CONSTRUCTION
INDUSTRY
FEDERATION

BUDGET 2024

Construction Industry Federation Submission

CONTENTS

Forewords

JOE CONWAY, PRESIDENT

Maintenance of the country's competitive edge is dependent on having a viable, sustainable and competitive construction industry. The industry needs to be working at scale and we need structures that enable us to work at scale to meet the needs of Ireland's growing population – now at over five million people.

Unblocking our planning system, pushing for a clear pipeline of work under the National Development Plan and urgently building more homes for more people, are central pillars for driving progress.

It is CIF's principal budgetary recommendation that Government investment in enhanced public sector capacity to deliver on the public capital investment programme would foster a more competitive and sustainable business environment for all, front-load mature public investment projects, promote greater private investment, and help to foster innovation across the wider economy.

We have exceptional companies operating within our industry that exemplify innovation, cutting-edge technology and modern methods of construction, the highest quality of construction and that are striving to create sustainability solutions.

On a national level, the National Development Plan serves as our roadmap to 2030, outlining the state's commitment to infrastructure development, housing, foreign direct investment, and economic growth. However, it is crucial for the industry to have access to granular data, enabling us to track project progress through pre-construction phases and anticipate their readiness for implementation.

We welcome the recent announcement for a review of the National Planning Framework. This will be critical so that we can plan and invest in infrastructure that supports our growing population, build our housing target requirements and at the same time protect and enhance our competitiveness as an economy.

We also welcome the amendments to the Public Works Contract, which appear to embed checks and balances that will help provide greater budget certainty and value for money to the state and taxpayer, while also supporting the viability and delivery of important infrastructural projects.

The construction industry is a force for good. The work of our member companies has a profound effect on people's lives, whether that is through the completion of a hospital, new homes, a major transport route, or a state-of-the-art med tech plant. The projects we undertake transform communities and cities.

We are an industry with the highest level of expertise and our work is in demand domestically and overseas.

Despite numerous headwinds in recent years, the industry continues to experience growth - in domestic and export markets.

However, the cost of construction remains high and is a risk we must continue to monitor closely. Corporate sustainability and the key pillars of ESG are increasingly presenting new challenges and opportunities for the commercial and operational activities of CIF members over the long-term. Policymakers are increasingly aware that the industry is central to achieving climate change targets as we sustainably build sustainable buildings.

The construction industry will remain a vital cog in the Irish economy and is representative of a wide construction ecosystem, made up of workers who bring our buildings and structures to life on sites right around the country.

As ever, the industry stands ready to deliver on our nation's requirements in partnership with Government. Effective collaboration between the state and industry can release the productive capacity of construction as it has in many other countries.

Joe Conway
President of the Construction Industry Federation

HUBERT FITZPATRICK, DIRECTOR GENERAL

We are pleased to publish our pre-budget submission 2024 on behalf of members of the Construction Industry Federation.

The federation is the largest membership organisation representing the construction industry across Ireland. Founded in 1935, we have a long legacy of furthering core issues relating to the built environment, with the aim of delivering infrastructure and housing that support the needs of the population in Ireland.

The recent census revealed that over five million people now live in Ireland. The country's economic success will rely on having a thriving and competitive construction industry that can support economic and social development, as it continues to grow.

Central to this must be an effective and timely planning process for all infrastructure, both public and private, including residential, which results in 'shovel ready projects'. Managing costs in the current inflationary environment and sight of a clear capital pipeline of work to develop infrastructure and housing committed under the National Development Plan, are also key to protecting the country's value proposition as a place where our growing population can prosper and as a base for developing business.

A strong partnership between Government and the construction industry is pivotal to Ireland's success. As we publish our pre-budget submission, we are committed to playing our role in maintaining momentum in the delivery of critical infrastructure, housing and climate action plans. We look forward to continued collaboration and engagement with Government to serve the public good.

Hubert Fitzpatrick
Director General of the
Construction Industry Federation

EXECUTIVE SUMMARY

The Summer Economic Statement, published in early July 2023, illustrates that Ireland has experienced a rapid economic recovery from a series of significant global events in recent years.

The pace of that recovery means that lack of supply – of housing and infrastructure – is the binding constraint on Ireland's growth at present. Every county in the country recorded population growth between 2016 and 2022, but the provision of vital infrastructure to support that population growth has not kept pace with growing demand.

Underlying inflationary pressures are beginning to ease and it is acknowledged that the primary factor driving inflation is expected to be the strength of the domestic economy and its associated capacity constraints.

Government is proposing that Budget 2024 will provide for an overall spending package of €6.4 billion, €3.1 of which is yet to be allocated. The projected government surplus is €11.7 billion in 2024, rising to €16.3 billion in 2025. In addition, Government announced that tax receipts increased by 11% (€4 billion) year on year to the end of June 2023.

The CIF's primary recommendation for Government is that additional funding be allocated to ease the current capacity constraints across planning and delivery bodies to support and enable delivery of critical housing and infrastructure.

Employment levels across the public service have not grown in line with other sectors of the economy and many public service bodies now find themselves critically under-resourced and under-invested in terms of digital and administrative transformation.

This fact will continue to hamper total economic growth and productivity unless significant action is taken. The challenges we face in the near term such as our growing and ageing population, service requirements including energy, water and transport upgrading, decarbonisation and digitalisation prompt us to take urgent action now so that we equip our public bodies with the capacity to ensure we are developing as a sustainable and resilient society braced for change.

With €12.8 billion in capital expenditure planned in 2024, supplemented by an extra €2.25 billion over the period 2024 to 2026 from windfall receipts, it is intended that additional funding will be targeted at projects that are ready for development. This is broadly welcomed by the CIF and its members. However, implementation of the NDP has not been without its challenges to date, and CIF looks forward to the findings of the ESRI's mid-term review of investment priorities and capacity of the NDP.

CIF understands that Government is intent on building resilience into the public finances. Budget 2024 will help to deliver an important step on the path to more resilient economic growth, and it will set the course for how Ireland will emerge from this most recent and uncertain period and return a better quality of life for all citizens.

The outlook for modified investment is positive, which reflects its strong post-pandemic recovery. The negative factors that might affect future investment decisions include higher interest rates, tighter credit conditions and geo-political instability. But declining headline inflation, along with a healthy government budget surplus, point to the possibility of a more positive investment outlook in 2024.

CIF is recommending that Government urgently addresses the capacity constraints facing public procuring and delivery bodies in preparing its budgetary measures. The biggest challenge to delivering on key infrastructure is under-investment in the people, processes and technology that support the planning system and ensure that the planning process is concluded in the most timely manner possible.

The *National Economic Dialogue 2023* highlighted the significance of Ireland's planning system in terms of the overall regulatory environment. It referenced the impact of planning delays arising from legal proceedings as a barrier to the timely delivery of essential infrastructure.

Investment in the public sector's professional capabilities and capacity to deliver sustainable infrastructure projects is essential to drive value through design quality, risk management and collaboration with the construction supply chain.

In addressing the challenges facing us, and in responding to a growing economy and population, the case for increasing the overall capital budget beyond what was originally set out in the *National Development Plan* is intensifying.

The Irish Fiscal Advisory Council in a Fiscal Assessment Report published in June 2023[1] states that "since Budget 2022, nominal government capital spending has been revised down, while inflation has increased. By 2025, the gap between the real level of investment foreseen in Stability Programme Update 2023 and Budget 2022 is almost 24%. Capital spending now makes up a lower share of total spending than originally planned, as gross voted (core) current spending has been increased in response to higher inflation, and little to no upward response of capital spending to inflation". As a result, the National Development Plan (NDP) now accounts for a lower share of national income than originally planned. If Government wishes to return to the share of national income as originally planned, then exchequer capital spending would have to be on average €2.7 billion higher per year over 2024 to 2030.

1 https://www.fiscalcouncil.ie/wp-content/uploads/2023/06/Fiscal-Assessment-Report-June-2023.pdf

The economic benefits of increasing capital investment have been communicated time and time again by the CIF. Given the current fiscal and financial climate, Government is also urged to consider maximising all non-Exchequer financing opportunities in the form of the EIB's lending capacity and support for sustainable climate resilient investment projects, a growing interest from the private sector to engage in long-term infrastructure investment and ongoing funding under the European Recovery and Resilience Facility to end 2026.

Since the *National Planning Framework* and *National Development Plan* were published, Ireland has begun to increase its share of infrastructure investment as a percentage share of GNI*, bringing it into closer alignment with the European average for infrastructure investment.

Infrastructure will always remain is a key component of our country's success and an important determinant of our future economic growth and competitiveness. We know that construction is at its most effective by assisting other parts of the economy to function more productively.

Investment in high quality infrastructure, which removes existing bottlenecks and adds to the productive capacity of the economy, can not only boost productivity, but can reduce inefficiencies, support jobs and foreign direct investment, help respond to climate change and build a sustainable quality of life for everyone who calls Ireland home.

The construction industry remains firmly committed to implementation of the *National Planning Framework 'Project Ireland 2040'* and looks forward to engaging in its review later this year, and to accelerating the delivery of the National Development Plan 2030.

The CIF's Budget 2024 submission sets out the construction industry's proposed recommendations, which fall under the headings of our 5 Key Budget Themes:

THEME 1
Resourcing the Planning System

THEME 2
Infrastructure and Regional Development

THEME 3
Residential Supply

THEME 4
Sustainability

THEME 5
Cultivating People, Skills and Capacity

Budget 2024 Key Recommendations

THEME 1

Resourcing the Planning System

Recommendation 1
Increase Resources to An Bord Pleanála.

Recommendation 2
Establish an efficient online planning portal.

Recommendation 3
Increase resources to the planning system, local authorities and the judiciary.

THEME 2

Infrastructure and Regional Development

Recommendation 1
The assessment of a transport solution must be solely based on sound technical and economic criteria in the context of what is achievable in real terms.

Recommendation 2
Consider the Whole Life Cycle Value (WLCV) of projects to achieve climate action goals.

Recommendation 3
Invest in the digitalisation of all projects under the NDP so that they are located on one database and can be reported in real time.

Recommendation 4
Maintain upfront investment in the design and planning phases of all critical infrastructure projects planned for the next decade.

Recommendation 5
Invest in the Public Sector's professional capability and capacity to deliver infrastructure projects, including forward planning for all.

Recommendation 6
The Office of Government Procurement should be effectively resourced to implement the necessary reforms of the Construction Works Management Framework so that public works become a more commercially attractive and competitive opportunity for Irish contractors.

Recommendation 7
The Office of Government Procurement should be effectively resourced to support the development of a delivery model for Modern Methods of Construction (MMC) that considers the business process cycle with front loading for procurement and vesting linked funding models.

Recommendation 8
Introduce new enterprise grants and low-cost finance to stimulate capital investment for Modern Methods of Construction and support growth in capacity and job creation particularly in regional areas.

Recommendation 9
Fund the establishment of platform-based designs to allow the MMC supply chain to calibrate their offering in a standardised approach and generate efficiencies from scale.

Recommendation 10
Invest in the support of effectively resourced Building Control Authorities.

Recommendation 11
Establish a National Utilities Commission with mapping capacity (e.g. water, waste and electricity).

Recommendation 12
Introduce a 1% levy on the sale of second-hand house sales to help fund residential enabling infrastructure.

Recommendation 13
Introduce a long-term infrastructure plan system for enabling infrastructure to match the ten-year development plan process proposed under the draft Planning and Development Bill.

Recommendation 14
Continue to support the housing infrastructure services company to service lands.

Recommendation 15
Defer the introduction of the Proposed Concrete Levy for a minimum of up to two years.

THEME 3

Residential Supply

Recommendation 1
Extend the Help To Buy Scheme.

Recommendation 2
Reform the Residential Zoned Land Tax and Land Value Sharing measures which otherwise will result in an increase in the costs of housing delivery.

Recommendation 3
Introduce a targeted tax incentive scheme to encourage development of brownfield / town centre sites including the restoration of vacant, derelict and unused buildings for residential purposes.

Recommendation 4
Treat the rental income of small-scale landlords as a Separate Tax Class on a comparable basis to Real Estate Investment Trusts.

Recommendation 5
Review the VAT rate of 13.5% and overall taxation on new residential development.

Recommendation 6
All current and future proposed taxation, legislative and regulatory measures should be subject to an economic impact assessment, a cost benefit analysis, or a regulatory impact analysis to ensure they do not increase development and construction costs.

Recommendation 7
Consider cost reduction measures or incentivisation for development costs that apply to redevelopment of brownfield development sites.

Recommendation 8
Introduce a targeted scheme whereby eligible expenditure on the purchase of a new apartment would be allowed a deduction against PAYE over for example a 10 year period for private purchasers and investors in high density residential developments.

Recommendation 9
Encourage the conversion of redundant commercial office space to residential use.

Recommendation 10
The Cost Rental, Project Tosaigh and Croí Conaithe City schemes should be monitored on an ongoing basis to ensure they are practical and functionable in achieving the goals of an increase in supply, apartment construction viability and appropriately priced rents.

Recommendation 11
Extend the recent Development Contribution Scheme waivers and Water Rebate Schemes.

THEME 4

Sustainability

Recommendation 1
Introduce an accelerated capital allowance for new and sustainable construction machinery and equipment.

Recommendation 2
Subsidise the production of alternative fuels such HVO.

Recommendation 3
Provide incentives which make low-carbon products more economically viable to procure over traditional products.

Recommendation 4
Invest in the provision of ESB electrical power satellite stations that can be used during construction to power up electrically powered plant vehicles.

Recommendation 5
Support a construction circular economy by providing investment support for the development of a construction by-product recycling industry.

Recommendation 6:
Invest in the necessary alignment of Government Agencies such as the NSAI, EPA and other relevant authorities to support a standardised certification and inspection process to allow construction by-products to be re-used in construction and as close to source as possible.

Recommendation 7:
Invest in the development of a state testing facility for construction to develop new products, in particular products made from construction by-products.

Recommendation 8:
Fund the alignment of the required standards to support MMC, removing barriers to entry but demanding a golden thread of technical compliance data.

Recommendation 9:
Allow tax credits for research and innovation within construction companies independent of scale. These credits can support companies that are actively pursuing Modern Methods of Construction (MMC), including off-site fabrication, modular construction, the use of advanced materials and developing management processes to encourage maximum efficiency of labour and materials.

Recommendation 10:
Remove the BIK on all-electric vehicles used in the construction sector.

THEME 5

Cultivating People, Skills and Capacity

Recommendation 1
Protect the SEO process, including amending legislation if necessary.

Recommendation 2
Implement the recommendations emanating from the National Training Fund Advisory Group (NTFAG) regarding the current (and growing) surplus of funds within the National Training Fund.

Recommendation 3
Put in place adequate funding arrangements for apprenticeships to adequately support both employers and learners.

Recommendation 4
Apprentices should remain exempt from the national minimum wage.

Recommendation 5
Fund a national marketing campaign to promote careers in construction.

Recommendation 6
Introduce supports for SMEs to address their future training needs imposed by the BIM requirements under the Capital Works Management Framework.

ECONOMIC AND POLICY CONTEXT

International and Domestic Economic Context

In 2024, Ireland and other European Member States will continue to respond to major economic, social and climate challenges in the wake of the global pandemic and energy price shock.

Recent economic data for Quarter 1 2023 has shown the resilience of the Irish economy despite these challenges, with Modified Domestic Demand 11% above the pre-pandemic peak, but still 2% below the pre-pandemic trend.

Supply rather than demand is now the binding constraint in the domestic economy, with the economy now at full employment and wage inflation reflecting the tight labour market.

The Department of Finance is forecasting slower growth in the medium term and points to some underlying vulnerabilities facing the public finances.

From CIF's perspective, Ireland is contending with significant long-term challenges in the years ahead, including:

- a housing shortage and a congested planning system,
- a significant infrastructure deficit,
- affordable clean energy, water and wastewater demands,
- the cost of decarbonisation,
- facilitating the green and digital transition,
- active labour market integration and upskilling,
- the cost of an ageing population,
- growing the circular economy, and
- development and retrofit of climate resilient physical infrastructure.

MACROECONOMIC GROWTH AND LABOUR MARKET FORECASTS 2022 - 2026

	2022	2023	2024	2025	2026
Real MDD (% growth)	8.2	2.1	2.5	3.2	3.4
Real GDP (% growth)	12.0	5.6	4.1	4.9	4.4
Real GNI*	9.3	1.6	2.1	2.5	2.3
Total Employment ('000)	2,547	2,588	2,624	2,662	2,704
Employment (% growth)	6.6	1.6	1.4	1.5	1.6
Unemployment (%)	4.5	4.4	4.5	4.5	4.5
Inflation (HICP)	8.1	4.9	2.5	2.0	2.0
General Government Balance € bn	8.0	10.0	16.2	18.1	20.8
General Government Balance % GNI*	3.0	3.5	5.4	5.8	6.3
General Government Debt € bn	224.8	223.5	224.4	220.0	215.0

Source: Department of Finance

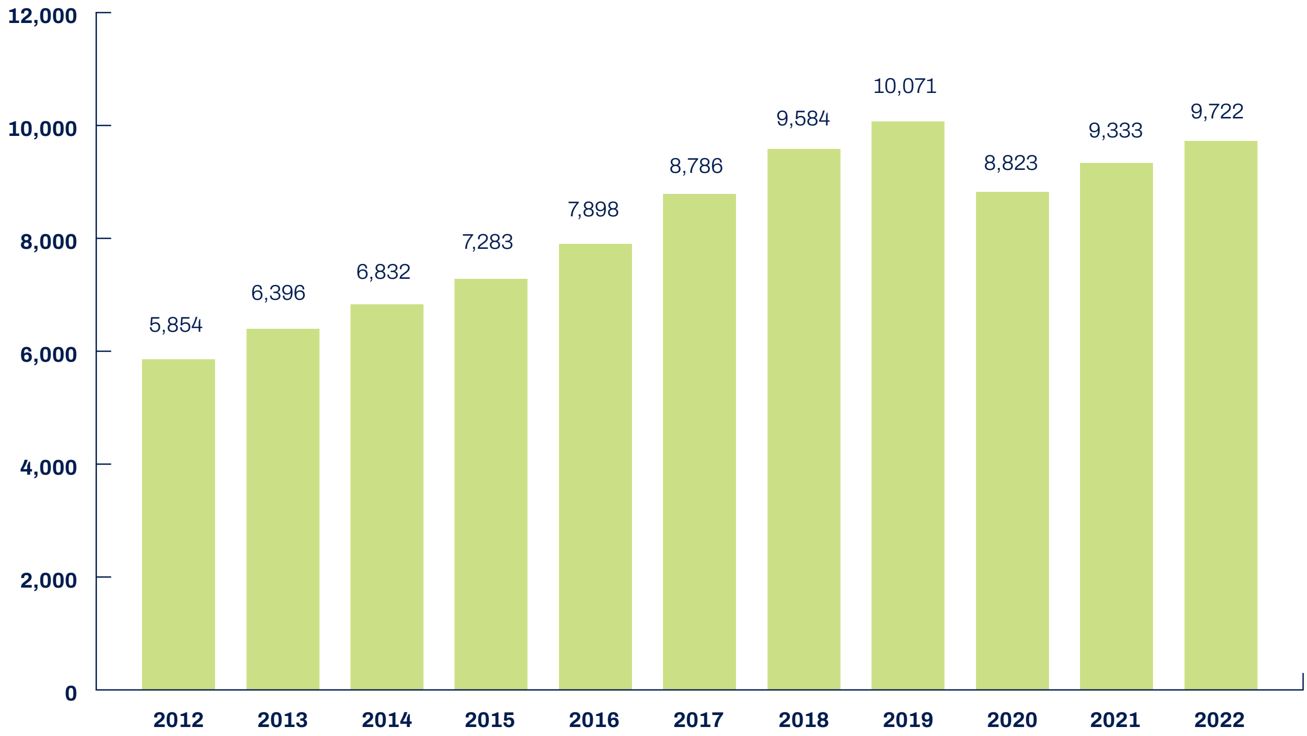
During the pandemic, sectors focused on the domestic market experienced significantly lower levels of economic activity in 2020 and 2021, with construction contracting by -12.5% in 2020 and by a further -3.2% in 2021. The construction industry then had a significant rebound in demand in 2022, which produced a bounce in output, but this was combined with a worldwide shortage of raw materials and the highest level of inflation experienced in Ireland in almost 50 years.

Real Gross Value Add (GVA) for the sector grew by +4.2% to €9.7 billion in 2022 and national accounts show that the official measure of construction investment, Gross Fixed Capital Formation (GFCF) in Building and Construction was valued by the Department of Finance at approximately €31.8 billion (in current prices) in 2022.

REAL GROWTH IN CONSTRUCTION GVA AT CONSTANT PRICES (CHAIN LINKED) 2012 - 2022

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
€ billion	5,854	6,396	6,832	7,283	7,898	8,786	9,584	10,071	8,823	9,333	9,722

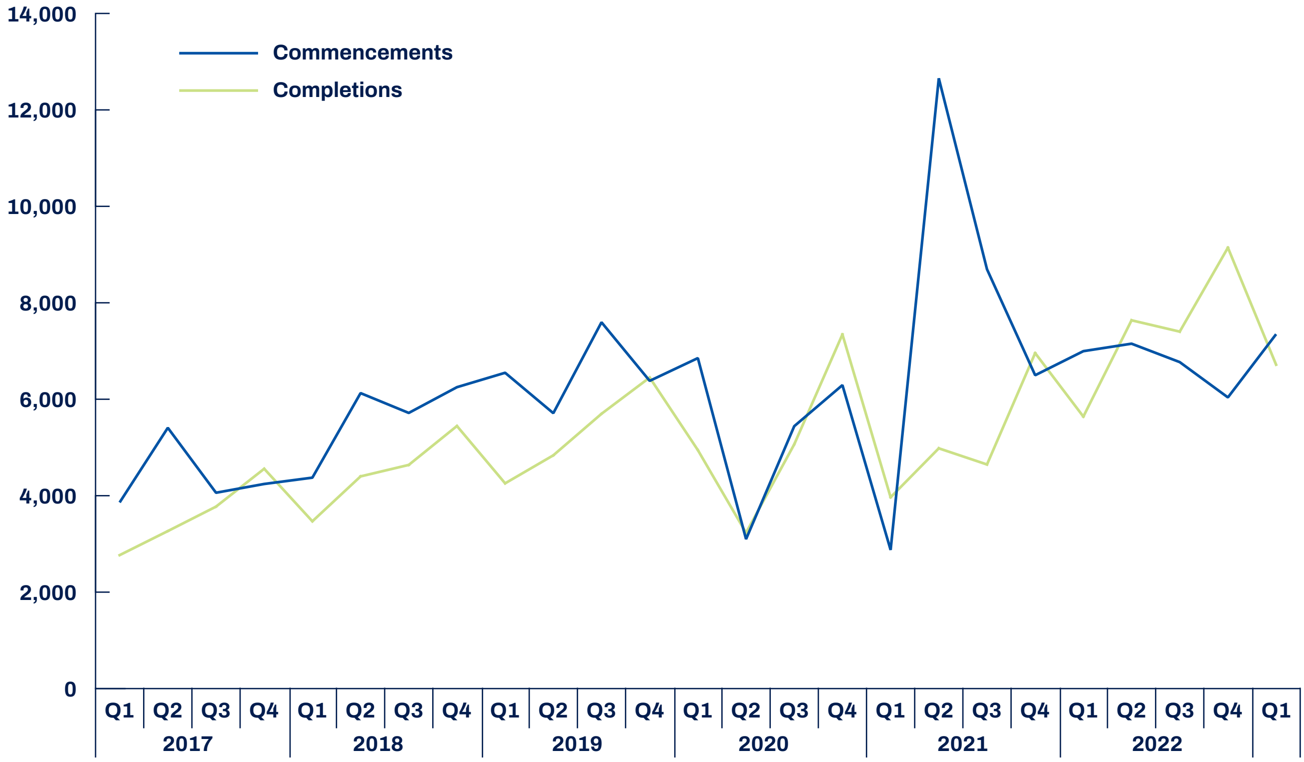
REAL GROWTH IN CONSTRUCTION GVA AT CONSTANT PRICES (CHAIN LINKED) 2012-2022



Source: CSO

Construction activity in 2022 was stronger than anticipated with housing completions for the year totalling 29,000. At the time of writing, housing commencements are up 7.4% in the first 5 months of 2023 compared to the same period in 2022. This is still significantly below medium-term requirements.

QUARTERLY HOUSEBUILDING ACTIVITY COMPARISONS



Source: CSO and Department of Housing, Local Government & Heritage

Construction activity in 2022 was stronger than anticipated with housing completions for the year totalling 29,000.

On the non-residential side, activity has not returned to pre-pandemic levels. The latest National Accounts data (2023 Q1) points to moderate growth of 3.7% year-on-year in the opening quarter of the year. The CIF's Economic Outlook survey data points to some improvement in the commercial sector and civil engineering sectors, with many member companies continuing to allocate resources to foreign markets. The forecast for non-residential building and construction is for a 2% growth per annum in 2024 and 2025. These projections are contingent on a pick-up in civil infrastructure projects forthcoming under the NDP.

For the sector in general EY / Euroconstruct estimates that construction investment increased by 9% in 2022, before growth is forecast to slow to 2.5% in 2023 and 4.1% in 2024.

Early data from the CSO's Quarterly National Accounts is very positive with growth of 8.7% in construction investment in 2023 Q1. This is reflective of stronger growth in residential completions in the first quarter of the year. However, growth in Machinery & Equipment continues to be the main driver of domestic investment growth in 2022 and 2023. Building and construction investment has not yet returned to pre-pandemic levels.

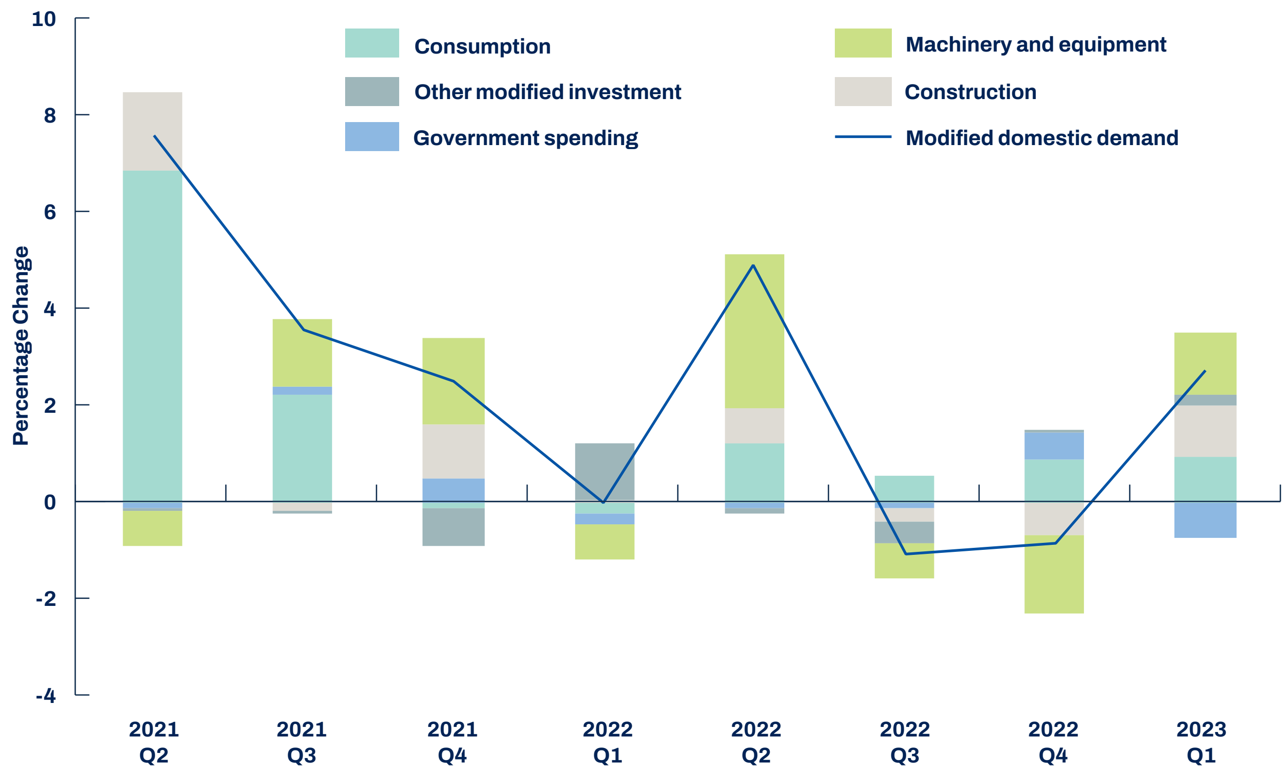
But with the economy now at full employment, it is more important than ever that budgetary policy continues to address the significant capacity constraints and deliverability issues, principally those in the planning and procurement systems.

Government has existing commitments under the Programme for Government, the Economic Recovery Plan, the Climate Action Plan, the National Development Plan, and initiatives including Housing for All, the National Digital Strategy, and the White Paper on Enterprise. To that end, CIF is confident that budgetary policy will prioritise implementation of all existing policies and programmes.

It is CIF's principal budgetary recommendation that Government investment in enhanced public sector capacity to deliver on the public capital investment programme would foster a more competitive and sustainable business environment for all, front-load mature public investment projects, promote greater private investment, and help to foster innovation across the wider economy.

Businesses operating in the construction sector face many challenges in the current environment relating to their productivity. The increased costs of regulation and finance across all aspects of life in Ireland, and at indigenous enterprise level, means that competitiveness is impacted.

QUARTERLY CONTRIBUTIONS TO MODIFIED INVESTMENT GROWTH



Source: Department of Finance / CSO

Employment

Public investment under the NDP 2030 will remain an important stabiliser for construction demand and employment. It is likely that additional employment is needed in the short term as the construction industry returns to pre pandemic growth levels.

While labour market capacity tends to be quite elastic in construction, short-term policy supports should be considered in the current geopolitical and economic environment that may minimise labour market exits and support the employer and employee.

A recent OECD report highlighted that Ireland lags EU leaders in lifelong learning. The report also raised concerns over Ireland's labour and skills gap. The report encouraged the Irish Government to tackle the skills shortage now and take additional steps to diversify the skills supply.

Investing in skills and maximising firm survival rates can be achieved through the introduction of training and business supports. Smaller construction companies are seeing increased costs associated with tending to the increasing volume of paperwork needed to tender and qualify for works in today's climate.

In addition, technology will be a key driver of growth across all sectors of the economy, and advances in digital are re-shaping the nature of work in the construction industry every day.

As highlighted by Government at its recent National Economic Dialogue on 12 June 2023, productivity growth across the economy is beginning to slow and the main driver of this slowdown is the increasing divergence between productivity and digitalisation driven by the cost of financing investments in intangible assets, especially for smaller firms.

There is evidence that access to technology is driving the productivity gap between small and large firms. This is a factor to consider for an industry comprised of majority small and medium sized enterprises such as construction.

Government has now predicted that the supply of available labour will expand more slowly than in the past.

Unemployment will remain at around 4% for the foreseeable, which effectively means that at full employment a unified approach that focuses on migration policy, labour activation policy and education and skills policy is needed to ensure continued productivity in the construction industry and the wider economy into the future.

Technology will be a key driver of growth across all sectors of the economy, and advances in digital are re-shaping the nature of work in the construction industry every day.

Public Capital Investment

The National Development Plan 2030 lies at the heart of building the infrastructure for Ireland and realising the goals of the National Planning Framework 'Project Ireland 2040', the over-arching planning policy for development across the country.

There is much reform and policy support required in areas such as procurement and planning to enable sustainable project delivery over the coming decade.

The €165 billion National Development Plan represents the most ambitious programme of public capital investment ever seen in Ireland. All stakeholders agree that Ireland's public infrastructure needs significant modernisation. Despite this fact there has been a significant degree of capital carryover since the NDP was first launched and this is symptomatic of a planning, procurement and delivery system under strain.

The provision of the capital carryover facility recognises that there are fundamental difficulties in the planning, procurement, and profiling of capital expenditure and this is a core focus of this budget submission.

Expenditure efficiency must improve, including for example enhancing implementation of infrastructure projects and the maintenance of public assets. More public investment in social and physical infrastructures calls for greater planning and spending efficiency.

Following recent publication of the ***Road Map for the first revision of the National Planning Framework***, an update to the demographic modelling using the final Census 2022 data to better underpin the population projections is most needed to prioritise investment in the years ahead.

Preliminary results from Census 2022, as published by the Central Statistics Office, show there are 5,149,139 people now living in the state. This represents an 8% increase in population from April 2016 and exceeds original NPF projections.

CAPITAL CARRYOVER PER ANNUM 2016 - 2022

€ million	2016	2017	2018	2019	2020	2021	2022
Capital Carryover	74	70	93	215	710	819	687
% share of total capital expenditure	1.9%	1.5%	1.5%	2.9%	7.2%	5.8%	6.3%

Source: Department of Public Expenditure, NDP Delivery & Reform

NATIONAL DEVELOPMENT PLAN AND ADDITIONAL CAPITAL, € BILLION

	2023	2024	2025	2026
NDP allocations	11.86	12.82	13.60	14.20
Additional capital from windfall receipts	_	0.25	0.75	1.25
Total available capital	11.86	13.07	14.35	15.45
Per cent of GNI*	4.2	4.4	4.6	4.7
Year-on-year growth	0.74	1.21	1.28	1.10
Year-on-year growth (per cent)	6.7	10.2	9.8	7.7

Source: Summer Economic Statement, July 2023

The industry also needs greater visibility of new capital expenditure under the NDP, and when this investment arrives at construction stage. The recommendations set out in this submission will go into greater detail on that front.

CIF is recommending that Government urgently addresses the capacity constraints facing public procuring and delivery bodies in preparing the budgetary measures. The biggest challenge to delivering on key infrastructure is under-investment in the people, processes and technology that support the planning system.

The *National Economic Dialogue 2023* highlighted the significance of Ireland's planning system in terms of the overall regulatory environment. It referenced the impact of planning delays arising from legal proceedings as a barrier to the timely delivery of essential infrastructure.

Investment in the Public Sector's professional capabilities and capacity to deliver infrastructure projects is essential to drive value through design quality, risk management and collaboration with the construction supply chain.

Earlier this year, the Department of Public Expenditure and Reform was renamed the Department of Public Expenditure, NDP Delivery and Reform. This goes some way to acknowledging and addressing the long-held position of the CIF that there should be a Department of the Built Environment, given the economic significance of the construction industry to this country.

The CIF welcomes and supports the initiatives introduced in March 2023 and looks forward to further engagement with the Department of Public Expenditure, NDP Delivery and Reform in relation to the planned outcomes:

1. Introduction of **Infrastructure Guidelines** to reduce the number of approval stages prior to implementation of projects from four to three.

2. Raising the **threshold for projects** to be considered major projects from €100m to €200m to allow projects to proceed more speedily through appraisal and evaluation.

3. A **new external assurance process** to be introduced for major projects and the Major Projects Advisory Group process at preliminary business case stage. This was a significant policy development to allow those departments that are responsible greater freedom to pursue delivering of priority projects.

4. Additional changes to the **Capital Works Management Framework** - e.g. including introduction of liability caps.

5. Minister **Donohoe to take a direct role in overseeing delivery of the NDP by chairing the Project Ireland 2040 Delivery Board**, which was to meet quarterly.

6. Capacity reviews of departments and agencies with significant delivery programmes to be carried out to ensure there are adequate resources in place.

7. **Direct reporting to Government on NDP delivery quarterly through 2023 and 2024** to also take place with an independent evaluation of NDP priorities and capacity being undertaken in 2023.

The biggest challenge to delivering on key infrastructure is under-investment in the people, processes and technology that support the planning system.

Competitiveness

Material and supply chain challenges will continue to impact on the competitiveness of the construction sector in 2024.

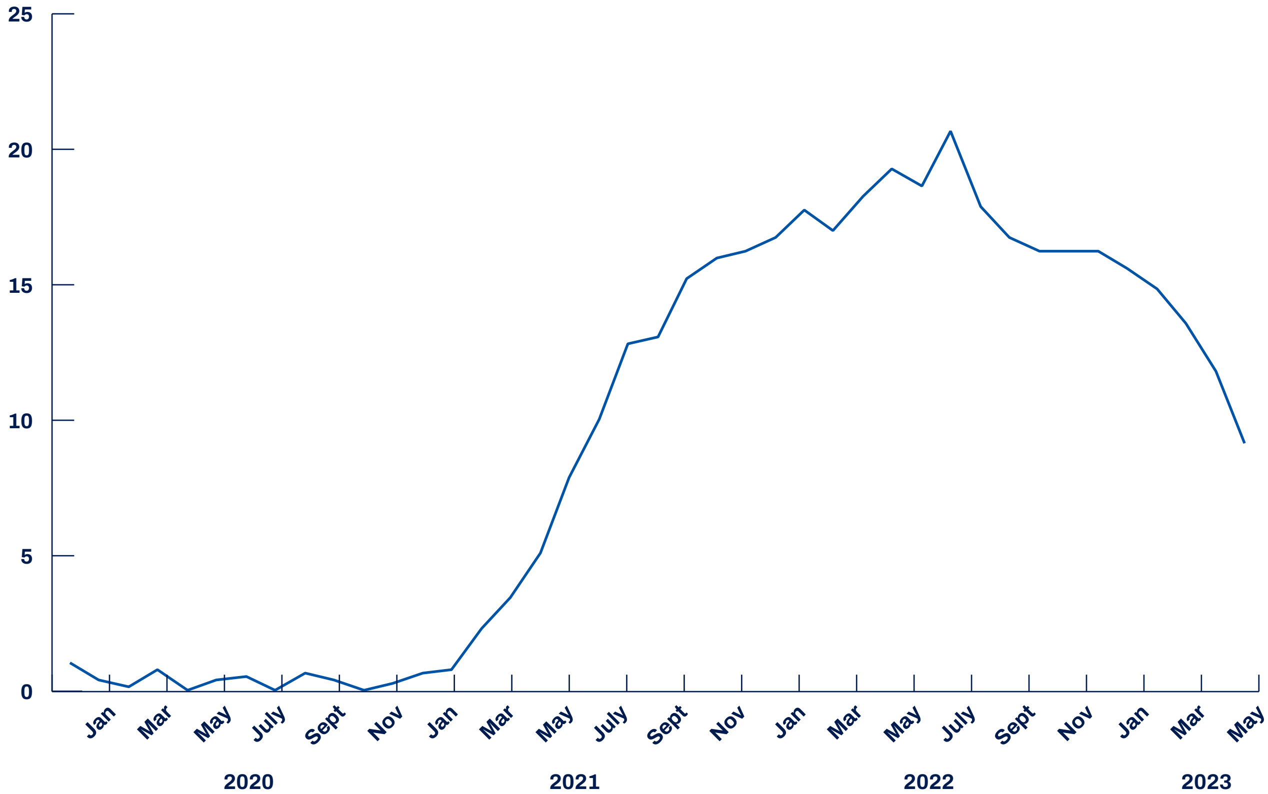
The high rate of inflation in Ireland since mid-2021 has been largely driven by external factors, such as the global supply chain disruption arising from the COVID-19 pandemic and the energy price shock of 2022 following the Russian invasion of Ukraine. This combined with supply chain disruptions and increased demand for non-energy goods post the pandemic brought about significant price pressures and exceptionally high rates of inflation.

Wholesale prices for construction products increased by 9.1% in the 12 months to the end of May 2023. However, double digit growth figures feature in many categories of construction materials with significant increase in materials such as steel, cement, concrete and plaster.

Supply chain challenges, while moderating, are set to continue because of global volatility. The duration of inflation and rising prices remains uncertain, but slower economic growth and diverging levels of inflation across European member states will remain for the foreseeable.

The ongoing and long-term effects of material inflation and supply chain disruption, points to the need for the NDP to be linked to the Whole Sale Price indices to protect both the taxpayer and the construction supply chain.

PERCENTAGE CHANGE OVER 12 MONTHS IN WHOLESALE PRICES FOR BUILDING & CONSTRUCTION MATERIALS



Source: CSO and Department of Housing, Local Government & Heritage

Supply chain challenges, while moderating, are set to continue because of global volatility. The duration of inflation and rising prices remains uncertain, but slower economic growth and diverging levels of inflation across European member states will remain for the foreseeable.

BUDGET 2024 RECOMMENDATIONS

THEME 1

Resourcing the Planning System

RECOMMENDATION 1

Increase Resources To An Bord Pleanála.

Adequate financial support must be provided to An Bord Pleanála to ensure the system is suitably supported, both in terms of head count and resources. The recent measures announced to improve resourcing at An Bord Pleanála will still not be able to address the backlog in planning applications that are needed to deliver housing and infrastructure needs over the coming months and years. A commitment from the Government should be made to continue to deliver the financial support and structural reform that the board requires.

Rationale

Whilst the recent resourcing commitments that have been made to An Bord Pleanála are welcomed, further measures are needed to address decision time frames. 2022 saw the case determination rate for An Bord Pleanála plunge to 25%. This compares to an average of 95% during the period 2018 – 2021.[1] The draft Planning and Development Bill as it stands calls for an increase in commissioner posts from the current 10 to 15, which is a step in the right direction. However, the CIF's submission to the consultation recommends that the commissioner posts should be increased to twenty. Resources have been based on inaccurate planning requirements, and there has since been a significant increase in the number of applications made.

An Bord Pleanála therefore needs a much-increased staff number and specialists to deal with this volume of applications and enable the Board to deliver decisions which will impact housing and infrastructure delivery. Multiple challenges have come before the High Court in recent years that relate to complex environmental considerations, and as such, we recommend that a qualified ecologist is appointed to one of the ordinary commissioner posts.[2] Dedicated funding must be provided to support the Board in delivering planning decisions to aid housing and infrastructure delivery.

RECOMMENDATION 2

Establish an Efficient Online Planning Portal.

Suitable funding is required to facilitate the national implementation of an online planning portal. This will enable all planning applications and supporting documents to be submitted digitally, encouraging faster planning processes and more efficient use of time (i.e., uploading relevant documentation, commenting on applications, plans being properly processed).

Rationale

This will develop an efficient, cost-effective way of submitting planning applications and reduce the added costs associated with a slow, bureaucratic, paper-based application process, which are all passed onto the end user. The inefficiency and uncertainty associated with the current system also disincentivises applicants.[4] Again, specific funding must be allocated by the Government to resource this.

1 McCutcheon Halley (2023), 'Draft Planning and Development Bill 2022 – Submission to the Joint Oireachtas Committee on Housing, Local Government and Heritage'.
2 McCutcheon Halley (2023), 'Draft Planning and Development Bill 2022 – Submission to the Joint Oireachtas Committee on Housing, Local Government and Heritage'.
4 EY (2020), 'Putting Affordability at the Heart of the Housing System'.

RECOMMENDATION 3

Increase Resources to the Planning System, Local Authorities and the Judiciary.

Rationale

There are significant capacity constraints in the planning system, outside of An Bord Pleanála, which are hindering deliverability of critical infrastructure projects.

The biggest challenge to delivering on key infrastructure is under-investment in the people, processes and technology that support our planning system. The Government urgently needs to increase investment in the system to ensure that the appropriate resources are allocated to support Ireland's ability to support FDI, economic growth, climate action, flood management, protecting our environment, biodiversity, and Housing for All.

Since the introduction of the Large-Scale Residential Development process and the Residential Land Tax mapping process considerable resources in the Planning Departments at Local Authority level are now required to manage the increases in workload. This is particularly the case in Local Authority areas that have a considerable volume of housing construction activity taking place. It is therefore imperative that extra resources are allocated to planning departments in Local Authorities to ensure a more streamlined decision-making process for housing delivery.

All parties agree that certainty in planning is needed to allow clients to programme in capital investment deliverability. Many planning decisions are legally more complex, which causes a delay in the decision-making process and associated costs. The legislative environment and volume of EU environmental and climate law means that planning is increasingly more complex.

The Irish planning system is not making decisions on critical infrastructural and housing projects in a timely and cost-effective manner, and while the new Planning & Development Bill is currently going through the Oireachtas, it is likely to be some time before it becomes an Act and is fully operational. In the meantime, the Local Authorities and the Courts need to be adequately resourced to deal with the mounting challenges to planning decisions that they must deal with.

THEME 2

Infrastructure and Regional Development

The National Development Plan is one of the most critical investment and counter-cyclical tools in the Government's economic arsenal to support economic development. However, the level of investment through the NDP needs to be kept aligned to the following key recommendations:

RECOMMENDATION 1

The Assessment of a Transport Solution must be Solely Based on Sound Technical and Economic Criteria in the Context of what is Achievable in Real Terms.

Rationale

The growth of the Irish economy is highly dependent on the mobility of goods, services and people around the country. The Government's own National Investment Framework for Transport in Ireland states that transport networks between cities, towns, communities, ports, airports and businesses are critical to economic productivity and prosperity. This includes the construction and maintenance of roads. The assessment of a transport solution must be solely based on sound technical and economic criteria in the context of what is achievable in real terms.

RECOMMENDATION 2

Consider the Whole Life Cycle Value (WLCV) of Projects to Achieve Climate Action Goals.

Rationale

Addressing climate action through sustainability initiatives and public green procurement will require the use of low carbon products and innovative technologies. In the short to medium term, they are likely to be more expensive and therefore lead to increased capital costs of projects. However, the Government must consider the Whole Life Cycle Value (WLCV) of projects to achieve its climate actions goals and support housing growth through the construction of essential infrastructure by maintaining the required level of investment in the NDP.

Whole Life Cycle Value:

- The total value of an asset over its entire life, including its economic, environmental, and social benefits.
- It takes into account the intangible benefits of an infrastructure asset, such as its impact on economic growth, environmental sustainability, and social equity.
- It can be used to make decisions about which infrastructure options will provide the greatest overall value to society.

RECOMMENDATION 3

Invest in the Digitalisation of all Projects Under the NDP so that they are located on one Database and can be Reported in Real Time.

Rationale

The industry needs greater visibility of new capital expenditure under the NDP and when this investment arrives at construction stage. The Government should invest in the digitalisation of all projects under the NDP so that they are located on one database and can be reported in real time. This digitalisation process will also support whole life-cycle budgeting and carbon budgeting, critical to achieving our climate goals.

RECOMMENDATION 4

Maintain Upfront Investment in the Design and Planning Phases of all Critical Infrastructure Projects Planned for the Next Decade.

Rationale

The Government must maintain upfront investment in the design and planning phases of critical infrastructural projects to ensure that there is a clear pipeline of construction ready projects to support investment by the construction industry in their people, processes, and technology.

This is also of great importance to MMC manufacturers, in particular those operating in the 3D modular space. This knowledge will allow companies to secure funding and plan for the development of capacity.

Government investment in enhanced public sector capacity to deliver on the public capital investment programme would foster a more competitive business environment for all, front-load mature public investment projects, promote greater private investment, and help to foster innovation across the wider economy.

RECOMMENDATION 5

Invest in the Public Sector's Professional Capability and Capacity to Deliver Infrastructure Projects, including Forward Planning for All.

Rationale

Investment in the Public Sector's professional capability and capacity to deliver infrastructural projects is essential to drive taxpayer value through design quality, risk management, collaboration and engagement with the construction supply chain.

RECOMMENDATION 6

The Office of Government Procurement should be Effectively Resourced to Implement the Necessary Reforms of the Construction Works Management Framework so that Public Works become a More Commercially Attractive and Competitive Opportunity for Irish Contractors.

Rationale

The Office of Government Procurement should be effectively resourced to implement the necessary reforms of the Construction Works Management Framework so that public works become a more commercially attractive and competitive opportunity for Irish contractors. These reforms are necessary to ensure value for money through quality in award and whole life-cycle costing. The concept of lowest price should be restricted to low value and low complexity projects which are 100% designed and all risks accounted for. Furthermore, all parties to the contract should be incentivised to work collaboratively and avoid unnecessary costs resulting from disputes, which will ensure the investment in the NDP goes further for the taxpayer.

RECOMMENDATION 7

The Office of Government Procurement should be Effectively Resourced to Support the Development of a Delivery Model for Modern Methods of Construction that Considers the Business Process Cycle with Front Loading for Procurement and Vesting Linked Funding Models

Rationale

Modern Methods of Construction are innovative and operate outside of the status quo of current procurement practices for e.g. the requirement for payment of upfront costs that may require vesting by contracting authorities. A suite of documents that allow contracting authorities to proceed with confidence in procuring MMC infrastructure will simplify the process for all parties involved. This should include the development of a standarised procurement pack with frameworks and pre-construction services agreements that align to allow collaboration between all parties.

RECOMMENDATION 8

Introduce New Enterprise Grants and Low-Cost Finance to Stimulate Capital Investment for Modern Methods of Construction and Support Growth in Capactity and Job Creation Particularily in Regional Areas

Rationale

While there are MMC manufacturing facilities within Dublin and the Greater Dublin area; the nature of the manufacturing lends itself to being situated in regional areas. The formation of jobs in these areas due to the development of further construction capacity can support the objectives of the National Development Plan – Project 2040 and the National Planning Framework and drive employment and further development in urban and rural settings regionally.

RECOMMENDATION 9

Fund the Establishment of Platform-Based Designs to Allow the MMC Supply Chain to Calibrate their Offering in a Standardised Approach and Generate Efficiencies from Scale.

Rationale

Where appropriate, designs should be developed from the outset that lend themselves to both modular and traditional forms of construction to allow for the development of capacity in the industry. This is particularly the case where speed of delivery is of the utmost importance for the good of the citizens of Ireland and where modular construction is the obvious choice. Contracting authorities and buyers need to be supported to deliver appropriate design development and information management, with a design for manufacture and assembly enabled process.

RECOMMENDATION 10

Invest in the Support of Effectively Resourced Building Control Authorities.

Rationale

To protect the environment, deliver on climate action and protect public safety and community welfare, the Government needs to invest heavily in supporting effectively resourced Building Control Authorities that have the necessary number of inspectors and digital systems to ensure compliance with the regulations.

RECOMMENDATION 11

Establish a National Utilities Commission with Mapping Capacity (e.g. Water, Waste and Electricity).

Specific funding should be allocated to establish a National Utilities Commission with mapping capacity (e.g. water, waste and electricity). This would work in tandem with the Development Plan Process, focusing on infrastructure delivery via a 'plan led' system, rather than the existing 'demand led' system. The Commission should run on a ten-year cycle in line with local development plans and connect with planning applications. This would facilitate pre-planned infrastructure delivery as well as unlocking future development sites.

Rationale

This would encourage streamlined infrastructure delivery which would enable long-term infrastructure planning. Allocating specific funding to this Commission would start this process which is urgently needed to unlock further development across Ireland.

RECOMMENDATION 12

Introduce a 1% Levy on the Sale of Second-Hand House Sales to Help Fund Residential Enabling Infrastructure.

A 1% levy on the sale of second-hand house sales should be introduced as a mechanism to apply the costs of the delivery of infrastructure to the whole of the community. Currently development charges, water connection charges and infrastructural upgrades are paid for by the purchasers of new homes even though the wider community may benefit from these infrastructure upgrades. An example includes the Section 49 levies imposed on new homes to pay for the LUAS - an infrastructure that existing/second hand home sales benefit from.

While welcoming the recent announcement of the Development Contribution Scheme waiver and the water connection rebate scheme there are still significant infrastructure costs borne by the purchasers of new homes. We are confident that these reductions in delivery costs will achieve the goal of greater supply as more housing developments will pass the funding viability test. Reducing the cost of housing supply further by applying the cost of infrastructure to second hand home sales will increase the amount of funding available for the provision of infrastructure and will be a fairer mechanism.

Rationale

This will raise funds to support infrastructure delivery across the country. It will help to address the current imbalance where new property purchases are in effect penalised because of the high infrastructure delivery costs that are added to new homes, ultimately impacting the purchaser.

RECOMMENDATION 13

Introduce a Long-Term Infrastructure Plan System for Enabling Infrastruture to Match the Ten-Year Development Plan Process Proposed Under the Draft Planning and Development Bill.

Increased housing supply must be implemented in tandem with long-term infrastructure provision on a predictive basis. This should be introduced in accordance with the national development management framework and census results.

Rationale

Recent legislative proposals, such as the Draft Planning and Development Bill, emphasise a shift towards a longer-term planning system, with ten-year development plans being proposed. Provision of infrastructure should follow the same process. A long-term infrastructure plan system will require annual funding dedicated to infrastructure development and extension.

RECOMMENDATION 14

Continue to Support the Housing Infrastructure Services Company to Service Lands.

Continue to support the Housing Infrastructure Services Company to service lands. The CIF welcomes the introduction of HISCo, which offers 'design-build-finance' for on and off-site infrastructure supporting residential development. This is a national scheme which works by way of recovering investment through an infrastructure fee which is deducted from the proceeds of the sale/first lease of each unit.

Rationale

These schemes assist with project viability, offering the opportunity for large scale developments to go ahead where they may otherwise have been considered unviable.

The CIF welcomes the introduction of HISCo, which offers 'design-build-finance' for on and off-site infrastructure supporting residential development.

RECOMMENDATION 15

Defer the Introduction of the Proposed Concrete Levy for a Minimum of up to Two Years.

Rationale

The proposed concrete levy places serious downside risks on construction material costs and the delivery of the necessary infrastructure under the NDP which is essential for the delivery of Housing for All targets.

Concrete is a core building material vital to infrastructure projects including housing, water treatment plants, energy generation, hospitals, schools, active travel, bus connects and FDI facilities . For example, the recent KPMG Report states that 85% of the levy will apply to sales of ready mixed concrete which is essential in the delivery of these projects. This is a totally different product to concrete blocks and is unrelated to the incidence and damage caused by extremely poor manufacturing and supply of defective products into the industry, contrary to The Sale of Goods and Services Act 1980.

Unfortunately, the industry is continuing to experience significant cost inflation and the proposed concrete levy of 5% due to come into effect in September is likely to make many important public infrastructural and residential projects unviable. For example, cement has already risen by 43% over the last two years with the most recent increase in April. A further 5% levy would result in an overall increase of close to 50% over the past two years. The proposed 5% levy according to the KPMG report will lead to a cost increase of €5,250 to the construction of a typical wind turbine or €1,285 to the cost of 3-bed semi-detached home. When scaled up to the objectives of the NDP, these figures are enormous with an additional €297 million (ref. KPMG report) added to Housing for All.

Unfortunately, the taxpayer, first time buyer, public and private clients will ultimately pay the cost of this and the potential budgetary revenue from the measure is unlikely to be realised.

THEME 3

Residential Supply

RECOMMENDATION 1:

Extend the Help to Buy Scheme.

The Help to Buy Scheme has been a welcome initiative for first-time buyers securing their first home and has helped to bridge the gap between the price of new homes. The extension of the scheme, alongside the First Homes Scheme would maximise owner occupation for first time buyers. The announcement for 2023's budget to extend the scheme to December 2024 was welcomed, however, it is recommended that the scheme is extended until December 2027 to encourage maximum uptake, particularly at a time when residential property prices are high due to building material costs.

The extension of the scheme is vital in supporting home ownership throughout the country after the prolonged impacts of the Ukraine War, the Covid 19 pandemic and the rising cost of inflation.

Rationale

The Help to Buy scheme, in conjunction with the First Home scheme, which was launched in June 2022, provides certainty to new home purchasers, and has become extremely important since house prices started to accelerate during Covid 19 and since the escalation in construction inflation in 2022 to date.

The Help to Buy scheme is a tax relief measure to aid those saving for a deposit and has facilitated 38,924 successful applications[3]. Stability in major aspects of public policy is vital in the current market cycle. Most of those availing of the scheme may have struggled or not been able to purchase a house without Help to Buy and therefore the scheme has aided supply to a constrained market.

All of these exceptional macro-economic factors have caused a sharp spike in the costs of housing delivery and are unlikely to change in the medium term. As home ownership rates continue to fall in Ireland[4] it is vital that young people in Ireland attempting to secure their own home continue to be facilitated with this tax relief scheme. A strong signal must be given to those that have begun saving for a deposit for their own home that the scheme will be in place once the time comes for them to purchase their own home. There are considerable advantages to the scheme with little or no evidence of any inflationary impact[5] but with significant advantages to the state by ensuring that a considerable number of people do not have to rely on other ongoing state supports for their housing needs. It may take several years to save for a deposit and it takes several years for housebuilders making investment decisions to deliver housing. It is therefore vital that certainty is given beyond the current short time frames (the scheme is currently due to expire in December 2025) for both new home purchasers and for housebuilders.

3 Revenue (2023), 'Help to Buy Incentive Statistics', https://www.revenue.ie/en/corporate/documents/statistics/tax-expenditures/help-to-buy-stats.pdf

4 https://www.esri.ie/publications/housing-affordability-ireland-in-a-cross-country-context

5 https://assets.gov.ie/235748/3b8ca22f-969c-40ab-a278-08583d533b48.pdf

RECOMMENDATION 2

Reform the Residential Zoned Land Tax and Land Value Sharing Measures Which Otherwise Will Result in an Increase in the Costs of Housing Delivery.

Following on from the above, recent land taxation measures announced, including the Residential Zoned Land Tax (RZLT) and the Land Value Sharing (LVS) proposals, need to be reassessed. For the Residential Zoned Land amendments need to be made in the Finance Act to ensure that there is no additional taxation on active builders attempting to build homes on lands they own. As detailed in the IHBA letter to the Department of Housing (09/02/23) there are many circumstances where builders may be subject to the 3% RZLT despite being delayed from commencing due to factors outside the control of the builder. There are a range of issues in relation to the RZLT being applied which will only result in an increase in the costs of housing delivery including:

- Phased housing developments,
- Access to infrastructure,
- Capacity constraints in settlement caps or infrastructural caps,
- Planning or legal delays,
- Viability issues,
- Definition of serviced or serviceable lands.

The above are an outline of some of the areas where the RZLT will only increase the costs of delivery and not assist in the activation of zoned lands.

The Land Value Sharing proposal, as recently announced in the General Scheme of the Land Value Sharing and Urban Development Zone Bill, is another land tax that will simply add to the cost of delivery and fails to recognise the significant land capture already in place from the zoning of lands. The proposal applied to lands already zoned and purchased in some instances. The current proposal also applies following the grant of planning and is simply another tax on housing output. The proposal fails to acknowledge the extensive land capture mechanisms already in place including Development Charges, (Section 48 and 49), Water Connection Charges, Infrastructural upgrades, Part V, VAT and CGT.

Rationale

The unintended consequences of these measures could have a significant impact on homebuilding at a time when housing delivery is so important. They are only increasing the cost of housing delivery at a time when it is vitally important for stability in housing costs. The RZLT needs to be reformed as outlined in this submission and in our various submissions to the Department of Housing and Department of Finance. The LVS proposal needs to be paused.

RECOMMENDATION 3

Introduce a Targeted Tax Incentive Scheme to Encourage Development of Brownfield / Town Centre Sites Including the Restoration of Vacant, Derelict and Unused Buildings for Residential Purposes.

Whilst the CIF welcomes the introduction of the recent Vacant Homes Action Plan 2023 – 2026 and the extended Vacant Property Refurbishment Grant, a tax incentive scheme should be targeted to encourage the restoration of vacant, derelict and unused buildings for residential purposes.

Qualifying criteria would need to apply to the time period that the property was vacant for, the individual/ company that can avail of the scheme and eligible criteria. Deductions would apply over for example a 10-year period.

In tandem with this, changes to taxation measures for smaller landlords should be introduced along with an appropriate minimum standard for compliance purposes with the essential Building and Fire Regulations.

Rationale

This would be a sustainable development initiative which would allow for the refurbishment of vacant and derelict buildings which affect communities across Ireland. It would offer an additional source of accommodation quickly in centres with significant infrastructure provision in place; these restored buildings could be used to provide much needed supply for the expanding population as well to accommodate refugees. Given the targeted locations for this scheme, it would generate significant environmental and social benefits, and deliver an overall win-win situation for local economies.

RECOMMENDATION 4

Treat the Rental Income of Small-Scale Landlords as a Separate Tax Class on a Comparable Basis to Real Estate Investment Trusts.

The private rental sector (PRS) has been affected by a mass exodus of landlords vacating the market. To address this, the rental income of small-scale private landlords should be treated as a separate class of tax. This could work by way of landlords paying tax on their rental income at the standard income tax rate of 20% (i.e., a maximum of 32% including PRSI and USC).

Rationale

The exodus of small-scale landlords from the private rented sector is impacting the supply of affordable rented accommodation in many locations where there is an absence of the large scale 'Build to Rent' accommodation. This measure also aligns with the sustainable initiative for the regeneration of derelict, vacant and underutilised buildings in cities, towns, and village centres, as such buildings can only accommodate smaller numbers of residential units. Incentivising the PRS will encourage a range of housing options to be provided and help address supply issues.

RECOMMENDATION 5

Review the VAT Rate of 13.5% and Overall Taxation on New Residential Development.

The recently introduced EU VAT Directive should be examined to investigate if housing could be deemed to fall within the scope of application of the super reduced rate of VAT between 0% and 5% (allowed for within the directive). A reduction in the VAT rate of 13.5% (and other taxes) is a vital action that could have a significant impact on housing delivery, particularly in helping the end purchaser (the high tax rate is ultimately passed on to the end user, in this case, the home-owner).

Rationale

We note the recent announcements by the Department of Housing, Local Government and Heritage introducing various measures, including waivers on development contributions and water charges rebates, which will take effect to address the high costs of delivery that the industry faces. These changes are very much appreciated but in order to deliver high scale housing that is required, further measures are needed.

This recommendation is seen as one measure to address the increasingly serious affordability issues for housing, which are being further exacerbated by the recent extraordinary production cost and regulatory increases. If this VAT reduction was to be introduced, its success would require the introduction of the other proposals to increase supply. This measure could be assessed in the context of a detailed review of all aspects of the regulatory system that impacts delivery in the built environment. Other countries, including the UK, allow a reduced VAT rate on the construction of apartments. This helps address viability concerns with apartment delivery and would subsequently aid with density and compact growth concerns, as well as delivering a range of housing types.

RECOMMENDATION 6

All Current and Future Proposed Taxation, Legislative and Regulatory Measures Should Be Subject to an Economic Impact Assessment, a Cost Benefit Analysis, or a Regulatory Impact Analysis to Ensure They Do Not Increase Development and Construction Costs.

The recent publication of the Residential Construction Cost Study Report in May 2023 is welcome, providing a useful insight into hard costs associated with construction. A further cost review of 'soft costs' would be welcomed, providing additional insight into the high cost of delivery of housing in Ireland.

This therefore does not provide a rounded assessment of the real cost of construction. As such, all current and future proposed taxation, legislative and regulatory measures should be subject to an economic impact assessment, a cost benefit analysis, or a regulatory impact analysis to ensure they do not increase development and construction costs.

The CIF also calls for suitable time periods for stakeholder engagement on industry measures to ensure proper considered review of proposed policies and legislation.

Rationale

Due to the unprecedented increase in the cost of development and construction in recent years, any further regulatory or tax measures need to be rigorously assessed to ascertain their intended and unintended consequences. Moreover, there should be no tax measures imposed on lands that are under development or lands that are inhibited from development due to infrastructural constraints, which are not within the developer's control as they would simply increase the cost of residential delivery.

RECOMMENDATION 7

Consider Cost Reduction Measures or Incentivisation For Development Costs that apply to Redevelopment of Brownfield Development Sites.

The redevelopment of brownfield sites offers a sustainable approach to housing provision, however, due to the nature of these sites, they can be costly to redevelop, often making them an unviable option for many homebuilders. At present, there are no fiscal measures in place to alleviate these viability pressures, whereas other countries across Europe, including the UK, have taxation measures in place to incentivise redevelopment of these areas.

The Government should consider cost reduction measures on taxation rates that apply to redevelopment of sites. For example, costs incurred relating to decontamination. Redevelopment of brownfield sites is referenced in the recently published Sustainable and Compact Settlement Guidelines for Planning Authorities; fiscal policy needs to aid implementation of the development of brownfield sites.

Rationale

Financial incentives will assist with the delivery of housing in locations that would otherwise not be an option. This will offer sustainable housing solutions but can only be delivered if suitable financial support is in place to aid delivery and incentivise demand.

RECOMMENDATION 8

Introduce a Targeted Scheme Whereby Eligible Expenditure on the Purchase of a New Apartment Would Be Allowed a Deduction Against PAYE Over for example a 10 Year Period for Private Purchasers And Investors in High Density Residential Developments.

Consideration should be given to the introduction of a targeted scheme whereby eligible expenditure on the purchase of a new apartment would be allowed as a deduction against PAYE over 10 years for private purchasers and investors (small-scale landlords) in high density residential developments. This could occur in designated areas identified by local authorities. The scheme could apply up to a set maximum number of apartment purchases by one individual.

Rationale

This suggestion would support the delivery of compact growth, sustainable development patterns and taxation structures. As mentioned, many apartment schemes are considered unviable due to construction cost inflation and a scheme to facilitate easier purchase of such properties would encourage more purchasers.

RECOMMENDATION 9:

Encourage the Conversion of Redundant Commercial Office Space to Residential Use.

The Covid 19 pandemic and the shift towards hybrid working means that there is an increase in redundant office space in locations across Ireland. An initiative should be introduced to encourage conversion of redundant office space to residential use. This could be facilitated through a 'Change of Use' system, similar to that adopted by the UK, for example, a pre-lodgement validation check rather than a full planning application required to convert such properties to residential use.

We understand that the Housing Minister has referenced these methods to convert office buildings and would like to emphasise the benefit this would have in addressing the current housing shortfall.

Furthermore, taxation incentives should be considered where a site is bought for development of non-residential to residential. This could be in the form of a full stamp duty refund.

Rationale

Using pre-lodgement validation checks rather than having to apply for full planning application to convert these spaces will make the process quicker, as well as incentivising people to convert spaces where they may previously have been discouraged from doing so because of the lengthy planning process involved. This would also assist in providing much-needed housing and utilising existing spaces, which is more sustainable.

Taxation incentives to re-develop sites from non-residential to residential will encourage the redevelopment of redundant sites that may otherwise be too costly and unviable to develop.

RECOMMENDATION 10

The Cost Rental, Project Tosaigh And Croí Conaithe City Schemes Should Be Monitored on an Ongoing Basis to Ensure they are Practical and Functionable in Achieving the Goals of an Increase in Supply, Apartment Construction Viability and Appropriately Priced Rents.

Apartment viability has been a significant and sustained challenge over recent years, resultant from high material cost increases. The rise in interest rates has also impacted international institutional investment in the private rental sector. Various initiatives relating to Cost Rental Schemes are being considered, including those for approved housing bodies, institutional investors and the Land Development Agency.

Rationale

The CIF very much supports these initiatives which we believe will address apartment scheme viability concerns, at the same time delivering cost rental apartment schemes at a significant scale for the first time in Ireland. This will benefit the country from an economic and societal perspective, with high numbers of apartments being delivered in urban areas. The Cost Rental, Project Tosaigh and Croí Conaithe City schemes should be monitored on an ongoing basis to ensure they are practical and functionable in achieving the goals of an increase in supply, apartment construction viability and appropriately priced rents.

RECOMMENDATION 11

Extend the Recent Development Contribution Scheme Waivers and Water Rebate Schemes.

The recent announcement by Government of the temporary development contribution scheme waivers and water charges rebate are welcome. These have counteracted some of the extraordinary inflationary pressures on housing delivery costs in recent years and should be extended as cost reduction measures that assist with housing supply.

Rationale

Since the waiver and rebate scheme were announced, housing commencements have increased in May and June to 5,633 (based on BCMS Commencement Statistics released in July 2023). This increase in housing output, that has been influenced by the reduction in soft costs, highlights the impact that these costs have on housing supply. We therefore request that these reductions in soft costs are continued.

THEME 4

Sustainability

RECOMMENDATION 1

Introduce an Accelerated Capital Allowance for New and Sustainable Construction Machinery and Equipment.

Rationale

For the last number of years, the UK has operated an accelerated capital allowance which is an incentive to buy machinery which would be beneficial for the construction sector including integral features that feature in a building or other long-life assets. This could be delivered under the green agenda with the incentives to buy environmentally sustainable and more efficient machinery and equipment.

In the UK situation, both the super deduction and special rate allowance give businesses investing in qualifying equipment a much higher tax deduction in the tax year of purchase than would otherwise normally occur – a 'first year allowance' (FYA).

These allowances are available alongside the ongoing Annual Investment Allowance (AIA) which already gives 100% relief for costs of qualifying plant and machinery in the tax year of purchase.

RECOMMENDATION 2

Subsidise the Production of Alternative Fuels Such HVO.

Rationale

Alternative fuels are those fuels or power sources which serve, at least partly, as a substitute for fossil oil sources in the transport sector. According to the European Commission's 2050 Long-term Climate Strategy, there is no single fuel solution for the future of low-emission mobility - all main alternative fuel options are likely to be required, but to a different extent in each of the transport modes.

Subsidising the production of alternative fuels such as HVO will help to make them economically viable to procure on construction projects. Furthermore, investment in the development of processing/manufacturing plants that increase the availability of these fuels through tax incentives and subsidies should be supported.

RECOMMENDATION 3

Provide Incentives Which Make Low-Carbon Products More Economically Viable to Procure over Traditional Products.

Rationale

Some EU countries are developing tax incentives for procuring low-embodied carbon construction materials. Denmark attempted to launch a tax deduction of up to 25% for the purchase of low-embodied carbon materials in last year's budget but the scheme was ultimately scrapped after a few months. The incentives are designed to make low-embodied carbon materials more affordable and to encourage their use in construction projects. Despite the failure of the scheme, the Danish government is committed to incentivising low-embodied carbon products and is considering other options. We recommend that the Irish government consider how best to encourage the use of low-embodied materials through a number of options, such as tax credits, tax deductions or tax rebates.

RECOMMENDATION 4

Invest in the Provision of ESB Electrical Power Satellite Stations That Can Be Used During Construction to Power Up Electrically Powered Plant Vehicles.

Rationale

Development sites typically have inadequate electricity for the electrification of construction equipment and site compounds. This makes it difficult for contractors to meet their Scope 1 & 2 carbon reduction commitments, as fossil fuels will be needed to fuel heavy equipment and power on-site generators.

ESB Networks must be enabled to provide temporary substations to provide this power until new infrastructure is built and commissioned. Skid-mounted prefabricated or temporary substations should be made available during site enablement works to facilitate the decarbonisation of construction operations. Elimination of fossil fuel use on site will also help to improve local air and noise quality.

RECOMMENDATION 5

Support a Construction Circular Economy by Providing Investment Support for the Development of a Construction By-Product Recycling Industry.

Rationale

Support must be provided to fast-track the development of the CBP recycling industry. Denmark has one of the highest CBP recycling rates in the world at 95%. This has been enabled by prudent government support over many years. Funding should be provided to assist the industry with investment in recycling equipment, in education and R&D.

RECOMMENDATION 6

Invest in the Necessary Alignment of Government Agencies such as the NSAI, EPA and other Relevant Authorities to Support a Standardised Certification and Inspection Process to Allow Construction By-Products to be Re-Used in Construction and as Close To Source as Possible.

Rationale

Planning and local authorities should work together and put in a common policy to support on-site recycling of materials such as crushed concrete to reduce unnecessary transport alongside the additional costs and emissions.

There needs to be strengthening and increased resourcing of the current legislation and standards approval processes to facilitate the reuse of many materials and by-products.

A successful circular economy is only possible with this.

RECOMMENDATION 7

Invest in the Development of a State Testing Facility for Construction to Develop New Products, in Particular Products Made From Construction By-Products.

Rationale

Work needs to be done to create a culture of trust with secondary materials (i.e., crushed concrete). This can be done by introducing more effective standards and traceability systems, supporting and motivating the client and their designers to specify them on projects. These are key stakeholders in the circular economy and the NSAI has an important role. The construction sector must have the standards and traceability systems to support this philosophy. Ireland's testing, standardisation, certification and inspection regime needs to be centralised, resourced and funded appropriately.

RECOMMENDATION 8

Fund the Alignment of the Required Standards To Support MMC, Removing Barriers to Entry but Demanding a Golden Thread of Technical Compliance Data.

Rationale

Recommend the establishment and certification of a dedicated test bed for structural, fire, acoustic, thermal and modular assemblies, including prototypes, based in Ireland, to meet current and future needs.

RECOMMENDATION 9:

Allow Tax Credits for Research and Innovation Within Construction Companies Independent of Scale. These Credits Can Support Companies that are Actively Pursuing Modern Methods of Construction (MMC), Including Off-Site Fabrication, Modular Construction, the use of Advanced Materials and Developing Management Processes to Encourage Maximum Efficiency of Labour And Materials.

Rationale

Much higher levels of MMC will need to be implemented in the future to meet sustainability and productivity goals. To encourage adoption, Government support for companies, especially small enterprises, will help to speedily transform the sector.

RECOMMENDATION 10

Remove the BIK on All-Electric Vehicles used in the Construction Sector.

Extended Rationale for Sustainability Recommendations

The move to reduce embodied carbon in both construction materials and processes will require the procurement of more innovative design services, materials, technology, and skills. This will ultimately lead to an increase in capital costs for the narrow construction phase but much more significant cost reductions, including lower carbon emission for the lifetime of the built asset. Therefore, the Government has a significant opportunity to support investment in the above recommendations.

The use of recycled materials and components in construction projects is limited by the requirements of Articles 27 By-Product & 28 End-of-Waste for the European Waste Framework Directive and by concerns about the quality of recycled materials and components. These challenges must be addressed to increase the use of recycled materials and components in construction. There needs to be more primary legislation for designers and specifiers to encourage circularity and penalties and incentives to encourage circularity.

In Ireland, all materials removed from a construction site are considered waste. To reuse this material, it must be reclassified as a product. This is done by applying for End of Waste status, which is a process that takes at least eight weeks but has been taking over a year in some cases. Only three applications for End of Waste status for crushed concrete were processed in 2021.

The use of recycled aggregates in Civil Engineering applications is limited by the requirement that they not come into contact with groundwater or surface water. However, any external application will necessarily come into contact with these fluids. Additionally, recycled aggregates cannot be used in roads within 10 meters of a watercourse or drain. As nearly all roads are within this distance of a watercourse or drain, these restrictions effectively exclude the use of recycled aggregates in Civil Engineering applications.

The NSAI and the EPA should align their strategies to support standards, certification, testing and inspection of construction by-products to support their use in construction.

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THEME 5

Cultivating People, Skills and Capacity

RECOMMENDATION 1

Protect the SEO Process, Including Amending Legislation if Necessary.

Rationale

The importance of protecting the mechanism for setting pay and terms and conditions of employment for construction workers is essential in ensuring that projects are not delayed due to industrial relations difficulties. The current SEO, which sets pay and conditions for approximately 65,000 construction workers is currently under threat. The Government should do all in its power to protect the SEO process, including amending the legislation if necessary.

RECOMMENDATION 2

Implement the Recommendations Emanating From the National Training Fund Advisory Group (NTFAG) Regarding the Current (and Growing) Surplus of Funds Within the National Training Fund.

Rationale

The National Training Fund (NTF) is currently in surplus to the extent of €1.5 Billion. This fund is generated by a levy payable by employers, on reckonable wages and was increased from 0.7% to 1% in 2018.

The NTFAG has highlighted the essential and urgent requirement to unlock the surplus in the NTF by establishing a designated fund for investment in skills and workforce development.

The establishment of such a fund would align closely with the OECD's recommendation to reform the NTF to better foster lifelong learning in workplaces given Ireland's performance lags behind top EU performers by up to 60%. One of its central objectives could be to secure a substantial increase in reskilling and upskilling the workforce with the skills required for success in the 21st century labour force. This needs to be achieved through a strong and effective partnership between Government agencies – SOLAS, the HEA and Skillnet, higher and further educational institutions, the enterprise sector and industry.

Specifically, with the Construction Sector in mind, we propose supporting employers by providing financial supports for the procurement of mandatory training (as required under the Construction Regulations). Currently, because of the mandatory nature of such training, no financial supports are available which imposes challenging costs on employers, especially smaller companies.

RECOMMENDATION 3

Put in Place Adequate Funding Arrangements for Apprenticeships to Adequately Support both Employers and Learners.

Rationale

The CIF has grave concerns about the ongoing funding support for apprenticeships and the current approach towards Consortium Led Apprenticeships. Feedback from existing consortia and employers is that the funding model in place for 'new apprenticeships' is inadequate to support the administration of the schemes and to support apprentices when 'off the job'.

The construction sector has relied, and continues to rely, on its current (pre-2016) payment model to ensure the viability of its business model. This point was highlighted in a meeting with senior officers of the Department of Education in late 2020 during discussions regarding 'Action Plan for Apprenticeship' and assurances were given that this model of funding would not change under a new regime.

CIF proposes that funding of 'off the job' phases is funded by the State (from NTF funds) at its current level for craft apprentices, and for equity purposes 'post-2016' apprenticeship should be subject to similar funding arrangements. Thus, the integration of the craft apprenticeship and the CLA involves equity where the CLA should receive the same level of funding for off the job training as the current craft apprenticeships and sufficient funding should be provided to the Consortium Steering Group for the administration of the apprenticeship.

RECOMMENDATION 4

Apprentices Should Remain Exempt from the National Minimum Wage.

Rationale

Rates of pay for craft persons, apprentices and general operatives are provided for in an SEO. Apprentices are paid a percentage of the craft rate, with the percentage increasing annually as the apprentice progresses through their apprenticeship. There is logic in linking the apprentice rate to the craft rate as the apprentice gains more knowledge and skills each year of the 4-year apprenticeship.

A 4-year apprentice pay scale is set out in the SEO. The apprentice is, therefore, aware from the outset that their rate of pay will increase annually as their training progresses, and that they will reach 100% of the craft rate on completion of the apprenticeship.

CIF proposes that this system continues and that apprentices remain exempt from the National Minimum Wage.

Apprentices are employed on a training contract. This means that the employer is investing in training the apprentice over a 4-year period for a reduced productivity return. Apprentices are, therefore, different from other workers in that regard. The minimum wage is currently €11.30 – this rate is too high for an apprentice who is just commencing training. The National Minimum Wage will be abolished in a couple of years and will be replaced with the Living Wage, which is currently over €13 per hour. To include apprentices in the National Minimum Wage would distort the relativities that currently exist between the pay of apprentices and the pay of craft persons. This would cause industrial relations difficulties. The cost of employment is increasing continually. For example, the introduction of the Statutory Sick Pay Scheme in 2023 will give employees an entitlement to 10 days sick pay by 2026. The redundancy rebate scheme was abolished approximately 10 years ago which means that employers now bear the full brunt of a redundancy payment. Adding further to the cost of employment will not entice employers to employ apprentices.

RECOMMENDATION 5

Fund a National Marketing Campaign to Promote Careers in Construction.

Rationale

The Working Group for the Promotion of Careers in the Construction Sector, established by the Department of Further & Higher Education, Research, Innovation and Science recommended that the State fund a national marketing campaign for the construction sector to promote careers in construction. The Working Group was established in response to action 13.4 of the revised Housing for All plan: 'Develop an action plan to promote careers in construction'. Key to achieving this recommendation is adequate funding. CIF supports this recommendation and proposes that adequate State funding be put in place, as part of Budget 2024 to achieve this recommendation.

RECOMMENDATION 6

Introduce Supports for SME's to Address Their Future Training Needs Imposed by the BIM Requirements under the Capital Works Management Framework.

Rationale

On 4 July 2023 the Ministers Donohoe and Smyth released details on the mandated BIM requirements on projects under the Capital Works Management Framework. These requirements will be imposed on contractors and consultants over a 4-year period on a cascading scale and over time will apply to projects less than €1 million in value. It is imperative that the necessary training is made freely available to SMEs to ensure their businesses remain viable and that they do not become a casualty of the digitalisation of the construction industry.

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