



Department for
Business, Energy
& Industrial Strategy

CONSULTATIVE COMMITTEE ON CONSTRUCTION INDUSTRY STATISTICS

Minutes of the meeting held on Tuesday 17th May 2016

This document was published by the Department for Business, Energy and Industrial Strategy, which now hosts the Consultative Committee on Construction Industry Statistics. The meeting referred to in this document was hosted by its predecessor, the Department for Business, Innovation and Skills.

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	Department for Business, Innovation and Skills
Arran Cleminson	Department for Business, Innovation and Skills
Ole Black	Office for National Statistics
Lee Bryer	Construction Industry Training Board
Giorgio Buttironi	National Federation of Builders
Michael Dall	Barbour ABI
Kate Davies	Office for National Statistics
Robert Davis	Glenigan
Noble Francis	Construction Products Association
Brian Green	Brian Green Media
Stephen Gruneberg	University of Westminster
James Hastings	Experian
Neil Higgins	Department for Communities and Local Government
Marc John	Office for National Statistics
Liucija Latanauskaitė	Department for Communities and Local Government
Pete Lee	Office for National Statistics
Jim Meikle	AECOM
Alex Murray	University College London
Ian Pegg	Royal Institution of Chartered Surveyors
Steve Shelley	Barbour ABI
Adam Valentine	Barbour ABI
Allan Wilén	Glenigan
Marco Yu	University College London

Apologies

David Bishop	Build UK
Siobhan Carey	Department for Business, Innovation and Skills
Aurélie Delannoy	Mineral Products Association
Andrew Dixon	Federation of Master Builders
Kelly Forest	Core Five
Isabel Hacche	Department for Business, Innovation and Skills
Peter Rumble	Royal Institution of Chartered Surveyors
Neil Thompson	Balfour Beatty

1. Attendees introduced themselves

Attendees introduced themselves.

No attendees raised queries regarding the minutes from last meeting.

2. Measuring New Homes Built – Statistics Discussion Paper

Neil Higgins and Liucija Latanauskaite presented a paper on measuring new homes built. The analysis focussed on a comparison of metrics of new housing delivery from different sources, highlighting the statistical issues for discussion. This included the Department's statistical releases (House building, Net Supply of Housing, Affordable Housing Supply) and relevant data sets (Ordnance Survey data, Land Registry new build transactions and changes in the Valuation Office Agency Council Tax Base). In summary, the annual Net Supply of Housing provides an accurate assessment of annual change in housing stock. While we consider the quarterly House building statistics a sound indicator of trends in new house building, available soon (< 2 months) after quarter end, evidence suggests some new build may not be included in the administrative building control data that are used to compile these statistics.

Brian Green asked if a new homes bonus had an effect on council housing supply. This was an incentive for councils. Liucija responded by saying that net supply still seems to be larger. Brian said that on the net conversions in housing, some are positive and others are negative in different areas. One can see from the area what is driving net conversions.

Noble Francis asked if the change since 2007 in supply has been a steady change. He said that 2013 was when planning rules were relaxed to allow conversions from offices into flats.

Allan Wilén asked if there has been any change in council tax rules for certain types of homes and if that had an effect.

James Hastings asked about business cycles. New builds hold up better in the recession compared to, say, conversions. And rates of return hold up with new builds compared to conversions in a recession.

Stephen Gruneberg asked if there were records of the rate of demolition and queried what sort of trend there is. Brian said that the new homes bonus could incentivise not to demolish properties so this could have an effect too. Neil said that demolitions have been around 10,000 per year for the past few years. Brian also mentioned that the pathfinder project to develop cities has very much come to an end.

3. New Orders: Background to data source and how it is used

Michael Dall of Barbour ABI and Kate Davies of the ONS provided a summary of how the data is compiled at source and then processed into the New Orders publication. Further, the ONS provided a summary of how the New Orders data are then used to model tables 5 and 6 in the construction output release.

Michael Dall starts with his half of presentation on new orders data.

Marco Yu asked if all three costs on wind farm slide are included in overall construction cost. Steve Shelley responded by saying yes because it does include turbine cost, for example.

Kate Davies then delivered her half of the presentation.

Kate Davies mentioned that seasonal adjustment is performed on each of the individual output categories and then added together to give a seasonally adjusted total, rather than seasonally adjusting the total for new orders.

Noble Francis asked about slide regarding lag effects. He asked if this is the number of quarters it takes to start construction. Kate said that as part of the construction development programme, so there is a big need to assess the lags. Noble said that DCLG should be able to work out lags on housing. This would give a better guide. Liucija said that they can't work this out based on starts and completions.

James Hastings asked if large infrastructure projects should be separated and modelled individually. This is due to the uniqueness of the timescales required for different projects. Kate said that, working with Barbour ABI, they have assessed the top 100 valued projects and followed them through to assess lag and project time. It's already being considered, though not done routinely.

There was a discussion about the gap between new orders and output. Frances Pottier said that this has always been the case. James Hastings mentioned that that gap has widened. Noble Francis said that this would naturally change with the business cycle.

Action: ONS to investigate the gap between output and new orders and report about it at next CCCIS meeting.

Noble Francis asked a query regarding weights on the caveats slide of the presentation. He asked if there is an issue about some of the sub-sectors. Does the project pipeline data cover new work coming from repair and maintenance? For example, are road and rail classified as new work or repair and maintenance and does this distort the proportions for new infrastructure work? Steve said that they looked into water projects and found that they may have understated some of the work as a result of this categorisation issue. Kate said that the way in which infrastructure projects are changing in Britain, she said that when they spoke to Highways England, they said that they are also unsure about the difference between new work and repair and maintenance for some of their work. Kate mentioned that it would be useful to have someone from Infrastructure UK at CCCIS. Brian Green asked if they are relying too much on how people interpret their surveys. James Hastings said that the differences are more significant when comparing residential to non-residential sectors.

Marco Yu asked if all items from the slide on wind farms are counted as infrastructure. Kate said that the survey counts overall value of work, which includes materials used, but excludes materials produced and sold. Sub-contractors do not count as their work is counted separately. Non-domiciled (overseas-based companies) contractors are not surveyed, even if they carry out work. Allan Wilén asked if offshore wind turbines are included. Kate said that they are if the company is domiciled in Great Britain.

Stephen Gruneberg asked about work on the new nuclear power station at Hinkley. He said that the ONS should be prepared to capture work in their surveys. Pete Lee said that if a company is building in Great Britain for a period of time, then they are still classed as domiciled here, even though the owners of the work on Hinkley are French and Chinese.

Brian Green asked whether the discrepancy between labour force categorisation and the type of company doing work could lead to issues. Kate said that the units have to appear on the business register. If they deem a company to work on construction then they can be selected, even if they are housing associations.

James Hastings asked about the construction cost of wind farms. He said that it's interesting that the turbine has been included in the cost, even though it is manufactured. Would the value of work be included if it is a product which has been purchased? Frances Pottier mentioned that the manufacturer could install the blade, which means that the value of work would not count.

4. Construction Development Programme Update

Kate Davies and Marc John of the ONS provided an update on the work of the construction development programme. This included an update on the development of construction prices as well as work on improving current price estimates of construction.

Kate Davies delivered a presentation on a [comparison of ONS construction output data and Markit CIPS Purchasing Managers' Index](#) data.

Noble Francis asked about the response rate of the 170 businesses surveyed for the Markit CIPS PMI release. Kate said that the response rate is unknown. The splits of categories of work are also unknown.

Noble asked whether the Markit CIPS PMI is seasonally adjusted. Kate said that businesses are advised to advise Markit CIPS of seasonal variation. This means that businesses report what they do whilst taking into account seasonal variation. Markit CIPS then seasonally adjust as well.

Brian Green said that if a contractor goes bust and the work gets reallocated to other companies in the panel, does that mean that it would appear as though businesses are doing better than they really are? Kate said that this is true because other contractors taking on the work would report improved conditions.

Marco Yu asked whether Markit CIPS capture the size of the output or whether the positive outlook is due to new orders.

Kate Davies delivered a presentation on the consultation for the development of construction prices work.

Marc John delivered a presentation on option 1 of the tender price index solution, which is to develop a hedonic regression technique.

Noble Francis asked, in terms of productivity, what sort of productivity they are looking at when referring to option 2. Kate said that it is multi-factor productivity and not just labour productivity.

Stephen Gruneberg said that he doesn't understand the hedonic regression. What is it about the regression model that makes it hedonic? Marc said that it wouldn't be possible using ordinary regression to estimate, for example, the cost of a house without the use of hedonic regression.

5. Update on data sharing legislation

Frances Pottier gave an update on proposed data sharing legislation. She explained that a consultation on data sharing legislation had recently closed which included some proposals on statistics and research, particularly to enable HMRC to share more data and giving the ONS increased power to take data from undertakings (e.g. charities) and to get more data from other organisations.

6. Any Other Business