



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

Dear Chancellor,

### **CIC representation ahead of 2021 Autumn Budget and Spending Review**

As Chief Executive of the Construction Industry Council (CIC), I am writing on behalf of the professional bodies, research organisations and specialist business associations in the UK construction industry ahead of the 2021 Autumn Budget and Spending Review.

CIC is a unifying voice for professionals in all sectors of the built environment. Our overarching objectives within the construction sector are to promote quality, support the development of skills and talent, meet the challenges of climate change, embrace diversity and encourage a healthy and safe environment.

### **Build back greener**

The operation of buildings accounts for around 15% of total UK carbon emissions and it is critically important that government works with us to unlock the power of our industry to set an example and lead us through the climate emergency.

If we are to retrofit 29 million existing homes by 2050 – that is a million a year or 20,000 each and every week – then we urgently need a National Retrofit Strategy. Not only will this contribute to our legally binding carbon targets, it will create new jobs, deliver growth across the country and take many people out of fuel poverty.

Improving the quality of our homes in the poorest areas would contribute significantly to the levelling up agenda. The Construction Leadership Council has published a costed model for a National Retrofit Strategy, with over 50 supporter organisations signed up. As our industry is actively involved in developing guidance for repurposing buildings, we would be delighted to work with government to learn the key lessons from previous initiatives such as the Green Homes Grant or the earlier Green Deal for Home Improvement.

The national strategy should be supported by cutting VAT for the retrofitting and refurbishment of existing buildings to 0%. The current system financially incentivises the demolition and rebuild of buildings by not charging VAT on new build, compared to the retrofitting and refurbishment of existing buildings which is currently charged at 20%. This has serious negative impacts on decarbonisation with both demolition and new build

generating significant levels of embodied carbon as well as pollution, noise, traffic and disruption.

Avoiding demolition will reduce the embodied carbon associated with the built environment and dramatically cut the 5 million tonnes of construction and demolition waste that Defra estimate is sent to landfill each year and the 26 million tonnes of excavation waste that is not recovered

### **Innovation and skills**

CIC has been proactive in coordinating the efforts of built environment professionals to meet Net Zero through 'Carbon Zero: the professional institutions' climate action plan'. What has become apparent is that Net Zero will not be easy to achieve without significant investment in innovation and skills.

All construction jobs must be 'green jobs' going forward and we will work with government as a sector to define that what is meant by green skills and the green curriculum is not too narrow and reflects the many occupations that have sustainability and net zero embedded within them.

To ensure that the construction sector can work collaboratively to deliver the infrastructure needed and meet its objectives on reducing carbon and building safety, the Treasury must recognise the importance of funding enabling skills, such as leadership and management, data and information proficiency, and digital and modelling skills.

To support this, government should consider making Apprenticeship Levy funds available for other forms of learning and re-skilling. The UK invests a lower percentage of GDP in R&D than most of our competitors and harnessing innovation will be vital to ensure that domestic businesses in our sector can reap all the benefits of low carbon innovations. We urge government to accelerate the commitment to invest 3% of GDP in R&D and prioritise scaling up deployment of low carbon technologies within the construction sector.

### **Levelling up**

It is vital for the Treasury to sustain spending levels on prior commitments to invest in the nation's social and economic fabric through activities including the New Hospitals Programme, Priority Schools, flood defences, improving our rail network and the Building Safety Programme.

When incentivising the housing market, government must work with industry to ensure that the homes delivered are safe, but also sustainable, so future-proofed to ensure they meet the new demands of the climate emergency and post-pandemic living. The benefits of outdoor space, disease resilient environments and flexible working are now abundantly clear and this can help reduce the wider cost burden on the NHS through improved mental and physical health. Incorporating such measures must also be a priority when building new hospitals, care homes and offices, as outlined in the recent Royal Academy of Engineering report on infection resilient environments.

In order to support housing delivery and a diversity of suppliers, we would support the creation of a state investment bank to give SME builders access to cheap finance and distributing public land with a wider criterion of value than the financial bottom line. Supported access to lower-cost bank lending by a government guarantee would encourage SMEs' involvement in the market.

Government should also resist the introduction of the infrastructure levy and if this was to be introduced as part of the proposed planning reforms, it must ensure that the fund is ring-fenced and hypothecated in order to prevent the monies leaking into general local authority spending.

### **Building a safer future**

The Building Safety Bill as it stands is a necessary step toward creating a more stringent regulatory regime across the industry in the wake of the Grenfell Tower fire and the systemic failures associated with it. But it will only work if we have enough skilled and engaged professionals to deliver it. The Treasury must work with the new regulator to ensure this can be managed and it may need to allocate funding and other incentives to draw in Building Control Professionals to support the new building safety regime. CIC is, as always, happy to share advice with government on any potential unintended consequences of the legislation.

We would also advise raising levels of grant funding to reduce pressure on finances stemming from the Building Safety Programme as the cost of the programme is likely to make it harder for both housing associations and council landlords to lever their own cash to deliver new housing.

### **Addressing supply chain uncertainty**

The construction industry employs around 3 million people and turns over billions of pounds, yet the average profit margin is estimated to be just 2.5%, so even small changes in the market can have big effects on the viability of a business, particularly in the case of SMEs or microbusinesses.

This has left the industry vulnerable to recent inflation in material prices, an exodus of skilled workers and the fuel crisis.

These combined threats could undermine the great work the construction sector has done in sustaining employment and growth over the last 18 months.

We are grateful for government support during the pandemic and we urge you to again work with industry, this time to ensure that there are robust mechanisms in place to address the current supply chain vulnerability that affects everyone from the big housebuilders needing on-site skills and materials to those doing DIY work.

## **Procuring for safety and sustainability**

Finally, it is essential that government uses its considerable leverage as the source of around 40% of the work done in the industry to drive safety and sustainability through procurement. Government can play a major role in driving a cultural change in safety by assessing all bids for government projects against the requirements to deliver safe buildings that are sustainable ahead of prioritising the lowest capital cost. This is a real opportunity for government to lead change in the sector.

We would be happy to provide any further detail on the points raised in this letter. On behalf of the CIC, I thank you for taking the time to consider our recommendations.

Yours sincerely,



**Graham Watts OBE**  
**Chief Executive**  
**Construction Industry Council**