FINAL REPORT

Projected Downstream Savings to Governments: Foster Care Integrated Model

Author: Dr Marilyn McHugh
Research Fellow
Social Policy Research Centre
University of New South Wales

December 2013
1 Introduction .................................................................................................................6
1.1 A new therapeutic foster care program .................................................................6
1.2 Outcomes for children in care and care leavers ......................................................7
1.3 Outline of the paper ...............................................................................................7
1.4 Caveats in estimating savings to governments ......................................................8

2 The potential life-time savings to government, State and Federal, through reduced downstream expenditures ..........................................................9
2.1 Estimating costs of abuse & neglect in Australia ....................................................9
2.2 International studies of cost of child abuse and neglect ........................................11
2.3 Therapeutic and specialist OOHC programs .........................................................11
2.4 Estimated costs/benefits findings from international OOHC studies .....................16
2.5 Professionalising foster care ..................................................................................18
2.6 Value of early intervention ....................................................................................19

3 Health system costs ..................................................................................................21
3.1 National Survey of Mental Health and Wellbeing .................................................21
3.2 Addressing mental health problems for maltreated children ................................22
3.3 Unaddressed childhood trauma and adult morbidity .............................................22
3.4 Non-psychiatric health needs of children in care ..................................................23

4 Education and Labour Market Activity (Productivity) .............................................26
4.1 International studies on education and productivity outcomes for children in care and care leavers .................................................................26
4.2 Australian research on educational attainment and labour market outcomes for children in OOHC ...............................................................................27
4.3 Individual Education Plans ..................................................................................30
4.4 Education Funding Sources in Australia ..............................................................31
4.5 Government Responsibility for Costs of Education and Training .........................32
4.6 Training and employment .....................................................................................32
4.7 Linking education, employment and productivity ................................................32
4.8 Training for unemployed youth ............................................................................33

5 Juvenile Justice System Costs and Homelessness .....................................................36
5.1 Australian youth in OOHC and offending .............................................................36
5.2 International studies on youth offending ...............................................................37
5.3 Cost of OOHC youth involvement with juvenile justice/prison .............................38
5.4 Associated state-based program for juvenile offending ........................................40
5.5 Combined state/Federal program costs for drug courts .......................................40
5.6 Estimated costs of homelessness linked to children leaving OOHC .....................43
5.7 Supported Accommodation Assistance Program and Homelessness .....................44

6 Deadweight losses associated with welfare payments .............................................44
6.1 Deadweight losses associated with care leavers ...................................................45

7 Child Wellbeing .......................................................................................................46

8 Comparative cost of the FCIM and Residential Care Services in Victoria and elsewhere. ..............................................................................47
8.1 Data on real recurrent expenditure per child in OOHC .........................................48
8.2 Unit cost data .......................................................................................................50
8.3 Situating the Berry Street model costs within current OOHC placement types .......51

9 Conclusion ..............................................................................................................53
References ....................................................................................................................55
# Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACT</td>
<td>Australian Capital Territory</td>
</tr>
<tr>
<td>AGPC</td>
<td>Australian Government Productivity Commission</td>
</tr>
<tr>
<td>AIFS</td>
<td>Australian Institute of Family Studies</td>
</tr>
<tr>
<td>AIHW</td>
<td>Australian Institute of Health and Welfare</td>
</tr>
<tr>
<td>AICAFMHA</td>
<td>Australian Infant, Child, Adolescent and Family Mental Health Association</td>
</tr>
<tr>
<td>CfCYP&amp;CG</td>
<td>Commission for Children and Young People and Child Guardian</td>
</tr>
<tr>
<td>CSO</td>
<td>Community service organisation</td>
</tr>
<tr>
<td>COAG</td>
<td>Council of Australian Governments</td>
</tr>
<tr>
<td>CCYPCG</td>
<td>Commission for Children and Young People and Child Guardian</td>
</tr>
<tr>
<td>CPCI</td>
<td>Child Protection Commission of Inquiry</td>
</tr>
<tr>
<td>DCP</td>
<td>Department for Child Protection</td>
</tr>
<tr>
<td>DCS</td>
<td>Department of Corrective Services</td>
</tr>
<tr>
<td>DfE</td>
<td>Department for Education</td>
</tr>
<tr>
<td>DWL</td>
<td>Deadweight Losses</td>
</tr>
<tr>
<td>FCIM</td>
<td>Foster Care Integrated Model</td>
</tr>
<tr>
<td>IEP</td>
<td>Individual education plans</td>
</tr>
<tr>
<td>MG</td>
<td>Maintenance Grant</td>
</tr>
<tr>
<td>OOHC</td>
<td>Out-of-Home Care</td>
</tr>
<tr>
<td>MTFC</td>
<td>Multidimensional treatment foster care</td>
</tr>
<tr>
<td>NCAS</td>
<td>National Care Advisory Service</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-government organisation</td>
</tr>
<tr>
<td>NSW</td>
<td>New South Wales</td>
</tr>
<tr>
<td>NT</td>
<td>Northern Territory</td>
</tr>
<tr>
<td>PCM</td>
<td>Professional care model</td>
</tr>
<tr>
<td>SA</td>
<td>South Australia</td>
</tr>
<tr>
<td>SAAP</td>
<td>Supported Accommodation Assistance program</td>
</tr>
<tr>
<td>SCCDSAC</td>
<td>Standing Council on Community and Disability Services Advisory Council</td>
</tr>
<tr>
<td>SPRC</td>
<td>Social Policy Research Centre</td>
</tr>
<tr>
<td>TAS</td>
<td>Tasmania</td>
</tr>
<tr>
<td>TAFE</td>
<td>Technical and Further Education</td>
</tr>
<tr>
<td>TRC</td>
<td>Therapeutic Residential Care</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>VET</td>
<td>Vocational education and training</td>
</tr>
<tr>
<td>VIC</td>
<td>Victoria</td>
</tr>
<tr>
<td>WA</td>
<td>Western Australia</td>
</tr>
</tbody>
</table>
Table 1: Lifetime Costs of Child Abuse and Neglect, (2007) ($ million) (net present value)..........................10

Table 2: Therapeutic and specialist OOHC programs costs, savings and outcomes ...15

Table 3: Cost of Alcohol–Related Abuse in NSW by area (2010 data) ...............23

Table 4: Indications of potential government costs/ savings in health for children & young people in OOHC.................................................................25

Table 5: Indications of potential government costs/savings in education for children & young people in OOHC.................................................................34

Table 6: Indications of potential government costs/savings in education for children & young people in OOHC (cont’d).................................35

Table 7: Indications of potential government costs/savings in juvenile justice for children & young people in OOHC (cont’d) .........................42

Table 8: Real Recurrent Expenditure, Residential & Non-Residential Care Services, Australian Jurisdictions, (2011-2012 dollars)..............................49

Table 9: Average cost by type of placement per annum: ACT 2012-2013 ..............50

Table 10: Average Cost by Type of Placement per Annum: Queensland 2011-2012.50

Table 11: Unit Cost per Placement Victoria (2011-12, 2013).............................51

Table 12: Unit Cost per placement New South Wales, 2013 (May) ....................51

Table 13: Estimates of Intensive/Complex Foster Care Costs by Jurisdiction and Year of Costing compared to Berry Street Model .......................52
1 Introduction

In 2013 the Social Policy Research Centre was commissioned by Berry Street, Victoria to conduct a research project on projected downstream savings to government that could result from the implementation of the *Foster Care Integrated Model* (FCIM).

The FCIM was developed in 2012 (McHugh and Pell, 2012) for Berry Street, Victoria. The report on the FCIM noted that Out-of-Home Care (OOHC) systems in all Australian jurisdictions were experiencing numerous issues affecting the provision of services to children and young people, requiring care outside the family home. These issues included:

- Difficulties in recruitment and retention of volunteer foster carers;
- More foster carers leaving the OOHC system than are being recruited;
- Increasing numbers of children and young people coming into OOHC;
- An increase in the challenging behaviours and complex needs of children and young people entering the care system;
- Children and young people spending longer periods in care, with some, found ‘difficult to place’, experiencing multiple placements; and
- The need for a more professional approach in providing foster care.

1.1 A new therapeutic foster care program:

Berry Street proposes that a new model of foster care be introduced in Australia: the FCIM. The model would provide for a more professionalised foster care system with a therapeutic/treatment approach, ensuring that foster carers receive the required support, training and payments, to provide a more professionalised service, meeting the needs of *all* children and young people being placed in OOHC. Ideally the therapeutic model is to be used for all children for the duration of their time in care. The model incorporates several components including:

- Clinical assessment;
- Therapeutic support;
- Levels of complexity;
- Carer direct and indirect costs; and
- Payment to Community Service Organisations (CSO) for operational costs.

The introduction of the FCIM will initially have substantial costs to state governments. This is supported by UK researchers, who suggest that investing in improved service delivery in OOHC increases expenditure in the short-term, but reduces costs to the state over the longer-term (Harber and Oakley 2012; Holmes, Ward and McDermid, 2012).
1.2 Outcomes for children in care and care leavers.

Many research studies have shown that maltreatment in childhood (e.g., abuse and neglect) can have strong, cumulative and inter-related economic, social and health impacts in the lives of children and young adults. Inter-related aspects include mental health issues, behaviour disorders, delinquency, substance abuse (i.e., alcohol and drugs), unintended pregnancies, reduced employment and educational achievement, homelessness and premature death (Bromfield et al., 2013; Dube et al., 2003; Taylor, et al., 2008).

While the outcomes of child abuse and neglect vary widely, with some experiencing severe consequences, others may be less significantly affected (Taylor, et al., 2008). For young people, who experience ‘severe outcomes’ (e.g., adult users of mental health services, homelessness, poverty and incarceration) research indicates that many will be unable to care for their own children, who may also be placed in OOHC.

Ensuring better outcomes for children, who have experienced time in OOHC, through the implementation of a new approach to fostering, will require a significant investment by state governments. A more professional approach to fostering will ensure placement stability and improve outcomes for children and young people. More positive outcomes, especially for adolescents/teenagers in care, would include improving school attainment, entry into training and/or employment, an absence of pregnancy, lessening the likelihood of homelessness, reducing rates of youth detention and adult incarceration, and assisting young people to meet their own goals (Queensland Child Protection Commission of Inquiry, 2013:180). Improved well-being is also an expected flow on from more positive outcomes.

Another aspect of the proposed FCIM is that a more professional and therapeutic approach, may lead to reduced time in care, by ameliorating the challenging behaviours and complex needs of some children and young people, allowing for improved family reunification with birth parents or other relatives. Improved carer capacity, through mandatory training and professional support by the care team, may also address the decline in foster carer numbers. Unless this decline is addressed, greater proportion of children with special needs may be placed in more expensive residential care options, discussed below.

1.3 Outline of the paper

Following on from the development of the FCIM, the SPRC was asked to examine the likely costs and savings to governments (state and federal) from implementing the model. The study has two components. The first component discusses:

1. The potential life-time savings to government, State and Federal, through reduced downstream expenditures. Downstream expenditures include:

   - Health system costs including long-term (downstream) costs of illness and premature death experienced by adults who were maltreated as children and placed in foster care.
   - Education system costs associated with potentially poorer educational achievement leading to additional assistance at school.
- Productivity losses due to poorer employment and earning outcomes from lower than average rates of completing year 12 by children in OOHC.
- Justice system costs including the costs of greater than average involvement in the juvenile justice system and adult justice systems of young people with OOHC experiences.
- Housing and homelessness service system costs associated with the greater than average use of these service systems by care leavers.
- Deadweight losses associated with welfare payments.

2. The second component of the study examines the comparative cost of the FCIM and current funding for Residential Care Services in Victoria (intensive and complex) and elsewhere.

The study also includes a brief overview on material in the wellbeing literature pertaining to measuring/costing the benefits of increasing wellbeing for children and young people in care, from therapeutic interventions in their lives.

1.4 Caveats in estimating savings to governments.

The following section discusses the potential life-time savings to governments - State and Federal, through reduced downstream expenditures. In attempting this exercise it is important to highlight the difficulties in estimating savings, due to the multiplicity of state and federal programs, aimed at intervening in situations where abuse and neglect of vulnerable children has occurred. The challenges, in assigning costs, benefits and therefore savings, linked to outcomes, were noted in the recent Queensland, Child Protection Commission of Inquiry (CPCI). The report stated that:

Comparisons of apparent outcomes and the relative performance of competing interventions are particularly difficult, given that goals, consequences, causal linkages, measures and methodologies all differ. Delay between an intervention and its long-term result is another hurdle for researchers when attempting to judge the results of a program or service. A further challenge for policy makers is the cross-portfolio nature of many interventions and the fragmentation of results. For instance, the contribution of mental health funding or domestic violence programs to a child’s welfare is difficult to trace and quantify. On the other hand, it might take decades before the physiological damage of early childhood trauma re-emerges.

(Queensland CPCI, 2013:9)

As discussion in the body of this paper will indicate, costs for various programs which may benefit children and young people in OOHC, and after leaving care, consist of contributions/partnerships between the states and the federal governments. For many programs it is impossible to separate out which government – state or Federal - would benefit most from downstream savings. Exacerbating the problem of estimating downstream savings is that children and young people in care are not a uniform group:

They enter care at different ages, have different pre-care backgrounds of maltreatment, spend different episodes of their life
in care, and have different experiences of care quality. They may have found their care helped them and provided a safe environment, or conversely, they may feel it further contributed to their problems (Fernandez, 2013).

The heterogeneity of children and young people, comprising the OOHC group, therefore make it difficult to be confident in estimating suggested amounts or the size of downstream savings for governments in various areas. In addition it is not possible within the time frame of the project to examine literature from every jurisdiction in Australia on various aspects related to costs. The literature used, while not exhaustive, provides a broad overview of the issues both nationally and internationally.

The final point to make in the difficulties around estimating downstream savings is that, unlike in the UK with a centralised OOHC system, there is no available data on a national or jurisdictional basis in relation to many aspects of children in care (e.g. health, educational status, etc.) and of care leavers (health, educational attainment, training employment, etc.)

In the UK national data is available on young person’s age on leaving care; accommodation status of care leavers; activities of former care leavers (i.e. education, training, employment status; justice system involvement); and access to support services (e.g. mental health services). (UK data sources see DfE, 2013; Catch22 NCAS, 2013). For Australia the Australian Institute of Health and Welfare’s Child Welfare Series, is a useful source of limited data in some areas.

2 The potential life-time savings to government, State and Federal, through reduced downstream expenditures

It is assumed that improved outcomes from a more professional foster care system will be sustained across the life course creating savings for both state and federal governments in downstream savings. The aim of this study is to analyse, where data is available, various costs and savings to governments. Before discussing possible downstream savings, it is useful to reflect on related research studies examining costs and benefits of child welfare programs more broadly. This section will first discuss the overall cost of abuse and neglect in Australia and elsewhere and then provide some examples of programs where cost/benefit analyses have been conducted.

2.1 Estimating costs of abuse & neglect in Australia.

An Australian study in 2007 provided national estimates of the cost of child abuse. Two approaches were used in costs estimation; the first estimated costs associated with children who were assessed (substantiated cases) as abused or neglected in 2007, and the second approach estimated the future cost to the community incurred over a lifetime, for children abused and neglected initially in 2007 (Taylor et al., 2008). Estimates, based on available data, were given for lower and upper bounds and a ‘best’ estimate’. The findings on the best estimates (approximately $6 billion) are shown in Table 1. The figures indicate that the total estimated costs to governments are approximately 6 billion dollars.
Table 1: Lifetime Costs of Child Abuse and Neglect, (2007) ($ million) (net present value)

<table>
<thead>
<tr>
<th>Type</th>
<th>Best Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>437</td>
</tr>
<tr>
<td>Additional educational assistance</td>
<td>428</td>
</tr>
<tr>
<td>Productivity losses</td>
<td>213</td>
</tr>
<tr>
<td>Productivity losses due to premature death</td>
<td>114</td>
</tr>
<tr>
<td>Crime</td>
<td>552</td>
</tr>
<tr>
<td>Government expenditure on care &amp; protection</td>
<td>3,000</td>
</tr>
<tr>
<td>Deadweight losses</td>
<td>1,223</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,967</strong></td>
</tr>
</tbody>
</table>

(a) Care and protection programs only apply to children known to care and protection services.

Source: Taylor et al., 2008: xxi.

Based on the methodology used by Taylor et al., (2008) researchers (Deloitte Access Economics) in 2009-2010, estimated the social and economic costs of child abuse and neglect in Victoria. The financial life-time costs of child abuse and neglect, occurring for the first time in 2009-10, were estimated to be between $1.6 billion and $1.9 billion. The majority of costs were to the Victorian Government for expenditure on child protection, OOHC, intensive family services and the Office of the Child Safety Commissioner (Cummins, Scott and Scale, 2012).

A paper from the Australian Institute of Family Studies (AIFS, 2013) examined government expenditure related to child abuse and neglect. Of interest in the AIFS’s paper was reference to a study, by Raman, Inder and Forbes (2005), examining the additional costs incurred when young people transition from OOHC to independence, without adequate support. Whilst not explicitly stated, these costs are associated with young people’s poorer outcomes when exiting placements with ongoing concerns, e.g. behaviour disorders, delinquency, ongoing mental health issues and reduced educational achievement. Raman, Inder and Forbes (2005) estimated costs associated with housing, the justice system and corrective services, police, drug and alcohol services, mental health, health, employment, and lost GST revenue for care leavers:

The total lifetime costs associated with outcomes for young people leaving care were estimated to be $738,741 (2004-05 dollars) per care leaver. Estimating that there are, on average, 450 care leavers per year in Victoria, Raman et al. determined that the total cost per year for the state government was $332.5 million (this is an annual cost, as a new cohort of young people leave care each year). The authors cautioned that this represents a conservative estimate of the direct cost to state governments of providing services to care leavers. (AIFS, 2013)

Ensuring improved outcomes for children and young people in OOHC through the utilisation of the FCIM, could result in significant post-care savings for all levels of government. This suggestion has some traction, as the UK briefing for House of Commons Report Stage of the Children and Families Bill, stated:
It is clear that if life outcomes for care leavers were comparable to those of the rest of the population there would be significant savings both for national and local Government. (Still Our Children, 2013: 5)

2.2 International studies of cost of child abuse and neglect

Similar to the Australian studies on the costs of abuse and neglect estimates have been calculated for the costs of the child protection system in England. The estimates are based on an individual child abuse and neglect case in England, including costs for child assessments, protection plans and ‘being looked after’ (i.e. OOHC). The cost per year, per child, for being looked after in either care homes or foster care was £38,896 (UK pounds, 2011) (Edovald, Bjornstad and Ellis, 2012: 33). The magnitude of the costs involved is indicated by the total number of children (n=67,050) in England being looked after, at 31 March, 2012 (Department of Education, 2013).

A US study examining the economic burden of child maltreatment in the United States (Fang et al., 2012) found the estimated average lifetime cost per child is $210,012 (2010 dollars). The estimates included:

- childhood health care costs = $32,648
- adult medical costs = $10,530
- productivity losses = $144,360
- child welfare costs = $7,728
- criminal justice costs = $6,747
- special education costs = $7,999.

The authors estimated average lifetime cost per death as $1,272,900, including $14,100 in medical costs and $1,258,800 in productivity losses. They concluded:

The total lifetime economic burden resulting from new cases of fatal and nonfatal child maltreatment in the United States in 2008 is approximately $124 billion. In sensitivity analysis, the total burden is estimated to be as large as $585 billion. (Fang et al., 2012: 156)

These studies in Australia, England and the US highlight the substantial costs to governments in addressing the issue of child abuse and neglect. The next section of this report discusses a number of studies of OOHC programs where monetary savings and/or social benefits, from specific interventions, have been evaluated/measured.

2.3 Therapeutic and specialist OOHC programs

Australia has a small number of specialist foster and residential programs to meet the multiple and complex needs of some children in OOHC. Therapeutic residential care is becoming more widely used (McLean, Price-Robertson and Robinson, 2011) with nationally 1 in 20 children in OOHC living in residential care (AIHW, 2013). These specialist programs, especially therapeutic residential care, are usually intensive, time-limited (e.g. 12-18 months) and costly and few have been evaluated. In Queensland
the costs for a therapeutic residential care placement was estimated at $337,265 per annum (Queensland CPCI) 2013:254).

An evaluation of the Victorian Therapeutic Residential Care (TRC) pilots found that: ‘Therapeutic residential care practice leads to better outcomes for children and young people than standard residential care’. Positive outcomes included the following:

- Significant improvements in placement stability;
- Significant improvements to the quality of relationships and contact with family;
- Sustained and significant improvements to the quality of contact with their residential carers overtime in the TRC pilots;
- Increased community connection;
- Significant improvements in Sense of Self;
- Increased healthy lifestyles and reduced risk taking;
- Enhanced mental and emotional health (i.e. well-being);
- Improved optimal physical health; and
- Improvement in relationship with schools is evident across multiple measures. (Verso Consulting P/L, 2013: 4, 6-8).

In noting the costs and benefits the evaluation found that:

Therapeutic residential care is more expensive than general residential care. However, in providing immediate, medium-term and long-term benefits for children and young people, for the community and service system, and for government, net benefits are gained in reduced demand for crisis services and intensive intervention services such as secure welfare, youth justice, police and the courts.

The budget allocation for the TRC pilots on a per annum basis for the extra cost (over the base funding for general residential care) was a total of $2.6 m. This allocation was made to support 40 children and young people; therefore the extra cost per child or young person was calculated as an average of $65,000 per annum. (Verso Consulting P/L (2013: 5)

In a synopsis and critique of Australian OOHC research, Bromfield and Osborn (2007), discussed two specific treatment/specialised foster care programs that had been evaluated but not costed. The findings indicated improvements in one study, in outcomes for children and adolescents, related to improved behaviour and placement stability (Gilbertson, Richardson and Barber, 2005) and in the other, improved emotional, psychological and social functioning and an ability to establish and maintain carer relationships (Szirom, McDougall and Mitchell, 2005).

---

1 Four therapeutic residential services in Queensland, implemented in 2007-08, have not been evaluated (2011) (Queensland Child Protection Commission of Inquiry, 2013).
An evaluation of the *Victorian Circle Program*, providing therapeutic support to a small number (n=182) of children in OOHC, demonstrated that the program is working effectively in supporting carers, and has led to positive outcomes for children and young people (Frederico, et al., 2012). In comparing a matched group of children in the Circle Program, with a similar number of children in generalist foster care, in relation to program costs the evaluation found:

A differential of $17,880 between Circle care and generalist care for a child under eight years with caregiver reimbursement at an Intensive (Level 2) level of complexity/risk. A comparative cost analysis against a foster care placement with a care-giver reimbursement for a ‘General’ level placement would demonstrate a greater differential of approximately $28,000, and against a Complex level placement, the differential would range from negligible to a lower cost for the Circle placement. (Frederico et al., 2012: 70)

In relation to the significant program benefits the evaluation found:

- **Greater stability of care:** The data indicated fewer unplanned exits from the program compared to matched sample of children from generalist foster care;
- **Improved short & long-term outcomes:** Carers and professionals reported improvements in children’s emotional, social, health and wellbeing;
- **Improved family relationships:** Parents engaged with the program’s processes;
- **Reunification with birth family:** More children returned home;
- **Foster carer retention:** Significantly fewer placement breakdowns than for matched generalist foster carers; and
- **Service system benefits:** Care teams worked as planned; availability of therapeutic specialist proved beneficial, as did specialist training of carers and other professionals (Frederico et al., 2012).

In Queensland, the *Evolve Therapeutic Services and Evolve Behaviour Support Services*, delivering a range of intensive mental health and disability behaviour support services for children and young people in OOHC, with severe emotional and behavioural problems, has reported successful outcomes from their program. The aim of the program is to address the needs of children and young people in care (approximately 20 per cent) with the most extreme psychological and behavioural problems. A review of the program indicated the following outcomes:

- Reductions in clinical symptoms across range of behavioural and emotional indicators of function and overall wellbeing.
- Increases in child or young person’s involvement in other activities.
- Improvement in child or young person’s family relationships.
- Improvements in carers’ knowledge and understanding of child or young person’s difficulties and relationships with carers.
- Improvements in problems with scholastic and language skills.
- Increased placement stability.
- More functional engagement in peer relationships and wider environment.
• Improvement in attendance at and participation in educational/vocational activities (Queensland, CPCI, 2013: 239).

Evaluations of the cost-effectiveness of the Evolve Therapeutic Services and Evolve Behaviour Support Services have not been conducted.

Take Two another Victorian therapeutic intervention for children, many of whom are in OOHC indicated that the therapeutic interventions were effective. Positive outcomes were achieved ‘across different areas of emotional, behaviour and trauma-related symptoms, a number of which were significant’ (Frederico, Jackson and Black, 2010: 178). In terms of cost-effectiveness, an evaluation of program costs and outcomes is not yet completed.²

Summary: An overview of a number of Australian therapeutic and specialist OOHC program costs and benefits is in Table 2. The limited data available on program evaluation makes it difficult to make meaningful comparisons on costs and savings. What the overview does indicate is that investments in therapeutic and specialist OOHC programs have significant and beneficial outcomes for the children involved.

<table>
<thead>
<tr>
<th>Programs</th>
<th>Program type</th>
<th>Evaluated</th>
<th>Cost ($)</th>
<th>Savings</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Queensland Child Protection Commission of Inquiry (QLD,CPCI) (2013)</td>
<td>Therapeutic Residential Care</td>
<td>n/a</td>
<td>337,265 per annum</td>
<td>n/a</td>
<td>Not provided</td>
</tr>
<tr>
<td>Verso Consulting P/L 2013 (Victoria)</td>
<td>Therapeutic Residential Care (TRC)</td>
<td>yes</td>
<td>Extra cost per child 65,000 per annum</td>
<td>Costs 'avoided' per person $44,243</td>
<td>TRC practice leads to better outcomes for children &amp; young people than standard residential care practice</td>
</tr>
<tr>
<td>Gilbertson, Richardson, Barber (2005)</td>
<td>Treatment/specialised foster care program</td>
<td>yes</td>
<td>Not available</td>
<td>Not available</td>
<td>Improved child behaviour &amp; placement stability.</td>
</tr>
<tr>
<td>Szirom, McDougall &amp; Mitchell, 2005</td>
<td>Treatment/specialised foster care program</td>
<td>yes</td>
<td>Not available</td>
<td>Not available</td>
<td>Improved child emotional, psychological &amp; social functioning &amp; ability to establish &amp; maintain carer relationships.</td>
</tr>
<tr>
<td>Frederico et al., 2012</td>
<td>Victorian Circle Program; therapeutic foster care</td>
<td>yes</td>
<td>Differential 17,880 between Circle care and generalist care</td>
<td>Dependent on placement level reimbursement. Differential negligible between complex level &amp; Circle placement</td>
<td>Greater placement stability; improved family relationships: more reunifications with birth family; better foster carer retention; &amp; service system benefits.</td>
</tr>
<tr>
<td>QLD,CPCI 2013</td>
<td>Evolve Therapeutic Services and Evolve Behaviour Support Services OOHC</td>
<td>yes</td>
<td>Not available</td>
<td>Not available</td>
<td>Improved behavioural &amp; emotional indicators of function &amp; overall wellbeing; increases increased involvement in other activities; improvement in family relationships; improvements in carer knowledge &amp; understanding; improvements in scholastic &amp; language skills; increased placement stability; better peer relationships; better attendance/participation in educational/vocational activities.</td>
</tr>
<tr>
<td>Frederico, Jackson &amp; Blake, 2010</td>
<td>Victorian Take Two intervention (includes children in OOHC)</td>
<td>yes</td>
<td>Not available</td>
<td>Not available</td>
<td>Positive &amp; significant outcomes across emotional, behavioural &amp; trauma-related symptoms.</td>
</tr>
</tbody>
</table>
2.4 Estimated costs/benefits findings from international OOHC studies,

An English study calculated the costs of local authority care for children with contrasting needs. The longitudinal study (20 months) compared the costs of children with no evidence of additional support needs compared to a group with extensive emotional and/or behavioural difficulties (EBD) who had also committed offences (Ward and Holmes, 2008). Less than one-third (27%) of the total sample had no additional support needs. The placement types for sample \( n=478 \) included foster, kinship and own parents as well as care in residential care and independence. Children were grouped according to their single need (group A) - or combined cost-related needs (Groups B through to G – G had the highest needs). The researchers found:

Residential care was the most costly form of provision, the average monthly cost being two and a half times that of foster care, seven times those of kinship care and almost 18 times those of placements with family … costs appeared to increase incrementally in relation to the frequency of support needs, so that children with no evidence of additional needs (Group A) were about 60% of those incurred by children with one additional need (Groups B to E) and about 30% of those for children with two additional needs (Groups F and G) … The social care costs incurred over a 6-month period by a child in Group G, with complex needs, can easily accrue to the point where they are more than seven times those incurred by a child with no additional needs (Group A). (Ward and Holmes, 2008: 82-83, 86).

Not surprisingly the children in Group G compared to Group A showed the most negative outcomes in developing/sustaining attachments and relationships. They also experienced disrupted educational careers, the poorest educational outcomes and appeared to have less involvement with health services including mental health services. The researchers suggest that ‘earlier interventions and alternative configurations of services might better meet the needs of this very vulnerable population’ (Ward and Holmes, 2008: 89). This approach is echoed in the work of the UK Medical Research Council which noted that:

Problems experienced by the child can lead to poor self-esteem, behavioural problems in school and disengagement from learning. A proportion of adult mental health problems are preventable through successful early intervention in childhood. (Medical Research Council, 2010:39)

**Multidimensional treatment foster care:** Other examples of estimating the benefits of a specific intervention are evaluations of multidimensional treatment foster care (MTFC) programs conducted in a number of countries. These programs are community based multi-modal treatment programs, of 9-12 months, that address behavioural problems in youth in foster care. Multidimensional Treatment Foster Care was developed as an alternative to institutional, residential and group care placements. Through randomised-controlled evaluations in the US, where MTFC was developed, it has been found to be a cost effective alternative to residential placement for chronic
delinquents, who have a long history with the juvenile court system, and are also exhibiting chronic antisocial behaviour and emotional disturbance. One US study found that:

Although it costs approximately $7,000 more per youth to support MFTC than a group home, the Washington State Institute for Public Policy estimates that MFTC produces $33,000 in criminal justice system savings and $52,000 in benefits to potential crime victims (Greenwood, 2008: 201).

The following discussion on outcomes from using MTFC, is based on a brief overview of US studies from the Centre for the Study of Prevention of Violence (CSPV) (Blueprints for Healthy Youth Development):

Short term effects found in the research studies indicate significant reduction in incarceration rates, declines in subsequent arrests, declines in running away from their programs, and significant reductions in hard drug use. Results have shown that the MTFC program is effective when implemented with different populations of youth … substance use outcomes were also reduced after 12 and 18 months post-program. Program implementation with delinquent girls revealed effects on delinquency at both 12- and 24-months after program entry. The odds of girls in group care becoming pregnant were 2.44 times that of girls in MTFC (CSPV, 2013)

Swedish researchers Hansson and Olsson (2012) evaluated a MTFC program in Sweden. The findings from the Swedish study, with ‘anti-social’ youth (n=46) also showed positive outcomes with a reduction in symptoms and good placement stability (only 15% of placements broke down). This compares to 47-57 per cent placement breakdown for all Swedish youth in foster care with behavioural problems. Foster carers in the Swedish study were provided with higher rates of remuneration than regular foster carers, allowing one carer to stay home full-time (Hansson and Olsson, 2012).

England has also adapted MTFC to be used in local authorities. When MFTC (named MTFCE-A in the English study) was to be introduced in a number of local authorities, concern was raised by the authorities, in relation to program costs. This led to researchers evaluating the costs of implementing MTFCE-A (Holmes, Ward and McDermid, 2012). The approach taken by the researchers was to estimate the costs of care for children (n=25) from five local authorities during a six month period using MTFCE-A. These costs were then compared to the cost for these children in the placement they would have received, had MTFCE-A not been available.

---

3 The discussion on outcomes from MTFC is from the CSPV website. The site outlines the national youth prevention initiative that identifies and replicates violence, delinquency and drug prevention programs that have been demonstrated as effective.
http://www.blueprintsprograms.com/allPrograms.php
It is evident from the researchers’ description of the sample children, aged between 10 and 16 years at the time of the MTFCE-A placement, that the group could be categorised as ‘difficult to place’, as in addition to emotional and behavioural difficulties, nine had committed criminal offences prior to the placement (Holmes, Ward and McDermid, 2012). In pointing out, that the fundamental aim of the program was to achieve greater placement stability, the researchers found that:

The average monthly cost to maintain a MTFCE-A placement is around £1,000 more per month than that of maintaining a placement in agency foster care but is around 60% of the cost of maintaining a child with similar need in a residential setting ... Although the sample is small there was some evidence to suggest that seven out of the ten children that moved onto placement post MTFCE-A experienced stable placements with foster carers. If these placements endured they are likely to have shown a reduction in cost trajectories post MTFCE, as well as benefits to children’s wellbeing. (Holmes, Ward and McDermid, 2012: 2144)

Of interest in the study were the costs estimated by the researchers, of the alternative placements the sample children would have needed, if the MTFCE-A had not been available for local authorities to use. An analysis of the alternative placements (mainly residential and foster care) indicated the costs would have been one and a half times higher than the MTFCE placement. The researchers concluded that the costs of MTFCE-A are comparable with other placements for children with similar needs (Homes, Ward and McDermid, 2012).

A significant difference between MTFC programs and the proposed FCIM is that specialist and expensive treatment programs, such as MTFC, are often used only after children with the most complex needs have ‘run the gamut of other lower cost placements options’ (Homes, Ward and McDermid, 2012: 2145).

2.5 Professionalising foster care

The recent Queensland Inquiry into Child Protection noted that a professional care model (PCM), such as a FCIM, has not been adopted in any Australian jurisdiction. A PCM model in Queensland is ‘Specific Response Care’ (SRC). Foster or kinship carers, with knowledge, skills and expertise in providing therapeutic care for children with ‘extreme’ needs, are employed by a licensed non-government organisation (NGO). Carers receive a taxable wage for providing care in their own home. SRC may only be provided for the child/young person for periods up to six months unless extensions are deemed warranted. One carer (in couples approved for SRC) must be available on a full-time basis to care for the child/young person. The Inquiry noted that the model is currently undeveloped and underutilised and problems have been noted in relation to ‘carers’ homes being classed as “workplaces” within the context of workplace health and safety regulations’ (Queensland, CPCI, 2013:279).

The Inquiry’s report in outlining the advantages/disadvantages (for carers and children) of a professional care model came to the conclusion that professional foster care should be introduced to benefit the cohort of children with extreme needs. The Inquiry noted that their recommendation (8.10) was consistent with ‘the ‘National
The additional costs associated with remunerating carers with a fee plus maintenance is included in the initial Berry Street Report on the FCIM (McHugh and Pell, 2013).

### 2.6 Value of early intervention

There are numerous studies, both nationally and internationally, that indicate the benefits of intervening early, in the lives of vulnerable families (Allen, 2011). Early intervention programs provide a range of services and support, to prevent the escalation of risks and, in particular, to prevent families becoming involved with child protection agencies. Some studies include a cost-benefit analysis of the intervention program, e.g. the UK *Family Nurse Partnership* (Edovald, 2012) and in NSW the evaluation of the *Brighter Futures Program* (Hilferty et al., 2010). Not all program benefits however, can be costed. As a consequence some studies may underestimate benefits that cannot be easily monetised, for example, long-term improvements in physical and mental health and wellbeing, for all family members, including those not directly involved in the program (e.g. siblings) (Conti and Heckman, 2012). Improved wellbeing for families was also evident in the study by Hilferty et al., (2010) who noted:

> Above everything else, carers (overwhelmingly mothers) valued the emotional support they received through *Brighter Futures*. As a result of this support, carers felt better about themselves … [this resulted] in more positive parenting and improving child behaviour. (Hilferty et al., 2010: 131, 134).

The aim of most early intervention programs is to improve family functioning and promote well-being (Conti and Heckman, 2012). A cost benefit analysis to establish the returns to government and society for investments, made in supporting family functioning, was conducted for the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs by Access Economics (Pezzullo et al., 2010). The study examined savings in health, productivity and social areas, associated with improved family functioning.

The study found that: ‘benefits from intervening in childhood and adolescence to prevent poor outcomes later in life are substantial’ Similar to the work of Holmes, Ward and McDermid (2012) the study’s authors suggest that: ‘such intervention incurs costs today but discounted benefits are realised a long time into the future’. (Puzzullo et al., 2010:i). In relation to future savings the authors estimated that:

> The benefit to be realised is in the order of $5.4 billion per annum in 2010 dollars. Over half these gains (53% or $2.9 billion) are

---

4 The Queensland Inquiry noted that the percentage of children categorised with extreme needs was likely to be higher, than that determined with the current tool used to assess need (Queensland Child Protection Commission of Inquiry, 2013).
productivity gains, with a further 22% ($1.2 billion) of the benefits deriving from savings from fewer addictions. Fewer cases of anxiety and depression would save $0.6 billion (11%), while lower rates of criminality and antisocial behaviour would accrue $0.5 billion (10% of the total). A reduction in obesity would save $0.3 billion per annum. (Puzzullo et al., 2010: i-ii)

It is suggested that the significant estimated benefits, from intervening in childhood and adolescence, through early intervention/prevention programs, particularly in the area of child protection and OOHC services, could over the longer-term, reduce the substantial estimated costs of child abuse and neglect, outlined by Taylor, et al., (2008). Realistically, not all families where child abuse and neglect has been substantiated, and a child is assessed to be at ‘significant risk of harm’ will be suitable for an early intervention/prevention program. For these children, an OOHC placement may be the preferred option. It is at this point that the model proposed by Berry Street comes into play.

The importance of providing therapeutic support and services, as soon as feasible after a child is placed into care, is borne out by research into the cost of support for stable foster care placements (O’Neill et al., 2011). The research found it is the first year of a child or young person’s placement that takes up more worker and carer time, than other types of placements. The average time spent by workers for children in the first of placement was twice the average time for other groups in the study. The report concluded that: ‘First year placements required intensive support’ (O’Neill et al., 2011: 31).

Without early intensive support and services in placements, breakdown can occur. Ensuring stability and carer ability to cope is essential if breakdowns are to be prevented. All (e.g. workers, carers, children) bear the high costs of placement breakdown, but for children the consequences can be devastating. Research indicates that a breakdown can ‘exacerbate children and young people’s mental health problems, increasing their vulnerability to further placement breakdown’ (Hannan, Wood, Bazalgette, 2010:129). Evidence suggests that there are substantial costs associated with placement breakdown. A UK study suggests that the additional cost of a child in care with an unstable placement history compared to a stable one is £32,755 per child per year (2010 costs) (Hannan, Wood, Bazalgette, 2010)

In the context of FCIM, early intervention in foster care placements will enable timely implementation of appropriate services and support, to prevent the escalation of children’s issues, placement instability and adverse outcomes. Such a strategy, it is suggested will provide longer term savings by reducing the need for more intensive services (e.g. MTFC or therapeutic residential care) later in placements.

The next section of this report looks at health system costs including the long-term (downstream) costs of illness and morbidity experienced by young and older adults maltreated as children and placed in foster care.
3 Health system costs

In the Berry Street Report on developing the FCIM significant attention was paid to the literature on the high mental and emotional health needs of children and young people in OOHC systems in Australia and elsewhere (McHugh and Pell, 2012).

For infants and children, exposure to ongoing stress and experience of traumatic events such as abuse and neglect can have lifelong effects on both the structural development of a child’s brain and nervous system responses to stress. This has consequences for a child’s future learning, behaviour and physical and mental health as well as significant costs to society. (COAG 2009:8)

3.1 National Survey of Mental Health and Wellbeing

Researchers in NSW, using data from *National Survey of Mental Health and Wellbeing (2007)*, modelled the relationship between childhood abuse and long-term health, health care costs and wellbeing. The researchers found that adults with a history of childhood abuse suffered significantly more health conditions, incurred higher annual health care costs and were more likely to harm (e.g. attempt suicide) themselves. They found the overall annual health care cost for maltreated adults was approximately $915, compared to $366 for non-abused adults.

Approximately six per cent of surveyed adults experienced physical abuse and 10 per cent sexual abuse. A small percentage (2.4%) reported both physical and sexual abuse. The researchers found costs were related to the type of abuse suffered, with childhood physical abuse resulting in annual costs of $517, sexual abuse had costs of $810, and combined abuse (i.e. physical and sexual) resulted in annual health costs of $2,224. Researchers found that combined abuse also lead to a higher incidence of mental health problems, attempted suicide and higher rates of substance dependency and harmful use (Reeve and Van Gool, 2013: Table 3).

Similarly, the Australian Infant, Child, Adolescent and Family Mental Health Association (AICAFMHA) reported that maltreated children have been identified as having a greater risk of developing mental health problems than their peers (AICAFMHA, 2011). What was evident from the literature reviewed was that carers with little or no formal training in supporting children with serious mental and emotional health problems, experienced difficulties in accessing necessary specialist mental health services and coping with children’s challenging behaviours (see also Queensland Child Protection Commission of Inquiry, 2013). The dearth of mental health services for children was noted by AICAFMHA:

… the funding allocated to child and adolescent mental health does not currently reflect the proportion of the population comprising children and young people. Significant socioeconomic inequalities are apparent in infant, child and adolescent mental health, including inequities in resourcing and in accessing services. (AICAFMHA, 2011: 5)

The AICAFMHA paper argues that there is a lack of equity in the way mental health funding is divided, ‘with the child and adolescent mental health services receiving
approximately 7% of the mental health dollar to service 30% of the population’. (AICAFMHA, 2011: 17). A study by Rubin et al., (2003: 1336) in the US found for children (n=1635) in foster care: ‘instability was associated with increased mental health costs during the first year in foster care, particularly among children with increasing general health care costs’. Rubin suggests that:

The stability of a child's placements might also modify the increased needs and service use by this population and in part may explain why children in foster care account for 25% to 41% of the annual expenditures for Medicaid mental health services. (Rubin, 2003: 1336)

3.2 Addressing mental health problems for maltreated children

The FCIM includes a psychological assessment by the program’s clinician (e.g. full developmental screening of mental health, learning difficulties, speech and language skills) of all children and young people on entry into care. The clinician’s role is also to support carers and members of the care team and offer guidance on providing therapeutic caring for individual placements. The model aims to develop a system that ensures children and youth placed in care receive timely and appropriate psychological and therapeutic interventions, which will assist with placement stability.

The importance of psychological intervention early in foster care placements for children and young people cannot be overemphasised. The UK Medical Research Council points out that:

Adolescence is a key stage in relation to schizophrenia and depression while earlier life is important for conduct disorder and hyperactivity. Many childhood disorders persist into adulthood and they are associated with poor educational attainment and crime. (Medical Research Council 2010:18)

3.3 Unaddressed childhood trauma and adult morbidity

Unless addressed early, trauma from childhood abuse and neglect can have lasting mental and emotional health impacts well into adulthood and throughout the life span. These impacts include an elevated risk of depression, post-traumatic stress disorder, lower levels of social support, belonging, self-esteem, and suicidal behaviour (Brown et al., 1999; Dube, et al., 2001; Ford, 2013; Marshall et al., 2013; Sperry and Widom, 2012). The results of a US survey with middle-aged (n=1,266) and older adults (n=1219) suggests ‘that the aftermath of childhood abuse does not dissipate with time, but continue to negatively influence family relationships in mid- and later-life’ (Savla et al., 2013: 388).

There are substantial long-term health costs involved for adults who were maltreated and/or placed in care. In an overview of previous studies, researchers found unaddressed childhood trauma can result in negative health outcomes including adult substance abuse. In a US study with adult (31-54 years) females (n=279) with a history of substance abuse during pregnancy, researchers found more than two-thirds of the sample reported childhood maltreatment, with 42% having a lifetime history of substance abuse and 59% having a chronic medical condition. Maltreatment in
childhood can result in poorer physical health and medical problems for adults resulting in higher health care use and consequently higher costs (Meeyoung et al., 2013). Prenatal substance abuse can also result in premature birth and long-term adverse impact on a child’s growth and brain development, resulting in high health costs for the children of substance abusing mothers (Bada et al., 2005).

Further costs for adults maltreated as children can occur as a result of illicit drug use. Research indicates that illicit drug use can also lead to ‘sexually transmitted diseases, intentional and unintentional injuries, cardiac problems, interpersonal violence, disability, and crime’ (Dube et al., 2003: 564). Similar findings on the impact of illicit drug use have been found in Australia. AIHW (2008:1), citing the work of Begg et al., 2007, stated that: ‘2.0% of the burden of disease in 2003 was attributable to the use of illicit drugs, making it eight out of the 14 risk factors studied’. The UK Medical Research Council (2010:9) in discussing international studies found that ‘mental illness accounts for over 15 per cent of the burden of disease in established market economies’

Other long-term health costs occur through smoking and alcohol. US studies indicate that a history of childhood maltreatment is associated with an increased risk of adult smoking and alcohol use (Meeyoung et al., 2013). Assigning a proportion of health costs, directly associated with childhood abuse and neglect and consequent substance abuse in Australia, is problematic. Australian data on drug use indicates that in 2004/05, estimates of total cost were $55.5 billion. Of this, tobacco smoking accounted for $31.5 billion, alcohol misuse $15.3 billion, illicit drugs $8.2 billion. An Australian household survey in 2007, on the prevalence of drug use and drug related behaviour, did not include questions on whether maltreatment was associated with the first use of any drugs, by ‘recent or former’ users (AIHW, 2008). A NSW Auditor-General’s Report (see Table 2) estimated the costs to NSW alone from alcohol misuse to be to be $3.87 billion per year (NSW Audit Office, 2013).

Table 3: Cost of Alcohol–Related Abuse in NSW by area (2010 data)

<table>
<thead>
<tr>
<th>Area</th>
<th>NSW Government Services ($M)</th>
<th>Other Societal Costs ($M)</th>
<th>Total ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criminal Justice System</td>
<td>474.2</td>
<td>441.0</td>
<td>915.2</td>
</tr>
<tr>
<td>Community Services</td>
<td>263.1</td>
<td>n/a</td>
<td>263.1</td>
</tr>
<tr>
<td>Health System</td>
<td>87.3</td>
<td>488.4</td>
<td>575.7</td>
</tr>
<tr>
<td>Productivity</td>
<td>204.2</td>
<td>1,652.6</td>
<td>1,856.8</td>
</tr>
<tr>
<td>Road Accidents</td>
<td>n/a</td>
<td>256.6</td>
<td>256.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>3867.4</strong></td>
</tr>
</tbody>
</table>


3.4 Non-psychiatric health needs of children in care

The focus in this section on the mental and emotional health of children and young people in foster care does not ignore their non-psychiatric health needs. Research in the US on children in foster care suggests that, children are more likely to be high-cost mental health service users if they also had high costs for non-psychiatric services (Rubin et al., 2003). In Australia, in comparison to the paucity of child
mental health community-based services, non-psychiatric health services, provided through public hospitals and General Physicians in Australia, are more easily accessed by foster carers, many of whom, entitled to a Health Care Card, are ‘bulk-billed’ (no cost to the consumer) for services received.

Summary: Table 4 provides an overview of estimated costs and potential savings in the health area for children and young people in OOHC. Given the significance of the estimated costs incurred, coming from both national and international studies, any measures that would reduce these staggering levels of government expenditure, through implementing a therapeutic model of foster care, should be given serious consideration for both economic and social reasons.

Due to the strong interrelationship of education and labour market activity (i.e. productivity) the next section of the report looks at the education system associated with potentially poorer educational achievement leading to additional assistance at school. The costs associated with (lost) productivity are also discussed.
**Table 4: Indications of potential government costs/savings in health for children & young people in OOHC**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Purpose</th>
<th>Aim of exercise</th>
<th>Outcomes</th>
<th>Costs &amp; potential savings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Puzzullo et al., 2010 (Australia)</td>
<td>Supporting family functioning</td>
<td>Examined savings in health, productivity &amp; social areas</td>
<td>Substantial benefits from intervening in childhood &amp; adolescence</td>
<td>Per annum savings: 2.9 billion productivity gains; 1.2 billion fewer addictions; 0.6 billion less anxiety &amp; depression; 0.5 billion lower criminality &amp; antisocial behaviour; 0.3 billion less obesity</td>
</tr>
<tr>
<td>Reeve and Van Gool, 2013 (Australia)</td>
<td>Ascertain health care cost of adults with history of childhood abuse</td>
<td>Compare health care costs of abused and non-abused adults</td>
<td>Annual health care cost for maltreated adults approximately $915, compared to $366 for non-abused adults</td>
<td>$549 for each adult where health issues from childhood abuse ameliorated. Associated benefits less mental health problems, attempted suicides and less rates of substance dependency and harmful use</td>
</tr>
<tr>
<td>Meeyoung et al., 2013 (US)</td>
<td>Examined adult smoking/substance abuse associated with unaddressed child maltreatment</td>
<td>Linked female substance abuse during pregnancy with childhood maltreatment</td>
<td>42% had lifetime history of substance abuse &amp; 59% had a chronic medical condition</td>
<td>Ameliorating childhood maltreatment can lessen poorer physical adult health &amp; medical problems &amp; reduce health care use &amp; costs</td>
</tr>
<tr>
<td>NSW Audit Office, 2013 (Australia)</td>
<td>Estimate costs of alcohol misuse in NSW</td>
<td>Examine areas impacted from alcohol misuse</td>
<td>Costs for government services &amp; other societal costs</td>
<td>Lessen costs of government services related to alcohol abuse ($1028.8 mill) &amp; societal costs ($2838.6 mill)</td>
</tr>
</tbody>
</table>
4 Education and Labour Market Activity (Productivity)

Among many aspects of fostered children’s care experience, positive educational development is a desired outcome: ‘Success at school is a key determinant of whether children go on to further education and training and employment’ (McLachlan, Gillian and Gordon, 2013: 97). The importance of the interrelationship of the various aspects of a child in care’s life, including educational and employment outcomes, was noted by Elizabeth Fernandez in the Australian CREATE Foundation’s 2013 Report Card: ‘Adverse impacts of instability are further reflected in children and young people’s educational trajectories and outcomes and remind us of the interactive nature of outcomes’. (McDowell, 2013: xv). The significance of the high needs of children requiring educational assistance due the trauma of abuse and neglect is recognised in the additional educational expenditure for children who have experienced maltreatment in Australia. In the national estimates of the cost of child abuse in 2007 the writers found that additional educational expenditure ‘was estimated at between $24 million and $332 million with a best estimate of $93 million’ (Taylor et al., 2008: xxiii).

4.1 International studies on education and productivity outcomes for children in care and care leavers

As noted previously in other sections of this report, the importance of placement stability, in ensuring the best outcomes for children and young people cannot be overemphasised. For example, the Casey National Alumni Study (US) in examining educational progress and success as adults, of more than one thousand foster care alumni (1966-1998) found placement stability had one of the largest positive effects. The research highlighted that a consistent and stable environment, allowing young people to develop relationships with the foster family, stay in the same school and not have to cope with the anxiety, anger, and adjustment of changing homes and changing caseworkers, all factors associated with completing high school (Pecora, 2012).

A six year longitudinal study in the US, with youth (n=763) in three states, who had left foster care, discussed the poor outcomes for some youth in the sample, highlighting the cost to these individuals and society more generally (Courtney et al., 2010). The study found that by the time the young adults were 23-24 years of age:

- Fewer than half had a job with most in work not earning a living wage;
- Half of those working reported annual earnings of $8,000 or less;
- Two-thirds of females and one-quarter of males had received food stamps in the last 12 months;
- More men (45%) than women (18%) had been in goal;
- Two-thirds of women had at least one child
- Of women with a least one non-resident child (17%) 40 per cent reported a child living with maternal/paternal relatives and 40 per cent reported a child living with foster/adoptive parents; and
- Nearly 40 per cent had been homeless or ‘couch surfed’ since leaving foster care (Courtney et al., 2010).
A Canadian study of young people (n=687) in OOHC also indicated that foster family involvement, particularly home-based involvement (i.e. tutoring, help with homework), placement literacy environment (availability of books, etc.) and academic expectations (by caregiver) predicted academic success in youth in care (Cheung, Lwin and Jenkins, 2012). Similarly, an Australian study, Cashmore and Paxman (2007) also linked placement stability and educational attainment, finding multiple placements for young people resulted in fewer years of schooling. For example young people who had not completed Year 10 had on average 10 placements whereas those who had completed Year 12 had significantly fewer placements.

UK research highlighted that three-quarters of children in care are assessed as having special educational needs (Berridge, 2012). From April 2014 local authorities in England will receive increased funding (£1,900) for every looked-after child, as soon as they enter care, for additional educational support (e.g. specialist tuition or one-on-one coaching) (Children & Young People Now, 2013). At March 2013 government figures revealed that 34 per cent of care leavers in England (n=2,360) were not in education, employment or training at age 19. For a similar number of care leavers (n=2030) 29 per cent were in education other than higher, six per cent (n=400) were in higher education and 23 percent (n=1630) were in training or employment (Catch22 NCAS, 2013). Care leavers in England studying at University, living independently, are entitled to a Maintenance Grant (MG) of £3,387 a year, in addition to other available supports, for example, loans for fees and living costs. MG does not have to be repaid (Student Finances England, 2013)

UK data on the activities of young people who had left care in 2012, found forty percent of the group were in independent living arrangements; of the 40 per cent most (88%) were in suitable accommodation. 230 young people (5%) lived with their former foster carers (NCAS, 2012)

There are few international studies indicating which specific educational interventions, would ‘best’ improve fostered children’s educational prospects (Cox, 2012; Forsman and Vinnerljung, 2013). An overview of 11 intervention studies with children in care found that:

Tutoring programs at present have better empirical support, and also stronger theoretical foundations … Other interventions with positive results focused on tailored individualized support or the use of an education liaison. (Forsman and Vinnerljung, 2012: 1089)

4.2 Australian research on educational attainment and labour market outcomes for children in OOHC

Despite the importance of understanding how fostered children are faring in school systems, researchers note that there is only a small body of Australian research on the educational attainment and labour market outcomes (i.e. productivity) of children who are in care (or have been in care) (Harvey and Testro, 2006; Taylor et al., 2008).

A study by the Australian Institute of Health and Welfare, with a sample of children (n=895) on guardianship/custody orders, found they were considerably less likely to have achieved the national benchmarks for reading and numeracy across almost all
year (i.e. 3, 5 and 7) levels compared with all children in each jurisdiction (Hunter and Mathur, 2007). In recognition of the gap in understanding educational attainment of children in care the Standing Council on Community and Disability Services Advisory Council (SCCDSAC) funded the Australian Institute of Health and Welfare, in collaboration with all jurisdictions, to establish a proposed national methodology for reporting education outcomes of this group of children and young people. The AIHW paper notes:

The inclusion of education-specific national indicators in the National Framework for Protecting Australia’s Children 2009–2020 and the National Standards for out-of-home care means the implementation of an ongoing national data collection on the educational outcomes of children in the care of the state has increased in importance and urgency. (AIHW, 2013b: v)

In a review of the international literature from a special CREATE Education Report in 2006 the researchers, highlighting the ‘interactive’ nature of outcomes, noted that:

Numerous studies have confirmed that those in care perform significantly more poorly at school than do children in the general population. These studies point to a variety of reasons for poor school performance including: higher rates of being kept back a year, lower scores on standardised tests, higher absenteeism, tardiness, truancy and dropout rates. There is a further suggested link between this poor academic performances profoundly affecting the lives of those in care and contributing to higher than average rates of homelessness, criminality, drug abuse, and unemployment amongst care leavers. (Harvey and Testro, 2006:11)

In reviewing international research studies Harvey and Testro (2006) found other factors inhibiting foster children’s educational success, including:

- Frequent changing of schools;
- Poor literacy and numeracy skills;
- Behavioural and emotional disturbances;
- Stigma from being a ‘foster’ child;
- Bullying;
- Less monitoring by carers of children’s homework;
- Lack of focus by caseworkers on educational progress; and
- Limited support from teachers.

Harvey and Testro (2006) (citing Cashmore and Paxman, 1996) found in the Australian longitudinal retrospective study with young people (n=45) in relation to school attendance was that the young people had:

Attended an average of 3.4 primary schools and 2.2 high schools in comparison to 1.2 primary and 1.1 high schools for a general comparison group. One in four left school before completing Year 10. One in three completed secondary school. Twelve months after
leaving care, over 40% were unemployed, 20% were employed full time and 20% were studying at TAFE, University or school. (Harvey and Testro, 2006:11)

Other findings from the Australian longitudinal study of wards were that for the young people

- Most were in independent accommodation or were sharing with partners, friends or siblings;
- Over the 3-4 years, many had different forms of transitional housing;
- Compared to their peers in the general population, they were less likely to have completed Year 12;
- Compared to their peers they were less likely to be in full-time work and/or education, and more likely to be unemployed and in receipt of government income support payments;
- Those employed had had a history of part-time and casual work in poorly paid and low-skill jobs; and
- Young women were more likely than their age-mates to be ‘early’ (e.g. teenage) parents (Cashmore and Paxman, 2007).

A CREATE survey with 1069 young people (aged 8-17 years) in 2012, found a significant proportion of respondents in each jurisdiction had attended four or more primary schools while in care. The situation was not dissimilar for children in secondary schools. Young people in residential units were more likely to have experienced disrupted educational pathways, with one quarter of the residential group suspended three or more times from school. One third of survey respondents indicated that carers provided assistance with homework and only one quarter of respondents were aware they had an individualised education plan. About one quarter of the respondents said that had been bullied at school (McDowall, 2013).

A recent study with children and young people in OOHC, predominantly foster care, in Queensland (n=1998) indicated that progress is being made in that particular jurisdiction in education outcomes. Only one quarter of all children have been kept back a year at school; most (88%) said they enjoyed school ‘most of the time’; over half (53.2%) had an Educations Support Plan with most young people reporting the plan had been helpful; and, most (88.3%) expected to complete high school (Commission for Children and Young People and Child Guardian, (CCYPCG) 2013). An overview of studies in the US found high student expectations are a key factor influencing educational outcomes (Hattie 2012).

Similar to Cashmore and Paxman’s study (2007), in relation to placement stability and educational progress, the Queensland study found a positive correlation indicating that ‘children and young people who had experienced more placement changes were also more likely to have experienced more school changes’ (CCYPCG, 2013:10). As noted previously multiple placement and school changes are likely barriers to educational progress.
4.3 Individual Education Plans

All Australian jurisdictions have policies on implementing individual education plans (IEP) for all appropriately aged children in OOHC. While the names of plans vary across the jurisdictions, in principle they have similar features. The aim of an IEP, developed with a caseworker, teacher, carer and child, is to identify the child’s support needs in relation to educational progress and outline how desired goals are to be achieved. The importance of intervening early in a child’s placement with education services, especially early childhood education services for younger children, has been highlighted in US research (Ward et al., 2009).

Despite the advantages of implementing an IEP for children in OOHC it appears that their use is limited (see Hattie 2012 and McDowall, 2013 above). A Commission of Inquiry into child protection concerns in Queensland indicated that:

Recent evaluations and research point to a number of failings with education support plans. They have been found to be poorly implemented and funded with no monitoring to ascertain if funds are being spent as intended. There is also evidence that they are not developed as a collaborative effort, as intended, but are often left to the schools to develop on their own with little participation from Child Safety officers, carers or the child — only a third of the children with plans said that they had been involved in the development of their plan. There is also said to be a tendency for education support plans to focus on managing behaviour, rather than on engaging the child academically. (Queensland Child Protection Commission of Inquiry, 2013: 236)

An example of IEP working well was a small pilot program in Victoria. In 2009 a study with children in OOHC (n=25) in 2010-2011 was conducted by The Smith Family and OzChild in Victoria. The aim of the project was to improve the educational engagement of children by providing ‘wrap around’ support. The model include a full-time education worker and a support network consisting of OzChild workers, carers, Department of Human Services case workers, parents (where possible), their teachers and other support staff. Each child had an IEP and The Smith Family provided literacy programs for the project. An evaluation of the project found:

- Some improved educational outcomes
- Some students behaviour improved
- Children’s happiness (i.e. well-being) increased or remained constant; and
- Confidence at school improved.

A significant outcome from the project was:

The way OzChild thinks about education has changed; it has a better understanding of the education system and staff’s ability to advocate for individual children’s education has considerably improved. (The Smith Family, 2012: 5)

Recommendations from the evaluation included:
- A permanent Education Worker role to support the educational engagement of children in OOHC.
- Strengthening collaboration among stakeholders involved with young people in OOHC.
- Enhancing the educational support provided to young people in OOHC and those who work with them (The Smith Family, 2012: 6).

The FCIM incorporates the use of an Education Worker and an IEP for all children in the program.

4.4 Education Funding Sources in Australia

For children in the care of the state, the main financial responsibility in meeting their educational support needs (e.g. home tutoring, student support groups, coaching/mentoring, school buddy and homework clubs) rests with state government jurisdictions. In some cases, direct financial assistance is provided to foster carers to arrange tutoring, etc. In other case funds can be directed to schools, through state Education Departments’ programs (e.g. specialist/intervention support services, in-class tuition programs, etc.). In South Australia (SA), School Retention Funding is available for young people (12-16 years) in OOHC, who are at risk from disengaging from school. The funding (no specific limit; generally under $5,000) per child is for individually tailored responses (e.g. mentoring, tutoring, school support officers) to assist the young person to stay at school. A similar program Youth Crossroads also provides funding (no specific limit; generally under $5,000) for mentoring, tutoring and courses for young people (12-17 years) with ‘extreme’ needs (South Australia Government, 2013).

In all jurisdictions depending on their special educational needs (e.g. learning and behavioural difficulties); children may attend ‘special’ schools catering for children with high needs (e.g. disabilities, challenging behaviours, emotional disturbances, etc.). In the recent child protection inquiry in Victoria it was noted in the final report that ‘alternative learning settings’ maybe a better option for young people who cannot be, or prefer not to be, maintained in the mainstream education system (Cummins, Scott and Scales, 2012).

It is possible that, for some fostered children, assistance could be provided through Federal government programs (e.g. funding through Department of Education, Employment and Workplace Relations) targeting improving student’s numeracy and literacy. An example of such a national program, ‘An Even Start’ was implemented in 2005. Private tutoring vouchers up to the value of $700 were provided for children, who did not meet national benchmarks in literacy or numeracy in Year 3, Year 5 and Year 7 in 2007 (Forster, 2009). One researcher suggests that the cost-effectiveness of the program, compared to other forms of educational intervention, was difficult to determine because the monitoring and evaluation of program outcomes was grossly inadequate (Watson, 2008). An evaluation was conducted in 2009, but no data was provided as to whether any children in OOHC participated in the Program. The program ceased operation in 2009 (Urbis, 2009).
4.5 Government Responsibility for Costs of Education and Training

Expenditure on education is a joint responsibility between Federal and state governments. The Australian Government Productivity Commission (AGPC) outlines the responsibilities of governments:

The Australian Government and State and Territory governments are jointly responsible for school education. State and Territory governments are responsible for the administration of government schools [6,705 schools], for which they provide the majority of government funding. Non-government schools [2,730 schools] operate under conditions determined by State and Territory government registration authorities and receive Australian, State and Territory government funding. The Australian Government is responsible for allocating funding to states and territories to support improved service delivery and reform to meet nationally agreed outcomes, including for students with particular needs. (AGPC, 2013: B8-9)

4.6 Training and employment.

The transition period between compulsory schooling and entry into employment for many young people (n=1.5 million students, 2011) is involvement in a VET (vocational education and training) program, usually provided in a Technical and Further Education (TAFE) establishment. The Federal and state governments are responsible for allocating funding for VET services with state governments overseeing the delivery of publicly funded training; facilitating development and training of the workforce; and ensuring the effective operation of the training market. The Federal government provides funding to the states to support training systems and provide specific incentives, interventions and assistance for national priority areas and the federal government has the primary responsibility for public funding of higher education (e.g. universities) (AGPC, 2013: B9).

In 2010-11 total government spending (net of transfers) between different levels of government for preschool, school education, VET and higher education was $75.7 billion for all governments. The highest spending was on schools (53.1 per cent), followed by universities (26.2 per cent), TAFE institutes (8.3 per cent) and preschool services (4.4 per cent) (AGPC, 2013: B11-12).

4.7 Linking education, employment and productivity

Research indicates that teenagers who leave school early are two and a half times more likely to be unemployed or earn lower wages. They are also likely to have poorer health or be involved in criminal activities: ‘The longer a young person remains at school the better their prospects are’. (NSW Audit Office, 2012:2). Researchers investigating the relationship between literacy skills and worker’s incomes found both educational qualifications and literacy skill levels are positively associated with income (i.e. income increases with literacy skill level) (Chesters Ryan and Sinning, 2013). Ensuring young people, especially young people in care, complete secondary school cannot be overemphasised. The AGPC found that people
who did not complete secondary school were the least likely to be employed (57.7% employed) (AGPC, 2013, B13).

4.8 Training for unemployed youth.

There are significant costs to unemployed individuals (e.g. economic, social and emotional) and for the wider society more generally. In their study on the cost of abuse and neglect in Australia, Taylor et al., 2008 point out that:

Reduced earnings due to reduced workforce participation and lower employment rates have an effect on taxation revenue collected by the government. There are two sources of lost tax revenue that result from the lower earnings; the potential personal income tax foregone and the potential indirect (consumption) tax foregone. The latter is lost because, as income falls, so does consumption of goods and services. (Taylor et al., 2008: 124)

The flow on from youth unemployment is generally a higher reliance on income support payments and participation in young people’s education and training programs. Most, but not all, programs are funded by the Federal government. A recent example of a youth training programs is the ‘Step into Skills’ a $35 million program to be delivered through TAFE. The program is aimed at young people (aged 16-24) who did not complete secondary school or who do not have a post-school qualification. Programs such as ‘Step into Skills’ are essential in addressing the high youth (15-19 years) unemployment rate (25.1% in September 2012) (Parliament of Australia, 2013). The ‘best’ estimated cost of (lost) lifetime earnings for children in OOHC due to poorer labour market outcomes, in 2007, was $5 million with an a lower bound of $1 million and an upper bound of $20 million (Taylor et al., 2008).

Summary: Given that expenditure on education and training is a joint responsibility between Federal and state governments, it is not possible to indicate where savings might be made, for one level of government as against another, by introducing the FCIM. Tables 5 and 6 provide an overview of the studies discussed. As with health it is clear that investments in both education and training, for children in care and for care leavers, will result in better productivity outcomes bringing both economic and social benefits.

The next section of the report looks at justice system costs including the costs of greater than average involvement in the juvenile justice system and adult justice systems of young people with OOHC experiences.
<table>
<thead>
<tr>
<th>Authors</th>
<th>Purpose</th>
<th>Aim of exercise</th>
<th>Outcomes</th>
<th>Costs &amp; potential savings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pecora, 2012 (US)</td>
<td>Examined outcomes in <em>Casey National Foster Care Alumni Study</em></td>
<td>Examined educational progress in care &amp; adult success</td>
<td>Found placement stability strongly linked to positive educational outcomes</td>
<td>Ensuring consistent/stable environment for young people allows development of carer relationships &amp; same school attachment. Lessens child anxiety, anger, &amp; adjustment of changing homes &amp; caseworkers &amp; assists with completion of secondary schooling.</td>
</tr>
<tr>
<td>Cheung, Lwin and Jenkins, 2012 (Canada)</td>
<td>Predict academic success for youth in care</td>
<td>Find indicators for success at school</td>
<td>Foster family involvement (providing tutoring, homework assistance, making books available &amp; having academic expectations) predicted academic success</td>
<td>Supporting foster families to provide educational assistance ensures higher likelihood of educational achievement</td>
</tr>
<tr>
<td>Cashmore and Paxman, 2007 (Australia)</td>
<td>Examine outcomes in longitudinal study of young people leaving care</td>
<td>Educational and productivity outcomes</td>
<td>Found links to placement stability &amp; educational attainment.</td>
<td>Multiple placements for young people resulted in fewer years of schooling &amp; less likelihood of positive labour market involvement</td>
</tr>
<tr>
<td>Forsman and Vinnerljung, 2012 (US)</td>
<td>Overviewed 11 intervention studies</td>
<td>Examined ‘best’ educational interventions for children in care</td>
<td>Tutoring programs found to have good empirical support &amp; individualised support with an education liaison officer</td>
<td>Tutoring programs have costs to state governments as do the availability of an education liaison officer. Potential savings longer-term from better educational outcomes.</td>
</tr>
<tr>
<td>Cox 2013 (US)</td>
<td>Explore variety of educationally focused interventions</td>
<td>Indicate proven interventions or those effective with children in care</td>
<td>Useful strategies: Early interventions (ages 0-5 years) important for ensuring children are ‘school ready’; provide carer training; utilise tutoring &amp; mentoring programs; &amp; increase collaboration between care agencies &amp; educational agencies.</td>
<td>Strategies will cost governments in the short-term but improve educational outcomes in longer-term</td>
</tr>
<tr>
<td>Authors</td>
<td>Purpose</td>
<td>Aim of exercise</td>
<td>Outcomes</td>
<td>Costs &amp; potential savings ($)</td>
</tr>
<tr>
<td>---------</td>
<td>---------</td>
<td>-----------------</td>
<td>----------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>McDowall 2013 (Australia)</td>
<td>CREATE Survey of young people in care</td>
<td>Investigated educational aspects of children in care</td>
<td>Significant proportion had attended 4 or more primary schools. Similar situation for secondary students. Young people in residential homes had disrupted educational pathways &amp; had been suspended from school. Only 25% were aware they had an individualised education plan</td>
<td>School changes often linked to placements changes. Ensuring stability will improve educational outcomes and improve potentially improve productivity outcomes in the longer-term</td>
</tr>
<tr>
<td>Ward et al., 2009 (US)</td>
<td>Facts on education of youth in foster care</td>
<td>Investigated outcomes</td>
<td>Noted importance of intervening early in placement with education services, especially early childhood education for young children</td>
<td>Strategies will cost governments in the short-term but improve educational outcomes in longer-term</td>
</tr>
<tr>
<td>Queensland Child Protection Commission of Inquiry, 2013 (Australia)</td>
<td>Produce report on addressing child protection concerns</td>
<td>Investigate child protection concerns</td>
<td>Found failings in education support plans – poorly implemented &amp; funded; no monitoring of funds spent. No interagency collaboration or child involvement in planning. Plans appeared focussed on child behaviour not academic engagement</td>
<td>Governments incur a cost in implementing individual education plans well. Involvement of workers, carers, children and teachers essential for good outcomes and improve educational attainment</td>
</tr>
<tr>
<td>The Smith Family, 2012 (Australia)</td>
<td>Pilot program providing education support (i.e. literacy program)</td>
<td>Improve the educational engagement of children by providing ‘wrap around’ support</td>
<td>Found improved educational outcomes; student behaviour improved; children’s happiness (i.e. well-being) increased or remained constant; and confidence improved.</td>
<td>Additional cost to government as model included a full-time education worker plus support network of workers, carers, children and teachers</td>
</tr>
<tr>
<td>South Australia Government 2013 (Australia)</td>
<td>Programs: School Retention Funding (for youth aged 12-16 years) &amp; Youth Crossroads (for youth aged 12-17 years)</td>
<td>Improve educational outcomes through specialist support services for children at risk of disengaging from school. Youth Crossroads for youth with ‘extreme needs’</td>
<td>Provides individually tailored responses to assist children to stay at school</td>
<td>State government provides funding $5,000 (approx.) for individual children for mentoring, tutoring, school support officers.</td>
</tr>
</tbody>
</table>
5 Juvenile Justice System Costs and Homelessness

As noted in the Berry Street Report (McHugh and Pell, 2012) children in care, and who have been in care, are over-represented in both the juvenile justice and prison systems (Blades et al., 2011; Cashmore, 2011; Fergus, 2008; Wood 2008). There is limited national data on the number of young people, who have been in OOHC and also involved with juvenile justice (AIHW, 2012). The AIHW study noted the considerable overlaps between child abuse and neglect, criminal activity and homelessness whilst also indicating links between homelessness and crime for young people who have not been in OOHC (AIHW, 2012). While it is not the focus of this study, it is important to note that children and young people can be placed into OOHC due to the housing instability (i.e. homelessness) of their parents/carers.

The AIHW study on the links between child maltreatment, criminal activity and homelessness found that:

Each year, at least 100,000 children and young Australians access homelessness services, 30,000 have a notification of abuse or neglect substantiated by a child protection agency, 70,000 are proceeded against by police for criminal activity, and 14,500 are supervised by juvenile justice agencies in the community or placed in juvenile detention. (AIHW, 2012:1)

For young adults with a substantiated child protection notification six per cent received support from SAAP (Supported Accommodation Assistance Program). More than 10 per cent of young adults receiving a SAAP service had a history of juvenile justice supervision. Compared to young men, young women were twice as likely to receive SAAP support in the month after the detention period was completed (AIHW, 2012).

A report by the NSW Ombudsman on the circumstances of a cohort of 18 year old care leavers (n=90) in 2011 found at least 20 (22%) had involvement with juvenile justice; 10 of the 20 were Indigenous. The report found a lack of consultation and planning with key agencies, including juvenile justice, for young care leavers in custody (NSW Ombudsman, 2013).

5.1 Australian youth in OOHC and offending.

A study, based on Queensland data of children (n=382) who had been maltreated and also had an offending record, found Indigenous children were four times more likely to offend than non-Indigenous; males (25%) were more likely to offend than girls (11%); children who offended were likely to be older (10+); and maltreated children

---

5 Due to limited availability of data and age restrictions for the child protection and juvenile justice sectors, it is not possible that all young people in each source data set appear in another data set (AIHW, 2012: 8).
are more likely to offend in adolescence than children who are not maltreated (Stewart, Dennison and Waterson, 2002).

A NSW study of young people (n=450) in juvenile detention in 2009, also found Indigenous youth to be over-represented in the system. Close to two-thirds (60%) of young people had been maltreated, though not necessarily placed in care, with more young women (81%) reporting a history of abuse than young men (57%). Over one quarter (27%) had an OOHC placement as a child; 43 per cent before they were 10 years of age. Many young people in juvenile detention had multiple health problems including mental illness and substance misuse (Indig et al., 2011). In a review of studies of adult women in NSW prisons the researcher found 30 per cent of inmates had been in OOHC (McFarlane, 2010).

In a Victorian study, researchers found just over one fifth (21%) of a sample of children (n=614) in OOHC, had been involved with the justice system, within the last six months. A higher percentage of children in residential care (61%) were involved in criminal activity compared to children in home-based care (11%) (Wise & Egger, 2008).

The possibility of moving from juvenile justice to adult correction centres for young people is high. One NSW study in 2005, cited by Flatau and Zaretzky (2008), tracked a cohort of young offenders (n=5476) for eight years (1995-2003). The study found:

57 per cent of the juveniles cohort followed had an adult criminal court appearance within the 8 year study period, with 13 per cent of the cohort imprisoned as an adult within the next 8 years. A strong link was also found between the extent of a juvenile’s criminal career and the probability that they subsequently reoffend as an adult. (Chen, et al., 2005 cited in Flatau and Zaretzky 2008:59)

5.2 International studies on youth offending

An association has also been made by researchers in the UK in relation to the link between poor mental health and offending. Noted earlier in this report was the high incidence of mental health issues for children in OOHC. The UK study in examining the long term consequences of childhood and adolescent mental health problems found that:

Conduct problems in childhood were strongly associated with a wide range of adverse outcomes in adult life, including a higher likelihood of lacking educational qualifications, of experiencing chronic economic inactivity, and of criminality in early adulthood. Indeed a diagnosis of childhood conduct disorder is required for the adult diagnosis of antisocial personality disorder, a poorly understood disorder that is common in prison populations and associated with very considerable social and economic burden. (Medical Research Council, 2010: 10).

In examining the economic costs of childhood mental health the UK Medical Research Council estimated that five per cent of children have a conduct disorder
‘and these children go on to commit 30 per cent of crime, at a cost exceeding £22 billion a year’ (Medical Research Council, 2010:9)

The situation, in relation to juvenile justice involvement leading to criminal justice involvement, for young people who have been in care, appears more serious in the US. A longitudinal study with youth (in care for 12 months+ and about to turn 18 years old) (n=474) found that over two thirds (68%) of males and close to a half (45%) of females had a history of some involvement (arrest, conviction, held in correctional facility) with the juvenile justice system. It was not clear from the analysis whether the involvement with juvenile justice was, whilst in care, or prior to coming into care (Courtney, Terao, Bost, 2004).

In the second wave of the longitudinal study, youth (n=603)\(^6\) (now aged 19 years), reported a continuing high level of involvement with the criminal justice system. For youth who had left care, close to one-third (28%) of young adults had been arrested; 12 per cent were convicted of a crime; and nearly one-fifth reported being in goal; males were more likely to report significantly higher rates of involvement with the criminal justice system than females (Courtney, et al., 2005). In the third wave, 31 per cent of young adults (age 21) had been arrested; 15 per cent were convicted of a crime; and 30 percent had been in goal with males more likely than females to report involvement with the criminal justice system (Courtney et al., 2007). In the fourth wave of the study, rates of recent involvement in the criminal justice continued, particularly for men, with over two-fifths (42%) being arrested and close to one quarter (23%) having been in goal or convicted (23%) of a crime (Courtney et al., 2010).

5.3 Cost of OOHC youth involvement with juvenile justice/prison.

Taylor et al., (2008) estimated costs associated with maltreated children involvement in juvenile justice. The study’s researchers caution against assuming any causation between being abuse/neglected and juvenile offending, suggesting that other confounding factors could contribute, such as poor socio-economic environment, antisocial parents and siblings, poor parental supervision or harsh erratic parenting. Similarly, factors involved in criminal activities in adulthood by children with a childhood history of abuse/neglect are multifaceted and include mental disorders, low socio-economic circumstances and the childhood maltreatment. No estimates were provided in the Taylor et al., (2008) study on the cost involved with juvenile justice system but an estimate of the long-term costs (those due to maltreated children committing criminal offences in adulthood) were ‘$6.7 million with a lower and upper bounds of $1.6 million and 24.5 million respectively) in 2007’ (Taylor et al., 2008: xxiii).

In a review of the NSW juvenile justice system in 2010 it was estimated that approximately $348.14 million would be required over the next six years to meet the forecast juvenile justice capacity. While noting the ‘well known relationship between the care system and the juvenile justice system’, no distinction was made between

---

\(^6\) The second wave included in the analysis youth from 3 states Illinois, Wisconsin and Iowa, all who were involved in the study.
children who had been maltreated and/or in OOHC compared to the overall juvenile justice population (average number=428 in 2008-09) (Noetic Solutions P/L, 2010: 29).

The report indicated that between 2003 and 2006, 28 per cent of males and 39 per cent of females had a history of being in OOHC. The cost in 2007-08 for NSW Juvenile Justice was $103 million on custodial services with the daily cost of detention around $556 per person per day. The review also noted additional costs for ‘Justice Health and Education services, and unknown (but significant) long-term costs through the loss of long-term productivity and the economic health of communities’ (Noetic Solutions P/L, 2010: 171).

A Western Australian study, in 2008, conservatively estimated government cost for the Juvenile Justice System at $47.7 million per annum. Costs were provided for the various sectors, including child protection and community services, though no specific mention was made of youth with a history of OOHC. The complexity of the costs involved is illustrated in the breakdown for various service sections. Department of Corrective Services (DCS) outlays:

- Accounted for 68.4 per cent of costs with a further 3.9 per cent of Juvenile Justice System costs attributed to DCS funded programs with non-government agencies. The next largest functional area is the Western Australia Police whose expenditures account for 20.9 per cent of all Juvenile Justice System costs. Department of the Attorney General (DotAG) expenditures contribute 6.2 per cent of Juvenile Justice System costs … [included also were cost for] Department of Education and Training expenditures relating to the operation of Juvenile Justice Teams (0.1 per cent of Juvenile Justice System costs) and an estimate of Department for Child Protection (DCP) expenditures relating to Children’s Court activities (0.6 per cent of Juvenile Justice System costs) (Flatau and Zaretzky, 2008:10)

As with the limited information from other jurisdictions on juvenile justice costs, the Western Australian Department for Child Protection does not provide data on juvenile justice costs for children and young people in OOHC. The department does:

- Provide support services to its active case children in relation to the Juvenile Justice System and also funds a range of programs which have a Juvenile Justice System component. However, the Department advises that it does not separately identify Juvenile Justice System costs. (Flatau and Zaretzky, 2008:48)

*Juvenile justice and children’s behaviours: In the Queensland Child Protection Commission of Inquiry Report (2013), it was noted that children’s education plans, rather than focussing on academic progress, appear to have a ‘tendency … to focus on managing behaviour’. Managing children’s behaviour through juvenile justice involvement also appears to be an issue. McFarlane (2010) suggests that:
If serious attention is not directed towards the development of effective policies that address the causes of young people’s involvement with the justice system—for instance care workers’ reliance on police and the courts to punish children’s behavioural issues—then nothing will change, and the pathway from care to court to prison, will continue unabated. (McFarlane, 2010:351)

5.4 Associated state-based program for juvenile offending.

A report by the Australian Institute of Health and Welfare (2013) found some specific state-based programs shown to be effective in reducing recidivism in juvenile offenders, including Multisystemic Therapy; Functional Family Therapy; multidimensional treatment foster care and aggression replacement training. In relation to studies on restorative justice conferences (also known as youth justice conferencing or group conferencing) some found conferencing to be effective in reducing reoffending, while others found minimal or no benefits:

Drake and colleagues (2009) found an 8% reduction in crime outcomes when looking at the combined effects of 21 studies on restorative justice for low-risk offenders … A review of 30 studies (Bonta et al., 2002) found a wide variation in results and overall small (3%) reduction in recidivism. (AIHW, 2013a: 24)

Research in the US on prevention and intervention programs for juvenile offenders also supported the use of programs such as Multidimensional Treatment Foster Care. As with the FCIM carers involved in these programs have additional responsibilities and are paid at a higher rate than other carers. Carers are expected to provide a structured and therapeutic living environment for the young person, have in-service training, attend regular group meetings and have ongoing supervision and support offered.

5.5 Combined state/Federal program costs for drug courts.

In NSW a pilot Youth Drug Court was established (2000) with joint state and Federal funding for a drug rehabilitation program. The program aimed to reducing offending and drug use. No mention was made of youth with an OOHC history. In the evaluation it was found that the program had a number of successful outcomes including:

- 75 (46 per cent) young adults were eligible for the program; 29 (39 per cent) went on to satisfactorily complete the program (i.e. ‘graduate’).
- Nearly half stayed in the program beyond the initial six months; average length of involvement was 10.4 months.
- Around two-thirds participated in an educational or vocational course; more than half completed their courses.
- Nearly one-fifth achieved either part- or full-time work.
- Around 35 per cent were not recorded as having offended after they completed the program.
- Most participants reported decreasing drug use.
- Young women who graduated showed improved mental health.
• Participants were satisfied with the program overall with many citing the support/care from workers as being good; for other it was reduced drug use.

Less positive results were that:

• Around 60 per cent of participants appeared in court on fresh charges whilst they were on the program.
• Of these nearly two-fifths went on to receive some form of detention, either in the juvenile or the adult prison system; only two were program graduates (Eardley et al., 2004).

The ‘best’ estimates of program costs were between $359 and $452 per day comparing favourably with custodial costs of around $500 per day. The overall view of the evaluators was that:

The program is having an important, positive impact on the lives of many of those participating. The unit costs of achieving these impacts on a group of young people with entrenched drug use and criminal histories do not appear to be greater than those involved in keeping them in custody. (Eardley et al., 2004:v)

An evaluation of the Victorian pilot drug court program, operating since 2002, indicated lower level of stealing, violence and drug offences among the offenders involved with the Court. Full-time employment for participants increased from 11 per cent to 25 per cent. For the group unemployment fell 86 per cent to 54 per cent and many who were homeless found housing (King and Hales, 2004).

**Summary:** Evident from the discussion in this section is that, with the absence of meaningful data on actual numbers of young people in care and those who have left care becoming involved with both juvenile justice and the criminal justice system, it not possible to estimates savings to governments, if there was lesser involvement of young people in care in the justice systems. The overview in Table 7 of the available research in relation to the benefits from using specialist treatment foster care supports the implementation of the FCIM.
Table 7: Indications of potential government costs/savings in juvenile justice for children & young people in OOHC (cont’d)

<table>
<thead>
<tr>
<th>Authors</th>
<th>Purpose</th>
<th>Aim of exercise</th>
<th>Outcomes</th>
<th>Cost &amp; potential savings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Noetic Solutions P/L, (Australia)</td>
<td>Reviewed NSW juvenile justice system</td>
<td>Estimate costs of juvenile justice capacity based on projected numbers in JJ.</td>
<td>Found in period 2003-2006, 28% males &amp; 39% females had an OOHC history.</td>
<td>2007-08 NSW Juvenile Justice costs were 103 million for custodial services Daily detention cost approx. 556 per person per day. Other additional costs incurred for health &amp; education services. Unknown (but significant) long-term costs through loss of long-term productivity &amp; economic health of communities. Reducing numbers of youth in OOHC from using JJ services results in potential government savings</td>
</tr>
<tr>
<td>AIHW 2013 (Australia)</td>
<td>Reviewed data on young people (10-14 years) in youth justice system 2011-2012</td>
<td>Examine effective programs reducing recidivism in juvenile offenders</td>
<td>Found multisystemic therapy; Functional Family Therapy; multidimensional treatment foster care and aggression replacement training effective. Mixed finding on effectiveness youth justice conferencing</td>
<td>Drake et al., 2009 cited in AIHW 2013 found 8% reduction in crime outcomes for low risk offenders. Potential long-term savings from higher investment in treatment foster care models for young juvenile offenders</td>
</tr>
<tr>
<td>Eardley et al., 2004 (Australia)</td>
<td>Evaluate Youth Drug Court (YDC)</td>
<td>Examine outcomes from YDC on entrenched drug use.</td>
<td>Number of successful outcomes; some less positive</td>
<td>Best estimates of costs of 359-452 per day; compared favourably with custodial cost of 500 per day. Minimal savings from using YDC</td>
</tr>
</tbody>
</table>
5.6 Estimated costs of homelessness linked to children leaving OOHC

Compared to most young people, work by Homelessness Australia (2013) found that young people in OOHC are significantly more likely to experience homelessness. Utilising the various Transitioning from Care report cards published by the CREATE Foundation it was found that:

As many as forty percent of young people who are discharged from out of home care will experience homelessness within twelve months of exiting. Many young people exit care with no accommodation plan in place and with inadequate resources to access and maintain housing and meet other costs of living. Others are exited into accommodation that is tenuous and breaks down.  
(Homeless Australia, 2013)

In relation to young people under 16 years of age who are in OOHC Homelessness Australia (2013) notes that:

The breakdown of foster care and out-of-home care arrangements means there are some young people under 16 in the homelessness delivery service system. Some States and Territories have developed service responses for young people aged 12-15 who are experiencing homelessness that are funded under the National Partnership Agreement.

While there is not enough evidence to be able to determine causality, Taylor et al., (2008: 121) note, that studies have linked child maltreatment and homelessness. However, due to a number of confounding factors the writers note that the cost of homelessness related to child maltreatment cannot be estimated. The confounding nature of homelessness for youth, who have been in OOHC, is shared US researchers, who suggest that it is unclear, whether negative housing outcomes are attributable to foster care history or other risk factors (Cosner Berzin, Rhodes and Curtis, 2011).

In the work of Baldry et al., (2012) who examined ‘Life Course Institutional Cost of Homelessness for Vulnerable Groups’ (including young people involved with juvenile justice and/or in OOHC) the writers found that:

Some human services agencies avoid working with complex and poorly housed children and adults. As a result, criminal justice services, particularly police, are sometimes used as frontline child protection, housing, mental and cognitive disability services. This is

5.7 Supported Accommodation Assistance Program and Homelessness

In relation to the Supported Accommodation Assistance Program (SAAP), a Commonwealth-State funded program in all jurisdictions, writers note that: ‘Total recurrent funding of SAAP in 2006–07 was $356.1 million but only a proportion of this is relevant to child abuse and neglect’ (Taylor et al., 2008:119). The diversity of client groups accessing SAAP services is indicated by data for NSW. SAAP in NSW is delivered by approximately 400 services managed primarily by non-government organisations. Almost 40% of SAAP resources are dedicated to young people under 25 years of age; 30% to services for women and children affected by domestic violence; 13% dedicated to multiple target groups; and the remaining resources target single men, single women and families. Young people, including young people leaving care, are one of SAAP’s priority groups (NSW, DoCS, 2007).

In addition to eligibility to SAAP and other housing services young people leaving care are entitled to receive the Transition to Independent Living Allowance (TILA), a Commonwealth benefit. The allowance ($1,500) is available to all young people aged at least 15 and less than 26 years preparing to, or who have exited a care placement (including juvenile justice).

Summary: Although evident from studies discussed earlier, that young people leaving care can have unstable accommodation experiences and experience homelessness at some point in their lives, making a sustained link between homelessness and having being in care is, according to the research discussed here, is tenuous to say the least. It is therefore not possible to indicate either cost or savings to governments unless more meaningful data becomes available.

6 Deadweight losses associated with welfare payments.

Estimates of deadweight losses associated with child abuse were estimated by Taylor et al., 2008). Deadweight losses are defined as:

Efficiency or ‘deadweight’ losses (DWLs) arise when money is transferred through the government sector, as there is a need to raise money through taxation (which distorts consumption and production patterns) and also to administer the government payments and the taxation system. (Taylor, et al., 2008: xxiv)

Taylor et al., 2008 suggests that:

Efficiency losses associated with child abuse mainly arise from health and child protection expenditures, although there are also smaller losses from taxation forgone, welfare and income support. In total these losses on an annual basis were $807 million in 2007 (best estimate) with a lower and upper bound of $728 million and $1,080 million, respectively. (Taylor, et al., 2008: xxiv)
6.1 Deadweight losses associated with care leavers

For unemployed youth leaving care two types of DWLs apply – loss of government tax revenue from a lack of earnings attributed to unemployed young people. As consequence of young people’s unemployment a further DWL is the receipt of a Commonwealth income support payment. Income support payments for young people present a financial transfer from taxpayers to income support recipients. According to Taylor et al., 2008:125: ‘The real resource cost of these transfer payments is only the deadweight loss caused by the taxation needed to finance the distribution of welfare payments’. Taylor et al., (2008: 126) estimated lifetime welfare payments for people leaving OOHC of approximately $21.6 million.

One of the few Australian studies (Cashmore and Paxman, 2007), that examined the income sources of a group of young people (n=45) who had left OOHC, found close to a half (n=19, 46%) were reliant on an income support payment, either as their main (n=19) or supplementary (n=2) source of income. At the time of the study, the type of payments received by the young people included Austudy, Newstart or Sickness Allowance, and Parenting Payment. Parenting Payment was received by a small number of young women (n=7) with children. Parents in receipt of Parenting Payment would also be entitled to receive Family Tax Benefit A and B (Commonwealth payments) for the children in their care, another DWL for government.

Although not mentioned as DWLs by Taylor, et al., (2008), rent assistance (a Commonwealth benefit) and rental and electricity bonds (state payments) were also provided to young people in the study by Cashmore and Paxman, 2007. Government institutions that assisted close to half of the young people (n=23) included the Department of Housing, Centrelink, nongovernment agencies, and the Department of Community Services. In relation to support post-placement the types of assistance that were most appreciated by the young people included:

Help with the rental bond, rent assistance, and help with establishment costs (e.g. bedding, white goods, and cooking equipment). 'Establishment' assistance with the cost of necessary goods and appliances came from a variety of sources, including foster carers, church networks, charities (“St Vinnies”) and the Department of Community Services (DoCS). (Cashmore and Paxman, 2007).

Complicating estimates of DWLs, especially for young people in OOHC in NSW, is the payment of Commonwealth income support to young people, whilst they are in care. From 2012, young people in NSW, aged 16 years and over, who are eligible to receive Youth Allowance are ‘encouraged’ by the new criteria to apply for this payment. This is due to the department’s adjusted allowance rate to authorised carers of children in the age group 16-18 years. Care Allowance for young people 16 -17 years is reduced by $212.70 per fortnight (this is the same amount as Youth Allowance. This change to the NSW Care Allowance provides a perverse incentive for young people in care, to become dependent on Commonwealth income support payments, before they have transitioned from OOHC. For carers of young people (16-17 years), in education or training, and not eligible for Youth Allowance, the NSW Department of Family and Community Services, provides a Teenage Education
Payment of $6,000, slightly more than the annual total of Youth Allowance ($5,545). (NSW FaCS, 2013)

While rarely alluded to, further DWLs occur in relation to welfare payments received by carers. Studies of foster carers (McHugh et al., 2004; Yardley, Mason and Watson, 2009) indicate that as a group, they are highly reliant on Commonwealth income support payments. For many this is due to their older age and eligibility for Age Pension (no DWL applies) for others it is due to their receipt of Parenting Payment or Newstart Allowance. Foster carers receiving Parenting Payment or Newstart Allowance, can seek an exemption from the requirement to seek part-time work (aims to encourage beneficiaries to supplement their income with earnings). This loss of earnings and tax foregone is another DWL from welfare payments as are Family Tax Benefit payments (for fostered children) received by carers in receipt of income support payments.

7 Child Wellbeing

An overview of the current research into wellbeing of children in OOHC, by the Commission for Children and Young People and Child Guardian (CfCYP&CG) in Queensland, found numerous research studies indicating that children and young people in OOHC, compared to their contemporaries, have lower levels of wellbeing (QLD, CfCYP&CG, 2013). Many factors contribute to low levels of child well-being in care including: poor health (e.g. multiple physical and mental problems); education and school problems (e.g. difficulties in reading, spelling and maths, etc.); lower levels of social competence and relationship problems; impact of the pre-care environment (e.g. maltreatment, social and emotional deprivation); and placement instability and/or multiple placements.

The overview of research studies by CfCYP&CG (2013) in relation to foster care placements found many positive attributes leading to improved wellbeing for children and young people including: mitigation of risk factors (i.e. safety), development of protective factors and resilience building for children; development of stable, secure and nurturing relationships with carers; better peer relationships; and reduction over time of pre-existing behaviours; and involvement in decision-making. Carer attributes (e.g. warm, responsive parenting style, good parenting skills, and effective discipline practices) and meaningful relationships with caseworkers are also important in improved child wellbeing.

The survey of children and young people, conducted by the CfCYP&CG (2013) found certain placement characteristics indicating improved wellbeing. The large survey with young people (n=1180) and children (n=829):

Those with higher levels of wellbeing were more likely to have entered care at a younger age and have more stability in their lives, with better placement and school stability and continuity in their CSO8. Wellbeing appears to be further enhanced when children and young people have better quality relationships with others including

---

8 CSO are agencies providing OOHC services in Queensland.
teachers, peers, carers and CSOs and are able to get help with their concerns. There are also clear benefits from well-matched placements, involving children and young people in decision-making and lessening the impact of being in care by supporting children and young people in out-of-home care to live a ‘normal life’ through the provision of timely permissions and opportunities to engage in activities enjoyed by their peers who are not in care. (CfCYP&CG, 2013:2)

CfCYP&CG (2013) also referred to Queensland’s Evolve Program (see above) which provides therapeutic support for children with challenging behaviours, which have indicated improved wellbeing for children participating in the program. Other programs cited in this report, those with a therapeutic approach, such as proposed in the Berry Street model, indicate improved child wellbeing through participation in various programs (Frederico et al., 2012; Conti and Heckman, 2012; Hilferty et al., 2010; Holmes, Ward and McDermid, 2012; Queensland Child Protection Commission of Inquiry, 2013; The Smith Family, 2012; Verso Consulting P/L 2013). Based on the evidence presented in this report it is suggested that the implementation of the FCIM, will also result in improved wellbeing for children and young people in OOHC, who participate in the program.

8 Comparative cost of the FCIM and Residential Care Services in Victoria and elsewhere.

Of interest in this study is the total level of funding required to provide services for child protection and OOHC services in Australia. In 2011-12 recurrent expenditure was approximately $3.0 billion, an increase of $100.8 million (3.5 per cent) from 2011-2012. The AGPC Report on Government Services notes that:

Of this expenditure, out-of-home care services accounted for the majority (65.3 per cent, or $1.9 billion). Nationally, annual real expenditure on child protection and out-of-home care services has increased by $748.4 million from $2.2 billion since 2007-08, an average increase of 7.5 per cent per year for the past four years (AGPC, 2013:Table 15A.1).

In earlier general discussion in the report evidence-based research of the benefits/savings to governments from using less expensive therapeutic foster care services compared to residential care was highlighted (CSPV, 2013; Greenwood, 2008; Hansson & Olsen, 2012; Holmes, Ward & McDermid, 2012). Other research on therapeutic foster care indicted a number of improved outcomes for children and young people participating in these programs (Frederico, Jackson & Blake, 2005; Frederico et al., 2012; Gilbertson, Richardson & Barber, 2005; Queensland, CPCI, 2013; Szirom, McDougall & Mitchell, 2005).

This section of the report focuses more closely on foster care costs compared to residential care costs for the various Australian jurisdictions, shedding further light on the suggested savings to governments, from using the proposed Berry Street Foster Care Integrated model. Two approached are used to examine government
expenditures in using different types of OOHC placements. The first approach uses data provided by jurisdictions on the real recurrent expenditure per child in residential and non-residential care. The second approach uses unit cost data obtained for this study, from three jurisdictions, to illustrate the differences in foster care costs and residential care costs and the likely expenditure impact of implementing the IFCM costs.

8.1 Data on real recurrent expenditure per child in OOHC

Ideally, in the first approach, comparing unit costs for foster and residential care, for each jurisdiction, would have been the preferred option. Unfortunately published data on unit cost by type of placement are not available. Proxy indicators for unit costs, provided in the AGPC Report on Government Services, are ‘real expenditure per child’ in OOHC at 30 June 2012. The AGPC Report suggests some caution in using the figures for real expenditure per child as:

Expenditure per child in care at 30 June overstates the cost per child because significantly more children are in care during a year than at a point in time. In addition, the indicator does not reflect the length of time that a child spends in care. (AGPC, 2013: 15.23)

Real recurrent expenditure: Use is made of data on real recurrent expenditure per child in residential (n=2042 at 30 June 2012) and non-residential (i.e. home-based) care (n=37,022 at 30 June 2012), provided to AGPC by five jurisdictions (Victoria, Western Australia, Tasmania, South Australia and Australian Capital Territory). This data, while useful, is problematic as costs for ‘group homes’ are included in the non-residential care costs, which also include foster, kinship and other home based care. As with residential care, the number of children cared for in group homes is small (n=272, 30 June 2012) but the recurrent costs for this type of care would inflate overall recurrent costs for all non-residential care. A further concern is the lack of data for real recurrent expenditure by residential and non-residential OOHC care placements, for New South Wales, Northern Territory and Queensland. These three jurisdictions report data for all OOHC services only (AGPC, 2013)

The data for the five jurisdictions is presented in Table 8. The figures in the table indicate the significant differences in recurrent expenditure for children and young people in these two types of care. Recurrent costs for residential care are highly varied, ranging from 257 thousand for South Australia to 619 thousand for Western Australia. Recurrent costs for non-residential care are similar for four states (30 - 33 thousand) and less for Tasmania at 21 thousand.

As noted in the AGPC Report on Government Services data reported for these indicators are not directly comparable. The wide variation in recurrent expenditure for residential costs can be due to several reasons, including the characteristics of the child/young person, and/or size of residential homes, and/or location of services

---

9 Family group homes: Provide care to children in a departmentally or community sector agency provided home. These homes have live-in, non-salaried carers who are reimbursed and/or subsidised for the provision of care (AIHW, 2013, 143).
(remote, regional, urban), and/or number of staff allocated to provide care. In addition, in some jurisdictions some residential care may be less expensive to operate, some may be of lower service quality, or the care may be based on different service delivery models.

Table 8: Real Recurrent Expenditure, Residential & Non-Residential Care Services, Australian Jurisdictions, (2011-2012 dollars)

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Residential</th>
<th>Non-Residential</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIC</td>
<td>358,385</td>
<td>31,724</td>
</tr>
<tr>
<td>WA</td>
<td>619,393</td>
<td>33,603</td>
</tr>
<tr>
<td>SA</td>
<td>257,240</td>
<td>35,660</td>
</tr>
<tr>
<td>TAS</td>
<td>357,556</td>
<td>21,164</td>
</tr>
<tr>
<td>ACT</td>
<td>326,121</td>
<td>30,241</td>
</tr>
</tbody>
</table>

Source: AGPC, 2013, Table 51A.3:p2.

What is evident from the data is the vast difference between recurrent expenditure for non-residential placements compared to residential. In three jurisdictions Victoria, South Australia and the ACT residential expenditure range from 8 to 11 times the expenditure of non-residential care, whilst for Tasmania and Western Australia, residential care expenditure is 17 and 18 time more, respectively, than non-residential care.

**Nuanced real expenditure on OOHC placements:** Data is available from two jurisdictions, Queensland and the Australian Capital Territory (ACT), on annual cost of placement services by type of service. The ACT report provides data for the period 2012-13. The breakdown is useful illustration of variability in costs for different types of OOHC placements. The report also provides an overview of the proportion of overall budget expenditure according to placement type and the percentage of 3 children in each placement type. As the figures in Table 9 indicate for a child or young person, average kinship care cost are the lowest ($19,267) and average costs for residential are highest ($273,317).

Fifty percent of all OOHC placements in the ACT are kinship care placements and account for 15 per cent of total costs. Although foster and residential care account for 35 per cent of total costs, foster care accommodates 43 per cent of all placements, compared to eight per cent residential care placements. **Individual support placements** are noted as exceptionally high with 3 per cent of placements costing 5 per cent of the total OOHC costs\(^{10}\) (ACT Auditor-General, 2013).

---

\(^{10}\) Similar to other jurisdictions, in the ACT, a small number of young people are in Individual Support Placements which is provided under contract for individual cases and can be foster care or residential care (ACT Auditor-General, 2013: 69)
Table 9: Average cost by type of placement per annum: ACT 2012-2013

<table>
<thead>
<tr>
<th>Care Type</th>
<th>Average cost per place ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kinship Care</td>
<td>19,267</td>
</tr>
<tr>
<td>Foster Care - General</td>
<td>40,744</td>
</tr>
<tr>
<td>Foster Care Intensive</td>
<td>76,982</td>
</tr>
<tr>
<td>Residential Care - General</td>
<td>163,765</td>
</tr>
<tr>
<td>Residential care - Intensive</td>
<td>273,317</td>
</tr>
</tbody>
</table>

Source: ACT Auditor-General, 2013, Table 5.3: 156

The Queensland data is similar to that from the ACT. The figures in Table 10 indicate the lowest cost for foster/kinship care (excluding carer allowances) $6908 compared to the highest cost of $273,317 for Intensive Residential Care. In relation to placement type by proportion of children, foster/kinship care comprises over three quarters of all placements with intensive foster care representing seven per cent and residential care five per cent. (QLD, CPCI, 2013)

Table 10: Average Cost by Type of Placement per Annum: Queensland 2011-2012

<table>
<thead>
<tr>
<th>Care Type</th>
<th>Average cost per place ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foster &amp; Kinship Care (excludes carer allowance)</td>
<td>6,908</td>
</tr>
<tr>
<td>Intensive Foster Care</td>
<td>78,478</td>
</tr>
<tr>
<td>Residential Care (individual)</td>
<td>407,606</td>
</tr>
<tr>
<td>Residential Care (group)</td>
<td>216,017</td>
</tr>
<tr>
<td>Therapeutic Residential Care</td>
<td>337,265</td>
</tr>
<tr>
<td>Specific Response Care</td>
<td>151,265</td>
</tr>
</tbody>
</table>

Source: QLD, CPCI, 2013, Table 8.3: 254

8.2 Unit cost data

A limited amount of unit cost data was obtained for two jurisdictions: Victoria and New South Wales. The Victorian OOHC Program includes home-based and residential care placements. Community Service Organisations (CSO) in Victoria are funded by government (based on annual unit costs per placement) to provide placements.

Figures in Table 11 indicate that in relation to home-based care, costs (2011-12) ranged from $13,758 per child for a general placement to $27,515 per year for a complex placement. Carer allowances for home-based care, based on the age and complexity of children’s needs, ranged from, for example, $7,134 (child aged 8-10 years) in general care to $35, 360 per child for complex and high risk care (Cummins et al., 2012: 240).

For residential care, the annual placement unit prices ranged from $152,642 to $218,484 per child or young person (Cummins et al., 2012: 240). 2013 data from Berry Street indicated costs for residential care had increased to $162,879 for Intermediate Care and $233,448 for Complex Care (Pell, 2013).
Cummins et al., (2012: 242) noted that at June 2011 that the majority of placements were home-based, with 42 per cent in kinship care, 24 per cent in permanent care, 13 per cent in foster care and 12 per cent were in other home-based care. Around 9 per cent were in residential care.

**Table 11: Unit Cost per Placement Victoria (2011-12, 2013)**

<table>
<thead>
<tr>
<th>Care Type</th>
<th>Unit cost per placement ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General foster care (excludes carer allowances)</td>
<td>13,758 (2011-2012)</td>
</tr>
<tr>
<td>Complex foster care (excludes carer allowances)</td>
<td>27,515 (2011-2012)</td>
</tr>
<tr>
<td>Residential Care - Intermediate</td>
<td>162,879 (2013)</td>
</tr>
<tr>
<td>Residential Care - Complex</td>
<td>233,448 (2013)</td>
</tr>
</tbody>
</table>

*Source: Cummins et al., 2012, Pell, 2013*

For New South Wales unit cost data was available for 2013. The unit cost data applied to funding provided to non-government organisations (NGO) providing OOHC placements. Figures in Table 12 indicate that in relation to home-based care, unit costs for foster care ranged from 38-90 thousand dollars and unit costs for residential care ranged from 180-296 thousand.

**Table 12: Unit Cost per placement New South Wales, 2013 (May)**

<table>
<thead>
<tr>
<th>Care Type</th>
<th>Unit cost per placement ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Foster Care &amp; Care +1(^{(a)})</td>
<td>37,969</td>
</tr>
<tr>
<td>General Foster Care +2</td>
<td>37,969(^{(b)})</td>
</tr>
<tr>
<td>Intensive Foster Care</td>
<td>90,306</td>
</tr>
<tr>
<td>Standard Residential Care</td>
<td>180,611</td>
</tr>
<tr>
<td>Intensive Residential Care</td>
<td>295,546</td>
</tr>
</tbody>
</table>

*Notes: (a) (includes carer allowances). (b): + an additional amount up to $10,262 per annum.*

*Source: NSW, Family & Community Services, 2013*

**Summary:** Regardless of whether data discussed in this section are real recurrent expenditure or unit costs, it is difficult to make meaningful comparisons between expenditures on placements for the different jurisdictions. In part this is due to the different definitions used to describe the various levels of home based and residential care, the policy and service framework underlying placement types, and the broader demographic and social context in each jurisdiction. At a more micro level, a lack of data on the various cost components, caseworker caseloads, contingencies and additional allowances available for different types of placements, all contributing to overall costs, also complicates the discussion.

### 8.3 Situating the Berry Street model costs within current OOHC placement types

One factor which is self-evident from figures in the tables above is the significant disparity between higher expenditures on residential care, compared to considerably lower non-residential care costs. While acknowledging that residential care forms a reasonably small component of all OOHC services, its disproportionate costs, as indicated in the ACT Auditor-General’s report (2013), compared to other placement...
costs, leads to the conclusion that home-based placements, that can provide a similar level of therapeutic support, is a better and less expensive option.

The total average cost (including carer payment) for a therapeutic foster care placement, calculated in 2012, was estimated to be around $86,900 (McHugh & Pell, 2013: Table 5). Situating the expenditure for the Berry Street therapeutic model unit costs, incorporating a foster parent fee, foster carer allowance and operational costs, is probably best compared to jurisdictions, where data are available for similar levels of foster care placement. In this section there are several examples of costs related to ‘Intensive’ or ‘Complex’ foster care, which conceptually, are similar in intention, to the Berry Street approach. Carers providing intensive/complex care are generally in receipt of higher levels of allowance. Costs for Intensive/Complex foster care for the ACT, Queensland, Victoria and New South Wales are taken from the tables above and compared to the Berry Street model (Table 13).

It is of interest to note that, whilst there is some variation in these estimates in the table, with a higher bound of $90,306 for New South Wales and a lower bound of $62,875 for Victoria, the Berry Street model at $86,900 is not an unreasonable estimate.

<table>
<thead>
<tr>
<th>Care type</th>
<th>Cost ($)</th>
<th>Jurisdiction</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intensive Foster Care</td>
<td>76,982</td>
<td>ACT</td>
<td>2012-2013</td>
</tr>
<tr>
<td>Intensive Foster Care</td>
<td>78,478</td>
<td>QLD</td>
<td>2011-2012</td>
</tr>
<tr>
<td>Complex Foster Care</td>
<td>62,875</td>
<td>VIC</td>
<td>2011-2012</td>
</tr>
<tr>
<td>Intensive Foster Care</td>
<td>90,306</td>
<td>NSW</td>
<td>2013</td>
</tr>
<tr>
<td>Berry Street Model</td>
<td>86,900</td>
<td>VIC</td>
<td>2012</td>
</tr>
</tbody>
</table>

Note: A carer allowance of $35,360, noted above, is added to $27,515 to arrive at a total cost for a Complex placement in Victoria.

*Implicit inference in allowance levels:* Across all jurisdictions, inherent in higher levels of allowances provided for foster carers in current foster care placements, designated as Intensive or Complex, is a ‘reward’ or ‘compensation’ element for carers taking on a more demanding carer role. This reward or compensation element is not stated as such, and there is usually no explanation given as to how the higher levels of allowances carers are provided with are arrived at, nor is it clear what higher carer allowances are supposed to cover. It was noted in 2011 that it appeared that the needs of children requiring higher levels of allowance are in ‘excess’ of what other children in care require. One example, from the Northern Territory (NT, DHF, 2010), explained that higher payments, in addition to extra expenses, were for carer’s ‘extra duties, tasks or stresses’ and as such, the author argued they were not reimbursements for children’s costs:

11 Names given to higher carer allowances vary by jurisdiction and how they are determined is not always clear, though many States use a ‘loading’ (i.e. percentage increase) on the age-related basic subsidy (McHugh, 2011)
Special Needs Allowance rate applies where the child has been assessed as requiring emotional, physical, personal and/or auxiliary care in excess of what is usually required by a child in care. As such, there are demonstrated extra expenses, duties, tasks or stresses associated with the care of the child (McHugh, 2011)

Summary: In relation to carer reimbursements, in the Berry Street model, clarification is provided around what element of carer reimbursement represents the Foster Parent Fee (i.e. salary) and what represents the Fostering Allowance (McHugh and Pell, 2013). For the first time in Australia, a model incorporating a Foster Parent Fee is being proposed. The provision of a Foster Parent Fee makes explicit was previously implicit in higher levels of carer allowances.

The IFCM incorporates a more professional therapeutic approach to fostering, an approach widely supported in the Australian community. Such an approach is required if the sector is to meet the needs of children and ensure better outcomes, for example, in health, education, training and employment. The level of Foster Parent Fee would be based on carer level of skill, experience and training and level of care provided. A review of the substantial literature on professional models of foster care, where a carer fee/wage is included, found it has been implemented in several countries for a number of years, and has wide acceptance (McHugh & Pell, 2013)

9 Conclusion

This study discusses the likely downstream savings to government by introducing a professional and therapeutic approach to fostering: The Berry Street IFCM. The paper noted the difficulties in estimating savings. It discussed a number of Australian therapeutic and specialist OOHC programs, in particular, their costs and benefits. It noted that limited data available on program evaluation made it difficult to discuss meaningful comparisons on costs and savings. What the overview provided was evidence that investments in therapeutic and specialist OOHC programs have significant and beneficial outcomes for the children involved.

The paper provided an overview of estimated costs and potential savings in the health area for children and young people in OOHC. It suggested that implementing a therapeutic model of foster care could reduce the staggering levels of government expenditure on current and future health issues resulting from being maltreated, and should be given serious consideration for both economic and social reasons.

In relation to expenditure on education and training, the paper found that as expenditure is a joint responsibility between Federal and state governments, it is not possible to indicate where savings might be made, for one level of government as against another, by introducing the FCIM. The paper suggests that as with health costs it is clear that investments in both education and training, for children in care and for care leavers, will result in better productivity outcomes bringing both economic and social benefits.

The paper found that young people leaving care can have unstable accommodation experiences and experience homelessness at some point in their lives. However, making a sustained link between homelessness and having been in care is, using the
available data and research discussed in the paper, is questionable to say the least. It is therefore not possible to indicate either cost or savings to governments unless more meaningful data becomes available.

The paper attempted to examine the costs of the FCIM and residential care services in Victoria and elsewhere. The absence of unit cost data resulted in real recurrent expenditure being used for some jurisdictions and limited unit cost data for others. Neither set of data made it possible to make meaningful comparisons between expenditures/unit costs for the different jurisdictions. In part this is due to the different definitions used to describe the various levels of home based and residential care, the policy and service framework underlying placement types, and the broader demographic and social context in each jurisdiction. At a more micro level, a lack of data on the various cost components, caseworker caseloads, contingencies and additional allowances available for different types of placements, all contributing to overall costs, also complicated the discussion.

Using the data on real recurrent expenditure and unit costs, the paper found overwhelming evidence, that there is a significant disparity in costs between higher expenditures on residential care, compared to considerably lower non-residential care costs. Use was made in the paper of several jurisdictions’ costs of intensive/complex foster care and found that that the unit costs associated with the FCIM were comparable. The paper suggests that the similarity of these cost lie, in part, with the level of carer allowances for carers, providing higher levels of care and noted that the conceptual basis of Foster Parent Fee (reward/compensation for caring), made explicit was previously implicit, in higher levels of carer allowances.

Finally the paper suggests that not only will the implementation of the FCIM result in better outcomes for children and young people in care, but based on the outcomes of numerous studies presented in this report, it is also suggested that the implementation of the FCIM, will result in improved wellbeing for those children and young people participating in the program.
References


