Welsh Government WPPN's - Decarbonisation & Building Materials

7th December 2021

ADEILADU ARBENIGRWYDD YNG NGHYMRU
CONSTRUCTING EXCELLENCE IN WALES

Constructing Excellence in Wales

Cat Griffith-Williams

Chief Executive

Remain on mute but raise a hand

Make use of the chat function

Constructing Excellence in Wales

Who we are, what we do…

- United voice of Welsh construction representing every part of the supply chain.
- Set up in 2002 by WG in response to the Egan Report, ‘Rethinking Construction’.
- We are now an independent self funding body campaigning to highlight the industry’s role in underpinning key WG strategies and creating a built environment fit for the future.
- We make the case for collaborative project delivery, promote best practice and whole life value

Constructing Excellence in Wales

Who we are, what we do…

- We advocate the principles of **best practice**, championing collaborative procurement, integrated teamworking, honesty and transparency
- We use our influence and knowledge to help shift the focus away from short-term cost towards long term value
- Our work is aligned to the values of the Wellbeing of Future Generations Act

If you want to get in touch

Email: **info@cewales.org.uk**

Twitter: **@cewales**

Website: **www.cewales.org.uk**

We need your support join CEWales today

www.cewales.org.uk/membership/

Wales Procurement Policy Notes

Rob Newman – Commercial Policy Lead

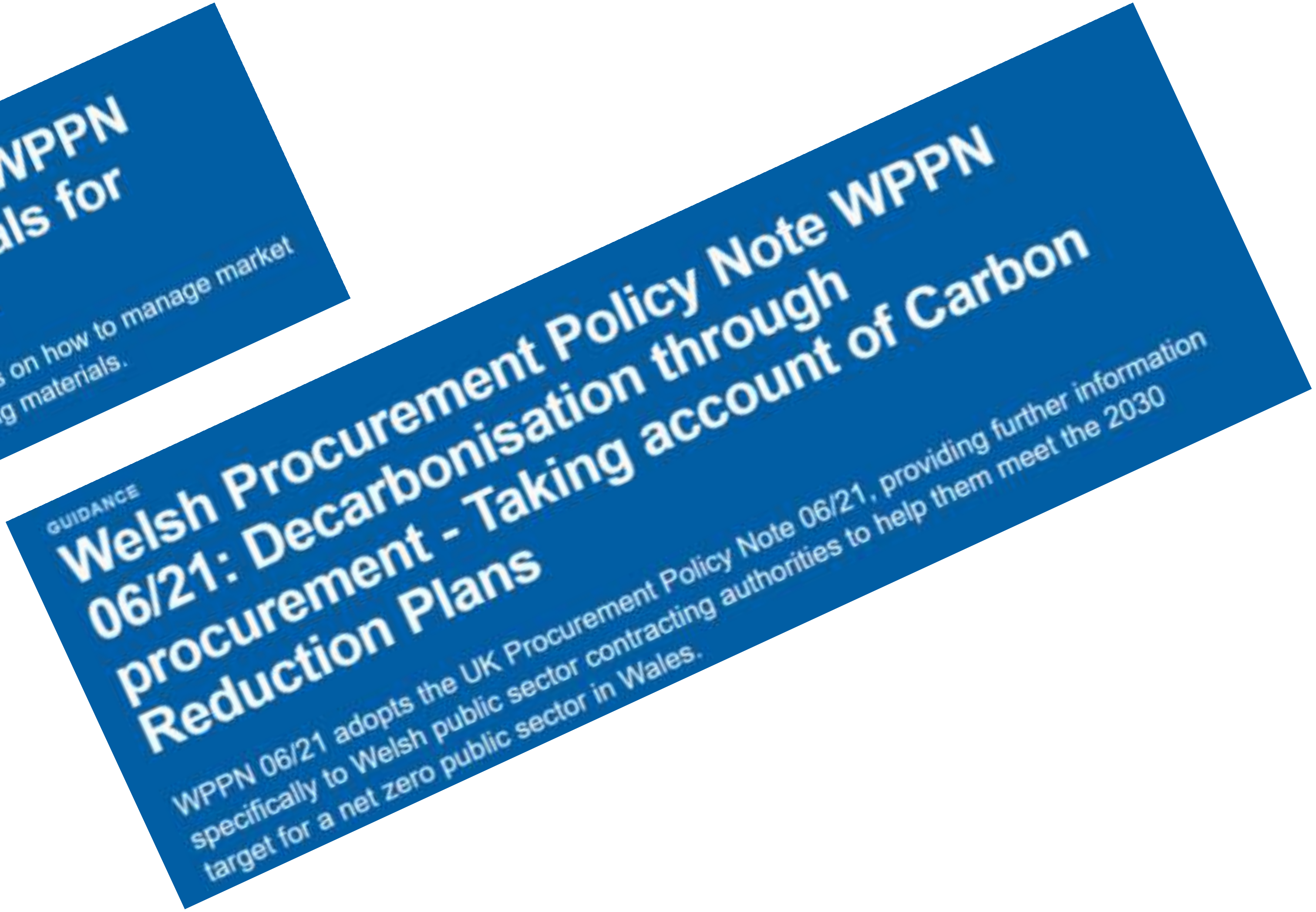
Llywodraeth Cymru
Welsh Government

Wales Procurement Policy Notes (WPPNs)

- Provide guidance on best practice for public sector procurement
- The information set out in these documents is neither legal advice nor statutory guidance and is not intended to be exhaustive
- Build on, and are consistent with, the Wales Procurement Policy Statement and procurement Regulations

https://gov.wales/procurement-policy-notes

Recent WPPNs



WPPN 09/21: Sourcing building materials for construction projects in Wales

- WPPN 09/21 was published on 14th October 2021 following engagement with external stakeholders (via the Construction Forum).

- The WPPN provides advice to public sector bodies in Wales on how to manage market pressures affecting the availability and affordability of building materials.

- published in response to unprecedented pricing pressures across building materials.

- The WPPN provides a number of practical approaches that could be considered and implemented in addressing this issue for buying organisations.

WPPN 06/21: Decarbonisation through procurement - Taking account of Carbon Reduction Plans

- WPPN 06/21 adopts the UK Procurement Policy Note (PPN) 06/21
- Mandating for Welsh Government contracts valued at £5 million or more from 1st April 2022 (advisory for Welsh Public Sector)
- Introduction of a new selection criteria as part of assessing a supplier’s technical and professional ability
- The key issue to be assessed is whether a bidder has taken steps to understand their environmental impact and carbon footprint relevant to the delivery of the contract
- PPN 06/21 is accompanied by guidance, scoring methodology, supplier guidance and an FAQ document

The National Federation of Builders

Supporting Builders, Construction and Contractors

Rico Wojtulewicz, head of housing and planning policy

Industry worries; realities from members

- SMEs left out
- Welsh businesses not equipped to compete
- Most Economically Advantageous Tender (MEAT), not strategy
- Targets, not change
- Site, not strategy solution
- Cost of engagement and delivery

Understanding decarbonisation

- Materials – Modern Methods of Construction (MMC) definition used, not distorted
- Strategy – Strategic outcomes - Part L uplift flaws, planning tools like LDOs useful
- Regulatory barriers – Concern about decarbonisation policies handing initiatives to PLCs, or focus on accreditation, eg-Carbon footprint badges
- Placemaking – Advancing decarbonisation of place, or project delivery?
- Business environment – Delivering opportunities for product and constructing innovation
- Partnership, not protocol - Do as we say? Or, advancing coherent strategy?

Advancing a strategy: Decarbonising materials

- Cost
  - Decarbonising construction industry (cheaper materials), or projects (greater competition for materials)?
  - Supporting Welsh business, or Welsh government ambition?
  - MEAT easier to support when boxes are ticked?
- Availability
  - Materials available locally?
  - Skilled workers, or offsite solutions?
  - Welsh, UK or International?
- Access
  - Decarbonised product list?
  - MMC definition, or advancing offsite?
  - Costly, bureaucratic process for PLCs?
  - Accept innovative solutions?

In it together

See criticism and innovation as an opportunity to advance change, not an opposition to it

Constructing Excellence in Wales

7 December 2021

BMF MEMBERS IN WALES INCLUDE

Travis Perkins plc

LBS Builders Merchants

HUWS GRAY

HUGHES FORREST

LLIW BUILDING SUPPLIES

ROCKWOOL

JEWSON

ROBERT PRICE BUILDERS' MERCHANTS

Leekes You're home

C.L. JONES Timber & Builders' Merchants Masnachwyr Coed a Nwyddau Adeiladu

Hanson HEIDELBERGCEMENT Group

catnic

Boys Boden

TARMAC A CRH COMPANY

KNAUF INSULATION

BMF

Indication of Material Price Increases 2021

- BAGGED CEMENT 20.0%
- IRONMONGERY 6.5%
- BEAD, MESH & LINTELS 18%
- INSPECTION CHAMBER COVERS - STEEL 19% - PLASTIC 18%
- INSULATION PRODUCTS 10%
- SEALANTS & ADHESIVES FOAM 8% - FILLERS 20% - ADHESIVES 10% - PVA 25% - PVC SOLVENT 75%
- SAWN CARCASSING C24 40% - CLS 20%
- TIMBER FENCING PANELS 15%
- WHEELBARROWS 10%
- COMMERICAL & DOMESTIC PAVING 6.25%

Materials on Allocation

- Steel Lintels (expected to be short term)
- Glass wool insulation
- Concrete fence posts
- Plasterboard (expected to be off allocation in January)
- Bagged cement now off allocation but could be back on in Q2 – further 10% price increase 1st March (rising energy costs)
- Bulk & Bagged cement 5-year shortfall – even with production at full capacity will not meet demand, HS2, Hinckley Point & infrastructure projects

Materials on Allocation / Shipping Costs

- **Materials still on allocation**
- PIR Insulation Boards
- Aircrete Blocks – (supply issues to continue in 2022)
- Facing Bricks – (issues to continue in 2022)
- Rooflights (expected to be short term)
- Natural stone (shipping container surcharges until Q2)
- Ironmongery (shipping container surcharges until Q2)

Construction Leadership Council (CLC)

- **Construction Product Availability Group Statement 29 November 2021**
- Statement from John Newcomb, CEO of the Builders Merchants Federation and Peter Caplehorn, CEO of the Construction Products Association, co-chairs of the Construction Leadership Council's Product Availability working group

Levels of Demand

- While the market is no longer experiencing the extremely high levels of demand seen earlier in the year, and UK manufacturers remain at full production capacity, demand continues to outstrip supply for certain products, particularly those being imported.

- Still the current picture is more positive than seen in recent months, with improved availability of most products across most regions. There are, of course, exceptions, with ongoing challenges in the supply of bricks, blocks and roofing products, where timber battens have overtaken concrete roof tiles as the most difficult to obtain, and certain electro-technical products.

RMI Sector

- Residential repair, maintenance and improvement activity remains robust with most SME builders reporting full order books well into 2022. That said, the sector has recently seen a small but noticeable slowing.

- This is thought to be partly as a consequence of delayed projects and increased costs and lead times (highlighted in previous PAG statements), and partly down to seasonality.

- This softening has in fact helped improve some stocks, such as cement, held by manufacturers and merchants.

Infrastructure, Commercial & New Housebuilding

- Activity across the infrastructure, commercial and new housebuilding sectors continues unabated, however, and will likely remain so into the first half of 2022. Reports from larger housebuilders and contractors suggest that while a variety of product shortages persist, the situation for most remains manageable.

- Brick supply presents a longer-term issue, and imported products are helping to meet a shortfall in current UK capacity until new lines come on stream in 2023 and 2024. The Brick Development Association suggests that with demand expected to remain high, lead times will be an issue for the coming year.

- For builders to ensure that they get the bricks they need, particularly if they are seeking non-stock bricks, they will have to work more closely with the brickmakers to ensure availability and to mitigate delays in delivery. While this may require flexibility around choice and specification, quantities should be sufficient to meet demand.

BMF


Forterra - Desford

Infrastructure, Commercial & New Housebuilding

- Consistently high demand over the past 18 months has also made it difficult for block manufacturers to build the level of stocks required to maintain regular supply throughout the year.

- Manufacturers are seeking to build stocks over the coming winter months while building sites are typically less active.

- Nonetheless, demand from new housebuilding is expected to put supply of blocks under pressure in early 2022.

Electrotechnical sector

- In the electrotechnical sector, products with electronic components and those made from steel, such as cable trays remain in short supply, while twin and earth cable has become more problematic.

- Product pricing continues to be challenge, particularly for medium sized contractors working on tight fixed price contracts.

Transport & Imports

- Reported constraints relating to a shortage of HGV drivers have lessened for the time being, though the pre-Christmas period may cause further pressure.
- However, imports, particularly from the Far East, continue to be affected by long lead times, delays at ports and high container costs.

Stocks of Timber

- Stocks of timber – a largely imported product – have seen some improvement, though prices remain volatile.
- Market reports reveal significant delays at ports both here and abroad, having a knock-on effect upstream to the Scandinavian mills where production has been forced to slow.
- This suggests that supplies may remain uneven into early 2022.

Areas of Concern

- Uncertainty is now cited as a broad area of concern. Examples include the uncertainty around inflation and the pricing of products, particularly in relation to steel, cement, bricks, blocks, glass and ceramic tiles, which are all impacted by rising energy costs.

- Uncertainty around potential spikes in the number of Covid cases over the winter having an adverse effect on product availability.

- The impact of full Border controls that come into force at the end of this year is a further unknown, as is the implementation of the new UK CA Mark and UK Registration, Evaluation, Authorisation & Restriction of Chemicals (REACH) regulations.

Response

- In response to this, the CLC will work with the Department for Business, Energy & Industrial Strategy to build on the industry-wide perspective of the PAG and the data it can access, using horizon scanning to identify medium term problems affecting materials and product availability that can be mitigated by an agreed, planned response.
- As always, open lines of communication throughout the supply chain remain essential, and we encourage all sectors to continue to work closely and collaboratively to manage challenges and plan future work.

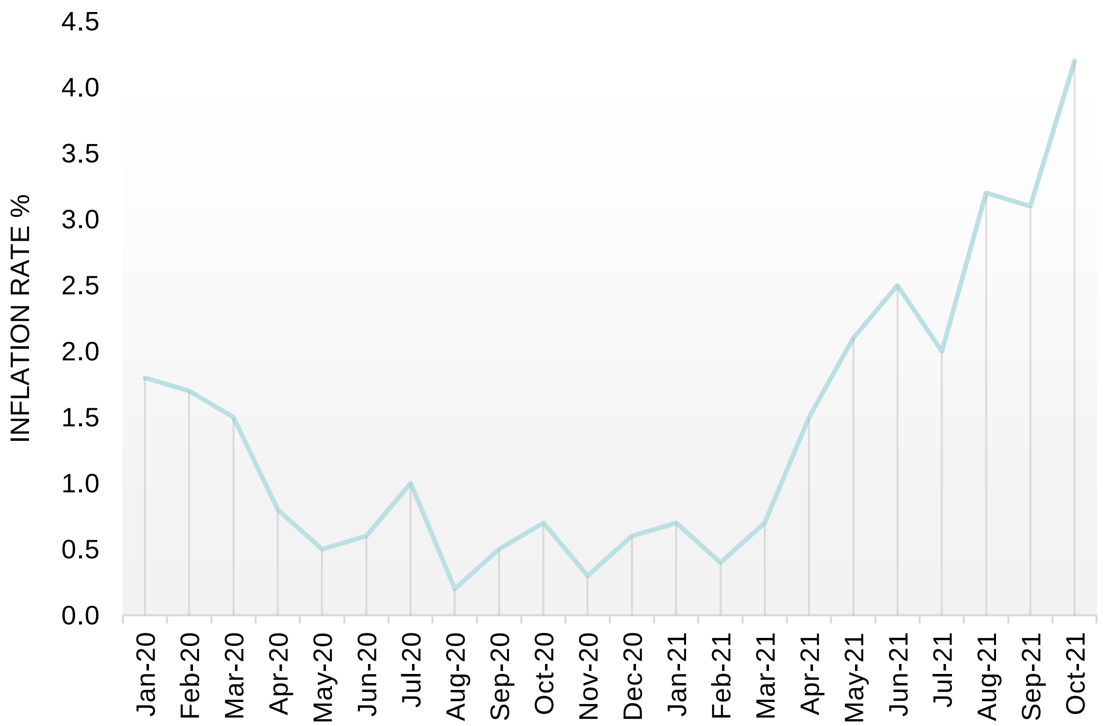
Forecast

- The remainder of 2021 is forecasted to perform robustly with Quarter 3 2021 up by +9.5% from that period last year, and Quarter 4 2021 increasing by +2.5% on Q4 2020.

- Forecasted overall year-on-year growth for 2022 in comparison to 2021 is +0.3%. This slight increase is due to the expectation of the rapid price inflation of raw materials gradually losing momentum over the course of the coming year.

Inflation

- The Consumer Prices Index (CPI) rose by 4.2% in the 12 months to October 2021, up from 3.1% in September
- The largest upward contribution to the October 2021 12-month inflation rate came from housing and household services (1.23 percentage points)
- On a monthly basis, CPI increased by 1.1% in October 2021, compared with no change in October 2020
- Wales shows, on average, house prices have risen by 2.5% since August 2021. An annual price rise of 15.4% takes the average property value to £196,216.



DIOLCH! – THANK YOU!

“building **excellence**
in materials supply”

Welsh Government WPPN's Impact on local business and practical implications

Reflection on where we are at today

- Enormous challenge ahead
- Urgent action required
- Sustainable built environment NOT new concept
- E.g. BREEAM is 30+ years old
- Little improvement in past 30 years – big leaps required in next 10 years

Solid foundations of sustainability including passiv approach, fabric first and in-use efficiency, already embedded in projects = Solid foundation for Net Zero delivery

Promote URGENCY of change through supply chain by engaging early

- Net Zero requirement is here NOW
- Net Zero in operation helps clients meet Scope 1 and 2 emissions
- Scope 3 emissions account for 80%+ emissions in built environment
- Scope 3 has greatest potential for carbon gains AND biggest challenge

Validation is Key

- Already achieving EPC A+ (Net Zero emissions)
- EPC assessment based on design data
- How to account for potential deterioration in operational performance?
- Robust POE is essential – only way to ensure operational Net Zero
- Learn lessons collectively and embed to future projects

Environmental burden shifting

- In the scramble to Net Zero, don't shift the emission burden down the supply chain
- Is buy local the answer? Not necessarily – its part of the 'best value' balance
- Scope 3 emissions dealt with in PPN 06/21 – Carbon Reduction Planning
- Difficult balance – do I switch from cereal and milk to toast and butter?

Balancing deliverables – meeting Net Zero within other project deliverables

- Cheaper and faster as Construction 2025
- Digital asset data for efficient FM
- BREEAM, PBA’s, Social Value, Quality, Cost, Programme
- Solution = collaboration and early engagement

Summary

- Whole life holistic carbon assessment
- Net Zero in operation = achievable and here NOW
- Net Zero Whole Life = big challenge
- Route to success =
    - Early engagement
    - Collaborative working and harness innovation / best practice
    - Design for real world operations
    - Validate in-use performance against design expectation
    - Embed lessons to future projects
    - Robust due diligence in removing impacts, not shifting them

Thank you for listening.