
The true cost of in-house and outsourced placements

LISA HOLMES, ASSISTANT DIRECTOR, CENTRE
FOR CHILD AND FAMILY RESEARCH,
LOUGHBOROUGH UNIVERSITY

Overview

- Key research findings
- Research programme since 2000
- Focus on looked after children
- Increase transparency and comparability

Costs and outcomes research programme

- Explore the relationship between needs, costs and outcomes for vulnerable children
- Process driven approach
- Bottom up costing methodology
- Modelling unit costs using routinely collected child level data

Costs and outcomes research programme

- **Costs vary – but why?**
 - Not just placement fees and allowances
 - Identify other aspects that impact on costs
 - Why do costs vary?
 - Compare like with like

How do costs vary?

- **Processes – on going support costs**
 - Identification of eight social care processes carried out for looked after children
 - Variations according to:
 - Children's needs and circumstances
 - Placement type
 - Local policies and procedures

How do costs vary?

- **Children's needs and circumstances**
 - Placement finding for 'difficult to place children'
 - Range between £300 and £1300
 - Higher levels of support during initial stages of new placements
- **Placement type**
 - Moving to a residential placement between £800 and £1100, compared to £300 in authority foster care
- **Local policies and procedures**
 - Decision making panels, either single agency or joint commissioning; disruption meetings

How do costs vary?

- **Overhead costs**
 - Local authority running costs
 - Development of a standardised 'Overheads Framework' (Selwyn et al., 2009)
 - Since piloted and used across a range of social care services
 - Classifies costs according to five main categories:
 - Employee; client-related direct payment; Agency function; Establishment and Other

How do costs vary?

- **Placement/service provided**
 - Breakdown of the fee/allowance
 - Staffing ratio
 - Services provided

Making use of the research

- Linking costs with outcomes
- Best possible use of limited resources
- Can understanding process costs inform decision making?
- Can the processes be carried out more efficiently?
- Can outcomes be improved
- Do the most expensive interventions and services produce the best outcomes?

Key findings

- Least positive outcomes and highest costs for children with complex needs
- Small proportion of looked after children (approximately 3%) can skew the budget
- Using a consistent approach to costing facilitates meaningful comparisons:
 - Use of Multidimensional Treatment Foster Care identified a 15% reduction in costs

Key findings

- Possible to model long term costs if children remain in care
- Reducing costs in one area increases costs in another
- Reducing costs to one agency increases costs to others

Ultimate objectives

- To make it possible for agencies to compare the full cost to the public purse, for children with different levels of need and to relate these to outcomes
- To explore how a range of services might be better coordinated and configured to improve the wellbeing of vulnerable children
- To understand the longer term, life time costs