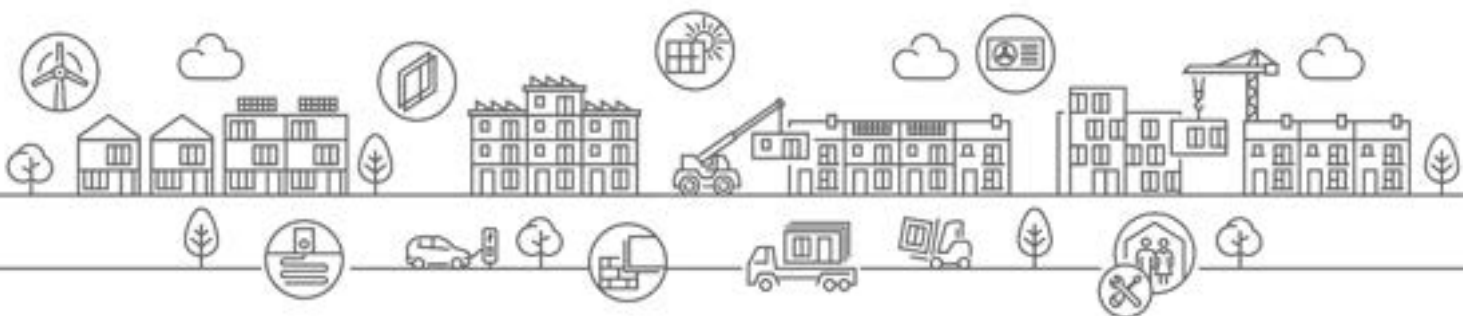


**SOCIAL  
HOUSING  
RETROFIT  
ACCELERATOR**

# Procurement Toolkit

28<sup>th</sup> March 2022



HM Government

SUPPORTED BY

**MAYOR OF LONDON**

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## Summary

Developing and delivering a successful retrofit project requires a sound, compliant and ethical method of procurement. This toolkit will provide details on what to consider for an effective procurement strategy for your retrofit projects. Different procurement options are presented and explained to help you choose the best procurement route for your project.

### Who should use the toolkit?

The toolkit is designed to support the project leadership develop and execute a procurement strategy for retrofit programmes. Use the toolkit to facilitate conversations with technical, procurement and finance teams during the strategy development.

### When should you use the toolkit?

Start using the toolkit as soon as you can in the project lifecycle. Do not leave it until you are ready to start procurement. What is possible in procurement can influence how you structure the whole project. You need to be discussing the project with your procurement team as soon as you have an idea what you need or intend to do.

### How should you use the toolkit?

The toolkit has three levels of increasing detail:

- **Level 1** – a brief introduction
- **Level 2** – a framework for coordinating and assembling the procurement strategy
- **Level 3** – an explanation of the key questions and guidance in developing and executing the procurement strategy. Checklists, templates, links to masterclass videos and external reports, standards and tools are provided.

Use levels 1 and 2 to understand what goes into the procurement strategy. Use level 3 to explore the key questions, for more detail, and for links to further reading.

### Recommended process

1. Read the information in Levels 1 and 2 to understand the toolkit basics
2. Take the self-assessment questionnaire to get a picture of your current areas of strength and weakness in developing your procurement strategy
3. Where you find weaknesses, use Level 3 to suggest key questions and ways to bridge the gaps
4. Use other teams and partners to provide specific information
5. Refine the procurement strategy by progressively filling in gaps and adding new information.

As you develop the strategy, a summary sentence or two in each of the framework information blocks helps to provide an instant, one-page overview of the project. This is easy to update and easy to share with all stakeholders.

## Level 1 – Introduction

Procurement involves the purchase goods or services. Any social housing retrofit project requires some form of procurement. A sound procurement strategy will form the basis of your retrofit project; time invested at this stage will help set the foundation for your whole scheme.

There are several procurement options for delivering retrofit projects and programmes. This toolkit will help you develop your strategy and decide which route to procurement is most suitable.

In the public sector there is a focus on value for money and **‘the most economically advantageous tender (MEAT)’**. MEAT criteria promote tender evaluation based on qualitative, technical, and sustainable aspects of submissions, i.e. contracts are not necessarily awarded on the lowest price.

Effective procurement aligns the objectives of multiple project stakeholders to maximise value creation. It will support you to deliver your objectives, provide quality outcomes for residents, and motivate the supply chain to engage with the project. Effective procurement will:

- Clarify your organisation’s and residents’ needs and communicate these to potential suppliers
- Shape retrofit projects which find the best solutions for the project objectives
- Guide the project budget and timeline
- Help deliver the project on time and in budget
- Develop and maintain a good relationship between you and the supplier.

The procurement route should follow these steps:

- **Engage early with your procurement team.** Explore what you want to achieve and the approach to procurement that can deliver this.
- **Engage with the supply chain** to shape your procurement strategy. Can the market deliver your objectives already, or will you need to work with the market on innovation?
- **Set objectives.** Work collectively to identify what needs you are trying to fulfil through this procurement exercise. This will link your overall retrofit project objectives with any procurement values. For example, you might want to emphasise innovation or local supply chain development.
- **Understand the financial constraints** you are working within. Procuring in line with specific funder requirements could set a timetable or other rules which you need to comply with.
- **Agree your procurement approach.** Your organisation may favour one type of procurement process, but you will need to consider whether this is suitable to a retrofit project, given your objectives and any constraints. You can read more about procurement approaches in section 3.8. The most common procurement approaches (open or restricted) may be very limiting in retrofit projects where you are not procuring a standard or specified product.
- **Execute the procurement strategy.** The pathway taken will depend on the approach chosen.

Procurement for Government funded projects like SHDF should comply with the [National Procurement Policy Statement](#). This sets out the expectations for public sector procurement. It is important to research current and new policies, rules and standing orders which will affect how the procurement exercise is undertaken. Procurement should also comply with your own organisation's policies and rules.

In December 2020, the Government published its [Green Paper: Transforming Public Procurement](#), which set out ideas for simplifying the public sector procurement process. The results of this consultation process will feed into a new Procurement Bill, which is due to be published shortly.

This toolkit is an aid for thinking. Encouraging and supporting you to develop a coherent and compelling procurement strategy. It is not:

- A mechanical process that produces the procurement strategy automatically
- An exhaustive list of everything that must be considered for your specific project
- A substitute for active discussion by all those involved.

## Good procurement principles

Follow good procurement principles during the procurement process, such as:

### General:

- Ideally achieved through competition
- In-line with nationally or internationally agreed legislation or obligations

### For social housing and ‘Contracting Authorities’:

- Value for money
- Demonstrate propriety and good practice
- Comply with the Public Contract Regulations (PCR) 2015

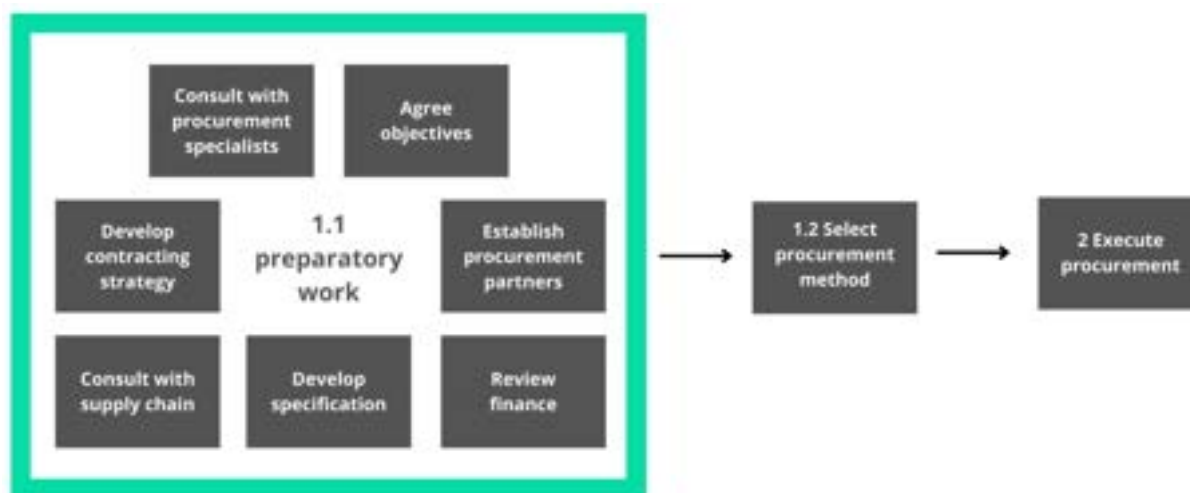
Sustainable procurement adopts social, economic, and environmental factors alongside other key metrics such as price and quality. There are considerable overlaps between the principles of sustainable procurement and those of UK public sector procurement.



## Level 2 – Framework

There are two stages to procurement defined in the project lifecycle: development of the procurement strategy and execution of procurement. The framework for this toolkit is based on the following approach:

1. Develop the procurement strategy
  - 1.1. Preparatory work
  - 1.2. Selecting the procurement method
2. Executing the procurement strategy



The diagram helps the team keep an eye on the procurement journey.

### Preparatory work

The preparatory stage will determine what you want from the procurement (objectives) and ensures you consult with stakeholders who will be impacted by the procurement.

The tasks in the preparatory stage are not linear; review each area concurrently and develop them together. There is no right order, although starting with some draft objectives and early consultation with procurement specialists is recommended.

**Objectives** are the target of the project. What will you have to procure to deliver a successful project? What are your constraints? Draft your objectives early on and then develop them through the preparatory stage.

**Finance** is how you will fund the project. This will determine what types of procurement you can use i.e. contractor financing, own capital or grant funding which may have funding criteria. Retrofit funding may have procurement constraints which should be outlined.

**Procurement specialists** can be in-house procurement teams, outsourced consultants, or collaboration partners. Consult with them early in the project. Use their expertise to navigate the procurement options.

**Supply chain:** consult with suppliers to understand procurement options and routes to market. Does the supply chain have the capacity and capability to deliver your objectives? Is there scope for innovation in your project?

**Establish procurement partners:** you can form partnerships with other parties to share resources and develop economies of scale for your project. This should be established in the procurement phase. Options include forming consortiums, joint ventures (JV), or forming a special purpose vehicle (SPV).

**Contract strategy:** this stage will identify the appropriate form of contract for the works and how the contract will be managed during delivery. These decisions can impact the procurement route selected. KPIs are established during this stage. Select an appropriate form of contract to suit the type and complexity of works, intended outcomes, delivery model, procurement strategy and commercial approach. This should also reflect how you intend to manage the contract based on the appropriate level of resource capability and capacity.

**Specification:** the specification gives a clear signal to suppliers what they are being asked for. Outcome specifications will engage the supply chain and lead to innovation and value for money.

## Selecting the procurement method

When delivering a retrofit programme, there are several routes to market which fall under the heading of procurement. Any buyer falling under the public sector procurement regulations is referred to as 'contracting authority'.

When going to market to purchase a service or product, a contracting authority must follow a public sector procurement process. These are:

- Open procedure, also known as single stage
- Restricted procedure, also known as closed or two stage
- Competitive dialogue
- Competitive negotiation
- Innovation partnership.

See Appendix 1 for more details on these processes.

Framework agreements and Dynamic Purchasing Systems (DPS) are systems which help reduce the timescales and resource requirements during public sector procurement. They bring together suppliers in one place to help contracting authorities call off contracts or run mini competitions when services are required (see section 3.7 more details). This approach saves time because the lengthy contract notice period, previously OJEU and now Find a Tender Service (FTS), has already taken place.



Another procurement option is a buying club. Here a central purchasing body acquires goods, services, or contracts for one or more contracting authorities. The central purchasing body must follow a compliant process to set-up the contract.

A final option is to use an existing contract to deliver a new retrofit project/programme. This is not strictly a procurement route, but a valid option to review at this stage.

Use the guidance and tools in level 3 to understand the processes, strengths, and weaknesses for the various procurement methods available. Use the toolkit to match the most suitable option for delivering your objectives.

## Executing procurement

The process for executing the procurement strategy can vary depending on the method chosen. If running your own procurement, Appendix 1 outlines the process with recommended timelines.

## Links to other project activities

The procurement strategy draws on evidence from different activities in the project lifecycle. Some are internal to the development of a procurement strategy. Others are inputs from other tasks.

Internal activities – self-contained within procurement:

- Development of the contract strategy
- Consultation with the supply chain
- Consultation with procurement specialists
- Development of the specification
- Development of evaluation criteria.

External activities – information from other parts of the overall programme. These will develop as two-way discussions across the broader project:

- Project objectives. These will be influenced by the business case and resident engagement
- Organising project financing is essential to meeting the costs of the works. The source of finance may determine how the project should be procured.

Resources required to deliver the procurement come from the skills audit and team-building task. This should survey all the resources needed and decide how they will be supplied.

## Skills for good procurement

Procurement is a team effort. You will need to bring together people with legal, financial and contracts expertise and engage them throughout the process. The following skills are required:

- **Contract Management**, the team must be able to set and design KPIs, performance frameworks and management relevant to the requirement
- **Project Management**, the process should be Lean with milestones, timescales, and targets
- **Stakeholder Management**, procurement project team must have the ability to build relationships with stakeholders (specifiers, end users / owners, market) to ensure the requirement is correct, deliverable and help to deal with potential issues or disputes
- **Strategic Management**, the process must link back to the original business case to avoid scope creep and badly designed procurement
- **Risk Management**, before procurement starts the procurement team should identify all potential procurement process risks and mitigations

If your organisation is less experienced at procuring retrofit, you may need external support.

## Self-assessment questionnaire

Now that you have seen the basic framework for the procurement strategy, we recommend that you take the linked self-assessment questionnaire. This simple tool looks at each block of the framework and asks you to score how far you have completed it. You can then decide where your areas of relative weakness are, and where to focus attention. In areas of relative weakness, you are encouraged to dig deeper into this toolkit's guidance.

## Level 3 – Topics

The following sections break out each specific challenge from each block in Figure 1.

### Agree Objectives

**Key question:** What wider values can your procurement deliver?

The project team should work collectively to identify what needs you are trying to fulfil through this procurement exercise. *The most useful statement of the target outcome is short and clear. Condense the complex discussion into a couple of sentences. A clear objective that everyone in the project, including partners and suppliers, can understand and act on.*

Retrofit procurement objectives should include:

- a brief and clear statement of the desired **project outcomes**, i.e. what will the project deliver
- Any **retrofit actions**
- the wider **value** drivers.

*For example, “We will improve these 500 properties from an average EPC rating of E to C (outcome) using external wall insulation and new windows (action). We will cut fuel poverty rates for residents by 30% and create three local apprenticeships to deliver the work (values).”*

Retrofit actions describe how you will deliver the retrofit outcomes. What are the specific retrofit interventions and upgrades you will make to the specific set of dwellings? Actions do not always need to be specified, for example if delivering an Energiesprong project the supplier will establish the retrofit actions.

Values are desired outcomes which go beyond speed, cost, and quality. Delivering social value and maximising equality, diversity, and inclusion (EDI) benefits are important values that can be delivered through retrofit programmes. These values are encouraged by Government public procurement principles. Your organisational strategic objectives/values can also be delivered through procurement. Some examples of values include:

- Local job creation and other economic improvements – [Regeneration and Retrofit](#) from the UKGBC shows how local regeneration can be aligned with retrofit to promote employment
- Building skills for a local supply chain
- Cost reductions through process innovation; including, methods for identifying and assessing use of off-site manufacture, systems integration, assessment of comfort, well-being and performance pre-and post-retrofit
- Reduction in fuel poverty, for example, see the UK Government’s [Sustainable Warmth](#) strategy.

- Resident health improvements – retrofit can improve indoor air quality and reduce the impact of cold weather and overheating in your homes. There are well-documented links with public health, including a report from the IEA "[Multiple Benefits of Energy Efficiency - Health and Wellbeing](#)"
- Sustainable procurement, including promoting circularity, reducing virgin material use eliminating and managing waste, targeting local air quality (using electric vehicles or offsite processes), and reducing embodied carbon emissions. For example, specifying a low embodied carbon insulation material.

Objectives should consider the scope of your procurement exercise. Can you make it broader than your current needs? This could give more opportunities to deliver under one contract in the future and reduce future workloads. This could include:

- Procuring with contract headroom so that you can extend if needed – by time, budget or both
- Covering a wider geographic scope to allow others to use the contract
- Covering more tenures
- Setting up your own framework with one or multiple contractors.

Draft your procurement objectives early on and use them as the foundation for a procurement strategy. When you engage with various stakeholders in developing the strategy, use the objectives to communicate the desired outcomes of the project.

Objectives may evolve throughout the development of the procurement strategy. For example, if your desired outcome is not deliverable by the market under your time and financial constraints, they will need to be revised.

Identify internal stakeholders impacted by the procurement and review the objectives with them. For example, asset managers, maintenance teams, and housing teams.

## External Resources

- What is [social value](#)?
- Value based procurement, [The Construction Playbook](#)
- SHDF Competition Wave 1 [guidance notes](#)
- Social value and Procurement: a [toolkit](#) for housing providers and contractors
- 'Maximising social value and EDI through the procurement of design teams', [GLA process note](#)

### Checklist:

- Do you have a simple clear statement of the desired objectives of the project?
- Are your objectives outcome orientated?
- Are the project timescales outlined in your objectives? When do you need to start delivering and is there a completion deadline?
- What is the scale of the project, are you looking for a long-term partnership (1-5 years), or is this a one-off project?
- Have you included organisational strategic objectives? For example, reduction in fuel poverty
- Have you reviewed funding requirements; these may include objectives which should be included in your procurement strategy
- Have you explored possible social value targets? For example, creation of new jobs in the local area
- Is your desired project objective aligned with PAS 2035?
- Are you procuring for a one-off project, or looking for a long-term partner to deliver a programme of works?
- Does your project require product, service innovation, or contractual innovation? If so, state this as an objective.

## Consult with procurement specialists

**Key question:** Have you shared your objectives and reviewed all the procurement options with your procurement team?

Work with your procurement team to develop your strategy. Notify them as early as possible about the project and any special requirements. They will help review your objectives and propose suitable routes to market and any procurement constraints.

Some key questions to ask:

- Which procurement model is best suited to delivering your objectives?
- Are there opportunities for collaboration with other organisations?
- Do your project timescales impact on your procurement options? For example, if you need to mobilise quickly for funding deadlines, lengthy procurement routes will not be suitable.
- Are there existing procurement options you can use – whether your own arrangements or external frameworks or joint procurements with partners?
- What are the special requirements for the project and how can procurement support with these? For example, is the project complex, or does it require new innovative solutions?

- How much procurement resource is available to support the project? Some models, such as competitive dialogue, require extra resourcing to execute.
- What are the internal governance requirements for the procurement process? And what are the internal sign-off processes?
- What type of contractor is suited to delivering your objectives? For example, a single larger management contractor or SMEs?
- Have you identified all the potential procurement process risks and mitigations?

Historically, your organisation may prefer a set route to procurement, such as the restricted procedure. Your retrofit project may require a new approach to procurement, particularly if it's complex or requires innovative solutions. Share case studies and learning from other social landlords to explore different ways of doing things.

Invite your procurement team to supply chain consultations. The retrofit market is a new and emerging area; your procurement team can learn the challenges and opportunities for procurement.

Meet with your procurement team regularly as you develop the procurement strategy.

#### **Checklist:**

- Have you identified and engaged early with procurement specialists?
- Do you need to start delivering your project quickly to meet any funding requirements?
- Do your procurement team understand the project and any special requirements?
- Have you shared with the procurement team information on the project finances?
- Have you reviewed your organisation's internal procurement procedures and rules, and any standing orders?
- Are you procuring something that already exists on the market, or do you require something more innovative? This will influence the procurement options
- What Framework organisations are operating in your geographical area?
- Have procurement risks been included in the project risk register?

## **Establish procurement partners**

**Key question:** Can working with partners deliver better procurement and project delivery?

Procurement and project delivery can be delivered with other organisations. A partnership approach can help to share knowledge, resources, and buying power. Options include forming a consortium, a joint venture (JV), or special purpose vehicle (SPV).

A JV is a formal agreement between organisations to create a new entity to undertake economic activity together. A JV is a separate entity and is not part of the individual participant's own enterprise. Therefore, a joint venture must have its own set of rules by which it is managed.

An SPV is a subsidiary created by a parent company to isolate financial risk. It is created for a limited or defined purpose.

A joint approach helps to:

- Pool knowledge and experience
- Increase buying power
- Share resources such as project management, consultancy and quality oversight
- Reduced administration or overhead costs through shared contracts
- Access larger contractors, i.e. those who might only quote for projects above a certain value
- Support organisations with similar archetypes and/or in close geographical regions.

If taking a joint approach, there are some potential risks:

- Partners have less control
- Can pose risks relating to liabilities and the potential for conflicts and disputes between partners
- Extra management costs and complexity.

### Case studies

- [Green Futures Partnership](#)

## Supply chain consultation

**Key question:** Does the market have capacity and capability to deliver your retrofit objectives?

Ensuring your objectives are deliverable by the supply chain will reduce the risk of rising costs, programme delays, and solutions which don't meet expectations.

Over-complex and prescriptive forms of procurement can block innovation and even prevent access to better existing options. Use supplier consultation to validate the achievability of delivering the proposed outcomes and then develop them if needed. It is an opportunity to tap into supplier's market intelligence. A supply chain that sees value in your project will be engaged with your procurement process.

Consultation also helps to increase the market's awareness of upcoming pipelines of work, allowing them to manage their resources accordingly and to start managing any supply chain risks.

You may wish to work with SME contractors. This could be to develop your local supply chain, or because you require services and innovation that is more suited to SME contractors. SMEs and start-ups often find it easier to innovate compared to larger contractors. Engage early to understand the SMEs operating in your area. Seek to understand their barriers to entry for procurement and work this into your process.

Consultation can help identify:

- Whether the supply chain has the capacity and capability to deliver your objectives. For example, are there enough air source heat pumps available in the market?
- New ways of achieving the outcomes you are after. This could be a technical solution, or a new way of contracting the supply chain
- Risks to either the process or service, so they can be managed or eliminated during procurement
- How to remove needless barriers to participation for your supply chain, improving the eventual competitive process
- Appetite for innovation
- An early understanding of project costs.

Supply chain engagement is possible by several means.

Informal engagement:

- Conversations with your appointed contractors to understand their challenges and opportunities. This will anticipate and manage risks in the supply chain before procurement
- Attend supply chain and 'meet the buyer' events
- Understand the contractors that work in your sector or Local Authority area. Attend events to meet contractors and learn about their products and services
- Procurement framework organisations are knowledgeable about the sector and latest trends. Spend time getting to know the different framework management organisations operating in your area.

Formal engagement:

- Issue of Prior Information Notices (PINs). These are public notices published by contracting authorities on FTS to communicate future purchasing intentions/needs. They give notice to suppliers to help prepare supply chains. This can be helpful for complex products and services for which the market requires early signals.
- Soft market testing. Before carrying out procurement, invite a long list of suppliers for calls/meetings to discuss their method of work, capacity, and capability to deliver your objectives



- Competitive dialogue, competitive negotiation, and innovative partnership all include a form of supply chain consultation during the procurement processes. This can help drive innovation, particularly if you cannot define the technical or contractual means for delivering your objectives. This will support delivery of complex retrofit projects.

#### **Checklist:**

- Have you identified potential supply chain partners for your retrofit? Are they PAS2035 compliant/registered?
- Does the solution to your retrofit objective already exist in the market? If not, is any innovation required?
- Have you engaged with all tiers of the supply chain, i.e. delivery contractors, product manufacturers, and maintenance contractors?
- Do you understand the delivery risks in your retrofit programme?
- What type of contractor is suited to delivering your objectives, SMEs or a larger management contractor?

#### **Case Studies:**

- [Supply Chain Management Group](#) (SCMG), an innovative delivery model to support engagement with tier 1 contractors and tier 2 and 3 sub-contractors during a two-stage procurement.

## **Finance**

#### **Key questions:**

- Are there are constraints and rules around the source of project finance that impact the procurement options?
- What is the pricing strategy for the procurement?

Procurement is key to setting and understanding the project budget. Use early market consultation to test budgeted project costs. You can also procure cost consultants to develop the project costs before you go to market.

The source of capital, and potential revenue, from your retrofit project can influence the procurement route.

- Bank finance, bond finance, or central government funding may constrain procurement process options. For example, wave 1 SHDF funding required public sector procurement policies to be followed
- Are you delivering an innovative finance project, for example Energiesprong? If so, what type of contractor do you require and how can they be procured? What finance elements need to be communicated to the finance team?
- Have you notified the finance team about the future revenue from the retrofit? For example, income from solar PV sales. Does this impact the project budget?
- Is contractor finance being used for the project? If so, how does this impact on the procurement options?

Consult with your finance teams to evaluate the pricing strategy for the procurement exercise. Outline how bidders should price the work in their submission and start drafting a 'Tender pricing document'. The document will outline the pricing data set to specify all elements to be priced during the tender. Less is not always more - granularity of pricing helps ongoing commercial management but beware, as too much can be off putting.

Whole-life cost, not just lowest purchase price should be considered. Whole life cost accounts for the total cost, i.e. capital costs, maintenance, management, and disposal costs.

Review tender price indices to gain an early understanding of likely project costs and for benchmarking costs.

Key questions to ask:

- Do I need to spend the project finance by a deadline? If so, Frameworks and DPSs can offer quicker routes to market
- Are there any special requirements related to finance, for example setting up a special purpose vehicle?
- Where will the money for the project come from? Developing the procurement strategy will require a two-way conversation between the retrofit project team and the finance team
- What do I need to know about the financing plan? What do I need to tell those who are organising the finance?
- You will need to confirm the funding requirements and stipulate this in the procurement strategy; there could be requirements of what EPC the building must be retrofitted to, a minimum % energy reduction, etc
- Have you reviewed funding terms and are you clear how funds will be paid to the contractor/s? For example, is it upon completion, and are there any retention clauses?

#### Checklist:

- Have the financing requirements been clearly identified?
- Are finance constraints fully understood?
- Do the Finance team know about any special requirements for the project?

## Contracting strategy

**Key question:** What type of contract you will use, and how it will be managed?

‘Appropriate specifications and performance measures are the foundation of a good contract.’ - [The Construction Playbook](#).

The contract strategy will outline:

- Length of contract
- Type of contract
- Contract management approach, e.g. the set of key performance indicators (KPIs) for the project or programme
- Commercial arrangements, i.e. what will be priced during the procurement.

Your contract strategy may evolve during later procurement stages, for example during competitive dialogue or competitive negotiation.

Set and design KPIs that address what you are targeting. They will help manage cost, quality, resident satisfaction, progress, and sustainability. They should incentivise the things that matter, as outlined in the objectives and specification. Link KPI creation with supply chain engagement. What KPIs will support collaboration, efficiency, and promote good performance from the contractor? Too many KPIs can be inefficient; try find the right balance when setting them.

You can also use project milestones and Service Level Agreements (SLAs) within the contract to manage performance. These help demonstrate elements that are important to you outside of, or sometimes linked to, KPIs.

Your contract management capacity may impact your options. If you don't have experience or resource in this area, Frameworks and DPS organisations can provide contracts and specifications to use and adapt. Some framework organisations will also support with contract management.

For funded projects, check if the funding prohibits or prefer a certain type of contract.

The following questions should be answered:

- Does my organisation have a preferred contract method?

- How do you plan to manage the retrofit contract?
- Do you have sufficient contract management resource?
- How will you make sure that the outcomes of retrofit meet the quality requirements written into your contracts?
- How will quality and performance be measured and monitored?
- How will costs be monitored and managed, what are the control measures?
- Will there be capacity to review prices over the duration of the contract? For example, if material prices increase, how can this be managed in the contract?
- What other opportunities do you have to control costs? For example, defining rates for roles or measures?
- How will risks and issues be monitored and rectified during delivery?
- Will the Retrofit Coordinator be supplied internally, by the main contractor, or by a separate party?
- What are your timescales for mobilisation?
- Do you need to mobilise quickly to meet a funding deadline? Or do you have time and are happy to wait for a contractor who may take longer to mobilise?

Lump sum/fixed price contracts suit projects with a well-defined scope and when the amount of work is known. If the amount of work is unclear and there are repeatable elements, a 'measured term contract' based on pricing of schedule of rates (SORs) may be more suitable.

Deciding on a contract type will help you understand if the plan is practical. The contract type will determine how the contractor will undertake the works and any requirements:

- Can it be delivered in the time available?
- Where are the bottlenecks?
- Where are the biggest risks?
- How could the project be delivered faster?
- What are the implications for resource requirements and costs?

Developing a contract strategy can be a specialist area. Use in-house specialists or appoint advisors to support you. There are standard and bespoke forms of contract that can be chosen. JCT and NEC 3/4 are two most suitable options for retrofit projects. Bespoke contracts can deter suppliers, as can heavily amended standard contracts.

Standard contracts simplify and speed up procurement processes as they are familiar, easier to price, reduce post-tender negotiations, are easier to administer. This will help speed up the procurement processes and improve transparency of expectations.

## Contract options

Contract	Description
<b>JCT</b>	Most frequently used, around 80% market share in the UK, drafted by industry experts, tried and tested and suitable for most types of projects.
<b>NEC 3/ 4</b>	Second most used (choice of contract by UK Government), 'one size fits all' delivery route, full suite of contract and pricing options, clear, simple and flexible.
<b>FIDIC</b>	Typically used for large international infrastructure projects
<b>PPC 2000</b>	Typically used for complex projects where partnering approach is preferred with designer, contractor and client all working together.

Although only four contracting options are listed above, there are many bespoke, rarely used options that may be suitable for the project. However, JCT and NEC are the most common and flexible.

### Questions to ask to determine best contract option

- How flexible do I need the contract to be?
- Does the funding prohibit or prefer a certain type of contract?

### External Resources

- On-demand Masterclasses: [Contracting Options](#)

## Specification

**Key question:** Will the specification provide solutions that meet your needs and encourage companies to bid?

The specification gives a clear signal to suppliers what they are being asked for. When developing the specification, be clear in your communications with everyone – what you want to procure, timings, performance requirements, and the evidence required.

Outcome specifications are better than more conventional technical and performance specifications. They encourage supply chain engagement which can lead to innovation and value for money. For example, “we want to reduce energy consumption to 50kWh/m<sup>2</sup>/yr – how would you do that?”. Or, “Create five apprenticeships to deliver the work”. Use the procurement objectives to focus the specification on the desired outcomes of the project.

Framework management organisations can provide template specifications or help develop your specification.

### Key questions to ask:

- Are there minimum performance standards to be included?
- Does the specification require details on funding compliance?

- Is it clear what suppliers need to price in their tender response?
- Does the specification cover all the desired outcomes outlined in the procurement objectives?
- Have project stakeholders reviewed the specification?

### External resources

- Crown Commercial, [how to write a specification](#)
- See sample specifications in the [Midlands retrofit toolkit](#).

## Select the procurement model

This section gives an overview of the various procurement routes available. There are no hard and fast rules in selecting the procurement approach. Review the outcomes of the preparatory work against the strengths and weakness of the procurement options in tables 1 and 2 to identify a suitable approach.

When selecting the most appropriate procurement model, the key considerations are:

- Procurement resource available
- Project timescales
- Internal experience in developing contracts and specifications
- Requirement for innovation
- Preferred contractor, SMEs or larger management contractors

Table 1 presents the five available procurement options which must be followed for public sector procurement. Appendix 1 outlines the processes and timescales for each option. When running your own procurement, you must follow the approved end-to-end process for your chosen option (as defined by the public sector procurement regulations - see [here](#)).

Running your own procurement gives you control of the specification and develops solution designed exactly for your needs. It can suit developing new, complex, or innovative solutions which require engagement and support from the supply chain. These approaches will require internal procurement resource to manage and deliver these processes.

You do not need to run your own full procurement exercise. Frameworks, DPS's and buying clubs are models established to support contracting authorities and make public sector procurement more resource and time efficient. The models are compliant with the regulations and avoid the need to advertise the contract on FTS (previously OJEU), as this has already been done when the framework/DPS/Buying club was set up. These approaches are helpful where the solution already exists on the market, quick mobilisation is required, and projects are recurring. They provide assurance with approved suppliers and developed specifications and contracts. Projects are 'called

off' when required, reducing the tender period down to as little as a few weeks in some cases. Both Frameworks and DPS, if well managed, can be used to aggregate knowledge and best practice, as well as demand and volumes.

Finally, you can deliver retrofit work by amending or using an existing contract. For example, a repairs and maintenance contract. This is not strictly a procurement process, but an alternative to procuring new services. It can help deliver work quickly with a known partner.

**Table 1: Public sector procurement routes**

Procurement Route	Process	Strengths	Weaknesses
<b>Open Procedure</b>	A single stage process. Tenders are advertised inviting suppliers to respond by a set date. Submissions are evaluated according to a defined system of scoring. The winner is announced.	<ul style="list-style-type: none"> <li>• Common and well understood. The first choice unless there are reasons to use an alternative</li> <li>• Most appropriate for simple procurement of standard goods and services, and where there are a limited number of suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>• Can exclude SMEs</li> <li>• Requires a careful tender specification</li> <li>• Does not engage the innovation capacity of the supply chain</li> <li>• Can place undue emphasis on cost</li> <li>• May lead to a large number of tenders.</li> </ul>
<b>Restricted Procedure</b>	A two-stage process. A pre-qualification questionnaire is used to shortlist suitable suppliers. This is then followed by an Invitation to Tender, with a final decision made as in the open procedure.	<ul style="list-style-type: none"> <li>• Fairly common in the housing sector</li> <li>• Reduces the number of tenders that must be evaluated.</li> </ul>	<ul style="list-style-type: none"> <li>• Extra stages</li> <li>• Can exclude SMEs</li> <li>• Requires a careful tender specification</li> <li>• Does not engage the innovation capacity of the supply chain.</li> </ul>
<b>Competitive Dialogue</b>	Following a contract notice and selection process, the buyer negotiates with companies to develop suitable solutions. This is then followed by an Invitation to Tender.	<ul style="list-style-type: none"> <li>• Useful in complex procurements where a precise specification may be unavailable</li> <li>• Allows the buyer to engage the innovation capacity of the supply chain</li> <li>• Helpful when you are unable to specify your requirements. Bidders will help to define the solution.</li> </ul>	<ul style="list-style-type: none"> <li>• Less commonly used and may be unfamiliar</li> <li>• Requires more time and additional procurement resource to follow the process.</li> </ul>
<b>Competitive Negotiation</b>	After pre-qualification the buyer negotiates directly with the shortlisted bidders.	<ul style="list-style-type: none"> <li>• Useful in complex procurements where a precise specification may be unavailable</li> <li>• Used for procuring services or goods that require adaptation or design inputs</li> <li>• Allows the buyer to engage the innovation capacity of the supply chain.</li> </ul>	<ul style="list-style-type: none"> <li>• Rarely used in the UK</li> <li>• Requires more time and additional procurement resource to follow the process.</li> </ul>
<b>Innovation Partnership (IP)</b>	The buyer works with suppliers to develop and then purchase innovative products, works or services where no suitable solution exists in the market. This combines the procurement process with R&D contract. Can only be used where the solution does not already exist.	<ul style="list-style-type: none"> <li>• Joint development</li> <li>• Develops new good and services</li> <li>• Shared costs and risks</li> <li>• Full integration of buyer and seller skills</li> <li>• Joint commercial exploitation of innovation.</li> </ul>	<ul style="list-style-type: none"> <li>• Slow</li> <li>• Requires buyer to have relevant skills and capacity for innovation</li> <li>• More complex commercial relationship with suppliers.</li> </ul>



Public procurement, including SHDF projects, should comply with the [National Procurement Policy Statement](#), which sets out the Government expectations for public sector procurement. Your procurement should also comply with your organisation's internal procurement procedures and rules, and any standing orders.

The Government published a Green Paper [Transforming Public Procurement](#), which set out ideas for simplifying the public sector procurement process. The results of this consultation process will feed into a new UK Procurement Bill. Closed procedures, competitive dialogue, competitive negotiation, and innovative partnership are expected to be replaced by a 'competitive flexible procedure' with a focus on buyers negotiating and innovating with the supply chain.

**Table 2 – Alternative procurement routes**

Procurement Route	Overview	Strengths	Weaknesses
<b>Existing contract</b>	<p>Your existing maintenance contractor may have capacity and the capability to deliver your retrofit programme. This will require a bolt on retrofit contract to be delivered alongside the existing maintenance contracts.</p>	<ul style="list-style-type: none"> <li>• Quicker route to appointment</li> <li>• Contractor is familiar with stock and your ways of working</li> <li>• Opportunity to link existing maintenance programmes with retrofit, e.g. voids or kitchens and bathrooms planned maintenance</li> <li>• Long term partnership and commitment already exists. Opportunity to build retrofit and training capacity together.</li> </ul>	<ul style="list-style-type: none"> <li>• Non-competitive process for appointment means you may not get value for money or an optimum solution</li> <li>• Familiarity could lead to complacency. Does the existing contractor have the capacity and capability to deliver your objectives?</li> </ul>
<b>Procurement Frameworks</b>	<p>A Framework bring together a pre-selected group of contractors for a particular area or work package under an 'umbrella agreement'. Buyers 'call-off' goods and services via mini-competitions or direct award, avoiding lengthy tendering exercises. The resulting call-off contract will be a template contract, with many already-agreed elements that all suppliers sign up to when joining the framework. You do not need to use the template contract or specification, these can be adapted or changed and priced during mini competitions. In some frameworks a purchaser can appoint a preferred supplier by direct selection. Try not to choose frameworks organisations based on cost alone. Experienced framework organisations have specialist knowledge and will support you through the procurement exercise.</p>	<ul style="list-style-type: none"> <li>• You don't have to run full tendering exercise or to advertise on FTS (previously OJEU). This can save significant time</li> <li>• Competition within a framework can lead to lower costs. They avoid repeated costly tender exercises for contractors. Larger volumes of work can help keep costs down</li> <li>• Retrofit can be challenging to procure and specify. Framework organisations are experienced and build specialist knowledge. This develops the quality of contracts and specifications</li> <li>• Framework contractors are carefully vetted before appointment to meet performance management criteria</li> <li>• Framework organisations can support buyers during the procurement process. Helpful where there is lack of buyer experience</li> <li>• Frameworks are able to support clients to manage contractors.</li> </ul>	<ul style="list-style-type: none"> <li>• Not all the supply chain will be on the framework</li> <li>• The quality of the framework organisations and their specifications and contracts is variable. Spend time comparing framework organisations and their strengths/weaknesses and support available.</li> </ul>

Procurement Route	Overview	Strengths	Weaknesses
<p><b>Dynamic Purchasing Systems (DPS)</b></p>	<p>A Dynamic Purchasing System (DPS) is an electronic method of procurement that operates in a similar manner to a framework. They differ to a framework as suppliers can join a DPS at any time, making it a more dynamic market.</p> <p>Call-offs must be via a competition (mini tender exercises).</p>	<ul style="list-style-type: none"> <li>• When compared to frameworks, DPS's are:                             <ul style="list-style-type: none"> <li>○ easily accessible for SMEs, who may be put off by the bigger framework contracts</li> <li>○ aren't restricted to a certain number of suppliers. This creates larger dynamic marketplaces</li> </ul> </li> <li>• Increased competition can deliver cost savings, but more suppliers can result in costly and lengthy tender evaluations</li> <li>• Useful in emerging markets where Frameworks would result in a very small number of suppliers or could exclude new innovative solutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Unlikely to receive the same level of guidance and support through the procurement process when compared to dealing with a framework organisation.</li> </ul>
<p><b>Using a buying club, also known as a central purchasing body</b></p>	<p>A buying club is when a central purchasing body acquires goods, services, or contracts for one or more contracting authorities. This helps to pool together market demand and achieve savings through bulk purchasing.</p>	<ul style="list-style-type: none"> <li>• Large procurement volumes can reduce prices by achieving economies of scale as well as increase competition.</li> </ul>	<ul style="list-style-type: none"> <li>• Buying clubs are designed for very specific goods or services. Only 'simple' and uniform products/services can be used e.g. <a href="#">solar PV buying clubs</a></li> <li>• Potential reputational risk as you have no direct control over the winning contractor.</li> </ul>

**NB:** There is a perception that frameworks favour larger management contractors over SMEs. However, some frameworks have been procured creatively with geographical / sub-regional lotting structures, bidding restrictions and handover 'run rate' thresholds which prevent national contractors from sweeping the board.

## External Resources

- Knowledge Hub – [Procurement Strategy](#)
- On-demand Masterclasses:
  - [Procurement](#)
  - [Contracting Options](#)
  - OECD Report – [Compendium of Good Practices for Integrity in Public Procurement](#)
- Government's [Forward Commitment protocol](#)
- Innovation partnerships, more [info](#)
- Frameworks, more [info](#)
- Procurement policy note, availability of procurement procedures, [decision tree](#).

## Case studies

- [Innovation partnership](#) – An approach to procuring and developing deep retrofit solutions. Developed as part of the Mayor of London's Retrofit Accelerator Homes programme, and delivered alongside [Energiesprong](#) and Turner and Townsend. It was created to facilitate the delivery of whole house, deep retrofit, with the creation of a supply chain to provide off-site manufactured solutions. Solutions from the Innovation partnership will make it through to a national framework which can be accessed by organisations across the country from 2024
- [Procure Plus / Local Energy Hub North West](#) – these two organisations are working on a 4-year Dynamic Purchase Scheme (DPS) for local authorities, combined authorities, and social landlords to help them deliver the £53mn Green Homes Grant LADS2 PAS:2035 compliant retrofit programme
- [Cardiff Council – Pre-Commercial Procurement](#) – page 18, case study 4. Welsh Government and Innovate UK offered a funding package to support this procurement, which invited proposals for innovative solutions to retrofit problems. Three progressed to phase two demonstrator stage, with some solutions being used, and others developing new intellectual property. This was not an Innovative Procurement though, as it was not intended to lead to a significant contract to deploy the solutions at scale.

Use the questions below and the strengths and weaknesses in tables 1 and 2 to help identify which procurement route suites your project:

- Is the market mature in the subject of the project i.e. do enough contractors have experience in order to make it competitive, or are only a few contractors experienced?
- Is the scope clearly defined? If not, do you need to work with the supply chain to develop the scope? (competitive dialogue)
- How much spare resource would be available to execute the procurement strategy? Be realistic: can you run this exercise as an organisation? Do you have resources to score and enough time to value the bids?

- Will this be the first in a series of similar and related projects, or a one-off project?
- Is the retrofit project complex and requiring innovation? If so, have you considered how different procurement routes can support this?
- What are the time constraints for mobilising and delivering, will you need a procurement route that prioritises quick access to the market?

**Checklist:**

- Have you reviewed all procurement options with the procurement team?
- Is your chosen procurement model compliant with legal and organisational policies?
- Is there sufficient procurement resource to support the chosen process?

## Executing the procurement

During the execution of procurement, you will need to finalise the following key documents:

- Invitation to Tender (ITT)
- Form of contract
- Specification
- Evaluation criteria.

If procuring through a framework or DPS, contact the contracting authority or framework organisation for guidance on executing procurement.

### Invitation to Tender (ITT)

The ITT is formal document issued at either at contract notice (open stage) or at a later phase during the procurement process (see Appendix 1). It should clearly define the project requirements, setting out the end-to-end tender process in detail, including the timelines.

It should clearly articulate the following about the project:

- scope
- timescales
- tender pricing document
- KPIs
- delivery locations
- evaluation criteria
- anything out of the ordinary
- contract breaks / extensions

## Evaluation process

Develop your evaluation process before advertising the contract. You must be able to provide a full justification and audit trail for your resulting award decision. Criteria must be linked to the specification.

Evaluation – and evaluation criteria – should focus on the values over cost. Cost is important, but it should be balanced with quality which is defined by your project values.

UK public procurement policy currently requires tenders to be evaluated based on a the most economically advantageous tender (MEAT) principles. MEAT criteria help take account of qualitative, technical, and sustainable parts of the tender submission, as well as price. They are:

- quality
- price or cost using a cost-effectiveness approach
- technical merit
- aesthetic and functional characteristics
- accessibility
- social characteristics
- environmental characteristics
- innovative characteristics
- after-sales service and technical assistance
- delivery conditions such as date, process and period.

The list is not exhaustive and further criteria can be added.

Develop a tender 'evaluation model' by choosing a weighting for each of the evaluation criteria. Share this with prospective tenderers and use it to score responses.

## External resources

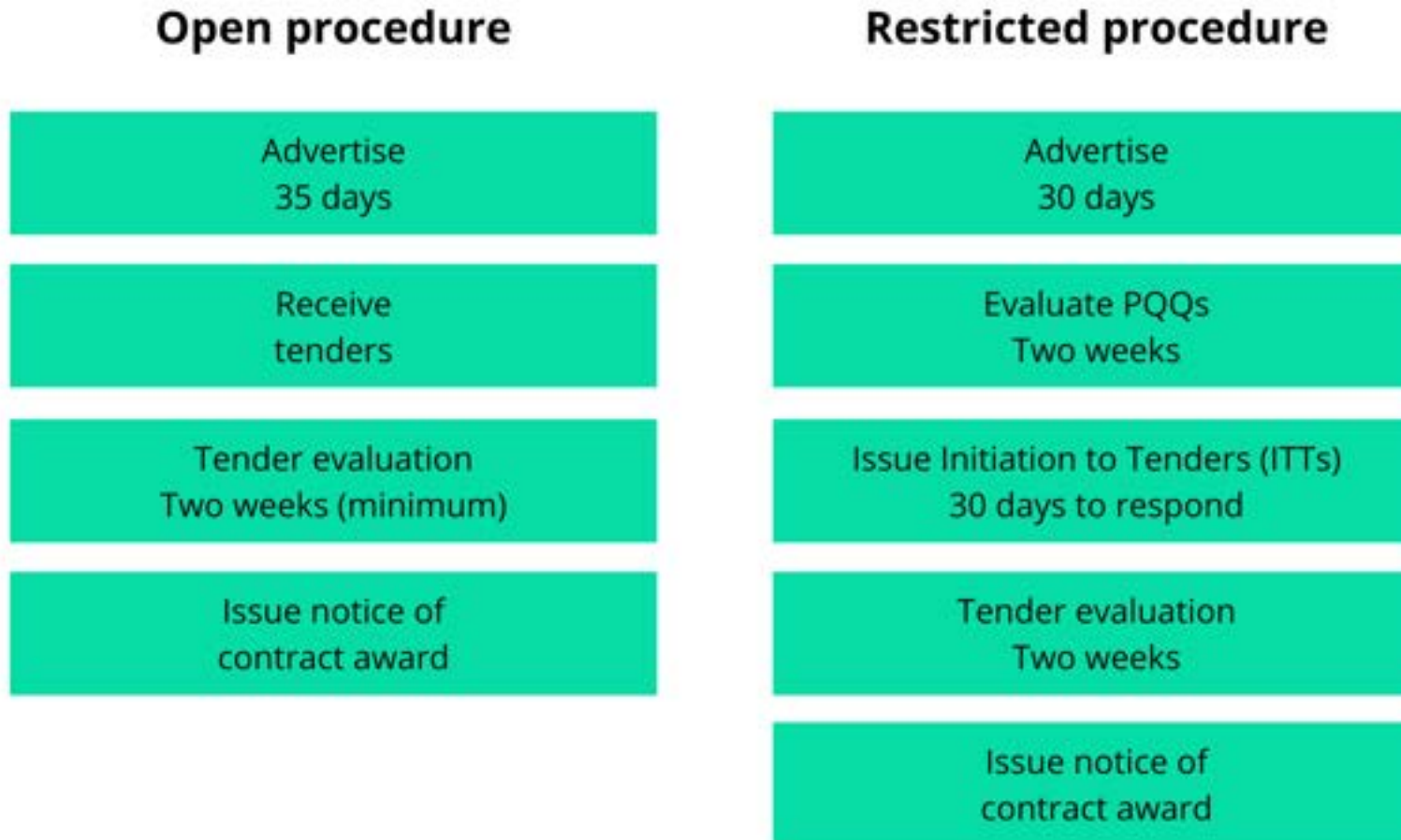
- Government bid evaluation [guidance note](#)

## SHRA Toolkits available online

The full selection of SHRA Toolkits are available at:

[www.socialhousingretrofit.org.uk/knowledge-hub](http://www.socialhousingretrofit.org.uk/knowledge-hub)

## Appendix 1 – Procurement processes and suggested timelines



## Competitive dialogue



Publish your minimum requirements, award criteria and their weightings. These cannot be changed during the negotiation process.

Bidders do not submit tenders at this stage.

One or more stages may be required to develop the solution.

Final tender will be made based on solution(s) presented and specified during the dialogue. No minimum time limit for submissions, set in proportion to complexity of project.



## Competitive negotiation

<b>Advertise</b> <b>30 days</b>
<b>Evaluate PQQs</b> <b>Two weeks</b>
<b>Initial tender stage:</b> <b>30 days for suppliers to develop and submit tender</b> <b>Two weeks to review initial tenders</b>
<b>Negotiation stage</b> <b>Minimum three weeks</b>
<b>Final tender stage</b> <b>30 days</b>
<b>Final tender evaluation</b> <b>two weeks (minimum)</b>
<b>Issue notice of contract award</b>

Publish your minimum requirements, award criteria and their weightings. These cannot be changed during the negotiation process.

Identify shortlist and invite to submit initial tender.

Evaluate initial tenders and issue shortlist of tenderers (minimum three) to be invited to participate in the negotiation,

Enter negotiation stages. One or more stages may be required.

Issue invitation to submit final tender and then evaluate the final tenders.

## Innovation Partnership

<b>Advertise</b> <b>30 days</b>
<b>Evaluate PQQs</b> <b>Two weeks</b>
<b>Multiple mini tender stages</b> <b>No minimum time</b> <b>Will vary depending on the complexity of project</b>
<b>Invite partners to submit final tenders</b> <b>3 - 4 weeks</b>
<b>Evaluation of proposed solutions</b> <b>Three weeks</b>
<b>Issue notice of contract award</b>

Publish your minimum requirements, award criteria and their weightings. These cannot be changed during the negotiation process.

Invite selected innovation partners, minimum three recommended

Successive stages of R&D on the proposed solution. Set targets and milestones to pay partners for development work.

Negotiate over successive tender stages to develop the solution.