



Interim Report – overview for non-government providers

10 September 2024

This paper provides an overview for non-government providers^a of our Interim Report on out-of-home care (OOHC) costs and pricing. It discusses some of our preliminary findings at this stage of our review. Our full analysis can be found in our Interim Report.



Thank you to all providers that have contributed to the review so far.

Your input is valuable to us and we look forward to continuing to hear from you throughout the review.

1 What the Interim Report covers

The Interim Report sets out our preliminary analysis and findings for some of the key issues within the OOHC system, including:

- how the current pricing structure (Permanency Support Program (PSP) package model) and the level of funding of the packages impacts the delivery of care for children and young people
- identifying differences in the costs of care delivered by the Department of Communities and Justice (DCJ) and non-government providers and what is driving them.
- the tasks and relative costs of the casework and court work undertaken by DCJ and non-government providers
- the issues faced by carers including the adequacy of the care allowance, carer supports in place and the impact caring has on the careers and finances of some carers.

^a We use the term non-government providers to refer to not-for-profit organisations delivering out-of-home care in NSW, typically through the Permanency Support Program (PSP), and it includes ACCOs unless otherwise noted.

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present. We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

The Interim Report does not address all of the matters in our Terms of Reference for the review. For example, the Terms of Reference ask us to identify the *efficient costs* of care that is delivered by DCJ and by non-government providers, and to set benchmark costs. As the review progresses, we will undertake additional analysis in order to do this. Our review will run until May 2025, and we will publish a comprehensive Draft Report early next year.

2 Key findings

The sections below discuss some of the key findings from our analysis and themes we have heard from stakeholders so far. We are still in the process of collecting and analysing information. While we have made some preliminary findings, we will consider these further as the review progresses.

2.1 What isn't working with the pricing structure for quality out-of-home care

Pricing needs to be structured and set at a level which enables the provision of OOHC in line with the [NSW Child Safe Standards for Permanent Care](#) and the Aboriginal and Torres Strait Islander principles set out in the [Children and Young Persons \(Care and Protection\) Act 1998](#) (Care and Protection Act). Based on what we have heard, we consider that there are several areas where the current arrangements under the PSP are impacting the delivery of care.

We have heard in submissions and consultation with providers about various packages and aspects of the system which are inefficient and potentially creating perverse incentives. These include:

- A lack of clarity about package inclusions and what additional services non-government providers can request top-up funding for.
- Challenges with achieving permanency within 2 years especially where circumstances such as court proceedings are outside the provider's control. This has implications for how funding for the different case plan goals is structured.
- An increase in administrative burden, without visibility of services delivered or outcomes achieved.
- Packages not meeting the needs of children through inaccurate Child Assessment Tool (CAT) categorisation, and lengthy processes for reassessment.
- Difficulties with maintaining capacity to accept placements.



Further analysis of these issues can be found in section 4.4 of our Interim Report.

2.1.1 Areas where the current funding level may not be adequate

As part of our review, we are required to recommend pricing levels for efficient delivery of quality services by contracted providers. We will do this in our Draft Report, once we have established benchmark costs for the different types of placements.

Based on feedback from stakeholders and our own analysis, we have identified several areas where the current funding level may not be adequate. These include:

- The care allowance needs to be reviewed to ensure that it meets the costs of caring for a child or young person.
- Funding for the transition of Aboriginal children and young people is not cost reflective. Further the funding provided as part of the Aboriginal culture plan package does not meet the needs and rights of Aboriginal children and young people (discussed further below).
- Children not in placement and the additional support and intensive case management that is often required to ensure their safety and wellbeing.
- The impact of location on costs such as transport and access to services.

In developing benchmark costs we will consider variations in the costs of delivery for different groups in the community and differences in level of need, case complexity and casework requirements. These groups include children with disability and children from culturally and linguistically diverse (CALD) backgrounds.



Further analysis of these issues can be found in section 4.5 of our Interim Report.

2.1.2 Funding levels do not meet the needs and rights of Aboriginal children


We have heard from Aboriginal community-controlled organisations (ACCOS) and other non-government providers that the PSP is not well set up to enable them to provide culturally appropriate care to Aboriginal children.¹ We have been able to draw some early conclusions, but plan to investigate this further in our Draft Report.

Using data we have received from ACCOS and other non-government providers, we will investigate and make recommendations to reflect the costs of providing care to meet the needs of Aboriginal children and young people.

2.1.3 Funding for the transition of Aboriginal children is not cost reflective

The Aboriginal Transition Support Payment is intended to support both new and established ACCOS, but there is no transparency around how the payment was costed or what services it is supposed to cover.² The payment is the same regardless of the size and capacity of the ACCO or the number of children transferred into their care.

The policy relies on collaboration and communication between DCJ, non-government providers (non-ACCO) and ACCOs to work with children, carers and families to transition them to the care of an ACCO. However, we have heard that delays and issues which have arisen from the lack of clear business guidance or regulation of the transition have resulted in some ACCOs carrying significant financial risk as they 'scale up' to support placements.³

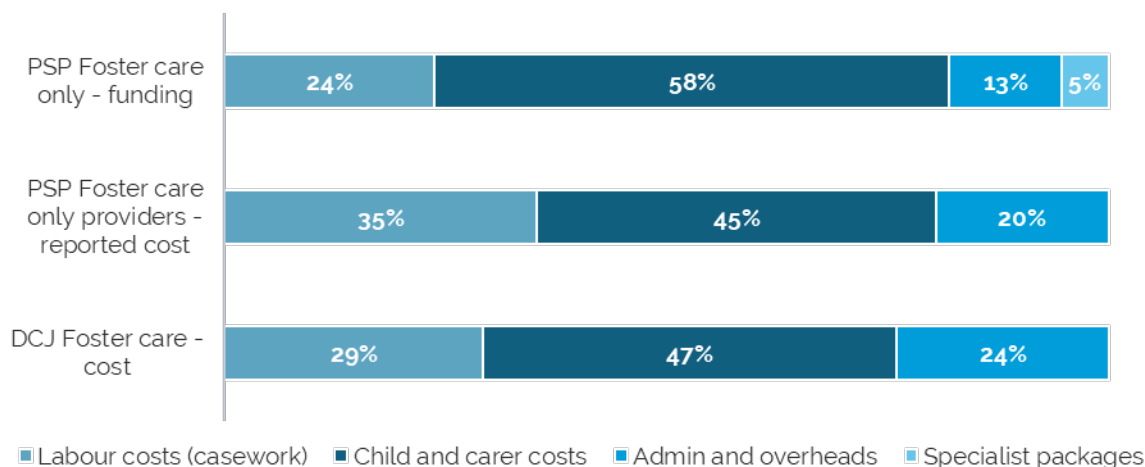
 Further information on the funding for the needs and rights of Aboriginal children and young people can be found in section 4.5 of our Interim Report.

2.2 The pattern of actual expenditure is different from allocated funding

As part of our initial analysis, we have compared the average funding amount of a foster care placement against the actual average cost of a foster care placement. We calculated the average funding amount of a foster care placement using PSP pricing assumptions and the actual average cost using non-government providers' (foster care only) income and expenditure reports acquitted to DCJ (note that specialist packages are not separately identified in these reports and would be embedded within casework or child-related costs) (Figure 2.1).

This information shows that non-government providers spend a greater proportion of the funding they receive on labour costs (including casework) and administrative costs and less on child related expenses than initially anticipated in the current PSP funding model.

Figure 2.1 Average proportion of costs spent on foster care per child per financial year, \$2022-23



Note: Specialist packages cannot be separately identified in the PSP foster care only providers reported cost as they are embedded within labour and child and carer costs.
 Source: IPART analysis of data provided by NSW Department of Communities and Justice and non-government providers.

2.3 Comparing the cost of government and non-government delivered care

Our preliminary analysis on foster care placements (where both DCJ and non-government providers are involved in delivery) suggests that the cost of non-government delivered care is higher than the cost of government delivered care, but that caution is required when comparing the two types of care as the services that are delivered may not be the same.^b

The average foster care placement delivered by non-government providers is around \$73,000 per child per year which is higher than DCJ's average cost of \$60,000. Comparing direct service delivery costs of foster care to DCJ, non-government providers cost about \$13,000 more.

We consider the main driver of the cost variation between DCJ and non-government providers is the difference in average caseloads (see section 2.3.1). DCJ caseworkers currently have an average caseload that is almost twice as high as the average reported by non-government providers. More analysis needs to be done to understand the reasons for these differences. There are a number of factors that need to be considered including the mix of children in care, the administrative costs for caseworkers under the current PSP model, the sustainability of different caseloads and a consideration of the quality of care provided. We will undertake further analysis on this and consider a wider range of data as our review progresses.



Comparison of costs between non-government providers and DCJ need to be interpreted with caution

It is difficult to say with certainty that the PSP actual spend on foster care placements is a like-for-like comparison with DCJ. This is because of the type of foster care provided by non-government providers, as well as the classification and granularity of costs in their financial accounts.



Further analysis on the comparison of costs for foster care can be found in Chapter 5 of our Interim Report.

2.3.1 DCJ caseloads are almost twice as high as caseloads for non-government providers

Caseloads vary significantly between non-government providers. The average DCJ caseworker is responsible for 17 children in OOHG whereas across non-government providers caseworkers are responsible for 9 children on average. Casework managers working for a non-government provider tend to supervise less caseworkers compared to casework managers at DCJ.

^b We have focused on foster care to compare equivalent services between government and non-government providers, as DCJ does not deliver residential care placements.

There are many possible reasons that caseloads may differ including differences in the needs of children. It is not easy to compare the needs of children placed with non-government providers with those of DCJ but our preliminary analysis suggests that non-government providers have a higher proportion of children with higher needs. Other reasons include differences in salaries and other employment costs, team structure, the administrative tasks required of non-government provider caseworkers and the potential for duplication of tasks with DCJ.

Our preliminary analysis of a range of possible reasons for the differences in casework costs reported by DCJ and non-government providers is set out in the Interim Report. We will look into this issue further in our Draft Report.



Further analysis on casework costs can be found in Chapter 6 of our Interim Report.

2.3.2 Administrative costs for DCJ and non-government providers are similar on a per child basis

We have used DCJ financial data and non-government providers' income and expenditure reports acquitted to DCJ to analyse administrative costs. Our preliminary findings have shown that:

- Of the \$5,000 DCJ spends per child per year on outsourced OOH, around \$3,100 is for contract administration and around \$1,900 is for direct service delivery, which includes secondary casework undertaken by DCJ. We will consider the efficiency of this cost and whether there are changes that could be made to reduce it further during our review.
- The administrative costs of delivering foster care by large non-government providers is slightly higher than DCJ's administrative costs on a cost per child per year basis. Across similar sized non-government foster care providers, administrative costs do not differ materially by location of ACCO status.



Further analysis on administrative costs can be found in Chapter 7 of our Interim Report.

2.4 The care allowance

Carers and providers have expressed that they consider the care allowance insufficient to meet the needs of children in their care. We have heard that the care allowance covers little more than the 'basics', such as groceries or accommodation. This has been impacted further by recent increases to the cost of living and significant rises to housing costs.

The standard care allowance was originally set based on a 2002 study. Although it has been increased in line with CPI, the relative cost components and types of costs it is required to cover are likely to have changed over the past 20 years. As community standards and expectations have changed, it is likely that the allowance has become out of step with the costs of caring for a child today.

We have found that the reimbursement of additional expenses through contingency payments is of concern to carers. Stakeholder feedback indicates that it is inconsistent across providers and difficult for carers to navigate. Stakeholders noted that it may involve the need to follow up multiple times with providers and lengthy delays in being reimbursed. Some carers told us that they have had requests rejected and are significantly out of pocket as a result. It is not clear to carers what costs carers will be compensated for through the care allowance and contingency payments.

We have also heard from carers with children who have higher needs. We will also look into the issues they raise further as our review progresses.

Between now and our Draft Report, we will:

- undertake a cost of caring study to help inform our recommendations about the care allowance
- review current contingency payment guidelines and reimbursement processes
- hold workshops with carers to discuss the costs of caring and how carers can be better supported to continue caring.



Further analysis on the care allowance can be found in Chapter 8 of our Interim Report.

3 Next steps

We have received some very valuable information from stakeholders who provide care for children and young people living in OOHC which has helped us in our early analysis. We are keen to keep engaging with you and hear your feedback on the questions and preliminary findings in this report.

Have your say

Your input is critical to our review process. You can give feedback by:

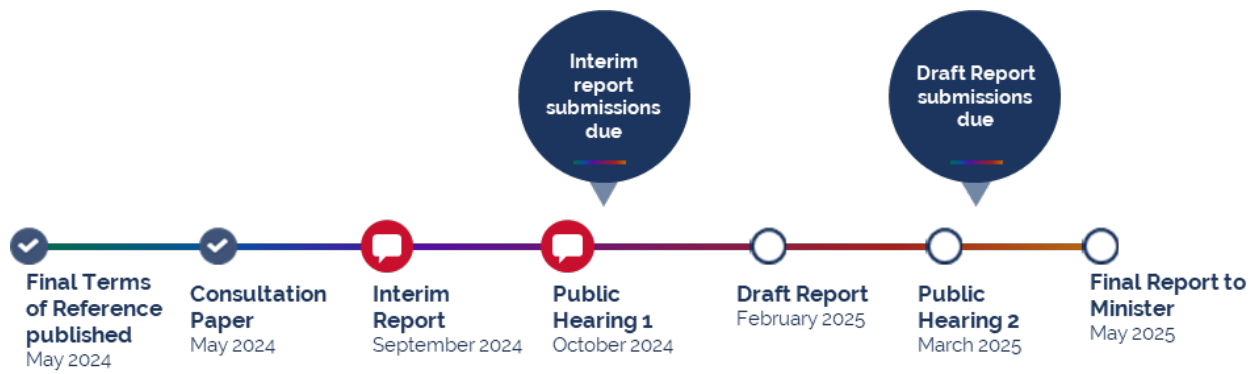
[Submit feedback »](#)

[Attend the public hearing »](#)

Making a written submission through IPART's website by
29 October 2024

Attending an online public hearing on **22 October 2024**.

We will publish a Draft Report in February 2025, which will cover the remaining parts of our Terms of Reference and progress the issues considered in the Interim Report in response to feedback we receive. The Draft Report will set out all Draft Findings and Draft Recommendations for feedback. Our Final Report is to be submitted to the Minister for Families and Communities in May 2025.



¹ [AbSec submission to IPART Consultation Paper](#), July 2024, pp 10-11; and supported by IPART led workshop at the AbSec sector forum in Tamworth, May 2024.

² [AbSec submission to IPART Consultation Paper](#), July 2024, p 4.

³ [AbSec submission to IPART Consultation Paper](#), July 2024, p 4.