

## **Submission from the Construction Industry Council to the CMA Market Study on Housebuilding**

### **The CIC's role in housing delivery and raising standards**

The Construction Industry Council (CIC) is the representative forum for professional bodies, research organisations and specialist business associations in the construction industry. An appendix to this letter provides more information about us.

Our members collectively support and represent circa 500,000 individual professionals and 25,000 firms of construction consultants. Many of these professionals play a key role in the delivery of housing from its planning, procurement, design, construction, through to maintenance and management.

Importantly, our members' perspective comes from a view of what works best to provide much-needed housing that is well designed, well-constructed and safe, while building strong communities through excellence in place making.

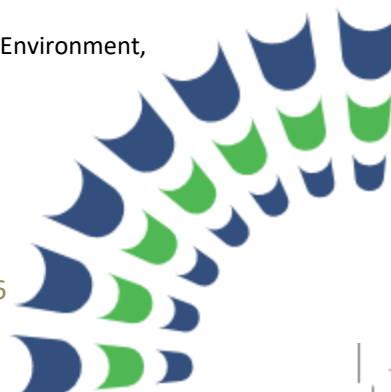
We are keen to offer whatever support we can to the Inquiry in its objective of understanding housing needs and how the barriers to delivery innovation can be overcome.

As an industry, we embrace new skills to ensure homes are sustainable, help meet net zero targets and provide the right comfort levels.

In the past eight years we have been involved with a number of programmes to improve the quality of new homes and raise standards more widely. The CIC has provided the secretariat for the All Party Parliamentary Group for Excellence in the Built Environment, which has conducted two inquiries into housing quality in England. Two reports stemming from these inquiries were instrumental in the government setting up the New Homes Ombudsman. The report from July 2016 was *More Homes, Fewer Complaints* – an inquiry into the quality and workmanship of new housing in England, which called for a New Homes Ombudsman.<sup>1</sup> In 2018, to maintain the momentum, the group published

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<sup>1</sup> More homes fewer complaints, All party Parliamentary Group for Excellence in the Built Environment, July 2016 <https://www.cic.org.uk/uploads/files/old/more-homes.-fewer-complaints.pdf>



*Better redress for homebuyers - How a New Homes Ombudsman could help drive up standards in housebuilding and improve consumer rights.<sup>2</sup>*

The CIC is also playing a central role helping to raise competence standards in the building industry in the wake of the Grenfell Tower disaster. CIC chief executive Graham Watts chairs the Competence Steering Group, set up in 2018. The CSG comprises more than 150 institutions and associations across the full spectrum of construction, built environment, fire safety and building owner/manager sectors. It constitutes the largest-ever number of organisations that have been brought together in the built environment and fire safety sectors for a common purpose.

## **CIC's response**

The CIC welcomes the CMA's review on house building and we agree with its scope. We particularly welcome the fact that it is to investigate housebuilding across England, Wales and Scotland and that there are plans to highlight and showcase areas where delivery is working well.

Our submission does not to address all 25 questions set out in the Statement of Scope. Instead, we are concentrating on addressing issues raised where we feel in the best position to comment. (These are mostly in response to questions 21-25.)

## **Barriers to housing delivery**

As the CMA document makes clear, the Government is yet to meet its 300,000 homes-a-year housing target. We note that before the pandemic hit, new supply had risen to 244,000 for 2019/2020, the highest rate in 30 years.<sup>3</sup>

Since then, house building has been curtailed by site closures during the pandemic, skills and materials shortages, inflation in materials costs and the downturn in the market in the wake of interest rate increases. This is likely to have a negative impact on the delivery of affordable housing in Homes England's 2021-2026 affordable homes programme.

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<sup>2</sup> Better redress for homebuyers, All party Parliamentary Group for Excellence in the Built Environment, June 2018 <https://www.cic.org.uk/uploads/files/old/appg-ebenew-homes-ombudsman-report-2018.pdf>

<sup>3</sup> *Tackling the under-supply of housing in England*, February 2022 House of Commons reference Library. <https://commonslibrary.parliament.uk/research-briefings/cbp-7671/>

### Lack of SMEs and affordability

As the recent Parliamentary briefing paper published in February 2022, *Tackling the undersupply of housing in England*, makes clear there are a number of well-established barriers to housing delivery – and there is no one silver bullet to tackling them. The CIC would agree with this view.

The need for greater diversification of supply is paramount – private sector housing is still dominated by a handful of large companies. The government itself has acknowledged this and has been introducing a number of measures to support SMEs.

SMEs have a key part to play by increasing their output, as the biggest home builders in our country will not meet the Government's housing building target alone.

SMEs are well placed to help to deliver new homes, tend to be more welcomed in their communities because of the quality of their homes. Axiomatically, to be successful, local builders have to have established a good reputation in their local areas.

However, surveys in 2020 of small and medium housebuilders by the Federation of Master Builders<sup>4</sup> and the Home Builders Federation published in October 2020<sup>5</sup> still point to huge challenges – not least the impacts of the pandemic, reduced finance and lack of small sites to develop.

When SMEs are acting in a capacity of contractor – ie supplying turn key modular projects to local authorities, for example, procurement is also a major issue. The procurement process is likely to need resourcing for several months. If the local authority framework then turns out to need fewer units than first promised, the financial position of offsite manufacturers becomes unviable. MMC requires a visible pipeline of work to keep factories in business.

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<sup>4</sup> <https://www.fmb.org.uk/resource/house-builders-survey-2020.html>

<sup>5</sup> <https://www.hbf.co.uk/news/sme-housebuilders-face-tough-battle-ahead-growth-and-delivery-projections-fall/>

### Housing associations and locals need to spend more on upgrading existing homes

Another key factor affecting the number of new homes and affordability is the potential contribution of the local authority and housing association sectors.

In England housing associations are responsible for building around a fifth of all new homes – while councils are still building very few. We are concerned that pressure on finances stemming from the building safety programme will make it harder for both housing association and council landlords to lever their own cash to deliver new housing. To counter this, levels of grant funding will need to be raised to higher levels.

### Materials and skills shortages

As touched on above, materials and skills shortages leading to sharp rises in building costs have constrained housing delivery.

Material and skills shortages have been widely reported and stem from a range of factors.

Brexit had added to skills shortages, which in turn is putting pressure on costs. Emigration during the pandemic and following the introduction of the post-Brexit immigration system is taking its toll, with 1.3 million foreign nationals leaving the UK in the past year.<sup>6</sup> Since 2017, there has been a 42% decline in the UK's EU construction workforce, according to ONS figures.

We welcome Government's recent decision to add trades including bricklayers and plasterers to a list of roles which will benefit from relaxed visa rules.

Housebuilders in England have trained far too few apprentices in contrast to Scotland where there has been more of an apprenticeship tradition.

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<sup>6</sup> Estimating the UK Population During the Pandemic, Economic Statistics Centre of Excellence  
<https://www.escoe.ac.uk/estimating-the-uk-population-during-the-pandemic/>

### Professional indemnity insurance

Another potential barrier to housing delivery, and especially where higher rise building is concerned, are the prohibitive restrictions and four-fold cost hikes in professional indemnity (PI) insurance which have followed in the wake of the Grenfell Tower fire. This is preventing companies taking on work and could delay the replacement of urgent remedial work to tower blocks in the wake of the Grenfell tragedy. But there is a wider knock-on effect too, as evidenced by the findings of a pan-industry survey carried out by Construction Industry Council on behalf of the Construction Leadership Council (CLC) carried out in March 2021<sup>7</sup> and then repeated with no discernible improvement in March 2022.<sup>8</sup>

The results pointed to the widespread incidence of companies having to change the type of work they do because of restrictions on cover, with a quarter losing jobs because of tough conditions and limitations being set by insurance firms. Even though two thirds of respondents said that less than 5% of what they do is high rise residential, almost one in three were unable to buy the cover they wanted or needed.

It is paramount that Government and insurance firms work together to find solutions to this issue; otherwise, capacity of the building sector in both the consultant and contracting roles will be curtailed.

### Planning reforms/ land banks and housing delivery

Broadly speaking we have not been entirely supportive of a number of the planning reforms being proposed by Government.

Our position is:

- The planning system is not broken. It works well if implemented as intended and should not be blamed for housing targets not being met. It does not need to be 'torn down' as the PM stated in his introduction to the White Paper.

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<sup>7</sup> <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/03/Press-Release-30-March-2021-CLC-PII-survey.pdf>

<sup>8</sup> <https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2022/06/PII-Survey-Results-2022-v1.1.pdf>

- The process of drawing up Local Plans which form a baseline for strategy and decision making needs to be made to be more enforceable. We note in the introduction to the White Paper that it states: “Although it is a statutory obligation to have an up to date Local Plan in place, only 50% of local authorities (as of June 2020) do, and Local Plan preparation takes an average of seven years (meaning many policies are effectively out of date as soon as they are adopted).”

Our view is that local authorities must draw up Local Plans to aid permissions and make sure the needs of various communities are balanced (for example, housing that enables older people to downsize). Local Plans must include plans for development that meet clearly expressed carbon reduction targets, both in terms of up-front construction and whole-life consumption. Such targets must be set to enable the UK to meet net-zero carbon commitment by 2050.

- We oppose the extension of permitted development rights – and do not think that is the way forward because it undermines the creation of communities.
- Planning departments are under-resourced, which can impact the delivery of well-planned and good quality homes. The CIC welcomes the proposals to improve the digitisation of planning, especially as it should speed up the processing of planning applications. This, we consider, will increase efficiency of planning and ensure saved resources can be devoted to the vital preparation and adoption of Local Plans.

## **Designing to meet net zero**

The quality homes we need are those that are safe, but which also meet the growing demands of inhabitants in terms of climate change adaptation, decarbonisation, access to outdoor space and remote working. The homes built now will be inhabited for generations to come.

Government intends to deliver a safer built environment through the provisions contained within the Building Safety Act, and the CIC has contributed to this accordingly. However, future-proofing new homes to ensure that their quality improves to meet the demands of the climate emergency and post-pandemic living is a different challenge. This challenge requires more immediate action than is currently planned.

The Future Homes Standard is a major part of Government's plans to build homes that are zero-carbon ready. Unfortunately, a full technical specification for the Future Homes Standard is not being consulted on until 2023 and Government intends to introduce the necessary legislation in 2024, ahead of implementation in 2025.

In this period those homes built will only be subject to interim standards with some transitional arrangements still to be revealed. In addition to this, Building Regulations do not yet account for the reduction or even measurement of embodied carbon, which could make up 70% of a new home's whole-life carbon.

Covid-19 has also exposed inadequate and unequal access to high quality green spaces and this has implications for physical and mental health. There is also strong evidence that in an urban context, green space is associated with heat reduction which could help with climate change adaptation.

In order to keep people safe and also protect their mental health during this and potential future pandemics, we feel that an analysis of housing and the built environment as it relates to transmission, mental and physical health during the pandemic should form a strand of the Covid-19 Inquiry, with recommendations to be made on the basis of these findings.

#### Factory-built housing – Hope Rise, Bristol

The CIC is a supporter of the greater use of offsite manufacture for improving the quality and speed of housing and meeting net zero targets. One of the members of the CIC's housing panel, Debansu Das, is the director of Zed Pods, a SME modular design and build contractor that has devised an inexpensive and swift means of providing net zero homes, and this is being adopted by a number of local authorities.

The cost to build "Hope Rise" project in 2019 was £2,925 per m2 per build (does not include land value). At Hope Rise in Bristol, the technology was used to build the scheme in 23.5 weeks as compared to 56 weeks for a similar housing scheme using traditional construction – which means early rental and financial benefits to councils and housing associations looking to provide affordable rental homes, or temporary accommodation. ZED PODS offer a fully turnkey service, from concept design through to planning and handover.

The Hope Rise project is the first Modern Methods of Construction (MMC) development of its kind to be completed in the UK in 2020, overcoming various restrictions and nationwide lockdown due to COVID-19. The project presented

11 affordable and low-carbon, modern design apartments which were installed as a permanent living space for young care leavers and vulnerable households. The environmentally friendly homes were erected on steel frame podium and built above a council-owned car park in Bristol. ZED POD's inhouse design team retained hundred percent of original parking provision for this project.

The super-insulated homes are fitted with low-energy heating systems and renewable energy technologies (including rooftop solar panels) to complement a "fabric first" approach. Electric car charging upgrades were used to facilitate the shift away from the carbon-heavy transport use of the historic car park, while connections to local public transport and cycling/walking routes to local amenities help eliminate the need for private car ownership. The use of cross-laminated timber (CLT) enables the superstructure to be erected in days, helping to reduce carbon footprints during construction. And the typology also offers the flexibility of adapting individual designs and internal layouts for the end-users.

This project demonstrates that zero operational carbon affordable homes can be built within current financial models. Several local authorities and other stakeholders visited the scheme and were impressed by what can be achieved on a constrained site which would have been difficult to build on using traditional construction.

A year-long post-occupancy study was undertaken by an independent body using remote sensors and energy tracking. The study found that 104% of the annual energy usage is generated onsite by the roof solar panels which validated the as-designed energy performance of the building.

<https://www.ukgbc.org/solutions/zed-pods/>



## Appendix - About the Construction Industry Council

The Construction Industry Council (CIC) is the representative forum for the professional bodies, research organisations and specialist business associations in the construction industry.

Established in 1988 with five founder members, CIC now occupies a key role within the UK construction industry providing a single voice for professionals in all sectors of the built environment through its collective membership of circa 500,000 individual professionals and 25,000 firms of construction consultants.

The breadth and depth of its membership means that CIC is the only single body able to speak with authority on the diverse issues connected with construction without being constrained by the self-interest of any particular sector of the industry.

Organisations and Professional Bodies in membership of CIC are shown below.

### Members of the Construction Industry Council

ACAI	Association of Consultant Approved Inspectors
ACE	Association for Consultancy and Engineering
APM	Association for Project Management
APS	Association for Project Safety
ASFP	Association for Specialist Fire Protection
BAFE	British Approvals for Fire Equipment
BCS	Chartered Institute for IT
BIID	British Institute of Interior Design
BRE	Building Research Establishment
BSRIA	Building Services Research and Information Association
CABE	Chartered Association of Building Engineers
CIAT	Chartered Institute of Architectural Technologists
CIBSE	Chartered Institution of Building Services Engineers
CIOB	Chartered Institute of Building
CIHT	Chartered Institution of Highways & Transportation
CIPHE	Chartered Institute of Plumbing and Heating Engineering
CIPS	Chartered Institute of Procurement & Supply
CIRIA	Construction Industry Research and Information Association
GF	Ground Forum
ICES	Chartered Institution of Civil Engineering Surveyors
ICWCI	Institute of Clerks of Works and Construction Inspectorate
IET-BES Sector	Institution of Engineering and Technology - Built Environment
IFE	Institution of Fire Engineers

IIRSM	International Institute of Risk and Safety Management
ISSE	Institute of Specialist Surveyors and Engineers
IStructE	Institution of Structural Engineers
IWFM	Institute of Workplace and Facilities Management
LABC	Local Authorities Building Control
LI	Landscape Institute
NHBC	National House-Building Council
RIBA	Royal Institute of British Architects
RICS	Royal Institution of Chartered Surveyors
RTPI	Royal Town Planning Institute