Better Care Network

FINANCIAL IMPACT OF TRANSITION ANNEX

Lighthouse Children's Village Case Study

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Summary

In any transition process, different levels of risk and challenges can impact the children in care and therefore need to be managed. In the case of Lighthouse Children's Village, the high-risk nature of the transition posed different legal, social, emotional, and financial challenges throughout the closure and reintegration processes. Most of the financial implications of managing these challenges can be seen in the financial impact analysis. However, not all the impacts are reflected. Some details of the abuse, manipulation, and mismanagement only surfaced well after the closure of the residential care institution, when monitoring and investigation were ongoing. Costs associated with responding to these may not all be fully reflected in this case study annex.

Baseline

When the transition process began, Lighthouse was operating on a baseline budget that would soon increase due to major changes necessary to the children's care arrangements and staffing and management changes. Before the main donor and directors acquiesced to the notion of transition, the organization struggled to raise funds to meet the baseline budget amount, despite the donor's extensive efforts and sacrifice. In addition, funds were being misappropriated and siphoned from the organization's baseline budget, reducing the funding available for the children's care. This was one of many factors that contributed to a sub-optimal care environment for the children. The financial burden, in conjunction with concerns regarding the transparency in the operation of the home and suitability of care, were all factors that contributed to the donor's decision to transition.

In the initial phase of the transition, there was only a 2% jump in the annual operating costs. This was due to the cost of staff training that was delivered to prepare staff and stakeholders to participate in the transition and play a substantial role in managing it. However, as the complex nature of the donor and director relationship further unraveled that revealed misuse of funding, years of manipulation, and unfaithful reporting, a different approach was taken to manage the transition. The adjusted approach was associated with a much more significant spike in costs. These will be described in the sections below.

Phase 1: Learning and Exploration

Building awareness of the reasons for change

In the initial months of the transition process, the primary donors were engaged in a learning process that led them to complete buy-in for transition. They attended conferences at no cost to the Lighthouse organization. They were informed about the benefits of transition as part of the programs of Transform Care. They pursued a relationship with Transform Care, a technical support organization, to continue exploring the concept of transition and, in a reasonably short time, agreed to pursue transition. At this time, they already had some suspicions and concerns regarding how funds were being handled by the directors of Lighthouse. However, they were unaware of the full extent of the issues.

The donors and Transform Care staff engaged with the directors of Lighthouse to secure their agreement to transition. This

included several overseas trips funded outside the Lighthouse budget by the donors and by Transform Care directly. The directors outwardly accepted the proposal to transition. However, unbeknownst to the donors or Transform Care, they began to reach out to other prospective donors who could fund them to continue running residential care. They intended to superficially agree to transition yet stall progress until new donors could be secured. If successful, they planned to sever the relationship with their current donors and the agreement with Transform Care to transition.

Communication with other donors

The principal donors were a small group of people who funded Lighthouse through their own businesses, donations, and fundraising efforts with churches and other individuals. Once they had bought into the transition, they took responsibility for communicating the message to other donors. Any costs associated with this were minimal and covered by their own funds. Donor engagement, communication, and fundraising expenses were never reflected in the Lighthouse baselined or transition budget.

Phase 2: Preparing for Transition

Working alongside the donors who initiated the partnership for technical support, Transform Care created a preliminary transition plan based on the information they provided during the partnership due diligence assessment process. A budget was developed to support this plan. However, the complexity became more apparent as more in-depth assessments of Lighthouses' actual operations were conducted and engagement with the directors increased. Anomalies and concerns continued to surface at every step, requiring a higher level of involvement from Transform Care than initially planned to manage the complexity and guarantee the safety of the children.

In this phase, the donor made several trips to assist with gathering information and documentation for the due diligence assessment. These costs were absorbed by the donor.

Phase 3: Implementing the Transition

Social work training and consultant travel

Lighthouse had previously operated without a strong child protection system or social work and case management framework. However, Transform Care began to provide technical training early in the transition process to build capacity and strengthen these areas. This resulted in a 16.7% increase in costs during this stage. Of the 16.7% increase in costs, 41.3% of that surge consisted of training and technical staff travel, representing the investment in capacity building, professional development, and oversight critical to safeguarding the children throughout the transition process.

As new information was uncovered about abuse, manipulation, and misuse of funds, Transform Care had to invest much more funding than typical travel for technical staff. This was because it became evident that many of these risks could not be managed remotely. Thus, staff had to be in-country for significant periods to prevent increased risks to the children.

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New staff to provide case management

The Lighthouse directors brought in an unqualified family member to act as a case manager and oversee the children's reintegration. It soon became apparent that an external social worker would need to be hired to objectively review the documents of each child, participate in assessments and create reintegration plans. This outsourced case management represented an 8.3% increase in the overall costs of operations.

Adjustment of the transition strategy

Although Transform Care had extensive experience in transition and rich knowledge of the cultural and sociological context, they could not initially detect many of the red flags that eventually surfaced. The full extent of the director's purposeful manipulation was later exposed. It included a false board structure and an entire governance façade designed to hide the dangerous reality of their operations. Once this was uncovered, Transform Care embarked upon a complete restructuring of the organization, including the appointment of a new board of directors, new management, and new staff. At this time, an investigation into some of the more severe issues and legal action was also launched. These measures caused a significant spike in costs.

Managing ongoing interference in reintegration

Transform Care eventually rented two new facilities and moved the children into two group homes to progress with reintegration to circumvent the interference from the now-former directors in the reintegration process. These costs were not initially budgeted for but became necessary steps in the transition to guarantee the safety of the children and safeguard their reintegration.

Providing therapeutic services

Due to the abuse, manipulation, and neglect the children were subject to while in residential care, part of the transition costs included intensive counseling and therapeutic services. These efforts were set to support children to begin processing the trauma and adversity they had experienced in care.

In addition to providing counseling for children, some of the staff of Transform Care were also provided with counseling support to manage vicarious trauma from the severity of the situations they were exposed to and worked within. While the financial costs of providing counseling support are easy to measure, the relational, emotional, and psychological costs of this transition were not so straightforward to measure and were enduring.

Travel

The initial transition budget was developed by Transform Care after a preliminary evaluation of the programs and based on previous experience in supporting transition. However, this transition's extraordinarily complex and dangerous nature didn't surface in these initial assessments due to intentional manipulation. It was at a level Transform Care had not experienced before and did not anticipate. This forced Transform Care to radically alter its approach, adjust its budget, take a very flexible and responsive approach, and find new income sources to manage the transition and enable that responsiveness. As suspicions of criminal conduct grew, so did the need for key technical staff to be in-country and physically present to manage the transition and the risks. In the second and third phases, 12.4% of the entire annual operating budget was spent on travel for technical staff. The more time technical staff spent in the country, the more evidence they gathered of unlawful conduct and foul play.

Overall Financial Implications

The real cost of a safe closure

A rapid shutdown of Lighthouse's programs may have proved a more cost-effective way to respond to the situation. However, it was not possible due to a lack of political will. In lieu of this, it took the extensive and involved participation of Transform Care in every step of the transition to ensure that the closure of the programs was as safe and responsive to the needs of the children as possible. This, however, came at a high financial cost to the donors and to Transform Care. The donors portrayed extraordinary commitment to supporting the children and seeking justice and felt a personal responsibility to ensure that the misuse of funds and abuse of children was brought to light. As represented in the final portion of the graph below, the multifaceted difficulties of the closure provoked residual costs in different legal fees that were necessary to ensure that the children were safe from harm and that the previous directors were unable to use the organizational platform to exploit more children in the future.

Summary of spike costs

As summarized in the budget and spike costs by phases of the transition graph below, there was a 16.7% increase in spending in phase 2, which represented the initial reactions to mitigate the high-risk nature of the transition. Travel, staff, and training costs were focused on developing capacity, child protection systems, and providing case management support. In this phase, additional support and finance were required to protect the children against interference and reprisal from the previous directors and to address the impacts of past wrongdoings on the children's wellbeing. The first half of phase 3 saw a 13.5% spike from baseline, representing the complexities of implementing child reunification in a high-risk environment. This was followed by a drop in the spike costs as reintegration progressed and the small group home facilities were progressively closed.

Graph: Budget and Spike Costs by Phases of Transition