

## Introduction to the Chartered Institute of Building (CIOB)

1. *The Chartered Institute of Building (CIOB) is the world's largest and most influential professional body for construction management and leadership. 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 in the development, conservation and improvement of the built environment.*
2. *In Wales, we have over 1,500 members and a dedicated policy function whose expertise has been drawn on to draft this briefing Our [Welsh Manifesto 2021](#) outlines our vision for the built environment in Wales and priorities for the Welsh construction sector.*
3. *We accredit university degrees – including at Wrexham Glyndwr University, with more institutions and courses pending accreditation – educational courses, apprenticeships, and training. Our professional and vocational qualifications are a mark of the highest levels of competence and professionalism, providing assurance to clients and authorities who procure built assets.*

## What are the likely economic impacts of the cost of living crunch?

4. Our report, [The Real Face of Construction](#), shows that Wales performs below the average across the UK for both construction jobs and output. Prior to the Covid-19 pandemic, the outlook had been positive, with Wales set to see the fastest growth in construction in the whole of the UK. The forecast, however, was based on large-scale projects in Wales that have since been shelved<sup>1</sup>, and in 2020 Wales was expected to have the slowest growth annually at around 0.5% when compared to the UK average of 1.3%<sup>2</sup>. While estimates for 2021-2025 suggest that the volume of work carried out in Wales will grow by around 4.1% annually, this is still below the UK average of 4.4%<sup>3</sup>. *The Real Face of Construction* also highlights concerns that Welsh construction workers commute to South-West England to work on large-scale projects like Hinkley Point C: 1 in 25 construction workers in the South-West of England commute from Wales<sup>4</sup>.
5. The cost of living crisis is likely to exacerbate these issues and continue to slow growth in Wales's construction sector, further pushing workers out of Wales to find better-paid, longer-term term work.

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<sup>1</sup> <https://www.ciob.org/media/53/download> (p. 32)

<sup>2</sup> <https://www.ciob.org/media/53/download> (p. 54)

<sup>3</sup> <https://www.citb.co.uk/media/n15bpg0n/wales.pdf> (p. 4)

<sup>4</sup> <https://www.ciob.org/media/53/download> (p. 46)

## How are cost of living challenges impacting upon businesses and economic sectors, and how are businesses responding to these?

6. The construction sector is vulnerable to inflation and the wider cost of living crisis. Alongside aforementioned slow growth in the Welsh construction sector, costs of materials are increasing, and reached a forty-year high in 2021<sup>5</sup>. According to the Department for Business, Energy, & Industrial Strategy (BEIS), costs continue to rise, with essential components like concrete reinforcing bars increasing by 43.6% since February 2021<sup>6</sup>. These costs are either passed directly on to the client, resulting in the potential cancellation of projects, or absorbed by the construction business<sup>7</sup>, both of which are unsustainable practices in the long-term and affect the financial wellbeing of many in the sector. The industry has long suffered from challenges posed by skills shortages and skills gaps, and the cyclical boom and bust nature of construction means workloads and staffing requirements are heavily dictated by the general condition of the economy.
7. This pressure is compounded with wider supply chain issues, continued Covid-19 recovery, and recruitment difficulties: alongside an ageing workforce, there is a significant gap between the supply and demand of new skilled workers in the construction sector, and this pressure will increase in the coming years. The Construction Industry Training Board (CITB) estimates that 12,000 new recruits will be needed in Wales by 2028, most of whom will “deliver improvements to existing buildings to reduce energy demand”<sup>8</sup>. The forthcoming Boiler Upgrade Scheme (BUS) is slated to create 2,100 direct full time equivalent (FTE) jobs over its three-year lifetime, and 1,800 indirect FTE roles. It will also encourage the creation and resilience of supply chains to carry on the decarbonisation and levelling-up agendas<sup>9</sup>. The success of the scheme – and any future national decarbonisation or retrofit schemes – depend on a skilled and well-staffed workforce. Ensuring the construction industry has a steady supply of labour with the necessary skills, however, continues to be one of the biggest issues faced by the industry.
8. Recruitment issues will need to be addressed by Welsh Government and the construction industry to ensure that the workforce is well-staffed, knowledgeable, and properly skilled. A proficient workforce will ensure the construction industry is able to continue to play a vital role in the post-pandemic recovery and to support Welsh Government’s Net Zero agenda. It is crucial that the construction sector strives to embed green skills and seeks to attract new entrants from a diverse range of backgrounds into the sector.

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<sup>5</sup> <https://www.rics.org/uk/news-insight/latest-news/news-opinion/construction-materials-cost-increases-reach-40-year-high/>

<sup>6</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1065395/22-cs4\\_-\\_Monthly\\_Statistics\\_of\\_Building\\_Materials\\_and\\_Components\\_-\\_Commentary\\_March\\_2022.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1065395/22-cs4_-_Monthly_Statistics_of_Building_Materials_and_Components_-_Commentary_March_2022.pdf) (p. 5)

<sup>7</sup> <https://www.rsmuk.com/news/supply-chain-squeeze-and-cost-surge-increases-pressure-on-contractors>

<sup>8</sup> [https://www.citb.co.uk/media/bdrbdlmo/b06414\\_net\\_zero\\_report\\_wales\\_v7.pdf](https://www.citb.co.uk/media/bdrbdlmo/b06414_net_zero_report_wales_v7.pdf) (p. 2)

<sup>9</sup> [https://hansard.parliament.uk/Lords/2022-04-04/debates/E09CB3C8-D3F8-4CEF-9E25-65598FE50B4F/BoilerUpgradeScheme\(EnglandAndWales\)Regulations2022](https://hansard.parliament.uk/Lords/2022-04-04/debates/E09CB3C8-D3F8-4CEF-9E25-65598FE50B4F/BoilerUpgradeScheme(EnglandAndWales)Regulations2022) (Column 271GC)

9. The CIOB wants to see an educational system that can help inspire and attract talent to the sector, but also one that is informed by employers. One of the biggest challenges has been ensuring that young talent is inspired to embark on a career in the sector. Trends show that too many young people do not progress into industry after taking built environment related subjects.
10. The Construction Leadership Council's (CLC) Industry Skills Plan for the UK Construction Sector 2021-25<sup>10</sup>, which is backed by industry and the UK Government, sets out the key skills challenges facing construction and how they will be tackled. These include the need to tackle hard-to-fill vacancies; the need to standardise an approach to developing sector-wide skills and knowledge to increase mobility across the industry, and the need to grow the number of apprenticeships and drive forward a culture of innovation. We are supportive of the ambitions of the plan and agree that there is a need for a consistent and collaborative approach at a root and branch level.
11. Aiming to improve the perception of the construction industry and drive recruitment, the industry has introduced several initiatives to engage and inspire young people to enter a career within construction. We endorse the Construction Industry Training Board's (CITB) [GoConstruct portal](#), which informs children and parents about the array of careers and opportunities in construction and the wider built environment, from trade-based opportunities through to professional careers in construction management, architecture and surveying. Additionally, CIOB's [Craft Your Future](#) initiative is a construction game aimed at 12-14-year olds that takes place in Minecraft and presents students with a variety of problems focussing on the challenges faced by city-based communities. It is designed to help young learners explore the methods and skills required to become a construction manager, including those central to the new technologies that will define the future construction industry.

**How are rural communities being affected by the cost of living crunch, and to what extent are the pressures they face different to urban areas?**

12. Wales has the oldest housing stock in the UK<sup>11</sup>, and rural areas tend to have a higher percentage of older properties than the rest of Wales, many of which are built with solid stone and are not well-insulated. In Wales, an estimated 19% of properties are not connected to the gas grid<sup>12</sup>, and this is particularly the case in rural areas. 28% of rural dwellings use oil as their main source of heating<sup>13</sup>. Oil and other common rural heating fuels, such as Liquefied Petroleum Gas (LPG), are not regulated by Ofgem and are therefore directly subject to market fluctuations and the price increases this entails. These factors contribute to a greater incidence of fuel poverty

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<sup>10</sup> [https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/03/B06322\\_CLC\\_SkillsPlan\\_v27.pdf](https://www.constructionleadershipcouncil.co.uk/wp-content/uploads/2021/03/B06322_CLC_SkillsPlan_v27.pdf)

<sup>11</sup> [https://files.bregroup.com/bretrust/The-Housing-Stock-of-the-United-Kingdom\\_Report\\_BRE-Trust.pdf](https://files.bregroup.com/bretrust/The-Housing-Stock-of-the-United-Kingdom_Report_BRE-Trust.pdf) (p. 2)

<sup>12</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/946968/sub-national-electricity-and-gas-consumption-summary-report-2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/946968/sub-national-electricity-and-gas-consumption-summary-report-2019.pdf) (p. 27)

<sup>13</sup> <https://gov.wales/sites/default/files/statistics-and-research/2019-10/welsh-housing-conditions-survey-energy-efficiency-dwellings-april-2017-march-2018-795.pdf> (p. 34)

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in rural areas<sup>14</sup>. In Gwynedd, for example, 56% of properties were built pre-1945, and according to Welsh Government's estimates, Gwynedd has the highest percentage of households in fuel poverty<sup>15</sup>.

13. In the face of these greater pressures, rural households are likely to be priced out of schemes designed to alleviate some of these pressures and help them in the long-term, including the Boiler Upgrade Scheme (BUS). This scheme will provide a maximum grant of £6,000 for households to install heat pumps, or biomass boilers in rural areas.
14. In a recent debate in Parliament, concerns were raised about the size of this grant, and how it would be unlikely to cover the actual cost of work needed. It was noted that, when considering the costs to make the property fit for the new heating system, for example by installing or improving insulation or rewiring a property – both of which are eligibility criteria for the scheme<sup>16</sup> – could actually be closer to £30,000 in some older, rural properties. Even with the maximum grant, many property owners may be required to pay as much as £24,000 to ensure the property is well-insulated and appropriately energy efficient before they are eligible for the scheme.
15. This significant bill faced by many rural households is compounded with myriad other factors. Higher fuel poverty in rural areas, the current cost of living crisis, and the rising cost of unregulated rural heating fuel all raise the question as to how these households will be able to afford the costs to decarbonise their properties on the BUS. During the debate, Baroness Blake also raised this point, stating that she had heard concerns not only about cost, but efficiency, and that there was conflicting information about whether heat pumps actually have any financial saving compared to current gas boilers. Baroness Blake also stated that this may lead to the failure of the scheme, and whether it “realistically has a chance of delivering the number of conversions laid out in the proposals”<sup>17</sup>.
16. With that in mind, we would like to see greater financial incentives and grants for those in rural areas who wish to decarbonise their heating system but are unable to pay a large bill to do so. Failure to do so will leave rural households unable to access the BUS, and exclude them from immediate help and long-term solutions. These properties will run the risk of being perceived as difficult, and left behind, potentially resulting in more costly interventions for the household and Welsh Government to decarbonise these properties in the future. These interventions will also be more labour-intensive at a time when the construction sector is likely to be facing

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<sup>14</sup> <https://gov.wales/sites/default/files/statistics-and-research/2019-09/fuel-poverty-estimates-wales-2018-020.pdf> (p. 16)

<sup>15</sup> [https://www.cardiff.ac.uk/\\_data/assets/pdf\\_file/0018/2610360/cost\\_of\\_living\\_report\\_08Mar2022.pdf](https://www.cardiff.ac.uk/_data/assets/pdf_file/0018/2610360/cost_of_living_report_08Mar2022.pdf) (p. 8)

<sup>16</sup> Some exemptions apply, more information here: <https://www.ofgem.gov.uk/publications/evidence-insulation-exemption>

<sup>17</sup> [https://hansard.parliament.uk/Lords/2022-04-04/debates/E09CB3C8-D3F8-4CEF-9E25-65598FE50B4F/BoilerUpgradeScheme\(EnglandAndWales\)Regulations2022](https://hansard.parliament.uk/Lords/2022-04-04/debates/E09CB3C8-D3F8-4CEF-9E25-65598FE50B4F/BoilerUpgradeScheme(EnglandAndWales)Regulations2022) (Column 278GC)

unprecedented demand for high-skilled roles to tackle the Optimised Retrofit Programme (ORP) and other decarbonisation schemes.

17. Ensuring the success of the BUS and future decarbonisation schemes will be integral to the success of Welsh Government's net zero targets. Welsh housing accounts for 21% of total Welsh emissions<sup>18</sup>, so the whole sector – including rural areas – will need a targeted approach to be successfully decarbonised. We would welcome dialogue with Welsh Government and Members of Senedd to raise these concerns, and ensure that rural homes are not targeted with the same broad brush approach as other, more modern, properties<sup>19</sup>.
18. We are also concerned that the capacity of the National Grid in Wales is insufficient to fully support a switch to electric and decarbonised heating. Electrifying the housing stock is likely to put strain on the national grid beyond its current capacity<sup>20</sup>, and that is especially true in rural areas where grid capacity is already strained<sup>21</sup>. While the Welsh Government has allocated over £650m in the Welsh electricity distribution network between 2023 and 2028<sup>22</sup>, it would perhaps be more prudent to examine alternatives to grid reinforcement, for example by deploying energy storage in rural areas<sup>23</sup>. Using energy storage is likely to be a quicker solution than increasing grid capacity in these areas and remove one hurdle to allowing households in rural areas to access decarbonisation schemes like the BUS.
19. We ask that the Economy, Trade, and Rural Affairs Committee works with its counterparts in the Climate Change, Environment, and Infrastructure Committee – as well as the CIOB and the wider construction industry – to break down policy siloes. A collaborative, place-based approach is needed to ensure that rural areas are targeted with specialised decarbonisation schemes that are feasible and work within the construction industry's resources, and alongside schemes such as the Optimised Retrofit Programme (ORP) and BUS. This would not only be beneficial to rural areas, it would also help to achieve Welsh Government's wider net zero targets and contribute to growth within rural Welsh areas and in the Welsh construction sector.

**How effective are the support measures that the Welsh and UK governments have put in place, and what further support might be needed over the coming months?**

20. The CIOB has commented on the measures brought in by UK Government and welcomes the 0% VAT rating on home sustainable energy<sup>24</sup>. However, the UK Government has missed opportunities to properly address the need to improve the

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<sup>18</sup> <https://gov.wales/sites/default/files/publications/2019-07/decarbonising-welsh-homes-stage-1-report.pdf> (p. 6)

<sup>19</sup> When it comes to retrofitting older or listed buildings, we also advocate for the use of appropriate tools, such as the Sustainable Traditional Buildings Alliance's (STBA) [Responsible Retrofit Guidance Wheel](#).

<sup>20</sup> <https://www.frontiersin.org/articles/10.3389/fenrg.2018.00103/full> (para. 2)

<sup>21</sup> <https://committees.parliament.uk/writtenevidence/107557/pdf/> (p. 2)

<sup>22</sup> <https://gov.wales/welsh-government-and-network-operators-work-together-plan-uk-first-integrated-energy-grid-net-zero>

<sup>23</sup> <https://committees.parliament.uk/writtenevidence/107557/pdf/> (p. 3)

<sup>24</sup> <https://www.ciob.org/news/spring-statement-2022>



quality of housing across the board and help alleviate the reliance on carbon intensive energy systems. Our full response on recently announced UK-wide measures is available [here](#).

21. We also believe that this is the case in Wales. While the money made available to help the most vulnerable is a good step, there are currently no plans to expedite the ORP or other decarbonisation measures, or to offer wider energy efficiency improvement measures to all properties across Wales. Under the current Warm Homes Programme, the Nest scheme can offer wider energy efficiency measures such as insulation to vulnerable consumers, but in practice only 5.5% of properties that were offered improvements on the scheme in 2020/21 received loft insulation<sup>25</sup>. Regardless, since the ending of the area-based Arbed scheme, there is no longer a widespread scheme to provide energy efficiency measures for properties that are ineligible for Nest.
22. Having access to such a fabric-first scheme would help those in rural areas who may not be eligible for help on other schemes to properly insulate their homes, laying the foundation for new decarbonised heating systems to be installed and work properly, and be financially and environmentally efficient. In turn, this will also allow for wider decarbonisation of the housing market and help towards the achievement of Welsh Government's Net Zero targets. It is also imperative that the installation of wider energy efficiency measures such as insulation and draught proofing is given higher priority for the remainder of the Nest scheme, as doing so would remove some of the pressure from future decarbonisation and retrofit schemes.
23. The CIOB would welcome dialogue with Members of Senedd and Welsh Government to discuss the issues raised in this response. Specifically, we would like to address a long-term, coordinated approach to decarbonise properties in Wales, and how to strengthen recruitment and training in the construction sector to ensure the skills and labour necessary for ORP and similar schemes are available.

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<sup>25</sup> <https://nest.gov.wales/workspace/uploads/files/nest-annual-report-20-21-engli-61a8bab91155e.pdf> (p. 11)