

# Keep it Local Commissioning Guide

## 10 ways to Keep it Local

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LLOYDS BANK  
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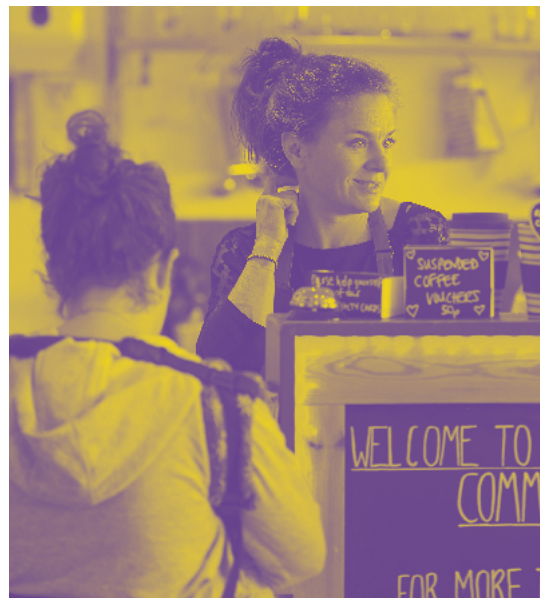
locality

the power of community



For over four years, we have been working in partnership with Lloyds Bank Foundation for England and Wales to support councils to Keep it Local. We are often approached by commissioners or procurement officers who have a particular service that they want to commission locally but aren't sure of the practical steps to take.

Here, we share 10 key considerations for Keep it Local commissioning.



## 1 Understand the benefits

It is important to start by thinking through what can be gained by taking a Keep it Local approach. There are three core benefits we have emphasised through our campaign:

1. **Benefits to service users** – the distinctive approach of community organisations can provide better services for local people that transform lives.<sup>1</sup>
2. **Benefits to public sector budgets** – by taking a person-centred approach, community organisations can reduce demand and bring down long-term costs.<sup>2</sup>
3. **Benefits to the local economy** – commissioning local community organisations ensures precious public sector resources invest in the local economy rather than leaking out.<sup>3</sup>

Having this clearly in mind is a critical first step to getting wider buy-in to the Keep it Local approach and ensuring that everyone is working together for a common goal.

It can also help focus on which services this way of thinking is particularly appropriate for. Our experience is that it is “person-centred services” like social care, domestic abuse, mental health, and employment support where there is greatest impetus to Keep it Local. This is where there is clearest line of sight to the benefits, and momentum is most likely to be built across the local authority.

“Whatever happens in the future on local commissioning, we can go into every meeting on the assumption that we all agree Keep it Local is the right way to go, and that this is a consistent argument for why commissioning needs to be done in a certain way” Joanna Holmes, CEO, Wellspring Settlement, Bristol ■

## 2

## Consider the options

Too often there is automatically seen to be a set process which takes commissioning and procurement down a particular path. It is this which has led us to our current default of standardisation and scale in local services. As the public benefit lawyer and procurement expert Julian Blake describes it, the question of how a local authority should commission a public service has developed “a distorted, standard answer – by following established public procurement internal protocol and prescribed procedure, which inverts the proper relationship between process and purpose”.<sup>4</sup>

So, a key early step is to consider the full range of available options for delivering the service you want. The “make or buy” moment tends to default to an “in house” versus “standard competitive procurement” discussion. However, previous Keep it Local commissioning guidance or publications like “The Art of the Possible in Procurement” make clear other avenues are not only available but they have also been actively encouraged by government.<sup>5</sup>

It might be that a grant is the most effective way of achieving the desired service outcomes (see page 4).

Alliance contracts have been increasingly used to bring together public authorities and a range of relevant providers. They make collaboration rather than competition the basis of the contract, so all delivery partners and the commissioner are on the same team.

Similarly, Innovation Partnerships have been

used to collaborate on service design, without a separate procurement process. Unfortunately, the forthcoming Procurement Bill is set to eliminate this specific option.<sup>6</sup> But it will be maintaining the Light Touch Regime. This covers a wide range of “person-centred” services – including health, social care, educational, cultural, community, personal, youth – and places them outside the mainstream procedural requirements of procurement. This gives commissioners all the discretion they need to design processes which are simple and collaborative, removing the competition and bureaucracy that can stifle local innovation.



We believe it is critical to consider these options at the start of the commissioning process. Otherwise, procurement becomes a “black box” that commissioners can’t look inside. All too often we end up with processes which don’t match the desires of the service specification and can’t deliver the outcomes required.

**“The future of local commissioning looks better than it did eight or nine years ago”** Nasim Qureshi, CEO, Inspired Neighbourhoods, Bradford

## Grant or procurement?

Competitive procurement has become the automatic outcome of most commissioning. But guidance from the National Audit Office (NAO) makes clear that judgement is required and using grants is often not only perfectly permissible, it might be the most appropriate way of funding a service:<sup>7</sup>

**“The rules on when you can use grant and when you can use procurement mean there are many situations when a public body could use either. You need to decide which one is more suitable for your programme, service or intended outcome and is likely to provide the better value for money. There may be scope and good reasons to use both. There is no hard and fast rule for this.”**

The NAO explains that four different - but linked - factors need to be weighed up:

- **State of the market:** generally, the more competitive the market, the more likely a public body will be to choose procurement. But if the market consists mostly of voluntary, community, and social enterprise (VCSE) organisations, a competitive grant process may be more appropriate.
- **Desired future state of the market:** if the current market is weak, a public body may wish to target individual VCSE organisations for capacity building. Or if an existing VCSE organisation is doing a good job and there is no viable ‘competitor’, the costs of competition may be deemed a waste with another mechanism used to ensure value for money.
- **Capacity building:** sometimes a VCSE organisation might be the only organisation that can reach a particular group, but lacks capacity. In such cases, the public body may decide on a capacity building grant.
- **Enforceability:** a contract is a legally enforceable agreement between the commissioner and the other party where the other party agrees to provide services in return for payment. With a grant, the commissioner giving it has no right to receive anything in return but may attach terms and conditions specifying how the grant is to

be spent. Spending the grant on anything else would be a breach of trust. Either grant or contract may provide a public body with a sufficient basis to meet the level of accountability required.

Kirklees Council has published [guidance](#) for council officers on how to decide if a procurement process or grant is applicable.<sup>8</sup>

It states that procurement should be used to obtain goods or works but that there are other options if you are looking to obtain services. The guidance states that there may be occasions where a grant is an appropriate way to achieve the priorities of the council, particularly where the organisation providing the service is a “genuine not for profit organisation” or charity. There are five questions which the council says can help to decide whether a grant may be used as per the council’s Financial Procedure Rules. A “yes” to any of the following questions would indicate that a grant could be considered:

- Is there an intention to broadly support an activity, with expected outcomes, but no clear obligations on the provider?
- Is the intention to support parts of an existing activity?
- Is the intention to provide a subsidy to existing service users?
- Is the council’s only ultimate remedy to withhold payment of a next phase of grant, seek clawback or to refuse to fund future activity by the provider?
- Is the intention to meet a stated set of costs, and an intention that the provider should not profit from the support? ■



## 3

## Prepare your community

Local VCSE organisations have huge experience, specialist skills and innovative ideas. But they need time to plan so they can bring this “power of community” to bear. Our Keep it Local work has identified short timescales to be one of the key commissioning barriers for local organisations. Short notice invitations to tender can be particularly damaging for smaller organisations, not giving them the time and space to participate in procurement exercises and show what they have to offer.

It is therefore important to publish a forward procurement plan. In the first instance, this should be as comprehensive as practical, recognising that plans change quickly and decisions aren’t always taken ahead of time. But it’s useful to get whatever information there is out there – and starting to publish even limited information will drive behaviour in the right direction. Be transparent about what you can’t be transparent about and why. This can build trust, letting local organisations know

there are genuine reasons for incomplete information. It’s a way of then sharing the problem and crowd-sourcing solutions

Moving to a better long-term position will require council leadership to consider how to address the challenges that make publishing comprehensive and timely tendering information difficult. The usual stated barriers are around legal checks, procurement rules and oversight by elected members. However, during the Covid-19 crisis we have seen these processes quickly streamlined or circumnavigated. So, council leadership can review what’s worked well and which of these more flexible

processes they want to keep. They can remove as many process hurdles as possible that prevent long-term procurement planning.

However, it is also important to recognise that, while some of this will be in the gift of individual councils, the pressures that drive this behaviour will often lie elsewhere in the system. Short-term decision-making cycles are often driven, for example, by budgetary pressures or centralisation. A comprehensive solution will therefore require a sustainable long-term funding settlement for local government and more autonomous decision-making powers. ■



## 4

## Engage early and use co-design

Co-design is central to Keeping it Local. Services that work for local people are best designed in partnership with them, rather than behind closed doors. Local community organisations are ready, willing, and able to work with councils to create the best possible services. Such services can represent good value for money and are rooted in what communities need on the ground. But sometimes councils think this is contrary to their need to ensure fair competition.

So, it is important to understand that it is a myth that commissioners can't engage early in service specification. As "The Art of the Possible in Public Procurement" explains: "The Regulations here are absolutely explicit. You can talk to the market about your tender specification – and even the tender process itself." It points out: "The first thing to remember about

pre-tender consultation is that it's pre-tender. The second thing to remember about pre-tender consultation is that it's pre-tender."<sup>9</sup> The importance of pre-market engagement is also stressed in the government's planned new procurement rules.<sup>10</sup>

To go beyond consultation and meaningfully co-design services, we recommend adopting a two-stage approach: at the strategic outset regarding the approach to solve complex issues, and in the preparation of tender documents and procurement methods.

Effective co-design requires commissioning and procurement to be fully joined up processes. However, previous Locality research has found that commissioning and procurement

functions within councils are often disconnected and seen as two different disciplines: the former about innovation, solutions, and outcomes; the latter about rules, processes, and finance. To embed a two-stage approach to co-design, these barriers need to be broken down, so the commissioning and ultimate purchase of the service are fully integrated. ■



## 5

## Think creatively about community engagement

Often the engagement methods councils use aren't very engaging. Simple changes can make a big difference to how involved local organisations feel and their desire to participate.

Our Keep it Local work has developed a few tips:

- Don't just focus on the technical information and procedures. People often attend multiple engagement events, and it can be easy to be turned off by dry detail sharing that isn't well-tailored to the audience.
- Can the standard information be delivered beforehand? Can it be recorded on webinars or videos, so that people can find it at their own leisure, and you reach more potential suppliers?



- Use a varied format for the sessions so that people don't feel like they're going to the "usual" event.

- Think about venues – don't just do everything on council terms and make people come to you. Engage with the community in their own spaces in situations they have control over and feel comfortable with.

However, it's not just about the mechanism – it's about the content of what you are asking people to engage in. People will feel much more enthused about attending sessions if they are for more interesting and innovative procurement methods and

approaches to discuss. They will also be more likely to engage if it is felt there is meaningful scope for change, rather than being asked to participate in a tick box consultation exercise.

For more tips and tools on effective community engagement see: [Listen, learn, adapt: Engaging your community in a meaningful way](#) ■<sup>11</sup>

## 6

## Communicate early, openly, and often

Communication is often one of the biggest barriers between councils and communities when it comes to commissioning. But it is also the most straightforward thing to improve.

The basic lessons we have learnt from Keep it Local are:

- Communicate early - and keep communicating throughout the process. For example, it's really helpful to announce headlines of new opportunities as soon as possible. This allows organisations to do initial scoping and start conversations about partnerships. Then when more detailed information is ready to be released, important preparation will have taken place. This puts community organisations in a strong place to think through details and get services ready.



- Send information and run events in collaboration with your local infrastructure support organisation and/or any local VCSE forums to enable take up and get a wider reach.
- Devise clear procurement strategies for each project and guidance documents for your overarching approach to communicating with the sector.
- Embed good communications principles in training for procurement and commissioning staff.

It's important to make sure improved communication isn't just for one off procurement processes. Constant communication cycles with the local VCSE sector should be embedded through intelligent and worthwhile engagement at all stages of the commissioning, procurement, and contracting cycles. ■

# 7 Proactively support your community

The local VCSE sector will often be under huge pressure. This has been the case for over a decade of austerity, heightened by the pandemic and now the cost-of-living crisis. Community organisations' workloads might not permit them to engage with contracting opportunities. What's more, larger local organisations, and those with experience of commissioning, will tend to be better placed to engage. This means structural inequalities in service delivery will be replicated without concerted effort.

To address this, it is important to first recognise that local organisations will often need some extra support to respond to the opportunities on offer, particularly smaller organisations.

Practically, we know that online contract portals can often be very time consuming and repetitive to engage with and often create an instant barrier. Councils could trial alternative versions, working with local organisations to find ways which are more likely to work for them. Part of this is also considering using grants instead of contracts, as this can allow more familiar and more flexible structures for the sector.

This is also about councils listening to their local sector to better understand their work and signpost them to available support when they need it. This might be to help them get their bid ready or to connect them with an organisation that can help.

To really change the dynamics and create strong local partnerships, don't just view the local sector as potential suppliers from whom you might want to buy a service. See them as long-term partners you want to build a relationship with. For example, this means developing community asset transfer strategies to develop organisations' long-term power and resilience, supporting them to be more sustainable and provide the services their community needs on their own terms. This will help them develop long-term resilience and put them in a much stronger, more independent position to bid for services. This is not just about having the capacity to participate in procurement exercises, but also means decision making on what to bid for will be driven by mission rather than financial need. ■

## 8

## Make technical specifications proportionate

Once service contracts go out to tender, certain technical specifications often present automatic barriers. Minimum turnover requirements are one we often hear about, where potential bidders are required to have an annual turnover that matches the total contract value. Sometimes bidders are required to have a turnover of twice the contract size, or a certain amount of reserves.

IT requirements are another, where technical security requirements are beyond what might be reasonably expected for small organisations and beyond the scope of the particular contract size or service being tendered.

These are things that procurement law permits contracting authorities to stipulate. But they are not legal requirements and often amount to

regulatory “gold plating” by councils. Indeed, Cabinet Office guidance warns against “arbitrary minimum requirements”.<sup>12</sup> It is important for contracting authorities to feel confident about the capability of their potential suppliers, but these measures are often disproportionate and overly risk averse.

Often, technical requirements make it into contracts on a pro-forma basis, copied and pasted from previous contract specs, without necessarily being actively considered or needed. It is important that councils take care to weigh up contract technical specification, making them bespoke to the service being tendered for

and given appropriate priority. What are the most important qualities you want from potential suppliers? What specific purpose do these specifications serve in this instance? Whom might they exclude? Is that a price worth paying?

Engaging early with the local providers you are trying to encourage to bid will clarify what’s going to be prohibitive and allow commissioners to think through what’s really necessary. ■



## 9

## Think about appropriate scale

Often the biggest barrier to small, local providers is contract size. If councils set contracts at too high a level, they are automatically eliminating the option of Keeping it Local.

A first step for commissioners when setting a contract size is to ask: how many local organisations could bid at this level? If the answer is zero, then commissioning is excluding organisations with a proven track record of supporting local people and it is failing to grow the local economy.

One way to deal with this issue is to break big contracts into smaller lots. This has long been encouraged by policymakers as best practice and is set to be stressed by government's forthcoming procurement reforms.<sup>13</sup> Way back in 2011, David Cameron promised to break up large contracts "wherever possible". In 2015, even the dreaded EU procurement regulations required contracting authorities to divide up contracts or explain why they had not.

We are increasingly seeing councils doing this. Bradford Council's Home Care contract is one example. As council leader Susan Hinchcliffe told Locality's Keep it Local Conference:

**"We used to have five big lots that were spread across five constituencies. The fact that the contracts were operating at that kind of large scale meant they went to big providers ... So, what we've done is break down the contract into much smaller lots. We've now got 17 providers, 11 of them are local and they are providing a much better service in that community because they're from the community and have people working for them who are from that community."**

Leeds City Council approached their community-based mental health service in a different way. Here they merged four contracts into one to create a large contract valued at £1.3m per year. However, they also wanted to ensure small, local providers were part of the mix. So, the final model they created was a partnership of three lead providers, one of whom is responsible for contract compliance and sub-contracting with 16 smaller neighbourhood-based providers. This has enabled Leeds to commission a richness of providers who are able to focus on their respective strengths.<sup>14</sup>

This shows there are different ways of achieving the same goal: ensuring local community organisations can participate in commissioning and win contracts that are relevant to their skills, experience, and expertise. The key is to be deliberate in your commissioning, constructing a process and a service specification that meets the outcomes you wish to achieve, rather than allowing pro-forma procurement processes and default large contract sizes to create automatic barriers. ■

# 10

## Use social value

Councils are increasingly seeing social value as the key mechanism for increasing their local spend. However, approaches to social value measurement – that seek to quantify and often monetise social value – don't necessarily reflect the nature of the social value local community organisations bring to their communities.

It is important to recognise the limitations of narrow approaches to social value measurement – which now tend to focus on additional social value that can be captured through quantified measurement. Instead, we believe councils should consider the extent to which current policies and procedures are tailored towards drawing out the intrinsic social value of local community organisations. Otherwise, social value is more likely to benefit larger organisations with full-time bid writers and off-the-shelf social value answers, who might be able to more effectively “tick the box” of demonstrating additional social value.

Pre-procurement market engagement is really important to understand the unique social value local providers can bring. Tenders can then be designed in way that will capture it.

In some cases, this might mean increasing the social value weighting of a contract if there is particularly desirable additional social value that could be achieved through the contract. However, if the social value is inherent to the service, it might mean reducing the additional social value element and embedding social value within an increased quality weighting.

One effective way we have heard that councils are using social value to Keep it Local is by making local knowledge a key quality aspect of tenders. This is particularly appropriate for types of “person-centred” services that are the heart of Keep it Local, where trusting relationships are required. This is not something that can be measured through quantitative measurement formulas. Instead, it requires organisations to describe and evidence their approach and impact qualitatively. It doesn't provide any unfair advantage to local providers. But it does give them the best chance of showcasing themselves in a way that is directly relevant to the service being commissioned.

**“The council is taking practical steps to look at different ways of procuring. Looking at local employment, social value, and local knowledge... this all helps to keep things local.”** Nasim Qureshi, CEO, Inspired Neighbourhoods, Bradford. ■

# End notes

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13. Ibid, 6.
14. For more details about this commissioning process, see: <https://locality.org.uk/blog/leeds-community-based-mental-health-service-and-the-commissioning-process/>



## Locality

Locality supports local community organisations to be strong and successful. Our national network of 1,600 members helps hundreds of thousands of people every week. We offer specialist advice, peer learning and campaign with members for a fairer society. Together we unlock the power of community.

## About Lloyds Bank Foundation for England and Wales

Lloyds Bank Foundation for England and Wales partners with small and local charities who help people overcome complex social issues. Through funding for core costs, developmental support and influencing policy and practice, the Foundation helps charities make life-changing impact. The Foundation is an independent charitable trust funded by the profits of Lloyds Banking Group.

Since 2018 the Foundation has worked with Locality on Keep it Local as part of its work to improve the commissioning environment for small and local charities.

For more information visit [lloydsbankfoundation.org.uk](http://lloydsbankfoundation.org.uk).

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