iST Childhood First

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Business change was it skill or was it luck?

In the beginning… there were four children’s homes

Thornby Hall - Northampton

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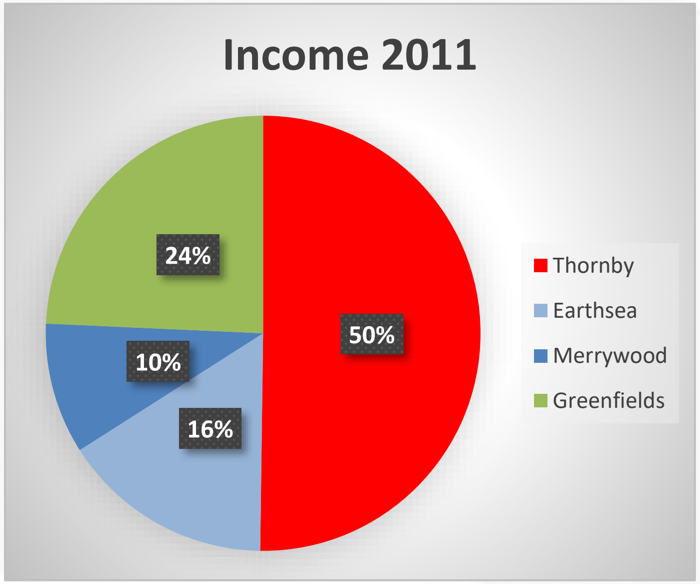
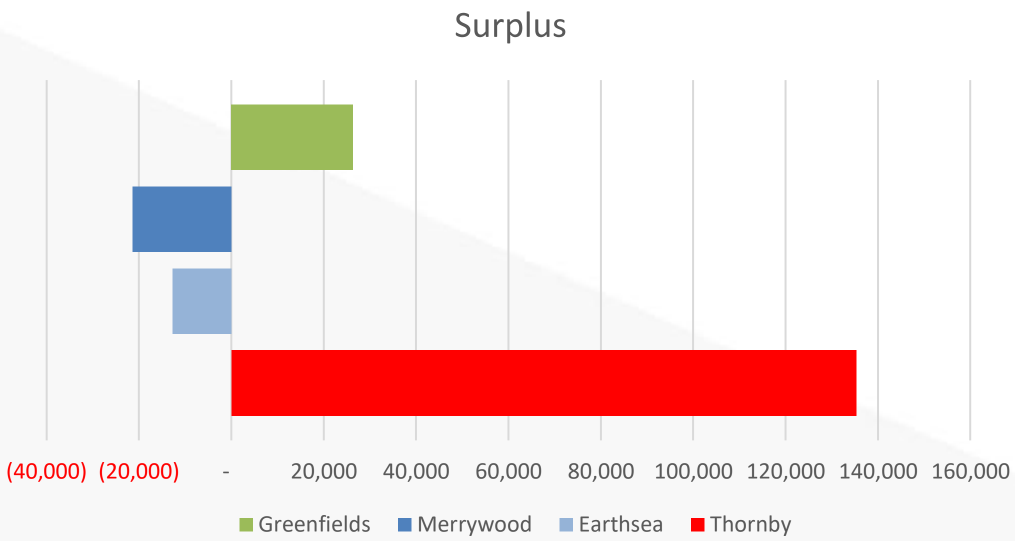
And all the homes had big problems

- Thornby (Northants): 50% of spaces, out of control, random financial decisions, ran their own books.
- Earthsea/Merrywood (Norfolk): homes locked into unprofitable SLA contract. No school.
- Greenfields (Kent): Profitable only if full.

Financially Thornby dominates
Impossible to close. Unchanging/unresponsive





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...and the charity had other problems too

- Pension deficit payments of £300k
- Unprofitable, poorly priced contracts with local authorities (95% income)

- Inadequately trained staff
- Flaky Ofsted performance

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Quality – embedding the training
iST (integrated systemic therapy)

- Therapeutic method was patchy and inconsistent.
- Four homes had four versions.
- Training and therefore child care quality was variable
- The method was “controlled” by external psychotherapists who lacked business understanding. Created unbusinesslike behaviours. Management control was secondary/subverted.

So we did this:

- Designed integrated systemic therapy
- Accredited nationally – used instead of Ofsted L3 training
- Developed a pathway to qualify as a child psychotherapist
- Removed the external influences
- Measured student progress, and celebrated success (Graduation ceremony)
- Method shows the child progress using sector measures

Outcome:

We have over eighty staff in child psychotherapy training

Nationally recognised qualification (iST)

Better results for the children – (and happy customers)

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Quality (better Ofsted compliance)

- Ofsted regulates homes. Would visit twice a year; full inspection and interim.
- All surprise visits. Looked at paperwork, spoke to staff and children.
- Ratings were patchy and would swing from good to bad without any obvious decline.
- Directors were frightened by Ofsted so ratings were unchallenged.
- Commissioners were told not to place children in lower rated homes.

So we did this:

Professionalised internal monitoring. Additional internal compliance roles. Director of Compliance (Linda).

Challenged the inspector by reference to the regulation (show me the law)

Joined Ofsted central committee – getting our voice heard.

Outcome

We identified and fixed issues before inspection.

Documentation/working practice/ our confidence improved

All homes rated Outstanding for the past three years

Far more stable ratings. No surprises

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Financials (Contracts/pricing)

- Local authority would choose price, or Directors of homes would agree a price without reference to the financial cost. Lack of financial connection
- What service we said would provide were inconsistent and not priced.
- Service level agreement in Norfolk home was at a “break-even” level. No surplus possible, only losses. Monopoly customer.
- Process for contract increases onerous and unproductive

So we did this

- Calculated a viable price (economic to us)
- Refused to engage in annual increases process, but we set a price for the whole life of an individual placement contract (take it or leave it)
- Centralised all financial price decisions and referrals handling.
- Service level agreement cancelled. Ended monopoly. Took children from other counties.

Outcome

- Consistent/controlled pricing. Extras properly costed
- Average contract fee increased over ten years
- If we achieved inflation rises every year = 33% increase in fee income;
- We achieved 62%

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Financials (Pensions debt management)

- Charity Admitted members of two schemes. Liabilities of over £1m
- Only two active members and they were about to retire. Cessation valuation about £3m which could not be afforded
- Trustees wanted to welsh on the debt payment

So we did this:

Added two new members to the schemes

Negotiated smaller deficit payments where possible

Outcome

Bought time and avoided a cessation

Contributions fell over the years from £300k to £30k

Funding position improved that we could exit a scheme at no cost.

Growth Part 1
We can't do nothing

- We are a funny size – one home failure could bring the whole organization down
- The larger the home the bigger to potential surplus (high fixed costs)
- Too big (12+) clinical effectiveness unstable
- Very hard to start a home successfully (two previous goes failed)

So we did this:

Bought another home (next door to Greenfields) Gables (£1m) four placements; chance to expand to eight with extension

Started up a fostering service

Outcome

Gables struggled to get full for a few years. Lost lots of staff.

We expanded it 2018 to 8 placements and it is now full and generating surpluses

Fostering service started but struggled to keep placements

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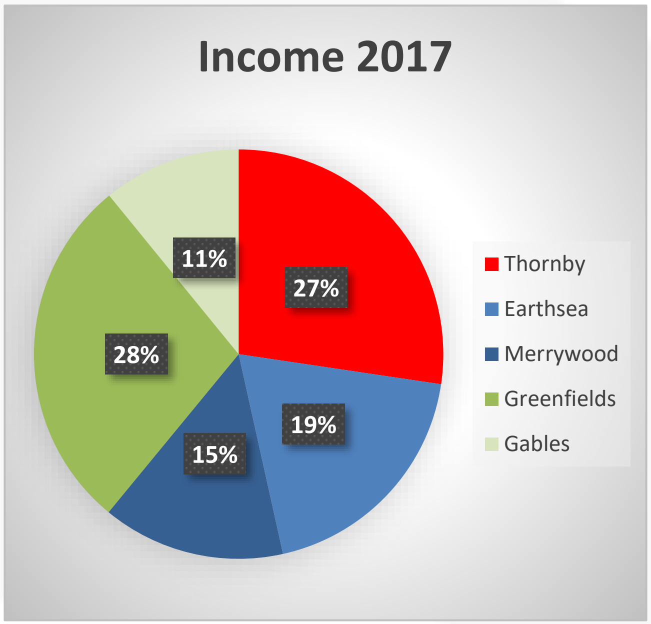
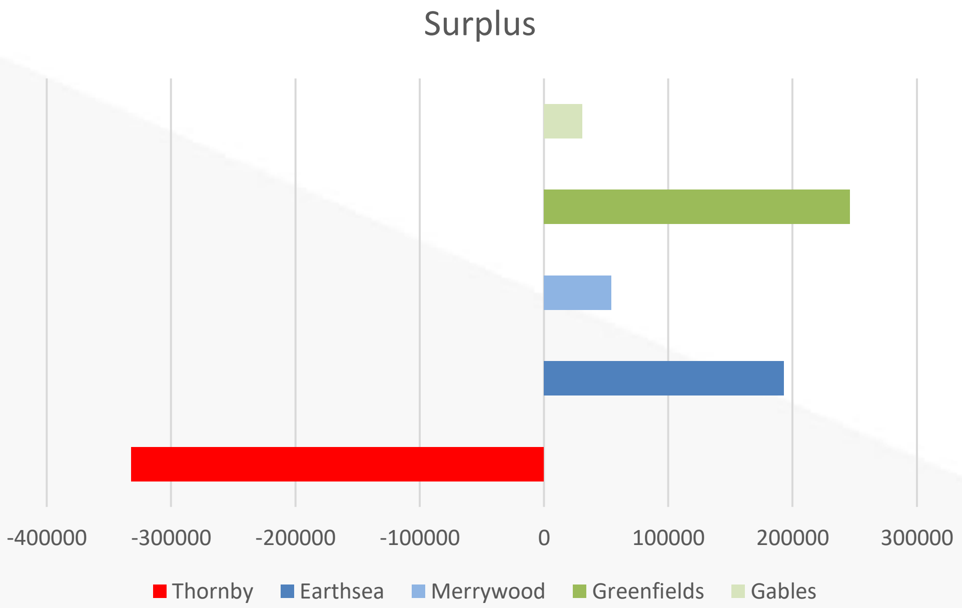
2017 - The tipping point – Thornby declines rapidly





Growth Part 2
Mission impossible

- Thornby - collapsing numbers but still large part of business (lose £500k+ p.a.)
- Closure would be costly and take a year (£1m plus)
- Property may fetch £2m but take two year to sell
- Losing Thornby and we would then be a very funny size.

So we did this:

- Prepared (management focus)
- Communicated (all stakeholders)
- Contingency plans (worked through and prepared)
- And then we shut Thornby

Outcome

- Lots of resistance – but nothing we were not ready for
- Children safely transferred to other homes
- Thornby closed in six months (losses only £750k)
- Sold the property within six months for £3m

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Growth 3 –
Life after Thornby

Thornby proceeds(£3m)

Expanding Gables (+4)

Expanding Merrywood/Earthsea (+4)

Purchased Oakwood

(+4)

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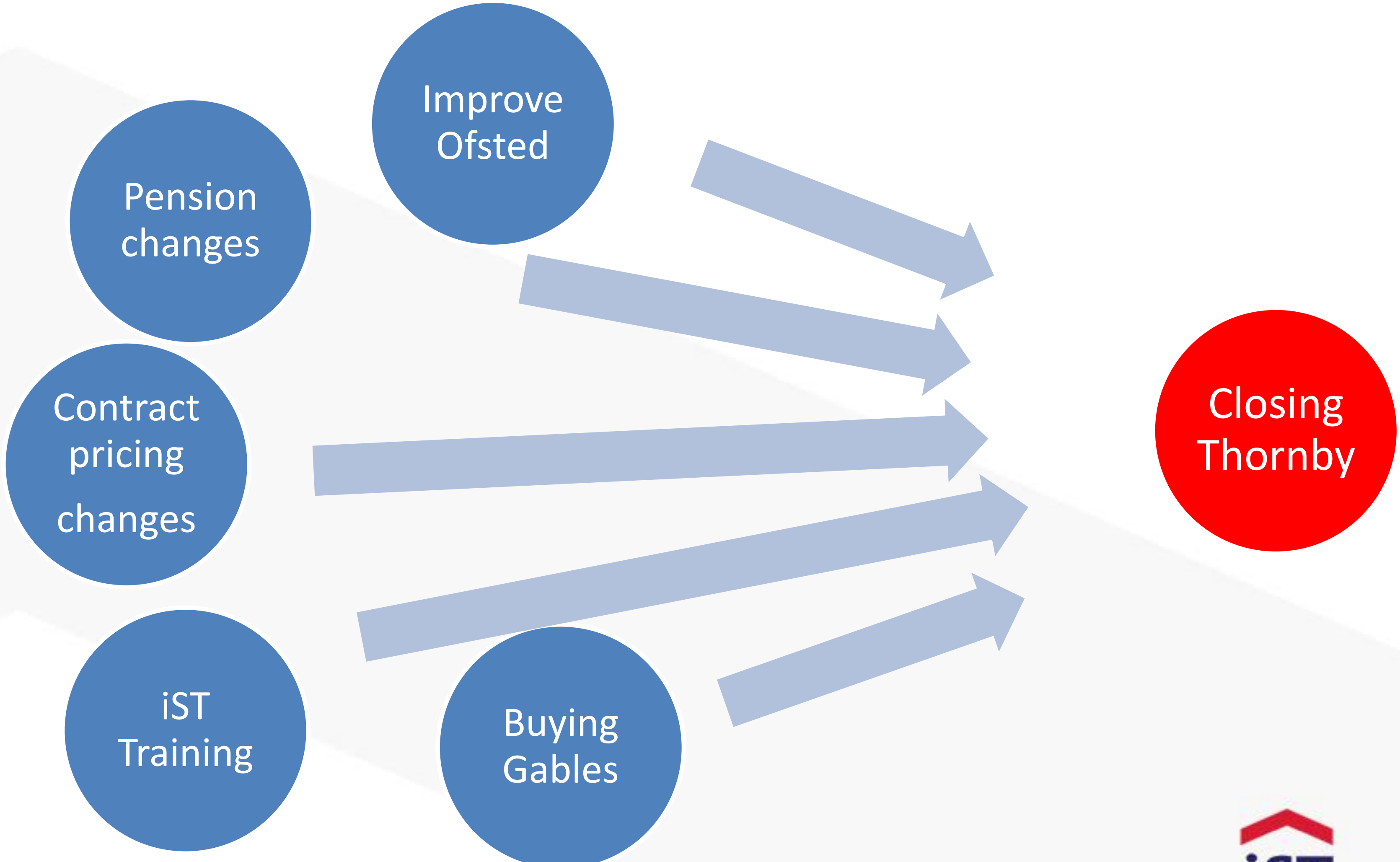
A brilliant long term strategy?



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Lucky breaks?

- Property deals – good prices / faster sale / unique locations
- Children care market squeezed creating a sellers market
- Being a charity - no shareholder pressure to generate profit - supportive trustees
- Business model difficult to replicate

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What did we learn?

1. No strategy to shut Thornby
2. Improve the business foundations
3. Take the opportunities
4. Know what "good" looks like
5. Process the anger
6. Fearless not reckless
7. Be surefooted
8. Understand the market/customers
9. Keep the score
10. Remember the children

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Skill or luck?

The more we improve,
the luckier we get.

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