

# Market View Autumn 2025

Stuck in the cycle





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New build construction workload increased marginally again in Q2 2025—confirming 12 months of slow but steady growth.

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Order book slowed in Q2 2025, but construction pipeline is showing encouraging signs of recovery.

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The London growth engine continues to sputter, particularly in housing, with weak data on registrations, starts on site, and homes under construction.

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Public sector has picked up momentum and is becoming an increasing source of work—but is not enough to drive a recovery.

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Wheels are beginning to turn in the water and electricity programmes, but progress is slow relative to the scale of planned spend.

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Inflation forecasts are unchanged—the wait for positive signs of recovery continues.

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# Introduction

The waiting game isn't over. Both the construction sector and the wider economy are becalmed, waiting for stronger tailwinds to create momentum. Early signs of an acceleration in demand have faded, and even in promising regulated sectors like water, projects are taking longer to start than had been anticipated. The good news is that interest rates have fallen again, and housebuilders are reporting an increase in reservations. Nevertheless, it is proving to be hard work to break out of the cycle.





## Breaking out of the cycle is hard to do

The Bank of England's (BoE) base rate cut to 4.0% in August 2025—the fifth cut so far—was well received. Based on a split decision, the central bank's Monetary Policy Committee (MPC) determined that enough of a margin of slack in the economy had opened to justify the cut. That said, the economy did grow by a higher-than-expected 0.3% in the second quarter of 2025, boosted by growth in services, construction, and manufacturing. The BoE has raised its forecast for overall GDP growth in 2025 to 1.25%, up from just 0.75% in spring 2025.

The case for further cuts weakened on news of higher Consumer Price Inflation (CPI), increasing to 3.8% in July—its highest level in 18 months. Stubborn core and services inflation are a particular concern, and BoE now forecasts that inflation will stay higher for longer, returning to the 2% target at Q4 2027, a year later than it was forecasting back in the spring.

In construction, total output grew by 1.2% in Q2 2025, with ONS data showing a 1.1% increase in new work output. However, on a monthly basis, June saw a 0.4% decrease in new work activity, with commercial and infrastructure dragging down the overall new work levels.

The figures highlight the fragile and uncertain nature of the new-build market currently, a theme picked up by the Construction Products Association (CPA) which maintained its overall growth predictions for the sector in their Summer 2025 update, keeping their figures unchanged at 1.9% for 2025 and 3.7% in 2026. CPA warns that increased uncertainty is a downside risk to the forecast.

Meanwhile, while the construction pipeline showed encouraging signs of recovery, the growth rate slowed following a particularly strong order book in Q1 2025, falling by around £980 million (8.3%) in Q2 2025. The Q1 2025 order book was flattered by some large, one-off transport infrastructure projects. Public non-housing new orders were up by 36%, and total housing was up by 3% quarter-on-quarter. As a result, the total for Q2 2025 is the third highest since the start of 2023 and 2.5% above the quarterly average for the last two years. The cycle is turning, but it is turning very slowly indeed.



## London is falling

One of the reasons for a relatively slow recovery is the current state of the London construction market. It is clearly stuck in the cycle. London has traditionally been the engine for a private sector-driven recovery, so this is a broader problem. Based on latest Q2 2025 regional orders data for London, the new build pipeline has contracted by nearly 30% despite some big infrastructure orders earlier in 2025.

Latest National House Building Council (NHBC) registration data shows that nationally, 30,405 new homes were registered to be built in Q2 2025, up by 4% on both an annual and quarterly level. The worst regional performer was London with the 904 registrations, down by 59% year-on-year and 82% below the Q2 average for London since 2011. The poor figures highlight the extent to which the London housing market is misfiring. We look at housing incentives in our Places GBA feature and lessons learned from Gateway 2 in our deep dive on the Building Safety Regulator.

Data points from the British Property Federation (BPF) and Molior also highlight how deep the crisis is. BPF recorded a 19% fall in the number of Build to Rent (BTR) units under construction in London in Q2 2025. Much worse, Molior continues to track a complete collapse in housing starts in London. Starts totalled 2,158 units in H1 2025—the equivalent of 2% of London's planning target. This slow-burn crisis cannot continue for much longer without real-world impacts for the housing market and the housing chain. Our forecast highlights that growing workload pressure is creating a short-term buying opportunity.

Things don't appear to be any better in the commercial sector in the capital either, with the latest London Office Crane Survey showing a further decrease in new construction activity, with just 2.4 million square feet being added to the pipeline in the six months to the end of March—the lowest level since summer 2022.







## Clutching at straws

As highlighted in both orders and output data, the public sector is starting to pick up momentum, with the non-housing building segment growing by over 16% year-on-year in Q2 2025. However, that sector represents only 10% of new build work and is not sufficient to drive a recovery. Are there signs of a wider improvement in sector outlook that generate a meaningful increase in activity?

The key is confidence, and latest results from several different sentiment surveys paint a very mixed picture.

The Arcadis Sentiment Indicator, based on an internal survey, recorded its highest score for 12 months, coming in at 68, 14% above the quarterly average of the last three years. This points to an improvement in the long-term pipeline, with clients bringing new projects forward. Unfortunately, in the same survey, nearly half of respondents report projects being delayed, mostly due to viability and funding issues. Even as new opportunities are brought forward, existing schemes continue to be delayed.

One explanation for the improving outlook in the Arcadis survey is an apparent recovery in long-dormant commercial markets. Separate analyses by CoStar and CBRE point to improved letting markets in the regions and South East England. Totemically, the value of the Canary Wharf Group portfolio, flat or falling for 11 successive quarters, reportedly increased in value by 0.6% in Q2 2025. Capital values must be seen to be growing sustainably alongside an increasing rent roll for new development to pass the viability test. Positive news from Canary Wharf brings that tipping point closer.

Architects and accountants also have a positive outlook. The July RIBA Future Workload Index stood at +9, the sixth positive reading in succession. Meanwhile, the Institute of Chartered Accountants in England and Wales (ICAEW)

survey shows that while business confidence fell further into negative territory, construction bucked the trend with a +4.7 reading, well ahead of the historical average (+3.8). Construction CFOs continue to believe that government commitments to housing and new infrastructure projects will drive up demand and sales over the coming year.

Builders, however, have a quite different outlook. The July 2025 S&P Global UK Construction PMI saw a sharp drop to 44.3, the seventh consecutive month of decline in buyer activity, at the fastest pace in over five years. Market conditions have become unsettled, particularly in civil engineering. Contractors report buying fewer materials and reducing the number of workers on their payroll.

Perhaps the weak orders pipeline from the past two years is starting to have an effect. Evidence comes from the EY-Parthenon Profit Warnings report, which found that FTSE 350 Construction and Materials companies have issued eight profit warnings in H1 2025, compared with just two in the same period last year. It was the highest H1 total since 2020, with firms citing project delays, regulation, labour shortages, and higher NICs as straining margins and working capital.

15 out of 20 contractors in the CN100 have seen their turnover and profitability improve in their latest annual reports, so the impact is likely being felt in the materials and distribution sectors, with firms including Marshalls and Travis Perkins facing difficult trading conditions. National housebuilders are also recording a 5-6% increase in the pace of reservation rates, which is feeding through to the brickmaking sector, with both Ibstock and Forterra reporting an improvement in brick deliveries.



## Shift to the right

With private sector industry segments continuing to misfire, construction in the UK continues to rely upon the regulated and public sectors to generate growth. Although the pipeline of opportunity continues to grow, the rate of conversion also continues to disappoint. This might reflect inflated expectations, as substantial orders are starting to come through.

The public sector non-housing segment grew by 26% year-on-year in Q2 2025, with the quarterly volume exceeding £2 billion for the first time since 2016. Because orders in other sectors remain low, the public sector is becoming an increasingly important source of work—accounting for 20% of the pipeline in Q2 2025. The problem is that the next wave of public sector projects, including hospitals, remains at an early stage of development. A great deal of attention has been focused on the outcome of the Comprehensive Spending Review, where departments and local authorities are now allocating their programme spend in advance of April 2026. In the meantime, there is a danger that authorities may not be able to spend their single-year 2025/26 allocation. Watch out for a rush of spending toward the end of this financial year.

The water sector also saw a big jump in order volumes in Q2 2025 to over £480 million in current prices. This is a fraction of the planned programme, but an indication that the taps are opening at last. Orders in the electricity sub-sector also jumped—an indication of the potential in this sector as both nuclear and transmission programmes take significant steps forward.

In practice, however, AMP8 water projects are taking longer to crystallise than anticipated as water companies align their supply chain delivery teams and face programme hurdles associated with planning and land access requirements. News of the financial close on the 110-kilometre Haweswater aqueduct upgrade project worth £2.5 billion is a timely reminder of a future wave of Direct Procurement for Customer (DPC) and Specified Infrastructure Project Regulations (SIPR) programmes that will potentially add £50 billion to future water industry workload. While few of these will contribute immediately to industry prospects, they are a reminder of the forces changing the shape of demand, and the potential for significant growth once spending starts to flow.





## Conclusions

While economic conditions remain tough and uncertainty has increased, construction output and new orders suggest that the market is stabilising, driven by an increasingly active public sector.

While residential markets, both public and private, have shown some small signs of improvement and will have been boosted by a further interest rate cut, the truth is that headwinds still persist, and the influential London market is very much in the doldrums. The regulated water and energy sectors are starting to drive up workload, but the pace of change is still slow, even as the industry remains stuck in the cycle.





# Forecast

The market continues to misfire in the building sector, with finance-sensitive sectors making little progress against continuing headwinds. Well-established workload trends associated with public spending on buildings and private spending on networks are gathering pace but are yet to fundamentally change levels of activity on site.







Sector	Trend	Status
Regeneration, residential, and commercial sectors	← →	Slow progress on most projects. There is little sign of a reset on Building Safety Regulation, and reforms will take time to enact. A small number of large Central London commercial schemes are progressing through enabling works to start of main contract works, with another wave of two-stage procurements to follow. This does not represent an acceleration in development.
Public sector covering building and civil infrastructure	↑	Output in buildings has been on an upward trend for 12 months, driven mostly by increased spend in health and research/life science. Road spending bounced back in Q2 2025 after a very weak six months. Orders are currently steady in most building sectors, although the R&D pipeline strengthened in Q2 2025, including universities. Transport orders returned to a lower level after a busy Q1.
Network infrastructure and regulated utilities	↑	Activity in the water and energy sectors ramped up in Q3 2024 and remains steady at elevated levels. Order volumes increased significantly in Q2 2025 with water up by 150% year-on-year and electricity up by 50%. New workload volume is likely to accelerate into 2026.
Mega projects	↑	New themes in the megaproject segment include entertainment and aviation. Universal is moving toward a start on enabling works associated with the Bedford theme park, with completion slated for 2032. Four Premiership clubs, including Newcastle and Manchester United, are also looking at major ground upgrades. Irrespective of whether runway expansion programmes proceed on schedule, terminal expansion requirements at many of the UK's airports represent major opportunities.



## Workload

Despite perfect conditions for construction in Q2 2025, new build activity barely increased by 1%, highlighting the headwinds that two of construction's biggest sectors, housing and commercial, continued to face. Infrastructure output did appear to benefit from the weather, increasing by 3.2% and highlighting the slow rate of growth in other parts of the market.

The two high-growth sectors remain public non-housing and industrial—both of which have seen output grow by 15% year-on-year but plateaued in Q2 2025. Industrial investment, increasingly focused on high-tech manufacturing rather than logistics, is increasingly unpredictable, with orders falling back significantly in Q2 2025. By contrast, the public sector is seeing good growth, even before the main spending departments commence their programmes—with the value of the pipeline expanding by over 25%. This growth in spending is presently focused on niche programmes rather than core health and education spend, and as a result, is not widely recognised by the supply chain.

The commercial sector continues to struggle, despite some signs of recovery in the major projects market in London. Orders are 15% down from the previous quarter and similarly 15% below the post-Covid trend. Projects are hard to get into contract, and recovery is likely to be slow.

Signs of shifts in infrastructure workload are evident even as the value of work secured fluctuates wildly. The value of orders secured in Q2 2025 fell by nearly 25%, but the volume remains at least 20% above the post-Covid trend. Infrastructure orders are large and lumpy and do not follow a predictable trend. In Q2 2025, over 70% of the new spend originates from the private sector, highlighting the growing importance of the energy and water sectors.

The latest order data supports our hypothesis that workload will swing decisively toward the private sector.

In summary, slow workload recovery is likely to be masking the shift of resources toward network infrastructure clients and the thinning out of capacity in the housing sectors. Once recovery does occur, progress is likely to be bumpy.







## Materials

Consumer prices measured by CPI increased by 3.8% in July 2025. Inflation data focused on construction materials has been suspended since January 2025 due to a historical data quality error. Latest inflation data points to particularly strong inflation in services, increasing by 5.2%. Inflation for goods, a proxy for materials, increased by 2.7%—up from 1% in January 2025, suggesting a modest increase in pricing pressure. Equivalent materials inflation data from Ireland points to an increase in costs of products associated with house building rather than commercial or civil engineering.

In the past quarter, there has been a divergence in the prices of metals and energy. Oil and gas prices have remained flat and are close to their average over the past 10 years.

Traded metals have reversed recent downward price trends, increasing by between 6 and 10%. Prices remain high

compared to the long-term average price. There have been no currency-related buying gains, as the value of USD has remained relatively stable over the past three months.

Steel section prices have fallen away since peaking in April 2025. According to [steelbenchmarker.com](#), prices of steel sections traded in Europe have fallen in cost by 10% since April 2025 and are trading at the same price as August 2024.

The UK and Europe have now agreed on tariff frameworks with the US at levels lower than originally pitched in April 2025. So far, there is little evidence of tariff costs being recycled to markets outside of the US. Similarly, there is little evidence so far of displaced materials from China and other markets affected by higher tariffs finding their way to the UK. As tariff implementation has been delayed, any effect is more likely to be seen in late 2025.

Commodity	Price, July 2025	Year-on-year change (%)	Price relative to long-term average
Brent Crude	\$71.0/bbl	-16.8	1.06
Natural gas, Europe	\$11.6/MMBtu	+12.3	1.02
Aluminium	\$2,606/tonne	+11.0	1.24
Copper	\$9,770/tonne	4.1	1.33
Iron Ore	\$97/tonne	-9.0	1.00

*Source:* World Bank, August 2025. Long-term average based on 2015 to 2025.



# Construction labour

The capacity of the construction labour force is presently stable. Based on the preferred and more reliable JOBS metric, the workforce grew on a seasonally adjusted basis by 0.9% in Q1 2025 and by 0.8% year-on-year. Economy-wide growth in Q1 was 0.5%. Data for Q2 is not published until mid-September 2025.

More recent employment data published from the Labour Force Survey has reliability problems and is not adjusted for seasonality. Totalling 2.08 million operatives in Q2 2025, the data suggests a significant contraction of nearly 3%, although this follows a seasonal pattern. This could be a sign of problems to come, but the data quality is not good enough to justify additional alarm at this stage. Our forecast reflects future labour scarcity in any case.

Vacancies remain stable at the relatively low level of 30,000. On a ratio basis, at 2 jobs per 100 employee jobs, construction is slightly below the national average of 2.2. A low level of vacancy is consistent with the current stable status of orders and output.

In line with the trend, earnings growth has slowed, down to 4.0% year-on-year in June 2025, excluding bonuses.

The economy-wide equivalent is 4.8%, marking the first time that construction has fallen behind other sectors since October last year, again pointing to a balance in supply and demand.

One positive development this summer has been the agreement of wage deals across multiple trades—providing an indication of future levels of wage inflation. The deals finalised so far are summarised in the following table and indicate a slowdown in pay rate rises this year, compared to the previous 12 months.

Agreements for 2025/26 reflect the recent weakness in activity levels and employment growth. Looking forward, three-year deals for MEP provide a potential floor to future construction price inflation. The planned increases for electricians are double the expected rate of CPI, representing a substantial real-terms increase, but this might be eroded by persistent inflation. Should project demand increase at the rate projected, then it is likely that competition for operatives and staff will increase between project sites and employers, with a knock-on effect on wages and bonus levels. Presently, we retain our labour cost-driven inflation hypothesis.

	Effective from	2024/2025	2025/2026	2026/2027	2027/2028
Major building contractors [CIJC]	July	6% from Jul 2023 to end of 2023 1% from Jan 2024	3.2%	N/A	N/A
Smaller building contractors/FMB [BATJIC]	June	4%	3%	N/A	N/A
Electricians [ECA/JIB]	January	5%	3.95%	4.6%	4.85%
Mechanical and plumbing [BESA]	October	3%	3.7%	3%	3%

Source: CIJC, FMB, ECA/JIB, BESA







## Tender price forecast

Our Autumn 2025 Tender Price Forecast takes account of continuing slow growth and the cumulative impact of economic and employment policies on business confidence, cost of finance, and risk-taking. Our 2025 forecasts for building and infrastructure inflation are, at the lower end of the range, below current levels of CPI, implying significant downward price pressure in the supply chain.

There has been modest improvement in market conditions, and in certain markets, including London, demand has weakened significantly in the past quarter, even as some major commercial schemes move forward. Nationally, high-density housing development is approaching a crisis point, with the number of starts falling below the levels needed to sustain the subcontract supply chain. Clients who can take residential development forward in the current market will secure highly competitive pricing, although such prices will not be sustained into a recovery cycle.

Labour cost inflation has moderated in the past six months, and employer bodies have been successful in securing medium-term wage deals with their directly employed operatives. Looking forward, these factors, weak demand conditions, and stable input costs may contribute to a reduced future inflation risk.

However, while there is plenty of evidence of surplus capacity in the frame and finishes supply chains, evidence of capacity constraints in Mechanical, Electrical, and Plumbing trades (MEP) is starting to emerge, with cost savings achieved on frame and facade packages being offset by inflation affecting building services in commercial and high-density residential development. More detail on MEP trends in the UK can be found in the Arcadis MEP Commercial Review Q1 2025 report, published in June.

Part of this reflects the growing complexity of MEP installations, but there is also some evidence of the impact of demand from attractive sectors such as data centres, which is enabling some specialist contractors to secure more of their workload with a higher margin. While this development is creating space for new specialist contractors, there is an emerging capacity constraint with respect to specialist contractor availability and labour availability. Presently we highlight these developments as supporting evidence for our labour scarcity hypothesis, and, as a result, have not downgraded our future forecasts.

The industry sector with the best prospects continues to be network infrastructure. There have been some major announcements in connection with framework appointments that will enable the supply chain to invest in much-needed capacity. These frameworks, including a recent £12 billion appointment by National Grid for converter stations and HVDC cable installation, are of sufficient scale to shift contractor investment priorities. Transport programmes, for example, are likely to see a reduction in contractor capacity as supply chains pivot to network investment.

Our tender price forecast is unchanged:

- We anticipate that contractors will seek to recover the full cost of NICs and will face a tight labour market.
- We do not expect material price inflation to be a significant inflationary driver in the next 12-18 months.
- For Network Infrastructure, we anticipate that scarcity costs will become a significant consideration from 2026 onwards.



Looking to the medium term, our forecasts for 2028 and 2029 continue to be based on a growth and labour constraint hypothesis in advance of pipeline data.

The ranges set out in this table aim to capture most projects. Clients operating in markets exposed to extreme scarcity should consider the risk of additional inflation premia.

	Regional Building Construction TPI	London Building Construction TPI	National Civil Infrastructure TPI	National Network Infrastructure TPI
2024	1-2% (1-2%)	1-2% (1-2%)	3-6% (3-6%)	3-6% (3-6%)
2025	2-4% (2-4%)	2-4% (2-4%)	3-5% (3-5%)	4-6% (4-6%)
2026	3-5% (3-5%)	3-5% (3-5%)	3-5% (3-5%)	4-7% (4-7%)
2027	4-5% (4-5%)	4-5% (4-5%)	3-5% (3-5%)	4-7% (4-7%)
2028	5-6% (5-6%)	5-6% (5-6%)	5-6% (5-6%)	5-8% (5-8%)
2029	5-6% (5-6%)	5-6% (5-6%)	5-6% (5-6%)	5-8% (5-8%)
<b>Total</b>	<b>20-27%</b>	<b>20-27%</b>	<b>23-33%</b>	<b>27-42%</b>

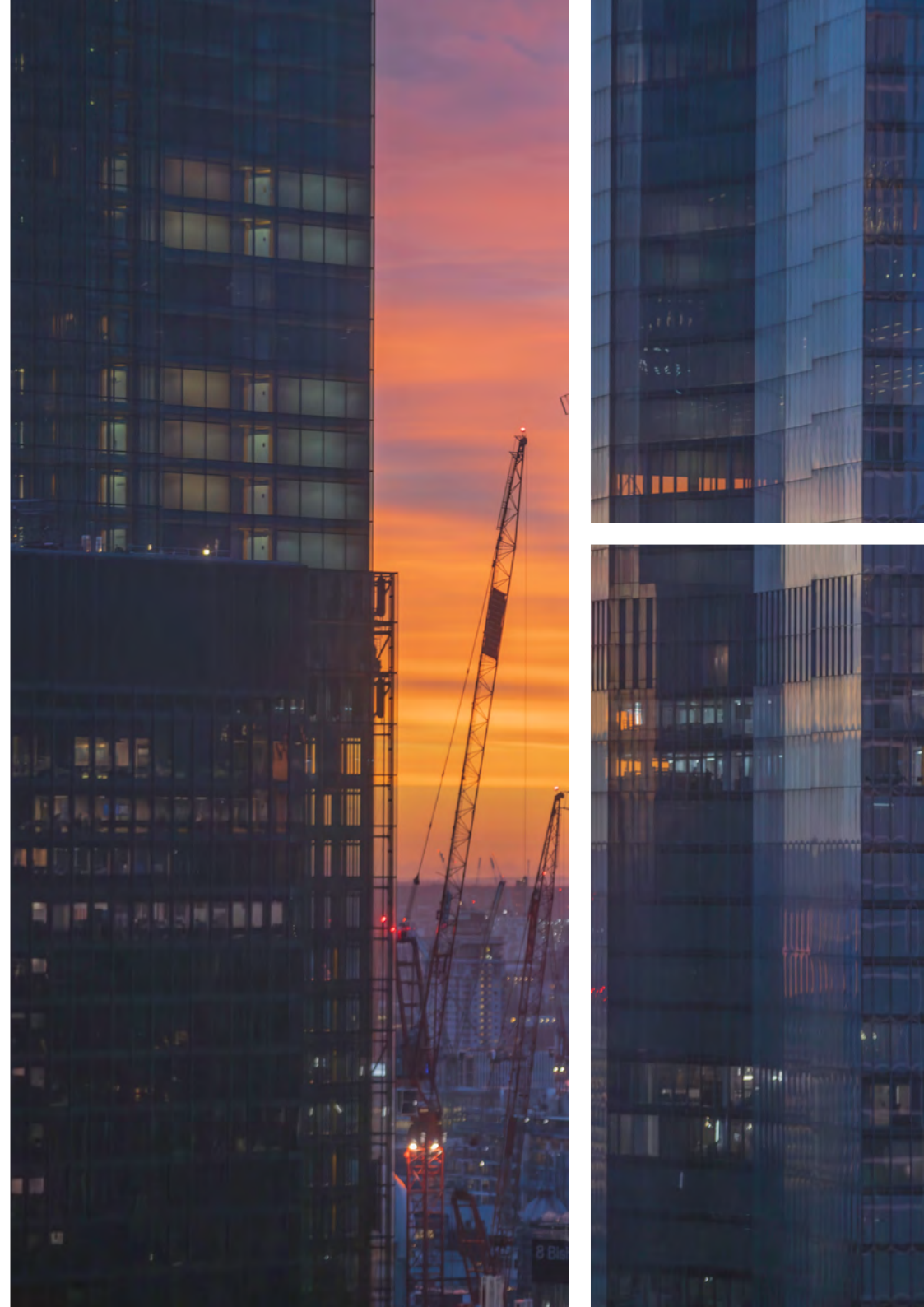
Inflationary drivers	Deflationary drivers
Recovery of NICs from April 2025	Procurement and approval delays
High levels of workload in network infrastructure	Heightened subcontractor competition for workload in commercial and residential sectors
Limited capacity for large project ECI and delivery in buildings	Attitude to risk transfer in competitive markets
Supply chain consolidation	
Attitude to risk transfer in busy markets	





# Sector summaries

We examine current market conditions affecting major sectors in UK construction markets. These insights are compiled with support from Arcadis sector experts.







## Places

### Getting the housing market moving

UK housing activity is starting to pick up, with starts in the year to Q1 2025 up by 25% compared to the cycle low point in Q2 2024. Delivery, of course, remains well behind government aspirations. Given multiple headwinds, progress is hard. Government is pulling all available levers, and the 2025 Comprehensive Spending Review (CSR) included a raft of measures designed to promote demand across all housing markets. The level of support really is unprecedented. We summarise the main initiatives and their potential impacts.



### Interest rates

The base rate has been cut by 100 bps since August 2024. Rates for a two-year, 75% LTV mortgage are below 4%. Recent research by the Bank of England looking at the impact of changes in rates found that a 1% hike reduced transaction numbers by 50,000, equivalent to 5% of the total sales market. This finding suggested that rate cuts are unlikely to make a major dent in increasing demand to support the 300,000 homes per annum target.

### Affordable housing programme

The £39 billion, 10-year affordable housing programme was one of the biggest announcements in the CSR. The programme is expected to deliver 300,000 social and affordable homes during this Parliament. While this is a 70% increase in funding levels, the private sector will continue to have a significant role in delivering affordable housing via the s106 route. With building costs rising in line with house price inflation, it will be difficult for developers to increase the proportion of low-cost homes they deliver—capping the production of affordable homes.

### Freedom to buy guarantee

Proposals for a government-backed guarantee for low-deposit mortgages could have a significant impact on new sales. The previous Help to Buy scheme supported over 380,000 completions. The detailed design of the guarantee has not been undertaken. Given current high interest rates and other affordability barriers, it is unlikely that any scheme will drive purchases in the same way as Help to Buy, but it will bring forward transactions by reducing savings requirements.





### **Support to registered providers**

The CSR included several measures to support RPs, including equal access to the Cladding Safety Scheme. One additional benefit of these changes is that some RPs are returning to the new build development market after two years of retreat. Its early days and starts on site are unlikely before 2027, but the return of RPs is a crucial step in a market needing greater diversification.

### **Housing bank**

A National Housing Bank embedded in Homes England will be set up with £16 billion of capital and guarantees. This is expected to leverage a total of £70 billion of housing investment, supporting the delivery of over 500,000 homes. Setting up the bank will take some time, so the initiative is unlikely to facilitate the delivery of much more than 50,000 homes by 2030.

### **Conclusion**

Combined with existing planning reforms and measures, including Nature Restoration Funds, it is clear that the government is pulling every lever available to increase housing production. However, few of these measures can address the headwind of affordability. Despite government support, it is likely that only measures to reduce the cost of land and planning contributions will help to bridge the viability gap for privately funded development.



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# Mobility

## Opportunities from Combined Authority Transport investment

An essential element of the devolution agenda in England has been the transfer of long-term planning of transport investment to Mayoral Combined Authorities (MCA). City Region Sustainable Transport Settlements (CRSTS) have been in place since 2022, providing the opportunity for MCAs to deliver strategic transport investments backed by long-term certainty of funding. Funding is in place until FY 26/27. From 27/28 onwards, new Transport for City Regions (TCR) funding worth £15.6 billion has been allocated to nine MCAs, representing a significant increase in investment.

Delivery against CRSTS targets has been mixed. The programmes ramped up quickly, MCAs had to build their planning and programme management capability from scratch, and agreeing on investment priorities with local authority partners will always be challenging. Spending has been behind the curve, and with some programmes being transferred into the TCR portfolio, the additional funding after 27/28 may not deliver as much as intended.





Even so, the future transport investment agenda for MCAs remains ambitious. Key elements of the TCR programme include:

- Driving growth and productivity through investment in integrated transport networks
- Creating infrastructure to support the delivery of new homes and improved access to opportunity
- Promotion of transport decarbonisation and active travel.

As the ambition of the transport agenda increases, the extent of devolution is also expanding. From April 2025, the Greater Manchester Combined Authority (GMCA) and West Midlands Combined Authority (WMCA) are funded by trailblazer deals. Trailblazer deals, announced in 2023, devolve a wide range of spending responsibilities in connection with transport, housing, skills, and low-carbon retrofit, backed by a single multi-year funding settlement. While the single budget provides flexibility for MCAs to allocate funds in line with local priorities, it also requires significant growth in organisational maturity to manage complex programmes and challenging groups of stakeholders, including the local authority delivery partners. Five other MCAs will receive similar integrated, multi-year budgets from April 2026.



Focusing solely on the TCR, successful delivery of these expanded programmes is likely to require the development of a programme management infrastructure alongside partnerships with the design and delivery supply chain, placing further pressure on skills in regional markets. Furthermore, MCAs will need to enhance their understanding of asset condition and use to prioritise future investment programmes. Immediate priorities in the CRSTS have focused on longstanding and well-established transport needs, but as planning for TCR commences, then ambitious network enhancement proposals are likely to be brought forward, including hard infrastructure for cross-city express buses, metro extensions, and even autonomous networks.

One of the major challenges that MCAs will face will be maintaining pace on capital delivery as governance structures change. Previously, the Department for Transport (DfT) played a key role in annual reporting. Increasing accountability for delivery will be held at the local level to date, requiring mayoral leadership to drive the resolution of local complexities at the combined authority level.

### Conclusion

In the short term, MCAs need to get their delivery models established ahead of the introduction of integrated budgets. Once this preparatory work is complete over the next 12 months, the range of opportunities is likely to increase, as political, financial, and procurement arrangements settle down. Looking forward, effective mayoral leadership will play a key role in directing much-needed investment into England's major cities.



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## Resilience

### **An overview of the UK nuclear programme and its resource implications**

With Sizewell C being given Final Investment Decision (FID) in July 2025, the UK nuclear sector has taken a significant step forward. Following the announcement, we look at wider developments in nuclear-related workload and consider whether demand for specialist services is on course to exceed supply.

The nuclear sector is heavily regulated, which creates significant barriers to entry for developers and their supply chain. The UK's Nuclear Regulatory Taskforce published their interim review into the streamlining regulation of the sector. Later stages of the review will aim to reduce the cost and time associated with regulatory approvals. While the system overall could be slimmed down, it is less certain that barriers to entry for suppliers will fall—potentially increasing demand even as supply remains constrained.

The approval of Sizewell C on the programme is a major win for the sector. Its £38 billion budget has been set on the expectation that 20% savings will be achieved on the costs of Hinkley Point C, derived from learning curve benefits and greater efficiencies. In the first instance, this depends on the successful transfer of skills from the Hinkley Point Civils Packages, which can now ramp up in earnest.



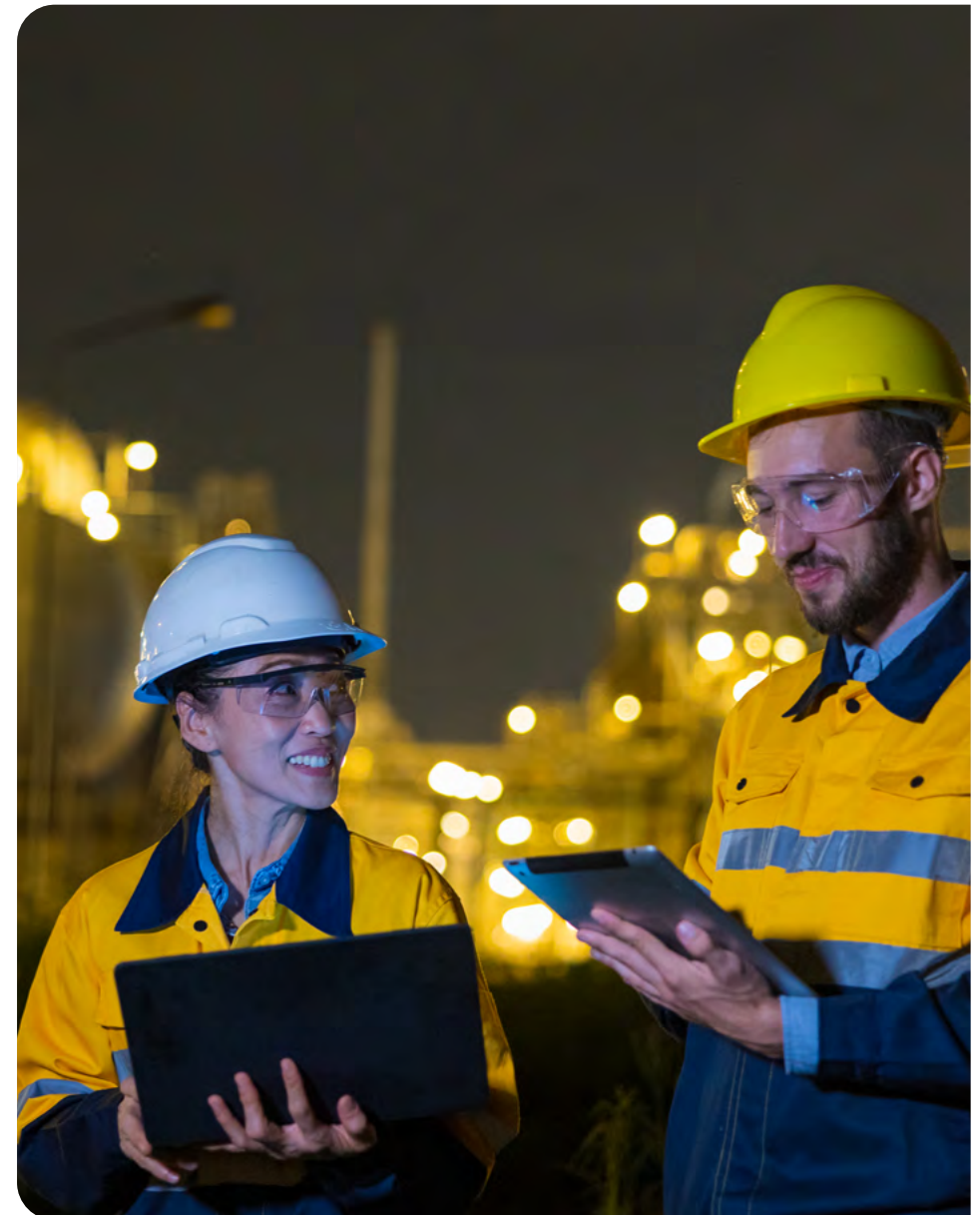
With Sizewell C being expected to employ 10,000 on site and a further 60,000 in the supply chain, the potential to efficiently reuse existing skilled resources on the new programme is an important consideration, particularly as UK demand for labour resources with nuclear skills ramps up.

Two initiatives confirmed in the Comprehensive Spending Review (CSR), the Small Modular Reactor (SMR) programme, and the Spherical Tokamak Energy Programme (STEP), will trigger further procurement activity on major programmes.

Rolls-Royce SMR is now confirmed as the technology provider for the SMR programme, and teams are already being assembled, with contracts for the programme advisory services and foundation project management and commercial support having been awarded. The first phase of SMR delivery is worth £2.7 billion. The delivery partner is also likely to be procured during 2026, facilitating the procurement of pre-enabling works during 2027, once the preferred site location is officially confirmed. STEP, backed by £2.5 billion of public funding, is also developing its delivery team. Procurement of the engineering and construction whole plant partner is expected by the end of 2025.

Both these initiatives will require additionality within the nuclear-capable UK workforce, plus significant programme management delivery resource—both are capabilities under significant demand.

Nuclear decommissioning also continues to be a resource-intensive programme. The Nuclear Decommissioning Authority (NDA) was allocated £13.9 billion in the 2025 CSR, representing a 16% increase in cash terms. NDA also receives commercial revenues. However, a recent Public Accounts Committee (PAC) report published in June highlighted slow progress in the decommissioning of major risk areas on Sellafield. PAC highlights that under a new alliance introduced in 2021, more projects are proceeding in line with business cases, meaning that more resources are being used in competition with other programmes including the wider Nuclear Restoration Services (NRS) programme and EDF's defueling of their AGR fleet.





Beyond the immediate needs of the UK Civil Nuclear programme, there are other programmes that will expand and require resourcing over the next five years, including the expansion of Urenco's UK uranium enrichment facilities. Furthermore, the confirmation of a £15 billion investment in sovereign warhead capacity will see further progress on the UK's fissile programme, the delivery of the Dreadnought programme, and associated enabling infrastructure on the Clyde.

Taken together, this programme implies a significant expansion in activity from the £10 billion approximate spend per annum. The Engineering Construction Industry Training Board (ECITB) has previously forecasted growth in the nuclear engineering construction workforce from around 36,000 in 2025 to 46,000 by 2030, driven by Hinkley, Sizewell, and the SMR fleet. Programmes like Sizewell C have long-term plans to develop their local talent pool that complement national initiatives, including the National College for Nuclear, but these are unlikely to fulfil all demand now that programmes are accelerating. UK nuclear will need to use and retain its labour resource with great care if expanding programmes are to be delivered as planned.



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# Spotlight

## Insights from the Gateway 2 process

Progress on Gateway 2 reviews continues to be frustrating, but now that a small number of new build projects have secured approval, we can share latest insights into the practical issues associated with the development of compliant design proposals. These insights are based on projects where the contractor is engaged on a PCSA for a design and build contract to develop design to RIBA Stage 4+ for relevant elements prior to Gateway 2 submission.



Progress on Gateway 2 submissions and approvals

	Approved	Rejected	Unknown	Total
New buildings	20 (11%)	18	149	187
Existing buildings	393 (19%)	191	1,465	2,049

Source : FOI request to HSE by Cast. Data covers period from Oct 2023–May 2025



Clients are calling out for greater certainty in connection with the process and decision-making. However, an early lesson from the gateway process is to recognise the challenge that the Building Safety Regulator (BSR) has in facilitating a consistent approach to approvals. Multi-disciplinary teams (MDT) are applying professional judgment and interpretation, and the regulators themselves are not technical experts. One important lesson learned is that project teams should focus communication on a single BSR contact to maintain consistency. By understanding what that individual needs to progress the application, some barriers to approval might be avoided.

This does mean that, at this early stage of adoption, it is difficult to transfer lessons learned from one project to the next. Information templates and data schema developed by the design team will help encourage consistency, but project teams will continue to need to respond to the expectations of their MDT.

As an example of enhancements that can be made, Arcadis Architecture and Urbanism teams have developed dedicated layers of safety and CDM compliance data within models,

enabling full sets of drawings demonstrating regulation compliance to be produced, facilitating BSR understanding of the project dataset. Specialist BSR consultants are also compiling a large body of knowledge and will become increasingly useful in the optimisation and derisking of the gateway submission.

The positive benefit of the gateway process is the early development of well-considered details that resolve the conflicting requirements imposed by fire, thermal, and acoustic constraints. Currently we are seeing the development of bespoke detailing, but as experience of the new Approved Documents increases, we may see a move toward a new generation of ‘robust details’ that can be applied across a portfolio of projects.

An emerging problem is the potential for greater levels of design standardisation across multiple projects as detailed design decisions are compressed into a short development period ahead of the Gateway 2 submission. Designers and clients will migrate toward proven building solutions that are known to be compliant and to work. This has implications both for the variety and quality of building design and for the

exploration of legitimate value engineering opportunities, through product optimisation, for example.

Arcadis colleagues are seeing a loss of downstream opportunities to optimise aspects of the design where these have the potential to trigger a major change under BSR.

The introduction of changes to the carrier frame of a brick-slip walling system, for example, would trigger such a change. Due to the potential impact of a reduced range of design and product options on scheme viability, clients might need to spend more time reviewing the design prior to Gateway 2 submission if they are to avoid delays driven by the BSR Change System later in the programme.

Planning for the front-loading of effort by the contractor and client-side teams is also an important consideration. Firstly, to ensure that essential early data like site surveys are available before design work starts in earnest, and secondly, to enable design optimisation to take place before initial contractor pricing is completed. Another key activity is to ensure that there is a robust plan for non-safety-critical design activity during the assessment period.





The team also needs to develop its strategy for sectional handover for Gateway 3. The work of the Compliance Monitoring Team (CMT) will also be front-loaded, focused on approval strategy, QA, and compliance monitoring.

One final area for consideration is information management strategy. Interestingly, over 80% of technical queries on a recent, successful submission were related to locating information within a 1,000-page technical submission. Signposting key information and creating links within digital models will contribute to more efficient (and cheaper) work by the BSR. Greater pre-submission engagement by the BSR in connection with the information strategy will also improve performance in this area.

While the BSR's performance in turning around assessments is likely to improve, there is no escaping from the fact that the new requirements front-load activities and create new risks around gateway compliance. This is having a significant impact on the amount of pre-construction funding needed and the cost of finance also due to the increased risk profile. Better preparation will help mitigate some of these issues, addressing at least one aspect of the current viability conundrum.



## Arcadis

Our world is under threat from climate change and rising sea levels to rapid urbanisation and pressure on natural resource. We're here to answer these challenges at Arcadis, whether it's clean water in Sao Paulo or flood defences in New York; rail systems in Doha or community homes in Nepal. We're a team of 36,000 and each of us is playing a part.

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