

The Royal Institute of British Architects response to the House of Commons Business, Energy and Industry Strategy (BEIS) Select Committee inquiry on **the impact of coronavirus on businesses and workers.**

April 2020

The Royal Institute of British Architects (RIBA) is a global professional membership body that serves its members and society in order to deliver better buildings and places, stronger communities and a sustainable environment. We provide the standards, training, support and recognition that put our members – in the UK and overseas – at the peak of their profession. With government and our partners, we work to improve the design quality of public buildings, new homes and new communities.

The impact of coronavirus on businesses and workers

Architecture directly contributes £4.8 billion to the UK economy each year, with a further £1 billion embedded in the exports of the other industries it supports. The sector consists of predominantly small and medium-sized enterprises, with 69% of practices in England employing nine people or less and 94% of practices in England employing less than 50 people. Because of this, and the profession's adjacency to the project-based nature of the construction industry, it is particularly susceptible to economic uncertainty and recession.

The RIBA conducted a member survey from 20th to 30th March to understand how COVID-19 is impacting businesses and workers across the profession. We received over 1000 responses from architects, students and others working in the sector. Of these responses:

- 81% are now working entirely remotely or from home
- 45% stated that they have seen a reduction in their individual income, and many are uncertain about the future
- Nearly 60% reported they were experiencing decreased workloads and decreased new business inquiries. 57% have reported this is leading to a decreased cash flow.
- There has been an immediate disruption to staffing, with 5% having stated that they are currently looking for work, and 1% report that they have been made redundant.
- 79% reported they were experiencing project delays and 37% were experiencing project cancellations.
- Project delays are being caused by a number of factors, such as site closures – with 61% reporting this outcome – new delays within the planning system, and disruption caused by instructions to work from home.
- Only 5% reported no impact on projects.

Our findings clearly demonstrate the profession has already started to feel the impact of coronavirus. Announcements of ongoing support for businesses and employees have been welcomed, however there remains an urgent need for clarity on when this support will be available and what measures are being considered to cover those who are currently exempt. See below for more information on our survey findings and recommendations most relevant to workers and businesses within the profession.

How are UK architecture practices being impacted by COVID-19?

Many practices have already started to feel the impact of coronavirus on their practice with 59% of respondents stating that the workload for their practice has decreased, and 58% reporting a drop in new business inquiries. 57% have reported this is leading to a decreased cash flow. This is particularly the case for smaller practices, who have reported they are experiencing decreased workloads, a drop in new business inquiries and decreased cash flow on a larger scale.

Respondents were asked which UK Government support packages they had applied for, and which they were considering applying for. The majority have not yet applied for any support, but 33% of respondents stated that they are considering applying for the HMRC Time to Pay Service, and a quarter of respondents stated that they were looking to apply variously to the Contributory Employment and Support Allowance, application for grants as businesses eligible for rate relief, or the Coronavirus Business Interruption Loan Scheme. On the other hand, some architects reported concerns that they will be ineligible UK Government support under newly-announced schemes, including the Self-Employed Income Support Scheme.

There has been an immediate disruption to staffing, with 5% state that they are currently looking for work, and 1% report that they have been made redundant. Given that we are at the start of this disruption, many respondents stated that they expect to see more significant changes in the future.

Widespread disruptions to projects was also reported, with 79% reporting project delays and 37% reporting project cancellations. These delays are being caused by a number of factors, such as site closures – with 61% reporting this outcome – new delays within the planning system, and disruption caused by instructions to work from home. Architecture practices are typically project based, and may therefore not have sufficient financial reserves to turn to when projects are cancelled, delayed or there are significantly fewer new business inquiries.

18% stated that 'other' factors were causing delays – with common themes of meeting cancellations, taking time to plan for uncertainty, staffing changes and caring responsibilities impacting on project and productivity. Only 5% of respondents reported no impact on projects.

How are workers within the architecture sector being impacted by COVID-19?

With much of the world in shutdown and a number of UK Government rules dictating reduced travel and social contact, it is no surprise that coronavirus is having a huge affect on workers and individual behaviours.

81% of respondents to the RIBA survey stated they are now working entirely remotely or from home. For some this has created significant changes and challenges. Our survey reflected concerns with the ability to undertake work due to the suitability of infrastructure available at home, and changes to methods of communication. Students also reported concerns about the progress of their studies or progress of work to qualification.

School closures across the country has had a significant impact on many architects, with 30% saying that disruption to family and caring responsibilities is impacting on their ability to work.

45% stated that they have seen a reduction in their individual income, and many are uncertain about the future. Although at the time of responding to the survey, the majority of architects had not yet applied for any support packages from UK Government, 16% stated that they had applied for a mortgage holiday, potentially to ease additional personal liabilities through this period of uncertainty.

A fifth of respondents said that they have had a reduction to their working hours – with many suggesting that the move to work from home, the increased uncertainty and additional responsibilities is adding to the pressure to deliver work. It was therefore not surprising that 23% of respondents said they had experienced a negative impact on their mental health, with isolation and uncertainty being cited as frequent causes for this.

RIBA Recommendations

While the announcements on support for businesses and workers affected by COVID-19 have been widely welcomed, our members are still highlighting a number of challenges relating to access to already announced programmes, or the need to expand eligibility criteria. The RIBA therefore recommend:

- 1. An expanded support package for workers and businesses currently ineligible for support, who receive their income through dividends and not PAYE.** The lack of support for small practices, whom are most exempt from existing support, threatens to do grave long-term damage to the sector. A large number of practices are finding themselves ineligible for support through business rates based payments, as many practice-directors and sole traders receive their income as dividends rather than through PAYE. A major barrier to support for these practices is the lack of accurate records within the Treasury that can be automatically used to facilitate payments. The RIBA therefore recommend the introduction of a support package based on the data held by HMRC on corporation tax receipts, which could be used as the basis for emergency support. Through the

information included on the CT600 form, the Government should already have data on the tax paid by a business in previous years.

2. **As a major client in the construction industry, the government should help alleviate financial pressures on practices** through faster payment terms and direct payments to subcontractors on public contracts
3. **A government backed low or no cost factoring facility for private contracts** would help stabilise wider uncertainty in the market.
4. **An increase in capital allowances** to enable companies to invest immediately in the technology required to facilitate a transition from office to home working would allow practices to:
 - Prioritise day-to-day financial transactions.
 - Equip employees with the essential technology required to work efficiently from home and therefore continue to deliver on projects that are still going ahead.
 - Generate further revenue where possible during this period of financial uncertainty.
 - Preserve cash flow whilst continuing business from home in a safe way, as per government guidance.
5. **The planning and development control process must be kept operable**, to ensure that the sector can continue to work on the projects that are still going ahead. That said, local authorities will require additional support and flexibility to balance their day-to-day duties with higher demand for their services elsewhere. The RIBA therefore encourage the following temporary changes to the planning process, to relieve growing pressures on local authorities, and uphold opportunities for the construction industry during this period of uncertainty:
 - a) **A temporary relaxation of time limits for planning applications** to allow local authorities to prioritise cases to reflect health and safety considerations and the nature of requests.
 - b) **The introduction of waivers to allow the deferral of requirements for information if planning officers judge a request to be of low or no impact** would speed up the planning process, giving planning officers more capacity to focus on requests of higher impact.
6. **Greater support must be made available for staff and employers affected by short-term cashflow issues, including short-time workers**, given a fifth of our survey respondents said that they have had a reduction to their working hours.

The RIBA will be carrying out a second survey to get an up to date understanding of how the profession is being impacted by coronavirus. We will be able to provide the committee with an update on this in the next few weeks.