

## Financial Implications & Payment Mechanism

### 1. MTRS Impact

- 1.1** A number of scenarios, using varied assumptions on the volumes of service provided and performance in each category have been modelled as per the table below. Under these scenarios the maximum exposure for ECC in the first 5 years of the contract is £55.1m (a maximum £11.3m in any one year), based on £10.8m core contract cost plus performance payments, assuming contract performance of 150% of target for the employment services and 100% utilisation of PMLD & OP sessions. These costs can be contained within the current draft MTRS.

	£million						
	2020/21	2021/22	2022/23	2023/24	2024/25	Total	Comments
Low range	10.8	10.8	9.2	9.1	9.0	48.9	Achievement of only 50% of employment target & 75% of PMLD & OP sessions
Mid range	10.8	10.8	10.8	10.8	10.8	54.1	100% achievement of employment target & 100% PMLD & OP sessions
High range	10.8	10.9	11.0	11.1	11.3	55.1	Achievement of 150% of supported employment target & 100% of PMLD & OP sessions

### 2. Payment Mechanism

- 2.1** The contract will include expected volumes of provision against the following four categories of service:
- Supported Employment
  - Learning Disabilities
  - Complex Learning Disabilities
  - Older People
- 2.2** The payment mechanism has been structured to incentivise the movement of existing day service users into employment and apply deductions where the target volumes are not achieved. It also assumes volumes of ongoing provision in the other categories of service and applies penalties where these volumes fall below an agreed tolerance – this protects ECC from paying the full contract value of £10.8m where the contract is not delivering the expected improved outcomes.
- 2.3** There will be no inflationary uplift for the lifetime of the contract, ensuring ECL deliver annual efficiencies and offering ECC protection against the impact of

changes to National Living wage on the services provided through this contract for the contract duration

### **3. Contract Years 1 & 2**

- 3.1** Core funding is guaranteed for the first 2 years of the contract at approx. £10.8m per year. This will facilitate the set up and growth of the Supported Employment service
- 3.2** In addition to the core funding, in order to incentivise ECL for working with other providers in supporting existing clients into employment, there will be a performance payment. This will be equal to 50% of net savings to ECC as a result of ECL achieving sustainable employment for adults currently placed with other day service providers. This is payable for the life of the contract, as long as the saving recurs and ECL achieve at least 75% of the annual target volumes for people in Supported Employment.

### **4. Contract Year 3 onwards**

- 4.1** Core funding at approx. £10.8m will continue for each contract year.
- 4.2** In addition to the core funding, a per capita performance payment will be made for each client sustained in work for over 12 months, above an upper threshold (target plus 7.5%) and a deduction where actual numbers in supported work placements fall below the lower threshold (target less 7.5%).
- 4.3** The value of the per capita payment/deduction will be calculated at the end of year 2 and will be 50% of the average actual per capita saving, proportionate to the number of clients placed in to work placements who were previously in ECC funded day opportunities. This means the incentive payment to ECL will never exceed ECC's cash benefits and ECC's retained savings can contribute to efficiencies in future years.

Worked example:

(a) Total number of clients placed into supported work in period	200
(b) Those who were in a day opportunity at ECC's cost immediately prior to taking up a work-placement in period:	150
(c) Average net saving to ECC for each client in (b)	£7,000
Performance payment/deduction = $(b/a) \times (c \times 50\%) = 75\% \times £3,500$	£2,625

- 4.4** In order to protect ECC from this contract being treated as a block arrangement, where the agreed volumes of service for all categories, other than Supported Employment, falls below the agreed tolerance (target less 10%) there will be a deduction for each session below the threshold equivalent to average sessional rate for that cohort.

- 4.5** From year 3, clients assessed as not suitable for employment will take opportunities within ECLs other service categories, as defined in paragraph 2.1, where capacity exists within the agreed volumes.
- 4.6** Where an individual who has been in supported employment falls out of employment it is ECL's responsibility to provide the interim day opportunity whilst a new supported employment opportunity is sourced within the overall core funding – this protects ECC from a future budgetary pressure.
- 4.7** To ensure continued growth of the Supported Employment service, the contract will place an obligation on ECL to reinvest all ongoing savings realised from existing ECL customers placed into employment, to fund the ongoing cost of the Supported Employment service.