National Association Construction Frameworks

By the public sector, For the public sector

Market Intelligence Report Q3 2024

Overview



Every quarter, NACF's Main Contractors gather market intelligence from within the construction industry.

Data is collected for 10 high level construction trades across 7 cities within the UK. This data is grouped into 5 regions: South, London, Wales, Midlands, and the North.

This information is used to identify national and regional market trends and forecast for the following year by commenting on changes in tender workload, employment, building costs and material & labour availability. The NACF shares this information amongst partners in order to highlight key areas of risk that may impact future project delivery.

This data is also made publicly available to the benefit of the wider industry and can be used to help specialist suppliers better manage their workflows and labour forces to serve NACF's contractors in the best way possible.

This market intelligence report features an insight into how the annual budget might impact the construction industry. This section was authored by Amelia Wyatt (NWCH) and Adam Sanford (SCF).







SC



Adeiladu Cymunedau Gogledd Cymru Gyda'n Gilydd Building North Wales Communities Together





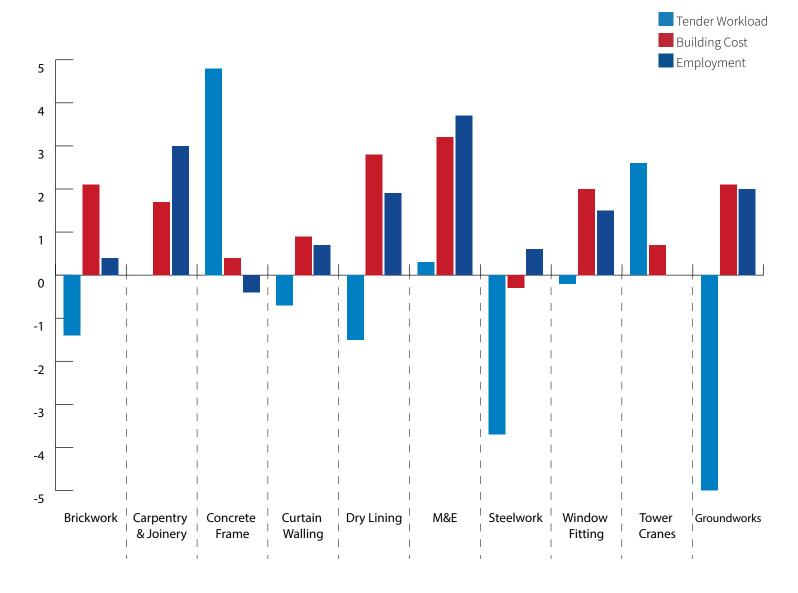
Southern Construction Framework







Comparison to Q2 2024: Overview



Tender Workload: -0.7%

Throughout Q3, the trades with the largest increase in tender workload include Concrete Frame (4.8%) and MEP Package (0.3%). The groundworks package has seen a steep decline in workload (-5.0%) since Q2. Similarly, Steelwork has reported a steep decline in the tender workload but has shown an increase in employment.

Building Cost: +1.6%

Dry Lining and MEP packages both have reported the largest increase (3.2%) in building costs this quarter. However, all other remaining trades reported cost increases close less than 1.9%, suggesting improved stability across the board. This figure is close to the national inflation rate of 1.7% for the quarter in recently published data by ONS.

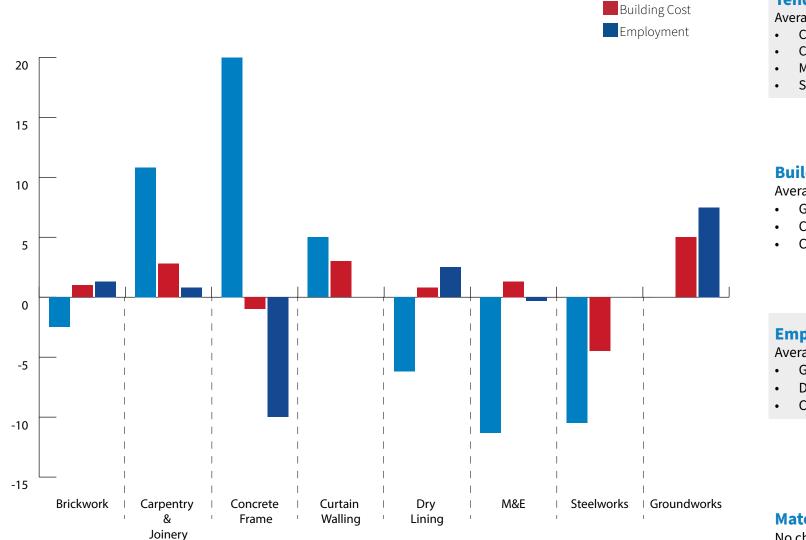
Employment: +1.4%

M&E trades experienced a 3.7% increase which could indicate that staff affected by several highprofile insolvencies have found employment again. This trend anticipates an increase in tender workload in the coming quarter and over the next year. Carpentry & Joinery trades have recorded increases of 3.0%, suggesting that more projects are on site for the contractor. Overall, employment remains stable across all the other trades suggesting stability in workforce.

Material Lead Time: +0.2 week

The trades with the largest increase in material lead time are M&E (+0.6 weeks), Carpentry & Joinery (+0.4 Week) and Ground works (+0.4 week). This quarter is the 3rd consecutive instance in which M&E package lead times have increased, which might impact on delivery.

Comparison to Q2 2024: North



Tender Workload

Average change in Tender Workload: +1%

- Concrete Frames +20%
- Carpentry & Joinery +10.8%
- M&E -11.3%

Tender Workload

• Steelwork -10.5%

Building Cost

Average change in Building Cost: +1.6%

- Groundworks +5.0%
- Curtain Walling +3%
- Carpentry & Joinery +2.8%

Employment

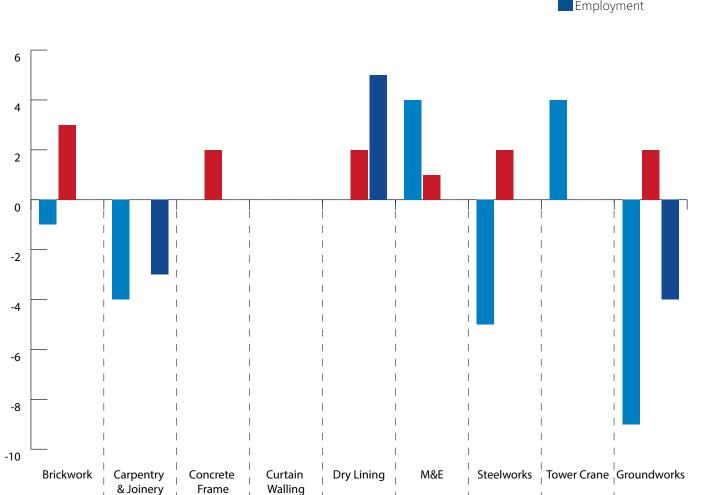
Average change in Employment: +0.7%

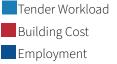
- Groundworks +7.5%
- Dry Lining +2.5%
- Concrete Frame -10%

Material Availability

No change in average material lead time.

Comparison to Q2 2024: Midlands





Tender Workload

Average change in tender workload: -1.2%

- Groundworks -9%
- Steelwork -5%

•

- Brickwork -1%
- Carpentry & Joinery -4%

Building Cost

Average change in Building Cost: +1.3%

- Brickwork +3%
- Concrete Frames +2%
- Steelwork +2%

Employment

Average change in employment: -0.2%

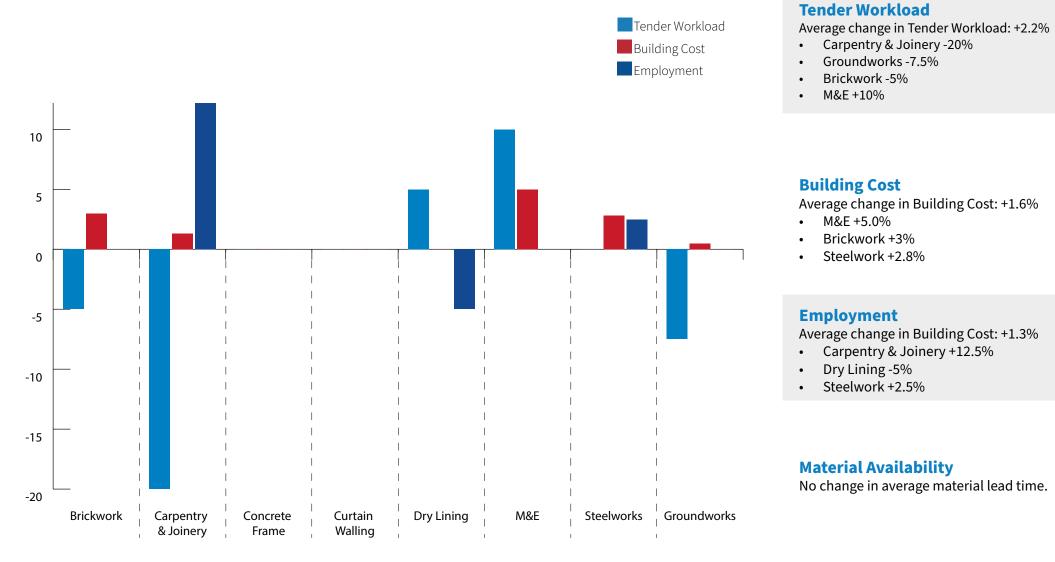
- Dry Lining +5%
- Carpentry & Joinery -3%
- Dry Lining +5%

Material Availability

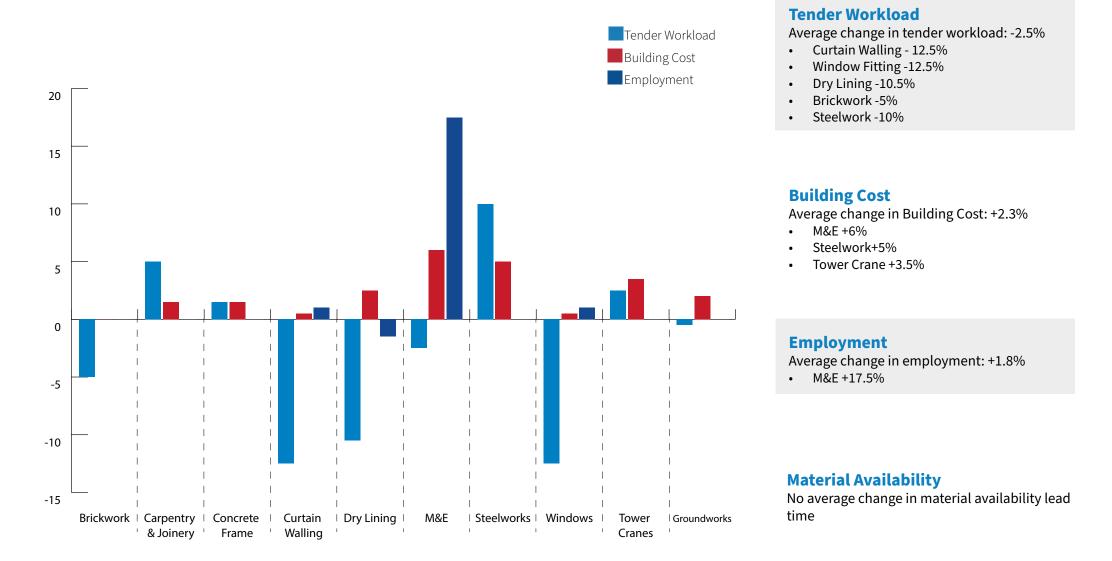
No average change in material availability lead time

- Groundworks +1 week
- Concrete Frames +1 week

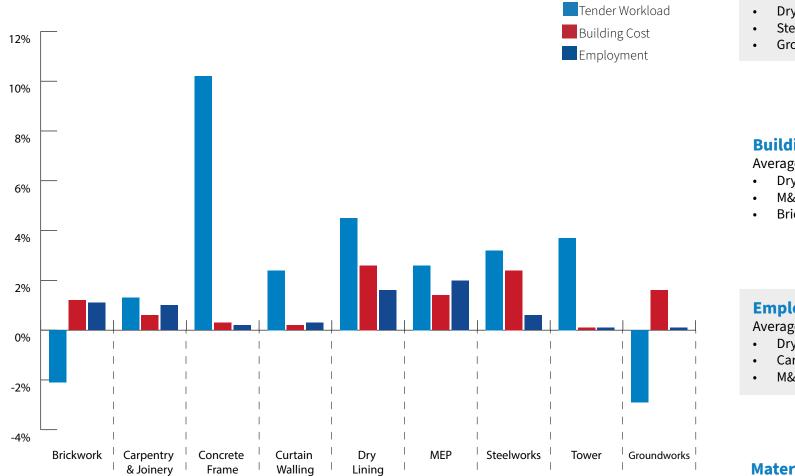
Comparison to Q2 2024: Wales



Comparison to Q2 2024: London



Comparison to Q2 2024: South



Tender Workload

Average change in tender workload: +1%

- M&E +6.7%
- Dry Lining & Concrete Frames +3.8%
- Steelwork -5%
- Groundworks -9.2%

Building Cost

Average change in Building Cost: +1.6%

- Dry Lining +6.9%
- M&E +4%
- Brickwork +3.4%

Employment

Average change in employment: +2.2%

- Dry Lining +5%
- Carpentry & Joinery +4.8%
- M&E +4.5%

Material Availability

No change in average material lead time with Brickwork and M&E packages having material lead time of +1.0 & +1.5 Weeks, respectively.



By the public sector, For the public sector

National Forecast Q3 2025 Overview

Forecast to Q3 2025: Overview

Tender Workload

6.6% average increase in tender workload across all regions

An increase in tender workload for Brickwork & Steelwork suggests an expected rise in new build structures and extension projects over the following year.

Building Cost

5.6% average increase in building cost across all regions

A forecasted increase in building cost, alongside high tender workload for Dry Lining indicates a potential for increased demand for materials, which is supported by our data anticipating material led times to increase by +0.4 Weeks.

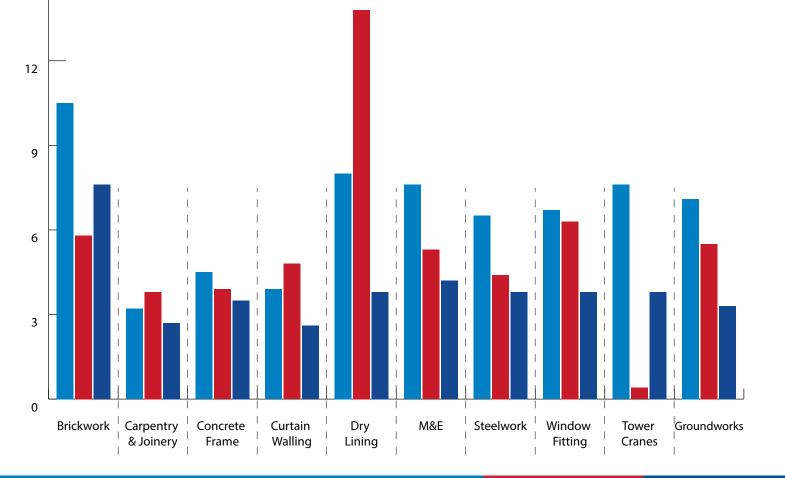
Material Availability

+0.2 week average increase in material availability across all regions

Employment

15

3.9% average increase in employment across all regions. Employment has increased steadily across most work packages, with Brickwork having highest employment increase of 7.6%. This increase in employment was predicted before the recent hike in national insurance and other employment cost increments which were announced in the budget. The supply chain may be cautious due to the potential impact on employment & building costs in the long term. The following section encompasses the potential impact of the budget on the national construction works and its supply chains.

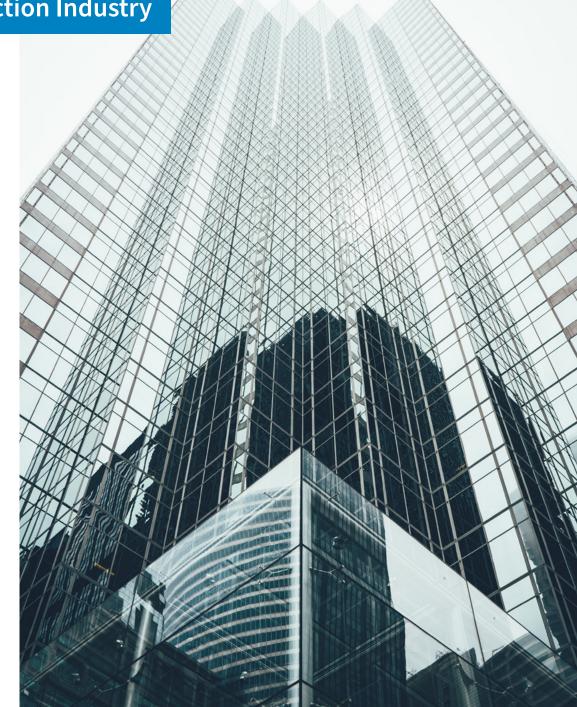


Impact of Autumn 2024 Budget on Construction Industry

The 2024 is a historical budget in many ways and presents both challenges and opportunities for our sector and our industry. The trade union Unison declared that the budget "marks a clear break from the past 14 years of austerity and chaos. Instead of quick fixes and unfunded promises, it provides an honest assessment of what's needed to restore our public services and build a fairer economy."

Outside of the UK, news of a second Trump presidency has promoted fears of escalating trade tensions between the USA and China. This could impact global materials supply markets, although the extent that this will affect Europe is unclear. Although personal taxation remains unchanged, and thresholds will be index linked, raises in capital gains, property, and agricultural and inheritance taxes will raise additional funds. Some of the taxes raised will support cash-strapped local authorities. The Local Government association said "Together with council tax flexibilities and locally retained business rates, this will provide a real-terms increase in total core spending power in 2025/26 of around 3.2 per cent. This will help meet some - but not all - of the significant pressures in adult and children's social care and homelessness support." Overall, there are concerns that growth may stagnate as businesses bear the brunt of tax increases. However, if the government sticks to its mantra 'invest, invest, invest' and does 'get Britain building', it is likely that the investment in infrastructure could give the Construction sector a much needed boost, especially as it reels with the recent collapse of giant ISG. That being said, there is not sufficient clarity in the budget around how the government will fund the 1.5 million homes they have pledged to build - if no further investment is announced then it is likely that there won't be a significant impact on the construction sector

Outside of the UK, news of a second Trump presidency has promoted fears of escalating trade tensions between the USA and China. This could impact global materials supply markets, although the extent to which this will affect Europe is unclear.



Industry Takeaways

Some key industry headlines and their potential impact on public sector place are summarised below:

- Housing: Over £5bn allocated to deliver affordable housing, a £3.4bn warm homes plan, and 11 new green hydrogen projects. Right to buy discounts will be reduced, local government will retain the earnings for the first time.
 - Use of emergency temporary ٥ accommodation has surged by nearly 90 per cent in the past decade, set to cost over £1.7 billion this year. With social rents set to rise and additional revenues available for right-to-buy sales, this should support the delivery of badly needed affordable and social rented properties. Although there is concern around the potential impact of the new taxation regime on the pace of private development. Incentives to release Brownfield sites are expected to unlock contaminated and urban sites, with the £68m awarded to 54 authorities under the Brownfield Land Release Fund 2 (BLRF2).
- Education Estate: £300m has been committed for school maintenance, raising overall funding to £2.1bn, and tackling the issues posed by RAAC.
 - When compared to 2004's Building ٥ Schools for the Future programme, which spent £45bn before its cancellation in 2010, expectations should be tempered. According to the IFS, Capital spending on school buildings in 2023-24 was about 25% lower in real terms than the threeyear average up to 2008–09. Likewise, spending on school maintenance and repairs is also low compared with need, with the government having allocated about 40% less than its own assessments of how much is needed to ensure school buildings are in a fit state of repair. Education authorities should be prepared to seek additional funding streams to improve their estates, for example Phase 4 of the Public Sector Decarbonisation Scheme, which is currently open for applications. Funding us available to support a reduction in direct emissions from public sector buildings by at least 50 percent by 2032, and by 75 percent by 2037.
- Planning: A pledge to deliver 300 new planning officers by recruitment and training by 2026.
 - Inclusivity is key to addressing chronic skills shortages in our industry, with a pledge to hire 300 town planners as a key pillar of the incoming government, not to mention a reported 250,000-person industry-wide labour shortage. As Rachel Reeves becomes the first female Chancellor of the Exchequer to deliver a budget in the UK, and Kemi Badenoch became the first black woman to a head a major British political party in the UK, inclusivity in the industry is key to meeting these challenges.
- Infrastructure: The trans-Pennine upgrade connecting York, Leeds, Huddersfield and Manchester will go ahead, rail services between Oxford, Milton Keynes and Cambridge will be improved. HS2 will continue into Euston station.

Case Study: Pathways to Planning



Shelly Rouse

Sector Focus

The Planning Advisory Service, funded by the Department for Communities and Local Government, is working to reduce the shortage of planners through its Pathways to Planning scheme.

Shelly Rouse, Pathways to Planning lead says: "Pathways to Planning goal is to recruit graduates into local government planning teams who are representative of the communities they will serve. Regardless of background, anyone with a passion to make a difference in their communities as a planner can apply. We have made it our mission to encourage and support candidates who come from groups that have been typically under-represented within planning: those who identify as Black, Asian or any ethnic group which is a minority in England, alongside women. We designed our graduate assessment processes in collaboration with the Young Planners Network and the BAME Planners Network, with input from professionals with disabilities and individuals with diverse socio-economic backgrounds and through ensuring our branding, imagery and marketing are representative. The extra care we have given to EDI has paid dividends with around graduate applicants coming from a gender-balanced and 40% BAME backgrounds." To find out more - https://www.local.gov.uk/pathways-to-planning

Prisons

A commitment was made to accelerate the building of new prisons by reforming the planning system, but does the estate have more immediate problems? Failed ISG are rumoured to have held around 69 government contracts, not least across the New Prisons Programme (NPP).

Hospitals

An additional £1 billion has been committed to upgrade buildings across the NHS estate. Bearing in mind that the NHS in England has around 1,500 hospitals, comprising of many old buildings in poor condition, questionable how far this allocation will stretch. Around £1bn has already been spent under 2020's New Hospitals Programme (NHP), but the outgoing government had already conceded that it would not deliver on its promise to deliver 40 new hospitals by 2030.

Industry Reaction

With construction omitted from Labour's Invest 2035 Industrial Strategy, the budget has been met with mixed reactions within the industry. Whilst extra spending on affordable housing is welcome, taxation is predicted to rise by £40bn, and employment costs are a key area of concern for construction suppliers.



Eddie Tuttle NACF | Q3 2024 Market Intelligence

CIOB director of policy, research and public affairs Eddie Tuttle says: "Increased tax rises without consistent monitoring of the impact they have on the health of crucial sectors, such as construction, run the risk of damaging the pivotal role SMEs play."

An ongoing commitment to Building Safety was welcomed, however, with Tuttle continuing: "we were pleased funding for dangerous cladding remediation was acknowledged as part of the budget, particularly in the wake of the second phase of the report into the tragedy at Grenfell Tower."

Conclusion

Throughout the industry, there is an air of "wait and see" what the impact of this budget will be. A single-year budget leaves little room for strategic planning, but next year's planned Spending Review is likely to shed more light on the priorities of this administration. But it is important to note a green shoot of optimism across the public sector – Unison have concluded that "While there's more work to do, it represents a welcome reset after 14 years of failed policies that left our public services in tatters".

Employers National Insurance



1.2% increase, from 13.8% to 15%



Steps taken to protect SMEs from NI rate increases, including exemptions and relief.



Employers NI threshold reduced from £9,100 pa to £5,000.



Extension of Employers Allowance (that can be claimed back from NI) from £5,000 to £10,500

National Minimum/Living Wage



An increase in the National Living Wage for over 21s, to £12.21 an hour, effective from April 2025.



For 18–21-year-olds the minimum wage will increase from £8.60 to £10.



Apprentices pay to increase from £6.40 to £7.55 an hour

Business Rates



Current 75% discount to business rates will expire in April and be replaces with a discount of 40%, up to a maximum of £110,000. Many businesses could see their business rates more than double.

Workers Rights



Governments own analysis estimates that plans to upgrade workers rights could cost businesses up to £5bn a year to implement. New measures are likely to disproportionally affect small businesses.

National Association Construction Frameworks

By the public sector, For the public sector