Construction Leadership Council

The Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
11 Downing St
London SW1

02.11.2023

Dear Chancellor,

Ahead of the Autumn Statement I am a writing on behalf of the Construction Leadership Council (CLC) to update you about the current situation within the construction sector and to suggest some ways which would help stimulate growth in our sector.

Confidence in our pipeline of future work is at it lowest point since 2008, through a combination of planning constraints, changes in direction on the infrastructure pipeline and nervousness in both homeowners and the private sector asset owners. In addition, the volatility of material inflation in recent months has added further uncertainty we are now seeing insolvencies across the sector at the highest levels for a decade.

The resulting impact is an increase in redundancies with more expected over the next 12 months, to put this in perspective during the 2007/08 financial crisis we lost 700,000 people from the sector which compounded the skills crisis when the workload picked up again. Currently construction sector insolvencies are running at their highest rate for a decade.

Against this background the CLC is keen to work with you take proactive steps to stem these trends and retain the capability and capacity to deliver the infrastructure and homes the country needs when the economic environment improves. Within this spirit of cooperation, we have identified the following four areas that would benefit from your attention to help both the construction sector but also the country's economic recovery.

Housing & Productivity

While housing delivery has increased substantially with almost 1.2 million new homes built in the past five years alone, it is set to decline rapidly due to a number of factors including the economic climate, nutrient neutrality, delays in the planning process and the proposed reforms to the National Planning Policy Framework (NPPF).

House building levels could return to levels last seen in the aftermath of the global financial crisis. Indeed, it has been forecast that housing delivery could fall by as much as 122,000 homes per annum as a result of the abolition of mandatory housing targets and Natural England's nutrient neutrality, water neutrality and Recreational Impact Zones mitigation measures. House building levels could return to levels last seen in the aftermath of the global financial crisis and are forecast to deteriorate further next year.

Construction Leadership Council
c/o Department for Business and Trade
Old Admiralty Building, Admiralty Place,
London, SW1A 2DY

Tel. 020 7215 6476
construction.enquiries@businessandtrade.gov.uk
www.constructionleadershipcouncil.co.uk

Such a fall would have significant social and economic implications for the country by undermining nearly 400,000 jobs, costing over £20bn in lost economic activity, and generating £3bn less investment in affordable housing.
Two key steps we would ask you to consider are:

- **To protect and enhance the critical contribution house building makes to the economy and tackling the housing crisis, we strongly encourage the Government to revisit its proposed reforms to the NPPF.**
- **We also encourage it to bring forward new nutrient neutrality legislation in the King's Speech and to extend planning permissions for sites in affected catchments that have been held up due to nutrient neutrality mitigation measures.**

As indicated in the CLC recently published Productivity Report that was shared with you and your team, planning approval remains a major issue that still requires urgent attention and the current delays are costing the country over £11bn per year.

- **To stimulate the market, would recommend Local Development Forums are initiated in specific areas (based on Government priorities) where local authorities are provided with additional resources to work in partnership with local developers to accelerate housing approvals through the process with the aim of getting sites started within the next 6 – 12 months. These could be focused on specific target outcomes such as encouraging more build to rent approvals or priority local employment sites.**
- **If you wanted to further accelerate this, it could be accompanied by tax incentives for example on the Build to Rent sector to deliver affordable rental accommodation.**

Green Existing Homes

The CLC has promoted a National Retrofit strategy since 2020, if we are to achieve Net Zero Carbon by 2050, many of our existing homes require greater insulation for heat pumps to work efficiently. It is currently estimated that 11 million homes will need upgrading and whilst current Government plans support the social housing sector in this there is a gap in the privately owned market. The majority of these upgrades are delivered by SMEs and as such encouraging economic activity here would safeguard their pipeline of work.

- **To stimulate the Repair Maintenance and Improvement sector, material manufacturers and distributors eliminate or significantly reduce VAT on Retrofit work on existing homes between 0-5% up to a limit of £30,000.**
- **Work with the industry and National Retrofit Hub to lend Government support to a consumer engagement campaign run through the Builders Merchants to help the general public access advice on how toe improve their homes energy efficiency and to access the current support available from the Government.**

Confidence in Infrastructure

The changes recently announced in the Network north plan have introduced a different set of priorities to the infrastructure and Construction pipeline. In order for the industry to fully support the Government's ambitions in delivering upon these announcements it is essential we have clarity on what will come to market and when in order for us to plan, retain staff and invest accordingly.

- **Commit to publishing the updated deliverable Infrastructure and Construction pipeline within 10 days of the Autumn Statement.**
- **Open a conversation with industry to further explore the role of private finance to deliver some of the currently Government funded projects in the pipeline in order to deliver the infrastructure the country needs whilst staying within an affordable fiscal limit.**

Continued investment in R&D

Over the last 5 years the construction sector has collectively invested £2bn in research and development, a tenfold increase on the previous 10 years. This investment and the learning we have adopted from Covid ways of working has seen our productivity increase since 2021 and continue to do so. However proposed changes from merging the R&D tax credits scheme due to be adopted in April 2024 would render construction companies ineligible to claim the relief and therefore significantly reduce the amount of investment the sector makes.

- **Delay the merged scheme beyond 1 April 2024 to allow appropriate time for further consultation with the industry to ensure no adverse effect of the merged scheme and work with the construction sector on refining the definition in the legislation to enable construction companies to still claim the credit.**

I would be happy to meet and discuss our proposals with your team should you wish to explore them in further detail.

Yours sincerely,

Mark Reynolds

Mark Reynolds
Co-Chair, Construction Leadership Council

cc
Minister Ghani, DBT
Minister Rowley, DLUHC
Richard Robinson, AtkinsRéalis
Nick Smallwood, IPA
Hannah Vickers, Mace
Ivan Bennett, DM to the Exchequer Secretary
Stuart Glassborow, HMT
Action XST - HMT