

Construction industry: building resilience collectively

Industry leaders on strengthening resilience, improving collaboration and unlocking sustainable growth

Key insights from the HCR Law and Azets Construction Roundtable

October 2026

AZETS

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Executive overview

The context for the roundtable and the central challenge facing the sector

Wafer-thin margins, onerous regulation, late payment, skills shortages, rising employment costs and an increasingly defensive approach to risk are all holding back growth, according to construction industry leaders.

Representatives from across the construction sector came together to discuss the industry's biggest challenges at a roundtable hosted by HCR Law and Azets at The Telegraph Hotel in Coventry ahead of the government's Autumn Budget. The discussion was chaired by Michael Hiscock, Partner at HCR Law and Paul Fenner, Partner at Azets.

Their discussion painted a picture of an industry in demand, but struggling to convert opportunity into sustainable growth because of structural issues running through procurement, payment, risk allocation, insurance, training and planning.

The government wants to deliver £718 billion of infrastructure pipeline projects over the next ten years. It is targeting 1.5 million new homes during this Parliament by 2029 and is funding the training of more construction workers, but the sector does not currently have the people, cash flow, confidence or procurement culture in place to meet that ambition.

Recent data also underlines the challenge: the Office for National Statistics reported that construction output in Great Britain fell by 0.5% in the three months to July 2026. The S&P Global UK Construction PMI index was 44.3 in August 2026, signalling contraction because it was below 50.

£718bn

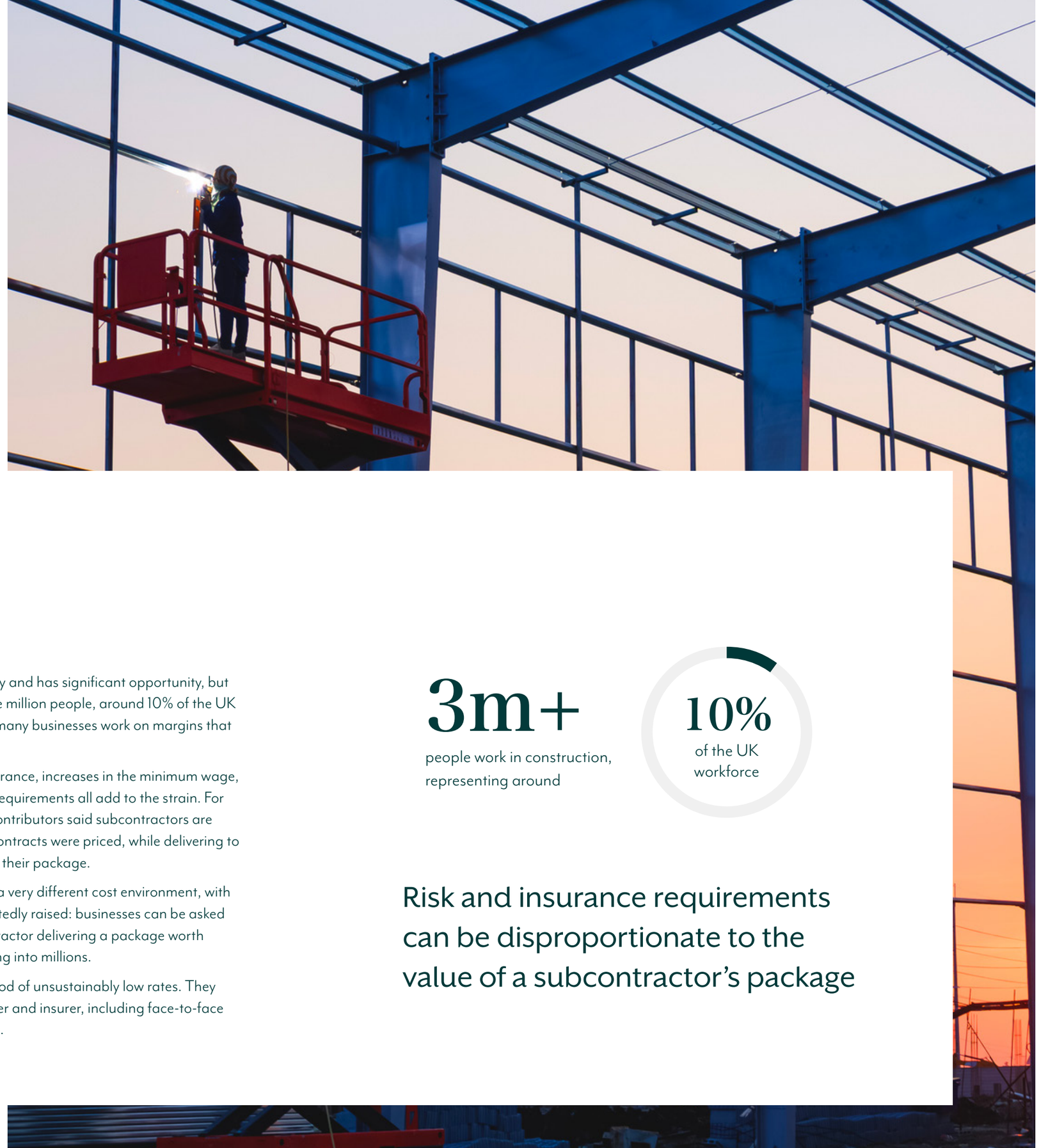
infrastructure pipeline planned over the next ten years

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Pressure from every direction

Paul Fenner described a sector that remains essential to the economy and has significant opportunity, but is operating under intense pressure. Construction employs over three million people, around 10% of the UK workforce, and supports a large network of smaller companies. Yet many businesses work on margins that leave little room for shocks.

Rising material prices, higher labour costs, changes to National Insurance, increases in the minimum wage, higher compliance expectations and more demanding contractual requirements all add to the strain. For specialist subcontractors, the burden is particularly acute. Several contributors said subcontractors are expected to absorb cost increases that were not foreseeable when contracts were priced, while delivering to tight programmes and carrying risk out of proportion to the value of their package.

In some cases, work procured years earlier is now being delivered in a very different cost environment, with little flexibility from main contractors or clients. Insurance was repeatedly raised: businesses can be asked to carry levels of cover far beyond the value of their work. A subcontractor delivering a package worth hundreds of thousands of pounds may be asked to hold cover running into millions.

Insurance specialists acknowledged the rise in premiums after a period of unsustainably low rates. They advocated better data and closer engagement between client, broker and insurer, including face-to-face discussions that produce a more realistic assessment of business risk.

3m+

people work in construction, representing around

Risk and insurance requirements can be disproportionate to the value of a subcontractor’s package

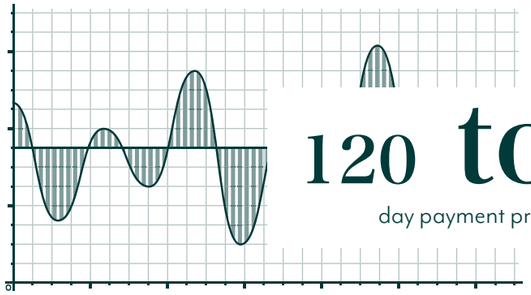
Late payment and cash flow remain critical barriers

Payment practices remain an ongoing challenge. Delegates contrasted construction with sectors such as manufacturing and renewables, where upfront payments, staged funding or more collaborative commercial models are more common. Construction businesses, by contrast, can still wait until work is complete, or nearly complete, before being properly paid.

That may be manageable for companies with deep pockets, but it is a significant barrier for SMEs. Smaller companies may have the skills, equipment and appetite to take on work, but not the cash reserves to fund labour, materials and overheads over extended periods.

Payment terms that improved during Covid have drifted back towards much longer cycles. Delegates described 120 to 180-day payment practices as unsustainable in a sector where insolvencies can have a domino effect throughout the supply chain. When a contractor collapses, subcontractors can be left exposed, cash is trapped, projects stall and confidence drains from the market.

One response is to be bolder about refusing work on commercially unsustainable terms. Delegates argued that businesses often avoid difficult conversations about payment because they fear damaging client relationships, but non-payment has already undermined the basis of that relationship. Trade bodies can play a stronger role by representing the industry collectively, including the interests of smaller SMEs.



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day payment practices were described as unsustainable



Late payment does not stop at one business: it can create a domino effect across the supply chain

Risk is being pushed down the chain

The allocation of risk was a central concern. Delegates said many contracts pass risk down the supply chain rather than placing it with the party best able to manage it. Requirements can be presented as standard terms, leaving contractors and subcontractors to price risks they may not fully understand, cannot control or should not reasonably be expected to carry. This can lead to disputes and financial distress.

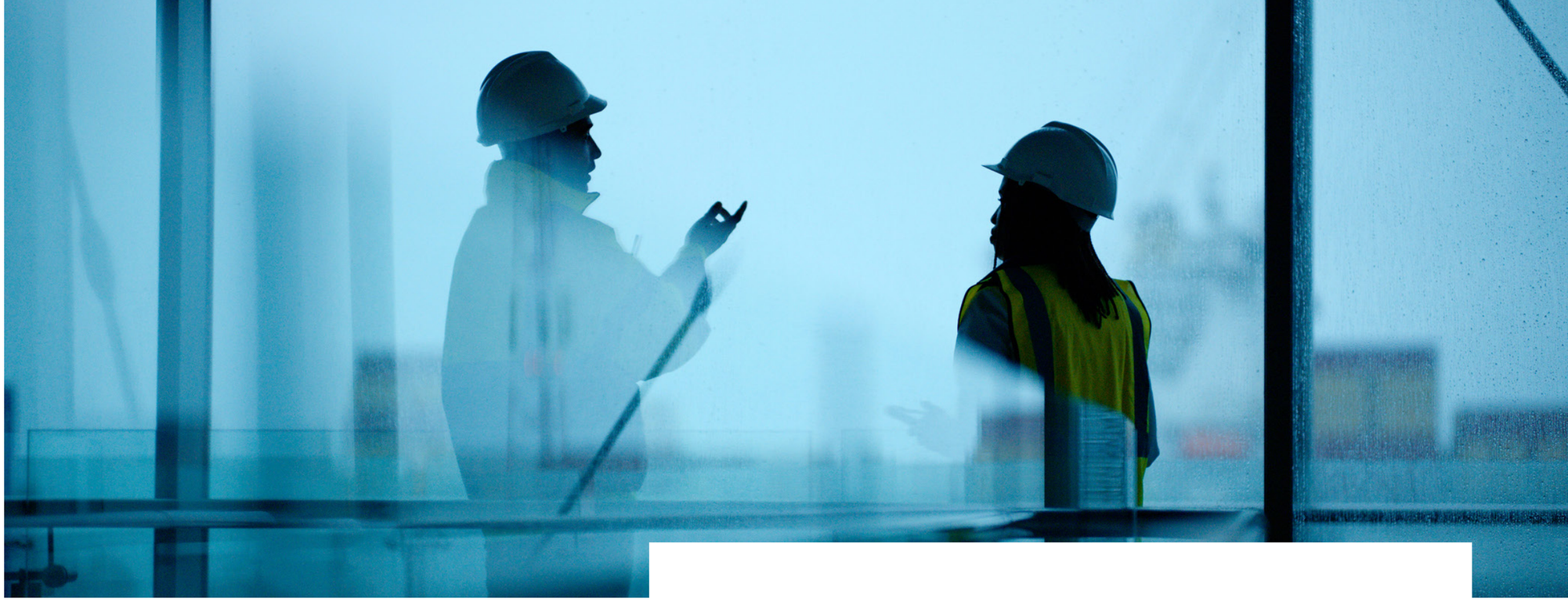
Michael Hiscock said: “Those involved need to ask themselves who should carry the risk, and should there even be a risk at all in the contract. Often the response will be: ‘Because that’s our standard position’. In that case I would suggest asking whether the right person is pricing the right risk for that project.”

There was broad support for a more open approach in which risk is identified, understood and priced properly. Some contributors pointed to open-book arrangements, shared-risk models and industry risk registers as ways to create more transparent commercial discussions.

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Michael Hiscock
Partner, Construction and Engineering, HCR Law



Skills shortages threaten delivery

The critical skills shortage is one of the biggest threats to the sector. Delegates pointed to the gap between the government's housing and infrastructure ambitions and the number of trained workers available to deliver them.

Government has announced funding to help train up to 60,000 more skilled construction workers by 2029, while the Construction Industry Training Board's 2026–2030 outlook says the UK will need an average of 41,200 extra construction workers each year to meet expected demand. Last year there were 33,000 construction apprenticeship schemes, but the apprenticeship pipeline remains a concern. Even where young people start construction-related courses, too few stay the course.

The challenge is not simply attracting people into construction, but converting interest into long-term careers. Retention is equally important. Brexit, an ageing workforce, uncertainty in the pipeline and the cyclical nature of construction workloads all contribute to recruitment difficulties. Smaller firms are reluctant to invest in training when order books are short and costs are rising, yet without that investment the sector risks being unable to deliver housing, infrastructure, retrofit, renewable energy and building safety work.

The Building Safety Act adds a further dimension. Higher standards of competence and accountability are necessary, particularly where poor practice can have serious consequences for end users, but compliance also adds cost and administration. Delegates suggested that better procurement and verification of competence are central to the answer.

Up to

60,000

more skilled construction workers are to be trained by **2029**

The UK needs an average of

41,200

extra construction workers each year to meet expected demand





Procurement culture needs reform

Responsible procurement connects many of the sector's problems. Delegates said tender documents may claim to balance quality and price, but in practice many decisions still come down to cost. This penalises businesses that price work realistically.

There was frustration with the burden of pre-qualification questionnaires and administrative requirements, particularly where the same information is requested repeatedly across tenders. For SMEs, bid processes can consume substantial time and resource with no guarantee of success. Some contributors argued that where clients expect detailed intellectual input and technical solutions at tender stage, there should be greater recognition of that value.

Public sector procurement, responsible for a significant proportion of infrastructure work, attracted scrutiny. Government and public bodies are well placed to influence market behaviour. If public clients led by example on fair payment, proportionate risk allocation, competence checks and realistic tender evaluation, participants argued, this could help reset expectations across the wider market.

Planning and regional delivery

Planning was another recurring barrier. The pace of decision-making remains slow and can delay otherwise viable housing, commercial and regeneration schemes. The shift of more power towards combined authorities and regional decision-making could create opportunities, but it may also introduce different local priorities and further complexity unless the system is properly resourced.

Participants suggested that planning in principle could help de-risk more schemes if applied more widely and efficiently. Earlier certainty would give developers, funders, contractors and subcontractors greater confidence in the future pipeline, supporting investment in people, equipment and training.



Technology offers opportunity, but investment is difficult

Despite the challenges, delegates see opportunities in deploying AI to manage data and improve planning. These tools could help businesses increase productivity, manage risk, assess procurement decisions, improve negotiation and strengthen evidence around competence and pricing.

AI can improve bidding and negotiation by focusing on value rather than price. The tender process can be expensive and time-consuming, so anything that improves successful conversion rates will be welcome.

AI is being used in the sector through robotisation on construction sites, drones for health and safety checks, 3D printing, resource allocation optimisation, logistics planning, clash detection and predictive maintenance. These applications can improve productivity and margins.

Investment remains difficult for companies operating on tight margins. Businesses know they need to modernise, but survival mode leaves little headroom for innovation. There was concern that overseas or better-capitalised competitors could move faster if UK firms are unable to invest.

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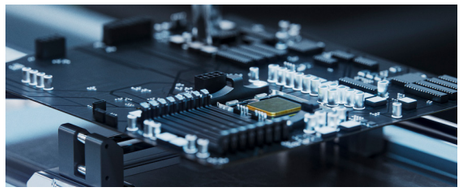
AI is being used in the sector through:



Drones



3D printing



Robotics



Logistics planning



Clash detection



Predictive maintenance

Building resilience collectively

Closing perspective and final observations from the roundtable chairs

For a sector being asked to build more homes, deliver infrastructure, improve safety standards and support economic growth, the challenge is clear. Construction must stop treating pressure as something to be passed down the chain and start treating resilience as something to be built collectively. The opportunities are there for the well-prepared.

Paul Fenner, Partner at Azets, said: “We were thrilled with the response, the openness and honesty of everyone in the room. It meant that we could really get to the heart of some of the big issues, challenges and opportunities the sector faces.”

“Construction has a huge role to play when it comes to economic growth in this country, but it is only by identifying these issues and looking to tackle them head on that we can really start to see the sector thrive. Now more than ever, staying competitive demands that businesses remain agile and proactive in adapting to change in order to be more resilient and future-proof.”

HCR Law Partner Michael Hiscock added: “I’ve been a construction lawyer for nearly 25 years. Some of the issues the sector faces are legal, some are financial, but all of them are practical difficulties facing the sector.”

“There are various changes in law coming through over the next two or three years that are going to fundamentally change the way we enter into agreements with each other. We all want to get the sector growing again.”

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Paul Fenner
Partner, Azets

Addendum:

Autumn Budget 2026 update

Since our Construction Roundtable took place in Coventry and this report was prepared, the Autumn Budget 2026 has set out two measures relevant to some of the issues discussed, particularly around regulation, development and planning.

Building regulations

The government has stated that there will be no major changes to building regulations for the remainder of this Parliament, except where changes are needed to improve building safety, including implementing recommendations from the Grenfell Tower Inquiry. The Budget also states that the government will consider where regulations could be amended to support development through a more proportionate approach.

Biodiversity Net Gain on brownfield sites

The government has announced that Biodiversity Net Gain requirements will be removed for brownfield sites of up to 1.5 hectares. The full government response to the consultation and impact assessment, including the implementation timetable, will be published separately.



Contact us

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This report has been produced collaboratively by HCR Law and Azets, drawing on insights shared during the Construction Roundtable at The Telegraph Hotel in Coventry.

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