

Explanatory Notes for Value Model

Producing EHCPs Using AI & Analytics

Process efficiency:

- The average EHCP involves 19-person days with a cost close to £5,474. These person days are spread across a process that typically takes between 10-30 weeks to complete.
- The person days are typically split: 8 days (co-ordinator), 10 days specialists (e.g. EP, OP) and up to 1 collective person day time for the panel (review and agree).
- The Digital EHCP process is expected to reduce co-ordinator time by 30% and specialist time by 25%. There is no expectation of reduction of panel review time at this stage.
 - Co-ordinator time reduction is from reduction of report synthesis and administration work.
 - Specialist time reduction is from a shift away from long report writing to more concise reporting and needs / support validation.
- These time savings when mapped to costs translate to a 25% overall reduction. This translates to a £1,356 cost saving per fully completed EHCP process.
- Local authority cost savings come from completed EHCP's (100% of process above), new cases that do not qualify for EHCP (40% of whole process) and annual reviews (20% of process). Based on Ealing this equates to approximately 858 EHCP related activities per year. All these activities are expected to benefit from the 25% cost saving.

Value:

- Local authority potential (based on Ealing): current cost £2.5m, gross saving from Digital EHCP £0.6m (25%).

- National potential (England): implies 99,210 EHCP related processes currently costing £253m could yield gross savings of £63m (25%).

Financial model:

- Cost of Beta development plan: £1.4m, expected to yield a "production live" system that can be fully launched to local authorities. Additional set-up costs post-beta expected to be negligible.
- Pending beta development, expected additional local authorities will participate and spend:
 - £300k for process set-up
 - £250 for each new pupil registration on Digital EHCP
 - £50 per year for each year of active pupil management on the system.
- Excluding the process set-up costs, the above costs will still enable local authorities to realize a 16% net saving (from 25% gross saving).
- Roll-out expectation: 10 council sign-ups in year 1, growing to 85 over the 5 years of post beta-phase development. This would yield £113m in NPV over a 10 year time horizon.
- This simplistic, conservative, placeholder forecast is based on zero inflation, no financing assumptions, no working capital assumptions and no costs or income for product roadmap / service augmentation.
- Upside: does not take into account the benefits from efficacy improvements (pupil outcome feedback loops) or follow-on product development opportunities.
- Sensitivity: the impact of 25% potential gross cost savings in the EHCP process and modest technology investment using open source, cloud-based technology means that Digital EHCP is likely to yield significant positive financial returns for even one large local authority or collection of small authorities. This will be a key focus of the beta development.

- Further details and assumptions are in EHCP_Reduction_Business_Case_Snapshot 20190325