Local Government and Regeneration Committee

Regeneration Inquiry

Submission from Scottish Building Federation

About the Scottish Building Federation

Founded in 1895, the Scottish Building Federation (SBF) is the lead voice of the construction industry in Scotland, an industry which contributes around £10 billion (c.10%) annually to Scotland’s GDP and – directly and indirectly – provides employment for more than 200,000 Scottish workers. The overall aim of the organisation is to ensure that the important contribution of the Scottish construction industry to Scotland’s economy and society is recognised and valued, and that industry standards are raised. It does this by working with industry, government and the media.

Introduction

The Scottish Building Federation welcomes the opportunity to provide input to the Scottish Government’s call for evidence on the Delivery of Regeneration in Scotland. We have focused our response on those questions of most direct interest and relevance to the SBF and its membership.

The aims of the Delivery of Regeneration in Scotland are clearly broad, seeking to address the economic, physical and social needs of Scotland’s communities. In responding to the inquiry, we are keen to highlight that a construction led approach to regenerating Scotland’s most disadvantaged communities can meet these aims. Investment in construction not only regenerates the build environment, it will dramatically increase local training and employment opportunities too.

SBF strongly supports many of the objectives outlined in the Achieving a Sustainable Future: Regeneration Strategy, published in December 2011. In particular SBF notes point 17 of the strategy which states;

“Capital investment, including investment in infrastructure, transport and housing is important in driving forward development, delivering opportunities for sustainable economic growth, job creation, and connectivity.”

Strategy and Policy Issues

Q2Simultaneous physical, social and economic regeneration

SBF firmly believes that physical, social and economic regeneration are inherently linked and that an approach to regeneration focused on investment in construction offers disadvantaged communities across Scotland the best opportunity to improve their economic opportunity, social capital, and built environment.
Employment

Investment in construction can dramatically boost local employment, especially in disadvantaged areas. As Construction in the UK Economy, The Benefits of Investment (2009) notes, due to its labour intensity, investing in construction output can generate significantly more employment opportunities than other government supported sectors\(^1\). In addition, construction also employs many lower skilled workers who are typically most vulnerable during periods of slow or stagnant economic growth\(^2\).

Skills

Alongside the generation of employment, investment in construction can also provide the basis for people in disadvantaged communities to access high quality training and acquire valuable skills. The construction industry has long been the cornerstone of Scotland’s Modern Apprenticeship programme and has a well-established apprenticeship framework underpinned by an annual training levy, which is unique to the construction sector.

During 2011 the Scottish Building Apprenticeship and Training Council indentured over 1,500 apprentices, for example, despite the current economic difficulties currently being sustained within the construction industry.

Apprenticeship places are also usually taken up by younger people, an economic group whose employment opportunities are also disproportionately affected by periods of sluggish economic growth.

Infrastructure

SBF believes investment in a community’s infrastructure is also an essential aspect of regeneration for disadvantaged communities. Not only does investment in the built environment ensure communities have a positive appearance and are places where people want to live and work, it also helps create economic opportunity.

Good transport and digital connectivity is a prerequisite for outside business investment. Research has shown capital investment targeted at improving a community’s infrastructure will attract businesses to an area and help drive wider local employment. Indeed, Construction in the UK Economy found that every £1 spent on construction output in the UK generates a total of £2.84 in total economic activity (i.e. GDP increase)\(^3\).

Housing

Achieving a Sustainable Future rightly focuses on the importance of housing to the regeneration of disadvantaged communities, and includes a supporting outcome which aims to ensure the “right affordable housing options with sufficient availability and quality”.

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\(^1\) Construction in the UK Economy, The Benefits of Investment. UKCG, 2009. Page 18


SBF welcomes this focus and strongly supports the conclusion of the housing section of the *Achieving a Sustainable Future* strategy, in particular the recognition that “Whilst housing quality is a key factor in the quality of individual and family life it also has important economic impacts. In the short term, government funded house construction can provide valuable support to industry in times of economic downturn”.

As the latest Housing Statistics for Scotland figures show, the housing sector is facing major challenges with the completion of new homes having dropped by 36% over the past five years. Over the last twelve months alone public sector house building completions have reduced by 6%. While the investment of 40m in housing announced recently by the Cabinet Secretary for Infrastructure and Capital Investment is welcome, SBF believes greater support is needed for housebuilding to help regenerate the built environment and create jobs in disadvantaged communities.

**Q3 Achieving best value**

SBF believes that achieving the best value for regeneration is not synonymous with attaining the lowest price. Price is frequently the overriding priority in awarding contracts, often to the detriment of other important criteria such as quality and the development of local skills.

**Procurement**

SBF strongly supports point 148 of the *Achieving a Sustainable Future* strategy, which states “An efficient planning system is crucial in ensuring that developments can be delivered effectively at local and national level”. SBF has long argued that Scotland’s severely bloated procurement process is dissuading construction firms from bidding for public contracts and imposing an administrative burden and unnecessary costs on the industry. This is preventing Local Authorities from achieving best value in construction and acting as a brake on regeneration efforts.

Local authorities need to improve their planning and control of capital budgets, streamlining the procurement process and making it more transparent. One measure SBF would like to see implemented quickly is a refund of procurement costs for those building firms that are shortlisted but ultimately unsuccessful. We believe that would help make the public procurement process more efficient, less costly and discourage public authorities from drawing up tender shortlists that can run to 15, 20 or even more contractors.

**Apprenticeships**

SBF believes that investment in construction is one of the principle ways of regenerating the built environment whilst also increasing local employment and training opportunities. However, to maximise the potential value of investment in construction for local communities a clear link between funding and the generation of local jobs and apprenticeships as part of the procurement process is needed.

SBF has long highlighted that there is too little direct linkage between the award of public sector contracts and the creation of more employment and training opportunities with construction companies with a strong local presence and pedigree. Indeed, the construction industry has been campaigning hard for the
systematic inclusion of community benefit clauses in public contracts. These would recognise the creation of sustainable local training and employment opportunities as a key criterion for selecting a contractor. In this regard the public sector has a real opportunity to lead by example and maximise added value to local communities by engaging companies to carry out public works that are committed to maximising the benefits of public investment by supporting employment and apprenticeship opportunities within the local community concerned.