



RICS Wales response to Economy, Infrastructure and Skills Committee inquiry into COVID-19

Royal Institution of Chartered Surveyors (RICS)

As a globally recognised professional body, everything we do is designed to effect positive change in the built and natural environments.

Our respected global standards, leading professional progression and our trusted data and insight promotes and enforces the highest professional standards in the development and management of land, real estate, construction and infrastructure.

We have over 2000 accredited experts in Wales, and through our credentials and professional standards, we will create confidence in markets and be known for effecting positive change in the built and natural environments.

Impact of COVID-19

Throughout the COVID-19 pandemic, RICS has been working with both the UK and Welsh governments to support and advise on the best way to help those businesses and individuals at risk of economic hardship during this time.

RICS guidance has offered greater protection for tenants, landlords, SMEs and those vital to the property, construction and infrastructure supply chain. RICS have also worked with governments to develop safe operating guidelines which has allowed for the continuation of critical business operations, such as advising on NHS Nightingale sites and the recovery from the early 2020 flooding and storm damage in Wales.

Our frequent industry and stakeholder engagement, as well as our regular market surveys, have helped us develop and shape our response to COVID-19. Furthermore, it has allowed us to construct a detailed understanding of market conditions and what interventions are required to support the recovery. Below, we have highlighted the key findings from our recent research, insights and market engagement:

- Across the UK, the **construction and infrastructure sector reported a net decrease in work activity of 21% at the end of Q1 2020**. Within **Wales, this figure was closer to -2%**, largely offset against the UK average due to the higher number of ongoing public-sector work programmes.
- Our recent UK forum of major infrastructure and construction organisations reported a **50% decrease in public and private procurement activities** – with that figure being universal across Wales and the wider UK.
- UK headline workload expectations at the end of Q1 2020 indicated a likely decrease of 13% in activity for the next 12 months, against a project 50% growth in Q4 2019. Infrastructure workloads, however, bucked the trend, with **36% of businesses expecting growth in workloads – with energy, road and rail expected to see the strongest increases in demand**.

- At the end of Q1, the **Welsh construction and infrastructure sector reported a 50% growth in quarterly workload activities**, higher than all other UK regions and devolved nations. This growth can be attributed largely to road, rail and communication projects commencing. The caveat here is that many of these projects were pent-up at the end of 2019 and rolled over into 2020.
- Welsh businesses within construction and infrastructure reported a modest **2% decrease in new business enquiries for Q1 2020**, against a UK average of 0%.
- Financially, almost **70% of Welsh construction and infrastructure businesses expect to see their profit margins decrease over the next twelve months**. The Coronavirus Job Retention Scheme has been a lifeline to many SME and large businesses in the industry, with almost 80% utilising the service.

Short, medium and long-term industry views

Through RICS engagement with the profession, industry leaders and SMEs, three themes became common when discussing what advice and support could be offered to assist businesses going forward; clarity, confidence and innovation.

Clarity

- Businesses, particularly those in construction and property regularly highlighted clarity as one major concern. In March 2020, as the UK entered lockdown, many didn't know if construction sites could remain open, if landlords or agents could enter tenanted properties and, in the case of infrastructure, what classed as essential works. Since then government guidance has gone some way to restoring business confidence about daily operations, although **this lack of initial clarity did cause workloads to decrease and projects to become delayed**.
- Further clarity from a practical perspective has been raised as an immediate area that both the Welsh and UK governments need to address. Examples include **clarity on social distancing measures regarding one- or two-meter distancing, face coverings in close proximity locations and access to properties**.
- Many businesses have also sought clarity from a geographic point of view. Around 50% of Welsh businesses, most of them SMEs, have ongoing projects, or pipeline work in England, with around 10% in the EU. **Differing guidance between Wales and England has added confusion and delays to their workloads**, such as many high street banks refusing to allow surveyors and valuers into non-domestic properties in Wales - citing a lack of Welsh Government guidance compared to England and Scotland.

Confidence

- The job retention and self-employed schemes, as well as CBILS, Bounce Back Loans and more have all offered, to an extent, financial protection and short-term business confidence. The implementation of PPN 02/20 to guarantee public sector payments of suppliers has also added to business confidence, however construction and infrastructure businesses are now keen to for the **public sector to commence the pent-up pipeline of projects**.
- The UK Government commitment of **£5bn in infrastructure projects is a welcome announcement**, particularly when the Chancellor in his economic update emphasised it was

for 'all four corners of the United Kingdom'. **How much of this will trickle down to Wales remains unknown**, but it is a welcomed boost to market confidence.

- The recent RICS Construction and Infrastructure Market Survey highlighted that **businesses will see the largest 12-month growth within public sector schemes**. In Wales, several major infrastructure projects have failed to come to fruition such as the Swansea Bay Tidal Lagoon, rail electrification to Swansea and Wylfa Newydd. It is encouraging that several major schemes have commenced, such as the South Wales Metro and the early stages of the redevelopment analysis of University Hospital of Wales, with further programmes being discussed including a North Wales Metro and expansion of 5G technology. Businesses want and need the confidence that there are public sector infrastructure projects in the pipeline in Wales, and **RICS urges the Welsh and UK Governments to work collaboratively, with industry leaders and the NICW, to develop a clear infrastructure framework for Wales**.

Innovation

- Like all sectors of our economy, construction, infrastructure and property needed to adapt and innovate to continue operating. As social distancing measures were introduced, major construction projects in Wales reduced on-site personal, implemented measures including temperature checking of employees and took advantage of remote working where possible. COVID-19 has also enabled businesses to identify where they feel is a skills gap to meet the needs of the future. This includes **internal digital infrastructure improvements and the upskilling of workforces to meet pipeline expectations, particularly when we look towards a green recovery**.
- New manufacturing methods, such as **modern methods of construction (MMC) and modular builds has enabled construction sites to remain open through the lockdown**. MMC is not a unique concept to housebuilding, indeed it can be **utilised in transport, healthcare, education** and more. In several countries, MMC was employed for the construction of emergency field hospitals to cope with growing COVID-19 patients. As highlighted in Welsh Government discussions around MMC in social housing development, there is an **MMC skills shortage and lack of incentive in Wales to fully embrace** these modern construction methods. The Welsh Government needs to invest in MMC skills development, as well as looking at the incentives to motivate builders to adopt these changes.
- **Decarbonisation, telecommunications, regeneration and procurement are all areas highlighted to RICS as priority skills gaps within Welsh businesses**. With a shift towards a green recovery agenda, as well as the Welsh Government net-zero target, many businesses are re-evaluating future pipelines, with likely work coming from decarbonisation, green infrastructure and digital communication. SMEs pointed towards domestic and international procurement expertise as an area of weakness within their businesses, a skill likely to increase in demand due to the focus on public sector projects and the challenges of tendering within EU nations after the Brexit transition period. **RICS calls for the Welsh Government to undertake a review to fully recognise where skill gaps exist, and how we can create a workforce able to meet the challenges of the future**.
- Apprenticeships are another area where the infrastructure and construction industry is looking to innovate. Around **half of the organisations RICS in Wales engaged with currently offer apprenticeships, with the remaining being open to introducing a programme**. Many commented that moving apprenticeships away from traditional skill development and towards modern skills such as **MMC, digital infrastructure and decarbonisation would bridge a gap in future workforce knowledge**.

Further Information

If you require further advice, evidence or information, please do not hesitate to get in touch by emailing RICSWales@rics.org or Sam Rees, Government Relations and Engagement Co-ordinator Wales srees@rics.org