



Shaping public
construction

SCF Market Intelligence Q4 2021

LSA
LONDON SCREEN ACADEMY

Introduction



As part of SCF's commitment to collaboration and transparency, every quarter, SCF Main Contractors gather market intelligence from the construction industry from their trade supply chains.

Throughout 2021 the market has experienced unprecedented volatility and as a result increasing cost pressures. Although Covid-19 restrictions are becoming increasingly lenient, the construction market continues to experience instability. It is now more crucial than ever that public sector clients continue to develop a deeper understanding of the market conditions when procuring their projects. This will ensure the best possible cost and time outcomes as budgets are squeezed ever tighter.

To this end, SCF market intelligence analyses data across 10 key trade packages. Data is collected across four cities within the south of the UK. The analysis identifies regional market trends and forecasts for the

following year by commenting on changes in tender workload, number of employees, building costs and material & labour availability.

SCF shares this information with its clients to highlight key areas of risk that may impact on project delivery. SCF Main Contractors and Clients can use this information to predict pressures and opportunities in the market, to make decisions about material specification, construction methodology, off-site or automated construction techniques and project planning and programming, ensuring the best possible decision making to deliver maximum value to our clients.

This data, combined with SCF's integrated team approach, maximises the benefits of the two-stage open book process, ensuring predictable, high-quality outcomes for our clients and their communities.

Get in touch...

To discuss the SCF procurement process or a particular project you have in mind, please contact our Operations leads.



Adam Sanford
Operations Lead
South East and London
e. adam.sanford@hants.gov.uk



Kingsley Clarke
Operations Lead
South West
e. kingsley.clarke@devon.gov.uk

Trades

- Carpentry and Joinery
- Tower Cranes
- Groundworks
- Windows
- Curtain Walling
- Concrete Frames
- Brickwork
- Mechanical and Electrical
- Dry Lining
- Steelwork



Tender Workload

As funding streams continue to be allocated, tender workload has been prominent throughout the construction industry during Q4. SCF Main Contractors have identified an increasing demand for construction trades, with an average increase of 6% in tender workload across all trades when compared to the previous quarter. This aligns with observations from Glenigans, where planning approvals during Q4 for projects under £100m was greater than the previous 3 months.

In support of frequent market activity, SCF Main Contractors observed the greatest quarterly increase in tender workload for the following trades:

- Dry Lining +10%
- Steelwork +10%
- Tower Crane +9%
- Windows +7%

However, the ONS has identified “Construction Output” and “Project Starts” to have declined during October, similar to what was observed earlier in the year during Q2 and Q3. Limited “Construction Output” and “Project Starts” has been strongly associated with challenges in material and labour sourcing amongst the supply chain, as experienced by SCF Main Contractors during Q4.

Central Government has supported the Covid-19 recovery via multiple funding streams under the “Build Back Better” agenda. According to the ONS, “Main Contract Awards” have increased by 64% during Q4 when compared to this same time last year. Throughout 2021, this continued allocation of funding supports the average 5% increase in tender workload observed by SCF Main Contractors when compared to this time last year.

SCF Main Contractors have identified the following trades to have had the greatest demand in tender workload throughout 2021:

- Steelwork +15%
- Concrete Frame +9%
- Dry Lining +9%
- Tower crane +7%

In connection to the “Levelling Up Fund”, the ONS has identified the value of all contract awards in the Southwest to have increased by 65% during Q4 when compared to the same period last year. This has been heavily reflected within the SCF data set, where tender workload within the southwest has increased quarterly by 3%, 6% and 6% for Q2, Q3, Q4 2021 respectively.



Kingsley Clarke. Operations Lead

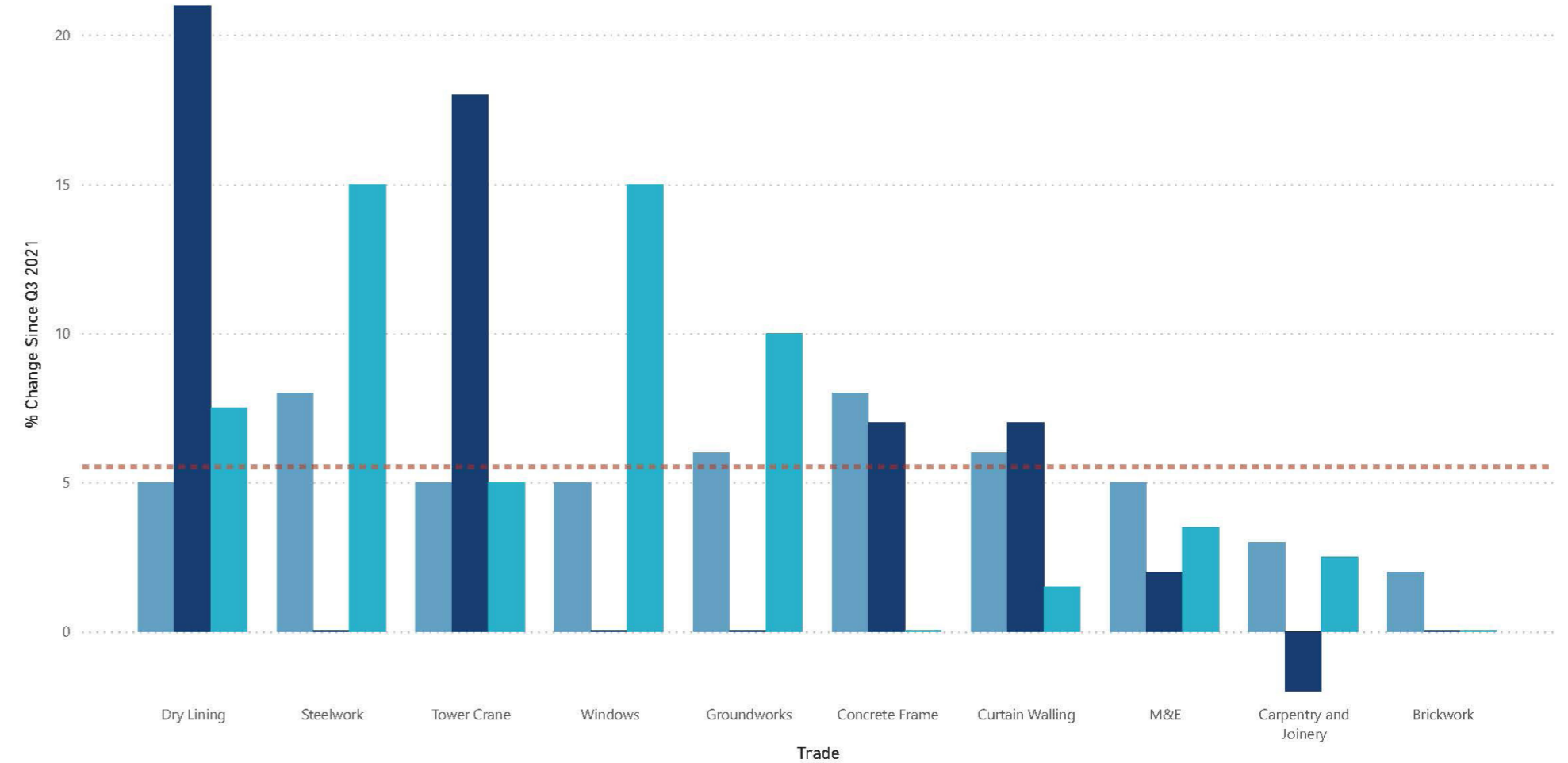
“With a spike in tender workload across the construction industry, it is becoming increasingly more important to engage with the market early. Utilise soft market tests and bidders’ days to generate appetite for your scheme from Main Contractors. Enhance visibility and interest in your project, allow contractors to align their resources with your project to ensure the greatest levels of interest and competition for your scheme.”

“In accordance with the Construction Playbook, SCF shares its pipeline on its subcontract tendering portal to help boost visibility amongst the supply chain and support suppliers in managing workload.”

Tender Workload (% change since Q3 2021)

Tender Workload

SCF Regions ● London ● Southeast ● Southwest





Employment

During Q4, a reduction in “Construction Output” and “Project Starts” demonstrated the continued challenges in sourcing materials and the hesitancy from clients in committing to project progression.

As a result, SCF Main Contractors have identified limited changes in employment amongst their supply chain with an average increase of 1% in the number of employees when compared to Q3. Subcontractors may have been reluctant to commit to engaging new workforce until greater stability within in the industry is established.

The greatest quarterly increase in employment was observed for the following trades:

- Dry Lining +2%
- Carpentry & Joinery +2%
- M&E +1%
- Concrete Frame +1%

The SCF data set demonstrates great variation between regions and trades in regard to change in employee numbers. The survey nature of the SCF data set captures the variation within individual suppliers and as a result will also reflect how businesses are faring throughout these uncertain times. With definitive labour trends yet to be

observed, this exposes the extent of instability in the industry over the course of the last year.

However, during 2021 an increase in tender workload associated with the pandemic recovery may have supported a small annual increase in employment (+1.5%). When compared to the same time last year, the trades with the greatest increase in the number of employees include:

- Carpentry & Joinery +7%
- Steelwork +3%
- Windows +2%
- M&E +2%
- Brickwork +2%

An industry wide skills shortage has been a key risk for the construction sector for many years, with an aged workforce heading towards retirement. With the construction industry relied upon to be the catalyst for the pandemic recovery, the impact of the skills shortage has been keenly felt over the past year. Data from the “Construction Products Association” has identified a loss of 223,000 workers from the construction industry in the UK since Q2 2019.

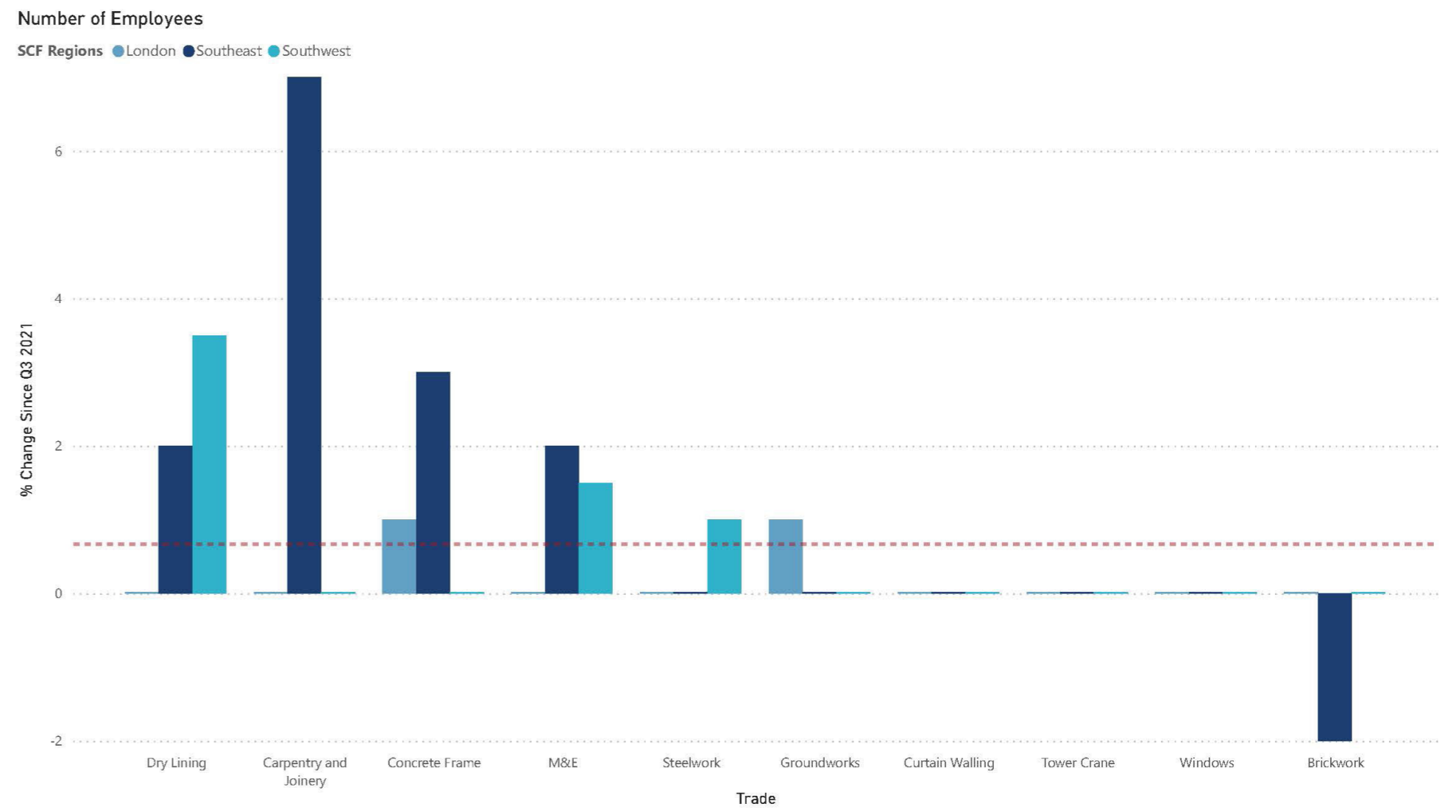
The majority of these workers are within the 45-55 age bracket. With an additional loss of young migrant workers from the EU, the ONS has already identified a rise in weekly earnings. Data collection over the following 12 months will determine whether these are long-term trends in employment.



“With the construction industry leading the way for the pandemic recovery, never has it been more imperative to engage your local supply chain to ensure they have adequate resources to support your scheme. If you can be open about future opportunities with your supply chain, it will provide confidence to invest in new starters including apprentices to help address long term shortages in key trades.”

Emma Bull, Senior Framework Manager

Change in number of employees (% change since Q3 2021)





Building Cost

Throughout Q1, Q2 and Q3, SCF Main Contractors and their trade supply chains have observed volatile increases in building costs associated with Covid-19 and Brexit. This trend of price escalation has continued during Q4, with SCF Main Contractors identifying an average increase in building cost of 7% across all trades. The trades with the greatest quarterly increase in building costs were:

- Dry Lining +15%
- Groundworks +11%
- M&E +8%
- Steelwork +7%

SCF Main Contractors suggest that increased building cost is due to an accumulation of factors. One of which includes inflated prices of raw commodities. Many price notifications have been directly derived from the rising cost of energy impacting upon manufacturing costs for products such as steel, cement, and plasterboard:

- From October 1st, British Gypsum notified of a 6% increase in gyproc plasterboard
- British Steel have informed of a £50 per tonne price increase for structural sections
- Suppliers of cement-based products have notified of price increases of £11-16 per m2 from January 2022

However, anecdotal evidence from the supply chain suggests that even though building costs have increased during Q4, price increases are now less volatile than previously experienced throughout the year. When compared to the same period last year, SCF Main Contractors have identified building costs to be an average of 18% greater across all trades.

The trades with the greatest annual increase in building costs include:

- Steelwork +51%
- Concrete Frame +26%
- Dry Lining +20%
- Curtain Walling +16%
- Carpentry & Joinery +16%



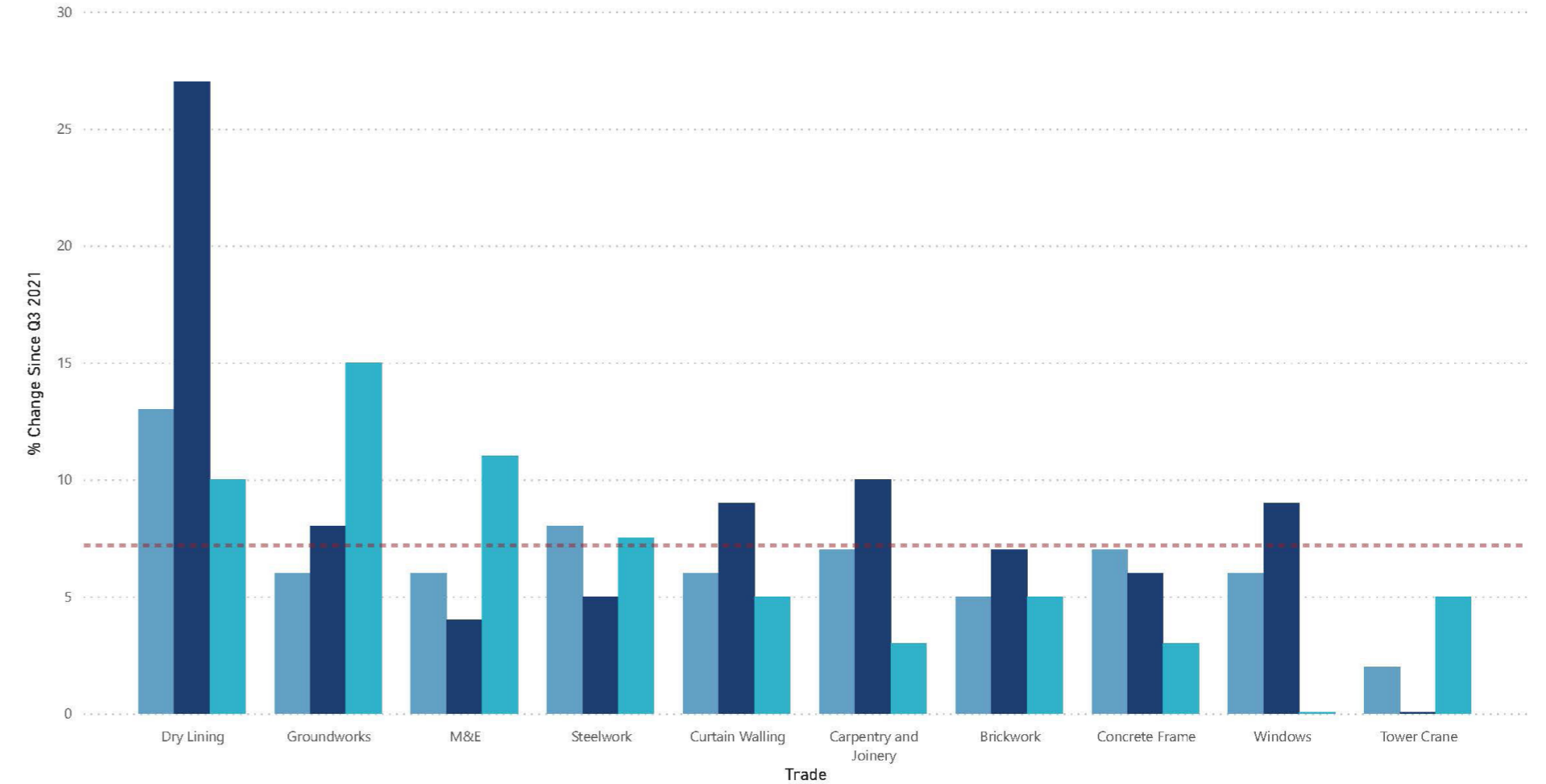
James Wright, Senior Framework Manager

“With volatile increases in building cost experienced throughout 2021, with an integrated team approach SCF Main Contractors and their trade supply chain are now better equipped to share market intelligence with clients early in project phases and aim to transparently negotiate the risk of price inflation.”

Change in Building cost (% change since Q3 2021)

Building Cost

SCF Regions ● London ● Southeast ● Southwest





Material Availability

Throughout 2021, SCF Main Contractors and their trade supply chains have observed extreme increases in material and labour lead times, with an average increase of 4 weeks when compared to the same time last year.

Limited material availability has heightened during Q4, with SCF Main Contractors identifying an average increase in material and labour lead times of 2 weeks across all trades when compared to the previous quarter.

The trades with the greatest quarterly increase in material and labour lead times were:

- Steelwork +6 weeks
- Groundworks +4 weeks
- M&E +4 weeks

However, anecdotal evidence from the supply chain suggests that product availability is becoming more consistent as recovery from the pandemic progresses. On the 11th of January, due to the Omicron variant, the Department for Transport implemented a temporary relaxation of the Retained EU drivers' hours rules to combat against high absences within the haulage sector. This relaxation ended on the 10th of February as recovery from the pandemic has progressed.



Adam Sanford, Operations Lead

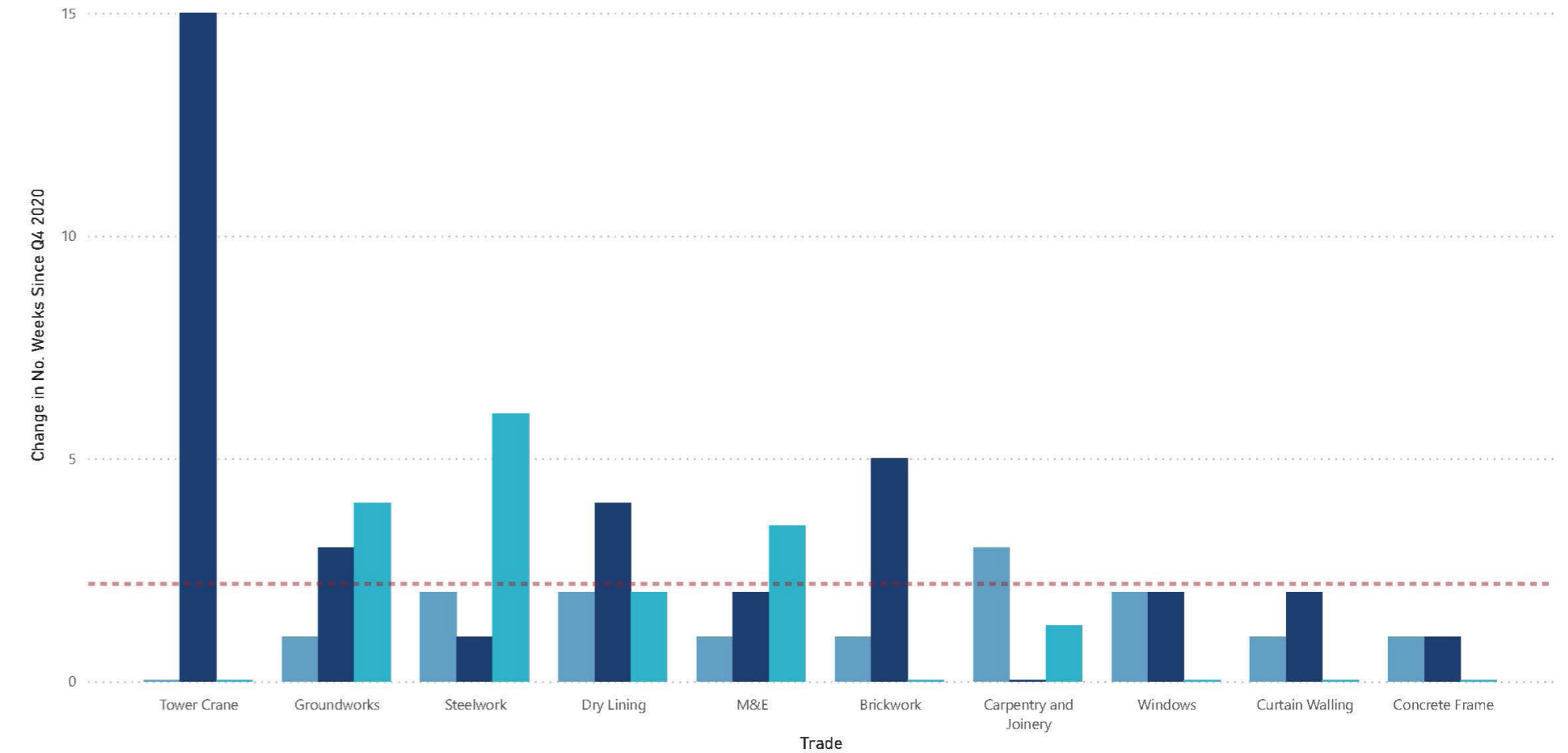
"With many manufacturers being vulnerable to increased lead times due to depleted stockpiles, SCF Main Contractors suggest that where possible avoid fixing specification at planning. This can limit your options in sourcing alternate materials over the course of your project."

"Although the lead time for bricks sourced from UK factories is not increasing, some manufacturers are still operating under a 20-24-week lead time and work under strict allocations to ensure continued capacity. As a result, early planning remains critical. Consult supply chains early to specify lower-risk items and when possible, procure items with a long lead time in advance."

Change in material availability (change since Q3 2021)

Material & Labour Availability

SCF Regions ● London ● Southeast ● Southwest





Looking ahead

Tender Workload

During Q4, the allocated regional and project budgets for the first round of the “Levelling Up” fund was published.

- £131m in the southwest, £151m in the southeast and £65m in London.

Additional funding is due to be allocated throughout the year. This supports the SCF Main Contractor’s forecast for an average 6% increase in tender workload across all trades for Q4 2022.

The trades with the greatest anticipated increase in tender workload throughout 2022 include:

- Curtain Walling +10%
- Dry Lining +10%
- Carpentry & Joinery +7%
- Steelwork +7%

Increasing stability in sourcing materials is due to be reflected amongst industry workloads, with SCF Main Contractors anticipating project starts to steadily progress throughout the year as the industry gains greater confidence in its ability to deliver projects.

 [Click here to see Tender Workload forecast](#)

Employment

As funding streams continue to be allocated and confidence in the recovery improves, trade supply chains will need to increase the rate of employment to ensure the timely delivery of projects.

As a result, rapid employment amongst the supply chain is expected throughout 2022, with SCF Main Contractors forecasting an average increase of 7% across all trades. Rapid employment is also required to compensate for the loss of EU workforce post-Brexit and to continue to overcome the impact of the industry-wide skills shortage.

SCF Main Contractor’s supply chain anticipates that the demand for a rise in employment during 2022 will be observed most by the following trades:

- Curtain Walling +10%
- Windows +9%
- Dry Lining +8%
- Groundworks +7%

 [Click here to see Employment forecast](#)

Building Cost


Throughout 2021, demand-side inflation was a key cause of volatile building costs. However, according to the ONS, the rate of increase in Construction Output during 2022 will be slower than that of 2021, resulting in reduced impacts derived from demand-side inflationary pressures.

On the other hand, anecdotal evidence from the SCF supply chain suggests that even though high demands are increasingly more stable compared with 2021, energy prices and other unforeseen changes may continue to have an impact throughout 2022. For example, the conflict between Russia and Ukraine, has resulted in greater uncertainty in regard to fuel prices over the coming months.

As a result, SCF Main Contractors’ supply chain anticipates an average 4% increase in building cost across all trades by the same time next year.

The trades with the greatest anticipated increase in building cost throughout 2022 include:

- Carpentry & Joinery +9%
- Steelwork +9%
- Groundworks +7%
- Concrete Frame +6%

 [Click here to see Building Cost forecast](#)

New Data Collection

“As public sector organisations continue to commit to ambitious net zero carbon targets amongst their estate, life cycle assessments often highlight carbon savings associated with the Refurbishment of buildings and identify high carbon costs associated with New Builds. As a result, going forwards, SCF Main Contractors are committed to measuring the proportion of “New Build” vs “Refurbishment” that their supply chain is delivering every 6 months. This data will be used to identify long-term trends in the shift toward low carbon builds.”


Material Availability

Throughout 2022, stability in material availability is forecasted to improve. However, SCF Main Contractors warn that many manufacturers still have depleted stockpiles following the pandemic, and as a result there is still a fragile balance between supply and demand.

SCF Main Contractors forecast an average 2 week increase in material and labour lead time across all trades by the same time next year. The trades with the greatest anticipated increase in building cost throughout 2022 include:

- Brickwork +4 weeks
- Steelwork +3 weeks
- Groundworks +3 weeks

SCF Main Contractors will continue to effectively communicate with supply chain partners at both project and tender level to ensure that they place fixed price orders as efficiently as possible in order to de risk projects against volatile lead times and cost escalations.

 [Click here to see Material and Labour Availability forecast](#)



Carbon - Red Diesel

The Construction industry provides opportunities for low carbon innovation as the cost of red diesel rises. The UK Government have set a number of measures to meet their Net Zero Carbon targets by 2050. The most recent announcement includes changes to the rules of use for red marked fuels, more commonly known as Red Diesel.

From 1st April 2022, the price of red diesel will rise due to the removal of government rebates. There will be a significant fuel duty cost increase of approximately 80% every litre of non-red (white) diesel purchased. This tax is intended to reflect the extent of emissions that are currently associated with use. A crucial change for the construction industry includes heavy plant and non-road mobile machinery (e.g cranes, excavators) no longer being able to run from red diesel. In addition, the construction industry will also lose the ability to utilise red diesel for power generation including the use of mobile generators on site.

HMRC has confirmed it will take a pragmatic approach to enforcement and will consider the steps taken to switch to using fully duty-paid diesel. HMRC have confirmed they will withhold equipment, issue fines and penalty charges when the use of red diesel has been used illegally.

Whilst this will come at a cost to business, it also opens the door for increased innovation to reduce the reliance on diesel within the construction industry. At this time, there are substitutes in the ever-growing marketplace, and SCF Main Contractors are embracing alternate, low carbon, 'clean' technologies.

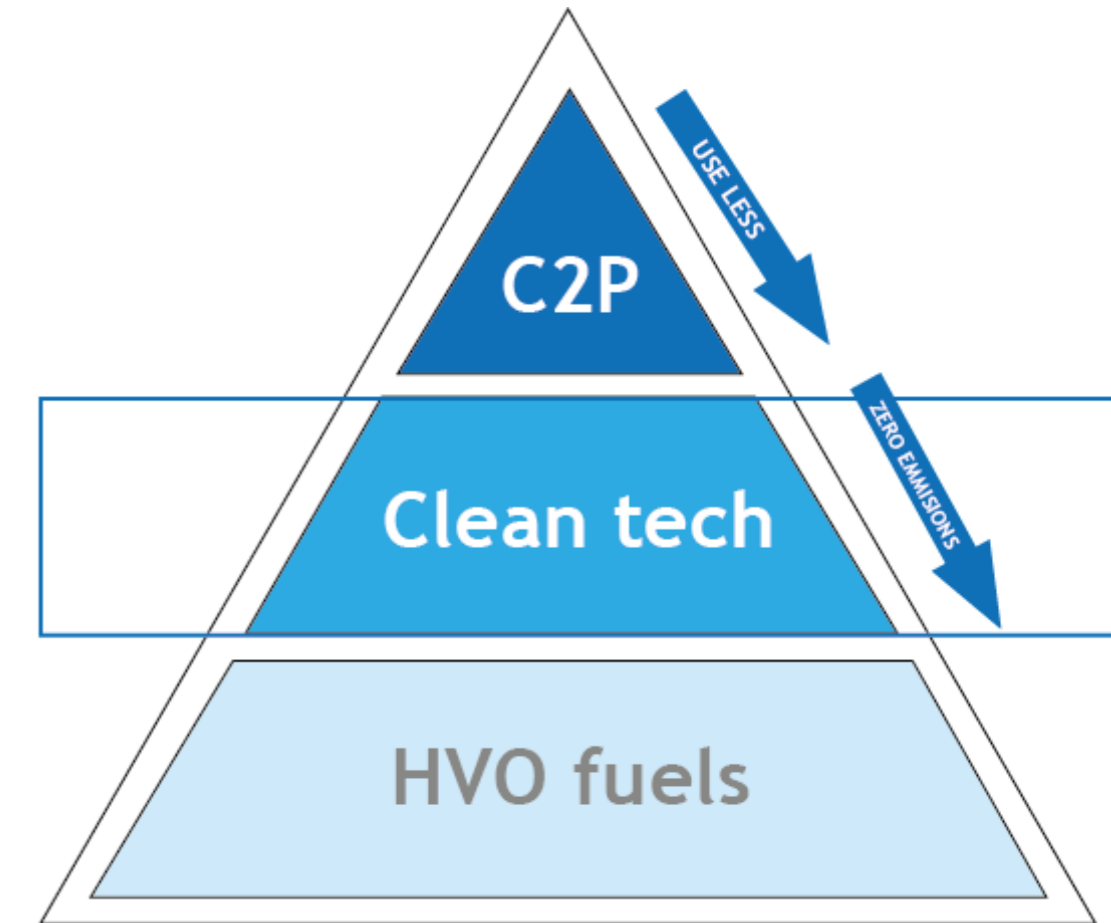


What opportunities are there currently out there?

1 Using alternative fuel - Green D+ HVO fuel is the market leader of alternative fuel. It can be used in the same plant equipment, compatible with all diesel engines, manufacture testing shows up to 90% CO2 reduction compared to regular diesel and delivers significant local air quality benefits of up to 30% reduction in NOx and 85% reduction in particulates. This is increasingly important when considering the environment where we are asking operatives to work.

2 Use battery powered electric plant - Battery-powered machines claim to be like-for-like compared to machines that are powered by diesel; no less powerful or productive. The electricity can be from 100% renewable sources (zero carbon emissions), however what happens at the end of the life of the battery is still uncertain. Just as electric cars are the new trend, so is electric plant and is the most sustainable option in the marketplace at present. These changes provide us the exciting opportunity and impetus to deliver real and meaningful progress towards net zero carbon construction.

3 Hybrid - A mix of battery power and fuel, usually with 70% fuel and 30% electricity. A recent example of a hybrid Mobile Elevating Work Platform (MEWP) saved ~1,385.11 Kg CO2 per 4 weeks (running at 8 hours, 5 days a week).

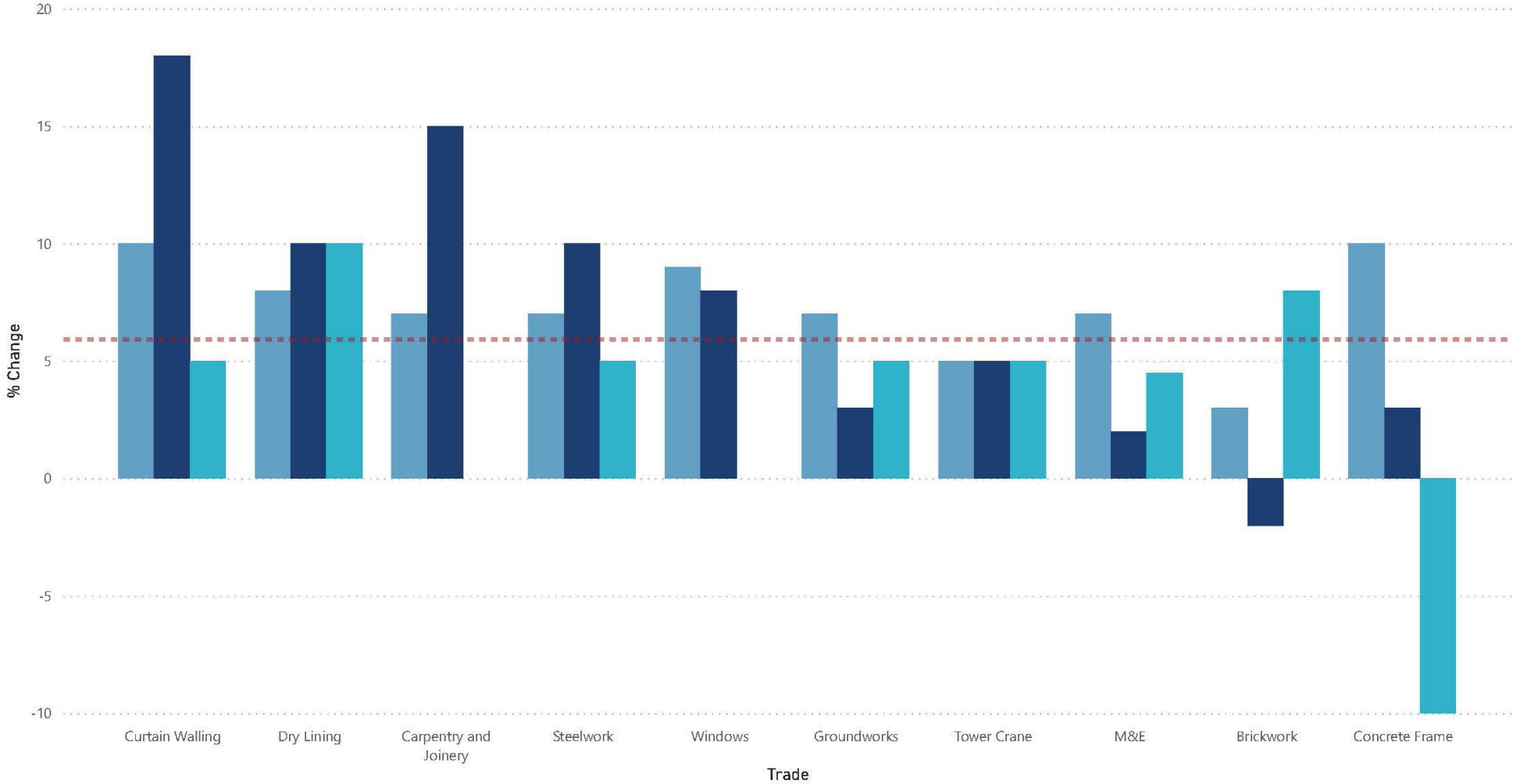


This is not an exhaustive list, and we expect the market to innovate further in coming years. There are many opportunities for new low carbon technologies to come in to play. The future of clean technology is exciting, and SCF Main Contractors are looking to embrace the opportunity!

Red diesel is responsible for fourteen million tonnes of carbon emissions each year in the UK. These changes provide us the exciting opportunity and impetus to deliver real and meaningful progress towards net zero carbon construction.

Forecast Q4 2022 - Tender Workload

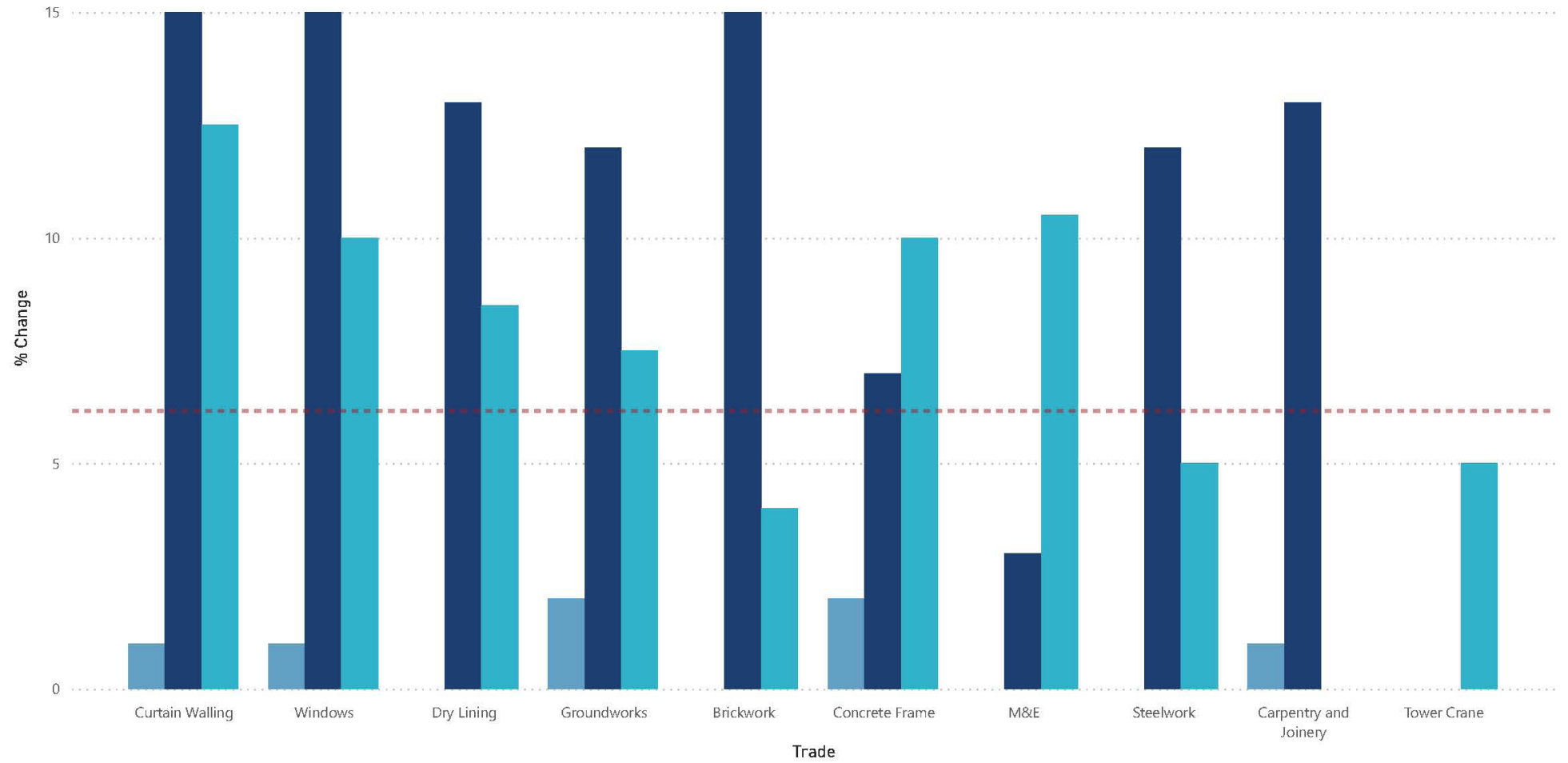
SCF Regions ● London ● Southeast ● Southwest



Go back to Looking ahead

Forecast Q4 2022 - No. of Employees

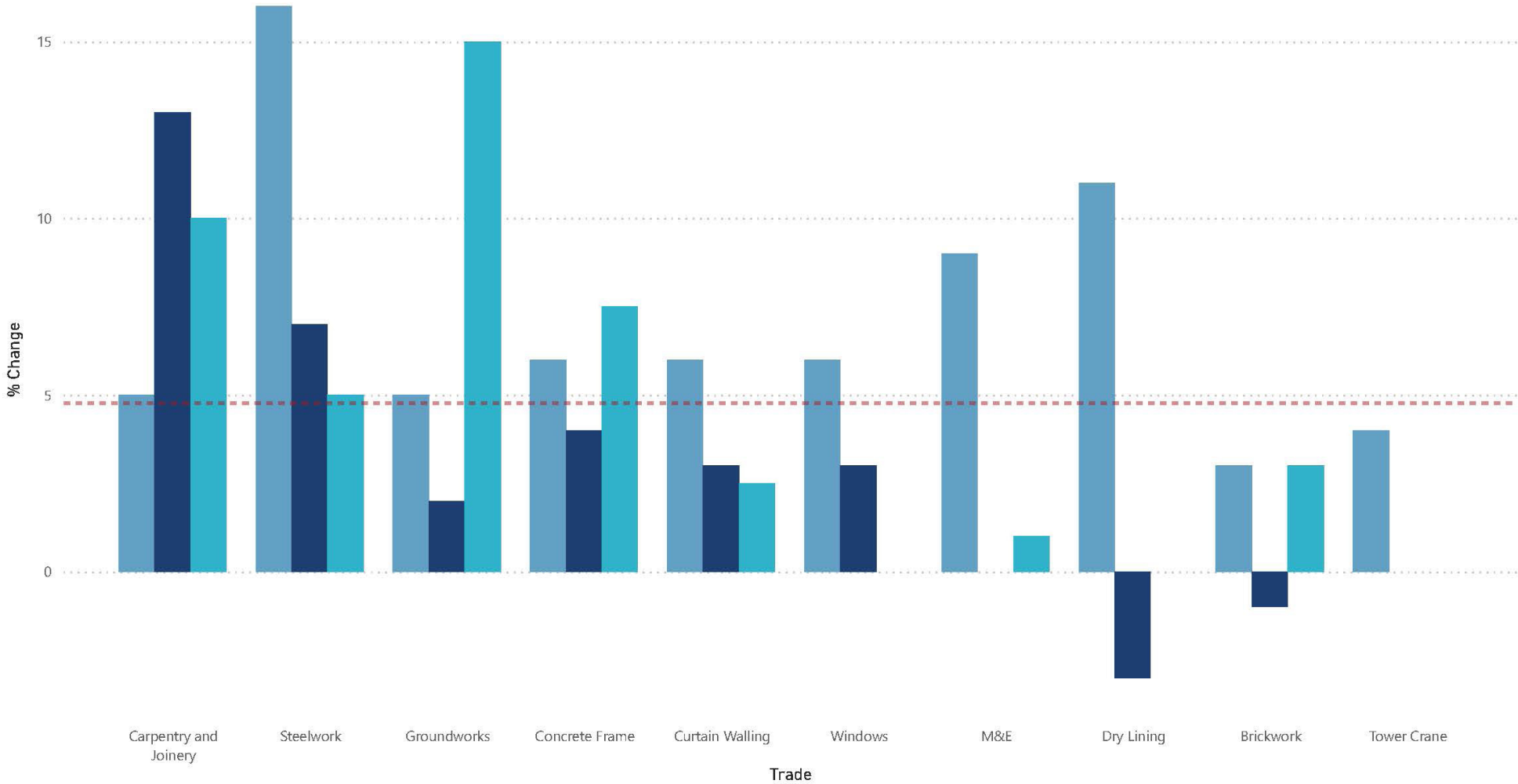
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Go back to Looking ahead

Forecast Q4 2022 - Building Cost

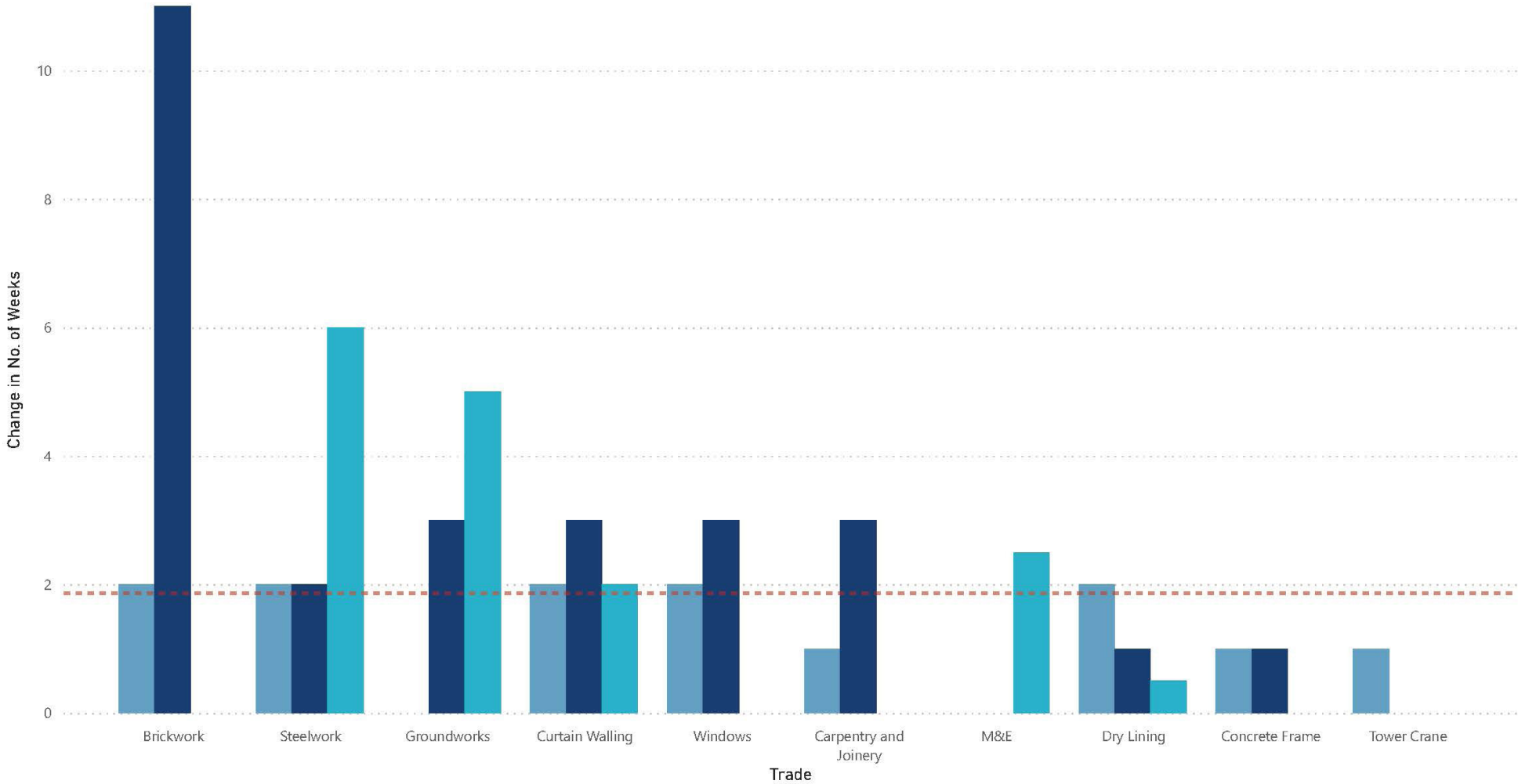
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Go back to Looking ahead

Forecast Q4 2022 - Material & Labour Availability

SCF Regions ● London ● Southeast ● Southwest



Go back to Looking ahead