



Southern Construction
Framework

Getting the fundamentals right in two-stage procurement

Why early decisions define public sector project outcomes



Foreword

The debate in the construction industry between single-stage and two-stage procurement is age old and centres on the trade-off between securing the lowest possible price upfront (single-stage) versus managing risk and fostering collaboration to achieve greater project value (two-stage).



At SCF, we have always advocated and put into practice a two-stage procurement approach, whereby a contractor is appointed early via a Pre-Construction Services Agreement (PCSA) to finalise design, risk and cost in stage one, before committing to a construction contract in stage two. This helps to enhance build quality, ensure safety, compliance and provide cost certainty.

SCF's latest Market Intelligence report found that while headline inflation has stabilised, labour costs, specialist trades and materials continue to experience volatility, meaning single-stage, or late-stage pricing approaches are more likely to result in cost shocks, value engineering or re-procurement. Geopolitical tensions are also mounting, with the Middle East sitting at the heart of key trade routes. This will have a knock-on effect with deliveries of materials slowing, and higher

costs cascading down the supply chain. Two-stage procurement, when used properly, allows these pressures to be understood and mitigated.

And against a backdrop of constrained public finances, with the Public Accounts Committee's 2025 report highlighting a "fast-approaching cliff edge for under-pressure authorities," this makes potential cost overruns and delays even harder to justify. It has never been more important to get the fundamentals right early on.

— James Wright, Head of SCF, South East

Contents

The importance of collaboration and transparency	4	The second fundamental: getting scope right before fixing price	10
Why two-stage and what are the challenges?	5	The third fundamental: time as a value driver, not a constraint	12
The challenge of governance	6	The fourth fundamental: fair and intelligent risk allocation	13
Unclear processes and optimism bias	7	The role of consultants and contractors in protecting the fundamentals	14
Transparency around funding	7	Conclusion	15
The first fundamental: an informed, well-advised client	8		

The importance of collaboration and transparency

Collaboration and transparency are key to successful project delivery yet all too often this is introduced too late, once scope, risk and cost positions have already hardened.

“Being able to agree the scope early is vital. This means getting alignment between clients, funding organisations, end-user scopes and specifications so that we know exactly what we’re pricing from day one.”

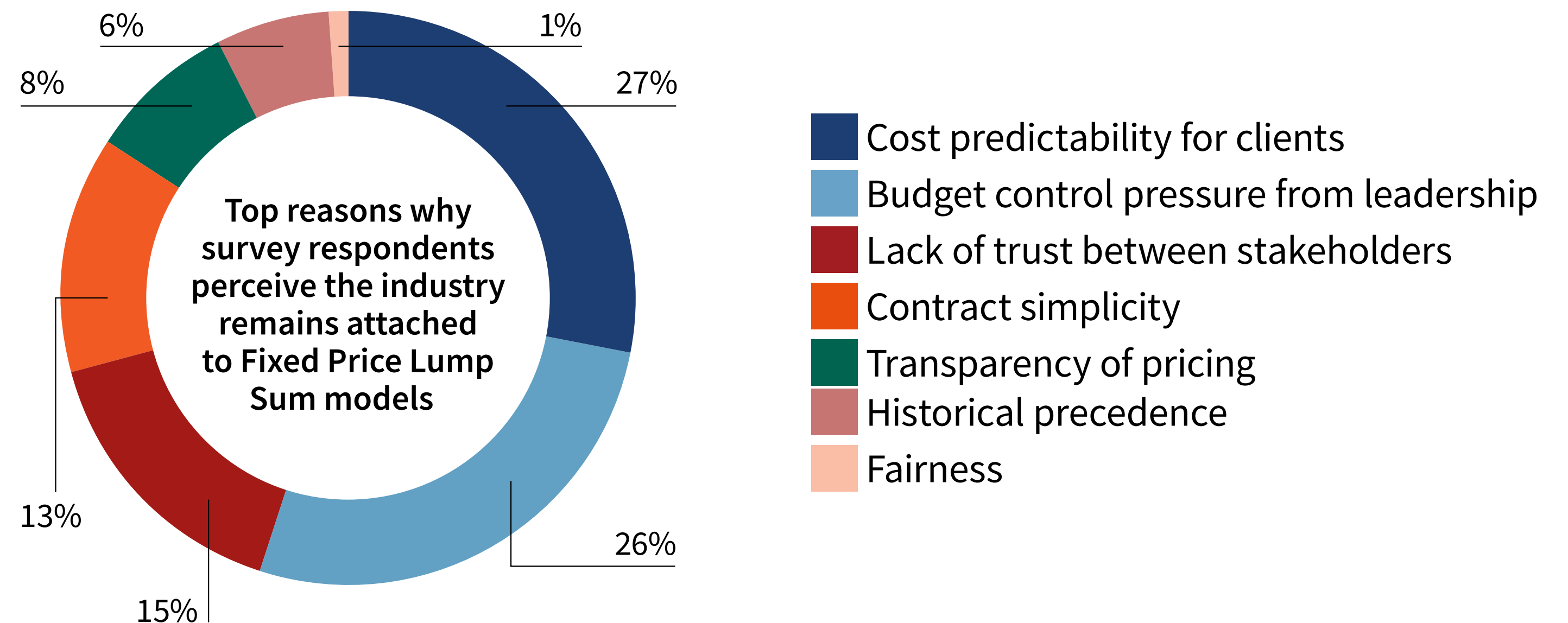
In developing this whitepaper, we set out to understand the common issues that arise when fundamental decisions are not addressed early. Drawing on practical experience from contractors, clients and consultants, the aim was to understand how this can be mitigated through clear governance, defined roles and the right behaviours from the outset.



Why two-stage and what are the challenges?

Two-stage procurement exists to solve a recurring problem in public sector delivery: the tendency to commit to cost, programme and risk positions before projects are sufficiently understood. Our recent supply-chain resilience survey of 50 subcontractors found that budget control pressure from leadership (26%) and cost predictability (27%) are the top reasons why survey respondents perceive that the industry remains attached to single stage tendering models.

While the two-stage model is intended to create space for collaboration – allowing scope, design, cost and risk to be developed together, our insights from across the supply chain suggest that two-stage procurement can at times fall short of this ambition.



The challenge of governance

Oftentimes, two-stage can become an extended pretender period rather than a genuine problem-solving phase.

Both clients and contractors pointed to weak governance as a contributing factor. One client emphasised the importance of structured gateways, warning that “if you don’t do it earlier, you’re just going to be blocking yourself from getting through Gateway Three”.

Similarly, one contractor highlighted that unclear or off-market risk allocation can make projects “unaffordable”, undermining the collaborative intent of the process.



Unclear processes and optimism bias

Others highlighted that two-stage is often introduced after planning and key design decisions are made, thereby undermining its value.

Unrealistic assumptions and optimism bias was also mentioned as key barriers to smooth project delivery, with one client admitting:

“For me, it’s actually being aware of your own optimism bias. Contractors don’t want to give you bad news and you need to be quite proactive in making them feel that they can give you the bad news.”



Transparency around funding

The importance of transparency was also highlighted regarding situations such as unresolved funding constraints, which can undermine early decisions, even when two-stage procurement is used.

“Understanding that there is funding in place and that the project is affordable is really key.”

“Getting clarity on those sorts of things makes a project a lot more attractive early doors.”

The first fundamental: an informed, well-advised client

1 Many public sector clients, for example across health, education or leisure, deliver major capital projects infrequently. As a result, business cases can sometimes be produced without full technical, risk or cost input, especially when early advice is limited by time or budget constraints.

2 From a contractor perspective, it was highlighted that projects succeed when clients understand the consequences of early decisions and are supported by informed advice. Problems arise when cost plans are not grounded in current market conditions or tested against supply-chain realities. This is where early engagement is so vital in revealing misalignment between budget, aspiration and delivery.

3 Clients also highlighted the importance of strong governance in ensuring strategic alignment, and clear escalation routes to senior leaders. One contributor highlighted multi-stakeholder higher education projects where academic priorities, student experience and financial sustainability, must be carefully balanced.

“We trained project managers in how to effectively communicate with academics. Improving your communication between the project board and the chair is vital as they are best placed to challenge internal stakeholders who might want to change scope. They can truly sponsor it at a senior level as they are invested in the project.”



4 It was unanimous that bringing in the right people in early is fundamental to iron out potential issues that could undermine project success such as material availability or design, with one client stating that “if everybody’s in agreement, then someone’s missing.” It was agreed that a procurement framework such as SCF can play an important role in alerting project teams when they are diverging from best practice.

5 Effective communication between the project manager and internal stakeholders was also outlined as essential. This is key in preventing an outcome whereby changes need to be made to a project mid-way, creating unexpected cost pressures that haven’t been accounted for.



The second fundamental: getting scope right before fixing price



Across the board, scope uncertainty was outlined as one of the most common reasons projects hit hurdles.

When scope is unclear, consequences can cascade, resulting in business cases being reset, and confidence in the project being undermined.

Contractors consistently described situations where they are asked to price against evolving or ambiguous requirements, forcing them to assume worst case scenarios.

“We actually turned down an opportunity which we didn’t feel was right for us given the history of other schemes they had done.”

In one interview, a surveyor at a top-tier contractor highlighted the importance of testing client aspirations against cost and programme at the earliest point, noting that resetting scope early, while uncomfortable, is significantly less damaging than discovering misalignment once design is advanced or cost expectations are fixed. Early correction protects relationships and credibility.

“We were able to give good reasoning to why we felt it wasn’t right for us. It’s important to have that open dialogue.”

Other contractors echoed this point, noting that poor or incomplete information forces contractors to price defensively. Early clarity, by contrast, improves collaboration and reduces friction, allowing teams to focus on solutions rather than protection.

The importance of complete information was also raised as key in ensuring contractors are appointed onto the right projects.

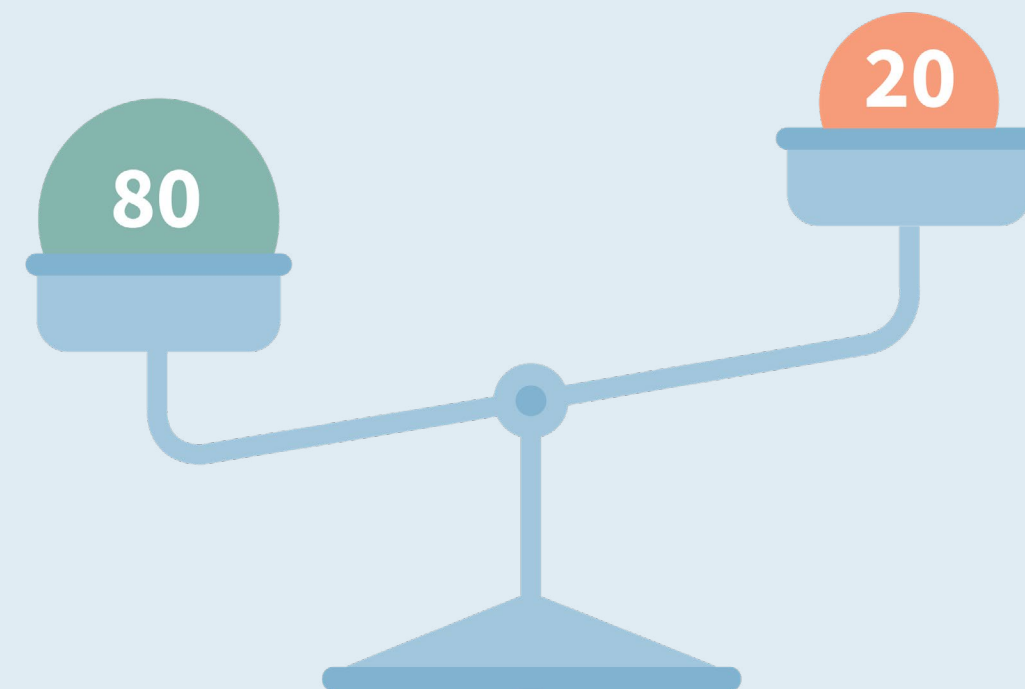
Client-side collaboration
reduces scope change by
50%

Participants also discussed the importance of a quality first approach to tendering, rather than focusing on the best price, which can lead to greater value add.

Quality-led evaluation...



...delivers 2% more added value per project on average



The third fundamental: time as a value driver, not a constraint

Time is often treated as a constraint to be managed, rather than a resource to enable value. Contractors noted that sufficient time in early stages makes projects more attractive to both contractors and specialist suppliers. It also allows teams to design to budget, explore alternative solutions and undertake value engineering before costs are fixed.



By contrast, when early stages are rushed, decisions are made with incomplete information. Assessment of ground conditions was raised as a scenario where early-stage information is crucial to decide who takes on certain risk. One contractor gave the example of working with a client where it was decided that it was most appropriate that weather condition risk was taken on by the client. This was not seen to be an inevitable risk, thereby avoiding it being shifted onto the contractor, often at a premium.

Across the board, it was agreed that when time is constrained, collaboration becomes superficial. Early engagement focuses on maintaining momentum and meeting programme milestones rather than resolving fundamental questions around scope, risk and affordability. This suppresses honest

“If you’ve got sufficient time scales, you’re able to drive some real value for money through design solutions or buildability or allow us to design to budget.” – Contractor

challenge, limits supply chain input and reinforces optimism bias - precisely the conditions two stage procurement is meant to avoid.

Reframing programme as a value driver rather than a pressure point is therefore critical.

The fourth fundamental: fair and intelligent risk allocation

Risk allocation remains one of the most sensitive aspects of public sector procurement. Our discussions with the supply chain revealed that blanket risk transfer increases cost and can reduce market appetite. As outlined by SCF's recent supply chain resilience report, inadequate risk sharing was the third biggest headache (21%) for subcontractors when it comes to financial resilience. This demonstrates that risk is not being eliminated through transfer but concentrated where it is least sustainable.



For clients, this increases cost and undermines delivery certainty, while for contractors it erodes market appetite. This therefore highlights the importance of treating risk allocation as a collective, managed process, rather than a contractual outcome.

This is echoed in the Government's official **guidance**, which emphasises that risk allocation in the public sector should not be about transferring as much risk as possible to the private sector but rather distributing risk to the party best placed to manage it.

It was emphasised by one consultant that risk management must be a live process throughout pre-construction. While risks may sit contractually with one party, they remain project risks that require joint mitigation.

“The advantage of open book and getting a contractor in early is that you get another set of specialist eyes and ears.”

“With complicated projects that involve certain materials from the supply chain for example, you can bring in early expertise and realise there is a simpler solution.”

This is risk reduction at source, achieved through all parties understanding the best way forward across elements such as design, using alternative materials that avoid supply chain volatility or indeed different sequencing.

The role of consultants and contractors in protecting the fundamentals

Consultants and contractors play a critical advisory role in protecting early stage fundamentals, particularly where clients are operating under time pressure or limited delivery experience. Early stage professionals can act not simply as service providers, but as trusted advisors, guiding clients towards achieving value.



From a contractor perspective, the importance of market tested cost plans and early conversations around aspects such as building material availability was emphasised. The insight reinforced the notion that contractors add most value before decisions are locked in, when design, programme and procurement strategy are still open to challenge.

From a consultancy standpoint, challenging procurement timing and approach when fundamentals are weak was deemed essential. Silence at early stages, whether due to optimism, pressure to proceed, or deference to programme momentum often leads to greater difficulty later. Issues that could have been addressed through early advice instead re emerge as cost escalation, redesign or dispute.

Contractors, consultants, and frameworks are also vital in supporting public sector clients during the tender process, with considered and well managed mini-competitions improving market depth and collaboration.

Early engagement increases
bidder numbers by
30%

Taken together, these perspectives underline a shared responsibility across the professional team. Consultants and contractors are not simply there to respond to a brief; they have a critical role in testing it, challenging it and helping clients make informed decisions while change is still possible.

Conclusion

Our discussions consistently reinforce one clear conclusion: while two-stage procurement is designed to enable collaboration and early risk reduction, its effectiveness depends entirely on the strength of the fundamentals established at the outset.

Where clients are well advised and informed, scope is clearly defined, time is treated as a value driver, and risk is allocated intelligently, two stage procurement can deliver better outcomes, reducing cost pressure, limiting conflict and improving delivery confidence.

“The benefit of the framework is that you can get the right people around the table early, before assumptions harden and before you’ve locked yourself into a solution.”

“What frameworks shouldn’t do is remove the need for thinking. They should make it easier to make good decisions, not allow people to avoid them.”

Frameworks like the Southern Construction Framework have an integral role to play in helping to foster the behaviours that ensure the fundamentals are in place from the outset. This includes:

- Educating clients to reframe value to enable the shift from a cost-first culture
- Transparent open book procurement that supports better decisions
- Market tested cost planning and buildability input
- Client governance and support throughout the process



Throughout our conversations a consistent message emerged: two stage procurement succeeds best when early collaboration is used to reduce uncertainty and make informed decisions and fails when early stages are rushed, under governed or treated as a procedural step rather than a problem solving opportunity.

Underpinning all of this, the importance of strong relationships was a consistent theme. Several contributors noted that without trust, teams are reluctant to surface uncomfortable issues around cost, risk or programme.



This was reflected in real, practical outcomes, where strong relationships with the same client teams led to repeat appointments across different projects, underscoring how delivery success comes down to continuity and trust rather than procurement form alone.

Ultimately, fostering lasting partnerships ensures greater openness and efficiency, allowing both clients and contractors to navigate challenges collaboratively. This approach not only strengthens outcomes but also sets the foundation for sustained

growth and innovation in future projects. This is critical at a time of increased project complexity, stretched margins and persistent supply chain volatility, which relies on trust to mitigate risk.

With the [World Economic Forum](#) reporting that construction is “on the verge of a major digital transformation,” the sector is set to navigate a move towards an increasingly digital first world, with project communication potentially becoming less personal.

New tools, digital processes and delivery models cannot compensate for poorly informed clients, unclear scope or unresolved risk. In 2026, the sector must prioritise open communication, ensuring that project teams are well advised and equipped to make informed decisions before design, cost and programme are fixed. By ensuring these fundamentals are in place, innovation will follow.


Thank you

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- **Peter Boote**
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- **Pierre Harwood**
Senior Commercial Manager – Morgan Sindall



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