

## EAST AYRSHIRE COUNCIL

CABINET – 17 DECEMBER 2008

### REPLACEMENT CHILDREN'S HOME: OUTCOME OF MARKET TESTING

#### Joint Report by the Depute Chief Executive / Executive Director of Corporate Support and the Executive Director of Educational and Social Services

#### 1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to inform members of Cabinet of the outcome of the market testing for a replacement children's home and to set out recommendations accordingly.
- 1.2 At Cabinet on 22 October 2008 it was agreed that: -
- i) a short term Member/Officer Working Group would be established to consider site options for the new replacement children's home.
  - ii) that the Member/Officer Group would comprise of four elected member (2/1/1);
  - iii) to remit the Executive Director of Corporate Support to carry out market testing for external provision of residential social care, the results of which to be provided to the Member/Officer Working Group for consideration prior to their final recommendations to Cabinet 17 December 2008.

#### 2. MEMBER / OFFICER WORKING GROUP: PROCESS

- 2.1 The Member/Officer Working Group met on two occasions.
- 2.2 At the second meeting of the Member/Officer Group, consideration was given to the outcome of market testing.

#### 3. MARKET TESTING

- 3.1 Three organisations were invited to take part in a market testing exercise. All three organisations were nationally recognised for their experience in working with children and young people.
- 3.2 These three organisations were asked to complete a questionnaire and to outline their experience at providing this type of care, their preferred contract length, preferences regarding building the unit, the risks associated with this venture and to provide an estimated cost for delivering the service.
- 3.3 Each organisation was then invited to have a discussion with officers from the Department of Corporate Support and the Department of Educational and Social Services.
- 3.4 Out of the 3 organisations, only one could provide indicative costs based on a 6 bed unit, for the design, build and service provision. The indicative cost provided included all costs within one monthly rate for a minimum contract period of 10 years. This 6 bed unit cost compared against the cost for the Council to provide an

8 bed unit was approximately £0.5m less; using this organisation's indicative costs extended to an 8 bed unit, the difference in cost over the 10 years is expected to be in excess of £2m, above Council costs.

- 3.5 The other 2 organisations could only provide indicative costs for the service element of the requirement. The costs provided were considered to be in line with the Council's own costs for currently providing the service, although these organisations generally provided a service for smaller units of less than 8 beds.
- 3.6 It should be noted that the indicative costs provided by the organisations did not take account of any TUPE costs. It is unlikely that any organisation could estimate these costs without the exact detail of the terms and conditions to be replicated. The major cost to any new organisation would be the provision of a final salary pension scheme, which can make tendering unviable for organisations. None of the costs from the organisations took account of annual uplifts on rates. One of the organisations did state that there is a risk to any return on investment and any contract would need to agree how the return on investment can be protected, which creates another unknown element to costs for the future.
- 3.7 The discussions also indicated that it would also be expected that the Council would provide the land for the project at no additional costs and would also assist with obtaining Planning Permission in partnership with any organisation.
- 3.8 With respect to timescales, outsourcing of the requirement is likely to take at least one year longer due to the Council having to comply with the Public Contracts (Scotland) Regulations and carry out a full OJEU exercise, and also conduct a consultation exercise with respect to the TUPE implications. Retaining the design and build element within the Council would mean that the 'works' cost would be under the OJEU threshold and therefore timescales are less. If the service were to be provided in-house, there would be no tendering implications or TUPE requirements.
- 3.9 Outsourcing the service on a long term commitment could mean a loss of flexibility in providing the service and would also increase the contract management/monitoring role within Social Work.
- 3.10 Based on all the above the Member / Officer Group are of the view that there are no overwhelming benefits to contracting out any operational aspect of the replacement children's home.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 Nil at this stage.

#### **5. LEGAL/POLICY IMPLICATIONS**

- 5.1 Nil

#### **6. PERSONNEL IMPLICATIONS**

- 6.1 Nil.

#### **7. COMMUNITY PLANNING IMPLICATIONS**

7.1 The proposals contained in this paper support the community planning aims and objectives and corporate parenting.

## **8. RISK MANAGEMENT**

8.1 The issue of risk has been considered both within the context of the option appraisal exercise and market testing.

## **9. RECOMMENDATIONS**

9.1 Members of Cabinet are asked to:

- i) Approve the recommendation that the Council build and operate the proposed replacement children's home;
- ii) Otherwise note the content of the paper.

Elizabeth Morton  
Depute Chief Executive /  
Executive Director of Corporate Support  
10 December 2008

Graham Short  
Executive Director of Educational  
and Social Services  
10 December 2008

### **LIST OF BACKGROUND PAPERS**

**Implementation Officer: Head of Service: Children and Families & Criminal Justice**

Anyone wishing further information please contact Kay Gilmour, Acting Executive Head of Social Work on 01563 – 576917