

Introduction

The Chartered Institute of Building is the world's largest and most influential professional body for construction management and leadership across the built environment. We have a Royal Charter to promote the science and practice of building and construction for the benefit of society, and we've been doing that since 1834.

Our members work worldwide, and across the island of Ireland in the development, conservation and improvement of the built environment. We accredit university degrees, educational courses and training in universities and colleges in Ireland.

Our professional and vocational qualifications are a mark of the highest levels of competence and professionalism, providing assurance to clients and other professionals procuring built assets. The CIOB also has a dedicated policy and research function, whose expertise we have drawn on in the preparation of this response.

Our response focusses on the chapters of the Draft Programme deemed most relevant to the Institute's expertise.

Grow a Globally Competitive and Sustainable Economy

Productivity

Perpetual volatility in demand for construction has led firms, particularly SMEs, to curb capital investment; spending on research and development (R&D) brings high fixed costs that are difficult to cut in an economic downturn. Accordingly, lack of available finance is a major stumbling block for SMEs investing in tools that could improve productivity. Creating an Innovation Fund to channel low cost, long-term loans to SMEs for investment in formal R&D would address this, and lead to sector wide improvements in productivity. A similar fund exists in Holland, where the MKB+ (Innovation Fund for SMEs) gives construction firms access to finance to embed innovative new products, services and processes in their business

- CIOB Recommendation: Create an SME Construction Innovation fund to stimulate investment in formal R&D.

Infrastructure

Cyclicalities is the root cause of many of the issues facing the Northern Ireland construction sector: productivity; the pool of labour and the ability to attract new talent; job stability; and working conditions all suffer as a direct result of the construction sector's perpetual boom-bust cycle. Cyclicalities also negatively impacts the sector's ability to meet housing and infrastructure need during an economic downturn, as well as the sector's ability to respond and meet demand during an upturn.

As the biggest client of the construction sector, the Government can play a direct role in arresting this cyclicalities by providing a clear, long term pipeline of infrastructure projects. In order to directly address cyclicalities and concurrently meet Northern Ireland's infrastructure needs, the Assembly needs to publish a clear = short, medium, and long term – pipeline of infrastructure projects, similar to the [Project Ireland 2040 | Infrastructure Pipeline](#)

Recommendation: As part of its infrastructure and housing policy planning, the Government should assemble and publish a stand-alone, comprehensive pipeline of infrastructure projects. This should be along the same lines as Ireland's National Development Plan. However, rather than relying on developer contributions, leasing or acquisition of housing from the open market, the strategy should create local development corporations with land management resources and specific targets for directly constructed infrastructure as well as social and affordable housing.

Skills

Apprenticeships

The construction sector is facing a persistent struggle to recruit and retain a sufficient number of skilled workers. This skills gap creates significant challenge in meeting demand for construction work and delivering projects to a decent standard. With the current apprenticeship system proving ineffective in increasing the number of new construction entrants, and an ongoing lack of diversity in the construction workforce, a refreshed approach to bringing a wider range of workers into the construction sector is needed.

- CIOB Recommendation: Review the current apprenticeship system and funding mechanisms

The current apprenticeship system is not working as intended, with much of the Apprenticeship Levy fund not accessed by Northern Ireland firms since its introduction, and the number of new apprenticeships failing to reach government targets. The construction industry has faced specific challenges with the apprenticeship levy system, as the overlap between the Apprenticeship Levy and the CITB Levy presents a significant cost burden for many businesses. Concurrently there has been a decrease in the number of construction apprenticeship starts in the years following the introduction of the levy. To add to the issue, many construction businesses feel disincentivised to offer apprenticeships due to an ongoing struggle to retain staff, with many leaving to work elsewhere once qualified.

A wholesale review of the apprenticeship system and its funding mechanisms is needed, to make sure that training is affordable and incentivised for construction businesses to deliver the number of qualified professionals needed by the construction industry and wider economy. We would encourage apprenticeship levy funding to be opened to other forms of training and upskilling in construction to give businesses greater flexibility in meeting their skills requirements.

- CIOB Recommendation: Implement an A-Level in Construction

There is currently a GCSE in Construction which is offered across over 30 schools. Unfortunately, there is no A-Level in Construction. A-level subjects provide a clear path to university degree programmes and are recognised throughout Ireland. When a student (and their parents) is selecting their A Levels they tend to opt for the known and trusted A Level subjects listed by The Council for the Curriculum, Examinations and Assessment.

We are calling on the Assembly to ringfence funding for the development of an A-Level in construction.

Decarbonisation

Embodied Carbon

Urgent policy intervention is needed to decarbonise the built environment sector at the scale and pace required to achieve Northern Ireland's net zero target. Buildings account for 49% of the UK's carbon emissions. Heating, cooling, and lighting buildings – operational carbon – account for the majority of this, however almost half of these emissions are attributable to embodied carbon. Embodied carbon emissions result from mining, quarrying, transporting, and manufacturing building materials, in addition to construction activities, the repair, renovation and final disposal of buildings. Embodied carbon emissions in the built environment sector are rising and require a firm policy response if Northern Ireland is to achieve its climate ambitions. Existing policy and legislation are acting antagonistically to achieving Northern Ireland's Net-Zero by 2050 goal. Specifically, there needs to be a reassessment of VAT so that it is equipped to deliver both improved energy efficiency in buildings and reduce the embodied carbon footprint of the built environment. Under the UK's current tax structure, a reduced rate of 0% VAT is applied to demolition projects, while 20% VAT is applied on most repair and maintenance projects. This creates a perverse environment where the embodied-carbon-hungry activities of demolition and replacement are given taxation priority over the sustainable repair and restoration, of Northern Ireland's built environment. This contradicts the principles outlined in the Climate Change Act (NI) 2022, the, and the 2022 Circular Economy Strategy for Northern Ireland. Given that that UK-wide tax reform appears unlikely, to remedy this the CIOB is proposing that the Northern Ireland Government use its devolved powers to implement a demolition levy – one that bypasses the current devolution settlement around tax – to level the unequal playing field that threatens the sustainability of our built environment.

Operational Carbon

Residential operational emissions account for 13.7% of national emissions, primarily due to the use of fossil fuels for domestic heating. The combination of the condition of the housing stock and the sources of energy used for residential fuel means that Northern Ireland has an acute problem when it comes to residential operational emissions. According to the 2016 House Condition Survey, 99% of dwellings in Northern Ireland had central heating, where 68% of them are oil-fired, 24% with central gas heating, and 8% including solid fuel, electric, and fuel systems.⁶ 72% of the population use open or closed fires as secondary heating solutions,⁷ with coal and peat still ubiquitous. Relative to other areas of the UK, the situation in Northern Ireland is severe; by comparison, only 4% of households in England and Wales rely on oil.⁸

Residential emissions in Northern Ireland are a confluence of several policy problems: an ageing housing stock; high levels of fuel poverty; poor health outcomes; lack of natural resources; and high dependence on imported fossil fuels. This convergence of socio-economic problems in the residential sector means that policies that target residential emissions will have wider benefits beyond achieving climate targets.

Northern Ireland does not currently have a national retrofit strategy. There are plans to launch a pilot domestic retrofit scheme, the findings of which will inform potential new business models for ramping-up delivery. This will be aligned with other existing energy efficiency schemes and pilot projects.¹⁹ Currently, all energy efficiency schemes in Northern Ireland implement retrofit

measures for about 16,500 buildings per year.²⁰ The UK's Climate Change Committee's Sixth Carbon Budget (6CB) advice suggests an 11% reduction in total domestic demand and 4% removal of emissions (based on 2016 levels) in Northern Ireland by 2050. This could be achieved if fabric retrofit measures were implemented in 410,000 existing Northern Ireland dwellings by 2050.

- CIOB Recommendation

The tax system – and stamp duty in particular – is frequently used as a lever to achieve wider policy goals. Could it also be used to reduce residential emissions? The proposal is to defer stamp duty liability on properties that have been purchased – by individuals, groups, or businesses – with the sole purpose of improvement. Once the enhanced property has been resold, the stamp duty liability is paid. The crux of the proposal is to encourage investors to fix up older, less energy efficient stock for resale, thereby creating a 'green flipping' business model, providing an additional incentive to retrofit, and increasing the overall number of residential retrofits.

Circular Economy

We support the transition from our current reliance on the linear economy to better embracing the circular economy's principles. In particular, we strongly support a shift in culture and approach that encourages reuse and repair. While this is a worthy vision, it would benefit from more detail. For example, given the importance of procurement, 'responsible procurement' could be included here in the programme for government.

The CIOB sees potential to reduce future demand for new construction through design that supports adaptability, repair, and maintenance, in line with the indicators of the EU Framework for sustainable Buildings, Levels. The most significant environmental impacts of constructing a building relate to its structure and facade. If the useful life of the building, and therefore also its structure, can be extended, there can be significant environmental benefits. CIOB supports the idea of using procurement processes to score a procured building's adaptability to change of use, and propose that this be germane to the decision to reward public construction contracts. While an adaptability requirement this may be overly onerous on smaller developments in peripheral locations, implementing an adaptability score is particularly important in central urban locations, where changes in demands for building types are frequent. We have already seen progress made in terms of social value being scored in procurement processes. This strategy is an opportunity to score circular economy principles such as adaptability of buildings in procurement decisions too.

Given the scale of building and demolition taking place in Northern Ireland's cities, creating a publicly accessible inventory of the materials available from a building prior to its demolition could be a useful way of connecting planned building projects to demolition projects such that optimal use is made of materials that will otherwise end up in landfill. CIOB advocates for 'pre-demolition assessments' in our work on sustainability. Pre-demolition assessments can establish an unbiased, qualified appraisal of a building's viability, presenting the environmental and economic case for its repair or replacement. A pre-demo assessment would be an ideal opportunity to provide a publicly accessible inventory of the materials and resources available in

the planned demolition project. Further, these inventories could link in with community development projects locally to support community building projects. This link could be given regulatory footing using the Central Procurement Directorate's implementation of social clauses in their work with the construction sector.

Housing

The 4 Main Barriers to Housing Supply in Northern Ireland

1. The high cost of Land

Builders of all sorts – SMEs and larger developers – are clear that the most significant constraint on delivering a well-designed, high quality, affordable end product is the high cost of land. The inflated land market means costs must be driven down in the latter stages of the housebuilding process in order for developers to fund the initial land purchase. This results in poor quality, unaffordable housing as developers seek to recoup their initial outlay by building units that will sell for the highest possible price. We therefore strongly encourage this supply strategy to take steps to re-align these incentives.

The high cost of land means developers are required to dedicate a disproportionate amount of their budget for a given housing project to fund the initial land purchase in a highly competitive market. In order to fund this purchase and see off competition, developers must drive down costs elsewhere in the process, typically on design and quality, and affordability of the final product. In the current land market, all the value that could be dedicated to ensuring the final product is high quality and affordable for the occupant flows to the landowner when a plot of land is purchased.

This process, known as the residual method of valuation for land, bakes in poor quality outcomes for housing. The equation for the residual method of valuation in its simplest form is as follows:

$$\text{Land/Property} = \text{Gross Development Value} - (\text{Construction} + \text{Fees} + \text{Profit})$$

If land were available at a more reasonable rate – for example, existing use value plus a 20% premium – developers would be incentivised to compete on the design, quality and affordability of the final product, rather than their ability to fund the initial land purchase.

A more proactive approach to the land market could capture the gains from development for the benefit of the community, and harness competitive forces, which are currently focused on the

land market, to delivering better quality and affordability for consumers. This means shifting the focus of market competition in the development process downstream to the construction phase and away from the land purchase phase. It also means shifting policy intervention in the other direction, away from the construction phase upstream to the land purchase phase.

2. Over reliance on one model of delivery

This points to the issue of the structure of Northern Ireland's housing delivery system, the dominance of volume housebuilders, and the accompanying negative impact on build out rates. Volume housebuilders are crucial to a successful housing delivery system and will continue to provide a significant proportion of the new homes in Northern Ireland. However, in recent decades they have come to dominate housing supply output as SMEs have struggled to recover

from the financial crisis, and the state has largely withdrawn from housebuilding. SMEs built 40% of new homes in 1980s, 23% in 2008, but now build only 12%.

This over-reliance means that the private development finance model of volume housebuilders has a significant impact on national housing supply. The absorption rate in particular, whereby houses are built out only at the rate at which the market can absorb them, is acting as a break on build out rates nationally. The staggered release of new build homes to prevent prices being driven down in the local market has seen build out rates drop despite a very sharp increase in volume builders' levels of profits. The oligopolistic features of the housing market and the accompanying impact of the absorption rate on housing delivery is one of the fundamental drivers of the slow rate of build out, and the high cost of the final product.

3. Access to finance (and land) for SME builders.

Banks in Northern Ireland are significantly less involved in funding new building than they were pre-Global Financial Crisis (GFC). Hence developers have turned to alternate sources of finance such as private equity or venture capital companies. The higher cost of this finance has pushed up the cost of development and hence the price of new build homes. These non-traditional sources of finance are proving to be a major issue for those development companies which are not cash-rich, i.e. SMES., which has led to further consolidation of the housebuilding industry into fewer, bigger players.

Access to finance is clearly crucial for any firm but has become especially important since the financial crisis for SMEs competing against other potential borrowers for limited bank lending. Since 2011, the government has provided guarantees for lending to some businesses, which has reduced the lenders' risk and the borrowers' costs. However, guarantees have not in general been available for house building. In the context of this housing supply strategy there is a compelling economic and financial case for attempting to reverse the decline of the SME house building sector. We would therefore endorse any scheme which would allow SME house builders to access lower cost bank lending supported by a Central Government guarantee. In our view this should be available for the purposes of both site acquisition and working capital.

4. The Tax Treatment of housing

Housing supply is a multifaceted issue. It is the intersection point of a range of policy topics including construction, health, land, transport, skills, education and sustainability. A whole system approach is therefore appropriate.

Light tax is one of the main reasons housing has become financialised as an asset. This financialisation has led to increased competition from international investors for housing, which impacts affordability and accessibility for many would be occupants. We urge the Government to use this strategy as the occasion to implement a 'whole system' approach including a realignment of the tax system so that from a policy perspective housing is treated as a dwelling rather than an asset. This would reflect the prevailing social values of the people Northern Ireland.

The 'whole system' approach must also include clear deliverables for the Department of Finance. Without enough funding, specifically resourcing of local authorities and NIHE for the direct delivery of housing, the strategy will have little impact.

The rise of housing as an asset class for investors has been facilitated by the relatively light tax treatment of housing in Northern Ireland when compared internationally. Where tax-advantaging housing leads to over-investment in housing as an asset rather than a dwelling, this has negative implications for overall housing supply and affordability. This over-investment in housing has negative implications for the accessibility of housing, occupation patterns and the efficient allocation of the existing housing stock, and available tenure choices.

Planning

Before embarking on planning reform, we urge the Assembly to ensure that the problem has been correctly diagnosed.

We do not agree with the diagnosis that in order to deliver sustainable economic growth nowhere is decisive reform needed more urgently than in our planning system. This falls into the trap of the last 30 years or so of 'planning reform' whereby the starting point for reform is to load responsibility for wider economic prosperity onto the planning system. While planning has a role to play in the spatial aspects of growth, the history of planning reform has proved that, in terms of delivering wider economic growth - or even just housing supply specifically - focusing on the planning system does not deliver the desired outcome. In my view this point should be a central.

Furthermore, from a construction sector perspective this tunnel vision on planning reform as a panacea has historically come at the cost of policy attention for issues like: skills; productivity; pipeline/addressing the economic cyclicity of the sector; etc. The construction sector is responsible for building the housing and infrastructure that the current discourse lays at the door of the planning system, and reforms to each of the areas mentioned above would arguably deliver more economic growth than planning reform.

This is not to say that changes are not needed – more resourcing for LPAs is welcome, for example – rather than expectations should be managed as regards what planning reform can achieve.