

Procurement – the price we pay, and the path to improvement



Summary

This Housing Forum report looks at the ways that procurement processes can inflate the costs of building new homes. It identifies ways we can reduce these costs.

Key Points:

- Lengthy procurement and decision making are significant and under-recognised drivers of housebuilding costs.
- The public sector often ends up paying more than the private sector to build new homes, because of slow or inflexible procurement processes.
- By streamlining and standardising more of the processes involved in procurement we can reduce costs and help make housebuilding viable.

Recommendations

We can reduce costs through **standardisation of processes, improved risk management, and shorter procurement cycles**. And we can do all this without compromising design quality or safety.

There are three key things that the working group explored, which need to be done:

1 Standardise procurement processes

Standardised Employers' Requirements, collaboratively maintained over time, create clarity.

2 Shift mindsets from risk transfer to risk management

Early contractor involvement enables risks to be understood and mitigated earlier, rather than simply transferred. Simply seeking to transfer unmeasurable risks onto other parties will inevitably increase the costs they will quote for the work. Instead, feedback loops - where architects and contractors regularly test design decisions against cost - can ensure design ambition remains aligned with budget.

3 Speed up procurement

Standardisation, parallel approvals and faster governance cycles can all help speed up procurement. This reduces exposure to inflation, reduces risks and therefore brings costs down.

What to avoid:

- Mandating products or systems without market testing or justification restricts competition and innovation and increases costs.
- Policy making based on isolated experiences may have design implications that increase cost across whole programmes.
- Lowest-price tendering rarely delivers sustainable outcomes and often stores up greater costs downstream.

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1. Introduction



The Housing Forum's [Cost of Building a House](#) report highlighted the factors that drive up the price of new homes: inflation, abnormal ground conditions, regulation, fragmented decision making, and an overstretched planning system. Since its publication in 2024, financial pressures on the housebuilding sector have increased – and housebuilding rates have slowed further.

We wanted to explore how to bring costs down – to keep housebuilding viable and build the new homes that we know are needed. A new working group was formed, drawing on expertise from across the housing sector and supply chain. It identified an additional, structural issue shaping how these pressures are felt in practice: procurement.

The need to streamline procurement has already been recognised by Government, and the 2023 Procurement Act was intended to help address this. However, the working group has found that procurement complexity continues to drive cost, and how a clearer, more focused, and more predictable approach can meaningfully reduce the cost of delivery without compromising the quality of the homes we build. This requires standardisation, better risk management and sector wide learning.

Procurement as the hidden source of cost

A clear finding to emerge was that lengthy procurement and decision making are significant and under-recognised drivers of housebuilding costs.

Inflation of build costs running at around four percent a year means that a year-long delay between concept and contract award on a medium or large scheme can add millions of pounds of cost before construction even begins.

In every month spent waiting for approvals, responding to feedback, or repeating design stages costs increase because:

- Inflation adds to build costs.
- Developers incur interest on loans taken out to purchase land (or forego interest on their own capital that is now tied up).
- There is a growing risk of supply chain price movements, with increased risk allowances being built into tenders.
- New legislation may come into effect, adding further unforeseen costs.

These additional costs can accumulate without a corresponding improvement in the quality, sustainability or safety of the final homes.

Trying to recover the lost time and money during the construction phase is far riskier. Delivering equivalent “savings” would require strategies such as:

- pushing contractors to bid at the cheapest possible margin – increasing insolvency risk
- shortening programme durations unrealistically – compromising health and safety or build quality
- procuring through less resilient supply-chain members – risking quality or sub-contractors failing before the project is complete.

These approaches trade short term savings for long term risk. Streamlining procurement, by contrast, delivers real savings. It is the safest, most reliable, and most cost effective lever available to councils and housing associations looking to commission new homes.

2. What can drive up costs of publicly procured housing?



Local authorities and housing associations can face higher construction costs than private developers due to differences in procurement, governance and specification requirements, and our research identified several interlinked reasons for this disparity.

Firstly, **the way risk is allocated** within procurement can influence the prices available from the market. Where significant uncertainties remain at tender stage, contractors may need to include additional allowances to reflect those risks. This is particularly relevant within fixed price Design & Build procurement models, in situations where risks that have not yet been fully investigated or quantified should still be priced. These costs can often be reduced through early investigations, clearer information and more collaborative approaches to managing uncertainty.

Secondly, whilst robust governance is essential, **extended approval processes** sometimes increase project costs by lengthening procurement programmes and exposing schemes to inflation and market movements. Longer pre-contract periods can add significant costs before construction begins. When inflation was very low, slow procurement impacted less on costs. In today's market, however, extended procurement periods, multiple approval stages, redesign and prolonged tender processes can all increase costs. Procurement frameworks can help streamline these processes, although there may be opportunities to use them more consistently and efficiently across the sector.

Thirdly, public sector clients are often seeking to achieve broader social, environmental and place-making objectives than those typically pursued within private sector developments, which is reflected in **higher specifications**. Whilst these outcomes are valuable, they can also contribute to higher construction costs.

This combination of factors can contribute to higher quotes received than might be seen under alternative delivery models.

Variation in requirements and policy interpretation across organisations can **reduce opportunities to benefit from standardisation and economies of scale.**

Examples of how procurement decisions can inadvertently add to costs

The housing sector has faced major commercial pressures in the last five years – inflation shocks, supply chain failures, skills shortages and financial instability. Against this backdrop, the way that projects are procured can influence how risk is priced.

The examples below illustrate how procurement and specification decisions can lead to increased costs, despite the best of intentions:



Example 1 – Mandated lift manufacturers

In one example, a project required a specific lift system requiring a machine room. This added:

- an additional capital cost of around £10k per floor where the lift stops
- more complex structural requirements
- additional space required for the lift, increasing the size of the common area, reducing the space available for living space and consequently impacting on the net to gross efficiency of the building.



Example 2 – A blanket ban on a specific product following isolated failures

In one instance, a local authority banned the use of bolt-on balconies following a negative experience, despite their wider recognition across the sector as a cost effective, MMC compatible solution that is straightforward to install and maintain.

Whilst introduced for understandable reasons, this kind of approach can have an unintended cost implications across future schemes.



Example 3 – Requiring a governance period longer than time quotes can be held for

One local authority required a three-month long governance period after the contractor provided a fixed price lump sum offer. This was longer than the supply chain could hold their prices, so additional funds were required, because of inflation.

3. How can the housing sector bring costs down?

Housing Forum members from across the housing sector believe that the sector can meaningfully reduce costs through **standardisation of processes, improved risk management, and shorter procurement cycles**, all without compromising design quality or safety. There are three key ways we can do this:

1 Standardise procurement processes

One of the strongest opportunities is to standardise aspects of design and procurement that need not vary from scheme to scheme. These include:

- specification levels
- Employer's Requirements
- apartment typologies
- balcony systems
- lift strategies
- MMC components
- assumptions around what will be required to receive planning permission
- tender documents

These core items can and should be better aligned across organisations. **This does not mean eliminating architectural variety**; rather, it removes waste, duplication and unnecessary reinvention, ensuring that design energy is focused where it adds value.

2 Shift mindsets from risk transfer to risk management

Trying to pass on unmeasurable risks to contractors can increase cost. In contrast, a risk-management approach to procurement involves:

- early client-funded surveys
- jointly managed risk registers
- clearer decision gates at each stage
- early contractor involvement
- appropriate use of provisional sums for unknowns.

These approaches reduce inflationary risk pricing and create better relationships with contractors. Risk registers shared between client and contractor support joint decision-making, while local technical forums can create a platform for sharing learning on recurring technical issues such as lift strategies, balcony systems and MMC.

3 Speed up procurement

One of the most effective ways to reduce cost is to improve the efficiency of procurement. This can be achieved via:

- parallel approvals
- standard tender packs
- more predictable planning requirements
- faster governance cycles
- effective use of procurement frameworks

These reduce the exposure to inflation and remove the need for contractors to build excessive risk allowances into bids. Every month saved in procurement delivers real financial benefit without the risks associated with attempting to compress construction programmes.

To support better decision-making, the sector also needs to be better at designing to an agreed budget. Cross-cutting working groups focused on façade strategies, balcony and lift solutions, passive design, MMC due diligence and how to maximise living spaces would help spread best practice and reduce the cost of reinventing technical solutions in isolation.

4. Policy and regulatory changes needed



We have highlighted above what the housing sector can do to reduce procurement costs. There are also several policy and regulatory changes required.

Consistency in the planning system

Planning alignment is essential. Many local authorities maintain large numbers of Supplementary Planning Documents and technical guidance, some of which duplicate regional or national policy. Reducing duplication, simplifying documentation and aligning interpretations across borough boundaries would create clarity and avoid unnecessary design churn. This is particularly important with the emergence of new Spatial Development Strategies which must not overlap with or contradict Local Plans.

Procurement reform, focussing on two-stage tendering

Procurement reform is needed to reintroduce commercial tension without driving contractors into unsustainable pricing. Two-stage tendering, when conducted transparently and with appropriate controls, can deliver better outcomes than fixed-price single-stage competition.

Use Government funding to create the right financial levers

Stronger financial levers are needed. Targeted grant funding and continued support through Brownfield Land Release Fund can help, but additional funding may be required to close viability gaps, while frameworks can help clients procure innovatively with confidence.

Conclusion

There is an opportunity for the sector to strengthen learning loops and share best practise more effectively.

There is a need for close working across the housing sector. The Housing Forum will be taking forward some of this work by bringing together contractors and clients in early engagement. This will help facilitate new partnerships and a careful consideration of how procurement can support the quality of new development, without inflating the price.

Local authorities, housing associations, contractors, planners, and designers need to continue to develop create mechanisms for sharing technical learning, publishing guidance to reduce duplication and conflict and establishing feedback loops that help the sector learn from both successes and challenges.

If the sector can reduce procurement duration, manage risk collaboratively, simplify interfaces with the planning system, and institutionalise continuous learning, it can deliver more homes, more affordably and more reliably, without compromising quality, safety or long-term value.

The Housing Forum

The Housing Forum is the cross-sector, industry-wide organisation that represents the entire housing supply chain.

Our members include councils, housing associations, housebuilders, construction companies, architects and specialist consultancies. We are committed to a 'Quality Home for All'.

For more information, or to discuss membership, contact:
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LOVELL

Baily Garner are a purpose-driven, multidisciplinary consultancy who combine strategic thinking with hands-on technical skill to shape better places and outcomes for people, communities, and the environment.

Emh is one of the largest providers of affordable housing and care services in the East Midlands, working to deliver safe, secure homes and strong neighbourhoods across more than 40 rural and urban local authority areas.

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