



Project Management Toolkit

Outline Business Case

Project Title	Increasing Children's Home Capacity in Buckinghamshire		
Project No. or Ref (if applicable)	LAC project	Document Version Ref	V5
Project Manager	Simon Brown	Telephone No.	Ext 7588
Project Sponsor	Anthony Decrop	Telephone No	Ext 3953

Executive Summary

Currently the Council has a low level of local residential social care provision for vulnerable children. Whilst the targets set out in the Change for Children programme set an expectation of a reduced requirement of residential provision it also seeks a much higher proportion of the remaining provision to be locally based. It follows from this that the local provision of residential care for children needs to be expanded. This report is aimed at considering how this might best be achieved.

The number of options available is very large, so the report focusses down on a limited number of the key options and compares these to the do nothing option of continuing to spot purchase in the open market across the country. Options considered are: full in-house provision; continuation and possible expansion of a block contract arrangement and; a hybrid of Council property ownership and contracted out service delivery.

Despite different methodologies being necessary to cost the various options, the final analysis indicates that in financial terms there is very little to choose between the alternative new options, but a substantial gain to be made by moving away from the current predominantly spot purchase approach. The final decision on the options will therefore also be dependent upon non-financial considerations such as risk and operational capacity/experience. It may, in any case, be of some merit to have a mixed economy, with more than one of the options being pursued in parallel. Market preferences may also prove to be a determining factor.



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Background and Reasons

There is an inherent volatility in the number of children in the care system at any point in time and that volatility translates into any particular type of provision, such as residential. In the past year the number of Buckinghamshire children placed in residential accommodation has varied from a low of 50 to a peak of 67. Of these a maximum of 6 can be accommodated in the Council's own provision, leading to a heavy dependence upon commercial providers.

Buckinghamshire has joined forces with five other local authorities in the region to develop a cross regional provision. The contract with Bettercare Keys for this provision is due to come to an end, having already been extended to its full duration, in December 2018. Buckinghamshire has an allocation of 6 beds within this contract, all of which are provided within Buckinghamshire.

There are, in addition, a further 12 beds available for spot purchase run by Benjamin UK within the Buckinghamshire boundary, but are open to all other local authorities to purchase.

It is clear from this, that under current arrangements the majority of residential placements are provided from outside the Buckinghamshire boundary and are not in the control of BCC. Further, if the "Keys" contract is allowed to lapse without equivalent replacement this position will be exacerbated.

The Target Operating Model for Children's Services sets out a number of aspirations relevant to residential provision:

- 70% of children placed within 20 miles of home
- No more than 10% of looked after children in residential care
- Spend per looked after child in line with Statistical Neighbours

Currently the total Looked After Children population is around 450 to 460. Allowing for current trends in demographic growth this might be anticipated to rise to around 490 to 500 over the next 5 years. However, if planned enhancements to the Early Help offer have the desired impact it is anticipated that the overall number can be maintained at around the current levels. On this basis the total residential requirement should not exceed 46 beds, of which 32 should be within 20 miles of the child's home.

Comparing these target levels with the current position indicates that a number of changes are required. First of all the use of residential provision, as a proportion of the total provision, needs to reduce. This is likely to require improvements and expansion of particular types of other provision rather than any action on residential provision itself. Secondly a considerable expansion of more locally based provision in a manner which BCC can have some control over access.



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There is a predominance in the market place of residential provision in the north of the country where both property and wage costs tend to be lower. In seeking more local provision this is a challenge that BCC will need to consider with care.

A number of maps are included **at Appendix 1** to this business case:

- The first shows, based on information at the end of December 2016 where each child in a residential placement is placed relative to their home address.
- The second map shows in more detail the home addresses within Buckinghamshire of all the children in external residential placements
- The third map shows 5, 10 and 15 radii from the centre of the major conurbations in Buckinghamshire to illustrate the coverage if children's homes were placed in these areas.

Taken together consideration of these maps suggests that if the Change for Children objective of keeping children close to home is to be met some provision in the south of the county will be needed, albeit this may increase costs a little.

Business Options

To expand local residential provision a range of options exist. At one end of the spectrum the Council could buy/build its own home(s) and run them itself. At the other end of the spectrum the Council could simply specify what it wants and put that out to the market. There are, no doubt, many other options within that spectrum, for example the Council could buy/build the homes themselves, but then ask others to run them. Of course, the total solution might involve the combination of a number of different types of provision, although one needs to have regard to the cohesion of any such solution.

There are numerous other issues to be taken into account, which lead to a range of sub-options. For example the size of the individual establishment is likely to impact on cost, but also the level of support offered to each individual resident. There may also need to be additional services provided such as education, or therapeutic support.

A number of specific options within the overall spectrum are considered in more detail in the remainder of this document.

Benefits

Finding placements for children locally has the potential benefit of allowing them to keep some continuity in their lives, such as their school/college arrangements and their friendship groups.

There are also benefits in service delivery terms. Social worker visit journey lengths and time are reduced allowing more time for building better relationships with the children. There should also be a reduced time for spot purchasing places on the open market.



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Although this will still be needed in certain circumstances there will be a better opportunity to either understand the local market or directly manage it depending upon the solution chosen. These service benefits should have a knock on benefit in reducing costs along with a reduced average cost of the placements themselves as spot purchases tend to be more expensive for any given type of provision.

Dis-Benefits

There are no clear dis-benefits of the proposal as a whole, but there are some potential challenges or risk depending upon the particular solution adopted.

If the Council chooses to own and run the facilities itself, it will have greater control, but at the same time carry greater risk. Such a solution can guarantee access when spaces are available, but, by contrast, if all spaces are not filled the cost will not reduce proportionately and value for money will be challenged. This solution is likely to offer less flexibility over time if needs change. Further, it tends to be the case that Council's terms and conditions are more favourable to staff than those offered by the private sector in this field, which may push up overall costs.

A market based solution whilst offering the potential of greater flexibility may prove disruptive at the change points between contracts. There would also be no retention of assets.

A solution somewhere in the middle of these options is likely to have some of the benefits and dis-benefits of both. With careful design it may be possible to find a solution which maximises the benefits and minimises the dis-benefits.

Costs

With so many options possible and variations on those options presenting the cost consideration of all permutations is challenging. At the same time consideration of costs will be a major contributing factor in determining which option to pursue. What follows is therefore based on some key scenarios to aid decision making.

Existing Data

The Council currently has one children's home, [REDACTED], which provides some important information on potential costs of the option to own and run additional homes in-house. However, the cost centre for this home does not currently directly bear all its costs, so adjustments are necessary for comparability with other options.

The Council also contracts with the private market place which also provides some base data. Usefully this includes both spot purchase prices and a local block contract providing a number of different comparators.



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The cross regional contract with Bettercare Keys provides Buckinghamshire with access to 6 guaranteed places at an annual contract value of £937k. This equates to an annual cost per child of just over £156k, or a bednight rate of **£429**, assuming full occupancy. Under this arrangement the contractor bears operational risk, such as staff sickness, replacing vacant posts, etc., but the Council bears the risk of underutilisation of the provision.

The use of spot purchased places allows access to a wide range of provision with specific specialisms being offered as appropriate. It is unlikely that local provision, however provided will meet all of these specialist requirements in all eventualities. Due to the different nature of the provisions access there a wide range of prices paid, currently from around **£240** per bednight to around **£1000** per bednight. The average cost is around **£555**.

BCC Owning & Running its own Provision

There are three main blocks of cost involved in owning and running a children's home: the cost of the premises; the cost of the staff running it and; the general running costs. The current provision at [REDACTED] can help us understand the staff and general running costs, but it does not bear the majority of the premises costs itself, so these need to be added in for comparability. The tables below, based on costs from [REDACTED], illustrate what the cost of different sizes of unit might cost.

Number of Children	Number of Bedrooms	Number of Staff	Staff Costs	Premises Costs	Running Costs	Total Cost
No.	No.	No.	£	£	£	£
2	3	11	375000	31100	30000	436100
3	4	11	375000	41800	41000	457800
4	5	15	495000	53900	52000	600900
5	6	15	495000	61600	63000	619600

Depending upon the size of the establishment this give a bednight cost range of between **£340** and **£600** assuming full occupancy.



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Number of Children No.	Total Cost £	Cost per Child £	Cost per Week £	Cost per Bednight £
2	436100	218050	4193.27	599.04
3	457800	152600	2934.62	419.23
4	600900	150225	2888.94	412.71
5	619600	123920	2383.08	340.44

Of course if the provision is in the ownership of the Council the costs will remain largely the same irrespective of the level of usage. Therefore to make the bednight cost comparison effective and allowance needs to be made for less than 100% utility. The average usage at [REDACTED] over the last 5 years has been around 70%, although in the current financial year this has increased to about 85%. The table below shows the impact on bednight costs of occupancy rates of, 90%, 80% and 70%.

Number of Children No.	Cost per Bednight £	@90% Occupancy £	@80% Occupancy £	@70% Occupancy £
2	599.04	665.60	748.80	855.77
3	419.23	465.81	524.04	598.90
4	412.71	458.56	515.88	589.58
5	340.44	378.27	425.55	486.34

BCC Own the Building, but Contract Out the Running

It tends to be the case in this market sector that the terms and conditions offered by the private sector are less generous than available from the Council. This might make an option where the running of the establishment by the private sector is attractive in cost terms. Of course any provider will need to make a financial return which may eat into any cost reductions.

Under this option the Council could keep control over access, but would then need to bear the risk of low occupancy. Alternatively the Council could pass access control to the provider in which case access for the Council would not be guaranteed and the additional risk that the contractor is bearing would be likely to be reflected in the price.

Timescale

There are a number of different timeframes involved in developing children's homes;

- Identification of properties
- Adaptation of properties to be compliant with care standards



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- Recruitment of a registered manager
- Recruitment of staff
- Training of staff
- Registration with OFSTED

This last point is critical as you cannot register until the other elements have been successfully completed, and OFSTED will register a home within 16 weeks of an application. It is likely that these stages will have a combined timeline of 8 months. In relation to the regional block contract with Keys, the provider took just under 12 months from identification of properties to opening the first two homes. However a significant amount of time was spent in the purchasing phase. If the Council is able to use properties it already own this may reduce this element of the timeframe, although there may still be a need for refurbishment of the property, or even planning permission to be gained for a change of use, all of which can take time.

If the Council were to develop a number of additional children's homes this might be approached on a phased basis to manage resources more effectively, but this would extend the overall timeline.

Dependencies

The service aspirations set out at the head of this document indicate an overall reduced requirement for residential provision as well as a need for greater local provision. This business case is largely aimed at delivering the increased local provision, but the overall requirement is dependent upon the wider transformation programme. Improving the Early Help offer will be an important feature of preventing children passing through the care system to the point of needing residential provision. In addition for those children who do require a placement there will need to be a scaling up of alternatives such as fostering, Special Guardianship Orders and adoption, if the use of residential placements is to be reduced.

Investment Appraisal

The "Costs" section of this business case identifies the bednight cost for a number of the main options. However, there are a few additional considerations depending upon the option chosen.

For the in-house buy/build and run option there will need to be some management oversight at an increased level above that currently employed for a single home. It is therefore assumed that an additional management post sitting above all the residential provision would be required. This additional cost needs to be attributed across the whole of the BCC provision.

By contrast research by Loughborough University indicates that there are considerable additional costs associated with supporting residential placements remote from the local authority. The additional travel time and cost for both social worker and parental visits



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along with quality checking arrangements, etc. were estimated to cost an additional £6k per child per annum. This research took place back in 2010, so allowing for inflation this will now be around £7.25k.

For the In-house provision, or any option where the Council bears the risk of voids one needs to determine the level of occupancy that is likely. Historically ██████████ has operated at around 70% occupancy, but more recently at 85%. On the assumption of more active management an 80% occupancy has been assumed for the comparison below. The Bettercare Keys contract has operated at 97.5% occupancy due to the ability to fill capacity from other local authorities within the contract.

Allowing for these adjustments yields the following bednight costs for the main options considered.

Spot purchase (average) –	£575	
Cross Regional Contract –	£440	[assumes 97.5% occupancy]
In-house provision –	£430	[assumes 80% occupancy]

This reveals that there is very little cost difference between in-house provision and that currently provided through the cross regional contract. By contrast there is a substantial saving with either of these options compared to the average cost of spot purchases. This equates to an annual saving of about £50k per child.

In both the case of the in-house provision and the cross regional contract the risk of voids rests with the Council. With the in-house provision the Council additionally bears the operational risk, i.e. staff management, quality control, etc.

A further option worth considering in principle is a hybrid of the Council owning the premises, but contracting out the running of the establishment. Unfortunately data to accurately cost this option is not readily available. This option would have the premises costs of the in-house option, but the staff and running costs of the cross regional option. As these two options are very close in value it might reasonably be assumed that this further option would be of similar costs. It is likely that a private provider would offer less generous terms and conditions to staff and thus have cheaper staff costs. Running costs such as utility costs and catering costs are likely to be similar. Smaller scale providers tend to rent their premises which, in turn, implies a profit element for a landlord. It is therefore plausible that if the Council were the landlord this profit element could be avoided, however, initial discussions with a local provider indicate the rental costs experienced are very close to the costs illustrated in the council ownership model. The care provider would, of course, want to make a profit themselves, but this is already reflected in the cross regional price, which is close to the in-house price already. One might conclude from this that this hybrid option would reduce the overall profit element and thus come in a little cheaper certainly than the cross regional option and possibly also the full in-house option, although the price differential is likely to be fairly marginal.



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Known Risks

The main risks to delivering the change project are:

- Planning approval/planning delay
- Cost over-run
- Time delay due to weather conditions, or poor contractor management, etc.
- Failure to identify suitable sites

Additionally there are risks in delivering the desired outcomes once the facilities are in operation. These are covered in a Risk and Benefits Matrix included as **Appendix 2** to this report.

Conclusions

This largely desk-top based assessment of the options reveals that there is very little financial difference between the options. Certainly the differences calculated are within the tolerance of accuracy that can be expected from this type of analysis. At the same time the analysis does confirm that pursuing one or more of these options should yield significant savings over continuing with the current practice.

As well as financial considerations there are other matters to take into account, such as the quality of care and where risks lie. There is no clear evidence to suggest one of the approaches considered offers better quality of care. There is much more to be gained in this respect simply by bringing the care closer to home, which is the whole purpose of the project in the first place. However, whether through direct management, or contract management, what is likely to be important is sufficient management capacity to have appropriate oversight of the arrangements.

As discussed in the main body of the report there are a range of sub-options which give a different balance of risk transfer. In general, however, the more contracted out the greater the risk transfer away from the Council. Nonetheless, ultimate risk remains with the council as it retains responsibility for ensuring that the children are appropriately cared for. Thus in the case of contractor failure the risk immediately transfers back to the Council. Despite this, if considered as a going concern, operational risks such as recruiting and training suitable staff, covering staff behaviour and absence, etc. can be transferred to a contractor. Similarly risks associated with property maintenance can be transferred to a contractor if desired under certain options, as can the risk of voids, or underutilisation of the facility. Of course, if a contractor is bearing risk it is likely that this will be reflected in the price, so from a council perspective there may be a balance to be struck.



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Bearing in mind all of these factors it is likely that the preferred overall solution will lie in a mixed economy. In general operational margins are tight, so a solution which retains a high degree of control for the Council will be preferable. At the same time property development margins tend to be much larger, so a solution which keeps property ownership with the Council should prove more cost efficient.

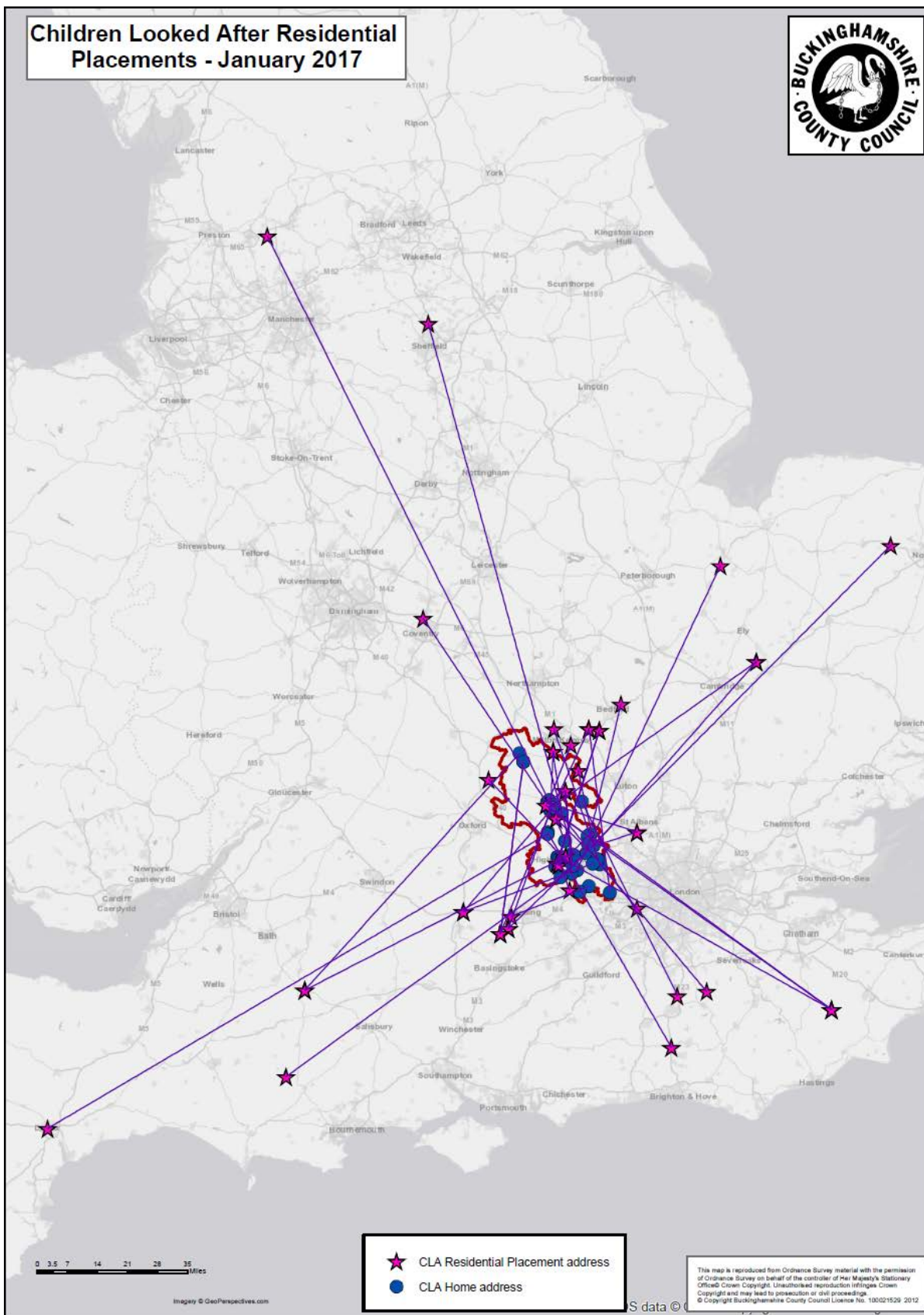
Recommendations

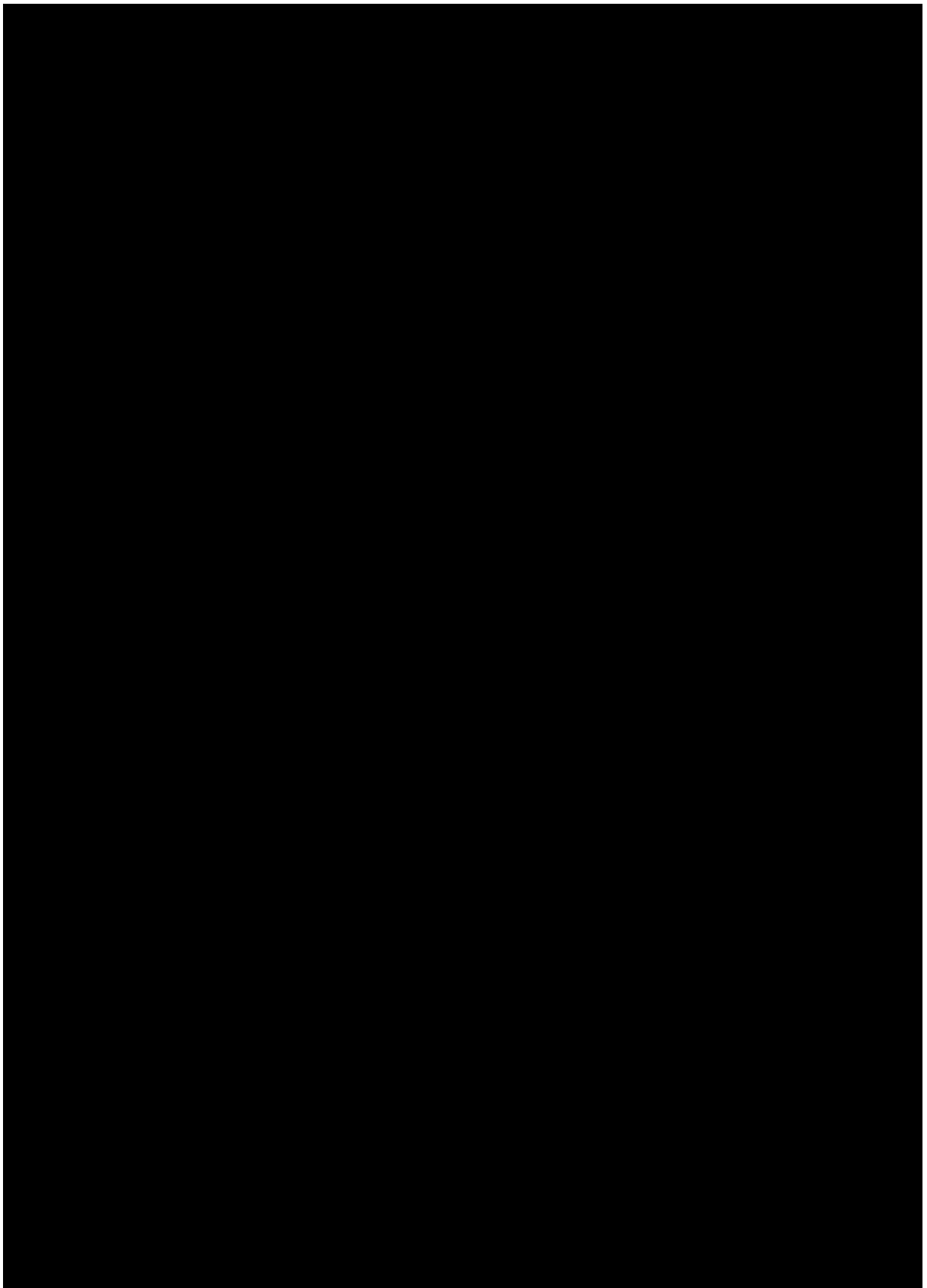
With regard to the preferred option of the Council owning and running the homes to carry out the following.

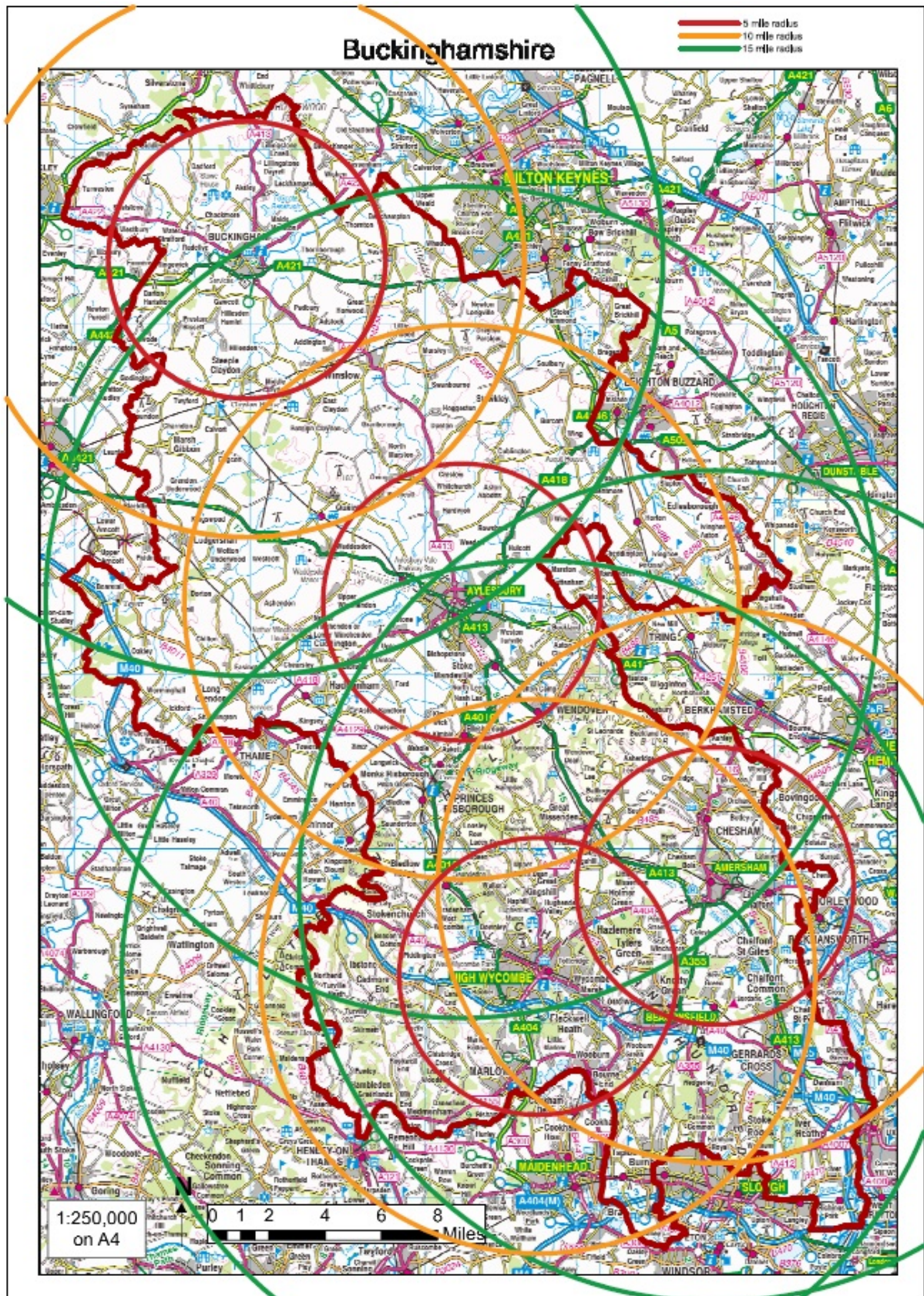
- Work up more detailed designs and costings on those Council owned properties deemed suitable and seek the necessary planning permissions. This will be a necessary step in either the full in-house option, or the hybrid option.
- Develop an implementation plan for running Children's Homes in-house, to include recruiting the necessary staff and gaining the necessary approvals from the appropriate authorities.
- Consider with partner local authorities the re-tendering of the cross-regional contract with a potential expansion of such. Particular emphasis being given to the boundaries of any such expansion.
- Soft market test with potential providers the interest in running council owned facilities and identify any issues/constraints with such an option from their perspective, as a test of value of the in-house option.

Supporting Documents

Property reports on potentially suitable properties already in Council ownership.







Expansion of Local Residential Care Provision for Children – Risk/Benefits Matrix.

Risk	Option 1 Own and Run	Option 2 Outsource (Block Contract)	Option 3 Own and Outsource Running
Unable to recruit staff with the skills and capabilities required to enable successful running of provision	Risk entirely with BCC	Direct risk transferred to contractor but potential risk for BCC should provision fail or require management intervention	Direct risk transferred to contractor but potential risk for BCC should provision fail or require increased management intervention
Retention of permanent staff	Risk entirely with BCC	Risk entirely with contractor	Risk entirely with contractor
Lack of understanding by public of where accountability sits	N/A	Reputational risk remains with BCC as despite being outsourced, customers still see the Council as the responsible body.	Reputational risk remains with BCC but is reduced from fully outsourced due to clear accountability through ownership.
Problems with the property, e.g. maintenance issues	Risk entirely with BCC	Risk predominantly with the contractor.	Shared risk, which would depend in the first instance in the nature of the lease and the contract.
Poor utilisation of the resource, i.e. low occupancy rate	Risk entirely with BCC	Will depend on the nature of the contract, but with a block contract most likely that the risk sits predominantly with BCC.	Will depend on the nature of the contract, but most likely that the risk sits predominantly with BCC.
Inadequate flexibility of resource to respond to changing needs	Reduced risk due to direct control over the resource	Risk with BCC as contract will define what is offered. Only likely to achieve change at a relatively high price.	Risk with BCC as contract will define what is offered. Only likely to achieve change at a relatively high price.

Benefit	Option 1 Own and Run	Option 2 Outsource (Block Contract)	Option 3 Own and Outsource Running
Gain in property value over time is taken by the contractor	Not applicable	Any gain in the capital value of the property over time will be taken by the contractor unless priced into the contract.	Not applicable
Poor reputation/relationship of home with neighbours	Risk entirely with BCC	Predominantly with the contractor in the first instance	Predominantly with the contractor in the first instance
Direct control over the resource and ability to prioritise	BCC children would be placed in a timescale commensurate with their needs	OLA children could be prioritised over BCC child, but would depend on the nature of the contract	OLA children could be prioritised over BCC child, but would depend on the nature of the contract
Flexibility of resource to respond to changing needs	Full flexibility	Possible but would increase cost	Possible but would increase cost
Gain in property value over time	All profit realised by BCC	Profit realised by contractor/landlord	All profit realised by BCC
Develop specialist & innovative provision	Able to work with local partners, e.g. CAMHS to create specialist packages of support for BCC children	Potential but dependent on contract and willingness of provided to work with local partners and incurred costs	Potential but dependent on contract and willingness of provided to work with local partners and incurred costs
Increase in BCC employed residential staff	Will provide greater efficiency and flexibility with existing BCC residential home	N/A	N/A
Manage performance against outcomes for children	Greater ability through direct line management of residential home manager	Can be built into contract management arrangements	Can be built into contract management arrangements