

Submission to out-of-home care costs and pricing consultation paper

Prepared by Safe Places for Children

June 2024

Introduction to Safe Places

Safe Places for Children (Safe Places) provides licenced, trauma-informed therapeutic residential care to vulnerable young people who exhibit complex trauma, emotional and behavioural challenges. Safe Places has been operating since 2006, supporting nearly 2,000 young people nationally. Safe Places operates in New South Wales, Queensland, Victoria, Western Australia and the United Kingdom. New South Wales operations support 14 young people in residential homes in either single, co-tenanted or sibling groups across 13 homes. 121 staff are employed in New South Wales out of a total of 881 with 95% of New South Wales staff employed on a full-time basis.

Key Challenges faced in providing out-of-home care services

How increased cost of living has impacted the delivery of out-of-home care services

The cost of living has increased, encompassing everything from groceries and fuel to various activities and services, making it challenging to remain within budget constraints. Department of Communities and Justice (DCJ) have established spending caps on vehicles, activities, and groceries that do not align with these rising costs and our commitment to maintaining a therapeutic care model. Under our model of care, our staff to engage in family-based activities with the young people such as cooking and dining with them, as well as participating in certain activities, thus offering an experience akin to a family setting. With the introduction of pricing guidelines and capping, Safe Places is responsible for self-funding our employees to engage in activities with the young people. This is not financially sustainable in the long-term.

Safe Places is facing challenges in aligning with DCJ's concerning budget allocations for special occasions. For instance, DCJ has set a budget limit of \$100 for both a birthday party and a gift for a young person, a figure that is neither realistic nor sufficient. This constraint makes it extremely difficult to provide a proper celebration and a meaningful present within the same budget. This situation typifies Safe Places' efforts to bridge the gap between idealistic budgeting and realistic expectations, ensuring positive experiences for young people. While recognising the necessity of these budgetary guidelines, Safe Places advocates for more practical standards that better reflect community standards and expectations.

Cost increases that have had the most impact

Wages represent the largest expense for any organisation, and as minimum wages increase, so too does overall remuneration and entitlements. This escalating cost is a critical factor that must be accounted for and passed on in future placement budgets.

Household budgets have not been adjusted to reflect the rising costs of living. A standardised budget has been issued for all young people, covering expenses such as groceries, which fails to take into account individual needs. For instance, a 125kg 13-year-old male will naturally require more food than a 55kg 13-year-old female. Safe Places has observed that DCJ standardised costings do not accurately reflect the unique needs of young people. Given these discrepancies, we advocate for the flexibility to negotiate budgets on a case-by-case basis as the department adopts a one-size-fits-all approach. This adjustment will enable service providers to craft a more tailored and appropriate response for each young person.

Recruitment expenses are rising due to the high turnover rates prevalent in our sector. Continuous investment in recruitment, training, and onboarding processes is necessary as we face a persistent staff shortage and turnover rates that exceed industry norms.

Stand downs and investigations represent a significant hidden cost due to the varying nature, duration, and timelines of these processes. These expenses are not typically accounted for in our budgets, yet the agency is expected to absorb these costs. For instance, over the past 12 months, the costs for Sydney and Central Coast amounted to \$98,000.

Over the years, there has been a significant increase in workers' compensation claims, contributing to the rising costs associated with workers' compensation premiums. Additionally, the increase in psychological claims is associated with legislative changes regarding psychosocial hazards.

The need for separate approvals to access additional funding outside of standardised costing and the associated invoicing process have resulted in approximately \$45,000 in staff hours, costs which we have endeavored to absorb. However, these expenses are expected to rise with the addition of more placements.

The most important change we'd like to see come out of the review

There is a need for timely and predictable funding that prioritises the needs of young people over cost considerations. Recently, there has been an increase in administrative costs due to the requirement for separate approvals and invoicing for minor items such as clothing, medication, birthdays, and pocket money. Despite their relatively low cost, these items, which are standard for any young person, continue to be a focal point. Ideally, funding should support the focus on the needs of young people and the provision of therapeutic care, treating minor items as integral to the normal life of any young person. This could be achieved if funding is standardised and categorised into high, medium, and low young person need tiers, with minor items automatically included based on average expenditures.

How the Permanency Support Program (PSP) has impacted the way out-of-home care services are delivered by Safe Places

Safe Places is not directly affected by the Permanency Support Program as our primary focus is on providing IPA/STEP placements for young people who are case managed by DCJ. However, we are indirectly impacted due to the PSP packages, as we frequently find ourselves advocating for young people to gain full access to their case plans and packages. Often, only the bare minimum is allocated to them, necessitating our advocacy for more comprehensive support. Additionally, we often do not receive full access to the case plans and packages for young people, leaving us unaware of the resources allocated to them. If Safe Places were provided with more detailed information about what young people are eligible for and have access to, our organisation could ensure that all young people have the opportunity to access everything they are entitled to in a timely manner and are properly advocated for. We frequently find ourselves advocating for the inclusion of additional items in their case plans, such as family contact, laptops, phones, and tutoring services, etc.

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?

The package-based approach currently employed does not directly impact Safe Places. While this approach effectively categorises the needs of young people into four distinct domains and simplifies

the delivery of funding, it falls short when the allocated funds do not meet the actual needs of the young people. Consequently, our role often involves advocating for increased funding and resources that are essential for the young people we support. Providing daily care to these young people, we are directly privy to their needs and voices, yet our advocacy sometimes faces reluctance, which can be both problematic and disappointing.

For instance, inconsistencies in funding decisions, such as the allocation of \$100 for a birthday budget—insufficient in today's economic environment compared to another district's \$500 allocation—highlight the lack of uniformity and adequacy in meeting young people's needs. Similarly, leaving care plans often do not adequately prepare young people for independence, with minimal funding for essentials like transportation and furniture, potentially leaving them disadvantaged as they transition out of care. Furthermore, cultural support often lacks sufficient funding, missing the timely provision of mentors and experiences crucial for connecting young people with their heritage.

On a weekly basis, our staff request additional funds from DCJ or external case managing agencies to cover expenses related to therapeutic activities, clothing updates, and general expenses for our young people. Although this process can sometimes be straightforward, it heavily depends on the timeliness of the provider's approval, which can delay access to necessary financial resources.

At Safe Places, we often find ourselves covering costs internally to ensure that the young people receive the quality of care they require. Some examples include:

- Sensory activities such as visiting swimming pools after school, PCYC activities, mentoring programs
- Sensory items for the house
- Additional incentives or rewards for accommodating sudden changes in schedules or attending appointments
- Family contact activities such as meals during visits to facilitate natural interactions
- Activities within the home such as arts, crafts, Bluetooth speakers (music), gaming consoles
- Additional necessary clothing
- Unplanned GP/medical appointments
- Gifts for family occasions such as Christmas, birthdays, weddings, etc.

Ultimately, Safe Places is committed to advocating for and securing the resources necessary to provide a supportive and enriching environment for the young people in our care, even when faced with funding challenges.

How effective is the structure of the PSP and funding for current PSP packages in enabling Safe Places to support the cultural, family and community connections for Aboriginal children and young people?

For Aboriginal families to truly establish meaningful connections, they need opportunities to spend time together. Presently, a significant portion of funds is directed towards staffing costs, accommodation, and living expenses in placement. Best practices indicate that time spent with family is invaluable and strengthens the bonds for Aboriginal children who have been removed from country and funding the ability for family to spend time together to create meaningful connections is not sufficient.

Safe Places frequently seeks additional funding to support young people in engaging with cultural activities, Aboriginal mentoring programs, and covering travel expenses to visit country. There is a clear need for further investment to allow Aboriginal young people to interact with individuals possessing extensive cultural knowledge. To effectively support cultural, family, and community connections for Aboriginal young people, organisations require dedicated funding specifically allocated to resource these activities.

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?

The PSP covers ITCH and ITC-SD and HBC. It does not cover STEP and IPA models of care.

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)?

The current PSP package has impacted the care provided to young people with a CALD background or disability, as it now necessitates reliance on DCJ or other case managing agencies to access ongoing funds for items related to these young people. While the quality of care has remained consistent, the process has introduced significant administrative challenges. A primary issue is that many young people lack specific cultural planning or allocated funding, leading to unnecessary delays.

The need for separate approvals to access this additional funding and the associated invoicing process have resulted in significant increase in staff hours, costs which we have endeavored to absorb. However, these expenses are expected to rise with the addition of more placements.

Key changes we would like to see made to the out-of-home care funding model

Prior to this year, Safe Places operated on a pricing philosophy that involved calculating the average cost of providing a service and setting that as the standard charge. This approach ensured a predictable pricing structure, where additional funding was only sought under extraordinary circumstances. When a surplus was generated from a particular placement, it was used to offset higher costs in other placements, reducing administrative expenses for both our organisation and the departments we collaborate with. However, under new guidelines issued by DCJ this year, we are required to quote only the minimum service level, and any additional costs must be approved and invoiced separately. This change has led to an increase in our staff costs by approximately \$45,000 per annum, attributable to the additional efforts in obtaining approvals, processing invoices, and reconciling payments. While we have managed to absorb these increased costs so far, they are expected to escalate as we care for more young people.

Delays in funding, often extending between four to six months from the commencement of a placement, have historically placed significant cash flow pressures on our operations, as we incur costs while awaiting funds. The departments indicate that these delays are due to the time taken to issue Purchase Orders despite initial pricing approvals. Our Accounts Receivables team faces additional administrative burdens in following up with departments and managing outstanding debts.

Our experience with the STEP fixed funding model over the past two years has necessitated absorbing cost of living increases, as the allocated funding has proven insufficient for covering the cost of care. This shortfall places undue pressure on other areas of the organisation. An optimal solution would be to incorporate an indexation clause in the funding agreement, enabling adjustments every 12 months to reflect cost of living changes.

Does our location impact the cost of delivering out-of-home care? If so, what costs are impacted by location?

Within our Sydney location, the cost of operations is significantly influenced by the region's high cost of living. To accommodate this, all our staff employed in the Sydney area receive a 3% allowance

over and above their base salary as per our national Enterprise Agreement to offset the elevated living expenses opposed to other states of Australia. Sydney is noted for its costly living conditions and a high demand for youth care services, which compounds the operational costs. In contrast, costs in the Central Coast region are more stable, though they too are experiencing rises due to the cost of living crisis. Our expenses in these locations include property costs (rent), staffing, utilities, maintenance and repairs (including trades and emergency loadings), transportation (fuel, vehicle costs, public transport), and groceries.

The 3% Sydney allowance, which is in addition to the minimum wage, is a deliberate strategy by Safe Places to ensure that wages remain competitive and reflective of the economic conditions. Moreover, employees in the Sydney area frequently use toll roads, with some incurring a minimum of \$250 per week on tolls alone. This additional expense is a significant consideration in our overall compensation strategy.

Additional considerations

There is a trend towards commoditisation of care within this sector, paralleling developments seen in the National Disability Insurance Scheme (NDIS). This approach warrants caution due to the associated risks, including potential abuses of the system, as observed in the NDIS and Registered Training Organisations (RTOs). Moreover, the entry of numerous smaller services into the market may lead to increased overall sectoral overhead costs, such as executive salaries, insurance premiums, and compliance expenses per organisation. This, in turn, could result in reduced financial resources available for the direct care of young people. It is critical to carefully consider these implications to maintain the focus on quality care provision.