

Morgan Sindall Construction built Novotel and (right) the 14-storey car park at Paddington Village, Liverpool



CONSTRUCTION'S PERFECT STORM

Price inflation, labour hardship and a scarcity of materials continue to control the sector. Alex Bell asks how can we ensure the development pipeline not just survives, but thrives

Over a quarter-of-a-million extra construction workers may be required by 2026, according to the latest Construction Skills Network (CSN) report – and just short of 30,000 of those will be needed in the North West.

But where does the cocktail of rising inflation, higher wages and material shortages leave the development pipeline in this critical 'build back better' period?

GMI Construction Group is one of the largest independent construction firms in the North of England and has worked on projects including Dakota Hotel, Manchester and Alderley Park Sports Facility.

Bosses at GMI say challenges facing construction, including the unprecedented global demand outstripping supply, have only succeeded in bringing developers and contractors closer together.

Earlier this year, GMI announced that it would continue to build two Manchester city centre residential schemes, despite the collapse of Mulbury Homes, which was delivering both under the Mulbury City brand.

The £37m Bendix Street scheme will boast 161 apartments while the 12-storey, £32m Oldham Road project will contain 144 apartments.

Andy Hurcomb is GMI's divisional managing director. He says rather than triggering a shift in the power balance between developers and contractors, issues surrounding the availability and rising cost of materials and labour are encouraging a stronger collaborative approach.

"Many factors influence availability of materials, but global demand has outstripped supply, a situation unprecedented in the industry," says Hurcomb. "There has been much talk of stockpiling, but this would only add to the pressures.

"That is why a robust supply chain is important so that we can understand the market and make predictions to plan ahead. Such a collaborative approach between contractors and developers creates a much better understanding of current and predicted labour and materials costs during a project's life cycle. By adopting this approach, GMI Construction Group has to date successfully managed its way through the challenges."

Hurcomb says GMI is seeing more early procurement to secure materials, which is then linked to vesting and, in some instances, advanced payment bonding to fix costs. As far as the tendering process is concerned, there are fewer single-stage

competitive tenders and more two-stage or negotiated opportunities, according to Hurcomb. "This is mainly due to high levels of workload, which allow contractors to be more selective and use their resources more efficiently and effectively," he says.

The CSN outlook report for the next four years estimates that construction output in 2021 will have dropped by 4 per cent in the North West, compared with 12 per cent growth across the UK.

It is expected, however, that output will increase during 2022 and be above pre-pandemic levels during 2023.

"Going forward," says Emma Williams, senior business development manager at Morgan Sindall Construction North West, "I'm confident that the future will be one of collaboration and partnership, with us all working together to address the current and future challenges our industry will face.

"One major environmental focus for us is embodied carbon. We're collecting carbon data and discussing carbon reporting with our supply chain, including manufacturers, to help them to understand the data that we will need to calculate and report against our embodied carbon target of being net zero by 2030 – 20 years ahead

of the construction industry requirement.

"Our projects utilise CarboniCa – our in-house developed, digital carbon-reduction tool that measures whole-life carbon emissions, ensuring potential carbon outputs can be managed and reduced during the design, construction and entire building life cycle. We work with our suppliers to identify where improvements can be made, then monitor and report on progress. CarboniCa has been externally validated by Arup and is an example of one of our intelligent solutions, designed to help customers decarbonise their assets and meet their own net zero aspirations."

Morgan Sindall Construction recently reached two landmarks as part of the total redevelopment of the North Manchester General Hospital (NMGH) site.

Contractor PP O'Connor began the demolition of Limbert House as part of the first phase of transforming the site. In tandem, training and learning facility The Knowledge Quad was launched at the site.

Morgan Sindall Construction first utilised the concept of "tackling the worsening skills gap in construction" at the £150m Paddington Village multi-project site in Liverpool's Knowledge Quarter.

Bowmer + Kirkland has started work on the new £118m distribution centre for TJ Morris in Warrington. Two warehouses totalling 830,000 sq ft will be completed by January 2025 – with the project split into five sections. With spiralling cost of

living increases during 2022, the union Unite has submitted a demand for a 10 per cent pay rise to the Construction Industry Joint Council.

Mark Christie, senior associate, Clarke Willmott, says: "More and more contractors will currently be trying to balance the twin desires of trying to secure pipelines of future work and getting work through the door, along with the desire not to be caught in long-term fixed-price contracts which are likely to cause them significant losses if the current costs in the market continue to increase.

"Contractors would be wise to negotiate inflation, fluctuation and fixed-cost elements of contracts now. With suppliers and subcontractors reportedly holding their price for 24 hours, any contractor signing up to a fixed-price contract without also securing their supply chain on back-to-back terms could be creating significant future cashflow and profit problems."

Morgan Sindall's Williams says that following COP26 and the UN's IPCC climate report – described as a 'code red for humanity' – the awareness that construction projects should explore every available option to reduce carbon outputs is an increasingly important part of tenders.

Williams says a "knock-on effect" has been a move to the more collaborative two-stage procurement. "This means closer relationships that can help mitigate ongoing issues such as materials shortages," she says.

"While geopolitical events and their knock-on effects are clearly out of our hands, we have a very robust supply chain that means we are able to order materials in bulk in advance to ensure a job can progress on time. The sooner a client engages a contractor on a project, the more likely we are to stay ahead of the game."

Hurcomb agrees that opportunities exist from low-carbon construction. He says: "Major opportunities are arising from low-carbon construction, despite many feeling that the initial capital expenditure required is too high.

"If we take a longer-term view, then capital expenditure costs are relatively low when compared with the whole life cycle cost of a building. Low-carbon construction is already a reality. We all have a responsibility to drive down carbon by changing traditional attitudes and to do the right thing for future generations." ■



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Safety first for North West's construction sector



As the growth of the construction sector across the North West continues at pace, the health and safety of workers on building sites remains the number one priority for us all.

Our site security cameras and monitoring services help protect people on site as well as expensive equipment and materials.

Construction is different to many industries, building projects range dramatically in size and scale, requiring teamwork between people of different skill sets, disciplines and companies. At peak some sites employ 100's of people which makes ensuring their on-site safety a critical role for all contractors, employers and supervisors.

With so many potential risks and hazards across a site and despite rigorous health and safety plans and training, accidents do unfortunately occur. When there is an accident, it is often difficult to determine the cause and apportion the blame.

Our cameras provide essential assistance to investigations into accidents, as they cover full site footprints and record 24/7. When an accident happens, there is time stamped and dated footage. The footage can be used as evidence for claims. It has proven to be highly effective and I am proud Taurus Security Group has saved construction companies significant sums over the past few years.

We are working on almost 100 sites in North West alone and our 24/7 camera installation and monitoring is just one element of the comprehensive service we provide. We offer a full site-set up service, including offices and welfare facilities, as well as site fencing, access control, biometrics and onsite guards.

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