## SUBMITTING EVIDENCE TO A SCOTTISH PARLIAMENT COMMITTEE

### DATA PROTECTION FORM

<table>
<thead>
<tr>
<th>Name:</th>
<th>Alison Baisden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date:</td>
<td>13 February 2019</td>
</tr>
<tr>
<td>Organisation:</td>
<td>Historic Environment Scotland</td>
</tr>
<tr>
<td>Topic of submission:</td>
<td>Construction and Scotland's Economy Inquiry</td>
</tr>
</tbody>
</table>

☒ I have read and understood the privacy notice about submitting evidence to a Committee.

☒ I am happy for my name, or that of my organisation, to be on the submission, for it to be published on the Scottish Parliament website, mentioned in any Committee report and form part of the public record.

☒ I understand I will be added to the contact list to receive updates from the Committee on this and other pieces of work. I understand I can unsubscribe at any time by contacting the Committee.

### Non-standard submissions

Occasionally, the Committee may agree to accept submissions in a non-standard format. Tick the box below if you would like someone from the clerking team to get in touch with you about submitting anonymously or for your submission to be considered but not published. It is for the Committee to take the final decision on whether you can submit in this way.

☐ I would like to request that my submission be processed in a non-standard way.
ECONOMY, ENERGY AND FAIR WORK COMMITTEE

SCOTLAND’S CONSTRUCTION SECTOR INQUIRY

SUBMISSION FROM HISTORIC ENVIRONMENT SCOTLAND (HES)

Economic impact of the sector

1. How important is the construction sector in Scotland as an economic enabler? If possible, please provide evidence of knock-on multiplier impacts at local, regional and national levels, and explore the impact of the sector on national GDP performance.

The Scottish construction sector is fundamentally important to the country’s historic environment. It delivers the conservation, repair and maintenance of over 400,000 traditionally built structures. It also delivers the setting and infrastructure that our historic environment sits within and relies upon.

Construction activity within the historic environment therefore provides a wide range of skilled employment through the supply chain, and also ensures that our cultural heritage is conserved, enhanced and understood. The construction sector therefore makes an important contribution to the revenue the historic environment makes for the Scottish economy. The recent Scottish Historic Environment Audit (SHEA) shows that in 2017 the historic environment generated £4.2 billion.

2. What are the causes of the sector’s productivity challenges? Can you suggest possible solutions?

The Scottish Government’s purpose is to promote growth that is both sustainable and inclusive. We consider that construction activity within the historic environment makes a welcome contribution towards this aim. We understand that labour productivity may be lower in the conservation, repair, maintenance (CRM) and retrofit sectors than in the new build sector. However, by maintaining what has already been constructed, and protecting the carbon and labour already invested, we consider that the CRM and retrofit sectors make a valid contribution to the country’s output.

Productivity challenges in the CRM and retrofit sectors may include issues of access, the sourcing of specific skills, and the reusing or repairing of materials rather than fitting new. It is, however, acknowledged that CRM is the most stable element of the construction industry, avoiding the boom and bust cycles of new build activity. CRM therefore may be lower in productivity, but is more stable and can provide a more reliable economic base than new build.
CRM, with its links to regeneration, can also play a more positive role in local communities than demolition or displacement. Locally important heritage is often cared-for and brought back into productive use by communities. Examples of this include one of our Properties in Care, Stanley Mills, which has been positively restored to host office space, an exhibition and heritage centre, flats and, our newest residents, the Stanley & District Men’s Shed.

Anecdotally, the CRM sector largely consists of more locally based and smaller businesses. Any investment delivered through CRM activity is therefore more likely to be retained within local economies.

3. How effective is Scotland’s construction supply chain? Explore areas of gaps, duplication, etc.

There are a number of issues that impact on the supply chain for traditional skills and materials. From a skills perspective, there is no consistent driver for the supply and delivery of training. When there is a recession, for example, training stops or slows down, thereby causing a skills shortage for when industry picks up. This is because there is a time-lag of at least two years from recruited apprentice to productive operative.

Although there have been efforts in improving skills data at a regional and trade specific level, this has yet to filter through to further education and will have no impact on niche heritage and traditional skills. We are working with Skills Development Scotland to address these heritage skills issues through the forthcoming Historic Environment Sector Investment Plan. We also consider that there is a wider issue with the structure and delivery of training, particularly within further education, to ensure that basic craft skills, such as joinery, masonry and slating can be accessed across the whole country. This will require new methodologies for skills training and resource sharing by industry and further education colleges.

There is also a lack of knowledge of what could be made available with traditional, indigenous materials. Combined with a lack of effective procurement drivers, this makes the procurement of non-traditional and non-indigenous materials easier. An example is Scottish Slate. There is no Scottish slate in production, although we still have reserves of slate. We still have roofs requiring slate and therefore import from Wales, Cumbria and abroad. If potential demand for slate could be aggregated up and inward investment monies made available to aid with technical feasibility of quarrying and production, then Scotland could produce a high quality material product that would retain investment in Scotland and help the construction industry reduce its carbon footprint. The same principles would apply to the dimensional stone industry and perhaps structural timber.
We are working with other public sector bodies and industry partners to look at how the existing procurement system can be used to stimulate demand for indigenous construction materials.

4. **What is the future economic outlook and implications of Brexit on the sector?**

The potential ability to set procurement frameworks that are not required to provide open competition from across Europe could make the stimulation of the market for indigenous materials easier. However, this will depend on whether Brexit is soft or hard, and what future trade deals will allow in terms of foreign access to our construction market. It also does not mitigate the short term impact the sector can see in terms of increased costs of imported materials and any delays at customs if there is no transition period.

Notwithstanding the anticipated impact on construction employment at national level, regional variations should also be considered. As an employer of construction workers across all of Scotland (we have in-house stonemasons, electricians, joiners, plumbers and labourers along with architects, surveyors and project managers) we have had difficulties in sourcing stonemasons in our Highland depots, and these regional challenges are likely to be exacerbated due to Brexit and the more limited workforce pool it creates.

There are also challenges in terms of recognition of standards and specifications of conformity. Under harmonisation, for example, if a product passes all necessary testing in its EU country of origin it is then able to be sold across the EU. However, as the UK diverges away from this harmonisation, we may see increased costs as foreign products in the UK market have to go undergo separate testing to meet UK standards. This additional cost and potential delay could see a slowdown in productivity. Furthermore, we no longer have a British Standards Institute so this would need to restored and brought up to an operating level.

In a No Deal scenario, we will also have issues with the mutual recognition of professional qualifications being removed. This will affect architects, engineers and likely surveyors who hold positions where qualifications are mandatory.

5. **The UK Industrial Strategy Challenge Fund and the linked Sector Deal for construction aim to address issues such as improving procurement practices, skills, exports and innovation. How do these impact on Scotland?**

Here, there is no clarity within the sector on how these initiatives will apply to Scotland. Skills training, education, qualifications and research are devolved matters, yet the construction industry they support operates within a wider UK context. Within the CRM sector, we have a strategic partnership agreement with Historic England, Cadw and the Construction Industry Training Board (CITB) to try and make sure that there is communication and alignment of objectives. Even with this sort of co-
operation it is difficult for the needs of historic environment and traditional buildings to be taken into account as part of these major strategic initiatives.

Access to finance

6. What are the sources of and barriers to accessing finance in the sector? We would welcome perspectives from all sizes of businesses from micro through to Tier 1.

7. What are your views on payment terms and payment behaviours across the sector?

8. How effective is the financial management of large scale infrastructure projects and the mechanisms used e.g. project bank accounts?

Skills

9. Does the sector's skills planning model allow it to realise its full potential, in terms of attracting talent, meeting skill shortages, preparing for technological change?

We welcome the regional skills research currently being undertaken. More granularity could, however, be provided in order to support decisions on which trades should be trained and where. Consideration should be given to how skills needs are communicated to industry to enable them to recruit apprentices and then commission training. Certainty should also be given to employers that they will win work having recruited and trained to fill a projected skills gap.

The skills planning model also takes no account of what 'level' the skill the projected work will require. Is it SVQ2 or 3? Nearly all construction craft apprentices are trained to SVQ3/SCQF6. Clarity should be provided to industry that this is the level to which its operatives need to be trained.

The industry is improving how it presents itself to new talent. It can offer amazing opportunities to young people for fulfilling and rewarding careers. More could be done, however, in educating parents and teachers about those opportunities. We are at the forefront of this work, working with Construction Scotland and Scottish Traditional Building Forum, as well as through our work at the Engine Shed, Scotland's building conservation centre.

Technological change within construction is rapid and exciting and we are at the forefront of developing and disseminating the use digital technology for building management and skills training. However, we can never lose sight of the continued requirement to have talented craftspeople and technicians that have the ‘hand-skill’, spatial awareness and the dexterity to maintain and conserve our heritage.
10. How does Scotland’s apprenticeship system contribute to the sector? Is it doing enough to meet equality challenges in the sector?

The recent Annual Performance Report (2018) for Scotland’s Historic Environment Strategy (Our Place in Time, 2014), shows an increase of 133 students between 2016 and 2017 undertaking modern apprenticeships in subjects relating to the historic environment (KPI:05). This shows a growing demand for apprenticeships in traditional skills.

The apprenticeship system is Scotland’s biggest strength and weakness. It has kept industry, particularly SME’s, involved, committed to training, and enabled the retention of an immediate link between learning in the classroom or workshop and then practice and experience on-site. However, as industry has changed, so the apprenticeship system must change. SME’s no longer see a direct reward for committing to an apprentice. An apprentice is paid wages from day one but may not be productive and earning money for their employer until years three and four. In the meantime, they are an extra cost to employers. In a world of continued pressure to drive costs down, there is diminishing room for an investment that will not start to be repaid until several years later. New models, with greater levels of support, are required to better facilitate industry’s continued desire to train, as well as better methods of rewarding those that do invest in a meaningful and sustained way. This requires firmer evaluation of the quality elements of tender submission and more rigorous policing of community benefits clauses.

The most immediate challenge facing construction apprenticeships is the emerging requirement to provide robust evidence from site to achieve the vocational element of SVQ that forms an integral part of the apprenticeship. In the past, this evidence could come from a simulated environment as part of the skills test, but this is no longer acceptable to SQA. The consequences of these changes have not been communicated adequately to industry by CITB, SDS or the colleges, and therefore many will be unprepared. As an employer and training provider, we are taking steps with our own apprentices and those we train for CITB, to ensure that the evidence requirements are clear. For our own apprentices, we are arranging work placements that will ensure they gain evidence to achieve the SVQ, enabling them to gain a CSCS card and access to work in the future.

The changed structure of the Scottish construction industry and the changing requirements for training can be solved by using new innovative models, such as shared apprenticeships. We have encouraged St Mary’s Cathedral, Edinburgh workshops to pilot such a model. For models such as these to work, there must be greater public sector involvement, greater collaboration between colleges, and participation of the private sector driven through rigorous procurement. We will
continue to look at how these models can be developed through the Historic Environment Sector Investment Plan.

Procurement

11. How do public procurement practices and procedures impact on the sector?
12. Do you have any suggestions on opportunities to enhance procurement practices across the sector?

Any wider public benefit that is expected from the delivery of construction projects must be driven through procurement. A more integrated and informed approach is required for establishing what can be done through procurement and agreeing across the public sector how this will be delivered. Whilst every project is different, the wider benefits required are often the same; local employment, skills training, engagement with young people, low carbon impact, environmental improvement. There are, however, many ways in which this can be measured and managed by the procuring authority. As a first step, the forthcoming Historic Environment Sector Investment Plan will enable us to develop a programme of skills training outcomes required from local authority partners, as part of Conservation Area Regeneration schemes. We are also looking to work with local authority partners and other public bodies on how the use of traditional materials can be encouraged through procurement.

Infrastructure investment

13. Considering the national infrastructure construction pipeline, is the planned pipeline sufficient? And has the sector got to the ability to meet the country’s infrastructure needs to drive growth?

We consider that there is greater scope for the re-use of existing infrastructure to drive Scotland’s growth. Town centre regeneration, for example, can deliver growth while building on existing, transport, energy and utilities infrastructure networks. The repurposing of historic buildings and reuse of vacant and derelict land can also meet these aims.

Consideration therefore should be given to the work of the Built Heritage Investment Plan working group. Under Scotland’s Historic Environment Strategy (Our Place in Time, 2014), this group is analysing the conservation deficit or backlog facing traditionally built structures and identifying blockages to this being addressed. The group is made up of several public and private sector bodies, including those responsible for infrastructure such as Scottish Canals, Transport Scotland, CoSLA and Network Rail. Additionally, it has members that have responsibility for ‘tourism’ or ‘retail’ infrastructure, such as Historic Houses Association, National Trust for Scotland and Federation of Small Businesses.

Innovation
14. What are your views on the Construction Scotland Innovation Centre (CSIC)?

The CSIC is vital for Scotland to have its own capacity to meet the challenges facing the industry going forward. However, capacity needs to be created in both the public and private sectors to enable long-term engagement and joint-working on projects. This would allow for projects to be taken beyond the research, pilot and pathfinder stages and into mainstream delivery. The draft Historic Environment Sector Investment Plan (HES/SDS), outlines the need for the sector to work more closely with all sector innovation centres, including CSIC.

15. Where are the opportunities for growth within sub-sectors, e.g. offsite construction?

Scotland has an opportunity to build on its reputation for excellent academic and technical research and skills training, to become a world leader in how people are educated and trained in the conservation, repair, maintenance and management of the historic environment. This is a key sub-sector of the construction sector in Scotland, and whilst there are challenges, many of the building blocks already exist to greatly improve what we do and to enable us to provide that expertise to other partners.

16. How will technological changes (e.g. robotics, automation) impact on the sector? How can Scotland take advantage of this change?

The construction sector is well placed to benefit from technological change. There is however a requirement for clients to provide room for the industry to engage with these changes and then to see a commercial benefit or reward from doing so. That requires clients to be aware of new developments and be prepared to take a long-term view on return on investment in techniques, such as digital surveys and Building Information Modelling.

We are a leader within the international historic environment context on developing digital documentation and the use of these techniques in developing asset management systems. We are also involved at looking how techniques such as augmented and virtual reality, as well as 3-D printing, can be used to enhance education and training in traditional craft skills.

Historic Environment Scotland
13 February 2019