

Externalisation of Children's Homes (Towpath Road and Orchard House)

BUSINESS CASE

The Business Case is developed from the Cabinet Paper of March 2006

1. Reasons

- 1.1 It is not financially viable to continue to run our two in-house children's homes with continued low occupancy. The Council is currently bearing the risk of low occupancy within its own provision in addition to the costs of spot purchasing additional placements from external providers. At 31st October 2005 the unit cost for the in house service was £390 per night compared with an average cost of an external placement of £360.41 per night. There are indications that external providers may be able to offer a service that both meets the needs of our young people and does so at a lower weekly unit cost.
- 1.2 Contracted out placements have been the subject of a Scrutiny Panel Task Group which has supported the proposal for externalisation as agreed at Cabinet in March 2006.
- 1.3 As well as high placement costs, there is insufficient placement choice for children and young people, and anxiety that outcomes for young people who have been in the residential homes have been less positive than we would have wished.

2. Existing Arrangements

- 2.1 The Department's Placement Strategy was approved in 2003 and has largely been implemented. It covers all aspects of services for looked after children, including prevention, adoption, fostering and children's residential care.
- 2.2 While family placement would be the preferred choice for the majority of looked after children, for a comparatively small group, fostering is not viable and a residential placement in a children's home or care and education facility is more appropriate. The needs of this group are diverse and cannot be met within a single establishment – for example the group may include persistent offenders, young people who self harm, young people who have experienced abuse and young people who exhibit abusive behaviour.
- 2.3 The Placement Strategy recognised that a residential service would be most effectively provided by a number of small children's homes with support services spread across the county, but that there were insufficient capital and revenue resources to achieve that goal immediately. Consequently, it was agreed that we would invest in

Orchard House to update accommodation to modern standards and maintain Towpath Road, which was purpose built and opened in 2001.

- 2.4 In practice, it has proved impossible to consistently affect the right mix of young people in our children's homes, which has resulted in disruptions and poor outcomes for young people. Further consequences have been low occupancy across both Orchard House and Towpath Road and escalating costs. By October 2005, the in-house service was projected to provide 1,000 fewer "bed nights" than had been accounted for in the budget. Because of this lower occupancy unit costs had escalated from approximately £2,000 a week to £2,730, higher than the average weekly external residential placement.
- 2.5 Given the critical state of the budget, a decision was made to temporarily close Orchard House in October 2005, and to redeploy staff against vacancies. Consideration was given to the future of in-house residential services and an options paper was prepared and disseminated to staff in February this year.

3. Proposed way forward

- 3.1 Four options were considered by Cabinet:-
 - 3.1.1 Extending in-house residential services to provide greater flexibility and avoid undesirable "client mix"
 - 3.1.2 Operating a Mixed Economy
 - 3.1.3 Closing Orchard House and Towpath Road permanently and commissioning services externally
 - 3.1.4 Externalising Services by transferring staff to external provider under existing terms and conditions
- 3.2 The merits of each of these options was considered in the Appendix to the Cabinet paper of March 2006, which is attached to this paper. Cabinet concluded that option 3.1.4 above was the preferred option, as a specialist in residential children's services would have the benefit of the economies of scale and would have other resources to call on to ensure the right mix of young people. They would also potentially bring added value in terms of infrastructure and a regional or national network.

4. Benefits Expected:

- 4.1 More cost effective placements: the Council is working to bring its service costs in line with other Authorities, and below the cost of external placements (see 1.1 above). This will be achieved primarily by higher levels of occupancy that will form a part of the contract with the external provider
- 4.2 Better outcomes for the young people resident in the homes, in terms of educational attendance and attainment, health, placement choice and stability and progression to care leaving.
- 4.3 Transfer of risk, especially of levels of occupancy, mix of young people accommodated and staff recruitment, training and management, to an organisation with tighter focus.

5. Critical Success Factors:

- 5.1 The ability of the Council's team of staff in children's placements, finance, legal, contracting and procurement, human resources and property to guide the project to the letting of a suitable and effective contract within a limited timescale (necessitated by the on-going costs of staff and property while the process continues)
- 5.2 The availability of providers in the sector.
- 5.3 The affordability of the contract that is produced. While there are a wide range of providers, and the market currently appears to favour the purchaser in some respects, until bids are received it is not possible to judge whether the affordability will be achieved.

6. Constraints:

- 6.1 Resource capacity: current staff contracts, terms and conditions
- 6.2 Existing supplier contracts: number of external providers wanting to offer services in Wiltshire
- 6.3 Timescales: need to realise savings within 2006/7, leading to a failure to give wider consideration to the issues around outsourcing this service and a potential inability to achieve the best long-term result from this exercise.

7. Risks

- 7.1 In-house residential staff are concerned about the uncertainties of transfer to a new provider and may find alternative employment in the interim.
- 7.2 High quality care is not cheap; good terms and conditions of service increase costs, but are necessary to ensure the right calibre of staff and a

stable workforce. Therefore the cost of provision increases reducing efficiency gains of improved contracting

- 7.3 It is unlikely that the changes will take place while the current residents of Towpath Road are still in placement. However, there is a risk that the proposed changes to the unsettling impact on staff will have a negative effect on the young people. It will be important to ensure that young people are supported and engaged throughout the process.
- 7.4 There may be delays in awarding the contract leading to inability to make full year gains or it may prove impossible to secure a contract with an external provider for residential homes.

8. Mitigating the risks and constraints

Given the issues raised in sections 6 and 7, we need to pose a range of 'what if ?' questions and provide answers to them.

What if no provider comes forward at an affordable price?

- an 'affordable price' has to be one that provides a unit cost below that of external providers and within the benchmark of similar authorities costs
- if no such bid is made, we will have to consider either stopping the service altogether and relying entirely on existing external providers or re-provisioning an in-house service.
- work on these two alternatives, especially the latter, needs to continue during the tendering period

What if a provider comes forward and offers to take on the service in smaller units and tells us that the two current properties are not required?

- We would consider this as an option, and include the possibility of disposing of the capital assets to provide funding to pay for the contract
- We would also consider alternative use(s) for the existing properties - eg as respite home(s) or for the after-care service
- Work on this possibility will be considered following the providers' event.

What if there is delay between the contract being awarded and the service becoming operational ?

- If the new provider takes over Orchard House and Towpath Road, the homes would have to be registered with CSCI under the new provider which would take 3 months: is there a way of foreshortening this?
- Staff recruitment (over and above staff transferred under TUPE) could also cause delays, and we would need to work with a new provider to overcome this, eg by opening one home first, and the second later?

- If the new provider did not want to take over our existing homes (even on a temporary basis) there would be longer delay – experience with Quarriers shows that there is a 12-14 month minimum period in setting up a new unit because of planning permission/building consent/building alterations/staff recruitment/registration of manager and registration of premises with CSCI.

8.5 It will be important to have some clarity on:

- Acceptable pricing structure
- Staff & TUPE issues
- Option to secure more than 12 places over time

9. Timescale

DATE	ACTION
1 st June 2006	Advert appears in Community Care re open meeting.
29 th June	Deadline for responses to invitation to open meeting.
5 th July	Open meeting for potential providers.
26 th July	Report to Cabinet
10 th August	Advert appears in Community Care inviting expressions of interest.
24 th August	Deadline for expression of interest.
25 th August	Issue of Applicant Appraisal Questionnaire to potential providers.
22 nd September	Deadline for submission of Applicant Appraisal Questionnaire and supporting documentation.
9 th October	Short-listing
10 th October	Issue of Invitations to Tender
7 th November	Tender Opening
28 th November	Interviews and selection.
29 th November	Successful provider informed and sent contract for signing.
19 th December	Deadline for contract to be signed following Cabinet.

10. Who is involved?

- 10.1 Bob Wolfson (Director) and Jimmy Doyle (Assistant Director) are overseeing the project, working closely with Bridget Wayman (Cabinet member)
- 10.2 The Project Team is led by Shannon Clarke (Head of Placements) and comprises Mark Hunnybun (Property), Mike Horgan (Procurement), Nick Norris (Contracts), Liz Williams (Department Finance), David Broome (Treasurers), Ellie Green (HR) and Amy Auton (Legal)

11. Stakeholders

- Young people resident in the homes – at July 2006, there are six such
- Staff working in the homes: there are 00 staff representing 00 fte
- External providers
- Commission for Social Care Inspection

12. Is anyone else doing this?

- 12.1 We are not aware of any other authorities in the South West externalizing their children's homes. However, authorities in other parts of the country are exploring contracts for the provision of residential services by the independent sector.

13. Financial Appraisal

- 13.1 Consideration of the financial factors has been a key consideration for this project. Financial and performance data have not been included in this report due to the stage at which the project is now at. Financial data relating to the operation of the service is judged to be commercially sensitive.