

Q. What is your view on the level of capital expenditure versus current? Does the overall level of capital expenditure need to be increased or decreased? What is the appropriate level of public investment (e.g. as a share of national income) taking into consideration factors such as Covid-19; the climate challenge; the overall fiscal position; demand for infrastructure; construction sector capacity constraints; international comparisons etc.? If you think that the share should be increased, do you have a view on what areas of current spending should be scaled back?

SCSI Response

Government has to make difficult decisions in relation to overall Exchequer budgets and allocations based on societal and business need. It is particularly difficult when decisions are required during challenging economic conditions. Annual budgeting requires an element of agility to react sufficiently to unforeseen challenges such as COVID-19, but also must be used to progress a clearly defined longer term national planning strategy. Budgets are also formed on the basis of election manifestos and an agreed programme for government by consecutive governments.

Housing and health were the two primary concerns raised during the 2020 General Election canvassing period. As a professional body representing chartered surveyors working within the property, land and construction sectors, the main expenditure areas of particular interest to our sectors relate to housing, general infrastructure (utilities, development enabling works, roads, rail etc), education, healthcare, future skills need, the property and construction market, and overarching all of these, the climate and biodiversity challenge.

Total expenditure has increased by c. 20% over the past 5 years now totalling almost €90Bn with capital expenditure now accounting for 11% or almost €10Bn which has increased by 20% in the last couple of years. This investment is warranted and should be increased to tackle major challenges facing Ireland such as an increasing population and an ageing population, and the broader context of significant climate change and biodiversity loss. In order to resource adequately and prepare for the future, the National Planning Framework provides an overarching long-term strategy for national investment and the National Development plan subsequently provides for investment into the strategic objectives of the National Planning Framework over the next 7 to 20 years. This is a very ambitious long-term plan with potentially far-reaching consequences. The plan will be delivered over successive Governments who may have quite different priorities and levels of Exchequer funding available. It must therefore be achievable, well-defined and realistic in its scope and reach.

In relation to the proportion of investment and the adequacy of current spending to needs, the construction sector is challenged in relation to attracting new entrants to the sector. This was a main finding within the Society's 'Employment Opportunities and Future Skills Needs' report where the number of professionals exiting third level is inadequate to meet industry demand.

The '*Economic analysis of productivity in the Irish construction sector*', report identifies critical areas where investment and actions are required to assist the construction industry to mechanise and to innovate in the interest of faster builds and more sustainable builds efficiencies within the manufacturing and building process. It is well versed that Ireland is faced

with a significant housing challenge and according to SCSl research and latest CSO new housing completion levels, Ireland will remain with a significant housing demand and supply imbalance for at least another decade if the status quo remains. Tighter supply may result in higher accommodation prices and this can have a detrimental effect with attracting new FDI into Ireland.

The construction sector in Ireland is a major employer with approximately 150,000 employed and activity output in the range of €25bn in 2020. Improvements in efficiency through innovation continue and will remain a feature of this industry for the medium term as further focus to deliver more for less and deliver more sustainably is a priority for Government and stakeholders.

Advances in technology such as building information modelling (BIM), etc., have enabled the construction industry to improve efficiency in the sector. It is promising to see the Department of Public Expenditure and Reform taking a lead role to foster an environment within industry for further innovation to take place through the Construction Sector Forum.

Moreover, it is important that we recognise the key issues and reasons why innovation in the sector can be slow, which were well documented in the report as follows:

Cyclical nature of construction sector: The consequential challenges that arise as a result of volatility in demand for both private and public capital works affects the economic viability of firms, employment security and capacity to invest in people and resources, which has a significant impact on productivity.

Pipeline: Lack of clarity on forthcoming public and private sector work impacts firms' confidence to invest in resources, technology, training and upskilling. This then impacts on firms' appetite for the development of specialised areas such as off-site production.

Complex planning system: Current approval processes for planning in Ireland are lengthy and uncertain require a significant administrative effort and cost with a resulting impact on time and resources and a consequent adverse impact on productivity.

It should be considered that another review of Strategic Housing Development is carried out to ensure that any decisions regarding the ceasing of SHD's is the correct one.

Procurement and contracting: Issues raised as part of this review include the bureaucratic and onerous nature of Ireland's public procurement processes, exclusionary qualifying criteria, poorly defined project briefs, unrealistic budgets, a lack of understanding of the complexity of the construction stage on the part of clients, a lack of collaboration with all members of the supply chain, and suboptimal risk transfer mechanisms.

The result of the above can be that less contractors apply for tendering thereby reducing competition in the market and as a result can reduce value for money for the taxpayer.

With the likely reduction in private sector construction activity to take place into 2021, it is important that the utilisation of private sector contractors are leveraged to deliver important construction projects at a cost-effective rate.

Fragmented nature of the sector: While not unique to Ireland, the complexity of the supply chain, with dependency on subcontractors and agency workers, can greatly reduce

productivity, with multiple parties working to different schedules and budgets.

Whilst the above are departmental issues and less so budgetary concerns, key consideration should be given as to how public investment may be harnessed to drive innovation in the sector such as through the proposed development of an Innovation Centre of Excellence for industry. This will foster an equipped, confident sector which can deliver on key Government objectives such as residential retrofitting and may provide export opportunities for our country.

Supporting an environment of accurate data

There can be some difficulties regarding ongoing variations in terms of building costs, operating costs, sustainability savings and affordable rent that can impact on investor confidence and increase project risk. Funding for a national data-set on each of these areas may contribute greatly to risk management and would help to build confidence and also help to provide quality assurance in relation to building standards and certifications.

There is significant potential to address the inconsistency of measurement of reporting of buildings and land through the adoption of standard cost reporting mechanisms such as the International Construction / Property Measurement Standards (ICMS/IPMS).

Q. What is your view of the breakdown of capital expenditure across these areas? Does the share need to be adjusted? If so, what do you think the appropriate share of allocation across Departments or sectors is in order to ensure alignment with Government priorities? Is there a sector whose share could be reduced to allow greater investment in another sector?

SCSI Response

In the short term, the impact of budgetary constraints resulting from the Covid 19 pandemic there is a concern that this may result in less fiscal space available for capital expenditure over the next few years. We are in the midst of the largest public health crisis this country, and indeed the world, has faced in decades. It has shaken our confidence, the ability for society and the economy to function and will ultimately be hugely costly in terms of loss of life, and financial cost for the wider economy and public finances.

However, with the advent of various vaccines which are now being administered, we must envisage a world post Covid.

We believe that the following should remain in centre focus as a priority for government and budgeting adjustments should be considered as follows;

Climate Change and biodiversity loss:

Capital investment over the previous decade has witnessed a continued increase in funding to meet societal needs which is positive to see as our population grows. One concern following our review of overall capital expenditure budget lines, is that Climate Action and Sustainability funding appears to form a less obvious part of Government departmental budgeting. It does not appear to have its own single budget allocation or department to manage this budget across all government departments. Climatic challenges and pollution are a significant threat facing our environment. The EU recognises the severity of the threat and the scale of the challenge. Therefore, a package known as the European Green Deal, has resulted in the European Commission committing to a “renovation wave initiative” targeted at the built environment. In 2019, Government published its Climate Action Plan in response to climate change and the commitments entered as a member of the European Union.

With the 2030 Climate Target Plan, the Commission proposes to raise the EU's ambition on reducing greenhouse gas emissions to at least 55% below 1990 levels by 2030. This is a substantial increase compared to the existing target upwards from the previous target of at least 40%. This is a massive challenge and one we must plan for now and not for future governments. Buildings generate nearly 40% of annual global GHG emissions. Approximately two-thirds of the building area that exists today will still exist in 2050. Currently, building renovations affect only 0.5-1% of the building stock annually which is particularly concerning. ¹

Further consideration should be given to the development of an overall budgeting account and dedicated department to tackle climate change.

Housing:

We have a serious ongoing housing crisis which was one of the main political issues of the last election and now forms a central part of the programme for government. Supply side shortages and capacity constraints within the construction sector have meant that last years and most probably this year's completions targets will not be met. So, a commitment for large scale continued investment is required, especially for social housing delivery. Although the Department of Housing Local Government and Heritage has the largest budget allocation for housing and social housing delivery in the history of the state, the delivery of these units and the mechanism by which this is done, is crucial. A collaborative approach of private skills and public land and assets is one possible solution that requires fast-tracking to ensure ambitious targets of 10,000 social units can be delivered. Given the existential challenges arising from climate change and biodiversity loss, this must overlay all other Programme for Government priorities. As this will require new ways of doing things, and new skills requirements across all sectors, consideration to these upskilling challenges should be taken into account in respect of all priorities.

¹ EU Architecture 2030 org

As a matter of urgency, we recommend that further consideration and budget is provided to schemes that will see increases in the renovation and repurposing of existing buildings for residential use. Building Surveyors members of the SCSi along with other surveying colleagues are best placed to offer expertise on retrofitting and refurbishment. There are many important schemes and manuals to improve the renovation of buildings, but an assessment is required at this stage to examine the current success rate and take-up levels of such schemes.

Question. In the context of the Programme for Government priorities which include the economy, climate action, housing, balanced regional development, universal healthcare, social welfare policy, transport and education, how would you rank the Strategic Investment Priorities? What is most important to you and why? What do you consider to be the greatest challenge? What would you add to this list?

SCSi Response

There are many priority areas and challenges facing Ireland as mentioned previously. Whilst the priority and ranking of same is an important consideration, value for money is equally important to ensure that Exchequer funding is released to maximise output and outcomes for the benefit of society.

Being mindful and leveraging current market conditions to the benefit of the taxpayer is another important consideration of budgeting. For example, as the construction sector is becoming more and more competitive with tender rate inflation reducing, the value-for-money proposition becomes more positive and it is for this reason that Capital Expenditure to build and maintain state assets should be realised.

Climate action is well and truly centre fold in national and global debate as many countries unite to tackle a deteriorating situation facing our built and natural world. It is without any doubt that Climate Action has to be one of the main priorities of government to help protect our environment for future generations.

Finally, regional development should be another priority area for government and the NDP. The NDP, which quite rightly is committed to balanced regional development, now poses a unique opportunity over next few years to capitalise on remote working and to remove certain pressures from our major urban centres / cities. Investment in regional and rural areas is crucial to ensure that our small-town centres can attract investment and remain a place where people and families of all ages can live and work with the assistance of the infrastructural and social investment requirement to make these locations an attractive and feasible place to live and work/commute from. The SCSi is currently working with the Heritage Council and other stakeholders to develop a Town Health Check online resource to assist towns to assess their community and their town centre against those that have managed to transform and rejuvenate successfully. Our *Rejuvenation of Our Small Town Centre* Report published in 2018 makes a series of recommendations to policymakers and local authorities to improve rejuvenation prospects for regional towns. Previous efforts of Government Departments such as the publication of the *Bringing Back Homes* manual has made some progress to assist unit



owners to renovate and refurbish vacant units, however more needs to be done to address applying modern day regulations with historic and older buildings.

Minister Michael McGrath TD
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19th February 2020

Review to Renew Consultation

Dear Minister McGrath

I am pleased to enclose a submission from the Society of Chartered Surveyors Ireland (SCSI) invited as part of the National Development Plan - 'Review to Renew' consultation.

The Society of Chartered Surveyors Ireland (SCSI) is the professional representative body for the surveying profession with over 5000 members from 12 surveying disciplines including, by way of example, Quantity Surveyors, Building Surveyors, Commercial Agency Surveyors, Planning and Development Surveyors and Estate Agents. SCSI is particularly active in providing evidence-based independent research to inform key issues in the Programme for Government including housing supply, construction costs, regional development and sustainability. We continue to participate and support government and other agencies to bring about workable, practical solutions to the current challenges facing our built and natural environment.

Through our national membership base, we are acutely aware of the concerns and challenges facing the property and construction sectors, both of which are intrinsically linked to the objectives within the National Development Plan and National Planning Framework. Our members are well placed to provide useful recommendations and suggestions on this important review of our National Development Plan, as many members work closely with clients on acquisitions and the construction of capital projects, including those operating in the private sector. Our submission has been informed by our members' broad knowledge base, providing a valuable holistic perspective to our recommendations.

Please do not hesitate to contact me should you require any further information or if the SCSI can be of assistance to you in later stages of the NDP review.

Yours sincerely,

Shirley Coulter



Chief Executive Officer

Micheál Mahon, President; **TJ Cronin**, Senior Vice President;
Kevin James, Second Vice President; **Johanna Gill**, Immediate Past President;
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Registered Charity Number (RCN): 20009809