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# Local Government Reorganisation and Procurement

A paper by the Business Services Association

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## Foreword by Mark Fox, BSA Chief Executive



I welcome this note on Local Government Reorganisation (LGR) and Procurement.

The BSA has a well-developed local and devolved government engagement programme. Its focus is on how collaboration can achieve better outcomes in terms of quality and long-term value in service and infrastructure provision.

The thoughts in this note arise from these discussions and from meetings specifically on LGR. Many private and voluntary sector providers have substantial experience of council reorganisation, along with wider reform in local government. We are grateful to all who have contributed in any way.

**Mark Fox**  
Chief Executive,  
BSA - The Business Services Association



## Key Points

- Devolution of services, and streamlined structures under Local Government Reorganisation (LGR), both have the potential to improve efficiency and accountability in local government.
- The role of suppliers as stakeholders in the LGR process is vital, for example bringing best practice, knowledge and data, especially if they cross more than one authority involved in LGR. We have therefore suggested a national mechanism to enable service and infrastructure project providers to help local government transition to the new structures.
- Such joint working requires effective and ongoing two-way communication and collaboration, both in terms of future contracts but also in the process of transition itself. Genuine collaboration involves a willingness - and keenness - from suppliers to help in a non-commercial way, where there is recognition from authorities that accepting such help would be productive and beneficial. It also involves patience and being mindful of the human element involved in LGR.
- Experience from previous successful reorganisations suggests that a dedicated LGR team is needed, covering finance, contracting, and particular service areas. One task for the team is to audit and RAG weight all contracts, according to their term and flexibility, size and importance. There should be early discussion on these issues between the merging authorities. This is a huge task.
- The aims of value for money, driving sustainable growth and empowering local communities, championing businesses and creating good local jobs while protecting national resilience and economic security, will only be achieved if commissioning practices are done correctly. In particular, commissioning decisions should focus on outcomes. Services must match local needs, and every pound spent should maximise economic and social value for communities.
- The BSA has previously set out what we believe are six key principles for successful local commissioning in general. These all have relevance for the commissioning process under reorganised structures in the longer term, as well as for the process of reorganisation itself:
  - Set a clear strategy that puts communities at the centre and empowers them.
  - Build genuine partnerships including by engaging suppliers early and sharing risks fairly.
  - Outcome-based commissioning.
  - Encourage a diverse market, for example by minimising the bureaucracy, time and cost involved in bidding for work.
  - Get the right balance on scale.
  - Encourage long-term thinking, including through publishing accurate pipelines of work.
- It is essential that newly merged or created commissioning authorities, or authorities delivering newly devolved or localised services, recognise that the procurement process itself can encourage or discourage a wide range of suppliers. Good practices such as early engagement, equitable transfer of risk, and publication of timely and accurate principles of work help SMEs and larger organisations alike, whether businesses or charities.
- The recent PBS Sector Plan, published as part of the Government's Industrial Strategy, recognised the importance of this best practice in procurement, as set out in the Cabinet Office's suite of Playbooks, to the wider public sector. It noted the role that such effective procurement can play in helping deliver objectives such as training and local employment, investment, innovation and access for SMEs. For example encouraging long-term thinking, such as through pipelines of work, is essential for enabling suppliers to embed themselves in communities.



## Background

### The BSA and Procurement

The BSA - Business Services Association - brings together large and small businesses, professional services firms, charities, and social enterprises delivering service and infrastructure projects across the private and public sectors. A membership list is attached.

Many of these organisations work in partnership with local government across the UK. The BSA therefore has an extensive local and devolved government engagement programme, including regular meetings with councils themselves, local government representative organisations, current and proposed mayoral strategic authorities and other devolved government bodies. It also has a series of workstreams looking at particular service areas, from construction and infrastructure to ICT to employment support.

In particular there has been a focus in these discussions on partnership working for quality and long-term value in service and infrastructure provision, including best practice in local commissioning, often with a particular focus on social value or Community Wealth Building. The BSA has published a note on this issue<sup>1</sup>.

This note is based in part on these discussions and in part on member input specifically on the topic of local government reorganisation (LGR).

### Local Government Reorganisation

Devolution of services, and streamlined structures under Local Government Reorganisation (LGR)<sup>2</sup>, both have the potential to improve efficiency and accountability in local government.

The Government has set out an ambitious timetable<sup>3</sup> for LGR to be implemented:

- elections for the new Surrey unitary authorities are planned for May 2026, with a 'go live' in April 2027;
- for the six areas in the Devolution Priority Programme<sup>4</sup>, final proposals are due by the end of September, followed by a consultation and decisions by March. The plan is elections to the new unitary authorities would take place in May 2027 with 'go live' in April 2028; and
- for the remaining 14 areas, where final proposals are due at the end of November, this would be followed by a consultation and subsequent decisions, also allowing for elections to the new unitary authorities in May 2027 and 'go live' in April 2028.

The issue of procurement and LGR needs also to be seen within the context both of wider reforms affecting the commissioning environment and, connected to this, the aims that local authorities want to achieve from the commissioning process. Central government also has clear goals, as set out in the Plan for Change and wider Missions.

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<sup>1</sup> [Successful Local Commissioning: Principles and Case Studies - BSA](#)

<sup>2</sup> [The devolution and LG reorganisation hub | Local Government Association](#)

<sup>3</sup> [Local government reorganisation: letter to areas invited to submitted final proposals - GOV.UK](#)

<sup>4</sup> [Full steam ahead for Devolution Priority Programme - GOV.UK](#)



## Reforms affecting Local Government

Wider reforms taking place alongside LGR include:

- directly related to LGR, the acceleration of localisation (to local authorities) and devolution (to strategic authorities) of service provision. Many councils are affected by both LGR and devolution simultaneously. As part of this, the development of single settlements provides local discretion to join up funding streams and transfer resources between what would otherwise be budget silos. This is a far more effective way to spend money in order to deliver results. Furthermore, moves to longer-term budgets enable forward planning and improved outcomes for every pound spent. Devolution can itself help break down the barriers which have existed between economic and social infrastructure. All these changes present great opportunities for commissioning authorities, but the challenge will be establishing and embedding the right systems, processes and practices from the start;
- ongoing procurement reform, including rollout of the Procurement Act 2023 and the revised NPPS<sup>5</sup>, the proposed reforms set out in the recent government procurement consultation<sup>6</sup>, and the new LGA National Procurement Strategy<sup>7</sup> due to be published in 2026. The Act emphasises public benefit, and moves commissioners to accept the Most Advantageous Tender rather than the Most Economically Advantageous Tender. It also encourages both long-term thinking and collaboration by ensuring pipelines of work are published;
- the fair funding review, which will change the amount of money different councils have available to commission services;
- reforms affecting council-related services, including the 10 year health plan; and
- the local government outcomes framework consultation<sup>8</sup>.

There are also of course wider developments affecting local government - including technological change such as the increased use of AI, rising demand and changing expectations, and years of budget restrictions which means change programmes need to be implemented in the context of stretched resources.

These developments in any event will encourage radical service redesign, a focus on targeted services accompanied by discussions on digitisation, significant emphasis on Place shaping, and investment in wellbeing promotion.

They also make it even more important that all stakeholders draw together in common endeavour to make LGR work.

## Place-Making and achieving Local Authority Objectives

All these trends enable - and indeed require - a laser-like focus on outcomes when making commissioning decisions.

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<sup>5</sup> [National Procurement Policy Statement - GOV.UK](#)

<sup>6</sup> [Public Procurement: Growing British industry, jobs and skills - Consultation on further reforms to public procurement - CP XXX](#)

<sup>7</sup> [National Procurement Strategy 2022 | Local Government Association](#)

<sup>8</sup> [Local Government Outcomes Framework: Call for feedback - GOV.UK](#)



Bringing this together requires Place-based strategic leadership. Place leaders will be key in enabling communities to drive response, providing leadership so those needs and wishes can evolve into strategy, and drawing together stakeholders in putting it into effect.

The voices of local communities themselves, as well as their local and devolved government representatives, should be at the heart of the decision-making process going forward.

These outcomes will be achieved in particular through more joined-up working, collaboration, early co-design, planning ahead, and spending on wellbeing promotion. This is particularly the case when it comes to maximising social value and Community Wealth - strengthening organisations and people in local communities - a key local authority objective along with maximisation of value and social value in service and infrastructure provision, and matching that provision to the specific needs of communities in the ground.

Wider stakeholders are key to achieving these objectives. The work of service and infrastructure providers in this regard may include:

- if there are local labour market needs, employment of local workers or priority groups, such as young people, long-term unemployed people, or those who may be further from the labour market, making use for example of 'patient employers' or job carving to help such groups;
- specific work to break down barriers in the labour market, so everyone has the opportunity to fulfil his or her potential, especially if there are groups which are under-represented;
- if links between business and young people need developing, work with schools, colleges and universities to offer work experience;
- making it possible for SMEs to win contracts directly from commissioning authorities and, if local economic capacity needs developing further, larger companies working in partnership to help scale up SMEs, making full use of the external expertise and supply chain management which they can bring to the table;
- if there is a need to strengthen community-based organisations, work to build VCSE capacity, with third sector organisations working with the private sector and each benefiting from the other's strengths and experiences;
- measures on social wellbeing, including fair work practices and opportunities for Good Work, including through supply chains;
- measures to ensure there is a sustainable impact on the local environment, and a positive legacy impact if there is need in this area; and /or
- support for wider community initiatives.

### Central Government Objectives

Central government's objectives from the procurement process, including procurement across local and devolved government, were set out at the start of the recent consultation paper 'Public Procurement: Growing British industry, jobs and skills'<sup>9</sup>:

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<sup>9</sup> [Public Procurement: Growing British industry, jobs and skills - Consultation on further reforms to public procurement - CP XXX](#)



“With the UK’s annual £385 billion spend on goods, works, and services, procurement is not merely a function; it is a powerful lever for national renewal. We want people around the UK to feel this government spend through investment in their skills and opportunities to access high quality jobs close to home. Our Plan for Change, aligned with our national missions, demands this shift to ensure we can: Kickstart economic growth, Make Britain a clean energy superpower, Take back our streets, Break down barriers to opportunity, Build a National Health Service fit for the future...

By strategically leveraging our annual public procurement spend, we can protect our supply chains, open up new opportunities for local small businesses and social enterprises, create good local jobs, and deliver greater value for taxpayers.

Through these reforms, public procurement will truly be in the service of the people — empowering British businesses, supporting social enterprise, safeguarding our national interests, and tackling today’s challenges while building a prosperous and fair future for all”.

These aims of value for money, driving sustainable growth and empowering local communities, championing businesses and creating good local jobs while protecting our national resilience and economic security, will only be achieved if commissioning practices are done correctly.





## Local Government and Procurement

### Getting Local Commissioning Right

Aligning services with need, and achieving value - including wider value and social value - for communities for every pound spent, is now more important than ever.

The challenge is being able to do so.

Traditional approaches to procurement can put several barriers in the way of successful outcomes.

These include:

- late supplier involvement (with suppliers introduced at the end of the planning stage). This inhibits innovation and may encourage unrealistic expectations, which then either needing to be scaled down or lead to cost overruns;
- procurement driven solely by price;
- transactional relationships with single short-term schemes;
- little real drive to deliver social, economic, and environmental value; and
- little time for long-term impact.

Increasingly, however, local and devolved commissioning authorities have, like their national counterparts, recognised the importance of moving away from these traditional approaches.

At a national level this is seen in publications like the Cabinet Office Playbooks<sup>10</sup>. At a local level, many of the principles of good practice in the Playbooks are just as relevant for achieving local and central government objectives, and the Government has committed to continue to help roll them out for this reason:

‘We will also continue to work with MSAs, local government and their representatives, and the wider public sector, to maximise the full potential of the regime for the sector. This includes encouraging adoption of best practice principles set out in the suite of Cabinet Office Playbooks (Sourcing, Construction, Digital, and Consultancy) to foster a collaborative approach with stakeholders, early engagement, the fair and appropriate allocation of risk, the publication of timely and accurate pipelines of work to encourage and enable businesses and charities to embed themselves in communities and plan long term. This will help deliver objectives on training and employment of local workers, investment, innovation, easier access for SMEs, and the development of equitable supply chain opportunities for SMEs’<sup>11</sup>.

The LGA’s National Procurement Strategy also incorporates many of these points.

### Principles for Successful Local Commissioning

The BSA has previously<sup>12</sup> set out what we believe are six key principles for successful local commissioning in general.

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<sup>10</sup> [The Sourcing Playbook - GOV.UK](#)

<sup>11</sup> [Page 32: Industrial Strategy: Professional and Business Services Sector Plan](#)

<sup>12</sup> [Successful Local Commissioning: Principles and Case Studies - BSA](#)



These all have relevance for the new commissioning structures established under LGR, and are set out in more detail in the Annex:

- i. Set a clear strategy that puts communities at the centre and empowers them.
- ii. Build genuine partnerships including by engaging suppliers early and sharing risks fairly.
- iii. Outcome-based commissioning.
- iv. Encourage a diverse market, for example by minimising the bureaucracy, time and cost involved in bidding for work.
- v. Get the right balance on scale.
- vi. Encourage long-term thinking, for example by setting out timely and accurate pipelines of work.



## Local Government Reorganisation and Procurement

### LGR and Successful Commissioning Long Term

The six principles for successful local commissioning set out in section 2, and in more detail in Annex I, are crucial both during reorganisation and for ongoing commissioning under new structures. This section looks first at the importance of each for LGR.

#### *i. Set a clear strategy that puts communities at the centre and empowers them.*

LGR inevitably means services and projects will be commissioned for, and will therefore need to reflect the needs and wishes of, new geographies and new communities, and these communities need to be empowered from the start. These considerations should always drive commissioning behaviour, including when contracts need aligning or services combining.

Practical considerations are of course understandable, but these should not divert longer than is absolutely necessary from long-term goals based on the overall strategy of the organisation. This means strategic and policy teams need joining up with front-line procurement teams and contract management teams, with the same objectives and considerations driving all.

There is evidence that, to date at least, it is indeed the long-term goals of the organisation that are at the forefront of behavioural change, and LGR is seen as an opportunity to help achieve them. The Local Government Information Unit (LGIU) has found that “many respondents see [LGR] disruption as an opportunity to rethink service delivery arrangements... and reset relationships with service providers” and that this “once-in-a-generation challenge may also be a once-in-a-generation opportunity”<sup>13</sup>.

LGIU found authorities vary in the extent to which LGR was in itself, to date at least, a factor in helping to determine delivery model decisions. For “the majority of respondents, LGR is a relevant factor in these decisions, arising from both direct and indirect implications of this period of change”. This was partly for alignment reasons. However it was recognised that the dominant factors in such decisions should be value (which should be both economic and social), and service quality. In some cases decisions were either being brought forward or deprioritised as a result of the LGR timetable<sup>14</sup>.

#### *ii. Build genuine partnerships including by engaging suppliers early and sharing risks fairly.*

Section 4 of this note looks at ways in which suppliers and stakeholders can assist in the process of LGR. The central point, however, is that joint working requires effective and ongoing two-way communication and collaboration, both in terms of future contracts but also in the process of transition itself.

Suppliers are able to bring best practice, knowledge and data, especially if they cross more than one authority involved in LGR.

Where there are new suppliers, sometimes providing the same services in different geographies, early engagement and equitable risk apportionment are both essential, not only in new contracts but in the novation process itself.

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<sup>13</sup> [LGIU-Service-Delivery-in-Uncertain-Times.pdf](#)

<sup>14</sup> [LGIU-Service-Delivery-in-Uncertain-Times.pdf](#)



This will enable any workarounds and compromises to be addressed in advance.

One challenge is that contract management and procurement often fall to different teams within local authorities, so relationships which have been established with existing service providers may need to be taken forward by different personnel when contracts are novated or adapted. Ongoing engagement will be key to overcoming this challenge.

*iii. Outcome-based commissioning.*

Changes in geographies and communities may well affect the desired outcomes, with service decisions flowing from these. These outcomes should always be the driver of service and contract amalgamation and integration.

*iv. Encourage a diverse market, for example by minimising the bureaucracy, time and cost involved in bidding for work.*

The Procurement Act rightly includes measures to encourage SMEs and mandate SME-friendly procurement practices, and the Government is consulting on further measures along these lines<sup>15</sup>. But it is essential that newly merged or created commissioning authorities, or authorities delivering newly devolved or localised services, recognise that the procurement process itself can encourage or discourage a wide range of suppliers. Good practices such as early engagement, equitable transfer of risk, and publication of timely and accurate principles of work help SMEs and larger organisations alike, whether businesses or charities.

There are a number of ways in which the procurement process in new authorities created under LGR can be improved. The key principle is to make the contract proportionate to the service or project being procured, including the complexity of the contract itself, the length and complexity of the procurement process, and the value of the outputs being sought including the social value aspects.

For example, providers of services need to be given the time to ramp up and down delivery and assemble qualified and experienced staff and local supply chains. Especially for a service which is newly commissioned in an area, organisations will not simply have resources and staff 'waiting' for a new contract. Early engagement and the publication of accurate pipelines of work can enable supplier readiness.

Furthermore, in such circumstances suppliers and providers need the confidence and ability to invest in innovative services and products. In some cases, over-complicated payment mechanisms and models have acted as a deterrence. A more straightforward payment approach reduces risk, alongside a clear and competent performance management framework which drives performance.

Recent experience with services that have been localised has been that the scale and length of contracts can differ a great deal, as can the procurement process itself. Bad commissioning practices not only inhibit charities and businesses from bidding to supply the service, but also do not allow them to embed themselves in the local communities or deliver true integrated partnership working with well-designed supply chains.

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<sup>15</sup> [Public Procurement: Growing British industry, jobs and skills - Consultation on further reforms to public procurement - CP XXX](#)



There have also been recent examples of unclear specifications, documents changing, terms and conditions changing and procurement processes changing, and bidders working in a 3-4 week period not having the time to properly assess and risk-assess data, documents, and contracts. All of this inhibits good value from the authority perspective.

Good procurement practice requires sufficient capacity and capability on the authority side in order to give enough time and thought to pre-procurement and live procurement activity. For example there need to be timely, accurate and clear responses to clarification questions.

It should not simply be assumed that procurement functions can transfer seamlessly under LGR. New skills are required, especially when authorities delivering different services are being merged, and especially combined with devolution and localisation.

*v. Get the right balance on scale.*

Considerations of scale are crucial for new authorities created under LGR.

On the one hand, one of the benefits of LGR is the possibility of achieving efficiencies and reducing duplication of effort through the amalgamation of local authority functions, including procurement functions, combined with economies of scale in service and project delivery.

On the other, where different communities within a new authority have different needs and wishes, these need to be reflected in service delivery. So does the need to involve local SMEs and VCSEs fully in that delivery - either directly or in supply chains.

For direct procurement, a large number of smaller individual contracts requires equivalent contract management resource from the authority in question, militating against the need for streamlined local authority functions. Managing a large number of contracts is time consuming and costly.

Annex I sets out some ways in which these considerations can be balanced. A portfolio approach, with contracts of different size, duration and character, will enable both direct commissioning with SMEs and VCSEs and the development of equitable supply chains.

Particularly in infrastructure delivery, some authorities have looked at the possibility of strategic partnering approaches, a variety of models of which are in operation. These go far beyond a 'framework' or an 'outsourcing' arrangement, with genuine joint team working, joint KPIs, joint programme planning and prioritising, engagement of SMEs, social value commitments, and best practice sharing. Some of these have led to significant improvements - in delivery to time, cost and quality, enhanced social value outcomes and greater use of SMEs.

There is also a need to co-ordinate between authorities. Authorities will have their own distinct needs, and devolution and localisation allows commissioning processes to be adopted accordingly, but the emphasis should be on looking for similarities between authorities rather than differences. Streamlining and co-ordinating commissioning between authorities and regions saves resources both amongst the authorities themselves and amongst suppliers. Failure to maintain communication with neighbouring authorities, and to consider the logistics and resources both of procurement teams and of potential and existing suppliers, ends up leading to higher costs to the public purse.

Voluntary collaboration between councils, for example within a strategic authority, helps balance the objectives of (i) understanding and responding to local need, ensuring democratic accountability, and ensuring contracts are attractive to local SMEs and (ii) ensuring scale and sophistication in commissioning. It also promotes both innovation and the sharing of best practice through attracting a range of suppliers of all sizes.



Many devolved authorities have also worked together on issues like good employment charters and principles for public procurement, to make sure that, where such common themes exist, it is easier for UK-wide companies to respond to requirements in different areas.

Data being published through pipelines under the Procurement Act will help councils collaborate on procurement, but these should be seen as minimum transparency requirements rather than best practice.

There have been some, albeit limited, examples under the localised Connect to Work structure of some authorities learning from, and sharing the resources of, others where it has worked. It is always important to avoid duplication and wastage in procurements, with collective learning and where appropriate shared resources between authorities - including consideration of Joint Procurement Units, Covered Procurements, and leveraging already fit-for-purpose Frameworks/DPSs, rather than automatically devising stand-alone 'new' procurements.

*vi. Encourage long-term thinking, for example by setting out timely and accurate pipelines of work.*

Encouraging long-term thinking, for example through pipelines of work, is essential for enabling suppliers to embed themselves in communities - and for example assembling SME supply chains, upskilling workers, or drawing people further away from the labour market. Such activities take planning and time. Long-term thinking also enables investment in innovation and new technology.

This long-term thinking and behaviour can be encouraged through the commissioning process in many ways. These are set out further in Annex I, and include:

- ensuring the length of contracts themselves are sufficient;
- setting out a clear pipeline of work, so service and infrastructure providers can plan ahead and invest, including through Frameworks;
- embedding a single procurement strategy across an organisation, based on the needs of the community and the strategic direction of the democratically elected authority, so suppliers are clearly aligned to local need and priorities and can adapt resources accordingly; and
- adopting a programmatic approach to project procurement and delivery, under which one or more contractors are appointed to deliver a programme of works.

The combination of LGR, Procurement Act measures, multi-year settlements and devolution - and especially the rollout of single integrated settlements - now provides a unique opportunity to put these principles into practice. But this will only happen if authorities recognise their importance in achieving local government objectives, especially in relation to social value and Community Wealth Building.

It is helpful for authorities to set out as soon as possible the timetable for scheduling both amalgamation of contracts under LGR and new procurements under devolution to strategic authorities.



## The Process of Transition

### Short and Long-Term Objectives

Understandably, a prevailing local government view that has become clear from our recent discussions is that the LGR process itself is about transition, with transformation coming in the longer term, and that change should happen step by step if it is to be manageable. The aims of greater efficiency and transparency will be achieved longer term, with the short term imperative being to make sure things don't fall apart and essential services are maintained.

Under this thinking the questions are therefore whether, on day one, will the service be safe and legal, and then how will the future look in terms of efficiency and aggregation of contracts.

However, long term aims are more likely to be achieved if the right structures and behaviours are put in place - and the right decisions made - in the short term too.

For example there is some concern amongst suppliers that uncertainty and the nature of the LGR process will mean service reform itself is paused, with contracts extended in the short term, potentially under old regulations, to be followed by a surge in new contracts under the new authorities once established after LGR. If not organised carefully this will inhibit long-term innovation and value and will increase to cost to the public purse.

### A Project Management Team

The key is project managing the change process. Experience from previous successful reorganisations suggests that a dedicated LGR team is needed, covering finance, contracting, and particular service areas (with a focus on those services where two authorities providing the same services are merging). MHCLG funding could go towards such teams.

Such teams then set out the timetable for change, starting with longer term objectives and working back, so there is one seamless process involving short, medium and long term objectives and actions.

There are also lessons to be learnt from the ICS process. They too needed to map timelines and contract obligations and make sure there were no service disruptions. In the case of LGR however there is the added (significant) complication that district and county councils have commissioned different services, with counties mostly delivering people-related services, and districts place-related services: both need to be represented on the transition team so their experiences are captured.

Referring to their own experience of LGR in April 2023, senior staff from the two new unitary councils in Cumbria told the *Local Government Chronicle* that the first lesson was that they would “have set up the dedicated programme management office resource and clear governance processes at the start of the work. We could also have taken more time to train and develop programme and project managers from the beginning” with more time taken “to invest in people and teamwork from the start”<sup>16</sup>.

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<sup>16</sup> [Cumbria: ‘Don’t underestimate the emotion LGR evokes’ | Local Government Chronicle \(LGC\)](#)





## Auditing and Novating Contracts

One task for the team is to audit and RAG weight all contracts, according to their term and flexibility, size and importance (strategic, small, statutory services). There should be early discussion on these issues between the merging authorities. This is a huge task. Accounts payable data provided some visibility on where the money was being spent.

On-going contracts will transfer automatically to the new authority and no formal communication or amendments are required to novate contracts under the 2008 regulations<sup>17</sup>. However it is hoped that authorities will communicate with their suppliers to avoid any issues including concerns over payment, and suppliers should check they have invoicing processes up to date.

Members report examples under previous structures of where frameworks for standardised services, including financial services, were made flexible enough to allow room for manoeuvre for new authorities. Under the Greater Manchester AGMA framework, when it was first established, all authorities could avail themselves of banking services in a framework at any time in a five year period, which meant there was no breaks of contract. Similarly in Norfolk councils engaged in the design of the new financial services contracts, which were then made generally available.

## Early Preparation

There are also ways in which councils now can prepare for seamless transfer in future. The Government has set out guidance for existing councils approaching LGR, focused on the need not to fetter the future decisions of new councils, including by entering into new contracts for service delivery<sup>18</sup>. It has also encouraged councils to “take steps at appropriate times to align services with neighbouring councils to smooth the transition to service delivery in any new unitary”<sup>19</sup>.

Another lesson highlighted in the *Local Government Chronicle* survey was to have “recognised earlier the vital role of ICT”, with different systems in operation across the legacy authorities. The whole process was “a huge challenge to take the services delivered by multiple organisations, across different ICT systems, with all their intricacies and anomalies and deliver them in a brand-new organisation, successfully, safely, and legally from day one”<sup>20</sup>.

This meant that “Only when this - and more - had been successfully planned for, programmed and delivered could we work on transforming services, introducing ways of working, and building a new corporate culture”<sup>21</sup>.

The recommendation was to “be open and honest about your capacity and capability from the very start, not only on people but also around the systems and data you’re currently using”<sup>22</sup>

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<sup>17</sup> Local Government (Structural Changes) (Transfer of Functions, Property, Rights and Liabilities) Regulations 2008: <https://www.legislation.gov.uk/ukxi/2008/2176/contents>

<sup>18</sup> [Financial decisions before local government reorganisation - GOV.UK](#)

<sup>19</sup> [Financial decisions before local government reorganisation - GOV.UK](#)

<sup>20</sup> [Cumbria: ‘Don’t underestimate the emotion LGR evokes’ | Local Government Chronicle \(LGC\)](#)

<sup>21</sup> [Cumbria: ‘Don’t underestimate the emotion LGR evokes’ | Local Government Chronicle \(LGC\)](#)

<sup>22</sup> [Cumbria: ‘Don’t underestimate the emotion LGR evokes’ | Local Government Chronicle \(LGC\)](#)





Experience of BSA members from earlier local government reorganisation reinforces the view that convergence of IT systems was a major task which needed doing early. This also provides an opportunity to improve and modernise the systems, and improve objectives such as cyber security and tackling legacy IT systems as well as the associated 'tech debt'.

## Stakeholder Support for LGR

Far more service and infrastructure providers - and wider stakeholders - are involved today than was the case in the 1972 reorganisation, for example. There is in fact no precedent for the speed and scale of these changes, involving the number of stakeholders currently involved. This means their joint ability to manage change is key.

The role of suppliers as stakeholders in the LGR process is therefore vital. We have suggested a national mechanism to enable service and infrastructure project providers to help local government transition to the new structures.

Fortunately councils are also more experienced in taking forward collaboration with multiple stakeholders, including their neighbours, than was the case 50 years ago.

Optimal outcomes require certain behaviours on all sides. The key is genuine collaboration.

The roll of suppliers can include:

- encouraging best practice and new ways of doing things differently, including innovation in areas like digital;
- helping with data, especially when a supplier has supplied services cross-border. Data can be used to highlight and quantify risk, opportunities and performance. The public sector can find it notoriously difficult to share data, although universal data standards help and projects are underway at MHCLG, DfE, and DHSC along these lines<sup>23</sup>; and
- encouraging greater consistency between authorities, and identifying opportunities to harmonise.

Supplier behaviours required in order to do so include:

- interacting as partners and as part of a team, supporting 'business as usual' whilst working together to build future strategy, aggregation and efficiencies, and not to protect their own short-term interests;
- patience. When LGR happens staff in all authorities will be on a steep learning curve and potentially acting outside their area of expertise. Suppliers therefore need to be patient, and allow time for things to settle during the transition; and
- being mindful of the human element. LGR involves uncertainty for staff, and the importance of human interaction and understanding should never be underestimated.

It is also important that existing suppliers maintain their contracts properly, including keeping up to date asset registers, condition surveys, and reporting on KPIs.

For these outcomes to be achieved, there also needs to be purposeful conversations with suppliers. There is often a willingness - and keenness - from many suppliers to help in a non-commercial way, where there is recognition from authorities that accepting such help would be productive and beneficial. It is perfectly possible to conduct honest discussions about better procurement in a way that meets all probity requirements and preserves the integrity of the process.

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<sup>23</sup> <https://mhclgdigital.blog.gov.uk/2024/03/06/driving-adoption-of-open-referral-uk-to-deliver-millions-in-annual-savings-for-councils/>



The Procurement Act 2023 provides the tools for meaningful market engagement, and needs to be utilised fully as a vehicle for better interaction as devolution, localisation and LGR take hold.

For example, some departments publish ‘problem statements’ on platforms to seek supplier solutions. Local government could do the same through the changes ahead, for example in relation to legacy contracts or systems, so solutions can be co-created and co-designed and suppliers can bring in ideas.

There are many examples of change programmes in which suppliers have been fully involved. Examples given by members include the Midlands Highways Alliance<sup>24</sup>, the Transport for Greater Manchester Bee Network<sup>25</sup>, and the development of the FAC-1 (Framework Alliance Contract) used within Crown Commercial Service (CCS) construction frameworks. The challenge now is to harness the lessons from such joint working for the challenges LGR brings.

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<sup>24</sup> [About Us](#)

<sup>25</sup> [Bee Network | Powered by TfGM](#)



## ANNEX I: Principles for Success in Local Commissioning

Six key principles for success stand out in our discussions<sup>26</sup>:

1. **Set a clear strategy that puts communities at the centre and empowers them.** The starting point for local commissioning is the needs and wishes of the community, as expressed by local democratically elected leaders working with the community concerned and with external stakeholders who can help assess the outcomes required. Individual commissioning decisions need to be based on a wider strategy which looks at the main limiting factors to inclusive growth and how people's wellbeing can best be improved, including through analysis of up-to-date data. Crucially, that strategy then needs to inform, and where possible determine, the decisions of procurement professionals on the front line.
2. **Genuine partnership**, based on good relationships and on goals which are both clear and clearly expressed, with early supplier engagement and transparency on outcomes so solutions can be co-designed early on, and with equitable transfer of risk. The evidence from areas which have pioneered successful projects achieving a lasting long-term legacy in inclusive growth and social value is that they were open and honest about the outcomes required and looked for partners who were innovative and proactive in offering ways to achieve those outcomes. This means suppliers and commissioners can be aligned, and innovative solutions and best practice from elsewhere adopted. It also means partners can help scale and replicate innovation and change, not only in the delivery of the services concerned but also in sustainable outcomes and social value.
3. **Outcome-based commissioning**, once the overall strategy, and the outcomes required to achieve it, have been set. That applies at every stage from initiation and co-design through the tender process to ongoing contract management and beyond.
4. **Encourage a diverse market**, including businesses and charities of all sizes contracting directly with government and also jointly with each other, for example by minimising the bureaucracy, time and cost involved in bidding for work:
  - i. *Making Procurement Opportunities More Accessible for SMEs*

The Government proposes measures such as 3-year targets for direct spend with SMEs and VCSEs for large contracting authorities<sup>27</sup>. It also rightly emphasises that one way to make it easier for SMEs to bid is to cut red tape and streamline the bidding process. There are other ways in which the procurement process can be improved to encourage a healthier and more diverse market with more SMEs, and also more charities and social enterprises. These reflect the principles for successful commissioning more widely, as they impact SMEs in particular. They include:

    - through equitable transfer of risk in the contract itself, for example making sure that SMEs are not threatened with bankruptcy by being asked to take on unlimited liability or shouldering disproportionate risk from changes in law, policy or inflation rates;
    - by encouraging early engagement with the market, so SMEs are able to demonstrate innovative approaches to achieving value including social value; and

<sup>26</sup> As well as in the Cabinet Office Playbooks, good procurement practice has also been set out in documents such as [https://www.apmpuk.co.uk/images/proc-act/Progressing\\_Procurement\\_Best\\_Practice\\_in\\_the\\_UK\\_-\\_A4.pdf](https://www.apmpuk.co.uk/images/proc-act/Progressing_Procurement_Best_Practice_in_the_UK_-_A4.pdf)

<sup>27</sup> [Public Procurement: Growing British industry, jobs and skills - Consultation on further reforms to public procurement - CP XXX](#)  
[Backing your business: our plan for small and medium sized businesses](#)



- by ensuring genuine partnership and collaboration in service delivery, rather than a transactional approach.

Crucially such policies require the development of commissioning capacity and capability. This is also required in contract management: a larger number of contracts necessitates a proportionately greater contract management capacity. Without such capacity there is a danger of reversion to a box-ticking approach, especially when challenges are encountered on either side in the course of contract delivery; in turn this leads to sub-optimal outcomes for both the public sector and the SME supplier.

ii. *Enabling SMEs to be built up through Equitable Supply Chain Opportunities*

In parallel to enabling more SMEs to bid directly, an explicit goal of policy can be to foster equitable supply chain relationships. If designed and operated fairly, in the right circumstances such arrangements can be effective in building up SMEs, just as direct award of contracts can be. This is because larger organisations have the capacity and reach to help support and build local SME capacity in their supply chains. They can help to shoulder the risk and provide the up-front finance which are often necessary parts of contracts with public and private sectors alike. They can also help their supply chains with business and financial planning, use their expertise to support them on the path to Net Zero, and assist with reporting and regulatory requirements in areas like modern slavery. Furthermore, by both showing how suppliers can maximise social value and other delivery, and, crucially, demonstrating this to commissioning authorities, working as part of supply chains can improve SMEs' capacity to win contracts directly in future.

Smaller organisations bring their strengths and innovation so that the two learn from each other. Different sizes of businesses have different strengths they can draw on, and collaboration can help them do so.

However none of this will happen by accident. It involves a fair treatment of supply chains, prompt payment of bills (by both the commissioner and the large supplier to its supply chain) and a fair allocation of risk and reward, all of which can be encouraged (for example through the Sourcing Playbook) and mandated both in regulation (for example through the new Fair Payment Code) and as an explicit part of the procurement process<sup>28</sup>.

There are also moves to streamline and standardise the reporting data that large suppliers require from their supply chains, as a result of themselves needing to report information on, for example, carbon emissions.

A survey of 27 BSA member organisations revealed that they support 37,773 SMEs and 481 (identified) VCSEs as direct suppliers, and thousands more as Tier 2 suppliers or below<sup>29</sup>.

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<sup>28</sup> Fair Payment Code: [New Fair Payment Code](#)

[New plans revealed to save small firms £22,000 a year and improve access to cash - GOV.UK](#)

Cabinet Office PPNs on prompt payment:

[PPN 015: How to take account of a supplier's approach to payment in the procurement of major contracts - GOV.UK](#)

[PPN 018: How to take account of a supplier's approach to payment in the procurement of major contracts - GOV.UK](#)

Updated guidance documents: <https://www.gov.uk/guidance/prompt-payment-policy>

<sup>29</sup> Page 12: [The-Business-Services-Sector-in-the-United-Kingdom-BSA-Report-Updated-June-2024.pdf](#)



5. **Get the right balance on scale.** There are sometimes issues of scale in relation to more complex services. That means strategic authorities or clusters of local authorities are often commissioning authorities. Where they are not, voluntary collaboration between councils has also increased. This helps balance the objectives of (i) understanding and responding to local need, ensuring democratic accountability, and ensuring contracts are attractive to local SMEs with (ii) ensuring scale and sophistication in commissioning. It also promotes both innovation and the sharing of best practice through attracting a range of suppliers of all sizes. Many devolved authorities have also worked together on issues like good employment charters and principles for public procurement, to make sure that, where such common themes exist, it is easier for UK-wide companies to respond to requirements in different areas.
6. **Encourage long-term thinking,** for example through pipelines of work, which is especially the case when it comes to Community Wealth Building, because building wealth in communities takes planning and time (see below).

In the BSA's meetings with local stakeholders, as well as discussing ways in which outcomes in general can be maximised, discussion has focused on ways in which social value and Community Wealth in an area in particular can be promoted.

These three routes to success for social value and Community Wealth reflect the six principles for overall success listed above. They need to be deployed together.

1. The development of social value policy and frameworks which maximise social value outcomes in communities, based on an overall strategy. There is a variety of models used in this regard, including TOMs frameworks and other metrics. Whatever the model chosen, it is important that local priorities are co-ordinated through an overall strategy, and then that they are clearly expressed by the commissioning authority. This maximises return and avoids suppliers each attempting to identify what those priorities may be and then trying to address them in isolation, which duplicates effort. Using data properly to monitor outcomes also ensures continuous improvement.
2. Embedding commissioning and partnership practices which maximise the delivery of these social value outcomes, in particular by encouraging long-term thinking and behaviour.
3. Taking advantage of these businesses and charities being embedded in the long term, by developing 'anchor' and other networks of businesses large and small.

All of these behaviours - and therefore building Community Wealth - take time. This includes the time necessary:

- for SMEs to prepare for the opportunities available;
- for larger companies to identify, onboard and build up local SME supply chains, so they are left in a better place at the end of the contract or series of contracts than they were at the start. Given sufficient time, the supply chain itself has time to prepare for contract opportunities and develop innovative approaches it can offer;
- to provide training and employing apprenticeships in the expectation there will be employment for people to go to at the end of the training; and
- to identify and employ groups who are further away from the labour market, for example because of health or skills needs, and giving them the support required for sustained employment.

Such long-term thinking and behaviour can be encouraged through the commissioning process in many ways. These include:

- ensuring the length of contracts themselves are sufficient;



- setting out a clear pipeline of work, so service and infrastructure providers can plan ahead and invest, including through Frameworks. Multi-year settlements enable this;
- embedding a single procurement strategy across an organisation, based on the needs of the community and the strategic direction of the democratically elected authority, so suppliers are clearly aligned to local need and priorities and can adapt resources accordingly; and
- adopting a programmatic approach to project procurement and delivery, under which one or more contractors are appointed to deliver a programme of works. This can ensure opportunities for efficiencies in design and delivery are identified early and with a “whole programme” perspective. This achieves many of the aims outlined above, such as genuine collaboration and early contractor involvement. A consistent workforce will then ensure extensive knowledge of the requirements of the whole programme. Flexibility in the programme enables resource to be dedicated to projects as they are ready or in need, rather than individual teams potentially experiencing downtime or being diverted away from the programme.

A portfolio approach, with contracts of different size, duration and character, will enable both direct commissioning with SMEs and the development of equitable supply chains.



## Annex II: List of BSA Members, September 2025

3C3 Ltd	GoodPeople
4Merit	HP
AECOM	HPO Technologies
AKG	IBM
Amey	Ingeus
Aramark	ISS UK
Arcadis LLP	Kier Group Plc
Arcus FM	KPMG
ArvatoConnect	Laing O'Rourke
AtkinsRéalis	Mace
Atos	Maximus UK Ltd
AutogenAI	McLaughlin & Harvey
Baachu	Medallia
Balfour Beatty Plc	Mitie
Barclays Corporate	MTC
Bellrock	NatWest
Bevan Brittan LLP	NCG
Birkin Group	Oxfordshire Business Consultancy Ltd
Browne Jacobson LLP	P3
BT Group Plc	Pinsent Masons LLP
Business 2 Business	Public Digital
Capita Plc	Reed in Partnership
Catch 22	Robertson FM
CGI	Royal Voluntary Service
City FM	Seetec Group Ltd
Clyde & Co LLP	Serco Group Plc
CMS Cameron McKenna Nabarro Olswang LLP	Sharpe Pritchard LLP
Compass Group Plc	Skanska UK
Costain	Sodexo Ltd
Deloitte	Sopra Steria Ltd
DWF LLP	Space Solutions
Ecolog International	The Grichan Whitestone Partnership
Elior UK Ltd	The Growth Company
Equans	The Palladium Group
Eric Wright FM	The Sustainability Group
FedCap	The Shaw Trust
Forvis Mazars LLP	Turley
Fujitsu UK	Twin UK
G3 Systems Ltd	VINCI Facilities
G4S Plc	VPS Group
Global Secure Accreditation	Wand Consulting
	Wates Group
	WSP