

SSRO

Single Source
Regulations Office

Activity type factsheet Construction

Under the Defence Reform Act 2014, the SSRO must provide the Secretary of State with its assessment of the appropriate rates used to determine the contract profit rate for pricing qualifying defence contracts and qualifying sub-contracts. Part of the methodology is the categorisation of comparator companies in to four activity types:

- Develop and Make
- Provide and Maintain
- Ancillary Services
- Construction

The results of these groups are separately analysed and this fact sheet describes the Construction group.

The baseline profit rate combines results from “Develop and Make” and “Provide and Maintain”, as set out in the *Recommendation Factsheet*. For further information on the methodology used to calculate these rates please see the *Single Source baseline profit rate, capital servicing rates and funding adjustment methodology*.

Construction

Companies undertaking comparable activities considered as ‘construction’ are expected to deliver services in relation to the construction of buildings or other structures at fixed locations. Companies could provide such services either on a contract basis with designs and specifications received or using their own designs. Comparable companies may be responsible for the management of the construction project, and are likely to bear contract risk, procurement risk, staff risk and some quality control risk in respect of these activities. They are not expected to bear any significant property price risk in respect of these activities.

Profit on cost of production

	2018/19	2019/20	2020/21	2021/22	2022/23
Underlying rate (unadjusted for capital servicing)	3.92%	4.02%	3.34%	3.18%	4.03%
Capital servicing adjustment	-0.43%	-0.52%	-0.27%	-0.17%	-0.29%
Underlying rate	3.49%	3.50%	3.07%	3.01%	3.74%
Rolling average*	3.75%	3.53%	3.35%	3.19%	3.33%

Note: The capital servicing adjustment accounts, at an aggregate level, for different levels of capital employed across the companies in the index and so sets a baseline upon which step 6 of the contract profit rate applies.

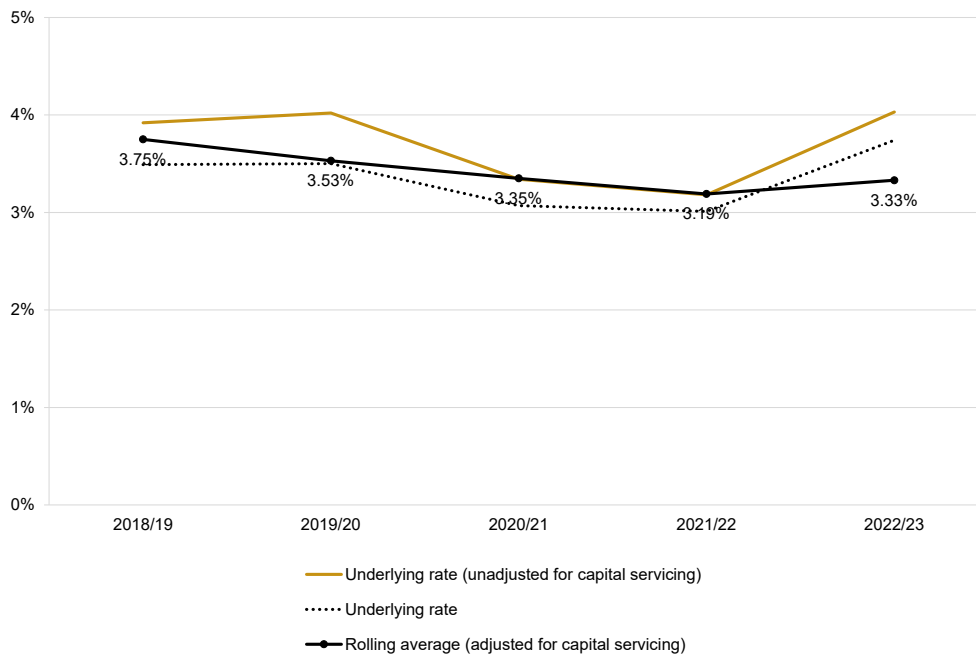
*A four-year average was used for 2022/23 and a three-year average was used pre-2022/23.

The pre-2018/19 underlying rates used for the three-year average were: 2017/18: 3.61%; 2016/17: 4.15%.

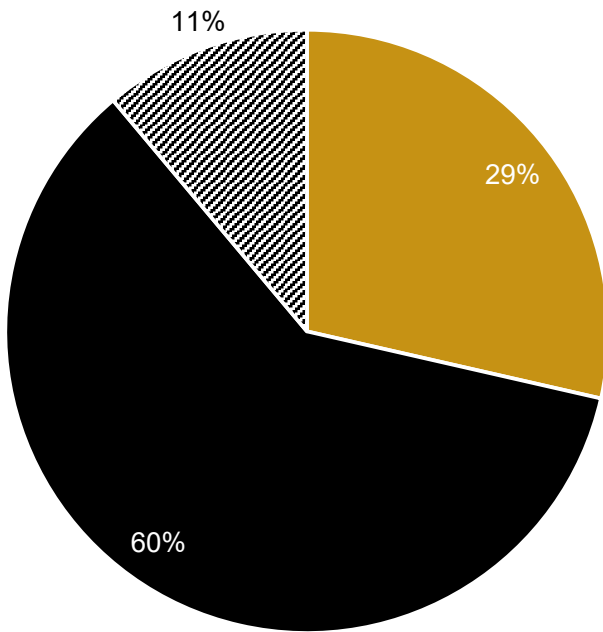
Data sources

For further information on the data selection approach please see section 7 of the *Single Source baseline profit rate, capital servicing rates and funding adjustment methodology*. A company update search of the [Orbis database](#) was carried out on 1 November 2021 on data update number 216001 using software version 216. The financial data for the calculation was extracted from Orbis at the same time.

Median capital servicing adjusted return on cost of production

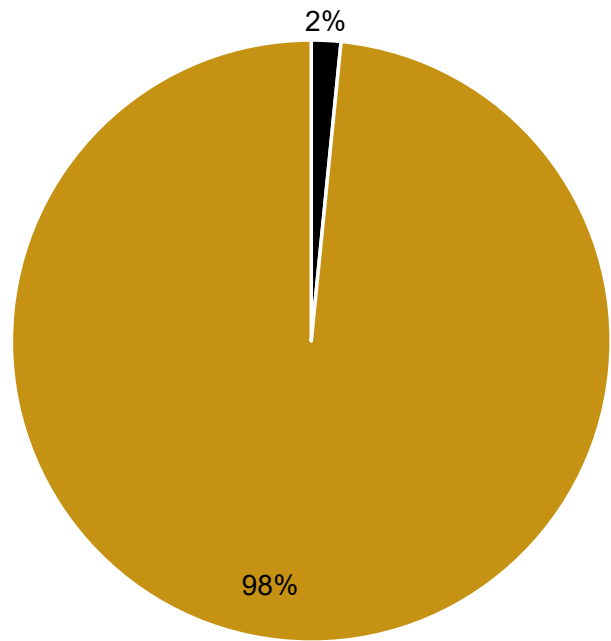


Proportion of companies by country



- Western Europe excluding United Kingdom
- United Kingdom
- ▨ North America

Proportion of companies with defence keyword



- Defence
- Other

Supplementary statistics

Number of companies	70
<i>of which profit making</i>	63
Aggregate turnover	£104
Total capital employed (CE)	£4.10
Average company CP:CE ratio	23.94

Source: Orbis (Cash figures shown in GBP Billions)

Names of companies in the index

3B Construction LTD	Goldfoster Limited	Masterson Holdings Limited
ADF Group INC	Grupo Empresarial SAN Jose S.A.	Mitchellson Formwork & Civil Engineering Limited
Aecom	H. G. Construction (Holdings) Limited	Morgan Sindall Group PLC
Aecon Group INC	Haandverkskompaniet AS	Oliver Connell and SON Limited
AF Gruppen ASA	Haley Securities Limited	Peab AB
Andrew Scott Ltd.	Hardwicke Investments Limited	Putkiwuorio Oy
Anibal de Oliveira Cristina, LDA (J)	Harringtons Builders PLC (J)	Severfield PLC
Ashe Group Holdings Limited	Highgrove Group PLC	Skanska AB
Bird Construction Inc.	Hollingsworth Bros. (UK) Limited	Spritestore Limited
Bowmer and Kirkland Limited	Implenia AG *	STEINER BAU Gesellschaft m.b.H.
Bravida Holding AB	J P Dunn Construction Limited	Steve Hoskin Construction Limited
Buckingham Group Contracting Limited	J. & P. Avax S.A.	Tclarke PLC
Byggpartner I Dalarna Holding AB	J.Wareing & SON (Wrea Green) Limited	THE Castle Building Services Organisation Limited (J)
Cara Holdings Limited	Jarvis Group Limited	Tonroe Group Limited
Carefoot PLC (J)	Jerram Group Limited	Tutor Perini Corporation
Clegg Holdings Limited	Kier Group PLC *	Veidekke ASA
Conlon Holdings Limited	Koninklijke BAM Groep NV *	Vinci
Darke & Taylor (Holdings) Limited	Lapin Teollisuusrakennus Oy	Wates Group Limited *
Emcor Group INC	LES Macons Parisiens	William Hare Group Limited
Feltham Group Limited	Lindum Group Limited	Williams Industrial Services Group INC
Fira Group Oy	Lonsdale Holdings Limited *	Williams Tarr Holdings LTD (J)
Fluor Corp *	M Y J Gruas SA (J)	WYN Construction Limited
Galliford TRY Holdings PLC * (J)	M.P.B. Structures LTD	
Glasgiven Contracts Limited	Martifer Sgps S.A.	

* Indicates that the company is a loss-maker in the year.

(J) Indicates a company which was not in the activity group last year, but has been added this year.