

CONSTRUCTION:

How will the election result
impact the industry?

1st August 2024



QUESTIONS & POLLS

Ask a question:



Answer the polls:



THE EXPERTS



Dr David Crosthwaite

Chief Economist

BCIS



Karl Horton

Chief Data Officer

BCIS



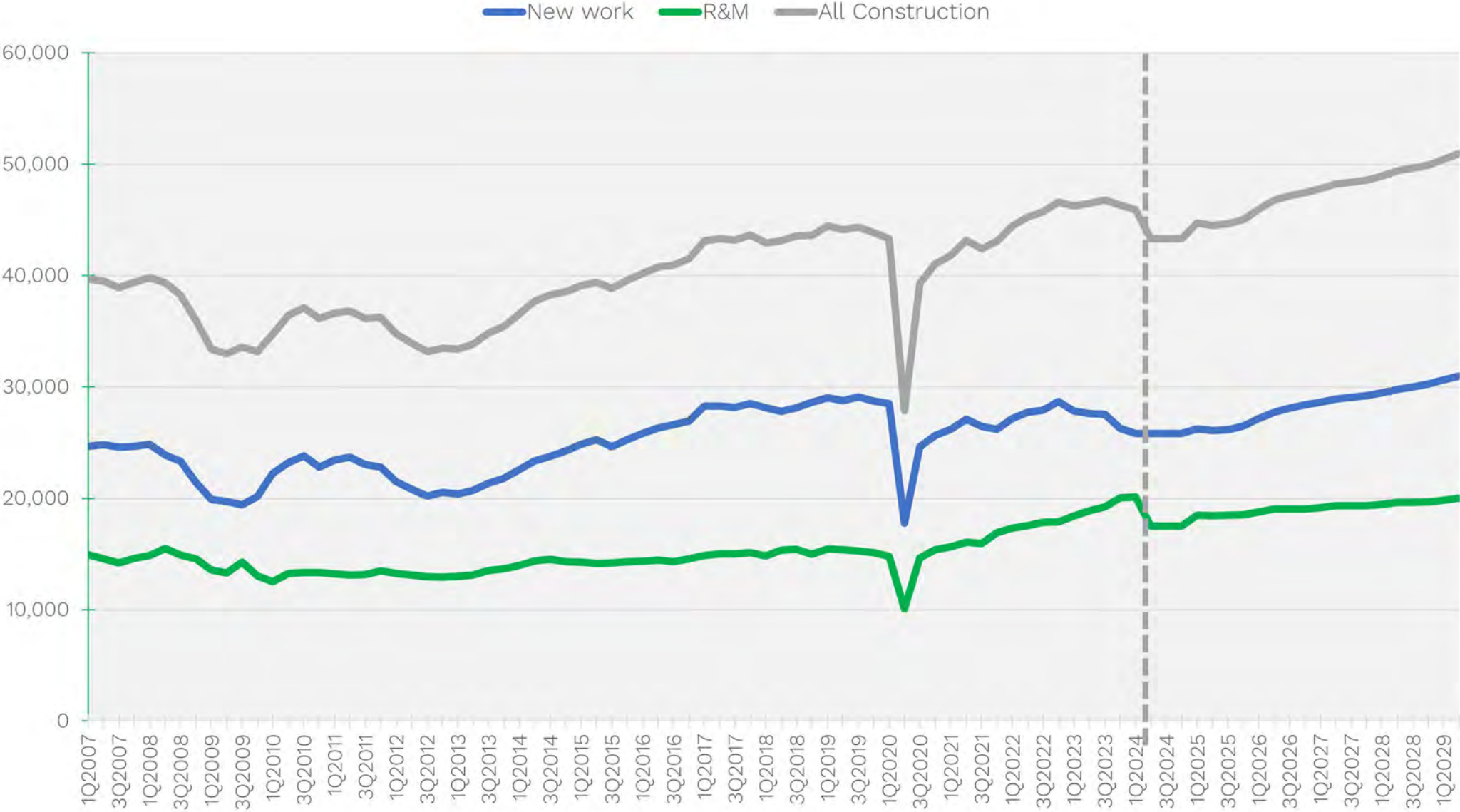
AGENDA

- ▶ Introduction
- ▶ What impact do elections have on construction?
- ▶ Your submitted questions:
 - ▶ Can the government build 1.5 million homes in five years?
 - ▶ What's the best way to grow the construction workforce?
 - ▶ Should the new government take a different approach to managing major projects?
 - ▶ Which will impact construction more: the new government or the Bank of England?
 - ▶ Is the new government pro-net zero?
- ▶ Any other questions

INTRODUCTION



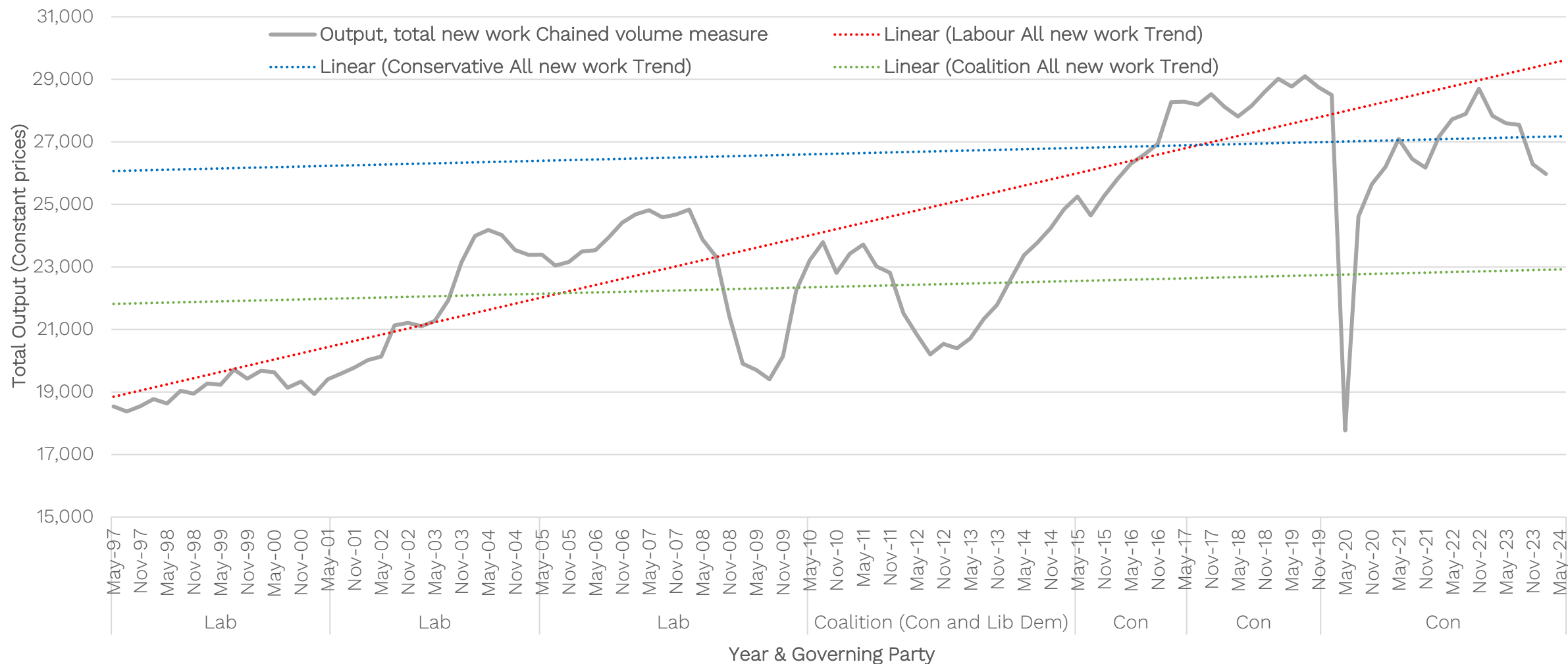
INTRODUCTION - CONSTRUCTION OUTPUT FORECAST (ONS/BCIS, 2024 £M)



WHAT IMPACT DO
ELECTIONS HAVE ON
CONSTRUCTION?

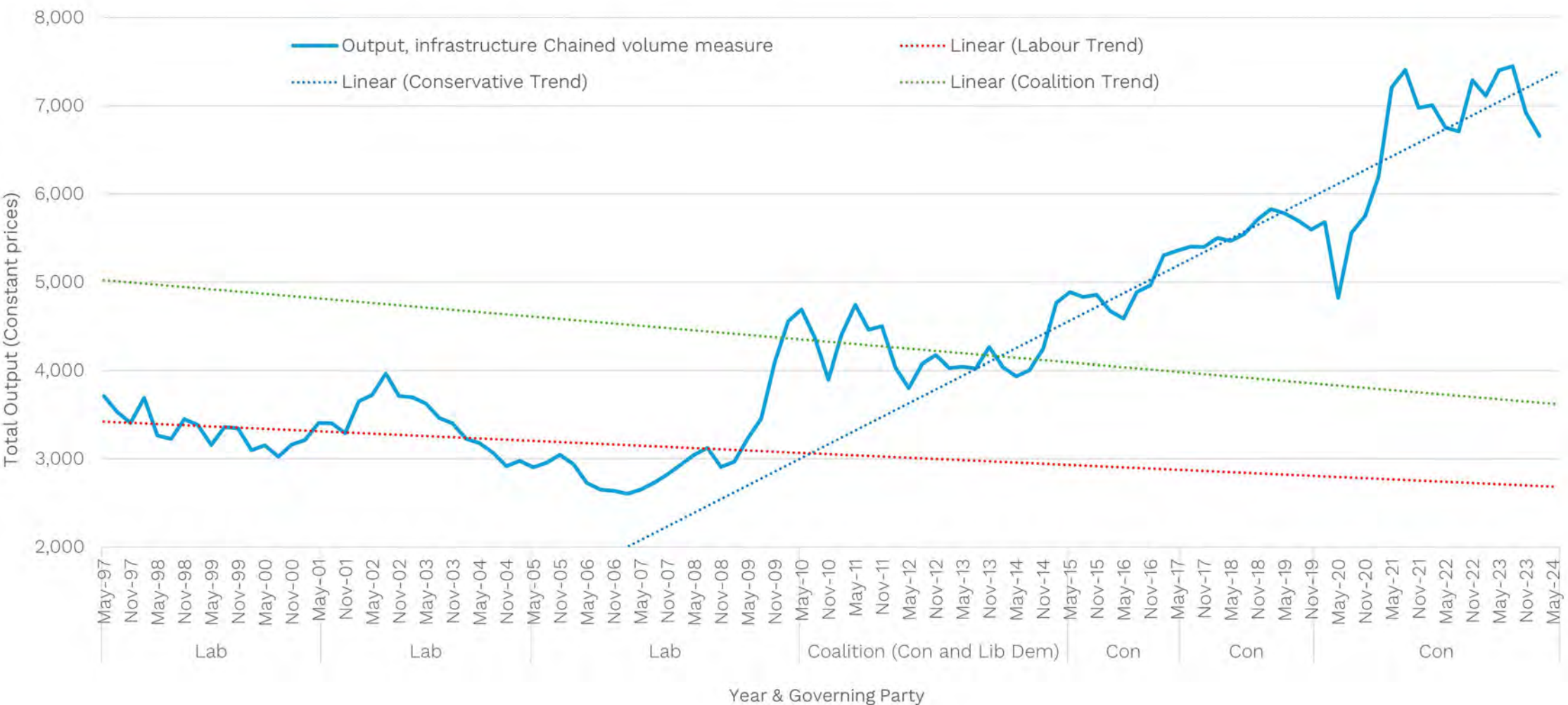
WHAT IMPACT DO ELECTIONS HAVE ON CONSTRUCTION?

► Trends (by governing party) in total new work output since the late 1990s



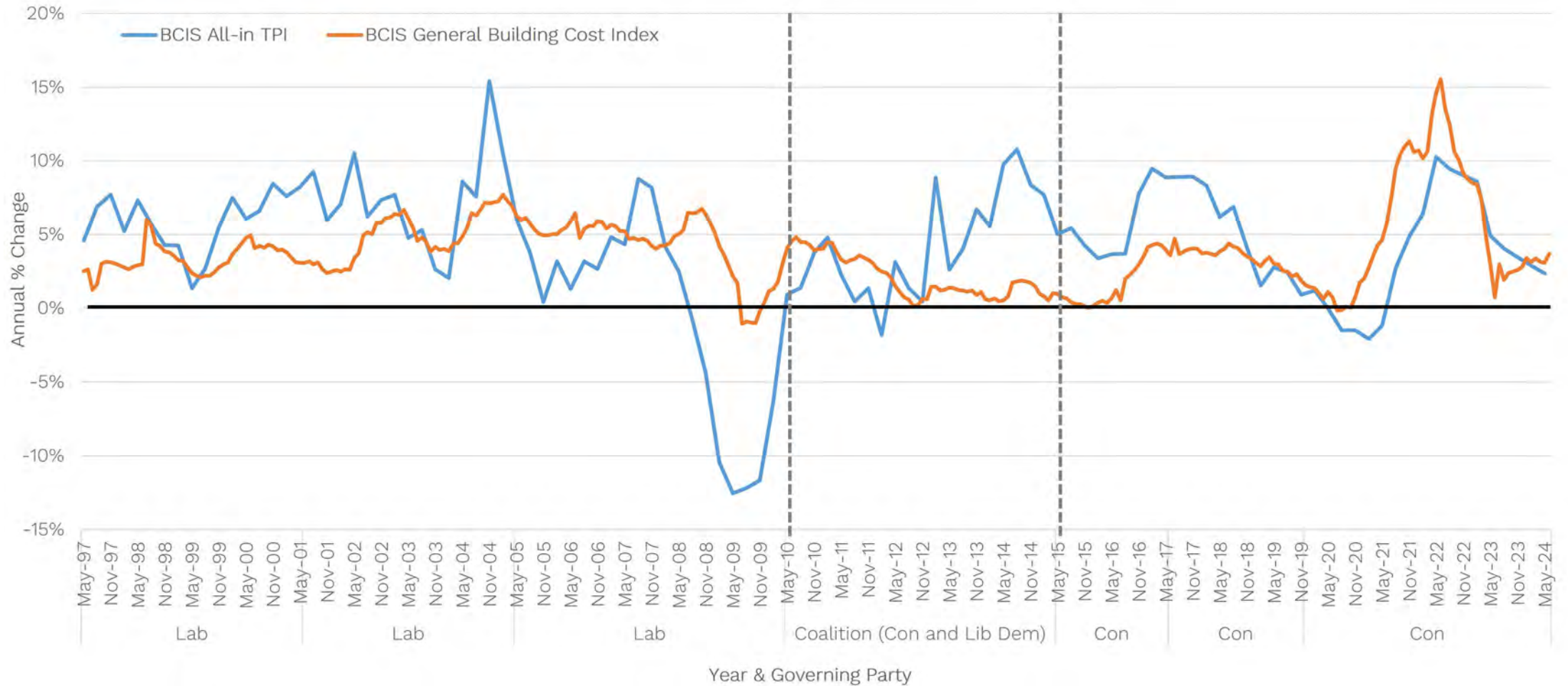
WHAT IMPACT DO ELECTIONS HAVE ON CONSTRUCTION?

- Trends (by governing party) in infrastructure output since the late 1990s



WHAT IMPACT DO ELECTIONS HAVE ON CONSTRUCTION?

- ▶ But what about construction inflation... we have plotted BCIS GBCI and All-in TPI...



CAN THE GOVERNMENT
BUILD 1.5 MILLION HOMES
IN FIVE YEARS?

CAN THE GOVERNMENT BUILD 1.5MILLION HOMES IN FIVE YEARS?

Why can't the UK build 240,000 houses a year?

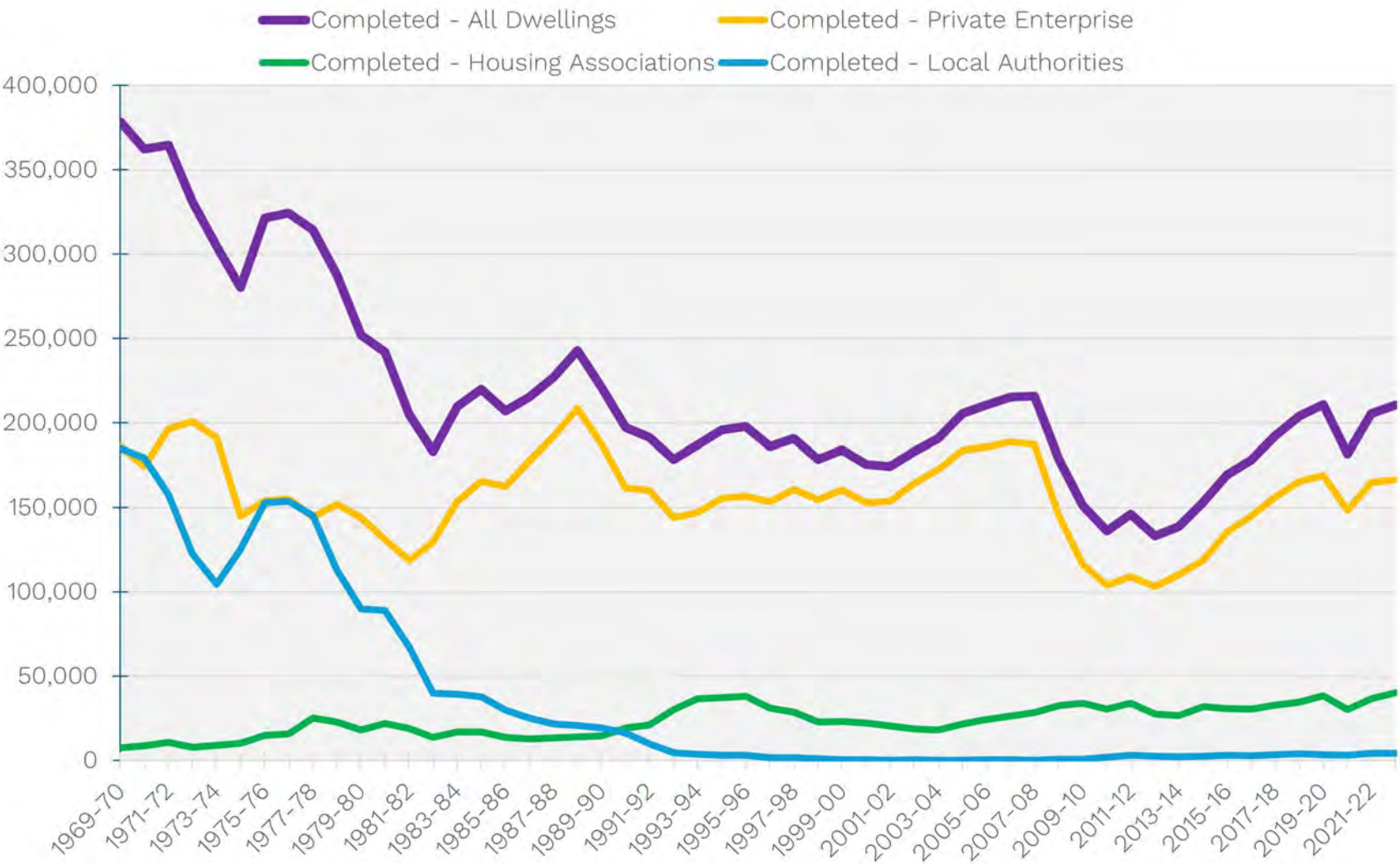
13 January 2015



By Tom de Castella
BBC News Magazine

In 2007 the Labour government set a target for 240,000 homes to be built a year by 2016. The UK is nowhere near that. Why?

UK HOUSE BUILDING COMPLETIONS BY PROVIDER (ONS, 2024)



From peak in 1970, home completions have declined, particularly local authority provision.

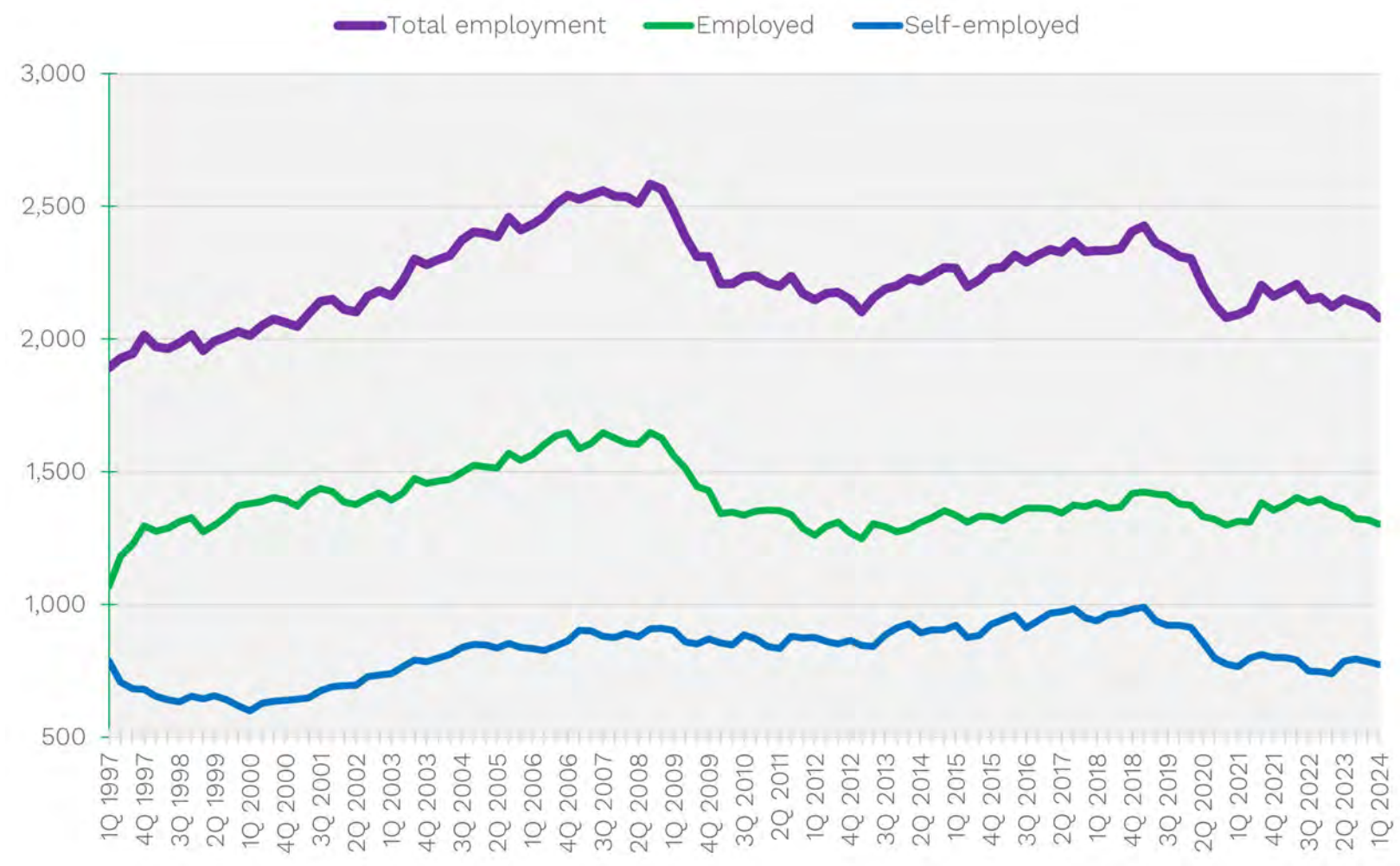
Commercial property developers the largest provider, averaging 157k pa over the last six decades.

CAN THE GOVERNMENT BUILD 1.5 MILLION HOMES IN FIVE YEARS?

- ▶ In 1970 almost 380k homes completed in the UK, so possible, but unlikely
- ▶ Completions on a downward trend since, settling at long-term average of 217k per-year over last few decades
- ▶ 80% of new homes built by commercial property developers - control supply to maximise returns
- ▶ Governments have tried to influence number of homes being built, most have failed
- ▶ Governments have no lever to control housing supply and carefully controlled supply maintains price levels
- ▶ Government could influence supply by building themselves, unlikely given the current state of public finances

WHAT'S THE BEST WAY TO
GROW THE CONSTRUCTION
WORKFORCE?

UK CONSTRUCTION WORKFORCE: THOUSANDS (ONS, 2024)



Marked decline in total employment since 2008, some recovery evident pre-Brexit and pre-pandemic, but currently c.500,000 lower than peak in 2009.

Assuming demand picks up, how can we grow the construction workforce to mitigate capacity issues in future?

WHAT'S THE BEST WAY TO GROW THE CONSTRUCTION WORKFORCE?

- ▶ Vocational courses a longer-term solution, limiting migrant labour short-sighted
- ▶ Perhaps Labour's stated aim of improving UK's relationship with European bloc could start by allowing free-movement for construction labour

WHAT'S THE BEST WAY TO GROW THE CONSTRUCTION WORKFORCE?

- ▶ Tier 1 contractors manage construction process but don't directly employ trades, sub-contract project delivery to supply chain
- ▶ Fragmentation makes training an issue in construction. Extensive use of sub-contractors and preponderance of small firms complicates delivery
- ▶ Burden of training provision falls on the individual and tends to take place on the job
- ▶ Need more direct employment in construction, lessen reliance on self-employment

WHAT'S THE BEST WAY TO GROW THE CONSTRUCTION WORKFORCE?

- ▶ Labour shortages less of an immediate problem, given demand levels stagnant
- ▶ Construction has an innate way of reaching equilibrium, however when demand recovers, supply position likely to tighten again unless action is taken now to improve labour and skills availability for the future
- ▶ Need to make sector more attractive - more direct employment, defined career paths and less reliance on sub-contracting
- ▶ In short-term, migrant labour should be encouraged to allow additional workers from overseas to work in sector
- ▶ Delivering construction projects leaves a lasting legacy, aspect not highlighted enough when trying to attract new talent who are seeking purpose-driven careers

SHOULD THE NEW
GOVERNMENT TAKE A
DIFFERENT APPROACH TO
MANAGING MAJOR
PROJECTS?

SHOULD THE NEW GOVERNMENT TAKE A DIFFERENT APPROACH TO MANAGING MAJOR PROJECTS?

- ▶ Yes....given series of project delays and cost overruns in major public projects
- ▶ National Infrastructure and Service Transformation Authority (NISTA), merging Infrastructure Projects Authority (IPA) and National Infrastructure Commission (NIC)
- ▶ Tackle ‘inertia at the heart of government to get Britain building again’ and give private sector certainty about project pipeline
- ▶ Improving public client’s capacity, capability and accountability in major project delivery would be positive move in attempting to ensure best value for public funds
- ▶ Construction needs investment. We need more major projects to stimulate the economy.

HOW DOES THE GOVERNMENT DELIVER VALUE FOR MONEY IN FUTURE BUILD PROGRAMMES?

- ▶ Clear strategy required
- ▶ Embrace expertise that exists within the construction industry if they intend to deliver value for money across potential build programmes cited for hospitals (tbc?) and prisons
- ▶ Clear guidance around:
 - ▶ **Effective planning and design** (*with proposed planning reform at the heart*)
 - ▶ Sustainable design
 - ▶ Cost control and innovation

WHICH WILL IMPACT
CONSTRUCTION MORE:
THE NEW GOVERNMENT
OR THE BANK OF
ENGLAND

WHICH WILL IMPACT CONSTRUCTION MORE: THE NEW GOVERNMENT OR THE BANK OF ENGLAND?



- ▶ National Wealth Fund - £3 of private investment for every £1 of public investment



- ▶ Reductions to the base rate

IS THE NEW GOVERNMENT
PRO-NET ZERO?

IS THE NEW GOVERNMENT PRO-NET ZERO?

- ▶ Clean energy superpower by 2030
- ▶ National Wealth Fund
- ▶ Great British Energy
- ▶ £7.3bn investment in 'new industries of the future'
- ▶ Warm Homes Programme
- ▶ Growth and Skills Levy

- ▶ BUT...

SUMMARY

SUMMARY

Returning to your questions:

- ▶ **Can the government build 1.5 million homes in five years?** Unlikely without a big increase in social housing provision by local authorities
- ▶ **What's the best way to grow the construction workforce?** Short-term migration; Longer-term increased training & apprenticeships with Tier 1 contractors employing more site labour
- ▶ **Should the new government take a different approach to managing major projects?** Yes, improving the capability, capacity and accountability of the public client should help. Establishment of NISTA likely to be a positive move. Government, as well as other clients, would benefit from better data management / benchmarking
- ▶ **Which will impact construction more: the new government or the Bank of England?** Probably the BoE in the short-run with a much-anticipated decrease to the cost of borrowing
- ▶ **Is the new government pro-net zero?** Yes, but won't be easy to meet pledges, and they need to include embodied carbon in their thinking

QUESTIONS



Follow BCIS on LinkedIn – just scan the QR code or search for BCIS



This webinar is now over. Thank you for joining!