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References

Department of Health (2001) Children's Social Services Core Information Requirements Process Model, London: Department of Health.

Netten, A. and Curtis, L. (2002) Unit Costs of Health and Social Care 2002, University of Kent: Personal Social Services Research Unit.

Principal researchers

- Harriet Ward, Director
- Jean Soper (University of Leicester)
- Lisa Holmes (Research Associate)
- Richard Olsen (University of Leicester)

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Where to find more evidence

Full Report

Ward, H., Holmes, L., Soper, J. and Olsen, R (2004) Costs and Consequences of Different Types of Child Care Provision, Loughborough: Centre for Child and Family Research

Decision Analysis Model

Copies of the Decision Analysis Model are available from CCFR

This paper was written by Lisa Holmes

This CCFR Evidence paper forms part of the CCFR Outcomes for Vulnerable Children research programme

For further information about the CCFR please contact:

 Professor Harriet Ward
Director

 H.Ward@lboro.ac.uk

 Professor Saul Becker
Associate Director


 S.Becker@lboro.ac.uk

 Suzanne Dexter
Administrator

 S.Dexter@lboro.ac.uk

 Centre for Child and Family Research
Department of Social Sciences
Loughborough University
Leicestershire LE11 3TU UK

 +44 (0)1509 228355

 +44 (0)1509 223943

 www.ccfcr.org.uk

Looked After Children: Counting the Costs

Report on the Costs and Consequences of Different Types of Child Care Provision study

Following concerns about spiralling costs of delivering effective services for children in need a research initiative was commissioned by the Department of Health. This paper details the methodology and findings from one of the thirteen studies in the initiative; this study focused on the relationship between costs and outcomes for children looked after away from home.

- The researchers identified and worked out unit costs of eight processes that support the case management of children looked after away from home: deciding a child needs to be looked after and finding the initial placement; care planning; maintaining the placement; exit from care; finding subsequent placements; review; legal process; transition to leaving care.
- Costs for specific placements for periods of time could then be calculated both for individual children and care populations.
- The process of maintaining a placement accounts for between 92 and 96% of the total costs to social services to support a child looked after away from home.
- Variations in unit costs can be attributed to authority factors, placement factors and/or child related factors.
- Additional support needs arising from factors such as disabilities, emotional or behavioural difficulties and offending behaviour are most likely to influence the type and cost of the placement provision.
- The children in this study fell into eleven groups categorised by single or multiple combinations of additional support needs.
- Placements out of the area of the authority were found to be more costly both in terms of expenditure and the children's well being.
- Frequent changes of placements and sequences of short stays in units that were often out of the area of the authority were more likely to be experienced by children with complex needs.
- A small number of children with complex needs who require specialist placements and services could skew the total costs of the looked after population in an authority.

Project aims

The aims of this study were to assess how far variations in the cost of different types of provision are reflected in the quality of care experienced by children with different needs, and to use the findings to devise robust methods that enable local authorities to calculate the cost consequences of different types of child care provision.

Methodology

The researchers undertook a prospective longitudinal study designed to explore both quantitative and qualitative data concerning the background, needs and experiences of a population of 478 children looked after by three matched pairs of local authorities between the first two Children in Need Census dates of February 2000 and October 2001. The sample was restricted to children aged ten years and over and was weighted to include disproportionate numbers of children with disabilities and/or in residential units in order to provide sufficient data for meaningful analysis.

Data on children's needs and experiences were collected from management information systems, case files and from structured interviews with children and young people and their carers.

Costs Methodology

The eight processes for which the unit costs were derived are based on the nine case management operations that underpin the task of looking after children outlined in the Core Information Requirements, Process Model (Department of Health, 2001).

Activity to support these processes was based on the policy and procedure documents supplied by the six authorities participating in the study. Specific data was then gathered from focussed discussions at team meetings to ascertain the time taken to complete these activities.

Information was obtained from 17 team meetings, attended by 104 social workers, 23 family placement workers, 13 team managers and two independent reviewing officers. The amount of time spent by each of the workers on each of the processes was then costed as a proportion of their salary and overheads using the schema outlined by Netten and Curtis (2002). The total activity was added together for each of the eight processes to calculate standard unit costs. In addition, the cost of providing the placement, including placement fees, were added to the cost of maintaining it.

The consensus approach that was adopted proved to be robust in that there was little variation between staff concerning the amount of time they spent completing standard tasks. However, variations in activity were identified to support children with different needs and to arrange and support different placement types. Differences in authority procedures also had a bearing on the level of activity and therefore the costs of completing certain tasks, for example there were substantial variations in the level at which decisions for agency funding were made.

Decision Analysis Model

The unit costs for each of the eight processes, along with the placement and needs data collected for the sample children were used to develop a computer application to facilitate cost calculations. This Decision Analysis Model is constructed in Excel and is being developed as a practice tool to be used by local authorities.

The model calculates the cost of each of the processes, taking into account the many variations according to placement type, the child's characteristics and so forth. The total cost of each placement will then form the cost of a care episode. Aggregate costs can be produced both for individual children and for care populations.

Findings

The study identified a number of factors that impact on the cost of looking after children. These factors relate to the organisation and procedures operating within the local authorities, the pattern and types of placements provided and the needs of children. In addition to age the child related factors include: disability, emotional or behavioural difficulties, and offending behaviour. The circumstances of asylum seeking children were also found to produce different cost pathways.

The children in this study fell into eleven groups categorised by single or multiple combinations of the above factors. There were five simple groups where children displayed either none or one of the factors and six complex groups of children who displayed two or more of the factors.

Children who displayed none of these additional characteristics cost substantially less to look after than those who displayed one of them; costs were found to be even higher for those children who displayed combinations of two or more characteristics. It was also evident that a very small number of children with exceptionally high needs could skew the costs of the looked after population in an authority.

The study also identified substantial variation between the costs of different placement types. The standard unit cost for maintaining a child for a week in residential care was eight times that of the cost of foster care, 9.5 times that of a kinship placement and 12.5 times that of a placement with own parents.

Furthermore, the findings indicated an inverse relationship between the costs of provision and the children's opportunities for improving their life chances. Children who did not display any evidence of additional support needs cost the least to look after and were most likely to remain in stable placements and complete their statutory schooling. On the other hand children who displayed a combination of additional support needs had the most costly care episodes and were most likely to experience changes of placements and unscheduled school changes. The outcomes were least favourable and the costs highest for children who displayed either emotional or behavioural difficulties and were also committing criminal offences. These children were the most likely to be excluded from school and were the least likely to access either routine health or psychotherapeutic support, often because they refused input.

False Economies

For some children postponing service provision only reduced short term costs; in the long term more costly services and placements were required increasing the overall cost of the care episode.

The study also found that some authorities offered only minimal financial support to kinship carers, such strategies might prove to be false economies in that they jeopardise the stability of the placement. Additional support services might help carers meet children's needs and obviate more costly placements at a later stage.

Implications for Practice

The findings demonstrate the importance of adopting a systems approach to analysing the costs of looking after children. The costs incurred by placing children away from home need to be considered within the context of the costs of providing services to all children in need.

A systems approach should also demonstrate how costs are spread across agencies so that reducing costs to one may increase the costs to others.

Implementation of the decision analysis model would enable local authorities to carry out cost calculations in Excel using three spreadsheets. The calculations are

carried out in one spreadsheet that picks up basic child and placement data from a second spreadsheet and unit costs from a third. Almost all the child and placement data are already held electronically on management information systems.

Policy Implications

The findings from this study have important implications for improving outcomes for children's services. Accurate costing of services could be linked to outcome data to facilitate comparisons of cost effectiveness. Evidence from the study will inform the Choice Protects initiative and consequently assist local authorities in improving their commissioning strategies.