

Dunclutha Children's House - Outline Business Case

1.0 EXECUTIVE SUMMARY

This report presents elected members with the business case for the replacement of Dunclutha Children's House in Dunoon. Dunclutha Children's House provides short, medium and long term residential placements and programme work.

The existing facility is life expired and Council has £750,000 capital funding earmarked in the current capital programme to build a new purpose built facility for children and young people. The estimated total build cost for the delivery of the new building is £979,139, leaving a funding shortfall of £229,139 which would be required to take this project forward.

Delivering services from a new purpose built children's house and closing the existing building will offer the opportunity to deliver significant recurring savings in the children and families revenue budget and these savings can be used to service borrowing to meet the shortfall in funds available.

Recommendations

It is recommended that the Policy and Resources Committee:

- a. Note the revised outline business case for Dunclutha Children's House, appendix 1
- b. Approve the recommendation within the business case that the additional capital required to deliver the project is to be funded through Prudential Borrowing. This would be repaid over 20 years by Children and Families from the efficiency savings generated from moving to a new purpose built children's house.

Dunclutha Children's House - Outline Business Case

2.0 INTRODUCTION

2.1 An outline business case has been prepared to replace the current and life expired Dunclutha Children's House for children and young people in the Dunoon area with a new purpose built modern facility. Council has £750,000 capital funding earmarked in the current capital programme to progress this project and in March 2014 a project board was established and a project manager appointed tasked with progressing this.

2.2 Children and Families Social Work has current provision of three Children's Houses for children and young people, these being:

Dunclutha	Dunoon
Shellach View	Oban
Easy King Street	Helensburgh

2.3 Dunclutha currently provides accommodation for up to 6 young people and in its current form is deemed unfit for purpose by Social Care Social Work Improvement Scotland (SCSWIS) in their Inspection Report against a National Framework of Standards. The building scores:

Condition = C – Poor
Suitability = D – Not Compliant (Bad)

3.0 RECOMMENDATIONS

3.1 It is recommended that the Policy and Resources Committee:

- c. Note the revised outline business case for Dunclutha Children's House, appendix 1
- d. Approve the recommendation within the business case that the additional capital required to deliver the project is to be funded through Prudential Borrowing. This would be repaid over 20 years by Children and Families from the efficiency savings generated from moving to a new purpose built children's house.

4.0 DETAIL

- 4.1 The Dunclutha Children's House provides short, medium and long term residential placements and programme work. The current staff team at Dunclutha are an extremely competent and motivated workforce with an array of individual skills and qualities that allow them to provide a high standard of child centered care in accordance with The Scottish Government's "Getting it Right for Every Child" principles.
- 4.3 The team takes great pride in their work and are totally committed in providing a caring and nurturing approach. Dunclutha's Care Inspection reports have gone from strength to strength, resulting in grades of Very Good throughout with an Excellent.
- 4.4 Building a new children's house in Dunoon as a replacement for the now outdated Dunclutha represents best value for Argyll and Bute Council both in terms of providing a quality local service, and, is a significant cost-effective alternative to commissioning external residential services.
- 4.5 The Dunclutha Project Board was tasked with developing a client brief which would inform the design of the new build and would enable robust costings to be prepared. This information has informed the business case, attached in appendix 1. The project board also estimated the revenue savings which would be achievable by moving to a new purpose built children's house.
- 4.6 The estimated total build cost for the delivery of this project is £979,139. There is currently £750,000 allocated within the capital programme for this work, leaving a funding shortfall of £229,139 which would be required to take this project forward.
- 4.7 Delivering services from a new purpose built children's house and closing the existing building will offer the opportunity to deliver significant recurring revenue savings in the children and families revenue budget of £53,805 per annum from employee costs, premises costs, supplies and services and transport. The detailed breakdown of the projected revenue savings is in appendix 2.
- 4.8 The realisation of these revenue savings would allow the funding shortfall to be met through Prudential borrowing. Borrowing £229,139 over 20 years with an interest rate of 5.5% would cost £19,174 per annum in loan repayments. The debt would be repaid by Children and Families from the projected revenue savings, leaving £34,631 which could be offered as future efficiency savings by the service.
- 4.9 Alternatively the funding shortfall could be met by earmarking the estimated capital receipt from the sale of the remainder of the site, valued at £580,000. The recommendation in this business case is to borrow the shortfall and the capital receipts would be available to support the capital programme.
- 4.10 The outline business case has been scored by Strategic Finance on behalf of the Asset Management Board in line with the Council's Asset Management Policy. The business case achieves a total score of 83.3 which is a high score

and the project is seen as viable. The Asset Management Board recommends this business case to members for approval.

5.0 CONCLUSION

5.1 The building of a new children's house in Dunoon as a replacement for the now outdated Dunclutha represents best value for Argyll and Bute Council both in terms of providing a quality local service, and, is a significant cost-effective alternative to commissioning external residential services. The increased project costs will be met from Prudential borrowing with the debt being serviced through the efficiency savings generated.

6.0 IMPLICATIONS

6.1 Policy – Outline business case has been prepared and scored in line with the Council's Asset Management Policy

6.2 Financial – the total project costs are estimated to be £979,139. The funding shortfall will be met by Prudential borrowing

6.3 Legal – none

6.4 HR – existing staff will transfer to the new facility, the staffing establishment will be brought in to line with the other two children's houses

6.5 Equalities – none

6.6 Risk – The risks will be monitored by the project board and are included within section 5 of the outline business case

6.7 Customer Service – The new building will provide an environment that is supportive to each young person's development.

7.0 APPENDICES

Appendix 1 – Outline Business Case

Appendix 2 - Revenue savings and project funding options

Cleland Sneddon
Executive Director of Community Services

Cllr Mary Jean Devon
Policy Lead for Children and Families
12 November 2014

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New care home for children and young people in Dunoon

Outline Business Case

Service Development Project

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Date	November 2014
Version	0.1

1.0 Introduction

1.1 Background

This project is to replace the current and life expired Dunclutha Children's House for children and young people in the Dunoon area with a new purpose built modern facility. Children and Families Social Work has current provision of three Children's Houses for children and young people, these being:

Dunclutha	Dunoon
Shellach View	Oban
Easy King Street	Helensburgh

Dunclutha currently provides accommodation for up to 6 young people and in its current form is deemed unfit for purpose by Social Care Social Work Improvement Scotland (SCSWIS) in their Inspection Report against a National Framework of Standards. The building scores:

Condition = C – Poor
Suitability = D – Not Compliant (Bad)

Council has £750,000 capital funding earmarked in the current capital programme to progress this project and in March 2014 a project board was established and a project manager appointed tasked with progressing this.

1.2 Introduction

Dunclutha Children's House provides short, medium and long term residential placements and programme work. The unit has a long and proud history, during the 1980 – 90's it was considered by many within Strathclyde Children and Families Social Work – Resources as a flagship for Residential Services caring for approximately seventy children.

The current staff team at Dunclutha are an extremely competent and motivated workforce with an array of individual skills and qualities that allow them to provide a high standard of child centered care in accordance with The Scottish Government's "Getting it Right for Every Child" principles.

The team takes great pride in their work and are totally committed in providing a caring and nurturing approach. Dunclutha's Care Inspection reports have gone from strength to strength, resulting in grades of Very Good throughout with an Excellent. The ethos of service was commended due to the young people feeling safe in the unit and confident in speaking with staff and management. The unit was also praised for the very good relationships developed with young people and the skilled responsive staff team who work effectively together.

Building a new children's house in Dunoon as a replacement for the now outdated Dunclutha represents best value for Argyll and Bute Council both in terms of providing a quality local service, and, is a significant cost-effective alternative to commissioning external residential services.

1.3 The project board

The Dunclutha Project Board has been formed with representatives from all of the key stakeholders to monitor, manage, report and make recommendations to the Community Services Departmental Management Team and the Asset Management Board on the progress of the project. The project board comprises:

Billy Moore	Area Manager for LAAC - Chair
Alice McCorquodale	Dunclutha Manager
Jill Braid	Minute Taker
Rosemary Drylie	'Who Cares Scotland'
Philip Yeaman	Care Inspectorate
Lesley Whyte	Architectural Technician
Paul Miller	Energy & Building Services
Brain Gray	Senior Quantity Surveyor
Sandra McLindon	Accountant
Ronnie Mahoney	Children's Placement Manager
Cllr Bruce Marshall	Children's Champion
Vanessa & Jamielee Black	Peer Mentors

The Dunclutha project board were asked to develop a client brief which would inform the design of the new build which would enable robust costings to be prepared. This information in turn would inform the business case. The project board also estimated the revenue savings which would be achievable by moving to a new purpose built children's house. The new house will:

- Serve the needs of the young people it accommodates.
- Provide an environment that is supportive to each young person's development.
- Provide homely accommodation, decorated, furnished and maintained to a high standard.
- Respect privacy of young people.
- Provide physical safety and security to the young people accommodated.
- The building should provide value for money. It must adhere to the principle that good design does not have to be expensive design.

The building design that has been developed will integrate energy saving technologies, utilise renewable energies and promote a healthy lifestyle for residents and staff. The views of the children and young people were sought throughout the design process and many of their suggestions were incorporated into the design brief.

2.0 Impact on Community Planning and Council Plans

The business case provides the opportunity to consider this project in relation to the Council's corporate objectives. In order for the project to be considered favourably it needs to link to the following Council and Community Planning plans and objectives;

- Single Outcome Agreement 2013 – 2023
- Integrated Children's Services Plan
- Corporate Plan 2013-17
- Children and Families Service Plan

2.1 Single Outcome Agreement 2013 - 2023

Argyll and Bute Community Planning Partnership is committed to improving the lives and life

chances of all our children and young people. The project and the decision to retain in-house residential services for Looked After Children supports the delivery of the Single Outcome Agreement 2013 – 2023 and the overarching aim that Argyll and Bute's economic success is built on a growing population. Investment of capital funding in the new Dunclutha children's house will enable the Community Planning Partnership to achieve the following short term outcomes within the SOA.

Outcome 3: Education, skills and training maximise opportunities for all

3.1 Our children and young people in Argyll and Bute are supported to be ambitious and realise their full potential

3.5 To support our children and young people to be more confident, resilient and better enabled to manage the key transitional stages in their life

Outcome 4 - Children and young people have the best possible start.

4.1 All our children and young people should be protected from abuse, neglect and harm.

4.2 Children and young people should enjoy the highest possible attainable standards of physical and mental health

4.5 Children and young people feel secure and cared for.

2.2 The Integrated Children's Services Plan 2014/17

The Integrated Children's Services Plan 2014/17 sets the direction and identifies the actions that all partners have committed to deliver in order to ensure that children and young people living in Argyll and Bute get the possible start in life. Argyll and Bute's vision commits partners across Argyll and Bute to "Working together to achieve the best for children, young people and families". The Integrated Children and Young People's Services Plan 2014/17 is set within the Getting It Right For Every Child framework and the well-being indicators. This project supports the following outcomes:

- All our children and young people should be protected from abuse, neglect and harm.
- Children and young people are valued and supported to be the best they can be
- Children and young people feel secure and cared for
- Live in a safe and secure environment
- Children and young people have their voices heard and be encouraged to play an active and responsible role in their communities

2.3 Argyll and Bute Council Corporate Plan 2013/17

Our corporate parenting responsibilities are contained within the 2013-17 Corporate Plan recognising our key objectives to:

- Focus on 'best value' service
- We involve and listen
- Working together to release the potential of our people
- Working together to help families through difficult situations
- Working together to realise the potential of our area.
- Working together in keeping expensive services local.

- Working together to realise the potential of our organisation.
- Working together to realise our employees have the skills improving our services.

2.4 The Children and Families Service Plan for 2014/15

All of the above will be supported by the successful implementation of the Children and Families Service Plan for 2014/15. The following outcomes with associated actions are most relevant:

CF1 – The life chances for looked after children are improved

CF2 - Children, young people and families at risk are safeguarded

CF3 - Young children and their families are given assistance to help them achieve the best start in life

3.0 Affordability

3.1 Project costs

The estimated total build cost, prepared by Facility Services, for the delivery of this project is £949,763. Adding to this the estimated cost for loose furniture and fittings of £29,376, the total estimated project cost is £979,139. There is currently £750,000 allocated within the capital programme for this work, leaving a funding shortfall of £229,139 which would be required to take this project forward.

Delivering services from a new purpose built children's house and closing the existing building will offer the opportunity to deliver significant recurring revenue savings in the children and families revenue budget of £53,805 per annum from employee costs, premises costs, supplies and services and transport. The detailed breakdown of the projected revenue savings is in appendix 1.

The realisation of these revenue savings would allow the funding shortfall to be met through Prudential borrowing. Borrowing £229,139 over 20 years with an interest rate of 5.5% would cost £19,174 per annum in loan repayments. The debt would be repaid by Children and Families from the projected revenue savings, leaving £34,631 which could be offered as future efficiency savings by the service.

Alternatively the funding shortfall could be met by earmarking the estimated capital receipt from the sale of the remainder of the site, valued at £580,000. The recommendation in this business case is to borrow the shortfall and the capital receipts will be available to support the capital programme.

The outline project costs as of 31.10.2014 and funding models are summarised in the table below:

Project costs as at 31.10.2014

Amount of Works	£	708,950.00
Preliminaries allow 10% of £708950	£	70,895.00
		779,845.00
Contingencies allow 5% of £ 779845	£	38,992.25
Works Total	£	818,837.25
Professional Fees 15% of £ 818837.25	15%	122,825.59
Feasibility	£	2,000.00
Building warrant	£	4,100.00
Planning application	£	2,000.00
Loose furniture and fittings	£	29,376
<u>Project Cost Total</u>	£	979,139.84
Project Funding Options - preferred option		
Allocation within Capital Programme	£	750,000.00
Funding Shortfall	£	229,139.00
Recurring revenue savings (see appendix 2 for detail)	£	53,805.00
Annual cost of borrowing £229,139 over 20 years	£	19,174.00
Sale of land – least preferred option		
Offer for one section of site	£	330,000.00
Valuation from estates for remaining site	£	250,000.00
Estimated capital receipt	£	580,000.00

3.2 Location

The site identified by the project board as most suitable for the new house is adjacent to James Street to the north east of the existing building. A new entrance will be created to the site from James Street



This site chosen is within a residential area and is surrounded by mature trees affording the children and young people a degree of privacy with a fairly large garden area that can be landscaped to suit the needs of the children and young people. This location also maximises the opportunities for disposal of the remainder of the site and the creation of an access from James Street which can also be extended to service the remainder of the site. The Council's estates department has revised the valuation for the remainder of the site which would include the existing house and two other unoccupied cottages to reflect the current market. The land has been valued as two parcels.

Discussions have been underway for some time with Bield to purchase the ground in front of the existing building to build supported accommodation. The estimated capital receipt for this lot is £330,000. Bield and the Council are however in dispute over the cost to divert the utility services which connect to the current house and which run through the site to be sold to Bield. One solution mooted by Bield is to wait until the new children's house is built and then they can simply terminate the utility services to the current house and avoid the cost to divert the services. The location chosen for the new build will support this proposal.

The remainder of the site which includes the existing building and a further two derelict cottages has been valued at £250,000. Any potential developer for this site would most likely demolish the existing house as the costs to renovate are very high. Creating the new access road from James Street opens up this area of the site for development and potential developers will be given the opportunity to extend the new access road further into the site.

3.3 Design

The Dunclutha Project Board established the project brief with finely detailed room and environs data sheets, which informed the design and project cost plan. Members of the project team made site visits to new build care homes for children and young people in North Ayrshire, West Dunbartonshire and South Ayrshire. These visits along with the knowledge and experience of the project board, including the views of the children, young people and the existing staff team have helped to inform the design of the new building. The design proposed and costed meets the brief to create a 6 bedroom single story children's house with recreational space, quieter space and en-suite bathrooms. Incorporating an open plan living area enabling someone standing in that area to view all of the doors in the building avoids hidden corridors which cannot be supervised thus ruling out the opportunity for bullying within the house.



The house designed by the architect is of block construction faced with timber and stone and a slate roof which will sit well in its surroundings with large windows maximising the light entering the building. The design has been future proofed incorporating renewable energies and is designed to maximise energy efficiency. The renewable energy report prepared by Facility Services concludes that the heating system should be augmented with a gas fired air source heat pump, and that solar photovoltaic panels should be installed on the roof for renewable electricity generation, the cost for these have been included in the total project cost.

4.0 Deliverability

The deliverability of this project is considered high. The design team is highly experienced in delivering projects of a similar nature and in managing contractor performance to deliver the project on time and on budget to the desired quality.

4.1 Project Management and Leadership

The Project Sponsor will be the Head of Children and Families. The project team will remain in their roles throughout the contract to inform the detailed design. In addition Community Services will provide additional project management resource to monitor progress, represent the client's requirements and deal timeously with any issues arising during the construction.

The project will continue to report to the Asset Management Board and Community Services Departmental Management Team.

4.2 Project Timescales

The project timescales indicated in the table below have been proposed by Facility Services following the successful approval of the business case and which meets with the availability of resource within Facility Services to support the successful delivery of the project. The project would be complete for the end of June 2016 with the children and staff moving into the new house in July 2016.

Dunclutha Children's House - New Build

Anticipated Programme as at 11th November 2014

Task Name	Duration	Start	Finish
0. Feasibility		Complete	
1. Design Spec and Drawings	20 wks	Mon 05/01/15	Fri 22/05/15
2. Building Warrant	8 wks	Mon 25/05/15	Fri 17/07/15
3. Prepare Contract Documents	6 wks	Mon 25/05/15	Fri 03/07/15
4. Tender	5 wks	Mon 06/07/15	Fri 07/08/15
5. Report/Approval	15 days	Mon 10/08/15	Fri 28/08/15
6. Mobilisation Period	15 days	Mon 31/08/15	Fri 18/09/15
7. Contract	39 wks	Mon 21/09/15	Fri 17/06/16

5.0 Risk

Failure to implement this project will result in continuing expenditure on a building which is life expired. The cost for the works to address condition and suitability issues with the existing house was estimated at £601,367 in October 2012. The size and layout of the existing building does not meet the services needs and is costly to run. Failure to address these issues could result in children and young people being placed out with the authority at considerable cost as there is not enough spare capacity in the Council's other two children's houses.

There is a further risk that the brief to build a six bedroom children’s house does not sufficiently meet the future demand for placements. However the best advice from the service is that a facility for 6 is the appropriate size and is the optimum to deliver care to looked after and accommodated children and young people in a homely environment. If there is increased demand the service would carry out a review all of its children’s houses to identify a range of options to address this.

The existing residents of Dunclutha will remain in their home until the new house is built thus negating the need for decant costs.

The design team is highly experienced in delivering projects of a similar nature and in managing contractor performance to produce the outcomes required. The project team have identified risks associated with the programme of works and the risk register will be kept updated throughout the programme:

Risk	Mitigating action
Poor contractor performance	Robust procurement process to ensure engagement of best possible providers - track record of successful project delivery and outcomes required.
Higher than expected construction costs	Risk mitigated by the design work already undertaken. Through previous tenders, the estimated costs of the work can be predicted with reasonable accuracy.
Level of Contingencies / design risk provision inadequate	Contingency provision has been set at 5% and considerable care has been taken to design and cost a deliverable and affordable building. Costs will be reviewed during the detailed design and at tender, increased cost could be accommodated through additional borrowing but at a cost to the service
Planning / Building Control Issues	Early consultation shall take place with the statutory authorities.

6.0 Conclusions

Building a new children’s house in Dunoon as a replacement for the now outdated Dunclutha represents best value for Argyll and Bute Council both in terms of providing a quality local service, and, is a significant cost-effective alternative to commissioning external residential services.

The design proposed will create a modern homely environment for our looked after and accommodated children and young people which will best meet the needs of the service. The design has been future proofed and will support the provision of care for as long as the existing Dunclutha has been doing so. The location chosen is the most suitable to build upon and maximises our opportunities to dispose of the remainder of the site.

The increased project costs will be met from Prudential borrowing with the debt being serviced through the efficiency savings generated.

Appendix 2

ESTIMATED REVENUE SAVING

	Dunclutha 14/15 Budget	Estimate of New Dunclutha Budget	Potential Saving
Employees ¹	423,949	390,066	33,883
Premises ²	44,415	26,200	18,215
Supplies & Services ³	39,976	38,270	1,707
Transport ⁴	12,113	12,113	0
Total Budget	520,453	466,649	53,805

- 1 Historically Dunclutha had an additional post in their establishment. The staffing complement in the new building will match that of East King Street.
- 2 Utility estimates have been provided by the Energy Team within Facility Services (detailed in table below). The savings predominantly result from having a smaller, better insulated building combined with the installation of a high efficiency condensing gas boiler. The figure used does not include potential savings from renewables.
- 3 Supplies and Services budgets have been matched to East King Street, with the exception of Telephones where the existing Dunclutha budget has been used.
- 4 The existing budget for Dunclutha has been used as this is based on their current vehicle.

Utilities Saving

Description	2014/15 Budget	New Build Estimate	Saving
Electricity for Properties	6,070	3,500	2,570
Gas (Kitchen)	373	373	0
Gas (Heating)	0	1,357	
Heating Oils	17,002	0	17,002
Totals	23,445	5,230	18,215

It has been assumed that the other premises costs will remain the same (eg Non Domestic Rates)

Potential savings resulting from installation of renewables (Air Source Heat Pump and Solar Photovoltaics) have not been included in the savings although these are estimated to be in the region of £2,750 per annum