Local spending should use new laws to promote social prosperity – new report urges

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Press release

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Councils should make better use of their collective annual £72bn spend on goods and services to promote community prosperity, a new report published today by the think-tank Localis has advised.

In a study entitled **'New Values: local public contracts for networked social prosperity'** Localis calls on councils to make use of the new Procurement Act - which comes into effect next February - to drive social prosperity. This could involve tailoring commercial contracts for neighbourhood services to local economic needs such as by supporting SMEs and opening up training pathways for residents.

Under new Act, which stresses the importance of the 'most advantageous tender' to unlock a wider concept of value for money that fosters social prosperity and inclusive growth, local authorities will be encouraged to optimise their buying of goods and services through a balance of insourcing, outsourcing and hybrid models tailored to local needs in a whole place manner.

According to Localis, councils should consider a 'local service reshoring model' in which smaller authorities would hand over administrative responsibilities to arm's-length delivery bodies while delivery is outsourced to local agencies, whether Local Authority Trading Companies (LATCos) or from the private or third sector.

Given the move to greater insourcing and taking account of council capacity constraints, local authorities are further urged to consider banding together to set up or make use of existing delivery vehicles for strategically assessing and controlling public contracts.

Councils are also advised to use dynamic contracting, whereby local contracts are equipped with mechanisms that allow for the periodic review and adjustment of commercial terms to meet local needs.

Key report recommendations for central government include:

- calls to conduct economic and social impact studies to better direct local strategic capacity;
- greater clarity on legal definitions and scenarios under the new legislation;
- supporting a local government capacity building programme for council procurement departments.

Report author and Localis senior researcher, Callin McLinden, said: "With the enactment of the Procurement Act postponed repeatedly, many local authorities have been left in a state of limbo and would be right to wonder what the fuss has been about.

"The Procurement Act is set to reinvigorate an admittedly dense but promising legislative framework for procurement and local service contracts, carving out greater strategic potential for the buying process to deliver socially prosperous and publicly valuable outcomes – whether services are insourced, outsourced, or innovatively hybridised.

"However, whatever the ambitious approach or model taken, a lack of accountability, capacity gaps, and unfamiliarity with overtly complex legislation have stood in the way of and will continue to frustrate any efforts to 'take back control' of public services.

"This is why the government and local authorities must be equally mindful and mutually assured in transitioning towards a more strategic and socially prosperous use of public contracts."

Justin Galliford, CEO of Norse Group, said: "Smart procurement is about more than just contracts—it's about ensuring best long term value for our communities, creating social value, and ensuring local growth.

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“Models like LATCos (Local Authority Trading Company) offer councils the advantages of insourcing, such as greater control over services and employment of staff, while operating in a more commercial environment with expertise.

“By focusing on what really matters, councils can help build a future where economic success also means stronger, healthier communities."

Jonathan Werran, chief executive, Localis, said: “In opposition, the Labour Party promised, under the aegis of a National Procurement Plan that would mandate social value in public contracts, to strengthen public procurement so as to support local businesses and ensure contracts drive local economic development, sustainable growth and high employment standards.

“Now they are in Government, we can expect to see a strategic shift towards the wholesale integration of environmental, social and employment considerations.

“To deliver this shift at the level of place and guarantee communities and localities benefit fully from the current annual £72bn spend on local goods and services will require robust capacity building and training programmes to give council procurement teams the skills to navigate increased complexity and transparency.”

END

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Notes to Editors:

1. **An advance copy of the report is available for download here:**

1. **About Localis**

Localis is an independent think-tank dedicated to issues related to politics, public service reform and localism. We carry out innovative research, hold events and facilitate an ever-growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK.

https://www.localis.org.uk/

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About Norse Group:

Norse Group delivers the spaces and services communities need to thrive. We combine breadth, expertise, and scale with the insight of a local partner and the values of the public sector - driven by the belief there is always a better way to deliver for the public.

It is our mission to offer an integrated approach to providing public sector services - generating sustainable long-term relationships and returns in a fair and ethical way, for the benefit of our clients, employees, and all other stakeholders.

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1. **Key report recommendations**

Policy recommendations

Central government

- Central government should launch a local government capacity building programme to enhance the staffing and training of procurement departments and ensure that the intended aims of recent reforms can be met at the local level.

- To ensure strategic procurement can be carried out successfully at the local level, there is a need for greater clarity in legal definitions and scenarios around the new regime, particularly in the context of a drive to hybridised and insourced models.

- Central government should conduct economic and social impact studies on local authorities and their public contracts to assess strategic capacity and resource allocation in relation to upcoming reforms at the local level, with a view towards tailored and sustained central government support where it is needed most.

Local government

- To drive social prosperity, councils should integrate procurement strategies with wider socio-economic objectives, as defined by local understandings of wellbeing and prosperity.

- As part of this process, it is important to take advantage of the new reforms to tailor contract design to local economic needs such as the privileging of local SMEs or development of training pathways.

- When approaching new public contracts, councils should consider a hybrid model – particularly regarding the use of LATCos and arm's length delivery vehicles to deliver strategic goals across public contracts.

- Councils should emphasise dynamic contracting, where public contracts are designed with mechanisms that allow for periodic review and adjustment of terms – making use of the new procurement regime to ensure local objectives are being met.

- In the context of an insourcing drive, given capacity constraints in local government, councils should consider joining together to set up or make use of delivery vehicles for strategic assessment of administrative and managerial control over public service contracts:

- **County, unitary and other regional authorities**: consider the possibility of setting up an arm's length body to take on the administrative and managerial functions for contracts among groups of local authorities.

- **District and constituent authorities**: Consider the possibility of reshoring relevant administrative and managerial functions for contracts among groups of local authorities.

General

- As we end one political cycle and begin another, it is important that momentum is not lost and that central government continues ongoing dialogue and collaboration with local government, combined authorities and other stakeholders to ensure that public contracting for social prosperity continues to be realised across the country.

- As part of this, both local and central government must adopt non-ideological, evidence-based approaches to procurement strategy, to ensure best local outcomes, maintaining a pragmatic and socially-inclined mindset.

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