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Coronavirus Crisis: Key Issues for the Recovery

A paper for the Construction Leadership Council Covid-19 Industry Task Force

Government intervention to speed up the recovery

In the long term, the country is going to have to make good the government borrowing to overcome the coronavirus pandemic, but this could take a generation. In the meantime, the important thing is to make quick interventions now.

Timing

The release from lockdown should be phased to ensure an orderly recovery. Contractors and their supply chain are most at risk in the period immediately following a full return to work when they will be funding projects for between 60 and 90 days on most payment terms; as a consequence any business will need to ensure that it has sufficient cash reserves post recovery to be able to maintain their business. This poses a great risk.

Public Procurement - Construction as a stimulus

The Government should aim to ensure a continuing pipeline of public sector work, including kick-starting major projects. However, some degree of prioritisation will be needed to avoid any potential overheating.

A review of public sector schemes that could proceed to construction quickly is necessary (the recent HS2 notice to proceed is a prime example) but there are many other schemes which, if the right design and procurement decisions are taken now, could be 'spade-ready' quickly.

The building safety programme should be prioritised and, in particular, (a) the immediate remediation of unsafe cladding - maintaining the government target of the end of 2020 for work to commence and (b) identifying all other unsafe materials for remediation. The recent pledge by regional mayors for this to be seen as critical work is welcomed

This commitment to large infrastructure projects and critical building safety works should be matched by a similar push for smaller work at council levels, which will give greater certainty across the regions.

This could include local reviews of repair and maintenance work that could proceed whilst buildings are not fully occupied.

In Scotland, public tender opportunities are 46% down on the same period as last year for construction contracts. This will manifest itself from late summer onwards as existing projects finish and there is no new work to start.

There may be an exacerbation of the “race to the bottom” in public procurement as companies scramble for contracts to survive and this needs to be avoided at all costs if we are to avoid other building safety disasters.

We urge the satisfactory completion and adoption of the *Procure for Value* tool being developed by the Construction Leadership Council.

Faster rollout of fibre broadband across the country.

The lockdown has shown how desperately this is required and it is a quick win-win in terms of improving connectivity and providing much-needed work.

Payment

Continual improvement of public sector responses to fair payment of invoices is required. The Cabinet Office should set enhanced targets and monitor adherence to them.

Government could also seriously consider legislation similar to that being put in place in Singapore as an example to mitigate/disallow this.

Planning

The lack of resource in Planning departments means that there remains a potentially big issue in moving things forward. Key Departments in LAs more generally are under-resourced and this needs addressing

Planning consents need to be accelerated to speed up the flow of projects.

Legislation is required to extend the period of planning consent validity beyond three years because consents are running out during the crisis with no chance of starting on site.

Planning departments must be prepared for a change in the way applications are being dealt with (including the consultee processes). If the Planning system stalls, getting new projects onto site will be delayed.

Local Government and Councils have currently stopped the design process on a number of projects which were about to start, these need to be prioritised to keep SMEs and larger contractors working.

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Legislation/Regulation

Careful thought needs to be given to the timing of any new regulations and legislation in relation to the economic health of the industry following the coronavirus pandemic.

Grant Aid

Government grants are needed to keep key sectors afloat, especially product manufacturers, offsite manufacturers etc

Business innovation grants should be quick and easily available.

R&D support

The use of technology will help speed the recovery and the Government should do more to proactively encourage this. This should extend what counts as R&D spend which would provide a financial incentive to find new ways of working to increase recovery.

Tax relaxations/deferrals

Stamp duty should be relaxed or suspended.

VAT on repairs and maintenance should be abolished.

Government should continue the phased process of deferred statutory payments, e.g. tax, vat, levies, CIS

Job Retention Scheme/Furloughing

There will be considerable problems if hundreds of thousands of workers come out of furlough at the same time. There needs to be consideration of a phased ending of the furlough scheme.

Speed of Government action

Quick clarity on Government business support measures is vital. If there are to be extensions or reductions in measures, then these will need to be factored into decisions on how businesses proceed to put coherent recovery plans into place.

Private Sector Investment

Access to finance and investment will continue to be key drivers both in economic and business terms. Current low interest rates will help but cash and demand for work will be crucial as will the confidence to take this work on.

The appetite for private sector investment may be curtailed by a number of factors related to the current crisis:

- experience of firms who have been forced to embrace a 'working from home' culture and how this will impact on demand for office space if there is a cultural change in relation to the workplace;
- the level of risks and uncertainties in the market while the economy builds momentum;and
- The impact of the business restarts due to liquidation or bankruptcy.

Many clients will hold off on construction investments until reserves used to "prop up" their business are on a more secure footing.

There will be barriers to releasing funding for live projects due to the potential risk of market shifts in property values. The business plan prepared six months ago will have a very different flavour when assessed today.

The private sector could be incentivised where there may be potential for new investment in construction post COVID-19 - e.g. internet storage warehousing, online educational facilities etc.

Banking

Liquidity and cashflow are essential to aid businesses through the recovery and yet the banks appear to have little appetite to lend. The government needs to exert pressure on the banking system.

Contracts and Insurance

There is likely to be significant contractual wrangling around coronavirus issues during the coming months and years, particularly arising from claims due to delays. It should be noted that the first TCC Judgement yesterday refused a request for an injunction due to delays arising from the coronavirus.

Interpretations of Social Distancing will delay and disrupt the industry for months and will open up to claims and increased tender prices.

Supply Chain

Supply chains will be damaged across many facets of the industry and confidence will be low with regard to jobs emerging after the crisis.

It will be difficult to buy raw materials in the quantity needed for projects and an even higher dependency on public investment compared to private.

The supply chain may be slow to ramp up again and will impact building progress. This will have a knock-on effect on design elements which can only go so far while little is being built.

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Materials

Contractors are unable to get materials, either as specified, or alternatives, or the prices have been uplifted due to supply and demand, so a method of ensuring materials from outside of - and within - the UK needs to be prioritised for assistance to keep the supply chain moving.

Increases in raw material costs are likely to create inflation. Managing this will be key for market certainty as clients are unlikely to invest in unknowns.

In order to combat lengthy lead times on products (bricks, plaster boards etc), consideration should be given to supply chain 'supermarkets' where products could be swapped/exchanged if surplus versus needs.

There is anecdotal evidence, reported by the Chartered Institute of Plumbing & Heating Engineering (CIPHE) of a growth of counterfeit products including PPE and Legionnaires' disease testing kits.

Employer Responsibilities

A period of recovery doesn't mean the threat of the virus has diminished. Accordingly employers of office-based workers need to be absolutely clear about recommended protocols before re-opening offices.

Employers have a duty of care to employees and therefore before inviting them back into the office, yet alone opening them to visitors, key questions require to be answered, such as:

What should be good practice in social distancing measures?

How to treat those with care responsibilities for vulnerable relatives?

What is done for those who have to travel by train, bus, tube?

How are plans for the recovery going to be linked to testing so that we are clear who has and who has not got the necessary antibodies?

Until there is guidance on these issues, it is difficult to plan for a staged response for taking businesses out of lockdown.

Public Confidence

Building consumer confidence in letting tradespeople in their homes could be problematic.

Travel Support

In the recovery, tradespeople may be unable to afford to travel to site after weeks of no pay/and delays from Government support for self-employed. Employers should consider offering Travel Loans to known self-employed trades personnel offset against payments due.

Health & Safety issues

Statutory Inspections of Plant

Thorough examinations and any statutory inspections may be an issue on reopening sites if they were due during the time sites were closed and not conducted, i.e. they will need to be completed, or a Risk Assessment conducted before the plant and equipment can be used.

The Safety Assessment Federation has been working on issues associated with site access with the HSE and some recent guidance has been published which may be relevant to disseminate.

In simple terms there is no derogation and the HSE is encouraging that all attempts are exhausted to ensure thorough examinations and testing are completed and best endeavours, within the guidance, should be made to ensure any statutory duties are managed. Please see link below, which also has a pdf document for duty holders and inspectors.

<https://www.hse.gov.uk/news/work-equipment-coronavirus.htm>

In any event the lack of maintenance during lockdown may affect future warranties on products. Lack of maintenance during lockdown - will this affect future warranty on products?

Water Safety

The Chartered Institute of Plumbing and Heating Engineers (CIPHE) has been talking to insurance underwriters about buildings that have been unoccupied for long periods of time and the potential problems that can arise. If a building hasn't got a water safety (management) plan in place, overseen by a competent person, there is a risk of contamination of stagnant water supplies (ie cold water storage cisterns).

If water temperatures have reached critical levels, microbial growth will occur, potentially leading to waterborne problems such as Legionnaires' disease, Pontiac fever etc. During lockdown, some schools, for example, have ensured that plumbing systems have been checked and flushed on a regular basis during their closure but CIPHE believes that this has not been the case across the board. Another example will occur in the closure of hotels where entire wings might have been isolated creating a large dead leg of stagnant water. It begs the question who would wish to be the first resident in a hotel which has been on lockdown for three months?

A legacy of the virus, or at least in mitigating against it, is the increased use of water for washing hands, etc. If such changes of habit are sustained, arguably for all the right reasons, CIPHE argues that we are likely to experience water shortages further down the line.

Site Safety related to covid-19 infection

There may be a need to ensure Covid-19 testing on sites to build confidence for the recovery.

There will be a need to provide more PPE, gel, masks to sites, since there were mass shortages before the lockdown.

Mental Health

The current crisis is taking its toll in terms of stress, anxiety and depression etc. There needs to be more support on mental health and wellbeing, counselling etc.

Skill Shortages/Labour supply

Combined with BREXIT and UK demographics there was already a skills shortage going into this pandemic. This could be exacerbated by early retirements brought on by the lockdown, which are always higher in downturns; the immigration rules coming into effect next year; and those leaving the sector to pursue other opportunities that bounce back more quickly.

The industry has been largely portrayed negatively in the past few weeks and this is likely to significantly affect recruitment to the industry via the careers and education system, leaving the industry with a greater skills crisis in the longer term.

Universities are suffering and will continue to suffer and this will create further stress on uneconomic courses.

Opportunities

Retrofitting/ Repair and Maintenance

The retrofitting agenda and focus on repair and maintenance is a key opportunity. This will ensure a smooth pipeline of activity whilst keeping a steady number of people in employment.

The government could also look into empty buildings and seeing what refurb opportunities exist, a positive of this is that work could also be carried out in isolation or through safe social distancing. If that's not possible, there can be work done to plan the materials needed when work can go back to normal (or the new norm). Learning lessons about supply and distribution is something we can plan for now.

New ways of working

There is an opportunity to provide additional impetus to digitisation, modern methods of construction (MMC) and modularisation - post-Farmer - etc.

The Institute of Engineering and Technology (IET) has reported that businesses have been forced into new ways of working and embracing technology and, as a result, activities that had taken months in the past have been done in days. The industry must embrace this culture change and make sure that it does not go back to the old ways of doing things.

Exporting professional services in construction

UK is a thought leader in BIM/digital twins and associated standards and training and this should be rigorously promoted.

Lessons learned

What are the lessons learned from this crisis and how can we be more prepared in the future since global interconnectivity may make these more common.

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