



Department
for Business
Innovation & Skills

CONSULTATIVE COMMITTEE ON CONSTRUCTION INDUSTRY STATISTICS

Minutes of the meeting held on Monday 9th November 2015

Venue:

Conference Centre,
Department for Business, Innovation and Skills,
1 Victoria Street,
London.
SW1H 0ET

*If you have any queries regarding the
Consultative Committee on Construction
Industry Statistics, please contact:*

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Attendees

Frances Pottier (Chair)	Department for Business, Innovation and Skills
Arran Cleminson (Secretariat)	Department for Business, Innovation and Skills
Adam Valentine	Barbour ABI
Brian Green	Brian Green Media
Lee Bryer	Construction Industry Training Board
Noble Francis	Construction Products Association
Isabel Hacche	Department for Business, Innovation and Skills
Neil Higgins	Department for Communities and Local Government
James Hastings	Experian
Andrew Dixon	Federation of Master Builders
Allan Wilén	Glenigan
Tom Crane	Glenigan
Aurélie Delannoy	Mineral Products Association
Kat Pegler	Office for National Statistics
Kate Davies	Office for National Statistics
Marc John	Office for National Statistics
Ole Black	Office for National Statistics
Pete Lee	Office for National Statistics
Ian Pegg	Royal Institution of Chartered Surveyors
Alberto de Biasio	University College London
Alex Murray	University College London
Marco Yu	University College London
Les Ruddock	University of Salford
Stephen Gruneberg	University of Westminster

Apologies

Ian Murdoch	Build UK
David Bishop	Build UK
Siobhan Carey	Department for Business, Innovation and Skills
John Beaufoy	Department for Business, Innovation and Skills
Robert Davis	Glenigan
Peter Rumble	Royal Institution of Chartered Surveyors
Neil Thompson	Balfour Beatty

1. Preliminaries

Attendees introduced themselves. There were no issues arising with the minutes of the last meeting, nor were there any actions.

2. Brian Green delivered a presentation entitled 'the 10:1 link between residential transactions and homes built – more questions than answers'

In his presentation, Brian Green posed the question:

'Why is it that the mid to late 1970s homes built closely tracked residential property transactions at a ratio of around 1:10?'

Brian said it was a curiosity that was worth deeper exploration. While having no definitive answers, he suggested possible reasons behind such a relationship that might be worth analysing. Various graphs were presented which showed a link between private new home completions and residential transactions in different regions of Great Britain. He showed data from the United States of America that suggest a similar relationship between sales of existing and new homes had also formed in the late 1970s there, but this was broken with the recession.

Action: *circulate the slides to Brian Green's presentation with the minutes.*

Brian Green can be contacted on green.brian@btconnect.com

There was further discussion about this presentation.

Stephen Gruneberg said that the correlations table was difficult to understand. Brian went on to explain this further.

Referring to the graph of 'Residential transactions and private new home completions in England & Wales', Allan Wilen said that financial market deregulation may have had an effect on the relationship between residential transactions and private new home completions since the 1980s.

Marco Yu asked if data is quarterly or annual and queried how lag effect had been taken into account. Brian explained that the presentation showed a mixture of annual and quarterly data. Noble Francis asked how many quarters the lag effect is to create a correlation. Brian said that the basic indication is that transactions are the lead. Alex Murray said that he was amazed at the lack of a lag effect. Brian said that investigating a lag effect needs further work and is something that can be investigated should such research continue.

Noble Francis asked how Help to Buy has had an effect. Brian said that you'd have to look on a regional level.

James Hastings asked if the reason for changing relationships could be the near of the end of the post-war housing boom. He suggested that the stabilisation in recent years could be a 'return to normality', now that post-war housing boom is over.

Neil Higgins asked about a change in the mix of properties, for example more flats and less houses, and could this have an effect.

Noble Francis suggested further investigation into causation rather than correlation as something for further work, for example investigating whether or not Help to Buy actually has an effect.

There was further discussion about factors which could affect the relationship, such as economic factors, deregulation, housing booms and house buying schemes.

3. Tom Crane, an economist at Glenigan, delivered a presentation entitled 'Market Conditions & Construction Performance'

Glenigan claim to use a robust research process to deliver timely and comprehensive construction project, company and market intelligence. In this presentation, Tom discussed various areas of construction market activity, to give an overview of market conditions across the construction industry. Various graphs were presented and discussed, based on Glenigan research, including construction inflation, property market, construction prospects, productivity, client satisfaction and environmental credit.

Tom Crane can be contacted on tom.crane@glenigan.com

There was further discussion about this presentation.

There was a general discussion surrounding productivity and how it is measured. Brian Green asked whether or not the project type affects the productivity level. Tom Crane said that some analysis is done on this, although there is scope for future investigation.

Referring to the productivity graph, Allan Wilen asked if the spike in productivity between 2008 and 2012 could be due to staff losses during the recession making construction workers work harder.

James Hastings asked how productivity is measured. He explained that it's difficult to measure and contractors may have different ways of measuring productivity. James and Noble went on further to discuss the complications of measuring productivity and how significantly it differs in other countries. Noble said that productivity doesn't take into account the quality and health & safety of projects.

Noble said that there could be a substantial gap between designed energy efficiency and actual efficiency. Brian suggested a similar effect based on consumers adjusting energy consumption behaviour based on bills.

Andrew Dixon asked if there was any more information on workers in their 30s and 40s. He said that there is a subset in the industry who left due to the recession and have struggled to return. Tom responded by saying that information in the surveys do not take account of this effect.

Marco Yu asked how many firms are surveyed, and Noble asked about the size of the firms. Tom said that exact figures are not available on either of these things.

Alex Murray said that the measures of profitability and how ratios of turnover and profit margin are sensitive, which could have an effect on results.

Frances Pottier said that the Department for Business, Innovation & Skills is now doing a lot of work on construction industry data from companies house, for example the size and turnover of company.

4. Kat Pegler, of the Office for National Statistics, delivered a presentation entitled 'Update on Construction Price Indices'

The presentation covered the ONS development work on construction price indices. The full development plan is due to be published at the end of 2015. The following key questions were discussed:

- What are we trying to measure?
- How do others measure it?
- What do users want us to measure?
- *What data sources can we use?*

There are many difficulties and complications which arise when putting together a method for producing construction price indices. The construction prices team have consulted around 200 construction companies and liaised with potential data suppliers, including Barbour ABI and Glenigan.

Kat Pegler can be contacted on kat.pegler@ons.gsi.gov.uk

There was further discussion about this presentation.

Noble Francis said that most key users are aware of the difficulty of price indices. He said that one of the key issues is that the materials breakdown for housing are windows, doors and metals, which doesn't appear to be in line with what material producers suggest. It would be useful to have a materials breakdown for all the key sectors. Kat said that weights have come from the Eurostat Purchasing Power Parities programme.

James Hastings mentioned a previous survey in the 1990s of home owners and what they spent their money on to maintain their properties. He said that this gives a good indication of how much money is spent on different parts of maintaining a house. Noble said that changes may have taken place since then because of the change in culture of doing DIY jobs at home.

There was a general discussion about information sharing between different countries on how they do construction prices. Kat said that investigating how other countries create their construction price indices would be useful.

5. Kate Davies and Marc John, of the Office for National Statistics, delivered a presentation on comparisons between ONS business survey data for construction and other data sources.

Kate Davies and Marc John delivered a presentation on the latest work ONS has been doing on Construction data. They discussed comparisons between ONS' Monthly Business Survey (MBS) data for Construction with other sources, including HMRC VAT returns and the Markit/CIPS PMI Index.

ONS have announced plans to look into partially replacing monthly business surveys with data in VAT returns from HMRC, across the entire industry. Initial analysis has shown that some sectors have a stronger match than others, and work has been done to compare Construction data, to see how strong any similarities are. There are definitional differences between the two data sources, as the VAT question asks for "Total value of sales and all other outputs excluding any VAT", whereas the MBS construction question ask for "Total value of work" excluding aspects including contractors and

value of land. A Type of Work breakdown is not possible from the VAT data. Comparing the two data sources involved creating a paired dataset containing businesses where both an MBS and VAT value is available for a particular month. The presentation highlighted areas where a stronger relationship has been found, including the 'simple' businesses (where there is a one-to-one match between the VAT registration unit and MBS reporting unit) and businesses who submit VAT returns on a monthly basis. Further work on comparisons with the VAT data is planned, with the possibility of involving regional VAT data and also data from the Annual Business Survey.

ONS has also been working with Markit to better understand the methodology used in creating the Markit/Chartered Institute of Purchasing and Supply (CIPS) Purchasing Managers Index (PMI). An overview of this work was provided, while further information will be available when an article on the work is published in the coming months.

It was also noted that the nominal data work has led to concerns over the level of data in Q1 (January, February and March). The outlier treatment is being looked at, and will be addressed in the October release of the Output in the Construction Industry release, which will come in December. A change in the structure of the Construction team at ONS was also explained.

Kate Davies can be contacted on kate.davies@ons.gsi.gov.uk

Marc John can be contacted on marc.john@ons.gsi.gov.uk

There was further discussion about this presentation.

Kate Davies said that there is a drive in the Office for National Statistics to look at administrative data sources as a replacement to surveys or to enrich the data already available. Sources other than VAT returns from HMRC have been considered.

Brian Green said that there is potential for threshold effects with VAT data. An adjustment should be made to account for non-VAT or pay-as-you-earn registered companies.

Kate said that VAT turnover is not necessarily all construction work. Monthly business survey data should only be for construction work. This is part of the problem to be considered when taking this work forward.

Marco Yu suggested that there is a risk of double counting. Hence one would expect VAT data to be more volatile. Kate said that part of the process of cleaning the data takes account of this. The data cleaning process is something which can be improved upon in future work.

There was a general discussion about issues with data cleaning and how things can be taken forward for further work. This includes classification of work into Standard Industrial Classification categories.

Kate emphasised that this presentation is fact finding for the ONS to experiment with VAT data.

There were some comments from Noble Francis and James Hastings about the Markit CIPS response rate in their surveys, which they say is unclear in each of the publications. Brian Green suggested that Markit CIPS data are sensitive to selection bias.

Stephen Gruneberg asked if a process can be started to alter the law allowing ONS to access the returns from HMRC of Small and Medium Enterprises to get better information from them. Kate Davies said that this is not possible.

Frances Pottier said that any kind of data legislation is incredibly difficult to change.

Update: *Cabinet Office are currently developing legislative clauses to enable data sharing for both operational and research and statistics purposes, which could provide ONS with increased powers to access HMRC and other administrative data. Information on the latest proposals and next steps can be found at <http://datasharing.org.uk/latest/>.*

James Hastings made a comment about discrepancies in the data series in Output in the Construction Industry publications. He said that an explanation for any major changes should be provided in publications.

6. Any Other Business

Kate Davies said that Melanie Richard will become the new statistician responsible for the Output in the Construction Industry publications at the Office for National Statistics.

Noble Francis mentioned the European commission's report on the construction industry, which would use the CPA to sense check their report. Noble Francis welcomes comments and feedback on this report.

Noble Francis can be contacted on noble.francis@constructionproducts.org.uk

Action: *Circulate the European Commission's report on the UK construction sector.*

Noble Francis said that a House of Lords select committee on economic affairs are doing an inquiry into the Economics of the United Kingdom Housing Market. There is currently a call for evidence.

Action: *Circulate information on the Inquiry into the Economics of the United Kingdom Housing Market by the Select Committee on Economic Affairs.*