2 February 2026

Dear Sir / Madam

Re: Civil Engineering Market Study: Interim Report

I am pleased to submit our response to the above named consultation. Our recommendations are focused on supporting a competitive, transparent, and open civil engineering market, ensuring all qualified firms—including SMEs and specialist providers—can participate fully, while encouraging innovation, efficiency, and long-term sector growth.

A particular concern is the allocation of risk, which currently discourages innovation. Consideration should be given to ending mutual liability where possible, introducing proportionate insurance based on defined roles and responsibilities, and linking insurance caps to client responsibilities for the care of their assets. Reforms to contract terms and procurement practices are also needed to create a better risk–reward balance across the sector.

Key themes include:

- **SME participation and growth** – Accessible procurement, protected lotting structures, and simplified frameworks enable SMEs to contribute economic value, specialist skills, and innovation to infrastructure delivery. SMEs face disproportionate administrative and insurance burdens; policy should ensure scaling is achievable.
- **Reducing barriers to scaling and innovation** – Pipeline uncertainty, short-term funding, complex procurement, and regulatory requirements hinder growth. Early Supplier Involvement, dual-stage tendering, pilot testing, and risk-sharing mechanisms (including central insurance for untested innovations) can mitigate these barriers. Innovative approaches should be contractor-agnostic and incentivised through measurable outcomes, and procurement should support a single integrated contract where appropriate, strengthening the role of consultants to ensure early design is correctly scoped and reduces the cost of change.
- **Improving procurement and governance** – Frameworks should aim to reward measurable long-term value, collaboration, and innovation, while providing fair opportunities for all qualified suppliers to participate. Staged or proportional procurement, early supplier engagement, and reduction of duplication mitigate risk-averse behaviour, excessive subcontracting, and cost-focused practices. Clear performance monitoring encourages partnership and team-building. Procurement should explicitly recognise the role of consultants at the interface—between investors, clients, and contractors—to facilitate design alignment, delivery certainty, and effective project outcomes.
- **Transparency and pipeline clarity** – Publishing clear, granular project pipelines, risk allocation, and procurement approaches enables informed long-term planning, workforce development, and strategic collaboration. Greater certainty encourages SMEs to scale, supports talent development, and underpins long-term investment.
- **Regulatory simplification and alignment** – Streamlining approvals and rationalising accreditation requirements promotes innovation, reduces administrative burdens, and

ensures fair competition. Standardised UK-wide accreditations with mutual recognition can eliminate duplication, particularly for SMEs.

We also recommend collecting better evidence on the impact of Design & Build contracts in the UK, including cost and time overruns and disputes, compared to alternative contracting models in the EU and other markets—such as single integrated contracts in Denmark, alliance models in Spain, and projects like Thames Tideway—so policy can be evidence-based rather than anecdotal.

We welcome the opportunity to continue to contribute to this market study and are happy to provide further clarification as needed.

**Director of Policy, Association for Consultancy and Engineering & Environmental Industries Commission**

## About us

The Association for Consultancy and Engineering (ACE) is the business association for the UK's professional consultancies and engineering companies operating in the social and economic infrastructure sectors. As the leading voice for the sector, we foster collaboration to propel the industry to fulfil its ambitions.

We champion infrastructure and the built environment - helping our sector to build a safe, prosperous and sustainable future.

The Environmental Industries Commission (EIC) champions new environmental markets to Government and other stakeholders and is the leading association representing the environmental technologies and services sector.

Together, ACE Group members provide insight and guidance on infrastructure and environmental projects at all scales and stages of development. Leveraging insight from global best practice, they bring innovation, solutions and cost effectiveness.

The sector is highly skilled, productive, and forward-looking—employing over 470,000 people and contributing more than £39 bn to the UK economy. It competes on a global stage, exporting over £11.1 bn providing solutions to the world's pressing issues and holds the key to a brighter future.

**Question 1: Do you consider that we should be more concerned with barriers to firms expanding rather than barriers to firms entering the civil engineering market in the first place? Are there other forms of barrier not mentioned in our analysis so far which are significant?**

Some members feel that both market entry and firm expansion are equally important to the overall health of the civil engineering sector. Barriers at either stage can restrict competition, limit capability, and discourage investment. However, others consider barriers to firms expanding more critical than barriers to entry. While initial entry is often possible, scaling is constrained by pipeline uncertainty, short-term funding, complex procurement, and shifting project types. SMEs face disproportionate administrative and insurance burdens, risking the loss of specialist skills. Policies should support SME growth, skills retention, and long-term investment.

Pipeline uncertainty is a barrier for all. Binary outcomes (win/lose) pull firms toward risk-averse behaviour such as reliance on subcontracting. Large projects (>£10m fee) amplify this challenge. Measures to address pipeline clarity and procurement predictability would significantly enhance SME participation and sector sustainability.

Better evidence on the role of Design and Build in the UK market is needed to inform these measures. Current anecdotal evidence suggests it drives cost and time overruns, but comparison with alternative contracting models used in Europe (e.g., Denmark's single contracts, Spain's alliance models, Thames Tideway) would ensure policy interventions are evidence-based.

**Question 2: To what extent do you agree supply chain fragmentation contributes to poor outcomes? Besides pipeline uncertainty, what other factors drive civil engineering firms' preference to use contractors rather than building their in-house capacity?**

Supply chain fragmentation contributes to inefficiencies, misaligned risk, and poorer outcomes. Firms prefer contractors over building in-house capacity due to short-term projects, high risk exposure, administrative burdens, and selective supplier markets. Addressing these issues requires better pipeline clarity, fair risk allocation, early engagement with suppliers, and regional pooling of procurement expertise.

Supply chain fragmentation can introduce friction without robust management but there is a place in the market for contractors. For example, firms may need access to specialist skills and qualifications (e.g. reservoir panel engineers). This might be an ad hoc requirement, or it might be a stepping stone to growing in-house capability. The factors driving this decision include technical risk and insurances.

We seek further support and guidance on setting up effective apprenticeship and graduate programmes and more incentives to recruit young and aspiring engineers based in the UK.

**Question 3: Are there specific procurement, policy or regulatory barriers that reduce innovation and/or scaling opportunities in the civil engineering market? What would make the most difference to firms' incentives to innovate, and public authorities' incentive and ability to encourage innovation?**

Procurement and regulatory barriers limit innovation, including cost-focused tendering, tight technical specifications, compressed timelines, and complex approvals. Encouraging innovation

requires performance-driven procurement, dual-stage tendering, early design testing, guidance on Procurement Act flexibilities, and SME support. Innovation incentives must be measurable and deliverable, not aspirational.

Safety remains non-negotiable in heavily regulated environments. Pilot studies, fully funded and valued, build trust. One key barrier is risk associated with untested technologies. Establishing centrally managed insurance or risk-sharing mechanisms would enable wider adoption of innovative solutions and reduce barriers to innovation within procurement.

Establishing centrally managed insurance or risk-sharing mechanisms, combined with proportionate liability and insurance caps linked to client responsibilities, would reduce excessive mutual liability, encourage adoption of innovative approaches, and reduce risk aversion.

**Question 4: For what type of projects is there greatest scope for the accuracy of upfront scoping and planning to be improved, to aid delivery on time and on budget? What would help to make upfront scoping and planning more accurate?**

This represents a fundamental challenge currently facing our industry. All projects would benefit from more robust upfront scoping and planning; too often, schemes are given approval before they have reached an adequate level of design maturity. At these early stages, many solutions remain undefined, key details are insufficiently developed, and associated risks are not yet fully understood. As a result, budgets are frequently set prematurely, long before the scheme has progressed to a point where cost, risk, and delivery implications can be assessed with confidence.

To address this, it is recommended that the overall scheme development process be reviewed. In particular, stages such as the Strategic Outline Business Case (SOBC) should be treated as a commitment to invest in developing a scheme to an appropriate level of design maturity, rather than as the point at which a fixed delivery budget is established. Allowing projects to progress further in their technical development before financial commitments are locked in would significantly improve the accuracy of upfront scoping and planning, ultimately supporting more reliable delivery on time and on budget.

Upfront scoping and planning can be improved in complex multi-disciplinary projects, such as major roads, bridges, and rail projects. Early engagement with designers and contractors, better asset data, benchmarking, realistic risk assessment, and clearly defined deliverables enhance planning accuracy and reduce cost and schedule overruns.

Delivering that improvement requires procurement and governance approaches that reward front-end planning. Maintaining a focus on strategic rather than tactical delivery is key. The main barrier is the perceived need to “go fast” and de-scope front end activities to achieve unrealistic timescales, presenting major challenges later. Investment is needed in more comprehensive ground investigation, utility mapping and ecological surveys at the scoping phase (including trial trenches where needed). For projects with latent ground/utility risk this reduces the most common cause of later scope change.

On multi-disciplinary major projects infrastructure owners should be engaged early to identify renewals and improvements to existing infrastructure required in the region. These renewals and improvements should be included in budget estimates early. For example, on major energy

schemes where there is a need to upgrade transport infrastructure in the region, delays can be experienced where Government departments do not allocate budget for renewals and improvements to existing infrastructure when there is a known need to do so.

Maintenance schemes require better asset and condition data.

Improved deterioration models of assets and less rigorous business cases for maintenance schemes on key assets are required. For example, a bridge is typically designed for a 120 year design life. To meet this, the bridge will require maintenance 3 or 4 times over this period. Authorities should be aware of when these maintenance interventions are required through deterioration modelling and have budgets available to proceed with the works in a timely manner.

**Question 5: To what extent do you agree early contractor involvement could be used more effectively, and how can this be facilitated?**

Early Supplier Involvement (ESI) should be used more effectively by ensuring participants can meaningfully influence design, integrating dual-stage evaluation, providing fair SME access, and translating early commitments into measurable contract outcomes. Proper ESI reduces misallocated risk, improves delivery certainty, and encourages innovation.

Timing is crucial: early solutions should be contractor-agnostic to bring the right parties together with the right knowledge to achieve the right outcome.

Early engagement should also include consultants in a strengthened role, recognising the importance of professional engineering and construction input to get design right from the outset. This helps minimise the cost of change and ensures benefits are delivered.

The scope of ECI contracts needs to be better defined and specialist subcontractors need to be included in the project team. Specialist subcontractors also need to be commissioned by contractors to provide advisory services during the pre-construction stages of projects rather than a carrot being dangled offering the opportunity to tender for the works.

There is a role here for consultants as they will likely support clients in defining ESI scopes.

**Question 6: To what extent do you agree that the design and use of procurement frameworks could be improved?**

Frameworks should be simpler, SME-friendly when appropriate, and divided into specialist lots. They should reward long-term value, collaboration, and innovation, and allow practical testing of proposals. Improved frameworks promote diversity, competition, and better engagement of SMEs and niche specialists.

We would recommend building growth incentives into framework scoring and KPIs. Adopt staged or proportional procurement approaches that reduce reliance on single, binary outcomes. Furthermore, using staged call-offs within frameworks can mitigate risk-averse behaviour and excessive subcontracting. We also call for the rationalisation and reduction of unnecessary overlap across frameworks.

Where appropriate, frameworks and contracts should allow for a single integrated contract, with a strengthened role for consultants to provide oversight at the interface between investors, clients, and contractors. This encourages better coordination and delivery outcomes.

**Question 7: How could open competition be made less resource intensive as a method of procurement?**

Open competition can be less resource intensive through standardised templates, proportionate processes, focused tender questions, and early supplier engagement. Reducing repetitive or generic responses allows SMEs to participate more effectively and frees resources for meaningful evaluation.

We recommend robust sifting and limiting the number of questions and the length of responses
It is helpful also, if a short list can be created at the Expression of Interest (EOI) stage based on memberships and accreditations held by organisations and professional memberships and qualifications held by project teams.

Furthermore, if the social value percentage were evaluated and fixed at EOI stage, local suppliers would be able to provide a greater offering.

**Question 8: Where is there greatest scope to improve the evaluation of non-price aspects of bids, such as quality? How can this be better supported and enabled?**

Currently, tenderers are required to submit lengthy written responses that are often repeats from similar tenders and potentially prepared by bid teams not involved in projects. To allow organisations to demonstrate competence, and to allow evaluation panels to truly evaluate quality, a presentation by each tenderer and an interview with the evaluation panel is essential. This also enables organisation to build a rapport with clients and ensures project teams have stronger working relationships prior to going into contract. This is undertaken on larger schemes and frameworks but it should be standard to reduce the burden of preparing tender responses and evaluating tenders.

Evaluation of non-price factors should focus on practical delivery, culture, innovation, and sustainability. Using case studies or tangible examples and providing procurement teams with assessment guidance ensures non-price evaluation translates into measurable outcomes.
There should be standardisation of how past performance is captured (e.g., on-time, on-budget, defect rates, customer satisfaction) and make it a core, scored element of quality assessment so bidders are rewarded for consistent delivery.

Continuous improvement and implementing lessons learnt also need to be evaluated and arguably are more important to implementing innovation.

**Question 9: What factors are most likely to cause significant risks to be misallocated between the procuring body and supply chain, and within the supply chain? How could this be addressed?**

Misallocated risk often arises from Design & Build contracts, compressed timelines, and insufficient early engagement. SMEs disproportionately bear risk they cannot control. Solutions include collaborative contracts, early workshops to clarify responsibilities, and proportional risk-sharing

guided by Procurement Act flexibilities. Passing risk down the supply chain alone increases cost and delay without improving outcomes. Strategic long-term collaborative contracts encourage collective risk management.

A clearer allocation of risk and proportionate insurance reduces mutual liability and ensures that risk is aligned with roles and responsibilities. Consultants should be explicitly recognised as facilitating interfaces between clients, investors, and contractors to manage these risks.

**Question 10: What are the areas of regulation which are preventing opportunities for innovation and effective competition?**

Regulatory barriers limiting innovation include prescriptive technical standards, slow approvals, and overlapping accreditation requirements. Streamlining regulations and rationalising accreditations would enable SMEs and larger firms to innovate and compete effectively.

**Question 11: What are the areas of regulation which are preventing smaller suppliers from competing effectively (or from scaling up to be able to compete effectively)?**

Regulations preventing SME participation include disproportionate insurance and contractual obligations, duplicated accreditation, and administrative burdens. Simplifying compliance, establishing SME-reserved lots, and providing guidance and training would improve SME competitiveness and growth potential.

**Question 12: To what extent do you agree there is excessive risk aversion in public authority decision making? Where risk aversion is too high, what would help move it to more appropriate levels?**

Excessive risk aversion stems from short-term budgets and public scrutiny. Reducing it requires embedding whole-life value, innovation, and sustainability into procurement, applying ESI, and providing case studies and training to illustrate controlled risk-taking. Performance incentives linked to project progress could help calibrate risk to appropriate levels and support timely delivery.

**Question 13: How would you rank the relative importance of our proposed measures?**

The most important measures are pipeline certainty, procurement reform, capacity building in authorities, and regulatory simplification. Pipeline clarity and procurement reform underpin SME engagement, innovation, and long-term market sustainability.

Pipeline certainty also underpins investment in the next generation. Providing training and development for the next generation is critical to skills expansion but is resource intensive. Greater pipeline certainty would make the case for greater investment in placements, apprenticeships, and other outreach activities to grow the long-term talent pipeline.

**Question 14: Are there alternative important measures that we do not mention?**

Additional measures include SME-reserved lots, regional pooling of procurement expertise, innovation challenge funds, breaking large frameworks into specialist packages, and improved asset management for better pipeline forecasting.

There could also be mandatory post-project reporting to feed immediate improvements in scoping and procurement.

**Question 15: What would be the feasibility and impact of extending multi-year capital funding to public authorities currently operating on year-ahead budgets only?**

Extending multi-year funding is feasible with legislative alignment and would significantly improve workforce planning, reduce risk-averse behaviour, support innovation, and enable SME participation.

This would enable enhanced strategic planning, including long term resource planning, programme de-risking, and whole systems thinking. This would also facilitate greater collaboration. Incompatible funding cycles between public authorities is currently a barrier to greater collaboration.

**Question 16: What information not currently available in published infrastructure pipelines would be most helpful for firms? How would this information change business decisions on resource allocation and/or investment?**

Firms need project budgets, timelines, risk allocation, project type, and early engagement opportunities. Multi-year pipeline clarity, particularly for local authority maintenance projects, improves resource allocation, workforce planning, innovation investment, and SME engagement.

Firms also need pipeline information that is far more granular, more certain (or risk-rated), and more structured than is currently published. Publishing detailed data on timing, scope, procurement approach, and commercial arrangements (such as the requirement for a single bidding entity) would materially help firms make informed strategic long term decisions about partnerships and teaming arrangements.

Commercial information is also a key element that often we need more of. Enhanced transparency regarding the commercial models underpinning forthcoming opportunities would be highly advantageous.

Pipelines often lack specific details concerning contractual arrangements, incentive mechanisms, liability structures, and particular conditions (for instance, X-clauses within NEC contracts). From a supplier's perspective, the principal barrier to bidding is securing commercial approval. Technical capabilities are well understood; however, the absence of early clarity on commercial terms compels suppliers to pursue investment decisions on a conditional or intermittent basis throughout the bidding process. This results in inefficiencies and increases the risk that resources are allocated only to be subsequently withdrawn.

**Question 17: How could the commercial and engineering capabilities within procuring authorities be better utilised? What could be done to better support procuring authorities to develop, recruit and retain these specialist skills, expertise and leadership capacity?**

Capabilities could be better utilised through shared regional hubs, industry secondments, career development pathways, and guidance on Procurement Act flexibilities. This builds long-term capacity to support innovation and effective procurement.

A quick win would be the introduction of procurement centres of excellence (CoEs) across authorities to quickly facilitate knowledge sharing without structural change.

**Question 18: To what extent do you agree that it would be beneficial for public authorities, such as groups of nearby local authorities, to: (i) jointly develop and share engineering expertise and commercial capabilities; (ii) to coordinate or jointly conduct procurement; and (iii) enact comprehensive, standardised sharing of cost and performance data? How could this best be achieved?**

ACE strongly supports all three initiatives. Joint development reduces duplication and builds capability, coordinated procurement enhances competition and SME inclusion, and standardised data enables benchmarking. Implementation should use inter-authority agreements, shared governance, and secure centralised platforms.

Consultants play a key role in these interfaces, ensuring that knowledge is shared efficiently and that early design and project oversight support long-term value and delivery outcomes.

**Question 19: What is preventing widespread adoption of procurement best practice? How could these barriers to adoption be overcome?**

Barriers include risk-averse culture, cost-focused procurement, generic tender responses, and limited resources. Solutions are practical guidance, training, case studies, early supplier engagement, and testing of innovative proposals to demonstrate measurable value.

Firms' growth is limited by procurement processes with binary outcomes. Measures such as SME-reserved lots and support for collaboration can help broaden participation and encourage investment in capability.

**Question 20: To what extent, and in what ways, is there scope for procurement processes to be made i) less complex and ii) more standardised across public authorities?**

See comments above on evaluation panels.

We recommend that training is provided to evaluation panels with regards to conducting tender evaluation interviews.

Processes can also be simplified with consistent templates, proportional procedures, very early supplier engagement, and alignment across authorities. Simplification must enable meaningful engagement, effective risk management, and delivery, not just reduce paperwork.

**Question 21: How and where can the regulatory approvals process for new products/techniques/technologies in civil engineering be made more streamlined?**

Approvals can be streamlined by fast-tracking low-risk innovations, reducing overlapping checks, and providing guidance on Procurement Act flexibilities to support innovation adoption.

**Question 22: Which types of supplier accreditation currently experience significant levels of duplication?**

Significant duplication occurs across quality, safety, and technical certifications required by multiple authorities. SMEs often need to obtain separate accreditations for similar standards, increasing cost and delay. Consolidating these into UK-wide accreditations with mutual recognition would simplify participation, reduce unnecessary costs, save time, and make it easier for SMEs to compete effectively. Sector schemes in heavily regulated environments (RISQS for rail, NHSS for highways) remain distinct where safety is critical. Common Assessment Standard adoption is progressing but duplication persists while frameworks align at different speeds.

Alignment and simplification of procurement and contract models (including single contracts and Design & Build evaluation) would further support SMEs and encourage fair competition.