
Mission-led procurement and market-shaping: Lessons from Camden Council

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Institute for Innovation
and Public Purpose

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Executive summary

The current procurement paradigm emphasises efficiency and risk, although innovation and social value considerations also feature.

The last ten years have seen a renewal of industrial policy, based not solely around sectors, but also around bold missions that address the grand challenges of today. However, many governments are struggling to enact the institutional and organisational transformations necessary to deliver those missions successfully. A range of new policy tools and institutions are needed, including mission-oriented procurement.

Over the last 40 years, the dominant paradigm for public procurement has been around efficiency and risk. Procurement services have seen their primary purpose in terms of minimising waste, and in doing so have looked predominantly at financial costs and benefits. Procurement has sometimes been used to drive innovation, most often in the military sphere. Functional procurement encourages suppliers to experiment and innovate by specifying the outcomes or functions of a product that does not yet exist. For commissioners of public services, outcomes contracting (or payment by results) also aims to drive innovation. Under this approach, providers have greater flexibility to deliver different activities, as long as they meet certain outcomes. In practice, this often leads to perverse incentives and data manipulation.

The Public Services (Social Value) Act 2013 allowed public bodies in the UK to take a broader view of how they spend public money, and placed additional obligations on them to consider how the goods and services they procure support broader forms of local value. While this has made some difference, in practice there have been three key problems:

- a. Social value is still often thought of as an add-on rather than as core to the delivery of the good or service.
- b. Social value commitments are often ad-hoc and lack strategic coherence with the organisation's wider goals.
- c. Practitioners tend to focus on social value commitments that can be quantified through Key Performance Indicators (KPIs). Even those using more holistic measures almost always take only a quantitative approach to understanding impact.

Overall, the Social Value paradigm reflects a market-fixing mindset and remains fundamentally mitigatory, aimed at extracting marginally better outcomes from a process that is still centred on price. As a function, procurement most often remains within legal or finance directorates, reflecting a view that it is a technocratic hurdle rather than a strategic lever of change.

Mission-oriented procurement (MOP) recognises the critical strategic role that commissioning and procurement can play in shaping markets that align with government policy goals. Examples of this exist, but it is a niche practice.

MOP takes a dynamic view of public value, and looks at how a contract can best support the objectives and theory of change of a mission. The American military-industrial complex has a history of using procurement to support critical missions. The Department of Defence (DoD), NASA, and DARPA have made extensive use of a legal instrument called 'Other Transaction Authority (OTA) Awards' to link procurement to clear goals or 'missions', catalyse the innovation and investment required to solve specific problems, provide a clear signal of market demand for new products, align timelines with a specific need, and enable the Government to share in the rewards of its investments.

There are some examples of national governments or agencies taking a similarly mission-oriented approach to procurement in social policy domains. Denmark's shift towards wind power was a clear mission. Turbine installation accelerated when the Government mandated the utility sector to purchase wind energy at a preferential price. Leveraging the purchasing power of regulated utilities has enabled Denmark to make progress on its climate goals at the same time as building world-class manufacturing capabilities and creating new export opportunities. Sweden aims to become the first fossil-free welfare nation in the world. Its food system is a critical market in this journey, and Sweden has focused on school meals as an important lever to transform the market. The strategy recognises that public procurement processes should be used to better guide towards and respond to society's aspirations.

Camden Council is embarking on a radical redesign of its procurement policy, to better leverage it as a tool for achieving mission goals. This project explored how the commissioning and procurement of its Adult Long-Term Care and Support service

(‘Homecare’) could support the delivery of its Estates Mission, through the design and test of a prototype ‘Mission Incubator’.

This surfaced three key opportunity areas for Camden:

The Homecare service model could:

1. **Adopt a hyperlocal, place-based approach** that draws on the strengths of local neighbourhoods and works collaboratively with the local voluntary and community sector. This may create an opportunity to **complement a ‘one to one’ model of care with a networked model**, in which providers could offer residents and their families and friends the chance to meet other care users, creating a mutually supportive network.
2. **Reimagine and expand the role of care workers**, co-creating services with them and building their capability to play a more strategic place shaping role.
3. **Deepen the commitment to relational working**, which would recognise that outcomes are the result of interactions between people and organisations in the system, and therefore value and invest in the quality of those relationships.

Camden could change its procurement processes to:

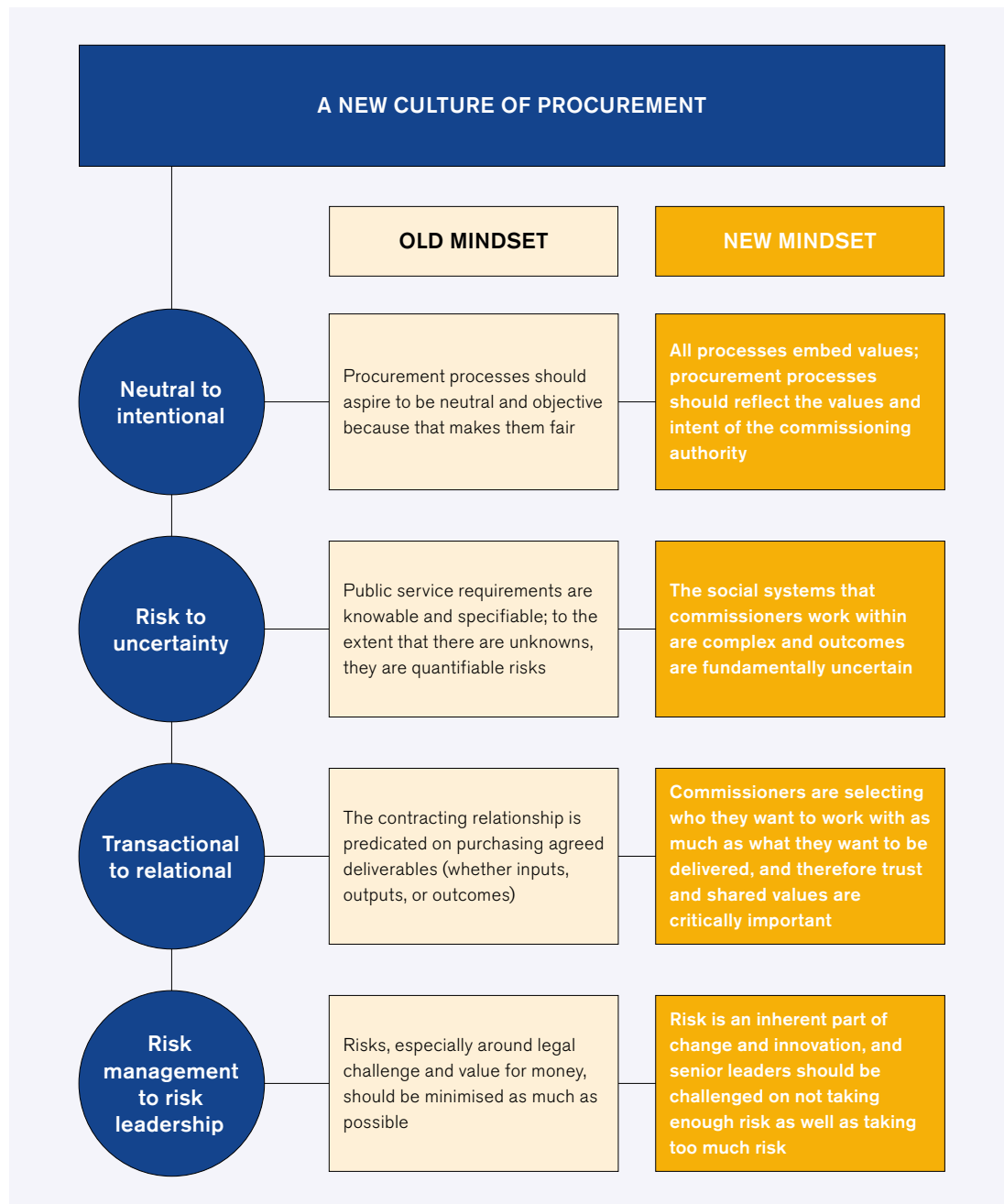
4. **Enable participatory and collaborative commissioning**, by bringing multiple service leads together to explore how they connect in a particular place; involve residents in setting service strategy, scoring tenders, and evaluating performance; and work with residents to determine locally relevant forms of Social Value.
5. **Prioritise suppliers with mission characteristics**, by setting strong conditions within procurement contracts to shift suppliers' behaviour and preferencing those suppliers that are deeply rooted in the local community.
6. **Reform contract management and evaluation**, by using data for learning, rather than just for accountability; establishing a regular cadence of reflective sessions between providers and the Council; and developing evaluation frameworks to match mission outcomes.

Camden could also change its ways of working to:

7. **Embed a partnerships approach**, by articulating what providers can expect from Camden, as well as what they will need to deliver and setting a expectation that providers will connect with other local organisations.
8. **Empower and motivate procurement officers**, by shifting focus from operating with regulations at the forefront of professional practice and towards a model where the question of ‘What would create the most positive change for the residents of Camden in line with our mission?’ takes on a greater weight.

Adopting a mission-oriented procurement approach would require a change in mindset – strategic public procurement is a ‘state of mind’.

There are a range of opportunities for commissioning authorities to make more proactive choices throughout the commissioning and procurement cycle, and work needs to be done to tackle the artificial barrier between the two, so that the goals and vision of service leaders don't get lost in technocratic processes. Four mindset shifts would underpin the transition towards a mission-oriented approach to procurement.



good (Mazzucato and Ryan-Collins, 2022; Mazzucato, 2023). This approach would differ from current practice in three key dimensions:

1. **A public value approach would value things that are currently overlooked**, including the impact on the direction of the wider market rather than just the specific value delivered by the supplier to the commissioner. Processes and relationships would also be valued, rather than just outcomes.
1. **A public value approach would broaden the scope** to examine how a good or service being procured can contribute to long-term mission outcomes. This would put public value at the core of the contract, rather than just being an add on. Value would be assessed dynamically (over time) not statically (at a single point in time).
1. **The decision-making process** would give more weight to political and value-based arguments, and place less emphasis on technocratic and quantitative approaches to evaluating value. Benefits would be evaluated across multiple variables, rather than using monetised equivalents to make comparisons on the basis of a common unit. Decision-making would take on a more explicitly political dimension, rather than being primarily a technocratic exercise. High-quality processes within the public sector itself would be valued.
2. A procurement system built on the economics of public value would encourage practitioners to:
 - a. Focus on mission outcomes
 - b. Build coalitions that emphasise learning over accountability
 - c. Create a diverse ecosystem of suppliers
 - d. Use strong conditionality mechanisms to structure private sector partnerships
 - e. Evaluate wider economic outcomes.

The lessons from Camden's experience are relevant for other commissioning bodies, in the UK and elsewhere. They speak to the need for a 'new economics' of procurement centred around public value. Public value is created by public sector actors co-shaping markets towards the common

1 Introduction

Over the last ten years, governments around the world have increasingly recognised the need to act to address the grand challenges of the 21st century, especially climate breakdown and growing inequality. **There has been a renewal of industrial policy, based not solely around sectors, but around bold Missions** that address those challenges, and demand collaboration and cross-sectoral work (Mazzucato, 2018; 2019). A new consensus is emerging – that growth has a direction as well as a rate, and that both are equally important in creating sustainable economies and societies (Mazzucato, 2021).

But **while missions have been incorporated into strategic plans, many governments are struggling to enact the institutional and organisational transformation to deliver them successfully** (Mazzucato and Kattel, 2023). Governments need dynamic capabilities to govern and administer processes so that they are outcomes oriented, helping to solve problems with other actors in the business and civil society sector. A range of new policy tools and institutions, including challenge prizes, community wealth funds, public banks, and policy labs are needed. **One of those critical capabilities is *mission-oriented procurement*.**

The global public procurement market was worth an estimated \$13 trillion per year in 2020 (Open Contracting Partnership, 2020) or around 15% of global GDP (European Commission, 2023). It is one of the most significant levers of change that governments have, representing between 20% and 40% of central government spending in almost all OECD countries (OECD, 2021); in certain places and industries, public procurement is a major market-shaper. **Despite the potential to leverage this power in pursuit of social and economic goals, the dominant paradigm of procurement for the last 40 years has been focused on minimising legal risk and controlling costs.**

By focusing on outcomes and shaping markets, **mission-oriented procurement can stimulate growth and lead to a more competitive eco-system of production.** It can provide a funnel for investment and innovation by small and medium enterprises to deliver key public goals, such as more sustainable transport systems, more innovative health systems, stronger education systems and fostering wellbeing and care for all.

In the United States, public procurement has been a key tool used to create markets, not only 'fix' them. For example, the Small Business Innovation Research (SBIR) programme ensures that government departments with R&D budgets above \$100 million use 3-5% of those budgets to procure solutions from small businesses (SBIR, 2024). As a result, the economy has benefitted from more innovation, and a more competitive eco-system. Indeed, public sector procurement has allowed small firms to 'scale' and serve much larger markets, which has readied them for venture capital funding later on.

Every tier of government – national, regional, and local – can and must think differently about their approach to procurement. This report focusses on Camden Council, a UK local authority well known for its progressive leadership. It shares the lessons from an experiment run by IIPP and Camden to design and test a procurement *Mission Incubator* – a process for aligning commissioning and procurement activity with the Council's four missions.

Section 2 outlines the main paradigms of procurement today and their limitations. Section 3 highlights international examples of innovation and mission-oriented procurement. Section 4 shares lessons from Camden's test of the procurement Mission Incubator. Section 5 sets out the changes to the *procurement culture and mindset* that must underpin new practice. Section 6 builds on those lessons and changes to suggest steps towards a *new economics of procurement*. Section 7 summarises the conclusions and recommendations. The Appendix provides further detail on the process of creating and testing the Mission Incubator and reflects on improvements that could be made by others interested in replicating the work.

While this report draws from the experience of Camden Council, many of the insights are widely relevant to governments globally. **A mission-oriented procurement approach can support ambitious, dynamic governments to address the grand challenges of the 21st century.** This is true at all levels of government. By treating their purchasing power as a strategic, demand-side lever, governments have the power to simultaneously create opportunities for businesses and shape markets that stimulate the investment and innovation needed to solve big challenges and deliver better public services.

Mission-oriented innovation

Missions can enable a government to operationalise a bold vision. By setting out shared objectives that are clear and ambitious, missions help to focus and coordinate the activities of teams across government, as well as stakeholders outside government. Where the achievement of a mission requires new products or services, it can also create market opportunities that galvanise investment and innovation across sectors.

To have this catalytic and coordinating effect, however, missions must meet certain criteria. They should be:

- Bold, inspirational and resonate with citizens
- Clear in setting a direction with a measurable goal
- Ambitious but realistic
- Cross-sectoral, inter-disciplinary and cross-ministerial
- Conducive to driving multiple bottom-up solutions

Grand challenges are difficult, but important, systemic and society-wide problems that do not have obvious solutions. The UN Sustainable Development Goals, for example, set out 17 urgent global grand challenges, which are relevant around the world and at all levels of government. Missions can help to transform these challenges into clear investment pathways.

Missions are concrete goals that, if achieved, will help to tackle a grand challenge. They set a clear direction for the different actors and sectors whose investment, innovation, and effort is required to develop solutions.

Sectors are the economic sectors that need to be involved in developing solutions to specific missions, generally in collaboration with one another.

Projects are activities or programmes that address part of the broader mission; for example, an R&D programme focused on developing a new product, service, or process that could contribute to mission success.

Figure 1. UN Sustainable Development Goals – examples of grand challenges



This section has drawn on Mazzucato 2018, and has been adapted and reproduced with permission.



2 The current procurement paradigm

Over the last 40 years, the dominant paradigm for public procurement has been around efficiency and risk. Procurement services have seen their primary purpose in terms of minimising waste, and in doing so have looked predominantly at financial costs and benefits.

More recently, two other approaches have started to gain traction. The functional procurement paradigm recognises that public procurement can play an important role in creating lead markets for new products and support small suppliers to reach a sustainable scale, thereby supporting innovation and growth. The social value paradigm focuses instead on the broader social, environmental and economic benefits that it might be possible for commissioners to secure through their procurement activity.

Neither of these approaches are new. The moon landing was made possible in part because the structure of procurement encouraged innovation – the move from a cost-plus model to a fixed price with an incentives model was an important part of this (Mazzucato, 2021) – and after the First World War both the UK and USA introduced Special Contract Arrangements to support veterans and fund sheltered workshops employing people with disabilities (Hamilton, 2022). The US government used conditions in certain government contracts to establish the ten-hour working day as far back as 1840 (ibid).

Although this section focuses on the UK, other European and Anglophone countries have gone through a similar journey. In Europe, there has been a move towards strategic public procurement, recognising the potential of procurement to be an important tool in achieving a range of social goals. Broadly, this is split into three core components (European Commission, 2020):

- **Green public procurement** refers to the inclusion of environmental considerations in the procurement process.
- **Socially responsible public procurement** refers to the inclusion of a range of criteria, such as employment opportunities, decent work, ethical trade, accessibility, and equal opportunities.
- **Procurement for innovation** refers to the use of public procurement to stimulate the creation and adoption of solutions that are not yet commercially available.

2.1 The efficiency paradigm

In the UK, the origin of the efficiency paradigm in procurement was the introduction of compulsory competitive tendering (CCT) in 1980.

CCT required contracting authorities to compare the cost of in-house provision with private sector bidders for specified services. The result was a mixed economy and a client-contractor mindset, even where services remained in-house. Unit costs came down, but mainly through a reduction in terms and conditions, and at the expense of increased complexity, loss of in-house capability, and reduced responsiveness to citizens (Interviews, 2022).

Following New Labour's election in 1997, the CCT regime was superseded by the *Best Value framework*. Their critique of CCT was that "service quality has often been neglected and efficiency gains have been uneven and uncertain, and it has proved inflexible in practice" (Department of the Environment, Transport and the Regions, 1998). The Best Value framework introduced a duty to secure "economic, efficient and effective services" (ibid), so broadening the focus from price and putting greater emphasis on quality. It retained a legal duty to compare provision with private sector alternatives, and outsourcing continued to increase across the public sector and local government under New Labour (Sasse et al, 2019). The logic of maximising value for money remains focused on the specifications of a product or service being procured to serve a narrow use case and leaves limited room for leveraging procurement in support of wider strategic policy goals.

Procurement routes

Public procurement in the UK must follow one of six main routes, depending on the size and content of the contract, as set out in *The Public Sector Contract Regulations 2015* (UK Government, 2015).

ROUTE	PROCESS	USE CASE
Open procedure	Any interested organisation can submit a bid	Regarded as the 'default' procedure for government procurement; suitable for simple procurements where the requirement is straightforward; most commonly used for buying goods where the buyer is seeking the cheapest supplier
Restricted procedure	Buyers to 'pre-qualify' suppliers based on technical/professional capacity or financial standing	Buyers should be able to specify the entire requirement in advance, such that bidders will be able to deliver a fully priced bid
Competitive procedure with negotiation	Buyers can negotiate with potential suppliers after the initial tender, but not after the final tender	Used where the needs of the buyer cannot be met with current products because they require adaptation or innovation, there is a high degree of complexity, or the technical specifications cannot be established with sufficient precision
Competitive dialogue	Buyers open a dialogue with potential suppliers to identify and define the best way of meeting their needs; buyers can negotiate after the final tender	
Innovation partnership	Buyers identify the need for an innovative product and specify minimum requirements; partners then undertake R&D to meet those requirements	When there is a need for R&D and the buyer wants to purchase the product or service that results from it
Negotiated price without prior notice	Na	In some limited cases there may be only one possible supplier; in those cases it may be possible to negotiate a price without a public and competitive process

Based on Mills and Reeve (2023) and Local Government Association (2023)

2.2 Functional procurement

There is a long history of using procurement for innovation, but it has largely been associated with military technology and rarely replicated in the civilian sphere. Given the urgency of many of the grand challenges facing governments across the world – especially climate and inequality – this paradigm is being used more widely, with an emphasis on procuring functions and outcomes.

Functional procurement is “when a public agency buys products that perform functions that provide solutions to problems and when functional specifications are (also) used in the procurement documents” (Edquist, 2023). This contrasts with product procurement, which is “when existing products to be bought are described in the procurement documents” (ibid). **Functional procurement is a mechanism to drive innovation – by specifying the outcomes or functions of a product that does not yet exist, it leaves space for potential suppliers to experiment and create products that fulfil that brief.** Procuring innovations directly (‘innovation procurement’), i.e. specifying in advance the product to be invented, is a contradiction, since future knowledge cannot be predicted.

Functional procurement is most closely associated with the procurement of goods. The focus on goods, products and technological innovation makes functional procurement less relevant for Camden Council (and local authorities more generally), as the majority of their spend is on public services. Across all UK local authorities, for example, around 40% of total third-party spend is on Vulnerable Citizens and Public Health, which includes Adult Social Care (28%) and Children’s Social Care (8%) (EY and Oxygen Finance, 2022).

For commissioning bodies purchasing services, the equivalent is outcomes contracting or payment by results. Under this approach, providers have greater flexibility to deliver different activities as long as they meet certain outcomes (see case study). Theoretically, outcomes contracting helps align the incentives of commissioners and providers, increase innovation in service delivery, manage risk and reduce waste (Gibson, 2023). However, as we outline in section 6.3, outcomes contracting can lead to perverse incentives and data manipulation.

Case study: Probation services in the UK

Offender rehabilitation (probation) was one area in which payment by results was trialled and evaluated by the National Audit Office (NAO). Probation is a complex job, requiring professionals to support people leaving prison to integrate into society, work and housing, with the aim of reducing re-offending. Re-offending itself is a huge problem, costing the state at least £15 billion a year (National Audit Office, 2015).

The motivation behind trialling a payment by results approach arose from stubbornly high levels of re-offending and frustration at the ‘tick-box’ mentality of service delivery. The theory was that allowing service providers to find the best ways to drive down re-offending would shift the dial. A key flaw in the logic was that re-offending occurs due to wider social factors that are not in the control of probation providers and so outcomes are not necessarily directly attributable to their work. Collecting, analysing and tracking good data on re-offending also proved problematic, and there were strong incentives for providers to ‘cherry pick’ offenders who were already less likely to reoffend and ignore those who were harder to prevent from reoffending. The result of this was that by 2018 the number of re-offenders had reduced, but the frequency of reoffending had increased, and the overall reoffending rate had barely shifted (Cattell, 2018).

2.3 The social value paradigm

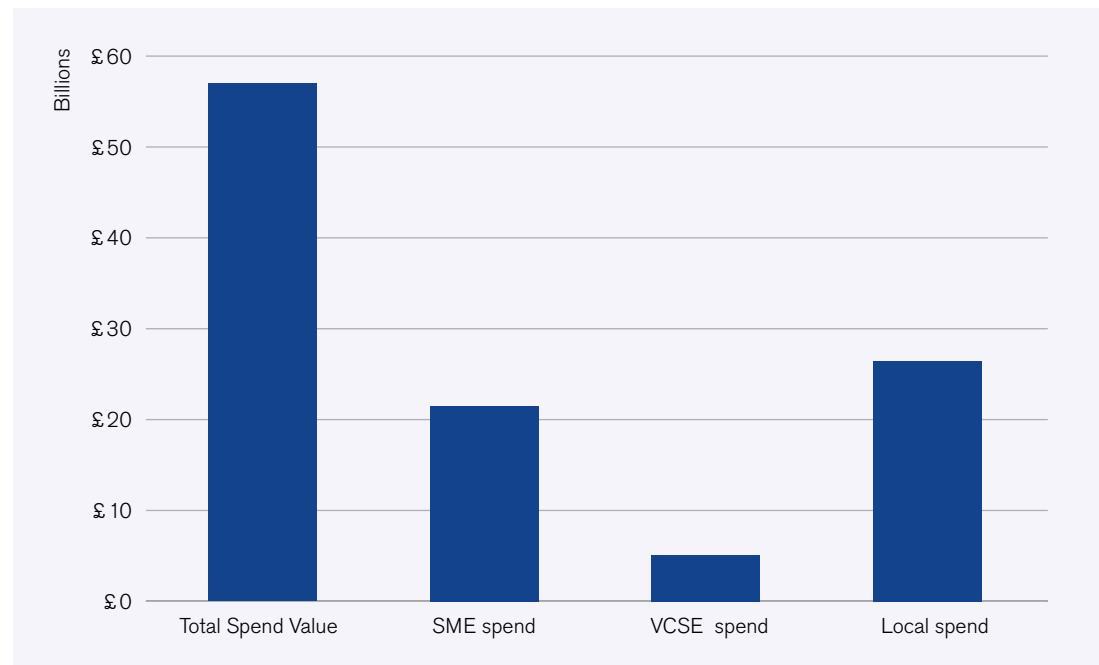
The Public Services (Social Value) Act 2013 allowed public bodies to take a broader view of how they spend public money, and placed additional obligations on them to consider how the goods and services they procure support broader forms of local value (Local Government Association, 2020).

It was initiated as a Private Members’ Bill by Chris White MP, who had seen as a councillor that community organisations struggled to compete on price and were therefore locked out of public procurement contracts (Fellows, 2022), despite the fact that they could bring a wide array of positive externalities. The key clauses of the Act were:

1.3 The authority must consider—how what is proposed to be procured might improve the economic, social and environmental well-being of the relevant area, and how, in conducting the process of procurement, it might act with a view to securing that improvement. (Public Services (Social Value) Act, 2012)

A review by the Cabinet Office in 2015 found that while it had a positive impact, there were gaps in understanding how to define, apply and measure social value (Young, 2015). Since then, the framework has been strengthened and the application of social value made mandatory (with a minimum weighting of 10%) for central government bodies (Fellowes, 2022). Local authorities today spend c. 46% of their procurement budgets locally and almost 40% on small and medium-sized enterprises (SMEs) (Tussell, 2022).

Figure 2. 2021 Local authority procurement spend, billions

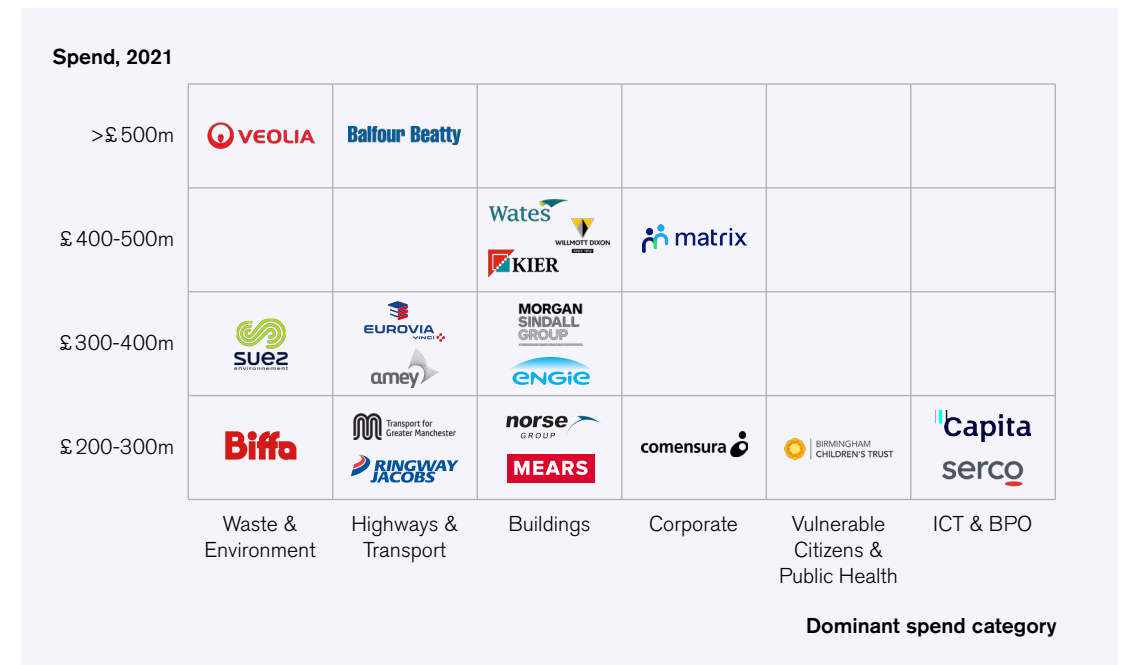


Source: Tussell, 2022

More recently, **the Procurement Act 2023 aims to speed up and simplify procurement processes, and enable more SMEs, charities and social enterprises to access government contracts** (Government Commercial Function, 2023). This reflects the reality that **despite the Social Value Act broadening the types of firms that local authorities contract with, the**

market is characterised by a few ‘mega-firms’ that receive significant contracts across the country. The biggest of these is Veolia Group, which predominantly provides waste services and received over £600 million in 2021. In 2021 local authorities spent a total of £7 billion with the top 20 suppliers (EY and Oxygen Finance, 2022); for context, the total size of the Government’s Levelling Up Fund is £4.8 billion (Department for Levelling Up, Housing and Communities, 2022).

Figure 3. Top 20 third-party suppliers to UK local government, by spend and dominant spend category, 2021



Source: EY and Oxygen Finance, 2022

The UK Government is clear in the *Transforming Public Procurement* Green Paper that it wants “to send a clear message that public sector commercial teams do not have to select the lowest price bid” and that they should “take a broad view of value for money that includes social value” (Cabinet Office, 2020). The Act requires contracts to be awarded on the basis of the “Most Advantageous Tender,” (MAT) rather than the “Most Economically Advantageous Tender” (MEAT) as it had previously been, reflecting the desire for broader considerations to be given greater space in procurement decisions.

2.4 Limitations of the social value approach

The move towards social value or strategic public procurement has to some extent successfully shifted behaviour away from focusing only on price. However, there are three core critiques of the social value approach.

First, **social value is still often thought of as an add-on, rather than as core to the delivery of the good or service** (although 'intrinsic' social value is a recognised form). Social value commitments made by suppliers often get negotiated down after the contract has been won and providers are not always held to account with the same rigour that they would be on 'core' delivery metrics.

Second, **social value commitments are often ad-hoc and lack strategic coherence with the organisation's wider goals** (Cottell and Tabbush, 2022). Camden's experience, in line with other local authorities, is that there is a tendency to ask for easy-to-measure commitments, such as having an apprentice on the project, whether or not that is the most impactful or relevant thing to do (Interviews, 2023). There is more weight put on being able to demonstrate that social value commitments have been delivered than there is on ensuring a robust and high-quality process for defining social value in the local context.

Third, **guidance published by the UK Government (Government Commercial Function, 2020) and supported by the Green Book's guidance on appraisals, monitoring and evaluation has focused practitioners on social value commitments that can be quantified** through Key Performance Indicators (KPIs), for instance the number of local people provided with apprenticeships. This is despite the fact that the original wording of the Act suggests a broad remit for local authorities to secure the best economic, social and environmental outcomes for their constituents by rethinking both the object and the process of procurement. Large suppliers are more likely to have the teams and resources in place to be able to demonstrate to public sector commissioners that they have fulfilled the social value requirements of the contract. As a result, **in some cases the social value framework can undermine the long-term strategic ambition of a council to promote more local SMEs into their supply chains.**

At the cutting edge of practice, some organisations taking a social value approach to procurement use a broad, triple bottom-line approach to evaluating impact, although most use a narrower set of metrics, such as

percentage of local spend or jobs, or environmental outcomes (Selviaridis et al., 2023). **Even those using more holistic measures almost always take only a quantitative approach to understanding impact.** Recent updates to this guidance broadened the social impacts of policies and programmes that can be measured (for example, wellbeing) (HM Treasury, 2021), but it remains the case that the common approach to understanding social value is a monetised measurement of the benefits.

The Social Value paradigm reflects a market-fixing mindset and remains fundamentally mitigatory, aimed at extracting marginally better outcomes from a process that is still centred on price (Karthaus and Richards, 2021; Interviews, 2022). While the innovation and social value paradigms seek to change what is defined in tender documents and how bids are evaluated, they maintain a set of assumptions about purpose, process, and relationships. **As a function, procurement most often remains within legal or finance directorates, reflecting a view that it is a technocratic hurdle rather than a strategic lever of change.**





3 Innovation and mission-oriented procurement

Mission-oriented procurement recognises the critical strategic role that commissioning and procurement can play in shaping markets that align with government policy goals. . It takes a dynamic view of public value, looking not just at the additional social or environmental benefits that a supplier might be able to provide today (for example, number of apprenticeships), but at how the contract can best support the objectives and theory of change of a mission.

3.1 The American military-industrial complex

The American military-industrial complex has a history of using procurement to support critical missions. The USA's Defence Advanced Research Projects Agency (DARPA) recognises that **“acquisition innovation is critical to mission success.** To attract revolutionary commercial companies that normally avoid the federal government, alternative acquisition practices that embrace risk are essential” (DARPA, 2024).

The Department of Defence (DoD), NASA, and DARPA have made extensive use of a legal instrument called “Other Transaction Authority (OTA) Awards” to link procurement to clear goals or ‘missions’; catalyse innovation and investment required to solve specific problems; provide a clear signal of market demand for new products; align timelines with a specific need; and enable the Government to share in the rewards of its investments.

OTA awards are simply defined as transactions *other than* procurement contracts, grants or co-operative agreements. They are not subject to most laws that govern procurement and therefore have the freedom to enter flexible contracts. This instrument can help to reach non-traditional defence contractors, speed up procurement, and stimulate innovation, leading to new prototypes and products.

During the Iraq and Afghanistan wars, DoD used OTA awards to develop a mine-resistant vehicle in response to the growing threat of improvised explosive devices (IEDs). As a result the entire process, from R&D to production, took just 90 days, rather than the typical 18- to 24-month

acquisition life cycle through conventional procurement routes (Dobriansky and O'Farrell, 2018).

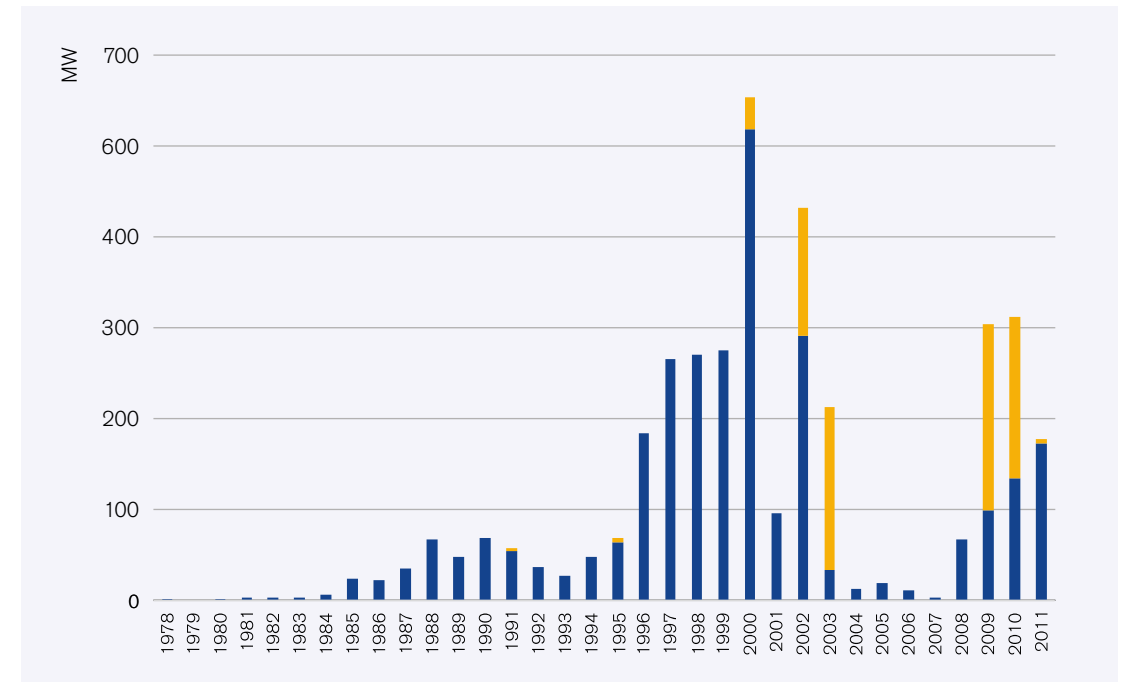
DARPA's first OTA award was with a company called Gazelle Microcircuits, in 1990. In return for support with development, design, engineering and working capital, DARPA retained access to R&D results and a fair return on its investments if the technology led to commercially successful products (Strategic Institute for innovation in Government Contracting, 2018). The agreement was much shorter than a typical procurement contract and oversight was provided by the technical lead sitting on the company's board of directors (Ruiz, 2023).

This approach has been much less commonly used in the non-military sphere, even though in the US many other agencies have the authority to do so, including the Departments of Energy, Health and Human Services, Transportation, and the National Institutes of Health (National Defense Magazine, 2019). **The challenge is more one of mindset than of regulation.** One of the key differences is that at NASA and DARPA, OTA awards were not under the purview of the procurement officers; at other agencies, they were seen as one more contracting tool among many. **To fully embrace the flexibility that OTA awards offered, procurement officers don't just need to learn new skills, they need to unlearn things they had previously been taught** (Ruiz, 2023).

3.2 Denmark: Wind turbine manufacturing

There are **some examples of national governments or agencies taking a similarly mission-oriented approach to procurement in social policy domains.** Following the oil crises of the 1970s, Denmark decided to shift away from oil (initially towards nuclear), implemented through four energy plans (International Renewable Energy Agency, 2013). The Government provided financial and technical support at the early stage of the industry's development, and set long term targets for wind power generation. **This was a clear mission, in response to the need for clean energy and energy security.** It wasn't until the Government "mandated the utility sector to purchase wind energy at a preferential price and guaranteed wind power generators a fixed price of 70–85 per cent of the local retail price of electricity" (UN.ESCAP, 2012) that turbine installation really took off. That feed in tariff was introduced in 1993 – with a sharp rise in capacity following immediately after (see Figure 4).

Figure 4. Annual Wind Installations in Denmark 1978-2011



Source: International Renewable Energy Agency, 2013

As a result, today ~50% of the electricity generated in Denmark is from wind, compared to just over a fifth in the UK (International Energy Agency, 2023). Denmark is also home to Vestas, one of the largest manufacturers of wind turbines in the world, with a market share of ~14%. In 2019, Denmark exported DKK 66.5 billion (£7.8 billion) of wind energy goods and services (Energistyrelsen, 2019). **Leveraging the purchasing power of regulated utilities has enabled Denmark to make progress on its climate goals at the same time as building world-class manufacturing capabilities and creating new export opportunities.**

3.3 Sweden: Transforming school meals

Sweden aims to become the first fossil-free welfare nation in the world (Fossil Free Sweden, 2021) with the emphasis on not only reducing emissions, but enhancing wellbeing at the same time (Fossil Free Sweden, 2024). The overall objective is for Sweden to have zero net emissions by 2045 (ibid). The Fossil Free Sweden initiative has worked with 22 industries to create roadmaps to show how they can enhance competitiveness by going fossil free. Industry groups themselves have led the production and now own the implementation of these roadmaps, with a process and standard set by Fossil Free Sweden.

The food system is a critical market in this journey, and Sweden has focused on school meals as an important lever to transform the market. **As its food strategy says, “Public procurement processes should be used to better guide towards and respond to society’s aspirations and laws”** (Ministry of Enterprise and Innovation, 2017). To this end, the Swedish National Food Agency has supported a range of municipal experiments to implement the strategy and look at the potential of procurement. Vallentuna ran a ‘reverse procurement’ test, where local suppliers offered what they had for school lunches, meaning sales were based on supply rather than demand, and children ate seasonal and locally grown food (Livsmedelsverket, 2023).

Similar work is happening elsewhere in Europe. Initiatives include ‘organic districts’ in Italy, where “farmers, citizens, public authorities, and other local actors realise a formal agreement aimed at the sustainable management of local resources” (SchoolFood4Change, 2022); a new B2B platform in Ghent that connects city purchasers with local suppliers; and a “catalogue of food” in Slovenia that aims to make public food procurement more transparent (ibid).

In all these examples, intentional and innovative approaches to procurement create market opportunities, not just for local food suppliers, but for technology companies and others as well. **Within the mission-oriented paradigm, the value of procurement is not the extent to which it is able to reduce cost, but rather the extent to which it succeeds in catalysing investment and innovation-yielding solutions to policy challenges, and transforming sectors, shaping markets and contributing to growth that aligns with wider policy goals.**



4 Lessons from Camden

4.1 Building a mission-driven government

The London Borough of Camden is well known for its music industry, bustling market, knowledge quarter (British Library, British Museum, universities, research centres and more) and global transport hubs. It has also a history of progressive architecture and social housing, and an array of public libraries, community and youth centres, and new forms of community engagement like ‘think and do’ centres.

In 2020, in the midst of the COVID pandemic, the Council and IIPP launched the Camden Renewal Commission to explore how the borough could respond in the aftermath. **It aimed to “turn this crisis into a coalition to remake an economy that invests in every person in every community”** (Camden Renewal Commission, 2020). It brought together a cross-sectoral group of actors in Camden, including from the sciences, arts, youth sector, and business.

The Commission proposed four missions, tested with community groups and residents, that were incorporated into the Council’s strategy. They were:

- **Estates:** By 2030, Camden’s estates and their neighbourhoods are healthy and sustainable.
- **Food:** By 2030, everyone eats well every day with nutritious, affordable, sustainable food.
- **Diversity:** By 2030, those holding positions of power in Camden are as diverse as our community – and the next generation is ready to follow.
- **Opportunity for young people:** By 2025, every young person has access to economic opportunity that enables them to be safe and secure.

That marked a significant step on Camden’s journey towards becoming a mission-driven local authority. **It articulated a clear plan that defines both the change that it wants to see in its communities and the approach that it is taking to make this change** (Camden Council, 2022). For Camden, a mission-oriented approach is a strategic framework that:

- **Focuses activity on a small number of transformational goals** that are impossible to reach within current approaches and thus necessitate collaboration and innovation;
- **Aligns the organisation’s people, finances, time, effort, skills, and expertise** towards determining how to achieve those goals;
- **Thrives on experimentation and learning** to promote proactive problem-solving and innovation.

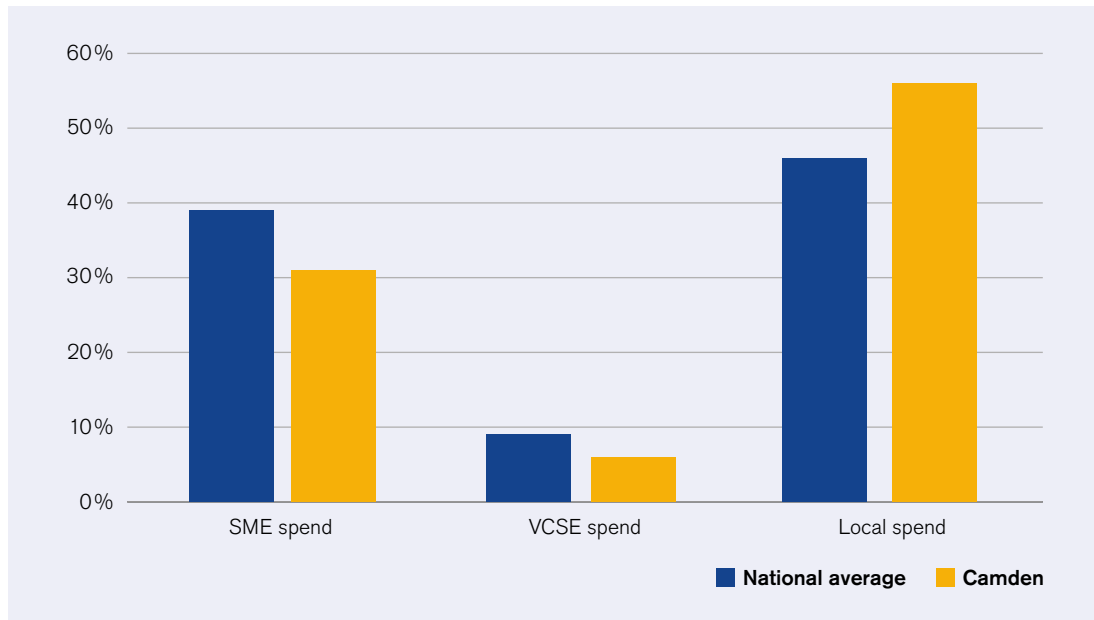
Committing to a missions-oriented approach means that Camden has had to rethink *how it works*, as well as *what it is trying to achieve and the services it provides* “how a mission is implemented is just as important as what the mission is” (Mazzucato, 2023). Implementing a mission-oriented approach requires investments in new capabilities and ways of working, as well as changes to the design of public institutions and policy tools. Camden is already making meaningful progress on this journey.

The Council has started to become a more dynamic, relational bureaucracy, focused on outcomes, empowering frontline and junior staff, and strategically aligning resources across its network of anchor institutions and partners. This has required investment in developing new capabilities in line with the mission goals, including digital, data, insight, participation, systems analysis, service design, and policy design.

Camden announced in July 2023 the launch of a new Community Wealth Fund (Gregory, 2023). This fund was informed by an analysis of the existing financial ecosystem, and research on possible approaches to governance, community engagement, and capitalisation carried out by IIPP. It will establish an innovative vehicle for investing in local entrepreneurs aligned with the missions, with a particular focus on diversity and youth opportunity (Mazzucato et al., 2022).

Camden is now embarking on a redesign of its procurement policy, to better leverage it as a tool for achieving mission goals. Camden’s annual procurement budget is approximately ~£542 million. Of that, 56% is spent locally and 35% with SMEs and voluntary, community or social enterprises (VCSEs) (Tussell, 2022).

Figure 5. Camden vs national average, % total procurement



Source: Tussell, 2022

By aligning public procurement budgets with missions, governments can better leverage existing public funds and significantly increase the resources directed towards the achievement of priority policy goals. In doing so, they are also shaping new market opportunities for mission-aligned businesses, and stimulating innovation and investment, ultimately generating spillover effects. In this way, **missions can have a multiplier effect, with each pound invested by government crowding in private sector investment and catalysing innovation**, leading to productivity gains, new jobs, and an outsized impact on GDP (Deleidi and Mazzucato, 2019). This mission-oriented approach to procurement can also lead to new forms of public-private partnerships that deliver greater public value.

Mission-oriented procurement is relevant for any of the four missions outlined above. It is an important lever for changing the food system, creating opportunities for young people, and increasing diversity in leadership. As a starting point, though, this project focused on the potential of mission-oriented procurement to drive the Estates Mission.

The Estates Missions provides a strong spatial focus and a place-based lens on procurement. This opens up the question of how the different services that

Camden procures intersect on an estate. It also makes a wide range of the services that Camden procures relevant to work with; any service that is delivered in part on estates will be relevant for the mission. The Estates Mission is also the most developed, with a working theory of change that details the long-term outcomes the Council is aiming for (see Figure 6).

Figure 6. Camden Estates Mission theory of change (outcomes)

By 2030 Camden's estates and neighbourhoods are healthy, sustainable and unlock creativity.

Camden's housing estates and communities will play an active role in achieving net-zero.

- Residents live on estates where sustainability is embedded in their design
- Residents live on estates which are sustainable in their operation
- Residents on estates are comfortable and resilient to climate risks
- Residents readily participate in climate-focused social action and behaviours
- Everyone has a responsibility to avoid waste and keep materials in circulation
- Residents' health is not impacted by the air they breathe
- Residents travel by active or sustainable modes of transport where possible

Camden's housing estates contribute to people living happy and healthy lives.

- Everyone takes responsibility for the health of Camden's population
- Residents on estates maintain good health, but can access integrated health and wellbeing support if needed
- Residents live on estates which contribute to their economic stability and flourishing
- Residents on estates enjoy a built environment and place which contributes to their wellbeing
- Residents and communities on estates have a sense of shared social connection

Camden's residents are empowered and feel a sense of ownership over the places they live

- Every estate community is able to define what creativity means to them
- Residents on estates have access to opportunities which enable them to achieve their ambitions
- Residents on estates have a voice and are able to influence decisions about their local area
- Residents on estates have the tools and resources to enable them to lead change in the places they live

This project comes at an opportune time for the Council: there is parallel work happening to define social value in the context of Camden's strategic ambitions, and secure commitments from suppliers that meaningfully contribute to local communities. This work is currently testing co-design tools for better data monitoring to drive social value outcomes and ways of better connecting Camden SMEs and VCSEs with the existing supply chain. At the same time, **the Procurement Service has moved from Legal & Finance into the Economy, Regeneration, and Investment division, reflecting an understanding of procurement as an important strategic function for addressing broad social and economic goals.** Camden's

goal for this project was to identify possible changes to how it does procurement that could enable it to reorient its resources in service of its missions, and adopt a more active position in shaping local markets and galvanising coalitions for change.

4.2 Defining mission-oriented procurement in Camden

Mission-oriented procurement is a new concept for Camden, and required further definition before the Council could start experimenting with it. For Camden, it means introducing a greater focus on:

- **Market shaping:** Articulate a shared vision for partners and suppliers; pro-actively support the market to develop new capabilities; and support SMEs to both win contracts and grow their business.
- **Place-based commissioning:** Enable residents to be active participants across the commissioning and procurement cycle, from defining needs to evaluating bids to reflecting on performance; understand spend from a people and place perspective by mapping the interaction between service lines in a single place; identify and value potential social capital within contracts (such as getting to know people carrying out repairs on estates over time).
- **Outcomes commissioning:** Align outcomes of services to missions.

The capacities within the public sector tend to be narrow and focused on stability (Mazzucato et al, 2021). **For procurement officers, there has historically been an emphasis on identifying risk and ensuring that contracts are compliant with relevant legislation.** Obviously, these are important core skills that will still be required. However, **moving to a mission-oriented approach to procurement will require new individual and organisational capabilities that reflect a more dynamic and proactive stance, and an ability to work with systems and uncertainty.** Creating the culture that would support these shifts starts at the top – senior leadership teams across the organisation (not just in procurement and finance) need to hold the risk.

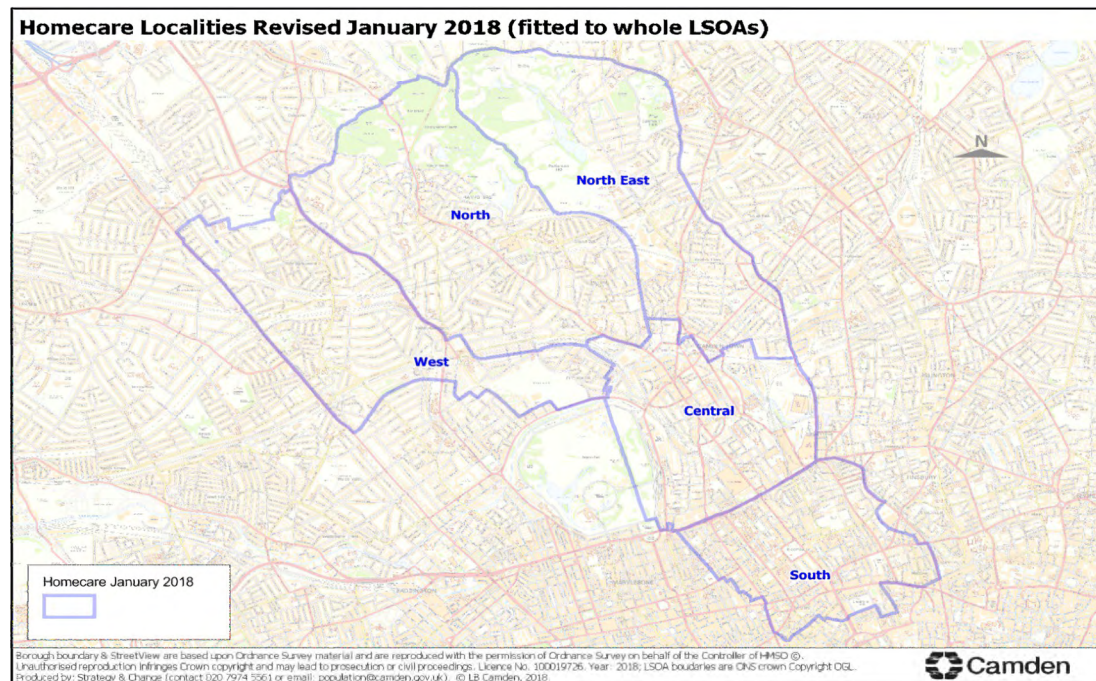
INDIVIDUAL CAPABILITIES	ORGANISATIONAL CAPABILITIES
Technical <ul style="list-style-type: none"> ▪ Creative facilitation ▪ Analytic skills ▪ A commitment to data ▪ Understanding different markets 	Ecosystem leadership Developmental evaluation Co-design System level budgeting and accounting Reflective practice
Mindset <ul style="list-style-type: none"> ▪ Patience ▪ Flexibility ▪ Adaptability ▪ Pragmatism ▪ Opportunism ▪ Creativity and thinking differently ▪ An inquisitive mind ▪ Passionate about trying to do something different ▪ Entrepreneurialism 	Enabling leadership across the organisation Horizon scanning Citizen engagement and participation
Collaboration <ul style="list-style-type: none"> ▪ Storytelling ▪ Communication ▪ Ability to voice opinions and speak up 	

Source: Interviews

4.3 Testing mission-oriented procurement in Camden

In order to test what a ‘mission-oriented procurement’ approach could mean in practice, the project team designed a ‘Mission Incubator’ to rethink a service specification from a missions perspective. The contract chosen for the test was for Long-Term Care and Support (hereafter referred to as ‘Homecare’), commissioned by the Adult Social Care. The Homecare service seeks to ensure the provision of care and support in the home for adults who have a range of support needs. Homecare in Camden is delivered in localities. The borough is divided into five clusters with a different lead provider in each (see Figure 7).

Figure 7. Camden’s Homecare localities



The Incubator brought together officers from Adult Social Care, the Estates Mission, and the Procurement Service over a series of four workshops (full details of which can be found in the appendix). Service leads and procurement officers do not always have a clear sense of what type of delivery model would best advance the missions, and providers often have

little to no awareness or understanding of the missions. As such, the Incubator aimed to:

- **Support service leads to integrate Camden’s Missions** into the design of its commissioning and procurement activities, including the drafting of service specifications,
- **Embed consciousness of the missions** and a set of mission-oriented behaviours across the participating teams and the organisation more widely,
- **Identify and analyse gaps in the market**, where the Council might need to pro-actively support potential suppliers to build new capabilities,
- **Design an ‘ideal type’ mission-oriented service** that would make it possible to demonstrate to the market the scale of ambition and how service providers fit into the Council’s broader aims.

The Mission Incubator prototype was designed to test a new way of working for Camden that would build towards a mission-oriented procurement practice. For others interested in running a similar exercise, reflections on what worked well and what could have been improved are set out in the Appendix (Section 8.2).

4.4 Opportunities and lessons for Camden

The Mission Incubator identified three core opportunities for Camden to embed a mission-oriented procurement approach. They were:

1. **Changes to the Homecare service model**
 - a. Adopt a hyperlocal and networked model of care
 - b. Expand the role of care workers
 - c. Deepen the commitment to relational working
2. **Changes to the procurement processes**
 - a. Enable participatory and collaborative commissioning
 - b. Prioritise suppliers with mission characteristics
 - c. Reform contract management and evaluation

3. Changes to ways of working

- a. Embed a partnerships approach
- b. Empower and motivate procurement officers

4.5 Changes to the Homecare service

Adopt a hyperlocal and networked model of care

Each of the five localities that Homecare contracts are split up into are large, with many estates located in each. There is little connection to the smaller communities that residents who receive care see themselves as part of.

Camden could adopt a hyperlocal, place-based approach that draws on the strengths of local neighbourhoods and works collaboratively with the local voluntary and community sector. This would connect well with the Estates Mission, with its emphasis on the connection between estates and their neighbourhoods, and its focus on how life feels within an estate.

By working at the hyper-local level, it may **create an opportunity to complement a ‘one to one’ model of care with a networked model.**

Within any given estate there are likely to be multiple residents receiving care, each with their own support network. Currently, care services tend to see and think of each resident they work with separately. While personal services will always be needed, providers could also offer residents and their families and friends the chance to meet other care users, creating a mutually supportive network. This would resonate with practice in other domains – for example, ante-natal classes, which explicitly aim to create peer networks for new parents as well as providing information and support

Expand the role of care workers

The Homecare service could better support the Estates Mission by reimagining and expanding the role of care workers, co-creating services with them and building their capability to play a more strategic and holistic role.

Currently, care workers are normally on a ‘task and time’ contract, meaning they get paid for the time they spend with each resident. Demand is highest for support around mealtimes, and at the start and the end of the day. Progression is difficult and there are limited opportunities for care workers to use or share the knowledge they build up of the places they work in more widely.

To change this, **care workers should be seen as place shapers, not just service deliverers;** the Council and providers should utilise carers’ local knowledge and give them opportunities to affect changes that improve the environment of those they care for. There is significant untapped value in their relational working practices that could have multiple, reinforcing benefits across the mission, without creating more work for the same people to deliver, i.e. changing how they do their work, rather than the quantity of what they do.

For instance, care workers could provide light-touch support for neighbourly relationships amongst residents through simple acts like enquiring about them in conversations with clients; Camden could create a feedback loop between care workers and the estate maintenance team, so that they can share knowledge about how the physical layout of an estate helps or hinders residents; care workers could receive additional training to spot when residents they work with need changes to their house, such as addressing damp or mould. This is a natural fit for a service like Homecare, because it is delivered face to face in residents’ homes, many of which are in Camden’s estates.

These changes would help create clearer opportunities for progression with a care workers’ role, with entry-level jobs focusing only on the core care activities and more experienced care workers having a clear role within place-shaping work. It also **also recognises that many care workers are residents as well as employees within Camden,** and that giving them greater agency and voice thus furthers the Estates Mission’s objective of enabling residents to shape the places where they live.

Supporting this would be a move towards a shift-based business model (rather than time and task). This would give care workers greater stability, and create a strong incentive for companies and the Council to think about how they can be valuable in the time not spent directly with residents.

Deepen the commitment to relational working

The standard approach to public procurement conceptualises outputs and outcomes as separate from those that deliver them; it is interested in the ‘what’ rather than the ‘who’. **A relational approach recognises that outcomes are the result of interactions between people and organisations in the system, and therefore values and invests in the quality of those relationships.** It is already apparent in the Homecare service, but could be pushed further. Such an approach should run right

from the work on the ground to the way that the Council operates, although it looks different at different levels.

At the care worker level, rather than trying to specify all activities that a care worker should perform, it would **give those on the frontline more agency and discretion** to decide what is important. This is particularly suitable for a one-to-one, place-based service model like Homecare.

At the estate level, **providers should support both their employees and the residents they care for to build strong connections** to the estate manager, residents' associations, and any social groups that operate within the estate.

At the provider level, **the Council should invest more in connecting different providers, community organisations, or other relevant actors within the system.** This would provide an opportunity to better understand the wider context within which care services operate. The Council should also bring Homecare providers into its Housing service, given the knowledge of the state of many homes in the Borough that carers on the ground have.

Within Camden Council itself, relational work could also be improved. A key innovation of the Mission Incubator was to **bring together three perspectives: those of the mission, service and procurement leads.** This enabled the team to start building a shared understanding of the wider context of the Homecare contract and how it could connect to Camden's Missions.

4.6 Changes to procurement practice

Enable participatory and collaborative commissioning

As noted above, one key gap that the Mission Incubator was designed to address was the silos within which commissioning and procurement activity often happens. **Mission-oriented procurement requires commissioners to see how the service (or goods) that they are procuring fits into a wider theory of change,** and to identify opportunities to leverage that spend in order to support the missions.

To do that, it is important to bring different voices to the table. That starts with mission leads within the council; a core part of their job description should be to contribute to relevant commissioning activities across service lines, in order to build a truly whole-of-government approach to the mission.

Further, **Camden could explore opportunities for different services to commission collaboratively.** This is particularly relevant for place-based missions like estates, where many different local government services intersect. For those living on estates, which department commissioned a particular service is not relevant – what matters is how well those services work together. Bringing multiple service leads together to explore those connections and possible tensions could enable them to be delivered in a way that is more coherent and impactful for residents.

Camden could also build on its strengths in participation and open procurement processes to increase public involvement. There is already some work happening in this direction, including setting up a participatory budgeting pilot on Hilgrove Estate. **There are opportunities to deepen resident participation through the whole commissioning cycle.** Residents could be involved in setting strategy, evaluating tenders (perhaps through meeting potential providers), and ongoing evaluation and learning activities. For example, a commissioning service could, if properly resourced and facilitated, host drop-in engagements on estates to source feedback on bids.

Additionally, **Camden should work with residents to determine locally relevant forms of Social Value** and publicly state what its local priorities are. Although there are limits to the Social Value approach (see section 2.3), it is likely to remain a core framework for the Council for the foreseeable future. Clarity about Social Value priorities will enable the Council to work with suppliers through market-shaping and pre-tender activity to develop locally relevant Social Value commitments, rather than relying on the generic guidance.

Prioritise suppliers with mission characteristic

There is a clear view within the commissioning team that the providers who deliver the greatest public value share certain characteristics. Many local authorities have an ambition to spend more on local SMEs, but other characteristics may be more indicative of the potential to best drive Camden's Estates Mission forwards. Important characteristics identified included:

- Sensitivity to place and deep roots in the community
- Capacity to learn, innovate, and co-design improvements

- Mission literacy, with a strong understanding of and commitment to the missions as a whole
- Capability to work in partnership alongside the Council, care recipients, and the wider care system

To some extent, companies can change their operating model to adopt these practices. **Setting strong conditions within procurement contracts – for example, around partnership work or learning practices – can help shift suppliers' behaviour.** Commissioners can tilt the playing field towards those organisations that have mission-aligned behaviour – for example, prioritising companies that reinvest profits, have good labour practices, and minimise share buybacks.

That may in turn change the types of organisation that Camden ends up contracting with. For the characteristics described above, **ownership and structure matter too.** Care homes owned by private equity companies – an increasingly common phenomenon – are likely to have different operating practices to those run as independent businesses or community organisations.

To make it possible for mission-aligned businesses to access procurement opportunities, Camden may need to split contracts into smaller lots, and to provide support and guidance for organisations that may not have as much experience in bidding for public sector contracts. **This is a core part of the market-shaping work of mission-led procurement – nurturing the ecosystem to make it possible to procure with the types of organisations that share the values and goals of the missions.**

Reform contract management and evaluation

Current contract management processes at Camden tend to rely heavily on quantitative data, checking Key Performance Indicators against agreed targets. This is typical for public sector contracting. While it might be important to establish targets for certain minimum standards, they are not in general suitable for improving performance of providers delivering public services, as discussed in more detail in section 6.3.

Mission-oriented organisations need to accept that there are significant unknowns in their work and that their context is always changing. As such, it is important both to make more use of qualitative and ethnographic data, and to **use data for learning, rather than just for accountability.** That learning

should happen at multiple levels – with individual providers, between providers, with senior leaders in the Council, and with other actors in the system.

In particular, **establishing a regular cadence of reflective sessions between providers and the Council**, and holding them 'on the ground' (rather than in Camden offices), could improve the quality of the service, and the ability of all actors to develop a more honest and nuanced understanding of the system. Additionally, Camden's Commissioning and Procurement Board could devote a portion of its time to reflecting on past contracts; at the moment the focus is very much on scrutiny of ongoing procurement activity.

Finally, **evaluation frameworks could be developed to match mission outcomes.** This could take a key milestones and available pathways approach, as the EU has embraced in its Mission for Climate Neutral and Smart Cities:

The goal of the mission is to transform the city. To evaluate the feasibility of such a radical transformation, a qualitative indicator is proposed: the selected decarbonisation pathway to climate neutrality and the associated transformation drivers to be unblocked.

(European Commission, 2022)



4.7 Changes to ways of working

Embed a partnerships approach

Contracting relationships are often characterised by a clear hierarchy of power, with the commissioning authority in the role of oversight, setting targets and then holding providers to account. While this may work well for one-off interactions, it can degrade trust and transparency over time.

A partnerships approach would mean putting the Council in a supportive and enabling role. The Homecare commissioners clearly place high value on providers as partners, nurturing a strong relationship between them and the Council. There is potential to articulate this stance more clearly in the service specification by adding a section that clearly sets out what providers can expect *from* Camden, as well as what they will need to deliver. This would more explicitly frame the service as a partnership oriented around a set of long-term goals, thereby emphasising a collaborative and mission-oriented model of public service.

Commitments that Camden could make relate to facilitating community engagement, working with service providers to foster learning and innovation in delivery model design, and structuring commissioning so as to reduce barriers to entry for smaller providers.

Furthermore, **there could be greater direction on the expectation of providers to connect with other organisations and collaborate around opportunities to strengthen Camden's delivery of its missions** – for example, by adding a requirement to send a representative to attend the annual We Make Camden Summit, or other events, to facilitate conversation between commercial partners, residents and mission teams.

Empower and motivate procurement officers

The Procurement Service in Camden has tended to see its role primarily as one of minimising risk and ensuring compliance. This is not fully explained by the fact that it is a corporate, back-office function, as there is a contrast to the Finance Team, which is “more linked into the organisation and provides a closer support service” (Interviews, 2022). **The Finance Team had to “shift focus from ‘balancing the books’ and top-slicing budgets to looking hard at opportunities for transformation and innovation” (Interviews, 2022) – a cultural change that was difficult, but has enabled the Finance Team to better support the strategic goals of the Council.** As

a result, there is now shared ownership of the Medium-Term Financial Strategy, ensuring the Council's investment and savings strategy is linked to outcomes.

Camden's head of procurement is similarly working to create a new culture, in which officers are empowered to use their judgement and professional expertise in service of the missions. This means working to change the fact that, “Procurement is still seen as people who say no” (Interviews, 2022) and instead fostering a culture in which procurement professionals are encouraged and supported to generate creative ideas.

This approach aligns with research that suggests that leadership that creates “a highly motivational environment that gives employees autonomy and trust” is more likely to create and keep “mission-driven bureaucrats” whose intrinsic motivation is more closely aligned to Camden's goals (Honig, 2022).

It means shifting focus from operating with regulations at the forefront of professional practice and towards a model where the question of ‘What would create the most positive change for the residents of Camden in line with our mission?’ takes on a greater weight.

Insights drawn from the case of Camden's procurement of Homecare services underlines the range of small and large changes that may be needed to maximise the public value and strategic impact of procurement – and the potential of missions to provide a clear organising principle for how to do this. Each of the changes described in this section emerged from a process of asking what would need to be done differently to better align the design of services, procurement practices, and ways of working with mission goals.



5 A new procurement culture

The culture of public sector procurement is still heavily influenced by the theory of New Public Management (NPM), which prioritises minimising legal risk, managing through metrics, and securing the best financial value on the contract. Although there is now a greater willingness to consider in-house provision of services and other ways of understanding risk, management and value, the NPM mindset remains the default. Creating a common ‘unit’ of social value simplifies procurement and contracting for commissioners and suppliers, but does not encourage or support care and consideration in the process. In the context of under-resourced local authorities, it creates a strong incentive towards a ‘tick-box’ mentality.

There are a range of opportunities for commissioning authorities to make more proactive choices throughout the commissioning and procurement cycle, and work needs to be done to tackle the artificial barrier between the two, so that the goals and vision of service leaders don't get lost in technocratic processes. To make that possible, there needs to be a change in the culture and mindset about the purpose and value of procurement. As the European Commission has emphasised, strategic public procurement “is a state of mind” (European Commission, 2020). This section highlights four shifts in mental models that would underpin the transition towards a mission-oriented approach to procurement:

- **Shift 1: From neutral to intentional**
 - Old mindset: Procurement processes should aspire to be neutral and objective, because that makes them fair.
 - New mindset: All processes embed values; procurement processes should reflect the values and intent of the commissioning authority.

- **Shift 2: From risk to uncertainty**
 - Old mindset: Public service requirements are knowable and specifiable; to the extent that there are unknowns, they are quantifiable risks.
 - New mindset: The social systems that commissioners work within are complex – outcomes are fundamentally uncertain.

▪ **Shift 3: From transactional to relational**

- Old mindset: The contracting relationship is predicated on purchasing agreed deliverables (whether inputs, outputs, or outcomes).
- New mindset: Commissioners are selecting who they want to work with as much as what they want to be delivered, and therefore trust and shared values are critically important.

▪ **Shift 4: From risk management to risk leadership**

- Old mindset: Risks – especially around legal challenge and value for money – should be minimised as much as possible.
- New mindset: Risk is an inherent part of change and innovation.

Shift 1: From neutral to intentional

Old mindset: Procurement processes should aspire to be neutral and objective, because that makes them fair.

Core to the current procurement paradigm is the idea that a procurement process should be neutral. This is most obvious in the blind judging of applications – by removing personal knowledge of potential suppliers you remove bias and reduce the potential for corruption. Implicit in this practice is the idea that who provides a service doesn't matter as long as *what* is provided meets the specified criteria.

This suggests that governments have a legitimate role in making markets, but should not tilt the playing field in a way that gives preference to certain types of firms over others. For example, governments can create a market for social care through their commissioning, but should be agnostic about whether suppliers have mission-aligned values, as long as the service delivered meets certain quality standards.

New mindset: All processes embed values; procurement processes should reflect the values and intent of the commissioning authority.

In fact, this neutrality does not exist, even under the current paradigm. The length and detail of many public sector tenders means that small providers simply do not have the resources or knowhow to compete (OECD, 2018). Thus, rather than creating fair competition between different types of suppliers, **the need to demonstrate that the process has been followed**

– to perform fairness – actually works to exclude many organisations.

The fact that the Government's Procurement Bill has an explicit goal to make it easier for SMEs to access government contracts shows that they recognise these hurdles exist..

Furthermore, it should not necessarily be the case that the goal of procurement should be to create a level playing field. **While procurement must safeguard against corruption, it will always be true that values and assumptions shape the process. There is no such thing as a neutral process.**

The question for public sector leaders is whether to **consciously align the values of the procurement process with the goals their organisations are trying to achieve.** This could mean moving towards more relational procurement practices, in a similar fashion to the current direction of travel within philanthropy (see case study). For instance, if their organisation has a goal of working with smaller, local, diverse-led businesses, the bid process could put more weight on site visits and dialogue, which would reduce barriers to those with less experience bidding for public sector contracts.

This would likely impact the types of company in a council supply chain. For example, it would be very difficult to imagine what a mission-aligned, private equity-owned care operator would look like, given that the fundamental business model of private equity is to squeeze costs and increase margins. Although specifying particular ownership structures may not be permissible, commissioners should be aware of the incentives baked into different ownership models, and apply significant scrutiny to how those incentives impact on practice.

Case study: The growth of relational philanthropy

Philanthropic funders have traditionally pushed for highly quantitative evaluations of impact in order to demonstrate value for money. The pressure to “provide evidence of social impact has grown steadily and relentlessly in the philanthropic sector” (Doan, 2021) and the result has been to focus the sector on activities or outcomes that are easy to measure. The traditional model of philanthropy is of a powerful funder setting strict criteria in order to maximise its social return on investment. The result is often a time-consuming process that can benefit better established institutions with development teams.

Funders seeking to work with community organisations have started to recognise that the technocratic, data-driven approach is not neutral. There has been a move to *relational* or *participatory* philanthropy: the practice of making granting decisions with the communities that the funder seeks to serve. It is “centred around trust, co-creation, and mutual respect” (Fulop, 2015) - a move away from the idea of a powerful funder asking grantees to prove their impact.

Shift 2: From risk to uncertainty

Old mindset: Public service requirements are knowable and specifiable; to the extent that there are unknowns, they are quantifiable risks.

Fundamental to the procurement process is the idea that a commissioning authority can accurately and (almost) exhaustively articulate what it wants to buy. In creating a specification, commissioners draw the boundaries of what suppliers are expected to deliver. Future needs are broadly knowable and providers can say with a reasonable degree of confidence what types of activity they will need to undertake to deliver the outcomes and how much those will cost.

Where there are unknowns, they are interpreted in a ‘risk’ mindset, i.e. they assume that actions, outcomes and probabilities are well understood and quantifiable (Tan, 2023). That leads to particular forms of analysis – such as cost benefit analysis – which explicitly require probabilistic reasoning.

New mindset: The social systems that commissioners work within are complex – outcomes are fundamentally uncertain.

Commissioners should recognise that they are often working within complex systems, in which outcomes are characterised by uncertainty, feedback loops, path dependence and non-linear interactions (Blignaut, 2019). As a result, the nature of the social issues facing a council – and therefore commissioners – are constantly evolving.

Uncertainty, as opposed to risk, is characterised by unknown outcomes and an unknown probability distribution (De Groot and Thurik, 2018; Knight, 1921). In these contexts, commissioners cannot meaningfully predict what the benefits of a particular procurement exercise will be. **Taking action under uncertain conditions requires constant learning and iteration**, rather than upfront analysis followed by a fixed delivery structure.

Shift 3: From transactional to relational

Old mindset: The contracting relationship is predicated on purchasing agreed deliverables (whether inputs, outputs, or outcomes).

The current paradigm also assumes that providers can accurately specify what they are going to deliver – and that those deliverables exist independently of them as an organisation or as people. Clearly this makes sense for procurement of most goods – even relatively complex goods like IT systems can be meaningfully separated from the person who produced them – but it may be less true of services. **Councils selecting who they want to run care, education, homelessness, design and other services are choosing partners who need to have the same goals and values.**

New mindset: Commissioners are selecting who they want to work with as much as what they want to be delivered, and therefore trust and shared values are critically important.

As an analogy, if you are building a house, the bricks you choose are a product, which can be assessed independently of their manufacturer, but the architect and builders you choose are inherently about the person. You are choosing someone you trust and who you believe understands what you are trying to achieve. They are a thought partner rather than just a delivery partner: they help you explore the possible options rather than simply executing your instructions. **Trying to assess potential providers of services in the same way that you do goods (through impersonal,**

often anonymous tender responses) misses the most important elements of the decision.

Shift 4: from risk management to risk leadership

Old mindset: risks – especially around legal challenge and value for money – should be minimised as much as possible.

A core function of the role of procurement in most public organisations is to manage and mitigate risk. Two types of risk are given prominence. First, procurement officers (reasonably) want to lower risks associated with public spending, including overpayment. Given the incredibly challenging fiscal context local councils operate in, there is a strong urge not to waste any money. Second, the risk of legal challenge from suppliers who were not successful in bids is also a big factor in the procurement approach; public organisations normally don't have the resources or bandwidth to spend significant amounts of time defending their processes in court.

New mindset: Risk is an inherent part of change and innovation.

However, the result is that the risk of failing to achieve an organisation's goals is sometimes relegated to a secondary concern. Commissioners may end up selecting providers that have less potential to meet their vision, but are seen to be lower risk, because they have a track record. This often favours large incumbents.

Moreover, given that invention and innovation rely on failure and learning by doing, trying to minimise risk is likely to stifle innovation. Instead, **leaders in public organisations should embrace risk leadership**, which would involve personally accepting responsibility for decisions that they know carry a higher degree of risk, and creating space and permission for their teams to do the same. Risk leadership would provide a framework for senior teams to ask whether they have got the balance of risks right. **Leaders are rarely challenged for not taking enough risk, which can make transformational change difficult.** Moving towards more of a 'Goldilocks' position – not too much risk, not too little – would help increase the level of ambition and innovation. While this is broadly true across public sector organisations, it is especially true for procurement teams and leaders, who generally see their role as reducing risk. Procurement officers should be empowered and trained to challenge service leaders for being too safe.

Case study: Improving diversity in senior management while navigating legal risk

In 2020, only 13% of Camden's Chief Officers (from Director to CEO) were from Black, Asian and other ethnic backgrounds – significantly less than the Camden population average of ~40% (ONS, 2023). The Council set itself the target of making its senior leadership team representative of the borough, by tackling structural and systemic organisational barriers to opportunity. A range of measures were introduced, including banning all-white shortlists above a certain level of seniority.

Initially there was some nervousness that this strategy might have legal risks. It was not immediately clear whether Camden's approach operated within the boundaries of relevant equalities and employment legislation. Legal advice was commissioned from counsel, but ultimately Camden's leadership recognised that risk minimisation alone would be a barrier to change. They continued with the programme and, as a result, 40% of Camden's Chief Officers are now from Black, Asian and other ethnic backgrounds.





6 Towards a new economics of procurement

6.1 A public value approach to procurement

The Mission Incubator demonstrated that there are multiple ways in which the Homecare service could support the Estates Mission outcomes. Expanding the role of care workers, a deeper commitment to relational working and a hyperlocal network model could all contribute. **These are broad, diffuse, and often difficult to quantify forms of public value. They offer a much more expansive canvas for partnership and negotiation than the current social value paradigm.**

Public value is created by public sector actors co-shaping markets towards the common good (Mazzucato and Ryan-Collins, 2022; Mazzucato, 2023). Only by putting public value at the centre of the economy – in production, distribution, and consumption – can we produce more inclusive and sustainable outcomes. The common good needs to be based on a conception of public value as collectively negotiated and generated by a range of stakeholders.

A Common Good Framework

An economics of the “common good” places collective intelligence and mutual interest at the heart of economic activity. There are five principles that can help to shape an economics of the common good. The first, purpose and directionality, is about promoting outcomes-oriented policies that are in the common interest. The second, co-creation and participation, is about allowing citizens and stakeholders to participate in debate, discussion and consensus building that bring different voices to the table. The third, collective learning and knowledge-sharing, can help design true purpose-oriented partnerships that drive collective intelligence and sharing of knowledge. The fourth, access for all and reward-sharing, speaks to the importance of sharing the benefits of innovation and investment with all the risk takers in the economy, whether through equity schemes, royalties, pricing or collective funds. The fifth, transparency and accountability, can ensure public legitimacy and engagement by enforcing commitments amongst all actors and by aligning evaluation mechanisms.



A public value approach to procurement would differ from current practice in three key dimensions: what is valued, how it assessed, and how decisions are made. A public value approach to procurement would value things that are currently overlooked. The impact on the direction of the wider market would be valued, rather than just the specific value delivered by the supplier to the commissioner. This view (unlike the simpler social value framework) recognises that procurement can result in multiplier effects, generating value within the wider economy that is complex and interconnected (Deleidi and Mazzucato, 2019; 2021).

Processes and relationships would also be valued, rather than just outcomes. By foregrounding the need for co-creation and participation, the common good extends beyond the mere attainment of collective objectives, emphasising the common processes and relationships needed to create public value. It shows that the ‘how’ of a journey towards a goal is just as crucial as the destination itself (Mazzucato, 2023). More open and participatory procurement processes would, for example, increase the sense of control that people have over their lives and contribute to their wellbeing (Keeton et al, 2008; Welzel and Ingelhart, 2010). **Valuing processes of empowerment alongside wellbeing outcomes is therefore paramount.**

A public value approach would broaden the scope to examine how a good or service being procured can contribute to long-term mission outcomes. Public value would be relevant to the core of the contract, rather than primarily confined to discussions about how suppliers can offer additional and incremental add-on benefits. This doesn't exclude demanding additional social value gains from a contract, but it significantly broadens the spectrum of what can be sought and how.

Value would be assessed dynamically (over time) not statically (at a single point in time). A key characteristic of mission-led approaches is that they express a time-bound target (for example, Camden's estates will be healthy, creative, sustainable places by 2030) (Mazzucato et al., 2020; Mazzucato, 2021). This points to an area of opportunity that has largely been lacking in social value discourse: *where are we trying to get to and by when? How will this procurement help us to get there?*

The decision-making process would give more weight to political and value-based arguments, and place less emphasis on technocratic and quantitative approaches to evaluating value. Benefits would be evaluated across multiple variables, rather than using monetised equivalents to make comparisons on the basis of a common unit. Monetised benefits and universal KPIs are fungible in a way that localised social value may not be. What matters most to people's wellbeing and life chances varies from place to place, community group to group and person to person. The collapsing of social value into a common, monetised unit conceals the political and locally democratic choices that need to be made to secure people's wellbeing. Furthermore, preferences about benefits are not fixed over time or across places. The assumptions that enable monetisation – often based on willingness to pay or similar methods – conceal that variability.

Decision-making would take on a more explicitly political dimension, rather than being primarily a technocratic exercise. Monetisation has the effect of de-politicising conversations about values and priorities. Instruments such as procurement and social value regulations are often presented as technical and non-political, but choosing between different types of value is appropriately part and parcel of the job of public managers and elected leaders. High-quality processes within the public sector would be valued – moving away from a tick-box mentality to a context within which carefully considered and well-informed choices can be made.

The specific example of a mission-oriented approach to homecare procurement in Camden points to a new economics of procurement, centred around public value. This new economics of procurement would encourage practitioners to:

1. Focus on mission outcomes
2. Build coalitions that emphasise learning over accountability
3. Create a diverse ecosystem of suppliers
4. Use strong conditionality mechanisms to structure private sector partnerships
5. Evaluate wider economic outcomes

6.2 Focus on mission outcomes

Although the Homecare service specification did have an outcomes framework, most procurement activity in Camden is still focused on outputs. This is typical of public procurement more broadly. The result is that suppliers do not necessarily need to internalise the goals of the mission, as their role is just to deliver the product or services described, whether or not they are proving effective.

Creating a shared sense of purpose among the actors in the local ecosystem based around the mission outcomes is therefore a critical first step for public bodies aiming to create broad-based public value. A strong understanding of and commitment to the goals of the organisation means that individual acts of commissioning and procurement can be seen within that wider context. Suppliers will likely be better able to spot less obvious opportunities for supporting the missions if they have a deep and intuitive understanding of what those missions are trying to achieve, rather than relying on commissioners to specify exactly what is to be delivered. This would be particularly true within their supply chain, which commissioners are unlikely to see the full details of.

Integrating an explicit statement of social value policy into procurement strategy is a key enabler for organisations to select appropriate procurement practices (Selviaridis et al., 2023). Similarly, a clear statement about how Missions outcomes should be treated in procurement processes would enable procurement officers to integrate them into their work more easily.

Clearly specifying and documenting Missions, and procurement's role in delivering them, helps providers and the local ecosystem understand their potential role. Hackney and Islington, two of Camden's neighbours, have public procurement strategies that set out their vision (see case study).

Case Study: Hackney Council's Sustainable Procurement Strategy 2018-2022

In 2018, Hackney Council published its Sustainable Procurement Strategy 2018-2022. This sets out how the Council will “drive a culture of securing good value for money from our contracting activities, and one that ensures best outcomes for Hackney residents and customers” (Hackney Council, 2018) It defines sustainable procurement as an ambition to “[improve] the efficiency of our commercial spend to deliver major social and environmental benefits within the local community and nationally” and “a process that takes account of the economic, social and environmental impacts of our purchased goods, services and works on people and communities whilst still delivering value to these communities.”

The strategy sets out how the Council intends to secure value for communities while taking account of social, economic, and environmental considerations by “Procuring Green”, “Procuring for a Better Society”, and “Procuring Fair Delivery”. These three themes respond to the Council's Community Strategy for 2018-2028, which commits to objectives, including “a borough where there is good quality of life and the whole community can benefit from growth” and “A green and environmentally sustainable borough”. Procurement is framed as a key enabler of these objectives, drawing on the Council's track record of realising socio-economic and environmental benefits from major contracts.

The strategy is agnostic on the merits of procurement from ‘big’ suppliers or small and medium-sized businesses. However, it recognises that SME suppliers can provide better services and that they face barriers to securing contracts in public procurement exercises, and on this basis it is committed to “strengthening our commitment to work more closely with local and SME suppliers and seek to deliver more innovative solutions through this approach.”

The sections of the strategy dedicated to the three themes outline a variety of measures that the Council will take to change its practices in terms of what it procures and how, ranging from procurement of low emission vehicles to prioritisation of Fair Trade products. All three sections, however, set out clear measurement metrics against which change in performance can be assessed. The strategy is clear in setting out how this supports scrutiny and accountability. There is clear value in a public document that articulates a council's approach to procurement, the measures it will take, and the ways in which its delivery can be assessed.

6.3 Build coalitions that emphasise learning over accountability

As already noted above, the procurement literature has historically focused on the role of functional procurement in supporting innovation and bringing new products to market (Edquist and Zabala-Iturriagoitia, 2021), such as the way in which the mission to land a man on the moon provided a lead market for technologies that led to innovations ranging from foil blankets to software to baby formula.

This perspective makes sense in the context of buying goods. However complicated a product – from a recycling bin to a rocket – they operate in a mechanistic way. The functionality doesn't change over time, or depending on the context, or who is using it. Whether or not a product achieves a certain outcome is more in the control of the manufacturer.

That is not the case in the procurement of many public services. Although being clear about outcomes and purpose is crucial for building strong relationships with suppliers, the evidence suggests that using outcomes to *manage* performance does not work well (Wimbush, 2011). **Rather than aligning incentives, commissioning services based on targeting outcome metrics encourages data manipulation and a low trust environment between the commissioner and the provider** (Lowe, 2023).

Outcomes in public services are the result of interactions between and the decisions of a wider range of interdependent actors. As a result, it is not in the power of any single agent – whether a commissioner or service provider – to *force* an outcome to occur, no matter how high quality the service.

For example, an employment support service might be measured on the number of people in work a year after engaging with the programme (an outcome) rather than the number of people who attended a coaching or CV workshop (an output). However, if the country goes into a recession, then fewer people might end up in work a year later, even if the service is working as well as possible. It is simply not in the provider's power to deliver the outcome they are being held accountable for, because too many other factors influence it. The rational response for those running such programmes is to game the data – and this is what the evidence shows happens (Lowe and Wilson, 2017). Sometimes commissioners know and even encourage providers to do this; they recognise that the data they are

measuring providers on is not reflective of the quality of the service they deliver (Interviews, 2023).

A public value approach would recognise that quality processes matter, even if outcomes cannot always be guaranteed. One such approach, known as Human Learning Systems (HLS), is to build a coalition of actors across the system with a shared mission (or 'purpose') and set of values, and **focus on supporting collective learning over time in response to local prototypes** (Knight et al., 2017). Rather than measure providers against outcomes over which they have little control, those working with an HLS framework focus on building strong and trusted relationships between government and partners. **Instead of contract management focusing on holding providers to account for hitting their targets, HLS adopts a 'learning as management' approach, supporting providers to reflect on what is or is not working.** The focus on experimentation supports service innovation, just as functional procurement has been effective in driving product innovation (Edquist and Zabala-Iturriagoitia, 2021). Several organisations have started using this approach in recent years, from local councils (see case study) to national programmes to improve the education system (Buchholz and Lowe, 2021).



Case study: Liverpool City Region's assertive outreach service

Liverpool City Region (LCR) developed an 'assertive outreach' service as part of its new approach to homelessness. It recognised that learning about the system was critical and so took a different approach to conventional contact management that focused on developing trusted and honest relationships; being led by learning instead of pre-defined outcomes; and creating space for reflection between commissioners and providers. This was a contrast to the previous outputs and outcomes based approach in which LCR "wanted 80-90% of homeless clients to access addiction services, which is never going to happen and would encourage the service to lie" (Interviews, 2023). The new specification allowed commissioners and providers to respond to the needs being demonstrated by the client group.

As part of the new approach a system steward was hired to meet with the six local authorities and service providers; their job is largely about building and nurturing relationships within the system. Data is collected, but it is not used for contact management. Rather, "the approach taken to contract monitoring has been how can we ensure delivery can respond flexibly, responding to the variety of need present and work in the context of this current need, recognising that issues, challenges and what works to meet those challenges is ever-changing?" (Owen, 2020).

Importantly, all of this has been done within current procurement and commissioning regulations. The procurement teams were initially somewhat resistant, but this example (and many others) demonstrates that there is flexibility within the system to work in a different way, putting purpose and missions at the heart of procurement, and still be compliant.

6.4 Create a diverse ecosystem of suppliers

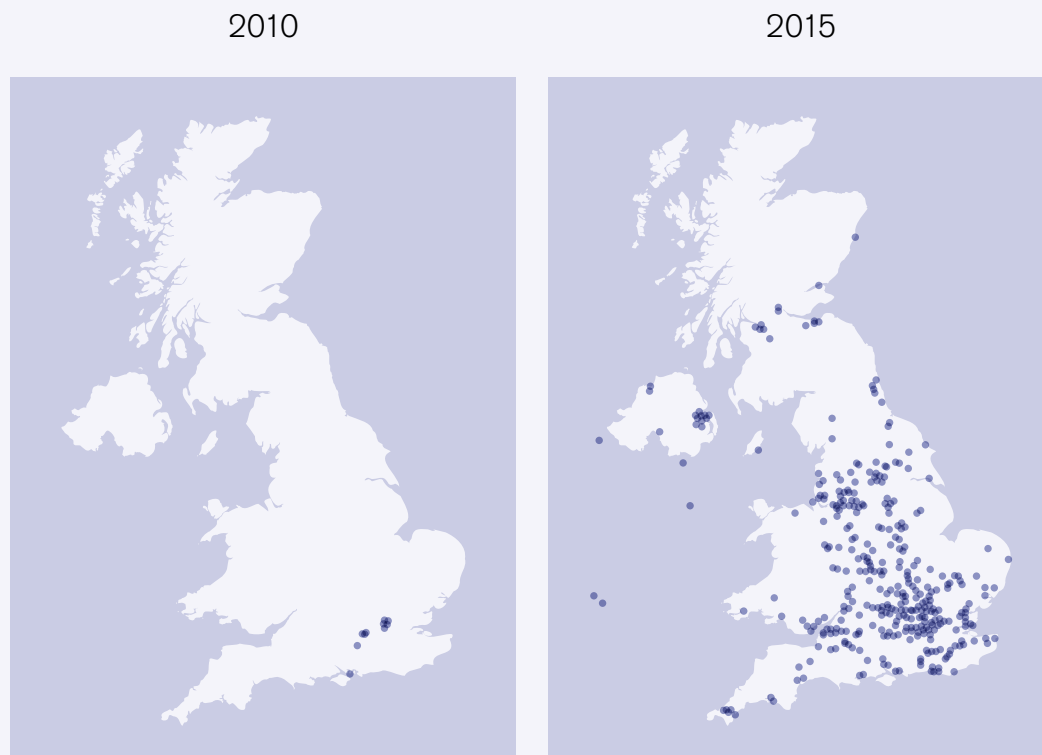
Public procurement is often highly risk averse; as a result, suppliers interested in bidding for public contracts often have to jump through many hoops to demonstrate their resilience and ability to deliver. Smaller organisations often find bidding for public contracts overwhelming and daunting, whereas larger corporates are able to dedicate teams to understanding the requirements of the tender. Small organisations may also struggle to pass financial resilience tests.

As a result, **large firms can end up dominating public procurement markets.** This can have significant economic downsides. First, as in the Government Digital Service case, public money can end up being highly geographically concentrated, based on the location of large companies. Second, by restricting the pool of eligible bidders, competition also decreases – this was a key motivation for the UK Government restricting IT contracts to a maximum of £100 million (Cabinet Office, 2014). Third, while large companies might be individually less risky than SMEs, the system as a whole loses resilience if there are a few key points of failure. **By spreading spend across a diverse ecosystem of actors, well designed public procurement can create opportunities for SMEs to scale up while also incentivising larger incumbents to invest in purpose-oriented innovation, improve the resilience of the system, and increase competition.** A more diverse and competitive market, oriented around clear missions, can in turn contribute to the multiplier effect of missions, giving rise to new firms, helping small firms grow and pushing all firms to develop innovative products and services that respond to emerging market opportunities. In this way, governments can create public value by being aware of the impact that public procurement can have on the structure of the market.

Case study: Government Digital Service

The Government Digital Service (GDS) created the Digital Marketplace, an online service for public sector organisations to find people and technology for digital projects. By simplifying framework applications, reducing the number of legal documents, and engaging with potential suppliers, this made it easier for suppliers to sell to government and, as a result, helped to create a much more diverse supply base. By 2018 92% of the 5,100 suppliers on Digital Marketplace were SMEs and almost half of the £4.3 billion that was spent through the Marketplace had gone to SMEs (OECD, 2018). As Figure 9 shows, increasing diversity also meant that suppliers from across the country were better able to access government contracts.

Figure 9. UK Government IT Suppliers: 2010 and 2015



Source: Mike Bracken, 2020

6.5 Use strong conditionality mechanisms to structure private sector partnerships

Mission-driven governments aim to shape markets – to change the practices of firms and other actors in a way that aligns with their social objectives. One way in which they can do so is through conditionality: making government support and funding available only to those organisations that adopt new practices. Mazzucato (2022) outlines four types of conditionality:

1. **Access:** ensuring that the public has equitable and affordable access to the end product (particularly relevant for drugs and other medical innovation).
2. **Directionality:** directing firms' activities towards the social goals or missions of a government, for example, those concerning environmental impact or labour conditions.
3. **Profit and/or IP sharing:** structuring government support in a way that means the public is able to share in the rewards of innovation, as well as underwriting the risks.
4. **Reinvestment:** ensuring that firms use high profits to reinvest into productive activities such as worker training and R&D.

Many local governments in the UK have started using conditionalities to secure greater public value through their procurement activities. In particular, councils have often sought to ensure that suppliers pay the living wage through creating an ethical procurement charter or similar document (for example, Waltham Forest, Brent, and Birmingham have all done this). Most local authorities have not gone further than thinking about pay, but in the last 20 years, the job satisfaction of the lowest paid quarter of workers has dropped from ~65% to ~55%, despite the minimum wage increasing as a percentage of the median hourly wage (Bell, 2023). This shows that it is critical to look at what other factors can support good work. Greater Manchester has started to do this, creating a Good Employment Charter that covers security, flexibility, engagement, and progression amongst other factors (Greater Manchester Combined Authority, 2023).

Procurement can thus become a vehicle for achieving important public policy goals, with wide relevance to people and planet, based on how procurement contracts are designed and not only on what they are contracting for.

Case study: US CHIPS Act

The 2022 Act aimed, among other things, to increase the production of semiconductors in the USA. It provided incentives worth ~\$53 billion across semiconductor research, development, manufacturing, and workforce development (Mazzucato and Rodrik, 2023). There are signs of early progress, as one year on companies have “announced over \$166 billion in manufacturing in semiconductors and electronics” (REF).

The US Government embedded several forms of conditionality into the Act and Notice of Funding Opportunity. Notably, this included a prohibition on using government funding for stock buybacks or dividends, as well as an indication that preference would be given to applicants that demonstrated a commitment to refraining from stock buybacks more generally (National Institute of Standards and Technology and United States Department of Commerce, 2023). Conditions also obligate recipients with projects priced at \$150 million or more to share profits with the Government if they exceed a certain threshold. In addition, applicants seeking more than \$150 million direct funding must “provide a plan for access to childcare for facility and construction workers” (ibid).

More broadly, applicants must specify how their proposal aligns with the programme’s priorities, ranging from workforce development to investment in research and development, and how they will contribute to wider impacts, including in areas such as climate and environmental policies. This is a clear example of a government using industrial policy and its financial power to influence the behaviour of firms in order to deliver its wider policy objectives.

6.6 Evaluate wider economic outcomes

The value of missions is not just in their success – it is in the spillover benefits created along the way. In the context of technology-driven missions (such as the moon landing), those spillovers can be traced through the products and technologies that were invented or scaled up as part of the process, such as GPS or the internet (Walker, 2012; NASA, 2016). Even missions that ended or failed, such as Concorde, can be a galvanising force for the development and application of new technology. In this context, understanding the role of procurement is conceptually straightforward (although may be hard to quantify in practice): the wider economic outcomes are the commercial successes of technologies that were developed in the pursuit of a mission.

However, for social missions (such as Camden’s) the spillover benefits are less immediately tangible; the public value created comes in multiple forms. Procurement with local SME’s is one starting point, in line with a community wealth building (CWB) strategy. Many councils and other anchor institutions have explicit targets to increase the share of the procurement spend going to local SMEs (see case study). This model may be particularly suitable for local governments, especially those in which local government spend makes up a relatively higher proportion of local GDP.

Another approach may be to consider the economic benefits of achieving a social mission. Health, education, and safety are all important enablers of a productive economy. For example, since COVID the UK has seen an increase in economic inactivity due to ill health – a phenomenon with significant spatial differences, with places that already had high sickness-related absences growing faster than the rest of the country (Resolution Foundation, 2024). A local mission focused on health could therefore contribute to better economic performance, above and beyond the success of the mission itself.

Case Study: Preston community wealth building

Preston Council was an early adopter of the CWB model in the UK, developing a strategy from 2013. The approach has led to a significant increase in the proportion of spend retained locally; between 2013 and 2017 it grew from 5% to 18% within Preston itself and from 40% to 80% within Lancashire (CLES, 2019). Preston has also taken an active market-shaping role, establishing the Guild Cooperative Network and the Preston Cooperative Development Network to support the development of worker-owned businesses (ibid).

Figure 10. A new economics of procurement

	OLD PRACTICE	NEW PRACTICE
Goals	Each service area focuses on its own outcomes	A whole-of-government approach in which each service or department frames its activity from the perspective of the mission outcomes
Contract management	Key Performance Indicators are set and data is collected to measure whether providers are on track; financial incentives are built in to ensure compliance	Commissioners and providers use quantitative and qualitative data (including user research) to constantly learn about the problem and iterate their approach; providers are not held to account for outcomes that are not in their control, but the quality of their learning processes may be assessed
Supplier ecosystem	Commissioners procure from whoever the most suitable supplier at the time is; they are agnostic about the composition of the market or the characteristics of their providers as long as the quality of the good or service they are procuring is high	Commissioners recognise that a diverse ecosystem brings greater resilience and flexibility to meet their needs; they proactively seek opportunities to enable smaller organisations to compete
Value	Commissioners emphasise measurable forms of social value and negotiate on a contract-by-contract basis; there is a clear framework for measuring, assessing and comparing social value contributions	Commissioners see each act of procurement in the context of how it contributes to the mission specifically and the common good generally; broad forms of co-created public value such as citizen input and quality processes are legitimised; comparing different forms of value is recognised as an inherently values-based discussion
Public-private partnership	Private sector companies are delivery partners of government, but there is little or no attempt to influence their business practices	Commissioners set strong conditionality requirements on private sector partners to shape and co-create markets towards the common good – from how they treat workers to how they use profits
Evaluation	Providers are evaluated individually and against a narrow set of metrics that only consider the service being delivered	Commissioners evaluate the health of the system as a whole and the wider economic outcomes of the service, as well as the extent to which the service itself has met its goals



7 Conclusion

Public procurement - amounting to \$13 trillion in global annual spending - represents a massive opportunity to direct private sector innovation and investment towards tackling challenges that matter to people and the planet. Public procurement has the potential to open up new opportunities for local businesses, to support the achievement of wider policy goals, and to shape markets that are inclusive and sustainable. Although policy in the UK and Europe has started to shift, practice is constrained by paradigms focused on managing down risk and cost. Realising the potential of public procurement requires rethinking the capabilities of commissioning bodies and the mindset governing how it is deployed.

This project reflected on Camden Council's attempts to establish a mission-oriented procurement practice by prototyping a Mission Incubator. The goal of this was to more closely link the outcomes of specific services with the Council's high-level missions. The Incubator explored the connection between the Homecare service and the Estates Mission by bringing together relevant officers from across the Council to take part in a series of design workshops. It highlighted a range of potential opportunities for Camden, including changes to the Homecare service, changes to procurement practice, and changes to the organisation's ways of working. Reflecting on the process, participants valued the time to think strategically about the service and the connections that were built with other parts of the organisation.

Making those changes possible would require a new culture in the procurement team and among commissioning services. Currently, the dominant paradigm is around minimising risk and controlling spend. While these are valuable functions, they are also limiting. Four shifts are needed to support the development of a mission-oriented procurement practice. First, the ideal needs to shift from neutrality to intentionality. Every process bakes in values; the question for commissioners is whether to try to align those values with their goals or not. Second, commissioners need to embrace complexity, which means recognising that the issues they are addressing and the services they manage are subject to fundamental uncertainty, not just probabilistic risk. That means flexibility is vital, and that specifying activities and outputs in detail carries a significant risk of making the service specification not fit for purpose before its completion. Third, service leads

and procurement officers should seek to move away from a transactional approach to build deeper relationships with potential suppliers, accepting that the tacit knowledge developed may inform commissioning decisions. Finally, there should be a shift from risk management, which primarily seeks to minimise the legal risk of challenge, with risk leadership, which would seek to ensure that commissioners are taking *enough* risk to prompt innovation in services.

The lessons and insights from Camden's journey have wider relevance. Governments seeking to put mission-oriented policies into practice need new approaches to enable them to do so – missions are only as good as their implementation. Rethinking the economics of procurement to put public value at the centre should provide governments with greater agency and support their ability to act strategically. That would involve:

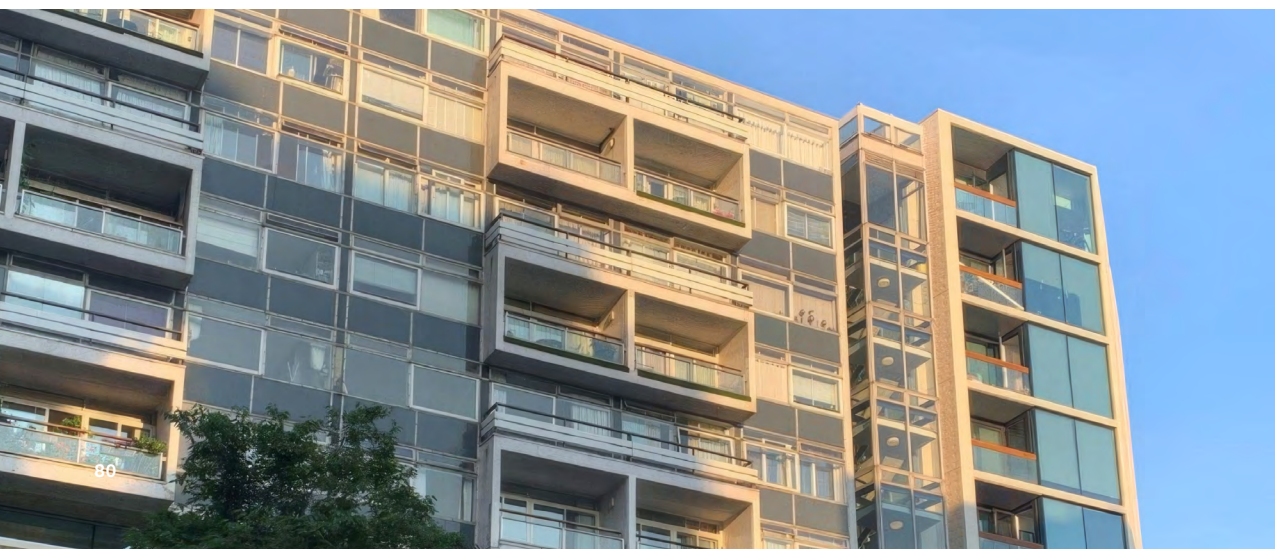
- Challenging the social value approach to focus on a broader notion of public value; constantly interrogating how the particular contract being procured fits into a wider theory of change about how to achieve the missions, and valuing the process of high-quality debate and discussion as much as the outcome itself.
- Clearly focusing on mission outcomes; making clear links between services or goods being procured and the narrow set of overarching goals of the government.
- Focusing on learning rather than accountability; recognising that in complex systems the value of data collection and measurement is to support the system to learn, rather than to hold providers to account for outcomes they may have little control over.
- Creating a diverse ecosystem of suppliers; splitting up contracts where appropriate and supporting SMEs, local organisations and those with aligned values to bid for public contracts, and benefiting from greater system resilience, because services are delivered by networks rather than individual providers.
- Using conditionality in contracts; directing businesses to change their behaviour by building in requirements to public sector contracts that go beyond a focus on living wages.
- Evaluating wider mission outcomes; recognising that the value of procurement is not just in the delivery of a particular service, but in the spillover effects – whether through new technologies that have been

developed, local wealth retained, or a contribution to the fundamental drivers of human capital in a local area.

The project also opened up questions that would require further research, that could support public organisations to develop a mission-oriented procurement approach. In particular, one area that was underexplored in this report was the role of evaluation. While there is a clear need to move towards a culture of learning, there are also political pressures to be able to demonstrate progress and have clear accountability frameworks. This speaks to a need for new evaluation methods that maintain rigour without narrowing to quantitative measures of delivery (i.e., Key Performance Indicators).

Given the high proportion of public spend that is part of a procurement process, it is critical that commissioners and officers take a broad view of the public value that can be generated. Most procurement practice remains fixed on minimising risk and controlling spend. A mission-oriented approach to procurement can provide a framework and narrative that supports public sector commissioners to act more strategically, and use their procuring power to achieve their policy goals.

A mission-oriented approach to procurement enables governments to better leverage existing budgets to achieve their policy goals. This requires a significant shift - at all levels of government - from a focus on minimising risk and controlling spend, to deliberately and strategically using procuring power to shape market opportunities that align with these goals. Taping into the strategic potential of public procurement is not easy, but it is necessary to tackle complex challenges like climate breakdown, health and wellbeing, and inequality.



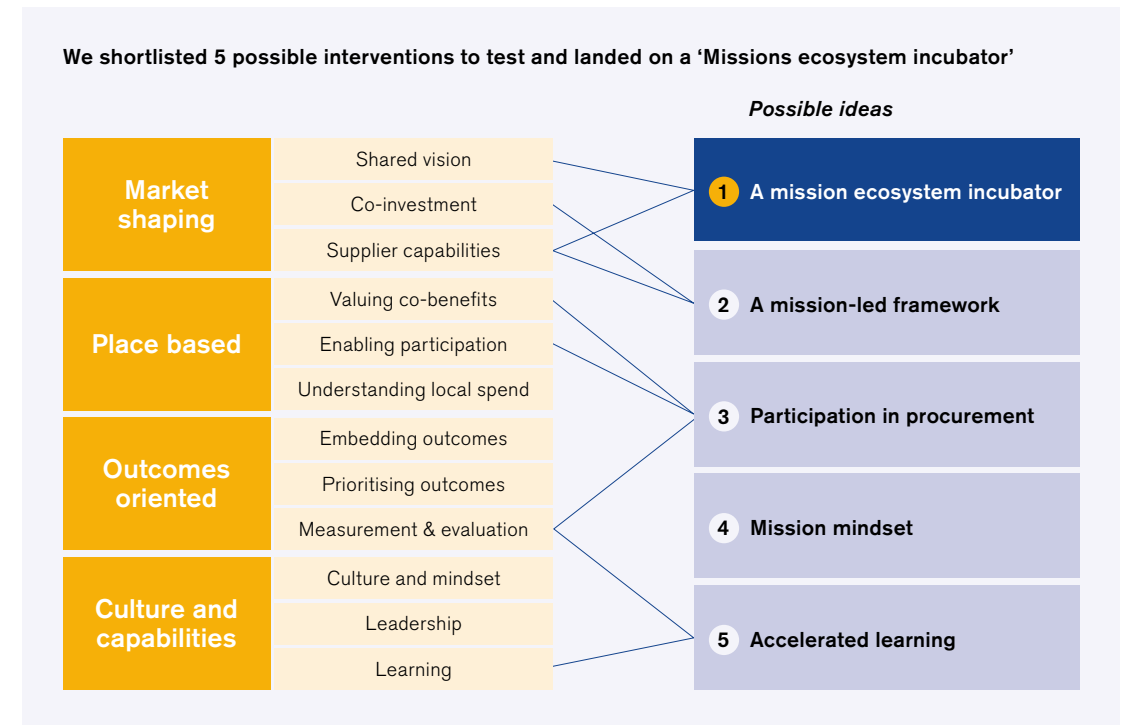
8 Appendix

8.1 Designing and prototyping the Mission Incubator

Camden considered five possible ideas to prototype a mission-oriented procurement approach. Each was designed to be an exploration and test a small part of the overall concept, recognising that the full transition of the function will take significant time and was beyond the scope of this project. The idea selected for further development was the Mission Incubator. The five ideas were:

- **Develop a mission incubator – create a process to design ‘ideal type’ services that best delivers a mission. This would be done ahead of and concurrent with commissioning cycles, to identify the gaps within current provision across Council and SME/VCSE suppliers. It could create a new ecosystem that can work towards missions through more ambitious commissioning.**
- *Create a mission-led framework contract* – create a procurement framework as a regulatory-compliant purchasing environment for mission-led procurement. This format could be used to selectively procure against mission capabilities criteria and create mission incentive measures that reward experimentation.
- *Increase resident participation in procurement processes* – create opportunities for residents to engage at all stages of the commissioning and procurement cycle. It could work either as a borough-wide or estate-specific initiative.
- *Build a mission mindset/culture change within the Council’s procurement team* – support the procurement leadership in their current goal of creating a more enabling and entrepreneurial team culture, looking at the drivers of team behaviours and possible changes towards mission-led procurement.
- *Embed accelerated learning into procurement governance* – work with the Council’s commissioning board to reimagine its role, from being part of a stage gate process focused on reducing risk and ensuring regulatory compliance, to also taking a reflective, strategic perspective on previous procurements and their success in driving missions.

Figure 11. Opportunity areas and prototype ideas



The Mission Incubator comprised four facilitated workshops with the officers from the Homecare service, Estates Mission, and Procurement teams. These explored connections between the outcomes of the service and contract; examined the roles of providers and the Council; and proposed changes to the service specification.

Figure 12. Mission incubator workshop flow

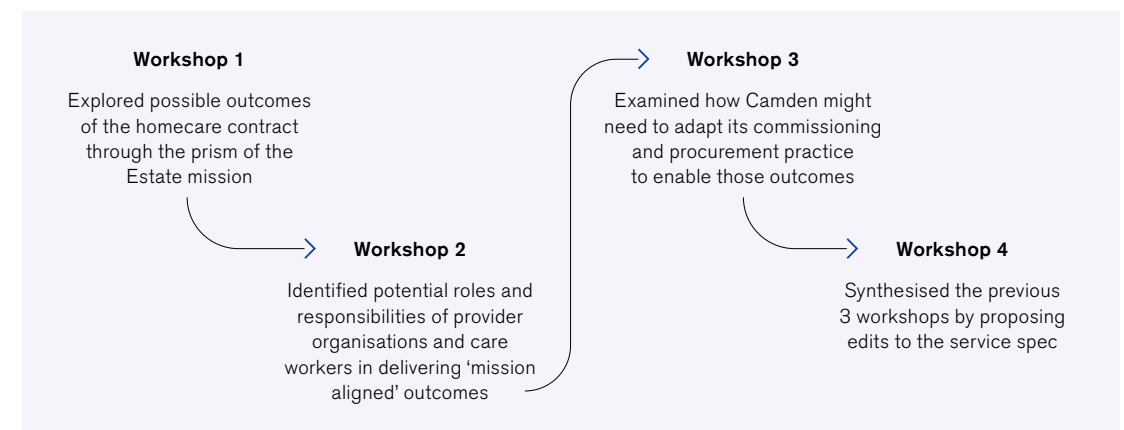
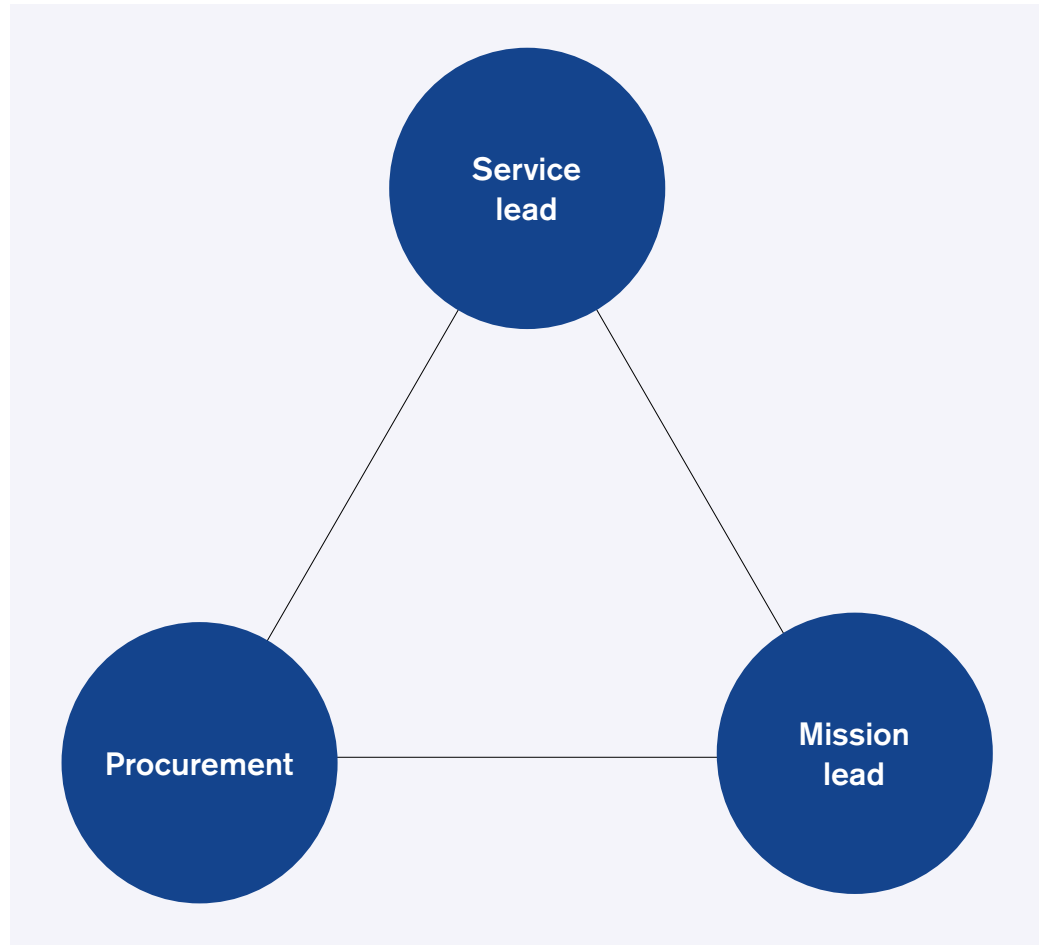


Figure 13. Mission incubator core participants



The Mission Incubator represents an important step towards a whole-organisation, mission-oriented approach. The process brought together Camden officers from different professional backgrounds, disciplines, and services to focus on how the Homecare procurement exercise might create the most positive change for the residents of Camden in line with the Estates Mission. This model of collaboration, the tools and methods that were used to facilitate idea generation and consensus around change, and the reflections of the participants offer insights and learning that can be drawn on to develop and deepen mission-oriented practice in Camden.

8.2 Areas of improvement for the Mission Incubator

The workshops were successful in bringing together a strong mix of procurement, missions, and subject area expertise. This enabled the team to dig deeper into complex questions around service design and delivery in a limited time. The effect of bringing Camden colleagues from different departments together into a conversation around a shared endeavour resulted in a high number of innovative ideas. **Participants felt that an organisational infrastructure or practice that sustains connection between a 'triangle' of service leads, procurement, and mission leads would be beneficial.**

However, as a first prototype of a Mission Incubator, there were many areas of potential improvement. These may be helpful to other organisations interested in applying something similar in their own context.

Importance of an upfront shared narrative

- It would have helped to start with a narrative exercise to create a shared story of what success looks like. This would have given more space for some 'speculative futures thinking' and enabled the team to better think beyond the constraints of the way Homecare is delivered today. It would also have helped communicate the missions to the market and shape the responses of potential providers.
- Evaluation – dedicating time to building this also sets us up for future evaluation by clarifying what the purpose and expected outcomes of the commissioning might be, and starting to identify how delivery might deliver against these. It also has the added benefit of building soft commitment and shared ownership of the outcomes across participants. Some of the techniques used in the Homecare spec we worked with are already demonstrative and could feed in to this, for example, encouraging suppliers to provide narrative case studies.

Participation and engagement

- The Incubator would have benefited from more consistent involvement from the mission team. A significant part of the value of this process is making connections between service and mission leads. Although the mission team helped frame the shared outcomes in session 1, they were

not always able to attend the following sessions. Partly this reflects the emergent responsibilities of mission leads – as these roles become clarified, they should prioritise engaging with the commissioning cycles of services.

- Widening participation in the workshops could have produced deeper insights. Involving existing suppliers, care recipients, or social workers and other resident-facing staff, such as housing officers, may have brought together more perspectives and unlocked more ideas. In general, participants reflected that a more open or participatory model would be beneficial to explore. However, this level of engagement may be difficult to institutionalise in a meaningful way if the Incubator was going to be replicable across large numbers of procurements.

Workshop design

- The most successful workshops were those that had clear and quick activities, which asked participants to react to pre-prepared content instead of trying to co-create content in the workshop itself.
- In particular, using personas to help participants think through how the outcomes of missions and services could connect worked well. This would have been much improved if the team could have had real residents and care workers there as part of the conversation, or even more resource to build the personas and case studies through more direct research and engagement with these groups.
- The use of the service specification as an artifact to iterate worked well; a further development would be to include more products, such as the tender questions and the evaluation forms that the procurement team use.
- The workshops ran as a mix of in person, hybrid and online. Holding them all face to face would have been a big improvement to the fluidity and generative nature of the process.

8.3 Embedding and scaling the Incubator within Camden

It is important to recognise the potential resource intensity of the Mission Incubator process, as described in this report. The way in which the project team designed and delivered a prototype required staff from a range of teams across Camden Council to dedicate a considerable amount of time.

The process itself also relied on a significant amount of data and information that had to be assembled and packaged for use in the workshops. In a context where local authorities – like most public bodies – are under considerable resource pressures, there is a need to understand what a minimum viable process could be for a sustainable incubator model.

Approaching this question, it is important to define the component parts of the Mission Incubator, with a view to assessing where compromises can be made. For this purpose, the key components are:

- The four workshops
- The participation of the mission lead, procurement lead, and service lead
- The strategy, design, and coordination capability brought by the project team

The strongest case for compromise in order to reduce time and resource intensity is in the four-workshop model. Whereas all four of the workshops produced valuable insights, the most value was added by those that a) explored possible outcomes of the Homecare contract through the prism of the Estates Mission and b) proposed edits to the service specification. Moving directly from workshop 1 to workshop 4 would essentially involve directly translating conceptual ideas around how a service might deliver a set of aligned outcomes into tangible changes to a service model. While this would sacrifice some of the depth of thinking around the roles of various actors in the system and wider public service reform, the outcome of the process would still represent a success on the Mission Incubator's terms.

It is possible that such a compromise in the direction of a minimum viable process would be necessary in an instance where multiple missions are being factored into the procurement of a service. Recognising the additional complexity and resource requirements for such a process, there is a stronger case for moving directly from workshop 1 to workshop 4. However, in such an instance, the participation of the mission lead, procurement lead, and service lead, and the strategy, design, and coordination roles played by a project team are even more essential.

In order to prevent a situation where the minimum viable process is the only viable process, it is important to initiate the Mission Incubator at the right time. This should be sensitive to the procurement cycle for the service

in question, staff capacity, and opportunities for decision points at the relevant level. As a general rule, the potential for a Mission Incubator process is best identified as early as possible in order to enable a decision at the right time. This identification requires broad socialisation of the process within an organisation; close collaboration between the team responsible for the Mission Incubator and the procurement service; and service leadership that is open to challenge and innovation.

8.4 The role of design

Design as a discipline has seen a marked increase in popularity and prominence over recent years, particularly within public service organisations. The role design can play in working with complexity has been a topic of growing interest, and with this comes an increased risk of design becoming a buzzword – applied for the optics of seeming forward-thinking and innovative, but without bringing considered decision-making or a depth of change along with it.

This is certainly a challenge to be mindful of and design, like all practices, should be understood as having its purpose and role to fulfil, as well as its limitations. Design practice can be important when working in the often murky world of public service innovation, but it should be seen as complementary, rather than a substitute for other expertise. In the context of local government, it works best when applied in conjunction with deep knowledge of service delivery, political economy and public governance.

In this setting, seen as one of many tools that can be used, design can bring a distinct value-add to supporting the shift towards working in mission-oriented ways. There are several benefits to this approach:

- **Narrative and story-telling:** Design brings a number of tools which centre on building shared narratives and telling stories to bring these to life. The use of personas or case study stories to bring a more human lens to the processes of decision-making can be powerful in helping understand the impact of services from different perspectives.
 - Designers are adept at moving from the abstract to the tangible, which can support organisations to translate mission goals into tangible visions of the future. This can help build alignment and momentum across teams who might previously not have been able to clearly see their role within the mission outcomes.

- Design supports teams to look beyond current practice and constraints, and to imagine alternatives. This is not meant to ignore the pressures of the present, but to bring creativity to how those challenges might be overcome.

- **Visualising the process and revealing complexity:** Journey mapping or service blueprinting is a design method to capture the 'step by step' of processes and services in a visual manner, taking into account technical process as well as human interaction, and often making visible the unseen parts of the work (for example, staff interactions between teams, or resident contact points with a council service). Bringing a visual language to represent intangibility can be helpful in identifying frictions and gaps, bringing complexity to life, and focusing attention on areas of high potential leverage.
- **Fostering creativity and generative thinking:** Design facilitates discussions between groups of people that might not otherwise work together, and creates a space for these groups to think 'outside the box'. In creating the environment and conditions to allow participants to zoom out from daily delivery and look at the wider picture, design can enable conversations that wouldn't otherwise have happened between actors in different parts of the system.
 - Design also has tools to work in uncertainty and to probe, test and iterate when addressing complex challenges in which a linear delivery plan would not be suitable.



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