



## CONSULTATIVE COMMITTEE ON CONSTRUCTION INDUSTRY STATISTICS

Minutes of the meeting of 28 November 2013

### Present

Keith Folwell	BIS (Chair)
James Liley	BIS (Minutes)
Aloke Siddique	BIS
Anna Fialko	BIS
Pete Lee	ONS
Jacqui Jones	ONS
Kate Davies	ONS
Stuart Deneen	ONS
Anna Davies	ONS
Michael Dall	Barbour ABI
Steve Shelley	Barbour ABI
Adam Valentine	Barbour ABI
Karen Hazelden	CITB
Peter Rumble	BCIS
Bob Packham	BPA Consult
Robert Davis	Glenigan
David Crosthwaite	AECOM
Ian Pegg	BCIS
Allan Wilen	Glenigan
Stephen Gruneberg	University of Westminster
James Hastings	Experian
Ian Murdoch	National Specialist Contractors Council
Brian Green	Brian Green Media
Noble Francis	CPA
Helen Sleight	DCLG

### Apologies

Milja Keijonen	CPA
Lee Bryer	CITB
Neil Higgins	DCLG
Sue White	BCIS
Cos Kamasho	BCIS
Stephen Wright	HSE
John Stewart	HBF

### 1. Preliminaries

1.1 Members introduced themselves to the group and minutes from previous meeting were agreed.

**Action 1: James Liley to publish minutes of last meeting on the BIS website**

### 2. ONS construction statistics update

#### 2.1 Chained Volume Measures explained

**2.1.1** Stuart Deneen presented an overview of Chained Volume Measures (CVMs), which were first introduced in the 'Output in the Construction Industry' publication on 12 July 2013 as the primary measure for reporting Construction Output.

**2.1.2** James Hastings asked why the CVM series starts in 1997 and whether it's possible to get hold of older data. Pete Lee explained that the availability of Annual Business Survey data from 1997 was a key reason for starting the CVM series from 1997 and that there is an ongoing program of work to re-instate the older data series. An exact date has not been set for when this data will become available but ONS will be sure to communicate the schedule once available.

**2.1.3** Stephen Gruneberg asked for confirmation regarding whether the series were additive across the different time series in any one year. Stuart confirmed this was the case but not before 2010 and that this was a known pitfall of using CVMs.

**2.1.4** Bob Packham queried whether ONS were going to re-publish the new constant price (KP) 2005 series in December. Stuart explained this was an aspiration – the KP series is still produced by ONS but not published.

**2.1.5** Stephen Gruneberg asked whether published methodology notes regarding the CVM methodology used in the 'Output in the Construction Industry' were available. Stuart explained that links to methodology notes are available in the 'Output in the Construction Industry' commentary.

**Action 2: Stuart Deneen to provide links to the Construction landing page and methodology notes**

**2.2 Recent changes to the New Orders collection**

**2.2.1** Kate Davies outlined the results to the recent consultation on the future of the 'New Orders in the Construction Industry' statistics. From the consultation responses ONS reached decisions to produce 5 tables only (when they were previously producing 13) and to merge the 'New Orders in the Construction Industry' publication with the 'Output in the Construction Industry' publication. Following a competitive tender process, Barbour ABI were awarded the contract to produce the New Orders data. ONS believe this source has and will continue to improve its estimation of regional output in the construction industry and Output Price Indices.

**2.2.2** Michael Dall then explained more about Barbour ABI and how they collate data on New Orders for the ONS. This information is outlined in the Summary Quality Report for the New Orders data (which was not available at the time of the meeting):

<http://www.ons.gov.uk/ons/guide-method/method-quality/quality/quality-information/business-statistics/new-orders-in-the-construction-industry.pdf>

**2.2.3** Bob Packham asked how Barbour ABI deal with framework contracts, eg let over a period of 5 or 10 years, where there will be various orders during the period. Barbour ABI explained that they take these out at the framework level but track the individual packages that are let.

**2.2.4** Robert Davies asked what research was done on Barbour ABI's coverage before awarding the contract. Kate Davies explained that information received during the tender process, the levels of data presented and how data matched to ONS coverage were all looked at in reaching the decision to award the contract to Barbour ABI. Robert asked whether the evidence could be shared with Glenigan and Jacqui Jones explained that ONS will consult with their procurement team as it may contain commercially sensitive information.

**2.2.5** Alan Wilen asked whether projects outside the planning process were considered as part of the coverage and whether Barbour ABI were confident that their balance between new build and refurbishment projects was right. Barbour ABI explained that their coverage was higher than ONS's coverage (around 8,000 sampled) and that they have data on 19,000 refurbishment projects and all new build projects.

**2.2.6** James Hastings asked about the discontinuity between New Orders data when it was collected by ONS versus when Barbour ABI started providing the data (Q2 2013). James wanted more detail about how the discontinuity was handled, adding that the chart in the ONS's announcement showed that Barbour ABI data generally showed higher levels than ONS data over the periods compared. Noble Francis added that this information was important for forecasters. Kate Davies explained that differences between ONS and Barbour ABI data were analysed, the growth rates did not differ greatly, but that more information could be provided to users.

**Action 3: ONS to make analysis of comparison between ONS and Barbour ABI data available**

**2.2.7** Robert Davies asked whether figures collected by Barbour ABI were being published with no adjustments, eg no inflationary adjustments, no modelling. Stuart explained that this was the case for Current Prices data. Little adjustment is made as the collection is so close to a census. The magnitude of revisions should be minimised due to the collection process method. Steve Shelley added that projects are tracked through to completion by Barbour ABI, which wasn't previously done by ONS.

**2.2.8** Brian Green suggested that a guide for casual users to explain the differences between the two methodologies would be valuable.

**Action 4: ONS to publish a guide explaining the differences between the two methodologies and the differences between the Output and New Orders data**

**2.2.9** James Hastings asked whether there were any plans to report New Orders using CVMs as Output figures are reported on a 2010 CVM basis and New Orders are reported on a 2005 basis. Stuart explained that it's not factored into plans currently and that the Output and New Orders series have undergone many changes recently so ONS are looking to limit further changes but this could be looked at if there is user demand. Noble Francis added that he would find it useful to have the series available on a consistent basis.

**Action 5: ONS to look into supplying New Orders data on a 2010 CVM basis**

**2.2.10** Brian Green said that data on cancelled contracts would be very valuable as they say something about the industry. Kate agreed that a better understanding of the lags in project times alongside data on cancelled contracts would give insight which could supplement the release commentary. This is part of the ONS's program of improvement works.

### **Action 6: ONS to look into supplying information on cancelled contracts**

**2.2.11** Jacqui Jones explained that users do not often read the whole of the release commentary and asked how else ONS might communicate information. Keith Folwell suggested the Construction Statistics Community on Statistics User Net. Noble Francis said that highlighting notes on web pages may aid navigation.

### **Action 7: ONS to post more of its news stories on Stats User Net**

## **3. Update from AECOM**

### **3.1 Building Price and Cost Indices**

**3.1.1** David Crosthwaite explained how AECOM had taken over the collection of the Building Price and Cost Indices (PCIs) from 1 July 2013 following a re-tendering process by BIS. AECOM's focus in the first year is to review what's currently provided, review alternative approaches adopted elsewhere (internationally), examine and test alternative methods, engage with stakeholders and develop alternative methods for producing the PCIs. The overhaul of the current methodology is not expected to be straight-forward.

**3.1.2** Brian Green asked how AECOM will get data on profit margins through their systems given that margins might not be known until the end of the project. David explained that as cost consultants, AECOM are in a good position and will use a combination of sources to achieve as broad coverage as possible. Brian asked whether 're-engineering' works would be picked up. David explained that this level of detail would not be reported. All construction should be well covered except for deliveries.

**3.1.3** Stephen Gruneberg asked whether AECOM are doing any work on calculating weighting as this has not been re-attempted since the 1960s. David confirmed that they were working on this currently.

**3.1.4** James Hastings explained that discontinuities are fine if they improve the quality, but only providing they are fully explained to users. Jacqui Jones added that from the ONS's perspective they want to be assured that the new processes have been thoroughly quality assured and that turns in the economy are observable from the data.

**3.1.5** Bob Packham raised concerns about possible changes to the PCIs with regards to rebasing and how users might go about rebasing the data. Keith Folwell explained that the ONS will calculate the OPIs, use these as deflators, then chain link the resulting volume data. But before they chain link the ONS will give BIS the OPIs which BIS will publish. The implied deflation rate from the volume series will differ from the deflators (ie the OPIs) published by BIS. Therefore the OPIs aren't going to be chain-linked. Jacqui Jones and

Keith both had an understanding that the OPIs would stay on a 2005 basis for the foreseeable future. Jacqui added that deflators are used to strip out prices to leave volume data and that this volume data will be on CVM basis. A two-pager for users to explain this would be helpful, she added.

**Action 8: BIS/AECOM/ONS to provide two-pager for users to explain how rebasing effects PCIs**

**4. Update from BIS**

**4.1 Building Materials and Components**

**4.1.1** James Liley briefly explained that BIS would like the help of users of the Monthly Statistics of Building Materials and Components in deciding how seasonally adjusted deliveries data for bricks, concrete blocks, ready-mixed concrete and sand & gravel would best be implemented and maintained (such as how often these series might be revised).

**4.1.2** James explained that a more thorough paper would follow on this and that a 90 day consultation period be given to users to feedback on their preferences regarding options around the seasonal adjustment implementation. Users agreed that they were happy with this approach.

**Action 9: James to circulate paper on seasonal adjustment implementation options to the Building Materials statistics**

**5. International Comparisons**

**5.1.1** Stephen Gruneberg gave a presentation on work he and Jim Meikle had done regarding international comparisons of construction industries.

**5.1.2** The group discussed several factors relating to Stephen's work, including limitations on exports due to the nature of construction work, competition and UK consultants finding work abroad.

**5.1.3** Stephen explained that data quality and coverage across countries is inconsistent and suggested that a model to estimate data more accurately could form a basis of discussion with countries whose data is lacking consistency. Jacqui Jones explained that there should be harmonisation at a European level because of the need for European countries to conform to Eurostat requirements. However, it is possible to satisfy Eurostat requirements in different ways eg GB figures are produced using method A (output), method B uses turnover etc.

**6. Date of next meeting**

**6.1** The group agreed that the next meeting should take place around May 2014. BIS will be in touch with members nearer the time to agree an appropriate date.