



**Mr Conor Murphy MLA
Minister for Finance
Parliament Buildings
Stormont
Belfast
BT4 3XX**

23rd April 2020

Dear Minister,

Construction Sector in Northern Ireland

The Royal Institution of Chartered Surveyors (RICS) and the Chartered Institute of Building (CIOB) represent a combined membership of over 4000 skilled professionals in Northern Ireland. We develop, maintain and export professional services and standards for the built environment, as well as accredit/oversee university courses in Northern Ireland and across the globe.

Together, our members make a vital contribution to the global success of Northern Ireland's built environment, and we are writing to offer our help in this time of national emergency and seek Government support for Northern Ireland's construction and infrastructure sectors which are key components of the regional economy.

Due to Covid-19, we find ourselves in exceptional circumstances, and we appreciate the measures that the Northern Ireland Executive has introduced to ensure public safety. While we acknowledge the recent publication of the Workplace Safety Guide and Priority Sectors list, as it is advisory only, we remain concerned about the current lack of full clarity being provided to the wider construction sector. To our knowledge the Engagement Forum did not include a direct construction sector representative body.

Market confidence in the outlook for Northern Ireland's construction sector has fallen sharply, according to the latest RICS and Tughans Construction Market Survey published today, and there is a deterioration in momentum resulting from social distancing measures. Northern Ireland contributors to the survey envisage a fall in workloads and profit margins as well as a freeze in new hiring in the coming year.

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 immediate issues within the construction sector.

However, there are a number of issues that we hear from our collective memberships -

Operation of Construction Sites

RICS and CIOB would urge the Northern Ireland Executive to provide greater clarity on the operation of construction sites. If lessons can be learnt from contractors that have been able to implement strict social distancing rules and reduced capacity in order to continue to carry out essential and small-scale works, 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. However we would ask the NI Executive for explicit clarity on circumstances where social distancing guidelines

cannot be adhered to on specified construction sites as cited in the NI Executive's Priority Sectors list.

Elongated Recovery

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 could be jeopardised, even at pre-construction phase, because the supply chain cannot submit quotes and prices. Any delay in project planning and procurement will cause a higher risk of projects being cancelled, and it could prolong the recovery.

A primary concern of the Covid-19 impact is the long-term damage and an elongated recovery period. A continued reduction of work will negatively affect cash flows, leading to extended furloughing, redundancy and company closures, and a potential exodus of skills from the sector. Ultimately, in the longer term this could further strain the existing 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 may see pushed up costs and flatlined productivity. Through providing greater clarity to the construction sector now on operation of construction sites, the NI Executive could increase confidence in the gradual safe opening of sites which have been closed and ease the continued reduction in construction activity.

In addition, we would urge the NI Executive to bring forward Departmental Capital Programmes urgently and consider implementing the new Cabinet Office procurement guidance ([Procurement Policy Note 01/20: Responding to COVID-19](#)) to accelerate projects into the Northern Ireland market. This will support professional services in progressing early stage design works quickly, both within lockdown conditions and post-pandemic recovery, ensuring that projects are ready without further delay for contractor delivery.

Public Sector Maintenance Programme

It is imperative that as much activity across the built environment can safely 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 and maintenance works to be undertaken (within clarified health and safety parameters) that will assist cashflow for SMEs, supporting the supply chain and retaining skills.

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 Northern Ireland Executive to consider opportunities within the immediate lockdown period and vacant public estate to lead an initiative to encourage a large-scale public sector programme of maintenance.

VAT Rebate Funding

We recognise that VAT is a reserved matter, however the current constitutional settlement, does not inhibit the establishment of a fund for providing a VAT equivalent rebate on 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 Northern Ireland Executive; will continue to monitor activity in Northern Ireland's 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 Dr Patrice Cairns at pcairns@rics.org who can organise a mutually convenient time for a virtual meeting.

Yours sincerely,

Brian Henning FRICS, Chair of RICS Northern Ireland
Gary Blair, Chair CIOB Belfast Hub

CC:
Mrs Diane Dodds MLA, Minister for the Economy