



## CCC briefing Paper on Out-of-Home Care

### ***Introduction:***

There is a long history of attempts to reform the out-of-home care system in New South Wales. The split system of Community Services and NGO service delivery has not delivered the best outcomes for children and young people. Poor relationships between the Department and NGOs, poor contract management, a lack of focus on outcomes for children, conflicts of interest for the Department, and lack of transparency around funding have all contributed to current problems, along with the rising numbers of children coming in to the care system.

There are the foundations however for building a new system that is well planned rather than crisis driven, properly resourced to promote quality care, and child-centred to ensure that children lead better lives as a result of coming in to care. The Wood Report has provided the basis for grounding this new system in care delivered through NGOs and its recommendations have received bipartisan support. The commitments made to implementing Justice Wood's recommendations need to be acted on immediately to ensure that existing issues in out-of-home care are not allowed to drag on and affect the lives of another generation of children.

The Coalition for Children in Care has developed a Transition Plan that clearly sets out the basis on which a single NGO service delivery system can be achieved over the next five years. The full Transition Plan is attached.

**The NSW Government needs to endorse the principles contained within the CCC Transition Plan and work with the NGO sector to achieve its goals. The sector offers its support and collaboration to make transition work.**

### ***The current state of play:***

Over the past two years since the Wood Report was released, Community Services has worked on a number of projects related to transferring more children and case management responsibility to NGOs. Most of these have been run through consultancies and include:

#### **1. The Boston Consulting Group Report on funding issues.**

Commissioned jointly by the Department of Premier and Cabinet, Community Services and Treasury, the report gives a misleading picture of the true costs of foster care. It indicates that NGO costs are considerably higher than the costs within Community Services. However this picture is not based on the casework that actually occurs but on a hypothetical allocation of resources and ignores cost shifting within the Department.

The BCG report does make some sensible recommendations about the need to focus on restoration work and intensive family services. However, its projection about future increases in the number of children coming in to care – the scare element in the report – has already proven to be wildly overestimated.

While the former Minister and the Department have recently sought to distance themselves from this report it has still provided the basis for much of the work being undertaken - around unit costing and contracting in particular.

## ***2. KPMG Contracting Review***

An NGO consultative group was included in the attempt by KPMG to review existing contracting arrangements with a view to developing an improved and simplified funding contract. NGOs that participated in this consultation felt that their concerns were not taken on board, and the Coalition for Children in Care developed two documents – a set of **Contracting Principles (attachment 2)** and a submission to KPMG outlining the sector's concerns. The final KPMG Report failed to take most of the NGO comments into account, and it is our understanding that the report has been shelved. The NGO sector did not endorse the service agreement developed by KPMG (which was only sighted after the committee had been disbanded).

NGOs are concerned that Community Services has consistently proved to be incapable of developing appropriate and fair contracting arrangements and believes that a specialist DHS wide contracting system should be developed.

**We would ask the Minister to endorse the Contracting Principles developed by the CCC as a basis for progressing any future work on NGO contracts.**

## ***3. Ernst & Young caseload benchmarking work***

NGOs involved in the advisory committee for this piece of work felt that on the whole the methodology was sound (the exception perhaps being the method used to measure the uplift needed to meet accreditation) and that for the first time a more realistic picture emerged of the casework actually undertaken by Community Services caseworkers. This project did not look at caseloads or costs in NGO services. However, the Coalition for Children in Care has been working on the costs of both foster care and residential care as a basis for comparison.

A more collaborative approach to sharing information about costs and caseloads, and what they mean – this is a very complex area – has seen a better understanding develop between Community Services and NGOs about the cost drivers in out-of-home care and why some of the differences in costs occur. This work is ongoing and is critical to the development of new contracting arrangements based on the real costs of care. It has also highlighted the need for a better understanding of the different levels of need, and improved assessment of levels of need, as this impacts dramatically on unit costs.

#### **4. Transition Planning**

Coalition members have heard on the grapevines that Community Services has been working on a transition plan, but the sector has not been involved in this. Labor Party policy also refers to a Community Services Transition Plan. We assume therefore that this plan is based on Community Services' intention to remain a service provider, at least via case management responsibility, for 30% of the children in care. The retention of case management by Community Services where children are placed with an NGO that is also necessarily providing case management is one of the current problems within out-of-home care, affecting both timely decision-making for children and young people, and the costs incurred through duplication.

The CCC Transition Plan not only outlines the principles that should underpin transition, but outlines in detail the most manageable and efficient way to transfer children to NGOs by firstly concentrating on new children entering care, under ones, and building on that each year. It is a plan that allows a renewed focus on restoration and adoption, and therefore on stabilising the numbers of children in care. Above all it is practical and doable, as babies and younger children are easier to place.

**The Coalition for Children in Care believes that case management must sit as close to the child as possible. If a child is placed with an NGO, then the NGO should have case management responsibility for that child.**

**Transition should begin with the youngest children entering care for the first time.**

In the meantime, contract negotiations have been caught up in the hiatus. If transition is to occur, and to begin to occur this year, then contracting is one of the first issues that must be sorted out. Currently we have a situation where NGOs are locked in to the position they were left in in 2009 when new contract negotiations following an extended EOI process were suspended. NGOS may:

1. Have geared up for contracts that were initially successful but not proceeded with.
2. Have successfully negotiated new contracts before the suspension, and these are rolling over. Some contracts that are rolling over have not addressed new circumstances.
3. Be on old contracts that are being renewed annually but on old terms and conditions.

There is a huge level of uncertainty and anxiety that needs to be overcome. NGOs can only prepare for transition and taking on increased numbers of children and young people if they know that contracts will be fair and reasonable and that the full costs of care and program costs will be covered. Some services risk losing staff and carers if they cannot proceed with planned services. Contracts for NGO out-of-home care services (excluding peaks funding) were worth around \$193m in 2009/10(DHS Addendum to the 2009/10 Annual Report) and covered 2907 children and young people placed with NGOs (data from Community Services via request). The Coalition for Children in Care has undertaken a survey of some of its members with a view to better understanding the range of contracting issues being experienced by different agencies. The results are outlined below.

## Contracting Issues from Survey returns of 18 CCC members

### 1. Old Contracts.

Many agencies had contract negotiations suspended in 2009 pending outcomes of the Boston Consulting Group Report. These agencies are still on old contracts that are being rolled over on existing terms and conditions. These do not address the current environment and create uncertainty about forward planning. Agencies are experiencing severe pressure as a result of inadequate funding, and the failure of Community Services to understand that funding under old contracts does not cover the full range of supports that many children and young people need.

There are also viability issues for small stand alone services (e.g. 4 bed res care), especially when they are in isolated regions without support from other services.

For some of these agencies, Community Services has retained case management responsibility for children and young people. This means agencies have no control over the level of carer payment or ability to adapt in order to retain carers. It also means that these agencies have no service specifications against which they report (although they do submit data).

One agency reported that because it is on an old contract it does not appear on the central referral database and has not received one referral via this pathway. Despite attempts to resolve this issue, and to outline its excess capacity to Community Services, trained carers are moving across to CS or leaving because the agency has no children to place with them.

### 2. Contracts not proceeded with

Following an extensive and demanding EOI process, a number of agencies were granted contracts which were then not proceeded with in 2009. These agencies had begun the process of gearing up for service delivery, including staffing and carer recruitment, but have now been waiting for over 18 months. Much of their infrastructure will now be lost as this situation is not sustainable.

Some agencies in this situation are being pressured to take on more children and young people under existing contracts that cannot meet the demand. On a regional basis it also means that there are gaps in service delivery where new services were planned but have not been able to be delivered to meet a particular need.

### 3. Foster Care

Issues identified by foster care agencies were:

- **Blockages in the foster care system.** Agencies have recruited carers – often with adjustments to suit Community Services’ suggested needs – but do not receive referrals. When referrals are made, the needs of the children are often quite different to those that have been planned for. In some regions the opposite situation is occurring – high numbers of referrals above the capacity of an agency’s capacity to respond. This reflects poor planning by Community Services and failure to implement new contracts.

- **Competition for carers** – Community Services have continued to recruit carers. Their recent campaign, as far as we can tell, resulted in no new carers for NGOs but some for Community Services. This is in contradiction to the Wood recommendation that CS cease carer recruitment to facilitate transfer to NGOs.
- **Contact.** Some agencies are experiencing significant costs in relation to contact visits above the level allowed for in the funding formula.
- **Case management.** Where case management has been retained by Community Services (mostly old contracts), agencies have no control over carer payments, and have less flexibility in meeting the needs of carers to maintain stable placements.
- **Program fit.** Some project costs do not fit within standard definitions of out-of-home care – including things like carer support programs, and Aboriginal cultural programs. However these programs are seen as essential to supporting the out-of-home care functions of the agency. Community Services has in recent times narrowed its focus to the point where successful programs may be jeopardised if the appropriate supports are not also funded.

#### 4. Residential Care

The following issues have been identified by residential care agencies:

- **Poor assessment and referral processes.** Poor assessment means that referrals don't match the case mix of the contract. Of particular concern is the number of "High Needs Kids" referred to services for medium/high need. This can result in increased costs for agencies (property damage, extra staff, active overnight shifts and extra program supports).
- **Funding.** Funding is based on unit costs that don't adequately allow for ongoing program and infrastructure costs even when the service isn't full. Agencies often have to fill the gap through fundraising which means some will be unsustainable. Contingencies are also increasing and there needs to be more flexibility around these costs. Implementation of the Modern Award will exacerbate the underfunding issue as staff costs will increase. Funding needs to be linked also to the model of care.
- **Planning.** Agencies on old contracts are uncertain about forward planning. Some have capacity to grow that is being put on hold pending new contract negotiations. Out of area referrals and short notice of emergency placements increase pressure on agencies.

#### 5. High Needs Kids

There is a separate stream of funding called the High Needs Kids Program (around \$29m). One agency operating under this funding has been moved from a 3 year contract to a 12 month renewable agreement that means less security of ongoing funding for high needs care, arguably covering the children most in need of stability and continuity of placement and care provider.

#### 6. Supported Family group Homes

Supported Family Group Homes are run by several agencies to cater for the needs of large sibling groups (up to 5 children and young people) where the needs are considered to be low to moderate.

The service provider provides a home, vehicle and generous carer allowance. Where high needs siblings groups are referred, it is difficult for this model to operate successfully unless contract arrangements can take these needs in to account.

### **7. Supported Independent Living Program (SILP)**

One agency running a supported living program for 16-18 year olds is struggling with the lack of referrals. When the program is running at only half capacity, there is significant clawback of funding by Community Services, which then places strain on infrastructure costs and forward planning and capacity.

### **8. ICAs**

Individual Child Agreements are the basis on which many emergency placements are made. It is arguably the least transparent aspect of OOHC, and at times the most expensive. While there will always be a need for some flexible funding in OOHC, ICAs appear to have been increasing rather than decreasing, despite repeated attempts to address this issue.

### **9. After Care**

Leaving care and after care support is not properly funded. It is difficult for agencies to continue support young people up to the age of 25, although most regard this as their responsibility (as indeed it is under the Act). This is compounded by a lack of affordable and suitable housing options for young people leaving care (all of this particularly relevant where there are diagnosis/disability matters.)

After Care support was not considered in the development of the CS Costings Manual on which most funding contracts are based.

### **10. Acquittals**

The acquittal process appears to be inconsistent. Where some agencies have a capacity to report on multiple programs under one agreement, and to offset programs against each other, other agencies have to acquit separately for each program.