



AGENDA 15

— MANIFESTO —

Published 09.01.2015



TIME FOR CHANGE

The lead up to this year's general election is taking place in an environment of improving economic fortunes for the UK, and for the construction industry.

But the damage caused by five years of recession has been deep and will take a long time to repair. Main contractors expect it to take years to return profit margins and cash balances to pre-recession levels.

So it is vital that the incoming government has a policy programme that supports the construction industry in its recovery. With this in mind, the industry can help wider economic growth and deliver the infrastructure, homes, schools and hospitals that a growing economy needs.

Security over future workloads, a commitment to measures in the built environment designed to mitigate climate change, and fundamental help to solve the skills challenges this industry faces:

all of these are areas in which the sector needs a government with a strong and supportive programme.

Building's Agenda 15 manifesto aims to give the industry exactly that. Drawn up after a year of consultation with our readers, we will now take our policy blueprint to the main political parties in advance of the election.

We believe the measures in here are well-calibrated to create the business certainty and economic environment the construction industry needs to thrive.

But in order for our manifesto to carry weight, we need the industry to get behind it. So please add your voice to the calls, and get behind Building's campaign, by signalling your support on the website at

www.building.co.uk/agenda15.

Sarah Richardson, Building editor

TABLE OF CONTENTS

- Executive summary page 3
- Part 1 - Infrastructure page 4
- Part 2 - Housing page 5
- Part 3 - Retrofit page 6
- Part 4 - Skills page 7
- Part 5 - Public spending page 8
- Part 6 - Political, macro economic page 13

WHAT YOU CAN DO NOW

Please register your support for our manifesto. The more supporters we have, the greater influence we can wield with politicians from all parties. To register your support on the website go to building.co.uk/agenda15. To tweet your support use [#agenda15](https://twitter.com/agenda15). Or you can email your constituency MP with the link to our manifesto (it isn't behind the paywall), cc'ing Building's editor at sarah.richardson@ubm.com. To find your own MP's email address, go here <http://www.parliament.uk/mps-lords-and-offices/mps/>

EXECUTIVE SUMMARY

This is a vitally important year for the industry. Eighteen months of output growth show a sector getting back on its feet but not yet able to shake off the lingering problems created by the longest and deepest recession most in the industry have ever known. With signs that housing market growth may be easing in advance of a poll which is harder to predict than any since the 1970s, the election is assuming ever greater importance.

With the right policies industry growth will likely continue, and reform of the way the industry works can proceed; the wrong policies will mean the sector could still crash back into difficulty.

Speeches and press conferences by Labour leader Ed Miliband, Liberal Democrat leader Nick Clegg and the Tory front bench team this week made clear – for avoidance of any doubt – the election campaign can be considered well and truly under way. With fears that certain election results may pave the way for an exit from the EU, and with major decisions, such as that over airport capacity, waiting to be made, this is the moment for the industry to make its case to politicians of all stripes.

It is undoubtedly primarily for the industry itself to drive reform and improvement in the way that it works – in profitability, delivery of projects and sustainability itself. But it is the government that sets the framework within which the industry operates. Our manifesto

says that to help the industry – and thereby the UK – to be successful, a new government should adopt policies for construction that achieve three fundamental things:

- Create a vision for the built environment of the UK with sustainability at its heart
- Set up structures, funding and incentives to achieve it
- Demonstrate a clear commitment to investing in the built environment to achieve social, economic and environmental benefits.

To be useful, these three key requirements need to be embedded in the heart of government thinking. They need to be reiterated regularly and publicly at all tiers of government, not buried in policy papers read by few outside the Westminster village. The prime minister and chancellor need to be four square behind these aims, and publicly so.

It is vitally important to have both consistency and continuity in policy and workflow for the industry. The industry cannot be expected to perform well, to invest in its future or to deliver efficiency and effectiveness if it is also subject to the stop-start of government policy.

But of course these broad aims mean little without specific policies to enact them. Over the following pages we will detail the full range of policy measures the industry has told us it wants to see implemented by the next government.

TOP LINE RECOMMENDATIONS

- Create an independent infrastructure body, either by implementation of the Armitage Review, or by building on existing structures, to assess and enable prioritisation of the UK's infrastructure needs
- Appoint a cabinet minister responsible for overseeing the creation and implementation of the resultant infrastructure plan
- Reinstatement of a realistic national housing target, and draw up an implementation plan to meet it
- Set up a new national retrofit programme to improve the sustainability of homes and offices
- Give the independent infrastructure body the remit to oversee drawing up the retrofit programme, the housing target, and assessing "nationally significant" housing projects of above 5,000 homes – with the cabinet minister responsible for implementation of these objectives
- Back industry's efforts to train up the next generation of construction workers by confirming support for the industry levy and making a mandatory requirement for training or apprentices on all public contracts over the OJEU threshold (currently £4.3m)
- Build on the progress achieved through publication of the government construction pipeline in providing greater workload certainty through expanded and ring-fenced government programmes of school building, social housing construction, and maintenance of the health estate
- Pursue a broad economic programme designed to create a thriving economy which benefits from greater regional and local devolution, and commit to making the case strongly for remaining within the EU in any forthcoming referendum on UK membership

PART 1

INFRASTRUCTURE

What is the problem?

The UK ranks 27th of countries in the world for the quality of its infrastructure, according to 2014 figures from the World Economic Forum, punching way below its weight as the 9th most competitive economy in the world overall.

This position has worsened since 2012, when the figures were last compiled, despite the coalition having made infrastructure investment a priority. The UK is facing major problems with ageing infrastructure in a number of key areas: energy, airport capacity, flood resilience, water supply and road and rail capacity.

There are several difficulties in addressing this issue. A high proportion of this infrastructure is held in private ownership, a model which has enabled private funding to be brought in to some markets, such as the water sector. However, while private ownership doesn't necessarily limit investment, it does make it subject to market drivers not controlled by the government.

This problem is compounded by the lack of a stable political landscape. There is no transparent methodology for selecting which projects are supported and prioritised, and no way to guarantee continuing political support, particularly over and above the five-year parliamentary time frame.

These problems are most obvious in the debate over additional airport capacity in the South-east of England, but also apply to future energy supply, and plans for new reservoir capacity.

What do we propose?

A mechanism must be devised that delivers this political certainty over a time frame long enough to give private investors the certainty they need to invest. Sir John Armitt, working on behalf of the Labour Party, has devised a methodology for this, involving the creation of a National Infrastructure Commission, set up to devise a 25-year programme of infrastructure construction for the UK. This advice would then be debated in parliament and passed as law, subject to review each decade.

This proposal has secured significant industry support. Unfortunately it is somewhat tainted outside of Labour Party circles by its status as Labour Party policy, and it would be useless campaigning for it to become part of the Conservative Party manifesto. However, the logic of the report is strong.

Therefore, Building's manifesto proposes (as also suggested by the ICE) that some form of independent infrastructure body, either in the form proposed by Armitt, or building upon existing structures, be set up to provide the certainty the industry requires to plan effectively.

Firm proposals should be tabled within one year of the start of the administration. Within this, the government should also urgently address the need for an infrastructure minister, sitting in cabinet, to drive the policy and subsequent implementation through.

MEASURES

- Urgent review of long-term infrastructure planning with the aim of setting up an independent infrastructure body that, in broad terms, meets the aims of Sir John Armitt's proposal for a National Infrastructure Commission
- An infrastructure minister sitting in cabinet who oversees the setting up of the body and the subsequent government adoption and implementation of its recommendations

PART 2

HOUSING

What is the problem?

Housebuilding in the UK is running at around half the level required, under most estimates.

Despite a rebound in housebuilding starts following the introduction of the Help to Buy programme in March 2013, the most recent government data, to the end of 2013, shows completions actually fell between 2012-13 to 138,000, partly because of a drop off in social housebuilding.

There is little chance of production meeting the aspirational 240,000 target for new housing supply in England, or even the official estimate of 221,000 homes per year needed to meet the requirement of new household formation. Housebuilders complain that the planning system, despite improvements, does not deliver enough actionable planning permissions, and privately-owned developers still complain of difficulties in securing development finance.

The coalition government has presided over a mini boom and bust in the supply of affordable housing following the introduction of a system that led to funding being slashed by more than 50%.

Indications from the bidding for the next round of production are that the government will struggle to persuade housing associations to build the 175,000 homes promised between 2015-18 at the levels of grant being offered.

Meanwhile, progress on persuading institutional investors to put money into building homes for rent has been slow. So while the modest recovery in housebuilding has been enough to boost overall construction output, rising prices in the South-east are making the failure to build more an increasingly urgent economic issue, and problems of affordability and severe housing need – exemplified by growing waiting lists for affordable homes – are worsening.

What do we propose?

Despite the widely acknowledged need for homes, housebuilding is not classified as a national infrastructure priority, and is wholly devolved to local authorities to administer. Building's manifesto will propose that housebuilding be considered a national infrastructure priority, and as such, the government should set a target for the number of homes it expects to see built – at least 200,000 per year – and commit to flexing policy to meet this target. The final number should be decided by the new independent infrastructure body and form part of its recommendations to government.

In addition, the body should make recommendations regarding a new wave of stand-alone settlements, or Garden Cities, of more than 5,000 homes. Applications relating to these significant housing schemes would be considered by the fast-track National Infrastructure Planning regime. The infrastructure minister would report to cabinet on the creation of the housing target and progress on nationally significant sites. The Communities Department should devise an implementation plan to meet the agreed target. Policy and funding would be expected to be flexed where necessary to ensure targets are met. Amid significant uncertainty around future development of affordable housing, funding should be increased in order to give the government leverage to ensure the number of homes built is likewise increased. Part of this uplift in funding could be paid for by reductions in housing benefit commensurate with building homes liable to lower rents.

Greater freedoms should be extended to local authorities to borrow to fund social housing construction, with the cap extended by £1bn as per the KPMG/Shelter report Building the Homes We Need. Consideration should also be given to the idea of Home Zones from the same Shelter/KPMG report.

MEASURES

- Reinstatement of national housing target of at least 200,000 UK homes per annum, with the exact number to be set by the independent infrastructure body
- Identify increasing housing supply as one of the UK's national infrastructure priorities
- Major housing schemes and Garden Cities above 5,000 homes should be subject to the National Infrastructure Planning regime, run by the Planning Inspectorate, and be part of the remit of the independent infrastructure body
- Cabinet level infrastructure minister to report on progress on nationally significant sites and against the housing target
- Additional funding identified for social housing beyond the £950m per annum identified in the Autumn Statement, in order to deliver homes in areas where cross-subsidy is not economic, and speed up delivery in areas where it is
- Extension of the cap for local authority prudential borrowing to fund housebuilding, by at least £1bn

PART 3

RETROFIT

What is the problem?

The current administration has made efforts to boost the market for retrofit work designed to improve the environmental performance of both domestic and commercial buildings. Success is a key requirement if the UK is to meet its obligations under the 2008 Climate Change Act.

However, these efforts have been hamstrung by insufficient resources, lack of information on the energy performance of buildings, low take-up of what are often complicated market mechanisms (for example, the Green Deal), frequent policy U-turns, and a general sense of a lack of commitment to environmental issues at the top of government. The result has been a collapse in retrofit work that has seen major job losses in manufacturers and contractors such as Carillion and Mark Group, with just 3,239 households having work done so far under the government's flagship Green Deal initiative as of October 2014. To meet our climate change targets, it is estimated we actually need in the region of 1,200 homes retrofitted each day.

On the commercial side, government plans to stimulate the market by setting minimum energy performance targets that must be met before a building can be let, have been mired in confusion, with no final detail published on how the scheme will work.

What do we propose?

Above all a clear commitment is needed from government that this area is a national priority. Building proposes that retrofit should be a national infrastructure priority, like new build housing, and be considered as part of a new administration's review into long-term infrastructure priorities.

This will require a series of policy changes and the setting of a clear target for the implementation of retrofit work, such as adopting the UKGBC's proposal of one million homes per year by 2020.

Policy measures to be considered as a matter of urgency should include: a reduction in VAT on domestic renovation work to equalise it with the tax paid on new build housing; consideration of stamp duty incentives related to the energy performance of homes being sold; direct government funding to support programmes where market levers are not working; an urgent finalisation of the proposals for minimum energy performance standards on commercial buildings; and an urgent finalisation of the proposed system of allowable solutions for new build housing, on the basis that a fund be created to pay for retrofit work on existing homes.

MEASURES

- Set up a new national retrofit programme to improve the sustainability of homes and offices, backed by clear target set by the independent infrastructure body and a genuine implementation plan
- Make green retrofit a National Infrastructure priority, and give the cabinet infrastructure minister responsibility for implementation of the programme
- Consult on impact of using differential rates of stamp duty land tax to encourage householder investment in domestic retrofit work
- This consultation should explore using Stamp Duty revenues to pay for direct government funding for retrofit for homes and offices where the benefits of market mechanisms such as the Green Deal is borderline effective
- The proposed system of allowable solutions for new build housing to be finalised urgently, with the idea that a fund be created to pay for a retrofit programme on existing homes.
- Urgent finalisation of the plans for Minimum Energy Performance Standards on commercial buildings, in order to give landlords and developers the necessary confidence to invest

PART 4

SKILLS

What is the problem?

The recent recession saw around 350,000 people leave the construction industry, while output fell by over 10%. With output now growing again, the attention of the industry is firmly back on how the sector will recruit and train the people it will need for the years ahead. With many of those made redundant during the recession now having left the industry entirely, the Construction Industry Training Board (CITB) estimates that 182,000 new people will need to be brought into the sector in the next five years, an average of 35,000 each year – without even counting replacing those that leave or retire.

In the meantime housebuilders are reporting rocketing wage rates for trades such as bricklayers amid serious shortages in some areas. The CITB is in the midst of fundamental change and under review by the government, and widespread dissatisfaction persists over the administration of the industry levy which funds trade skills training. At the same time professional bodies are considering how to retain the global value inherent in UK professional qualifications while meeting the required demand for new entrants, with radical proposals to shake up the training of architects and surveyors under consideration.

There are fears that the industry will struggle to attract entrants without looking overseas, in part because of the poor image it has. The industry has a reputation for not being diverse, both in terms of its employment of women, who make up 12.2% of construction's workforce, and those from ethnic minorities. The recurrent boom and bust cycles in the sector contribute to this image, and also create a fragmented structure where the biggest firms do not employ trade labour directly and so are not incentivised to help solve the issue.

What do we propose?

There is no doubt that this is a very thorny area for government policy, as workforce training is, above all, an issue for the industry itself. So while fundamental radical reform must come from the sector, Building's manifesto proposes the government takes a number of actions to help the industry move in the right direction.

The government must, as a matter of urgency, complete and sign-off its triennial review of the CITB, and clarify its support for the continuation of the industry levy to pay for training. The government must look to ensure that the CITB's current restructure leads to a simplification of the way funding is administered and how employers gain access to it. The government should commit to requiring appropriate training such as apprenticeships on publicly-procured work above the OJEU tender threshold (currently £4.3m). However, this must be done in a way that ensures continuation of employment for those brought on to training schemes. BIS should work with the Department for Education (DfE) to ensure that all children have access to proper career advice from advisers who are aware of the opportunities in the sector and the best training routes available. There should be a particular emphasis on this reaching groups under-represented in construction such as women and ethnic minorities.

Consideration should be given to reducing funding for "construction" diplomas offered by colleges that don't include site-based competency training. The new government should reconsider current proposals that employers take on much of the burden of administering funding, so that this does not discourage SMEs from taking on trainees and apprentices.

MEASURES

- Immediate favourable conclusion be reached to CITB's Triennial Review, including confirmation the industry levy used to fund training in trade skills is retained. Government support for CITB should be contingent on continuation of its reform agenda
- Requirement for trainees and apprentices to be taken on as a condition of contract on public projects above the OJEU threshold (currently £4.3m). A national system should be set up, overseen by CITB, to ensure that apprentices can secure continuation of employment where taken on to jobs likely to be completed prior to the end of their training
- Work with DfE to ensure that school-age pupils receive informed and timely careers advice on construction, with a particular emphasis on this reaching groups under-represented in construction such as women and ethnic minorities
- Limit funding to college courses offering "construction" diplomas that do not include site-based competency skills (and therefore do not actually qualify people to work in construction)
- Abandon plans, made as part of proposals to route funding for apprenticeships direct to employers, in which government will only reimburse employers once training has been completed

PART 5

PUBLIC SPENDING

What is the problem?

The efficiency of the industry is greatly impacted by the boom-bust nature of construction, with the aforementioned skills issues being just one problem associated with this.

As well as the cost and difficulty of attracting, training and retaining staff during each “up” cycle, the lack of certainty over future workloads has also led to the creation of a structurally fragmented industry in which huge inefficiencies are generated in friction between different tiers of the supply chain and the fact that profit is taken at each level.

Public spending has the potential ability to help smooth out these peaks and troughs, by buying construction during downturns (when it is cheaper). Above all, the industry would benefit from greater visibility of what future spend will be, where, and on what, so that it can plan resources accordingly.

The coalition has sought to address this issue by the publication of the government’s construction pipeline, hosted on the Building website, which has definitely given workflow for the industry a greater degree of certainty. Last year’s 2013 spending round also sought to address some of this by making a series of guarantees on spending, for example on social housing and road-building for the next parliamentary term.

However, concerns remain over the detail contained in the government’s pipeline, and the reliability of timescales for the projects held in it. Likewise, George Osborne’s promises in the spending round and recent 2014 Autumn Statement didn’t include enough detail for the industry to plan against.

What do we propose?

Building received a large number of responses calling for a more reliable pipeline of work. However, with deficit reduction still an enormous challenge for UK finances, it is not realistic to make a case for massive additional funding across all areas of public sector building. Nevertheless, the industry must convince politicians that spending on construction is an investment in economic growth and competitiveness, whether it is funded by borrowing, taxation or spending cuts in other areas.

Therefore Building’s manifesto calls for additional public investment in construction in four areas that suffered particularly severe cuts under the coalition and where need is demonstrably great: social housing and retrofit (both of which are mentioned in earlier sections); school-building; and maintenance of the health estate.

Social housing funding was cut by more than 50% by the coalition, with overall capital spending in the department falling by 39% on the previous administration to £4.15bn annually. Retrofit is funded largely by private householders and energy companies, and with just over £150m a year of government spending to support the Green Deal, recent cuts to the ECO programme have hit the market hard. Education capital spending was cut by 39% by the coalition on the previous parliament with the cancellation of the Building Schools for the Future programme to £4.63bn annually, while construction of major NHS hospitals has largely ground to a halt with the cancellation of PFI. Average annual capital spend by the Department of Health is down 18% on the figure for the last year of the Labour administration to £4.16bn, leaving a £1.54bn backlog in “critical maintenance”.

MEASURES

- Sufficient funding for a programme of social housebuilding of at least 80,000 homes per year, likely to need at least 50% more than the £950m per annum currently identified
- Funding to support a retrofit programme for the UK’s existing housing stock to meet the target defined by the independent infrastructure body. Market mechanisms should continue to be used in this area where successful, but government programmes should support the programme where required.
- A programme of construction work which both fixes the maintenance and repairs backlog as identified in the as yet unpublished property data survey, and is additionally sufficient to address the basic need for new school places. This will imply a real terms increase in capital spend above the DfE’s current £4.63bn spend
- A national programme of maintenance of the public health estate sufficient at a minimum to tackle the identified £1.54bn backlog in “critical” maintenance work that has not been done

PART 6

POLITICAL, MACRO ECONOMIC

What is the problem?

The coalition government deserves credit for gaining the credibility of international money markets behind its broad economic plan. This has kept interest rates low, helping to stimulate economic recovery, albeit far later than originally predicted. In the same way it is important that any incoming administration maintains economic and fiscal disciplines in a way that retains the credibility of the City, so that the wider private sector recovery is not jeopardised.

While its deficit reduction programme has obliged the government to make unprecedented cuts in capital spending, including most notably Labour's social housing and school-building programmes, it has consistently directed any additional savings or surplus cash to support economic infrastructure projects. The view has been that by creating a stable and growing economy, private economic activity will replace public sector capital spend.

Many of the threats to economic growth are beyond the capacity of future UK governments to control, being related to performance of overseas economies and the price of raw materials. However, a major factor that is under UK government control is uncertainty about the future shape, size and administration of the nation, and its participation in the EU. The independence debate in Scotland, which temporarily acted to weaken housing market and commercial market growth, has demonstrated how concerns over the strategic direction of a country can affect construction. It has opened up a debate which is seeing growing pressure for further devolution elsewhere in the UK.

Most significantly for the UK economy, the growth of UKIP has created serious uncertainty over the continuation of the UK's membership of the EU, with which the UK conducts just under 50% of its overseas trade. The CBI has

estimated that the value of the membership of the EU to the UK, minus the additional costs it imposes, at up to £78bn per year, or 5% of GDP. A decision to leave the EU could undermine current assumptions of continued economic growth over the lifetime of the next parliament.

What do we propose?

Firstly, a prerequisite for continued economic growth is that the next government must have an economic plan that maintains economic and fiscal disciplines in a way that retains the credibility of the City. This strategy need not imply as severe cuts as those currently envisaged by the coalition, but must be robust enough to encourage the confidence of international markets.

Secondly, the next government should embrace calls for further devolution, offering additional tax-raising and spending powers both at UK government level and local or Local Enterprise Partnership level, based on the principle of subsidiarity. If done this should both increase the dynamism of local economies by giving local leaders the ability to respond to local issues effectively, and at the same time limit pressure for more radical arguments for elements of the UK to break away, which would create economic instability. It will free up local governments in the UK to raise infrastructure funding for regeneration schemes on the back of expected future growth in tax revenue – so-called Tax Increment Financing funding.

Thirdly, it seems almost certain that, whatever colour of government is elected in May, it will have to offer the UK electorate some kind of referendum on continued membership of the EU. We propose that whatever government is elected commits to campaigning strongly in favour of the UK remaining inside the EU, and furthermore commits to setting out the economic arguments for membership plainly before the British people.

MEASURES

- Offer significant devolution to UK countries, regions and localities on the basis of what level is the most effective place for tax raising and decision-making
- Remove barriers to an expanded programme of TIF-backed local regeneration
- Campaign strongly for the UK to remain part of the EU, and commit to setting out the economic arguments in favour of EU membership plainly before any in/out referendum