

## Contracting

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Contracting in Barnsley has been heavily influenced by local factors. Barnsley has a strong tradition of direct social care provision and independent sector provision has had to be stimulated from an extremely low level of activity. The pattern and types of contract employed have, therefore, reflected the need to build a strong and planned service foundation from which the mixed care market could begin to grow and prosper. It is clear that contracts provide a means by which this growth can be directed and sustained.

There are three commonly used types of contracts: spot, block, and cost and volume. However, before deciding which is the best type of contract to use the local circumstances and market strategy should be considered. Contracts are only tools for implementing and maintaining that strategy.

### **Factors in sustaining services**

In providing public services, price driven competition is not the only factor to be taken into account. Service sustainability is a key concern in the public sector and consideration must be made of a number of factors. These are:

*Service quality* is key to the continued support of a service by purchasers. There must be service guarantees in terms of reliability, continuity and consistency. Services must also be sufficiently flexible and responsive to meet the diversity of assessed priority needs.

*Market stability* cannot be ensured in openly competitive situations. Accreditation and contracting processes can be used to ensure that effective partnerships are built with a small number of capable and trusted providers, with energies being directed towards market niches which supplement existing provision.

*Pricing structures* must be affordable for the purchaser and ensure an adequate cash flow which meets costs for the provider. Price driven

competition can be destructive to service quality, continuity and consistency of service delivery, as well as sustainability within the market.

***Contract types: the advantages and disadvantages***

There are a number of familiar contract types, each type carrying different advantages and disadvantages. Their distinctive features can play a crucial role in ensuring sustainable market growth while maintaining quality service delivery.

*Spot contracts* appear particularly attractive in stimulating competition and promoting choice and flexibility in responding to changing needs. This contract form is also consistent with the devolution of budgets to care managers. Spot contracts may allow for closer matching of resources to individual needs and can represent a low risk purchasing strategy in striking a balance between commissioning/residential care and domiciliary support.

Spot contracts are not, however, conducive to market stability. The lack of guarantee that is offered to providers can be detrimental to service consistency and continuity, and monitoring is difficult in openly competitive situations where there are a large number of providers. Spot contracts also fail to offer purchasers any potential economies of scale and are deficient as a planning tool.

*Block contracts* give greater certainty in respect of continuity and consistency and are useful in effecting partnership arrangements between purchasers and providers. They can be particularly beneficial in ensuring the sustainability of small or specialist operations. Economies of scale are possible through block contracts and they are useful in stimulating and giving direction to market growth.

Block contracts can, however, fail to provide purchasers with the flexibility necessary when responding to changing need levels. The centralisation of purchasing power and the limiting of provider numbers can also be seen to work against user choice. In addition the lack of competition can lead to concerns regarding value for money.

*Cost and volume contracts* offer a more sophisticated means of purchasing community care which can bring with it the benefits of economies of scale, encourage partnerships between purchasers and a limited number of providers, and can facilitate market planning. The flexibility of cost and volume contracts, that is the ability to purchase within agreed minimum and maximum parameters, allows for partial devolution of purchasing power which provides a greater responsiveness to needs than is present under block contracting.

### ***Market planning strategy***

I would suggest that it is not sufficient to pick one contract model and use that to the exclusion of the others. Rather, as part of a market planning strategy, there should be an awareness of the type of contract that best meets the organisation's need at different stages in the evolving markets.

In Barnsley there was no mixed economy of care to speak of when we started planning our market strategy, with the private sector providing residential and nursing care but no other services. The local authority was the main provider of all non-residential services, as well as a high proportion of residential care.

In these circumstances it was felt appropriate to introduce block contracts (with the voluntary sector) to provide a base level in the mixed economy below which we would not fall. As needs were not established and the effects of new entrants to the market were not known, it was appropriate to work in partnership to ensure flexible contracts which 'kick started' the market. Following this, spot contracts were used to purchase additional services from both the voluntary and private sectors. This was necessary because needs could not be predicted and trends were likely to take some time to emerge.

As trends are now beginning to emerge, there is greater knowledge of market impact and information on needs has become more precise, so we are able to move toward the introduction of cost and volume contracts (offering the advantages of flexibility as described above).

### **Conclusion**

For the moment there is no intention to remove the block contracts that are already in place. The intention is that this will continue to provide a mixed economy safety net should other providers fail, and will also ensure that large scale private providers cannot take over as monopolies in the local market by undercutting other agencies less equipped to compete.

In Barnsley the partnership approach developed over the past two years has confirmed the value of purchasers and providers working jointly to produce the best outcomes for services users within available resources. It is envisaged that the partnership approach will be extended to an increased number of providers as we move to additional services commissioned via cost and volume contracts. This partnership approach, together with the introduction of cost and volume contracts, and the maintenance of the safety net of existing block contracts should ensure services are sustainable and continue to offer a reliable and consistent service to users.