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Julie James AM  
Minister for Housing and Local Government  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

By Email: [Julie.James@assembly.wales](mailto:Julie.James@assembly.wales)

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Dear Ms James

### **Construction Sector in Wales**

The Royal Institution of Chartered Surveyors (RICS), Royal Society of Architects in Wales (RSAW) and the Chartered Institute of Building (CIOB) represent a combined membership of over 7000 skilled and trainee professionals in Wales. We develop, maintain and export professional services and standards for the built environment, as well as accrediting and overseeing university courses in Wales and across the globe.

Together, our members make a vital contribution to the global success of Wales' built environment, and we are writing to offer our help in this time of national emergency and seek Government support for Wales' construction and infrastructure sectors which are worth over £4bn, directly, to the Welsh economy

Due to Covid-19, we find ourselves in exceptional circumstances, and we welcome the measures that the Welsh Government has introduced to ensure public safety.

Collectively, we have been collaborating with a number of construction-based organisations – either directly, or through working groups, and we are encouraged by the enthusiasm and drive of these groups to find viable solutions to tackle construction sector.

However, there are a number of issues that we hear from our collective memberships, and we have provided pragmatic and viable solutions to these issues below; starting with the gradual reopening of non-essential construction sites.

### **Opening of Construction Sites**

RICS, RSAW and CIOB, like the majority of construction stakeholders, believe the Welsh Government should look to implement a gradual re-opening of construction sites in Wales within the parameters of health, safety and wellbeing as soon as possible. There is evidence that contractors in Wales have been able to implement strict social distancing rules and reduced capacity in order to continue to carry out essential and small scale works. If lessons can be learnt from these projects, and standard safe working practices can be adopted, then the construction industry is well placed to police itself through CDM Regulations and additional HSE enforcement. Indeed, if the sector is responsible enough to manage the control of asbestos, then the same could apply to temporary safe working measures in respect of Covid-19.

One of the biggest impacts of closed construction sites is that we are finding contractors and supply chains are now engaging in a comprehensive furlough of staff to the point that a state of paralysis is setting into the construction industry. Many projects are in jeopardy, even at pre-construction phase, because the supply chain cannot submit quotes and prices. Any delay in project planning and procurement will cause projects to be cancelled, and it could prolong the recovery.

## **Elongated Recovery**

A primary concern of the Covid-19 impact is the long term damage and an elongated recovery period. A reduction of work will negatively affect cash flows, leading to extended furloughing, redundancy and company closures. This will intensify the “funneling” of workforce and supplies activity post-pandemic i.e. where remaining construction sector participants race to capture available work. Ultimately, this funneling will add further strain to the skills and supply shortage, and increase costs of construction supplies and labour as they are not immune to the realities of supply and demand. In addition to this, supply chains will take longer to obtain, manufacture or produce the materials needed for construction – further slowing industry reactivation.

In short, unless due consideration is given now, a post-pandemic construction sector will see pushed up costs and flatlined productivity. This can be bypassed through a tapered lifting of the lockdown with regard to construction sites.

## **Public Sector Maintenance Programme**

It is imperative that as much activity across the built environment can take place to ensure continuity of activity now and post-pandemic.

The current lockdown situation means that many publicly owned buildings, such as schools, colleges, museums and libraries that are usually populated are vacant, and therefore provide an opportunity for condition inspections to be undertaken.

Following these inspections, maintenance works could be instructed and undertaken (with health, safety and wellbeing parameters) that will assist cashflow for SMEs, supporting the supply chain and retaining skills.

Anecdotally, we believe that some local authorities are already undertaking this programme, but stronger instruction needs to come from the Welsh Government. Likewise, there are a number of construction operations that can be carried out with a reduced workforce, away from the public eye, and in isolation; thereby adhering to social distancing advice.

If work cannot start immediately, contractors could start preparing materials and supplies for post-lockdown. This would keep materials being manufactured and produced; supply chains open; and allow the sector to hit the ground running when sites can reopen – whether that is tapered or instantaneous.

We urge the Welsh Government to lead an initiative to encourage large-scale public sector programme of maintenance, and would gladly assist in looking at how this can be achieved.

## **VAT Rebate Funding**

Construction sector participants – particularly developers – welcome the VAT exemption on new build housing, but we believe parity is required for the retrofitting of existing buildings. We recognise that VAT is a reserved matter; but the current constitutional settlement does not inhibit the establishment of VAT rebate fund for home repair and maintenance, and energy efficiency improvement measures.

This fund could be accessed by an individual providing proof of a VAT payment for the aforementioned works through, for example, the receipt for these works undertaken by a VAT registered company. Following the recognition of the VAT payment, the client could receive a rebate on the VAT paid from the fund.

It is more likely that VAT registered companies will have apprentices; thus, this fund will support job creation and maintenance, particularly, for SMEs; tackle the skills shortage; as well as obstructing rogue traders and the informal economy.

We would welcome any positive action to this letter from the Welsh Government; will continue to monitor activity in Wales' built environment; and inform you of market conditions to ensure the impact of these unprecedented times can be minimised.

If you wish to discuss any of these matters directly with our organisations, please email Hew Edgar at [hedgar@rics.org](mailto:hedgar@rics.org) who can organise a mutually convenient time for a virtual meeting.

Yours sincerely

Ian Steele; Chair, RICS in Wales  
Gerald Naylor; Chair, CIOB Wales  
Elinor Weekley; Director, RSAW