



Department for
Business, Energy
& Industrial Strategy

CONSULTATIVE COMMITTEE ON CONSTRUCTION INDUSTRY STATISTICS

Minutes of the meeting held on Tuesday 30th November 2016

Venue:

Conference Centre,
Department for Business, Energy and Industrial Strategy
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, Energy and Industrial Strategy
Vicky Goodright	Department for Business, Energy and Industrial Strategy
Ole Black	Office for National Statistics
Kate Davies	Office for National Statistics
Mincho Roshlev	Office for National Statistics
Marc John	Office for National Statistics
Michael Dall	Barbour ABI
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
Alex Murray	University College London
Ian Pegg	Royal Institution of Chartered Surveyors
Adam Valentine	Barbour ABI
Allan Wilén	Glenigan
Gerard De Valence	University College London
Giorgio Buttironi	National Federation of Builders
Kelly Forest	Core Five
Les Ruddock	University of Salford
Alberto De Biasio	University College London

Apologies

David Bishop	Build UK
Aurélie Delannoy	Mineral Products Association
Lee Bryer	Construction Industry Training Board

1. Welcome, introductions and apologies (Chair)

Frances Pottier welcomed everyone to November's meeting; following this, the attendees introduced themselves.

Lee Bryer and Aurelie Delannoy sent their apologies.

2. Minutes of last meeting and actions taken (Chair)

No attendees raised queries regarding the minutes from last meeting.

There was only one action from last meeting which has not been followed up yet. This was for ONS to investigate the gap between output and new orders.

3 Update on pricing methodology (ONS)

Kate Davies presentation mainly focused on the on-going construction price work.

3.1 With the aid of slides, Kate Davies explained that the Construction Statistics lost its National Statistic Status in December 2014. It was stressed that it was not the quality of indicators (output and new orders) that caused the loss of the status, but rather the lack of reliable construction price indices used for deflation.

The methodology of prices at present is under review until 2017, the status cannot be changed until changes are made.

3.2 There were 3 options about the methodology of prices that ONS considered. Survey of Prices was discussed first. Kate mentioned that even though a survey on prices will not be used due to financial burden, estimation software could be used instead. Two feasibility studies had been carried out to test how useful a survey would be, which showed that the Value of Work was not understood by respondents. The conclusion was, what was received by ONS was different to what had been anticipated.

3.3 The second option is an input cost method. Kate explained that there was no way to measure productivity by the contractor or the elements paid by final owner. While there was no OECD guidance, Kate continued, Eurostat have three suggested methods.

3.3.1 There was discussion, at a more granular level, on the components of the input cost method. One component of the input cost method is labour. Brian Green asked whether it was an aggregated total or standard flow of work. Kate replied standard.

Kate mentioned there is no international construction measure to what should be included, are published resources are guidance only.

3.3.2 ONS are improving the Input Cost method. In input costs, the changes include expanding the material covered by increasing the Bills of Quantities. Alex Murray pointed out that Bills are used less, thus this leads to a smaller sample size. James Hastings pointed out that market share is specific to sectors and not all procurement types.

Alberto De Biasio suggested that collating quantities could be a solution. Kate responded by saying that a Eurostat index is used, as reference, for the different sizes of infrastructure builds to provide a standardised framework. This provides the standard measure for the different types of infrastructure, and is calculated using the PPIs.

It is agreed that infrastructure that is currently measured on road and bridge should be measured on more.

3.4 The third option: TPI to OPI, which is a merge of data provided by Glenigan and Barbour. This idea was covered briefly and is at the inception stage.

3.5 Noble Francis asked about the measuring of import of materials. Kate responded that they are mapped to SIC and then mapped backwards. This may pose challenging for general and specialised buildings. Ole Black explains that relevant supply use tables exist (latest update 2014), however, there needs to be an improvement in the source of data. The current best source is the purchaser's survey.

3.5.1 Continuing on the import of materials Noble asked about the reference point. Kate responded saying that it is time reliant to the imports / exports at the time. Alberto added that it is not possible to use the PPI for this purpose as it is measured in different quantities due to the fact it is necessary for other weighting.

Brian brought up that different size firms will be paying different amounts and suggested using anonymous data from accounts. However, there are concerns from Noble and Alex that it is too much of a burden for companies and contains highly sensitive information.

Stephen Gruneberg agrees the different prices will always be a judgement call, and this is reason for a law on the different quantities. If a table were to be published on costs, this could help. Brian says that the root of the problem is gaming and the room agrees with Noble's point that it is positively biased towards the major contractors.

3.6 Systematic errors in the data entry of the questionnaire. Brian raised the issue that there is ambiguity over the definition of the ultimate client. Alberto expressed, regarding public sector clients, it should be possible to ascertain the amount that is designated spend for construction.

3.7 Discussion surrounding the current data collection method, a hard copy questionnaire. The response rate is lower for infrastructure than other sectors e.g. retail. It was hypothesized that a different method may affect the response rate. Ole stated ONS practise encourages one method of data submitting. Noble stated that online could provide a better response if reminders were sent to non-responders, but Alex favoured a hard copy that would always be physically present in their in-tray.

3.8 Other work discussion. Kate says that in future ONS do not have the number of surveys online that they wish and James mentioned the EU commission workshop and will forward a copy of survey needs.

3.8.1 VAT discussion. Kate informed the group that VAT will be used to feed in data to the National Accounts. Alex favours the current admin approach as he believes the new reporting, by unit of employees, is unsuitable.

Alex suggests that the IDBR has a rich horizontal view. Kate adds it contains employment and post code. Alex says the source has value added by employee and this is a better measure. This data source is something that ONS are looking into.

3.8.2 Other sources linking with VAT. The statistics business register also has data which links to VAT. Kate highlights there is stronger confidence using this data source for small businesses. Alex suggested that a 20 year license may be better – not a 10 year one. ONS responded that they are in the process of extending it.

4. Comparison between ONS and DCLG housing statistics

Mincho Roshlev presented graphs that compared data between ONS and DCLG on measures including new orders and starts.

4.1 The data was visually displayed in line graphs from new orders (ONS) and starts (DCLG). Alberto commented that there is no lag between starts to new orders, even though it is expected. Noble responded by stating that the contract is the new order and the start should be when the first foundation is laid.

Neil Higgins agreed and informed the group that the measurement of building control starts was more challenging than completions. As legislation required approved inspectors to provide an 'initial notice' (form 1, page 13) and final 'completion' certificate (form 5 page 21) only http://www.legislation.gov.uk/ukxi/2015/767/pdfs/ukxi_20150767_en.pdf

4.2 Noble remarked that the DCLG data on statistic completions are shown to be very volatile and output smoother. Brian noted that the sales period can affect the path.

5. Gross Output

James read the definition that was stated on a survey form. This started discussion surrounding what would be included and what is being recorded in the data submitted.

5.1 James Hastings used wind farms as an example of recording errors of gross output. In this case a wind turbine is heavily dependent on the manufacturing; however, there is concern that contractors are not reporting this into the new orders form. Noble added this is a common concern in sectors where projects are not standard.

Adam Valentine added that in a sample of 105, 30 contractors understood the purchasing. It is decided that further evidence needs to be collected and presented to the group.

Action: James Hastings will produce a paper for the next meeting on gross output

6. Noble Francis's Items

6.1 The CPA is interested in setting up a Market Intelligence Group. Due to the number of reports that are being published Noble is interested in a group that is devoted to only research described as robust.

Action: Inform Noble Francis of interest in forming part of the Intelligence Group. Useful, robust information can be shared, whether the research is ad hoc or regular.

6.2 There has been a recent devaluation of the pound on the FOREX markets; this will affect the construction industry.

Action: Research on exchange rates on construction

6.3 Noble has been approached by a member of the House of Lords to establish the key issues surrounding the UK leaving the EU. James Hastings suggests the labour force will be affected; this is in consensus with everyone.

Action: Send information that is related to the vote to leave the EU on the effect of construction to Noble Francis

Any Other Business

Stephen suggests that there should be an easy to navigate construction website. Government representatives, Frances and Kate, say they are restricted by the publishing format of the government and ONS website respectively. This makes it difficult to add links to other places.

Noble expresses the difficulty in navigating the ONS website and suggests a solution of another website for members. Suggestions for content come from Stephen to include housing and construction statistics. Ian Pegg highlights the RSS website has compiled a list of construction websites; it is not possible to search for this online as this is currently part of their archived site.

Action: Update list of construction data sources on ONS website.

Since the meeting this action has been completed and shall be circulated.