Scottish Social Housing Tender Price Index – general description of the index

Produced by Building Cost Information Service (BCIS)

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Background

The Scottish Social Housing Tender Price Index (SSHTPI) measures the movement in construction costs of social housing it is prepared for and published by the Scottish Government's - More Homes Division.

The Scottish Government aims to deliver good quality, affordable and sustainable housing. Given the different pressure areas in the market, it is vital to have a clear understanding of the works costs involved, the trends and how they develop in different geographical areas.

The SSHTPI was discontinued in 2011 following a change in grant approval mechanisms. It has been reinstated as a yardstick to illustrate trends in tender costs of approved affordable housing projects throughout Scotland.

The index is produced by the Building Cost Information Service (BCIS) for the Scottish Government's - More Homes Division.

Purpose

The index measures the movement in the prices paid by clients to contractors for the construction of social housing (houses and flats) in Scotland.

Calculation – Project indices

The index is based on analysing the costs in accepted tenders or agreed prices for housing projects. The index represents the relationship between the agreed price and consistent modelled base prices.

Modelled base prices

BCIS has developed base cost models for a range of dwellings covering:

- Housing type: detached, semi-detached and terraced houses
- Flat block size by numbers of flats
- Number of storeys
- Number of bedrooms
- Number of occupants
- Size – gross internal floor area of house or flat

BCIS has also produced a range of adjustment factors for common alternative specifications.

The models and adjustments make allowance for current building regulations, standards and typical specifications but are at fixed base date.

Calculating a raw project index

For each project the index is calculated by comparing the cost of the superstructure in the accepted tender or agreed price with a modelled cost for the same mix of houses and flats from the models adjusted for any specification differences between the base models and the project.

Calculating location and project size factors

From the project index BCIS has calculated a time series, location factors (showing the variation in pricing levels by region) and size of contract factors (showing variation in pricing levels by value of contract). The location and size factors are calculated over rolling 15 quarters.

Calculating a normalised project index

Each project index is adjusted for location and size to give a normalised index. This is advantageous as there is not a stratified sample in each quarter. It allows for the situation where one quarter may have more projects in an expensive region than the following quarter. The location factors are generally those at level 2 (see location table) unless sample size dictates the use of level 1 factors.

Calculation – quarterly index

The quarterly index is a smoothed trimmed geometric mean of the normalised project index.

In each quarter any extreme outliers are removed and a geometric mean is calculated for the remaining project indices.

The resulting quarterly index is smoothed by averaging the previous quarter index, two times the current quarter index and the following quarter index.

A full technical specification for the calculation of the index is available from BCIS.

Base of the Index

While the reinstated index is calculated on the projects from 2011 it is published as a continuation series from the previous incarnation of the index which had a 1985=100 base.

List of regions

The regions used in calculating the index are:

Location Code	Location	Level
M	Mainland	1
MA	Scottish Borders	2
MB	Clackmannanshire, Stirling, Falkirk	2
MBA	Clackmannanshire	3
MBB	Falkirk	3
MBC	Stirling	3
MC	Dumfries and Galloway	2
MD	Fife	2
ME	Aberdeenshire and Moray	2
MEA	Aberdeenshire	3
MEB	Moray	3
MF	Aberdeen City	
MG	Highland	2
MGA	Highland North	3
MGB	Highland South	3
MH	West Coast	2
MHA	Argyll and Bute	3
MHB	Highland West	3
MJ	City of Edinburgh	2
MK	Lothian	2
MKA	East Lothian	3
MKB	Midlothian	3
MKC	West Lothian	3
ML	City of Glasgow	2
MM	Ayrshire	2
MMA	East Ayrshire	3
MMB	North Ayrshire	3
MMC	South Ayrshire	3
MN	Glasgow Environs	2
MNA	East Dunbartonshire	3
MNB	North Lanarkshire	3
MNC	Inverclyde	3
MND	West Dunbartonshire	3
MNE	East Renfrewshire	3
MNF	Renfrewshire	3

Location Code	Location	Level
MP	South Lanarkshire	2
MQ	Dundee City	2
MR	Angus, Perth and Kinross	2
MRA	Angus	3
MRB	Perth and Kinross	3
Z	Island	1
ZA	Orkney Islands	2
ZB	Shetland Islands	2
ZC	North Ayrshire (Island)	2
ZD	Highland West (island)	2
ZE	Argyll and Bute (islands)	2
ZF	Western Isles	2

Reporting

The Indices are calculated quarterly in arrears as projects become available. They are initially published as provisional indices and are held provisional for the following quarter, before becoming firm, to allow for the lag in reporting projects.

Contacts

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