

RICS Construction Policy





Foreword

This RICS construction policy is member-led and this document has been delivered through consultation with our members in England, Scotland, Wales and Northern Ireland, whether in person or online.



Construction is the heartland of RICS. Some 40,000 of our members work in construction, spread across government, developers, contractors and consultancies. Some 50% of these members work in small to medium sized enterprises, and frequently micro-businesses.

Where our members' voice was clearest was that the construction sector, and in particular SMEs, are facing three simultaneous problems – access to public sector procurement, the ability to fund expansion and how to benefit from new markets or technological innovation.

In this document we put forward solutions that Industry, RICS and Government can deliver that will remove blockages and help construction drive economic growth and job creation.

Our breadth of scale and knowledge gives RICS a unique opportunity to consider the sector from the bottom up; and truly understand how we can continue to deliver excellence in construction through professional standards, guidance, products and policy propositions.

Government policy and regulation must aim to deliver a sustainable and successful construction sector that creates the buildings and infrastructure that we all need, where and when we need them – whether houses, offices, schools, warehouses or roads. As well as the effective repair and maintenance of our existing built environment, not least when it comes to energy efficiency and lowering carbon.

Construction is fundamental to economic growth, with the potential to drive recovery across the UK. The Coalition Government has intended to kick start development in the private sector through a raft of measures, not least those on planning and housing, and also through plans for the public sector's own spend on construction. This is linked to the drive towards a low carbon built environment (including energy efficiency) and devolution of economic development in England to new Local Enterprise Partnerships.

Alongside this, the financial austerity in Whitehall meant that the government itself as a client (still hugely significant despite cuts) was looking to save money and procure UK construction in new, more innovative and value for money ways. At the same time it has also attempted through visible pipelines, to allow SMEs to tender directly for contracts, benefit from procurement reforms and drive the creation of local jobs.

The previous Chief Construction Adviser Paul Morrell, pithily summed up the government's construction agenda as 'less cost, lower carbon'. To adapt that phrase, we could say that this is now very much 'cost, carbon and capital'. And as we move into the second half of this Parliament, we must focus on the delivery of growth and jobs through construction and development, analysing where blockages are occurring, and seek solutions that are not expensive in time or budget.

For many smaller firms and micro-businesses what we need is action in the next 6 months. What our consultation showed is that these construction SMEs are struggling to survive let alone grow.

David Bucknall OBE
Chair of QS and Construction Board

Jeremy Blackburn
Head of UK Policy

The policy context in the UK nations

Our construction policy consultation was carried out across all the nations in the United Kingdom. Much if not all of this policy area is devolved to the Administrations in Cardiff, Edinburgh and Belfast. Other areas of policy with a significant impact on the construction sector are also devolved, such as housing and planning, or energy and climate change.

There is very much a UK wide construction market with companies operating across all political and administrative boundaries. Many of the issues which were raised were common to English, Welsh, Scottish or Northern Irish firms – the difficulty of procurement processes, implementation of Building Information Modelling or creating a market in energy efficiency measures. And of course nationally significant infrastructure projects are driven by the UK Government.

Where we have suggested changes and actions many of these are pertinent to the Devolved Nations not just Whitehall, given the importance of public procurement and construction to their economies.

Therefore it is worth stating those policies and strategies cited by our Scottish, Welsh and Northern Irish construction members:

Scotland

- National Economic Strategy
- Public Procurement Reform Bill
- Sustainable Housing Strategy
- Better Regulation Bill
- Scottish Government Infrastructure and Investment Plan

Wales

- Affordable Homes Strategy
- Welsh Government Infrastructure Investment Plan
- Welsh Government Code for Sustainable Homes
- Enterprise Zone Strategy, with emphasis on energy zones

Northern Ireland

- Review into Public Procurement
- Investment Strategy for Northern Ireland

In looking at the setting for our policy recommendations, we should also need to look at the state of the market over 2012 and where trends are taking us in 2013.

The development of RICS policy does not stop with the publication of this document. We are asking our members to share with us their experiences of the market and how they think RICS construction policy should evolve to meet new challenges. RICS will update on progress and publish a revised version in early 2014.



The Market Context

Construction output to edge up across the UK in 2013 on back of rising infrastructure spending but downside risks remain:

- **We forecast a modest 2% rise in construction output in 2013**
- **Infrastructure spending will lead the way**
- **Downside risks remain with further government cuts in the capital budget in the pipeline**

The results from the preliminary estimate for Q4 2012 GDP showed construction output rising by 0.3%. This is a welcome sign after a tough 2012 that has seen output in the sector drop 9%. Not surprisingly, the largest falls are in those sectors supported by public monies, such as housing (20% fall) and other public works (16%).

That is likely to continue this year as further planned government cuts are likely to result in less tenders emanating from the public sector. That said, some green shoots are appearing, especially in the infrastructure sub sector which has seen new orders rise 38% in the 12 months to Q3 2012, suggesting a rise in infrastructure output in 2013 and beyond.

Looking at the latest RICS Construction Market Survey, the Q4 results reflect the slight rise recorded by the official data, with 6% more respondents suggesting rising rather than falling workloads. Another highlight from the survey is the positive expectations from surveyors about workloads in 2013.

However, critical issues continue to challenge the sector, with almost 90% of respondents indicating that financial constraints are limiting activity despite the Funding for Lending (FLS) scheme.

Aside from the boost from infrastructure, private home building should also be a little stronger on the back of various government initiatives and an easing in lending standards which has already seen an increase in the number of higher loan to value mortgage products. A key factor underpinning the residential market remains the massive supply shortfall between household formation and current levels of residential investment.

That said, much will depend on credit becoming more accessible to developers particularly the small and medium sized house builders who have really suffered in the downturn. Also, reforms in planning and regulation will be key to increased home building, with 52% of respondents in the RICS Construction Market Survey attributing it as a factor limiting activity.

Hence, although we forecast a modest uptick in output in 2013, the risks are heavily skewed to the downside.

Himanshu Wani
RICS Economist

Construction SMEs the building blocks of recovery

Summary of recommendations for industry, government and RICS:

Industry

- RICS Procurement Working Group will work with industry representatives and Cabinet Office on guidance for earlier supply chain engagement, including early discussions with SMEs, which the informed client approach requires.
- Industry organisations and the Government Procurement Service should seek to create a single portal for SMEs to register their accreditation and references, which can be interrogated by all public bodies.
- RICS will work with the Construction Industry Council (CIC) and other industry partners to develop a simplified, publicly available PQQ for use by SMEs.
- Industry partners in the RIBA led research on low carbon public procurement, will deliver innovative procurement processes uniting cost savings and low carbon construction technologies.
- Construction industry beyond the FTSE350 should support the late payments campaign and sign up to the Prompt Payment Code managed by the Institute for Credit Management across the construction sector and developers.
- Industry must continue to collaborate on the EcoPas scheme, widening its evidence base, and communicating widely the value of low carbon and energy efficient buildings, driving demand for refit and refurbishment work.
- RICS will work with industry bodies, in particular the Chartered Institution of Civil Engineering Surveyors (ICES) and the Institution of Civil Engineers (ICE), to develop a mechanism for SMEs to act as a 'consortium' to deliver smaller infrastructure projects.

Government

- Government must make its public construction pipelines as visible as possible to all sections of the industry; with a clear, concise communication programme to get it to SME level.
- Government should utilise the work of the National Improvement and Efficiency Partnership (NIEP) for Built Environment with executive agencies and major local authorities, to develop pipelines that can cascade smaller contracts to a lower regional level.
- Government must mandate the use of BSI produced PAS91 standard pre-qualification procurement form, and drive its implementation across the public sector.
- Government should clearly summarise in one short document the benefits for business and growth, achieved through the connections between Government Construction Strategy, Low Carbon Construction Action Plan and the BIM Strategy.
- RICS recommends that BIS and its partners create a single portal for SME finance that allows them to see in one place what's on offer and how they can apply.

- Government needs to provide clearer guidance to SMEs on accessing the low carbon market, including incentives and drivers needed to allow the market to flourish.
- BIS and Green Construction Board must publish their paper on refurbishment incentives and penalties and share it with industry before Summer 2013.
- Government should redefine the requirement for BIM capability in terms of the size of company, so that 'BIM competent' micro-business not at level 2 can be sub contractors in BIM project teams.

RICS

- RICS will develop a paper to support all contracting authorities on how to retain quality when making 15-20% savings in procurement, avoiding decisions that are purely based on price or fee.
- RICS will work in partnership with the Chartered Institute of Purchasing and Supply (CIPS) to produce guidance for all staff procuring construction in public and private sectors, covering the unique complexities in construction they need to know to be an informed client.
- Following the publication of the next section of RICS Construction Standards, 'Developing an appropriate procurement strategy', we offer Cabinet Office and Government Procurement Service guidance or training based on this to provide public sector procurers with greater knowledge and understanding.
- The new RICS information paper on the measurement of embodied carbon was one of our commitments in the Low Carbon Construction Action Plan. The Green Construction Board should endorse its use, so that every construction project can be assessed for whole life carbon.
- RICS will publish guidance for our members and property professionals on the adaptation of existing buildings for energy efficiency and low carbon measures.
- RICS will provide members and industry with guidance on the implementation and operation of the Green Deal in domestic property; and also for valuers on how energy efficiency measures work through the market and are taken into account during valuations.
- Through the RICS' own BIM plan, this will produce products and services to support surveyors in the role of 'BIM manager', including appropriate training and advice for those smaller practices and construction SMEs who want to access BIM.
- RICS will work with Construction Skills to map the necessary competencies and skills that will link apprenticeships to the RICS Associate Membership pathway for Construction.

Government pipeline and frameworks

Visibility and access

The public sector still has a hugely influential role as a procurer of construction and construction services, accounting for some 40% of the market. The Coalition Government has been clear that its agenda for public sector construction spend was to drive savings, make more efficient procurement processes and drive change in the supply chain. Many of the procurement reforms, whilst designed to make the system more open and transparent, are also designed to cut costs.

The Government Construction Strategy (GCS) from Cabinet Office led to the setting up of a 'pipeline' in order for the sector to have early visibility of future government construction projects. The Devolved Administrations have variants of this mechanism. Early visibility is essential for the sector to plan and configure itself for forthcoming public workloads.

Government has tried through Contract Finders and various tendering portals to ensure that smaller contracts can cascade to an appropriate level and get work into the hands of SMEs, either straight from the public sector client or through prime contractors. This is functioning but still suffers from the same problem of visibility.

- Government must make its public construction pipelines as visible as possible to all sections of the industry; with a clear, concise communication programme to get it to SME level.
- Government must seek to avoid these pipelines including 'legacy projects', which already have an allocated major contractor, and therefore whilst visible, offer limited opportunities for construction SMEs.
- Government should utilise the work of the National Improvement and Efficiency Partnership (NIEP) for Built Environment with executive agencies and major local authorities, to develop pipelines that can cascade smaller contracts to a lower regional level.
- Public repair and maintenance projects should be prioritised across the UK. This kind of work that would turn quicker economic returns for construction SMEs and aid in economic recovery in the next 12 months, particularly across public sector estate including housing authorities, schools and hospitals.

RICS has been involved in the GCS and its working groups, with particular interest in Procurement and Lean Client Group. We are now represented on the Trial Projects Support Group (TPSG). The TPSG is the vehicle for testing these innovative and cost effective procurement reforms, including Cost Led Procurement, Integrated Project Insurance, Two Stage Open Book, Lean Sourcing, Intelligent Client and BIM. We believe that these trials, with lessons learned, need to be turned into operational reality as soon as possible to deliver real benefits in the construction supply chain.

RICS Procurement Working Group will work with industry representatives and Cabinet Office on guidance for earlier supply chain engagement, including early discussions with SMEs, which the informed client approach requires.

Procurement reform and processes

Frameworks and PQQs

Frameworks have become the dominant method by which UK contracting authorities, and the public sector in particular, procures construction. It is understood that frameworks act as a selection tool; however they do not guarantee work and vary widely in their operation.

As a Construction Sector Network report found in 2012, support for the use of frameworks increases as the size of construction business increases. It is understandable that larger companies have an increased capacity to take on bigger projects, and that larger companies are seen as being able to offer economies of scale. Government must realise that the combined effects of aggregation and frameworks work against access for SMEs. The lack of scale for SMEs also means they have difficulty in supplying the information which is repetitively required in frameworks and pre-qualification questionnaires (PQQs).

This is further complicated by OJEU (Official Journal of European Union) rules. The threshold values above which contracts are required to go through OJEU process is a significant obstacle to SMEs. Over a certain threshold, works contracts are frequently aggregated as well. Such aggregation bundles do create economies of scale but they also have a negative impact on SMEs by excluding smaller firms. We welcome the Government's commitment to break up large contracts into smaller elements – but would still like to see a review of OJEU thresholds and advice to public sector procurers on when aggregation is appropriate.

As things stand SMEs win only 31-38% of public procurement contracts by value, much less than their overall share in the economy (some 52% combined turnover). We recognise that central government has identified this as an issue – but how do we together effect beneficial change?

- Local government and contracting authorities, working with the Procurement and Lean Client Group scorecard, must ensure that where using frameworks they are appropriate to the scale of the tender, that they are as open as possible and that they take account of regional knowledge and local supply chain linkages.
- Government must mandate the use of BSI produced PAS91 standard pre-qualification procurement form, and drive its implementation across the public sector.
- Industry organisations and the Government Procurement Service should seek to create a single portal for SMEs to register their accreditation and references, which can be interrogated by all public bodies.

RICS will work with the Construction Industry Council (CIC) and other industry partners to develop a simplified, publicly available PQQ for use by SMEs.

Government cost savings

We recognise that the Coalition Government, the Devolved Administrations and English local government, need to make efficiencies and reductions in the cost of the construction they procure. Whilst there is evidence that aggregated demand can create volume and generate efficiencies, and that economies of scale are primarily delivered through single large contractors, the sector as a whole suffers from ‘a race to the bottom’ where prices are reduced and quality of output suffers.

RICS has created a new standard, our New Rules of Measurement (NRM), developed with contractors, clients, CIBSIE and HVCA, which allows for cost management and analysis for the whole lifecycle of a building covering design, construction and ongoing maintenance. NRM provides the basis for government to establish and analyse all costs to help reduce spending on individual projects and allow for more projects to be delivered within restricted budgets.

RICS will develop a paper to support all contracting authorities on how to retain quality when making 15-20% savings in procurement, avoiding decisions that are purely based on price or fee.

Procurement training

Where our members’ comments were strongest in the reform of procurement processes, was the level of construction and procurement strategy knowledge in the public sector. It benefits no-one in the supply chain to make this an adversarial relationship and the pressure on local authority procurement departments is acute.

As an Institution we cover all professionals in land, property and construction, and one of our most successful pieces of guidance is Public Asset Best Management. This is designed for those in the public sector operating already functioning assets and has been endorsed across all local government bodies, Government Property Unit, DCLG and third sector bodies.

- The RICS main construction standard is known colloquially as The Black Book. The next section to be published in 2013 is ‘Developing an appropriate procurement strategy’; we will make this publicly available to contribute to greater understanding of construction procurement.
- Following the publication of the next section of RICS Construction Standards, ‘Developing an appropriate procurement strategy’, we offer Cabinet Office and Government Procurement Service guidance or training based on this to provide public sector procurers with greater knowledge and understanding.

The Government is already seeking to manage its estate in a more effective and efficient way, learning from private sector and professional Institutions where necessary. This cost effective means of increasing property professionalism in the public sector can easily be extended to procurement and project management, including the Commissioning Academy.

RICS will work in partnership with the Chartered Institute of Purchasing and Supply (CIPS) to produce guidance for all staff procuring construction in public and private sectors, covering the unique complexities in construction they need to know to be an informed client.

Low carbon procurement

As both Paul Morrell and Peter Hansford have stated, cost reduction must go hand in hand with lowering the carbon we emit and embody in the built environment. RICS supports this and agrees that the connections between Government Construction Strategy, Low Carbon Construction Action Plan (LCCAP) and the BIM Strategy need to be made explicit – ideally in a short paper, from the Chief Construction Adviser, that is accessible and readable to all in industry which helps everyone understand the cumulative benefits for business from these strategies.

- We look forward to the Green Construction Board ‘Greening The Industry’ Measurement sub-group publication of an interactive tool that can help all the industry, including SMEs and micro-business, to bring forward low carbon designs and specifications.

In terms of the Cabinet Office’s construction strategy, industry partners in the RIBA led research on low carbon public procurement, will deliver innovative procurement processes uniting cost savings and low carbon construction technologies.

Finance

It is the availability of finance for SMEs to expand which is crucial if they are to invest, create jobs and contribute to economic recovery. Our members were absolutely clear. They are finding it very difficult to get funding and overdrafts from traditional banks, which naturally are still risk averse.

This and their difficulties with procurement frameworks and lengthy applications, is leading to construction SMEs simply aiming for survival at best as a sub-contractor and hoping to ride out the recession overall. That does still expose them to the risks of late payment by contractors further up the chain.

The Coalition Government has tried repeatedly to get lending underway. We are now two years on from when 'Project Merlin' was initiated to get the big banks lending to business, to limited effect. Quantitative easing was launched and then relaunched, with further credit easing following through the national loan guarantee scheme. The Funding for Lending Scheme (FLS), a further attempt to increase the flow of credit by lowering the funding costs of banks, looks like it will result in more take up and business expansion, though it is early days.

- RICS supports the campaign to get construction industry beyond the FTSE350 should support the late payments campaign and sign up to the Prompt Payment Code managed by the Institute for Credit Management across the construction sector and developers.
- We support the Government's own efforts here to ensure prompt payment in the supply chain of public procurement through the Project Bank Account programme and urge this programme to be expanded.

Banks

Government Ministers must make it clear that the attitude of traditional banks to SME lending is an impediment to growth. The SME Finance Monitor shows that in the last twelve months some 33% of businesses who applied for a loan were rejected. We need to turn this around, as finance is fast becoming the paramount issue for smaller construction firms.

- RICS welcomed the introduction of a Small Business Bank in the Autumn Statement. It has a big task to answer the funding question for SMEs and we would like to get more detail on how it can lever private sector investment and develop further funding mechanisms. We recognise it is not a 'quick fix'; however it needs to move quickly to fund viable small construction businesses.

Funding

The Government and the banks have put a number of schemes in place to get stimulate SME growth and that support has been warmly received. Funds such as Enterprise Capital Funds, Enterprise Finance Guarantee, Business Growth Fund, Seed Enterprise Investment Scheme (SEIS) and the Supply Chain Finance Scheme. These are necessarily spread over a number of departments, banks and agencies, with a variety of means of applying.

The biggest problem for SMEs though is the visibility of this kind of finance, knowing how and where to apply, in particular when their regular sources of information are their peers, local media or through existing relationships with a procuring authority. This creates a dual problem of limited visibility of available funding and then that knowledge being difficult to obtain.

- RICS recommends that BIS and its partners create a single portal for SME finance that allows them to see in one place what's on offer and how they can apply.

RICS will monitor the impact of these funding measures through the RICS Construction Market Survey and through feedback from our regional boards and groups. RICS will report these findings to Government, MPs and policy makers.

Fiscal measures

There is a strong argument for taking fiscal measures which would benefit the construction sector as a whole, whilst at the same time trying to get funding down to SMEs. RICS suggests that there are small number of these which could make a strong difference within 6 months:

- Raise the cash threshold for cash accounting so that small businesses only pay VAT once they've been paid themselves by their contractor.
- Reduce VAT on alterations, extensions and refits – which will help to bring more domestic and commercial property back into the market.
- RICS is a member of the cross-industry Cut The VAT coalition which has long campaigned for a reduction in VAT on the labour element of all home repair and improvement work to 5%; it will help refurbish homes, incentivise investors and create jobs in construction SMEs.

Regional economies

Government has acknowledged that it needs to work towards balancing regional growth, particularly where there has been any long term structural weakness. Certain regions of England, in particular the North East, as well as Scotland, Wales and Northern Ireland, are going to take much longer to recover.

The Growing Places Fund, Regional Growth Fund and City Deals, are respectively aimed to get development projects moving with up front funding, support those areas that have been most reliant on the public sector, and give eight of our largest cities new powers to develop their economies and drive growth. Taken together these form a strong mechanism for driving growth – but one that is necessarily co-ordinated by the business driven, but local authority based, Local Enterprise Partnerships (LEPs).

The Heseltine Review, if its recommendation on a single cross-Whitehall pot of funding for LEPs can be realised, will free up over £10m to add to the Regional Growth Fund. Across all 40 LEPs this will not mean that much for each area and the money is needed now.

- RICS believes it is imperative that LEPs prioritise construction and infrastructure projects for funding, and more generally in terms of their strategies for creating growth across the English regions.

RICS will bring forward a paper later this year assessing the impact of the range of local growth measures which have been put in place, considering not just LEPs and Enterprise Zones, but allocation of funds, tax increment financing and business rate retention.

Green economy and low carbon

The ambition of the Prime Minister and the Coalition Agreement to be ‘the greenest government ever’ is a big aspiration. The creation of a genuine green economy has much to offer including low carbon construction and energy efficiency improvements.

Dan Labbad, when he was co-chair of the Green Construction Board, specifically made the point that this was an opportunity that SMEs could seize. We recognise that the industry needs to lead on delivery, however we need the government to ensure certainty for these new markets through policy (and where necessary regulation), that can encourage construction SMEs to diversify and invest.

Low carbon construction and refit

Working to manage and reduce carbon footprints as part of a low carbon strategy, with its inherent cost benefits and revenue opportunities, is increasingly important to the construction sector. New projects must be both low carbon during construction as well as low carbon in operation, if there is to be any chance of keeping to national climate change reduction targets.

With the levels of new build so low however, the main drivers for emissions reduction are domestic and non-domestic retrofit, since 80% of our built environment will still be with us by 2050.

There are a number of government initiatives already in place to stimulate the refurbishment market for energy efficiency in the domestic sector, not just the Green Deal but Feed-in Tariffs (FITs), Renewable Heat Incentive (RHI), Carbon Emissions Reduction Target (CERT), Energy Company Obligation (ECO), Part L of the Building Regulations and the potential for minimum energy standards in the private rental sector by 2018.

- Government must stick to its commitment for all new homes and all new non-domestic buildings to be zero carbon from 2016 and 2019 respectively.
- Despite the number of schemes there is a lack of confidence in refit or refurbishment mechanisms from construction SMEs – Government needs to provide clearer guidance to SMEs on accessing the low carbon market, including incentives and drivers needed to allow the market to flourish.
- BIS and Green Construction Board must publish their paper on refurbishment incentives and penalties and share it with industry before Summer 2013.

The new RICS information paper on the measurement of embodied carbon was one of our commitments in the Low Carbon Construction Action Plan. The Green Construction Board should endorse its use, so that every construction project can be assessed for whole life carbon.

RICS will publish guidance for our members and property professionals on the adaptation of existing buildings for energy efficiency and low carbon measures.

Green Deal and energy efficiency

The Green Deal is the government's flagship initiative to refurbish the UK's ageing housing stock, and in due course commercial property. Government must ensure that SMEs and micro-businesses are able to access improvement and assessment work to ensure that the benefits of the scheme are also felt in terms of local economies.

RICS has long been pushing home the message to Government that our members' expertise will be vital in getting the right energy efficiency measures in place in our homes in order to cut the UK's carbon emissions. One inappropriate or incorrect recommendation for improvements which causes damage to a home, could damage the credibility of these schemes with consumers for good.

- The property sector requires clarification on how proposals to halt the letting of buildings under the Energy Act which have lower than F or G energy ratings will work in practice. We urge the Government to consider introducing exceptions in secondary legislation to enable the sale of F or G rated residential and commercial buildings that cannot be occupied or disposed of for development or refurbishment.

RICS will provide members and industry with guidance on the implementation and operation of the Green Deal; and also for valuers on how energy efficiency measures work through the market and make taken into account during valuations.

Markets and incentivisation

More than policy and incentives, the market itself will drive change. What will turn low carbon construction, refurbishment and energy efficiency into business opportunities is the confidence that there will be a market that values them.

RICS, IPD and a number of large institutional funds have been collaborating on a scheme, called 'Eco-Portfolio Analysis Service' (or EcoPAS), that looks at the correlation between value and the sustainable facets of each building in a portfolio. Whilst this is a first version, it can begin to provide commercial developers with the proof that sustainability makes financial sense. RICS members will monitor an investment's performance over time you will be able to see whether sustainable buildings have delivered better rental growth, better yields and better capital values.

- Industry must continue to collaborate on the EcoPas scheme, widening its evidence base, and communicating widely the value of low carbon and energy efficient buildings, driving demand for refit and refurbishment work.

RICS will publish guidance for commercial property manager and valuers on sustainability and commercial property valuation. It is vital that valuers of commercial property are fully aware of the relationship between value and green features in the market place.

RICS is a member of the Green Property Alliance, and a funder of its carbon penalties and incentives project. This will examine whether the current fiscal and regulatory instruments designed to stimulate carbon and energy efficient behaviours in buildings are working effectively. The project will focus on non-domestic buildings, both new and existing, across the value chain from development and investment, to occupation.

Infrastructure

The Government has prioritised infrastructure to drive economic recovery, publishing a National Infrastructure Plan and infrastructure pipeline. At this half way stage there is a real need to get 'shovel ready' projects moving. This is not the big set piece, headline grabbing High Speed 2 or Severn Barrage, but the infrastructure building or upgrade (whether transport, energy or utilities) that can be delivered before the end of this Parliament.

The government have now set aside an additional five billion pound investment to assist badly needed infrastructure development across the UK, particularly in areas of the country outside of South East England. Full use of the infrastructure regional pipeline concept with local authorities and LEPs will maximise this, particularly with new road building and with rail maintenance and repair.

The Government clearly needs to leverage private finance, but there is a worrying absence of discernible appetite from pension funds. We would suggest this is due both to the lack of government led certainty (despite £40bn of debt guarantee), but also a current shortage of infrastructure data, which makes it virtually impossible for investors to balance risk and make robust decisions.

Infrastructure as a sector has much to learn from the construction and property sectors where industry-agreed and Government endorsed standards, guidance, open data and qualifications have resulted in increased efficiencies, for example in delivering hospitals and schools.

RICS has worked in partnership with Network Rail to deliver a version of New Rules of Measurement for the rail sector; this is playing a key role in underpinning their cost control and whole lifecycle costings for new line, and for the repair and maintenance of existing track and stations. This should be embedded in all rail projects.

We do recognise that the building of infrastructure projects does mean much greater civil engineering works than traditional construction of property. This means that SMEs are more understandably sub-contractors in this market. The quicker that 'shovel ready' infrastructure projects are embarked upon the faster therefore SMEs will benefit as part of overall project teams. The extension of the intelligent or 'informed' client approach to public sector infrastructure procurement would be therefore be logical and beneficial.

- The issue of size and capacity to take on large infrastructure projects is understood, but this is not necessarily the case with smaller projects. It may be possible for a grouping of construction SMEs, and other professionals, to collaborate and deliver these projects – particularly on a regional or local level.

RICS will work with the Chartered Institution of Civil Engineering Surveyors (ICES) and the Institution of Chartered Engineers (ICE) to develop a mechanism for SMEs to act as a 'consortium' to deliver smaller infrastructure projects.

Building Information Modelling

The Government Construction Strategy announced the government's intention to mandate collaborative 3D building information modelling (BIM) on its projects by 2016. There has also been a specific BIM strategy from BIS. So far our members have found that this is primarily a condition in the English market, although not particularly used by local authorities since it is perceived as a central government requirement.

- Government should redefine the requirement for BIM capability in terms of the size of company, so that 'BIM competent' micro-businesses not at level 2 can be sub contractors in BIM project teams.

It is not only government that is looking at BIM as a requirement of course; many high profile clients and contractors are reviewing their BIM strategies and how it can be implemented in their supply chain. This has to some extent become the province of larger practices and companies, leaving SMEs without time, capacity and interest some way behind. Since there is a diversity of demand for BIM in the UK, many SMEs are simply side stepping it – and this will not create the technological or cultural change in construction some have predicted.

RICS supports the CIC led BIM Hubs across the UK nations, providing a two way dialogue with grass roots companies on BIM capacity development, and we are looking at how in particular engage our younger members with the BIM agenda through RICS Matrics.

Increasingly, the supply-chain is adopting BIM processes and there is now a tangible supply-side 'push' for greater adoption and a willingness to push BIM technological and process boundaries.

It is the responsibility of all the professional institutions and trade bodies to ensure that their members understand this shift in the sector and can play their part – as the forces of push and pull act upon them and their day jobs.

SME's must not be left behind in this however, they are the businesses which most stand to benefit most from cross-professional project teams centred on BIM models.

Through the RICS' own BIM plan, this will produce products and services to support surveyors in the role of 'BIM manager', including appropriate training and advice for those smaller practices and construction SMEs who want to access BIM.

Skills and workforce

The effect of the recession and of shrinking firms has been to see less industry investment in skills, and therefore in the future workforce. At the same time it is seeing the existing workforce staying in role for much longer, and creating a potential 'knowledge cliff' when their retirement eventually comes round, having stayed in business to help them ride out the recession. Construction has suffered more than many other sectors and these twin factors are incubating a long term skills shortage, which many of our members have cited as the biggest risk to their businesses, whether SMEs or larger contractors.

In England, we were pleased to see Vince Cable, the Business Secretary, give vocational skills high priority in his forthcoming industrial strategy. We have been closely involved with both Asset Skills and Summit Skills, and believe that CITB-Construction Skills need to be leading this section of the strategy. RICS would be keen to provide our knowledge and insight, alongside others, for the Employer Ownership Pilot Scheme – and how this might be used to help construction SMEs with the skills deficit.

- RICS doesn't believe that six month apprenticeships are the answer to the industry's skills challenges. Four year apprenticeship would be far more useful.
- Construction is not considered a prestige industry to join; RICS can help change this perception by raising the profile of the professional side of the industry, working closely with the CBI's construction profile campaign.
- We believe there is a need for Industry to re-engage with further education colleges, and the new free schools network, to stimulate interest in construction.

RICS has already mapped a number of NVQs to the competencies and experience requirements of its Associate qualification in Construction and will work with Construction Skills to map the necessary competencies and skills that will link apprenticeships, to the RICS Associate Membership pathway for Construction.



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