit regeneration programmes and could be formed as an evolution of the role of Homes England or the British Business Bank rather than an entirely new entity.

4. Maintain the UK as a global leader for digitalisation of the built environment, including National Digital Twin

Construction is recognised as one of the last major industrial sectors to undergo digital transformation. Yet this is now happening, with the UK playing a world-leading role in the transition.

To sustain this leadership, we ask that the UK Government fund adoption of the Information Management Framework, which would enable secure, resilient data sharing across the built environment. In turn, this would enable the connection of digital twins and pave the way for the National Digital Twin driven by the Centre for Digital Built Britain. Greater data sharing could release an additional £7bn per year of benefits across the UK infrastructure sectors. The key way in which this value would be released is by facilitating better decision-making in the delivery, operation, maintenance and use of infrastructure.

Similarly, digitalisation of the planning process will revolutionise the way we build new housing and other assets. We welcome the Planning White Paper's focus on modernisation. To support this, we ask that funding support is provided – either by allocation or through a competitive fund – to allow local authorities to bring in digitalised planning tools.

5. Ensuring skills capacity to match needs from planned investment programmes

Construction is well placed to support the UK's economic recovery, and to ensure opportunities for those losing their jobs or entering the jobs market for the first time. To support this, we are asking that the UK Government makes some specific interventions in this spending round.

Our industry is a leading provider of apprenticeships. We recognise that some construction employers have not used their apprenticeship levy funds, while others have demand beyond the funds available. We are asking that levy that has not been spent by construction employers is channelled into a dedicated fund – administered by CITB and industry partners - that can be used to increase apprenticeship numbers. This would support recruitment for smaller employers, and to target key recognised skills shortages. We estimate that this could unlock an additional 1,000 apprentices each year over the CSR period.

Aligned to this, Construction Skills Hubs are a proven model that allows new entrants work experience at a local level to allow them to move into a career in the sector. We ask that the Government provides £7.5m to maintain and grow the hubs, providing work experience leading to sustained employment for 3,000 new entrants.

For existing further education learners, we want to work with the Government to create a 'bridge into construction' from FE to provide accelerated apprenticeships. This will cost £1.25m in 21/22, as well as drawing on existing funding for traineeships and apprenticeships with matched funding from industry and will secure further qualified workers to meet future skills demand. Despite the government's welcome support for apprenticeships, starts are likely to be significantly down this autumn. With more young people likely to take FE courses, this investment will help to create a pipeline of potential recruits for when employers are ready to take them on. By bringing employers and FE closer together, it will help to deliver on the government's aims to reform FE.

6. Demand-side support for the housing sector in accordance with the build back 'better and greener' philosophy

New build housing is an important part of the construction industry that will help deliver the Government's targets for homebuilding. We have welcomed past demand-side support including the stamp duty holiday and Help to Buy.

These interventions are due to lapse in March 2021. To avoid a cliff edge in delivery, we recommend HM Treasury and Ministry of Housing, Communities and Local Government commission a review of demand side measures for the 2021/22 financial year onward – including to look at the price caps for the new Help to Buy scheme and Stamp Duty impacts.

This review should also consider how any Government spending can best support employment while improving the quality and sustainability of new homes.

We hope that our recommendations are aligned with your objectives for the Comprehensive Spending Review. We would be happy to discuss any or all of these proposals with you or officials as you develop the Review.

Yours sincerely,

A handwritten signature in blue ink that reads "Andy Mitchell". The signature is written in a cursive style with a large, sweeping initial 'A'.

Andy Mitchell
Co-chair
Construction Leadership Council