BCIS webinar – Ask the experts: understanding the construction cost landscape

BCIS held its webinar, 'Ask the experts: understanding the construction cost landscape' on 11 June 2026. During the webinar, attendees had the opportunity to submit questions.

A selection of the questions submitted can be found below, with answers from BCIS's chief economist, Dr David Crosthwaite, executive director James Fiske and senior economist Sam Parkin.

What tangible impacts have been reported on the UK construction market from the conflict in the Middle East, and which packages are most impacted?

A: The most immediate impacts are being seen through energy and fuel-related costs, rather than widespread physical shortages. Higher oil prices affect construction through transport, plant, bituminous products and energy-intensive materials. Packages most exposed include asphalt and surfacing, steelwork, aluminium, concrete products, M&E components with energy-intensive manufacturing, and plant-heavy civil engineering works.

At this stage, the impact is uneven. Some contractors are reporting pressure in supply chains and pricing, but there is no consistent evidence of materials shortages or site disruption.

Q: What role is AI playing in early-stage design?

A: AI is increasingly being used to support option appraisal, rapid modelling, design optimisation and early cost benchmarking. It can help teams test scenarios more quickly, compare design choices and identify potential efficiencies earlier.

However confidently AI presents answers, outputs still need professional review. For cost planning, the value is strongest when AI is used alongside reliable benchmark data, clear assumptions and experienced judgement.

Q: How can sustainable plants reduce the cost of landscaping? Do you have any recommendations for suitable plants for London?

A: Sustainable planting can reduce whole life landscaping costs by lowering irrigation, maintenance, replacement and disease-management requirements. Drought-tolerant, resilient and locally suitable species can also reduce the risk of plant failure as summers become hotter and drier.

BCIS can support cost planning through relevant landscaping rates and benchmark data, but plant selection and specification should be confirmed by a landscape architect or suitably qualified specialist.

Q: For residential housebuilding, can we expect a notable increase in the BCIS dataset? Additionally, what is the estimated current lag between changes in costs and these being reflected in the sample data?

A: There may be upward pressure in the data where recent regulatory, labour and materials cost increases are reflected in accepted tenders and project costs. However, this is unlikely to appear as a single uniform spike because BCIS data reflects actual projects, which vary by location, specification, procurement route and timing.

There is usually a lag between market movements and their appearance in sample data because schemes take time to be designed, tendered, accepted and reported. The lag will vary depending on the dataset and project type, but users should assume that BCIS indices and benchmarks reflect market evidence with some delay rather than instantaneous price movements.

Q: Have others seen contractors seeking earlier engagement or clients entering into PCSAs to secure key materials and provide greater cost certainty?

A: The BCIS Civil Engineering TPI panel has noted that contractors are showing greater appetite for Early Contractor Involvement models - attractive in part because they reduce the resource burden at tender stage and involve less competitive tension at appointment.

However, ECI does require contractors to commit significant senior and professional resource during pre-construction, which can divert experienced staff away from live projects. On the question of contract type, the panel noted that contractors tend to favour fixed price where they are confident in delivery outcomes, and target cost arrangements where they are not.

Q: What proportion of anticipated construction cost inflation over the next 12–24 months is expected to be absorbed by contractors, and how much is likely to be reflected in tender prices passed on to clients?

A: This is highly dependent on workload, competition, procurement route, contract terms, project risk and the contractor's appetite for the work.

In a softer tendering market, contractors may absorb some cost pressure to remain competitive. Where risk is high, supply chains are constrained or materials are volatile, more of that pressure is likely to be passed through to clients, either through higher tender prices, exclusions, qualifications, provisional sums or fluctuation provisions.

Q: Can one use the All-in TPI as basis for adjusting prices in a contract?

A: The All-in Tender Price Index is designed to measure tender price movement across the building sector. It may be useful for understanding market trends, but it is not usually the most appropriate mechanism for adjusting individual contract prices.

For contract price adjustment, BCIS Price Adjustment Formulae Indices, or PAFI, are generally more suitable because they are designed for use in fluctuation clauses and can reflect specific labour, materials and plant inputs.

Q: Are clients agreeing to fluctuation clauses being inserted into their contracts?

A: Anecdotally, we are hearing that clients currently tendering projects are becoming more willing to discuss how cost risk can be shared between the client and contractor, particularly where there is exposure to volatile materials, energy costs or longer project durations.

Ultimately, both clients and contractors have an interest in maintaining a healthy and resilient supply chain. In periods of heightened volatility, conversations are increasingly focused on how risk can be allocated appropriately rather than simply transferred to one party.

Where fluctuation provisions are used, it remains important to define clearly what is adjustable, which indices apply, the base date, the adjustment mechanism and how risk is shared between client and contractor.

Q: Presumably the PAFI indices will fluctuate themselves over the course of the contract?

A: Yes. PAFI indices are designed to move over time to reflect changes in relevant labour, materials and plant costs. That is what allows them to support contract price adjustment.

The important point is to agree at the outset which indices apply, clearly state the index name and associated weightings, the base date and the formula used to calculate the adjustment.

Q: What does PAFI stand for?

A: PAFI stands for Price Adjustment Formulae Indices.

They are BCIS indices used to support price adjustment in contracts, particularly where fluctuation provisions apply. PAFI provides a structured way of measuring movements in labour, materials and plant costs and can be used to calculate adjustments to contract sums where appropriate.

In addition to supporting fluctuation clauses, PAFI can also be used to track cost movement within specific work categories over time, helping clients, contractors and consultants understand how individual elements of construction costs are changing and where inflationary pressures are emerging.

Q: How are the indexes managing surcharges that are within the industry if these are not included in the base pricing?

A: Indices reflect the price or cost information collected and the methodology behind each series. If a surcharge becomes part of the market price being reported, it may be reflected in the relevant data over time. However, temporary, exceptional or contract-specific surcharges may not be captured immediately or consistently.

Where a project is exposed to specific surcharges, these may need to be treated separately in the contract or cost plan rather than relying solely on an index to recover them.

Q: For residential housebuilding, how long do you expect recent building regulation changes to take to feed through into the sample data?

A: The effect will feed through gradually as projects designed to the updated standards move through planning, procurement, tender and construction. The timing will vary depending on when schemes were designed, approved and tendered.

Q: If the fluctuation will usually result in an upwards-only trajectory for the outturn cost, are clients more likely not to accept the inclusion of the fluctuation clause?

A: Some clients may be reluctant to accept fluctuation clauses because they make it more difficult to establish the project's final cost at the outset. This can be particularly challenging where projects are being approved against fixed budgets or where funders require a clearly defined cost envelope.

However, whether a fluctuation clause is accepted will depend on the project type, duration, risk profile and prevailing market conditions. On longer-duration or more volatile projects, refusing any mechanism for sharing cost risk may result in contractors including larger risk allowances in their tenders, qualifying their offers, or in some cases choosing not to bid at all.

A balanced approach can help support project viability while maintaining a healthy and resilient supply chain.