

# Valuing something that really matters

The economic value of foster care in Victoria

Final report



# Executive summary

Victoria's 1,825 active foster carers provide enormous benefits to the Victorian community. We estimate that, in 2020-21 alone, they generated economic benefits of:

- \$80 million in providing some 2.9 million hours of active caregiving, and
- \$453 million in avoided costs of placing children in alternative forms of care.

The total value of economic benefits is the equivalent of more than 30% of the total Victorian Government investment in child protection and family services (\$1.67 billion in 2021-22), while just \$126 million is invested in supporting foster care. This means that for every \$1 invested, the Victorian Government receives more than \$4 of direct economic benefits in return (before considering the long-term benefits from the health, safety and wellbeing of children that home-based care provides).

However, this valuable resource faces significant risks. The number of active foster carers is not growing and many foster carers report challenges that may prevent them continuing as carers. There are new models of foster care – both within Victoria and in other jurisdictions – that are demonstrating promising results in improving the sustainability of foster carers, the stability of placements and outcomes for the children in their care. Scenarios modelled by this project demonstrate that both substantial growth or substantial deterioration in the economic value of foster care are possible over the coming decade.

This analysis calls for a renewed effort to rejuvenate, enhance and grow foster care to meet the continuing growth in demand for home-based care. Doing so would grow the value of foster care, enabling more children to be cared for in a safe and nurturing home environment, alleviating demand for more expensive models of care and improving the wellbeing and long-term outcomes of children in care. Failing to do so risks losing this valuable resource on which the child protection system relies.

## Foster care in Victoria

Foster care is an essential component of Victoria's child protection and out-of-home care (OOHC) system. When children cannot safely live with their families, and other forms of care (such as care by kinship relations) are not possible or appropriate, foster carers provide temporary care for these children in their homes. For the last three years (between mid-2018 and mid-2021), an average of 1,647 children were in foster care on any given night.

Foster carers are volunteers. While government invests more than \$126 million per annum in supporting foster care, and direct funding is provided to foster carers that contributes to the expenses incurred in the provision of care, carers are not paid for their services.

Child protection is the responsibility of the Secretary of the Department of Fairness, Families and Housing (DFFH) and is governed by the Children, Youth and Families Act 2005 (the CYF Act). For most children in foster care, a court order has conferred 'parental responsibility' for the child on the Secretary of DFFH. Under the Act, the Secretary must provide for the physical, intellectual, emotional, and spiritual development of the child "in the same way as a good parent would".<sup>1</sup> This means that, in the absence of foster care, the Secretary would have a statutory obligation to ensure the child has safe and appropriate care and accommodation in another setting. As opportunities for kinship care are generally preferred to foster care and are considered before a placement is made, it is likely this would mean care being provided by a contracted service.

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<sup>1</sup> Children, Youth & Families Act (2005), section 174

Victoria's child protection system is facing rapidly growing demand. The number of children in OOHC in Victoria has grown by 60% over the last ten years. This growth is placing pressure on all part of the child protection system and greatly increasing its costs. Recurrent expenditure on child protection services grew by more than 50% over the past five years, to \$1.55 billion in 2020-21. OOHC makes up half of all child protection expenditure and providing care in a residential setting is as much as 16 times more expensive than home-based care.

However, unlike most other parts of the child protection system, foster care is not growing and the number of children in foster care is falling. In 2011, 37% of children in OOHC were cared for by foster carers; by 2020 that proportion had halved to 18%. In part, this trend reflects policy goals that prioritise (where safe and appropriate) keeping children and young people – especially Aboriginal children – with their kin and community. However, it also reflects that the number of available foster carers is not growing to meet the need for home-based care. There are fewer active foster carers today than five years ago and lack of placement options in Victoria has been found to be contributing to poor placements outcomes in OOHC.<sup>2</sup>

Foster carers find their role fulfilling and rewarding, motivated by making a positive difference in children's lives. At the same time, they also report considerable challenges that they feel unprepared for and impact on their ability to care. Common challenges include supporting the complex needs of children in their care, navigating the child protection system and the considerable personal and financial costs caring can involve. These challenges may ultimately impact their sustainability as carers. Less than two-thirds of carers say they were likely to continue caring into the future.<sup>3</sup>

Meanwhile, children and young people who transition out of OOHC comprise one of the most vulnerable and disadvantaged groups in society. The research literature is continually demonstrating the lasting impact of abuse and neglect on the life and wellbeing outcomes of children and recent studies have qualified substantial economic costs that accrue to individuals and society from this harm. OOHC can have a substantial impact on the experiences of children. Positive care experiences can support good childhood development and/or recovery from trauma and abuse. However, negative experiences of care can exacerbate and compound the harm children experience before entering care. Having a strong and sustainable supply of placement options is crucial to providing children with the care they need.

## The economic benefits of foster care

Economic valuation is a widely used analytical process that estimates the value of outcomes that can be reliably quantified (measured or estimated) and valued (i.e. assigned a value in monetary terms). Economic valuation is never the full story and won't adequately capture much of what foster carers do in opening their hearts and homes to children and young people in need of care. However, articulating the economic value of foster care can complement the stories and experiences of fosters carers and the children in their care, to better recognise the value they create for Victorian people and communities.

This project focusses on three benefits of foster care.

1. Provision of care and a home for vulnerable children – that is, the services foster carers provide, without payment, in providing a safe and nurturing home for children.
2. Avoided costs to the statutory child protection system – that is, avoiding costs that would otherwise be required to care for children in alternative accommodation settings.
3. Alleviation of the negative impacts of maltreatment on children who are placed in foster care – that is, a reduction in the poorer long-term health, justice, education and employment outcomes that children in care are more likely to experience.

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<sup>2</sup> Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 142.

<sup>3</sup> Ernst & Young (2021), *Carer Census* prepared for the Department of Families, Fairness and Housing

This study estimates the value of these benefits to Victoria today (2021-22). It also projects possible scenarios of these economic benefits of the coming ten years, based on current trends, including:

- a 'base case' – projecting continuation of current levels of care
- a deterioration scenario – where current risks to the sustainability of foster care are realised, resulting in a considerable reduction in foster caring, and
- an improvement scenario – where foster care in Victoria is improved, potentially through adopting new models that improve carer sustainability and outcomes of children.

Our findings demonstrate an enormous economic value of foster care. Utilising the data and estimates outlined in Section 2, we estimate that in 2021-22 foster care activity amounted to the following:

- 2.9 million hours of 'active' caregiving by a volunteer foster carer or 9.6 million hours of 'time in care' by a volunteer foster carer, with an economic value of \$80 million and \$264 million respectively
- avoiding 218,000 nights of alternative protective care that would have been required if foster care was not available, with an economic value of \$453 million in avoided costs.

As noted above, these benefits are substantial in terms of their contribution to the overall child protection and OOHC system, and in terms of the return on government's investment supporting foster care.

The key drivers of these benefits are:

- the amount of foster care provided, driven in turn by demand for care placements (which continues to rise) and the availability of foster carers (which has fallen in recent years)
- the value ascribed to care services, in terms of the value of carers' time and the costs of alternative protective care options (conservative estimates have been adopted for these variables), and
- the impact of foster care on long-term health, education, employment and justice outcomes (due to a lack of reliable data, this impact has not been included in the base estimates of the economic value of foster care).

Variations in these estimates would impact the model's results. The report considers three plausible scenarios that would impact the value of these benefits over the next ten years.

- A 'base case' scenario (continuation of current levels of care) would see economy-wide escalation of costs driving an increase in economic benefits, with annual benefits rising to \$654 million in 2030-31 and total economic benefits of \$5.9 billion over the ten year period.
- A deterioration scenario – where the supply of foster carers decreases at a rate of one-third every five years – would see annual benefits declining to \$309 million in 2030-31 and the total economic benefits over the next ten years at \$4.1 billion (a loss of \$1.8 billion, or 30%, of the economic benefit).
- An improvement scenario – where improved models of foster care would, after an implementation period, increase the supply of foster carers by one-third every five years and achieve a 20% improvement in life outcomes for children in care – would see annual benefits rising to \$1.0 billion in 2030-31 and the total economic benefits over ten years of \$7.1 billion (a \$1.2 billion, 20%, increase on the base scenario).

Our report also provides examples that demonstrate that elements of the 'deterioration scenario' – namely, increasing reliance on less appropriate and more expensive contingency placements, due to a lack of home-based care options – is already occurring.

## A need for rejuvenation and growth of foster care

Foster care generates immense value to the Victorian community. It is a critical component of home-based care, offering safe, stable and nurturing care placement options on which the child protection and OOHC system relies.

As this report demonstrates, volunteer carers add considerable resources that bolster the child protection system and prevent large costs that would otherwise be incurred. Foster care also has the potential alleviate the long-term damage caused by the maltreatment children in care have experienced.

This valuable resource is at risk. Foster care is not growing to meet demand for home-based care, foster carers are becoming more difficult to recruit and retain, and many foster carers are expressing challenges that may prevent them from providing care into the future. If foster care was to deteriorate, it would mean large costs to the child protection and OOHC system and worse outcomes for children in care.

The child and family services sector is in a sustained period of growth and reform. All parts of the system are growing and changing to meet community needs, to adopt emerging evidence and leading practice, and to adapt to the contemporary needs of Victorian families and communities. Foster care should do the same.

Investment in foster care is great value-for-money. This report provides an economic case for investing in the rejuvenation, improvement and growth of foster care. To do so, government should:

- better understand the contemporary needs of Victorian families, how they impact people's willingness and capacity to become carers and the social and economic reasons behind the stagnation of the foster carer pool
- work with carers and foster care agencies to develop and rollout contemporary and fit-for-purpose models of foster care for Victoria in line with the needs and experiences of carers, emerging models of enhanced support for foster care, the importance of cultural safety and self-determination for Aboriginal Victorians, and the ongoing reform of Victoria's child and family service sector, and
- invest in growing and sustaining foster care to enable more children to be cared for in safe, nurturing and well-supported home-based placements and reduce the need for (and cost of) residential care and contingency placements.

# About this report

## Purpose

Cube was commissioned by the Centre for Excellence in Child and Family Welfare (CFECFW) to estimate the economic value of foster care in Victoria. This report documents our findings and the data and analysis that underpins them.

Economic valuation is a widely used analytical process that is used to assess and compare the impact of different activities or investments on important individual or community outcomes. Economic valuation is only possible in relation to outcomes that can be reliably:

- quantified – either through direct measurement or reasonable estimates, and
- valued – i.e., assigned a value in monetary terms.

This means that economic valuation is never the full story. Foster carers provide many benefits for the children and young people they care for, for their families and communities, for government and for the wider Victorian community. They play a central role in the lives of vulnerable children by “opening their hearts and homes to children and young people in need of a safe and nurturing environment” and “providing them with safety, security, stability and opportunities for building positive relationships”.<sup>4</sup> Much of what foster carers do cannot be quantified or expressed in monetary terms. This analysis should be considered alongside the experiences of foster carers and children and complementing the stories they tell.

This economic valuation focusses on three benefits of foster care that were identified and explored with a working group of sector experts, convened by the CFECFW. These benefits are:

1. providing care and a home for vulnerable children
2. avoiding costs to the statutory child protection system that would be required for alternative accommodation, and
3. reducing the negative impacts of maltreatment on children who are placed in foster care.

The analysis relies on data provided by the Department of Fairness, Families and Housing (DFFH) and in publicly available sources. Where estimates are required, the analysis considers a range of options and adopts a conservative approach. The findings of this report should, therefore, be considered minimum estimates within the constraints of the data and information available to us.

Foster carers care for vulnerable children and young people, ranging from infants to young people as old as 21 years. For simplicity of drafting, when this report refers to 'children' it includes (unless otherwise specified) all children and young people in care (including up to age 21<sup>5</sup>). Depending on the source, data on the prevalence and activity of foster care can sometimes be limited to person aged 17 or under.

## Structure of this document

This report is structured in three sections.

1. A background to foster care in Victoria and the key trends of relevance to this analysis.
2. The valuation methodology of this study and the data and estimates employed.
3. The findings of the study, including estimating the economic value of foster care in 2020-21 and over the next ten years based on three modelling scenarios.

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<sup>4</sup> Department of Health and Human Services (2017), *Victorian handbook for foster carers*

<sup>5</sup> From 1 January 2021, the Home Stretch program extends the age limit for out-of-home care to enable Victorian young people to remain eligible for out-of-home care support until the age of 21.

# 1. Foster care in Victoria

This section summarises the role of foster care in Victoria's child protection system, and current trends and challenges relevant to the economic analysis. Overall, while foster care is an integral part of Victoria's child protection and out-of-home care (OOHC) system, it is not growing to support the enormous pressure the system is under and there are risks to its sustainability in its current form.

## Child protection in Victoria

While most children in Australia grow up safe, happy and healthy, some children are in family environments that mean they are at risk of abuse or harm from which their families are unable or unwilling to protect them. In these cases, child protection services are empowered to intervene to determine the severity of the maltreatment and protect the children from risk of harm.

In Victoria, child protection is the responsibility of the Secretary of the Department of Fairness, Families and Housing (DFFH) and is governed by the *Children, Youth and Families Act 2005* (the CYF Act). Under the Act, DFFH:

- receives reports from, and provides advice to, people who believe a child needs protection
- investigates matters where it is believed that a child has been abused or is at risk of significant harm
- refers children and families to services which help to provide for the safety and wellbeing of the children
- takes matters before the Childrens Court if the child's safety cannot be assured within the family, and
- supervises children on legal orders granted by the Childrens Court.

The foundation of the CYF Act is the "best interests" principles. The best interests of the child must always be paramount<sup>6</sup> and the CYF Act outlines principles for decisions made under the Act must be consistent with.

A small number of children cannot safely remain with their family. For these children, the courts may make an order that confers 'parental responsibility' for the child on the Secretary of DFFH.<sup>7</sup> The Secretary must provide for the physical, intellectual, emotional, and spiritual development of the child "*in the same way as a good parent would*". This includes providing for the care of the child in a home-based or other care setting, of which foster care is one form.

### Child Protection activity in Victoria is growing rapidly

Demand on Victoria's child protection system is growing quickly. Over the last decade (2010-2020), the number of substantiated<sup>8</sup> cases of abuse or neglect and the number of care and protection orders have more than doubled. This growth is shown in the chart below. While 2019-20 saw some reduction in activity (reports and investigations fell by 10-15%), this is likely due to COVID-19 restrictions impacting child protection work rather than any underlying improvement in rates of child maltreatment (as seen by the number of orders continuing to rise).

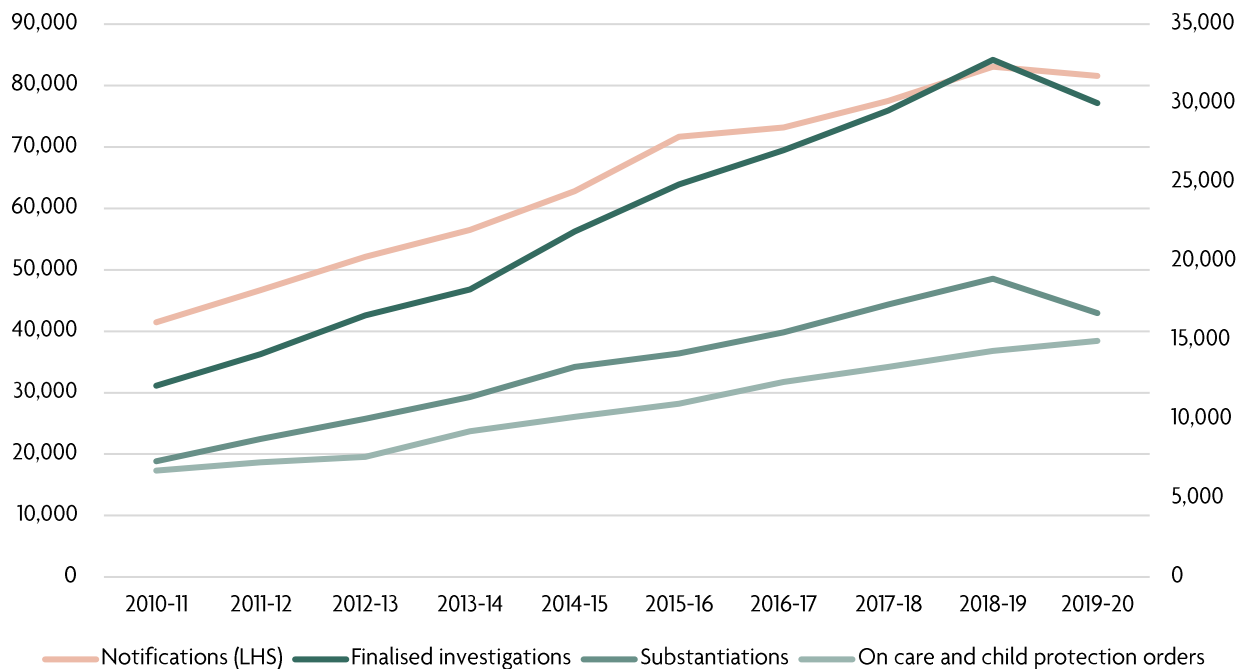
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<sup>6</sup> Children, Youth and Families Act 2005 (Vic), s 10

<sup>7</sup> Better Health Channel. Child Protection Service. Accessed on 17 November 2021 at <https://www.betterhealth.vic.gov.au/health/healthyliving/child-protection-service#the-child-protection-system>.

<sup>8</sup> A substantiation of a child protection notification, refers to the conclusion, after investigation, that there is reasonable cause to believe that the child has been, was being, or was likely to be, abused, neglected or otherwise harmed.

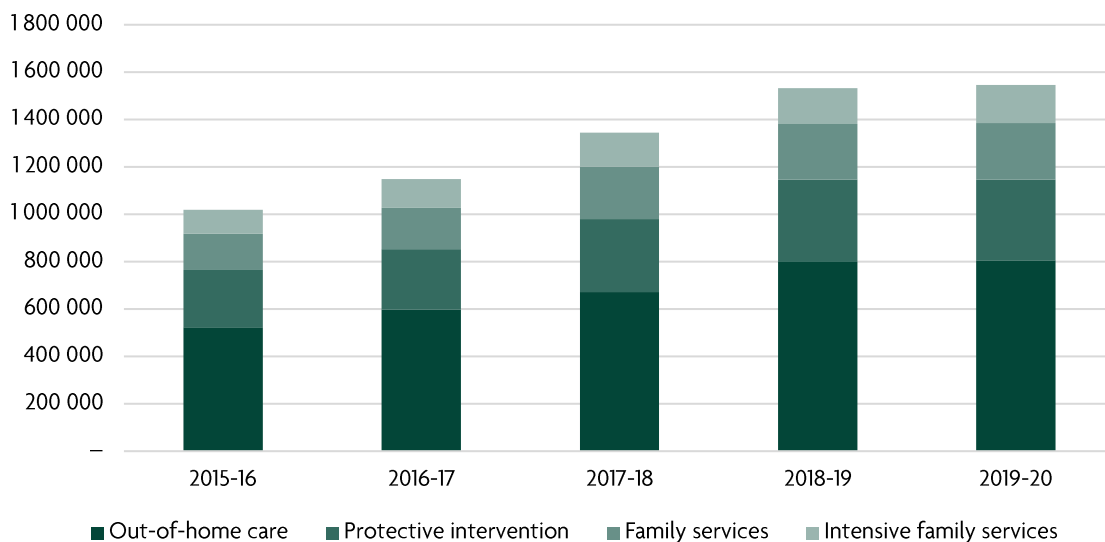
Figure 1: Child Protection services activity in Victoria (2010 - 20).



Source: Productivity Commission (2021), Report on child protection services, Table 16A.1, Commonwealth of Australia, Canberra.

As a consequence, government expenditure on child protection services is also growing sharply. Recurrent expenditure on child protection services grew by 51.6% between 2015 and 2020. As shown below, OOHC makes up half of all child protection expenditure.

Figure 2: Victorian Child Protection services expenditure per \$'000 (2015 - 20)



Source: Productivity Commission (2021), Report on child protection services, Table 16A.8, Commonwealth of Australia, Canberra.

Home-based care is a far less costly way to care for children in OOHC. The Productivity Commission estimates that Victoria spends an average of \$847,000 per child in residential care; for children in home-based care, that amount is just \$51,000.<sup>9</sup>

<sup>9</sup> Productivity Commission (2021), Report on child protection services, Table 16A.36, Commonwealth of Australia, Canberra



## Increasing numbers of children are being placed in out-of-home care

OOHC services are those that provide care for children and young people who cannot live at home with their parents. There are different types of care in Victoria outlined in the table below.<sup>11</sup> In theory, these various models of care mean there are options and children are placed in the type of care best suited to their needs and circumstances.

Table 1: Types of OOHC

Type	Summary
<b>Adoption</b>	Permanently transfers the parental rights and responsibilities of natural parents over to adoptive parents. Adoption is voluntary, used for children whose biological parents have given consent for them to be adopted.
<b>Residential care</b>	Residential care is for young people, typically aged 12-18 years, who have behaviours that place them at high risk and require a team of carers around them to help them settle. Residential care is for children who have exhausted, or cannot be placed in, home-based care (i.e., kinship or foster care placement). It is intended for children who display significant levels of challenging behaviour, have multiple and complex needs, and/ or have behaviours that place them at extreme risk of harm.
<b>Lead tenant placements</b>	Semi-independent accommodation - only available for young people aged 16 to 18 years who are child protection clients and are moving towards independence. Young people are supported by a live-in volunteer and an outreach support team.
<b>Home-based care</b>	Home-based care encompasses kinship care, foster care and permanent care. <ul style="list-style-type: none"> <li>• <b>Kinship care</b> is when a child or young person is placed in the care of relative, friend, or member of their social network</li> <li>• <b>Foster care</b> refers to the temporary care of children who cannot live with their birth family by trained, assessed, and accredited foster carers.<sup>10</sup></li> <li>• <b>Permanent care</b> is when a child or young person is placed permanently with a carer (or carers), who are assessed and approved to provide permanent care for a child or young person. Once a court order has been made, a permanent carer becomes the parent of the child or young person and has parental responsibility to the exclusion of all others</li> </ul>

The number of children and young people in OOHC in Victoria has increased by 60% between 2011 and 2020.<sup>12</sup> As at 30 June 2020, there were a total of 9,095 children and young people in care (of which, 429 were in residential care and 8,620 were in home-based care).<sup>13</sup>

## Foster care in Victoria

Foster care is an essential element of the OOHC response for children who cannot safely live with their families. Foster care occurs either under a court order or organised as part of a voluntary arrangement between the child or young person's parent and a service provider (most commonly the former). Children are provided temporary care by trained and accredited volunteer foster carers. There are a variety of types of foster care placements (as shown in Table 2 below).

<sup>10</sup> Department of Families, Fairness, and Housing. Families & children: Foster Care. Accessed on 16 November at <https://services.dffh.vic.gov.au/foster-care>.

<sup>11</sup> This table has been adapted from the information in the Victorian Handbook for Foster Carers

<sup>12</sup> Productivity Commission (2021), Report on child protection services, Table 16A.20, Commonwealth of Australia, Canberra.

<sup>13</sup> Ibid.

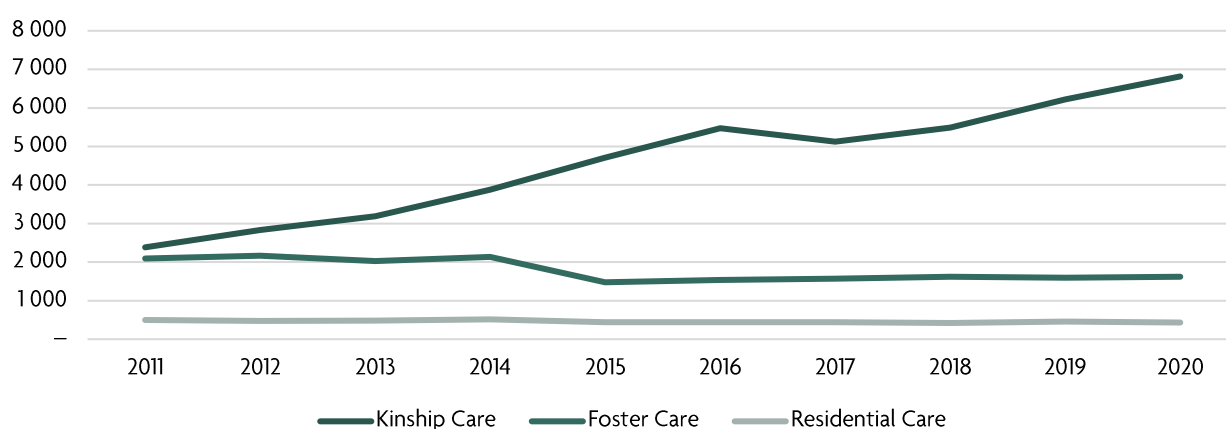
Table 2: Types of foster care

Type	Definition
<b>Respite foster care</b>	Short-term and/or intermittent care provided for children and young people living with full-time foster and kinship carers or parents, often for one or two weekends a month, or for a week during school holidays, or as required.
<b>Emergency foster care</b>	For children and young people who require immediate care due to concerns for their safety. Because these arrangements are urgent, there is usually very little notice before a child or young person is placed with the carer. They often occur in the night.
<b>Short-term foster care</b>	For children and young people who require care ranging from overnight up to about six months. Children and young people requiring short-term care are often reunified with their parents, or may be placed with extended family at the end of the foster care arrangement.
<b>Long-term foster care</b>	Care arranged when a child or young person cannot return home for some time. Long-term foster care may cease when a permanent care arrangement is organised, or when the child or young person reaches adulthood and becomes independent.
<b>Therapeutic foster care</b>	Therapeutic foster carers are provided with specialist training, support and financial assistance to care for children and young people who need therapeutic responses to their specific needs. Therapeutic foster carers work closely with a team of professionals who provide tailored behaviour support strategies.

### Foster care is the one part of Victoria’s child protection system that is not growing

During 2020-21 (financial year), there were 2,747 children and young people spent some time in foster care, with an average of 1,634 in foster care on any given night.<sup>14</sup> As shown in Figure 3, unlike other forms of care, foster care placements have remained relatively stable. As a result, foster care accounts for just 18% of children in OOHC are in foster care in 2020 (compared to 37% in 2011).<sup>15</sup>

Figure 3: Comparison of the number of children in care on 30 June each year over the last decade



Source: Productivity Commission (2021), *Report on child protection services*, Table 16A.20, Commonwealth of Australia, Canberra.

<sup>14</sup> Data accessed from DFFH on 1 December 2021.

<sup>15</sup> Percentages accessed from: Productivity Commission (2021), *Report on child protection services*, Table 16A.20, Commonwealth of Australia, Canberra.

While the number of children in foster care has remained relatively stable, the number of foster care placements has decreased significantly. Over 2020-21, there was 5,042 foster care placements, approximately 23% less than 2018-2019 (6,556 placements). These placements are typically longer (an average of 300 night per placements, compared to 229 in 2018-19).

The stable numbers of foster care is, in part, reflective of policy goals that prioritise (where safe and appropriate) keeping children and young people – especially Aboriginal children – with their kin and community. However, it also reflects that the number of available foster carers is not growing (see following section). A lack of placement options has been found to be contributing to poor placements outcomes.<sup>16</sup>

## Recent reforms to the child protection system

Victoria's child protection system is undergoing substantial reform, most importantly through the Victorian Government's ongoing *Roadmap for Reform* program. These changes are dramatically altering the policy and practice landscape in the sector. Overall, the most substantial changes have occurred in early intervention (e.g. the introduction of *the Orange Door*) and in other forms of OOH (e.g. kinship care, residential care). While new models and reforms to foster care have occurred, their scope has been more limited.

### **The Roadmap for Reform: Strong Families, Safe Children**

*The Roadmap for Reform: Strong Families, Safe Children (the Roadmap for Reform)* is a strategy to improve the caring experience of kinship, foster, and permanent carers and the children and young people they provide care for. It detailed wide-ranging and critical priorities and initiatives for the child protection and OOH system. The Roadmap for Reform aims to prioritise early intervention and prevention support, reducing the use of residential care and transforming OOH by building capacity within the system and capabilities of foster carers, families, and kinship carers.

As part of the Roadmap, the 'pathways to support' model connects the different parts of the child and family system in Victoria to work together as a unified and single system that is child and family-centred and evidence-based. The Priority Setting Plan 2021-24 sets out the next stage of long-term changes to shift the child and family system towards the pathways to support model. Key priorities include:

- shift the system to intervene earlier to improve family functioning, keep children with their families and safely reunify children, with a priority focus on Aboriginal families
- build evidence across the system to enable effective services, targeted to the needs of priority groups of children and families
- strengthen partnerships between child protection, family violence, sexual assault and child and family services to enable improved experiences and outcomes for children and families, and
- advance Aboriginal self-determination and self-management, including through care and case management of Aboriginal children by ACCOs and Aboriginal-led service offerings.

Through and alongside the Roadmap for Reform, Victoria has also been responding to the Royal Commission into Family Violence. The Royal Commission made wide-ranging recommendations for all services and systems that work with victims and/or perpetrators of family violence and their families, with a series of specific recommendations for the child protection system. It recognised that family violence is a major driver of child abuse and neglect and that experiencing or witnessing family violence can have a lasting impact on children and young people.

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<sup>16</sup> Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 142.

Major changes under these reforms have included:

- *the Orange Door* – new access points for families who need assistance with the care and wellbeing of children and people experiencing family violence, to contact services they need for support;
- growth and investment in early intervention services – expenditure on family services has grown by 90% since 2013-14
- therapeutic models of residential care – a therapeutic loading is now providing for all residential care placements<sup>17</sup> and new models of therapeutic care (such as the KEYS model) are being rolled out
- a new model of kinship care (the *First Supports* program) that aims to support newly established kinship care placements through the provision of early comprehensive assessments, brokerage and access to increased supports
- Targeted Care Packages (TCP) – an allocation of funding and target that is tailored to specifically meet the needs of the young person or child, either sustain their current placements or to support them in the establishment of new placement<sup>18</sup>
- the *Home Stretch* reforms – extension of foster care to aged 21 (up from age 18).
- the introduction of section 18 of the Act, to enable the Secretary authorise an Aboriginal agency to take on responsibility for an Aboriginal child's case management and case plan.

As discussed in the next chapters, some new models of foster care have also been introduced (although on a limited or pilot scale), including Treatment Foster Care (a model that provides a more structured home environment than typical foster care, and can be a cost-effective alternative to residential care) and the Circle model (a program that promotes and supports child-centred practice and the principles of children's rights).<sup>19</sup> These new models impact only a small number of foster care placements.

### **The Aboriginal Placement Principle and self-determination**

Australia has a tragic history of many Aboriginal and Torres Strait Islander children being forcibly removed from their families as a result of various government policies. These children became known as the Stolen Generations. The Stolen Generations have had significant impacts for the children who were removed, their families, and their descendants, including high rates of depression, post-traumatic stress and suicide, anxiety, poor health and socio-economic outcomes and the disruption of the passing on of First Nations culture.

In recognition of the effects of forced separation of Indigenous children from families, communities, and culture, the Aboriginal and Torres Strait Islander Child Placement Principle ('the Principle') was developed. The Principle states that Aboriginal children have the right to be raised in their own family, culture, and community. These factors are vital to Aboriginal children growing up well.

All jurisdictions have adopted this principle in legislation and policy, including Victoria.<sup>20</sup>

#### **Box: The Aboriginal and Torres Strait Islander Child Placement Principle<sup>21</sup>**

The Aboriginal and Torres Strait Islander Child Placement Principle outlines a preference for the placement of Aboriginal and Torres Strait Islander children with other Aboriginal and Torres Strait Islander people when they are placed outside their family.

<sup>17</sup> DFFH (2021), Residential Care program requirements

<sup>18</sup> Research indicates that TCP is modelled as an alternative to a residential care placement and provides better outcomes.

<sup>19</sup> See Table 3 for further information on Treatment Foster Care and the Circle model

<sup>20</sup> Australian Institute of Health and Welfare (2021). *National frameworks for protecting Australia's children indicators*. Accessed on <https://www.aihw.gov.au/reports/child-protection/nfpac/contents/national-framework-indicators-data-visualisations/5-2-placement-of-indigenous-children> on 24 February 2022.

<sup>21</sup> VACCA (2021), *Aboriginal Child Placement Principle*. Accessed on 24 February 2022 from <https://www.vacca.org/page/about/aboriginal-child-placement-principle>.

The Principle says that:

- Removal of any Aboriginal child must be a last resort
- If, after consultation with a community controlled Aboriginal welfare organisation, removal of a child from its family is unavoidable then the authorities must have regard to the direction of the Aboriginal welfare organisation
- If such a removal is necessary, then the child must be placed within the extended family, or if this is not possible, the child may be placed within the Aboriginal community within close proximity to the child's natural family
- If there is not an Aboriginal placement available, then, in consultation with Aboriginal and Islander Child Care Agencies (AICCAs), the child may be placed with a non-Aboriginal family on the assurance that the child's culture, identity and contact with the Aboriginal community are maintained.

The Principle is consistent with a broader commitment to Aboriginal self-determination. Self-determination means Aboriginal people having the right to make decisions about issues that affect their lives. It acknowledges that Aboriginal people hold the knowledge and expertise about what is best for themselves, their families and their communities and has produced effective and sustainable improvement in outcomes for Indigenous people in many jurisdictions. The Victorian Government committed to advancing Aboriginal self-determination in the Victorian Aboriginal Affairs Framework and is embedding this approach across government.<sup>22</sup> The Roadmap for Reform includes “ensuring Aboriginal self-determination around decision making and care for Aboriginal children and families” as a guiding principle.

### New models of foster care

In Australia and globally, new models of foster care are being developed, trialled and implemented, many of which increase the expectations and capability required of carers. New models and several treatment (or specialised) foster care models are being trialled in Victoria and across Australia over recent years, described in the table below.

Table 3: New models of foster care

Type	Definition
<b>Treatment Foster Care<sup>23</sup> (TFC)</b>	<p>Treatment Foster Care (TFC) is an alternative approach which serves children with emotional and behavioural disorders in the least restrictive possible setting. It usually comprises an intensive form of foster care, in which foster carers undergo training and receive a higher stipend to provide treatment services, or the treatment services are provided by a treatment team.</p> <p>One TFC program example is Treatment Foster Care Oregon (TFCO). TFCO targets children and young people in residential care or at risk of entering residential care because of very serious emotional and/or behavioural difficulties. It is a model of paid foster care for between six to nine months, where the carer is given a much higher allowance and is provided with an additional amount of support. At the end of a TFCO placement, the child or young person is placed with their biological family (including kinship care placements) or placed in lower intensity long-term foster care of permanent care.</p>

<sup>22</sup> See, Victorian Government (2019), *Self-Determination Reform Framework*

<sup>23</sup> Treatment Foster Care is also known as Therapeutic Foster Care

## Circle Program

The Circle Program is a therapeutic foster care program that provides a care environment capable of contributing to healing the traumatic impact of abuse and neglect. A key component of the program is the provision of regular Care Teams, where the discussion looks at the needs of a child or young person, with particular reference to emotional needs. Its key focus is the importance of the primary relationship between a foster carer and child.

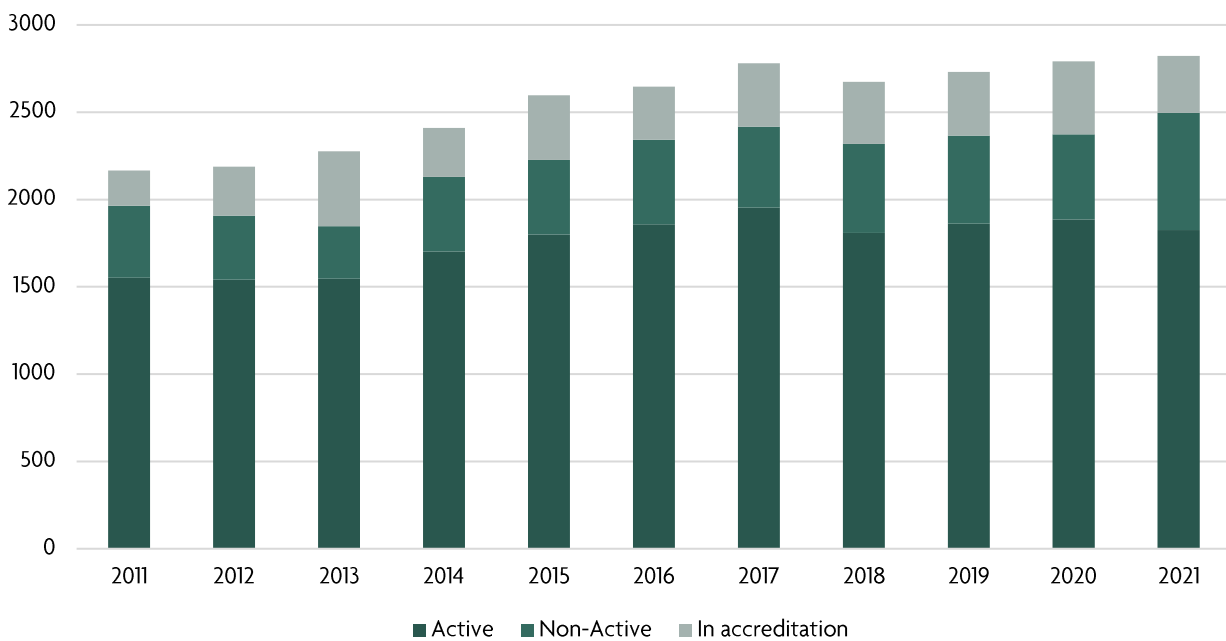
Evidence-based programs are continuing to play a bigger role across all parts of the child and family welfare system, both in Victoria and other jurisdictions. As their importance continues to grow, the capability and expectations required of foster carers will also grow.

## Foster carers in Victoria

### Victoria's supply of foster carers is not keeping pace with child protection demand

There are currently 1,825 active foster carers in Victoria.<sup>24</sup> As shown in the chart below, the number of active foster carers fallen over the past five years (from 1,858 in 2016 and from a height of 1,953 in 2017). There are just 300 more foster carers today than in 2011; a 19% increase during a period when the number of children in OOHC has grown at three times that rate.

Figure 4: Status of Victoria's foster carers (2011 - 2021)



Source: Foster Care Association of Victoria (2021), Foster carer snapshot report March 2021 – trends from 2011 – 2021.

In 2021, there was a sharp rise in non-active carers (increase of 37%), a decline in carers in the accreditation process (22% decrease) and an overall decline in active carers.

<sup>24</sup> Foster Care Association of Victoria (2021), *Foster carer snapshot report March 2021 – trends from 2011 – 2021*, page 3.

## Who are foster carers?

Foster caring is a significant undertaking. By nature of the role, those who volunteer their time and resources to become foster carers are specific types of people. Most become foster carers to make a positive difference in a child's life (89%) and to play a positive part in the community (57%).

While foster carers reflect a reasonably broad cross-section of the community (with a range of age groups, household incomes, and employment statuses), they are not representative of broader population in all ways. Compared to the Victorian population, foster carers are most likely to be:

- Women – who make up 86% of foster carers
- Older – the average age of a foster carer is 49 years old, and 10% of foster carers are aged 65 years or older<sup>25</sup>
- Less likely to be employed full-time – with just 30% of foster carers in full-time employment
- Highly educated – almost 80% of foster carers have completed education beyond the high school level, and
- Typically care for a single child (30% care for two; and 19% care for three or more).

Several commentators have suggested the changing nature of Australian households is impacting the willingness and ability of families to become foster carers. For example, today, 70% of households with couples with dependents have both adults working full or part-time (compared to 49% in 1990)<sup>26</sup>. The cost-of-living, particularly property prices, has also increased, putting more pressure on families to have dual incomes. This means Victorian households have less time available to dedicate to foster caring – which may, in part, explain the diminishing stock of long-term foster carers.

The social and economic reasons behind the seeming decline in families' willingness or ability to become foster carers is not well known. *Fostering Connections* (described below) and the actions of foster care agencies are working to develop the pool of current and future foster carers and creating pathways and capabilities for potential carers. However, the lack of growth in the number of active carers suggests that more needs to be done to understand the barriers to caring and to develop new ways of providing and supporting foster care that better fit the contemporary needs of Victorian families and communities.

## Supporting foster carers

### Foster care agencies

Foster carers receive support from non-government organisations (NGOs). Throughout the recruitment, accreditation, and caring process, foster care agencies support carers through telephone calls, home visits, after-hours support and regular supervision sessions. Agencies are also responsible for meeting the protection and care needs of children and young people in foster care and working in collaboration with Child Protection and the child or young person's family to ensure that the child's best interests are met.<sup>27</sup>

There are currently 44 funded agencies providing support through case management services for children and their foster carers in OOHC.<sup>28</sup>

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<sup>25</sup> Australian Institute of Family Studies (2018). *Foster and relative/kinship carers and their experiences*,

<sup>26</sup> Australian Bureau of Statistics (2000), *Labour force status and other characteristics of families, Commonwealth of Australia*.

<sup>27</sup> DFFH (2021). *Foster care*. Accessed on 22 February from <https://services.dffh.vic.gov.au/foster-care>.

<sup>28</sup> Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 231.

For 2020 – 21, external agencies were provided with \$67.6 million in funding to support foster care.<sup>29</sup> Foster care agencies are expected to also ensure carers are receiving the appropriate level of carer reimbursement and financial assistance for which they are eligible for while caring for a child.<sup>30</sup>

Government funding for foster care agencies does not represent the full cost of supporting foster carers. One recent study suggested that the costs foster care agencies incurred in supporting home-based care exceeded their funding by an average of 6%.<sup>31</sup>

## Carer allowances

Foster carers that have been assessed, accredited, and registered by a community service organisation or an Aboriginal Community Controlled Organisation (ACCO) are eligible to receive a fortnightly care allowance. Foster carers are unpaid volunteers. As such, this allowance is not payment for their caring responsibilities, but is intended to contribute to a range of day-to-day expenses incurred in the provision of care, including (but not limited to):<sup>32</sup>

- accommodation, clothing, food, utilities, telephone and internet
- basic personal items for the child such as toiletries and toothbrush
- transport required as part of a regular routine, including to and from school, professional appointments and access where appropriate
- entertainment, social activities and other things – pocket money, hobbies and club memberships, outings, toys, photos, gifts, treats.

The carer allowance level provided is determined and assessed by the department, in consultation with the foster care agency, and the individual needs of each time at the time of each placement.

Further components of the care allowance, include:

- New placement allowance: to assist in meeting the immediate or 'start-up' costs of caring for a child or young person
- Education and medical payment: to assist in meeting the education and health needs of children and young people in home-based care
- School attendance allowance: to contribute to meeting the educational costs of a child or young person.

For 2020 – 21, \$35.6 million was allocated in care allowances allocated in the budget for home based care (general, intensive, complex, and therapeutic foster care).

## Client support funding

Client support funding refers to additional funding that foster carers might be eligible for to help cover costs for extraordinary expenses.<sup>33</sup> This includes the purchase of specific items of services that exceed the day-to-day costs of what the care allowance contributes to, or where high costs place an unreasonable financial burden on the carer.

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<sup>29</sup> Data accessed from DFFH on 11 February 2022.

<sup>30</sup> Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 231.

<sup>31</sup> Confidential analysis in 2019-20 information, provided by the CFECFW

<sup>32</sup> Department of Health and Human Services, Care allowances: Information for foster carers, kinship carers, permanent carers, and additional needs local adoption carers.

<sup>33</sup> Department of Health and Human Services (2022). *Statewide Client Support Funding Framework – Fact Sheet for Carers*. Accessed on 23 February 2022 from [Statewide-client-support-funding-framework-factsheet-20181015.docx \(live.com\)](#).



This is organised in two streams for children and young people:

- Placement support: to provide carers with assistance to commence, maintain, or sustain a placement or care arrangements, and
- Client expenses: to help address the individual needs of children and young people in statutory home-based care arrangements.

For 2020 – 21, approximately \$23.4 million was expended on client expenses across all types of placements (i.e. not limited to foster care).

## Fostering Connections

Fostering Connections is Victoria's state-wide foster care recruitment service. It consists of an enquiry referral service which connects prospective foster carers with a local foster care agency. The CFECFW was provided with \$1.5 million for Fostering Connections in 2020-2021.<sup>34</sup>

Fostering Connections uses an attraction campaign to achieve better outcomes and impact to foster care recruitment through whole-sector collaboration, cooperation, and data collection. This campaign takes the form of a branded carer attraction campaign, website and enquiry line, and centralised Carer Management System. It allows over 20 foster care agencies to work collaboratively through the joint attraction and recruitment campaign, enquiry line, website, shared resources, and data collection. It also provides opportunities for these agencies to share resources in making the carer recruitment more efficient and recruitment process more accessible.

## Many foster carers experience considerable challenges in their caregiving

Foster carers find their role fulfilling and rewarding, motivated by making a positive difference in children's lives.<sup>35</sup> However, in response to a recent census of carers they also reported considerable challenges that they feel unprepared for and impact on their ability to care. These challenges may ultimately impact their sustainability as carers.

Carers indicated that a child's complex needs, and problematic behaviours can be difficult to manage. Some common problematic behaviours, include aggressive and/ or threatening tendencies, challenges regulating emotions and issues predicting the consequences of their actions.<sup>36</sup> Behavioural and mental health issues have been cited as the reason for foster care placement breakdowns in 17% of cases.<sup>37</sup>

Additionally, carers found navigating the child protection systems to be challenging (55%) and noted there was a lack of key documentation (63%) and the support provided to them was inconsistent (59%).

Carers also reported facing substantial financial challenges when providing care. Foster carers are unpaid, volunteers and often the costs of providing care exceed any reimbursements or allowances they receive. Specifically,

- 59% of respondents regularly using own funds to pay for expenses associating with caring (e.g. medical, dental or therapies)
- 58% needed to dip into personal savings, and
- 11% noted they were unable to pay a utility bill on time.

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<sup>34</sup> Data provided by DFFH on 11 February 2022.

<sup>35</sup> Ernst & Young (2021), *Carer Census*, Department of Families, Fairness and Housing.

<sup>36</sup> Octoman, O., McLean, S., & Sleep, J. (2014), *Children in foster care: what behaviours do carers find challenging?*, *Clinical Psychologist* 18(1).

<sup>37</sup> Ernst & Young (2021), *Carer Census*, Department of Families, Fairness and Housing.

A significant minority of carers reported that their foster caring duties had negatively impacted their own life, including their social relationships and the mental health and wellbeing of their family. These challenges have inevitably impacted peoples' decisions to continue providing foster care, with just 64% of carers reporting that they were likely to continue caring into the future.

## Children in foster care

### Who are the children in foster care?

Despite their broad ranging backgrounds and experiences, there are some common themes and risk factors underpinning the experiences of children and young people in foster care.

Most children and young people in foster care have experienced maltreatment and/ or neglect in some form during their childhood. Additionally, as poverty and parental unemployment are strong predictors of many forms of child maltreatment (including physical abuse, sexual abuse and exposure to domestic violence), many children in foster care have come from the families with low socio-economic status.<sup>38</sup>

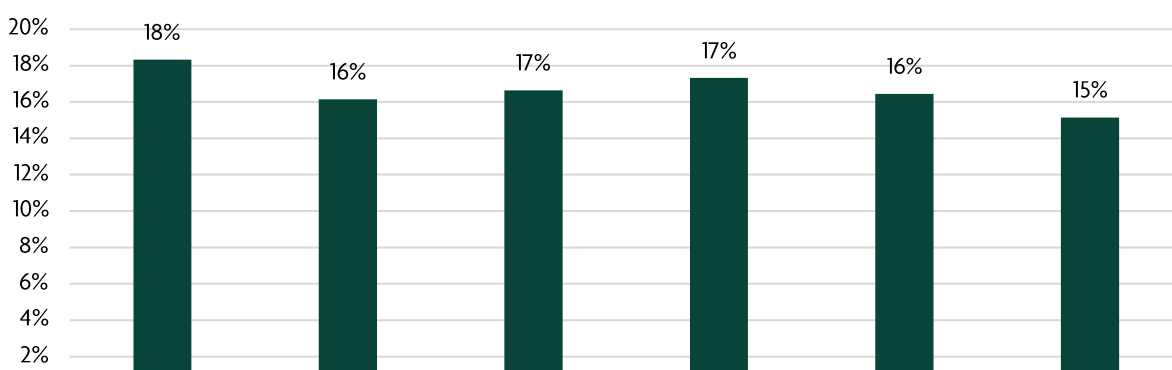
These traumatic childhood experiences are also associated with the onset of a broad range of mental health difficulties, as well as behavioural symptoms of trauma. As a result, these children often have difficulties with executive functioning, regulating their emotions, and processing critical social information – challenges which may persist into adulthood.<sup>39</sup>

The 2020 Carer Census outlined the top three challenges faced by children in care:<sup>40</sup>

- 72% had a history of trauma
- 57% had behavioural issues
- 47% had learning difficulties.

In terms of age, there is an even representation of all age groups (under 18 years old), within the Australian population of children in foster care – with younger children more likely to be placed in foster and kinship than other forms of OOHC.<sup>41</sup>

Figure 5: Proportion of children in foster care, by age (2018)



Source: Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 67.

<sup>38</sup> Doidge et al. (2017), *Economic predictors of child maltreatment in an Australian population-based birth cohort*. Children and Youth Service Review 72.

<sup>39</sup> Child Family Community Australia (2018), *Developmental differences in children who have experienced adversity*, Commonwealth of Australia, Canberra.

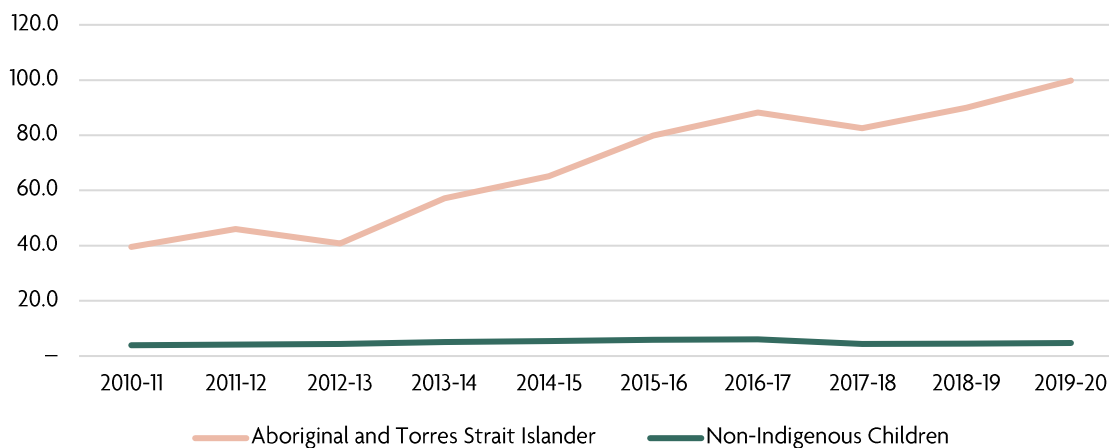
<sup>40</sup> DFFH, Carer Profiles, page 4

<sup>41</sup> This is distinct from residential care, which is comprised of an older cohort (31 percent of children in foster care were 12 years old or older, compared to 92 percent of children in residential care).

## Aboriginal children in foster care

Aboriginal and/ or Torres Strait Islander children and young people are substantially overrepresented in the child protection system. Nationally, Indigenous children are 14 times more likely than non-Indigenous children to be placed in OOHC and this gap is growing (see chart below). Since 2010-11, the rate at which Indigenous children are placed in care has more than doubled.

Figure 6: Comparison of the rate per 1,000 children of Aboriginal and Torres Strait Islander children in care and other children

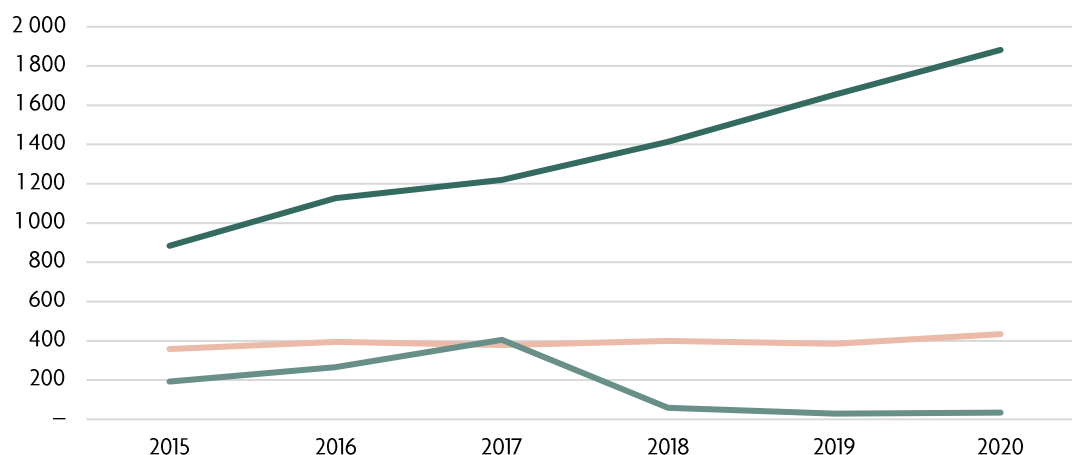


Source: Productivity Commission (2021), *Report on child protection services*, Table 16A.20. Commonwealth of Australia, Canberra.

Most Indigenous children in OOCH are placed in kinship care (77% at 30 June 2020),<sup>42</sup> This is a deliberate policy goal and consistent with the Aboriginal Placement Principle, so that (wherever possible) children are placed in with an Aboriginal or Torres Strait Islander family and maintain their connection to their community and culture. The number of Indigenous children in kinship care in Victoria has more than doubled over the past five years.

However, Aboriginal children also make up more than one quarter (27%) of children in foster care. The number of Aboriginal children in foster carer has grown slowly (by 21% over the past five years). Placing these children with Aboriginal foster carers (where possible), providing culturally safe and competent care, and ensuring ongoing connection to community and culture, is a critical part of caring for these children.

Figure 7: Aboriginal and Torres Strait Islander children in home-based care (as at 30 June of each year), by care type



Source: Productivity Commission (2021), *Report on child protection services*, Table 16A.20 Commonwealth of Australia, Canberra.

<sup>42</sup> Productivity Commission (2021), *Report on child protection services*, Table 16A.20. Commonwealth of Australia, Canberra.

## Life outcomes

Research shows that young people who transition out of OOHC comprise one of the ‘most vulnerable and disadvantaged groups in society’.<sup>43</sup> Over the past two decades, research literature is continually demonstrating the lasting impact of abuse and neglect on the life and wellbeing outcomes of children. The following adverse life outcomes have all been closely linked to the experience of abuse or neglect:

- physical illness and poor health<sup>44</sup>
- poor educational attainment and future employment<sup>45</sup>
- mental illness
- homelessness
- drug and alcohol misuse
- criminality – including both adult and juvenile offending, and
- imprisonment.<sup>46</sup>

Abuse or neglect does not impact all children the same way. Every child, and their experiences, is different and many personal and situational factors protect against or exacerbate the harm experienced by children.<sup>47</sup> Nevertheless, the research literature consistently demonstrates that neglect and abuse contribute to survivors experiencing poorer life outcomes. These poorer life outcomes are attributed (at least in part) to ‘the combined effects of abuse – such as domestic violence, substance abuse and physical violence – or neglect’ and/or trauma that children in OOHC have often experienced during their childhood.<sup>48 49</sup> They may also be compounded by the significant life disruptions or negative experience that children can experience whilst in OOHC.

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<sup>43</sup> Child Family Community Australia (2016), *Supporting young people leaving out-of-home care*. Melbourne: Australian Institute of Family Studies.

<sup>44</sup> McCarthy et al. (2016), *The lifetime economic and social costs of child maltreatment In Australia*, page 217.

<sup>45</sup> Stein, M (2006), *Research Review: Young People Leaving Care*, page 275.

<sup>46</sup> Child Family Community Australia (2014), *Effects of child abuse and neglect for children and adolescents*. Melbourne: Australian Institute of Family Studies.

<sup>47</sup> Child Family Community Australia (2014), *Effects of child abuse and neglect for adult survivors*. Melbourne: Australian Institute of Family Studies.

<sup>48</sup> DHHS (2003), *Public parenting: a review of home-based care In Victoria*, page 30.

<sup>49</sup> Parliament of Australia. *Chapter 3: Out-of-home care - Foster children*. Accessed from [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Community\\_Affairs/Completed\\_inquiries/2004-07/inst\\_care/report2/c03](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Community_Affairs/Completed_inquiries/2004-07/inst_care/report2/c03) on 17 November 2021.

## 2. Valuation methodology

The section documents the modelling inputs that informed the estimate of the economic value of foster care. It outlines our approach to estimate the prevalence of foster care and the value of three key economic benefits of foster care identified in this project.

1. The provision of care and a home for vulnerable children by volunteer foster carers
2. The avoidance of cost to the statutory child protection system
3. The long-term impact in reducing the negative impacts of maltreatment on children who are placed in foster care.

It then documents the three modelling scenarios used in this analysis.

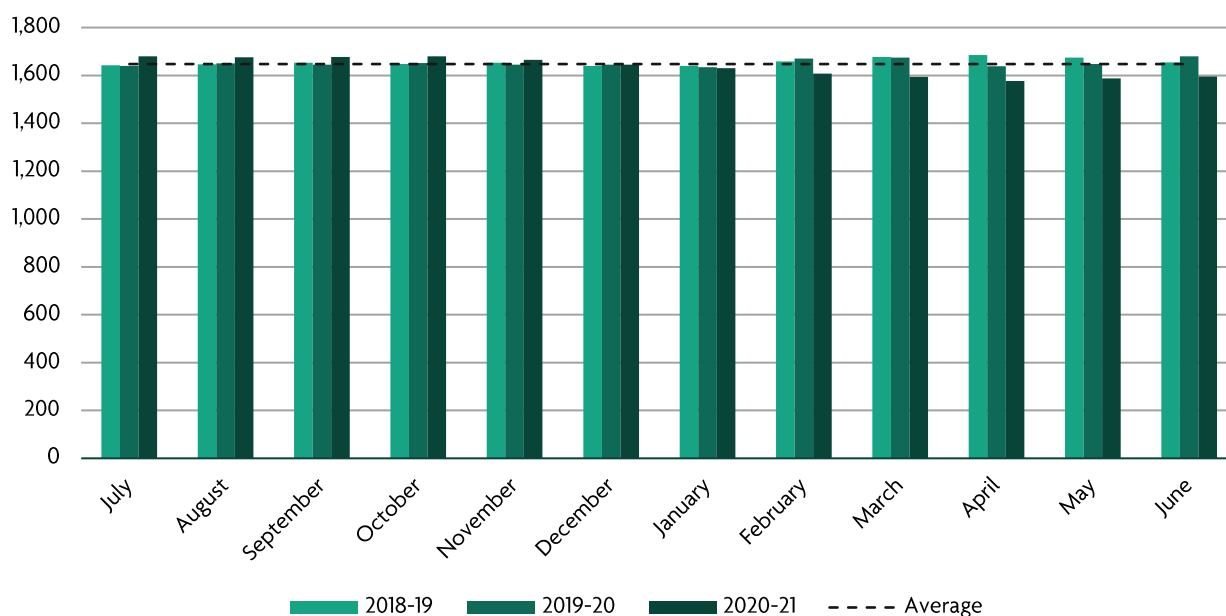
### The prevalence and incidence of foster care

The economic value of foster care relates primarily to the care that foster carers provide to children. The scale of the economic value therefore relates to the volume of care provided. There are two concepts relevant to the amount of foster care provided:

- volume of care – measured in terms of the number of nights of foster care that are provided to children over a given period (e.g. one year), and
- number of children – that is, the number of children that receive foster care at some point over a given period, and
- number of placements – that is, the number of periods in which a children is placed with a foster carer (noting that children can have more than one placements within a given period).

The volume of care is calculated by data provided by DFFH. The number of children in foster care may vary from day to day or month to month (see chart below). Over the past three years (mid-2018 to mid-2021), on any given night between 1,577 and 1,686 children have been placed in foster care, with an average of 1,647. As the chart below demonstrates, there is relatively low variation (the minimum and maximum monthly average being only 4% less and 2% more than the average respectively). Our modelling therefore uses a simple average.

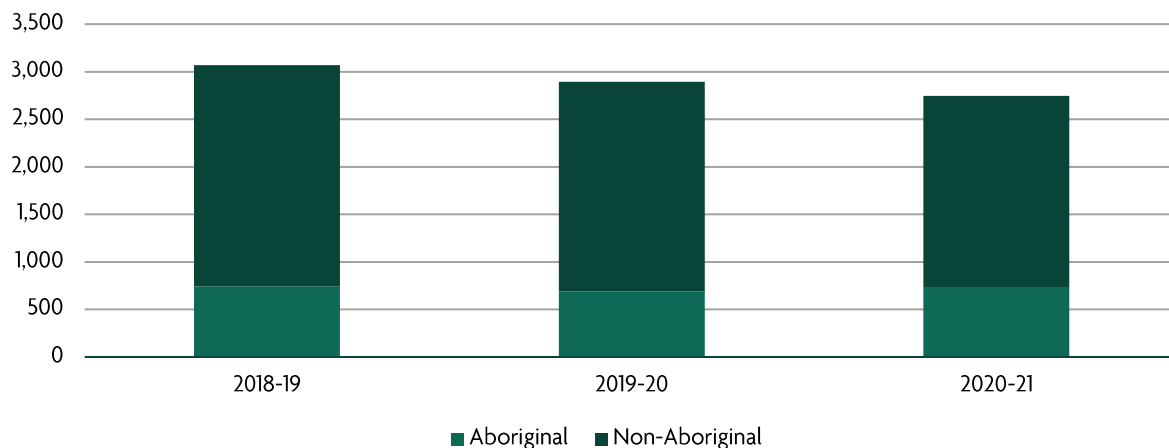
Figure 8: Number of children in foster care, monthly average (2018-19 to 2020-21)



Source: Data provided by DFFH on 4 January 2022

Data on the number of unique children that were placed in foster care was also provided by DFFH. In 2020-21 (financial year), 2,747 children were in foster care at some point in the year (5% fewer than 2019-20 and 11% fewer than 2018-19). Our analysis has relied on the figure for the most recent year (2020-21). On average, each children had 1.8 placements during the year (noting that this average is driven by a small number of children having several placements over the course of the year). The Productivity Commission report that, of all children in OOHC, 30% have been in OOHC for less than one year. We therefore estimate that, in 2020-21, there was 824 new children.

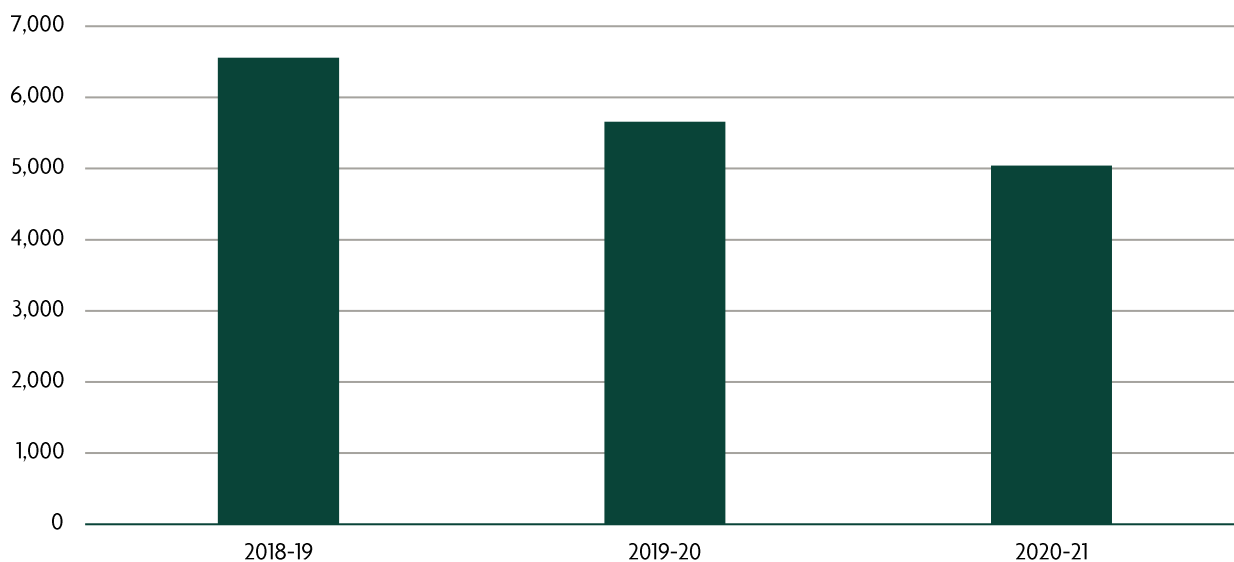
Figure 9: Number of unique children subject to at least one foster care placement in the year (2018-19 to 2020-21).



Source: Data provided by DFFH on 4 January 2022

Data on the number of foster care placements was also provided by DFFH. In 2020-21, there were 5,042 foster care placements (more than 600 or 12% fewer than 2019-20 and 1,500 or 23% fewer than 2018-19). The declining number of placements corresponds with increasing average length of placement. The average length of placements in 2021 was 300 days (31% longer than 229 days in 2018-19).

Figure 10: Number of foster care placements between 2018 and 2021



Source: Data provided by DFFH on 4 January 2022

## Caring and providing a home for vulnerable children

Foster carers play an invaluable role in caring for vulnerable children and support the child protection system. Foster care provides children with safety, security, stability and opportunity all within a safe, home and family-based setting. It allows children to have a safe and secure place to live, to have great stability and freedom to participate in social, educational and community life, and to build positive relationships. All of these are very important to healing from the abuse or neglect they may have experienced.

Foster carers are volunteers. While government provides some funding to support foster care placements (outlined in the previous section) this support compensates carers for some of the cost of caring. It is not a payment for caring.

Foster care provides care for children who cannot live at home with their parents. The majority of these children are on court orders (some children are placed in temporary care with the consent of their parent).<sup>50</sup> These orders confer 'parental responsibility' on the Secretary of the Department of Fairness, Families and Housing (DFFH).<sup>51</sup> The Secretary must "make provision for the physical, intellectual, emotional and spiritual development of the child in the same way as a good parent would".<sup>52</sup> If a child cannot live at home, the Secretary can place him or her in one of the out-of-home-care options outlined in the previous section.

Volunteer foster carers therefore provide a direct economic benefit to the Victorian Government by providing the safe, secure and stable care environment that the Secretary is mandated to provide. Foster carers are, in effect, providing 'care services' that – if not provided by volunteer foster carers – would need to be provided or commissioned by government.

### Valuation approach

The approach taken to valuing the 'care services' foster care provides is a market valuation approach, estimating the volume of care provided and the monetary value placed on those services in highly comparable markets. This approach requires estimates of:

- the amount of time foster carers spend caring for a given year, and
- an estimate of the market value of time spent caring.

Conceptually, there are three possible approaches to estimating the time committed to foster caring for a given night with a child in care.

1. The amount of 'active care-giving' – i.e. time directly engaged in care-giving activities. This approach is commonly used in similar studies, such as those estimating the economic value of unpaid caring.<sup>53</sup> However, this approach is likely to substantially underestimate the value of foster carer, as:
  - the responsibility of foster care extends to all hours of the day
  - 'active care-giving' does not always occur at planned times and foster carers often have to be available to respond to unplanned or urgent needs, and
  - in the event foster care was not available, government would need to replace more than just 'active care-giving' time and provide 24-hour care for the child – alternative care options (e.g. residential care) require 24-hour staffing.

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<sup>50</sup> Department of Health and Human Services (2017), *Victorian handbook for foster carers*, page 16

<sup>51</sup> Children, Youth and Families Act 2005, section 289.

<sup>52</sup> Children, Youth and Families Act 2005, section 174.

<sup>53</sup> See, for example, Deloitte (2020), *The value of informal care in 2020*

2. The amount of time a child is in the care of a foster carer – i.e. time that foster carers are directly responsible for the child in their care (estimated at 16 hours per day).  
This approach more accurately represent the time committed by foster carers. It also recognises that foster carers are often required to respond to unplanned needs (e.g. in response to education or community participation challenges that are more common among children in care). It also recognises the alternative care commonly provided to children or young people (e.g. school or child care) and the reduced intensity of care at certain times (e.g. overnight).
3. The amount of time a foster carer is responsible for the child (i.e. 24 hours per days).  
This approach more accurately represents the replacement value of foster carers (i.e. the level of care that government would be required to source elsewhere without foster carers) and the level of care that is paid for in other care types (i.e. residential care). However, it does not recognise the alternative care commonly provided to children or young people (e.g. school or child care) and reduced intensity of care at certain times (e.g. overnight).

This study provides a plausible range of values utilising approaches 1 and 2. Approach 1 represents the minimum value of volunteer foster care services and represents only the direct care-giving time of carers. Approach 2 more closely represents the experience of carers. Approach 3 has only been discarded for the sake of providing a conservative estimate. However, this option represents most closely the ‘replacement value’ of care that would be required without foster care.

There is no direct data on the amount of active care-giving time Victorian foster carers spend on caring for children in their care. The amount of care provided is estimated with reference to the level of care the Secretary is required to provide under the CYF Act: i.e. “... as a good parent would.”. The Melbourne Institute’s *Household, Income and Labour Dynamics in Australia* (HILDA) survey estimates the average hours Victorian parent spend on caring for children.<sup>54</sup> HILDA data is used to estimate the average amount of time spent by foster carers on care weekly. The HILDA data provides estimates of the weekly time spent single and two-person households, as follows:

- sole parent household – women 22.2 hours per week, men 14.7 hours per week, and
- two parent householder – women 23.3 hours per week, men 11.0 hours per week (34.4 hours total).<sup>55</sup>

This data is adjusted for the gender and relationship status of foster carers provided in the Carer Census.<sup>56</sup> This estimate weekly hours of caregiving is divided by seven to provide an estimate of the daily hours of caregiving by foster care households.

On this basis, it is estimated that foster carers provide an average of 3.9 hours of care for a foster child in their care per day.

It is likely that this approach underestimates the amount of time spent on by foster carers. Caring for foster care children can be more time-intensive than caring for birth children, because of the additional administration, care needs and complex circumstances of children in foster care. An Australian study found that foster carers spend an average of 55 minutes each day over and above the activities of other parents (particularly within the first year of placement).<sup>57</sup> On average, tasks taking the greater amount of carer time were access visits, meetings with caseworkers, school- and tutoring-related matters, counselling and medical appointments, and administration associated with organising respite care.

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<sup>54</sup> Wilkins, Roger and Inga Lass (2018) *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16*. Melbourne Institute: Applied Economic & Social Research, University of Melbourne

<sup>55</sup> Wilkins, Roger and Inga Lass (2018), *The Household, Income and Labour Dynamics in Australia Survey: Selected Findings from Waves 1 to 16*. page 83.

<sup>56</sup> The demographics of foster carers are documented in Section 1.

<sup>57</sup> Forbes, O’Neill, Humphreys, Tregeagle and Cox (2011). *Foster Care and Adoption: Carer/ Parent Hours Over and Above ‘Ordinary Parenting*. Children Australia 36(2).



The value of an hour of foster care provide is estimated using a market valuation approach. This approach estimates the value of the service by reference to the equivalent services provided in private market-based transactions. Two options are considered:

- employment of childcare workers – which includes all employees engaged in the provision of child care work, including full-time or part-time workers and workers of different qualifications, and
- residential care workers – employees to provide care services to children in residential OOHC.

On balance – and considering the balance of qualifications amongst workers – this analysis utilises the employment of childcare workers. This is driven, in part, by improved data availability.

There are limitations to this approach. Firstly, there are differences in the type of service provided by this sector and foster care. There is no private (i.e. paid) provision of foster care and, therefore, its ‘market value’ cannot be directly observed. Alternative comparison options (e.g. residential care workers) generally represent higher values. Secondly, it assumes that the value of the service provide by volunteers equates to the value of a service delivered by paid workers. Given the nature of the work (home-based care) and the mandate for the Secretary (to provide care “... as a good parent would...”) this assumption is appropriate.

Another weakness of this approach is that it bases valuation on the ‘market value’ placed on care services. Historically and today, many of these services have received relatively low rates of pay. The causes of low rates of pay in ‘caring work’ are many and it is likely that they include an under-valuing of care services in our society, the prevalence of insecure or part-time work in the sector, and the ongoing wage inequality experienced by women (who provide the majority of these services). Consequently, while market valuation is a robust and widely used measure of value it risks perpetuating the under-valuing of this type of work. This wage rate should, therefore, be considered a conservative estimate of the value of these services.

The Australian Bureau of Statistics (ABS) collected data on the average weekly earnings, hours worked and average hourly total cash earnings from different occupations. This modelling uses estimated hourly total case earnings for full-time, non-managerial ‘child care workers’, an equivalent service offered in private market transactions. The most recent ABS data – with a reference period of 2018 – identifies average pay for this workforce at \$25.50 per hour.<sup>58</sup> This value is inflated to 2021 dollars using the ABS’ Wage Price Index measure of wage inflation for ‘Health care and social assistance’ sector.<sup>59</sup> Wages rose by an average of 8% in this sector over the three-year period to 2021. This equates to \$27.50 per hour.

### **Estimated value**

Utilising the approach above, the estimated value of volunteer foster care per year is estimated at:

- considering only ‘active caregiving’ – \$79 million per annum
- considering the full caring responsibilities – \$264 million per annum

## **Avoiding other costs on the child protection system**

Alongside providing a valuable service in its own right, foster care also reduces the need for more intensive (and expensive) forms of protective care. It allows children to remain in a home-based environment. Home-based care is both less expensive (this benefit) and has been demonstrated to achieve better long-term outcomes for children who can’t remain with their parents.

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<sup>58</sup> ABS (2019), Employee Earnings and Hours, Australia

<sup>59</sup> ABS (2021), Wage Price Index, Australia

This analysis of the economic impact of foster care requires a counterfactual scenario for what would occur if foster care was not available. For children who cannot live at home and cannot live with family, the alternatives to foster care are as follows.

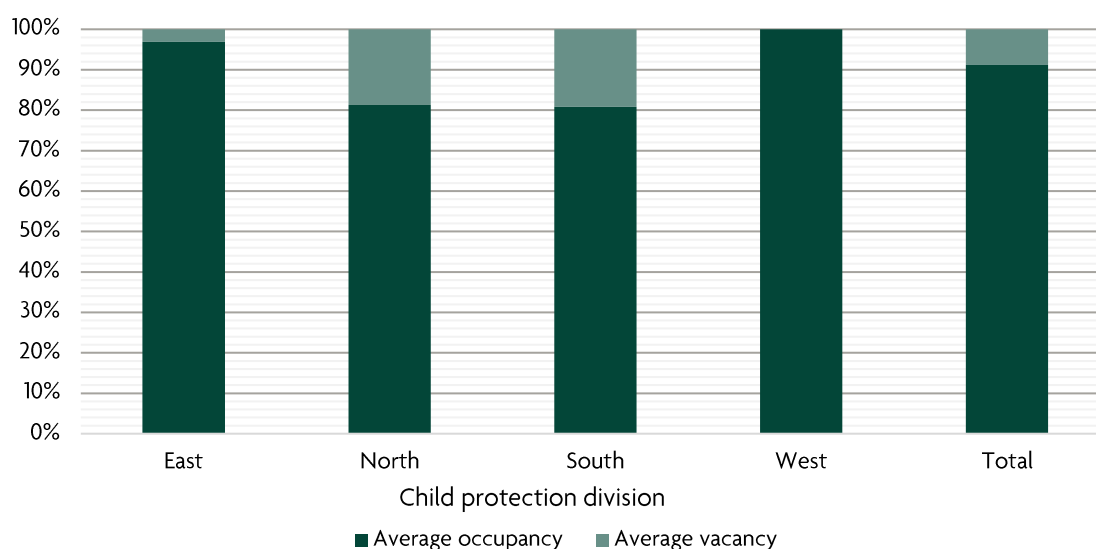
- Home-based care with kin – where child protection identifies an extended family member or, at times, a member of the wider community. Current policy favours kinship care, to keep children connected to their community and culture. Therefore, opportunities for a kinship placement are explored and not available before a child is placed in foster care.
- A contingency placement – where child protection is unable to place a child in a planned and funded placement and, instead, arranges alternative accommodation which may be hotel rooms, serviced apartments, rental properties, residential units or short-term housing available through the Office of Housing.<sup>60</sup>
- Residential care – residential facilities run by community service organisations, which is intended for children with multiple and complex needs and whose behaviours create extreme risk of harm (residential care includes specialist support services for the children known as ‘therapeutic residential care’).

Residential care placements are planned, have limited supply and are already subject to very high rates of utilisation (see figure below).<sup>61</sup> It is unlikely (and undesirable) that, in the absence of foster care, residential care could expand to meet the need for additional placements. Contingency placements are more flexible and readily expandable. However, they are also expensive. For 2018-19, the Commissioner for Children and Young People estimated their cost at \$2,077 per child per day.<sup>62</sup>

It is also possible that, in the absence of foster care, child protection would make additional efforts to identify kinship care options (e.g. by wider members of the community) or would raise the risk threshold at which a child is removed from their parents.

For the purposes of this assumption, the counterfactual scenario is that, without foster care, 50% of current placements would result in a contingency placement (this scenario is discussed in Box 2 below).

Figure 11: Comparison of residential care occupancy and vacancy (2017-18)



<sup>60</sup> Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 14.

<sup>61</sup> Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 146.

<sup>62</sup> Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 146.

## Valuation approach

Our valuation methodology estimates the cost to child protection that would accrue in the counterfactual described above: i.e. in the absence of foster care, half of the necessary care placements would be provided by contingency placements. The remaining half would be met either by expanded efforts to find care options in the wider community or by the child remaining in the family home.

In 2020-21, there were 5,042 foster care placements over the year.

For 2018-19, the CCYP reported the average contingency placement lasted 89 days.<sup>63</sup> Given that the complexity of the child's needs, along with a lack of appropriate placement options, were the driving reason for contingency placements, it is likely that these placements are generally more complex (and possibly therefore longer) than would be the case for the overall home-based care population. On the other hand, contingency placements are commonly used until alternative options are available (foster care being one of those options). The counterfactual could therefore assume an increase in the average length of a contingency placement. On balance, the current average length is retained.

## Estimated value

Utilising the approach above, the alleviated cost on child protection for children placed in foster care is estimated at \$453 million per year.

### **Box: What would we do without foster care?**

Our analysis models the benefit of avoided costs on the child protection system by comparing a hypothetical counter-factual scenario: namely, the system without foster care. Of course, such a scenario is almost unimaginable. It represents such an extreme change to the current system that it is difficult to know with any certainty what would happen under this scenario. It is clear that the child protection would have responsibility to place all children in safe and appropriate accommodation. It is not clear how this could be done without foster care.

The evidence suggests that the lack of appropriate home-based placement options is being met by increasing contingency placements.

- The CCYP (as mentioned earlier) found rising contingency placements – rising to 60 per year and costing more \$40 million – due to a lack of inappropriate home-based placement options.
- Members of community sector working group for this project cited numerous examples of contingency placements arising from a lack of home-based care options, including:
  - a recent example of a sibling group of four (including two children aged 2 years or under) who – after an extensive search for home-based care options – were required to be supported in an alternate model of care, within an existing Residential Care property and with full-time live-in carers, weekend support staff and a wrap-around team of specialist staff, and
  - the department, during the COVID-19 pandemic, facilitating contingency care in a hospital settings for children who required alternative accommodation due to parental hospitalisation and no family or community care options.

These examples suggest that contingency placements are the substitute when home-based care is not available. Without foster care, rising contingency placements to cover those care needs are the most likely outcome, and

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<sup>63</sup> Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 146.

this outcome is already evident. These examples also demonstrate that more flexible, tailored home-based care options offer both better and less expensive care than what is necessary in their absence.

Our analysis estimates the cost of half of current foster care placements being provided by contingency placements. This scenario is conservative. It relies on either a high volume of alternative placements being found by child protection making further efforts to find placements with wider kin or community members (noting that, before a child is placed in foster care, kinship options are already explored) or the child remaining in the family home (i.e. child protection raising the risk threshold for removal). It is not known whether these alternatives are possible or what they would mean for the safety and wellbeing of children in care.

## Reducing the harm of child abuse and neglect

The tendency of children placed in OOHC to experience poorer health and wellbeing outcomes is described in the previous section. As well as representing poor life and wellbeing experiences for people in their own right, these outcomes also have an economic cost – in terms of the economic wellbeing of the individual, of the broader community and/or costs to government. These costs include:

- for physical illness and poor health – higher healthcare costs to government or the individual
- poor educational attainment – reduced productivity and earning
- unemployment or underemployment – reduced productivity and earning
- mental illness – higher healthcare costs to government or the individual
- homelessness – higher costs of social housing or homeless accommodation to government
- drug and alcohol misuse – higher healthcare costs to government or the individual
- criminality and imprisonment – the cost of crime to individuals and the justice system.

Various studies have attempted to quantify the value of this harm to the Victorian or Australian economy. In general terms, these studies identify:

- the additional prevalence of these life outcomes in comparison to the general population, and
- the additional costs resulting from these outcomes, including:
  - the provision of additional health, justice and social services
  - the associated cost of taxation to obtain the government revenues necessary to pay for these services (known as the ‘deadweight loss of taxation’<sup>64</sup>)
  - foregone productivity or outputs from (i.e. from reduced employment or poorer educational attainment).
- for some studies, differences in average quality of life indicators and lifespan to estimate the value of ‘Disability-Adjusted Life Years’ attributed child abuse and neglect and use establish nominal values to value this impact.<sup>65</sup>

Estimates of the size of that harm vary.

- A report commissioned by the *Protecting Victoria’s Vulnerable Children Inquiry* in 2010 estimate that, in 2009-10, the impact of child abuse and neglect on these factors cost the Victorian economy:

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<sup>64</sup> Obtaining government revenue via taxation is not, itself, an economic cost. It is a transfer to economic resources from one party (taxpayers) to another (government). However, the process and impact of taxation does create economic costs relating to: the cost of administering the taxation system; and the market distortions that taxation creates. Studies have generated a wide range of estimates of this cost. A rate of 20-25% (i.e. \$0.20 - \$0.25 for every dollar of public expenditure) has been recommended. See Dobes (2016), *Social cost-benefit analysis in Australia and New Zealand: the state of current practice and what needs to be done* for discussion.

<sup>65</sup> See, for example, McCarthy et al (2016), *The lifetime economic and social costs of child maltreatment in Australia*, page 223.

- approximately \$362 million per annum<sup>66</sup>
- approximately \$46,000 per child experiencing child abuse or neglect over their lifetime.<sup>67</sup>
- A 2016 study by McCarthy et al estimated the impact of child abuse and neglect on these factors cost the Australian economy:
  - approximately \$161,000 per child experiencing child abuse or neglect over their lifetime
  - approximately \$313,000 per child experiencing child abuse or neglect over their lifetime once the impacts on quality of life and lifespan are included.<sup>68</sup>

For this study, Cube are using the methodology and assumptions of McCarthy as it represents the most current and comprehensive examples in the academic literature. Applying these outcomes to the population of children experiencing foster care in Victoria in 2020-21 would mean a lifetime economic cost of the maltreatment of these children of \$442 million to \$860 million.

Out-of-home care can have a substantial impact on the experiences of children. Positive care experiences can support good childhood development and/or recovery from trauma and abuse. However, negative experiences of care can exacerbate and compound the harm children experience before entering care.

The research literature on the experience of children in care is rich, extensive and complex. Many factors contribute to life outcomes children experience, not all of which relate to care types or caregivers. It is not possible or necessary for this analysis to document all drivers of long-term outcomes. However, the research literature does provide some key themes do emerge that are salient for this analysis.

- **Children placed in home-based care generally experience better outcomes** than those in residential care, although high-quality and therapeutic residential care being important for children that need it. For example, an international meta-analysis by Dongdong et al (2017) found considerable and robust evidence of poorer behavioural and psychosocial outcomes for children placed in residential care as compared to those in foster care. However, evidence-based treatment models and appropriate targeting to children in complex needs reduce these gaps.<sup>69</sup> Some studies find these differences disappear when these conditions are met.<sup>70</sup>

Nevertheless, where possible, placing children in a home-based setting is associated with improved outcomes. For example, a study in Victoria found children in foster care were six times more likely to be attending school full-time than children in residential care<sup>71</sup>

- **“Matching” children to the most appropriate placement is important for long-term outcomes.** As placing children in the most appropriate care setting appears to be key to good outcomes. This is reflected in the *Pathways for Support* strategy, which reinforces the need for models of care that are effectively designed to deliver the right mix, sequence and intensity of services and supports, tailored to the needs of different groups of vulnerable children and families. A strong supply of capable and well-supported foster carers provides more options for child protection to match children to families well-placed to support their needs. By contrast, the CCYP identified a lack of placement options and suitable carers as a key driver of insecure placements and placement breakdown.<sup>72</sup>

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<sup>66</sup> Deloitte Access Economics (2011), *The economic and social cost of child abuse in Victoria, 2009-10*, page 10.

<sup>67</sup> Deloitte Access Economics (2011), *The economic and social cost of child abuse in Victoria, 2009-10*, page 49.

<sup>68</sup> McCarthy et al (2016), *The lifetime economic and social costs of child maltreatment in Australia*, page 223.

<sup>69</sup> Dongdong Li, Grace S. Chng, and Chi Meng Chu (2017), *Comparing Long-Term Placement Outcomes of Residential and Family Foster Care: A Meta-Analysis, Trauma, Violence & Abuse*, 2019, Vol. 20(5) 653-664

<sup>70</sup> Strijbosch et al (2015), *The outcome of institutional youth care compared to non-institutional youth care for children of primary school age and early adolescence: A multi-level meta-analysis*, *Children and Youth Services Review* 58 (2015) 208–218

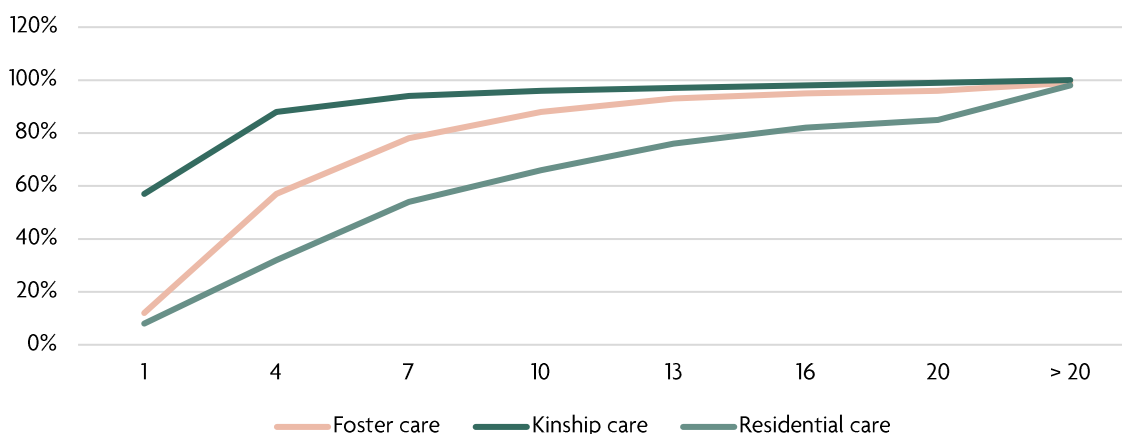
<sup>71</sup> Anglicare Victoria (2015), *Understanding differences in the outcomes of children and young people across care types*, page 18.

<sup>72</sup> Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 142.

- **Placement stability is an important predictor of short- and long-term outcomes.** For example, Bollinger (2017) documents a series of studies that find positive outcomes from stable foster care placements, including steady improvement in behaviour and psychosocial functioning, cognitive ability and mental health.<sup>73</sup> By contrast, other studies have children being moved between placements frequently can add to the trauma and insecurity they have often suffered before coming into care.<sup>74</sup>

As the figure below demonstrates, the type of placement can have a significant bearing on its stability. Kinship care placements are the most likely to be stable. However, children in foster care are considerably more likely to have fewer placements than children in residential care (around 60% of children in foster care have fewer than five placements and 80% fewer than seven, compared to 30% and 50% respectively for residential care).<sup>75</sup> These differences relate only to 'formal' changes; other researchers have identified that residential care can be inherently unstable (even within a single placement), as care staff commonly change.<sup>76</sup>

Figure 12: No. placements by current placement type (at 31 December 2018)



Source : Child protection data reported in Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 292.

Placement instability can be caused by many factors and is not always preventable. However, some of the drivers of placement instability identified by the CCYP included:

- rising numbers of children and young people going into care
  - a lack of suitable placements and carers, especially for children and young people living with complex trauma, challenging behaviours and/or intellectual disabilities, which limits the system's capacity to match the carer and placement to the child or young person
  - inadequate planning when children enter care, and
  - a lack of tailored supports for carers to maintain placements and for children and young people in care to recover from trauma.<sup>77</sup>
- **Evidence-based model of foster care are demonstrating strong health and wellbeing (and economic) benefits.** As discussed in the previous section, evidence-based models of care are increasingly being employed in Australian and internationally. Many of these models are proving effective in improving short and long-term health and wellbeing outcomes for children.

<sup>73</sup> Bollinger, J (2017), *Examining the complexity of Placement Stability in Residential Out of Home Care in Australia: How important is it for facilitating good outcomes for young people?*, Scottish Journal of Residential Child Care. 2017. Vol.16, No.2.

<sup>74</sup> Office of the Guardian of Children and Young People (2013), *Literature review: the impact and experience of moving while in care*, State of South Australia, Adelaide, page 21.

<sup>75</sup> Child protection data reported in Commission for Children and Young People (2019), 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system, page 292.

<sup>76</sup> Office of the Guardian of Children and Young People (2013), *Literature review: the impact and experience of moving while in care*, State of South Australia, Adelaide.

<sup>77</sup> Commission for Children and Young People, 'In our own words': Systemic inquiry into the lived experience of children and young people in the Victorian out-of-home care system (Melbourne: Commission for Children and Young People, 2019), page 150.

- **Aboriginal children experience better outcomes when placed with kin and community.** Preserving connections to family, community and culture is essential for Aboriginal children and their social and emotional development, identity formation, and physical safety. Community connection (i.e., via kin or community placements) also enables children to build a sense of resilience and emotional strength.<sup>78</sup>
- **Transition from care is also important to long-term wellbeing.** Effective planning and transitioning from care is recognised as important to improved outcomes post-care.<sup>79</sup> There is also strong evidence that the ability to stay in care under age 21 years (rather than 18 years) is associated with better long-term outcomes.<sup>80</sup>

However, and notwithstanding evidence on the characteristics on care that lead to good long-term outcomes, there is not good evidence of the impact that foster care – as it is currently designed and operating – compared to other forms of care. This lack of evidence is caused by two key factors.

1. Significant ethical and practical concerns in this form of research. There are ethical and practical challenges to assigning ‘like’ groups of children to different forms of care, which would enable definite research.
2. Studies of the effectiveness of foster care are focussed on specific models of care (e.g. Treatment Foster Care), which differ substantially from the most common forms of care.

We cannot therefore reliably estimate the impact of foster care – in its current form in Victoria – on the long-term health and wellbeing outcomes of children in care.

### **Valuation approach**

In light of these challenges, our minimum case and most likely case estimate of the economic value of foster care do not include these longer term health and wellbeing outcomes. Rather, these impacts are both:

- Potential additional benefits (in addition to those estimated in this report).
- Potential opportunities to increase the economic benefits of foster care by improving the recruitment, retention and development of foster care.

The scenarios outlined below include a feasible outcome improvement scenario that might be generated by improved models of care.

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<sup>78</sup> Australian Institute of Family Studies (2015), *Enhancing the implementation of the Aboriginal and Torres Strait Islander Child Placement Principle*.

<sup>79</sup> See, for example, KPMG (2010), *National Standards for Out-of-home care*

<sup>80</sup> See, for example, Hook, J.L., & Courtney, M.E. (2011), *Employment outcomes of former foster youth as young adults: The importance of human, personal, and social capital*. Children and Youth Services Review, 33(10), 1855-1865

## Modelling scenarios

Foster care in Victoria is in a considerable period of challenge and uncertainty. As discussed in Section 1, the sector is characterised by:

- rapid growth in all parts of child protection other than foster care
- stable volumes of foster caring, but with fewer children and placements
- stagnant (and possibly declining) numbers of active foster carers
- significant stress on foster carers, and
- ageing foster carers and high proportions expressing an intention to stop caring.

These trends have bearing on the economic value of foster care that would be delivered over the next ten years. In order to demonstrate the likely impact, our analysis has employed the following scenarios.

Table 4: Modelling scenarios

Scenario	Details
<b>Base case</b>	<p>No change in the number of active foster carers, maintaining current levels of attraction and attrition.</p> <p>No change in the volume of care provided by carers.</p> <p>No modelling of impact of foster care on long-term health and wellbeing outcomes.</p>
<b>Deterioration scenario</b>	<p>Reduction in the number of active foster carers in line with expressed intentions in the Carer Census (i.e. those carers who did not express a likelihood of continuing caring, 1/3<sup>rd</sup> of carers, cease caring within five years and a consistent rate of decline thereafter).</p> <p>No change in the volume of care provided by carers.</p> <p>No modelling of impact of foster care on long-term health and wellbeing outcomes.</p>
<b>Improvement scenario</b>	<p>Increase in the number of active foster carers, increasing current levels of attraction and reducing levels of attrition (an estimated 1/3<sup>rd</sup> increase over five years, after an initial three-year implementation period, and ongoing growth at a consistent rate thereafter).</p> <p>No change in the volume of care provided by carers.</p> <p>Modelling a 20% improvement in the impact of foster care on long-term health and wellbeing outcomes.</p>

All scenarios assume the following.

- Ten-year total economic benefits.
- Real (inflation-adjusted) terms, discounted using the Reserve Bank of Australia's target rate for the Consumer Price Index (2% per annum)
- Wage rates – in terms of both the value of care-giving and cost of alternative placements – are inflated in line with economy-wide wage estimates (as measured by the ABS' Wage Price Index). All other costs inflated at CPI.



# 3. The economic value of foster care

We estimate that, in 2021-22 alone, foster carers provided some \$989 million in economic benefits to Victoria. Under current settings, foster carers are projected to provide \$11 billion in economic benefits over the next 10 years. However, if risks to the supply of foster carers eventuate, this value could fall rapidly.

This section documents the findings of this economic modelling, including three plausible scenarios for foster caring over the next ten years.

## Current value of economic benefits (in 2021-22)

Utilising the data and estimates documented in the previous section, we estimate that in 2021-22, foster care activity amounted to the following.

- 1,647 children in foster care on each night of the year. This equates to:
  - 2.9 million hours of 'active' caregiving by a volunteer foster carer, or
  - 9.6 million hours of 'time in care' by a volunteer foster carer
- 5, 042 foster care placements over the course of the year, which would otherwise require:
  - 218,000 nights of alternative protective care.

Using the valuation assumptions also documented in the previous section, we estimate that the volunteer labour contributed foster carers provides:

- \$80 million (at a minimum) of direct care-giving services – noting that only 'active' care-giving time is counted in this estimate, and
- \$453 million in avoided costs of placing children in alternative care.

These benefits are substantial. The following comparisons put this estimate in context.

- The total economic benefit (\$533 million) is more than four times the value of government investment in foster care. Said another way, the Victorian Government generates almost \$4 of economic benefit for every \$1 invested.
- The avoid cost equates to 30% of the total Victorian Government investment in Child Protection and Family Services (\$1.67 billion in 2021-22).<sup>81</sup> Said another way, without foster carers, the Child Protection and Family Services budget may need to grow by another 30% to cover the cost of care currently provided by volunteers.

As discussed in the previous section, due to data limitations we have not estimated the economic value of the long-term impact on the life and wellbeing outcomes of children in foster care. As such, these estimates should be considered conservative estimates of short-term benefits only.

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<sup>81</sup> Victorian Government State Budget 2021-22: budget paper 3.

The key drivers of these benefits are:

- the amount of foster care provided – driven, in turn, by:
  - demand for foster care placements, and
  - availability of foster carers
- the value ascribed to care services, in terms of:
  - the value of care services
  - the costs of alternative protective care options
- the impact of foster care on long-term health, education, employment and justice outcomes.

Variations in these estimates would impact the model’s results. The following section provides three plausible scenarios that would impact the value of these benefits over the next ten years.

## Projected benefits under modelling scenarios

### Base case

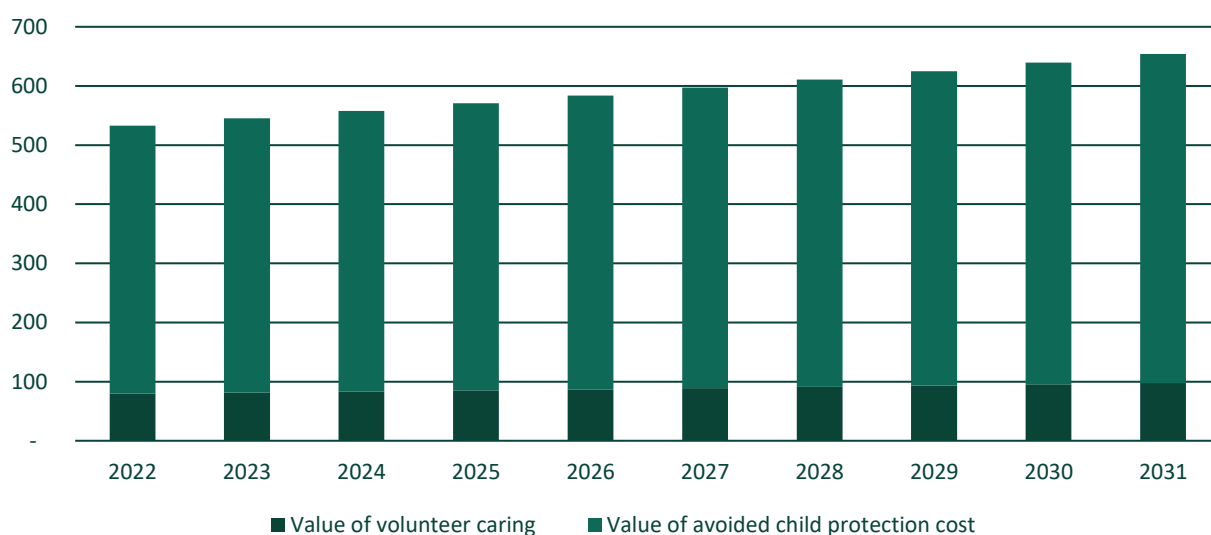
As outlined in the previous section, the base case scenario retains:

- current (2020-21) levels of foster care activity, placements and time spent caring
- current cost assumptions (with assumed cost escalation in line with broad inflation measures), and
- no modelled impact on long-term health & wellbeing outcomes for children.

In this scenario, broad economy-wide escalation of costs drives an increase in economic benefits over the ten year period, with annual benefits rising to \$654 million in 2030-31. The total economic benefits over the next ten years would equate to \$5.9 billion, made up of:

- \$882 million of direct care-giving services, and
- \$5 billion in avoided costs of placing children in alternative care.

Figure 13 : Estimated economic value of foster care, base case (\$m): 2021-22 to 2030-31



## Deterioration scenario

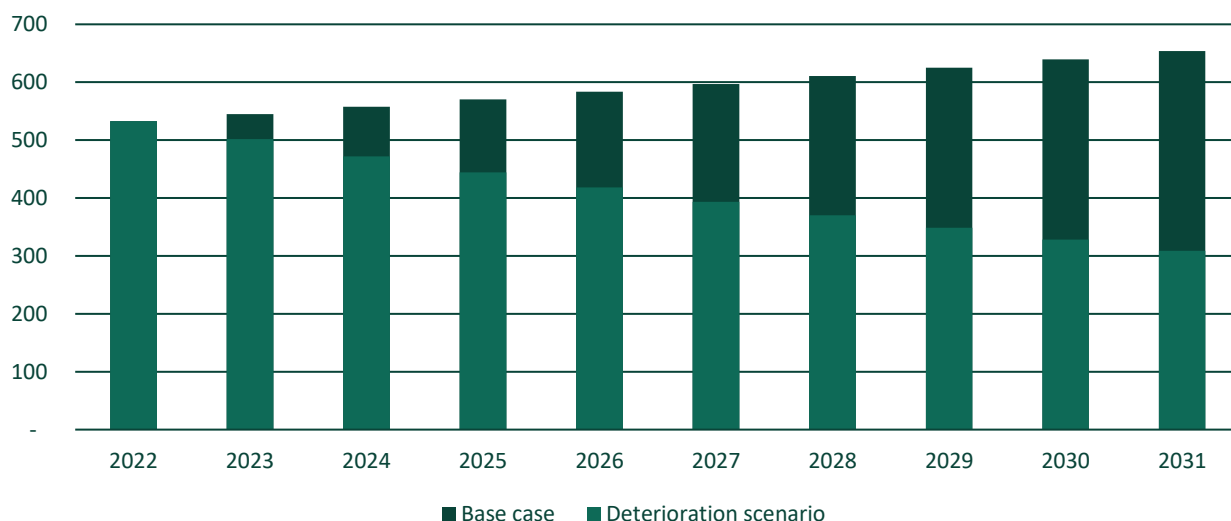
Section 1 outlines current trends in foster care, including stagnant and possibly declining numbers of foster carers, societal changes that make foster care less attractive or feasible for people, and significant caring, financial and administrative pressures on carers that may be undermining their willingness and ability to continue caring. There are concerns that these issues could lead to a substantial decline in the availability of foster carers. This scenario projects the economic benefits under a plausible scenario of declining foster care activity.

As outlined in the previous section, the deterioration case scenario includes:

- an 8% reduction in foster care capacity every year (amounting to a 1/3 reduction in five years)
- current cost assumptions (with assumed cost escalation in line with broad inflation measures), and
- no modelled impact on long-term health & wellbeing outcomes for children.

In this scenario, the reduction in foster care capacity far outweighs the broad economy-wide escalation of costs, resulting in annual benefits declining to \$309 million in 2030-31. The total economic benefits over the next ten years would equate to \$4.1 billion (a 30% reduction and \$1.8 billion in lost economic benefit).

Figure 14: Estimated economic value of foster care, base case and deterioration case (\$m): 2021-22 to 2030-31



## Improvement scenario

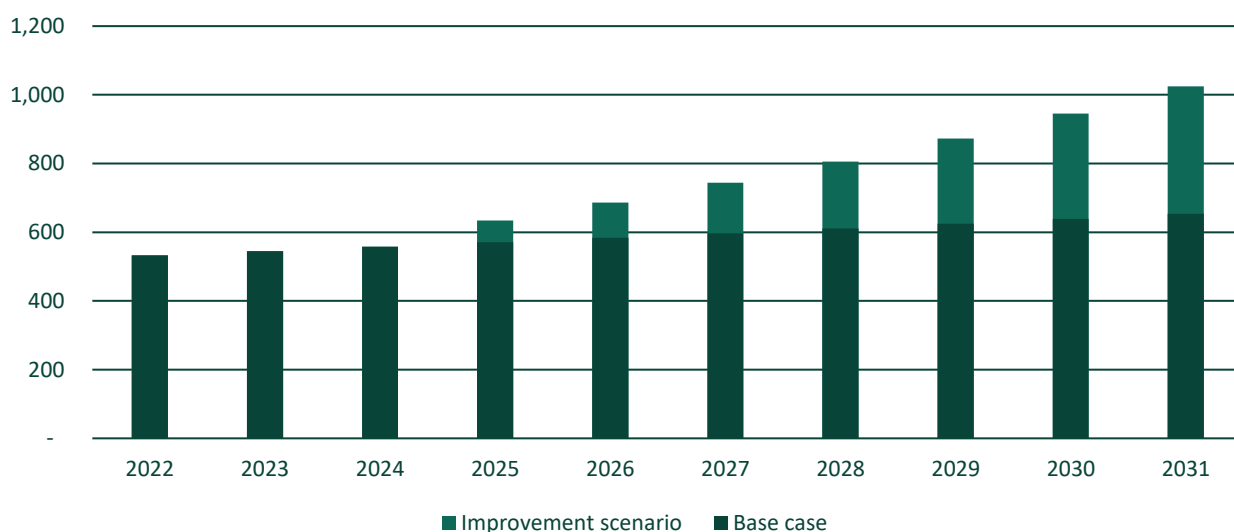
Section 1 outlines emerging trends in foster care, including promising evidence-based models of foster care that are demonstrating improved ability to attract and retain foster carers and/or long-term outcomes for children. There is a diversity of models being developed, trialled or rolled out in Victoria, Australia and around the world. Different models are designed for or best suited to different cohorts of children in care, are demonstrating different results and may be more or less applicable to the Victoria context. The optimal reform model for foster care in Victoria is not clearly known or predictable.

This scenario projects a plausible path for the economic benefits of foster care that could result from successful adoption of these models or other improvements to foster care in Victoria. It includes:

- an 6% increase in foster care capacity every year (amounting to a 1/3 increase in five years)
- a 20% improvement in the long-term economic costs of child maltreatment for children place in foster care<sup>82</sup>
- current cost assumptions (with assumed cost escalation in line with broad inflation measures), and
- an initial implementation of three years before any improvements to the current state accrue.

In this scenario, the improvement in foster care capacity and long-term economic outcomes drives an increase in economic benefits from year 4 (2025), with annual benefits rising to \$1 billion in 2030-31. The total economic benefits over the next ten years would equate to \$7.1 billion, a \$1.2 billion increase on the base scenario (20%).

Figure 15: Estimated economic value of foster care, base case and improvement case (\$m): 2021-22 to 2030-31



Importantly, this scenario does not consider the additional cost associated with this improvement scenario. The evidence-based models referred to in Section 1 do represent a higher cost model of foster care. Given the uncertainty about the optimal model for Victoria, these costs are not included in this analysis. These benefits therefore represent gross (rather than net) values.

<sup>82</sup> Please note. For simplicity, the reduction in the long-term economic impact of child maltreatment is attributed (in present value terms) to the year in which a child is first placed in foster care. In contrast to the other economic benefits of foster care, these benefits would occur over the child's lifetime. The economic value for this analysis therefore represent the present value of current and future benefits in the year in which they are generated but (for some benefits) not yet realised.