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Your submission for this review:

Key Assets Australia (KAA) is a non-government, not-for-profit agency that provides a wide range of services to children, families and communities in New South Wales, Queensland, South Australia, Tasmania, Western Australia, Victoria, and Norfolk Island. In New South Wales specifically the organisation has been operating out-of-home care (OOHC) services for over 11 years and are currently supporting almost 250 children and young people and over 200 carers. KAAs purpose is to achieve positive and lasting outcomes for children, families, and communities by providing quality services and expert advice designed to provide support, build confidence, improve skills, develop relationships, and strengthen resilience. The NSW Government is seeking reform, to improve the performance and financial sustainability of the out-of-home care system. KAA considers the review of out-of-home care by the Independent Pricing and Regulatory Tribunal (IPART) as a significant opportunity to address a range of systemic challenges which impact the efficiency and effectiveness of the Permanency Support Program (PSP). By focussing resources on areas which will deliver outcomes most cost-effectively across a total continuum of care that begins with activities like family preservation services that aim to reduce entries to care and extends to supporting a young persons exit from care the Government can improve the performance of the system without significant increases in funding. KAA proposes that the NSW Government and IPART consider the following focus areas as part of this review - please see attachment.

7 March 2023

To Whom It May Concern,

### **RE: Review of Out-of-Home Care Costs and Pricing**

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The NSW Government is seeking reform, to improve the performance and financial sustainability of the out-of-home care system. KAA considers the review of out-of-home care by the Independent Pricing and Regulatory Tribunal (IPART) as a significant opportunity to address a range of systemic challenges which impact the efficiency and effectiveness of the Permanency Support Program (PSP). By focussing resources on areas which will deliver outcomes most cost-effectively – across a total continuum of care that begins with activities like family preservation services that aim to reduce entries to care and extends to supporting a young person's exit from care – the Government can improve the performance of the system without significant increases in funding.

KAA proposes that the NSW Government and IPART consider the following focus areas as part of this review:

#### **High-Cost Emergency Accommodation**

- As of 30 June 2023, there were ca. 120 children and young people in alternative care arrangements (ACA) in NSW, and a further ca. 400 in other so-called high-cost emergency accommodation arrangements (HCEA) such as individual placement arrangements (IPA), short-term emergency placements (STEP) and interim care model placements (ICM).
- As the most acute example, ACA involves housing children and young people with complex needs in short-term commercial accommodation such as motels or caravan parks and supporting them with 24-hour care that is often, by necessity, sub-contracted to non-accredited organisations and delivered by inexperienced staff who may not maintain appropriate standards of care.
- ACA and other HCEA carry a significant cost penalty relative to family-based care. KAA have supported several young people in alternative care arrangements over the last 12 months, with weekly costs for each young person falling anywhere between \$6k and \$29k (or \$0.3m to \$1.5m on an annualised basis).
- Taken together, the various HCEA placements have created a significant drain on the overall

pool of funding available for OOHC in NSW. This has led to an overspend in the budget for OOHC, with the result now that less funding is available elsewhere in the system. Critically, this includes family preservation services, a significant contributing factor in the reduction of children coming into care observed in NSW.

- If a larger proportion of children in HCEA were able to be placed in appropriate family-based led care, and supported with adequate funding to maintain the placement (at a lower cost per child in care compared with HCEA), this situation would assist in relieving pressure on total available funding spent in the system. Funds can then be targeted towards areas which are improving overall outcomes across the continuum of care.
- Ultimately KAA is proposing a model which reduces children in HCEA and focuses on family-based care, with due consideration given to the costs associated with all the various forms of OOHC (including HCEA).
- KAA acknowledges children and young people in ACA are currently the subject of a special enquiry being conducted by the Office of the Advocate for Children and Young People, which is yet to publish its findings. The terms of reference for that enquiry includes an investigation into the cost effectiveness of ACA.

#### **Care for Children and Young People with Complex Needs**

- A growing concern for OOHC providers is the capacity to support children and young people with complex needs who cannot be adequately cared for under the PSP Baseline package. In recent years KAA have been advised to reduce applications for Complex Needs packages - to address sustained overspends in the budget for OOHC the Department of Communities and Justice (DCJ) have indicated such applications are unlikely to be approved.
- Instead, providers such as KAA have been encouraged to apply for Additional Carer Support packages which provides 'flat rate' funding and has less stringent approval criteria. This 'flat rate' approach means that in some cases the funding may be overservicing in relation to the needs of the child or young person and underservicing in other situations.
- KAA have also observed that delivery expectations of services providers related to the Baseline package has shifted over time. Specific activities would previously not have been covered by the funding however services such as those for Complex Needs are now expected to be delivered within Baseline funding.
- When additional funding is not approved, or is insufficient, KAA attempts to fund additional care from other sources (e.g., by pooling PSP funding), however these additional costs can in some instances make the ongoing provision of care unviable. Nonetheless, even with additional funding the provision of residential care remains significantly more cost-effective for this to be undertaken by accredited and contracted agencies, than having children and young people moved to HCEA. At present, unaccredited and non-contracted agencies provide these services via subcontracting arrangements to children and young people which is generally seen as inadequate and not delivering the best outcomes for children and young people.
- This challenge is exacerbated by the current process for children and young people entering care, and the Child Assessment Tool (CAT) used to identify the most appropriate level of care and therefore funding. KAA and others have observed that this process tends to default towards a Lower Needs package in most instances, irrespective of the relevant CAT score,

with the child or young person moving to a Medium or High Needs package over time. Furthermore, KAA suggests funding associated with Medium and High Needs packages is no longer adequate given the level of support and complexity of care required.

- KAA proposes a review of the complex needs cases, to understand the true cost of servicing this cohort of people, by collecting data and analysing and assessing against outcomes. This analysis can be used as an input to create a more flexible and effective approach to funding that is more tailored to the needs of each child or young person, and makes more efficient use of limited resources.

### **Carer Recruitment and Retention**

- The recruitment and retention of foster carers has become an increasing challenge and as such increasing costs for the department by having to place children and young people in HCEA. KAA has noted it is becoming more time-consuming and costly to recruit, train and retain new carers and has noticed the increase in existing carers exiting the system.
- A key factor for IPART to consider is the impact of the demographic of the carer resource pool which has changed over time. Dual income households are becoming more common, financial stress has increased due to the increase in general cost of living, and fewer families have available spare rooms – subsequently KAA are seeing the pool of viable potential foster carers contracting.
- These market resourcing challenges are highlighted by KAA's carer recruitment conversion rates – the proportion of people enquiring to become a foster carer who are ultimately onboarded as a foster carer, These rates have fallen from ca. 5-6% to 2-3% (or lower) in recent years.
- KAA has analysed the Baseline package with data reflecting the true proportion of recruitment costs and carer on-costs within the Baseline package. It is currently costing the organisation ca. \$25-30k to complete the onboarding of a new foster carer, including recruitment, assessment, training, and authorisation (regardless of how long they end up staying with the organisation).
- KAA proposes that recruitment costs need to be modelled on this type of data and included as a separate provision within the funding package.
- KAA proposes that sufficiently resourcing providers to recruit new carers – taking into account the needs of new demographics of carers - will have a significant impact on reducing overall cost of the model to the department. It will effectively reduce the demand for higher-cost emergency accommodation – particularly in relation to caring for children and young people with more complex needs.
- In terms of carer retention, KAA considers the current carer allowance to be insufficient, having fallen behind recent increases in the cost of living. KAA acknowledges that assessing the carer allowance is already included in the Draft Terms of Reference for the review.

### **Other Key Cost Considerations**

- KAA acknowledges the draft Terms of Reference already include the costs of facilitating the PSP casework, administration and corporate overhead, and additional legal support as specific areas of consideration in relation to the cost model.
- KAA suggest specific consideration also be given to the cost of insurances, particularly

Physical and Sexual Abuse (PSA) insurance which is a significant cost for many agencies providing OOHC. KAA understands there are at least 20 local OOHC providers that now rely on the Department to provide their PSA insurance, as it is otherwise financially unviable to acquire that cover independently.

- A further critical consideration when reviewing costs of facilitating the PSP is labour costs relating to recruiting and retaining appropriately skilled workforce, compliance with industrial instruments (e.g. relevant Award conditions), and the costs associated with using contract labour to address short-term staff shortages.

### **Adoption**

- KAA encourages IPART to consider the full continuum of care within the OOHC system and the pathways to permanency such as adoption, and how funding mechanisms can promote positive outcomes for children and young people in OOHC.
- KAA currently operates a fostering to open adoption service, and current funding for this service is disproportionate to the time, effort and resources involved in achieving the outcomes designed for the program. With the numbers of children and young people being adopted from OOHC falling to historically low levels, ensuring adequate funding to support adoption services can potentially alleviate pressure on the OOHC system.
- KAA proposes collection of data to facilitate modelling successful outcomes and cost structure for this program.

### **After Care Support**

- The provision of aftercare support for young people that have exited OOHC is a further critical consideration in relation to the overall continuum of care. Currently, organisations are not funded to provide after care, despite being obligated to provide this support for young people for up to seven years after they exit OOHC.
- Further, there are a limited number of specialist after care services operating in NSW, with a service footprint that doesn't extend beyond the greater Sydney area.
- KAA proposes collecting data to understand the costs of providing after care support and the associated outcomes, so that these costs can be integrated into the overall funding model.

### **Cultural Care Support**

- For support delivered to children and young people from culturally and linguistically diverse (CALD) backgrounds, OOHC agencies only receive one-off funding at the start of the program, despite culturally appropriate services being continued and required throughout the full extent of the child's time in care.
- KAA proposes collecting data and demonstrating the genuine cost of providing cultural care supports, along with the outcomes which can be achieved when the program is funded appropriately from beginning to end.

### **Value of the NGO Sector**

- KAA is one of 40+ non-government organisations providing OOHC services in NSW. This group has played a key role in reducing the number of children entering OOHC to the lowest

in a decade, through new intensive family support services that have succeeded in keeping children safely in their families.

- KAA encourages IPART to consider the range of services provided by the NGO sector, the value of the sector in delivering positive outcomes for children and young people, and the importance of maintaining a sustainable operating model for NGOs providing OOHC in NSW.

If you would like to discuss KAA's submission further, please feel free to contact myself or our NSW State Director, James Isles via email [REDACTED].

Kind regards



**Dr Dianne Jackson**  
Chief Executive Officer