



# Out-of-home care costs and pricing

22 May 2024

Out-of-home care is provided to children or young people who cannot live with their own families. In NSW, it is provided by the Department of Communities and Justice, as well as by non-government providers including Aboriginal community-controlled organisations. The system currently provides care to around 15,000 children across NSW.<sup>1</sup>

To help the NSW Government improve the performance and financial sustainability of the system, the Premier has asked IPART to review and make recommendations on the costs of providing out-of-home care and the funding provided by the NSW Government to non-government providers.<sup>2</sup> This short paper describes what the review will cover, why it is needed, the key topics we will be focusing on, our proposed approach for the review and how you can contribute.

## What the review will cover

The Terms of Reference for the review are [published on our website](#) and detail the review scope. In summary, our Terms of Reference require us to:

- investigate and report on the efficient costs for the Department of Communities and Justice and non-government providers of providing the various types of out-of-home care (including relative, kinship and foster care, and residential care)
- develop benchmark costs for caring for children in out-of-home care
- recommend appropriate pricing structures and levels for the efficient delivery of quality services
- recommend a methodology for adjusting prices paid to non-government providers
- recommend an appropriate carer allowance for providing care and support to children and young people in out-of-home care.

<sup>a</sup> We use the term non-government providers to refer to non-profit organisations delivering out-of-home care in NSW, typically through the Permanency Support Program (PSP), and it includes Aboriginal community-controlled organisations unless otherwise noted.

Our review is about ensuring services are funded at a rate that reflects the efficient cost of providing quality, tailored services to children and young people in out-of-home care which are in line with service requirements and accreditation standards. It is not about funding services at the least cost. The Office of the Children's Guardian is a key body in the monitoring and oversight of quality within the system and we will consult with them throughout the review.

## Why are we being asked to review costs and prices?

The overall costs of providing out-of-home care to children in NSW have risen significantly, particularly since the introduction of the Permanency Support Program (PSP) in 2017. The PSP was designed to improve the quality of care and help transition children and young people out of care faster. However, a recent evaluation found that it has not delivered on these aims, despite the large increase in costs to Government.<sup>2</sup>

The NSW Government is considering what reforms are needed to address the financial challenges faced by the system. It is also considering how to achieve better outcomes for the children and young people in out-of-home care, their carers and families. Our review will provide information that will feed into this broader reform process.

Some of the key issues currently facing the out-of-home care system that we have seen in research or heard from stakeholders are:

- The population of children in out-of-home care has been decreasing for several years, but the cost and expenditure has been rising.<sup>3</sup>
- Permanency outcomes for children in out-of-home care have not improved following the implementation of the PSP.<sup>4</sup>
- The system is experiencing a shortage of carers. In 2022 there was a reported shortage of 350 foster care households, and reports of dissatisfied carers leaving the sector.<sup>5</sup>
- There has been an increase in the number of children in emergency care arrangements. These are used where there is no other care available that meets policy requirements. These are temporary arrangements that are very costly. Longer periods of time in an emergency arrangement can affect a child's developmental outcomes.<sup>6</sup>
- Non-government providers bear high administration and insurance costs. These costs include ensuring compliance with accreditation requirements, the cost of required insurance and the costs associated with recruitment and screening of carers.<sup>7</sup>
- The transition of the case management of Aboriginal children and young people to Aboriginal community-controlled organisations has not occurred as quickly as originally planned and faces multiple challenges.<sup>8</sup>

## Key topics for the review

 <p><b>Administrative overheads</b></p> <p>We will consider the administrative costs experienced by the various providers that deliver and administer out-of-home care.</p>	 <p><b>Price structure</b></p> <p>We will recommend a pricing structure and levels for delivering out-of-home care, to ensure the efficient delivery of quality care.</p>	 <p><b>Cost of placement types</b></p> <p>We will estimate the efficient costs for the NSW Department of Communities and Justice and non-government providers of supporting children and young people.</p>	 <p><b>Cost of caring</b></p> <p>We will recommend an appropriate carer allowance.</p>
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The varying needs of different children and young people in out-of-home care will underpin our analysis throughout the review. We will consider the additional support required by:

- Aboriginal children, young people, and carers
- children, young people, and carers with a culturally and linguistically diverse background
- children, young people, and carers with disability.

We will also consider how costs vary across locations and the additional costs for Aboriginal community-controlled organisations.

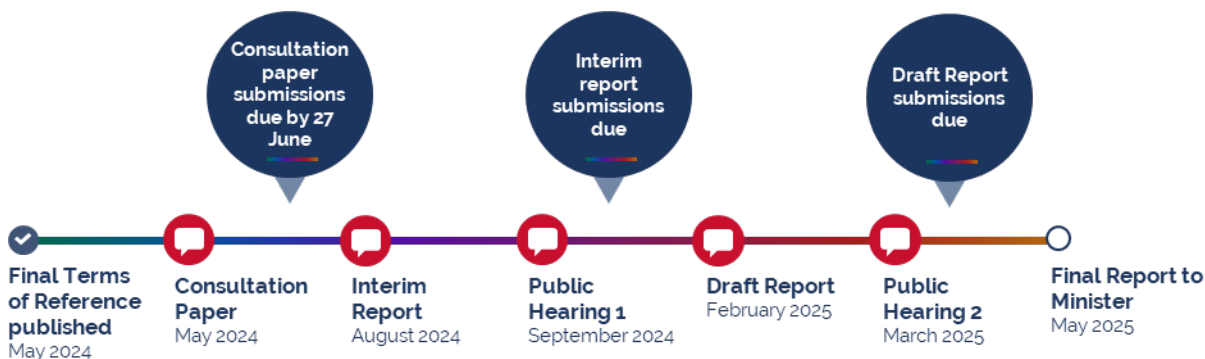
## About IPART

IPART is an independent, strategic agency of NSW Government, charged with regulating key markets and government services to ensure effective social, environmental, and economic outcomes. IPART's functions include statutory and commissioned roles across a wide range of sectors, including the social services sector.

Although we are a NSW Government agency, we operate independently of the NSW Government. Our review is commissioned by the NSW Government, but we will undertake it in a transparent and impartial manner. Before making recommendations, we will actively engage with a diverse group of stakeholders and undertake extensive research and analysis. Our Tribunal, made up of our Chair and 2 Tribunal members, will make the decision on final recommendations of the review.

## Our process

We are committed to a transparent and impartial process, with opportunities to have your say throughout. The timeline for our review is set out below.



We’re taking a staged approach for our review, with the following key milestones:

1. **Interim report:** our initial findings and recommendations on the big picture issues that impact the direction of the review early in the review process
2. **Draft report:** our draft findings and recommendations, building on the interim report
3. **Final report:** our final findings and recommendations.

We will also hold 2 public hearings, following the publication of our interim and draft reports.

The interim report is likely to cover our preliminary analysis of key topics including the drivers of costs in the out-of-home care system, casework costs, administrative costs and overheads, and the pricing structure.

We consider it is important to have early feedback on these topics from stakeholders as it will help establish the focus and direction for the rest of the review. The draft and final reports will further develop the analysis in the interim report, establish the benchmark costs for each type of care and make recommendations on the carer allowance.

Our staged approach allows us to test our assumptions with stakeholders before finalising our recommendations on the efficient costs and pricing of out-of-home care. Our recommendations will be informed by stakeholder input and grounded in in-depth research and analysis.



We want to hear from a diverse range of stakeholders. There will be opportunities for you to have your say throughout the review

## ! We will be seeking information from providers and carers

We will shortly be seeking information from non-government providers on the costs involved in providing care and support to children and young people in out-of-home care. At the same time, we will be collecting and analysing data from the NSW Department of Communities and Justice on its costs for administering the PSP and providing out-of-home care services.

We will be reaching out directly to providers for information on costs such as:

1. labour (including caseworkers and other supporting staff), training and on costs
2. rent and other housing costs, especially for providers delivering residential care
3. insurance, administration, and other overheads
4. the funding provided to carers, including allowances and other costs incurred in providing care (for example professional therapy, cultural support, and transport).

We will also be seeking information from carers through this year's My Forever Family NSW Carer Survey, which will be shared with carers in the coming few months. You can also provide a written submission to this paper or respond to the questions on our website.

## We want to hear from you

We want to hear from stakeholders in the NSW out-of-home care sector to help us understand the costs and pricing of providing care for children and young people living in out-of-home care. We want to hear from a diverse group of stakeholders, including those with lived experience in the system.

You can provide a submission with answers to the questions below and/or any other information you think is important for us to know. You don't have to answer all questions. You can also respond to feedback form on our [website here](#). We are inviting submissions on this paper until 27 June 2024.

### ! Have your say

Your input is critical to our review process.

You can get involved by making a submission, or answering the quick feedback form.



[Submit feedback »](#)

[Register for updates »](#)



## Our questions for all stakeholders

- 1 What are the key challenges you face in providing out of home care services?
  - a. How has the increased cost of living impacted the delivery of out-of-home care services? What cost increases have had the most impact?
- 2 What is the most important change you would like to see come out of our review?

## Our questions for non-government providers

- 3 How has the Permanency Support Program (PSP) impacted the way out-of-home care services are delivered by your organisation?
- 4 Does the current package-based approach make it easier or harder to deliver services to children and young people and why? How well does the funding of the PSP packages reflect the cost of providing care to a child? Are there any particular packages or service types which do not cover the cost of providing care?
- 5 How effective is the structure of the PSP and funding for current PSP packages in enabling you to support the cultural, family and community connections for Aboriginal children and young people?
- 6 What is good or bad about the current PSP packages in supporting Aboriginal children and young people in out-of-home care? Are there costs that may not be covered?
- 7 How does the current PSP package funding impact your ability to deliver care to children with specific needs (including but not limited to children and families with a CALD background or disability)?
- 8 What are the benefits/drawbacks of the PSP compared to previous funding models?
- 9 What are the key changes you would like to see made to the out-of-home care funding model?
- 10 Does your location impact the cost of delivering out-of-home care? If so, what costs are impacted by location?
- 11 What are the additional types of costs faced by Aboriginal community-controlled organisations (ACCOs) in providing out-of-home care compared to non-ACCO PSP providers?

## Our questions for carers

-  12 Is the current carer allowance you receive for each child in your care sufficient to cover the day-to-day costs of caring for that child? If it is not, what types of things do you typically spend more (of your own money) on?
-  13 How often do you need additional financial support from your agency on top of your usual carer allowance? How easy is it to access additional financial support?

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- <sup>1</sup> NSW Department of Communities and Justice, [Annual Statistical Report 2022-23 summary dashboard](#), Tab: Children and young people in OOH as at 30 June 2023, October 2023.
- <sup>2</sup> Centre for Evidence and Implementation, [Evaluation of the Permanency Support Program](#), April 2023, p 21.
- <sup>3</sup> NSW Department of Communities and Justice, [Annual Statistical Report 2022-23](#), Children and young people in OOH as at 30 June 2023, October 2023; NSW Government, [Labor confirms \\$200 million lifeline to keep vulnerable kids safe](#), 19 September 2023.
- <sup>4</sup> Centre for Evidence and Implementation, [Evaluation of the Permanency Support Program](#), April 2023, p 21.
- <sup>5</sup> My Forever Family NSW, [‘A home for connection’. Carer shortage calls for more people to open their homes and hearts to the children and young people across NSW](#), October 2022; Office of the Children’s Guardian, [Key statistics – NSW Carers Register](#), 31 January 2024, p 2.
- <sup>6</sup> Coote, G and Shams, H, [NSW inquiry to hear from children forced into motels, hotels due to shortage of foster carers](#), 24 September 2023.
- <sup>7</sup> Association of Children’s Welfare Agencies submission on draft Terms of Reference, March 2024, p 3; Uniting NSW/ACT submission on draft Terms of Reference, March 2024, p.3.
- <sup>8</sup> Association of Children’s Welfare Agencies submission on draft Terms of Reference, March 2024, p 5; Marymead CatholicCare Canberra & Goulburn submission on draft Terms of Reference, March 2024, p.1.