



Shaping public  
construction

# SCF Market Intelligence

## Q1 2022



Quarterly report based on data  
from our main contractors  
and their supply chain.

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# Introduction

## Q1 Market Intelligence Report



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

Although Covid-19 restrictions have become increasingly lenient during the first quarter of 2022, the construction market continues to experience volatility derived from a variety of stressors. The invasion of Ukraine has resulted in a wave of unforeseen market impacts across the sector that have continued to prevent a return to stability.

As a result, it remains crucial for public sector clients to develop a deeper understanding of the current market conditions when procuring their projects. This will ensure the best possible cost and time outcomes as budgets come under ever-increasing stress.

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.

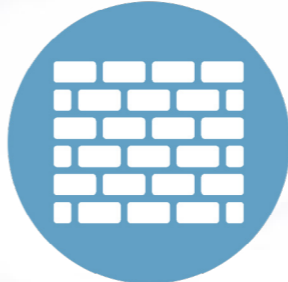
SCF shares this information with its clients to highlight key areas of risk that may impact on project delivery. SCF Main Contractors and Clients can use this information to predict pressures and opportunities in the market, to make decisions about material specification, construction methodology, off-site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

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

## Trades featured



Carpentry & Joinery



Brickwork



Curtain Walling



Dry Lining



Groundworks



Concrete Frames



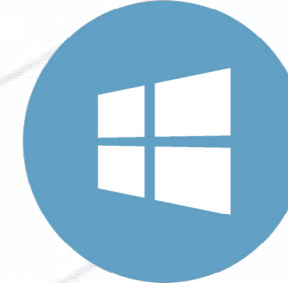
Mechanical & Electrical



Steelwork



Tower Cranes



Windows

### Get in touch...

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



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# Tender Workload

In alignment with the “Build Back Better” initiative, throughout 2021, SCF Main Contractors and their trade supply chain identified tender workload to increase upon each quarter. This trend of high demand has continued during the first quarter of 2022.

SCF Main Contractors and their trade supply chains have identified tender workload to have increased by an average of 5% during Q1 alone, this is now an average 9% higher when compared to this same time last year.

In support of strong pipeline, SCF Main Contractors observed the greatest quarterly increase in tender workload for the following trades:

- Groundworks 10%
- M&E 8%
- Dry Lining 8%
- Carpentry & Joinery 6%

A recent Glenigan publication has identified an 11% increase in planning approvals during Q1 when compared with the previous 3 months. Since March 2021, the construction industry has observed long lead times and inflationary pressures derived from high demand and Covid-19 impacts, this in turn limited the number of projects progressing to site.

The construction sector was anticipating New Orders and Start on Sites to pick up during the 2022 as recovery from the pandemic progressed and long lead times eased.

Nevertheless, in reality, the unforeseen invasion of Ukraine and escalating energy costs has further destabilised the industry through high inflationary pressures and limited material availability, resulting in a lack of confidence in project progression. For example, the number of projects progressing to site has reverted back to a similar rate of which was observed during the first national lockdown, with a 17% decrease when compared to the previous 3 months (ONS data).

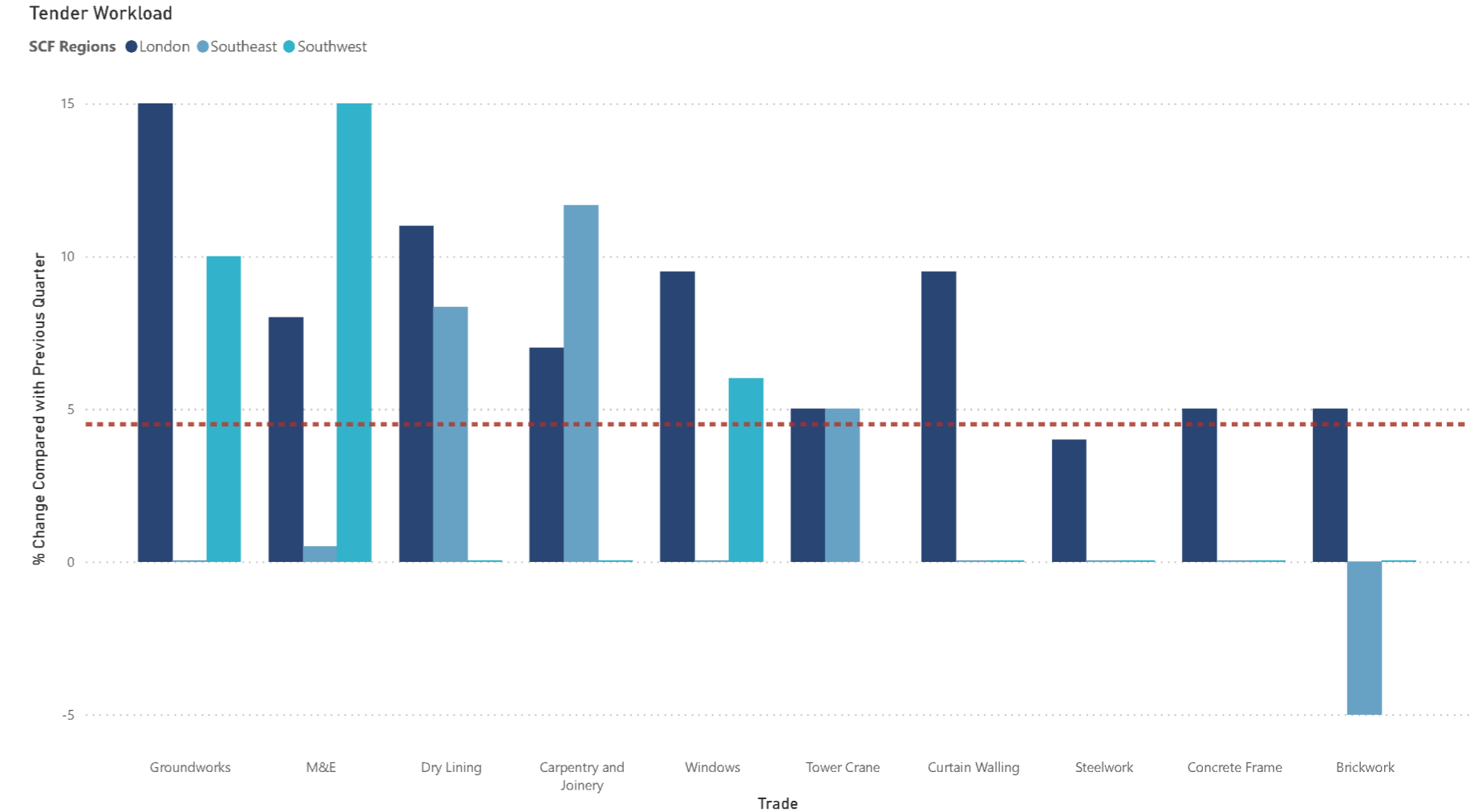
As long as a disconnect remains between high tender workload and commencement on site, recovery will be slow over the coming months.

## SCF Top Tips

“ *With a combination of high tender workload and volatile price increases, it is becoming increasingly important for projects to appear attractive to the supply chain. As recommended by the Construction Playbook, share your pipeline and upcoming projects with the market. Boost visibility and interest in your project, allow contractors to align their resources with your scheme to ensure the best levels of interest and competition.* ”

“ *SCF Main Contractors use a procurement portal, Local Supply Chain, to source work packages. They have access to over 27,000 suppliers listed on the database, providing a resilient and diverse supply chain community that can be used to robustly engage local suppliers.* ”

## Tender Workload (% change since Q4 2021)



# Employment

At the end of 2021, SCF Main Contractors and their trade supply chain forecasted a 6.5% increase in employment throughout 2022 in order to support an expected increase in new orders and commencement to sites. However, following the invasion of Ukraine and the resulting volatile market, the supply chain's confidence to recruit has halted.

As a result, in reality, SCF Main Contractors have identified a minimal increase in employment throughout Q1, with an average 1.5% increase in the number of employees across all trades.

SCF Main Contractors have observed changes in employment to be varied amongst trades, with a maximum increase of 6% (Groundworkers) compared with no change at all (tower crane).

This survey collects the change in the number of employees amongst the supply chain each quarter, and as a result will not reflect vacancy rates and the impact of the industry-wide skills shortage. This data will not necessarily capture those businesses that have found themselves losing staff upon the same rate of which they recruit.

In September 2021, the construction industry recorded its highest vacancy rate since 2001. The loss of EU workforce derived from Brexit has added to the challenge of sourcing skilled labour. This is of particular concern in cities such as London, where data from the ONS has identified EU construction workers in London to have decreased by 54% between April 2017 and April 2020. As a result, the Mayor of London has requested the creation of a Coronavirus Recovery Visa, this would enable workers at least 12-months in the UK and be bespoke to the sector through flexible self-employment.

SCF Main Contractors have identified a minimal change in employment during the year, with an average 3% increase in the number of employees across all trades when compared to the same time last year.

Following the pandemic, many workers have chosen early retirement. This has exaggerated the skills shortage; of which was already vulnerable to an ageing workforce. Data from the CITB estimates that in order to deliver the pipeline in place for 2025, an additional 40,000 workers per year will need to be sourced into the construction sector.



**Adam Sanford, Operations Lead**

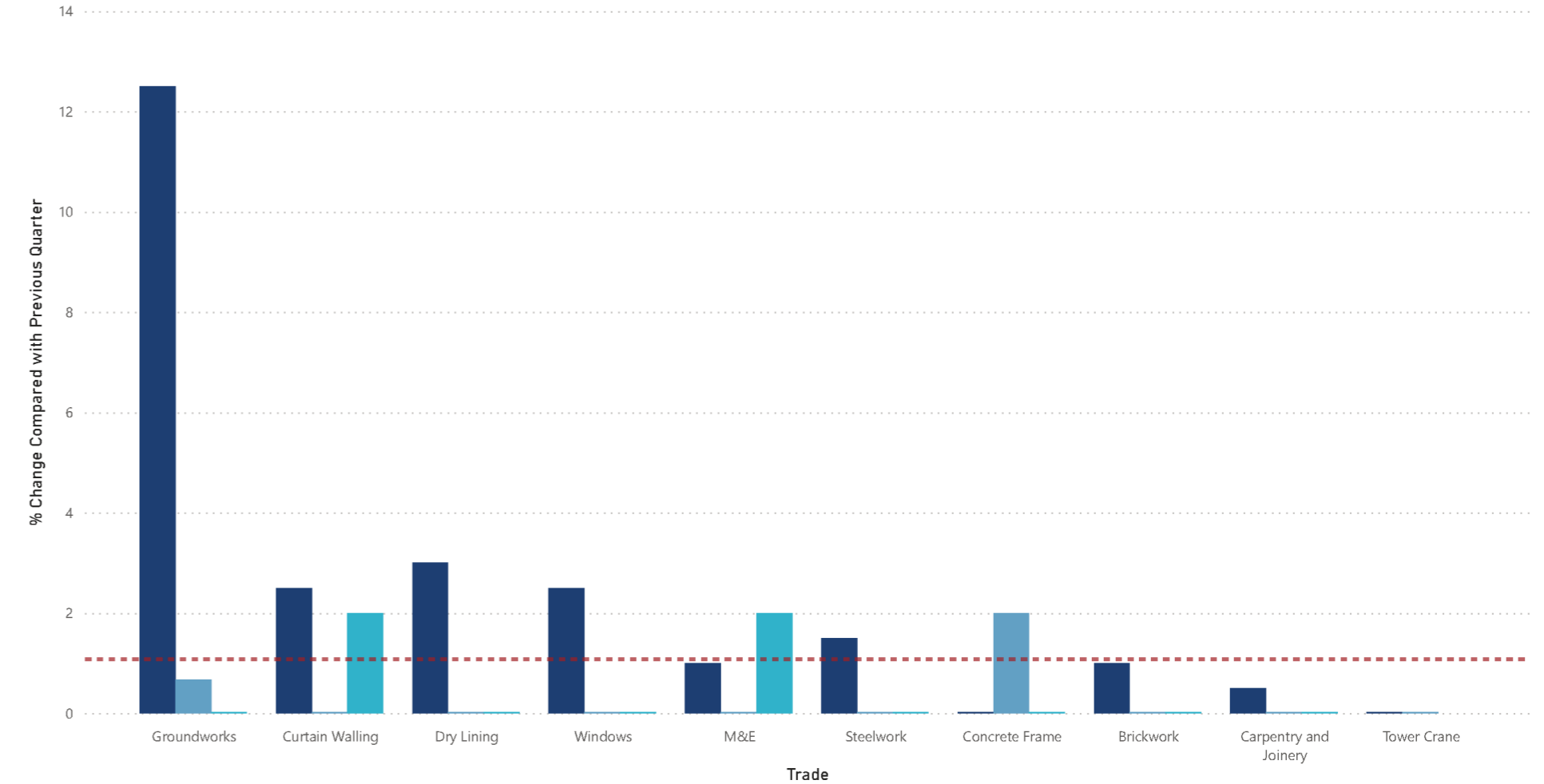
*"In attempt to connect local labour and microbusinesses with large construction projects, SCF endorse the use of Work Radar. This database enables SME's, tradespersons, and Social Enterprises to express an interest in large construction pipeline. Contact information is then shared with SCF Main Contractors and their trade supply chain."*

*"Through mandatory apprentices and compulsory Employment and Skills Plans on every project, SCF Main Contractors are doing their part to tackle the industry wide skills shortage. To support these efforts, clients should look to engage Main Contractors and the supply chain early. This will enable sufficient engagement with local people and ensure as many opportunities as possible are created for new entrants to the industry."*

## Change in Number of Employees (% change since Q4 2021)

### Number of Employees

SCF Regions ● London ● Southeast ● Southwest



# Building Cost



In alignment with other industries, earlier in the year the construction sector forecasted a cooling of volatile price increases during 2022 as recovery from the pandemic progressed. However, alike 2021, the trend of volatile prices has prevailed throughout the first quarter of 2022.

The unforeseen invasion of Ukraine has heavily impacted upon supply chains across Europe and the world, with raw materials, including gas & oil, being afflicted with unprecedented price increases. Throughout Q4, energy costs were already high, but these have now escalated at an unmatched rate resulting in a perfect storm for increased building costs.

SCF Main Contractors and their trade supply chains have identified Building Cost to have increased by 13% over Q1 alone, building cost now sits an average 24% higher when compared to this same time last year. Data from BCIS identifies steel, timber, and concrete to far exceed the average industry inflation rate.

All products with an energy intensive manufacture have been heavily affected by energy prices.

SCF Main Contractors have identified the greatest quarterly increase in building cost for the following trades:

- Windows 17%
- Dry Lining 16%
- Concrete Frame 16%
- Steelwork 15%
- Carpentry and Joinery 13%

SCF Main Contractors warn of little notice (as low as 24 hours) provided by manufacturers of price increases, this extent of volatility makes forward planning increasingly challenging.



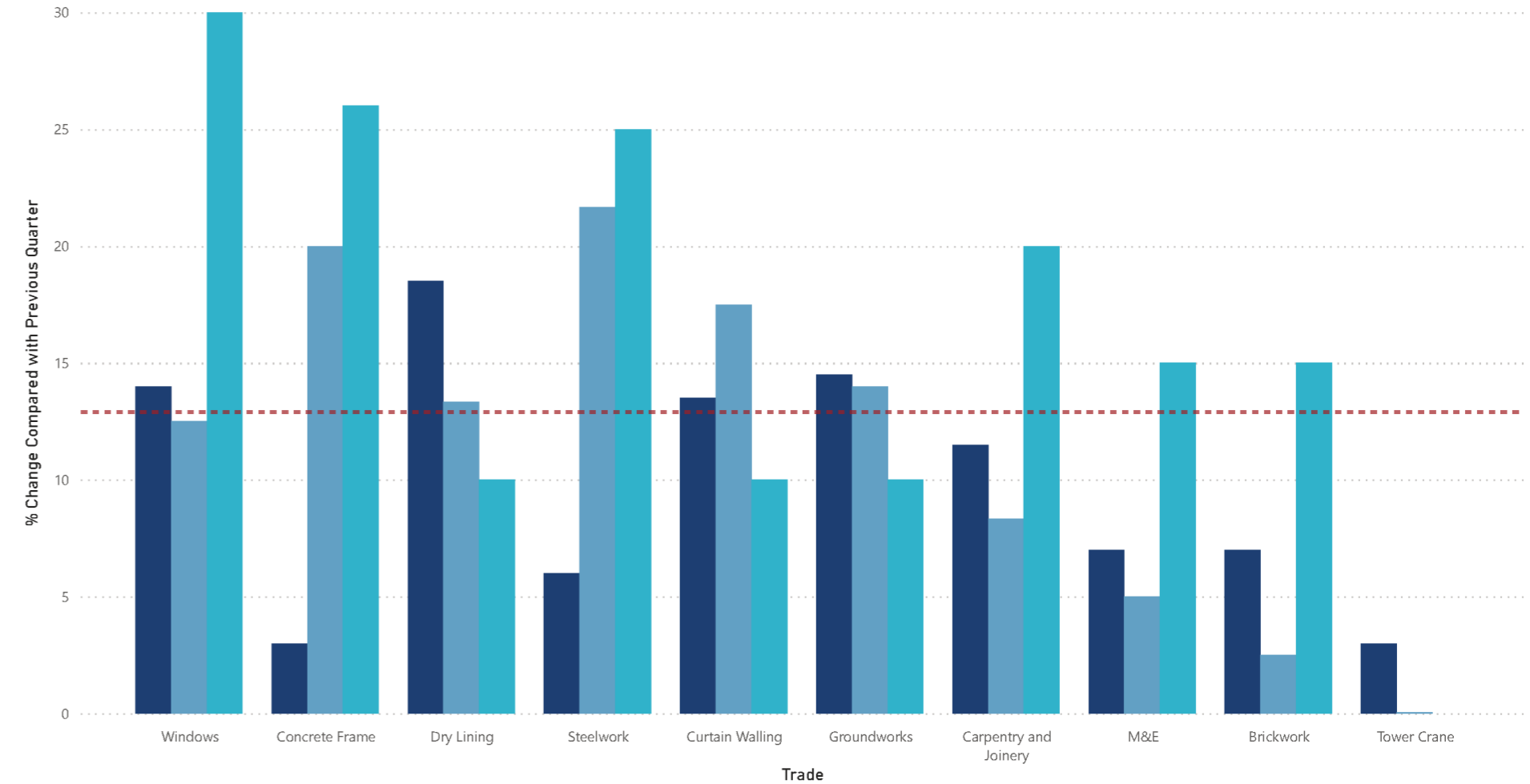
James Wright, Senior Framework Manager

*“The need for prompt payment throughout the supply chain has never been so prevalent. With SME’s being vulnerable to cashflow challenges, it is more important than ever for the appropriate allocation of risk. A transparent approach to project budgets, risk allocation and pricing, will ensure an environment in which market risks can be effectively managed and mitigated, reducing uncertainty in procurement, and increasing certainty on costs.”*

## Change in Building Cost (% change since Q4 2021)

### Building Cost

SCF Regions ● London ● Southeast ● Southwest



## Concrete Frame

Ukraine is a large producer of cement sacks in Eastern Europe. Demand from other countries will likely increase for UK cement production; UK companies have already been asked to place forward orders. The high energy use associated with cement production has impacted supply and price across Europe, the CLC have warned of cement plants in Spain stopping manufacturing due to high energy costs.

SCF Main Contractors have identified the building cost of concrete frame to have increased by 16% during Q1 alone.

Compared with other trades, the cost of concrete frame has been relatively stable throughout 2021, but high energy intensity has resulted in rampant increases. SCF Main Contractors now observe the building cost of concrete frame to be 20% greater than this same time last year.

## Steel

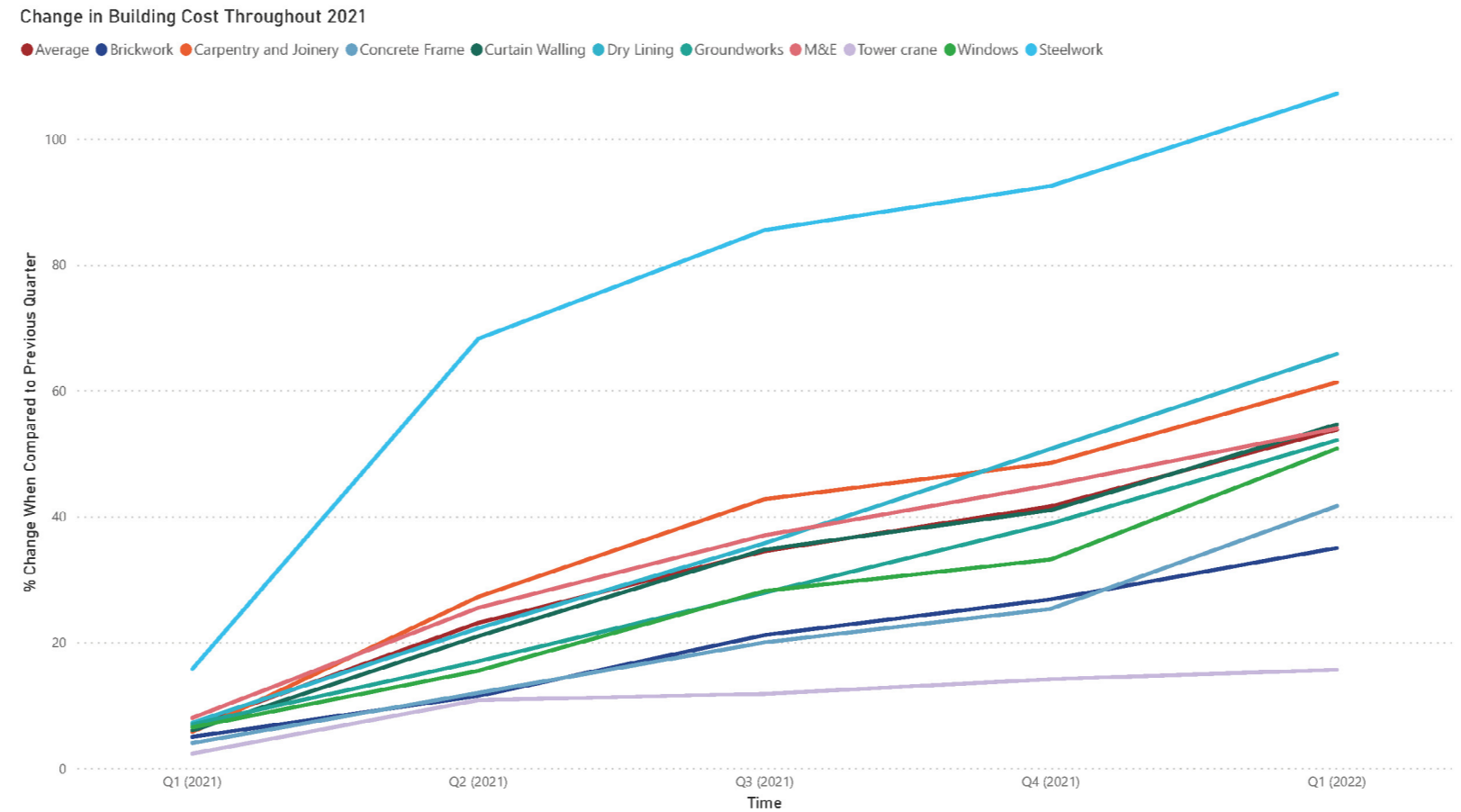
In line with 2021, steel prices have continued to erratically increase throughout the first quarter. SCF Main Contractors have identified the building cost of steelwork to have increased by 15% during Q1 alone.

A price hike from British Steel notified of a £250 per tonne increase on steel sections derived from the high energy requirements associated with

steel manufacturing. European steel mills have experienced challenges in sourcing steel billets to use as raw feedstock due to high quantities sourced from Ukraine and Russia, this has impacted the price of steel plates.

SCF Main Contractors now observe the building cost of steelwork to be 33% greater than this same time last year.

In addition, the cost of non-ferrous metals such as aluminium, copper, zinc, and nickel have been subject to unprecedented price increases. Approximately 10% of stainless steel is comprised of nickel; of which 10% of global nickel supply is sourced from Russia. This has put emphasis on sourcing from other markets, such as China, which currently exhibit higher rates and lead times than in the past.



## Carpentry & Joinery

Throughout 2021, the price of timber has been volatile. However, the Construction Leadership Council (CLC) does not anticipate the price or immediate sourcing of timber to be of concern in the UK. On the other hand, the price of medium density fibreboard (MDF) has increased, due to the high quantity of oil derivatives used in MDF resins.

SCF Main Contractors have identified the building cost of carpentry & joinery to have increased by 13% throughout Q1, with building cost now being 24% greater than this time last year.

## Windows & Dry Lining

The energy intensive nature of glass production has resulted in the building cost of windows increasing by 17% alone during Q1, this is now 38% greater than this same time last year. A similar trend has been observed by dry lining trades, with energy costs heavily impacting the price of insulation; this has been particularly prevalent for Rockwool. The building cost of dry lining has increased by 16% during this quarter alone, this is now 32% higher than this same time last year.

With petrol prices having risen to the highest they have ever been in the UK, the cost of transportation has hiked, putting further pressure on the cost of products and construction trades.

SCF Main Contractors warn of hesitation from the supply chain in fixing prices, with anecdotal evidence of prices being fixed for as little as 24 hours. Throughout the pandemic, there has been constant concern over the health of the supply chain and the threat of insolvencies.

Economic support schemes from Government have been phasing out in alignment with recovery from the pandemic.

The final support programme, Coronavirus Statutory Sick Pay Rebate Scheme, came to an end in March 2022. Going forwards, individual businesses will now need to cope on their own, and the impacts of high inflation and extended lead times have the potential to apply pressure to profit margins amongst the supply chain, particularly that of SMEs and those with premature fixed prices.

# Material & Labour Availability

Towards the end of 2021, the construction industry anticipated a relief in material and labour lead times to be a key factor in unlocking projects progressing to site during 2022. However, due to inflationary pressures, this has simply not been the case.

The conflict in Ukraine has resulted in a wide range of unforeseen supply chain impacts ranging from ceased production of Ukrainian exports, boycotting of Russian businesses and high transportation costs that have stalled a recovery of material availability to pre-pandemic levels.

Contrary to an expected increase in material availability, material lead times are now 4 weeks greater when compared to this same time last year.

The UK Government has enforced a strict sanction on trading, shipping, importing, and exporting from Russia and Russian investors. Additional sanctions applied across Europe will result in indirect impacts on the UK market. A loss of exports from Ukraine will result in European shortages, which will in turn will influence the UK market. SCF Main Contractors and their trade supply chains have identified material lead times to have increased by an average of 2 weeks during Q1 across all trades.

SCF Main Contractors have identified the greatest quarterly increase in material lead times for the following trades:

- M&E 3 weeks
- Dry Lining 3 weeks
- Brickwork 2 weeks

## Transport

Throughout the Christmas season the sourcing of HGV drivers was of particular concern, this has now improved, with the shortage of drivers having reduced from 100,000 people down to 70,000. However, the CLC has warned that the war has impacted global shipping, with 15% of the global shipping workforce being Ukrainian and Russian nationals. Countries have prohibited any ships with links to Russia, which in turn has resulted in congestion at ports derived from rigorous custom checks.

## Construction Leadership Council: Product Availability (30th March 2022)

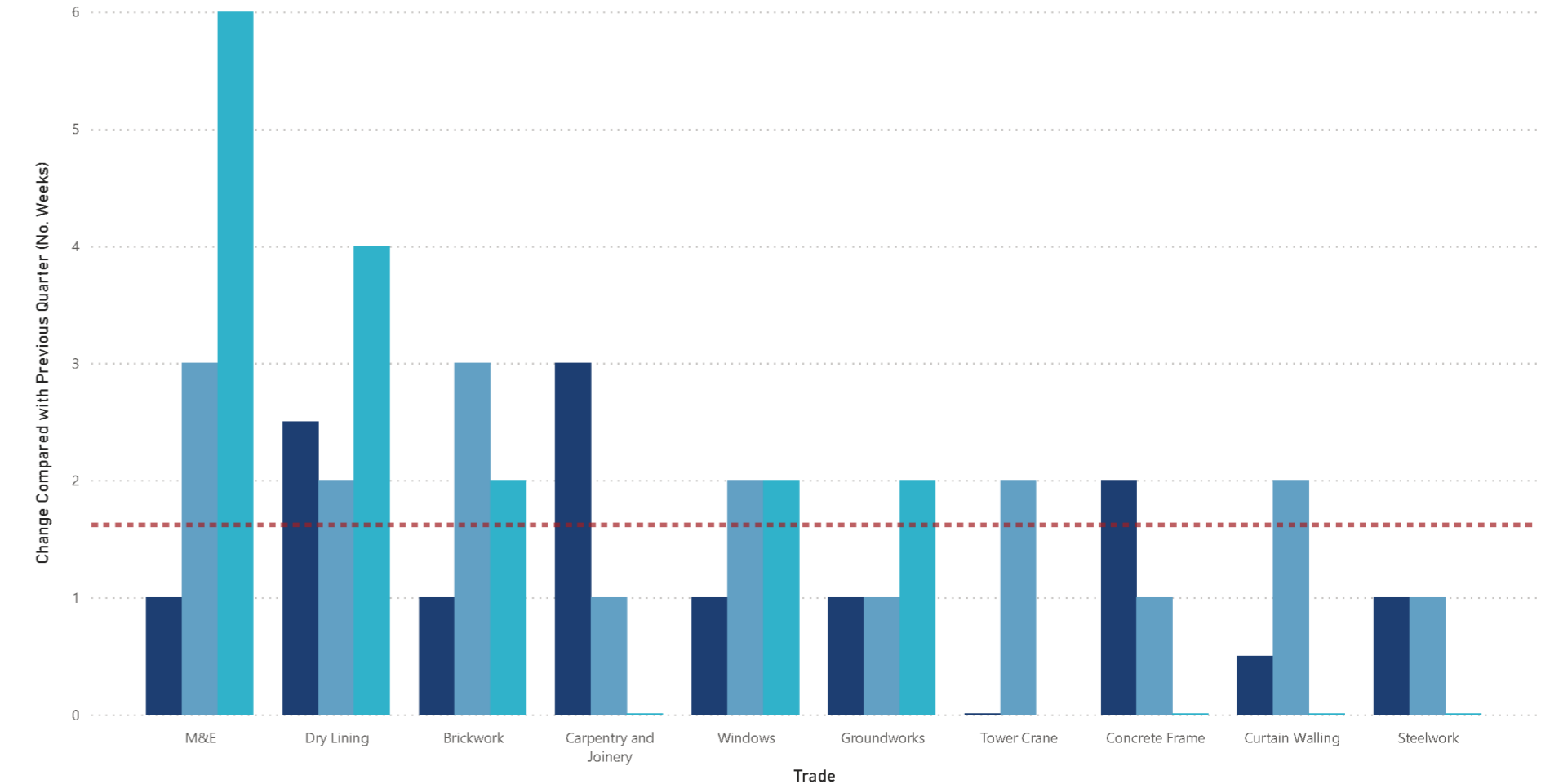
In light of Ukraine, the CLC are now committed to meeting every 3-weeks to share intelligence on the availability of construction products. A statement from the CLC has identified the following products to be of concern:

<b>Boilers</b>	Supply chain challenges in sourcing steel, cardboard, plastics, and electrical components partnered with high demand. In the immediate future, supply is limited, however expectation to normalise by the end of the year.
<b>Paints and Coatings</b>	Derived from shortages in raw materials, intensified by Ukraine and lockdowns in China; limited availability anticipated.
<b>Ceramic tiles and Sanitaryware</b>	Ukraine is a significant producer of kaolin used in the manufacturing of ceramic tiles and sanitaryware.
<b>Plastic Products</b>	Raw materials used for manufacture are in short supply, however recovery is expected by the end of Spring 2022.
<b>Bricks</b>	The CLC has identified a small recovery in the quantity of UK Bricks during the winter months but warn vigilant behaviour and forward planning is essential once demand accelerates throughout the spring and summer.
<b>Microchips / Semi-conductors</b>	Long-term shortage in semi-conductors due to high global demand. Demand expected to rise due to an increased pipeline of renewable projects.

## Change in Material & Labour availability (change since Q4 2021)

### Material & Labour Availability

SCF Regions ● London ● Southeast ● Southwest





# Looking ahead: 2023 Forecast

The SCF survey depicts life from the view of the supply chain and captures how individual businesses are faring throughout these challenging times. During this quarter, our survey has received the lowest number of returns from the supply chain since data collection began over 2 years ago. Suppliers have found it particularly challenging to forecast what life will look, especially in regard to building cost, at this same time next year. This is a strong demonstration of the unprecedented volatility

## Tender Workload

Pipeline is expected to remain strong throughout 2022 and as a result SCF Main Contractors and their trade supply chain forecast tender workload to increase by 5% by this same time next year. The Levelling Up agenda is expected to act as a catalyst for future investment with the Department for Levelling Up, Housing and Communities aiming to drive funding, policy changes, and new ways of working across Local Authorities.

Trades with the greatest forecasted increase in tender workload include:

- Groundwork 9%
- Curtain Walling 7%
- Dry Lining 7%

that has been experienced in the industry over the last 16 months and expected in the near future. To this end, SCF Main Contractors and their trade supply chains have forecasted the following market conditions over the next 12 months.

## Employment

In order to have the resource required to deliver the high tender workload experienced over the last 12 months, SCF Main Contractors and their trade supply chain forecast the change in the number of employees to increase by 3% by this same time next year.

Trades with the greatest forecasted increase in employment include:

- Groundwork 8%
- Steelwork 6%
- Curtain Walling 5%

## Building Cost

During this time last year, demand for materials far outweighed supply, however it is expected that throughout 2022 material-push inflation will play a key role in the impact of building cost. SCF Main Contractors anticipate building cost to increase by 15% by this same time next year.

To this end, during 2022 SCF Main Contractors anticipate an increased use of value management tools amongst clients, such as the CIH Value Toolkit, in order to better establish how ever-squeezing budgets are being utilised to deliver best outcomes.

Trades with the greatest forecasted increase in building cost include:

- Windows 32%
- Groundwork 19%
- Curtain Walling 19%
- Concrete Frame 18%

## Material Availability

With a lack of exports from Russia, Belarus, and Ukraine being used to feed European stock, indirect impacts to the UK supply chain are expected to emerge over the coming months. In the foreseeable future, the CLC warns of challenges in sourcing of pallets and birch plywood due to a large quantity of supply being sourced from Russia.

SCF Main Contractors and their trade supply chain forecast material lead times to increase by an average of 3 weeks by this same time next year.

Trades with the greatest increase include:

- Brickwork 8 weeks
- Dry Lining 3 weeks
- M&E 3 weeks
- Windows 3 weeks



## SCF Consult - Reflective Note

The main concern this year, both for consumers and the construction industry is inflation. While the price of construction materials was already shooting up by the middle of last year, CPI inflation took a little longer to respond to supply chain problems. Data from BEIS shows that the annual rate of construction material price inflation in February was still above 20%. This is down slightly from its peak, but material prices were still growing rapidly. In March, CPI inflation hit 7%, its highest level in 30 years, is forecast to pass 8% in April and some analysts now expect it to peak at over 9% later in the year. With oil and gas prices forecast to stay elevated throughout the next year, it may be some time before any easing of price pressures.

There are several problems with inflation reaching such a level. For households, whose incomes are not rising as quickly, it means budgets get tighter and likely results in cutbacks on the number of goods and services bought. Furthermore, for local authorities, and others spending on construction projects, higher costs may result in difficult choices. Government funding is not set to rise in line with inflation so budgets will not stretch as far, and the pot of money will now cover fewer projects.

In addition to it reducing spending power, high levels of inflation also put the Bank of England in a difficult position. They have already raised interest rates from their record lows of 0.1% to 0.75% and another increase seems likely to happen soon. However, whereas raising interest rates may help curb inflation to an extent, its effectiveness may be less than usual, due to a large share of the change in prices coming from shocks to gas and oil, in addition to other supply side problems. Instead, higher interest rates pose a risk of throttling a fragile economy recovery. For construction projects in particular, rising financing costs, coming at the same time as record material price inflation is unhelpful. It may trigger delays to some schemes, along with others becoming unviable.

*“ With the current market pressures there is even more reason to engage with contractors earlier in the process, so risks related to cost increases can be better understood and mitigated through early supply chain engagement. Make sure to utilise premarket engagement to understand current issues specific to your scheme and appoint early to understand how to get best value with the available budget. ”*

# Responsible Procurement

Within the UK, the construction sector has been identified as a high-risk industry for modern slavery due to its demand for a flexible workforce and the resulting engagement of migrant workers. Common labour abuses of vulnerable individuals include non-payment of living wage, non-payment of holiday & sick leave, and unfair dismissal. When left, these can often escalate into severe exploitation.

At SCF we recognise the importance of responsible procurement and the much-needed transparency amongst the supply chain. As a result, since 2020 all SCF Main Contractors have been signatories of the Gangmasters and Labour Abuse Authority (GLAA) Construction Protocol. This protocol demonstrates SCF Main Contractors commitment to support, wherever possible, in the eradication of slavery and labour exploitation within the industry through a collaborative approach.

In order to strengthen the commitment, every year the GLAA surveys its signatories to establish their growth in supporting the protocol and identifying opportunities for progress.

- 82% of contractors believe that the Construction Protocol is effective at promoting employment rights to workers at risk of labour exploitation.
- After commitment to the protocol, the following implementations have been undertaken by contractors:
- An increase in training and awareness campaigns within their organisation
- Amendments to their modern slavery statement process
- The allocating of responsibility for modern slavery to a board member
- Inclusion of modern slavery elements in supplier terms and conditions



Of all supporting resources shared under the protocol, contractors found the following to be of the most use:

- The GLAA partnership bulletin newsletter: sharing advice, case studies & changes to policy
- Construction Protocol Induction Pack: a toolkit of resources, including posters and help guides, to support the identifying and reporting of exploitation
- 85% of contractors believe that the Construction Protocol is effective in influencing businesses to make changes to their due diligence in identifying and reporting exploitation amongst their supply chains.

With SCF Main Contractors forecasting a 5% increase in employment, the reliance on migrant labour will be substantial. Any future restrictions to the legal employment of migrant workers poses an increasing threat of labour abuse and exploitation. The GLAA has warned of vulnerable individuals, such as Ukrainian refugees, being at greater risk of exploitation. Emphasis is placed on a collaborative effort from the industry in reporting such behaviour.

SCF's transparent procurement portal, helps the framework build a closer relationship with its supply chain community and provides an opportunity to build relationships and share supporting resources.

**GLAA Head of Prevention and Partnerships Frank Hanson said:**

*“As a leading public sector framework, SCF can make a real difference in tackling abusive labour practices by ensuring its suppliers sign up and commit to raising awareness within supply chains to protect workers from exploitation.*”

*“They can also take the necessary steps to ensure that any abuse of workers is recognised and addressed with appropriate safeguards put in place, so exploitative practices are not repeated.”*

Has your organisation signed up to the Construction Protocol? - [click here](#) to find out more information.

Take a look at the [GLAA's Construction Protocol 2021 survey](#).