

Transitioning Residential Care Cost Estimation Tool

Technical User Guidance Notes

Introduction

The Transitioning Residential Care Cost Estimation Tool was designed to help the funders and operators of Residential Care Facilities **consider the cost implications of transition and generate cost estimates** that could **help the decision makers with their planning, and with securing a commitment to transition from key stakeholders.**

This is one of three Transition Framework Tools that have been developed by BCN and the Transition Working Group to support RCI transitions and technical support providers.

- Phases of Transition Interactive Diagram
- Transitioning Models of Care Assessment Tool
- Cost Estimation Tool

This tool has been designed with two types of users in mind:

Primary Users of the Tool

This tool is designed for organizations that are considering or progressing through the stages of transition. Understanding the cost drivers and developing rough cost estimates early on is helpful when advocating with their stakeholders, applying for funding, engaging with technical support providers, and generally planning for organizational restructure.

It is therefore designed to be used in either [Phase 1: Learning and Exploration](#) or [Phase 2: Preparing for Transition](#), in accordance with the [Phases of Transition Interactive Diagram](#). This tool may assist organizations in identifying what factors need to be costed and included in budgets and inform budgeting processes.

This online tool has been **designed to primarily assist those who have limited understanding or experience with transitioning residential care** to consider the cost implications and impacts as they weigh up options and make key decisions towards transition.

The information provided within the tool is sufficient for these primary users to utilise the tools features, however, it is insufficiently detailed to replace other tools or processes organizations use to develop their detailed financial plans or budgets.

It is also anticipated that primary users will utilise the tool in conjunction with exploring the Phases of Transition Interactive Diagram, and the other resources on the BCN Transition Hub webpage.

Secondary Users of the Tool

We also know that in most cases, those considering transition are walking that pathway alongside various Technical Support and Advisory partners. These secondary users, with their deeper experience and technical understanding of the complexity involved in transition will naturally be asking far more targeted questions and considering transition on a more technical level.

While this tool has not been designed specifically for these technical secondary users, we expect that many will still find it a useful tool as they assist primary users.

We would also expect some primary users will call upon these secondary users to assist them in utilising the tool and considering the implications of the results. So, it is also a tool that can be utilised by Technical Users in assisting the funding and operational decision makers connected to these Residential Care Facilities.

Decision making can easily stall when governing boards and management feel they have too little information to process the financial implications of the decisions they are making.

Decision Making

Improving decision making outcomes was a key objective in the development of this tool. Decision making is particularly challenging when it comes to working through the stages of transition for a range of compounding reasons, such as:

- Multiple stakeholders with potentially competing objectives.
- Rarely does all the relevant information lay with just one of those stakeholders.
- Sourcing funding for spike costs is always a challenge, especially when they may already be facing ceilings or shortfalls in funding their ordinary baseline cost budget.
- Budgeting for technical factors which may be hard to quantify.
- Reconciling advice from technical partners on what is necessary for the best interests of the child, versus the operational realities of staffing and funding the organization.
- Starting or expanding non-residential care services will require changes to staff, facilities and donor communications which, for the most part, will not be compatible with the residential care operations.

Spike Costs

The process of transitioning a residential care service is associated with a number of costs, that typically create a spike in budget at certain points.

As the RCI moves through the phases of transition, their baseline costs continue with their business-as-usual operational costs, while new costs such as hiring social workers, training staff, family tracing and reintegration activities all get added on top of the baseline budget.

Organisations considering transition may lack awareness of the likely spike costs that will result from a transition process. RCI's may also lack a detailed understanding of what's involved in a safe transition process. In many cases RCI's will then seek guidance from Technical Advisors to assist them to quantify or estimate these spike costs implications.

The evidence shows that these extra transition costs will be incurred across phases 1 to 3, while baseline cost savings occur mid-phase 3 onwards. So typically, costs can be expected to increase before they decrease during a transition process.

So, what are the problems are we trying to solve or the pitfalls we are trying to avoid with this tool?

- Provide a simplified framework that **focuses on the key elements relevant to most transitions and the information relevant to those key decisions.**
- **Avoid underestimating spike costs** which can lead to rushing to reintegration, understaffing (especially social workers), and hesitancy to engage technical consultants.

- Provide a **framework for estimating spike costs** early in the process (phase 1) that allows time for sourcing funding, engaging with donors, and applying for grants ahead of experiencing the spike in costs.
- Paint a more **realistic picture of when cost savings** can be expected to come into play.
- **Create a simple post-transition picture** based on the potential to increase beneficiaries impacted and reducing the cost per beneficiary from providing new non-residential care services.

How Technical Advisors Can Use This Tool

To use this tool, the Technical Advisor will need to have access to some basic information, including:

- The residential care facility annual budget or 12-months of RCF operating income and expenditure.
- The size, number of children in the residential care facility.
- Staffing numbers, including a breakdown between social workers, care staff and those involved in non-RCF activities such as education or community programs.
- Information about other programs the organization may run in the community.

Next:

- Assist the RCI to work through each step in the tool in order from step 1 through to step 4.
- At each step or sub-step, read through the instructions, respond to questions using the tick boxes or by selecting from the drop-down menu, enter data where required, and adjust the median estimates for each cost point, using the toggle feature.
- You will find tool tips throughout, which you can hover over to access tips and additional explanation.

Step 5: Results

- This contains your overall estimates that are presented in a table and a line graph reflecting the costs spread out over the phases of transition.
- You can go back to any step in the tool and adjust figures up and down. You will see any changes you make in steps 1-4 reflected in the summary table and line graph.
- Once you are happy with your estimate, click on the submit button to generate a PDF of your unique estimate. This will contain all the data and responses to questions in steps 1-4 as well as your overall estimate results in step 5.
- The PDF of your results will be emailed to the email address provided.

How we built the Tool

Technical users may be interested in understanding how this cost estimation tool was built.

Data was collected from a range of RCF's from diverse regions, countries and contexts who had completed their transitions. Included in the data collection was information on:

- Location, size, staffing, salary costs, currency, and other differences.
- Annual pre-transition budget, before any spike costs had been encountered, to serve as the baseline budget, for comparing the before and after:
- Comparative annual budget for the RCI at the 50% reintegration point, to look at trends of cost savings that had begun to emerge at this mid-point.

- Post-transition annual budget, at 100% reintegration, to see trends in what their budgets looked like after.
- Additional data on a range of spike costs, collecting both financial and narrative information on various aspects of transition; case management, training, aftercare, and accessing specialised services, looking into cost drivers and the timing of costs incurred.

The data collected was analysed, looking at the trends, behaviours, and choices. The narrative comments were read alongside the figures to help provide insight into some of the thinking, choices, and decisions that were made throughout the course of their transition. Adjustment was made to filter out some of the highly individualised choices, which may have been based on very individual circumstances or which were location specific.

After this, an interactive model was created based on this analysis. The approach was to:

- Provide a simplified starting point which could then be adjusted based on their RCF circumstances.
- Focus only on a limited number of transition factors and key costs drivers that impacted budgets, therefore the tool does not require users to cost out all the different aspects of transition.
- The model, which sits behind the scenes, factors in the variable choices made, into a “What If... scenario”, and shows the user an outcome based on both the data analysis and their individual variables.

The Unknowns

The tool is focused on this challenge of estimating how much transition is going to cost, when there are so many **unknowns** to transition, by:

- Giving users access to a model based on what has been learnt about transition costs from others who have gone through transition. **This provides a baseline model for the unknowns and allows users to adjust for what is known; the biggest known being the RCF’s current baseline budget.**
- Providing users with an estimation of the costs across the phases of transition based on the RCF’s variable selections, along with the assumptions being made. In any decision it is always a balance of filling the gaps between what is known with forecasts, assumptions and educated guesses.
- This tool aims to provide users with a forecast/assumption report that is based on the RCF’s own baseline data, and which having been documented, can then be tracked, compared, and adjusted, as the RCI progresses through the transition phases.


Cost Estimation Tool

Throughout the tool comments and tool tips have been provided for those Primary Users and for the basic use of the tool itself. This guidance provides additional context and explanation for Technical Users.

Step 1: Baseline Data

1.1 Number of Children in Care

The size of your residential care service is one factor that will influence the cost of many of the other variables. Median estimates given throughout the tool are based on the number of children in care.

How many children are currently in your residential care facility? 

Default baseline cost data has been classified into 5 different ranges based on the size of the residential care facility. Your residential care facility falls into the "**20-50 children**" baseline cost range.

Based on the data collected, very few costs were actually per child, instead they moved up in bands or brackets. For example, adding five more children into a facility that has a spare bed is usually a very minor incremental increase in cost. However, adding five more into a facility that is at capacity means another building, another staff person, additional bathroom facilities, along with increased electricity, water, and utilities. So, costs tend to be substantially fixed within **size ranges**; with one of the key macro cost drivers being the particular **size range**.

There were trends in the data specifically for three size ranges: 20-50, 51-80 and 81-110. The <20 range was based on some 20 homes data, knowing it can be difficult to reduce costs lower than the bands fixed costs.

This is **variable no.1 for the tool, and this size range cost driver is core to the underlying model**.

Any change to the size range, means the user will need to press the red "populate data" button, to reset the baseline data for that particular size range.

1.2 Baseline Programs and Operations

Consider your current situation and tick all boxes below that are relevant to your organization:

- Current residential care facilities are rented
- Currently provide aftercare services and support to young people who transition into independent living
- Currently run other community or family-based services that children transitioning out of care may be able to access

Click this button to populate the tool with the default baseline cost data based on your situation

Three pieces of information were pulled out of the data set, and **assigned a tick box trigger**, to toggle off/on. If the user changes any of these tick box preferences, they **will need to press the red "populate data" button**.

- Facility rental: Tick if renting, leasing, or there is any sort of payment for the use of facility in the budget. Do not tick if the facility is owned or the use of the facility is provided at no cost.
- Aftercare services: Tick if the organisation is already providing aftercare services, and the user will be given the option to separately identify these costs in their baseline budget.
- Community or family-based care services: Tick if these services are included in their budget. The assumption is that post-transition, the organisation will continue to provide these services plus reallocate available cost savings into similar non-residential care programs.

When exploring the tool, go back and forth and see the implications of different changes and variables. However, once the user is ready to input actual data, then it is **important to get these 4 items in 1.1 and 1.2 reflecting the RCF choices, so that the starting point is right.**

1.3 Type of Transition Being Pursued

Which of these pathways does your organization intend to pursue?

- Pathway A: Full Transition to Other Non-Residential Services
 Pathway B: Safe Closure and Reintegration

Technical users will likely be using the cost estimation tool alongside the phases of transition diagram and other tools. The diagram contains a “fork in the road”, with the default option being pathway A, for those transitioning from residential care into other non-residential services.

The alternative is pathway B, being safe closure of the organisation, where the organisation intends to cease operations at the conclusion of the transition. If pathway B is ticked, then the Step 4: new services interactive section will be hidden. Decision making will also be different as the organisation will not be thinking about new non-residential services or how they will fund their post-transition programs.

1.4 Baseline Costs

In this section of the tool, users are asked to provide some baseline data about the organization’s existing operations, programs, and costs. This baseline data will be used to inform estimates throughout the tool.

The table provides the typical line items in a residential care facility budget. While everyone tracks and groups their expenses differently; there were some key overarching categories that were consistent, and which behave with a measure of consistency within the bands.

Many organizations set up their budgets differently and that some organization may not have access to all their financial information. The [Baseline Cost Worksheet Excel Template](#) will help you to categorize your expense under the same sub-categories as the tool. Please note that only the light green sub-totals are used in the tool.

Should you be worried if the RCI’s actual baseline data looks quite different? No, the tool is not evaluating performance or looking at best practice costs. This is a completely different exercise altogether.

Some RCI’s have strong organisational funding or support bases, so they are not operating under funding constraints or facing pressure to reign in their expense budgets. While other organisations may have run for years on shoe-string budgets, simply because of limited access to funding.

One of the biggest factors on budget size is available funding. Historically, when given additional funding in support of their RCI operations, most RCI’s would choose to expand their operations, therefore moving up into the next size range.

If there is gaps in the data you have to populate the tool, the tool will assist you in making an educated guess in lieu of the exact amount.

Why is it ok that we are using estimates?

People use imperfect information every day to make perfectly good decisions. Organisations do the same. We call them forecasts and make critical, organisation wide decisions based on these documented assumptions and estimates.

The goal here is to land with something reflective of the RCI's organisational budget and how it operates. So, if the RCI's annual operating budget is \$100,000, this figure should be \$100,000.

If the user has access to good financial information, which is clearly broken down, then use the excel worksheet to match it up with the expenditure categories used by the tool. But, if that is going to hold up or delay making critical decisions regarding transition, then don't.

It is important to remember what the purposes of this tool are, to:


- Provide information for decision making at a board, governance, and management level.
- Give insight into the cashflow implication of transition.
- Help organisations estimate the additional funding required to proceed with transition.
- Outline in simple terms the post-transition end point objectives.
- Document the key assumptions and expectations, which can be referred back to.
- Get everyone on the same page for the journey of transition.

We have grouped the expenses under three main categories.

1. Program and Operations:
 - a. Food, utilities, basic medical, everything that goes into running the facility; some RCI's grow their own food, others provide 3 meals per day, while others provide only 2 meals per day because school lunches are provided.
 - b. Education, vocational training, and related programs will have a wide variety of costs, depending on whether this includes private school fees, or nominal access to local schools; uniforms, books etc.
 - c. Tick box triggered 3 categories will show up here: rental, aftercare, and community programs.
2. Staff: They will broadly fall in 3 categories; care givers, social workers (including case workers) and everyone else.

Significant variation in costs is to be expected as some organisations pay commercial rates, some use volunteers, some utilise church relationships or staff paid from other budgets (e.g. church)

3. Overheads:
 - a. Overheads are largely influenced by funding availability and stability.
 - b. Travel and transportation along with training, have been separated out because of their linkage to spike costs.

The following tables provide the typical line items in a residential care facility budget. The amounts are set at the USD average for a residential care facility (RCI) your size. For a more tailored result, adjust the costs for each line item based on your actual baseline costs and current budget. You can also download a worksheet [here](#), that will assist you to categorize your expenses under the same sub-categories as the tool. 



The total annual baseline budget for your residential care service is \$182,000.

As the organisation moves through the phases of transition, this customised data then becomes the baseline data for the model.

When we consider the budgets during Phase 1, Phase 2, and at the beginning of Phase 3, the reality is that an organisations baseline costs are not going to change very much. They will likely have the same number of children in care, be maintaining the same facilities, be running equivalent programs, require the same levels of staffing, and be supported by the same overhead costs.

It is not until the Phase 3, at the 50% reintegration mark, that costs begin to decrease. At this point the organisation will be in a position to adjust their budget to reflect less children, restructured programs, downsized facilities and staffing and overheads either downsized or reallocated to alternate activities.

However, it is critical to note that while baseline costs won't decrease until Phase 3, 50% mark, the RCI will begin incurring additional costs in order to reach this point. This takes us to step 2 and step 3, where we now consider the **spike cost implications**.

Step 2: Core Spike Costs

Firstly, there are the spike costs which everyone should be factoring into their budgets in order to implement a safe and effective transition. Failure to budget for these or take these into account leads to poor decisions and poor practices:

- Decisions and practices that are not in the best interests of children.

- Rushed reintegration’s or aftercare support services that are pre-maturely cut or discontinued due to lack of funding.
- Once organisations feel the weight of RCI running costs lifted, and the energy of new activities, they disconnect and move on, and it’s the most difficult cases that are placed at risk.

Our goal is to see organisations plan ahead for these costs, factoring them into their transition plans and budgets, so then they have a much better chance of securing the necessary funding.

Based on the data we collected, we were able to identify **4 core spike cost categories** and the **most significant cost drivers related to each**.

2.1 Additional Staffing

Most organizations will need to hire additional staff unless their existing staffing levels includes excess capacity and they have already invested into hiring social workers and case workers. Their wages bill is definitely going to spike!

Staffing is broken down into the 3 areas mentioned:

- Social workers: bringing in the staff with those key social work and case work skills and paying the premium salary over a simple house parent or caregiver.
- Community program staff: many organisations alongside transition, invest more into their community side programs, and again many referenced hiring additional staff.
- Other additional staff: because the overall workload of the organisation will increase throughout transition, additional staff often need to be hired for administration, communications, or even increasing caregiver numbers, which have previously been below minimum standards.

The baseline staffing is what was included in the step 1.4 budget. What we are looking for here, is the additional staffing. **How many additional staff are being added on-top of the RCI’s baseline budget staffing?**

Most organizations undergoing transition need to hire additional staff. This may include additional social workers, new or additional staff to run or to scale up community programs, or other staff to bring the facility up to minimum standards to provide support to the transition. The figures below represent the median number of additional staff organizations your size hired to support their transition, across categories. The salary for each staff category is also set at the USD median amount. *Note: FTE stands for full time equivalent, and p.a. stands for per annum.* ?



2.2 Training and Travel

The data collection process looked at a range of different activities including family tracing, assessment, placement, and monitoring children as part case management. However, reading the narrative explanations that were provided against those costs, the primary underlying cost incurred was the investment in additional staffing.

The other two underlying costs for these key transition activities were training and travel.

- Many respondents referenced being provided training by supporting organisations, however, only being required to pay for the in-country travel component.
- The travel budget will also quickly balloon with more visits to families and communities, and the more spread out they are, the higher the cost will be.
- A RCI may be able to source a portion of support from other organisations under a relatively low cost or cost sharing arrangement if they plan ahead. From experience, when an RCI has a budget for travel and a budget for training, then having something to contribute places them in a much stronger position to access support. However, organisation that require such support to be provided at no cost, make it very difficult to facilitate providing support.

Training costs are often incurred as organizations upskill staff in preparation for transition or post transition roles, and to facilitate family tracing, assessment, placement, and monitoring of children as part of case management for reintegration.

Travel costs typically increase as organizations facilitate learning and upskilling opportunities for staff in phases 1 and 2 and as part of case management (family tracing, assessment, placement, and monitoring) in phase 3. Post transition travel often relates to ongoing monitoring of children, which may be required for several years post reintegration/placement.

The tables below reflect the USD average amount spent by organisations your size on training and travel across the phases of transition. ?



As these two underlying costs are essential components of critical transition activities, by accounting for them here, organizations can factor them into grant and funding requests well ahead of time. Then when funding is secured, the RCI can negotiate with supporting organisations and professionals on their assistance needs and timing.

It is to be expected that these costs will begin to spike right from phase 1, through to post-transition monitoring trips.

2.3 Case Management

Looking at the data collected, there were two clear scenarios for handing reintegration/case management, which we have provided explanation of within the tool.

1. **In-house case management.** We intend to implement case management directly and hire and upskill social workers for this purpose.
2. **Outsource case management.** We plan to engage consultants or outsource case management activities to more experienced social work organizations.

Select the scenario that best represents your planned approach. This will reveal the USD median spike costs for aspects of case management for an organization your size. Then adjust the estimates on the right to reflect your knowledge of your unique situation and context.

Which of these approaches does your organization intend to pursue? ?

In-house case management

Outsource case management

Family tracing consultancy or outsourcing budget
1,000

Reintegration consultancy or outsourcing budget
1,000

Monitoring consultancy or outsourcing budget
-

1. In-house scenario: Where most of the cost is being reflected in the additional staff, training, and travel budgets (2.1 and 2.2), as the organisation has directly hired and upskilled to carry out this work.
 - a. This was the preference for organisations who had chosen pathway A, and who were planning on transitioning to other non-residential services. Some of the new staff hires would overlap with the post-transition service direction and staffing requirements.
 - b. Regardless how well an organisation staffs, there will still be a need to draw on other non-staff professionals to assist with key activities and the most challenging of cases. Therefore, it is important to still include, at minimum, a nominal budget for bringing in consultants on difficult complex cases.
 - c. Where an RCF expects to have a higher proportion of complex cases then, they should be considering a larger budget.
2. Outsource scenario: An organisation may choose to outsource the work associated with 2.1 and 2.2, rather than directly hire and manage additional staff. They might be funded to engage a specific external organisation or where an organisation has chosen pathway B closure, where everything is being wound down, then the outsourcing approach may work in conjunction with their overall exit strategy.

Again, the goal here is to budget for it, write it into grants, present it to donors ahead of time, in order to improve the chance of securing funding for these costs.

Phase 3 Family Reintegration Support

The survey data also looked at the other reintegration costs that were associated with children returning to families. Most referenced support for continued access to education, such as school fees, books, uniform, or transportation. It also looked at the provision of improvement to the living conditions, security or sanitation for the family, vocational training for caregivers or other forms of income generation for the family.

There was a wide variation in the overall budget, and the types of activities engaged in. Most respondents had referenced working with other organisations whether schools, vocational training centres or government run programs. Sometimes they funded new or expanded activities, while other times they contributed for per child involvement.

100% of respondents had family reintegration support costs, however, when starting out, it may not be known what specific services will be needed or available. Once that is determined, most organisations will then be looking for the most cost-effective way to achieve what is needed and ultimately, they will operate within the constraints of their funding.

The tool allows the user to pick their target funding budget using two simple factors: the number of families, and the budget per family.

Phase 3 Reintegration: Family Support

Adjust the top line toggle based on the number of families likely to require some form of family support package and the toggle below for your average budget per family.

No. families in need of family support packages

19

Budget per family

2,100

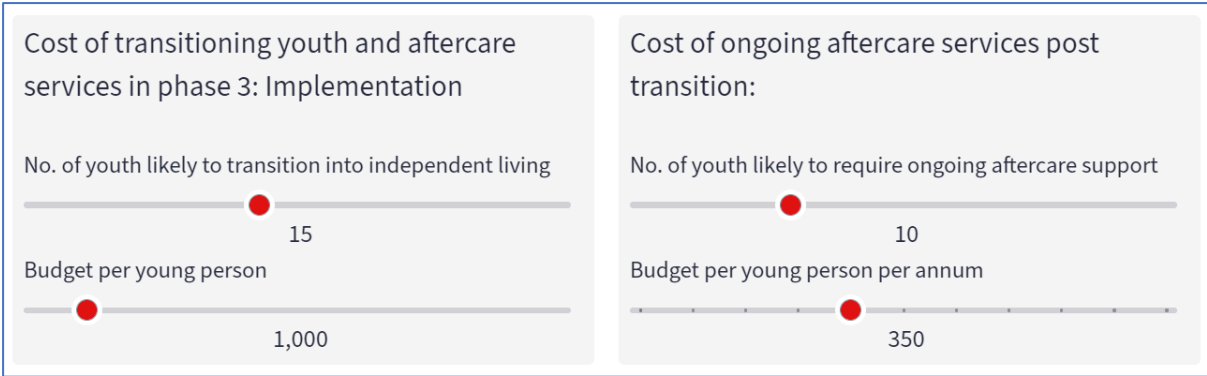
Key questions for a technical user to draw out at this step would be:

- What would they like to be spending per family to supporting successful reintegration's?
- What funding levels are realistically available for family support packages?
- What partnership opportunities with other NGO's or government programs are available?

2.4 Aftercare Programs

For youth who are transitioning out of care, most likely into independent living, there was also a range of costs and approaches identified in the survey data. Using a similar approach to the family support, the tool allows the user to pick their target funding budget based on the number of youths, and the budget per young person.

As with family reintegration support, aftercare activities will be supported by the additional staffing, training, travel and case management support (2.1, 2.2 and 2.3) above.



Summary of Core Spike Costs

The encouragement here is to realistically budget for what the RCI would like to have available, and then work the spike cost funding strategy to get to this point. For instance, if the RCI can get \$50,000 allocated ahead of time, then that puts them in a much better position for making more detailed plans.

The table below represents the summary of your core spike cost estimates based on the information you have provided in this step. Costs are broken up according to phases of transition. Phase 2: Implementation is broken into two phases. The 1st half of phase 3 represents the point in your transition when 50% of the children and youth in care have been reintegrated or placed in family care. It is at this point that organizations typically experience a decrease in operational costs (reduction in baseline budget). This reduction has been built into your estimate. 2nd half of phase 3 represents the point when all the children and youth previously in care have been reintegrated, placed in families or transitioned into independent living. At this point the organization is no longer incurring residential care facility or service operation costs.

	Phase 1	Phase 2	1st Half-Phase 3	2nd Half-Phase 3
Total Core Spike Costs by Phase	4,000	19,500	24,500	24,500
2.1 Additional Staffing	-	10,500	13,500	13,500
2.2 Training and Travel	4,000	7,000	3,500	3,500
2.3 Case Management of Children	-	2,000	-	-
2.4 New Aftercare Programs	-	-	7,500	7,500

At this point, the user now has an estimate of the core spike costs that the RCI will be looking to fund. This will give the technical user, the RCI board, their key supporters, and grant funding partners information for decision making.

Step 3: Additional Spike Costs

Survey respondents were also asked about a number of other specific spike costs to see whether they had experienced either the cost or the activity. We have included items 3.1 to 3.7, because each of these had one or more responses, indicating that these are relevant factors, worth bringing to the users' attention as it is likely that two or more may be applicable to any RCI's circumstances.

For the technical user, this is an opportunity to help the RCI to think through their specific circumstances, and to consider which of these may be relevant to their circumstances and to what degree.



For example, if the RCI is on a property and you think there may be ownership, title, reallocation issues or ownership conflict, then it would be prudent to add in legal fees. If this is a \$500,000 property, which donors funded, then it may be prudent to add in \$10,000 in legal fees. The principle here is work for the best, but plan for the worst.

Another example, is where a property has a low value or is in a location that has little alternative use, say \$5,000 legal fees and time consumer for a \$30,000 property in the wrong location. In this case, this could be used as a prompt for an internal discussion, agreeing not budget for legal fees and that if a dispute arises ownership will not be contested. Save time, energy, international travel costs and legal fees. **Even a nil value against these items can assist the RCI with decision making.**

It is also worth noting that 3.5 and 3.6 almost always arise related to a specific child and their best interest or welfare. The timing usually occurs inconveniently mid-phase 3, when the overall budget is at its peak and funding is stretch to its limits. What we are aiming to avoid is that a child’s best interests is placed at risk, simply because of these needs could not be estimated for budgeting purposes.

At a minimum, by factoring in even nominal \$1,000 or \$2,000 amounts, this can be an opportunity to communicate to board, governance body, and funders in advance to expect these things. And should they occur, the user has a documented point of reference to bring them back to.

Step 4: New Services

For organisations choosing Pathway A, they will be continuing with activities post-transition. So that means, post-transition funding freed up from cost saving can be reallocated to new programs. For some organisations, highly invested RCI donors may choose not to continue with their support and leading to reduced funding. It is reasonable to expect that some RCI's who are seeking technical assistance may already be experiencing funding pressures.

However, it is also reasonable to consider that transition and new non-residential services presents the RCI with an opportunity to re-energise their donor base with a new focus that could maintain or increase their funding.

This section is about hinting at what could be possible, and highlighting how those redirected funds could be reallocated for impacting a greater number of beneficiaries.

4.1 Funding Position

For most organisations, the budget allocated for new programs will initially be heavily influenced by the amount of post transition funding that is available to be redirected.

Consider your current funding position as well as your expected funding position at different phases in relation to your baseline costs.

Are your annual baseline costs currently under funded (-ve) or surplus funding (+ve)?



Current annual baseline funding **\$182,000**

Do you expect your annual baseline funding to increase or decrease post transition?



Expected annual post transition funding **\$182,000**

Estimated post transition funding available to be redirected **\$115,440**

Post-COVID, many organisations have been experiencing funding pressure on their baseline budget and may feel overwhelmed when considering how to fund the additional spike costs. While this cost estimation tool does not address strategies in figuring out funding, grants, donor engagement or transition strategies, it does assist by quantifying that funding target.

As mentioned in the first section, one of the barriers to RCI's moving forward is estimating the financial impact of transition.

4.2 New Non-Residential Care Services

This is a vital part of the story, painting a post-transition picture of what might be possible. Under any scenario, an RCI will always be able to reallocate budget to impact more beneficiaries.

Residential care activities are cost intensive, and it is known that funding redirected into non-residential care will have a multiplied impact on the number of beneficiaries.

Consider the type of program your organization intends to transition into, and whether this is an existing program being scaled up, or a new program being designed and developed. Use the toggles to adjust the estimates based on your knowledge of your unique situation, context and the type of program being planned.

Funding redirected into other forms of non-residential care can be expected to have a multiplied impact on the number of beneficiaries.

Family Based Care Impact Multiple ?

Community Based Services Impact Multiple ?

Adjust the slider to vary the proportion of post transition surplus funding to be redirected into either family based care or community based services. ?

Family Based Care 50%  **50% Community Based Services**

	No. Beneficiaries	Per Beneficiary Cost
Residential Care Services	35	\$5,200
New Services	78	\$1,486
- Family Based Care	22	\$2,600
- Community Based Services	56	\$1,040

This is not about the specifics, because post-transition could be 2-3 years away, so this is about **showing where you are headed**. The minimum impact multiple for family-based care is 2x, and community-based services should be planning for at least 5x, so that's the simple starting point.

If the user already has family-based care or community activities, with costs and beneficiary numbers that are known, then the RCI can calculate and plug in their own known multiples, making this simple picture even more powerful.

This is key information that can be used in donor, supporter, and grant messaging and further supported in the user's written narratives on RCI transition.

The technical user should consider leveraging this to energise the board and management decision makers though the challenges of transition. What if the RCI could keep the same funding coming through, relocate to non-residential care services, **how many more beneficiaries could be assisted?**

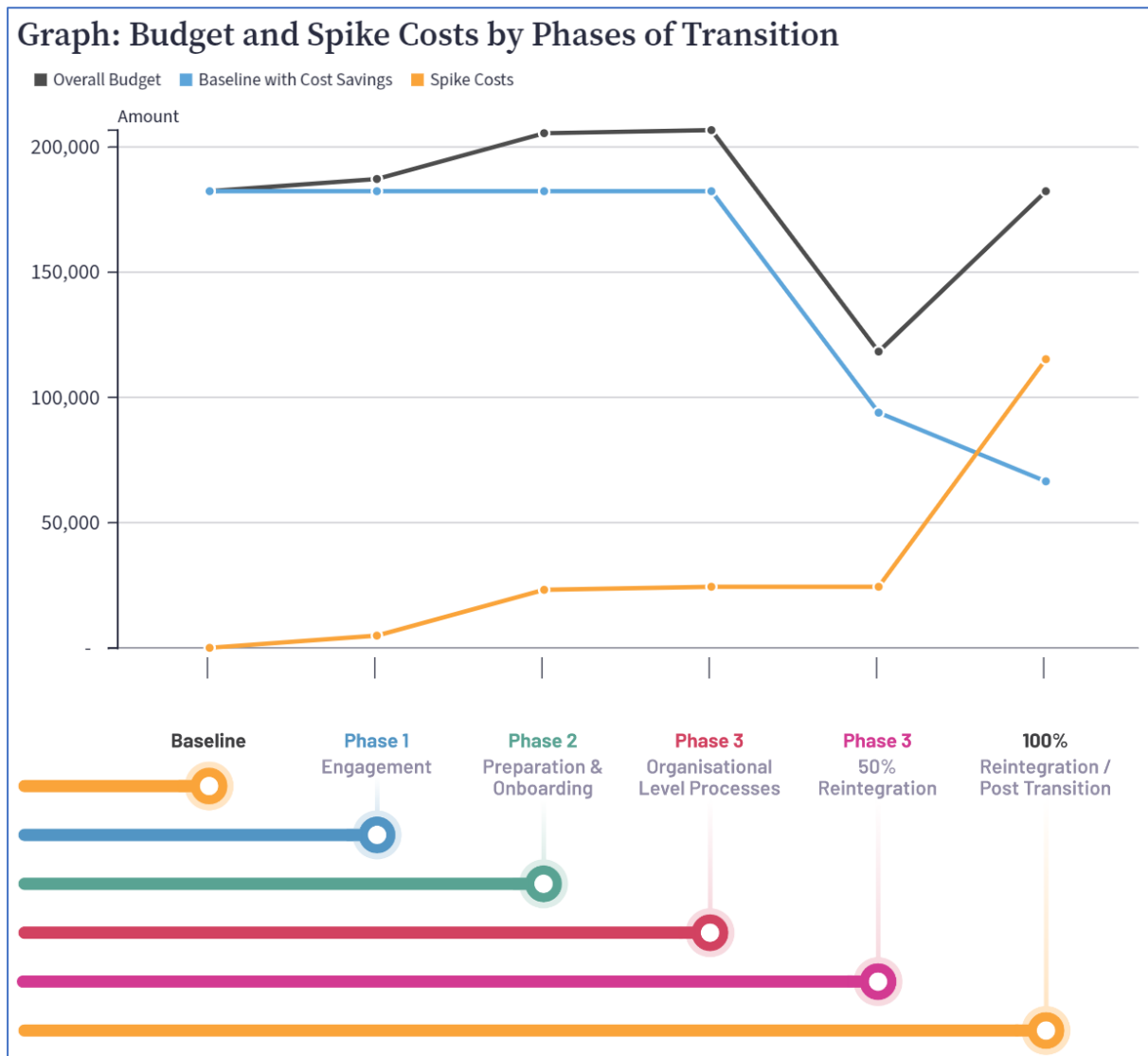
Step 5: Results

The beginning of this guide mentioned a few issues that the tool is trying to address:

- Simplified framework that **focuses on the key elements relevant to most transitions and the information relevant to those key decisions**.
- **Avoid underestimating spike costs** which can lead to rushing to reintegration, understaffing especially social workers, and hesitancy to engage technical consultants.

- Provide a **framework for estimating spike costs** early in the process (phase 1), that allows time for sourcing funding, engaging with donors, and applying for grants ahead of experiencing the spike in costs.
- Paint a more **realistic picture of when cost savings** can be expected to come into play.
- **Create a simple post-transition picture** based on the potential to increase beneficiaries impacted and reducing the cost per beneficiary from providing new non-residential care services.

Graph



The result is a simple three-line graphical representation of the RCI's overall budget, their baseline with cost savings and the spike costs. For a technical user assisting with interpreting the results, some key elements to notice here:

- Baseline with cost savings won't kick in until phase 3, 50% reintegration. For Pathway A, post-transition a portion this baseline budget will continue and will then be allocated to those continuing organisational priorities.

- Spike costs increase throughout transition, and the post-transition data point on the graph reflects both the trailing spike costs as well as the reallocated surplus in the form of the step 4 new services.
- Overall budget reflects an increase with the spike cost, and then the dip into the 50% phase 3 overall budget reduction, showing what is possible without reallocating funding for new services.
- The graph assumes that post-transition we chose to reallocate the available cost savings into those new services, so the overall budget increases to reflect this redistribution.

	Baseline	Phase 1	Phase 2	1st Half-Phase 3	2nd Half-Phase 3	Post-Transition
Overall Budget	182,000	187,000	205,500	206,500	118,370	182,000
Baseline with Cost Savings	182,000	182,000	182,000	182,000	93,870	66,560
Spike Costs	-	5,000	23,500	24,500	24,500	115,440

Note: post transition spike costs reflect the step 4 new services

Ultimately, the final post-transition budget will be reflective of the actual funding available. Less funding means less new services, because ultimately, unless they have assets to sell, they will have to balance their budget.

PDF Report

Having created a transition scenario using the Cost Estimation Tool, the user can put in their name and email address and get sent a PDF report that includes the users' specific responses and estimates.

This tool does not replace comprehensive budgets, but what it does provide is a summary baseline starting point and documented assumptions and forecasts using the information that the user had available. Use this report to help with decision making:

- Assisting a governing board to agree to go on this journey, addressing budget concerns, making them aware of spike costs, and setting realistic expectation regarding cost savings.
- Provide clarity behind the RCI's estimate of spike costs when approaching grant funders and donors.
- When applying for grant and funding, the RCI can know what they are asking for, and asking as far in advance as possible.
- The report can serve as a mid-transition reference point, reminding what had been factored into the transition costs (as well as what wasn't). Use as a simple reminder when those spike costs arise, that these costs were expected and planned for.
- As a management tool in evaluating the assumptions that were incorrect. Not all of the assumptions will turn out to be correct. The power here is knowing what assumption were made, looking back at the implications of an assumption being off by a little or a lot, recognising the change, and so adapting plans. This is a normal aspect of any change management process. Are we where we thought we would be at this point, and if not, why not?