

The history of public sector “markets”

- 1945- state as provider
- 1980s- mixed economy of care ‘monopsony’
- 2006- procurement, tightening contracts and processes ‘technocracy’
- 2014- market facilitation
- 2016- ?? lots of pressures (living wage) drivers (quality) and complex systems- collaboration?!

Competition and collaboration

A **monopsony** is a form of quasi- market where there is a single purchaser (the contracting authority) and a number of suppliers (providers).

“The problem with competition is that it takes away the requirement to set your own path, to invent your own method, to find a new way...”

Seth Godin

This model initially favours the purchaser in that it **allows for tight control of price and specification** although it **does not encourage innovation and creativity**. Longer term this model is very risky as it tends to reduce market diversity and leave the contracting authority with few, or a single provider (reverts back to a ‘monopoly’).

A recent examples of a monopsony reverting to a high risk monopoly is the failure of Carillion.

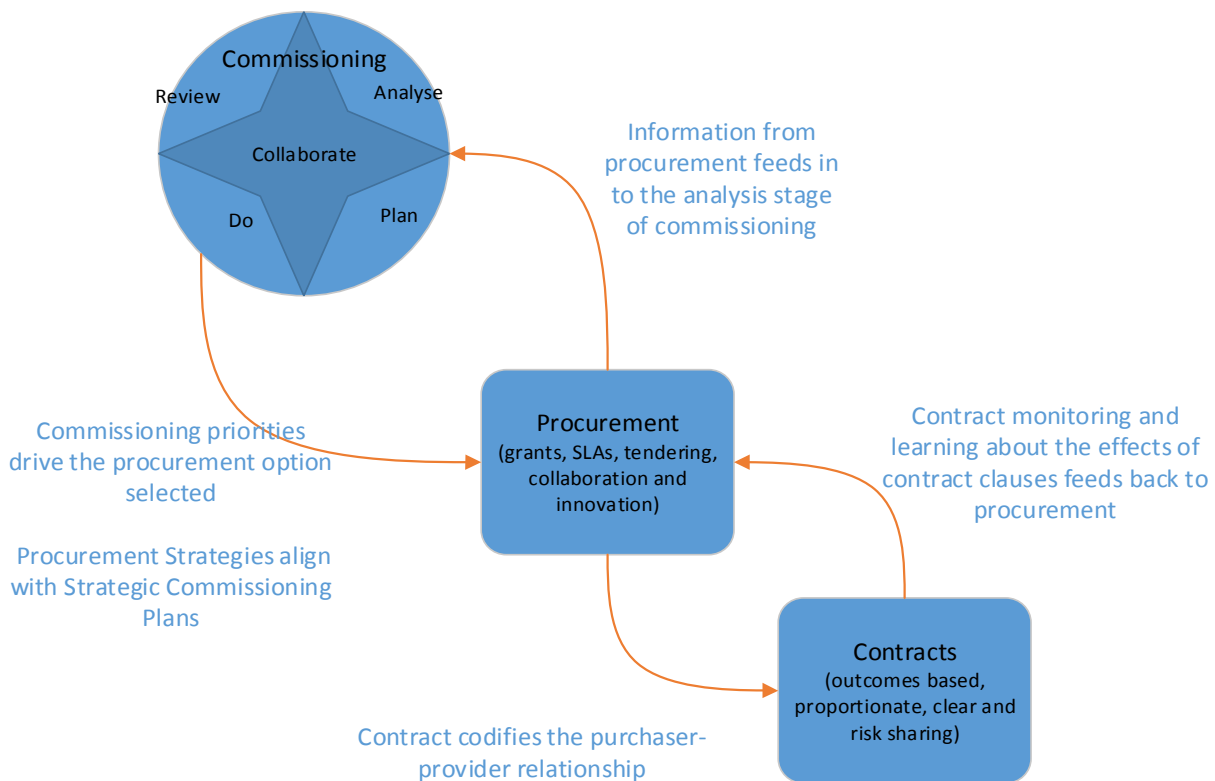
The legislative and policy context

- The Procurement Reform (Scotland) Act, 2014 and associated guidance highlights the flexibility available in procurement.
- Purchase of ‘goods, services and works’
- Contracting authorities can follow any procedure so long as it discharges the TFEU principles (EU principles.)
- Below threshold social care contracts are specifically exempted from the requirement to advertise (s.12)
- Procurement governs the ‘how’ but not the ‘what’. Short, outcome-focussed specifications encourage innovative bidding- many specification clauses are redundant and counter-productive.
- s.19 of the Social Care, (Self-directed Support)Scotland, Act 2013 and associated guidance makes clear that a contracting authority should, as far as is reasonably practicable, ensure a range of providers and types of support.
- The Public Bodies (Scotland) Act, 2014 and guidance requires IJBs to strategically plan and commissioning according to a set of principles. These include promoting that services are planned and led locally in a way which is engaged with the

community (including in particular service-users, those who look after service-users and those who are involved in the provision of the service.)

The commissioning role

“Market shaping means commissioners working closely with providers, supported people, carers and their internal colleagues (procurement, legal and financial) to encourage the flourishing of a sustainable, effective range of providers and types of support in an area.”



Analyse

- Collecting data from multiple sources
- Mosaic approach- statistics, surveys, views, asset mapping, customer feedback.
- Working with other information holders- providers and supported people

Key question: do we(really) know what people need and want?

Plan

- Replaces market management- recognises that suppliers are partners
- contracting authority cannot (and should not) seek to control the market
- Tools/influencers include: research; training and capacity building; setting of hourly rates; taking good approaches to procurement; encouraging innovation through outcomes based/low detail specifications.
- Supported by recent changes to procurement legislation that promote flexibility in social care procurement.

Key question: what do we need to start/stop doing for there to be sustainable organisations delivering the right services in my area?

Do

- Write and let the contracts
- Maintain and develop provider relationships
- Keep an eye out for problems and help resolve these early
- Negotiate and discuss solutions

Key question: do the relationships between providers and the contracting authority allow me to have a good conversation about service and contract changes?

Review

- Check whether your commissioning and procurement strategies are working- are you getting the varied stable market you need.
- Check whether service quality is what it needs to be.
- (re) negotiate your contracts, if required.
- Amend your strategies for next time, if required.
- Let it continue if it's still working!

Key question: did the commissioning and procurement approach we take work to give people what they need and want?

The ethos and behaviours

- Cross- sector (systemic) leadership
- Honesty
- Collaboration
- Good communication
- Decision making transparency
- Long term/whole market view
- Sustainability

Further reading

Collaboration readiness <http://collaboratei.com/2015/10/collaboration-readiness-matters-build-start/>

A guide to getting the conversation started between commissioners and suppliers
<http://www.ccpscotland.org/pp/topics/things-differently/>

A quick guide to procurement
<http://www.ccpscotland.org/wp-content/uploads/2014/01/briefing-procurement-reform-and-social-care-1-1.pdf>

A quick guide to commissioning
<http://www.ccpscotland.org/resources/commissioning-complexity-systems-short-guide/>

A quick guide to purchasing (hourly rate setting) <http://www.ccpscotland.org/hot-topics/hourly-rates-wages/componentrate/>

About our programme
<http://www.ccpscotland.org/hot-topics/improvecommissioning/>

Contact us

Dee Fraser
Deputy Director, CCPS
Dee.fraser@ccpscotland.org
(0131) 475 2676