

Alternative Fee Arrangements

Legal Services



Government
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value for the nation

Introduction

The way organisations buy legal advice is evolving. Traditionally, legal services have been procured using hourly rates. However increasingly the legal sector is moving away from this model towards **Alternative Fee Arrangements (AFAs)**. AFAs offer clear benefits such as greater innovation, efficiency, flexibility, and transparency. We want to support public and third sector organisations in making the most of them when procuring legal services.

No two legal requirements are the same, and public sector needs are often urgent, complex, and unexpected. To address this, we have worked closely with buyers and suppliers to establish flexible fee structures across our legal panels. These arrangements allow you to easily access tailored pricing options and unlock maximum value, regardless of the call-off award mechanism used.

This paper outlines the options available and helps you evaluate them for future procurements or active requirements. By following four simple steps throughout your procurement process, you can achieve commercial savings and deliver better value across any legal services contract.

What you'll learn:

- How to identify your desired outcomes
- How to assess your fee structure requirements
- What fee mechanisms to consider as part of your procurement

Identify your desired outcomes

There is no single fee structure that works for every project, sector, or specialism. The right approach depends on your specific priorities and desired outcomes for each individual procurement, what works for one requirement may not suit the next.

This step helps you identify the key factors shaping how your legal services are delivered, ensuring you maintain control over the areas that carry the greatest risk or offer the biggest value.

Importantly, legal procurement is not just about cost. The right fee structure can also help manage risk, drive quality advice, ensure timely delivery, cut administration time, or keep spend predictable.

Here are some examples of desired outcomes to help you identify your priorities:

Desired outcome	Questions to consider
Certainty of spend	Are you limited by a budget? Is it important that this budget is not exceeded?
Quality of advice	Do you want to place maximum emphasis on an outcome over cost?
Access to expertise	Do you want to guarantee that you have timely access to the most relevant and most capable lawyers?
Speed of delivery	Do you have transactional requirements or urgent advice that must be delivered to tight timescales?
Risk mitigation	Do you have requirements where an adverse outcome would have a financial impact?

Early Market Engagement

We recommend, where possible, early engagement with the legal market to help refine your scope, choose the most effective Alternative Fee Arrangement (AFA), and drive best value before entering a formal procurement process.

You can gather market information by

- **Request for Information (RFI):** Issue a RFI to gather market feedback on proposed fee structures, resource allocation, and realistic cost benchmarks.
- **Expression of Interest (EOI):** Issue an EOI to gauge market capacity and test supplier appetite for alternative pricing structures.
- **'Meet the Buyer' Events:** Host interactive individual or group sessions to outline your strategic objectives and invite supplier input on your requirements and fee structures.

Assess which fee mechanisms are right for you

Now that you have engaged with the market and identified the key factors for your procurement's success, you can combine these insights to select the right fee mechanism (or mechanisms) to build into your pricing model. Each mechanism offers different benefits and controls to ensure your service aligns with the outcomes set out at the start of your procurement.

This table lists some of the fee mechanisms you could consider to ensure your procurement stays focused on your target outcomes.

Please note: When using GCA legal frameworks, alternative fee arrangements under the **direct award** or **rapid award** procurement route must adhere to the maximum panel/framework rates. For contracts awarded through all other call-off award mechanisms such as further competition, quote process and award with competition, the alternative fee arrangements must not exceed these rates, but can be lower.

Fee mechanism	Summary
Hourly/daily rates (time and materials)	This fee structure uses an agreed hourly or daily rate charged for time spent providing legal services, covering a range of fee earner grades.
Fixed fees	This is a fixed price agreed at the outset and charged for an agreed, defined tranche of work. If your desired outcome is certainty of spend, you may consider using fixed fees. This could be the best approach if you are working with a strict budget and value cost security.
Capped fees	This mixes both approaches above. You pay by the hour or day until you hit a set limit (or cap). Once the cap is reached no further fees are chargeable.
Blended rates	This is where a predefined hourly or daily rate is charged irrespective of the grade of the fee earner providing the legal services.
Risk and reward billing	This is where fees are charged depending on the outcome of the services provided. The fees could be charged as predetermined rates depending on success, a fixed rate plus a success fee, or a percentage of the financial benefits/savings achieved as part of related legal proceedings.
Retainer/subscription fees	This is where a set amount is paid at set intervals (usually monthly) and the supplier will offer services across one or more specialism(s) for a defined period. The level of fees are usually reviewed or adjusted at predefined regular intervals.

Achieve your fee goals

Alternative fee arrangements offer greater flexibility, allowing you to combine different fee mechanisms to suit your specific needs. By considering what matters most to you and bringing individual options together, you can create the right fee structure for your requirement.

Here are some examples showing how clearly defined outcomes lead to tailored fee structures. (Note: these are for illustration only and are not an exhaustive list.)

Desired outcomes	Example fee structure	Benefits
Certainty of spend + speed of delivery For example, where delayed service provision could result in financial losses or impact on human wellbeing.	Tiered fixed fee pricing linked to predefined deadlines The supplier achieves higher fees per hour if cases are concluded earlier.	This will encourage the supplier to prioritise the conclusion of cases, whilst ensuring that the maximum costs are known at all times.
Quality of advice + access to expertise + certainty of spend This could be a matter where complex advice is required at sporadic intervals where deadlines are likely to be short.	Retainer billing, providing a guaranteed resource pool within defined fee earner grades A fixed monthly amount is paid that is reviewed and adjusted regularly.	This will ensure that you have access to the most relevant expertise for your requirement at short notice, whilst still achieving budget assurance.
Risk mitigation + quality of advice This could be a case where an adverse outcome has a negative financial impact, or where a positive outcome has a positive financial impact.	Discounted hourly rate billing with a success fee on conclusion if the desired outcome is achieved The supplier will be paid maximum panel rates if the matter concludes successfully.	This places emphasis on the positive conclusion of a case, whilst allowing a cost saving to be offset against any financial losses as a result of an adverse outcome.

Remember – it is possible to add multiple pricing options to the same call-off. This is particularly useful where parts of the requirement are more predictable than others, limiting your exposure to hourly rates billing and adding control where you need it.

Information needed to provide effective pricing

To provide accurate pricing for AFAs, suppliers must understand the level of risk associated with your requirement. Where possible your specification should include:

- **Introduction & Background:** Set the context so suppliers understand the broader landscape, stakeholder dynamics, and overarching goals.
- **Clear Scope & Specific Deliverables:** Outline the legal specialisms required and the outcomes or what the law firm is expected to produce.
- **Team & Supplier Staff:** Ensure the supplier fields the right mix of expertise, seniority, and continuity.
- **Volume and Capacity:** Details regarding the expected volume of work, including any known peaks and troughs, to help suppliers manage their resources effectively.
- **Assumptions:** Any assumptions regarding the requirement or specific flexibilities you may require throughout the contract.

Please note: Your specification is essential for communicating to your suppliers what you need. You can read GCA's guide on '[How to write a specification](#)' for general advice. When using GCA legal frameworks review our buyers guide for information on what you should consider in your specification.



Next Steps

Early engagement with the market and GCA legal services category team can assist you in developing an effective pricing model. Our team and the market can provide strategic support to help you define requirements and identify the most cost-effective fee structure for your needs and outcomes.

About GCA

Government Commercial Agency (GCA) is an Executive Agency of the Cabinet Office and a core part of the Government Commercial Function (GCF).

GCA connects public and private sectors to achieve the best commercial and procurement outcomes for the UK and its citizens. We call this value for the nation.

We have an extensive range of legal services available to help public and third sector organisations across England, Wales, Scotland and Northern Ireland cost-effectively, compliantly and efficiently access best in class law firms. Our commercial solutions include:

[Legal Panel for Government \(RM6360\)](#)

[Legal Panel for Public Sector \(RM6374\)](#)

[eDisclosure and Review Services 2 \(RM6336\)](#)

Get in touch

We're here to help you throughout your procurement so if you would like to discuss your legal requirement and which fee arrangement(s) could be right for you please get in touch: info@gca.gov.uk