

Note by LSC on the Not-for-Profit Contract 2007

1 NFP funding from 1 April 07

There is no general bid round being held for replacement 07/08 contracts and agencies can assume they will get a new contract unless they hear otherwise from their LSC regional office. Contracts would only not be renewed if there were serious performance issues/breaches.

We confirm that, as set out in the 'Way Ahead' document, individual agency funding will (subject to any reductions for underperformance under the current contract) be set as the same level in 2007/8 as it would have been under the current contract.

2 The position from 1 April 07

For the first 6 months of 07/08, payments to NfP's will remain on the current basis. This is subject to moving from quarterly payments in advance to monthly payments in advance as set in the 'Way Ahead'.

In February 2007, agencies will therefore receive a schedule that covers the first 6 months of 2007/8 only. This will cover 50% of the agency's annual funding calculated on the same basis as their current schedule.

Reconciliation of payments in this period will continue to be on hours performed.

The remaining 50% of funding (i.e. the payments from 1 October 07) will be set out in a further schedule, which will be sent out after the conclusion of negotiations with the representative groups on the precise terms of the transitional arrangements. It is expected that these negotiations will conclude in time for agencies to receive the second 6 month schedule before 1 April 07.

Taken together, the two schedules will provide for 100% of the funding (based on the previous year as set out above) divided into monthly instalments.

3 The October changes.

As from 1 October 2007, agencies will move on to the fixed fee regime, with reconciliation of payments against claims rather than hours, subject to the transitional arrangements now being discussed between the LSC and the representative groups.

The second schedule will authorise the agency to start a certain number of matter starts. These will be set at a level, which, if started and claimed within the requisite period in accordance with the contract, will give the agency the opportunity to maintain its current income. Agencies will be able to apply to their LSC regional office for an increase in matter starts (and therefore potentially more funding) where the agency has the capacity to take on more

work. However there is no guarantee that additional matter starts will be allocated –this will depend on regional priorities. Payments in the second half of the year will be reconciled against claims.

Claims for ongoing work on cases started before 1 October 2007.

This will be work carried out after 1 October 07 on cases started before then. The intention is that agencies will claim for this work using their own individual agency hourly rate as set out in their current schedule. This work may however be subject to upper casework limits where appropriate.

All work done on these cases prior to 1 October will have already been paid for under the previous 6-months' schedule. Claims should therefore be restricted to work done on or after that date.

Claims for work on cases started on or after 1 October 2007

These claims will be credited with the fixed fee appropriate to the category of law. However, exceptional cases (those where the cost of the time spent on the case calculated at solicitor's hourly rates is at least three times the fixed fee) will be credited with the time spent at solicitor hourly rates – rather than the fixed fee or the NfP's individual hourly rate. The solicitor rates are currently set out in the schedule to the General Civil Contract (Solicitors) and will be included in the specification of the new contract. Exceptional claims will be liable to cost assessment.

Reconciling claims and payments

The solicitor contract works on the basis of reconciling the payments against claims (which are made at the end of a case) with the aim that by the end of each year the two balance each other out.

The LSC accepts that for many NfP suppliers, it will not be practicable to achieve this by the end of 2007/8 and that a longer period will be needed for this reconciliation. For example since all work carried out before 1 October 2007 will have been paid for under the first schedule, NfP suppliers will not start the new system with an amount of work in progress that can be immediately claimed and reconciled against their monthly payments. They will need to be given time to do this.

Discussions are continuing between the LSC and NfP representative bodies on how these transitional arrangements will work (for example on the size of any pull-forward of money that does not have to be reconciled within the Schedule period.

- The LSC's intention remains to provide agencies with a fair opportunity to maintain their income under the new arrangements. For some agencies this will require seeing more clients –others are already operating well within the fixed fee ranges and will adapt with less difficulty.

- The LSC is also committed to the Voluntary Sector Compact and the new arrangements will reflect this commitment.

4 The Contract Documentation

The new **Standard Terms** for the Unified Contract are intended to come into effect on 1 April 2007. Negotiations are continuing with the representative bodies and the final version will be published next month.

The Specification currently in the Not-for-Profit contract will remain in force until 1 October 2007, when it will be replaced with the new Unified Contract Specification. Current provisions such as the ability to perform “level one” work will therefore remain in force until 01 October 2007. The detail of the new Unified Contract Specification will be the subject of further consultation with the representative bodies.

5 Housing duty possession schemes

These will be renewed on current terms from 1 April 07. Exceptionally, if the regional office has decided not to continue the scheme because it is not providing access/value for money then the agencies concerned will have been contacted by their regional office.

6 Outreach arrangements

Regional offices will retain power under the new contract to agree extra payments for outreach work where this is needed to secure access. If you have an existing arrangement, please contact your regional office to discuss whether it should continue from April 07.

For further information about your particular contract –please contact your account manager in your LSC regional office.

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Legal Services Commission
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