



New values, new landscape

PUBLIC CONTRACTS FOR SOCIAL PROSPERITY –
2025 UPDATE

By Callin McLinden

About Localis

Who we are

We are a leading, independent think tank that was established in 2001. Our work promotes neo-localist ideas through research, events and commentary, covering a range of local and national domestic policy issues.

Neo-localism

Our research and policy programme is guided by the concept of neo-localism. Neo-localism is about giving places and people more control over the effects of globalisation. It is positive about promoting economic prosperity, but also enhancing other aspects of people's lives such as family and culture. It is not anti-globalisation, but wants to bend the mainstream of social and economic policy so that place is put at the centre of political thinking.

In particular our work is focused on four areas:

- **Decentralising political economy.** Developing and differentiating regional economies and an accompanying devolution of democratic leadership.
- **Empowering local leadership.** Elevating the role and responsibilities of local leaders in shaping and directing their place.
- **Extending local civil capacity.** The mission of the strategic authority as a convener of civil society; from private to charity sector, household to community.
- **Reforming public services.** Ideas to help save the public services and institutions upon which many in society depend.

What we do

We publish research throughout the year, from extensive reports to shorter pamphlets, on a diverse range of policy areas. We run a broad events programme, including roundtable discussions, panel events and an extensive party conference programme. We also run a membership network of local authorities and corporate fellows.

Contents

	Acknowledgements	2
	Introduction	3
1	Strategic procurement in the new governance ecosystem	4
1.1	Legislative and governance context	5
1.2	Strategic local contracting & innovative delivery mechanisms	6
1.3	Public contracts for 'social prosperity'	7
2	Local procurement & national strategy	9
2.1	2025 Spending Review	10
2.2	10 Year Infrastructure Strategy	12
3	Further reforms to public procurement	14
3.1	Supporting local businesses and boosting jobs	15
3.1.1	Targets and transparency for spend on SMEs and VCSEs	15
3.1.2	Flexible tendering for people focused services	16
3.1.3	Weighting tender evaluations towards local jobs	17
3.2	Supporting national capability	18
3.2.1	Allowing for complexity and hybrid models	19
3.2.2	Practical implementation	20
3.3	Standardising social value	20
4	Conclusions & looking forward	22

Acknowledgements

A huge debt of gratitude is owed to Norse Group as our partners for supporting our work into strategic, ethical public procurement. A particular thanks is owed to Paul Pawa and Richard Gawthorpe. I would also like to thank my colleagues at Localis for their vital feedback support; Jonathan Werran for initiating the project and Joe Fyans for guiding the research.

Any error or omissions remain my own.

Callin McLinden

Introduction

Within *New Values*, Localis set out a strategic procurement agenda based on orienting public contracts toward ‘social prosperity’, meaning contracts that not only deliver services cost-effectively but also advance social value, environmental sustainability, and inclusive local economic growth. We urged councils to integrate procurement with wider socio-economic objectives defined by local wellbeing, using the new Procurement Act’s flexibilities to privilege local SMEs, VCSEs, and build skills outright through such contracts.

The report also championed innovative delivery models to this end, recommending models with a strategic mix of insourcing and outsourcing, hybridised in accordance with appropriate roles and responsibilities. These included the use of LATCos or other arms-length vehicles to both pursue strategic goals in service delivery and play a key role in their administration, convening, and management. Under today’s legislation, LATCos remain explicitly permitted (via the ‘vertical arrangement’ and Teckal route) and continue to sit at the heart of viable, innovative service delivery models.

In the development of legislation and the issuing of strategic documentation from national government, the context for this agenda has shifted markedly, with policy interventions from the Cabinet Office¹ also having significant implications for the practice of strategic local contracting, locally defined wellbeing metrics, or innovative and hybridised forms of service contract delivery. Thus, the goal of this short piece is to update the advocacy of *New Values* to factor in a new and emerging policy landscape, with an eye toward refining the Localis view of strategic procurement for 2025 and beyond.

1 Government Commercial Function (2025) – [Transforming Public Procurement](#)

CHAPTER ONE

Strategic procurement in the new governance ecosystem

The new Procurement Act, having come into force in February 2025, has established a single, unified statutory framework (including exemptions for awards to controlled entities like Teckal compliant organisations) for public procurement, replacing the fragmented legacy regime derived from EU directives. The Act mandates simplified award processes and scoring methodologies designed to improve accessibility—especially for SMEs, social enterprises, and VCSEs. It also seeks to reduce excessive paperwork, eliminate unnecessary tendering pathways, and to introduce flexible procurement mechanisms such as problem-based ‘solution seeking’ rather than prescriptive specifications outright.

1.1 Legislative and governance context

Contracting authorities are now subject to mandatory transparency notices for all and enhanced KPI reporting for contracts exceeding certain thresholds (e.g. £5m plus), to foster and strengthen accountability. The Act also now embeds social value as a statutory obligation; requiring authorities to consider broader outcomes such as climate action, local economic growth, and quality employment throughout every phase of the procurement process. More details on specific policy mechanisms brought forward will be analysed in the following sections.

These reforms intersect with two key bills currently before Parliament, namely the English Devolution & Community Empowerment Bill² and the Planning & Infrastructure Bill³—the former creating new devolved strategic authorities and the latter designed to accelerate housebuilding and critical infrastructure delivery.

These legal changes do not exist in a vacuum; they will fundamentally reshape the incentives, tools, and strategies available to all local authorities—necessitating widespread recalibration. To this end, the following sub-sections begin our re-examination of New Values by exploring what the implications of these two bills are for two of the report's central themes:

1. **Strategic local contracting & innovative delivery mechanisms**
2. **Public contracts for 'social prosperity'**

2 UK Parliament (2025) – [English Devolution and Community Empowerment Bill](#) (as introduced)

3 UK Parliament (2025) – [Planning and Infrastructure Bill](#) (as brought from the Commons)

1.2 Strategic local contracting & innovative delivery mechanisms

Public procurement, when conceived as a place-based governance tool, offers local authorities a powerful lever to embed socio-economic resilience and equitable growth within and across their respective localities—particularly with the Procurement Act now in effect⁴. Strategic contracting of this nature requires not only market-shaping ambition but also delivery mechanisms capable of realising it at the appropriate scale. As identified within *New Values*, recent years have seen a diversification in such mechanisms. Councils have increasingly experimented with insourced and hybridised delivery models—part in-house, part externalised—alongside establishing collaborative vehicles such as LATCos, joint ventures, and regional arms-length bodies. In this landscape, LATCos provide a continuity-of-control with their assurance and transparency now emphasised nationally, positioning them as a critical part of any ‘future-ready’ hybrid model as well as in directly delivered services.

The English Devolution Bill expands local and regional autonomy, empowering regional strategic authorities, mayors and councils to determine service delivery models free from overtly prescriptive central mandates, with integrated settlements for established strategic authorities to boot. Provisions enabling strategic authorities and enhanced cross-boundary governance echo prior recommendations for regional arms-length vehicles, potentially aiding in the further institutionalisation of collaborative frameworks that voluntary inter-authority arrangements have hitherto struggled to sustain. Coupled with new community rights and asset protections, the bill also broadens the pool of legitimate delivery partners to include empowered community enterprises and potentially even new ‘neighbourhood governance structures’. The critical caveat is that devolution of powers is noted and matched by a guaranteed investment in local capacity; without such parallel resourcing and training on new processes, many authorities will lack the operational strength to capitalise on the new, more strategically inclined legislative framework that is rapidly developing.

4 UK Government (2023) – [Procurement Act 2023](#)

The Planning Bill also complements this trajectory by embedding statutory strategic planning, via Spatial Development Strategies (SDSs), and modernising public sector-led development vehicles, such as Development Corporations. These reforms tacitly reinforce the legitimacy of public and hybrid delivery bodies for complex, cross-boundary projects in particular, creating clearer pathways for joint procurements aligned to regional strategic priorities. Measures to allow full cost recovery in planning services and mandatory officer training signal a welcome willingness to invest in local capability; though this is restricted to planning-adjacent skills as it stands, this nevertheless offers a precedent and potential model for similar capacity-building to happen in local authority procurement. However, the bill also centralises certain decision-making as a means of accelerating national objectives, particularly around housebuilding, underscoring a persistent tension between efficiency and local discretion.

Taken together, both bills, although not explicitly related to procurement, nevertheless signal a general shift toward a more wholesale strategic approach to governance and the delivery of public services and infrastructure. Devolved powers and strategic remit, as well as some more specific provisions, even go as far as to have great potential in synergising with and enabling more innovative and strategic models of local service delivery contracts.

1.3 Public contracts for ‘social prosperity’

As is well-documented, public procurement in the UK has undergone a conceptual shift: from a narrow, compliance-driven, and back-office process focused on lowest cost, towards a more expansive, outcomes-orientated practice. Within *New Values*, we sought to capture and advance such a shift under the umbrella of ‘social prosperity’, defined as a public value outcome that *all* public contracts should strive to deliver ambitiously and at scale, one that combines economic, social and environmental benefits towards a networked vision of local wellbeing and the ‘good life’.

Delivering on these ambitions often means working with distinctly local suppliers who are rooted in, and responsive to, their communities. In turn, this fosters longer-term, trust-based supplier relationships and positions local authorities not merely as purchasers, but as active market-shapers, ones that curate local, sub-regional, or regional supply chains capable of delivering a networked conception of social prosperity through the design and delivery of public service contracts.

The English Devolution & Community Empowerment Bill broadly strengthens this agenda. While procurement is not explicitly addressed, the bill, as noted, expands local powers and community rights in ways that can underpin socially orientated contracting. Provisions such as the Community Right to Buy for valued local assets, bans on upward-only commercial rent reviews, and the requirement for neighbourhood governance forums will enhance community resilience and indirectly bolster the viability of increasingly local businesses, social enterprises, and VCSE organisations to engage in localised supply chains and service delivery.

Devolved statutory growth plans, led by directly elected mayors, also present a strategic platform through which procurement priorities can be aligned with locally-defined prosperity, integrating job creation, skills development, and environmental targets into commissioning frameworks and seeking to convene and shape local markets on such bases. Put simply, the bill's direction of travel—entrusting decision-making to local authorities with a stake in place—could be a key enabler in seeing public contracts for social prosperity proliferate, provided local leaders have the intentionality to take full advantage of embedding social value and prioritise local businesses across their devolved growth strategies and subsequent contracts.

By contrast, the Planning & Infrastructure Bill offers an admittedly more mixed picture. Positive synergies include statutory requirements for development corporations to have regard to sustainable development, and reforms to compulsory purchase that lower barriers for community-led or affordable housing. Again, these provisions could both directly and indirectly support procurement that delivers inclusive local growth if there is the will and capacity to do so.

However, the bill's streamlining measures—centralising certain planning decisions, curtailing local committee oversight, and fast-tracking nationally significant infrastructure—risk reducing opportunities for bespoke, locally negotiated social value commitments, particularly on matters of housing and social infrastructure provision. This could essentially place a premium on integrating social value requirements early, within local plans, development frameworks, and procurement specifications, rather than remaining open to discretionary interventions across a procurement process.

CHAPTER TWO

Local procurement & national strategy

The 2025 Spending Review (SR25) sets a fiscal and policy landscape that, while offering clear opportunities for advancing the New Values framework, also presents a number of material tensions that will shape the extent and pace of an authority's ability and capacity to practice more strategic local contracting and manoeuvre accordingly.

2.1 2025 Spending Review

For local government, SR25's multi-year funding settlements, including a £3.3bn real-terms grant uplift by 2028/29, mark a notable improvement in certainty and planning capacity. This stability, long advocated by Localis and others within the sector, will provide a stronger platform atop which councils can engage in genuinely strategic local procurement, allowing them to commission not on the basis of short-term budgetary expedience, but with an eye to long-term value creation, local supply chain development, and place-based resilience.

Coupled with the stated commitment to devolve power to "local areas that understand the needs of their communities best", SR25 offers both rhetorical and structural support for a more strategic approach to governance than aforementioned legislation allows for regarding procurement.

However, the fiscal underpinning of this settlement remains bounded by a broader cost-containment agenda. The imposition of 16 percent cuts to Whitehall administrative budgets, and the Spending Review's repeated emphasis on "doing more with less", will exert a tacit pull towards efficiency-driven commissioning, particularly within newly devolved settings that will likely interpret this as a mandate for overt risk aversion when spending, which will seriously dampen the sector's desire for ambitious or innovative local contracting and delivery.

Tying in with infrastructure and industrial policy, SR25's allocations are somewhat more aligned with the social prosperity ethos of New Values. Significant mission-orientated investments, over £10bn for green infrastructure and industrial decarbonisation, alongside commitments to skills, regeneration, and transport, align closely with the underlying principle that public spending should foster a more inclusive growth and meaningful environmental stewardship.

The expansion of the Affordable Homes Programme⁵ and transport upgrades offer more outright procurement opportunities with potentially massive embedded social value clauses, set to support SMEs, VCSEs, and local labour markets—a bolder, strategic vision from local authorities involved in such contracts should seek maximum social value that delivers distinctly local priority outcomes.

5 Homes England (2024) – Affordable Homes Programme 2021 to 2026

Moreover, the introduction of a Social Impact Investment Vehicle, co-designed with HM Treasury and the Department for Culture, Media and Sport, signals a tacit openness to hybrid financing models that could indeed be leveraged alongside public procurement to shape markets toward addressing complex social challenges. This will inevitably require a local perspective. For councils, this creates scope to strategically partner not just with local suppliers but socially minded investors—provided local capacity exists to shape and govern such arrangements in line with community-defined priorities.

Sector-specific allocations are also relevant to local procurement priorities. Regeneration funding can underpin local supply chain development and community wealth-building objectives, while industrial decarbonisation has the potential to create markets for innovative low-carbon products and services, potentially favouring smaller, specialist suppliers if procurement processes are structured to allow for flexibility and such innovation. However, translating these allocations into socially prosperous contracts will depend on a local authority's relative ability to navigate the Procurement Act's reforms, the Cabinet Office's policy interventions, and the new Office for Value for Money's oversight, amidst what is already an overtly legalistic and technical profession. Herein lies a serious potential point of friction: the drive for efficiency auditing may, if applied narrowly, disincentivise more experimental or partnership-driven procurement models, including hybridised or insourced delivery arrangements with many local authorities opting to play it safe short-term due to ongoing lack of fiscal headroom.

Finally, there is an implicit further tension between this constrained fiscal environment and the stated ambition to expand SME and VCSE participation in public contracts, as reflected within the Procurement Act and broader procurement policy targets. SME engagement will require more intensive pre-market engagement, capacity-building, and contract-lotting strategies, all of which carry transaction costs and require fairly specialist knowledge. Without ring-fenced support or further relaxation of overly rigid efficiency metrics, there is a risk that such initiatives will remain aspirational rather than transformative. These costs must be positioned as strategic investments, yielding returns in resilience, innovation, local economic circulation, and, eventually, social prosperity.

2.2 10 Year Infrastructure Strategy

The Infrastructure Strategy⁶ signals a significant pivot towards infrastructure as a lever for long-term, inclusive growth. Its core commitments—boosting British supply chains—simplifying procurement processes—and embedding social values—are commendably aligned with the *New Values* framework. The strategy also reinforces the notion that procurement should not merely secure assets at lowest cost but act as a vehicle to deliver outcomes that support community wellbeing, sustainable growth, and equitable economic opportunity across regions. Yet, despite rhetorical convergence with the broader strategic procurement agenda, there remain critical gaps in the strategy's delivery mechanisms and conceptual framing that may hinder the Strategy's capacity to realise this potential through procurement at the local level.

The strategy's embrace of the Procurement Act does mark a foundational shift. The 'most advantageous tender' principle, coupled with duties to consider public benefit, transparency, and integrity, establishes both a legal and a national level strategic backing for a place-sensitive procurement regime. All public bodies are empowered and indeed encouraged to use procurement to generate skills, jobs, and community value. The explicit drive to enhance SME participation, alongside proposals for locally-led pilots in service delivery (e.g. in short-term accommodation provision), could even indicate tacit movement toward hybrid delivery models. These developments do resonate strongly with our call for reshoring public service capacity and embedding strategic local contracting in its place, whether hybridised, or insourced entirely.

However, the strategy simultaneously introduces risks of recentralisation. The establishment of the National Infrastructure and Service Transformation Authority (NISTA), while offering potential coordination benefits, may ultimately constrain local agency if relative roles and responsibilities are not established and understood well enough. With a centrally defined pipeline and the national missions, councils may find themselves navigating a top-down schema with limited flexibility to tailor procurement approaches to local priorities or build up long-term relationships with smaller, community-rooted suppliers or delivery organisations—particularly given the lack of fiscal headroom. This could, again, crowd out precisely the forms of local experimentation and strategic partnership needed to embed meaningful social value in procurement design, especially where NISTA's goals potentially conflict with existing regional or sub-regional strategies. If NISTA can operate as an enabler rather than a controller—inviting local authorities into programme design, accommodating diverse

definitions of value and supporting hybrid models of delivery, then the body could indeed become a powerful vehicle for social prosperity, but this is a big if and will already need notable corrective recalibration.

The greatest conceptual shortcoming, however, lies in the strategy's definition of social infrastructure. By confining this to facilities in health, education, and justice, the government departs from both international best practice and well-established domestic precedent. Such a narrow framing not only conflates what should be core infrastructure with social infrastructure but risks sidelining vital community assets (libraries, youth centres, green spaces, cultural venues) that underpin relational wellbeing and civic life. The British Academy defines social infrastructure as the "physical spaces in which regular interactions are facilitated between and within diverse sections of a community"⁷; a dimension that is entirely absent from the government's current strategic definition.

The omission has operational and practical consequences: from potentially limiting what local authorities can negotiate through planning gain mechanisms (e.g. CIL or S106), to narrowing the eligibility of projects for strategic investment of a socially prosperous nature. Authorities with weaker institutional capacity or experience in strategic procurement may also default to this narrow national framing, locking in underinvestment and deepening spatial inequalities—potentially setting up additions to places or new places entirely without adequate social infrastructure. If social infrastructure is not expansively recognised within national strategy, it becomes more difficult to embed its benefits, such as community engagement, preventative health outcomes, or social cohesion, within procurement specifications, evaluation criteria, or social value weightings.

7 The British Academy & Power to Change (2023) – Space for Community: Strengthening our Social Infrastructure

CHAPTER THREE

Further reforms to public procurement

In June 2025, the Cabinet Office launched a consultation on further reforms to the procurement regime, building on the Procurement Act⁸. The government is consulting on several measures designed to further embed strategic procurement as a key driver of policy outcomes. This section is adapted from Localis' response to the consultation.

8 [Cabinet Office \(2025\) – Public Procurement: Growing British industry, jobs and skills – consultation on further reforms to public procurement](#)

3.1 Supporting local businesses and boosting jobs

Contained in the consultation are a suite of proposed measures designed to provide greater strategic leverage for contracting authorities to use procurement to boost local socio-economic outcomes. These include:

- **Utilising targets and extending transparency measures for spend on SMEs and VCSEs** by requiring large contracting authorities with annual spend of over £100m to publish their own three-year target for direct spend with SMEs and VCSEs and report against it annually, as well as extending spend reporting requirements.
- **Introducing flexible tendering for people focused services** by clarifying in primary legislation where it may be appropriate to award contracts for certain services delivered to vulnerable citizens without full competitive procedure, so that decisions can be driven by the needs of the individuals and vulnerable groups.
- **Weighting tender evaluations towards local jobs** by requiring contracting authorities to set at least one award criteria in major procurements (+£5m) which relates to the quality of the supplier's contribution to jobs, opportunities or skills. Contracting authorities would need to apply a minimum weighting of 10 percent of the scores available, to social value award criteria.

Below is an analysis of what these measures could mean at local level, where they might be improved and what the preconditions are for their success.

3.1.1 Targets and transparency for spend on SMEs and VCSEs

Localis and others across the local government sector have long advocated for a more intentional and transparent approach to procurement, one that empowers SMEs and VCSEs. The proposed requirement for large contracting authorities to publish three-year targets for SME/VCSE spend, and report annually against them, marks a positive shift from procurement as a 'back office' function to a strategic tool for local economic development.

Mandating targets and reporting would likely improve SME/VCSE inclusion by:

- **Enhancing visibility and accountability.** Public commitments and benchmarked progress would help standardise inconsistent procurement practices across authorities.
- **Identifying barriers.** Better data collection and analysis could highlight where SME/VCSE access is weakest, prompting targeted pre-market engagement and improved supply chain inclusion.
- **Driving culture change.** Embedding targets signals strategic intent, helping shift organisational culture from transactional contracting to a more relational, values-led ethos.

However, setting targets without parallel investment in capacity-building or support for smaller suppliers risks tokenism. Targets must be tied to robust contract management, standardised reporting, and early market engagement. Thus, two key risks limit the policy's impact: a **lack of enforcement** where, without penalties, authorities may default to performance compliance, and widespread **capacity gaps**, where many councils still lack the systems, data, and expertise to set meaningful targets or track outcomes rigorously enough. New strategic authorities may be larger in scale, but this does not mean automatic procurement capabilities across regions.

Furthermore, without clearer national guidance, targets may become arbitrary or conservative. To avoid this, central government should publish common benchmarks and support frameworks to ensure targets are both stretching and locally appropriate.

Target-setting should also be locally grounded in and of itself. Place-based tools like the Community Value Charters proposed within *Brighten All Corners*; an earlier Localis report, could complement targets by linking them to locally co-produced priorities and shared metrics.

Similarly, the proposal to require the publishing of all payments under public contracts is a welcome transparency measure. For SMEs and VCSEs, opaque procurement processes and poor payment reliability are major barriers. Requiring payment reporting would: highlight payment reliability (critical for small suppliers with tight cashflow), clarify whether larger contractors are passing funds down supply chains, and provide comparative data that enables new market entrants to shape their offers accordingly.

Yet transparency alone will not drive change. Without standardised data formats and accessible dashboards, these measures risk becoming administratively burdensome rather than enabling. To ensure impact, therefore, reporting should be underpinned by common data standards, local or regional procurement dashboards, and basic training for both procurement officers and SMEs/VCSEs on how to use such data.

3.1.2 Flexible tendering for people focused services

The Cabinet Office consultation proposes greater flexibility around competitive tendering for people-focused services—particularly adult social care, children's services, and other relational or place-based provision. These services require procurement approaches fundamentally grounded in continuity, trust, and local knowledge, areas where rigid competition has too often undermined quality.

The proposed flexibility, especially when supported by clear statutory guidance, represents a proportionate, values-based shift in procurement culture. It would indeed allow commissioners to focus on socially prosperous outcomes that matter most: resident wellbeing and the sustainability of local integrated care.

Competitive tender can marginalise smaller, community-rooted providers, fracture continuity of care, and see authorities prioritise compliance over collaboration. So flexibility, including direct awards justified by user choice or strategic need, could indeed enable more relational and place-sensitive partnerships. To strengthen the policy in practice, we recommend:

- **Clear legislative guidance** and case-based examples defining appropriate conditions for direct award.
- **Local market stewardship strategies** to support diversity, transparency, and ethical provider development.
- **Outcome monitoring frameworks** that prioritise relational and preventative outcomes over narrow compliance.
- **Capacity-building for local authority commissioners**, enabling values-based procurement across all tiers of governance.

The assumption that market competition always delivers best value has become fundamentally flawed in this context. Thus, a more strategic approach, grounded in continuity, partnership, and resident voice, can work to contribute to sustained social prosperity, particularly within overtly complex care systems.

However, flexibility alone will not guarantee better outcomes. Local authorities of all tiers must be equipped to navigate these new freedoms effectively, including pre-procurement engagement, service contract co-design, and active local market shaping. Without dedicated support, particularly for commissioners with stretched capacity, there is a risk of uneven implementation or a continued overreliance on standardised competition models of the past.

3.1.3 Weighting tender evaluations towards local jobs

The proposal to require at least one award criterion in major procurements (over £5m) relating to local jobs, opportunities, or skills, with a minimum 10 percent weighting, is a welcome evolution in social value practice. It anchors socio-economic impact within the procurement process, moving social value from a discretionary add-on to one that now incorporates employment and labour benefits.

A guaranteed weighting sends a strong signal to suppliers that job creation, skills development, and widen opportunities, particularly for disadvantaged groups, are priorities. Over time, consistent application of this standard can help embed inclusive growth across localities and both expand the remit and improve the comparability of social value outcomes across contracts.

However, several challenges could limit effectiveness:

- **Generic offers.** Without early market engagement and local co-design, suppliers may submit standardised commitments detached from local job priorities.
- **Capacity constraints.** Many authorities lack the resources to monitor, enforce, or meaningfully evaluate delivery against employment-specific social value claims.
- **Over-narrow focus.** While jobs and skills are crucial, they must be part of a broader and more expansive strategy that does more to address environmental sustainability, community wellbeing, and supplier ethics.

Success, to this end, will depend on: high-quality, place-based award criteria and KPIs, adequate contract management capacity post-award, and ensuring all contracting authorities avoid ‘off-the-shelf’ social value packages that fail to meet local or public sector needs.

Without sufficient attention to these factors, the measure risks becoming another tick-box exercise, especially in smaller authorities or for suppliers with limited flexibility. Furthermore, overreliance on headline employment outcomes may neglect harder-to-measure but equally valuable contributions such as workforce socio-economic diversity, progression routes or wellbeing-focused employment practices.

Still, the policy represents a clear advance. When embedded within a wider strategic procurement approach and supported by local market knowledge, it can work to drive a more inclusive economic model within localities, particularly when paired with robust monitoring, local performance dashboards, and outcomes-based contract reviews. Standardising a 10 percent minimum weighting is indeed a good start, but flexibility for place-specific calibration remains key to ensuring relevance and impact across different contexts.

3.2 Supporting national capability

As part of a wider governmental drive towards insourcing public services, the consultation puts forward a measure which would require contracting authorities “to make a standard assessment (a public interest test) before procuring a major contract, in order to test whether service delivery should be inhouse or outsourced”. Properly designed, the public interest test should be value-adding: an opportunity to evidence Best Value, social value, and governance strength. On the face of it, this requirement would address several long-standing weaknesses in public procurement. The measure would institutionalise early, structured reflection on whether a service is best delivered in-house or outsourced, creating a clear link between delivery models, strategic objectives, and community priorities. However, it is important that the ‘standard

assessment' takes into account the plurality of delivery models which exist at the local level and allows for a spectrum of models rather than a binary of in/out-sourcing.

3.2.1 Allowing for complexity and hybrid models

For many local authorities navigating complex challenges, the optimal service delivery model is often hybridised—combining in-house management with strategic outsourcing. This approach enables councils to retain oversight and public accountability over critical functions while leveraging the efficiency and expertise of trusted external providers—whether from the private or third sector.

Hybrid models can address longstanding weaknesses of traditional outsourcing, such as a loss of public sector administrative and managerial control, high transaction costs, and inflexible, long-term contracts. In such models, councils or arms-length bodies such as LATCos or ALMOs retain responsibility for strategic administration and contract management, ensuring alignment with local objectives, values, and democratic mandates.

LATCos are especially well-suited to such an approach. As publicly owned entities, they provide operational flexibility while maintaining direct public accountability. Unlike private contracts, they are strategically driven, allowing local authorities to deliver and manage services in line with community priorities and long-term goals. Crucially, they remain secure under today's legislation and are explicitly recognised in procurement law as 'controlled entities'. The Cabinet Office's proposed reforms are seemingly fine-tuning assurance and transparency to this end, rather than limiting the legitimate and legal use of LATCos.

Future procurement reforms should, therefore, explicitly support the legitimacy of such hybrid models, including public-to-public arrangements. A binary choice between insourcing and outsourcing risks seriously overlooking the diversity of delivery tools that could now be available to councils, many of which combine control, innovation, and community responsiveness.

A standardised assessment, as proposed in the consultation, can play a constructive role if designed with nuance. Rather than a rigid in/out test, the assessment should evaluate a spectrum of models against local strategic needs, market conditions, and community benefit. When embedded early in commissioning, this process could prompt more thoughtful sourcing decisions, build local capacity *and* economy, and support bespoke delivery models tailored to place.

3.2.2 Practical implementation

The proposed measure reflects sound policy intent, but success will hinge on careful implementation. Used well, the public interest test should strengthen, not impede, sound sourcing judgements by surfacing Best Value trade-offs and governance considerations that LATCos are well placed to meet. First, limiting the public interest test to contracts over £5m risks excluding highly strategic local services, such as homelessness provision or local transport, that may fall below this threshold yet carry significant place-based importance. A more flexible threshold, based on service criticality rather than monetary value alone, should be considered.

The proposed 'series of questions' for standard assessment is also welcome, but must strike a balance: consistent enough to enable benchmarking, yet adaptable to reflect local priorities and outcomes. This duality will be key to ensuring both supplier clarity and place relevance.

Effective implementation will also depend on local capacity. Authorities must be supported to undertake robust assessments that reflect local material conditions, market dynamics, and community preferences. Without investment in procurement skills and community engagement mechanisms, many councils may default to overtly risk-averse or tokenistic assessments.

Crucially, the test should be informed by pre-market engagement and consultation with residents and suppliers, ensuring decisions are shaped by both local intelligence and community priorities. Such stages must not be assumed; central government should be supporting and resourcing them explicitly.

Finally, publishing results is vital for democratic accountability: a national, searchable database of public interest test outcomes, complemented by local summaries, would allow for meaningful scrutiny and promote sector-wide learning. Ideally, reporting should include benchmarking across strategic authorities and local government tiers, enabling central government, communities, and suppliers alike to track patterns and assess performance over time.

3.3 Standardising social value

Beyond the local job KPI requirement, the consultation proposes further standardising social value by mandating the use of criteria and metrics from a streamlined national list, co-designed with public sector bodies and suppliers.

A simplified, consistent baseline for social value measurement could address many systemic issues: inconsistent scoring, poor transparency, duplicative frameworks, and unclear expectations for bidders. For suppliers, particularly SMEs and VCSEs,

this could reduce bidding burdens and improve fairness. For contracting authorities, it offers a foundation for stronger accountability, comparability, and benchmarking across contracts and places.

However, successful implementation will depend on how well national standardisation balances with local flexibility. If delivered too rigidly, it risks producing generic offers detached from local needs. The framework must allow authorities to customise or supplement core metrics to reflect distinct social, economic, and environmental priorities, especially in the context of place-based strategies and strategic local contracting.

Standardised metrics should also be treated as a floor, not a ceiling. Authorities must therefore retain the ability to integrate locally defined goals, shaped through community engagement and pre-procurement consultation, into contract design and evaluation and have such goals remain viable and be supported. Otherwise, meaningful place-based procurement could be eroded in favour of easily quantifiable but less impactful metrics.

Additionally, social value cannot be secured through bid evaluation alone; it must become monitored and enforced post-award. Requiring KPI delivery reports in contract performance notices is therefore essential. This helps address long-standing weaknesses such as weak follow-up on supplier commitments, fragmented ownership of social value across commissioning and contract teams, and overreliance on narrative promises without supporting data.

Linking award criteria directly to monitored KPIs improves delivery continuity and public accountability. It also strengthens the operationalisation of the Social Value Act⁹—turning its intentions into enforceable obligation. Reporting requirements should thus be standardised but also intelligible to residents and stakeholders, not just compliance auditors. This strengthens assurance—again aligned with the controlled transparent governance expected of public sector administrative and managerial oversight, with LATCos a key enabler to such ends.

Transparency must also go beyond publication. Contract performance notices should be accessible, plain-language, and clearly linked to local priorities, ideally with evidence of co-design and community input. Councillors and communities should be able to assess supplier performance meaningfully, encouraging ongoing scrutiny and improvement.

9 UK Government (2012) – [Public Services \(Social Value\) Act 2012](#)

CHAPTER FOUR

Conclusions & looking forward

The political and policy landscape in which *New Values* was first conceived has shifted substantially. The combined changes of various legislation, strategies, and ongoing Cabinet Office reforms, has created both risks and renewed opportunities for strategic procurement to further serve social prosperity. While these reforms vary in scope and ambition, the underlying trajectory is fairly consistent: a reassertion of strategic purpose from across the public sector, a growing role for local government specifically, and a subtle but significant repositioning of procurement as a means to broader economic, social, and environmental ends.

The *New Values* agenda finds strong affirmation across this landscape. Government discourse is increasingly reflecting our core principles on procurement: that public contracts should advance long-term societal goals, that local institutions should be empowered to shape delivery, and that insourced and hybrid delivery models are not only legitimate but, in many cases, desirable. The government's commitment to the largest wave of insourcing, a public interest test, and the creation of new public investment vehicles (such as Great British Energy¹⁰) all reflect a turn away from a rigid outsourcing orthodoxy that has dominated previous decades of New Public Management. In this sense, *New Values* is not only relevant but becoming increasingly aligned with mainstream policy.

Yet alignment does not guarantee execution, particularly as much of New Values hinges on outright political will and necessary strategic acumen. Thus, key risks and contradictions remain. First, the tension between central mission-setting and local strategic autonomy must be carefully managed. While central framework such as NISTA, the National Procurement Plan, and the Industrial Strategy Council offer coherence, they can risk disempowering localities unless designed to accommodate place-based knowledge and priorities unless designed to accommodate place-based knowledge and priorities. Second, fiscal constraint remains acute; despite increased settlement certainty, councils continue to face demand pressures and capacity challenges that may hinder their ability to implement more complex procurement strategies or insource services at scale if necessary. Thirdly, while legal flexibilities now exist under the Procurement Act, cultural inertia and risk aversion within commissioning bodies will continue to dampen take-up of new approaches. Embedding change thus requires both political will and professional development.

Looking ahead, areas for ongoing monitoring and evaluation for public procurement practice should include:

- The uptake and local implementation of 'most advantageous tender' provisions;
- The efficacy and accountability of new hybrid delivery models as they are put in place;
- The integration of devolved spatial strategies into national investment plans;
- The alignment and expansion of social value KPIs across local and central government;
- The durability of insourcing initiatives under economic pressure.

10 DESNZ (2024) – [Great British Energy founding statement](#)

Moving forward, advocates of strategic procurement must seek to develop the concept from a theoretical policy provocation to institutional practice through embedding a clearer theory of implementation, embracing adaptive governance, and ensuring that the report can still function well as part of a broader learning agenda around a new wave of strategic local contracting, particularly in the context of new devolved strategic authorities and inevitable processes of contract novation and new contracts outright. Across this transition, hybridised service delivery models, remain a recognised, compliant and future-ready option, secure under the Act's controlled-entity provisions and congruent with the consultation's emphasis on assurance and transparency.

Localis

Vox Studios, V.311
1-45 Durham St
London, SE11 5JH

0870 448 1530
info@localis.org.uk

localis.org.uk

Kindly sponsored by:

