

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

30.09.21 Dear Chancellor,

I am writing to you as you prepare for the forthcoming 2021 Autumn Budget and Spending Review to offer our views on how the UK construction sector can support the UK Government to Build Back Better after the Covid-19 crisis.

As co-chair of the Construction Leadership Council I have been delighted by the way that our industry has sustained employment and growth over the last 18 months. This was facilitated by genuine collaboration from across our £400 billion sector to identify and tackle the new problems presented by the pandemic.

But we are equally clear that this performance could not have been achieved without Government support. This included both direct interventions such as the Coronavirus Job Retention Scheme and through the Government's role as the sector's largest customer, sustaining investment through this period to maintain activity levels.

We are under no illusions that the pandemic has left a need to rebuild the nation's finances and that this Spending Review will not bring an opportunity to open up major new programmes of public investment.

In this regard we welcome the Government's prior commitments to invest in the nation's social and economic fabric through activities including the New Hospitals Programme, Priority Schools, flood defences, High Speed 2 and the Building Safety Programme. We want to work with the Government to deliver outstanding results on these programmes. We hope that the Spending Review will sustain spending levels to allow this to happen.

We can help by ensuring that every penny is spent effectively. The Construction Leadership Council is delivering transformational change in the way our sector works and helping to deliver the aspirations set by Project Speed and the Construction Playbook. As one of the few sectors with a genuinely UK-wide footprint, construction has enormous potential to deliver this through revolutionising our skills, unlocking innovation, and driving out carbon. The industry can maximise the value secured for the public purse and contribute to the objectives of new zero carbon and levelling up.

One cornerstone of this improvement has been the Transforming Construction Challenge. This partnership between the industry and the Government led to £170m of public investment being matched by £250m of private sector investment and has already triggered a revolution in project delivery. To date, the programme has applied AI and digital technologies to improve project planning and execution, delivered new designs for homes that can be rapidly manufactured, and demonstrated new industrialised approaches to delivering large construction projects, including schools and hospitals. It has also enabled us to develop buildings that will be capable of generating and storing their own energy, which could significantly reduce the energy demand of the built environment, and the carbon emissions linked to this.

We estimate that innovations developed through the programme have already been applied on projects with a total value of over £13 billion, could be applied on a public sector pipeline worth £42 billion, and has already delivered savings in excess of £100m across the public and private sectors. Follow-on investment of £68.1m in the Challenge could generate matching private sector investment of £590 million by 2027. This investment will enable the sector to maximise its contribution to future economic growth, and the key objectives of decarbonisation and levelling up, and will be essential to the delivery of the aspirations set out in Transforming Infrastructure Performance: Roadmap to 2030 and the Construction Playbook.

In parallel, it is important that we continue to invest to maintain the UK's lead in relation to Building Information Management (BIM) and to support the creation of the National Digital Twin, as recommended by the National Infrastructure Commission. Since the announcement of the BIM Mandate in 2011, the use of BIM on government-funded projects has delivered savings worth at least £4 billion. It has also helped UK firms build the expertise needed to win business overseas, including a £100m contract in Peru. Our recognised expertise has enabled the UK to shape the current international standard for BIM, now used in Asia, Australasia, and increasingly in the US. It is in our national interest to invest to maintain our leadership in this area, which is an example of Global Britain in action.

The UK also needs to invest in the next generation of digital technologies, through the National Digital Twin Programme. Digital twins are accurate digital representations of physical assets capable of gathering and exchanging information with other assets, and these technologies enable the operation of buildings and infrastructure to be optimised. As projects such as the Glasgow Smart Canal have shown, the digitisation of infrastructure has huge potential to deliver improved performance and to mitigate climate change. Global investment in digital twin technologies of buildings and infrastructure is expected to increase from £429 million in 2020 to over £2.5 billion in 2026, and these technologies have the potential to transform how we design, manage and use our cities and towns, to improve them for those who live and work there.

The UK is leading the world in the application of digital technologies in the built environment, and this investment represents a huge opportunity for this country. Investing £28 million to support BIM and the NDTP will maintain our lead, and enable us to deliver better safer and more sustainable buildings and infrastructure, and position the UK to exploit a rapidly expanding global market.

The next phase of this work will be to harness this innovation in perhaps the most important sector to meet our 2050 climate change obligations and level up the whole UK.

A National Retrofit Strategy for the UK's existing 29 million homes would create new jobs and growth in every community across the country, while delivering a sharp reduction in the carbon cost of this existing stock which is responsible for 20% of the UK's total carbon emissions.

We want to use the Spending Review period to move forward with this strategy. Given the stark financial context, it is unlikely that the Government would be able to offer a fully funded programme at this Spending Review, with private funding also expected to play a major role in responding to the challenge. As such, we ask that the Government uses the Spending Review to confirm that a National Retrofit Strategy will be a national infrastructure priority over the next three years, and also a Mission under the Innovation Strategy.

We will share this commitment and work with you to develop a financial model that makes it a reality. Our commitment will unlock £500 million of our industry's own money to jumpstart the programme. This support will fund a fully developed programme of innovation to make sure that we can be global leaders in low carbon housing retrofit, securing the industry's

future in the UK while unlocking opportunities for Britain to be a leader in this emerging international market.

We understand that UK Research & Innovation has proposed a model that would see the Government co-invest in this future. We hope that you can support this bid, unlocking multiple returns on the investment, cutting costs for future retrofit by 33 per cent while recruiting up to 5,000 new retrofit workers.

We know that unlocking this vital work will also require industry and Government to work together on non-financial issues, such as ensuring the Building Regulations support the rollout of the programme and ensuring that we have sufficient skilled trained workers to deliver. As such, we hope to work with you to develop a comprehensive plan that covers all these elements.

Our top priority on skills is growing apprenticeship starts and completions. We have seen starts continuing to recover but they are still some way below where they were before the pandemic hit. As such we would ask that the £3,000 incentive payment for employers who hire a new apprentice is extended past the current 30 September deadline, to ensure that critical skills needs in recovery can be met and the sector builds the talent pipeline

Thank you again for the continuing work of the UK Government to build a strong recovery from Covid-19. We stand ready to support you and would be happy to provide any further detail on the points in this letter if that would help you or your officials in the run up to your October statement.

Yours sincerely

A handwritten signature in red ink that reads "Andy Mitchell". The signature is written in a cursive, slightly slanted style.

Andy Mitchell CBE

Co-Chair

Construction Leadership Council