
SUMMARY OF THE CHILDREN'S BILL COSTING

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Why should you read this pamphlet?

In late 2005 Parliament passed the Children's Act, which covers functions for which national government is responsible. Currently, the National Council of Provinces and the nine provincial legislatures are considering the Children's Amendment Bill. This Amendment Bill will add new clauses to the Children's Act to cover welfare services for which provinces share responsibility with national government. To simplify things, in this pamphlet we refer to the Act plus the Amendment Bill as the Children's Bill.

Because the Bill will mean that government must provide some new and different services, government commissioned Cornerstone Economic Research to calculate the total cost of implementing it. Cornerstone worked closely with all the government departments which are given responsibilities by the Bill and completed a very comprehensive and detailed costing report in September 2006. The costing will help national parliament and the provincial legislatures to plan and ensure that sufficient money is budgeted in coming years to meet the care and protection needs and rights of children in the best and fastest way.

Due to the comprehensive nature of the costing team's approach to the project, the report on the costing is long, detailed and complicated. This is appropriate so that those involved can fully understand how the costing was done for particular services. But it is easy to get lost in the detail. This pamphlet therefore summarises the more important points raised by the costing report and provides some initial commentary on the choices facing members of parliament (MPs). A second pamphlet, providing more analysis of the costing report and information on policy choices which could save costs in the long term, will be circulated later.

How the cost was calculated

The formula

Although the costing seems complicated, it is based on a very simple formula. The costing team took each service or activity proposed in the Bill, and found its cost by multiplying the **quantity** (e.g. number of children needing the services) by the **input/s** (the things needed to produce the service for one child e.g. the staff time) and the **price** (the cost of the input/s). So we have:

$$\text{Cost} = \text{quantity} \times \text{input/s} \times \text{price}$$

Estimating the 'quantity'

To use this simple formula, the costing team first needed estimates of **'demand'** (how many children need services) for each service as well as estimates of whether and how the need would be met through **'delivery'**. For example, in respect of foster care, child and youth care centres and adoptions, the demand would be the number of children who cannot be cared for by their close family.

The costing team considered four different scenarios. The four scenarios, starting from the lowest and ending with the highest total cost, are:

- Implementation Plan (IP) low scenario
- Implementation Plan(IP) high scenario

- Full Cost (FC) low scenario
- Full Cost (FC) high scenario

The names of the scenarios may seem confusing, but they can be explained quite simply.

The **IP and FC scenarios** use different estimates of demand. For the **IP scenarios**, the costing team asked each department to describe current levels of delivery for each service and how they planned to increase delivery in line with the Bill. Thus these levels do not measure total demand or actual need. Instead, they mainly measure current service delivery. For example, Northern Cape reported that they referred to social welfare services, five times more children per every 100 000 children in the population, than KwaZulu-Natal. It is not possible that there is such a big difference in level of need between the two provinces.

For the **FC scenarios**, the costing team used other evidence to estimate how many children actually need services. For example, it used the model of the Actuarial Society of South Africa (ASSA) to find the likely number of orphans. The ASSA model is used widely by government, donors and others and its estimates for 2005 match very closely the results of the Human Science's Research Council large-scale household survey of 2005. It was thus seen as the most reliable source of estimates. For other issues, the team also looked for the most reliable sources. The FC scenarios are intended to provide for equitable distribution of social welfare services and facilities rather than continuing with existing inequitable patterns.

The **high and low scenarios** reflect different levels of quality of service delivery. The **high scenario** costs 'good practice' standards for all services, while the low scenario uses 'good practice' standards for services classified by the costing team as important, but lower standards for services classified by the costing team as non-priority. The costing team did the classification into priority and non-priority services at a workshop with officials from national and provincial Departments of Social Development and representatives of civil society. One noticeable characteristic of the classification is that the low scenario places much less emphasis than the high scenario on prevention and intervention services.

The table below summarises how the **IP/FC** and **low/high** distinctions work together to give the four scenarios.

<p>Implementation Plan (low scenario)</p> <p><i>Coverage:</i> some children in need <i>Quality of service:</i></p> <ul style="list-style-type: none"> ▪ priority services: 'good practice' standards ▪ non-priority services: lower standards 	<p>Implementation Plan (high scenario)</p> <p><i>Coverage:</i> some children in need <i>Quality of service:</i></p> <ul style="list-style-type: none"> ▪ priority services: 'good practice' standards ▪ non-priority services: 'good practice' standards
<p>Full Cost (low scenario)</p> <p><i>Coverage:</i> all children in need <i>Quality of service:</i></p> <ul style="list-style-type: none"> ▪ priority services: 'good practice' standards ▪ non-priority services: lower standards 	<p>Full Cost (high scenario)</p> <p><i>Coverage:</i> all children in need <i>Quality of service:</i></p> <ul style="list-style-type: none"> ▪ priority services: 'good practice' standards ▪ non-priority services: 'good practice' standards

Estimating the inputs and prices

To calculate the inputs and prices, the team needed to know the different components needed to deliver each service, and the price of each component. As expected with social services, the main component in service delivery is people, so that the main prices were salaries for different levels of staff.

How much does it cost?

The costing report estimates the total cost of each of the four scenarios over the period 2005/06 to 2010/2011. The costs increase faster than inflation because departments will phase in the new services over time. In addition, the number of orphans will increase over time as parents who are infected with HIV die.

To simplify things, the table below gives the costs only for the first and last year for each scenario. It shows that the cost of the IP low scenario increases from R6 030m (i.e. R6 billion) in 2005/06 to R15 152m (i.e. R15,2 billion) in 2010/11. At the other end of the scale, the cost of the FC high scenario increases from R46 894m (i.e. R46, 8 billion) to R85 054m (i.e. R85 billion)

Total cost by scenario (million rands)

Note: 1 000 million equals 1 billion

	2005/06	2010/11
IP low scenario	6 030	15 152
IP high scenario	8 400	21 452
FC low scenario	25 269	43 850
FC high scenario	46 894	85 054

Source: Barberton C (2006) The Cost of the Children's Bill – Estimates of the cost to Government of the services envisaged by the Comprehensive Children's Bill for the period 2005 to 2010. Pretoria: Cornerstone Economic Research. [Report for the national Department of Social Development, September 2006]

How far are we today from meeting children's needs?

Current need and delivery

The costing reveals the extent to which government is currently failing to meet the care and protection needs of children. For example, in 2005/06 the IP low scenario (which reflects government's actual and planned delivery) meets only about 30% of the total demand for services provided for in the Bill when using the most reliable estimates available of objective need.

There are also big differences between provinces in the extent to which need is being met. For example, Western Cape is shown to have the highest level of services. Yet Western Cape is one of the wealthiest provinces in the country so it does not make sense that Western Cape should have a greater proportion of children who are in need than poorer provinces. And even in Western Cape, government provision is not currently meeting the need as measured by objective sources. The extent of under-provision in other provinces is even worse.

Government is not meeting its current obligations

The costing revealed that existing government budgets covered only 25% of the services set out in the Child Care Act, which the Children's Bill will replace. Yet the Child Care Act is currently the law of the land. So even before we have the new Bill, government is not meeting its legal obligations under the old Act.

Some provinces are providing for children better than others. For example, in the Western Cape the 2005/06 budget covered 34% of services required by the Child Care Act, compared to only 10% in Limpopo. Average spending per child in Western Cape is 7.5 times as high as spending in Limpopo yet both provinces fall under the same legislation.

Money may not be the main problem

The costing report says that there are many other problems, besides lack of budget, that are currently preventing government from ensuring that children are well cared for. These problems include:

- Government is not collecting and using information well. In fact, it does not really know either the level of need or the extent of current service provision. One result of this is that government is not planning or managing welfare services well.
- There are still big differences in availability of services – between different provinces, and between rural and urban areas, and in services for different race groups. This problem exists in terms of both government and non-government services.
- There are too few social workers in the country. Many are being attracted to work in other countries or in other jobs because of the impossible burdens being placed on them. Too few new social workers are being trained.
- Different parts of government are not working well together. For example, courts waste a lot of time waiting for reports from social workers, while social workers waste a lot of time waiting in courts for children's cases to be heard.
- Services are often not provided in the most cost-effective way. For example, the law requires foster care placements to be reviewed every two years. This requires many hours of work by social workers and court officials even for children where there is no suspicion that anything is wrong. The Children's Bill will exacerbate the situation because it requires that all placements are reviewed by the courts, not only administratively.

Putting the cost of the Bill into perspective

As seen above, the total cost of implementing the Children's Bill in 2005/06 would be somewhere between R6 030m on the IP low scenario and R46 894m on the FC high scenario. Even the IP low scenario seems like a lot of money.

There are, however, several things to remember when judging how big this amount really is:

- The costs are small compared to those of some of the other types of services provided to children. For example, the total budget for education was R83 574m (ie R83, 5 billion) in 2005/06. This is nearly twice as high as even the biggest Children's Bill estimate for the same year.
- The estimated costs cover the responsibilities of national government and all nine provinces. The costs to be included in the budget of a province or national government will be much lower. For example, in 2005/06, the FC High scenario, which has the highest costs, gives provincial costs of between R577m (for Northern Cape) and R11 811m (for KwaZulu-Natal) for social development, and

between R48m (for Northern Cape) and R471m (for KwaZulu-Natal) for education.

- The costs may in some cases be over-estimates as services could be provided in a better and more cost-effective way.
- Some of the money is already provided for in government budgets because some of the services provided for in the Children's Bill are also in the Child Care Act.

Of course, as discussed above, currently government is not budgeting sufficiently even for the Child Care Act. So the money to cover existing legal requirements will require 'new' money as well. Overall, in 2005/06 government's budget for the relevant services was only 22% of what was needed even for the IP low scenario.

The impact of HIV/Aids

HIV/Aids is one of the big 'drivers' of the need for services for children. For example, HIV/Aids hugely increases the need for foster care and kinship care orders as well as the need for places in children's homes. These are amongst the largest costs in the Children's Bill. Overall, about two-thirds of the cost of the FC High scenario reflects services to children orphaned by HIV/Aids. Some of these costs can be reduced if government vigorously implements its HIV/Aids prevention and treatment strategy. For example, if more adults can access anti-retrovirals, there will be fewer children with ill parents who cannot earn enough to provide for them adequately and fewer orphans needing placement in care.

Choices facing MPs

Some people argue that we cannot afford the Children's Bill. Others argue that we can afford it only if we choose the lowest option, the IP low scenario. What these people forget is, firstly, that children's rights are entrenched in our Constitution. In particular, section 28 says that "every child has the right - (b) to family care or parental care, or to appropriate alternative care when removed from the family environment; (c) to social services and (d) to be protected from maltreatment, neglect, abuse or degradation. We cannot therefore choose not to provide good care and protection for the children of the country because we will be acting contrary to the Bill of Rights. Secondly, if we choose the IP low scenario, we will be choosing to continue with the inequalities that were created during apartheid but that have remained with us until today. We are then imposing an apartheid disadvantage on children who were born after apartheid ended.

Some people suggest that instead of implementing the full Children's Bill, we should pick and choose parts of it. This argument fails to recognise that different services build on each other. In particular, if we decide not to provide the prevention services, then we will have more children needing more expensive services like children's homes because they have landed in difficulties. If we decide not to provide good care for vulnerable children, we will have more children landing up in trouble with the law. And that will simply place a large cost on other parts of the government budget. For example, it costs government more to keep a person in jail for the day than to provide

decent alternative care for a child who needs it for that same day. And this excludes the costs of the harm that people have done before they land in jail.

We therefore need to do two things:

Firstly, we need to change some aspects of the Bill so that it is more effective in meeting children's needs and also less costly in the long term. Such changes include removing the need for court-based reviews of all care orders, putting more emphasis on prevention and early intervention services, and extending the use of child and youth care workers in the provision of services.

Secondly, we need to choose all elements of the Bill and full implementation. But we need to recognise that we can't do it all immediately. We can't do it all immediately for two main reasons:

- Government and the NGO sector simply don't have the capacity to provide all the services immediately. But we would have far more capacity than we think if we utilise NGOs and CBOs more and ensure that they receive the money they need to deliver the services.
- Secondly, we need to plan for increases in budget over time. So we need to plan for phased implementation. In addition, as we move from the IP Low to the FC High over time, we need to build the human and financial capacity to offer all services to all children who need them.

The solution is not to pick and choose particular services and neglect others. Instead, government needs to plan and implement all services from the start, but introduce some of them slowly and at lower norms, and build up in quality and quantity over time.

If you would like to read the full costing report by Conerstone Economic Research, please see the Children's Institute website www.ci.org.za

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