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| Report to: | NW Commissioning Managers and Providers |
| Date: | December 2022 |
| Author: | Amy Lythgoe |
| Title: | Implementation of NW approach to uplifts |

# Context

There are four regional purchasing systems in the North West managed by Placements North West, these include fostering, residential, supported accommodation and SEND provision.

It has been agreed by NWADCS and Commissioning Managers to align the approach to uplifts across the four purchasing systems.

Key changes:

1. Reconciling the timing of the uplifts to indicative contract price.
2. Introducing standard uplift percentage to indicative contract price for all sectors.
3. Reducing long term discounts in the Fostering FPS.
4. Setting out guide approach to managing uplifts to existing placements.

Work has previously been carried out with residential providers to look at improving the uplift processes and key principles from this work around communication, clarity and consistency will be applied throughout this implementation.

# Key changes

**1. Reconcile timing of uplifts to indicative contract price**

We are proposing to move all uplifts to indicative price to be applied from 1 April 2023 and annually from that date.

Currently the next Fostering FPS uplift is due to be applied in April 2024, Residential FPS uplift is due to be applied in January 2024 and the SEND FPS uplifts are due to be applied in March 2023.

There is currently no uplift process in place for the SaILS DPS as one was not included in the original DPS documents and a later attempt to implement one was met with challenge from providers. Any agreed uplift process will be included in the new contract arrangements for SaILS to bring this bring this in line with the other contracts.

**2. Introduce standard CPI uplift arrangement for indicative contract price**

We are proposing that the annual process will be the same across all four purchasing systems. This will include:

* Use of a pre agreed percentage (comprised of 70% National Living Wage increase and 30% CPIH average for August, September and October) which will be shared with providers in December the previous year.
* A four-week window for providers to make a request for the uplift to be applied to their indicative contract price.
* Simple request process not requiring detailed financial information be submitted. This will include some supporting questions for information only on how best value is being sought, current profit margins and how much profit is reinvested in services and where.
* A simple approval process managed entirely within Placements North West.

**3. Reduce long term discounts in the Fostering FPS**

The Fostering FPS includes discounts for siblings and long-term placements. Sibling discounts are set by fostering providers, but the long-term discounts are set by the contract.

The discounts are currently:

* 5% for 12 – 24 months
* 7.5% for 24 – 36 months
* 10% for over 36 months

We are proposing to remove the additional discount for placements lasting over three years with a new structure of:

* 5% for 12 – 24 months
* 7.5% for over 24 months

This is to reduce the effect of long-term discounts impacting on any other uplift arrangements put in place and to reduce the disincentive for providers who maintain long term placements.

**4. Put in place NW guide approach to uplifts to existing placements**

Only the placing authority can agree any uplifts relating to their current placements, this proposal does not change that.

We are proposing that there will be an annual process for placements made after 1 April 2023 whereby providers can request uplifts for their current placements using a pre agreed CPI figure. This will include:

* Use of a pre agreed percentage (comprised of 70% National Living Wage increase and 30% CPIH average for August, September and October) which will be shared with providers in December the previous year.
* A four-week window for providers to make a request for the uplift to be applied to placements.
* Simple request process. This can include use of the NW template for information on how best value is being sought, current profit margins and how much profit is reinvested in services and where.
* This may be supplemented by any additional local requirements for the placing authority including more detailed financial information.
* All approvals made by the placing authority at their discretion.
* Adjustments made to the IPA template to allow placing authorities to opt in to this process at the point of placement.

# Contractual implications

**Fostering FPS**

The Fostering FPS does not set out any specific approach in relation to uplifts to indicative contract price. However, since 2020 providers have been allowed to uplift their prices in two-year increments since the start date of the FPS in April 2018 and two cycles of this process have been carried out.

As such there will be no variation required to this contract. Work is underway to clarify the documents for this contract and this update will be included in the revised set of documents or shared before depending on the timeline for completion of the new documents.

**Residential FPS**

The Residential FPS sets out a process allowing providers to request uplifts to indicative price in two year increments since the start date of the FPS in January 2018. Two cycles of this process have been carried out.

9. PAYMENT

9.1 In consideration of the supply of the Services in accordance with the terms and conditions of the FPS Agreement, the Purchasing Body shall pay the Price to the Provider in accordance with the invoicing procedure and payment profile specified in IPA Terms and Conditions.

9.2 The Price shall be calculated in accordance with the order process and IPA Terms and Conditions.

9.3 The Purchasing Body shall pay the Value Added Tax on the Price at the rate and in the manner prescribed by law from time to time.

9.4 The Contract Price submitted for the FPS arrangement are indicative prices only

9.5 Purchasing Bodies will expect the price submitted by the provider in response to a referral request to be in-line with the prices submitted in the FPS. Where variations exist, providers will need to evidence reason for variation.

9.6 Providers may re-submit indicative prices two years from the anniversary of the FPS contract start date and every subsequent two year period. Request for any change to indicative prices must be received by the Lead Authority not less than 2 months before the effective date.

Section 9.6 of the FPS agreement as above will need updating via a contract variation.

**SaILS DPS**

The SaILS DPS includes no provision for uplifts. The SaILS contract is currently under review and the uplift provision will be included in the post regulation contractual arrangements.

As such there are no contractual implications for the current DPS Agreement.

**SEND FPS**

The SEND FPS sets out a process allowing providers to request uplifts to indicative price in two year increments since the start date of the FPS in March 2020. This process has not yet been carried out.

‘Schedule 4 – Fee Uplifts’ sets out the process for SEND providers to increase their indicative contract price. This schedule will need updating via a contract variation.

# Implementation summary

1. Principles of the process agreed by the NW Local Authorities (complete)
2. Provider engagement session(s) to refine the process and clarify expectations (12 December)
3. Templates and guidance completed (draft circulated)
4. Contract variations in place and amendments made to IPA templates (in progress)
5. Process put in place for providers to feed back after the process.

# Consultation

**Points raised at session for Commissioning Managers (23 November 2022)**

Will the same percentage be applied across all markets?  
Yes, we want to have a consistent process for all providers whatever the service type. The principle of wanting to support providers to invest in their workforce applies across the board.

How can we allow for future fluctuations in CPIH and National Living Wage?  
We cannot predict what these figures will look like and acknowledge that two years ago we wouldn’t have anticipated CPIH increasing to this level. For this reason, adjustments may be made to the formula each year to allow for a fair figure to be reached. Where possible we will stick to the outlined approach.

How does this take into account cuts to local authority budgets and efficiency targets?  
We believe that investing in provision for North West children will result in better outcomes for them. We are clear that we need to work with external providers of children’s social care placements to achieve the best for North West children and that this includes responding to the financial pressures they are facing.

How can we be sure that this increase transfers to the pay of those working in the sector and foster carer allowances rather than increasing profits?  
We cannot, but we do understand that it is in the interests of all providers to be able to recruit and retain a skilled workforce to support them in running their business and feel that in this way our interests align.

We also acknowledge that we need to better understand the providers we are working with and the uplift pro forma serves to help us collect information to inform this understanding.

*How does this prevent providers from submitting higher costs at the point of placement?*  
The prices listed on the Residential, (coming) SaILS and SEND FPS are indicative only. However, making these as accurate as possible provides placing authorities with a clear basis from which to understand additional costs applied at this point and act as a benchmarking tool. From the External Placements data, we can continue to analyse which providers are consistently charging over and above the indicative contract price.

We also need to acknowledge that we cannot manage this market simply through contractual changes. This approach forms part of ongoing workstreams around sufficiency.

*How does this impact on existing placements?*  
A guide approach has been set out with options for placing authorities to consider in relation to existing placements. Decisions will need to be taken locally as to what is done in response to this approach.

*Will this uplift provision be included in the template spot purchase contracts?*  
The intent was to include this provision in spot purchase contracts, so providers are not having to make additional requests outside this process.

*By adjusting the timeline are we allowing them to add an additional uplift onto the costs they had anticipated being in place for two years?*  
Yes, we understand that this is the case. However, no one anticipated the cost of living increases we are seeing currently.

Changes made after this event:

* Percentage split update to favour National Living Wage and workforce
* Pro forma questions updated to include breakdown on profit and investment in services

**Feedback from providers (12 December 2022)**

To be completed after the event and via this form: <https://forms.office.com/e/pghThhajCC>

Changes made after this event:

* To be confirmed

# Timeline

We note that the timeline for these proposals is tight with SEND FPS providers due their first uplift in March 2023 and an ambition to have all new prices in place from April 2023 in order to respond to provider concerns in a timely way.

This timeline is subject to change.

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| **2023 Uplift process** | |
| November 2022 | NWADCS approval for the process |
| 12 December | Provider engagement session |
| w/c 19 December | Invite to submit 2023 requests sent to provider via email and the Chest |
| January 2023 | Additional provider engagement session (tbc) |
| 31 January 2023 | Deadline for requests to be made |
| 28 February 2023 | Providers receive confirmation of new price |
| March 2023 | New prices shared with NW authorities |
| 1 April 2023 | New prices and reduction in fostering discounts implemented |
| May 2023 | Feedback request sent to providers |

# Queries

Please share feedback via the online form as requested above. Any questions please contact [placementsnorthwest@stockport.gov.uk](mailto:placementsnorthwest@stockport.gov.uk?subject=Query%20from%20uplift%20implementation%20paper).