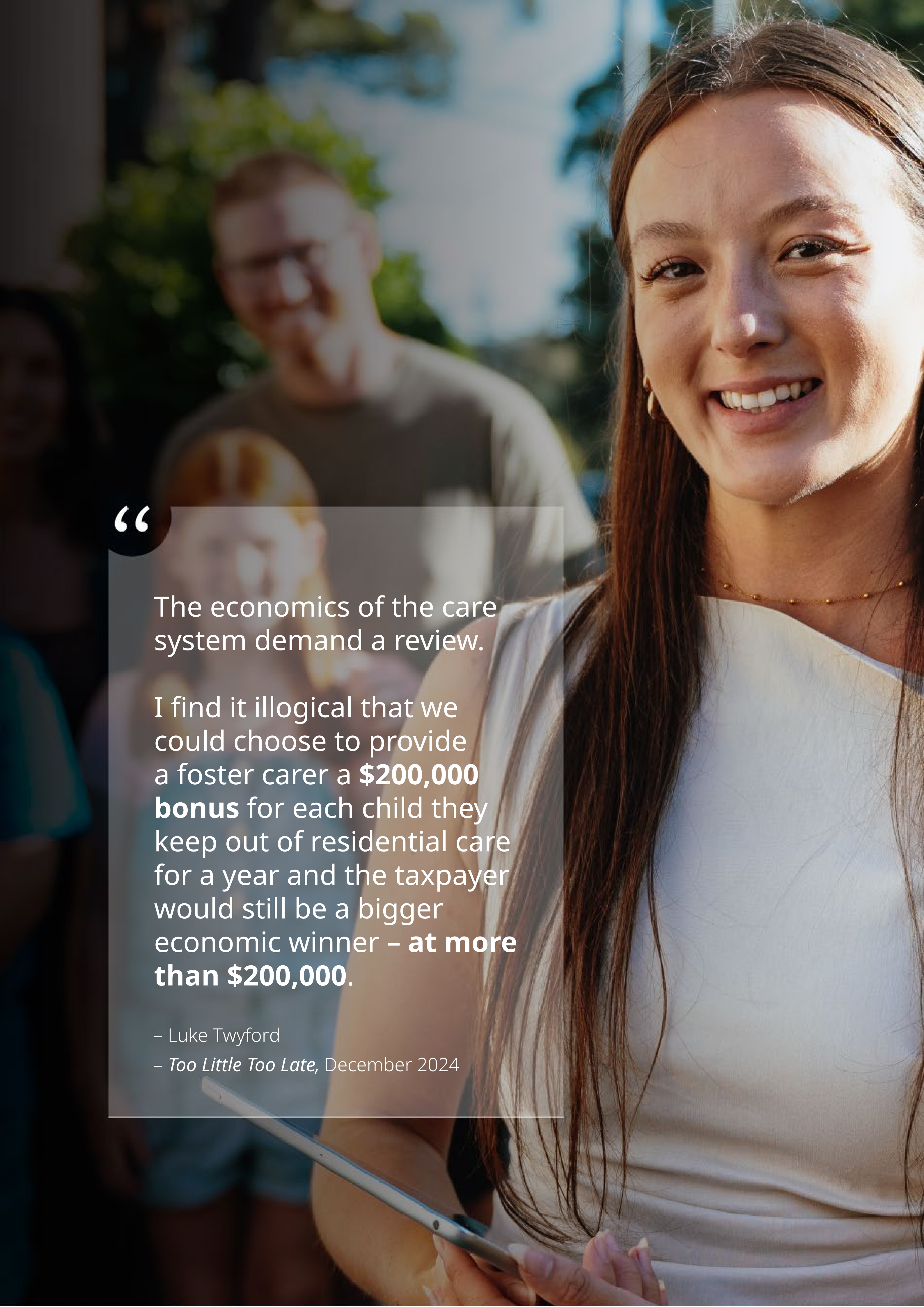
BUYER BEWARE

How **economic forces** are **shaping** Queensland's **residential care** market.

QUEENSLAND
Family & Child
Commission

Queensland
Government



“

The economics of the care system demand a review.

I find it illogical that we could choose to provide a foster carer a **$200,000 bonus** for each child they keep out of residential care for a year and the taxpayer would still be a bigger economic winner – **at more than $200,000**.

– Luke Twyford
– *Too Little Too Late*, December 2024

Introduction

Queensland's child protection system is operating under unprecedented pressure, with over $1.1 billion (51%) of total child protection expenditure spent on residential care services for 2,000 of the 12,000 children in out-of-home care (OOHC). Despite this investment, outcomes for children remain unacceptably poor and critically there is no indication that the rates of children entering the care system will reduce in the short to medium term with current systemic drivers all increasing.

This paper seeks to do what the past reviews haven't, and bring focus to the funding and market pressures present in the Queensland OOHC system. It is written in acknowledgement that the Queensland Government has launched a 17-month Commission of Inquiry to investigate the points of failure within the system. I hope this analysis brings discussion to the economics, market forces and sector behaviours that have inhibited change.

While the Commission of Inquiry is a critical step toward long-term structural reform, the severity and immediacy of harm experienced by children in the system demands urgent attention. Delaying action until the inquiry concludes risks allowing further trauma, particularly in under-regulated residential placements and among children with complex needs. This urgency together with the growing cost of care raises questions about the effectiveness and sustainability of the current state even in the short term.

Background

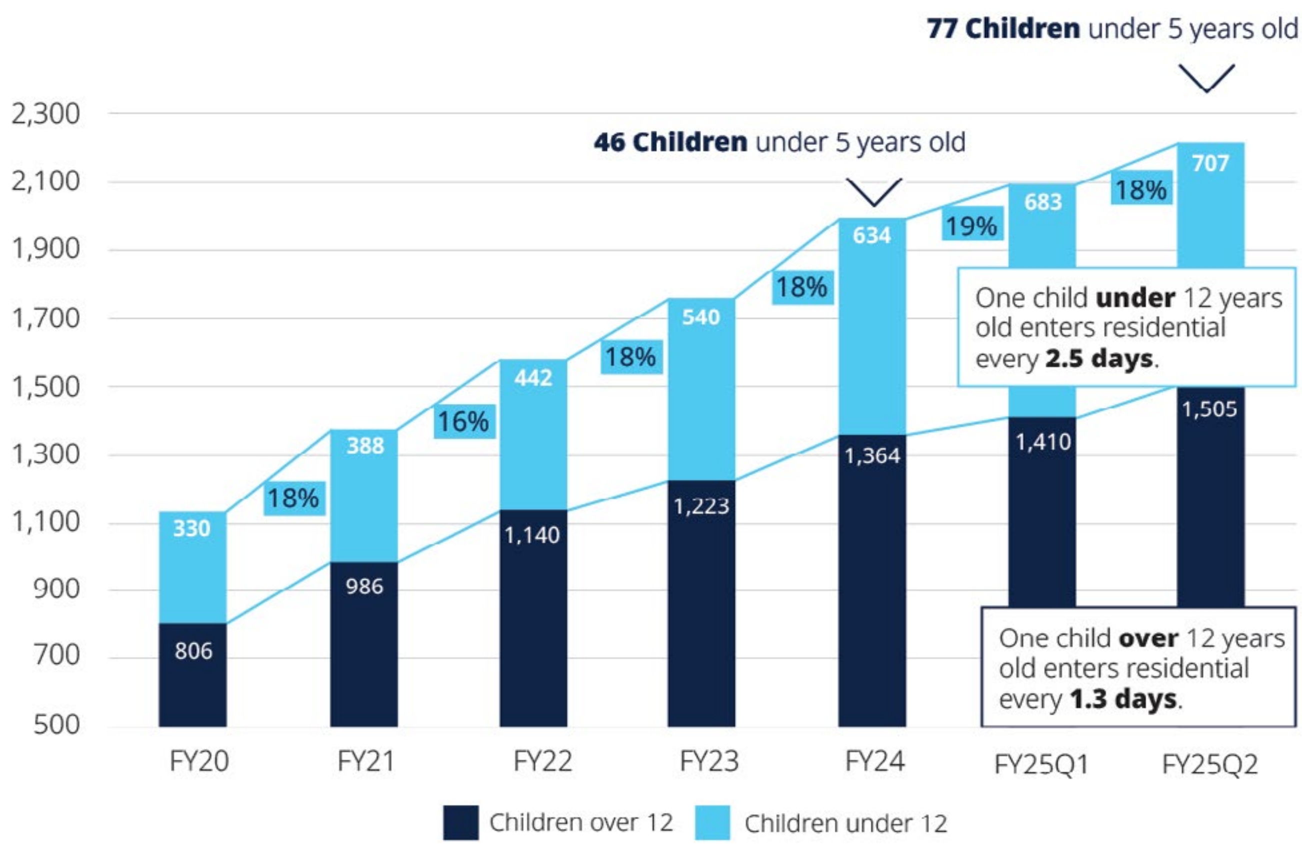
Between July 2023 and July 2025 there was significant discussion, engagement, design and planning put into addressing the issues in Queensland's residential care system. In mid-2023 the residential care system in Queensland was receiving negative press, with news that:

1. there was an increasing number of children and young people in residential care—an 85 per cent growth over five years, and that no other jurisdiction was experiencing this growth. Queensland had 40 per cent of Australia's residential care placements despite only having 21 per cent of the nation's children in care;
2. almost one in three children in Queensland residential care were under 12 years, meaning there were hundreds of children below the age of 10, and indeed below the age of five, in residential care settings. Residential care workers, and the sector itself, were concerned that infants were being placed in residential care;
3. there were community concerns about youth justice incidents – these incidents were raising legitimate questions about the supervision that was being provided in residential care settings. In some cases, members of the community were acting in vigilante ways at some of Queensland's residential care sites;
4. complaints were arising regarding the sexual exploitation and predation of young people in residential care settings with reports that young people were not being adequately protected; and
5. complaints about the quality of care, and the regulation of providers were arising in response to a growing number of unlicensed providers operating in the residential care market.

As part of the 2023 Departmental review, I attended 16 regional sites and 41 engagement forums, hearing from 800 individuals. We also inspected 12 residential care homes and consulted with the staff and providers operating the homes. The Queensland Family and Child Commission (the Commission) also participated in the ministerial roundtable, with over 80 individuals from government, the sector, and peak bodies attending. Following the completion of the review I continued regular meetings with young people in care and production of reports about their experiences and opinions. I partnered with the demographics group on foster care, I produced "A System that Cares", April 2024 and "Too Little Too Late", December 2024 and numerous insights papers on the care system. Through all these reports, and all this scrutiny the system has continued to grow – there are more providers, more placements and more children and infants in residential care today. This is clearly evident when one considers that children aged 0–4 are the fastest growing cohort being placed in residential care in Queensland.[1]

Within my multiple reports on the residential care system I have said "A critical question for me in my role providing independent oversight to the review is the extent to which a system can reform itself." More recently this has changed to "why can't the system transform itself". I hope this paper contributes to an answer.

Number of children in residential care by age



[1]Department of Families, Seniors, Disability Services and Child Safety. (2025). Our Performance Living arrangements of children **https://performance.dcssds.qld.gov.au/improving-care-and-post-care-support/what-we-do/living-arrangements-of-children**

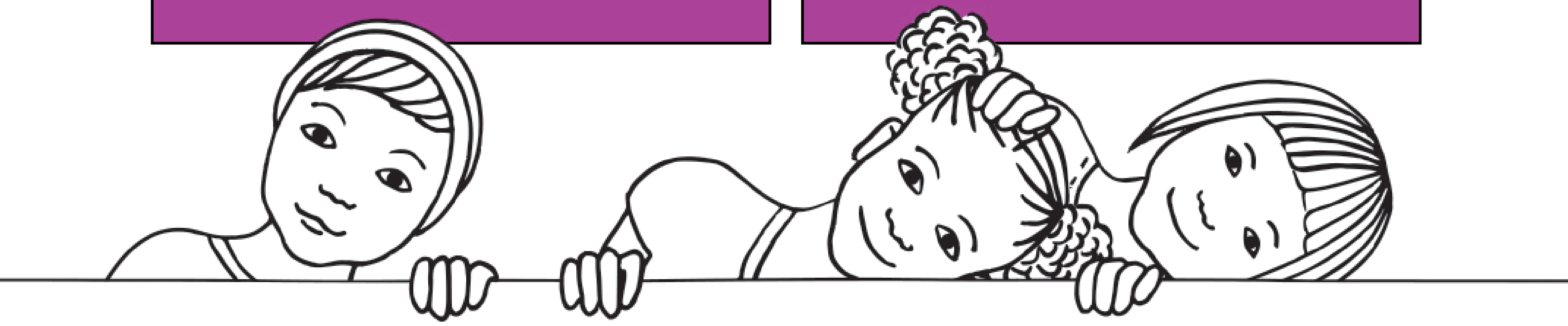
Fast facts

As at **June 2021**

5 Children under 12
would enter Residential Care
on an average month

As at **December 2024**

12 Children under 12
would enter Residential Care
on an average month



As at **June 2021**

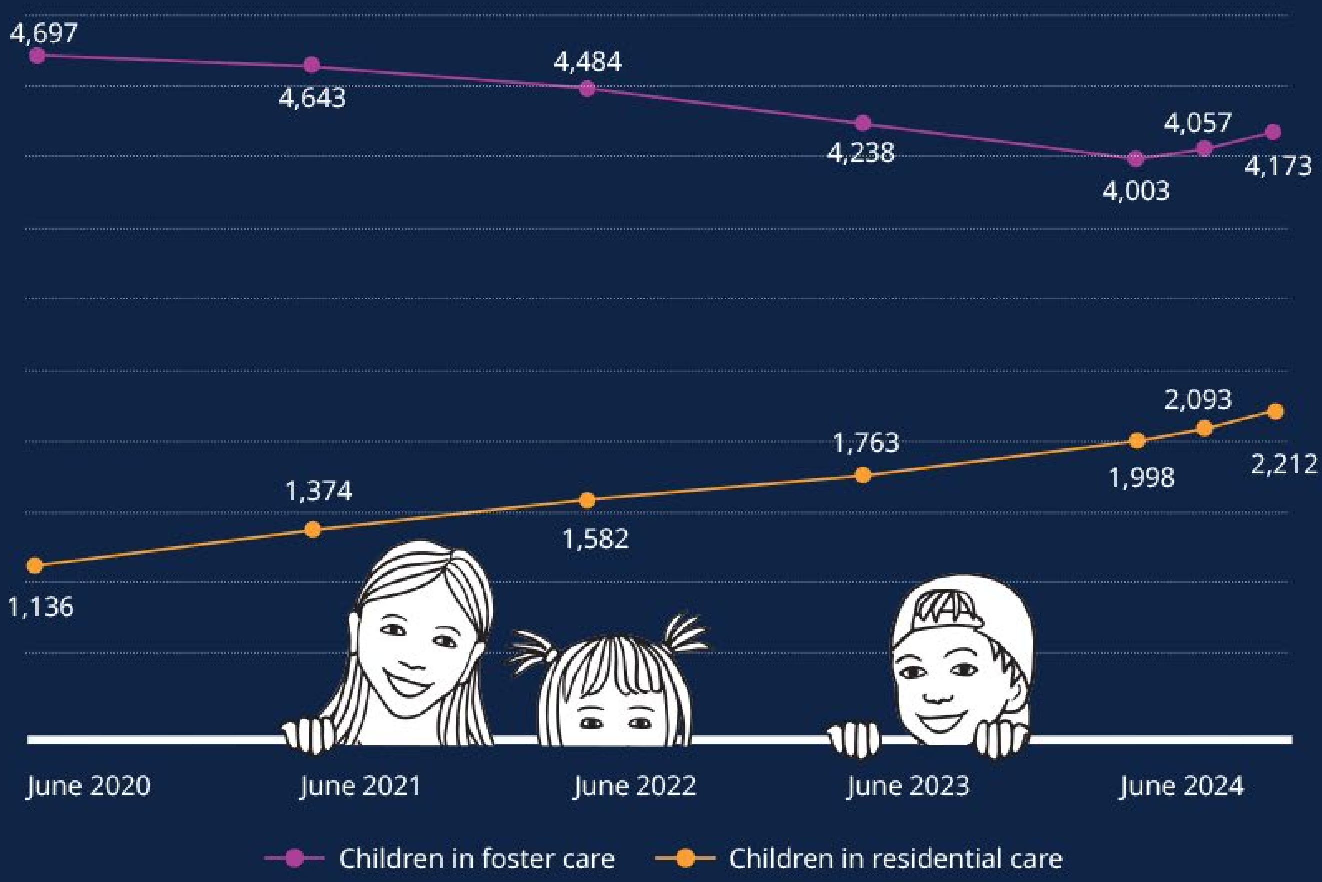
15 Children over 12
would enter Residential Care
on an average month

As at **December 2024**

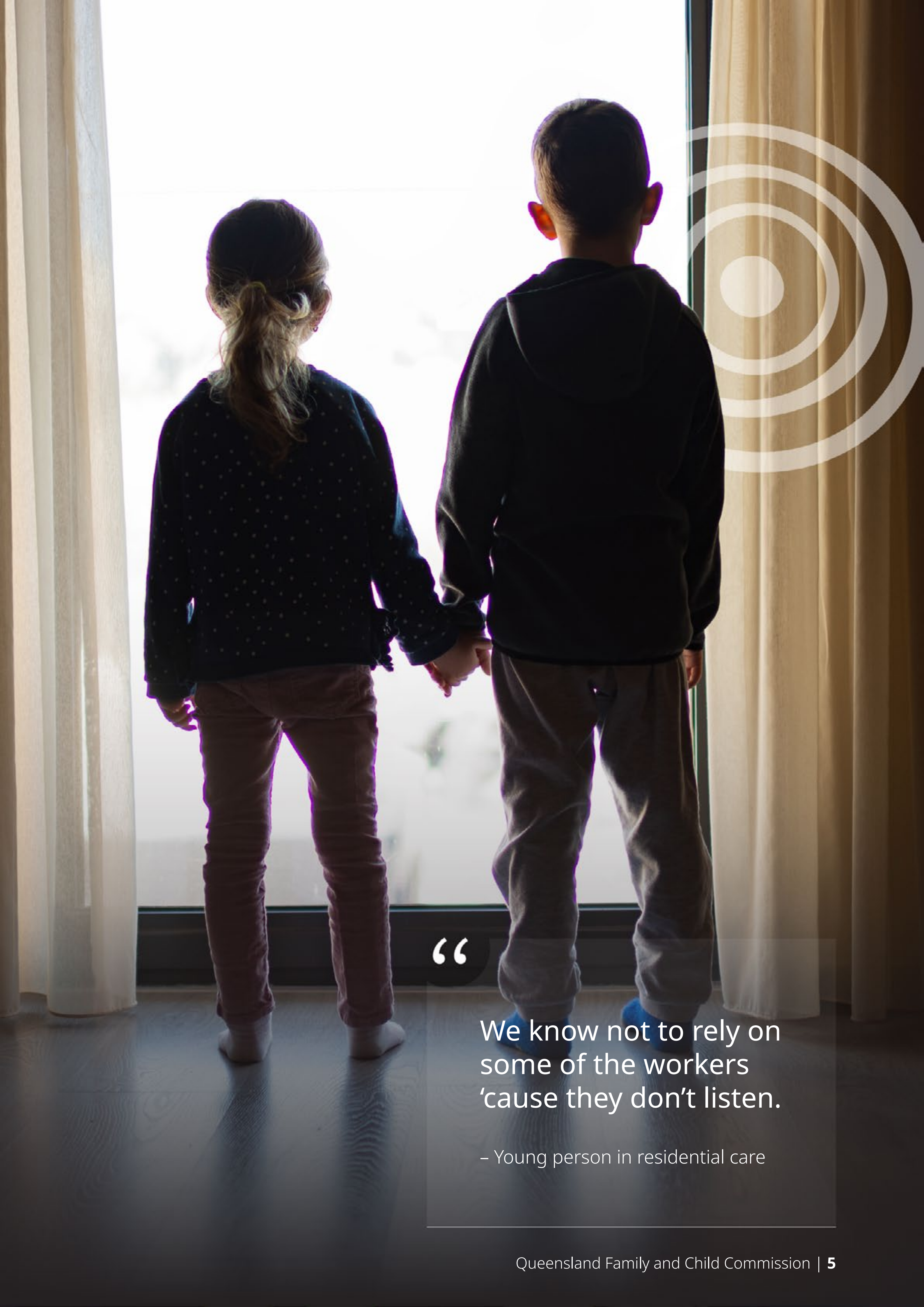
24 Children over 12
would enter Residential Care
on an average month

Out-of-home-care

| Figure 24: Number of children in OOHC by type of living arrangement, by year. |



Source: Child Safety (2025), *Our Performance – Living arrangements of children.*



“We know not to rely on some of the workers ‘cause they don’t listen.

– Young person in residential care

Market regulation when demand is inelastic

Government-funded mandatory services — such as child protection, education, prisons, and policing — are typically characterised by inelastic demand. These are services deemed essential, for which there are few or no substitutes, and where consumers (i.e., members of the public) cannot easily opt out. The government, acting as a monopsonist purchaser, assumes responsibility for funding, regulating, and often delivering these services. While this model is underpinned by principles of equity, universality, and public good, it also introduces specific economic distortions. Over time, these distortions can erode the quality of service delivery, undermine market incentives for efficiency, quality or innovation, and ultimately transform taxpayers into passive price takers in an inefficient procurement ecosystem.

This paper draws on microeconomic and institutional theory to explain how government funding of inelastic, mandatory services – especially residential care – has led to perverse market dynamics, corruption of quality signals, and reduced accountability in Queensland's OOHC market. It also explores the implications for allocative efficiency, pricing, and value-for-money in the public interest.

“

Residential care is a billion-dollar industry in Queensland. The QFCC sought and reviewed the current standard contracts that are used.

This made it clear that there are profound opportunities to reshape the current investment with much more design intent and purpose.

– *Too Little Too Late*, December 2024

Inelastic demand and market power

Inelastic demand describes a situation where the quantity demanded of a good or service changes very little in response to changes in price (Marshall, 1890). For services like emergency healthcare, child protection, or national security, demand remains steady regardless of cost because the services are either legally mandated or socially indispensable. This makes the demand curve steep (price-insensitive), and when government funds and mandates these services, it becomes both the price setter and principal buyer.

In theory, such a structure helps eliminate barriers to access, prevents market failures, and achieves socially desirable outcomes – however, the presence of inelastic demand also sets the stage for supplier opportunism, rent-seeking, and principal-agent problems. When the government becomes the primary (or sole) buyer of a service — especially in sectors like child welfare, aged care or disability support — it operates as a monopsonist. A monopsony is the market condition in which there is only one buyer (Pigou, 1920). This can allow the state to exert downward pressure on prices, however, in practice, when coupled with weak regulatory enforcement, limited competition, and complex service environments, this dynamic creates inefficiencies. The principal-agent problem (Jensen & Meckling, 1976) becomes particularly relevant. Here, the government (principal) contracts service providers (agents) to deliver services on its behalf.

Yet it faces difficulties in ensuring agents act in the public interest, especially when performance is difficult to measure, and information asymmetries exist. For example, in child protection, it may be hard for government agencies to assess whether contracted providers are delivering quality support to at-risk children, especially when outcomes are long-term and monitoring is costly or underdeveloped. This enables moral hazard: agents may skimp on quality to reduce costs while still receiving full payment.

Ensuring clarity in each region, and service centre about the performance standards and performance system roles will ensure the overall quality of residential care system lifts.

– A System that Cares,
April 2024

There is opportunity to make a profound difference across the system by bringing more nuance to the type of services we are seeking and committing to this specialisation.

This position was overwhelmingly reaffirmed at each site and house we visited. We heard that the demand pressures on the system have diluted the design intent of residential care.

– *Too Little Too Late*, December 2024

Corruption of quality signals

Under normal market conditions, price and quality operate as signals that help consumers make informed decisions. In competitive markets, poor-quality providers lose customers, while high-quality providers are rewarded with repeat business and premium pricing. This mechanism promotes allocative efficiency (Pareto efficiency) and encourages providers to invest in service quality and innovation (Arrow, 1963).

However, in government-funded mandatory service markets, quality signals become corrupted for several reasons:

1. **The end-user is not the payer:** Citizens who receive services do not directly pay for them, nor do they often have choice or mobility to switch providers (especially in institutional settings like aged care or detention). This disconnect weakens demand-side pressure for quality.
2. **Performance metrics are vague or flawed:** Governments often fund services using input or output-based contracts (e.g., number of hours delivered, number of clients served) rather than outcome-based metrics (e.g., improved wellbeing). This leads to goal displacement — providers meet contract targets without delivering meaningful value.
3. **Political and bureaucratic incentives:** Governments may prioritise cost-containment, risk aversion, or political optics over long-term quality outcomes. Providers who are large, or low-cost may be rewarded with contracts, even if their quality is poor. This undermines competitive neutrality and skews market signals.

The result is a market dynamic (Akerlof, 1970), where information asymmetry and lack of consumer power mean that high-quality providers are driven out, leaving only the lowest-cost or most 'easy to engage' providers.

> As with any performance system, the residential care industry needs:
>
> - clear expectations
> - defined responsibility and accountability
> - incentives to exceed expectations (including disincentives for failing to meet expectations)
> - active monitoring, quality assurance and outcome measuring
> - clear feedback/communication loops.
>
> – A System that Cares, April 2024

> “When we moved into the resi, they weren’t expecting us and so they put us in a random room which was like a lounge room and later had to add a door to the room. I’m so glad we have a door now.
>
> – Young person in residential care

In standard market economics, a price taker is an actor who has no influence over the market price and must accept it as given (Varian, 1992). In the context of public services, taxpayers — who fund services but have little say in the selection, pricing, or quality of providers — effectively become price takers. They are compelled to fund services (through taxation) whose costs, pricing mechanisms, and quality outcomes are largely opaque. This passivity is compounded by several institutional features:

- **Non-transparent procurement:** Government contracts are often negotiated behind closed doors, with limited public scrutiny or competition. Procurement rules may favour incumbent providers or create high barriers to entry for smaller, innovative firms.
- **Regulatory capture:** Over time, dominant providers may influence the regulatory environment to entrench their position, reduce oversight, or block reform (Stigler, 1971). This entrenches inefficiencies and limits the state's bargaining power.
- **Political constraints:** Governments may be reluctant to enforce penalties or cancel contracts for fear of service disruption or political backlash. This limits their ability to act as an effective buyer.

In effect, taxpayers bear the risk of service failure, cost overruns, and inefficiency, but have limited recourse to demand better value — thus eroding democratic accountability and economic rationality.

> **Ensuring there is transparency regarding the roles, accountabilities and communication pathways across the residential care sector and the Department will enable service standards to be embedded as a performance system.**
>
> – A System that Cares, April 2024

Distorted incentives and shadow markets

Over time, these dynamics can create shadow markets or distorted microeconomies around public services. Examples include:

- **System gaming:** Providers learn to game funding formulas (e.g., over-reporting service volumes, inflating needs assessments) to maximise payments.
- **Cream-skimming:** Providers selectively enrol easier-to-serve clients to maximise margins while leaving complex or costly cases to the public sector.
- **Regulatory arbitrage:** Providers exploit gaps between jurisdictions, or between regulatory and funding systems, to increase profits.

These distortions mimic rent-seeking behaviour (Tullock, 1967), where providers expend resources not to create value, but to capture existing value by manipulating the rules or restricting competition.

Australia's experience with aged care and the NDIS (National Disability Insurance Scheme) offers contemporary illustrations of these dynamics. In both sectors, government is the principal funder of services with inelastic demand, but provider behaviour has frequently departed from public interest. In the aged care sector, despite large public expenditure, the 2021 Royal Commission found systemic neglect, poor quality of care, and misuse of taxpayer funds. The funding model incentivised volume rather than quality, and consumers had little power to hold providers accountable. Similarly, in the NDIS, providers have been observed engaging in price-maximising behaviour, charging near the capped rate for services of questionable value. The lack of robust outcome measurement and the difficulty for participants to assess quality means that public money often fails to translate into meaningful improvements. There is no doubt the Commission of Inquiry will uncover these practices in Queensland's residential care system.

> **There is a distinct need for greater performance and consistency across the residential care sector. The new performance framework and service standards will drive this externally, however there is a clear need for practice improvement that will best come from within the sector itself.**
>
> – A System that Cares, April 2024

Government funding of mandatory services with inelastic demand is economically and morally justified — particularly to achieve equity, universality, and the public good, however, when they are poorly structured, such arrangements can corrupt market signals, incentivise low-quality service provision, and render taxpayers as disempowered price takers. The distortion of incentives, erosion of accountability, and weakening of quality purchasing undermine both economic efficiency and democratic legitimacy.

Restoring value in these sectors requires a new generation of economic thinking: one that blends market discipline with public accountability, strengthens the state's purchasing capacity, and places public outcomes at the heart of funding design. Only then can we ensure that the vast public investment in essential services translates into real, lasting public value.

> **Residential care is a competitive marketplace, and market competition can work against collaboration and the sharing of information about best practice.**
>
> – A System that Cares, April 2024

To mitigate the risks of quality corruption and taxpayer disempowerment, several economic and institutional reforms can be considered:

1. **Outcome-based contracting:** Shift funding away from inputs and outputs towards measurable outcomes. This aligns incentives with public value and reduces the risk of gaming.
2. **Consumer empowerment mechanisms:** Introduce controlled choice, portability of funding, and transparent provider ratings to simulate market discipline and empower users.
3. **Stronger commissioning capability:** Build internal government capability to act as an intelligent purchaser — including data analytics, market stewardship, and regulatory enforcement.
4. **Transparency and co-design:** Involve citizens and service users in contract design and monitoring to ensure accountability and restore democratic legitimacy.
5. **Market shaping and contestability:** Reduce reliance on monopolistic or oligopolistic providers by supporting a more diverse and competitive provider ecosystem.

These reforms are consistent with the theory of quasi-markets (Le Grand, 1991), where governments create market-like mechanisms within public service delivery, but retain overarching responsibility for access, equity, and quality.

Economics of the Queensland **residential care system**

1 OOHC Services

- Queensland Government outsourced all OOHC services to non-government providers for decades, with minimal market oversight.

2 Essential service

- This essential service (caring for removed children) is non-negotiable, the government must provide it regardless of cost or market conditions.

3 Placement surge

- The number of children in care has surged and placement capacity did not keep up.

4 Foster and kinship

- The use of foster and kinship care is declining, despite more being recruited.

5 Residential care costs

- Residential care costs (last resort for children in care) increased from about $200 M in FY15 to $1.12 billion in 2024. Demand is inelastic – no matter how high costs go, the government cannot cut back on placing vulnerable children.

6 2000+ children in Care

- With over 2,000 children in residential care Government can't cut back on that placement type – they need to rapidly pursue alternatives.

Queensland has not been a **steward** of the residential care market

The Queensland Government has not demonstrated effective market stewardship in its management of OOHC services. Over the past several decades, all OOHC services have been outsourced to non-government providers. While this outsourcing model may have originally aimed to leverage community-based responses, it has operated with minimal strategic oversight, no clear commissioning framework, and little capacity planning. As a result, the OOHC system has evolved reactively rather than intentionally, with escalating costs, increasing complexity, and insufficient regard for long-term sustainability or child outcomes.

OOHC is not a discretionary government activity. It is an essential and non-negotiable function of the state to care for children who have been removed from their families for reasons of safety and wellbeing. This places an even greater onus on government to actively shape and steward the market, however, in Queensland, this has not occurred. One of the clearest indicators of failed market stewardship is the extraordinary growth in residential care expenditure. In 2014–15, residential care cost the state approximately $200 million. By 2024, that figure had risen to $1.12 billion — an increase of more than fivefold in under a decade. This surge in cost has not been matched by equivalent increases in capacity, quality, or outcomes. It reflects a market that has been allowed to expand without adequate price regulation, strategic investment in alternatives, or performance-based accountability. The government has become a price taker in a market it funds entirely — unable to refuse services, but also unable to exert meaningful control over their cost or configuration.

“

No new residential care contracts should be entered into in 2024 without detailed service expectations. Service standards should be published with each model of care. This includes for unlicensed providers.

– A System that Cares, April 2024

Meanwhile, the number of children requiring OOHC services has continued to rise. Over 2,000 children are currently placed in residential care, a model widely acknowledged as the most expensive and least preferable form of placement, especially for younger children or those requiring stable environments. The growth in residential care usage reflects the absence of scalable, quality alternatives – a direct result of inadequate planning and system design.

Two types of support plans are available to young people placed in residential care, including Individual Placement and Support (IPS) and Outsourced Service Delivery (OSD). OSD requires a service provider to be licensed to provide residential care services. IPS providers are not necessarily required to hold a licence because the Department of Families, Seniors, Disability Services and Child Safety (the Department) determines if an IPS supplier is deemed to be in scope of licensing.

There has been a significant growth in the number of IPS placements in recent years, resulting in considerably higher expenditure being directed towards unlicensed providers of residential care. In 2022–23, there were 5,816 places provided under IPS agreements, and 893 places contracted through OSD providers.[2] Total expenditures were $531.9 million for IPS contracts and $241.5 million for OSD.[3] The Queensland government announced the 2024–25 figure will be $766 million for IPS contracts and $354 million for OSD contracts.[4]

[2]Department of Child Safety, unpublished data request.
[3]Queensland Parliament. (2023, August 10). *Estimates hearing: Community Support and Services Committee.* https://documents.parliament.qld.gov.au/com/CSSC-0A12/C20232024-B2B4/2023_08_10_EstimatesCSC.pdf
[4]Queensland Government. (2025, May 18). Commission of Inquiry into Queensland's broken Child Safety System. https://statements.qld.gov.au/statements/102583

As at **30 April 2025**, there were **118** organisations providing residential care services in Queensland.

37 licensed organisations provide **69** per cent of residential care placements

81 unlicensed providers deliver **31** per cent of residential care placements.

Of the **37** licensed organisations, **11** (30%) are for-profit organisations.

Of the **81** unlicensed organisations, **67** (83%) are for-profit organisations.

Of the **81** Unlicensed, **20** (24%) are eligible for licensing, and three have been invited to apply for a care service licence. The remaining **17** are working toward Human Services Quality Framework certification.

Government inaction has compounded these pressures. It does not appear that consistent forecasting model has been applied to understand future demand, nor has the government invested in deliberate supply-side development to shape provider markets, support innovation, or build the workforce required for alternative care models. As demand has increased, and as complexity in the child protection system has grown, the system has defaulted to crisis responses — placing children wherever beds are available, regardless of suitability or cost. This has eroded the ability to deliver stable, quality care and pushed the system further into an unsustainable trajectory.

What is absent is a coherent stewardship approach. Unlike systems where governments actively design and manage provider markets — by regulating entry and exit, aligning funding with outcomes, and ensuring that public money delivers public value — the Queensland model has largely outsourced both service delivery and market responsibility. Providers operate in siloes, pricing varies with limited transparency, and funding is disconnected from child-centred outcomes. The government has not developed the mechanisms to influence market behaviour, enforce minimum standards across providers, or direct investment toward system goals.

The consequences are deeply concerning. Service quality varies. Children are moved between placements at rates that undermine attachment and healing. Crisis and contingency arrangements have become routine. High-cost placements, including hotels and unregulated options, have emerged to fill gaps in capacity. The system lacks the levers to reward high-performing providers or intervene where children are at risk. In short, public funds are being expended at unprecedented levels with insufficient grip on whether those funds are improving or harming children's lives.

“

During the review we learnt that the average annual cost for a child or young person in residential care is approximately 13.77 times higher than for a child in family-based care.

– A System that Cares, April 2024

The stewardship role of government in such an environment is not optional. It cannot be outsourced. It requires an active presence in the market, with clear direction, commissioning intelligence, price and quality monitoring, and investment in systemic reform. Queensland has not embraced this role. Its failure to do so has led to a market that is both structurally weak and financially unsustainable.

A reassertion of government leadership is now essential. This includes the development of a purposeful market strategy; greater transparency and coordination across providers; new investment in preventative, family-based, and therapeutic alternatives to residential care; and commissioning models that link funding to outcomes.

Without this shift, the state risks continuing on a trajectory of spiralling costs, fragmented services, and inadequate care for the very children it has a statutory obligation to protect.

In a mandatory service with inelastic demand, lack of government oversight and strategic commissioning leads to persistent supply shortages and inefficiencies.

In the Roadmap for Change (regarding Residential Care) it was strongly recommended not to continue with procurement of more care arrangements.

In Too Little Too Late, December 2024 I specifically recommended that: "The use of generic residential care contracts and service standards must cease immediately – with any new houses required by the Department to be created only as part of a strategic pilot program exploring new models of care with bespoke service standards fit for the children in the house". Despite this, the Government Contract Portal shows that since March 2024:

- **30** new residential care contracts have been executed: across 17 organisations, all were single sourced procurements, 1 noted as a Renewal, all noted as not in contract system.
- **173** Placements were procured: This included a wide range of average costs (from 9 placements under $100k to 28 over $500k), all involved single staff coverage, and no explicit outcomes or monitoring or no minimum qualifications were included in the conditions.

“

There is sufficient funding available to reward carers that either: prevent a child entering residential care; and/or enable a child to leave residential care.

– A System that Cares, April 2024

Snapshot of **residential contracts** procured March 2024 through to February 2025

30 contracts executed

across **17** organisations

- All single sourced procurements
- 1 noted as a renewal
- All noted as not in contract system

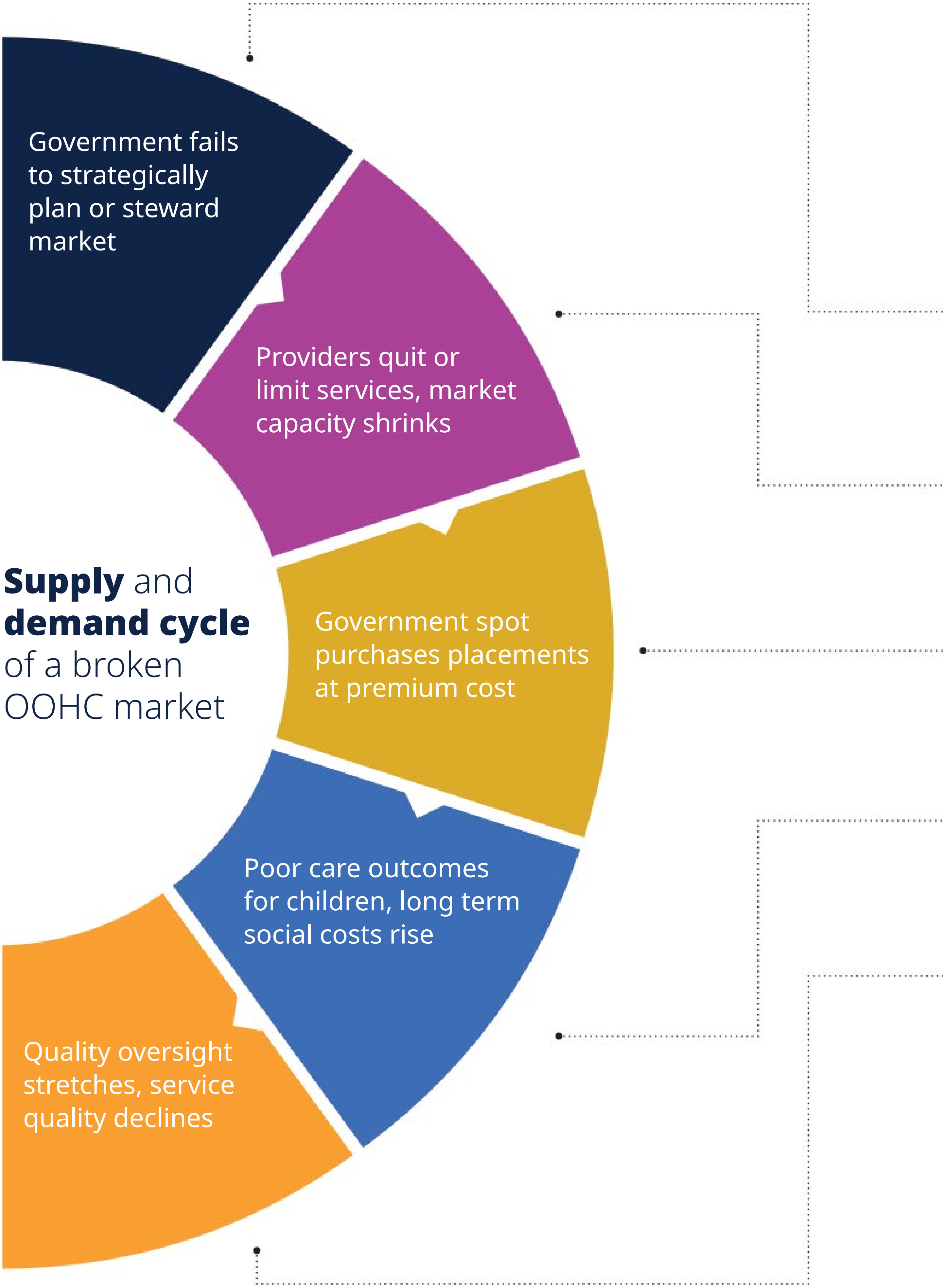
173 placements procured

Which roughly equates to change in numbers reported of actual placements of **192**

- Wide range of average costs
- All only note single staff coverage
- No explicit outcomes or monitoring
- No minimum qualifications
- Majority regional

Source: Queensland Contract Data from Open Source, Rennie Advisory Analysis

Per child per year	Organisation and places	Places
>$100K	Alternate Care Pty Ltd	9
$100K– $200K	Central Queensland Indigenous Development Ltd	2
	Key Assets the Children's Services Provider (Australia) Limited	16
	Moonaboola community development ATSI corp	2
	Mura Kosker Sorority Inc.	10
$200K – $300K	South Burnett CTC Inc	4
	UnitingCare Queensland Limited	3
$300K – $400K	Children Australia Incorporated	7
	Mission Australia	6
$400K – $500K	Anglicare – Central Queensland Limited	4
	IFYS Limited	4
	IFYS Limited	10
	IFYS Limited	6
	IFYS Limited	9
$400K – $500K	IFYS Limited	4
	Infinity Community Solutions Ltd	4
	Lifestyle Solutions (Aust) Ltd	8
	Lifestyle Solutions (Aust) Ltd	6
	Lifestyle Solutions (Aust) Ltd	6
	Silky Oaks Children's Haven	4
	Southern Cross Support Services Pty Ltd	6
	Southern Cross Support Services Pty Ltd	3
	Southern Cross Support Services Pty Ltd	2
	Southern Cross Support Services Pty Ltd	5
	Southern Cross Support Services Pty Ltd	5
	The Baptist Union of Queensland – Carinity	4
$500K – $600K	Mithangkaya Nguli – Young People Ahead Youth and Community Services Inc	16
$600K +	UnitingCare Queensland Limited ($863K)	8


Government fails to strategically plan or steward market
Providers quit or limit services, market capacity shrinks
Supply and demand cycle of a broken OOHC market
Government spot purchases placements at premium cost
Poor care outcomes for children, long term social costs rise
Quality oversight stretches, service quality declines

Demand remains high or even rises – vulnerable children continue to enter care (sometimes due to those very poor outcomes perpetuating cycles of abuse/neglect), and the government's need for placements stays acute.

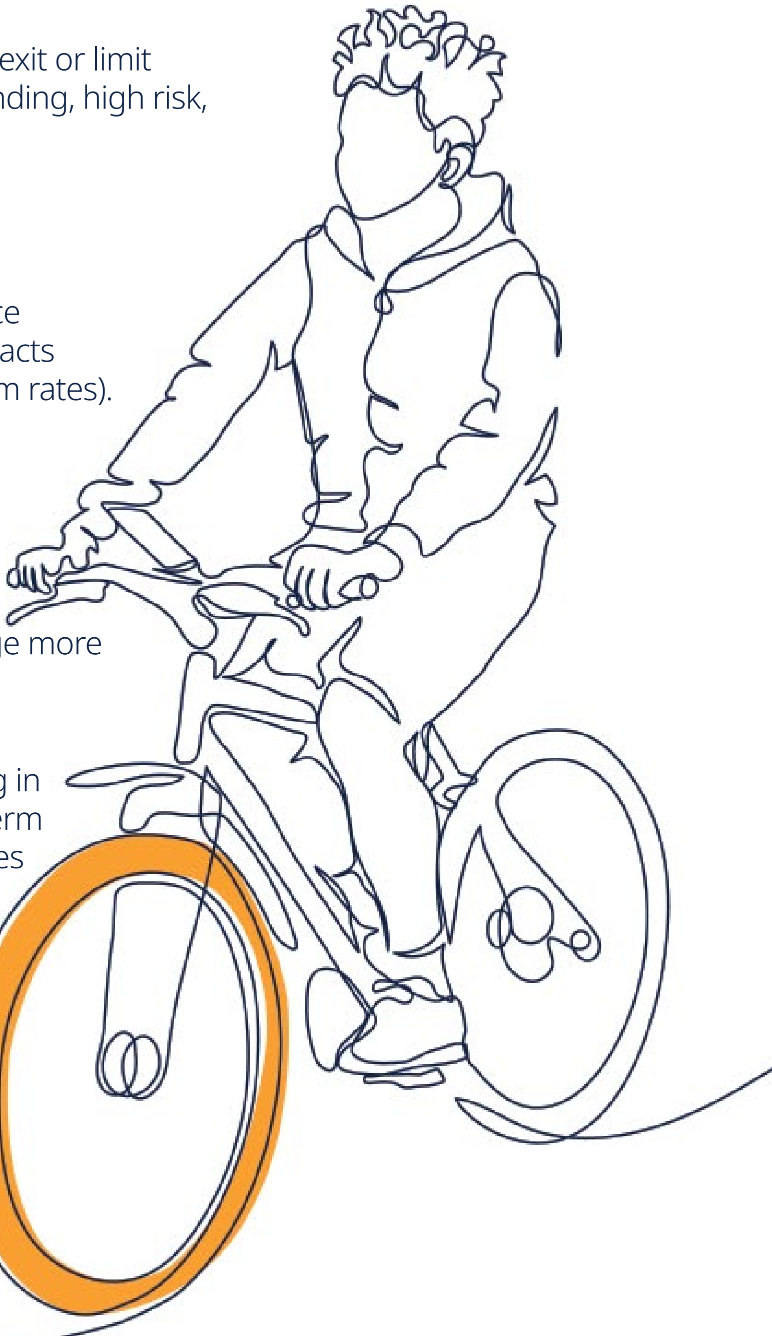
The cycle begins with insufficient market stewardship – government fails to plan capacity or enforce quality.

Provider capacity diminishes as some exit or limit involvement (due to unsustainable funding, high risk, or insurance issues).

The government, still obligated to place children, resorts to reactive spot contracts (buying placements ad-hoc at premium rates).

This in turn escalates costs and weakens quality control, as limited competition allows providers to charge more while stretching resources.

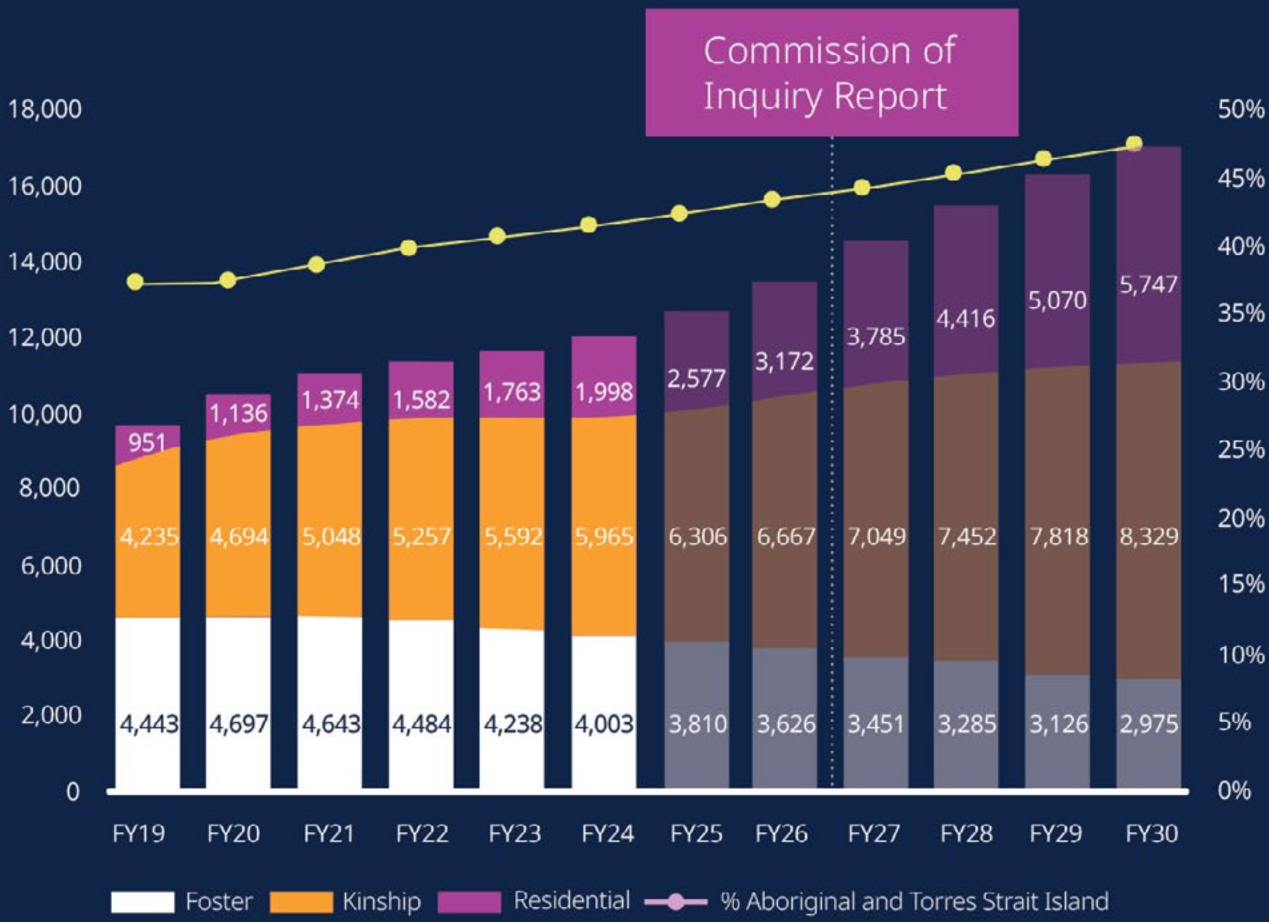
Children receive poorer care, resulting in harm and trauma, which carry long-term societal costs (e.g. higher adult services usage, intergenerational child protection involvement).



Where are we heading if things don't change?

During the course of the Commission of Inquiry, our modelling suggests the residential care system will grow by close to 1,000 places or 33 per cent.

Forecasts indicate an additional 5,000 children will be in the Queensland OOHC system by 2030, with 4,000 of those places in Residential Care.

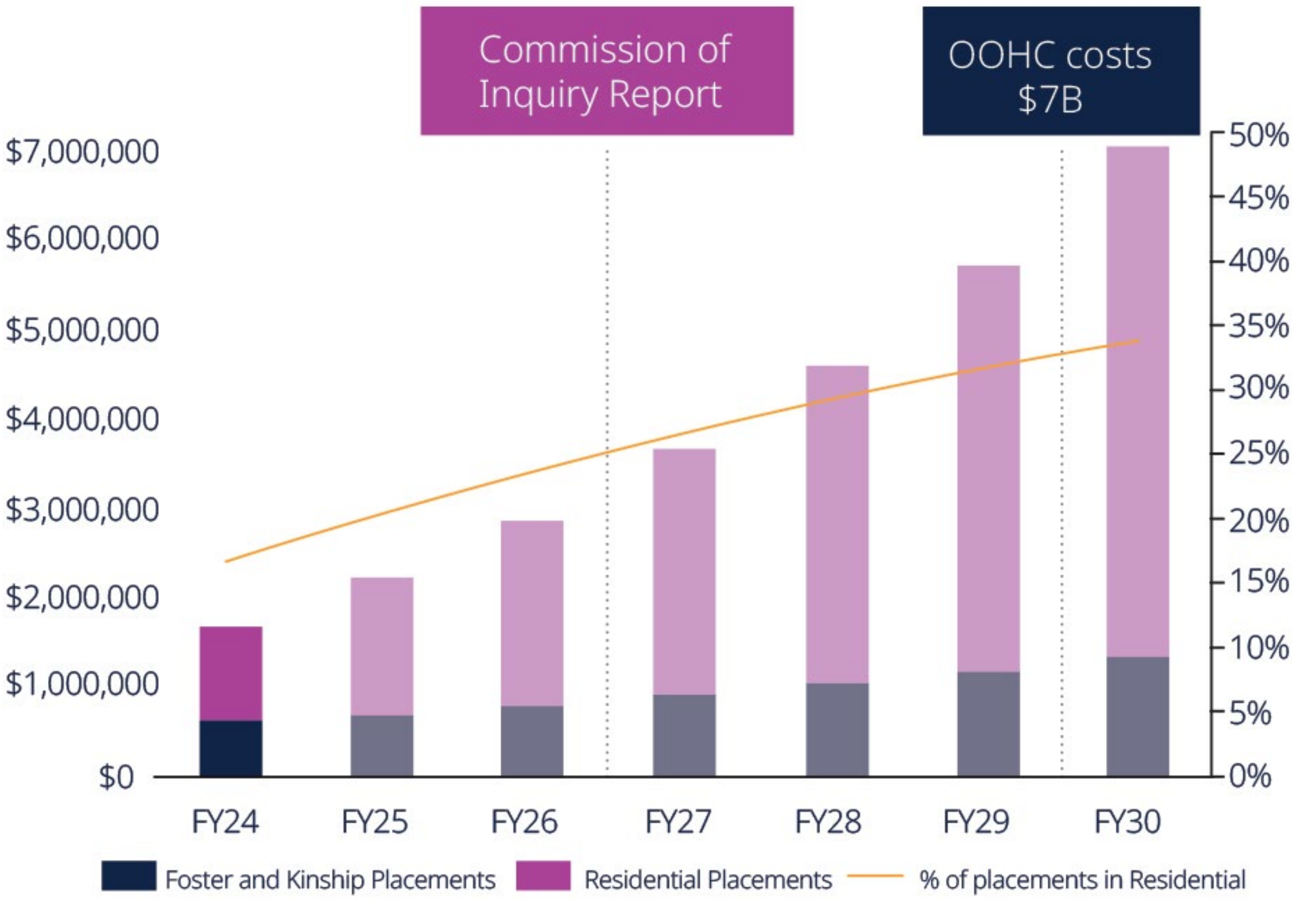


Key assumptions that underpin this forecast are:

1. The rate of children entering OOHC had a Compound annual growth rate (CAGR) of 3.5%. This indicates that even without population growth, there will be an increase in children entering care year on year. Once population growth is factored, this indicates a net increase of 43% on the last reported numbers.
2. Foster placements will continue to decline in line with the FY24 movement of -5%, Kinship placements are forecast to increase 2%. Residential care is forecast to take up all remaining places required.
3. By FY30 Aboriginal and Torres Strait Island Children will be 47% of the OOHC system. The evidenced increase in overrepresentation of Aboriginal and Torres Strait Island children in the OOHC system has been factored into the forecast at the previous 4-year CAGR.
4. Due to this market failure, projected costs for OOHC by financial year 2030 will be more than $7 billion per annum.

Projected cost of **OOHC based on current trends** and market behaviours ($'000)

Based on the current available information and with no changes, by 2030 Queensland will have an OOHC system that costs more than $7 billion per annum with compounding, multi-generational ramifications that will have profound long-term impacts on children, families, communities and economic prosperity.



Key assumptions that underpin this forecast are:

1. Children entering care increasing year on year in line with population projects and applying current rates of increasing entry.
2. Placement choice constrained in line with decline in Foster placements, small growth in Kinship placements and an assumption that Residential care will absorb all other placements.
3. Average cost per placement increasing in line with previous 5-year CAGR for Homebased and Residential placements (this is conservative as residential will take on increasing market power).

Key findings

By 2030, Queensland will require an additional 5,000 places in OOHC. Due to declines in rates of foster care, this will mean an additional 3,000 placements in Residential Care. This trajectory is not changing – social drivers are increasing in impact and investment in early intervention is decreasing.

Queensland's child protection system diverges sharply from internationally recognised best practice. At its core, the system suffers from a critical failure of stewardship—where knowledge, accountability, and market oversight have been outsourced, leaving a fragmented and reactive industry. This absence of strategic leadership has allowed a residential care sector to evolve without clear or consistent direction, standards, or regulation, resulting in poor outcomes for children and escalating costs for the state.

> **These observations showed the profound opportunity that exists to fill the gap between foster/kinships care and residential care with new models of care that compete with residential care in its current design.**
>
> – A System that Cares, April 2024

The sector itself is unable to operate holistically. Providers attribute many of the system's dysfunctions—such as instability, poor quality care, and workforce casualisation—to the Department's funding decisions, which often prioritise short-term fixes over long-term solutions. This disconnect between policy intent and operational reality has created a landscape where care placements are not oriented to the needs of children, and where data—often unreliable or incomplete—fails to tell the full story.

The consequences are measurable and deeply concerning. Children in care are experiencing accelerating levels of trauma and complexity, with life outcomes in adulthood significantly impacted across education, employment, health, and justice domains. Despite this, there is no consistent framework for assessing or responding to their needs, and no evidence that placements are designed with therapeutic intent.

Financially, the system is on an unsustainable path. Our modelling suggests that by 2030, the OOHC system will cost over $7 billion, with 34 per cent of the approximately 17,000 children in care placed in residential settings. This is not simply a funding issue—it is a design failure. Without a deliberate shift toward stewardship, strategic commissioning, and outcomes-based investment, the system will continue to grow in cost while failing the children it is meant to protect.

> I don’t know if my carers know me and I don’t know if they want to get to know me.
>
> – Young person in residential care

Social fixes

The residential care system in Queensland is operating within a rapidly deteriorating social context—marked by worsening conditions that are driving more children into OOHC, with little evidence that these underlying issues are being adequately addressed. In this environment, any new stewardship of the residential care market must be more than administrative; it must be strategic, responsive, and deeply attuned to the social levers shaping child protection today.

The system is under strain from multiple directions: underinvestment in early intervention means children are entering care who might otherwise have been supported to remain safely at home; care arrangements are increasingly misaligned with children's needs, and foster carer numbers are reducing despite rising demand. Compounding this, the Department faces internal capacity challenges, with insufficient depth in staffing and limited investment in early supports—further increasing reliance on downstream, high-cost services. Meanwhile, the residential care workforce is highly casualised, with qualifications and training often undermining stability and therapeutic intent.

These pressures demand a new model of stewardship—one that understands the full context, takes ownership of market design and accountability, and leads with a vision for a system that is safe, stable, and centred on the needs of children. The following sections outline the key contextual factors that must inform this stewardship and the reforms required to reshape residential care in Queensland.

Increased rates of children in care

Lack of coordinated and proportionate system response

Care arrangements simultaneously compounding harm and escalating in uncontrolled cost

System costs increasing with no mechanism for control

- Social indicators correlated with OOHC increasing
- Under investment in early intervention and supports

There is no evidence to indicate rates of children entering and staying in care will reduce.

- Insufficient staff to evaluate and monitor
- Lack of outcomes-based guidance and standards
- No whole-of-state service design and commissioning

Capacity to proactively support families to improve safety or provide standards on oversight to OOHC service providers continues to decline

- Decreasing options for family-based care
- Lack of specialised placement options
- Highly casualised workforce impacting stability in residential care
- Evidence of poor life outcomes for children after OOHC

Life outcomes for people with experience in the system, particularly in residential care, will continue to decline with significant multi-generational economic impacts

- Decreased family-based lower cost placements
- Market failure leading to price taker characteristics
- Decentralised procurement and lack of transparency

OOHC system costs will continue to accelerate as demand outstrips appropriate managed supply in response to market failure

Queensland OOHC will continue to produce poor outcomes for children at increasingly unsustainable costs.

Worsening social conditions are driving higher rates of children into **OOHC** with no evidence that these conditions are being adequately addressed

Social indicators correlated with increased rates of children entering OOHC. Rates of domestic and family violence (DFV) are not improving: In Queensland, DFV related police calls have increased by 265 per cent over the past decade, with reported offences more than doubling in the last five years. Among young people seeking support from Brisbane Youth Service, 75 per cent have experienced DFV, reflecting the extensive impact of violence at home and the heightened risk it poses to child safety and wellbeing.

Homelessness is increasing, including among families: Homelessness in Queensland is rising, driven in part by increasing housing affordability stress. Between 2017 and 2024, the monthly number of Queensland clients seeking homelessness services due to housing affordability increased by 156 per cent. During the same period, the number of children aged 0–17 receiving support from specialist homelessness services grew by 57 per cent.

Housing instability in regional areas continues to worsen: In North Queensland, one percent of rental properties was affordable in 2025 for a couple with two children receiving jobseeker payment. Increasing housing affordability stress has driven more families to seek support from specialist homelessness services and family support services, reflected in a 22.2 per cent increase in children aged five to nine years on the social housing register in 2024.

Incidence of mental ill health and alcohol and other drug use is increasing due to a lack of services: Among Aboriginal and Torres Strait Islander families, concerns related to parental mental health rose by 23.9 per cent, in contrast to a 6.4 per cent decrease among non-Indigenous families. This disparity points to significant gaps in preventative services and suggests that support systems are failing to meet the needs of First Nations parents before issues escalate.

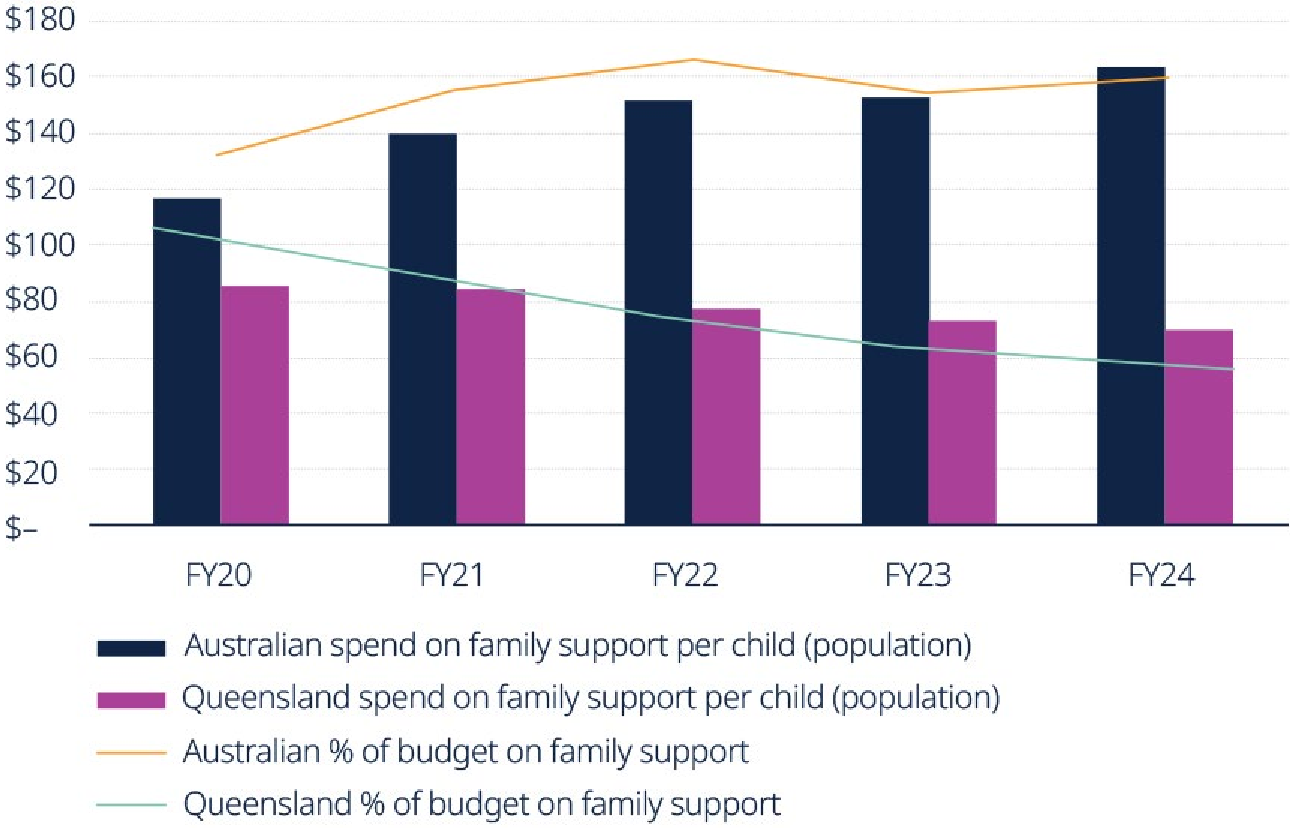
Structural poverty is deepening, with income support remaining below the poverty line: Among the lowest income group, 68.5 per cent rely on government allowances, highlighting dependence on a support system that falls short, with nearly one in three Australians reporting difficulty living on their current income. Poverty is more acute in remote communities, where 41 per cent of Aboriginal and Torres Strait Islander people live below the poverty line.

“

It’s been 9 years since I’ve seen my little siblings

– Young person in residential care

There is **under-investment** in early intervention and supports that would prevent some children entering the OOHC system



There is comparatively low investment in Queensland Early Intervention and Support

Expenditure on general family support per child (whole population) has decreased significantly while the Australian average has increased significantly. This would indicate Queensland is reducing the early, broader supports and potentially once families do engage with the intensive family support services it is too late to redirect from an OOHC placement.

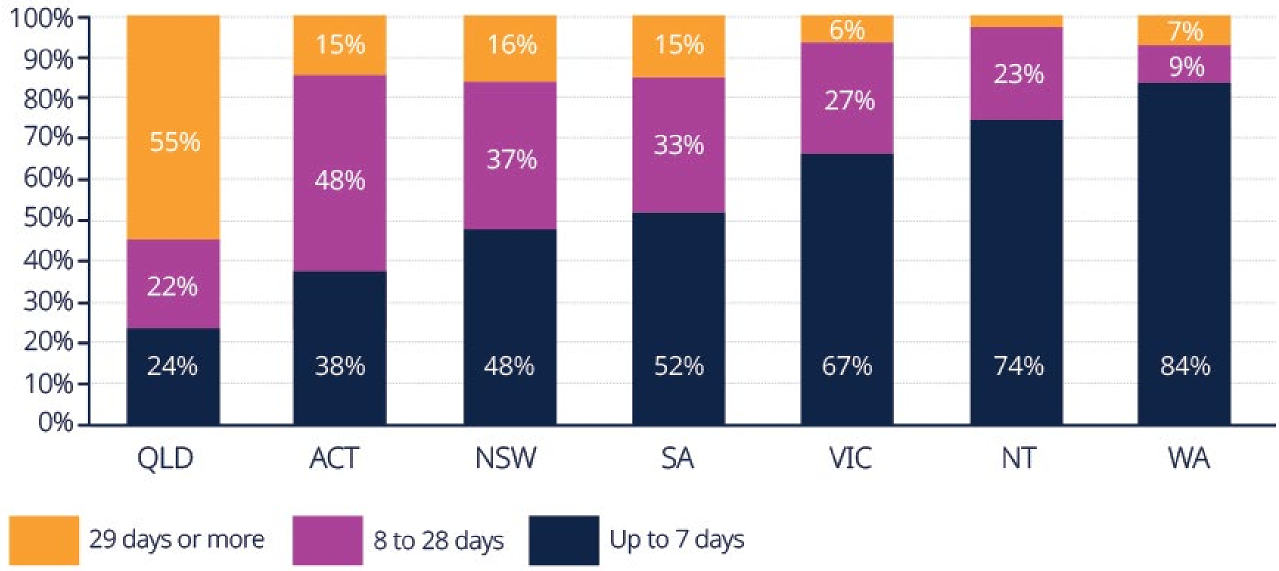
While the Australian proportion of expenditure to early family support has lifted, the overall proportion of total child protection expenditure in Queensland has declined.

This is consistent with the finding that over the same four-year timeframe Australia's proportion of budget related to OOHC services has remained relatively stable at 60–62 per cent while Queensland has increased dramatically from 58 per cent in FY20 to 73 per cent in FY24.

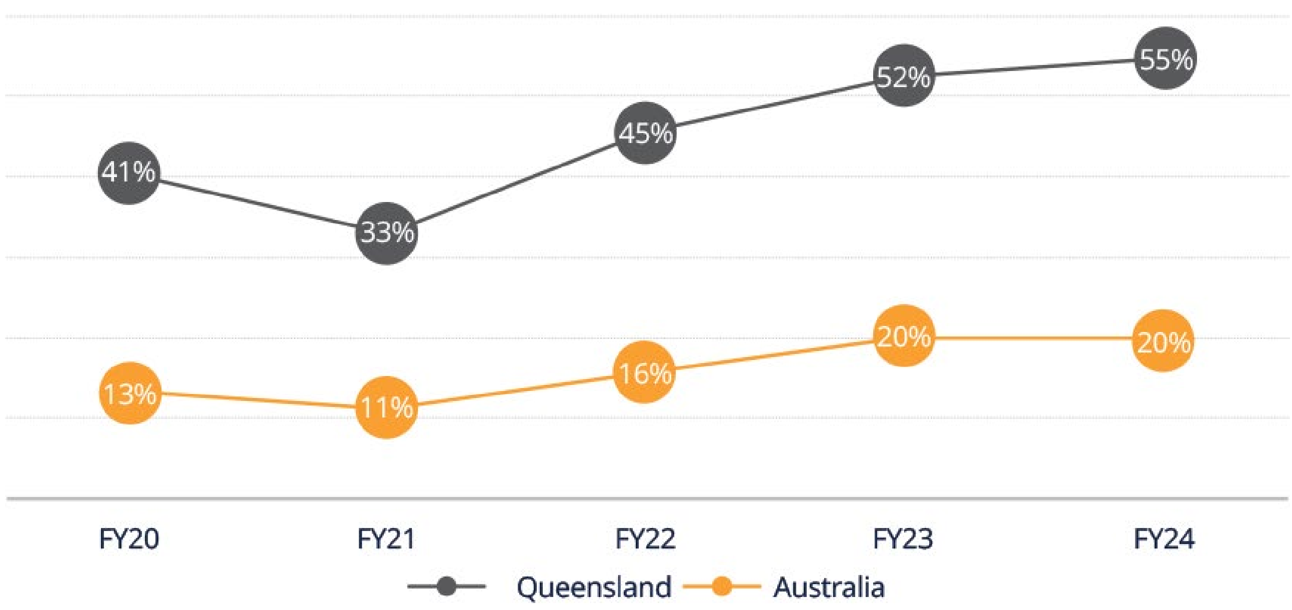
Furthermore, there has been feedback that majority of expenditure is not on programs and supports specific to Aboriginal and Torres Strait Island families or available in regional and remote areas which indicates effort has not been directed towards areas of most critical need.

The Department's ability to **investigate notifications** early is forcing reliance on **crisis intervention** over preventative support.

Days taken to conduct investigation of concerns



Proportion of responses more than 28 days



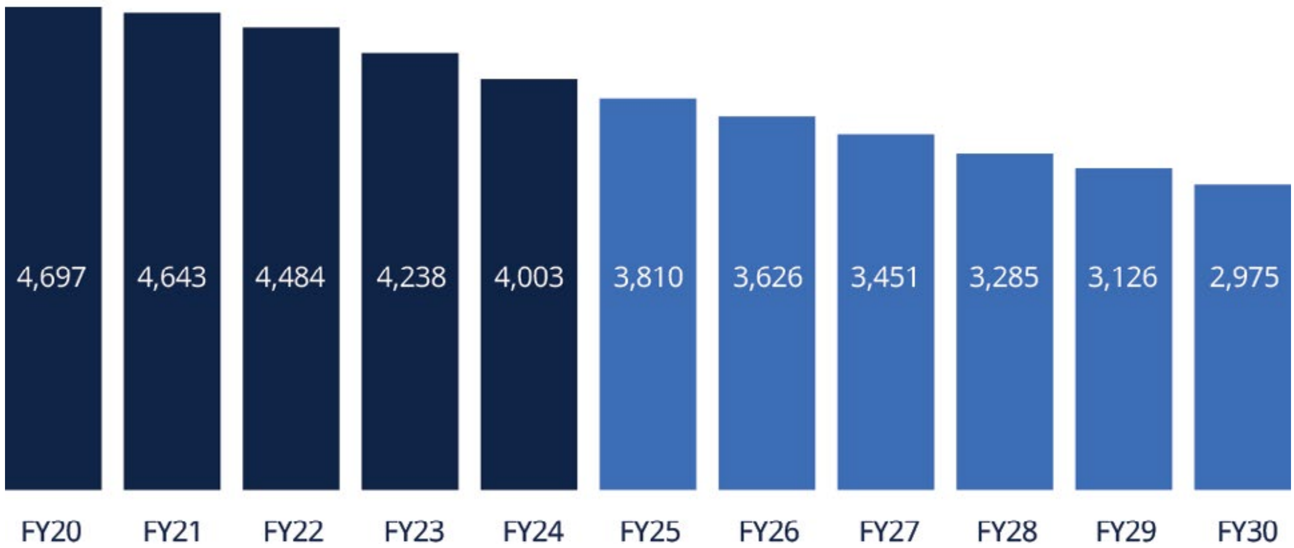
Queensland has the highest proportion of child protection investigations taking more than 29 days to begin. These delays reduce opportunities for early intervention, and push the system toward reactive crisis management instead of proactive support. Whether the root cause is ongoing workforce shortages or inefficiencies in practice is unclear. In 2023–24, the reported vacancy rate for Child Safety caseworkers was 0 per cent, but this reflects an over-allocation of full-time equivalent (FTE) roles beyond budget (124.7 FTEs for non-Child Safety Officer (CSO) roles), rather than a true absence of vacancies. CSO vacancies averaged 8.87 per cent in 2023–24, with the highest vacancies in Remote and Regional areas.

All ten CSSCs with the highest vacancy rates were outside metro areas, with Fitzroy at 13.05 per cent. The South-West region faced severe shortages. On 19 April 2024, three CSSCs had vacancy rates between 25 per cent and 40 per cent, and Roma CSSC had the highest in Queensland at 52.25 per cent. These gaps directly contribute to delayed responses, leaving children exposed to greater risk and reducing the Department's ability to intervene early. Without targeted investment in workforce capacity, especially in regional areas, the system will remain in crisis, unable to protect children before harm escalates.

Care arrangements increasingly not meeting needs and foster carer numbers are not increasing.

Growing pressure on family-based carers and limited capacity is leading to carers leaving the system. Foster placements declined by 12 per cent while registered foster carers increased by 5 per cent.

Queensland children in foster care



As the number of children entering OOHC continues to grow, increasing pressure on foster and kinship carers is reducing their capacity to provide placements. This mismatch is contributing to a growing reliance on residential care, even when family-based care is better suited to meeting children's developmental and emotional needs. The Departments data over the same period shows "Foster Carers" as increasing by 5 per cent indicating people may still be registered but not taking on children. This raises the question of how foster organisations are being remunerated.

Our 2025 study on foster and kinship carers in Queensland identified the following growing pressures:

- Loss of informal support from family, friends and the community due to the time demands of caring and children's complex behaviors.
- Inconsistent access to formal support, often dependent on the strength of relationships with caseworkers.
- Reliance on NDIS-funded professionals for support when caring for children with complex needs.
- Difficulty navigating complex service systems and bureaucratic processes.
- Financial stress related to the costs of providing care.
- Strained relationships with care agencies due to system-related challenges.
- Unmet training needs in child development, attachment and managing contact with birth families.
- A cumulative, invisible workload that is reducing the sustainability of family-based care.

During the Residential care review we learnt that "the average annual cost for a child or young person in residential care is approximately 13.77 times higher than for a child in family-based care." Based on this I advised in 'A System that Cares, April 2024' that "There is sufficient funding available to reward carers that either: prevent a child entering residential care; and/or enable a child to leave residential care." Our insights paper outlined the need for financial incentives for foster carers to:

- Improve the quality of care provided to children;
- Reduce financial pressures in the family-based care system;
- Reduce placement turnover and placement instability for children;
- Retain more foster carers in the system;
- Support more children to remain with kin;
- Reduce the number of children entering residential care; and
- Reduce placement breakdown.

Insights from the WA experience of Reforms highlighted the importance of needs-based funding aligned to a child's level of complexity and need and reflective of the true costs of the additional supports required by a child (and the carer) when trauma needs addressing. The current situation in Queensland is a Carer's allowance that is intended to cover the day-to-day costs of raising a child and (inconsistent) access to "flexible brokerage" that is meant for additional costs specific to that child.

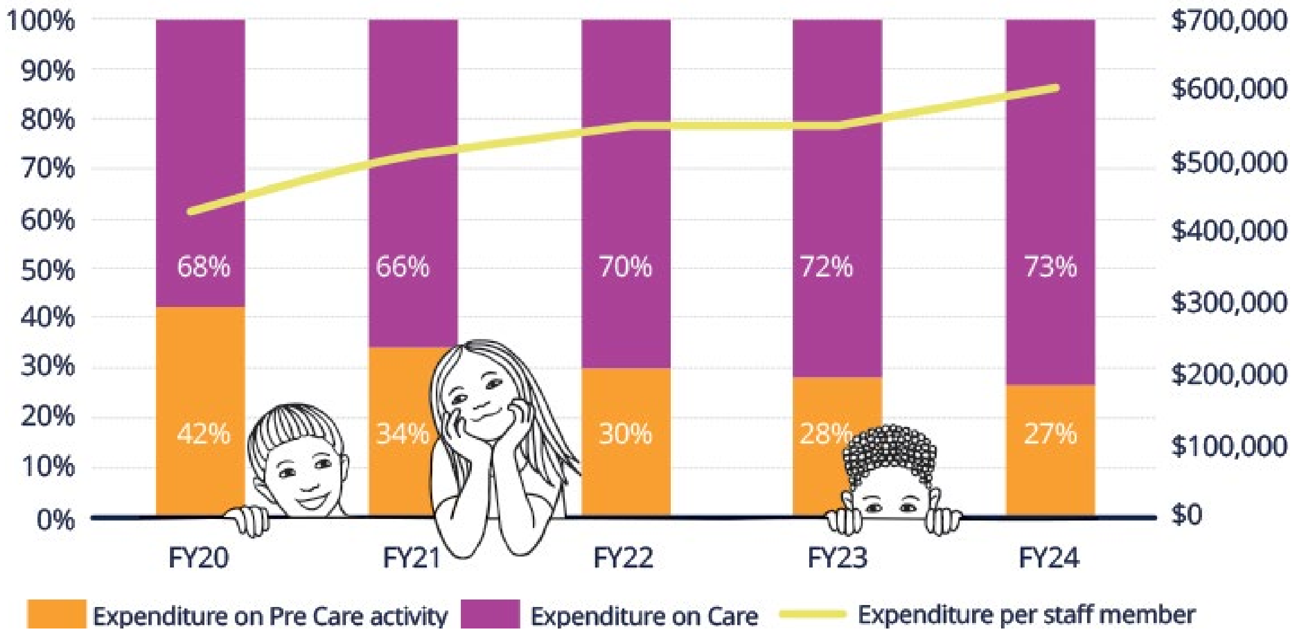
In the 12 months since the findings into Residential care were released and the criticality of Foster care was acknowledged 13 contracts for Foster care were awarded across 8 organisations. Majority had per placement annual fees of $12,000–$14,000. These amounts are unlikely to increase the level of supports an organisation is able to provided to carers in effort to enhance stability of placements.

Of the 13 contracts awarded for Foster care: 7 had access to brokerage equivalent $190–$600 per child, 1 had up to $14,000 per carer household. Excluding the outlier, it is difficult to see how the amounts of brokerage possible (averaging around $300pa) would cover more than one online training session for a carer or 1 appointment with a specialist for the child.

> **It's like the ones making the decisions are the ones who are least likely to want to spend time with young people.**
>
> – Young person in residential care

Under-investment in depth of department staff is compounding already **low investment** in early supports increasing need for downstream services.

Relative expenditure on pre-and-post OOHC activities



Consistent underinvestment in the child protection workforce has led to pre-OOHC expenditure decrease significantly as a proportion of total child protection budget. Expenditure on OOHC has appeared to increase as a proportion of the budget from (58% in 2020 to 73% in 2024). This indicates that availability of staff and effective practices that support staff meeting the increased numbers of notifications and follow up activities have in real terms decreased. Over reliance on use of OOHC (where there is little capacity to control the costs) has led to an increased average cost of system per staff member of 8 per cent year-on-year when numbers of staff is only growing year-on-year at 3 per cent.

This is supported by the 2025 QFCC Statutory systems workforce survey that found:

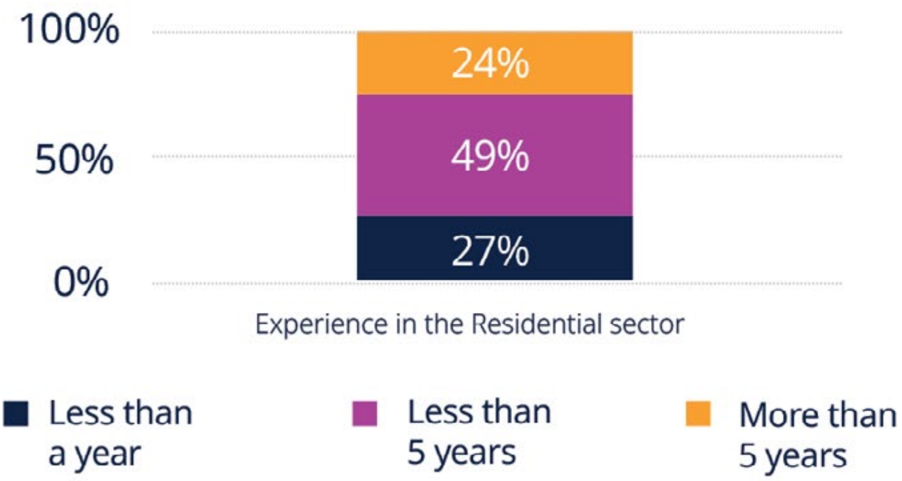
- 3 per cent of statutory workers agreed that there is sufficient capacity to meet demand in the system they work
- 81 per cent agreed that child safety reports were likely to increase in the next 12 months
- 94 per cent reported that their work has become more complex
- 81 per cent reported that their clients are presenting with greater complexities than three years ago.
- Findings from the 2024 Working for Queensland survey indicate that one in five employees of the DCSD are considering leaving within 12 months.

While data is not well tracked, the **residential care workforce appears highly casualised**, with qualifications misaligned with best practice.

PeakCare's analysis of Queensland's residential care workforce highlights a growing trend of casualisation, which is contributing to instability and challenges in care delivery. The sector is increasingly reliant on casual and agency staff to meet rising demand and manage workforce shortages, particularly in regional areas. This casualisation undermines continuity of care and the development of stable, trusting relationships between workers and young people—relationships that are essential for therapeutic and trauma-informed care. These casual roles often lack the professional development, supervision, and job security needed to support a resilient and skilled workforce. This dynamic not only affects worker morale and retention but also impacts the quality of care provided.

Significantly this casualisation means there is no clear picture of the size of the workforce. Work conducted by PeakCare in 2024 estimates the number of staff working in residential care in Queensland could be between 3,000–5,000 (conservative estimate). Medium-to-large service providers typically report that their organisations employ between 750–900 casual workers.

Experience in residential care



Qualifications in residential care – frontline

At a minimum, residential care workers are required to hold, or be working towards, a Certificate IV in Child, Youth, and Family Intervention (Residential Care) or a related qualification. While supervision is a requirement under the Human Services Quality Framework (HSQF), the provision of supervision was often informal or workload management focused, with there being limited quality practice supervision available.

SEEK Jobsite on 2 July 2025

100+

+ 100 jobs for Residential care "Youth and Children" in the Gold Coast Region

25

25 advertised as "permanent, full time" – most were advertised at hourly rates and in the description said looking for a range of roles. Hourly rates for the highly qualified workers about the same as casual.

For casual workers, highest requirement was committing to or being enrolled in a Certificate that is related to care.

Key issues to be resolved

1. Needs are becoming more complex due to many factors that have no sign of declining – the child and family support system must acknowledge and operate as one. The demand for services will not decline until the intersectional issues are fixed – different approaches from child protection will be required.
2. Children entering care have trauma. There must be consistent assessment of the need level and funding provided to address the trauma at entry. Evidence shows children escalate in complexity of need once in the OOHC system. More investment is required to stop them entering care and to mitigate this escalation.
3. The majority of early intervention expenditure is not early intervention – it is directed where children are already at imminent risk of requiring care. Early intervention is one of the most effective levers and the pathway most likely for Aboriginal and Torres Strait Islander communities to engage with.
4. OOHC is and will always be required but the system requires a range of options that orient to long-term child need – this requires partnering with the sector and community.
5. The most influential factor on a child who has had time in care is stability – this is where investment is required. Providing resources to address a child's assessed level of need at point of entry into care keeps them in stable placements and has long term economic benefit. Keeping children in stable placements and prioritising family reunification means funds can be directed to the most intensive requirements.
6. There is extremely limited understanding of the actual costs of children in care – this compounds the problem. Commissioning practices are only starting to be well understood, until these are embedded and matured the current problems will still arise.
7. Data quality, accuracy and availability is a sector wide problem for both keeping children safe and understanding what interventions work best. An evidence base of accurate data on needs, costs and outcomes is needed to better inform future decision making.

Conclusion

Queensland's residential care system is at a tipping point. Despite significant expenditure, outcomes for children remain inconsistent, and the system continues to operate in a reactive, fragmented manner. Escalating rates of children entering OOHC, rising costs, and fragmented service delivery reflect a system that is reactive rather than responsive. The increasing complexity of children's needs, coupled with the instability of placements and casualisation of the workforce, demands a fundamental shift—not just in how services are delivered, but in how the system is designed, governed, and funded.

OOHC will always be a necessary component of the system, but it must be flexible and predictive to the diverse needs of children. This requires a spectrum of care options, developed in partnership with the sector, that prioritise stability, therapeutic support, and cultural safety. The most influential factor in a child's experience of care is the stability of their placement. Yet this is precisely where investment is most lacking.

At the heart of this transformation must be the Department, not simply as an administrator, but as a steward, a strategic leader responsible for shaping a system that is safe, stable, and therapeutic. Stewardship means setting clear expectations, aligning efforts across sectors, and investing in the workforce and infrastructure that underpin quality care. It is clear that for too long Queensland's reactive funding approach has led to uncontrolled expenditure without improved outcomes. Stewardship demands a shift to dual-purpose, multi-sector funding that supports early intervention while maintaining responsive services. Outcomes-based commissioning that reflects the complexity of child and family needs and incentivises integrated responses is needed.

Residential care must be reoriented around child need, not system convenience. This begins with assessing and resourcing children appropriately at the point of entry, ensuring that trauma is addressed early and placements are stabilised.

Stability is not a luxury—it is the most influential factor in a child's experience of care and a prerequisite for healing and development. Funding models must evolve from short-term, siloed allocations to dual-purpose, outcomes-based structures that support both early intervention and responsive care.
This includes integrated commissioning across Justice, Health, and Education, reflecting the real-world complexity of children's lives and incentivising coordinated responses.

The sector must be empowered to plan and deliver care with confidence. This requires multi-year funding, clear practice frameworks, and a commitment to workforce capability including addressing the casualisation of residential care roles and creating career pathways that attract and retain skilled professionals.

Finally, the system must be guided by evidence. Accurate data on needs, costs, and outcomes is essential for informed decision-making and continuous improvement. Without it, the system remains blind to its own impact and unable to adapt effectively.

In short, Queensland must move from a system that reacts to crisis, to one that prevents harm, promotes stability, and partners with communities. Residential care is not just a service it is a reflection of our collective responsibility to children. It deserves leadership, investment, and vision.

Suggested short term actions that would be steps of no regret while Commission of Inquiry progresses include:

1. Release of draft Outcomes Based Commissioning Roadmap
2. Release of draft Outcomes Performance Framework and Improved Service Standards as recommended in Too Little Too Late, December 2024
3. Published more Department data in a timely way
4. Mobilise pilot programs to remove most vulnerable children currently in residential.

References

Akerlof, G. A. (1970). *The Market for “Lemons”: Quality Uncertainty and the Market Mechanism*. Quarterly Journal of Economics, 84(3), 488–500.

Arrow, K. J. (1963). *Uncertainty and the Welfare Economics of Medical Care*. American Economic Review, 53(5), 941–973.

Jensen, M. C., & Meckling, W. H. (1976). *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*. Journal of Financial Economics, 3(4), 305–360.

Le Grand, J. (1991). *Quasi-markets and Social Policy*. The Economic Journal, 101(408), 1256–1267.

Marshall, A. (1890). *Principles of Economics*. Macmillan.

Pigou, A. C. (1920). *The Economics of Welfare*. Macmillan.

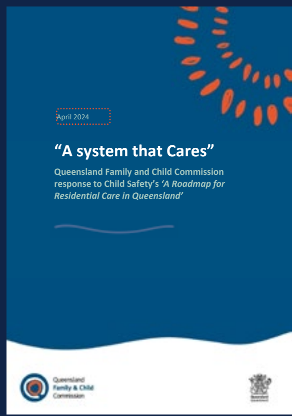
Stigler, G. J. (1971). *The Theory of Economic Regulation*. Bell Journal of Economics and Management Science, 2(1), 3–21.

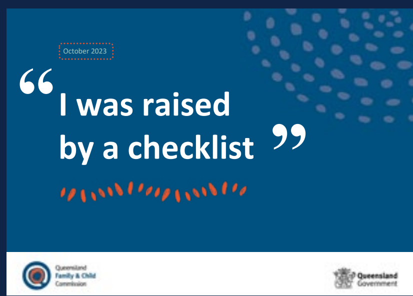
Tullock, G. (1967). *The Welfare Costs of Tariffs, Monopolies, and Theft*. Western Economic Journal, 5(3), 224–232.

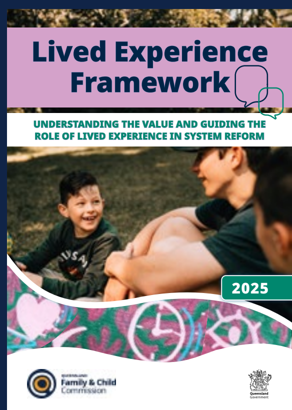
Varian, H. R. (1992). *Microeconomic Analysis(3rd ed.). W. W. Norton & Company.

Want to learn more?

Visit the QFCC website or click a thumbnail below to open the document.







PO Box 15217
Brisbane City East QLD 4002
media@qfcc.qld.gov.au
qfcc.qld.gov.au
07 3900 6000

Connect with us:

2025260-1

QUEENSLAND
Family & Child
Commission

Queensland
Government