

Written evidence submitted by the Chartered Institute of Building

Introduction

1. The Chartered Institute of Building (CIOB) is 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, and we have been doing this since 1834.
2. 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 authorities who procure built assets.
3. CIOB has submitted evidence to both the House of Lords Built Environment Select Committee on meeting the UK's housing demands and the Building Safety Bill Public Bill Committee. This inquiry response compiles the key elements of both submissions to provide information on addressing the current housing crisis in the UK and the ongoing cladding scandal.

Addressing the current housing crisis in the UK

4. The Government has set a target of building 300,000 new homes per year in the UK to meet increasing housing demands. In 2017/18, the total housing stock in England increased by around 222,000 homes. This was 2% higher than the year before – and the amount of new homes supplied annually has been growing for several years – but is still lower than estimated need.
5. We agree on the need for more affordable housing. However, we are not best placed to inform on the numbers required to meet demand. Our position is clear on the need for quality homes, as opposed to simply focusing on quantity. Ensuring housebuilders are held to account and are delivering for the consumer remains paramount. If we can build more homes that are higher quality, we are ensuring a stable pipeline of construction activity whilst improving trust in the sector.
6. Alongside quality, affordability must be a central aim of housing policy. We would therefore like to see an assessment of the impact of any annual housing target on the affordability of housing, rather than the Government simply proposing targets in isolation.

Economic cyclicalities

7. Cyclicalities is the root cause of many of the issues in the construction sector: productivity; the pool of labour and the ability to attract new talent; job stability; and working conditions all suffer as a direct result of the construction sector's perpetual boom-bust cycle. Cyclicalities also negatively impacts the sector's ability to meet housing and infrastructure need during

an economic downturn, as well as the sector's ability to respond and meet demand during an upturn.

8. Government can play a direct role in addressing this cyclical by providing a clear, long-term pipeline of construction projects. To directly address cyclical and concurrently meet the scale of the housing supply shortfall, Government needs to resuscitate the missing agent of public housing delivery that has ebbed away since the 1980s.
9. As part of its housing policy planning, Government should assemble and publish a stand-alone, comprehensive pipeline of projects in the local authority building and housing sector. This should be along the same lines as the National Infrastructure Strategy. However, rather than relying on developer contributions, leasing, or acquisition of housing from the open market, the strategy should create local development corporations with land management resources and specific targets for directly constructed social and affordable housing.

Labour market trends

10. Over the next decade we should expect to see a big loss of construction workers as a cluster in their late 40s and early 50s reach retirement age. Their immediate successors are fewer in number.
11. There is apparent encouragement in the bulge among those in the late 20s and 30s, but this group has been swelled by recruitment in London, which has a remarkably different age profile. London has the highest concentration of construction workers born outside the UK and about one half of London's construction workforce is non-UK born, with 37 per cent of the workforce hailing from EU countries
12. Evidence is emerging that the number of EU-born workers in the UK construction industry dropped by more than a quarter in 12 months. The exodus of EU-born workers has been greatest in London, where the decline was 30%, from 76,000 to 53,000 in the period¹. This recruitment issue will likely lead to building costs rising and projects taking longer – both of which will have a negative impact on those procuring construction or buying homes.
13. Across the built environment, huge recruitment efforts are being made to diversify the workforce and encourage talent from other sectors into construction. But in the face of a serious and imminent labour crisis for the industry, firms are working to reduce the need for labour. This in part is fuelling an appetite for increased use of factory-based prefabrication – offsite construction.
14. CIOB is committed to promoting the construction industry as a career for all and helping the industry become a more representative and inclusive sector. In November 2021, we will be launching our Equality, Diversity and Inclusion (EDI) Charter for the industry to take first steps in embedding EDI within their business processes and culture.

Skills and attainment

¹ Construction News, [UK construction loses a quarter of its EU-born workforce](#), 22 January 2021

15. Improving the quality of – and access to – education and training is crucial to ensuring a sufficient pipeline of qualified, professional workers who are passionate about careers in the built environment. However, the poor image of construction has continued to have a detrimental impact on businesses’ ability to recruit and retain competent workers.
16. CIOB accredited university courses have been designed to encourage new talent into the industry and we have partnered with technical colleges and Universities to help produce a qualified and competent workforce that can build and retrofit assets in a professional manner to high quality standards.
17. The Government’s *Skills for Jobs* white paper,² announced in January 2021, sets out reforms to post-16 technical education and training to support people to develop the skills needed to get good jobs and improve national productivity. We welcome this move to enhance accessibility and visibility of technical roles which for many years has been publicly viewed as a pathway of last resort.
18. Ultimately, a sustainable recovery and long-term pipeline of talent must be supported by a shift in the content of built environment courses to reflect the skills needs of the future. Employers have often cited outdated curricula and skills as a barrier to the employment of Further Education (FE) students, and a challenge at FE level is ensuring that the best people are teaching the right skills. Incentivising experts to enter teaching and ensuring that they are not forced to leave the industry to take up less lucrative teaching roles will be vital to skilling and upskilling a workforce that is equipped with modern, low carbon skills.

SME-specific challenges: access to land and finance

19. Volume housebuilders are crucial to a successful housing delivery system and will continue to provide a significant proportion of the new homes nationally. However, in recent decades they have come to dominate housing supply output as SMEs have struggled to recover from the financial crisis, and the state has largely withdrawn from housebuilding. Recent data indicates that SMEs built 40% of new homes in 1980s, 23% in 2008, but now build only 12%. The Housing, Communities and Local Government Committee’s recent inquiry into the future of the planning system suggests ‘...that the planning process was often harder for smaller developers, due to their lack of sites, equipment and specialist teams...the process was too onerous on small and self-builders’.³
20. This over-reliance means that the private development finance model of volume housebuilders has a significant impact on national housing supply. The staggered release of new build homes to prevent prices being driven down in the local market has seen build out rates drop despite a very sharp increase in volume builders’ levels of profits. The impact of the absorption rate on housing delivery is one of the fundamental drivers of the slow rate of build out, and the high cost of the final product.

² Department for Education (DfE), [Skills for jobs: lifelong learning for opportunity and growth](#), 21 January 2021

³ Housing, Communities and Local Government Committee, [The future of the planning system in England](#), 27 May 2021

21. Diversification of the housing market is crucial to providing opportunities for growth amongst existing and new communities, including self-build and custom-build. Richard Bacon's independent review into scaling up self-build and custom housebuilding, made six recommendations on how the market can be adjusted to accommodate greater levels of support for alternative methods of housing delivery. We are supportive of new avenues for constructing homes, as these could widen the scope of development options available; at present, consumers do not turn to alternatives because those alternatives are not currently available to them.

Permitted Development Rights (PDR)

22. We understand the motivation behind PDRs and agree that there is a need to have flexibility in buildings, rejuvenate town centres, and deliver more housing in the right locations. However, flexibility should not extend to the level of quality for residential buildings.
23. While there are issues that need to be addressed on PDR from planning, design and architecture perspectives, CIOB's focus is on the quality of buildings that PDRs produce. We are concerned that Class MA⁴ - allowing properties within Class E to change to residential without planning permissions - if implemented without significant safeguards, will lock in sub-standard development.
24. If success or failure is measured based on the numbers of residential units being delivered without concurrently assessing the quality of what is being produced, there is the risk of creating societal burdens through planning policy. For example, research from the Building Research Establishment (BRE) has indicated that poor housing incurs significant health related costs. Investment to improve some of the worst quality homes could save the NHS £1.4bn in first year treatment costs alone.⁵
25. Analysis by insurer Zurich UK has revealed applications for office-to-residential conversions are up 28% in Quarter 1 of March 2021. CIOB and Zurich have both warned of the risks associated with overheating due to poor design, ventilation and shading as well as broader quality issues.⁶
26. DLUHC funded research into the quality standard of homes delivered through change of use permitted development rights finds that '...permitted development conversions do seem to be more likely to create worse quality residential environments than planning permission conversions in relation to a number of factors vital to the health, wellbeing and quality of life of future occupiers'.⁷
27. We welcome the announcement from the DLUHC⁸ that confirms all office-to-residential conversions built under PDR will have to meet the Nationally Described Space Standard and natural light requirements. While these measures do go some way to addressing these issues, we remain concerned that units coming through PDR have few checks for other

⁴ The new use Class E Covering retail, food, financial services, gyms, healthcare, nurseries, offices and light industry

⁵ Building Research Establishment (BRE), [The cost of poor housing to the NHS](#), May 2016

⁶ Zurich UK, [Office to flat conversions are at increased risk of serious overheating](#), 11 August 2021

⁷ Clifford, B, Canelas, P. Ferm, J. Livingstone, N. Lord, A. Dunning, R., [Research into the quality standard of homes delivered through change of use permitted development rights](#), July 2020

⁸ MHCLG, ["Permitted development" homes to meet space standards](#), September 2020

markers of quality such as EPC ratings, building aspect, building safety measures including Gateway One checks, and access to amenity space. These recommendations for tighter PDR quality controls have been issued to DLUHC through a joint CIOB, RIBA, RICS and RTPI letter.⁹ Furthermore, the concerns highlighted in the letter, such as the concern that PDR developments are accountable to key elements of Gateway One and are well ventilated, need to be addressed as a matter of urgency.

Innovation

28. The Covid-19 pandemic has provided the construction sector with the opportunity to modernise. In a world where supply chains are put under pressure and labour is not as freely available, technology and advanced manufacturing provide tools that can be used to address the construction industry's productivity issue.
29. From the construction sector's perspective MMC provides a real opportunity to ensure a steady stream of high-quality housing in perpetuity. An emphasis on modular building also chimes with the regional rebalancing policy goals of the levelling up agenda, with the North of England being an ideal testbed for greater modular integration. For example, The Laing O'Rourke Explore Industrial Park near Worksop, Nottinghamshire and the Legal & General Modular Homes project is just east of Leeds. Ilke Homes, which aims to build 2,000 new homes annually, has a factory in Knaresborough.
30. However, it is not just striking on-site uses of technology that can improve productivity and allow firms to do more with fewer people. The use of digital information sharing platforms in the business process stage of a development can speed up projects at their genesis. Traditionally, it takes 2-3 years to produce an outline business case and strategic assessment for a large construction project. Digital platforms can advance projects through the business case phase quickly and get the supply chain involved earlier, thereby saving time and reducing cost.
31. As is the case in most sectors, establishing a single location for project documents using cloud-based technologies can keep everyone on task and working productively. Team members can work from the same documents in real time, with version tracking to manage the information, while on-page comments enable rapid communication. Importantly, this approach can also improve collaboration with clients and partners in other organisations to better manage all relationships in the supply chain.

The Building Safety Bill

32. Overall, we are satisfied that the current iteration of the Building Safety Bill (BSB) follows through on the key recommendations made in the *Building a Safer Future* report, particularly those calling for a new and more rigorous regulatory framework and a series of robust gateway points to strengthen regulatory oversight.
33. However, there are still some concerns that remain regarding the Bill in its current form. It is important to ensure that, when passed into law, the BSB can coexist with current and

⁹ CIOB, RIBA, RICS, RTPI, [Joint Letter to Housing Minister Calling For Tighter PDR Controls](#). November 2020

upcoming legislation. Specifically, the Planning Bill which was introduced during the Queen's Speech on 11 May 2021. We are concerned that design standards through the proposed local design code may counteract building safety measures outlined in the BSB and through the National Model Design Code.

34. We are also concerned with the lack of clarity provided on the new competencies that will be required in the Bill as there will be a knock-on effect in the industry given the requirements for a number of new key roles set out in the Bill.
35. We understand that the BSB is a framework that the Government intends to build on through secondary legislation. However, there are still many aspects of the Bill that are not clear to the industry and require further detail to be able to be adopted as regular practice.

Intentions and scope of the Bill

36. We believe that the Bill sets out a compelling vision for the future of the industry. However, the devil will be in the detail and the success of the new regime is heavily dependent on how the new Building Safety Regulator is constituted and how it operates.
37. We agree with the Government in its assertion that the rate of fire risk is considerably higher in buildings over 18m/six storeys than in high-rise residential blocks of any height (respectively, 43 fires/9 fires per 1,000 buildings) and that evacuation plans are inevitably more challenging the higher the building. We also feel that it is important to remember that the Bill applies to all new and existing buildings as well which we feel is a necessary inclusion. However, we believe that the definition of higher risk residential building (HRRB) in its current form is too limited in scope, although we appreciate that the Government widened the scope of the design, construction and refurbishment elements of the regime to include care homes and hospitals which are 18 metres or more in height or have at least seven storeys.
38. While we support a risk-based approach to the implementation of the new building safety regime, we also acknowledge the practical difficulties that will come with implementation. We understand the decision that starts at the narrower definitions, but which is capable of being extended regularly through revisions to secondary legislation, after suitable reviews, to bring a much wider range of buildings into scope of the enhanced regulatory regime; notably schools and all other buildings in which vulnerable people will sleep.
39. Within scope HRRBs making a small percentage of construction industry output, it could be difficult to generate the wholesale, industry wide, cultural change that the Government is purported to be seeking. Consequently, there is a concern that in the current climate, developer, and construction supply/demand economics, will drive a very concisely defined improvement pertaining solely to building in scope and potentially ignoring the wider sector. We would therefore support an incremental increase in scope over the long term to aid the wider cultural changes sought. The wording of the Bill should be flexible to create a pathway for step changes to be made to bring all buildings under its scope over an extended period.
40. To address these concerns, we recommend the publication of an implementation programme indicating the milestones for additional buildings to be brought into scope and by when.

Remediation and The Building Safety Levy

41. The Government has announced a package of measures intended to help with the remediation of potentially unsafe cladding on higher risk residential buildings (HRRBs).
 - a. Leaseholders in high-rise residential buildings will not face costs for cladding remediation works, with the Government making funding available to pay for removal and replacement of unsafe ACM (Aluminium Composite Material) cladding for all leaseholders in high rise residential buildings 18m or above (or over 6 stories).
 - b. On low and medium rise blocks of flats, where the risk is deemed to be lower, Government will develop a long-term financing scheme with support for cladding remediation for buildings between 4 and 6 stories, on a long-term low interest basis. The Secretary of State said this will mean leaseholders will not pay more than £50 a month towards the removal of unsafe cladding.
 - c. A new “gateway to developer levy” will be implemented via the Building Safety Bill, to be targeted at larger developers when they seek permission for certain types of high-rise buildings in England.
 - d. A new tax will be introduced for the UK residential property development sector in 2022. It was suggested that this will raise at least £2bn over a decade to help pay for cladding remediation costs, with the proposal intended to ensure that the largest property developers make a contribution in relation to the money they make. The Secretary of State added that Government shall consult on the policy design in due course.
42. CIOB is clear that the Government must commit to acting immediately on finding a funding solution which does not penalise leaseholders and leave them burdened with paying, even in part, for historical building safety remediation works, whilst also ensuring that these costs are excluded from the proposed building safety charge.
43. On 15 October 2021, the Department for Levelling Up, Housing and Communities (DLUHC), closed its consultation into the [Building Safety Levy](#), to seek views on the design of a proposed levy on developers who seek regulatory permission to build certain high rise residential buildings.
44. Although we recognise that a levy may be one of the most fair measures for funding historical remediation we speculate that businesses might try to avoid paying the levy, potentially because they are already paying other levies, such as the Apprenticeship and CITB levies. Businesses in scope of the levy might tweak their construction programmes (e.g. building to certain heights that do not fall in scope) to avoid paying the levy. We call on for Government to monitor this and ensure that buildings meet the housing demand and are constructed with safety and quality in mind.
45. We agree with the need to find a balanced approach to remediating historical building safety defects that do not punish either industry or households in a considerable way. However, there is a risk that unless there is buy-in from those expected to pay the levy, it could be perceived as another cost to business and, in time, will ultimately be passed onto consumers through increased prices.
46. We are concerned that, while the Building Safety Bill places emphasis on early life dutyholders to pay for any remediation work necessary to secure the safety of a building, there are still costs that may be levied against leaseholders, causing further financial risk.

47. Clause 27 of the BSB states that the regulator may charge fees or recover charges for or in connection with the performance of a relevant function. We are aware that the objective of this Clause is to ensure that the Building Safety Regulator can recoup finances to continue its operations, while ensuring that there are enforcement tools in place to keep the industry accountable for its actions. However, there is a lack of clarity on what is meant by the Clause. The Clause states that the BSR may prescribe a fee or provide for the amount of a fee to be or determined by the regulator in accordance with the regulations. Prior to a base rate for charges or fees being established through experience, the BSR will be required to levy charges and fees based on assumptions. We believe that further clarity is required on how these assumptions will be made and whether any under or over charges will be corrected if experience shows that charges or fees were too high or too low.

Conclusion

48. The current housing crisis is being exacerbated by a lack of affordable, quality housing across the UK. By encouraging competent new talent into the industry to drive up quality and supply of housing in addition to creating a more diverse workforce, this will help create a built environment that works for those inhabiting it. It will also allow for future innovation in sustainability that can help to drive down the currently high cost of living, all with the end goal of making housing more affordable.

49. Policy, to date, has looked to address these interconnected issues through one off incentive programmes such as the Green Homes Grant without taking a unified approach or long-term strategy. The current issues with homelessness and rough sleeping are not ones that can be tackled in isolation. Therefore, we encourage DLUHC to create a policy that has been fed into from BEIS, DfE, and industry.

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