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Procuring for Retrofit: Strategies

Supply Chain Advice Pack

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Overview

Implementing best practices in retrofit procurement can significantly enhance the success and efficiency of your project.

Successful strategies will involve developing clear procurement objectives, whilst considering the current construction market challenges and risks. An appreciation for how a retrofit project differs to usual work within the construction sector enables the development of a strategy that would be well received, responded to positively by the supply chain, address the significant keys issues and provide value for money.

Procuring Retrofit Projects in the Current Construction Environment

The UK retrofit construction market is experiencing significant growth, driven by the need to upgrade existing buildings to meet energy efficiency and carbon reduction targets. Current challenges faced by the sector include:

- Growing demand: The UK has approximately 29 million homes that need retrofitting to achieve net-zero targets by 2050 (UKERC, 2020). The construction industry is tasked with securing the resources to implement this strategy, whilst also delivering against the current Government's drive to build 1.5million new homes during the life of the current Parliament (Gov, 2024).
- Skilled workforce: There is a significant skills challenge in the retrofit sector, with an estimated 400,000 skilled professionals needed, but only 200,000 currently available, impacting the ability to deliver retrofit at scale (Retrofit Academy, 2024).
- Data availability and reliability: Reliable, up to date comprehensive data is crucial for achieving retrofit goals. The UK has a diverse housing stock which makes standardisation difficult. The use of stock profiling and developing archetypes will help, but this does require significant time and investment.
- Regulatory frameworks: Navigating the regulatory landscape can be challenging, as policies, planning, funding programmes and standards evolve to meet sustainability goals.
- Funding and delivery at scale: The Government committed in March 2025 to funding of £1.79bn between 2025 and 2028, made up on £1.29bn from the Government's Social Housing Fund and £0.5bn of local grant funding (Gov, 2025).

Despite these challenges, the UK retrofit market presents substantial opportunities for growth and innovation. By addressing these issues, the industry can move towards a more sustainable and energy-efficient future.

Key Retrofit Considerations

There are key considerations when undertaking retrofit works to existing buildings. Developing a strategy to get these things right will provide the best opportunity of delivering and procuring projects successfully.

- **Moisture and Damp:** Greater airtightness to assist with achieving the improved thermal performance of buildings, requires effective ventilation. Poor ventilation can result in moisture build-up, leading to mould and poor indoor air quality, which can harm resident's welfare.
- **Competence:** This is required of those preparing specifications and scoping the works, and the supervision and management of activities to achieve the quality standards required. Competent delivery will minimise the likelihood of a performance gap between that designed and predicted and the actual performance of the implemented measures.
- **Stakeholder engagement:** The works will take place in and around people's homes, and therefore close collaboration is required with all those impacted by the proposed works.
- **Financial and regulatory:** The limited financial resources available to organisations face numerous competing demands. Retrofit funds therefore need to be targeted and spent effectively and efficiently. Money spent will need to comply with the regulatory funding requirements, with oversight providing assurance
- **Supply Chain:** The availability of material and skills within the supply chain can impact the pace of delivery and costs. Given the March 2025 funding announcement from the Government, it is expected that there will be a surge in demand for the limited delivery resources currently available. Clients will need to consider this risk and therefore craft their offer to the market to ensure those tendering for services on these projects are attracted to the proposals.

Procurement Strategies

Procuring retrofit services involves several steps to ensure the selection of the right contractors and achieve the desired energy efficiency improvements. The typical stages involve the following:

- Define what is required: By carefully assessing the building(s) requiring work the specific energy efficiency improvements and cost-effective solutions can be determined.
- Set outputs and objectives: Establish clear goals for energy savings, carbon reduction, and overall building performance, budgets and programme. State the regulatory requirements to be complied with such as PAS 2030 and PAS 2035.

- Programme, risk strategy and appetite: Obtain all required consents and approvals and identify project risks. Develop a risk strategy that mitigates, manages and allocates risk. Agree funding timescales and obligations
- Select a procurement route, to select the right contractor, that reflects the scope, outputs and risk strategy. The RISE Quick Guide on Procurement Frameworks (February 2025) provides further details on frameworks.
- Robust, transparent documentation and pricing is required. Some frameworks and tenders will solely include main works elements, for example only external wall insulation installation. The tender may neglect to include other elements such as remedial works and repairs, and the associated ancillary costs for service diversions. If clients have based their initial budgets on the basic rates/extent of scope, then outturn costs can be significantly different when the full extent of works are included.

By following these steps, you can effectively procure retrofit services and achieve significant energy efficiency improvements for your building.

There are several procurement strategies available for retrofit projects, each with its own advantages and considerations. Here are some common strategies:

Traditional Procurement	This involves a clear separation between design and construction. The client employs a designer to create detailed plans and then selects a contractor through a competitive bidding process. The contractor undertakes limited design.
Advantages	Clear roles and responsibilities, competitive pricing.
Challenges	Can be time-consuming, potential for disputes between designer and contractor.
Typical Contract Used	Joint Contracts Tribunal (JCT) Intermediate Form or Standard Form.

Design and Build (D&B):	The client employs a single entity to handle both design and construction. This can streamline the process and reduce the risk of disputes.
Advantages:	Faster project completion, single point of responsibility. Single and two stage approaches can be utilised, depending on client's appetite for risk. In single-stage tendering, the employer

	completes the design and specifications before inviting contractors to submit a fixed-price bid for the entire project. Two-stage tendering is often used for complex projects where early contractor involvement can help manage risks and improve buildability. The employer selects a preferred contractor based on quality and cost criteria, with preliminary information, working collaboratively with the contractor to design, develop costs and agree an acceptable contract sum. Performance based Employer's Requirements are used and adapted.
Challenges:	Less control over design quality, potential for higher costs if not well-managed. Costly to introduce change. This D&B route is often preferred by those looking for a Turnkey route. There needs to be a robust pricing/cost management mechanism that sits behind this, given that at the procurement stage there will not be detailed information about the works.
Typical Contract Used:	JCT Design and Build Form.

Frameworks:	Pre-agreed contracts with a group of suppliers for a set period, allowing for quick procurement of services as needed.
Advantages:	Streamlined procurement process, potential for cost savings.
Challenges:	Flexibility to be formalised and structured, potential for complacency among suppliers.
Typical Contract Used:	JCT Measured Term Contract.

Each of these strategies has its own set of benefits and challenges, and the best choice depends on the specific needs and goals of your retrofit project.

Choosing a procurement route

How long does procurement take?

The way that works are procured will now generally fall under the provisions of the Procurement Act, which came into force on 24 February 2025. There are minimum timescales included within these Regulations. Given project specifics, scope and complexity of works, and to maximise participation in any tender exercise, the minimum procurement timescales set by the Regulations may be exceeded. Procuring complex, large-scale projects, with significant data to analyse by the supply chain, will require longer timescales to undertake this analysis and formulate a tender.

Key steps to follow

The retrofit opportunity will need to be advertised to obtain competitive tenders. The primary source for public sector procurement notices in the UK is the Find a Tender Service (FTS). This platform is where publications from clients are submitted, and information includes pipeline notices, contract notices and award notices.

Currently (April 2025) contracts with a value below specified thresholds (currently £139,688 including VAT for goods and services, and £5,336,937 including VAT for works) do not need to be published on FTS. Please note the value thresholds can change. They are reviewed regularly and details can be found here.

What information is needed?

Information required to procure projects will include the evaluation criteria and tender documents: The evaluation documents will clearly outline the criteria and methodology for evaluating bids. The evaluation is likely to include a cost element, as well as response to questions and potentially an assessment of social value. The tender documents will describe the extent and scope of the works, together with details of what is to be priced, and the contractual arrangements that will be required to be used if the tender is accepted.

What level of detail is required?

The pricing document is likely to require the completion of specific works costs, as well as preliminaries, overhead, profit and professional fees, depending on the type of procurement route being used. In addition, responses to the quality questions will need to be provided regarding matters such as programme, proposals regarding how the scheme will be delivered and the staff that are proposed to work on the project.

The questions to be prepared on social value are likely to relate to economic, social and environmental wellbeing.

What can clients do to make projects attractive?

Provide a suite of well-structured documents, that are clear, concise, unambiguous and that allocate risk fairly, are more likely to receive a positive response from contractors.

Information and project data that enables the retrofit works to be priced with certainty, combined with sufficient details so that the delivery programme can be planned with a high level of assurance, will provide the client with the best opportunity of securing a competitive cost.

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