



Out-of-home care costs and pricing

Draft Report

March 2025



Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

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Dr Darryl Biggar
Jonathan Coppel
Sharon Henrick

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Invitation for submissions

IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Thursday, 17 April 2025

We prefer to receive them electronically via our [online submission form](#).

You can also send comments by mail to:

Review of out-of-home care costs and pricing
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

If you require assistance to make a submission (for example, if you would like to make a verbal submission) please contact one of the staff members listed above.

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our [website](#) as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may decide not to publish a submission, for example, if we consider it contains offensive or potentially defamatory information. We generally do not publish sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please let us know when you make the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's [submission policy](#) is available on our website.

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

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PART A: »

Executive Summary



Chapter 1 »

Executive Summary

01

Out-of-home care is provided to children and young people who are unable to live with their own families. There are around 14,000 children in out-of-home care across NSW, comprising foster care (including relative and kinship care), residential care, as well as supported independent living and emergency care. It is currently provided through a mix of government and contracted non-government providers including Aboriginal community-controlled organisations (ACCOs).

It is critical for the wellbeing of the children in care that the system supports their access to quality services and surrounds them with people who care about their welfare and act in their best interests. However, it is a challenging system to get right.

The NSW Government has recently undertaken a [System review into out-of-home care](#) (System review) which made recommendations aimed at improving system accountability and oversight; improving contractual and financial management; collaborating with and elevating the voices of children, families and carers; and building a stronger workforce. The NSW Government is already making progress implementing many of these recommendations. The actions already underway include prohibiting unaccredited alternative care arrangements, expanding intensive therapeutic care capacity and recruiting 200 additional foster carers.¹

IPART has been asked to assist the NSW Government to improve the performance and financial sustainability of the out-of-home care system. Our review will inform the Government's decisions on the delivery and funding of out-of-home care and help address the issues that have been identified.

The NSW Government currently spends around \$2 billion a year on out-of-home care.² It is vital that this funding delivers quality care to children, supports carers to continue caring and provides cultural support and self-determination for Aboriginal children. One of the problems with the current system is the lack of information on what services children in out-of-home care are receiving and how these services contribute to their current and future wellbeing. It is vital that the NSW Government makes changes to improve the available data, transparency and accountability so there is a better understanding of what drives positive outcomes. The need for better data collection has informed our approach to this review. As the system evolves, it is important that costs and funding are reviewed regularly and updated using all available data.

This report sets out our draft decisions, findings and recommendations on:

- the efficient costs for the NSW Department of Communities and Justice (DCJ) and non-government providers of providing out-of-home care
- benchmark costs for caring for children with varying needs in out-of-home care across the different types of placements
- appropriate pricing structures and levels for the efficient delivery of quality services
- a methodology for adjusting prices paid to non-government providers
- an appropriate care allowance for providing care and support to children and young people in out-of-home care.

Our full Terms of Reference are [published on our website](#).

Box 1.1 Note on terminology

Aboriginal and Torres Strait Islander Child Placement Principle (principles): These principles are set out in Part 2 of Chapter 2 of the *Children and Young Persons (Care and Protection) Act 1998* (Care and Protection Act) and include, for example, the principle of Aboriginal and Torres Strait Islander self-determination and the Aboriginal and Torres Strait Islander Child Placement Principles. In the legislation, these are referred to as the Aboriginal and Torres Strait Islander Child and Young Person Placement Principles.

Aboriginal people: The term 'Aboriginal' is used in this report in recognition of Aboriginal peoples as the Traditional Owners of NSW. There are instances in this report where we use the term 'Aboriginal and Torres Strait Islander people' when referring to matters that relate to all First Nations peoples across Australia, for example the National Agreement on Closing the Gap.

Casework: The work done by qualified professionals (caseworkers) to support the protection and wellbeing of children in out-of-home care and their families.

Caseload: The number of children a caseworker is supporting at a given point in time.

Children: Unless otherwise stated, where we refer to 'children' and 'child' in this report, it includes children and young people aged under 18 years.

Foster care: We use the term foster care to include home-based care provided by relatives and kin as well as foster carers.

Non-government providers: We use the term non-government providers to refer to not-for-profit organisations delivering out-of-home care in NSW, typically through the Permanency Support Program (PSP), and it includes Aboriginal community-controlled organisations (ACCOS) unless otherwise noted. We recognise that ACCOS have a unique role in the sector with Aboriginal community governance arrangements.

1.1 Overview of this Draft Report

We have found that there is limited visibility over what services children are receiving while at the same time, there is significant compliance and administrative burden both on non-government providers and within DCJ. This is consistent with the findings of the recent System review.

Some package inclusions are not adequately funded, with some not included in the original cost build up at all. The care allowance has not been adjusted to reflect changes in society, such as technology required for education. This is contributing to pressure on providers and carers, and the delivery of services to the children who need them.

System wide costs have risen significantly in recent years. Carer shortages and the rising needs of children in care have increased the number and cost of expensive emergency arrangements. There is widespread dissatisfaction among foster carers who are leaving the system faster than they can be replaced.

Aboriginal children are overrepresented in out-of-home care and successive independent reports have called for reform of the child protection and out-of-home care systems to improve outcomes for Aboriginal children and families. While the NSW Government recognises Aboriginal children in out-of-home care are best placed with ACCOs,³ the transition of Aboriginal children to ACCOs has not been occurring at the rate expected. Most Aboriginal children remain under the care of either DCJ or non-ACCO providers and current funding structures are likely preventing ACCOs from building up the capacity to care for all Aboriginal children in the system.⁴ In 2022-23, 6.5% of total out-of-home care expenditure went to ACCOs despite 43% of children in the system being Aboriginal.⁵

In this Draft Report, we propose:

- a simplified approach to pricing outsourced care based on more accurate costings
- increased financial support for foster, relative and kinship carers who are vitally important to the success and sustainability of the system
- increased accountability across the system for essential medical care and connection with families, and improved visibility over key service areas.

We believe that these measures would improve the performance and long-term sustainability of the system. The measures we propose will better target funding to the areas where it is needed, reducing administrative costs and help deliver goals to close the gap for Aboriginal children, who are substantially overrepresented in care.

We consider that our draft recommendations should not result in significant changes to the level of funding required overall. However, they better target the available funding to areas where it is needed and should ensure that children are receiving the care they need. Any short-term increase expenditure on out-of-home care as a result of our draft recommendations should be offset over time by changes that help retain and build the pool of carers, improving placement stability and lowering reliance on expensive emergency arrangements. Initial cost increases, including increasing the care allowance, in part reflect changes in costs that have occurred over time that have not been adequately funded. To avoid similar issues in the future, it is important that costs and prices are not implemented as a set and forget measure but that they are reviewed and updated regularly.

While we have proposed a number of changes, we have not yet made any final decisions. We are seeking feedback on the measures proposed in this report and will take that feedback into account before finalising our review later this year.

1.1.1 A simplified pricing structure based on more accurate costings

By allowing non-government providers to allocate package funding to meet the needs of the child, the current model, the Permanency Support Program (PSP), was intended to provide flexibility. However, the PSP has led to an increase in administration, data entry and compliance tasks at the expense of practice related work or a focus on evidence-based services for both DCJ and non-government providers.⁶ This has reduced accountability and transparency of the system without improving outcomes for children in care.

Some of the key issues with the current system include:

- carer uncertainty over which of their costs they can recover
- providers having to move funding between packages to meet the needs of different children
- the administrative and financial burden associated with requests for funding increases and reconciliation of package funding.

We have estimated the efficient cost of each of the individual components, or building blocks, of providing care. Where relevant we have separately costed the provision of these by non-government providers, ACCOs and DCJ. The costs we have estimated include the required level of casework, to ensure the costs of meeting the needs of children are adequately funded. We have considered variations in costs for different levels of need, cultural background, placement type and location. Recognising the additional costs faced by ACCOs and non-ACCOs delivering out-of-home care to Aboriginal children, we have also sought to identify relevant costs areas that would facilitate and support access to Country, culture, family and community for Aboriginal children.

To simplify administrative processes and increase transparency we are proposing that there is one payment per child per year to the provider for home-based care, rather than a build-up of packages. The amount of this payment would vary depending on the case plan goal of the child, their level of need, if they are Aboriginal, or from a culturally and linguistically diverse background (CALD), and if they are in the care of an ACCO. A simpler pricing structure would help ensure resources can be used more efficiently to meet the need of children in out-of-home care.

1.1.2 Supporting carers to continue caring

Foster carers, relatives and kinship carers who look after the children in out-of-home care are vitally important to the success of the system. Quality care in a family-home setting is widely considered the most suitable way to care for children who cannot live safely with their family.

Carers are increasingly becoming dissatisfied with the system. We have heard from many carers that they feel undervalued and overwhelmed. We know that these experiences have implications both for the immediate welfare of foster carers and the children they care for, and for the performance and sustainability of the out-of-home care system more generally, with carer satisfaction correlated with placement stability and enhanced carer recruitment.

Most foster carers in NSW are volunteers and receive a care allowance that is intended to cover the expenses that carers incur caring for a child in out-of-home care. The care allowance has not been reviewed since 2002. In the context of the shortage of willing and capable carers in NSW, failing to recognise the financial impact on carers has system-wide impacts that are not sustainable. We have reviewed the care allowance and have made draft recommendations to increase it by between \$117-\$266 per fortnight depending on the age of the child.^a

There are a range of other expenses that vary significantly between children, depending on their medical and therapeutic needs, as well as their family and cultural circumstances. These are not covered by the care allowance and there is a great degree of confusion, and a lack of clarity and consistency as to whether and how carers are compensated for these costs. We are also proposing changes to how these costs are funded to increase transparency and better support carers.

We consider that carers should not be out-of-pocket for the essential costs of the children in their care. Leaving carers to pay for unavoidable essentials either imposes on carers beyond what they signed up for (eroding their trust and goodwill) or means that children go without. We consider that if a medical, dental or therapeutic need has been identified for a child by a suitably qualified health care provider, then carers should be reimbursed the reasonable cost of having that need met. We recognise paying actual costs could lead to an increase in services being recommended, however, we consider that requiring a needs-based assessment by a suitably qualified provider should limit this exposure.

Currently, the way these costs are funded differs depending on whether the child is case managed by DCJ or a non-government provider. We are proposing that the costs associated with meeting the medical, therapeutic and wellbeing needs of children in out-of-home care managed by non-government providers, as well as expenses involved with maintaining birth family contact, such as travel costs, be reimbursed based on actual costs.

Consistent with the recommendation from recent System review, we also consider that carers should be provided with clear guidelines about what the care allowance covers and what additional costs they are entitled to be reimbursed for. We also propose that DCJ consider paying the care allowance and reimbursements directly to all carers.

1.1.3 Increasing accountability in out-of-home care

Inadequate data and oversight around what services children are receiving has reduced accountability in the out-of-home care system. It has also meant that the relative outcomes and cost effectiveness of different services are unable to be assessed. We have considered how the pricing of outsourced services can increase accountability in the system and deliver more effective care.

^a Carers of young people aged 16-17 currently receive \$586 per fortnight and if eligible, an additional \$231 through the [Teenage Education Payment \(TEP\)](#). For 16-17 year olds, these estimates assume that carers currently receive both these payments.

Every child is unique, and it is important that funding for service provision recognises cost differences. However, there is a tension between giving providers flexibility to use funding where it is needed most, and the government having assurance that children's needs are being met without imposing a large administrative burden. There is also a need to ensure that funding is used efficiently and pressure on the NSW Budget is contained.

As noted in both our Interim Report and the System review, there is a lack of visibility in the system not only of the services being delivered, but there is also no assessment of what is effective in achieving the best outcomes for children.⁷ This is compounded by the way funding is bundled into packages to provide services that can vary significantly from child to child. As recommended by the System review, there needs to be visibility in the funding and spending for children and young people in care.⁸

As mentioned, we are proposing that medical, wellbeing and family connection expenses be funded based on actual costs rather than an average amount that requires providers to move funding between different children. This would increase the visibility for DCJ of the services being provided to each child. In turn, this visibility increases accountability as it gives DCJ the opportunity to review available data and follow up on any children who are not receiving the expected level of care.

1.1.4 Comparing proposed prices with current PSP funding levels

The complex nature of the system makes it difficult to estimate the impact of our draft recommendations on overall funding. Chapters 13 to 16 set out a number of case studies that show how our proposed prices compare with the current level of funding for non-government providers under the PSP.

Across the board we have proposed shaping the price to increase funding when children first come into care. This leads to a higher cost in the first year of care. The ongoing prices vary according to child need to a greater extent than is provided for in the current PSP packages, with higher needs children receiving greater funding than they do currently and lower needs children in long-term care receiving less. We are also proposing an ongoing increase in funding for ACCOs for cultural supports.

Proposed prices for residential care and independent living are slightly higher than the funding under the PSP. For emergency placements, our proposed prices are slightly higher for Interim Care Model and also higher for Short Term Emergency Placement. For the latter, this larger difference may be because prices have not been escalated in the 3 years since the model was introduced.

We found that the efficient cost of delivering home-based care is very similar whether that care is delivered by a non-government provider or with DCJ, even after accounting for the costs associated with secondary casework and contract management.

In our Interim Report, we found that foster care delivered by non-government providers was around \$18,000 more than DCJ delivered foster care (including the cost to DCJ of administering the PSP and secondary casework). A key driver of this difference was higher reported caseloads for DCJ.⁹ Our current cost estimates assume the same caseload is efficient for all providers.

1.2 Our approach to the review

We released an Interim Report in September 2024 with our preliminary analysis on cost drivers in the out-of-home care system, differences in casework costs, administrative costs and overheads, and some observations regarding the current pricing levels and structure. The Interim Report also discussed issues experienced by carers, and the need to ensure the care allowance reflects the cost of caring for children over time. We sought feedback on our preliminary findings and have continued to engage with stakeholders in developing our draft findings and recommendations. This Draft Report includes our analysis, draft findings and recommendations for all matters in our [Terms of Reference](#).

In undertaking our review we are guided by the [NSW Child Safe Standards for Permanent Care](#) (care standards) and the Aboriginal and Torres Strait Islander Child Placement Principle (principles) set out in the [Children and Young Persons \(Care and Protection\) Act 1998](#) (Care and Protection Act). In practice this means that benchmark costs and prices must be structured and set at a level which enables the provision of out-of-home care that meets these standards and principles.

The following sections discuss how we have undertaken the review so far.

1.2.1 How we have estimated efficient costs in out-of-home care

The efficient cost of delivering a service is not necessarily the lowest cost, as the efficient cost will vary depending on the level of service provided. However, there is limited reporting on the level of service quality.

We agree with the findings of previous reviews that there is inadequate data and oversight around what services children are receiving. Without the data and frameworks in place to monitor the services provided and assess their relative outcomes and cost effectiveness, we are unable to assess which practices are efficient or cost effective.

To establish efficient costs, we have broken the different placement types (home-based care, residential care, living independently and emergency arrangements) down into their component costs. For some of these, we have used the average cost across providers as an estimate of the efficient cost, due to a lack of granularity in the financial data as well as a lack of information about the optimal level of service quality required to maximise the benefits for children in out-of-home care in the most cost-effective way.

One of the key sources of information we have used to develop our estimates of efficient costs is information on the current costs of providers, including DCJ. As providers are required to work within the current funding envelope, the status quo is influential in our analysis. In some cases, we know that providers are doing less than they consider would be best practice because they consider that current funding is insufficient. There is also some evidence that some children are not having even their basic needs met. However, we also know that there are dedicated providers across the system who are doing great work.

The efficient cost for many of the components vary based on the needs of the child. Some of these components are similar across all placement types (for example, the everyday living costs).

In estimating each component cost we have considered the level and quality of services required to meet child safe standards and the elements in the Aboriginal and Torres Strait Islander Child Placement Principles.

1.2.2 How we have considered the cost of meeting the needs of Aboriginal children in care

Acknowledging the fundamental importance of connection to family, community, culture and Country for Aboriginal children and the NSW Government's commitment to improve outcomes for Aboriginal children in care, we have sought to identify relevant costs areas that would facilitate and support access to Country, culture, family and community for Aboriginal children.

Rather than attempting to define or cost what cultural connection looks like across the diverse range of Aboriginal Nations and communities in NSW, and personal cultural and community circumstance, our costing approach seeks to identify relevant costs areas that would facilitate and support access to a child's Country, culture, family and community. In this context, we recognise that these categories may not reflect the holistic nature of service provision, particularly with regards to place-based culturally appropriate services that many ACCOs provide.

We have estimated 3 categories of additional costs:

- Additional casework costs for Aboriginal children in care, including additional time required to meet the Aboriginal Case Management Policy. These costs are considered in Chapter 6 on casework.
- Costs associated with cultural programs, genealogy and family finding, and supports to meet connection to family and Country for Aboriginal children in care. These costs are considered in Chapter 11.
- Differences in the operating costs faced by ACCOs because they work differently and more holistically to provide a full set of services prior to and across the continuum of care to Aboriginal children, their families and communities.¹⁰ These costs are considered in Chapter 7.

We have also considered issues around the transition of Aboriginal children to the care of ACCOs and how the additional costs should be factored into placement costs in Chapter 12.

1.2.3 How we have established the cost benchmarks, and recommended pricing levels and structures

As discussed above, we have estimated the efficient cost for most cost components. The exceptions to this are each child's individual medical and therapeutic costs, the expenses related to maintain family connections, and physical and sexual abuse insurance, which we are recommending be funded based on the actual cost incurred.

We then used these efficient costs components to build up the benchmark cost for each out-of-home care placement type, with variations to the base level of funding depending on the case plan goal of the child, their level of need, if they are Aboriginal, or from a culturally and linguistically diverse background (CALD), and if they are in the care of an Aboriginal community-controlled organisation (ACCO).

There are some costs which we are recommending be funded upfront such as:

- the costs of carer recruitment and assessment
- cultural programs for Aboriginal children
- the costs incurred by carers when they begin caring for a child.

For home-based care, independent living and emergency placements, we are recommending that the pricing level and structure mirrors the level and structure of the benchmark costs. The exception is for residential care where we are recommending there continue to be house and child payment.

1.3 How this report is structured

The rest of this Draft Report is structured in 3 parts:

- **Part A** (chapters 2 and 3) sets out the context for the review and describes our approach to the review.
- **Part B** (chapters 4-11) sets out our approach to estimating costs and details our findings for the cost components for delivering out-of-home care.
- **Part C** (chapters 12-16) discusses our proposed funding model and sets out how we have used the cost components to establish benchmark costs for each placement type, reflecting the varying needs of children in out-of-home care.

There are also appendices with further details on:

- A. The cost of caring study undertaken by the Melbourne Institute
- B. Casework loadings for other case or child characteristics
- C. Administration and corporate overhead costs analysis
- D. Glossary and acronyms used in the report.

1.4 We welcome your feedback on this report

Throughout the review, stakeholders who provide out-of-home care services and who directly support children in out-of-home care have been very generous with their time meeting with us, writing submissions and responding to information requests. This engagement has been critical to gain an understanding of the costs of supporting a child in out-of-home care, as well as facilitating and administrating the out-of-home care system including the PSP.

We are keen to keep engaging with you and hear your feedback on the questions, draft findings and recommendations in the report.

Have your say

Your input is critical to our review process. You can give feedback by:

[Submit feedback »](#)

[Register for our mailing list »](#)

Making a written submission through IPART's website by **17 April 2025**

Attending an online workshop (dates to be advised).

Our Final Report is to be submitted to the Minister for Families and Communities in May 2025.



1.5 Draft decisions, recommendations and findings

Our draft decisions on efficient costs and benchmark costs, our draft recommendations for the care allowance and pricing levels and structures for contracted providers, and how prices should be adjusted over time are set out below. We also make several draft findings and ask a few questions.

All costs are in \$2024-25 unless otherwise specified. Unless otherwise noted, the estimate of the efficient cost is the same for non-government providers and the Department of Communities and Justice. For some items we specify a different estimate of the efficient cost for different providers.

We welcome feedback on any or all of these, or any other matter relevant to our review of the costs of out-of-home care in NSW.

Draft decisions

1. We estimate the efficient casework costs by placement type to be: 104
 - a. home-based care: \$15,200 per child per year for non-government providers and \$16,320 per child per year for the Department of Communities and Justice 104
 - b. residential care: \$27,150 per child per year for non-government providers 104
 - c. independent living: \$17,310 per child per year for non-government providers 104
 - d. therapeutic independent living: \$20,960 per child per year for non-government providers 104
 - e. emergency arrangements: where the child has been in care, the same annual casework costs as the child's previous placement. Where the child has newly entered care \$15,200 per child per year for non-government providers and \$16,320 per child per year for the Department of Communities and Justice 104
 - f. Not-in-placement, the same annual casework costs as the child's previous placement. 104
2. We estimate an additional efficient casework cost of \$2,630 per child per year for an Aboriginal child with a non-government provider. 104
3. We estimate an additional efficient casework cost of \$3,280 per child per year for an Aboriginal child with the Department of Communities and Justice. 104
4. We estimate an additional efficient casework cost of \$14,000 per child per year for a child with a restoration and permanency case plan goal with a non-government provider. This is inclusive of case plan goal reviews, family time, parenting programs and wrap around support. 104
5. We estimate an additional efficient casework cost of \$15,230 per child per year for a child with a restoration and permanency case plan goal with the Department of Communities and Justice. This is inclusive of case plan goal reviews, family time, parenting programs and wrap around support. 105
6. We estimate an efficient post-restoration casework cost of \$5,680 per child for 6 months of casework support provided by a non-government provider to a child who has recently been restored to their parents. 105
7. We estimate an efficient post-restoration casework cost of \$6,480 per child for 6 months of casework support provided by the Department of Communities and Justice to a child who has recently been restored to their parents. 105
8. We estimate an efficient cultural care worker cost of \$1,260 per child from a culturally and linguistically diverse background per year with a non-government provider. 105
9. We estimate an efficient cultural care worker cost of \$1,440 per child from a culturally and linguistically diverse background per year with the Department of Communities and Justice. 105
10. We estimate the indicative costs of ACCOs to be \$6,820 per child per year higher than those of non-ACCO providers, due to their additional organisation-level functions including community advocacy and cultural consultation. 116
11. We estimate the efficient cost of recruiting a new carer to be \$18,190. This does not include the cost of assessment. 124
12. We estimate the efficient cost of assessing a new carer to be \$5,250. 124
13. We estimate the annual efficient cost of carer training to be \$1,500 per carer. 124
14. Administrative costs vary by placement type on a dollar per child basis. We estimate the efficient administrative costs for non-government providers by placement type to be: 125
 - a. Home-based care: \$11,940 per child per year. 125
 - b. Residential care: \$50,970 per child per year. 125
 - c. Independent living: \$22,830 per child per year. 125
 - d. Emergency arrangements: \$50,970 per child per year. 125
15. We estimate the efficient administrative costs for the Department of Communities and Justice for home-based care to be \$15,390 per child per year. 125
16. We estimate the efficient cost of the Department of Communities and Justice facilitating and administering the Permanency Support Program to be \$5,090 per child per year (comprising \$1,800 for direct service delivery and \$3,290 for costs related to the administration of the program). 125

17. The indicative annual cost of a direct care staff including on-costs and, where applicable, shift loadings, backfill for training and leave are estimated as set out in Table 8.9 and Table 8.10. 133
and set out below.

Estimated annual cost of covering a shift for 365 days (\$2024-25)

Average care worker costs	Permanent staff	Casual staff
Day shift (16 hours average of morning and afternoon)	499,710	541,020
Active night shift (8 hours)	261,420	281,010
Sleepover shift (8 hours)	51,330	46,600
On-call shift	14,130	13,940

Estimated annual cost of salaried workers (including on-costs) (\$2024-25)

Staff type	Rate
House manager	136,500
Therapeutic care worker	147,290

18. We consider that median rents represent a reasonable estimate of the efficient annual rental costs to secure accommodation, these costs differ by house size and location. 136
19. We consider the efficient costs of accommodation for different non-home-based emergency arrangements are best estimated using: 137
- for emergency arrangements that need to be stood up at short notice: the ATO market value short-term accommodation benchmark 137
 - for contracted short-term individual care: the third quartile 2-bedroom long-term rental costs 137
 - for short-term group care: the median rent of a 4+ bedroom property. 137
20. We consider that the current Placement Establishment Payment of \$15,920 is an indicative estimate of the basic set-up costs of a 3-5 bedroom property over the term of a contract or for up to 5 years. Further, this payment should also be paid when a contract is renewed. 139
21. We estimate the indicative set-up cost for independent living facilities to be \$2,620 per young person. 139
22. We estimate the indicative annual costs of maintenance, utilities, repairs, and other property-related costs for residential care facilities to be \$15,320 per house. 141
23. We estimate the indicative annual costs of maintenance, utilities, repairs, and other property-related costs for independent living placements to be \$3,830 per young person. 141
24. We consider an efficient estimate of vehicle costs associated with residential care to be \$2,440 per child per year. 141
25. We estimate an Aboriginal cultural worker cost of \$1,210 per Aboriginal child per year. 160
26. We estimate an upfront cultural planning cost for family finding and genealogy of \$6,700 per Aboriginal child entering care. 160
27. We estimate the cost of providing cultural programs for an Aboriginal child to be \$990 per child per year (exclusive of labour, overheads, and additional variable costs that enable a child to connect with their birth family and Country. The cost of enabling an Aboriginal child to connect with their birth family and Country is unique to each child, therefore such costs cannot be estimated with precision). 160
28. The estimated benchmark costs for home-based care placements are as set out in Figure 13.1 for the Department of Communities and Justice and Figure 13.2 for non-government providers. 182
and set out below

Benchmark cost for home base care delivered by DCJ (\$2024-25)

For each child, DCJ's costs of providing care are:

Annual cost		One-off on establishment of placement	
Administration	\$15,390	Carer recruitment and assessment costs	\$21,100
Casework	\$16,320		
Carer training	\$1,350		

Based on the needs of the child, DCJ's costs may also include:

Annual cost (additional)		One-off on establishment of placement	
Restoration and permanency	\$15,230	Aboriginal connection to Country	Actual costs
Aboriginal cultural support	\$5,480	Aboriginal genealogy and family finding	\$6,700
CALD support	\$1,440		

For each child in their care, a carer receives:

Standard age-based care allowance (\$ per fortnight)		Reimbursement of medical, therapeutic and family time costs	
0-4 yrs old	\$698	Current annual average	\$8,200
5-13 yrs old	\$789	Care+1 current annual average	\$14,710
14-15 yrs old	\$1,109	Care+2 current annual average	\$40,990
16-17 yrs old	\$1,083		

Respite care		One-off on establishment of placement	
24 days of care allowance per year		Set-up allowance	\$1,500

Depending on the needs of the child, a carer may also receive:

High needs care allowance (% above standard care allowance)	
Care+1	50%
Care+2	100%

Note: all figures are annual amounts unless stated otherwise

Benchmark cost per child for home base care delivered by non-government providers (\$2024-25)

For each child with a non-government provider, the provider incurs costs for:	
Administration	\$11,940
Casework	\$15,200
Carer training	\$1,350
PSA insurance (reimbursed by DCJ)	Average \$580
One-off on establishment of placement	
Carer recruitment and assessment costs	\$21,100
Based on the needs of the child, costs may also include:	
Restoration and permanency	\$14,000
Aboriginal cultural support	\$4,830
CALD support	\$1,260
Aboriginal connection to Country	Actual costs
One-off on establishment of placement	
Aboriginal genealogy and family finding	\$6,700
For each child in their care, a carer receives:	
Standard age-based care allowance (\$ per fortnight)	
0-4 yrs old	\$698
5-13 yrs old	\$789
14-15 yrs old	\$1,109
16-17 yrs old	\$1,083
Respite care 24 days of care allowance per year	
Reimbursement of medical, therapeutic and family time costs	
	Actual cost
Current annual average	\$8,200
Care+1 current annual average	\$14,710
Care+2 current annual average	\$40,990
One-off on establishment of placement	
Set-up allowance	\$1,500
Depending on the needs of the child, a carer may also receive:	
High needs care allowance (% above standard care allowance)	
Care+1	50%
Care+2	100%
For each child with an ACCO, the ACCO incurs cost for:	
ACCO organisational costs	\$6,820
One-off (if transitioned)	
Transition from non-ACCO	\$21,300
For each child with a non-government provider, DCJ incurs costs for:	
Secondary casework expenses	\$1,800
DCJ contract administration	\$3,290

Note: all figures are annual amounts unless stated otherwise

29. The estimated benchmark costs for residential care placements are as set out in Figure 14.1 for non-government providers. and set out below 199

Benchmark cost for residential care placements delivered by non-government providers (\$2024-25)

For each child in residential care, a provider incurs costs for:	
Age-based care allowance	
5-13 yrs old	\$10,530
14-15 yrs old	\$16,110
16-17 yrs old	\$16,500
Administration	\$50,970
Vehicle	\$2,440
Therapeutic specialists	\$12,270
Casework	\$27,150
Medical, therapeutic & family time costs (reimbursed by DCJ)	Average \$6,190
PSA insurance (reimbursed by DCJ)	Average \$580
Based on the needs of each child, costs may also include:	
Aboriginal cultural support	\$4,830
Restoration and permanency	\$14,000
CALD support	\$1,260
One-off	
Aboriginal genealogy and family finding	\$6,700
Aboriginal connection to Country	Actual costs
For each residential care home, a provider incurs costs for:	
Day care staff shift	\$499,710 / shift / yr
Active night shift staff	\$261,420 / shift / yr
Sleepover shift staff	\$51,330 / shift / yr
On-call shift	14,130 / shift / yr
House manager	\$136,500 / yr
Rent 2 Bedroom	\$26,650-\$39,970
Rent 4 Bedroom	\$33,310-\$46,360
House running costs	\$15,320
Five yearly periodic with contract	
House establishment costs	\$15,920
Additional house establishment as agreed	Actual costs
For each child in residential care with a non-government provider, DCJ incurs costs for:	
Secondary casework expenses	\$1,800
DCJ contract administration	\$3,290
For each child with an ACCO, the ACCO incurs costs for:	
ACCO organisational costs	\$6,820

Note: All costs are annual amounts unless stated otherwise.

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30. The estimated benchmark costs for independent living placements are as set out in Figure 15.1210
 31. The estimated benchmark costs for emergency foster care are as set out in Draft Decision 28 (home-based care). 218
 32. The estimated benchmark costs for non-home-based group emergency arrangements are as set out in Draft Decision 29 (residential care), with the only difference being the exclusion of a therapeutic specialist. 218
 33. The estimated benchmark costs for non-home-based individual emergency arrangements are as set out in Figure 16.1. 218
and set out below

Benchmark cost for non-home-based individual emergency arrangements (\$2024-25)

For each child in an emergency arrangement, an emergency arrangement provider incurs costs for:

Standard age-based care allowance		Administration	\$50,970
0-4 yrs old	\$8,760	Medical, therapeutic & family time costs (reimbursed by DCJ)	Average \$6,190
5-13 yrs old	\$10,530		
14-15 yrs old	\$16,110		
16-17 yrs old	\$16,500		
PSA insurance (reimbursed by DCJ)		Average \$580	

For each emergency arrangement home, an emergency arrangement provider incurs these costs per house:

	Permanent	Casual	Accommodation (depending on location)
Day care staff shift (per shift/yr)	\$499,710	\$541,020	Long-term rentals \$25,580 - \$46,900
Active night shift staff (per shift/yr)	\$261,420	\$281,010	Short-term rentals \$57,310 - \$72,270
Sleepover shift staff (per shift/yr)	\$51,330	\$46,600	House running costs \$0 or \$3,830
On-call shift (per shift/yr)	\$14,130	\$13,940	One-off House establishment costs \$0 or \$2,620
House manager	\$34,130	-	

The primary casework provider incurs costs for:

For all children	Additional arrangements
Casework Range, depending on casework cost of previous stable placement	Aboriginal cultural support \$4,830
	Restoration and permanency \$14,000
	CALD support \$1,260
	Aboriginal connection to Country Paid based on actual costs

For each child in emergency arrangements, DCJ also incurs costs for:

Secondary casework expenses (per year)	\$1,800	DCJ contract administration (per year)	\$3,290
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Draft recommendations

1. The standard care allowance for children in out-of-home care should be set at the rates in Table 5.5. 67 and set out below

Recommended standard care allowance by age bracket (\$2024-25)

Age bracket	Fortnightly care allowance (\$2024-25)
0-4	\$698
5-13	\$789
14-15	\$1,109
16-17	\$1,083

2. The annual cost of day-to-day living expenses for children in residential care, independent living and emergency care arrangements should be set at the rates in Table 5.7. 69 and set out below

Day-to-day living expenses for children in residential care, supported independent living and emergency care arrangements per year (\$2024-25)

Age bracket	Estimate of annual day-to-day living expenses (\$2024-25)
0-4	\$8,760
5-13	\$10,530
14-15	\$16,110
16-17	\$16,500

3. The Department of Communities and Justice should consider reimbursing carers up to \$1,500 for the upfront costs of establishing a placement when a child first enters the out-of-home care system.70
4. The Department of Communities and Justice should expand the eligibility of Creative and Active Kids vouchers to all children in out-of-home care. 72
5. The Department of Communities and Justice should explore the use of existing digital infrastructure (such as the Service NSW vouchers) to provide targeted funding to carers. 72
6. The care allowance for children assessed as eligible for Care+1 or Care+2 (or their equivalents) in home-based care should be set at the rates in Table 5.10. 73 and set out below

Updated Care+1 and Care+2 fortnightly allowances \$2024-25

Ages	Standard allowance	Care+1 (50%)	Care+2 (100%)
0-4	698	1,047	1,396
5-13	789	1,184	1,578
14-15	1,109	1,664	2,218
16-17	1,083	1,625	2,166

7. The medical, dental and wellbeing costs for children case managed by non-government providers should be included in the child's case plan and directly funded by the Department of Communities and Justice based on these approved costs. 153
8. The Department of Communities and Justice should investigate the establishment of an out-of-home care Health Care Card that could be used to meet the out-of-pocket costs for medical and wellbeing services for all children in out-of-home care. 153

9. The costs of maintaining family connections for children case managed by non-government providers should be included in their case plan and directly funded by the Department of Communities and Justice based on these approved costs. 153
10. Non-government providers should receive an amount of \$21,100 per child to cover the cost of recruiting and assessing carers when a child enters their care. 167
11. Non-government providers should receive an annual amount of \$1,350 per child to cover the cost of carer training. 167
12. The cost of physical and sexual abuse insurance incurred by non-government providers providing out-of-home care services should be met by Department of Communities and Justice. 168
13. The pricing structure to meet the needs of Aboriginal children in out-of-home care should include the following additional estimated components: 170
 - a. an upfront cultural planning cost for family finding and genealogy of \$6,700 170
 - b. an annual Aboriginal cultural support payment of \$4,830, which covers additional casework and cultural programs to support connection to culture 170
 - c. a variable cost of enabling an Aboriginal child to connect with their birth family and Country 170
 - d. if the child is placed with an ACCO, \$6,820 due to their additional organisation-level functions including community advocacy and cultural consultation. 170
14. ACCOs should be funded for the Aboriginal children transitioning into their case management at the time a transition is initiated in the form of an upfront payment of \$21,300, rather than receiving a flat annual payment. 172
15. The prices paid to non-government providers should be adjusted annually (1 July) to reflect changes in: 179
 - a. the Social, Community, Home Care and Disability Services Industry Award rate for labour costs 179
 - b. median rentals for residential, independent living and contracted emergency care arrangements 179
 - c. insurance premiums for physical and sexual abuse claims 179
 - d. All Capitals CPI for all other costs. 179
16. The care allowance should be comprehensively reviewed every 8-10 years to ensure that it meets the cost of the goods and services required to provide quality care for a child in out-of-home care. 179
17. Between comprehensive review cycles, the care allowance should be adjusted annually in line with the All Capitals CPI. 179
18. The costs and pricing of out-of-home care in NSW should be reviewed, as soon as practicable, within 5 years of the implementation of the decisions and recommendations in our Final Report, to measure the impact of any reforms on funding and contracting arrangements. 179
19. The care allowance should be paid at a consistent rate for all children assessed with the same level of need across both non-government providers and the Department of Communities and Justice. 189
20. Clear guidelines should be developed outlining what the care allowance covers and what additional costs carers are entitled to be reimbursed for (including any evidence needed for the claim to be paid). 189
21. The Department of Communities and Justice should consider paying the care allowance and reimbursements directly to all carers. 189
22. The annual respite care allowance should be set at a rate equivalent to 24 days of the care allowance, dependent on the child's age and level of need. 191
23. Respite care arrangements should continue to be agreed upon in each child's care plan and should be delivered flexibly to suit the needs of the household. 191
24. The Department of Communities and Justice should consider extending financial support to informal carers to ensure that these placements can be maintained for children that would otherwise enter out-of-home care. 196
25. Pricing for residential care placements should be calculated using the estimated benchmark cost components set out in Draft Decision 29 (residential care) and Figure 14.1. 205
26. The pricing structure for residential care placements should continue to consist of a house related payment and a child-related payment. To encourage efficient utilisation of facilities and staffing, some

- staffing costs (those not required at low vacancies) should be reweighted to the child-related payment. 205
27. The current placement establishment payment of \$15,920 should be paid at the commencement or renewal of a contract or at 5 yearly intervals. Additional costs associated with the establishment of a house should be agreed as part of the contract negotiation. 205
28. Pricing for independent living placements should be in line with the estimated benchmark costs set out in Draft Decision 30 (independent living) and Figure 15.1. The pricing structure should consist only of a child-related payment. 214
29. Pricing for contracted emergency arrangements should be composed of the following 4 portions: 223
- primary provider portion 223
 - house-related cost portion 223
 - child-related cost portion 223
 - a set-up payment upon establishment of the house (in the case of group emergency arrangements) or placement (in the case of individual emergency arrangements). 223
30. Emergency foster care should generally be priced in the same way as longer-term foster care placements, subject to the following differences: 223
- the care allowance should be paid to the emergency foster carer on a pro-rata basis of approximately \$50 - \$79 per day (depending on the age of the child) to account for different placement lengths. 223
 - emergency carers should receive a one-off establishment payment rather than receiving this at the start of each new placement. 223

Draft findings

- Most Aboriginal children are currently case managed by non-ACCOs, even though Government policy recognises Aboriginal children are best placed with ACCOs. Current funding structures likely present barriers to ACCOs building up the capacity to care for all Aboriginal children in the system.³⁶
- There is no discernible relationship between individual out-of-home care performance metrics and caseload for non-government providers, highlighting the complex dynamics between casework time and short-term measurable outcomes. 80
- There is material variation in the observed average administrative costs of non-government providers during 2022-23 for the following placement types: 112
 - Home-based care: between \$4,400 and \$38,500 per child per year 112
 - Residential care: between \$25,000 and \$157,000 per child per year 112
 - Independent living: between \$3,000 and \$47,000 per child per year 112
 - Emergency arrangements: between \$13,000 and \$64,000 per child per year. 112
- The average administrative costs incurred by non-government providers are materially higher than those anticipated in the Permanency Support Program's pricing assumptions. We found foster care only non-government providers spend 17% of total out-of-home care expenditure on administration and corporate overheads, while the Permanency Support Program pricing assumed 8.7%. 117

Seek Comments

1. Do you consider that the median annual rent included in benchmark costs for residential care, emergency care and independent living should vary by location? 61
2. What expenses should be considered as administrative costs in the delivery of residential care services? What factors impact on these costs? 120
3. How can the assumptions about level, leave and training backfill and other staffing oncosts be refined to better estimate the efficient cost of staffing residential placements. 133
4. In practice, how would our proposed funding structure for meeting the cultural needs of Aboriginal children in out-of-home care impact your ability to support these children? 174

Chapter 2 »

Context

This chapter discusses the out-of-home care system and the context for our review of costs and pricing

02

The NSW out-of-home care (out-of-home care) system is overseen by the Department of Communities and Justice (DCJ), which also administers other child protection programs within the child protection continuum. Currently, out-of-home care in NSW is provided by both DCJ and non-government providers, including Aboriginal community-controlled organisations (ACCOs). Non-government providers receive funding from DCJ to deliver out-of-home care services.

The mixed model has been in place since 2012, when some out-of-home care services were transferred to non-government providers following a recommendation from the 2008 Special Commission of Inquiry into Child Protection Services in NSW.¹¹ There are currently 48 contracted providers providing out-of-home care, including 16 ACCOs.^a

There are 5 main types of out-of-home care delivered by this system:

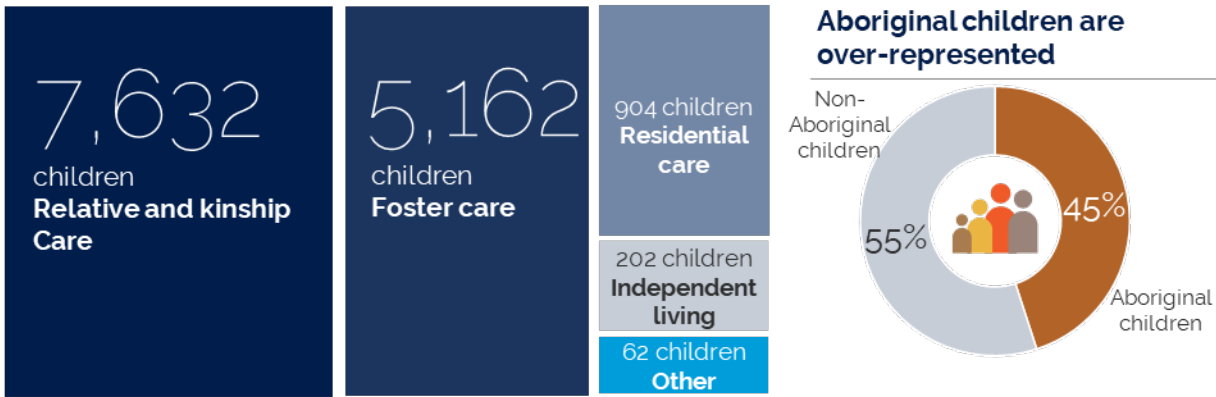
- relative or kinship care, when a child lives with a relative or someone they already know in their community
- foster care, when a child lives in the home of a carer who they did not previously know
- residential care, which is when a child lives in a group home supervised by specialist staff
- independent living, which is integrated accommodation and support for young people over 16 years old to transition to adulthood
- emergency care, which is emergency arrangements for children who have no other placement option available to them.

This chapter sets the scene for our review by describing the current out-of-home care system in NSW, as well as recent reviews, reforms and ongoing challenges.

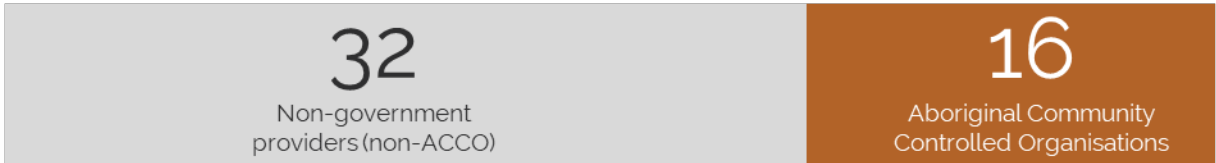
^a This number is based on financial data. We acknowledge that the total number of providers accredited to provide out-of-home care is higher.

2.1 Snapshot of the out-of-home care system in NSW

In June 2024 there were **13,987 children** in OOHC



There were **48 non-government providers** of OOHC



\$2 billion of the NSW Budget is allocated to OOHC in 2024-25



Note: All totals as of 30 June 2024. The number of providers is based on financial data. We acknowledge that the total number of providers accredited to provide out-of-home care is higher.
 Source: IPART analysis of data provided by NSW Department of Communities and Justice.

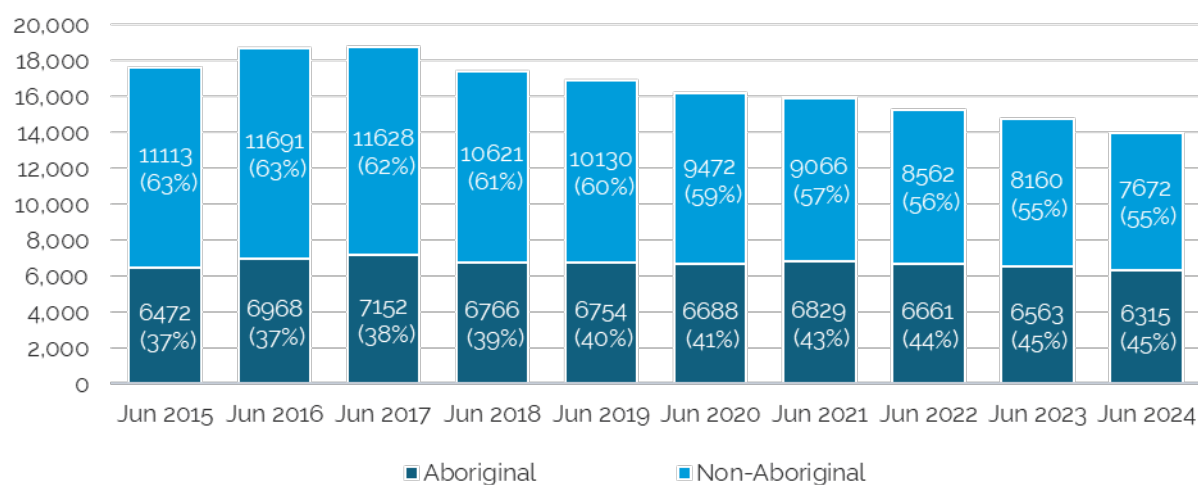
2.2 Children in NSW out-of-home care

In June 2024, there were 13,987 children in out-of-home care in NSW.¹² As shown in Figure 2.1, the total number of children in out-of-home care in NSW has been declining steadily since 2017. The NSW Ombudsman found this is largely due to young people ageing out of the out-of-home care system at age 18, rather than a change to the number of entries into care.¹³

The majority of children are in home-based settings – either with relatives or kin, or with a foster carer. A small number of children (typically children over 12 years old) are in residential care settings. Young people over 16 years old may be in supported independent living. A small number of children are in an emergency arrangement awaiting a placement into foster care or residential care.

Aboriginal children are overrepresented in out-of-home care. While the total number of children in out-of-home care has fallen, the number of Aboriginal children has remained relatively stable. This means that despite a range of policies aimed at reducing the overrepresentation of Aboriginal children in care, the proportion of children in care that are Aboriginal is steadily climbing. Figure 2.1 presents the total number of children in out-of-home care by Aboriginality over time. Aboriginal children in NSW are almost 10 times more likely to be in out-of-home care compared to non-Aboriginal children.¹⁴

Figure 2.1 Total number of children in out-of-home care by Aboriginality over time



Source: NSW Department of Communities and Justice, *Annual Statistical Report 2022-23 summary dashboard*, accessed 27 August 2024.

In 2024, around 19% of children in out-of-home care had a reported disability.¹⁵ This compares with just under 8% of all children aged 0-14 years old across Australia.¹⁶ As there is currently no systematic tool to screen for disability at the intake stage of the out-of-home care system, some children with disability in out-of-home care may be undiagnosed.¹⁷

2.3 Providers of NSW out-of-home care

DCJ is both the commissioning agency responsible for contract management and a delivery agency. DCJ administers the Permanency Support Program (PSP), which is the program for non-government organisation delivered out-of-home care. DCJ commissions non-government providers including ACCOs to provide statutory out-of-home care under the PSP for foster and relative and kinship care, as well as residential care placements through the PSP. In practice, DCJ's role in the PSP includes finding and organising placements, contract management and financial oversight. DCJ is also the sole-provider of casework at certain stages within the child protection and out-of-home care system and a provider for some types of in-placement care.

Contracted non-government providers are delivery agencies. They provide casework and care placements. Non-government providers may provide specific types of care only (for example, residential care) or may provide the full range of out-of-home care services. Many contracted non-government providers also provide other services alongside their out-of-home care delivery. Some of these services are closely related to out-of-home care services (for example, therapeutic services, youth homelessness programs or social housing).

Sometimes care for an individual child is split across more than one provider. For example, one agency could provide case management while another provides the day-to-day care of the child.

Different agencies may offer different types of out-of-home care. For example, DCJ has different focus areas of care compared to non-government providers and ACCOs focus on care for Aboriginal children. The allocation of children to a provider is done on a capacity and location basis; what this looks like in practice differs across districts.

Table 2.1 Total number of children in different types of out-of-home care by type of service provider^a (2023-24)

	Department of Communities and Justice	ACCOs	Non-ACCO non- government providers
Foster care or relative and Aboriginal kinship care	6,852 (100%)	1,459 (100%)	5,927 (85%)
Supported independent living	0	0	311 (4%)
Other residential care ^b	0	0	708 (100%)
Total	6,852	1,459	6,945

a. This table is by service provider. The provider of a child placement may not necessarily hold case management.

b. Other residential care includes intensive therapeutic care, intensive therapeutic care significant disability and interim care.

Note: Percentages have been rounded to the nearest number and therefore totals may not sum to 100%.

Source: IPART analysis of data provided by NSW Department of Communities and Justice.



Data on child placements is limited

It is difficult to get an overview of child placement types as children can move between different types of care throughout the year. Also, children may only be in out-of-home care for short periods of time. We have reported the number of children in care across the 2023-24 year up until 29 May 2024, which means that the number of children in the table is more than the number of children in out-of-home care at any given time.

There are also differences in the needs of children cared for by different types of providers. Because non-government providers provide residential care (i.e. supervised group homes for children that typically have higher needs) and DCJ does not, we would expect there to be a higher proportion of children with high needs in non-government provider care. Looking at foster care only, non-government providers also deliver care to a higher proportion of children that are identified as having higher support needs than DCJ does. Children in DCJ care and non-government provider care are not categorised using the same child needs assessment tool and as a result, it is not straightforward to compare care needs across providers.

DCJ services all of NSW, through a regional delivery model. Some non-government providers also service the whole state, whereas others focus on certain areas.

DCJ policy seeks to place Aboriginal children in the care of ACCOs. The role and value of ACCOs in the sector is further discussed in Chapter 11. Self-determination, identity, and culture are central to the rights and best interests of Aboriginal children.¹⁸ Aboriginal children require specific care to support and maintain their unique connections to their community, Country and culture. DCJ policy recognises that ACCOs are best placed to support this.¹⁹

Currently, the majority of Aboriginal children in out-of-home care are placed with non-ACCO providers. In June 2023, there were approximately 5,202 Aboriginal children case managed by non-ACCOS (including DCJ), compared to 1,361 children case managed by ACCOs.²⁰

2.4 Current funding arrangements under the Permanency Support Program

The NSW Government has used various models and systems to fund out-of-home care over time. The PSP commenced in October 2017 and was designed to support children and families to achieve permanency. Children who are eligible for the PSP have identified case plan goals which support their transition to permanency. DCJ works together with children and families to support establishing and maintaining stable, secure and loving homes. The funding model for the PSP applies to non-government providers and is determined by assigning funding packages to the provider for each child, based on categorising the needs and goals of each individual child in the care of the provider.

The PSP was designed and introduced after the release of a 2015 independent review of the out-of-home care system in NSW.²¹ The review identified that at the time, the current NSW system was ineffective and unsustainable. It also found the system was not client centred, expenditure was crisis driven and not aligned to an evidence base, and DCJ had minimal influence over drivers of demand and levers for change.²² It called for significant change to out-of-home care to shift the system towards being client-centred and outcomes-focused, placing children at the centre of decision making with individual goals and plans to support their futures.

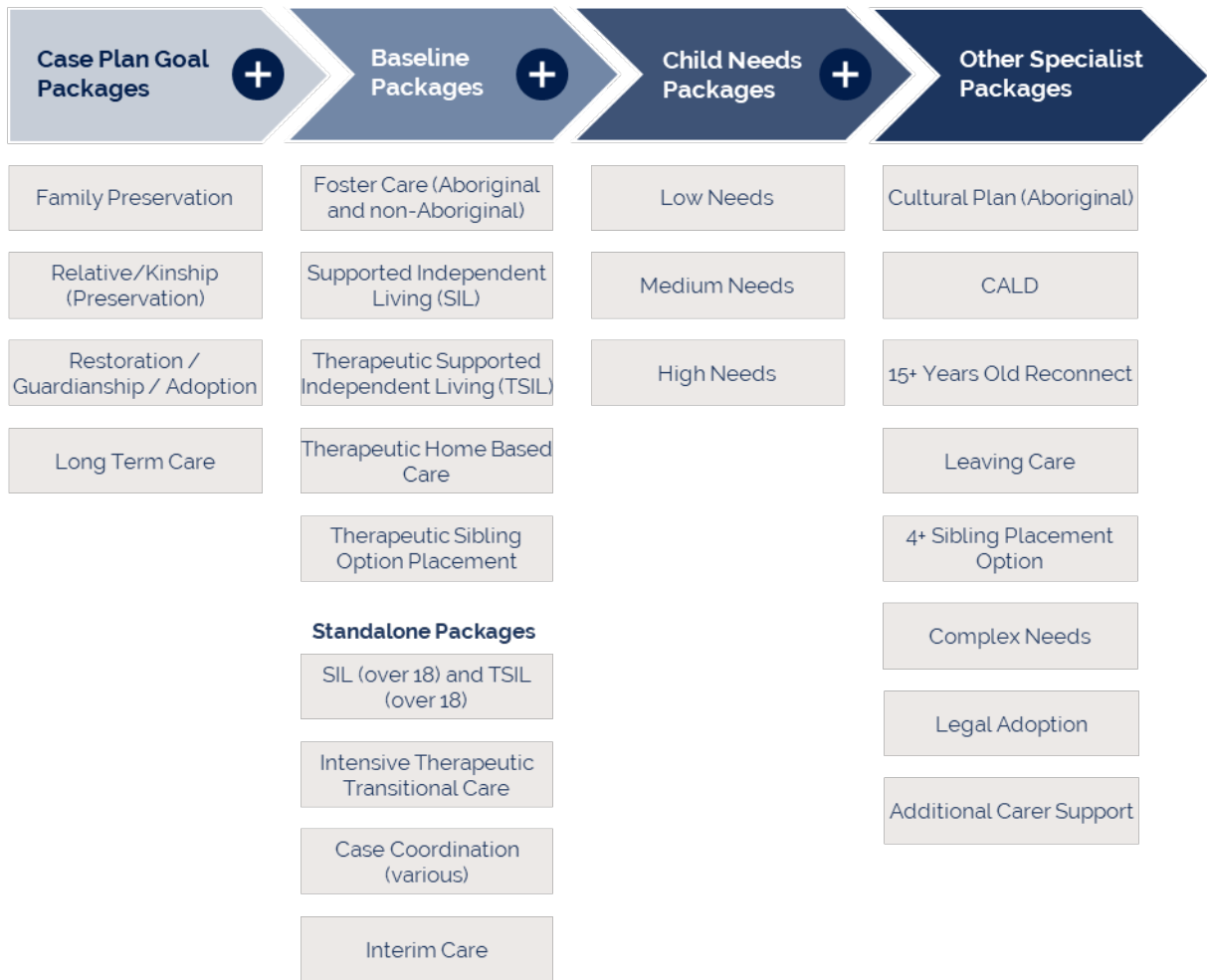
Funding for PSP providers is designed to cover the cost of case management and supports required to care for a child and address their needs.

Figure 2.2 shows how the PSP is delivered as packages that are 'built up'. For most children, the PSP provider will receive one case plan goal package, one baseline package and one child needs package, and potentially multiple specialist packages depending on the child's needs. Each child is assessed by a caseworker to determine:

- the level of their needs package using the child assessment tool (CAT)
- whether they require additional specialist packages, noting that some specialist packages are based on the child's characteristics, while assessment for other packages may be more discretionary (such as complex needs). Children with high needs frequently also require other specialist packages to support them in out-of-home care.

The PSP structures a child's progression to permanency (i.e. an exit from out-of-home care) through an identified case plan goal. Caseworkers work with a child and their family and kin to identify and select the most appropriate case plan goal for both the child and their family. All parties work together and try to achieve that goal within 2 years. Eligibility for different packages within the PSP varies based on the circumstances and goals of the child and family.

Figure 2.2 Permanency Support Program package model



Note: Standalone packages are available on a case-by-case basis for up to six months.
 Source: Department of Communities and Justice, *Permanency Support Program (PSP) Packages: Eligibility Rules and Inclusions*, July 2023, p 4.

Under the PSP, residential care for children with high and often complex needs is delivered by non-government providers. As shown in Figure 2.3, funding is provided for Intensive Therapeutic Care (ITC) homes and ITC Significant Disability (ITC-SD) homes through a combination of a house package and a baseline package per child in placement.

Figure 2.3 Permanency Support Program package model: ITC and ITC-SD Homes



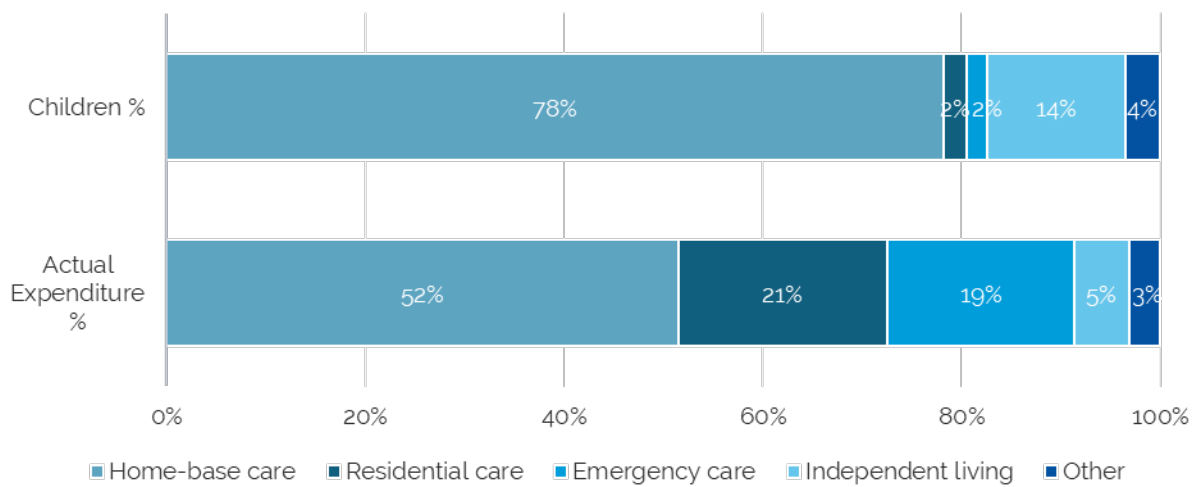
Source: NSW Department of Communities and Justice, *Permanency Support Program (PSP) Packages: Eligibility Rules and Inclusions*, July 2023, p 33.

The rates for the PSP are indexed each year at a rate set by NSW Treasury and passed on to non-government providers by DCJ. This is close to the Consumer Price Index (CPI).

2.5 The costs of providing out-of-home care in NSW

As shown in Figure 2.4, just over half of the out-of-home care budget was spent on home-based care in 2023-24, despite accounting for over three quarters of the children. In sharp contrast, residential and emergency care accounted for 40% of the budget but only 4% of children out-of-home care are in these types of placements.

Figure 2.4 Proportion of budget and children by placement type (\$2023-24)

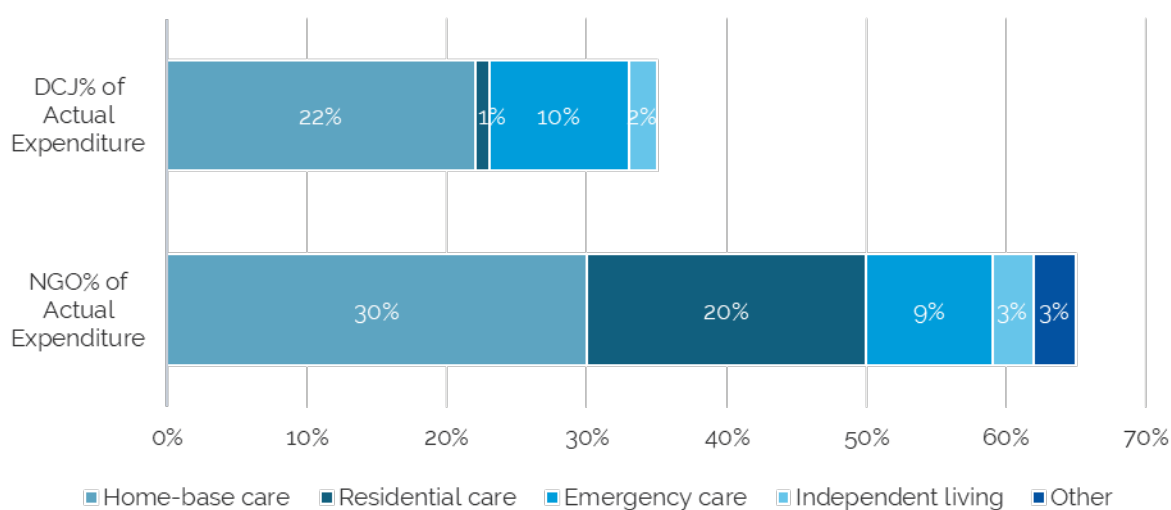


Note: Other includes Family Preservation, Therapeutic Home-Based Care, Professional Interim Care, Treatment Foster Care Oregon, Case Coordination

Source: IPART analysis of data provided by NSW Department of Communities and Justice.

Figure 2.5 shows how the total out-of-home care budget was spent in 2023-24. Around 65% of this was allocated to non-government providers who provide almost all the residential care placements.

Figure 2.5 Out-of-home care funding by provider and placement type (\$2023-24)



Note: Other includes Family Preservation, Therapeutic Home-Based Care, Professional Interim Care, Treatment Foster Care Oregon, Case Coordination

Source: IPART analysis of data provided by NSW Department of Communities and Justice.

2.6 Ongoing impacts on Aboriginal families and communities

Child removal has had, and continues to have, a significant impact on Aboriginal communities. As shown in Figure 2.1, Aboriginal children make up almost half of the children in NSW out-of-home care and continue to be over-represented in out-of-home care.

The NSW Government has a range of policies and programs that influence out-of-home care for Aboriginal children, with the aim of ensuring the best possible outcomes for Aboriginal families and children in NSW.²³

Standard 4 of the NSW Child Safe Standards for Permanent Care requires that 'Children and young people have access to information and experiences which assist them to develop a positive sense of identity'.²⁴ This relates to all aspects of identity, including Aboriginal children's connections to culture, community and family.

2.6.1 Policies of removal of Aboriginal children

Aboriginal children have been forcibly removed from their communities and families since the beginning of European occupation of Australia.²⁵ Between the 1910s and 1970s, many Aboriginal and Torres Strait Islander children were removed from their families through the enactment of State and Federal Government race-based policies.²⁶ This forced removal created grief and trauma for the children, their families, and their communities, and severed the removed children's ties with their culture. These children are known as the Stolen Generations, and their removal has had a lasting and intergenerational impact on the lives and wellbeing of Aboriginal and Torres Strait Islander peoples.²⁷

As noted by the Family is Culture Review, this historical context 'highlights the reasons for Aboriginal peoples' mistrust of the Department of Communities and Justice and other government systems, as well as their concerns about the removal of children for reasons of 'neglect' and their anger at the way in which many present day removals are effected in practice.'²⁸ The ongoing effects on Aboriginal families and communities require a unique policy response in the present day.

2.6.2 Aboriginal placement and case management policies

The 2 key policies adopted by the NSW Government that are specific to Aboriginal children in out-of-home care are:

Aboriginal and Torres Strait Islander Child Placement Principle

A set of principles that intends to keep Aboriginal and Torres Strait Islander children safely connected to their families, communities and cultures.

Aboriginal Case Management Policy

A policy designed for practitioners working with Aboriginal children and families, to achieve safety and wellbeing for vulnerable Aboriginal children by keeping them with or returning them to family and connected to community, culture and Country.

The Aboriginal and Torres Strait Islander Child Placement Principle includes 5 core elements:

1. **Prevention:** protecting children's rights to grow up in family, community and culture by redressing the causes of child protection intervention
2. **Partnership:** ensuring the participation of community representatives in service design, delivery and individual case decisions
3. **Placement:** placing children in out-of-home care in accordance with the established Placement Principle placement hierarchy
4. **Participation:** ensuring the participation of children, parents and family members in decisions regarding the care and protection of their children
5. **Connection:** maintaining and supporting connections to family, community, culture and country for children in out-of-home care.²⁹

Section 13 of the *Children and Young Persons (Care and Protection) Act 1998* sets out a hierarchy of placement options for Aboriginal children in out-of-home care, with the most preferable option being placement with the child's extended family or kin.³⁰

The purpose of the Aboriginal Case Management Policy is to promote an integrated case management approach that is tailored to the needs of Aboriginal children and families.³¹ It is a framework that operationalises the Aboriginal and Torres Strait Islander Child Placement Principle. Its core elements are:

- **Aboriginal family-led decision making:** a process for decision making which is supported by an Aboriginal community facilitator and places family as key decision making partners
- **Pro-active efforts standard:** ensures practitioners take meaningful and available steps to support families and address risks

- **Aboriginal family-led assessments:** practitioners operate through a cultural lens and prioritise culturally valid assessment tools which are able to clarify concerns and assess risks appropriately
- **Aboriginal community controlled mechanisms (ACCMs):** A formal structure or process which is representative of the needs of the local Aboriginal community that establishes it. ACCMs oversee decision-making processes which affect children, their families and communities.³²

The Aboriginal Case Management Policy states that quality Aboriginal case management:

- is child focused to promote child safety and wellbeing
- facilitates Aboriginal family-led decision making
- values community involvement, including self-determination and advocacy
- is culturally embedded
- delivers holistic services tailored to meet the needs of Aboriginal children and families
- is oriented to prevent harm and preserve families
- is accountable to Aboriginal peoples for the outcomes achieved for Aboriginal children and their families.³³

Transition of Aboriginal children to ACCO case management

The Government is working to transition all Aboriginal children in the care of non-Aboriginal providers to ACCOs. NSW Government policy recognises ACCOs are best placed to provide culturally appropriate care for Aboriginal children.³⁴ However, most Aboriginal children remain under the care of either DCJ or non-ACCO providers and current funding structures likely prevent ACCOs from building up the capacity to care for all Aboriginal children in the system.³⁵ In 2022-23, 6.5% of total out-of-home care expenditure went to ACCOs despite 43% of children in the system being Aboriginal.³⁶

The initial timeline for the transition of all Aboriginal children to the case management of ACCOs (the transition) was 10 years between 2012-2022.³⁷ This goal was not achieved, due to a range of barriers. The Government has not set a new target timeframe for the transition to occur. Up until recently, ACCOs have only provided foster care, leaving a service gap for Aboriginal children who may be better placed in residential service models. Some ACCOs have been awarded contracts to deliver Intensive Therapeutic Care in a recent tender round.³⁸ Non-ACCOs case managing Aboriginal children are expected to collaborate with ACCOs in their area to organise case management transfers. Transitions cannot occur without consent from the carer of the child to be transitioned^b, who typically remains caring for the child when they are transferred to the ACCO. Chapter 12 discusses this in more detail.

^b This applies to Aboriginal children in foster or relative/kinship care. Other non-home-based placement types are not in scope for transitions at the time of writing due to limited ACCO capacity to deliver such placements. Source: NSW Department of Communities and Justice, [Aboriginal Out of Home Care \(out-of-home care\) Transition Project Factsheet for PSP Providers](#), accessed 16 January 2025.

National Agreement on Closing the Gap

The National Agreement on Closing the Gap (the National Agreement) has an objective to enable Aboriginal and Torres Strait Islander people and governments to work together to overcome the inequality experienced by Aboriginal and Torres Strait Islander people, and achieve life outcomes equal to all Australians.³⁹ This National Agreement, signed in 2020 by all Australian governments and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations, includes 4 priority reforms:

1. strengthen and establish formal partnerships and shared decision-making
2. build the Aboriginal and Torres Strait Islander community-controlled sector
3. transform government organisations so they work better for Aboriginal and Torres Strait Islander people
4. improve and share access to data and information to enable Aboriginal and Torres Strait Islander communities make informed decisions.

The National Agreement also includes a target to reduce the rate of overrepresentation of Aboriginal and Torres Strait Islander children in out-of-home care by 45%.⁴⁰

A review by the Productivity Commission in 2024 found that overall governments are not adequately delivering on the National Agreement, and its data shows the target to reduce overrepresentation is worsening.⁴¹

Draft Finding



1. Most Aboriginal children are currently case managed by non-ACCOs, even though Government policy recognises Aboriginal children are best placed with ACCOs. Current funding structures likely present barriers to ACCOs building up the capacity to care for all Aboriginal children in the system.

Box 2.1 The role and value of ACCOs in the out-of-home care sector

AbSec defines an ACCO in the child, family and community care sector as meeting the following criteria (based on wording in the National Agreement on Closing the Gap):

- an independent, not-for-profit organisation that is incorporated as an Aboriginal organisation
- initiated by, and is controlled and operated by Aboriginal people, thereby acknowledging the right of Aboriginal peoples to self-determination
- based in a local Aboriginal community, or communities

Box 2.1 The role and value of ACCOs in the out-of-home care sector

- governed by an Aboriginal Board which is elected by members of the local Aboriginal community or communities where it is based and decision making of the Board is determined by Aboriginal Board members
- delivers services that build strength and empowerment in Aboriginal people and their communities.

There is a large variation in the size, operation and roles between different ACCOs. This is because of the differences in cultural, community and geographical contexts that each ACCO operates in. ACCOs are subject to the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (Cth) and local Aboriginal governance processes. This means that ACCOs not only face external accountability as any other corporation, but also to the community. ACCO providers of out-of-home care are accredited by the NSW Office of the Children's Guardian through the same process and standards as all other providers of out-of-home care.

Aboriginal community control is an act of self-determination. The National Agreement on Closing the Gap (and therefore its signatories) recognises that Aboriginal community-controlled services lead to better service outcomes for Aboriginal people. When it comes to working with families, ACCOs have been shown to:

- deliver services based on trust and relationships
- take a strengths-based, child-centred and family-led approach to service delivery
- deliver place-based services in line with community need
- embed culture in all elements of their services
- deliver a broad range of services based on community need.

Source: AbSec, *Aboriginal Case Management Policy – Fact Sheet: ACCO's role in the implementation of the ACMP*, accessed 14 January 2025, p 1; Australian Productivity Commission, *Review of the National Agreement on Closing the Gap Study Report Volume 1*, January 2024, p 49; SNAICC, *Funding model options for ACCO integrated early years services: Final Report*, May 2024, pp 45-51.

2.6.3 The current Permanency Support Program packages for Aboriginal children

Under the PSP, there are 2 types of funding packages for Aboriginal children in out-of-home care provided by non-government providers:

- an initial establishment and ongoing annual payment to all non-government providers caring for Aboriginal children (Cultural Plan (Aboriginal) Specialist package)
- an annual additional payment to ACCOs caring for Aboriginal children (Aboriginal Foster Care package).

We have heard from various stakeholders that these packages are currently inadequate to support the cultural needs of Aboriginal children in out-of-home care.⁴² An analysis of the current costings shows that they do not cover the range of activities needed to support Aboriginal children, most specifically the intensive casework to develop and deliver cultural plans that support their cultural connection.

2.7 The out-of-home care system faces ongoing challenges

As demonstrated in numerous reviews of the sector, the NSW out-of-home care system faces major challenges. An evaluation of the PSP between 2019 and 2022 found that it experienced significant implementation challenges and failed to demonstrate the larger positive impact on children that DCJ intended through the reform effort.⁴³ It also found that there was little evidence that children receiving PSP packages had substantially higher safety, permanency, stability, and wellbeing compared to children whose placements were funded under the previous model.⁴⁴ Another key finding of the evaluation was that the costs of the PSP funding model are much larger than the calculated benefits, based on performance outcomes including those related to education, health, and youth justice involvement.⁴⁵

DCJ recently undertook a System review into out-of-home care. It found the out-of-home care system in NSW is not fit for purpose and fails to meet the needs of children and young people at an efficient cost.⁴⁶ The report makes 13 recommendations, relating to areas such as accountability, governance, investment and workforce. The NSW Government has not yet formally responded to these recommendations.

Some of the specific challenges which are relevant to our review are described in the following sections.

Carer shortages

As of June 2023, there were 8,229 households providing a placement for at least one child in out-of-home care in NSW.⁴⁷ In 2022 there was a shortage of around 350 foster carer households.⁴⁸ While the Government has not published more recent estimates of the shortage of carers, it continues to make a 'desperate call for foster carers'.⁴⁹ Between 30 June 2021 and 30 June 2024, there was a 20.5% decrease in the number of carers authorised with DCJ and a 8.4% decrease in the number of carers authorised with non-government providers.⁵⁰ Aboriginal communities and certain culturally and linguistically diverse communities are particularly under-represented in carer households.⁵¹ Agencies and major bodies like My Forever Family are proactively trying to recruit carers to reverse the decline.

Labour shortages

We have heard from many providers that it is difficult to attract and recruit staff. In September 2024, there was a 9% vacancy rate for DCJ caseworker positions.⁵² The Mid North Coast, New England, Northern NSW region had the highest proportion of vacancies, at 13%.

We heard from stakeholders that increased compliance and administrative tasks for caseworkers have increased their workload and reduced the amount of time they are able to see children and families.⁵³ Some submissions to our Consultation Paper suggested that caseworkers have a high turnover rate and are at risk of burnout, due to high workloads.⁵⁴ Some non-government providers said that as a result they face increased recruitment costs.⁵⁵

Cost increases

The cost of living in NSW is rising and many households rely on dual incomes. This, tied with the increased cost of housing, means fewer households have the extra time or space to become foster carers and existing foster carers face financial pressures.⁵⁶ Healthcare and other specialist services have become more expensive and less accessible. As will be further discussed in Chapter 5, the care allowance has not increased sufficiently in line with the rising cost of providing the day-to-day necessities for children in out-of-home care.

Providers are also experiencing challenges with cost increases. These include rising housing costs and insurance premiums. Workers' compensation premiums are also on the rise. We discuss the different costs of delivering out-of-home care in greater detail in Chapters 5 to 11.

Reliance on high-cost emergency arrangements

High-cost emergency arrangement (HCEA) is the term used to describe non-home-based arrangements designed for emergency use. These arrangements are only considered if all other placement options are exhausted and are meant to only be an interim option until a more suitable placement is found. Chapter 16 discusses how these arrangements work in more detail.

As these placements are non-home-based and supported by paid care staff, they can be very expensive, as well as having detrimental impacts on children.⁵⁷ The NSW Advocate for Children and Young People has found evidence that "the significant funds that have been spent on ACAs [a type of HCEA] could be better invested in providing alternative models and placement options for children which have a stronger focus on therapeutic support".⁵⁸

Recognising these issues, DCJ is working to move children out of emergency arrangements.⁵⁹ It has banned the use of ACAs, which are considered the most detrimental form of emergency arrangement.⁶⁰ DCJ is also seeking to reduce the number of children in other types of emergency arrangements. Between November 2023 and September 2024, the number of children in emergency arrangements fell by 26%.⁶¹

Many stakeholders have criticised the system's use of HCEAs.⁶² Submitters blamed this issue on other faults in the system, mainly due to the lack of carers and support for them, as well as the inflexibility of funding to respond to emerging needs of children.⁶³ These factors are thought to lead to placement breakdowns, in turn directing children toward HCEAs.

Resourcing early intervention

Past reviews have called for an increased focus of resources in the child protection system toward targeted early intervention, to improve outcomes for children and families as well as creating long-term budget savings. The Audit Office of NSW recently found that DCJ has made minimal progress in redirecting resources toward such a model.⁶⁴ This could be further exacerbating budgetary challenges in the out-of-home care system.

2.7.1 Out-of-home care challenges are not unique to NSW

Most other jurisdictions in Australia are facing similar out-of-home care system challenges to NSW, including carer shortages,⁶⁵ inappropriate emergency accommodation⁶⁶ and overrepresentation of Aboriginal and Torres Strait Islander children.⁶⁷ Costs faced by NSW are not out of step with those in the rest of the country. The unit cost per child per placement night is about average compared to other states/territories in Australia (Figure 2.6).

Figure 2.6 Unit cost of care (real expenditure on out-of-home care services per placement night) by jurisdiction (2023-24) – all types of out-of-home care



Source: Australian Government Productivity Commission, *Report on Government Services 2025: Part F, Section 16, Table 16A.36*, January 2025.

2.8 The NSW Government is reforming the out-of-home care system

The NSW Government is seeking to reform the out-of-home care system through various initiatives. Some of these reforms are described in Table 2.2.

Table 2.2 Recent and ongoing reforms in the NSW out-of-home care system

Recent reforms	Ongoing reforms
<p>Introduction of different emergency care options (2021)</p> <ul style="list-style-type: none"> Instead of relying on non-contracted emergency arrangements, the Government tendered for providers of contracted emergency care options <p>Uplift of funding of Intensive Therapeutic Care (2022)</p> <ul style="list-style-type: none"> Simplified and increased funding for residential care <p>Active Efforts principle (2022-2023)</p> <ul style="list-style-type: none"> The <i>Children and Young Persons (Care and Protection) Act 1998</i> was amended to include an active efforts provision (section 9A), which requires the Secretary of DCJ to demonstrate action to prevent children entering out-of-home care; or where a child has entered out-of-home care, efforts to restore or place a child with family, kin or community. <p>Increasing partnerships with Aboriginal communities (2024)</p> <ul style="list-style-type: none"> Establishment of the Ministerial Aboriginal Partnership Group, to incorporate input on out-of-home care system reforms from Aboriginal community representatives Setting up a restoration taskforce to support ACCOs in expanding restoration-focused work 	<p>Transition of the case management of Aboriginal children to ACCOs</p> <ul style="list-style-type: none"> Target of majority of transitions from non-government organisations to ACCOs to have occurred by June 2026. The transfer of Aboriginal children in DCJ care is to occur after this date. <p>Reducing the number of children in non-home-based emergency arrangements</p> <ul style="list-style-type: none"> More targeted recruitment of emergency foster carers Increased work with providers to redirect children into other care options Ban on Alternative Care Arrangements <p>Increased delivery of government-run care models</p> <ul style="list-style-type: none"> DCJ is re-entering the sector as a foster care provider, including intensive and professional foster care models DCJ-delivered residential care for children where home-based placements are unable to be sourced.

Sources: NSW Minister for Disability Inclusion, NSW Minister for Families and Communities, [\\$231 Million to Rebuild the Foster Care System and Drive Disability Inclusion](#), June 2024; Meeting with NSW Department of Communities and Justice, February 2024; NSW Minister for Families and Communities, [NSW Government to ban the use of Alternative Care Arrangements for vulnerable children](#), September 2024; *Children and Young Persons (Care and Protection) Act 1998* S9A.

Chapter 3 »

Approach to the review

This chapter provides an overview of how we have undertaken the review

03

The NSW Government has asked IPART to review the efficient costs of delivering out-of-home care (out-of-home care) and the pricing arrangements with the non-government providers who deliver care under contract with the NSW Government. We have also been asked to make recommendations for the care allowance for providing care and support to children and young people in out-of-home care.

We released an [Interim Report](#) in September 2024 with our preliminary analysis on key topics such as cost drivers in the out-of-home care system, differences in casework costs, administrative costs and overheads, and some observations regarding the current pricing levels and structure. The Interim Report also included discussion of the issues experienced by carers, and the need to ensure the care allowance reflects the cost of caring for children over time.

We sought feedback on our preliminary findings and have continued to engage with stakeholders in developing our draft findings and recommendations. This Draft Report, for comment and further consultation, includes our analysis, draft findings and recommendations for all matters in our [Terms of Reference](#), having regard to all of the relevant considerations.

This chapter discusses how we have approached the task of estimating the efficient cost of out-of-home care, and how quality and efficiency interrelate. The chapter also provides an overview of the how we have conducted the review so far, and next steps.

3.1 Child safe standards and child placement principles provide a framework for our review

The *NSW Child Safe Standards for Permanent Care* are 23 standards set by the Office of the Children's Guardian which establish the minimum standards for the accreditation of out-of-home care and adoption service providers in NSW.^a These standards are based on the statutory responsibilities of out-of-home care and adoption service providers as set out in the objects and principles of the *Children and Young Persons (Care and Protection) Act 1998* (Care and Protection Act), the *Adoption Act 2000* (Adoption Act), and other relevant regulations.⁶⁸ The purpose of these standards is to ensure that children in care have their rights upheld and receive quality services, regardless of where they are placed.⁶⁹

Further, the rights of Aboriginal children in out-of-home care to be supported to maintain connections to family, culture, community and Country are recognised in the Aboriginal and Torres Strait Islander Child Placement Principle of the Care and Protection Act.^b

These laws, standards and principles provide a framework for assessing the costs and recommending a pricing structure for out-of-home care.

Box 3.1 sets out the objectives of Care and Protection Act.

^a We note that these standards are being replaced by a code of practice due to commence in October 2025. The code of practice presents the accreditation and practice requirements for out-of-home care providers and closely reflects the 23 standards.

^b Connection is one of the 5 elements in the Aboriginal and Torres Strait Islander Children and Young Persons Principle in s12A of the Care and Protection Act.

Box 3.1 Objectives of the Care and Protection Act

The objectives of the Care Act include:

1. **Safety and wellbeing:** To ensure the safety, welfare, and wellbeing of children and young people.
2. **Prevention of harm:** To prevent children from experiencing harm, abuse and neglect.
3. **Family preservation:** To support families to stay together wherever possible, promoting family preservation and reunification when safe and appropriate.
4. **Out-of-home care standards:** To provide a framework for the provision of out-of-home care services that meets the needs of children and young people.
5. **Best interests of the child:** To prioritise the best interests of the child or young person in all decisions and actions taken regarding their care and protection.
6. **Participation of children:** To promote the participation of children and young people in decisions that affect them, ensuring their voices are heard.
7. **Cultural respect:** To respect and consider the cultural identity of children and young people, particularly Aboriginal and Torres Strait Islander children.
8. **Collaboration:** To foster collaboration among government agencies, service providers, and communities to improve outcomes for children and families.

Source: NSW Government, *System review into out-of-home care*, October 2024, p 43; and *Children and Young Persons (Care and Protection) Act 1998*, s 8.

3.2 What do efficient costs mean in the context of out-of-home care?

'Efficient costs' refer to the minimum cost required to achieve a given set of services or outputs. This is not the same as 'least cost' as the efficient cost of a service will vary depending on the quality or level of services provided. In a typical review of efficient costs, the first step would be to define the quality and level of the service, and the outputs of these services.

If we had more complete information on services and outcomes over the longer term, or even short-term outcomes which are indicators of longer-term benefits, we would be able to measure the costs and benefits of the different out-of-home care placement types, including wrap around services (such as therapy and homework clubs), providing for the safety, welfare and well-being of children. We could then focus on estimating the efficient cost of delivering those placement types and services that have the greatest benefit for children and society over the long term.

However, as we discussed in our Interim Report, relating long-term outcomes to particular out-of-home care service offerings is difficult. DCJ does not collect data from non-government providers to determine the nature of the services delivered to the child with the funding in each package. This has also been noted by several recent reviews.

DCJ has trialled a Quality Assurance Framework (QAF) with a DCJ district and several non-government providers across NSW.⁷⁰ Under the QAF, outcomes for children in out-of-home care were assessed across the domains of safety, permanency, and wellbeing (including educational potential, physical health and development, emotional and psychological wellbeing, social functioning, and cultural and spiritual identity).⁷¹ However, there were challenges in using the QAF including linking data from other systems, and further work is being undertaken to ensure it is fit for-purpose before being implemented system-wide.

A lack of accountability and oversight was a key system failure identified by the recent System review into out-of-home care. The review made several recommendations to strengthen stewardship of the system, including the introduction of key performance indicators and performance outcomes, and cost-benefit and outcomes-based evaluations.⁷²

Similarly, the NSW Audit Office found that providers are not required to report on how they spend the package funds or report on any outcomes that relate to the child's health, wellbeing, cultural, or educational needs.⁷³ This information is not collected for children in DCJ managed care either.

Currently there is no assessment undertaken as to what programs achieve positive outcomes for children in out-of-home care. Better information is needed if we are to understand what drives positive short, medium and long-term outcomes for children in care. In the meantime, we support the findings of other reviews, that it is important to improve the state of information on what services children in out-of-home care are receiving.

Box 3.2 discusses how the QAF was designed to measure outcomes for children in out-of-home care.

Box 3.2 Quality Assurance Framework for NSW

The QAF was designed to measure outcomes for children in out-of-home care across the domains of:

- **Safety** - Children and young people have the opportunity and support needed to ensure that they are physically and psychologically safe and free from maltreatment.
- **Permanency** - children and young people have permanency and stability in their living situations, and the continuity of family relationships and connections is preserved.
- **Wellbeing** which consists of:
- **Educational potential** - Children and young people have the opportunity and support needed to maximise their intellectual ability and functioning and to achieve educational success to their fullest potential.

Box 3.2 Quality Assurance Framework for NSW

- **Good health and development** - Children and young people have the opportunity and support needed to maximise their physical health, strength, and functioning.
- **Emotional, psychological wellbeing** - Children and young people have the opportunity and support needed to manage their mental health and wellness.
- **Social functioning** - Children and young people have the opportunity and support needed to cultivate a strong and resilient self-identity, supportive and nurturing relationships and feel hopeful about life and future.
- **Cultural and spiritual identity** - Children and young people have the opportunity, encouragement and support needed to engage with, and develop, their own cultural, ethnic, and spiritual identity.

Source: NSW Government, *Quality Assurance Framework for New South Wales – Executive Summary QAF*, November 2020

As all providers, including DCJ, must meet the [NSW Child Safe Standards for Permanent Care](#) to be accredited to deliver out-of-home care in NSW, we have assumed that all services delivered by accredited providers satisfy this minimum quality and level of service.

However, providing care at the lowest cost to meet the minimum standards may not be the most efficient approach overall. There is significant concern amongst non-government providers that an assessment which only identifies the lowest short-term financial cost will lead to poorer outcomes for children and higher costs over the long term.

As noted by the System review, there is significant variation in practice with some pockets of excellence across different service providers and DCJ districts. The review noted that effective and innovative services were being delivered by many dedicated people, carers and organisations who are doing their best to make a positive difference in the lives of children, young people, families and communities.⁷⁴ However, without the data and frameworks to assess the relative outcomes and cost effectiveness of services, the wider adoption of successful practices is limited.

In Chapter 4 we discuss how we have assessed efficient costs in this context.

3.3 How we have conducted the review so far

Initially, we published and sought feedback on the draft Terms of Reference for the review. Based on this feedback we recommended some changes to these Terms, and the Premier signed our final Terms of Reference in May 2024.

We published a [Consultation Paper](#) in May and received 89 submissions and 281 responses to our feedback form. We published an [Interim Report](#) with 2 Information Papers in September and held a Public Hearing in October 2024. As discussed further in Chapter 5, we have also undertaken a review of the cost of caring.

3.3.1 We have continued and are continuing to engage with stakeholders

Throughout the review, we have been engaging, and will continue to engage, with stakeholders who provide out-of-home care services and who directly support children in out-of-home care. This engagement has been critical to gain an understanding of the costs of supporting a child in out-of-home care, as well as facilitating and administrating the out-of-home care system including the PSP. We greatly appreciate the time taken by all stakeholders to date to meet with us, provide data, and share their experiences working with, caring and supporting children in out-of-home care in NSW.

To date, we have visited DCJ Community Service Centres, non-government providers including ACCOs across regional and metropolitan NSW and met with many others online. We appreciate the time taken by caseworkers and all those working in out-of-home care to meet with us and share their experiences.

Carers have continued to be very engaged with our review, through submissions, survey responses and meetings. In October 2024 we held a series of online and in-person workshops with carers. These were attended by over 55 carers and were very informative as we undertook the cost of caring review.

We have also continued, and are continuing, to work with the sector peak organisations who represent non-government providers, the NSW Child, Family and Community Peak Aboriginal Corporation (AbSec) and the Association of Children's Welfare Agencies (ACWA) to engage with their members and help with collecting information.

We have engaged with other representative peak bodies and will continue to do so throughout our review to date. These include:

- Aboriginal Legal Service (ALS) NSW/ACT
- the Office of the Children's Guardian
- the Advocate for Children and Young People
- Adopt Change (My Forever Family).

We also acknowledge and appreciate the cooperation we have received from DCJ throughout our review including answering questions and providing data.

3.3.2 Data requirements for the review

We have sought data from DCJ and non-government providers to estimate efficient costs, understand what drives variations in these costs, and to establish benchmarks for out-of-home care placements which meet the varying needs of children.

Data from DCJ

We requested and have received data from DCJ for 2021-22, 2022-23, and where available 2023-24 for:

- the workforce profile for all out-of-home care related teams within DCJ
- DCJ's financial accounts for all out-of-home care district and head office teams

- non-government provider income and expenditure acquittals
- de-identified unit records for all children in out-of-home care
- details for high-cost emergency arrangements.

Data from non-government providers

An accurate understanding of non-government providers including ACCO's costs and cost drivers is critical for our review. Given this, we requested information from providers on their costs of providing care and support to children in out-of-home care. We worked with ACWA and AbSec and providers to develop both a simplified and more detailed information request. Both ACWA and AbSec assisted a sample of their members to complete the more detailed requests.

The information sought in the more detailed request included contract expenses and income, detail on staff numbers, administrative and corporate overheads, cost drivers for casework, details on the number of carers and care allowances, residential care workers, in-house clinical and therapy workers and support staff.

We have analysed the information we received from providers and sought additional details where required. We have used this data in calculating the cost of individual components of out-of-home care as set out in Chapters 5-11.

3.4 Next steps for the review

We are seeking feedback on the draft findings, decisions and recommendations in this Draft Report. We will be holding a series of workshops with stakeholders and members of our Tribunal in coming weeks and are inviting submissions until Thursday 17 April. We will consider all feedback we receive before finalising our findings and recommendations for the review.

Table 3.1 outlines the milestones for our review.

Table 3.1 Review milestones

Review Milestone	Proposed date
Publish Terms of Reference and submissions on draft ToR	22 May 2024
Publish Consultation Paper	22 May 2024
Data info requests to NGOs inc ACCOs	June-July 2024
Submissions on Consultation Paper close	27 June 2024
Publish Interim Report	10 September 2024
Public Hearing on Interim Report	22 October 2024
Submissions on Interim Report close	29 October 2024
Publish Draft Report	14 March 2025
Workshops with stakeholders and Tribunal members	Late March-Early April
Submissions on Draft Report close	17 April 2025
Submit Final Report to Premier and Minister	late-May 2025

Note: darker shaded rows are completed

PART B:

Cost components

B

Chapter 4 »

Approach to estimating costs

This chapter sets out our approach to assessing efficient costs, how we have considered the cost of meeting the needs of Aboriginal children in out-of-home care and regional cost variations



We have estimated the efficient costs of providing out-of-home care. As discussed in Chapter 3, the efficient cost of delivering a service is not necessarily the lowest cost, as the efficient cost will vary depending on the level of service provided. However, we do not have as much information on service quality as we would like.

One of the key sources of information we have used to develop our estimates is information on the current costs of providers, including DCJ. As providers are required to work within the current funding envelope, the status quo is influential in our analysis. We have heard from providers that in some cases they are doing less than they consider would be best practice because they consider that current funding is insufficient. There is also some evidence that some children are not having even their basic needs met.⁷⁵ However, we have also seen that there are dedicated providers across the system who are doing great work.

We agree with the findings of previous reviews that there is inadequate data and oversight around what services children are receiving. Without the data and frameworks in place to monitor the services provided and assess their relative outcomes and cost effectiveness, we are unable to assess which practices are efficient or cost effective.

The following sections discuss how we have approached the task of estimating the efficient costs given these limitations, and how we have considered the cost of meeting the needs of Aboriginal children in out-of-home care. We also discuss how costs can vary by region, and how we have accounted for these variations.

4.1 How we have assessed efficient costs for out-of-home care

Given the limited information about the services and outcomes of out-of-home care, to establish efficient costs we have broken the different placement types (home-based care, residential care, living independently and emergency arrangements) down into their component costs. The efficient cost for many of the components vary based on the needs of the child. Some of these components are similar across all placement types (for example, the everyday living costs).

We have analysed:

- costs, staff and child level data from DCJ and non-government providers
- service requirements, for example, required staffing ratios for the various types of residential care as set out in [Schedule 1](#) of the Permanency Support Program, Program Level Agreement
- modelling undertaken to establish the Permanency Support Program
- feedback in submissions and throughout our engagement with stakeholders, about what is or is not adequately funded, and the cost drivers in the system.

Table 4.1 sets out how efficient costs would be estimated with more information, as well as how we have and the limitations on this, and notes what is required to more accurately assess the efficient cost.

Table 4.1 Analysis of efficient costs of components for out-of-home care

Preferred efficient cost analysis	Analysis undertaken and limitations	Potential improvements
Casework		
<p>To estimate an efficient casework cost, it would be preferable to have data on casework activity including duration of activity and frequency linked to outcomes would provide insight into what works to improve outcomes for children in care. This could then be used to calculate an efficient caseload to maximise these benefits in the most cost-effective way.</p>	<p>While we do have DCJ's internal analysis on casework, there is no equivalent information for non-government providers and no matching data on outcomes achieved. Spending more time on a case may not necessarily correlate with better outcomes. We have used the following data to inform our estimated efficient casework cost:</p> <ul style="list-style-type: none"> • Literature review • DCJ's casework study, and performance metrics • PSP service requirements • Information returns from NGOs on caseload and team structures • DCJ workforce data • Meetings with DCJ caseworkers • Relevant Awards for labour costs <p>DCJ and non-government providers have different awards and enterprise bargaining agreements that apply; therefore, the efficient casework cost differs between them for the same caseload.</p>	<p>Collecting data on services provided and matching with outcomes achieved would assist with future analysis on caseloads.</p> <p>Implementation of a quality assurance framework (as discussed in Chapter 3) could provide rich information on the relationship between caseload and outcomes for children.</p>
Administration and corporate overheads		
<p>To estimate an efficient cost for administration and corporate overheads, it would be preferable to be able to identify the component costs to estimate average costs across similar providers. Being able to split these costs into fixed and variable costs would assist in assessing the relative efficiencies of different sized organisations, and key cost drivers.</p>	<p>Our draft analysis relied on financial statements from non-government providers and DCJ. There were several limitations including:</p> <ul style="list-style-type: none"> • Large variation in average administrative cost per child by placement type • Lack of granularity in financial data • Potential inconsistency in expense items classified as administrative costs vs direct service costs. <p>Current administrative burden is likely to impact on administrative costs. We have benchmarked across providers using actual costs and have applied the lower quartile as a proxy for a more 'efficient' level of administrative costs. For residential care, we have estimated the efficient administrative cost based on current PSP pricing assumptions.</p>	<p>Further details on financial data, categorisation of administrative expenses and corporate overheads (including into fixed and variable costs) and key drivers of these cost particularly for providers that offer residential care.</p>
Care staff		
<p>To estimate a true efficient cost for care staff we would need to know what the optimal level of staffing is to maximise outcomes for the children they are caring for, in the most cost-effective way.</p>	<p>For our estimate of efficient care staff, we have calculated the annual cost of covering each type of shift for every day of the year for direct care staff, house managers and therapeutic specialists.</p>	<p>As for casework above, greater information on the services provided and matching with outcomes achieved for children would assist in estimating the optimal number of staff, and in turn the efficient cost of care staff.</p>

Preferred efficient cost analysis	Analysis undertaken and limitations	Potential improvements
	<p>We used relevant awards rates for permanent and casual staff and made assumptions about on-costs such as training and leave, and the cost of backfilling positions, as well as rates of staff turnover which drive these costs.</p> <p>In building up total costs we have used the current residential care requirements for the number and type of staff required per shift.</p>	<p>Implementation of a quality assurance framework (as discussed in Chapter 3) could provide rich information on the relationship between care staff and outcomes for children.</p>

Residential facilities

<p>Residential facility costs should be able to be broken down into component parts and the efficient value of each component estimated using market prices. The efficient cost of providing residential facilities in different circumstances will vary because the optimal delivery model (size and type of house, adjustments that need to be made) will vary by the needs of the child.</p>	<p>To estimate the efficient cost of providing residential facilities, we considered each component separately.</p> <p>We have used the median rent (published in the DCJ Quarterly Rent and Sales report) by property size and location to estimate an efficient cost of accommodation. Using rental prices overcomes the variations in financing arrangements for providers who may own their properties.</p> <p>We used short-term accommodation rates and rental rates for different emergency arrangements.</p> <p>For other property costs including establishment costs and ongoing utility costs, maintenance and repairs, and vehicle costs, we have used a range of external sources, information returns from non-government providers and assumptions.</p>	<p>The efficient cost of a number of scenarios can be estimated by building up the cost components as we have done, but greater information on how the type of accommodation impacts on the outcomes for children in residential care is required to more accurately estimate the efficient cost of providing residential facilities in the most cost effective manner.</p>
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In estimating each component cost we have considered the level and quality of services required to meet child safe standards and the elements in the Aboriginal and Torres Strait Islander Child Placement Principle. For example, for Aboriginal children this would include the additional casework costs required to support their connection to culture, community and Country as well as intensive work with Aboriginal families.

Chapters 5-11 discuss how we have done this in terms of each component's base cost and what drives variation in this cost. The components are:

- the day-to-day living costs of children
- casework – and how caseload varies by placement type and needs of children
- administration and overheads
- care staff for residential and emergency care arrangements
- residential and emergency facilities
- medical, health and wellbeing costs, and expenses incurred maintaining family connections
- supporting Aboriginal cultural connections.

In turn, we have used these component costs to establish benchmarks for each placement type, reflecting the varying needs of children in out-of-home care. This is discussed in Chapters 12-16.

4.2 How we have considered the cost of meeting the needs of Aboriginal children in care

Standard 4 (Identity) of the NSW Child Safe Standards for Permanent Care requires that 'Children and young people have access to information and experiences which assist them to develop a positive sense of identity'.⁷⁶ This relates to all aspects of identity, including Aboriginal children's connections to culture, community and family. Cultural connection is a critical part of the social and emotional wellbeing of Aboriginal people.⁷⁷ Through removal from their family, Aboriginal children in out-of-home care are particularly vulnerable to losing connection to their culture, community and Country.

For Aboriginal and Torres Strait Islander people, 'connection' to family, community, culture and country is a fundamental concept which is central to one's sense of identity, belonging and wellbeing. Aboriginal and Torres Strait Islander people understand 'connection' to be gained through social experience and involves interaction with families, communities and ancestors associated with a particular area that is related to them.

Family is Culture review⁷⁸

For Aboriginal children there are also specific placement principles and requirements that apply in addition to the more general requirement for cultural connection (see Chapter 3 for more information). Ensuring that these principles are met is a key element of Government policy and an important part of ensuring that Aboriginal children receive the care they are entitled to.

As part of the Government's commitment to improve outcomes for Aboriginal children in care, the Government is also working to transition all Aboriginal children in the care of non-Aboriginal providers to ACCOs. NSW Government policy recognises ACCOs are best placed to provide culturally appropriate care for Aboriginal children.⁷⁹

Through our engagement to date, we have heard about the various additional costs faced by ACCOs and non-ACCOs in delivering out-of-home care to Aboriginal children.⁸⁰ Much of what we have heard is reflected in prior reviews and literature. However, there are inherent challenges in obtaining data to quantify and isolate these specific cost components. For example:

- Cultural planning is unique to each child and therefore costs of supporting the needs of Aboriginal children can vary significantly. We have also heard from many providers that the level of cultural supports offered to Aboriginal children is currently constrained by funding levels.
- ACCOs' core elements, related specifically to how they operate from Aboriginal cultural contexts (Aboriginal ways of knowing, being and doing), do not naturally or easily fit specific cost items.

- Providers have different ways of financial reporting. A simple comparison between ACCO and non-ACCO financial data does not tell the full picture nor would it be a 1:1 comparison of cost categories.

Rather than attempting to define or cost what cultural connection looks like across the diverse range of Aboriginal Nations and communities in NSW, and personal cultural and community circumstance, our costing approach seeks to identify relevant costs areas that would facilitate and support access to a child's Country, culture, family and community. In this context, we recognise that these categories may not reflect the holistic nature of service provision, particularly with regards to place-based culturally appropriate services that many ACCOs provide.

As a result, we have adopted the following approach to estimating the costs of caring for Aboriginal children. We have estimated 3 categories of cost differences in our benchmarks:

- Additional casework costs for Aboriginal children in care, including additional time required to meet the Aboriginal Case Management Policy. These costs are considered in Chapter 6 on casework.
- Costs associated with cultural programs, genealogy and family finding, and supports to meet connection to family and Country for Aboriginal children in care. These costs are considered in Chapter 11.
- Differences in the operating costs faced by ACCOs because they work differently and more holistically to provide a full set of services prior to and across the continuum of care to Aboriginal children, their families and communities.⁸¹ These costs are considered in Chapter 7.

We have also considered issues around the transition of Aboriginal children to the care of ACCOs and how the additional costs should be factored into placement costs in Chapter 12.

There is also no specific provision made for ACCO-delivered residential care in the current PSP prices, whereas foster care funding is higher for ACCOs compared to non-ACCOs caring for Aboriginal children. The gap in PSP pricing for ACCO-delivered residential care may be because there were no ACCOs delivering residential care at the time of developing the pricing, although some ACCOs have been awarded in the latest tender round for Intensive Therapeutic Care.⁸² Going forward, the funding model will also need to reflect the specific supports that ACCOs provide to children in residential care.

4.3 How we have considered variations in costs across regions

Our Terms of Reference require us to consider how costs vary by location. There is currently no location-based variation in the pricing of the PSP packages with service providers across NSW receiving the same package funding for the delivery of out-of-home care, regardless of location. Similarly, there is no variation in the care allowance. However, we have heard that there can be additional costs incurred in the delivery of out-of-home care outside metropolitan areas for both carers and providers.

The sections below discuss what we have heard from stakeholders about the challenges of caring and providing out-of-home care services in regional and remote areas, and how we have considered cost variations across NSW.

4.3.1 We have considered NSW as 3 regions

We have considered NSW by grouping the DCJ Districts of NSW into 3 regions: Greater Sydney, Greater Metropolitan Region, and the Rest of NSW to assess whether there are observable differences in the cost of caring for a child and delivering out-of-home care services. Almost half of the children in out-of-home care in NSW are in the Sydney region.

We initially considered using the [Modified Monash Model \(MMM\)](#) of remoteness to define the areas, however with 7 categories this would add significant complexity to the system as providers often cover a range of areas across the State and their services would often fall into multiple categories.

Table 4.2 shows our proposed, simplified categories by DCJ District, and the number of children in out-of-home care in each.

Table 4.2 DCJ District by region and number of children in out-of-home care, (2023-24)

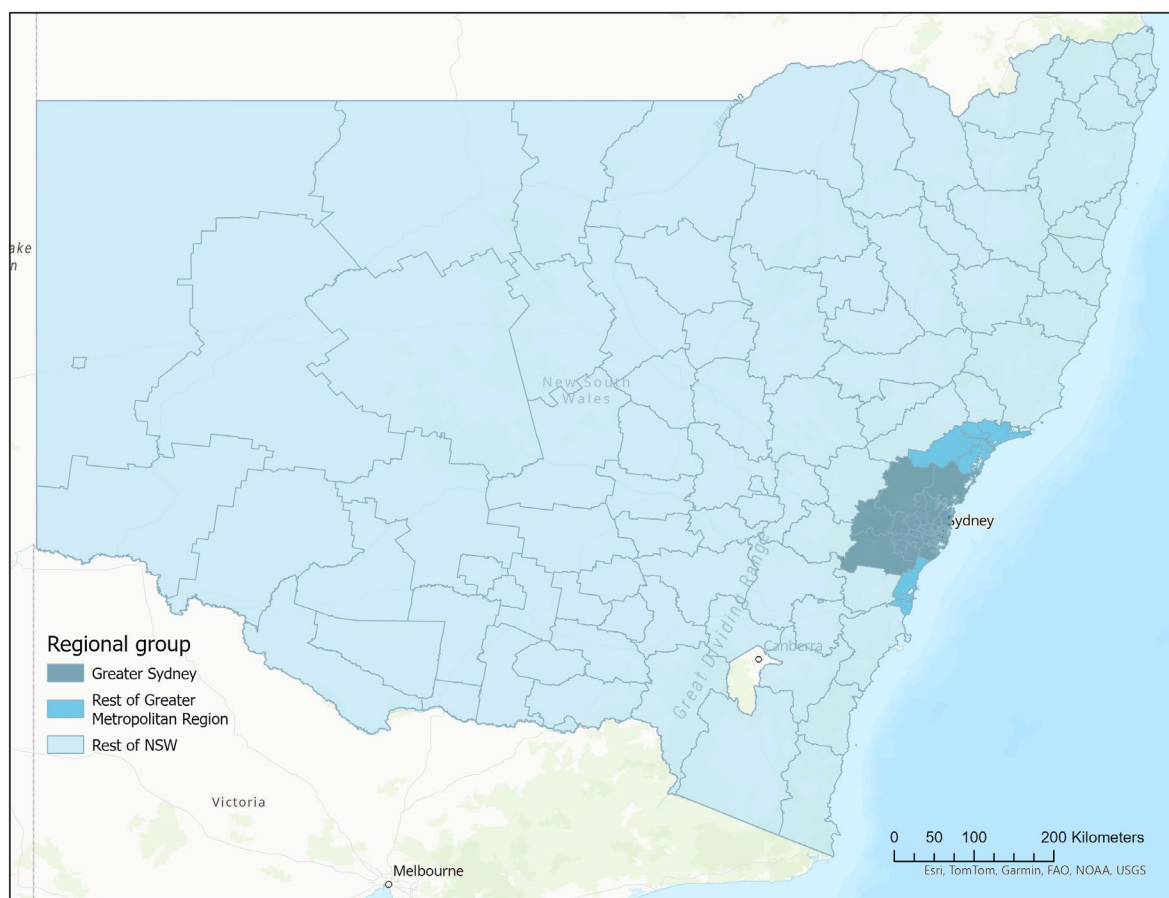
District	Region	Children in out-of-home care
Central Coast	Greater Sydney	892
Far West	Rest of NSW	75
Hunter	Rest of GMR	1,912
Illawarra Shoalhaven	Rest of GMR	929
Mid North Coast	Rest of NSW	883
Murrumbidgee	Rest of NSW	570
Nepean Blue Mountains	Greater Sydney	1,727
New England	Rest of NSW	823
Northern NSW	Rest of NSW	757
Northern Sydney	Greater Sydney	141
South Eastern Sydney	Greater Sydney	827
South Western Sydney	Greater Sydney	1,760
Southern NSW	Rest of NSW	355
Sydney	Greater Sydney	379
Western NSW	Rest of NSW	1,253
Western Sydney	Greater Sydney	657

Note: There are also a small number of children (47) allocated to Statewide Services.

Source: IPART analysis of data provided by NSW Department of Communities and Justice.

As shown in Figure 4.1, most of the area of NSW is in the 'Rest of NSW' region, while only 34% of children in out-of-home care live in this region. By region, the proportion of children case managed by DCJ and non-government providers is roughly even, with around half of all children in Greater Sydney, as shown in Table 4.3.

Figure 4.1 NSW as 3 regions (based on DCJ Districts)



Source: NSW Department of Communities and Justice, [Housing rent and sales](#), Issue 148, (2024) Rent table June 2024 quarter

Table 4.3 Number of children in out-of-home care by region and case management (2023-24)

Region	DCJ case managed	NGO case managed	Total children	Proportion of children
Greater Sydney	3,302	3,081	6,383	46%
Rest of GMR	1,382	1,459	2,841	20%
Rest of NSW	2,157	2,606	4,763	34%

Source: IPART analysis of data provided by NSW Department of Communities and Justice.

4.3.2 We have heard that the costs of out-of-home care are higher in regional and remote areas

We have heard from providers in regional areas that they often have to pay for private health practitioners due to the long wait times of public health services.⁸³ For example, Barnardos noted that NSW Health Pathway^a programs invariably have long wait times for essential services in rural and remote areas and health services are inaccessible due to service gaps. To ensure timely and appropriate services to children in need, they often engage private health practitioners, and these expenses are not reimbursed.⁸⁴ We heard from CareSouth that it has set up a regional health hub to address this, however it is a larger provider with access to in-house clinicians.⁸⁵

We have also heard that children living in regional or remote areas require additional casework support as they may require more time spent accessing services and travelling.⁸⁶ Barnardos submitted that case management in areas such as Western NSW is significantly more costly due to the need to support children and carers who are widely spread.⁸⁷

4.3.3 There is mixed evidence for higher regional labour costs

As noted, we have heard that services, even in large regional centres, often face challenges recruiting and retaining skilled and qualified staff. Limited options for specialist medical services in turn increase travel and associated costs.

The *Crown Employees (Public Service Conditions of Employment) Reviewed Award 2009* sets out the general conditions of employment applicable to DCJ staff. The award provides for the payment of a remote area living allowance to staff (and their dependents) as well as assistance to staff stationed in a remote area when travelling on recreation leave in certain circumstances.⁸⁸ Due to the remoteness of the area covered by these entitlements we have not included them in our benchmark model.^b There are no equivalent allowances in the *Social, Community, Home Care and Disability Services Industry Award 2010* [MA000100] that are applicable to employees of non-government providers.

We have sought cost information from providers and investigated other sources to confirm what we have heard about the costs of service delivery in regional areas.

As discussed in Chapter 6, we found that the evidence for regional variations in casework salaries was inconclusive. We also found contradictory evidence for the impact of regionality on casework time. As a result, we are not proposing a loading for casework salaries or caseload based on location.

^a The [out-of-home care Health Pathway](#) is a joint initiative of DCJ and NSW Health aimed at ensuring that every child or young person entering statutory out-of-home care receives timely and appropriate health, assessment, planning, services and ongoing review of their health needs. DCJ makes a referral to the local health district to commence a primary health assessment as soon as possible, ideally within 30 days of a child or young person entering care.

^b For full details on these entitlements see sections 39 and 40 of the *Crown Employees (Public Service Conditions of Employment) Reviewed Award 2009*.

Similarly, for care staff in residential care the evidence was mixed. We have heard that providers in regional areas experience difficulties in attracting and retaining therapeutic staff for residential care. This has resulted in providers subcontracting therapeutic care staff from labour hire agencies, increasing costs and leading to requests for additional funding.⁸⁹

However, in our information requests to providers, we found that actual salaries paid were lower in regional areas. We are cautious about using this data given the relatively small sample size, which includes several providers operating across several NSW regions making it more difficult to isolate regional cost differences.

In our Interim Report, we found that there was no material difference in total administrative costs for large organisations based in metro areas compared to those located in regional areas.⁹⁰ Therefore, at this stage, we are not proposing to apply any regional loading to our administrative cost estimates.

4.3.4 The evidence does not support a regional loading for the care allowance

We note that the 2002 Costs of Caring Study (which was used to establish the care allowance) recommended “that carers in remote and rural areas receive a loading on the standard subsidy payment to assist with extra costs attributable to distance”.⁹¹

However, this recommendation was not adopted in NSW, and as noted above, the current care allowance does not vary by location. This is in contrast with several Australian jurisdictions which apply a regional loading to carer payments. For example, carers in remote areas of Queensland, Western Australia, South Australia and the Northern Territory receive loadings of between 10-20% on their care allowance due to the higher cost of living in remote areas.⁹²

Given what we have heard from carers, and the example of other Australian jurisdictions, we considered whether it would be appropriate to apply a loading for the care allowance in NSW, as discussed below.

Food and groceries can be more expensive in remote areas

We engaged the Melbourne Institute to review the cost of meeting the day-to-day living costs of children in care (see Chapter 5 for more information). As part of this study the Melbourne Institute estimated the average marginal effects in percentage changes in expenses based on the ABS remoteness categories,^c with Major Cities as the reference group.

Grouped into 3 categories of Major Cities, Regional (Inner and Outer Regional) and Remote (Remote and Very Remote), Melbourne Institute found that across household expenses, total expenses were around 4% lower in Regional and 22% lower in Remote areas (in \$2022). While expenses for some household items (for example, medical costs) were higher in Remote areas, these results were not statistically significant.

^c Based on the ABS [Australian Statistical Geography Standard \(ASGS\) Remoteness Structure](#), the five remoteness classes are: Major Cities, Inner Regional, Outer Regional, Remote and Very Remote.

The interim report in the supermarkets inquiry currently being undertaken by the Australian Competition and Consumer Commission (ACCC) found that consumers in remote and some regional areas have limited supermarket options and are more susceptible to supply disruptions. The lack of supermarket options, particularly a lack of access to lower cost supermarkets such as Aldi, can mean consumers in remote areas face higher prices as there is less competition and they are unable to shop around for better value.⁹³ Similarly, the Productivity Commission's 2020 review of remote area allowances found evidence that food and grocery prices increase with remoteness.⁹⁴

However, both these studies were Australia-wide, and their observations of higher costs in remote areas were not in NSW. The areas the ACCC considered particularly vulnerable to higher prices were in the Northern Territory and far north Queensland, particularly in First Nations communities,⁹⁵ and the Productivity Commission's observations of higher food costs were for the remote areas in Western Australia, the Northern Territory and Queensland.⁹⁶ We note also that the Productivity Commission found that data on the cost of living in remote areas was patchy and required careful interpretation.⁹⁷

However, housing costs are lower outside metropolitan areas

Generally, the cost of housing is higher in metropolitan areas. On this basis, it could be argued that carers living in higher cost areas should receive a loading for housing costs. However, we are not proposing this at this stage. Rather, the same estimate for the cost of housing (rent/mortgage) included in the care allowance applies to all carers.

We consider that although some household costs may be higher in regional and remote areas, this is largely offset by the lower cost of housing in these areas. Coupled with a lack of strong evidence, we are not recommending a regional loading for the care allowance.

Medical and therapeutic services can be less accessible in regional and remote areas

Separate to the costs covered by the care allowance, carers in regional and remote areas may incur higher costs accessing medical and therapeutic services and facilitating family time, particularly where either of these require them to travel.

As discussed in Chapter 10, we are making a draft recommendation that the cost of medical and therapeutic services and family time be estimated and reimbursed based on actual costs (rather than estimated in the build-up of package costs). Therefore, the costs incurred accessing these services in regional and remote NSW, including the costs of associated travel, will be captured.

Under the National Disability Insurance Scheme (NDIS), the unit pricing limits for different services are 40% higher in Remote areas and 50% higher in Very Remote areas.^{d98} To the extent that the NDIS unit costs are used to establish unit costs for various out-of-home care wrap around services, these loadings will be captured.

^d The NDIS uses a modification of the Modified Monash Model (MMM). Remote is defined in the NDIS as MMM 6 and Very Remote as MMM7.

4.3.5 Rental costs differ by region

We are proposing the use of a location based median rent to set the benchmark for the cost of properties for residential care, emergency care and independent living. We have used data from the [Rent and Sales report](#) prepared by DCJ to estimate the rent by region (Sydney, Greater Metropolitan, Rest of NSW) and by size of house (number of bedrooms).

However, as discussed in Chapters 9, 14, 15 and 16, the difference in annual rent between regions is a relatively small component of the total cost of providing out-of-home care in a residential model and applying a different rate by region may add administrative complexity.

Seek Comment



1. Do you consider that the median annual rent included in benchmark costs for residential care, emergency care and independent living should vary by location?

Chapter 5 »

Everyday living costs for children

The chapter sets out our analysis and draft recommendations for the day-to-day living costs for children in out-of-home care

05

The day-to-day living expenses for children in care cover the cost of items like food and groceries, clothing, and personal items. These expenses vary across different children depending on particular characteristics, such as age or level of need, but are likely to be similar across children in different placement types. For children in home-based care (including foster care, relative or kinship care), these expenses are covered by a care allowance paid to the carer. This care allowance also includes a contribution to some day-to-day family expenses including housing (rent/mortgage/utilities) and household goods (furniture and replacement of household items).⁹⁹

We have estimated the day-to-day living expenses for children in out-of-home care using the existing care allowance at its establishment in 2006 as a starting point and updating it to reflect changes that have occurred since that time. The changes we have captured include both changes to the prices of different goods and services and changes to the mix of different goods and services that would be purchased to support the day-to-day living of a child in out-of-home care. We have also separately identified the portion of the expenses that reflect the contribution to family expenses, as this is funded differently for some placement types.

This chapter identifies the day-to-day costs of caring for children in out-of-home care based on household expenditure trends observed through the Household, Income and Labour Dynamics in Australia (HILDA) survey. We have calculated these day-to-day costs including separately identifying the contribution to household expenses such as rent, mortgage and furniture.

Expenses that relate directly to providing care for children that are less typical and vary significantly across individuals, such as medical or therapy expenses, and expenses incurred in maintaining family connections, are not covered by the care allowance and are discussed in more detail in Chapter 10.

5.1 Overview of draft decisions and recommendations

We have updated the care allowance to account for changes in household expenditure that have occurred since the care allowance was last reviewed. The changes we captured include both changes in prices and changes in the mix of goods and services we would expect a family to purchase in relation to caring for a child.

To estimate the impact of these changes on the care allowance, we engaged the Melbourne Institute of Applied Economic and Social Research (the Melbourne Institute). The Melbourne Institute analysed data from the HILDA survey, which is a well-known survey of Australians' income and expenditure patterns.¹⁰⁰ To ensure that the right changes were picked up, the Melbourne Institute surveyed foster carers in NSW to confirm that the categories of costs included in the care allowance reflected the expenses faced by carers and then used data from the HILDA survey to estimate how families' costs in these categories have changed over time.¹⁰¹

Table 5.1 Draft recommendation on the care allowance needed to cover day-to-day expenses for children in care (\$ per fortnight, \$2024-25)

Age	Current care allowance (standard rate)	Including contribution to household costs	Excluding contribution to household costs
0-4	581	698	336
5-13	656	789	404
14-15	880	1,109	618
16-17	586	1,083	633

Source: IPART analysis of Melbourne Institute: Applied Economic and Social Research, IPART Out-of-Home Care Review: Cost of Caring, February 2025, p 24.

We also spoke with a number of carers and reviewed data from the carer survey we conducted to identify whether there were any additional costs that should be considered. We found that in addition to normal weekly costs, such as groceries, carers have expenses at particular times that can be significant and that these may impact their cashflow and ability to provide for the children they care for.

These significant expenses include upfront costs for foster, kinship and relative carers associated with establishing a placement. Consistent with the current practice of DCJ and some non-government providers, we consider that reimbursing these establishment costs up to a limit of around \$1,500 is an appropriate way to ensure that placements get off to a strong start. We have made additional draft recommendations to help with some other types of less frequent expenses, such as extracurricular activities, by making better use of the Government's digital infrastructure by using targeted Service NSW vouchers for children in out-of-home care. As a first step, we suggest that the current Active and Creative Kids vouchers be made available to all children in out-of-home care.

We did not have strong information on the costs of caring for children with higher needs. Using the current approach that DCJ applies for the children under its case management of applying a 50% or 100% loading on the standard care allowance, we have also updated the existing Care+1 and Care+2 allowances to take into account the recommended increase in the standard care allowance (Table 5.2).

Table 5.2 Current and updated Care+1 and Care+2 allowances (\$ per fortnight, \$2024-25)

Age	Current Care+1	Proposed Care+1	Current Care +2	Proposed Care+2
0-4	873	1,047	1,153	1,396
5-13	983	1,184	1,294	1,578
14-15	1,317	1,664	1,736	2,218
16-17	1,023	1,625	1,447	2,166

Source: DCJ Care allowances indexation adjustment, 1 July 2024; and IPART analysis.

5.2 How we estimated day-to-day living expenses for a typical child in out-of-home care

There are several approaches that can be used to estimate the day-to-day expenses for children in care. They include:

- surveying a sample of different families about what they spend on their children
- a statistical top-down approach that compares the costs faced by a larger sample of families with and without children and then identifying the difference
- a bottom-up approach (known as the 'budget standards' method), which identifies what items and activities are needed to provide a child with a healthy life and then costs those items using assumptions about how a family would go about obtaining them at a low cost.

The survey and top-down approaches are heavily influenced by the level of discretionary income that the surveyed families have. The bottom-up, budget standards approach is the approach that was used to set the care allowance in NSW and was initially our preferred approach to updating the care allowance.

Reconstructing the care allowance using a bottom-up, budget standards approach is very information and time intensive. Given the timeframe available for our review, we decided to instead use an incremental approach, which takes the existing care allowance as the starting point. We engaged the Melbourne Institute to compare the increase in median household expenditure between two points in time (2006, when the current care allowance was established, and 2022, the latest year for which the HILDA data was available) to understand the increase in costs for households with children of different ages. When applied to the initial budget standards cost build-up, we consider that this methodology is effective in addressing how the day-to-day costs of raising a child in care have changed over time. The approach takes into consideration differences in the growth of certain expense categories compared to others, as well as the general increase in expenditure for households.

5.2.1 We used the 2006 care allowance as the starting point

In the absence of our own updated budget standards work, we have chosen to use the 2006 allowance as the starting point for our analysis. Provided the 2006 allowance was based on strong data and analysis, we consider that this will provide a reasonably good estimate of the current costs. As a cross-check, the Melbourne Institute undertook a review of the available literature, including the relative costs of children in care compared with those not in care and a survey of NSW carers.

The 2002 cost of caring study was the basis for the 2006 care allowance.¹⁰² This study found that it cost around 46% more, on average, to support the day-to-day living of a child in care, compared with a child at the same age who is not in care.¹⁰³ The higher cost reflected additional expenditure specific to caring for children in out-of-home care, including higher costs for clothing and an allocation for gifts.¹⁰⁴ The Melbourne Institute study found that other studies into the cost of caring for children in out-of-home care largely based their cost build-up and findings on the goods, services and costings recommended in the 2002 cost of caring study.¹⁰⁵ Further, the study found that the 2002 cost of caring study was the most robust and methodologically sound compared to other studies of a similar nature.¹⁰⁶

The Melbourne Institute supported this finding through a survey sent to over 175 carers and carer groups. The results of the survey suggest that the goods and services included in the original 2002 cost of caring study still reflected the day-to-day expenses for a child in care today.¹⁰⁷

5.2.2 Estimating the change in costs over time

The 2006 allowance was based on an extensive bottom-up review that took several years to complete. It has been indexed at a rate set by NSW Treasury and applied by the Department of Communities and Justice (DCJ) which is similar to the change in the Consumer Price Index (CPI). While this increase has picked up some changes, it hasn't captured all the changes that are needed.

The rate of price increases in the goods and services purchased to support the day-to-day living costs of a child in out-of-home care may not be the same as those captured by the 'basket of goods' that is included in the CPI. In addition, increasing in line with the change in the CPI does not reflect changes in prevailing community standards and consumption patterns that have occurred since this time (such as the prevalence of mobile phone and internet). As products become more expensive, households may purchase less of them (or start using alternative brands), and as technology changes, the products that households purchase also change (the 'budget allocation' effect). While these shifts may be relatively small from year to year, ignoring them over long periods of time can lead to a significant cumulative impact.

The Melbourne Institute analysed the HILDA survey^a to understand the change in how much a typical family has spent on day-to-day expenses between 2006 and 2022 (the last available year for the HILDA survey).¹⁰⁸ This analysis looked at how expenditure of Australian families has changed over time, incorporating both changes in the price and the mix of goods and services they purchased.

The Melbourne Institute found that household expenditure in the relevant categories of costs grew by 72-81% between 2006 and 2022 depending on the age of the child, which was around 23-30% above the rate of inflation.^b

^a The HILDA survey is a household-based panel study that collects information about economic and personal wellbeing, labour market dynamics and family life across more than 17,000 volunteers in Australia.

^b The Melbourne Institute identified two ways of estimating an updated care allowance – either applying the nominal growth rate to the 2006 allowance (capturing changes in inflation within the study) or applying the real growth rate (capturing only changes above inflation) to the current care allowance, which has already been indexed over the period since 2006. We have adopted the first of these approaches, as we consider it is more consistent to use the same method for capturing both changes in the price and mix of goods and services over time.

Table 5.3 Increase in day-to-day living expenses between 2006 and 2022

Age bracket	Increase resulting from budget allocation effects	Increase resulting from both budget allocation effects and price changes
0-4	23%	72%
5-13	26%	73%
14-15	30%	81%
16-17	27%	77%

Source: Melbourne Institute: Applied Economic and Social Research, IPART Out-of-Home Care Review: Cost of Caring, February 2025, pp 22-24. Figures have been rounded to the nearest percentage.

Expenditure for children in the 14-15 age bracket has risen by slightly more than the other age categories. This is because of slightly higher expenditure trends observed through the HILDA data for ages 14-15 in motor vehicle, housing and education costs.

Appendix A provides further detail on the Melbourne Institute's study.

We have applied the percentage increases set out in Table 5.3 above to the 2006 care allowance rates for each age bracket (indexed to \$2024-25) to obtain an updated care allowance by age.

Table 5.4 Basis for updated fortnightly care allowance by age bracket (\$ nominal)

Age bracket	2006 care allowance (\$2006-07)	Increase identified in the Melbourne Institute study to \$2022 Sep.	Inflator used to account for CPI to \$2024-25	Estimate of cost of day-to-day living expenses (\$2024-25)
0-4	\$374	72%	8%	\$698
5-13	\$420	73%	8%	\$789
14-15	\$564	81%	8%	\$1,109
16-17	\$564 ^a	77%	8%	\$1,083

Note: The care allowance for 16-17-year-olds may be supplemented by the NSW Government Teenage Education Payment (TEP) and the Australian Government Youth Allowance. If eligible for the TEP, the carer receives \$1,500 at the beginning of each school term for each child in their care who is either 16 or 17 years old and engaged in full time education (or an equivalent apprenticeship). The TEP is equivalent to \$6,000 per year or \$231 per fortnight.¹⁰⁹

Source: IPART analysis of Melbourne Institute: Applied Economic and Social Research, IPART Out-of-Home Care Review: Cost of Caring, February 2025, pp 22-24. Figures have been rounded to the nearest dollar/percentage.

Our recommended care allowance for 16-17 year olds makes no adjustment to account for the NSW Government's Teenage Education Payment (TEP) or Australian Government Youth Allowance. One of the aims of the TEP is to support young people aged 16-18 years to remain engaged in school or other education and training. While eligibility for TEP is a matter for DCJ, we consider carers should receive an allowance to meet the day-to-day living costs of children in their care, regardless of family income. Currently eligibility for receiving TEP is means tested,¹¹⁰ which means that removing the value of the TEP from the care allowance for all 16-17 year olds may lead to some carers receiving a care allowance that is well below our estimate of the cost of providing for the child in their care.

Draft Recommendation



1. The standard care allowance for children in out-of-home care should be set at the rates in Table 5.5.

Table 5.5 Recommended standard care allowance by age bracket (\$2024-25)

Age bracket	Fortnightly care allowance (\$2024-25)
0-4	\$698
5-13	\$789
14-15	\$1,109
16-17	\$1,083

Source: IPART analysis of Melbourne Institute: Applied Economic and Social Research, IPART Out-of-Home Care Review: Cost of Caring, February 2025, pp 22-24. Figures have been rounded to the nearest dollar.

5.2.3 Developing a cost estimate for children in residential care

We consider that in large part, the day-to-day living expenses, such as groceries and clothing, should be the same for all children of a particular age, whether they are in home-based care or residential care/supported independent living. However, the care allowance includes an amount that is intended to support the additional costs of housing (rent and mortgage) and furniture. These costs reflect a portion of household expenses that are separately identified and funded for non-home-based care placements. As a result, we have identified the costs both with and without these expenses included to enable a consistent approach across the different cost benchmarks for each placement type.

To identify the cost of day-to-day expenses for a child in care which do not include a contribution to these household expenses, we removed rent, mortgage and furniture from the original 2006 allowance and then applied an adjusted growth rate provided by the Melbourne Institute using the HILDA data. To achieve this, we first estimated the difference between typical household expenses in the HILDA data both including and not including contributions to housing and furniture costs. By adjusting for inflation, we calculated the median household expenditure on rent, mortgage and furniture in \$2006-07 which we used to adjust the original 2006 care allowance.

We then applied a similar methodology that was used to build up the fortnightly estimates of the day-to-day living expenses excluding a contribution to household expenses. Table 5.6 outlines the adjusted 2006 care allowance and the increase identified in the HILDA data which has been used to estimate the cost of day-to-day living expenses excluding rent, mortgage and furniture.

Table 5.6 Basis for fortnightly estimates of day-to-day living expenses excluding a contribution to household expenses by age bracket (\$ nominal)

Age bracket	Adjusted 2006 care allowance (\$2006-07)	Increase identified in the Melbourne Institute study to \$2022 Sep.	Additional increase to account for CPI to \$2024-25	Estimate of cost of day-to-day living expenses (\$2024-25)
0-4	\$208	49%	8%	\$336
5-13	\$245	52%	8%	\$404
14-15	\$367	55%	8%	\$618
16-17	\$358	55%	8%	\$633

Source: IPART analysis of data provided by Melbourne Institute: Applied Economic and Social Research. Figures have been rounded to the nearest dollar/percentage.

Draft recommendation

2. The annual cost of day-to-day living expenses for children in residential care, independent living and emergency care arrangements should be set at the rates in Table 5.7.

Table 5.7 Day-to-day living expenses for children in residential care, supported independent living and emergency care arrangements per year (\$2024-25)

Age bracket	Estimate of annual day-to-day living expenses (\$2024-25)
0-4	\$8,760
5-13	\$10,530
14-15	\$16,110
16-17	\$16,500

Source: IPART analysis of data provided by Melbourne Institute: Applied Economic and Social Research. Figures have been rounded to the nearest dollar.

5.3 Larger or less frequent costs should be addressed separately

There are times when children will require one off or larger cost items. Those include things like, purchase of furniture and essentials at the commencement of a placement, upgrading equipment as children grow older, purchase of a laptop for education and organised extracurricular activities. While the care allowance is meant to cover most of the day-to-day costs, it may not be reasonable to expect carers to be able to budget for the costliest expenses.

5.3.1 Upfront costs for a carer to establish a placement

Several carers raised with us the cost of establishing a placement when a child first comes into their care.¹³³ The fortnightly care allowance may not be sufficient to cover some of the initial up-front costs, for example, the purchase of car seats or furniture for a child's room.

In some example deidentified case plans provided to us by DCJ, some carers of children entering into long-term care were provided an establishment allowance of up to \$1,400, but this may not be a consistent practice. In DCJ's financial guidelines, funding may be provided to buy items needed by a child in an emergency, short-term or long-term placement. This funding can be used to purchase items that the child may need within the placement (e.g. clothing, personal items, school supplies, furniture or household necessities).

The up-front costs may be a barrier to prospective new carers, particularly relative and kinship carers as they are likely new to caring.

There is limited public information on the costs of setting up for a foster child. In the survey of NSW carers conducted by the Melbourne Institute, we included a question on the costs incurred by carers when each of their children entered their care. From the survey responses, the adjusted median expenditure was around \$1,590, but there was some variability by age as shown in Table 5.8.

Table 5.8 Median set up cost expenditure by age (\$2024-25)

Child age	Median set up cost (\$)	Sample size
0	1,509	32
1-4	1,871	36
5+	1,559	24
All	1,588	92

Source: IPART analysis of survey data provided by Melbourne Institute: Applied Economic and Social Research.

Draft recommendation

- 3. The Department of Communities and Justice should consider reimbursing carers up to \$1,500 for the upfront costs of establishing a placement when a child first enters the out-of-home care system.

5.3.2 Supporting access to additional goods and services through the Service NSW voucher system

While larger purchases for things such as laptops, school supplies and extracurricular activities are supposed to be compensated for through the care allowance, these larger purchases may be difficult to budget for and could create significant cashflow issues for some carers. This could inadvertently disadvantage some children who will not have access to goods and services as a result.

NSW introduced a range of digital advancements several years ago, including electronic vouchers administered through Service NSW designed to provide targeted assistance to individuals and families. Examples of Service NSW vouchers that have been provided in recent years include:

- Back to School vouchers
- Parents vouchers
- Dine and Discover vouchers
- Active and Creative kids vouchers (still available on a means tested basis)
- First Laps vouchers to cover the cost of swimming lessons.

While the Government voucher program has been wound back in recent years, the digital capability to provide vouchers remains in place in NSW and programs are able to be added to make a specific good or service more affordable for an eligible group of people and/or create wellbeing and social outcomes for targeted groups.¹¹² We consider that targeted vouchers available for children in out-of-home care have the potential to address a range of issues with the current approach, particularly in relation to larger one-off or less frequent expenses.

We have repeatedly heard from carers that there is a high administration burden associated with looking after children in out-of-home care.¹¹³ The use of Service NSW vouchers would help reduce the administrative costs for carers compared with a reimbursement approach. Eligibility for different vouchers is streamlined for the individuals applying, with the system set up to be easily visible and the application process quick and straightforward. The system is also streamlined for suppliers, and accessible for both small and large service providers and retailers, offering a wide range of options for carers to access goods and services.

Currently DCJ has limited visibility over which children are accessing different goods and services. Targeted vouchers would allow DCJ to collect data on what access children in out-of-home care have to different goods and services in order to confirm that their needs are being met. Such a dataset would provide an easily analysed overview of what services children are receiving.

The use of Service NSW vouchers in some form, even as a one off, may help to acknowledge the importance of carers to society. As volunteers who agree to take on a role that requires 24/7 care of a child, it is critical to the viability of the home-based care model, that carers feel valued and supported. A voucher in addition to the fortnightly care allowance could help to show carers that they are appreciated and supported and that the welfare and happiness of the child they care for matters.

A further benefit of the use of vouchers over other forms of payment is that they ensure that money that is provided by the Government for the care of the child is spent on the child. The voucher can be used to direct funding to a specific purpose. If the money is not spent, then the Government does not incur the expense.

The delivery of vouchers specific to children in out-of-home care would need to be done in a way that ensures the personal information privacy and dignity of children in the system is protected and the collection, storage and use of any such information complies with all laws, practices and policies.

Extracurricular activities could be partially funded through expanding access to the current Active and Creative Kids voucher systems

All children have the right to engage in play and recreational activities appropriate for their age group.¹¹⁴ Based on this, we consider the access to these types of activities as essential to the wellbeing of children. Recreation and leisure are currently costed through the care allowance, but we consider there are benefits in having access to additional funding dedicated to recreation.

Service NSW currently facilitates the provision of Active and Creative Kids vouchers (valued at \$50 per semester). To be able to access this voucher, a carer must be eligible for the Family Tax Benefit (A or B) which is means-tested. This means that not all children in out-of-home care would currently have access to vouchers intended to support the cost of extracurricular activities.

As outlined in Table 5.9, all states and territories (except the ACT) offer extracurricular vouchers to at least some children in recognition of the importance of enabling all children to have access to sport and similar activities. In Tasmania, all children in out-of-home care have access to extracurricular vouchers, despite those vouchers being means-tested for other children.

Table 5.9 Extracurricular vouchers and eligibility for other states and territories in Australia, 2024 calendar year

State or territory	Voucher name	Amount	Frequency and eligibility
New South Wales	Active and Creative Kids vouchers	\$50	Bi-annual, ages 4.5-18, means-tested
South Australia	Sports Vouchers (including music lessons)	\$100	Bi-annual, all children
Northern Territory	Sport Vouchers (including music lessons)	\$100	Bi-annual, all children enrolled in school
Tasmania	Ticket to Play vouchers	\$100	Bi-annual, ages 5-18, means-tested and all out-of-home care children
Queensland	FairPlay voucher	\$200	Annual, all children aged 5-17
Victoria	Get Active Voucher	\$200	Annual, all children aged 0-18 (with special considerations)
Western Australia	KidSport voucher	\$500	Annual, all children aged 5-18

Source: IPART analysis of multiple sources.

We estimate that extending the current NSW Active and Creative Kids vouchers to all children in out-of-home care would cost less than \$1.5 million annually (as some children will already have access if their carer family's income is below the income threshold). Vouchers would ensure that the money is spent on the child to whom it is allocated and that it is spent on extracurricular activities. This helps to ensure that care is consistent with the NSW Child Safe Standards for Permanent Care which require children to be emotionally healthy and are supported to achieve their developmental potential, which includes access to recreational and leisure activities.¹¹⁵

In section 5.2 we discuss the day-to-day cost of care for a typical child in out-of-home care. In the build-up of these costs, we identified that the cost of leisure activities in \$2024-25 (which include extracurricular activities) is around \$61-73 per fortnight (\$1,596-1,910 per year), depending on the age of the child. This reflects the observed proportionate leisure cost component from the Melbourne Institute study.¹¹⁶ However, this is spread out across the fortnightly care allowance. It is also intended to cover the cost of general recreation, such as attending the movies.

Comparatively, the cost of registering a child in an activity tends to be a one-off cost per term or per season. For example, junior football registration costs around \$350 a season in NSW, plus the cost of equipment (e.g. football boots that may need to be purchased each year). Other sports or activities may cost more or less than this estimate and are typically less expensive for younger children.¹¹⁷

Draft recommendations

4. The Department of Communities and Justice should expand the eligibility of Creative and Active Kids vouchers to all children in out-of-home care.
5. The Department of Communities and Justice should explore the use of existing digital infrastructure (such as the Service NSW vouchers) to provide targeted funding to carers.

5.4 Cost of supporting children in home-based care with higher needs

Although designed to meet the day-to-day living costs of a child in out-of-home care, the standard care allowance does not provide support for carers who have additional expenses because of having children with higher needs in their care.

Currently children whose care is managed by DCJ can receive an additional loading on their care allowance in recognition of the additional support required and disruption to daily routines that results from caring for a child with challenging behaviours and/or complex health and developmental needs.¹¹⁸ The increased allowance rate set by DCJ is almost 50% (Care+1) or 100% (Care+2) higher than the standard rate.¹¹⁹ Eligibility for the Care+1 and Care+2 allowances is determined by the child's DCJ caseworker, who considers the following factors:

- the extra or unusual physical care services the carer must provide to meet the high needs of the child
- the additional housework created for the carer resulting from the high needs of the child
- the extra or unusual supervision and support needed because of the child's disability and/or behaviour
- the stress and restriction of activities the child's disability and/or behaviour creates for the carer.¹²⁰

We considered whether we could estimate the additional day-to-day costs associated with higher needs children more accurately. However, there is insufficient data available to allow us to do this. The needs of children may vary considerably and it is difficult to identify a specific value with any precision. This is particularly as this higher allowance is not intended to cover additional medical or therapeutic expenses for children. As a result, we consider that the current 50% and 100% loadings on the care allowance are as good as an approximation of the additional costs as any other method.

Draft recommendation



6. The care allowance for children assessed as eligible for Care+1 or Care+2 (or their equivalents) in home-based care should be set at the rates in Table 5.10.

Table 5.10 Updated Care+1 and Care+2 fortnightly allowances \$2024-25

Ages	Standard allowance	Care+1 (50%)	Care+2 (100%)
0-4	698	1,047	1,396
5-13	789	1,184	1,578
14-15	1,109	1,664	2,218
16-17	1,083	1,625	2,166

Chapter 6 >>

Casework

This chapter sets out our analysis of efficient casework costs and additional casework needed to support a child in out-of-home care based on the case, child or agency characteristics



Caseworkers provide case management support to children in out-of-home care as well as their families and carers. IPART has investigated the efficient costs of casework for the NSW Department of Communities and Justice (DCJ) and non-government providers. We have identified the key components of casework costs to include:

- **Caseload** - the number of out-of-home care cases that a caseworker holds at any point in time
- **Caseworker costs** – combining the caseload with **staff salaries and salary oncosts** of caseworkers as well as casework managers and casework support staff and accounting for **team structure** by looking at the number of supervisory (casework managers) and support staff (casework support workers) relative to caseworkers
- **Casework loadings** – additional casework cost needed to support a child in out-of-home care based on the case, child or agency characteristics.

This chapter discusses the principles, analysis, and findings of each cost component above. Chapters 13 to 16 present the proposed efficient costs for each placement type, bringing together the relevant cost components.

Our Interim Report provided a description of the role of caseworkers and how the roles differ between DCJ and non-government providers. We also presented our preliminary findings on caseload and what factors appear to influence caseload levels. This chapter extends our early analysis on casework costs using additional information we have received from DCJ and non-government providers.

6.1 Overview of draft findings and decisions

We estimated the efficient costs of casework for both DCJ and non-government providers. These costs are based on an efficient caseload that is the same for different types of providers but differs depending on the placement type.

Identifying an optimal or efficient caseload is complex as there are many factors that influence case time. We found lower caseloads do not necessarily mean improved short-term outcomes for children, as caseworkers generally spend more time with children who need additional support such as those experiencing or at the cusp of a placement breakdown. In order to understand what drives improved outcomes for children and families, we consider that there needs to be data collection on the type and frequency of casework provided, rather than just the amount of time spent supporting children and their families.

The efficient cost of casework for DCJ differs from the efficient cost for non-government providers because the award rates of pay and conditions that govern the employment of casework staff differ. Our estimate of efficient casework costs for each type of provider is based on our view of what it would cost them, if they were operating at an efficient caseload, with an efficient team structure and meeting their obligations under the applicable award.

We have also identified a number of circumstances where we consider that casework costs would be higher for particular children. As a result, we have estimated additional casework costs that will apply in the following circumstances:

- Aboriginal children – Evidence shows that caseworkers spend an additional 1.6 hours per 4 weeks (or 21 hours per year) on casework for Aboriginal children relative to a base case. Base case refers to a case with no case or child characteristics that have been identified as requiring additional casework time. The prevalence of Aboriginal children in out-of-home care and concentration of Aboriginal children with ACCOs warrants an additional casework cost to ensure the needs of Aboriginal children are met.
- Children with a case plan goal of restoration – this applies to a small proportion of children in out-of-home care and these children are distributed fairly evenly across providers. However, the casework required for these children is very intense. Separately costing and pricing this component for these children should help incentivise providers to work towards permanent placement principles and to acknowledge the intensive casework required (additional 52.5 hours per year) for restoring children to their families. We have also included the cost of parenting programs and wrap around support for the parents of these children and an efficient cost for post-restoration support.
- Children with a CALD background – we propose to include the costs of a cultural worker for these children.

In addition, we have included costs associated with case plan goal reviews and facilitating family time, which both differ for children with a goal of restoration compared with long-term care. A number of stakeholders indicated that there are additional costs involved in children who are not-in-placement. We will seek further information from non-government providers on casework activities needed for these children, as well as family contact time to help inform our estimates of efficient costs in the Final Report.

6.2 Our approach to estimating casework cost

There are two main approaches that can be used to estimate casework cost from first principles:

- **Activity-based approach** establishes all relevant out-of-home care casework activities and the average time for each activity that's required to support a child in out-of-home care. The average total hours per child per year would then be multiplied by the caseworker hourly cost^a to arrive at a casework cost per child per year.
- **Caseload approach** identifies the optimal number of cases that a caseworker manages at any point in time. The caseworker salary costs per year (as well as the allocated casework manager and support staff) would then be divided through by the caseload (i.e., number of cases per caseworker at any point time) to estimate the casework cost per child per year.

We propose to use the caseload approach for the following reasons:

- Complexity and variance of out-of-home care casework due to different needs of children – casework may look different to each child as their needs and the carer's needs vary. This means some casework activities may be relevant for some children and not for others.

^a Generally this would represent a fully loaded cost so includes an allocation of casework managers and casework support staff costs.

- Lack of casework activity time data for non-government providers – we do not have any casework activity time data specific to non-government providers. Conducting a time-and-motion study with non-government providers would have been an onerous and lengthy process. Furthermore, if this data were available, it would be challenging to piece each individual task into what an 'average' picture of casework would be for a child in out-of-home care. This is because children would be at different stages of their out-of-home care journey and some tasks may occur more frequently when entering out-of-home care and then taper off as the placement stabilises.
- Flexibility in case allocation and casework support – applying a caseload approach supports the idea that a caseworker would be caring for children with a range of needs. It also provides the flexibility for non-government providers to tailor services to meet the needs of children in their care.

For these reasons we have applied the caseload approach to estimate casework cost. However, we have some data on the additional costs for some children that have been estimated on an hourly basis. We have therefore, used a combination of approaches to determine the annual cost of casework on a per child basis.

6.2.1 Available data and methodology

We have considered the following sources for estimating casework costs:

- literature review of caseloads for different types of care
- DCJ's internal analyses relating to casework and performance metrics
- caseloads prescribed under the PSP contracts and other PSP pricing information
- information returns from non-government providers relating to the caseload, caseload complexity and workforce data
- DCJ workforce data including salaries and team structures.

For our analysis, we have relied primarily on the DCJ studies, PSP service requirements, and literature review, as we consider that they are the most robust sources of information.

We have considered the caseload data provided by non-government providers, however, we note that the information is based on small sample sizes and reflects current practice, which is itself influenced by the current funding assumptions. For the data provided on additional casework time for particular categories of children, we note that the additional hours estimated by non-government providers adds up to substantially more than the total number of hours available in many cases. As a result, we have predominately used the non-government providers' information returns to sense check the other caseload data and to identify areas for additional consideration.



Casework information needs to be carefully considered with other sources of information

Given the difficulty in quantifying additional casework time retrospectively for certain case and child characteristics, we have used the information provided by non-government providers as a sense check against our casework findings.

6.3 Challenges with identifying an optimal caseload

It is challenging to recommend an optimal or efficient caseload as it requires insight on services provided and outcomes achieved. Ideally, a dataset from a time-and-motion study to understand the services provided and time associated with casework, linked to the child's outcomes would assist with determining an efficient caseload or one that reflects the optimal level of casework required to improve outcomes.

Given that DCJ has limited monitoring of service delivery and outcomes in out-of-home care, we have collated the information on casework cost components that is currently available and recognise the parameters and contractual arrangements which non-government providers are held to when delivering out-of-home care services.

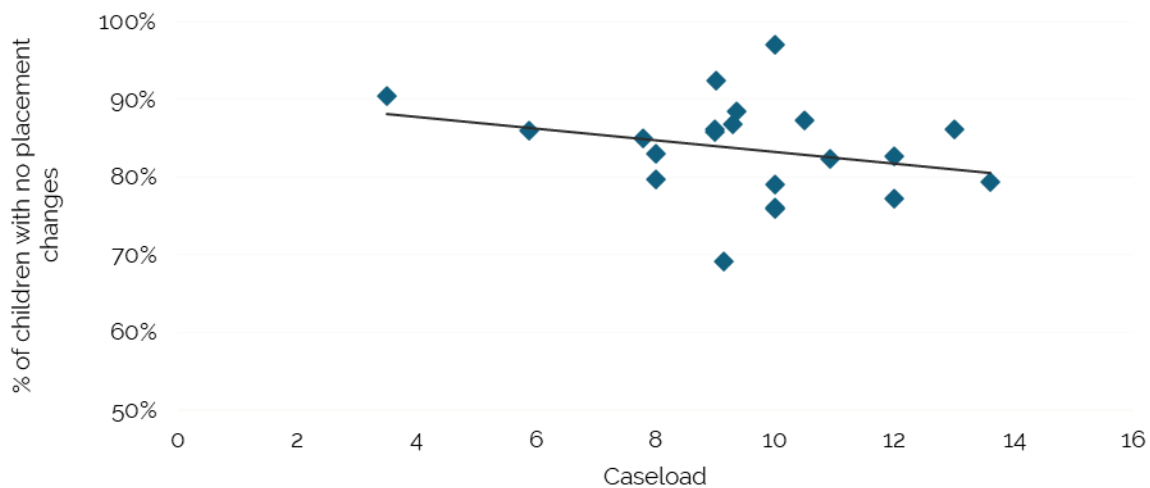
6.3.1 There is no discernible trend between individual out-of-home care performance metrics and caseload for non-government providers

The relationship between caseload and short-term outcomes is complex. The Association for Children's Welfare Agencies (ACWA) noted that higher caseloads may lead to poor outcomes such as placement breakdowns and carer dissatisfaction.¹²¹ Our analysis found that there is no compelling evidence that lower caseloads are correlated with improved short-term outcomes, which suggests that more casework time is spent on children who are in danger of having poorer outcomes (placement breakdown, absconding, self-placement) and less casework time is spent on children with more stable placements.

Intrinsically, caseload represents the average casework time per family. To understand whether more time per family drives better outcomes, we have analysed performance data of non-government providers offering foster care placements and compared this against their actual caseload. While this did not entail statistical analysis, we observed whether there were any trends around casework time with families and short-term measurable outcomes.

We assessed eight out-of-home care performance metrics over the last three years (2021-22 to 2023-24) for non-government providers and found that there was no identifiable relationship between caseload and out-of-home care performance. For example, Figure 6.1 below plots foster care caseload against the proportion of children with stable placements at a provider level. The analysis shows a fairly flat trend between caseload and proportion of children with no placement changes, indicating that there is not a strong relationship between caseload and placement stability.

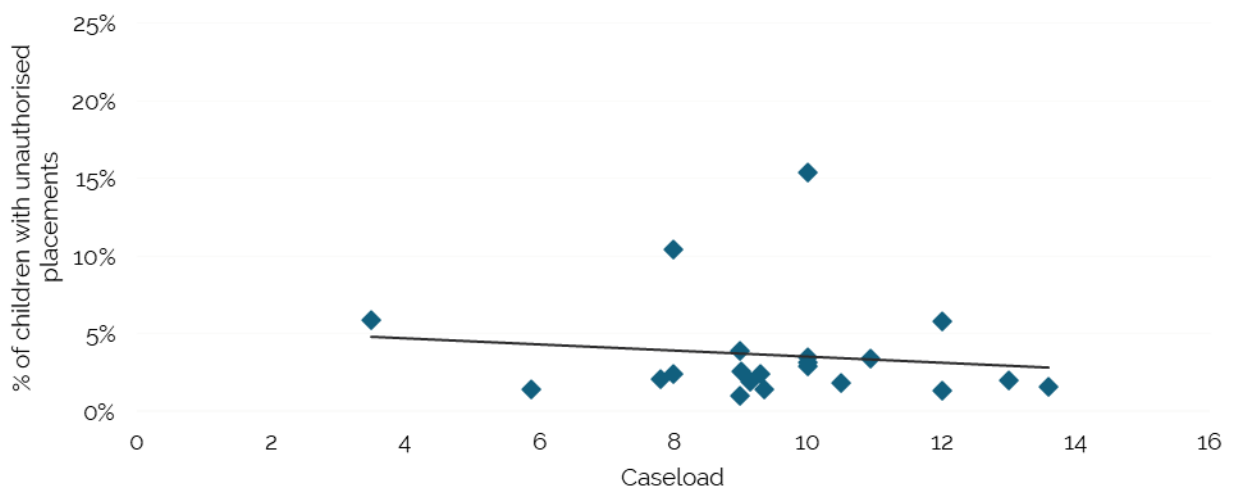
Figure 6.1 Placement stability and caseload of non-government providers offering care placements



Source: IPART analysis of data provided by NSW Department of Communities and Justice and non-government providers

Similarly, we have benchmarked the foster care caseloads against the proportion of unauthorised placements (children who have absconded or self-placed). Figure 6.2 shows there is no evidence that a lower caseload results in a smaller proportion of unauthorised placements.

Figure 6.2 Unauthorised placements and caseload of non-government providers offering foster care placements



Source: IPART analysis of data provided by NSW Department of Communities and Justice and non-government providers

A DCJ analysis explored relationships between time expended by DCJ out-of-home care caseworkers and KPI measures as a proxy for quality of services.¹²² Overall, the analysis found that there was no evidence that spending comparatively more time on cases resulted in better KPI measures. We have heard from DCJ that assessing average time spent on cases against a placement stability metric needs to be interpreted with caution as anecdotally caseworkers spend more time with children who are experiencing placement breakdown, as they would need additional support to maintain or find a new placement.

Overall, we have found that it is difficult to assess caseload levels in isolation against measurable short-term outcomes for children in out-of-home care. Furthermore, it illustrates the complexity of identifying an efficient or optimal rate of casework, as more casework is needed to support placement breakdown as well as keeping placements stable. In order to enable a judgement on the efficient amount of casework, there needs to be greater understanding of the type and frequency of services provided, rather than just the amount of time spent supporting children and their families.

Draft finding



2. There is no discernible relationship between individual out-of-home care performance metrics and caseload for non-government providers, highlighting the complex dynamics between casework time and short-term measurable outcomes.

6.3.2 There are a range of different factors that drive variation in caseload

An average caseload represents the expected average number of cases that a caseworker would manage at any point in time. In practice, a caseworker is likely to support children with varying levels of need and at different ages, as well as children at different stages in out-of-home care. For example, throughout a child's journey in out-of-home care, times of crisis (such as a placement breakdown) is likely to require more casework support, while children in stable placements would need less caseworker time.

An average caseload provides a pragmatic approach, that enables providers to adjust their caseworker's workload based on capacity and children's requirements. Research and PSP service requirements show that variations in caseload are driven by key factors including:

Placement type – Typically, the needs of a child influence their placement type in out-of-home care, whereby children with low to medium needs are placed in home-based care, while children with relatively higher needs are placed in residential care. Currently, the PSP service requirements¹²³ prescribe caseloads for residential care as well as independent living. This suggests that there are expected service standards that non-government providers are funded for. The assumptions underpinning the PSP prices for different placement types provide for an expected caseload which intuitively decreases as a child's level of need increases.

Child or case characteristics – We have heard from DCJ and non-government providers that there are child or case-related factors beyond placement type that have been shown to require additional casework support. These factors have also been identified in research and include:

- interstate cases
- Aboriginal children
- children with a disability
- permanency planning (such as restoration)
- court work
- leaving care.

As there is a correlation between the level of need (based on the assessed category) and placement type, we examined whether there was evidence to show whether the level of need is the primary driver of caseload rather than the placement type. We found that for foster care placements, the proportion of children with different categories of need does not appear to make a significant difference to the current caseloads of non-government providers.

Agency characteristics – Research has shown that agency characteristics such as location of services and number of casework support staff impact on workload demands.¹²⁴ We have also learned from submissions that caseworker vacancies and turnover result in caseworkers needing to manage higher caseloads to support children in their care.¹²⁵

While the Office of the Children's Guardian (OCG) do not recommend specific caseload levels, they have shared their observations on drivers of good casework practice to achieve improved outcomes for children, including placement stability and permanency. These include:

Adequately supporting carers – a meta-analysis found that caregiver satisfaction is negatively correlated with placement changes. Caregivers who were satisfied with the help they received from their caseworker or were satisfied with their caring experience were less likely to experience placement changes.¹²⁶ The OCG encourages that any recommendations made after an annual carer review be actioned to ensure carer needs are being met. They have also developed [carer support resources](#) with the sector to provide consistency in understanding and actioning the needs of carers around respite, training, and establishing networks.

Robust placement matching – Given the nature of out-of-home care, there is pressure to place a child quickly when they are removed from their family. However simply 'filling a bed' without due diligence could result in placement instability. The OCG suggested sharing of information and risk assessments to understand the needs of the child so that the child can be matched to an appropriate carer for home-based placements or group matching for residential care placements.

A skilled workforce including supervision and support for staff – Ensure out-of-home care caseworkers are sufficiently trained and supported. This could be forums (such as group or individual supervision, panels) to reflect and share innovative practice. The purpose of these forums is to share the risk of casework decision-making with the casework manager and other specialists.

6.4 Caseloads by placement type

We reviewed the caseload information available to us to estimate a caseload for each placement type. We relied on the PSP service requirements as they outline the expected quality of casework to be provided to children in out-of-home care. We then reviewed literature, PSP pricing assumptions, and non-government providers' information returns.

A summary of our analysis is set out in Table 6.1 below. A detailed discussion is set out in Appendix B.

Table 6.1 Summary of caseload analysis

Placement type	Literature review	PSP pricing assumptions and service requirements	Observed actual and target caseload
Home-based care	<ul style="list-style-type: none"> The Wood Report (2008) recommended a ratio of 12 children in foster care for every 1 caseworker.¹²⁷ The Child Welfare League of America (CWLA) recommends a caseload of 12 to 15 children per foster care caseworker.¹²⁸ Council on Accreditation suggests that out-of-home care caseworkers should have no more than a caseload of 10 children.¹²⁹ 	<ul style="list-style-type: none"> The baseline package provided for a caseload of 12 for foster care. Our draft analysis showed that the implied caseload assumption for cases with a permanency goal of long-term care is 7 cases per caseworker, while a restoration case plan goal is 4 cases per caseworker. The implied caseload refers to calculating the expected number of cases per caseworker given a specific casework cost or price. 	<ul style="list-style-type: none"> Average actual caseload reported by non-government providers was 10 and ranged from 4 to 14, Average target caseload reported by non-government providers was also 10 and ranged from 7 to 14. DCJ's internal analysis showed the average implied caseload for Statutory Care is 14 cases per caseworker, while our recent consultations with DCJ found an average caseload of 11 for Statutory Care.
Residential Care	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> The PSP Service Requirements prescribe a caseload of 6 children per caseworker.¹³⁰ 	<ul style="list-style-type: none"> Average actual and target caseload reported by non-government providers delivering residential care placements was 6 cases per caseworker
Independent living	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> For supported independent living, a caseload of 12 is assumed in the PSP pricing assumptions. For therapeutic supported independent living, the PSP service requirements prescribe a caseload of 8.¹³¹ Packages for leaving care for young people aged 15 years equivalent to a 16% uplift reduces the caseload of 12 to 10 for supported independent living. 	<ul style="list-style-type: none"> Non-government providers reported a median caseload of 7.5 across both therapeutic supported independent living and supported independent living.
Emergency arrangements	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> When a child enters an emergency arrangement, non-government providers who hold case management will receive a not-in-placement case coordination package for continued case management. The case coordination not in placement package assumes a caseload of 12. 	<ul style="list-style-type: none"> Our analysis of non-government providers' reported hours per week for emergency care revealed that on average, the casework hours needed are approximately twice as much compared to a 'base' foster care placement. We found that non-government providers reported that children in emergency placements require 9 hours per week equivalent to an implied caseload of 3 cases per caseworker.

Note: There are some placement types that do not have a prescribed caseload in the PSP service requirements, so these have been sourced from the PSP pricing assumptions (not public).

6.4.1 Differences in observed caseload and the anticipated caseload embedded in the PSP pricing assumptions

For foster, relative and kinship care, the assumptions underpinning the PSP pricing allowed for a caseload of 12 in the baseline package only. As providers would also receive a case plan goal package to support a child's permanency goals, our draft analysis showed that the implied caseload assumption for cases with a permanency goal of long-term care is 7 cases per caseworker, while a restoration case plan goal is 4 cases per caseworker.

The reason for the large difference in caseload between the baseline package and overall caseload is due to the additional family contact (which is included as additional casework hours in the case plan goal package on top of the caseload of 12 in the baseline package). Under the PSP, it was assumed that children would have 104 hours of family time, equivalent to 2 hours per week.^a Research has shown that family time is beneficial for a child's emotional and psychological wellbeing and their sense of identity. It can also help with increasing the likelihood of restoration.¹³² The Pathway of Care Longitudinal Study found that most contact with birth parents occurred less than monthly but varied with age and the type of placement.¹³³

The PSP pricing assumptions have also included case plan goal reviews to occur annually for children with long-term care case plan goals and twice a year for those with restoration, adoption or guardianship at 15 hours per review. This has been included on top of the baseline caseload of 12.

We have observed that the average actual caseload of 10 is higher than the caseload 'embedded' in the PSP packages. We do not have clarity around how the additional funding is spent, however we have considered the casework components that need to be accounted for to ensure caseworkers are resourced appropriately to meet the needs of children in their care.

At this stage, we recognise the need for additional family contact particularly for children with a restoration case plan goal. As part of consultation on this Draft Report, we are seeking further information to better understand an efficient level of family time for children in care to remain connected with their family. See section 6.6.2 for estimated efficient costs of family time.

Emergency arrangements

For non-government providers, when a child in their care is placed in an emergency arrangement, they will cease to receive the baseline package (for example, if a child were in foster care) or the child package (if a child were in residential care). Instead, the non-government provider will receive the case coordination not-in-placement package which recognises that they will continue to provide casework support to the child. Children who are placed in an Individual Placement Arrangement will receive a foster care baseline package.^b

^a These PSP assumptions were coupled with casework hourly rates that did not factor in leave, training or admin, and thus underestimated the casework price.

^b The foster care baseline package includes a caseload of 12 cases per caseworker.

The case coordination not-in-placement package accounts for continued case management and assumes a caseload of 12 cases per caseworker. It also provides for outreach support and mentoring, transport costs, as well as food and other day-to-day items that a child may need. While the case management cost reflects the expected support needed for children in foster care, it will not be sufficient for a child previously in residential care or independent living given the lower caseloads needed for children in these placement types.

Our analysis of non-government providers' reported hours per week for emergency care revealed that on average, the casework hours needed are approximately twice as much compared to a 'base' foster care placement. We found that non-government providers reported that children in emergency placements require 9 hours per week equivalent to an implied caseload of 3 cases per caseworker. We have also heard from non-government providers that the caseload for emergency arrangements is 6 cases per caseworker.

We have heard from emergency care providers that house managers are carrying out some casework tasks that should be the responsibility of either DCJ or the non-government provider such as service referrals or therapeutic support. This occurs particularly in locations where there is less casework capacity within the provider holding primary case responsibility.

6.4.2 More information is needed to inform an efficient caseload for children not-in-placement

Similar to emergency arrangements, we learned from non-government providers that caseworkers spend approximately twice as much time for children not-in-placement compared to a 'base' foster care placement. On average, we heard from non-government providers that children who have self-placed would typically require 8 hours of casework support per week.

In 2023-24, 3% of children in foster or relative/kin placements and 33% of children in residential care or independent living had self-placed. This illustrates that children in residential care or independent living are more likely to abscond compared to foster care children, yet the current not in placement package only provides for an expected caseload of 12.

As mentioned above, when a child is not-in-placement, a foster care provider receives a not-in-placement package instead of a foster care baseline package. This means a difference of at least \$21,000 per year for a child previously in a foster care placement. When a child is not-in-placement and was previously in residential care, the residential care provider will no longer receive the child package and instead receive the not-in-placement baseline package, plus the relevant case plan goal and child needs packages instead. This is equivalent to a decrease in placement funding of up to \$64,000 per year for a child previously in residential care.

There is a lack of reliable data on how much additional casework is provided to these children to ensure their safety. As mentioned in our interim report, we received a lot of feedback from non-government providers that the casework involved in ensuring the child's safety is not sufficiently covered by the case coordination not-in-placement package funding amount. We have heard from non-government providers that this could be due to long travel times (often requiring two caseworkers) to visit the child to meet the child's immediate needs (such as mobile phones, clothing, Opal cards, groceries), conducting a risk assessment with the child and updating their case plan, and actively supporting the child to establish another suitable placement.

At this stage we consider that providers would at a minimum at least expect to incur the same casework cost they were incurring while the child was in placement. However, as a result of the significant variation in the cost estimates we have obtained, we are not in a position to further estimate these costs. We propose to collect further data from DCJ and non-government providers for children not-in-placement following release of this Draft Report to inform our position for the Final Report.

6.4.3 Estimated efficient caseloads by placement type

We have examined the caseload information available in the PSP service requirements and literature coupled with our data analysis using information from the PSP pricing assumptions, and non-government providers' information returns. Based on our findings we propose the following efficient caseloads by placement type.

Table 6.2 Estimated efficient caseloads

Placement type	Proposed caseload
Foster and relative/kin care	12
Intensive carer models ^a	n/a
Residential care	6
Supported independent living	10
Therapeutic independent living	8
Emergency arrangements	Same as previous placement, or 12 if entering care
Not in placement ^b	Same as previous placement

a. Due to the small number of children currently in these placements and the bespoke nature of these arrangements we have not proposed an efficient caseload

b. We propose to collect more information to inform our estimate of an efficient caseload. Not in placement refers to placements where children or young people have absconded or self-placed.

6.5 Casework staff salaries and salary oncosts

The salaries payable to caseworkers at DCJ are currently provided for by the *Crown Employees (Public Service Conditions of Employment) Reviewed Award 2009* and the *Crown Employees (Public Sector - Salaries 2024) Award* (Crown Award). The salaries prescribed in the *Crown Employees (Public Sector - Salaries 2024) Award* apply from the first full pay period on or after 1 July 2024, prior to this the relevant 'salaries award' for DCJ staff was the *Crown Employees (Public Sector - Salaries 2022) Award*.

The salaries payable to caseworkers at non-government providers are provided for by the *Social, Community, Home Care and Disability Services Industry Award 2010 [MA000100]* (SCHADS Award).^c We have considered the relevant awards and analysed the reported salary rates provided to us by DCJ and non-government providers when determining an efficient casework cost. We have relied primarily on what the prevailing award deems to be a fair rate of pay and employment conditions based on the expected role and responsibilities, noting that some non-government providers may have enterprise agreements which provide better conditions. The estimated efficient casework costs factor in these labour cost constraints faced by DCJ and non-government providers.

We have extended our Interim Report's preliminary analysis on salaries specifically for non-government providers as more information became available. In Table 6.3 below, we have presented the reported salary including salary oncosts. Our analysis found that the median reported salary oncost was 16% but ranged from 10% to 37%. We have calculated an adjusted base salary excluding 16% of salary oncosts. We have also mapped the adjusted base salary to the equivalent SCHADS award levels.

Given the variability of salary oncosts, we suspect that there may be inconsistencies in the composition of salary oncosts for each provider. For this reason, we have obtained the median reported SCHADS grade from non-government providers as we assume this represents the expected responsibilities of each role as stipulated in the SCHADS Award.

Table 6.3 Reported salaries and SCHADS grade by role, \$2022-23

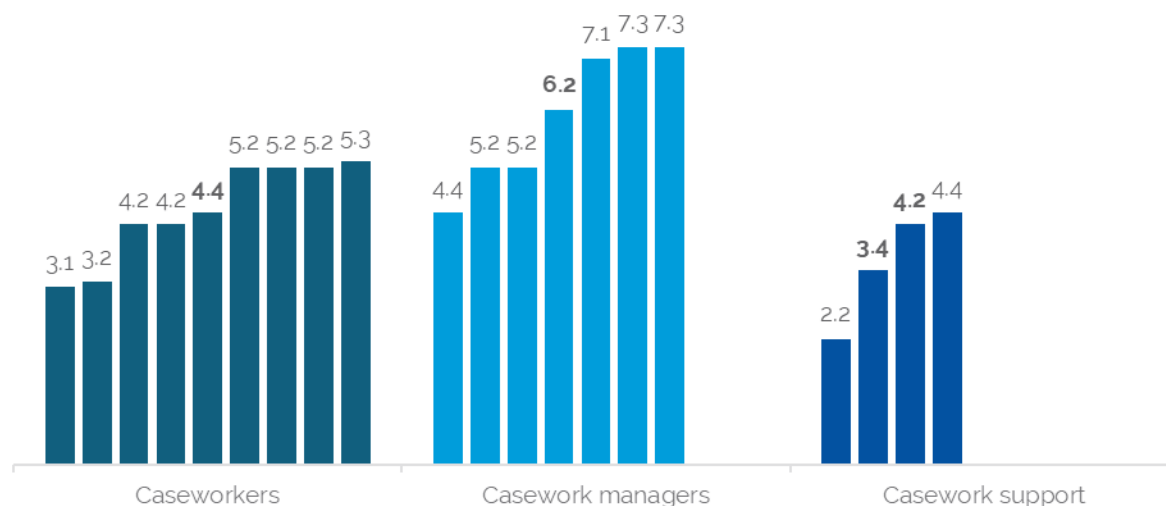
Role	Reported salary incl oncost	Adjusted base salary (excl oncost)	Equivalent SCHADS grade (adj base salary)	Median reported SCHADS grade from NGO info request
Caseworker	\$104,805	\$86,316	4.4 – 5.1	4.4
Casework manager	\$126,789	\$114,305	8.1 – 8.2	6.2
Casework support	\$99,143	\$86,981	4.4 – 5.1	3.4 – 4.1

Source: IPART analysis of data provided by non-government providers

Figure 6.3 below illustrates the range of SCHADS grade levels that non-government providers pay their caseworkers, casework managers and casework support staff. We note that some non-government providers reported the SCHADS level but not the pay point, therefore we have assumed the midpoint of the respective SCHADS level.

^c Whilst the award covers different sectors, as the 'social and community services sector' is the broadest and generally most applicable this is what has been applied in our analysis. For the purposes of classification levels we have relied on information provided by stakeholders and where this was limited assumed the midpoint.

Figure 6.3 Reported SCHADS grade for casework staff with non-government providers



Source: IPART analysis of data provided by non-government providers

DCJ's [casework support scheme price guide](#) sets out the pricing for casework tasks such as supervised family time, supervised transport, respite and mentoring that are outsourced to service providers due to casework resource constraints or lack of available respite carers. Generally, birth family contact is carried out by the caseworker, and the hourly rate in the price guide assumes a SCHADS grade of 4.2. This provides a benchmark for expected salary rates for an out-of-home care caseworker and is similar to the reported SCHADS grade by non-government providers of 4.4.

6.5.1 Salary differences by location

We have assessed whether staff in metro areas are paid differently to staff working in regional areas. Interestingly, at a SCHADS grade level, we can see that staff in regional areas are paid higher than staff working in metro areas. However, when we reviewed the total salaries we collected from non-government providers, we found the opposite whereby total salaries that were higher in metro locations and lower in regional areas, which could be due to inconsistencies in the composition of salary oncosts. We are aware of the need to be cautious in drawing conclusions from this location analysis due to the small number of observations.

Table 6.4 Reported SCHADS grade of non-government providers' casework staff by regionality

Role	SCHADS grade NSW	SCHADS grade Sydney/all of NSW ^d	SCHADS grade Greater Metropolitan Region/Rest of NSW
Caseworker	4.4	4.2	4.4 – 5.1
Casework manager	6.2	5.3 - 6.1	7.2
Casework support	3.4 – 4.1	3.4	4.2

Source: IPART analysis of data provided by non-government providers

For DCJ, we found that regional caseworkers were paid higher compared to caseworkers working in metro areas, while casework support staff were paid higher in metro areas relative to regional staff. This is presented in Table 6.5 below.

At this stage, we are not proposing different salaries for metro and regional areas due to the small number of observations and inconsistencies in what the data is telling us.

Table 6.5 Observed DCJ casework staff base salaries excluding salary oncost by regionality, 1 July 2023 – 30 June 2024

Role	NSW	Sydney/all of NSW	Greater Metropolitan Region/Rest of NSW
Caseworker	\$96,237	\$93,295	\$100,011
Casework manager	\$124,258	\$124,258	\$124,258
Casework support	\$83,957	\$86,539	\$81,416

Source: IPART analysis of data provided by NSW Department of Communities and Justice.

6.5.2 Proposed salaries for casework staff

Labour costs are a primary driver of casework cost. After reviewing the non-government provider SCHADS grades and DCJ workforce information, we reviewed the duties of the grades described in the SCHADS Award.

We have also applied the maximum grade rather than the mid-point level of the SCHADS grade to ensure the costs accommodate an experienced workforce and address differences in team structures across non-government providers.^e For DCJ we have applied the observed Crown Award grade, as they represent the current mix of casework staff and the relevant grades.

The table below sets out the proposed SCHADS grade and salaries for non-government providers, as well as the proposed salaries for DCJ casework staff, excluding salary oncosts. The salary rates between DCJ and non-government providers differ due to the different awards that apply.

^d Sydney / all of NSW refers to non-government providers who operate in Sydney, and also large providers who service both Sydney and other regional areas.

^e There can be large differences between the paypoints and the classification rules for paypoints are complex.

Table 6.6 Proposed SCHADS grade and salaries for non-government provider casework staff and salaries for DCJ excluding salary oncosts, \$2024-25

Role	Proposed base salary for DCJ	Proposed SCHADS grade for non-government providers	Proposed average base salary for non-government providers
Caseworker	\$100,086	4.4	\$91,838
Casework manager	\$129,228	6.3	\$111,398
Casework support	\$87,315	3.4	\$79,353

Source: IPART analysis of data provided by NSW Department of Communities and Justice

6.5.3 Salary oncosts

Salary oncosts are the additional costs above the annual salary incurred in employing someone to undertake a role. Salary oncosts are calculated as a percentage that is applied to staff base salaries. Our approach involved reviewing the current salary oncosts and proposing efficient salary oncosts.

In our Interim Report, we presented the salary oncosts that DCJ applies and a benchmark salary oncost for non-government providers. We have updated our analysis using contemporary data and presented the findings in Table 6.9 below.

Table 6.7 Salary oncosts for DCJ and benchmark salary oncosts for non-government providers, \$2023-24

Salary oncost	DCJ	Non-government providers – foster care only	Non-government providers – residential care
Superannuation	11%	11%	11%
Payroll tax	6%	n/a	n/a
Annual leave loading	1.35%	1.35%	1.35%
Long service leave	2.65%	2.65%	2.65%
Workers compensation (average)	5%	3.3%	5%
Total	26%	18.3%	20%

Source: Information provided to IPART by NSW Department of Communities and Justice, IPART analysis using data collected from non-government providers

Payroll tax has not been included in the salary on-cost for non-government providers. This is aligned with *Payroll Tax Act 2007*, Section 48(1) of that Act provides an exemption from payroll tax for wages paid by religious institutions and generally speaking public benevolent institutions as well as non-profit organisations.

Annual leave loading is determined based on the leave loading percentage applied to the number of annual leave days. We acknowledge that the rate for leave loading is not uniform and varies depending on the award or employment contract. For the purposes of our analysis, we have applied the same annual leave entitlements for DCJ and non-government providers having regard to their respective awards. For long service leave, we have applied the same percentage as DCJ to non-government providers given there is no available data on actual long service leave.

6.5.4 Workers compensation for residential care providers

As mentioned in our Interim Report, we have heard from residential care providers that the cost of workers compensation insurance has increased and is not sufficiently funded under the PSP. We have observed that workers compensation rates based on icare's workers compensation industry classification vary materially between residential care providers and non-residential care providers. Working in residential care is considered to be higher risk than non-residential care, given the higher risk of physical and mental injury to staff employed in residential care homes, it is reasonable for workers compensation rates to be higher relative to staff working in organisations providing foster care. The table below presents the NSW workers compensation industry classification rates for the last three financial years.

Table 6.8 icare's NSW Workers compensation industry classification rates for residential care and non-residential care (i.e. foster care)

Industry	2022-23	2023-24	2024-25
Residential care	4.61%	5.35%	5.91%
<i>Year-on-year change%</i>		16.1%	10.5%
Non-residential care	2.49%	2.89%	3.34%
<i>Year-on-year change %</i>		16.1%	15.6%

Source: icare, [Fact sheet](#), accessed 4 December 2024.

We also assessed the workers compensation insurance rates using non-government provider's financial statements acquitted to DCJ. In 2022-23, foster care only non-government providers paid 3.3% workers compensation insurance rate while foster care and residential care non-government providers paid 5%. Across foster and residential care providers, workers compensation ranged from 2% to 8%. We consider that this shows that where a provider offers both foster and residential care placements, they have higher workers compensation rates compared to foster care only providers. As the financial data from non-government providers vary by expense description and granularity, the wages and salaries used in calculating the workers compensation percentage may include other employment expenses, thereby potentially underestimating the workers compensation rate.

We assume that workers compensation insurance cost is largely driven by the type of business and the size of the organisation amongst other factors. DCJ's workers compensation would cover their staff in out-of-home care as well as Child Protection services. A potential factor that could contribute to DCJ's higher workers compensation rate is the size of DCJ's operational workforce as well as differences in day-to-day functions between child protection and out-of-home care caseworkers.

We understand that the workers compensation rate of 5.91% is an average across all staff in residential care services who may have different 'risk' profiles in terms of making a workers compensation claim. For example, given that care staff are present in the residential care home 24 hours a day, it is likely they are at greater risk of workers compensation claims compared to caseworkers. As care staff represent a higher proportion of staff relative to caseworkers supporting children in residential care, we have adjusted the residential care workers compensation rate to reflect higher workers compensation insurance expense for care staff.

We propose the workers compensation rate to align with icare's rate at 3.34% for caseworkers across all non-government providers and 6.15% for care staff in residential care.

6.5.5 Other employment related expenses

As part of the casework cost, we also need to consider the training, recruitment, travel and other employment support expenses for caseworkers. We have reviewed the financial statements provided by non-government providers and found that foster care only providers have training, recruitment, travel and other employment oncost of 3.7%, while foster and residential care have 3.2% oncost.

We propose to use the oncost of 3.7% for other employment related expenses for all caseworkers, as residential care would include care staff, where training and travel may differ from caseworkers.

The table below sets out the proposed salary oncosts for non-government providers and DCJ caseworkers.

Table 6.9 Proposed salary oncosts for DCJ and non-government provider caseworkers, \$2024-25

Salary oncost	DCJ	Non-government providers – caseworkers	Non-government providers – care staff in residential care
Superannuation	11.5%	11.5%	11.5%
Payroll tax	5.45%	n/a	n/a
Annual leave loading	1.34%	1.34%	1.68%
Long service leave	2.65%	2.65%	2.65%
Workers compensation (average)	5%	3.34%	6.15%
Training, recruitment, travel and other employment support	2.0%	3.7%	3.2%
Total	27.9%	22.5%	25.2%

Source: Information provided to IPART by NSW Department of Communities and Justice, IPART analysis using data collected from non-government providers, icare workers compensation rates.

6.5.6 Casework staff team structures

As part of estimating a casework cost, we need to consider the roles of casework managers and casework support staff as necessary functions to carry out effective casework. Naturally, team structures vary by organisation due to size and scale as well as service offerings where providers may also provide other social services or provide both foster and residential care.

For DCJ out-of-home care teams, there were generally 6 to 8 caseworkers supervised by 1 casework manager. For a sample of non-government providers, we found that there were 3 caseworkers for every 1 casework manager. Interestingly, the PSP pricing assumes that there were 7 caseworkers per 1 casework manager. As mentioned previously, the OCG identified casework supervision and support as necessary components of good casework practice. Casework managers establish priorities, assist with decision making around casework, and provide guidance through individual and group supervision.

Casework support staff directly assist with the day-to-day work of caseworkers such as case planning and documentation, referrals and appointments and attending home visits as a secondary caseworker. On average, DCJ out-of-home care teams have 1 casework support staff supporting 10 caseworkers. A DCJ analysis found that casework support staff supported a similar number of children in out-of-home care as casework managers, suggesting that the ratio of casework support staff to caseworkers would be akin to the number of caseworkers per casework manager. A sample of non-government providers showed a range from 1 to 36 caseworkers to each casework support staff, with a median of 3.5. Similar to the ratio of casework managers to caseworkers described above, the PSP pricing assumed 1 casework support staff for every 7 caseworkers.

A caseworker's workload is influenced by how many support staff they have to assist with some of the administrative tasks such as scheduling appointments or referrals to services or preparing documentation such as home visit notes. A DCJ analysis found that the activities performed by casework support staff varied across teams and notes that their contribution to a number of casework tasks consequently enabled caseworkers to focus on face-to-face activities with children and families.

To recommend an efficient team structure we would need data on outcomes achieved by children in care. However, without this information, we recognise that the number of casework managers and support staff are likely to be influenced by the size of the out-of-home care teams, the number and how dispersed their office locations are and whether the organisation provides one or multiple social services. We recommend that the ratio remain at 1 casework manager for every 7 caseworkers and 1 casework support staff for every 7 caseworkers. This is presented in Table 6.10 below.

Table 6.10 Proposed number of caseworkers per supervisory and support staff

Role description	Current – DCJ	Current – NGO	PSP pricing	Proposed team structure
Casework manager	6-8	3	7	7
Casework support	10	3.5	7	7

Management roles above casework managers and other support staff such as reception or administration officers will be captured in the corporate overheads and administrative costs.

6.6 Casework loading analysis

Some children have higher casework needs than others because of their particular characteristics or circumstances. The caseloads recommended above are considered appropriate for a typical mix of children in care. Children with lower than average and higher than average casework needs are included in the 'typical' mix. However, where providers have a mix of children that is very different from the typical mix, the above caseloads may not reflect the casework they are required to undertake.

This section explores whether there are particular circumstances in which children have an additional casework cost that would not be adequately recognised by adopting the recommended caseloads above. We have analysed the prevalence of certain child or case characteristics to determine whether it is significantly different among providers. Where it is materially different for several non-government providers, it would indicate that further consideration of additional payments is warranted. We are aware that there is a need to balance the administrative burden of additional or separate payments versus the materiality of the benefit.

Box 6.1 Measuring additional casework time

The DCJ casework study has identified factors that increase casework time. This involved a regression analysis to control for confounding variables, as there are different elements that influence casework time. We have described in the sections below which case or child characteristics required additional casework support. We note that the casework time was based on home-based care placements only.

Non-government providers have also reported on the additional casework hours needed for different types of out-of-home care cases. As these are self-reported, we have been cautious to use absolute figures and have analysed the proportional increase relative to the reported base case hours. This is because there might be confounding factors, e.g. a child with a disability may also require leaving care support, and it would be challenging to isolate the impact of one factor only without a rigorous statistical analysis. The information provides for an interesting comparison with the findings from the DCJ analysis.

A summary of the child and case characteristics that we reviewed and our draft decision on the additional case time to recommend per child per year are presented in the table below. We are proposing that recommended casework loadings be available for children in all placement types, as caseworkers would still be required to undertake the same additional tasks. Further discussion on the child and case characteristics where no casework loading is recommended is set out in Appendix B.

Table 6.11 Summary of casework loadings

Child or case characteristic	Additional case time per child per year	Rationale
Aboriginal	21 hours	<ul style="list-style-type: none"> • There are additional casework tasks, as set out in DCJ policy, to support Aboriginal children in out-of-home care's connection to culture • DCJ's internal analysis included a regression analysis on additional casework time for Aboriginal children in out-of-home care compared to a base case • Aboriginal children are overrepresented in out-of-home care, with ACCOs predominantly caring for Aboriginal children • Aligning with the National Agreement on Closing the Gap
Restoration and permanency	52.5 hours	<ul style="list-style-type: none"> • DCJ internal analysis on additional casework time for a restoration case relative to a non-restoration case • Although only a small proportion of children in out-of-home care have a restoration case plan goal, the loading in casework is an incentive to promote achieving the permanency placement principles contained in the <i>Children and Young Persons (Care and Protection) Act 1998</i>.
CALD	Recommend including costs of cultural worker rather than casework loading.	<ul style="list-style-type: none"> • Complexity in defining whether all children with a CALD background and/or their carers require additional casework support compared to non-CALD children and their carers • DCJ's internal regression analysis found children with a CALD background did not have additional casework time compared to other children • About a fifth of the out-of-home care population has a CALD background, and one provider has a larger proportion of CALD children in their care, however with a lack of robust data, it is challenging to estimate a reasonable uplift. • Cultural plans need to be developed for these children and this comes at a cost.
Interstate	No loading recommended	<ul style="list-style-type: none"> • As there is only a small proportion of children living interstate, these children could be case managed within the proposed caseloads
Disability	No loading recommended	<ul style="list-style-type: none"> • About a fifth of the out-of-home care population has a disability, and residential care providers care for higher proportions of children with a disability, which we assume is accounted for in the caseload of 6.
Courtwork	No loading recommended	<ul style="list-style-type: none"> • Where children in care are on interim orders, DCJ's child protection caseworkers are primarily responsible for the court matters, regardless of who owns case management. Generally, case management is transferred to non-government providers at final orders however there are instances where non-government providers may hold case management at entry to care or prior to final orders. In this event, court work is coordinated between both DCJ and the non-government provider. This includes the preparation of affidavits, gathering evidence, establishing the desired outcome for the child (e.g. a restoration order) and attending court when required. • There is a lack of reliable data on the additional time spent by caseworkers on cases involving court. It is estimated that 6% of children entering care and on interim orders are case managed by non-government providers.

Child or case characteristic	Additional case time per child per year	Rationale
		<ul style="list-style-type: none"> Court matters relating to permanency are considered in the restoration and permanency uplift. It is not possible to identify children who require more than the typical court time and there is no reason to believe that any providers are systematically atypical.
Siblings	No loading recommended	<ul style="list-style-type: none"> There is a lack of data relating to sibling groups or the additional casework time.
Regionality	No loading recommended	<ul style="list-style-type: none"> There is contradicting evidence on the impact of regionality on casework time. DCJ's internal analysis found certain casework tasks that took less time in regional areas compared to metro. Non-government providers reported that conducting casework took longer in regional compared to metro areas.

In the sections below we have set out our draft findings for case and child characteristics where we found both a measurable difference in cost and an argument for separate identification of the cost. Where no loading was recommended, this was primarily due to lack of reliable data on how much additional casework time was needed, or we did not see prevalence or uneven distribution amongst providers. We acknowledge that casework is tailored to suit the needs of the child and family but when we are estimating the costs of casework, we need to be cognisant of balancing the complexity of a pricing structure and the benefits to children in out-of-home care.

Where a casework loading has been recommended, we have estimated the cost of the loading based on the additional number of casework hours needed per child per year. Because the proposed foster care caseload of 12 accounts for the current mix of children, it already reflects a proportion of Aboriginal children. Therefore, we have 're-based' the casework cost for foster care to remove the additional casework cost for Aboriginal children. We have also applied the same approach to residential care and independent living placements. For restoration and permanency case plan goals, the additional hours are in addition to the adjusted caseload.

6.6.1 Aboriginal children

Supporting the cultural connection of Aboriginal children in out-of-home care requires different and more intensive casework compared to non-Aboriginal children. This is guided by the Aboriginal Case Management Policy, as described earlier in the chapter. DCJ policy also requires that all Aboriginal children in out-of-home care have a cultural plan (although in 2022 around 75% of Aboriginal children had a cultural plan).¹³⁴

Generally, the additional casework support for Aboriginal children includes:

- Additional family finding and genealogy work. Working with Aboriginal families affected by intergenerational trauma requires time to build trusting relationships.
- Cultural planning to uphold the child's right to cultural connection throughout their placement. An ACCO we met with highlighted to us how cultural planning is an on-going process and a living document as the cultural journey and processes change with age and a person's journey.¹³⁵
- Connecting the child to their Aboriginal culture, community and Country. This often is not their local community, requiring extra travel time.
- Supporting cultural activities as part of the child's cultural plan.

- Extensively engaging with the child's parents to uphold the Aboriginal Case Management Policy principle of Aboriginal family-led decision making.¹³⁶
- Supporting carers (especially non-Aboriginal carers) to develop cultural awareness.

Working with Aboriginal families may require more time to build relationships. A study drawing from the experience of NSW child protection practitioners and stakeholders stated:

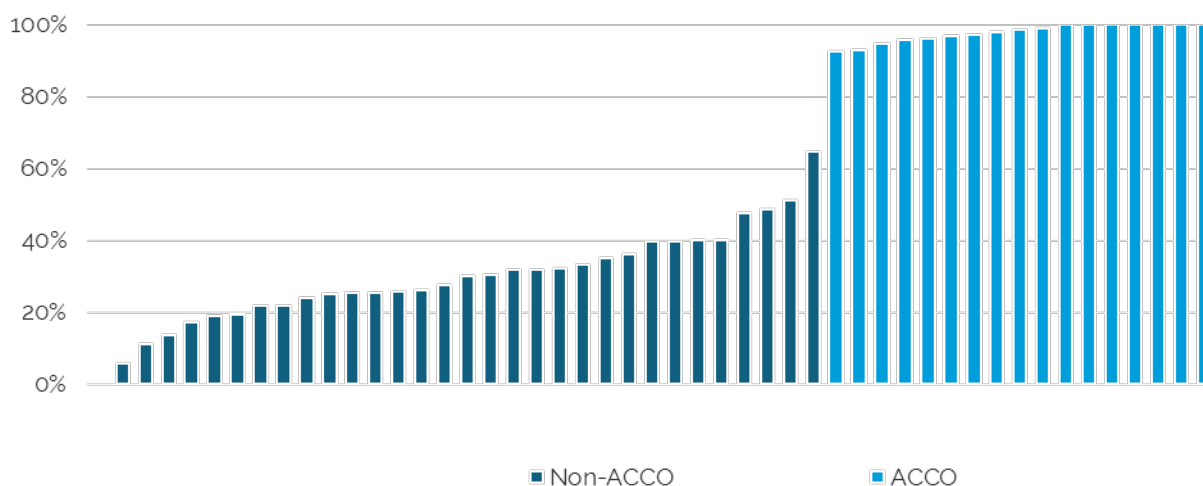
"The deep mistrust that many Aboriginal families have of child protection services makes it difficult to build trusting and productive relationships between parents and agencies. Aboriginal families know the system well and understand the harm caused by previous and current child protection policies, practices and decision-making. Many families are cautious of case workers, agencies and carers, and child protection services find it difficult to build relationships in the face of this fear."¹³⁷

DCJ conducted a regression analysis to estimate base case times and loadings from case complexities. The purpose of the analysis was to understand which case characteristics were individually statistically significant predictors of case time. Their analysis found that Aboriginal children in foster care require 33% (1.6 hours per 4 weeks or 21 hours per year) additional casework time compared to a base case with no complexities. Non-government providers also reported an additional 25% of casework time was needed for Aboriginal children.

We recognise that for Aboriginal children who have just entered care or who have transferred case management to a different non-government provider, the casework would be fairly intensive due to upfront casework requirements such as family finding and cultural planning activities, compared to an Aboriginal child who has been with a provider for some time. The 21 hours per year reflects the yearly average additional time for Aboriginal children at different points in their out-of-home care journey.

We have analysed the distribution of Aboriginal children amongst non-government providers and found that a third of providers are ACCOs who care for predominantly Aboriginal children, with an average of 98% of children in their care who are Aboriginal, compared to an average of 29% per provider of Aboriginal children cared for by non-ACCOs. This is presented in Figure 6.4 below.

Figure 6.4 Proportion of Aboriginal children by provider, 30 June 2024



Source: IPART analysis of data provided by NSW Department of Communities and Justice

For ACCOs who mostly care for Aboriginal children, this means that their case mix would inherently require more casework support.

Given the prevalence of Aboriginal children in out-of-home care and the high proportion of Aboriginal children cared for by ACCOs, we are currently of the view that we should separately cost the additional casework required to support Aboriginal children in out-of-home care. Specifically, a casework uplift of 1.6 hours per child per 4 weeks or 21 hours per year should be available to non-government providers for each Aboriginal child in their care. We consider that this is also a cost that would be incurred by DCJ. This also supports the National Agreement on Closing the Gap reforms.

To estimate the additional casework cost for Aboriginal children, we applied a 'loaded' casework hourly cost to the additional casework hours. The loaded casework hourly cost includes casework salary and oncost as well as an allocation of casework manager and casework support staff costs. We have presented the additional costs for non-government providers and for DCJ in Table 6.12 below. The variation in cost between DCJ and non-government providers is primarily due to differences in salaries and salary oncosts.^f

Table 6.12 Aboriginal casework loading, \$2024-25

Casework loading	Non-government providers cost per child per year	DCJ cost per child per year
Aboriginal casework loading	\$2,630	\$3,280

6.6.2 Restoration and permanency

As described in our Interim Report, the case plan goal of restoration is often the most complex and time intensive care plan for a caseworker to manage. This is due to the higher demand for planning, general administrative work, legal work, and overall level of care required for the child, foster carer and family. The caseworker is required to also support the parents of the child to address the behaviour that led to their child entering out-of-home care and conduct regular supervised family time. At the same time, restoration is the preferred permanency outcome for children in out-of-home care.¹³⁸ Supporting restoration is particularly important for Aboriginal children, as it provides a vital opportunity to ensure connection to family, culture and community.¹³⁹

DCJ's internal analysis found that children with a restoration or permanency case plan goal including guardianship or adoption required 85% more time compared to children that didn't have a restoration or permanency case plan goal (52.5 hours per year).⁹ Non-government providers reported that a case with a case plan goal of restoration or guardianship would require double the time relative to a case with no permanency case plan goal.

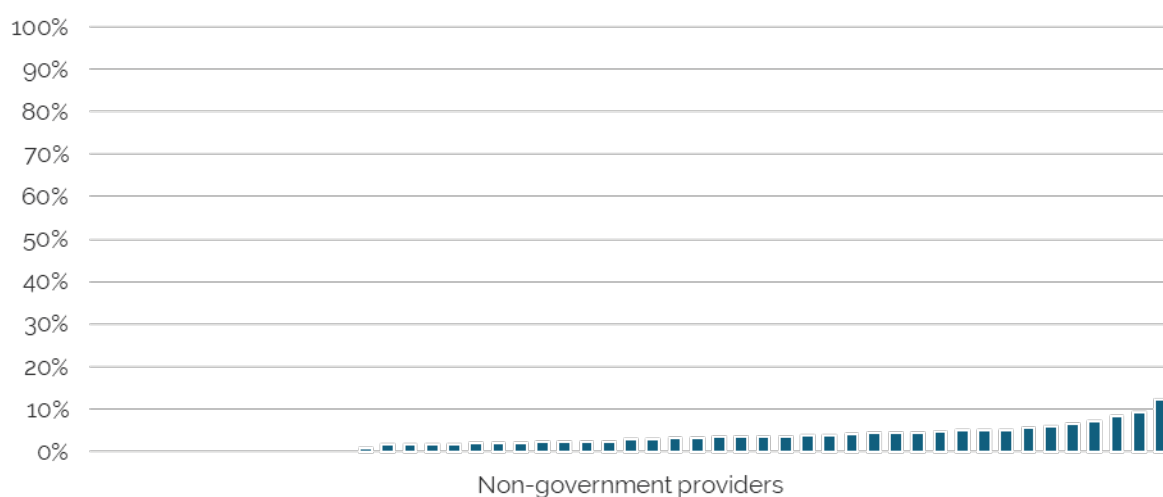
^f Recall that DCJ employees are under the Crown Award while non-government providers are on the SCHADS Award.

⁹ Permanency case plan goals include restoration, guardianship and adoption.

The PSP pricing assumed an uplift of 63% of casework time for children with either a restoration, guardianship or adoption case plan goal compared to a long-term care case plan goal. Specifically, restoration accounted for an additional 164 hours per year on top of the baseline caseload under the PSP, using a family preservation program as a proxy for restoration casework activities. We are of the view that this may be a generous assumption as there may be overlapping activities that are already captured in the baseline caseloads and this represented total hours per family, rather than per child. For restoration casework, we have applied an additional 52.2 hours per year.

Our draft analysis showed that in 2024, 4% of children in out-of-home care had a restoration case plan goal, 4% had a guardianship case plan goal and 2% had an adoption case plan goal. The proportion of children with a restoration or permanency case plan goal appears to be relatively even across non-government providers, presented in Figure 6.5 below.

Figure 6.5 Proportion of children with Restoration or permanency case plan goal by provider, 30 June 2024



Source: IPART analysis of data provided by NSW Department of Communities and Justice.

While there are only 10% of children with a restoration or permanency case plan goal and the distribution appears to be relatively even across providers, we are of the view that the casework costs associated with restoration and permanency should be separately identified. This allows non-government providers to continue to be resourced appropriately for restoration and other permanency casework activities. This provides an incentive to achieve outcomes aligned with the permanent placement principles of returning children to their families when it is safe to do so.¹⁴⁰

The PSP Evaluation reviewed a sample of cases and only identified a small number of cases that achieved permanency within two years. The majority of cases appeared close to achieving permanency or had achieved permanency within three years. Similar to current PSP guidelines, where achieving permanency is likely to occur but is past the two-year timeframe, we agree with the practice of offering extensions on a case-by-case basis. The case plan goal review provides an opportunity for non-government providers and DCJ to discuss progress and address potential barriers on achieving permanency goals. We have assumed case plan goal reviews take 18 hours per year for children with a case plan goal of restoration and permanency and 9 hours per year for long-term care.

To estimate the additional casework cost for children with a restoration or permanency case plan goal, we applied a 'loaded' casework hourly cost to the additional casework hours. The loaded casework hourly cost includes casework salary and oncost as well as an allocation of casework manager and casework support staff costs. We have presented the additional costs for non-government providers and for DCJ in Table 6.13 below. The variation in cost between DCJ and non-government providers is primarily due to differences in salaries and salary oncosts.

Table 6.13 Restoration and permanency casework loading, \$2024-25

Casework loading	Non-government providers cost per child per year	DCJ cost per child per year
Restoration and permanency loading	\$6,570	\$8,210
Case plan goal reviews – restoration and permanency	\$2,270	n/a
Case plan goal reviews – long-term care	\$1,130	n/a

Family time

For children in out-of-home care, family time provides an opportunity to connect with their birth family. This can take on many forms including face-to-face visits, phone calls, as well as letters or sharing photographs. There is evidence that family time improves a child's socio-emotional wellbeing and their sense of identity, as well as increasing the likelihood of restoration.¹⁴¹

In practice, family time can be supported by caseworkers, casework support staff or outsourced to approved providers of family time. The PSP provides additional casework cost for family time in the case plan goal amounting to 104 hours per child per year (or 2 hours per week) for both restoration and long-term care. The frequency of family time is not prescriptive and should be based on the child's needs, although there are instances where the Children's Court or Supreme Court mandates contact arrangements through a Contact Order for guardianship or a Registered Adoption Plan.¹⁴²

The Pathways of Care Longitudinal Study found for a sample of children in out-of-home care that 1 in 2 children had monthly family time visits and 1 in 5 children had weekly visits with family.¹⁴³ At this stage, we have assumed greater number of visits for children with a restoration or permanency case plan goal of 15 visits per year at 4 hours per visit, totalling 60 hours per child per year. For children with a case plan goal of long-term care we have assumed 7 visits per year at 4 hours per visit totalling 28 hours per child per year. As part of the consultation on the Draft Report, we have requested further information on family time to support our estimated efficient cost in the Final Report.

While these are considered casework costs, we understand that organisations may choose to conduct family time with casework support staff or outsource to family time workers. Understanding the frequency of family time visits in practice would assist with determining efficient costs for family time and ensure children are receiving the anticipated level of family time according to their case plan arrangements.

Table 6.14 Estimated efficient cost for family time, \$2024-25

Case plan goal	Non-government providers cost per child per year	DCJ cost per child per year
Restoration and permanency	\$5,830	\$7,210
Long-term care	\$2,720	\$3,370

Parenting programs and wrap-around support

As part of the restoration and permanency casework, the PSP service requirements state that non-government providers should provide flexible intensive and culturally responsive wrap around support to children and their family, including supporting parents to increase their parenting capacity so that children can return home as quickly as possible.¹⁴⁴

The PSP assumptions provided for parenting programs and wrap around support of approximately \$7,500 (\$2024-25) per child, based on assumptions in a family preservation program on a cost per family basis rather than cost per child.

While wrap around support for families should be tailored to their needs, we propose to include a cost component for parenting programs and wrap around support of \$3,180, for example counselling for parents. This cost would be included for non-government providers and DCJ for children in their care that have a restoration case plan goal. Other ad-hoc support such as purchase of white goods and other services would be requested for on an as-needed basis.

Post-restoration casework

Research has shown that parents have identified a need for casework support in the transition to restoration as well as the initial stages of restoration.¹⁴⁵ We would not expect the casework to be as intensive when the child was in care, rather it would be to support the family on an as-needed basis to ensure the family is supported during the early months of restoration. Currently, the PSP case-coordination package for post-permanency provides casework for restoration only for a period of 6 months, as DCJ expects the carers who have adopted or guardians to have demonstrated they can meet the needs of the child with no casework support.^h

The PSP Evaluation found that 66% of children who were restored to their parents received post-permanency support.¹⁴⁶ This suggests that not all families required the ongoing casework support once their child had been restored to family. We have estimated the cost of post-permanency casework to be based on a caseload of 12 for all children on an as-needed basis for a period of 6 months. The caseload is similar to foster care as this would represent a tapering of casework support. The proposed costs are presented in Table 6.15 below.

^h Carers who have adopted or guardians can also request for continued casework support if required but will be granted on a case-by-case basis.

Table 6.15 Proposed post-restoration casework cost, \$2024-25

Casework loading	Non-government providers cost per child per 6 months	DCJ cost per child per 6 months
Post-restoration	\$5,680	\$6,480

We are investigating the casework involved in the legal adoption process and will provide our analysis in the Final Report.

6.6.3 Children with a CALD background

As described in our Interim Report, we have heard from non-government providers that children with a CALD background require additional casework time to account for developing cultural support plans, placement matching for children with carers that may have a similar cultural background, and supporting relative/kinship carers who may not speak English navigate services or access information. The NSW Child Safe Standards for Permanent Care (Standard 4: Identity) requires children to maintain a meaningful connection with community, culture, language and identity.

Non-government providers reported an additional 50% of caseworker time needed for CALD children relative to a standard foster care case, however there may be overlapping factors contributing to additional time. DCJ's internal analysis found that a child with a CALD background in out-of-home care required 22% additional casework time compared to non-CALD cases, however when other factors were controlled for, the analysis found that the casework time was no different from other children. Furthermore, the study found at a task level that developing out-of-home care case plans and providing support to carers took longer for CALD children.

Currently, the PSP provides a CALD specialist package of \$1,754 in 2024-25 paid once off when a child enters care to support culturally appropriate recruitment and training, rather than additional casework time.

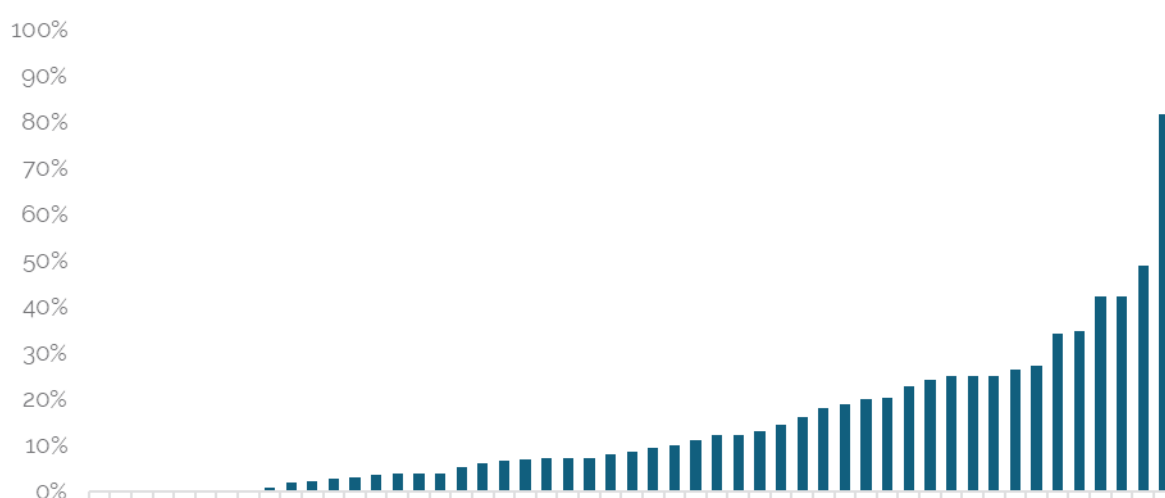
We have also considered the definition of CALD and whether all children with a CALD background and their carers would require additional casework support. For example, a child may have a CALD background but may not require interpreter services. Another example is where a carer may be from a CALD background but may not need additional casework support around accessing and navigating services compared to a non-CALD carer. A DCJ study found carers reported that a quarter to a third of children with a CALD background did not really identify with their cultural background.¹⁴⁷ In addition, many children with a CALD background had little exposure to their cultural language, history or cultural and religious practices.

To support caseworkers in preparing an appropriate cultural care plan and case management tailored to children with a CALD background, we considered the role of a cultural support worker. Currently, DCJ's multicultural caseworkers support other caseworkers to be culturally aware, responsive and respectful, build cultural knowledge to assist carers and identify culturally appropriate networks and services for the child and carer.¹⁴⁸ Our analysis found that on average, a multicultural caseworker would support roughly 89 children. We propose that a cultural worker to support caseworkers and CALD children be considered.

We acknowledge that providers who specialise in the care of children with specific characteristics are likely to need additional resources on an adhoc basis, for example translation services when meeting families, or transport services to take children and their carers to medical appointments. As this cost is ad-hoc in nature and not every child with a CALD background may require this support, we propose that these expenses be funded on actuals.

Our analysis showed that children with a CALD background represent 17% of the total out-of-home care population in 2024. We found that children with a CALD background were relatively evenly distributed across non-government providers, except for one provider who specialises in the care of children with a CALD background. This is presented in Figure 6.6 below.

Figure 6.6 Proportion of CALD children by provider, 30 June 2024



Source: IPART analysis of data provided by NSW Department of Communities and Justice.

Table 6.16 presents the cost of a cultural worker to support caseworkers in providing appropriate casework support for children with a CALD background, and should be available to all children with a CALD background on a per child per year basis. We used the caseworker salary including an allocation of supervision and support roles and assumed that cultural workers would support 89 children per year, on average.

Table 6.16 Cost of cultural workers for children with a CALD background, \$2024-25

Description	Non-government providers cost per child per year	DCJ cost per child per year
Cultural worker for children with a CALD background	\$1,260	\$1,440

Source: IPART analysis

6.6.4 Intensive foster care

Intensive carer models refer to home-based placements for children requiring more support than a traditional foster or relative/kinship placement. Currently there are several models of this nature. The bespoke nature of intensive carer models means it is difficult to identify an efficient caseload. For this reason we have not estimated an efficient caseload for intensive foster care. Further details on intensive foster care models are described in Appendix B.

6.7 Estimating efficient caseworker costs

The estimated efficient 'base' caseloads presented above have been adjusted to account for the Aboriginal casework loading. This is because the 'base' caseload factors in the current mix of children, which reflects a proportion of Aboriginal children. Therefore, we have 're-based' the caseload for each placement type to adjust for the additional casework cost for Aboriginal children. This is presented in the table below.

Table 6.17 Base and adjusted efficient caseloads


Placement type	'Base' efficient caseloads	Adjusted efficient caseloads
Home-based care	12	12.9
Residential care	6	6.3
Independent Living	10	10.8
Intensive Independent Living	8	8.5
Emergency arrangements	Same as previous placement, or 12 if entering care	Same as previous placement, or 12.9 if entering care
Not-in-placement	Same as previous placement	Same as previous placement

Table 6.18 presents the estimated efficient caseworker costs by placement type and by provider. We calculated the caseworker costs by taking the casework salary and salary oncosts and an allocation of casework manager and casework support staff costs. We then applied the efficient caseload by placement type to arrive at the casework cost per child per year. This includes the casework costs for case plan goal reviews and family time for children on long-term care.

Table 6.18 Summary of estimated efficient casework costs, \$2024-25

Placement type	Non-government provider cost per child per year	DCJ cost per child per year
Home-based care	\$15,200	\$16,320
Residential care	\$27,150	n/a
Independent Living	\$17,310	n/a
Intensive Independent Living	\$20,960	n/a
Emergency arrangements	Same as previous placement, or \$15,200 if entering care	\$16,320
Not-in-placement	Same as previous placement	\$16,320
Intensive foster care	Not costed	Not costed

Draft decision


-  1. We estimate the efficient casework costs by placement type to be:
- home-based care: \$15,200 per child per year for non-government providers and \$16,320 per child per year for the Department of Communities and Justice
 - residential care: \$27,150 per child per year for non-government providers
 - independent living: \$17,310 per child per year for non-government providers
 - therapeutic independent living: \$20,960 per child per year for non-government providers
 - emergency arrangements: where the child has been in care, the same annual casework costs as the child's previous placement. Where the child has newly entered care \$15,200 per child per year for non-government providers and \$16,320 per child per year for the Department of Communities and Justice
 - Not-in-placement, the same annual casework costs as the child's previous placement.

In addition, Table 6.19 presents the proposed casework loadings or additional costs for certain cohorts in out-of-home care.

Table 6.19 Summary of estimated efficient casework loadings, \$2024-25

Placement type	Non-government provider cost per child per year	DCJ cost per child per year
Aboriginal loading	\$2,630	\$3,280
Restoration and permanency loading – including case plan goal reviews, family time and parenting programs and wrap around support	\$14,000	\$15,230
Post-restoration support	\$5,680	\$6,480
Cultural workers for children with a CALD background	\$1,260	\$1,440

Draft decisions

-  2. We estimate an additional efficient casework cost of \$2,630 per child per year for an Aboriginal child with a non-government provider.
3. We estimate an additional efficient casework cost of \$3,280 per child per year for an Aboriginal child with the Department of Communities and Justice.
4. We estimate an additional efficient casework cost of \$14,000 per child per year for a child with a restoration and permanency case plan goal with a non-government provider. This is inclusive of case plan goal reviews, family time, parenting programs and wrap around support.

5. We estimate an additional efficient casework cost of \$15,230 per child per year for a child with a restoration and permanency case plan goal with the Department of Communities and Justice. This is inclusive of case plan goal reviews, family time, parenting programs and wrap around support.
6. We estimate an efficient post-restoration casework cost of \$5,680 per child for 6 months of casework support provided by a non-government provider to a child who has recently been restored to their parents.
7. We estimate an efficient post-restoration casework cost of \$6,480 per child for 6 months of casework support provided by the Department of Communities and Justice to a child who has recently been restored to their parents.
8. We estimate an efficient cultural care worker cost of \$1,260 per child from a culturally and linguistically diverse background per year with a non-government provider.
9. We estimate an efficient cultural care worker cost of \$1,440 per child from a culturally and linguistically diverse background per year with the Department of Communities and Justice.

For home-based care, we have examined the overall implied caseload of our draft estimated efficient casework costs given the current mix of children in care for non-government providers and DCJ. Our findings are presented in Table 6.20 below.

As mentioned above, the PSP assumptions provided for an implied caseload of 7 for long-term care and a caseload of 4 for restoration and permanency for home-based care. Taking into account the mix of children in ACCOs, non-ACCOs and their case plan goals, we found that the overall implied caseload is 7.7, which is lower than the observed home-based care caseload of 10 reported by non-government providers. This suggests that the PSP casework assumptions were generous relative to the reported caseload.

Table 6.20 Implied caseload for non-government providers and DCJ

Provider	Implied caseload
All non-government providers	7.7
ACCOs	7.3
Non-ACCOs	7.8
DCJ	8.2

6.8 Efficient caseworker costs between DCJ and non-government providers

The out-of-home care system is complex with many inter-related components. One of the key components of out-of-home care is the role of caseworkers. Caseworkers provide guidance and support to children in out-of-home care and collaborate with their carers and families to improve their wellbeing and outcomes. We understand that the level of casework provided varies by many factors such as the needs of the child, how much support a carer requires, whether the child has just entered care and whether their placement is stable. For example, research has shown the first six to seven months of when a caseworker establishes a placement for a child is vulnerable to instability, so caseworkers typically would be involved in more home visits and regular contact with carers to ensure they feel supported, while a child who is in a stable placement for the last few years may not require as much intensive support.¹⁴⁹

Although casework is tailored to the needs of the child, one would expect that a child with certain needs and characteristics would receive the same quality of casework support regardless of who provides the care (DCJ or non-government providers), with the exception of Aboriginal children who are best placed with ACCOs to ensure they remain connected to culture, Country and kin. For Statutory Care, we have seen similar caseloads between DCJ and non-government providers. Currently, we are not aware of an evaluation on outcomes of children in DCJ-delivered out-of-home care and how they compare with those cared for by non-government providers. Both non-government providers and DCJ casework staff have identified the lack of measures around quality of casework and transparency around what works well and what doesn't.¹⁵⁰ Furthermore, as mentioned in our Interim Report, different tools are currently used to assess the needs of children in DCJ and those with non-government providers, making it difficult to make a like-for-like comparison.

One of the contributing factors to casework cost differences between DCJ and non-government providers is the cost of labour, or the salaries. DCJ and non-government providers are under different Awards, and we found that the non-government providers pay their caseworkers between \$74,000 to \$102,000 while DCJ pays between \$87,000 to \$113,000. We have also considered the differences in employment conditions and industrial instruments when estimating costs.

We found that the team structures of casework manager and casework support staff varied between DCJ and non-government providers. Of course, there are many combinations of how an organisation can structure their teams and this may depend on the size of the organisation, their office locations and whether they provide other social services. For a large government agency, DCJ has the ability to structure their out-of-home care teams with the potential to gain synergies with similar teams and tap into the expertise of specialists when needed. The decentralised structure of DCJ however may contribute to differences in DCJ team structures and consequently varying casework practice. Smaller non-government organisations may not be able to benefit from larger teams, depending on the number of children they care for, as a casework team no matter the size will need a manager and support staff to carry out the day-to-day operations.

In terms of casework roles, we have heard potential opportunities for efficiencies around:

-
- Court work when children in care are on interim orders case managed by non-government provided care. These instances require coordination between DCJ and non-government providers in preparing court materials and attending court. Further discussion is set out in Appendix B.
 - Casework for children not-in-placement may involve extensive travel, sometimes requiring two caseworkers for safety. Acknowledging that casework continuity helps with building and maintaining a good relationship with children and young people, there may be opportunities to collaborate and request for assistance with existing CSC networks or other non-government providers in close proximity to where a child is located (who is not in placement).

Chapter 7 »

Administration and corporate overheads

This chapter sets out our estimates of the efficient cost of administration and corporate overheads across different placement types



Administration and corporate overheads are costs associated with activities that support the core business of delivering out-of-home care. We have examined expenditure incurred from all activities and identified which of those are not part of the core business but are needed for ongoing day-to-day operations.

Under our Terms of Reference we are required to review the efficient cost of administration and corporate overheads. In our Interim Report, we defined administration and corporate overheads for both the Department of Communities and Justice (DCJ) and foster care non-government providers, and we estimated the administrative costs of DCJ for delivering out-of-home care on a per child basis. We also presented the total administrative costs of foster care non-government providers based on their size, whether they were ACCOs or non-ACCOs and location of their services.

This chapter extends on our early analysis in the Interim Report based on updated information provided by DCJ and non-government providers.

7.1 Overview of draft findings and decisions

We reviewed a range of information on administrative costs including data reported to DCJ by all providers and data provided to us directly by non-government providers. Our analysis showed that administrative costs vary significantly depending on the size of the organisation. As a result, we decided to estimate these costs on a dollar per child basis, using the number of children in care with a provider as a proxy for organisation size.

For home-based care providers, we had a large number of estimates and the reported costs were fairly consistent. The average administrative cost incurred by non-government providers are materially higher than what was anticipated in the Permanency Support Program (PSP) pricing assumptions. We found foster care only non-government providers spend 17% of total out-of-home care expenditure on administration and corporate overheads, while the PSP pricing assumed 8.7%.

We found that DCJ has slightly higher administrative costs of \$15,390 compared to large foster care only non-government providers at \$14,100. The administrative cost of large foster care only providers is lower than our initial analysis in the Interim Report as we had previously included employee training, recruitment and travel in administrative costs. These have now been included in the casework component as part of the salary oncosts as explained in Chapter 6.

Our analysis found that ACCOs' administrative costs are typically \$6,820 per child per year higher than non-ACCOs. This likely relates to their additional functions and holistic way of approaching care.

For residential care providers, our analysis found a large range of reported administrative costs, ranging from \$25,000 per child to \$157,000 per child. As there are a smaller number of residential care providers, and many of them do not exclusively provide residential care, we consider that there is a high degree of uncertainty regarding the estimated costs of administration and overheads for residential care. We are particularly concerned that there are inconsistencies in cost allocation that are driving the large differences in reported costs. We have adopted an estimate of approximately \$50,000 and will seek more information from providers before making a final decision on these costs.

We also estimated the administrative cost to DCJ for outsourced care. We found that DCJ spends \$5,090 for each child whose care is delivered by a non-government provider under the PSP. This cost provides for \$1,800 on direct service delivery such as the cost of Child and Family District Unit (CFDU) caseworkers and \$3,290 to administer the PSP such as contract management. This cost has been considered as part of the costs of PSP that DCJ incurs under a hybrid out-of-home care delivery model.

Finally, we found that the combined cost of recruitment and assessment of new carers is around \$23,450 per carer (\$2024-25). The annual cost of carer training is around \$1,500 per carer (\$2024-25).

We estimated the efficiency of administration and overheads wherever possible by comparing the costs across providers. However, we acknowledge that they may not reflect the efficient costs for a number of reasons. Recent reviews have observed the administrative burden of some aspects of the out-of-home care system. While we have taken this into consideration, it is challenging to estimate the impact of the administrative burden on non-government providers given the lack of granularity in financial data. We have applied the lower quartile as a proxy for a more 'efficient' level of administrative costs for independent living. For residential care, we have estimated the efficient administrative cost based on current PSP pricing assumptions given the small number of estimates and the large range in reported costs.

7.2 What are administration and overhead costs for out-of-home care providers?

Administration and corporate overheads encompass a range of activities to support the delivery and commissioning of out-of-home care:

- **DCJ teams supporting DCJ-delivered out-of-home care** including quality assurance to meet the NSW Child Safe Standards for Permanent Care (such as reportable conduct teams to investigate reportable allegations made against authorised carers or care staff), training and upskilling of DCJ out-of-home care caseworkers including the roles of casework specialists and practice quality teams, district and operations management and corporate overheads such as finance, procurement, IT and payroll.
- **Non-government provider teams supporting the delivery of the PSP** including teams to ensure adherence to regulatory and service requirements, training and upskilling of non-government provider out-of-home care caseworkers, operations management and corporate overheads.
- **DCJ teams facilitating and commissioning the PSP** including contract management of PSP funded placements, engagement with PSP service providers in relation to contracts, conducting placement referrals, training and upskilling of non-government provider caseworkers.
- **DCJ teams supporting the out-of-home care system as a whole** including information sharing for care leavers and with other government agencies, as well as ChildStory data teams to support caseworkers and other system users such as the NSW Ombudsman and non-government providers.^a

^a ChildStory is DCJ's information management system for children in out-of-home care and Child Protection.

We have analysed DCJ and non-government providers' financial data and have classified expense items as administration and overhead costs. While there are expense items that may be defined as both out-of-home care service costs or indirect administrative costs, we have relied on the non-government providers' categorisation of direct and indirect costs related to their operations. For example, motor vehicles for caseworkers or casework support staff are generally captured in direct service costs, while there may also be motor vehicle expenses for corporate or head office staff, which would then be categorised as indirect costs. Examples of the type of administrative costs are listed below:

- accounting and audit fees
- advertising and promotion
- computers and telephones
- consultancy and contractor expenses (where they are not delivering direct out-of-home care services)
- depreciation
- general insurance costs (excluding physical and sexual abuse insurance)
- motor vehicles
- rent and outgoings for offices
- utilities, rates and taxes (excluding those incurred for residential care properties, which are captured in the residential care delivery costs)
- corporate overheads including human resources, payroll, IT, Finance, procurement, legal, median and communications.

Furthermore, for DCJ administration and corporate overhead costs we have included the staff costs of those teams who have an administrative function as described above. However, as mentioned in our Interim Report, for non-government providers we are limited by the granularity and classification of expenses in their financial data. This means there may be teams whose role involves administration activities but are not necessarily captured in administrative costs, as they could be reported under employee-related expenses. We have referred to administration and corporate overhead costs collectively as 'administrative costs'.

7.3 The cost drivers of administration and overheads

We explored the impact of the following factors on administrative costs:

- placement type
- organisation size
- ACCO or non-ACCO providers
- location of services.

7.3.1 Administrative costs vary by placement type

Our draft analysis has found that placement type influences the level of administrative costs on a per child per year basis. Non-government providers vary in the type of placements they provide to children in out-of-home care. There are some that specialise in foster care only or residential care, while some offer a mix of foster care, residential care and independent living. To estimate administrative cost by placement type, we have analysed the non-government provider financial data acquitted to DCJ as well as their information returns submitted to IPART.^b


Table 7.1 below shows the reported average and range of administrative cost per child per year by placement type.

Table 7.1 Non-government providers' reported average administrative cost per child per year by placement type, \$2022-23

Placement type	Reported average admin cost per child per year	Range of admin cost per child per year
Foster care	\$14,650	\$4,400 - \$38,500
Residential care	\$117,049	\$25,000 to \$157,000
Independent living	\$25,029	\$3,000 to \$47,000
Emergency arrangements	\$59,386	\$13,000 to \$64,000

Source: IPART analysis of data provided by non-government providers.

Draft finding

3.  There is material variation in the observed average administrative costs of non-government providers during 2022-23 for the following placement types:
 - a. Home-based care: between \$4,400 and \$38,500 per child per year
 - b. Residential care: between \$25,000 and \$157,000 per child per year
 - c. Independent living: between \$3,000 and \$47,000 per child per year
 - d. Emergency arrangements: between \$13,000 and \$64,000 per child per year.

7.3.2 Organisation size influences the level of administrative costs

We found that administration costs are higher in dollar terms for larger organisations and smaller in dollar terms for smaller organisations. While there are minimum costs that an organisation would face no matter its size, by and large administration and corporate overheads depend on the size of the business. For small providers the fixed component averaged \$980,000 per organisation, while the average fixed cost for large non-government providers was \$3.4 million per organisation. Our draft analysis showed that fixed administrative costs vary by organisation size and are therefore not purely fixed. Further details are in Appendix C.

^b The non-government provider information returns contain their apportionment of administrative and corporate overheads across multiple service types (where non-government providers offer more than one placement type).

We propose to use a dollar per child approach to set the cost benchmark for administrative costs. Setting the administrative cost at a dollar per child accounts for the size of the organisation and overcomes the challenge of applying a flat percentage rate across all placement types to estimate administrative costs.

Under a percentage rate approach, one would apply a percentage of administrative costs to total placement costs. This approach assumes, that as the placement costs increase, one would also expect to see the administrative costs increase. However there are certain cost components where if increased (for instance care allowances), we would not necessarily see a corresponding increase to administrative costs as these costs are to support staff delivering out-of-home care. Furthermore, there are some placements such as emergency placements that are expensive due to the stand-up nature of the placement, but it is not likely that administrative cost would result in a commensurate increase. For this reason we have not applied a percentage approach but have considered the proportion of administrative costs over total placement costs as supporting analysis.

Given the variance in administrative costs between small and large non-government providers, we propose to estimate on a dollar per child basis.

7.3.3 ACCOs have higher administrative and overhead costs compared to non-ACCOs

ACCOs have additional functions on top of the costs of cultural supports that any type of provider incurs when caring for Aboriginal children. The PSP service requirements state that ACCOs were funded “explicitly to recognise that they work differently and more holistically to provide a full set of services prior to and across the continuum of care to Aboriginal children, young people, their families and communities”.¹⁵¹ This section discusses the organisation-wide functions of ACCOs, but the costs of cultural programs and other supports for Aboriginal children in care incurred by any type of provider are described in Chapter 11.

Identifying the additional costs to ACCOs compared to non-ACCO non-government providers is not straightforward. The nature of ACCOs and the children in their care varies significantly. While variation exists for children and agencies across the sector, ACCOs take a particularly unique and place-based approach to each child’s cultural journey depending on factors such as the community they operate in and the child’s family history. Also, ACCOs’ core elements, related specifically to how they operate from Aboriginal cultural contexts (Aboriginal ways of knowing, being and doing), do not naturally or easily fit specific cost items. For instance, culture is likely embedded across all service and practice areas, and not easily attributed to particular cost items.

ACCOs are well-placed to design and deliver culturally safe and effective services. This is in part because ACCOs employ more Aboriginal and Torres Strait Islander people, have greater cultural expertise, skills and knowledges, and have stronger ties to the community.

Australian Government Productivity Commission¹⁵²

Our analysis shows that there are differences in the administration and overhead costs for ACCOs compared to non-ACCOs. We have used this to estimate the overall additional costs for ACCOs, recognising that most but not all additional functions/costs can be captured in administrative and overhead costs. A description of the types of ACCO-specific costs is provided in Box 7.1.

We reviewed the financial data of ACCOs and foster-only non-ACCOs and found that on a dollar per child basis, the administrative cost was \$6,820 more for ACCOs as shown in Table 7.2.

Table 7.2 Administrative costs per child per year for ACCOs and non-ACCOs, \$2022-23

Provider and placement type	Admin costs
Foster care only ACCOs	\$18,760
Foster care only non-ACCOs	\$11,940
Difference	\$6,820

Source: IPART analysis of data provided by non-government providers

Box 7.1 Description of additional costs to ACCOs

We have identified a breadth of evidence that ACCOs have additional functions which translate to additional costs compared to non-ACCO non-government providers, based on DCJ requirements as well as our consultation.¹⁵³ While each ACCO takes a unique and place-based approach, we have identified some generalisable categories of these additional costs that apply. These categories may not relate to the individual circumstance of each ACCO.

Community work and cultural advocacy

ACCOs work closely in their community to provide education and programs. In the current PSP service requirements, this is described as:

- community education, for example attending training around health and wellbeing and training local carers on Aboriginal matters
- community programs and connections such as NAIDOC, Sorry Day, and other community relationship building
- community level family work which is preventative work with families such as providing advice, running skills workshops, counselling services.¹⁵⁴

ACCOs have reported working closely with families navigating the child protection system, acting as an informal advocate and making them aware of their rights in the system.¹⁵⁵ Many ACCOs that we consulted reported that this wider community consultation work goes under- or unfunded.¹⁵⁶

Box 7.1 Description of additional costs to ACCOs

Similarly, ACCOs also often offer as-needed support to community members and families needing help to navigate the child protection system. This is particularly important because of a significant amount of mistrust between Aboriginal families and DCJ, primarily caused by intergenerational trauma.¹⁵⁷ ACCOs' work with families can sometimes be in the form of 24/7 support, which can create cost burdens as well as impacts on staff welfare.

Cultural consultation

ACCOs have described the policy and practice consultation they provide to DCJ and non-ACCO non-government providers. In its submission to our Consultation Paper, AbSec refers to ACCOs carrying cultural and committee load, for example through providing policy and program advice to DCJ and other government entities.¹⁵⁸ Similarly, ACCOs may provide cultural consultation to non-ACCOs working with Aboriginal families.

Staffing

While it is not a requirement, many ACCOs have a mostly Aboriginal workforce. This is because Aboriginal staff are often members of the local community in which they work, meaning they are closely in touch with the local culture. While having a mostly Aboriginal workforce is valuable for ACCOs, it also creates issues such as:

- having a smaller pool of people to hire, making recruitment more challenging
- Aboriginal support staff being prone to cultural burnout due to demands from community, and exposure to trauma and racism.¹⁵⁹

Overall, ACCOs have suggested to us that these issues could lead to staff burnout and higher turnover if not adequately managed.¹⁶⁰ While the ways in which we have seen ACCOs address this differ, there is a range of literature that identifies common themes such as feeling culturally safe, supervision/mentorship, development and adequate recognition.¹⁶¹ Addressing these challenges with staff may come at an additional cost compared to non-ACCOs.

Some ACCOs told us that they recruit staff who may not have all the required experience to work as a caseworker straight away, and then provide them with mentorship or training to work their way up to a more experienced role.¹⁶²

When ACCOs hire non-Aboriginal staff, they may need to invest in additional training and supervision to support these people to deliver culturally safe care.¹⁶³

While the cost types we have described are organisation-wide costs, we consider they are proportional to the size of the organisation. We have therefore conceptualised these ACCO-specific costs on a per child basis.

We consider that per child ACCO-specific costs are unlikely to vary significantly with the type of care delivered by the ACCO, as the additional costs that we have described are not related to the model of care delivered. At this stage we would therefore suggest that the additional costs to ACCO providers of residential care models are the same per child as our estimate for foster-only ACCOs. However, as ACCOs in out-of-home care in NSW currently only deliver home-based care, we have not been able to analyse how the costs incurred by ACCOs differ to determine whether this is the case.

Draft decision



10. We estimate the indicative costs of ACCOs to be \$6,820 per child per year higher than those of non-ACCO providers, due to their additional organisation-level functions including community advocacy and cultural consultation.

7.3.4 Location

Anecdotally, location may influence certain administrative and corporate overheads. For example, office rent might be lower in certain regional areas compared to urban or city locations, or motor vehicle expenses may be higher in regional areas. However given the lack of granularity in financial statements, it is challenging to identify which expenses typically vary based on location.

Additionally, we have seen that most ACCOs are classified as non-metro and incur higher administrative costs compared to foster care only non-ACCOs. We have found that it is likely that the characteristic of the agency, rather than the location impacts on the level of administrative and corporate overheads.

7.4 How do actual administrative costs of non-government providers compare with the funded amount in the PSP?

In our Interim Report, we found that foster care only non-government providers spend more of the funding they receive on administrative costs than anticipated when the funding levels were established. We have refined our analysis using non-government providers financial statements acquitted to DCJ and we found foster care only non-government providers spend 17% of total out-of-home care expenditure on administration and corporate overheads, while the PSP pricing assumed 8.7%.

We had previously noted that approximately 20% of total out-of-home care expenditure related to administrative costs for foster care only non-government providers, as we had adjusted training, recruitment and travel related to employees to be included as administrative costs. These have now been taken into account as part of salary oncosts as described in Chapter 6 and so we have not made any adjustments to their financial statements.

The assumptions in the current PSP pricing assume 10% overheads as a proportion of total placement costs for residential care.

The PSP pricing assumption for residential care and independent living administrative cost varies by service model type.^c We found that reported administrative costs for residential care and independent living were also materially higher compared to the anticipated amount of administrative costs.

Table 7.3 PSP administrative costs pricing assumptions, per child per year, \$2022-23

Placement type	Observed average admin cost	PSP pricing admin cost	Admin as a proportion of placement cost
Foster care only	\$14,650	\$6,200	8.7%
Residential care only	\$117,049	\$35,700 - \$59,700	10%
Independent living only	\$25,029	\$9,200 - \$14,400	10%

Source: IPART analysis of data provided by NSW Department of Communities and Justice.

While there's no transparency on the types of overhead costs the PSP pricing assumptions anticipated to cover, it is materially lower than current expenditure on administration and corporate overheads by non-government providers. We also observed that the PSP pricing assumption for administrative costs may have provisioned for group overheads only, which currently accounts for 12% of total costs for all non-government providers, suggesting it was missing other indirect contract administration costs such as insurance, legal, office rent, etc.

While general insurance (such as public liability) is a part of the administrative costs, we have heard from non-government providers that the physical and sexual abuse (PSA) insurance premiums have substantially increased after the introduction of the new Special Liability Insurance Scheme (SLIS) which came into effect on 1 January 2025. We discuss PSA insurance further in Chapter 12.

Draft finding



- The average administrative costs incurred by non-government providers are materially higher than those anticipated in the Permanency Support Program's pricing assumptions. We found foster care only non-government providers spend 17% of total out-of-home care expenditure on administration and corporate overheads, while the Permanency Support Program pricing assumed 8.7%.

^c The PSP assumption applies a flat percentage to the placement cost to provision for administrative costs. This means a placement that is more expensive would be allocated a higher administrative cost on a per child basis.

7.5 How do the administrative costs of DCJ compare with large non-government organisations?

DCJ's administrative cost in 2022-23 was \$14,500 per child per year which is slightly higher than large foster care only non-government providers at \$13,300 per child per year. This administrative cost of large foster care only providers is lower than our initial analysis in the Interim Report as we had previously included employee training, recruitment and travel in administrative costs. These have now been included in the casework component as part of the salary oncosts as explained in Chapter 6.

We found that administrative costs as a proportion of total expenses were 18% for large providers. For DCJ these costs were 24%. We note the average cost of a foster care placement in DCJ (\$60,000) is lower than the average cost of a foster care placement with non-government providers (\$73,000) and so the cost base is lower for DCJ.

7.6 Scope for efficiency in administration and corporate overheads

Our findings from our draft analysis show the large variability in administrative costs across non-government providers even within the same placement types. In assessing efficiency, we are limited by the data available to us, as administrative costs are generally recorded as a lump sum payment and lacks the detail for further investigation. There may also be financial practices that use corporate overheads to 'balance the books', which may contribute to higher administrative costs.

As noted above, the amount provided for administrative costs under the PSP is materially lower than current expenditure by non-government providers. It also appears to have possibly excluded indirect contract administration costs such as insurance, legal, office rent, etc. The Audit Office report found that "NGOs do not receive funding for administrative or management costs. They are not funded for supporting Children's Court work, or the recruitment of new foster carers. NGOs calculate how much they need for these different activities, and use the required funds from funding packages and other sources of income".¹⁶⁴ These are costs that a business requires to operate and may be a potential reason why administrative costs are higher than originally expected.

Recently, there have been several reviews on the out-of-home care system that found some aspects of the system contribute to unintended administrative burdens.¹⁶⁵

The System review into out-of-home care report stated the reporting requirements to DCJ and regulatory bodies such as the OCG have been described by some non-government providers as cumbersome, onerous and a 'tick-the-box' compliance exercise.¹⁶⁶ While the reporting requirements focus on complying with the NSW Child Safe Standards for Permanent Care, the service quality aspect is often overlooked. Furthermore, non-government providers have had to supply the same information to DCJ and the Office of the Children's Guardian (OCG) resulting in duplicative efforts.¹⁶⁷

We have heard from the Association of Children's Welfare Agencies (ACWA) that non-government providers have experienced increased data administration as there is no single data system for children in out-of-home care and is estimated to cost an extra \$1,500 per child.¹⁶⁸ Non-government providers have their own internal operating systems and are required to also share data with DCJ via ChildStory Partner. This results in data inefficiencies and information gaps.¹⁶⁹

One of the findings in the System review into out-of-home care was the inconsistencies in decision-making and practices across DCJ districts.¹⁷⁰ The report describes a non-government provider who operates across multiple districts having to accommodate different requirements set out by the DCJ districts to deliver the same out-of-home care service. We have also heard from providers that contract management, particularly PSP payments reconciliation, is a lengthy process impacting cashflow. The implementation of DCJ's contract requirements and the contract management process is not transparent, adding to a lack of accountability and unclear performance expectations of non-government providers.¹⁷¹

We recognise there are activities that lead to increased administrative burden that may not be contributing to improved outcomes for children as described above. While this reflects current practice, it is unlikely to represent an efficient level of administrative costs. We have carefully reviewed the analysis on administrative costs and have taken into account the barriers faced by DCJ and non-government providers in delivering out-of-home care services.

Furthermore, we will be estimating a separate cost for PSA insurance, however the financial data we have analysed include insurance costs. We have not adjusted for this as we could not identify whether insurance related to general or PSA insurance.

7.7 Analysis of administrative costs

7.7.1 The administrative costs for non-government providers

Based on the discussion above, we propose to review the observed administrative cost per child by placement type. Our primary sources of data were non-government providers' financial statements acquitted to DCJ as well as information returns submitted to IPART by non-government providers where they have apportioned administrative costs across their service types.

Home-based care

We examined the administrative expenses of foster care only non-government providers. As shown in the table below, we observed differences based on size of the organisation and whether a provider was an ACCO or non-ACCO. For ACCOs and non-ACCOs, we found that larger providers had a higher average administrative cost per child compared with smaller ones.

Table 7.4 Foster care only ACCOs' and non-ACCOs' administrative costs per child per year, \$2022-23

Provider type	ACCO	Non-ACCO
Small foster care only	\$16,289	\$8,530
Large foster care only	\$19,435	\$12,903
All foster care only	\$17,679	\$11,256

Source: IPART analysis of data provided by non-government providers

Recall that the average administrative cost for all foster care only non-government providers was \$14,650 per child per year. This amount reflects the average cost across both ACCO and non-ACCOs. We found the variance in average administrative costs of \$6,423 per child or an additional 57% in 2022-23.

As ACCOs perform additional functions to ensure they provide a culturally safe and responsive out-of-home care service to Aboriginal children, we recognise this increased administrative cost and propose to have a separate administrative cost for ACCOs, refer to Chapter 11 for more details.

As the administrative cost forms a 'building block' in the composition of an efficient home-based care placement cost, we do not propose to distinguish between small and large providers as this will be an onerous payment to implement. We propose to use the average administrative cost observed for non-ACCOs of \$11,940 (\$2024-25).

Residential care

Our analysis found that the average administrative cost for residential care was \$117,049 per child per year during 2022-23. As mentioned above this was significantly higher than the anticipated administrative cost for residential care placements under the PSP. We also found that the range of administrative costs varied from \$25,000 to \$157,000 per child per year. Given the spread of average administrative costs, it raises the question of what is contributing to high administrative costs and what would be an efficient level of administrative cost for residential care providers. Furthermore, the current level of detail in the residential care financial data is not sufficient to understand the factors impacting administrative cost.

At this stage, we propose to maintain the current PSP pricing assumption for administrative cost for residential care placements of \$50,970 (\$2024-25). We aim to investigate the key drivers of administrative costs to residential care providers between this Draft Report and the Final Report.

Seek Comment



2. What expenses should be considered as administrative costs in the delivery of residential care services? What factors impact on these costs?

Independent living

The administrative cost for independent living ranged from \$3,000 to \$47,000 per child per year with an average of \$25,029 during 2022-23. Like residential care, we found that the administrative cost for independent living was materially higher than the expected administrative cost assumption under the PSP.

We have considered what an efficient level of administrative costs would be and found that a lower quartile would be a best estimate. For independent living this was \$22,830 per child per year.

Emergency arrangements

As mentioned above, for emergency arrangements, the administrative costs ranged from \$13,000 to \$64,000 per child per year. Given the similarity in service models and cost components between emergency arrangements and residential care placements, we recommend applying the same administrative costs of residential care to emergency arrangements.

7.7.2 DCJ's administrative costs of delivering out-of-home care

As discussed in our Interim Report, DCJ primarily provides foster care and relative/kinship care placements only. We found that DCJ spent \$14,510 in administrative costs per child in 2022-23, or 24% of their foster care placement cost on administration.

7.7.3 DCJ's cost of administering the PSP

We found that DCJ spends \$5,090 per child (\$2024-25) on facilitating the PSP. This cost provides for \$1,800 on direct service delivery such as the cost of CFDU caseworkers and \$3,290 to administer the PSP such as contract management. This cost has been considered as part of the costs of PSP that DCJ incurs under a hybrid out-of-home care delivery model.

7.8 Cost of recruiting and assessing carers

Like other parts of the world, NSW is experiencing a shortage of willing and capable carers, and many of those that remain in the out-of-home care system feel overwhelmed and undervalued.¹⁷² Carers are leaving faster than they can be replaced, which puts additional pressure on the out-of-home care system and contributes to poorer outcomes for the children in care.

Currently, individual providers are required to organise and fund the recruitment and assessment of new carers. Central bodies, such as My Forever Family NSW support the recruitment of carers and will refer potential carers to suitable providers. However, we have heard from providers that they receive a minimal number of referrals from My Forever Family NSW, and referred carers may not be suitable.¹⁷³ We have heard from providers that there used to be a considerably higher number of carer referrals through My Forever Family NSW when it was facilitated by ACWA.¹⁷⁴ These providers found ACWA supported recruitment efforts, particularly for smaller providers who may have less access to recruitment-based funding.

The costs associated with carer recruitment and assessment include:

- family finding and genealogical work
- marketing – advertisements, connecting with carer networks, using other networks (such as church dioceses)
- carer information sessions
- administration and marketing personnel
- preliminary assessments with carers – home visit, interviews with carer and all household members, police checks, citizenship/resident checks
- formal carer assessments and registration.

We have heard from non-government providers that they often have to rely on innovative and flexible approaches to mitigate the costs of recruiting new carers. Many providers still rely heavily on word-of-mouth referrals which have been less successful as we have heard that carers are becoming less inclined to recommend the practice to others.

We have heard that larger providers with strong name recognition are able to rely more on word-of-mouth referrals compared to smaller providers.¹⁷⁵ As a result, smaller providers have to spend a higher amount of funding on recruitment to remain competitive in the reducing market for new carers.¹⁷⁶

The cost of recruiting a new carer is also driven by the suitability of applicants for caring. In addition to mandatory checks and assessments in the recruitment process, such as a police check, providers may have additional requirements to be a carer with their organisation. We have heard that in certain cases, a provider may undertake and fund the recruitment, preliminary assessments and interviews for a potential carer but they may inevitably be deemed unsuccessful late in the process for various reasons, resulting in a provider having to potentially restart the recruitment process.

7.8.1 Draft decisions on the costs of recruiting and assessing a new carer

Currently carer oncosts (such as recruitment, assessment, training and authorisation) are listed as inclusions in each child's baseline package for home-based care under the PSP. However, the amount provisioned is not reflective of these costs, and we have heard that this funding does not cover the growing costs associated with recruitment.¹⁷⁷

Based on acquittal information from non-government providers, the total annual cost of carer recruitment for a provider averaged \$40,638 for \$2023-24, however the total expenditure ranged as low as approximately \$5,000 for smaller providers and as high as approximately \$113,000 for larger providers.^d This is the total average amount spent by a provider on recruitment and could represent the recruitment of one or multiple carers over the year.

^d Based on acquittal information of 8 non-government providers for \$2023-24.

The cost of marketing and other related recruitment costs vary significantly between providers. In an article published in 2014, Probono Australia reported that the estimated cost of foster carer recruitment ranged between \$10,000-25,000 but could be as high as \$30,000, not including all potential on-costs which may be required for recruitment.¹⁷⁸ It is unclear whether this estimate includes carer assessments or if it is just reflective of recruitment strategies and associated marketing. In our draft recommendations we have assumed that this cost does include carer assessments as part of the whole recruitment cost.

Comparable sectors, such as aged care, have access to external recruitment agencies which charge an estimated \$5,000 per recruitment with an additional \$995 administration fee, however this includes full-time paid positions.¹⁷⁹ A recent survey of over 1,500 employers found that the cost to hire a full-time employee in any industry cost an estimated \$23,860 per employee in 2021.¹⁸⁰

In Table 7.5 we have compared public sources which estimate recruitment costs for both foster carers and aged care. Where applicable, we have adjusted these figures to reflect \$2024-25.

Table 7.5 Estimated cost of recruitment and assessment per carer (\$2024-25)

Source	Lower band	Upper band	Median
Recruitment only			
Probono Australia	13,395	33,488	18,191^a
Aged care recruiter	-	5,995	5,995
Assessment only			
ACCO	-	5,250	5,250
DCJ deidentified case plans	4,000	5,000	4,500
Assessment maximum			5,250
Recruitment and assessment			23,441

Note: This figure reflects the total median of \$23,441 less maximum assessment costs (\$5,250).

Source: IPART analysis of case studies provided by an Aboriginal Community Controlled Organisation and Department of Communities and Justice; Deanne Carroll, [The Cost of Foster Care Recruitment](#), Probono Australia, 24 March 2014; and Local Workforce Hire, [Looking for an affordable Aged Care Recruitment Service?](#) No date, accessed 23 January 2025.

Part of the recruitment process includes assessing the suitability of potential carers. In a case study provided to us by an ACCO, the estimated cost for assessing a new carer (foster or relative/kinship) was \$5,250.^e This reflected the cost of the assessment (\$3,750) and associated travel, accommodation and food costs (\$1,500). In de-identified case plans provided to us by DCJ, the assessment cost for a relative/kinship carer ranged from between \$4,000-5,000.

Using the information in Table 7.5 and our estimates of carer assessment costs, we consider the cost of carer recruitment to be approximately \$18,190 although this cost may vary in cases where a provider is referred a carer (without marketing) or has to manage multiple recruitment rounds to find a suitable carer. We consider the cost of carer assessment to cost around \$5,250.

^e This does not include any marketing costs for recruiting a new carer.

Draft decisions



11. We estimate the efficient cost of recruiting a new carer to be \$18,190. This does not include the cost of assessment.
12. We estimate the efficient cost of assessing a new carer to be \$5,250.

7.9 Cost of training carers

Carers who are well trained and have access to resources and support are vitally important for the delivery of quality out-of-home care. Carers volunteer to care for children with different needs and should have access to different types of training and support to ensure they can continue to deliver quality care for their children. When a person is recruited to become a carer, they are required to complete mandatory training to ensure they have the building block skills for caring and can deliver culturally appropriate care.

Some providers may require a carer undergo additional training which may be more closely tailored to the age or needs level of the child in their care. This training may be delivered to the carer when they are recruited, or at any point during their time as a carer. We have heard from carers that they often seek out additional training on specialised or therapeutic care to support them further.¹⁸¹ This additional training is not always funded through their provider and we have heard that some carers have paid out of pocket to attend training sessions or online courses.¹⁸²

Carer training is also delivered through My Forever Family NSW who offer free training sessions throughout the year for carers. We have heard from some carers that these sessions have been helpful and informative, while others have found there to be a limited number of training programs which focus on children with higher needs or disability.

The average annual amount a non-government provider spent on carer training was \$16,066 for \$2023-24.^f This reflects both recruitment-related and ongoing training for carers, although there was a significant range in reported annual costs (from \$15 to \$60,000). Again, this data reflects overall cost and is likely to include training for multiple carers. Having reviewed the data from providers, including a case study that sets out estimates in more detail, we estimate that the cost to providers of carer training is \$1,500 per carer per year.

Draft decision



13. We estimate the annual efficient cost of carer training to be \$1,500 per carer.

^f This estimate is based on the acquittal data of 9 non-government providers.

7.10 Summary of estimated efficient administration and overhead costs

The estimated efficient administrative costs by placement type are presented in Table 7.6 below.

Table 7.6 Estimated efficient administrative costs by placement type, \$2024-25

Placement type	Non-government providers	DCJ
Home-based care	\$11,940	\$15,390
Residential care	\$50,970	n/a
Independent living	\$22,830	n/a
Emergency arrangements	\$50,970	n/a

Source: IPART analysis

Draft decisions

14. Administrative costs vary by placement type on a dollar per child basis. We estimate the efficient administrative costs for non-government providers by placement type to be:
- Home-based care: \$11,940 per child per year.
 - Residential care: \$50,970 per child per year.
 - Independent living: \$22,830 per child per year.
 - Emergency arrangements: \$50,970 per child per year.
15. We estimate the efficient administrative costs for the Department of Communities and Justice for home-based care to be \$15,390 per child per year.

As described earlier in the report, DCJ incurs administrative costs related to the administering of the PSP as well as CSC costs. These estimated efficient costs are presented in Table 7.7 below.

Table 7.7 Estimated efficient administrative costs incurred by DCJ to facilitate the PSP, \$2024-25

	Admin cost per child per year
Cost of administering the PSP such as contract management	\$3,290
CSC costs to support casework staff such as CFDU caseworkers	\$1,800

Source: IPART analysis of data provided by DCJ.

Draft decision

16. We estimate the efficient cost of the Department of Communities and Justice facilitating and administering the Permanency Support Program to be \$5,090 per child per year (comprising \$1,800 for direct service delivery and \$3,290 for costs related to the administration of the program).

Chapter 8 >>

Care staff costs

This chapter outlines the salaries and oncosts related to the staff providing residential care and support to children in out-of-home care



Residential care homes are staffed to ensure care and supervision are provided for children 24 hours a day, 7 days a week. Staff are also employed to provide therapeutic care activities, house management and additional support. Care staff may be employed on a casual or permanent basis and may include:

- direct care staff
- house managers
- therapeutic specialists.

This chapter includes our assumptions and estimates of staffing costs for residential care staff.

8.1 Overview of draft findings and decisions

For direct care staff, we estimated the annual cost of covering each type of shift for every day of the year. The shifts include: day/afternoon, active night shift and sleepover shift. Depending on the care requirements needed, each residential care home will have some combination of these shifts, potentially requiring multiple staff to cover some shifts. Determining the annual cost of the shift in this way recognises the full cost of staffing, including the cost of backfilling absences. If multiple staff are required, the annual costs can be added together.

We incorporated the base rate of pay plus any allowances staff are entitled to and on costs. It also includes an allowance for those staff to undertake training and leave, and for the shift to be backfilled during this time. We have estimated costs associated with both permanent and casual staff.

We estimated efficient costs for staff using the following award rates:

- the average base pay of care staff at a SCHADS level 3.4 salary and oncosts.
- the average base pay of a house manager at a SCHADS level 6.3. salary and oncosts
- the average base pay of a therapeutic specialist at a SCHADS level 7.3 salary and oncosts

Our estimates for direct care staff rely on a number of assumptions, some of which have a significant impact on the costs of staffing each shift over a year. Those assumptions include:

- the number of days for which staff are undertaking training, which is based on an assumption that the average tenure of staff is 3 years. (The lower the assumed tenure, the more training hours, and backfill, are required.)
- the number of days for which staff take paid and unpaid leave, including workers compensation. Our assumptions regarding leave are designed to be consistent with the assumptions on tenure above (for example, we have assumed no annual cost for long service leave, but that staff take their full entitlement of other types of leave).

We have assumed that all absences require additional paid staff for backfill. We intend to review this assumption as we consider that it may not be consistent with the practice of an efficient provider. We identified no clear evidence for differences in care staff salaries between Sydney, the Greater metropolitan region and the rest of the state. As a result, we are not proposing to recommend differentiating staff costs by location.

8.2 Direct care staff costs

'Direct care staff' refers to the employees who are responsible for the general supervision and care of children and young people who are receiving residential care.^a Independent living services and some emergency arrangements also use direct care staff.

Direct care staff assist children and young people with their day-to-day in-house needs and provide out-of-house support, such as transporting them to school and appointments.

The table below summarises our estimate of the annual cost of filling a particular care worker shift over a full year. The annual cost for each type of shift includes payment of salary, oncosts (including leave, workers' compensation, superannuation and training), loadings for weekends and public holidays and the costs of backfilling staff who are absent due to leave or training.

Table 8.1 Estimated annual cost of care workers to cover a single shift over a full year, by shift type (\$2024-25)

Average care worker costs	Permanent staff	Casual staff
Day shifts (16 hours average of morning and afternoon rates)	499,713	541,023
Active night shift (8 hours)	261,423	281,012
Sleepover shift (8 hours)	51,334	46,604
On-call shift	14,133	13,944

The following sections outline the assumptions that underlie our cost estimates.

8.2.1 Base rate of pay and oncosts

We used the SCHADS Award and the rates of pay set within it to estimate the efficient cost of direct care staff. We have made assumptions about the level of pay that care staff would receive, on average. Those assumptions include that direct care staff are paid at a SCHADS award level 3.4 which equates to a yearly salary of \$79,353^b or a base hourly rate of \$40.05. Staffing costs also attract an oncost component that accounts for staff related costs, paid by their employer such as training, work health and safety insurance, leave and other allowances.

We heard from service providers that the rate of staff turnover in residential care services and supported independent living services, can be high. Based on this information we have assumed a relatively high level of training (50% of staff need 30 days' worth of training per year) with backfill staff also being paid during that time.

In addition to the costs of salaries and training, we have also costed a number of additional costs associated with employing these staff (oncosts). We have assumed that oncosts are 25.18% of the salary. For a direct care staff employee, we calculate the average salary and oncosts total \$99,332 per annum.

^a Within the current Permanency Support Program (PSP) these staff are involved in delivery of Intensive Therapeutic Care Homes, Intensive Therapeutic Care Homes – Significant Disability, and Intensive Therapeutic Transitional Care, Supported Independent Living and Therapeutic Supported Independent Living models of care

^b The average salary assumption means that there will be approximately an equal number of hours delivered above and below the average rate, reflecting the use of a mix of staff levels in delivery of these services.

Table 8.2 Average salary and oncost assumptions (\$2024-25)

Average care work salary and oncost components	Estimated cost (\$/staff/year)
Base salary (SCHADS level 3.4 hourly rate = \$40.05/hour)	79,353
Superannuation (11.5%)	9,126
Workers compensation insurance (6.15%)	4,880
Training allowance (3.2%)	2,539
Leave loading (1.68%)	1,333
Long service leave (2.65%)	2,103
Total cost of a direct care staff employee per year (with 25.18% oncosts)	99,332

8.2.2 Shift allowances

We have assumed in our benchmark model that direct care staff are employed as shift workers.^c Depending on the type of shift required, the rate of pay will also differ. Descriptions of each shift type performed by direct care staff is presented below:

- **Day shift:** applies to hours worked between 6am-8pm. Paid at the employee's ordinary rate of pay.
- **Afternoon shift:** applies to hours worked between 8pm-12am. Includes a shift allowance of 12.5% above the base rate of pay.¹⁸³ Note Our model combines day / afternoon shift with weighted shift allowances.
- **Sleepover shift:** applies to an overnight stay at the facility between the hours of 12am-6am. Employees working on sleepover shifts are not expected to perform their regular duties, but they're required to provide care if needed.¹⁸⁴ Sleepover shifts are paid at a flat rate of \$57.99 per sleepover.¹⁸⁵
- **On-call shift:** applies to any period during which the employee is required to be available to be recalled to work.¹⁸⁶ An on-call allowance of \$23.67 per day during weekdays or \$46.87 per day during weekends and public holidays, if an employee is not required to work.¹⁸⁷
- **Active night shift:** applies when an employee is expected to perform their regular duties between 12am-6am. Employees working on active night shifts receive a shift allowance of 15% on their base rate of pay.¹⁸⁸
- **Weekend shift:** applies to hours worked over the weekend. Includes a shift allowance of 50% above base rate of pay for hours worked on a Saturday and a shift allowance of 100% for hours worked on a Sunday.¹⁸⁹
- **Public holiday shift:** applies to hours worked between 12 midnight on the night prior to the public holiday and 12 midnight of the public holiday. Includes a shift allowance of 150% above the base rate of pay.¹⁹⁰

The hours of care required per child can differ depending on the size of the facility, time of day and the type of facility.

Hourly rates for each of the shift types applied to the average assumed base rate of pay are presented within the table below.

^c Shift workers don't have a span of ordinary hours if they work afternoon or night shifts and are paid shift allowances depending on the type of shift that they work.

Table 8.3 Shiftwork hourly rate of pay assumptions for direct care staff (\$2024-25)

Shift type	Assumptions	Total (as applied to assumed average)
Day shift	Ordinary rate of pay	\$40.05 / hour
Afternoon shift	Ordinary rate of pay +12.5%	\$45.06 / hour
Sleepover shift	\$57.99 / night	\$57.99 / night
Active night shift	Ordinary rate of pay +15%	\$46.06 / hour
On call shift (weekday)	\$23.67 / day	\$23.67 / day
On call shift (weekend)	\$46.87 / day	\$46.87 / day
Saturday shift	Ordinary rate of pay + 50%	\$60.08 / hour
Sunday shift	Ordinary rate of pay + 100%	\$80.10 / hour
Public holiday shift	Ordinary rate of pay + 150%	\$100.13 / hour

8.2.3 Casual staff

We have also estimated the costs of engaging direct care staff on casual contracts rather than full/part-time contracts. Providers may use casual staff to provide extra flexibility in delivering placements at short notice, such as certain types of emergency arrangements.

Where we use the casual rates, we have also assumed casual staff are paid at a SCHADS award level 3.4. In Table 8.4 we present the hourly rates for casual direct care staff in the SCHADS award. Allowances (e.g. on-call shifts and sleepover shifts) are paid at the same rate regardless of whether the employee is casual or not. However, casual staff receive higher base rates of pay because they do not have access to paid leave. As a result, both the base rate of pay and the oncosts associated with casual staff are different. Agencies employing casual staff still incur some oncosts such as superannuation and workers compensation insurance.

Table 8.4 SCHADS casual rates for direct care staff (\$2024-25)

Shift type	Rate
Day shift	\$50.06 / hour
Afternoon shift	\$55.07 / hour
Sleepover shift	\$57.99 / night
Active night shift	\$56.07 / hour
On call shift (weekday)	\$23.67 / day
On call shift (weekend)	\$46.87 / day
Saturday shift	\$70.09 / hour
Sunday shift	\$90.11 / hour
Public holiday shift	\$110.14 / hour

Source: Australian Government Fair Work Ombudsman, *Pay Guide - Social, Community, Home Care and Disability Services Industry Award*, October 2024, pp 14, 25.

8.2.4 Number of staff and their availability

In order to provide care 24 hours a day, 7 days a week, 365 days per year a provider will use a number of care staff who each work different shifts and different days of the week. We have built our estimate of the efficient cost of care staff as an annual cost of providing care by type of shift. This takes into account that multiple staff would be employed to cover that shift over the week. It also accounts for the backfill positions that providers will need to cover while staff are on paid or unpaid leave (including annual leave, sick leave) or training.

We have assumed higher turnover, and therefore higher training costs, for casual staff based on what we've heard from providers about the high rates of turnover for care staff in emergency arrangements.¹⁹¹

Table 8.5 Estimated backfill requirements (hours per year)

	Care worker permanent full time	Care worker casual
Leave	328.3	0
Training and meetings	145.9	343.5

Table 8.6 below sets out the estimated number of full-time equivalent staff required to cover each type of shift for a year, taking into account our assumptions and estimates on the number of staff required to cover each type of shift and the amount of leave, training and meeting time that needs to be backfilled by additional staff hours. We have assumed that all absences require additional paid staff for backfill. We intend to review this assumption for the final report to consider whether it is consistent with the practice of an efficient provider. We welcome any feedback about these assumptions to assist us refine our approach.

Table 8.6 Estimated number of staff required to cover one shift for a year (full-time equivalent, FTE)

	Permanent staff			Casual staff		
	Excluding backfill	Including backfill	Including backfill and allowances	Excluding backfill	Including backfill	Including backfill and allowances
Day/afternoon shift	2.95	3.87	5.03	2.95	3.57	5.52
Active night shift	1.47	1.94	2.63	1.47	1.78	2.87
Sleepover shift	1.47	1.94	1.94	1.47	1.78	1.78

Source: Allowances are those set out in Table 1.3.

8.3 House manager

A requirement of some of the residential models of care is to employ a full-time house manager who spends the majority of their time onsite and is responsible for managing the operations of residential care programs as well as providing additional supervision and care to children receiving residential care as needed. We have assumed each residential care facility is staffed by a full-time house manager who spends 38 hours per week on the premises during ordinary business hours (within the hours of 6 am–8pm on weekdays).¹⁹²

On average, we consider that the annual house manager salary is paid at a SCHADS award level 6.3 (\$111,398). We have assumed that oncosts are 22.53% of the salary which totals to \$136,499 per annum.

Table 8.7 Average salary and oncost assumptions for house manager (\$2024-25)

Average care work salary and on-cost components	Estimated cost (\$/staff/year)
Base salary (SCHADS level 6.3 hourly rate = \$56.22/hour)	111,398
Superannuation (11.5%)	12,811
Workers compensation insurance (3.34%)	3,721
Training allowance (3.7%)	4,122
Leave allowance (1.34%)	1,495
Long service leave (2.65%)	2,952
Total cost of a house manager per year (with 22.53% oncosts)	136,499

8.4 Therapeutic Specialist

A therapeutic specialist is a clinical expert who works across residential care programs and Therapeutic Supported Independent Living. They may have a tertiary qualification in psychology, social work, occupational therapy, mental health nursing or another related discipline.¹⁹³ Therapeutic specialists work with children to address their individual needs, develop and monitor case plans, and support their transition to independence. They also collaborate with other staff to implement and progress case plans, as well as provide guidance in responding to the needs of children and young people.¹⁹⁴

On average, we consider that a therapeutic specialist would be paid at a SCHADS award level 7.3 which equates to a yearly salary of \$120,201. We have assumed that oncosts are 22.53% of the salary. For a therapeutic specialist, the average annual salary and oncosts total \$147,286 per annum.

Table 8.8 Average salary and oncost assumptions for therapeutic specialist (\$2024-25)

Average care work salary and on-cost components	Estimated cost (\$/staff/year)
Base salary (SCHADS level 7.3 hourly rate = \$60.66/hour)	120,201
Superannuation (11.5%)	13,823
Workers compensation insurance (3.34%)	4,015
Training allowance (3.7%)	4,447
Leave allowance (1.34%)	1,614
Long service leave (2.65%)	3,185
Total cost of a therapeutic care worker per year (with 22.53% oncosts)	147,286

Seek Comment

-  3. How can the assumptions about level, leave and training backfill and other staffing oncosts be refined to better estimate the efficient cost of staffing residential placements.

Draft decision


-  17. The indicative annual cost of a direct care staff including on-costs and, where applicable, shift loadings, backfill for training and leave are estimated as set out in Table 8.9 and Table 8.10.

Table 8.9 Estimated annual cost of covering a shift for 365 days (\$2024-25)

Average care worker costs	Permanent staff	Casual staff
Day shift (16 hours average of morning and afternoon)	499,710	541,020
Active night shift (8 hours)	261,420	281,010
Sleepover shift (8 hours)	51,330	46,600
On-call shift	14,130	13,940

Table 8.10 Estimated annual cost of salaried workers (including on-costs) (\$2024-25)

Staff type	Rate
House manager	136,500
Therapeutic care worker	147,290

Chapter 9 »

Cost of providing residential facilities

This chapter present the costs of providing and running short- and long-term residential accommodation facilities



Some out-of-home-care programs are provided within a residential accommodation placement or facility. This chapter presents the costs of providing and running these types of facilities.

We also present our draft decisions for the costs of the accommodation components of emergency residential care facilities to be used for short-term accommodation where existing residential facilities are unsuitable or unavailable.

9.1 Overview of draft decisions

We have estimated the costs associated with the procurement and establishment of residential accommodation facilities using a rental model. On this basis we have included some utilities, maintenance and repairs. We have used different methods for each type of costs, including:

- We estimated the annual cost of securing long-term accommodation using the median residential rental cost from the DCJ quarterly rent and sales reports.
- We have allowed for some initial set up costs for establishing new residential facilities.
- We have estimated the costs of maintenance, utilities, insurance and repairs as part of the on-going costs to be met by the service provider for longer term placements.
- We estimated the cost of securing short-term accommodation for some emergency situations using 3rd quartile rental data and ATO short-term accommodation data. The cost of short-term accommodation is higher than the equivalent size and location of long-term accommodation as it includes some maintenance and utilities costs that are incurred separately when renting long-term accommodation and reflect the stand-by nature of these facilities.
- Some facilities will require vehicle costs associated for transporting children. We have estimated a per child amount where applicable.

9.2 Accommodation costs

We have estimated the cost of procuring residential facilities to provide safe well-maintained accommodation for groups of young people. Minimum requirements of current programs are for one bedroom per child with an additional bedroom for onsite staff and at least two shared recreational spaces to be provided for children within an area close to family. We have had regard to these requirements when costing the provision and set up of accommodation facilities.

Accommodation facilities can be secured in different ways, but we have used median rents to estimate efficient benchmark costs of this component. Median rents are widely tracked and reported for various property types and locations, are easily converted to an annual or per bedroom benchmark and represent the opportunity cost associated with fully owned properties.

Rents vary depending on location or number of bedrooms. A variety of property sizes and configurations are used by providers of residential out-of-home care placements. As a result, we've estimated costs for a number of different property sizes and grouped them into three broad categories of location. We've adopted the median rental cost in each category.

The DCJ Rent and Sales report was used to source rental cost data.¹⁹⁵ It is a quarterly report showing trends in private market housing prices based on information provided on the rental bond lodgement forms from the Office of Fair Trading. Based on this information we determined first, second and third quartile rents for different sized houses. The report specifically excludes data from social housing properties. We established factors for 3 regions to account for regional variation in median rents:

- Greater Sydney
- Greater Metropolitan Region
- Rest of State

These are each presented in Table 9.1 below. While we used the April-June 2024 Rent and Sales report, this was escalated to \$2024-25.

Table 9.1 Benchmark accommodation (rental) costs based on median rents (\$2024-25 per property per year)

Region	0-1 BR	2 BR	3 BR	4- BR+
Sydney	34,639	37,836	39,968	46,362
GMR	19,717	27,711	33,573	38,635
Rest of NSW	16,520	21,316	26,645	33,306

Source: NSW Department of Communities and Justice, [Rent and Sales report Issue 149](#), October 2024.

We note that for independent living models, the cost of rental accommodation per child is the median rent divided by the number of children living within the property.

Draft Decision



18. We consider that median rents represent a reasonable estimate of the efficient annual rental costs to secure accommodation, these costs differ by house size and location.

9.2.1 Accommodation costs for emergency residential care

Our Terms of Reference require the benchmarking of emergency accommodation arrangements which also require the provision of accommodation facilities on a shorter term or interim timeframe.

Due to the short-term nature of the accommodation, we have made slightly different assumptions about the rate at which these accommodation types can be secured. These are generally higher than the median used for longer term residential care placements.

In some cases, the higher rate also includes a degree of cleaning and maintenance by the accommodation owner (such as short-term rentals).

Table 9.2 Estimated accommodation costs of emergency residential care (\$2024-25 / property / year)

Region	1BR (short-term benchmark)	2 BR (third quartile rent)	4 BR+ (median rent)
Sydney	72,270	46,895	46,362
Greater Metropolitan Region	67,160	31,974	38,635
Rest of NSW	57,305	25,579	33,306

Source: DCJ rent and sales report (April–June 2024) and NGO Information Request: ATO Benchmark market value tables, Table 2 and IPART analysis, 26 August 2024.

The application of accommodation rates in this table, to the different types of emergency placements are explained further in chapter 16 below.

Draft decision



19. We consider the efficient costs of accommodation for different non-home-based emergency arrangements are best estimated using:
- for emergency arrangements that need to be stood up at short notice: the ATO market value short-term accommodation benchmark
 - for contracted short-term individual care: the third quartile 2-bedroom long-term rental costs
 - for short-term group care: the median rent of a 4+ bedroom property.

9.3 Facility set up/establishment costs

Residential facilities must be furnished and meet the NSW Child Safe Standards for Permanent Care as well as any additional requirements set out by DCJ. Minimum requirements are for the provision of a safe, well maintained physical environment, typically described as 'physically and psychologically homelike', with a variety of spaces and facilities.¹⁹⁶ Suitable premises may require some initial modifications, furnishings and set up to ensure suitability and compliance with minimum requirements.

Currently these costs are compensated for by a one-off payment of around \$16,000 known as the Placement Establishment Payment. We have sought information from a variety of providers and have been advised that these costs could be around 30 times as high as this amount.

We have heard that providers' set up costs have at times needed to be much higher than the Placement Establishment Payment and there may be a variety of properties, procurement or contracting arrangements which require set up costs that deviate from those above.¹⁹⁷ This can be due to property availability and the particular characteristics of a property, council or neighbourhood requirements. In other cases higher establishment costs may be preferred by providers to provide higher quality establishment works which reduce ongoing costs or prevent costly repairs. Some providers have told us that set up costs may include council approvals for change of purpose, back to base fire alarm and sprinkler systems, and CCTV security systems with night time cameras and monitors. Other set ups and modifications may include replacement of windows and doors with more durable materials such as safety glass or solid core wood.

At this stage, we have not finalised our estimate of these costs and for this Draft Report have used the current payment as an estimate. We will consult further with providers following release of our Draft Report and firm up our estimate of the set up costs. We note that benchmarking may not be suitable for all scenarios, and establishment works may need to be negotiated on a case-by-case basis and agreed with DCJ and specified within contract.

The Placement Establishment Payment is currently set at \$15,923.08 (2024-25).^a At this stage, we consider this payment may be an efficient estimate of the basic set up costs for a 3-5 bedroom property over the term of a contract in some circumstances (preliminary estimates in Table 9.3). However we note that lower cost modifications and set up works are likely to have shorter durability and lifetime than some higher cost establishment. Thus, we are considering whether these establishment payments should be assigned an expected lifetime, such as 3-5 years or the term of a contract. We propose that at the renewal of a contract there could be a reasonable expectation to complete additional set up, modifications or acquire new furnishings, as the some of these items and works may have a limited lifetime. This is currently not allowed for under the Placement Establishment Payment.

Table 9.3 Estimated facility establishment cost by cost type (\$2024-25 per house)

House size	Lifetime of establishment works	House modifications	Furnishings	Security & Privacy	Personal items
Individual bedroom	4 years	n/a	1,940	160	520
3-5 bedrooms	5 years	3,500	7,000	3,500	1,000-2,000

^a A Placement establishment Payment (PEP) is paid to providers in recognition of the costs of establishing a new Intensive Therapeutic Care, Intensive Therapeutic Care - Significant Disability, or Intensive Therapeutic Transitional Care home. Providers receive a PEP when a new home is opened over and above their contracted volume and the additional home was requested by DCJ. Providers do not receive a PEP when:

- The home was already opened at the start of the contract period and has consistently remained open within contract volume.
- The service provider is opening a new home that is replacing another home and hence the contract volume remains the same (i.e., when a lease ends and the provider rents another home to replace it).
- A 4-bedroom home is being replaced by 2 x 2-bedroom homes.
- The classification of a property is changing from a 2 bedroom to a 4 bedroom, or from a 4 bedroom to a 2-bedroom property (i.e., the physical property remains the same).

We acknowledge that some providers may be able to reuse premises, set up works or furnishings beyond the original contract term. Under the assumptions of a rental model, a change of location, wear and tear, or other changes in circumstance means that we expect that the reasonable average lifetime of set up costs to be 4-5 years. We also costed some of the set up costs to be personal items which are not reused between children.

We consider it can be more difficult to identify larger homes (3-5 bedrooms) to match the minimum requirements of residential out-of-home care facilities, and these properties are more likely to require modifications to ensure suitability. We consider smaller premises (1-2 bedrooms) have greater availability and accommodate fewer children and young people, and as a result, are less likely to require significant modifications.

We note that some providers establish properties under an ownership model and in these circumstances may incur much larger set up fees associated with design, approval, building and ownership. These set up expenses can be significantly larger than those allowed for under a rental model, however, they may also have a longer lifetime than setups which require retrofitting or are within a rental property with a limited lease period.

Draft decisions



20. We consider that the current Placement Establishment Payment of \$15,920 is an indicative estimate of the basic set-up costs of a 3-5 bedroom property over the term of a contract or for up to 5 years. Further, this payment should also be paid when a contract is renewed.

21. We estimate the indicative set-up cost for independent living facilities to be \$2,620 per young person.

9.4 Ongoing house costs

9.4.1 Annual utility costs (water, energy, insurance)

Each residential facility will incur the fixed and variable costs of utilities. In this section we have costed utilities payable by tenants such as contents insurance, variable water component, energy (gas and electricity). Some utility bills will increase by the number of people within the household. Others will be fixed.

Under the rental model assumptions some utilities are excluded (such as building insurance, council or strata rates) because these are not payable by a tenant but are assumed to be covered by rental payments.

Table 9.4 Estimated annual utility costs per house (\$2024-25 per house per year)

Usual occupancy	Water (usage)	Electricity	Gas	Telecommunications (Internet & subscriptions)	Insurance
1 person	\$225	\$1500	\$900	\$1,200	\$458
2 people	\$444	\$2500	\$1200	\$1,200	\$458
3 people	\$444	\$2500	\$1200	\$1,200	\$458
4-5 people	\$585	\$3500	\$1600	\$1,200	\$458

Estimates of annual energy bills from Energy Made Easy using postcode 2000 for small to large person homes, single rate plans
 Contents insurance estimate from [Canstar Average insurance costs by state September 2024](#) based on a contents sum insured of \$50,000
 Source: Water usage based on Sydney Water factsheet average usage data ([How does my home compare](#) – small property occupancy ranges 230-600L / person / day) at \$2.67 per kL

9.4.2 Maintenance

Minimum service expectations of the physical environment of the residential facility are for the “provision of a safe, well maintained physical environment”. Guidance on meeting the service expectations explains that this includes a well-maintained property, garden, grounds and facilities and damages and repairs to property are prioritised.

We have heard from providers of residential facilities that maintenance costs for residential out-of-home care premises can be higher than other home like environments.

Care staff may assist with regular house cleaning, however additional more specialised cleaning, garden and facility maintenance and repair services will also be required to be completed by specialised staff or contractors. Some maintenance will be the responsibility of owners, not covered by tenants under a rental model.

Table 9.5 Estimated annual maintenance costs per house (\$2024-25)

Property type	Specialised cleaning	Garden maintenance	Pest control	Assumptions
3-5 bedroom	\$500	\$600	\$500	Assumed to be a house with garden. Once a year specialised house cleaning to supplement regular house cleaning by care staff. Quarterly specialised garden maintenance.
1-2 bedroom	\$150	\$150	\$300	Assumed to be an apartment or townhouse. Greater independence of residents and smaller properties assumed to reduced frequency (once a year)
Additional cleaning allowance for properties with high resident turnover	\$100		-	Greater frequency rotation of children through facilities may necessitate greater reliance on external cleaning

Source: Assumed quarterly cleaning and garden maintenance.

9.4.3 Repairs and other property related costs

We have heard that on-going property costs can be variable, particularly in relation to repairs which can be unpredictable. We received a range of cost estimates from providers through our information request, which may include different components. We also reviewed information from specialist homelessness providers on the average annual cost of repairs. Based on these information returns we have estimated an annual repair and other property related costs of approximately \$6,400 per house. However, we will seek further information and complete further analysis for the final report to further refine these costs.

Together, we have estimated the total annual cost of other house costs to be \$15,316 per group care house (such as residential, or interim care homes) to cover utilities, cleaning, maintenance, and repairs. In the case of independent living models we have used a per child cost of \$3,829.

Draft decisions

- 22. We estimate the indicative annual costs of maintenance, utilities, repairs, and other property-related costs for residential care facilities to be \$15,320 per house.
- 23. We estimate the indicative annual costs of maintenance, utilities, repairs, and other property-related costs for independent living placements to be \$3,830 per young person.

9.5 Vehicle costs

Children receiving out-of-home care within residential placements require transport between the residential facility and appointments, education, family visits, sporting, social and cultural activities. We have assumed a rate of \$88c per km of travel and approximately 11,100km per house (of 4 children) per year. This is based on ATO¹⁹⁸ rates for commercial car use and ABS data for the average annual passenger vehicle usage in NSW¹⁹⁹. On a per child basis it results in an estimate of \$2,442 per child per year.

Draft decision

- 24. We consider an efficient estimate of vehicle costs associated with residential care to be \$2,440 per child per year.

Chapter 10 »

Costs of meeting individual children's needs

Funding for medical and therapeutic services and maintaining family connections

10

The care allowance is expected to cover general medical, and pharmaceutical costs including prescription and over the counter medicines. However, carers/providers are likely to incur a range of other expenses that are necessary to deliver quality care to the children who are placed with them. While the general expenses covered by the care allowance are likely to be fairly predictable, the value of other expenses can vary significantly depending on each child's medical and therapeutic needs, as well as their family and cultural circumstances. This makes estimating the cost of these expenses (or even a reasonable range for them) challenging.

We have reviewed information on expenses which fall into this category from children in statutory care with the Department of Communities and Justice (DCJ). For non-government providers we have looked at the level of funding that is allocated to these costs and how it was derived. This chapter discusses this information and makes findings on the average cost of these expenses. It also considers changes to the way these expenses are funded that we consider could improve the consistency and transparency of the system. We also discuss some of the practical issues that would need to be considered and addressed before implementing this proposal.

10.1 Overview of draft findings and recommendations

Costs associated with medical and therapeutic care for children and the costs of maintaining contact with family vary significantly depending on a child's individual circumstances. The current approach to dealing with these costs involves two significantly different systems, depending on whether a child's care sits with DCJ or a non-government provider. There are fundamental differences between the two systems that include differences in funding structure and level, methods and categories used to signify children's needs, where the funding is directed and the level of oversight and transparency.

After comparing the two systems, the actual costs incurred for children whose case is managed by DCJ, and the Permanency Support Program (PSP) funding allocated to non-government providers we found that:

- The estimate of costs (and hence, level of funding for providers) in the PSP is likely to be inadequate to cover these types of costs, on average. Though inconsistencies in the way children's needs are categorised introduces complexity and makes comparison across the two systems difficult.
- The costs are likely to vary significantly across different children, which means that actual annual costs may look very different from the average, particularly for smaller providers who would also find it more difficult to absorb fluctuations.
- There is an inconsistency between the flexibility afforded to providers to allocate funding as they see fit and the process for seeking additional funding to meet the needs of a particular child. This creates unnecessary administrative burden for providers and DCJ.
- The approach to funding under the PSP leads to a lack of transparency around where funding is being spent, what services are being accessed by children and to what extent carers are paying for services out of their own pockets.

We have estimated the average costs by child need and placement type so that these expenses could continue to be funded on a fixed dollar per child basis with the amount determined in advance and paid to non-government providers based on an average of actual costs rather than a cost build-up of assumed costs as in the current PSP arrangements. Compared with the current approach, based on a hypothetical cost build-up, we consider this would provide a more appropriate funding envelope and should lead to fewer complex needs applications. However, to address the current issues associated with this approach, we are proposing that the costs associated with meeting the medical, therapeutic and wellbeing needs of children in out-of-home care managed by non-government providers, as well as expenses involved with maintaining birth family contact, such as travel costs, be reimbursed based on actual costs.

We are seeking feedback on these approaches.

10.2 Ensuring the medical and wellbeing needs of children are met

Standard 9 (Health) of the *NSW Child Safe Standards for Permanent Care* requires the health and development needs of children and young people to be addressed. To comply with the standard, the health and development needs of children in out-of-home care must be monitored and regularly reviewed, at least annually; and identified health, medical, dental, optical, auditory, nutritional, psychological and developmental needs must be addressed as required.²⁰⁰ The care allowance is expected to cover general medical (i.e. bulk billing GPs covered by Medicare) and pharmaceutical costs including prescription and over the counter medicines.

Standard 5 (Family and significant others) of the *NSW Child Safe Standards for Permanent Care* requires that children and young people have placements which facilitate the ongoing involvement of their families and communities, and support significant attachments. Meeting this standard means that children and young people are able to maintain relationships with family and other significant individuals in accordance with their wishes, where it is safe and appropriate.²⁰¹ Remaining connected to family and significant people in their lives is an important right for children in out-of-home care. Each child's case plan sets out the activities and estimated costs associated with maintaining these relationships.

Connection to family requires unique consideration for Aboriginal children. SNAICC notes:

'Family is the cornerstone of Aboriginal and Torres Strait Islander culture, spirituality and identity'.²⁰²

To maintain connections to their culture, Aboriginal children should be supported to have regular, quality contact with extended Aboriginal family, kin and community.²⁰³ This is best facilitated by placement with Aboriginal kin and/or eventual restoration.²⁰⁴ Where possible, this also includes contact arrangements for the child to connect with their birth parents.²⁰⁵ Aboriginal peoples have been historically displaced, which means that Aboriginal children may need to travel further distances to connect with their family compared to non-Aboriginal children.²⁰⁶

One of the costs involved with ensuring children are able to maintain relationships with their family is the time the caseworker spends planning and supervising family time. We have included additional casework time for this, as discussed in Chapter 6. We note also that for some DCJ Community Service Centres, the supervision of family time is undertaken by a contact worker under the Casework Support Scheme.^a In addition to planning and supervision of family time by a caseworker or casework support worker, the cost of family time can also include travel (such as flights, taxis), accommodation, meals and entertainment for the child's birth family to be able to visit and / or for the child to be able to visit their birth family. These costs can vary widely depending on each family's circumstances.

How the costs associated with medical expenses and maintaining family connections are met depends on whether the child is under DCJ or NGO case managed care. The sections below compare these 2 systems, discuss some of the issues, and propose draft recommendations to improve transparency, provide greater clarity and certainty to carers, and ensure funding better meets the individual needs of children.

10.2.1 Estimating current medical and family time expenses for children case managed by DCJ

For children in DCJ managed care, additional medical, dental and other costs are reimbursed based on actual costs. The caseworker develops a financial plan for other expected medical expenses as part of case planning. The financial plan outlining the planned expenditure is then approved by the appropriately delegated officer (depending on the amount and type of expenditure) before any financial assistance is paid. The case plan is then recorded in ChildStory.

These expenses include:

- dental/orthodontic treatment
- medical aids
- prescription glasses
- gap amounts from non-bulk-billing GPs
- gap amounts from specialist medical services/ interventions
- non-PBS medications prescribed by a GP.

Carers with DCJ are required to keep a log to be reimbursed by DCJ, and to access their private health insurance before DCJ reimburses the difference. All costs (except emergencies) must be approved in the child's case plan. Carers are required to complete and submit the logbook form with copies of receipts to DCJ to be reimbursed (within 30 days).²⁰⁷

^a Supervised contact is part of the Casework Support Scheme. Supervised contact is provided by a contact worker to enable children in out-of-home care to have enjoyable, positive and meaningful supervised contact with their parents/family. Source: NSW Government, Department of Communities and Justice, *Casework Support Scheme (CSS) Program Guidelines*, April 2021, pp 9-10.

For family connection, under DCJ policy for children in DCJ care, the caseworker develops cost estimates for maintaining family connections as part of case planning. As with medical and therapy expenses, the financial plan outlining the planned expenditure is then approved by the appropriately delegated officer (depending on the amount and type of expenditure) and the case plan is then recorded in ChildStory.

These costs are recorded in DCJ's data as contingencies. Table 10.1 shows the average expenditure per child in DCJ statutory care, by level of need, for medical costs, professional reports and therapy, family time expenses, supervised transport, and other contingencies for each of the previous 3 years, and the average across the 3 years. The difference between care levels is driven by the significantly higher medical costs for children receiving Care+2. Expenses related to maintaining birth family contact are similar across care levels.

Table 10.1 Average contingency^a funding for children in DCJ Statutory Care, per child, (\$2024-25)

	2021-22	2022-23	2023-24	Annual average
Standard Care	7,450	8,097	9,057	8,201
Care +1	10,235	16,333	17,549	14,705
Care +2	29,866	41,832	51,262	40,987

^a This is a subset of contingency funding. It includes medical costs, professional reports and therapy, family time expenses, supervised transport, and other contingencies. It excludes expenses for supervised contact.

Source: IPART analysis of data provided by NSW Department of Communities and Justice.

10.2.2 Estimating current medical and family time expenses for children case managed by non-government providers

Currently under the PSP, funding in the Baseline package is meant to cover medical and general dental costs. However, the amount of funding allocated for these costs was not specified in the package buildup, and how the funding within each child's package is allocated between children and services is determined by each non-government provider. Separately under the PSP, each child^b is allocated a Child Needs package. These packages provide funding for a range of health and wellbeing services including mentoring and education supports. The Child Assessment Tool is used to determine whether a low, medium or high needs package is required. As shown in Table 10.2 in 2022-23 just over \$50 million was spent on these packages.

Table 10.2 Child Needs Packages – number of children and total cost, \$2022-23

Level of Need	\$ per package	Number of children	Total Expenditure
Low	5,165	5,629	\$29.1 million
Medium	8,110	1,772	\$14.0 million
High	12,633	627	\$7.9 million
Total		7,978	\$51.0 million

Note: We have used 2022-23 data as we only have data on funding packages for 11 months of 2023-24.
Source: IPART analysis of data provided by NSW Department of Communities and Justice.

^b This does not include children in Intensive Therapeutic Care Homes, Intensive Therapeutic Care – Significant Disability, Interim Care and Intensive Therapeutic Transitional Care.

Funding for the PSP Child Needs packages was developed by EY based on a set number of hours for different therapeutic services which varied by the level of need (low, medium, high). How these were estimated is not transparent and we are not able to assess whether these are appropriate.

These Child Needs packages are not based on the actual needs of individual children, and we have heard that the funding often does not meet the costs of supporting children, particularly for those assessed with high needs. In addition, as discussed in our Interim Report, packages are often assigned at a level that do not meet the needs of the child. The default setting is low needs, and as shown in Table 10.2, in 2022-23 over 70% of children were rated as having low needs. Based on the proportion of low, medium and high needs and these funding amounts, the average amount provided for per child is around \$7,000.

We have heard that inappropriate or inaccurate categorising of child needs using the Child Assessment Tool, invariably causes time and administrative delays in responding to children's needs.²⁰⁸ There is also an increased administrative burden for both non-government providers and DCJ associated with reassessment, which in turn lead to delays in the delivery of appropriate services, and/or extra costs being borne by carers or providers.

While the packages allow providers to allocate funding between children and across services as required, this can make reconciliation of package funding very difficult. It can also create issues if funding from one child's package is assigned to another child, and subsequently the first child's needs change and they require additional support. In this case, the provider may apply for a complex needs package. We have heard from DCJ and non-government providers that this is a significant pain point in the system. Furthermore, such requests are becoming less likely to be approved.

Family time is funded as part of each child's case plan. However, the original costing for family contact only included funding for labour (caseworker, supervisory and ancillary staff). This was estimated based on 2 hours of contact a week for children in foster care, and half of this for relative and kinship carers.²⁰⁹ As mentioned, we have included this in our estimate of the costs of casework. However, we have heard from providers that they are also funding travel, accommodation, meals etc to ensure children are able to maintain birth family relationships. This could mean that less is able to be spent on other activities intended to be met from the package funding.

As with medical and therapy costs, the costs of facilitating family time vary with each child's circumstances. For example, their mother and / or father may be living interstate requiring flights and accommodation for support workers as well as the child to visit them. There can also be significant travel costs to regional areas to visit family or for family to visit. In other cases, there may be minimal expense if family live locally. While non-government providers can move package funding between children to account for these variations, their ability to do this may be limited, the resulting allocation may not be equitable, and it is not transparent or cost reflective.

10.3 Our estimates of average costs

As noted above, we do not support developing estimates using unit costs and assumptions regarding the number of services that could be required because the needs vary too much to make this approach reliable. We have instead used the data obtained on actual costs for children who are case managed by DCJ to develop an estimate of the 'average' cost for each level of need and type of placement.

For home-based care, we have used the annual average contingency expenditure per child in DCJ statutory care, by level of need, over the previous 3 years. As set out in Table 10.1 in \$2024-25 these are:

- Standard care: \$8,201
- Care +1: \$14,705
- Care +2: \$40,987.

As we do not have comparable figures for other placement types, for Supported Independent Living (SIL) and Therapeutic Supported Independent Living (TSIL) we have used the average of \$10,384 of children rated as Standard Care. We have used the same for both SIL and TSIL, as the TSIL model already includes some therapeutic support.

For children in residential care, we have used an estimate from DCJ of \$6,187. The amount is lower than for home-based care and independent living as therapeutic specialists are already included in the residential care model.

10.4 Issues with the current approach to funding these costs

As discussed above, we expect the cost of medical expenses and facilitating family time will vary widely across different children. We have access to data on the costs associated with children whose care is managed by DCJ. If the current approach to funding is maintained, then we would propose that the funding envelope for each provider is set at the average values determined by this analysis. However, after reviewing the cost estimates and consulting widely with stakeholders we are of the view that this approach has a number of disadvantages and recommend that DCJ considers changes to address these issues. Our key concerns with using a fixed dollar estimate in the price are discussed below.

All children's needs are different, and funding based on averages could mean these needs are not adequately funded. DCJ does not set benchmarks for contingency payments for children under its care. As discussed above, these payments are provided on a needs basis. As the costs are likely to vary significantly across different children, actual annual costs for providers may look very different from the average. For larger providers this may even itself out but for smaller providers this is less likely as the impact of particularly high costs for some children have the potential to create a funding issue. This is also likely to be a problem for providers who focus on a narrow type of care where there may be systematic differences that are harder to identify. These variances are particularly problematic for smaller providers who find it more difficult to absorb fluctuations in costs relative to their funding.

The provision of medical and family time are fundamental to the wellbeing of the child and as a result, the system must be set to ensure that these needs can be met. There is a process for providers to seek additional funding if the needs of a child are particularly high and would otherwise be unaffordable for a provider. However, this process is administratively complex and requires providers to demonstrate that they have explored all other avenues for funding first, including using another child's funding package. We consider that there is an inconsistency between the flexibility afforded to providers to allocate funding as they see fit and the detailed process for seeking additional funding to meet the needs of a particular child. As a result, this process creates unnecessary administrative burden for providers and DCJ.

The approach to funding under the PSP leads to a lack of transparency around where funding is being spent, what services are being accessed by children and to what extent carers are paying for services out of their own pockets. We have heard from several carers over the course of the review that the providers they work with have refused to pay for children's medical expenses leaving them out of pocket. We are also concerned that there is potential for children to miss out on services that they should have access to. This lack of transparency further complicates the process for additional funding requests.

The inconsistencies in the way children's needs are categorised between the two systems also introduces complexity and makes comparison and cost estimation difficult.

10.5 Alternative approach to ensure children have access to essential services and the funding for them is adequate

As these costs vary significantly depending on the needs of the child, we consider that they should be funded on the costs of services that are identified and delivered for each child. This would provide greater transparency and consistency for carers about the costs they will be reimbursed for. It would also help reduce the administrative and financial burden for providers to meet the costs within package funding, often by moving between children, and the complexity of reconciling this annually.

The costs associated with maintaining family connections for children case managed by non-government providers would be funded on an agreed case-by-case basis, rather than included as part of the package funding. This would require approval of and subsequently payment of these expected costs by DCJ. As discussed, this is similar to what already occurs for DCJ case managed children.

Funding based on costs for services actually incurred increases the transparency of what services children need and are receiving. Coupled with a quality assurance framework that tracks outcomes across domains, this would help measure the cost effectiveness of different services and help ensure that resources are targeted where they will make the biggest positive improvements in children's lives.

There are however some practical challenges to consider which we discuss below.

10.5.1 Respective roles for DCJ and the non-government provider

In developing each child's case plan, their needs are assessed by their caseworker. This includes the types and frequency of health and wellbeing services they require, for example regular counselling or speech pathology sessions, and planning for how relationships with the child's birth family will be maintained. The caseworker also estimates the costs of these activities (potentially using set unit costs for health and wellbeing services and estimated frequency for the service). This is what currently occurs for child under DCJ case management.

As discussed, we consider it would be more efficient to fund these services on an agreed case-by-case basis for children in non-government provider care, similar to the policy for DCJ case managed children for whom these expenses are funded as contingencies. These costs are then reimbursed either directly to the service provider (such as the medical service or accommodation provider) or to the carers. Ideally many medical and allied health services would be able to be covered by the proposed out-of-home care health care card removing the need for reimbursement of carers.

While this may initially mean more administration for DCJ and providers, it would reduce some of the reconciliation complexity and complex needs requests associated with the current package funding model. It would also reduce administration for providers to reimburse carers. Most importantly, it would ensure that services are delivered in line with each child's needs, carers have greater certainty they will not be left out-of-pocket, and there would be greater transparency about how funding is used.

The non-government provider caseworker would remain central to the decision-making process, as they would be responsible for assessing and recommending the services that each child requires. We are not proposing any change to this arrangement.

Under our present proposal, the non-government provider would no longer receive the package funding associated with meeting the child's medical and therapy expenses. As these funds are intended to be spent on services for the child, this does not mean a reduction in funding for the operations of the non-government provider. Nevertheless, we recognise that it could have a cashflow impact on the non-government provider, particularly some of the smaller ACCOs.

We consider that funding the actual costs associated with the health and therapeutic needs of children, and maintaining family relationships, would relieve some of the financial pressure providers experience operating within package funding. As discussed, the funding for Child Needs packages is not tailored for each child's circumstances, and indeed, some of these costs currently being met by providers were not included in the build-up of package funding.

As discussed further in Chapter 6, the provider would continue to be funded for the casework associated with preparing case plans as well as facilitating and supervising family time. It is also likely that any initial increase in administration associated with entering cost estimates in ChildStory would be offset by the reduction in time taken making reimbursements to carers, preparing complex needs applications, and reconciliation of package funding.

10.5.2 Ensuring processes are established and followed

In proposing that the approach taken by DCJ for the children it provides care for is adopted more broadly, we recognise that the challenges with reimbursement and uncertainty whether costs will be met are not exclusive to carers with non-government providers. We have heard that some carers under DCJ case management also experience delays in being reimbursed and face uncertainty about what they will be reimbursed for, even when in the child's case plan.²¹⁰

"We have had immense difficulty obtaining access to health assessments and interventions for the children in our care ... due to DCJ either rejecting our requests on a financial basis, or by being so slow to action agreed payments that service providers are unable to continue working with us..."

Anonymous submission²¹¹

Therefore, to achieve the benefit of funding these expenses on their actual costs, there would need to be stronger processes within DCJ. These processes include more timely approval of the estimated costs in the child's case plan irrespective of whether the child is case managed by DCJ or a non-government provider and prompt payment once the service is provided – whether this is directly to the service provider or via reimbursement to the carer. If the non-government provider makes appointments on behalf of the child and incurs upfront costs, this should also trigger reimbursement.

In cases where upfront payment is required (such as with medical specialists) and the carer is not able to afford this, alternative arrangements may be required. These may include pre-payment by DCJ to either the carer or the service provider, or payment by the non-government provider with subsequent reimbursement. Ideally many medical and allied health services would be able to be covered by the proposed out-of-home care health care card (see section 10.5.3) without any upfront out-of-pocket costs for carers and the need for reimbursement.

In the interim, we consider that it would be simpler and more equitable for carers managed by non-government providers to be able to submit claims to DCJ for reimbursement. In the same way as DCJ caseworkers, the non-government provider caseworker could prepare the financial plan for the child's expected medical costs as part of their case plan and submit the detail to Childstory. The carer could then be reimbursed for out-of-pocket costs in line with these expected costs.

We recognise that safeguards would need to be in place to ensure that costs do not grow rapidly without any regard to the benefits delivered. Removing the requirement for non-government providers to manage costs within package funding could lead to additional services and therapies being added to a child's case plan in the hope that something may be helpful. To avoid costs growing in this way, we recommend DCJ:

- provide guidelines to NGOs listing the types of services eligible for funding, for example this may require providers to be accredited, such as a GP, dentist, medical specialist or allied health provider

- develop unit costs for these eligible services to enable caseworkers to estimate required funding for each child's case plan
- specify which services require GP endorsement or referral.

In regional and remote areas carers may have to travel with their child to access to medical and therapeutic services. The reasonable costs of this travel should also be reimbursed, similar to what occurs for carers with children case managed by DCJ.

Where timely access to a service is more costly (for example, a choice between waiting months to be seen by the visiting specialist or travelling to Sydney and being seen in a week with associated travel and accommodation cost), GP advice should be considered regarding the urgency of access.

10.5.3 Direct funding of medical and therapeutic costs on actual costs

An out-of-home care health care^c card that covered any gap (above Medicare or private health insurance) at the time of payment could help alleviate the current system where carers face uncertainty and delays to be reimbursed. Such a health care card could operate in a similar way to Medicare or private health insurance where the claim is made and paid instantly at the medical practice, and the patient (or in this case the carer) is not required to make any further payment. We consider that any such arrangements should be equally available to carers irrespective of their provider. The use of a system such as this would provide a rich source of data for DCJ around what services they are paying for and which children are falling through the cracks. If implemented, consideration would need to be given to the protection of such personal and health information and the collection, storage and use of any such information complied with all laws, practices and policies.

We note that it would take time to establish such a system, and there would need to be safeguards to avoid potential misuse. These could include establishing an approved list of service providers the card could be used at, similar to Medicare or private insurance, and potentially extended to accredited therapy service providers.

^c This is different to the Foster Child Health Care Card issued by Services Australia which entitles children in out-of-home care to cheaper prescription medicines under the Pharmaceutical Benefits Scheme. Other benefits could include:


- bulk billing for doctor's appointments, as decided by your doctor
- more refunds for medical expenses through the Medicare Safety Net
- discounted mail redirection through Australia Post.

State and territory governments and local councils may also offer concessions for costs such as:

- energy and electricity
- healthcare, including ambulance, dental and eye care
- public transport
- rates.

See [Foster Child Health Care Card](#) at Services Australia.

Draft recommendations

7.  The medical, dental and wellbeing costs for children case managed by non-government providers should be included in the child's case plan and directly funded by the Department of Communities and Justice based on these approved costs.
8. The Department of Communities and Justice should investigate the establishment of an out-of-home care Health Care Card that could be used to meet the out-of-pocket costs for medical and wellbeing services for all children in out-of-home care.
9. The costs of maintaining family connections for children case managed by non-government providers should be included in their case plan and directly funded by the Department of Communities and Justice based on these approved costs.

Chapter 11 »

Supporting Aboriginal cultural connections

Costs to support Aboriginal children to connect to their culture, community, family and Country

11

Cultural connection is a critical part of the social and emotional wellbeing of Aboriginal people. Through removal from their family, Aboriginal children in out-of-home care are particularly vulnerable to losing connection to their culture, community and Country. This chapter sets out our analysis of the costs that can be involved in supporting Aboriginal children's connection to culture, additional to the casework described in Chapter 6 and family connections described in Chapter 10.

Each Aboriginal child in out-of-home care has unique cultural needs and therefore a one-size-fits-all approach to costing does not capture the diverse experience of Aboriginal Nations and communities in NSW. We have not attempted to define what should be part of a child's cultural plan, as this should be unique to each child and DCJ procedures and guidance to prepare cultural plans do not provide minimum standards or expectations around key aspects of an Aboriginal child's connection.²¹² Our analysis is informed by Aboriginal-led research, reports and prior analysis, and our engagement with Aboriginal peak bodies and community-controlled organisations.

Our costing approach seeks to identify relevant costs areas that would facilitate and support access to a child's Country, culture, family and community. In this context, we recognise that these categories may not reflect the holistic nature of service provision, particularly with regards to place-based culturally appropriate services that many ACCOs provide. These supports are complementary to adherence with the Aboriginal and Torres Strait Islander Child Placement Principle (described further in Chapter 2), to ensure Aboriginal children's connection to their family and community is maintained.

Other cost components, such as casework including additional casework time for Aboriginal children and restoration work (Chapter 6), are important elements of supporting Aboriginal children's cultural connections. As these costs are considered in other component chapters, this chapter focuses on costs in addition to casework that further facilitate cultural connections for Aboriginal children.



"Being Aboriginal is the proudest thing in my life, to know that that's my people. It made me so proud to see what we've actually done and how far we've come to this day. It taught me that no matter what, I can still get up and do what I want."

Aboriginal child in out-of-home care²¹³

11.1 Overview of draft decisions

In practice, the ways in which out-of-home care providers support the cultural connections of Aboriginal children are highly individualised and often holistic, making it difficult to establish generalisable cost categories. To do our costing and pricing exercise, we have broken costs into categories, recognising that they could be overlapping and interconnected. We estimate:

- The cost of an Aboriginal cultural worker who can offer specific cultural expertise is \$1,210 per child per year.
- The upfront cost of genealogy and family finding services when an Aboriginal child first comes into care is \$6,700. This informs the child's cultural plan.
- Ongoing cultural programs as part of a child's cultural plan cost \$990 per child per year.
- A child's connection to Country is highly important to support their connection to their Aboriginal culture, but the cost of this is highly variable depending on each child's ancestry and current family situation.

These items are complementary to and do not replace casework support and an Aboriginal child's connection to family. On average these costs do not change depending on placement type or placement organisation.

Combining these costs gives us an estimate of the costs that DCJ and non-government providers incur in supporting the cultural connections of Aboriginal children in out-of-home care (additional to casework and other costs). We recognise that these costs differ significantly in practice, but defining these costs helps to show that current funding is not adequate. Our updated costs help to give an idea of what funding is required, as discussed further in Chapter 12.

Box 11.1 The current Permanency Support Program packages for cultural planning

Under the Permanency Support Program (PSP), all non-government providers caring for Aboriginal children receive a Cultural Plan (Aboriginal) package, consisting of an establishment payment of \$4,164 and an annual payment of \$494 each subsequent financial year. The Cultural Plan package is meant to provide support for cultural planning for Aboriginal children in addition to baseline packages. The one-off establishment payment is intended to cover designing a comprehensive and holistic cultural care plan and genealogy work to support connection to family, community and culture. The ongoing payment is meant to cover participation in cultural activities such as camps and maintenance of the cultural plan.

Box 11.1 The current Permanency Support Program packages for cultural planning

The *Children and Young Persons (Care and Protection) Act 1998* requires all Aboriginal children to have a cultural plan. DCJ's Aboriginal Case Management Policy requires case management to provide intensive support for Aboriginal children's connection to culture. Previous reviews and our consultation have found this Cultural Plan package is inadequate to provide comprehensive cultural support. The Audit Office of NSW found that "DCJ does not know whether funding to non-government organisations is sufficient for cultural planning".

Source: NSW Department of Communities and Justice, *Permanency Support Program (PSP) Packages: Eligibility Rules and Inclusions*, July 2023, p 25; Centre for Evidence and Implementation, *Evaluation for the Permanency Support Program: Final Report*, April 2023, p 29; Feedback from IPART workshop at AbSec Quarterly Forum, May 2024; Audit Office of NSW, *Safeguarding the rights of Aboriginal Children in the child protection system*, June 2024, p 43.

11.2 Estimates of cost components

While intensive casework makes up the majority of the additional costs of supporting Aboriginal children in out-of-home care (approximately \$2,630-\$3,280 per child per year depending on case management agency), there are also costs associated with the activities and supports provided to Aboriginal children to support them to connect to their culture. Table 11.1 below outlines the different cost items we have used and the following sections explain how we have established these costings.

Table 11.1 Cost components for meeting the cultural needs of Aboriginal children in out-of-home care (\$2024-25)

Cost component	Description	Estimated amount per child
Cultural worker	Employment of a cultural worker who supports the delivery of culturally safe casework and care	\$1,210 per year
Genealogy and family finding	Genealogy and family finding performed by an external consultant ^a , that is rigorous enough to inform effective cultural planning	\$6,700 one-off
Cultural programs	Cultural programs or activities that support Aboriginal children's connection to culture and understanding of their cultural identity, as described in their case plan.	\$990 per year
Supports to meet connection to Country	Travel and associated planning to support a child's connection to Country	Variable

a. We have heard of ACCOs that employ an in-house genealogist. This is more cost-efficient for larger organisations, whereas most ACCOs are relatively small.

As discussed in Chapter 10, connection to family is highly important to Aboriginal children to ensure their connection to culture. The above items are therefore complementary to and do not replace supporting Aboriginal children's connection to family.

11.2.1 Cultural workers

Both ACCOs and non-ACCOs sometimes employ Aboriginal cultural workers^a, who offer additional cultural expertise such as:

- helping to develop and implement cultural plans
- assisting carers to support their child's cultural identity and connections
- facilitating children's access to cultural and community events
- liaising with local community members.

For ACCOs, this is additional to the strong cultural expertise that their frontline staff already have.

We estimate that the cost of a cultural worker is approximately \$1,210 per child per year. Based on the data we received from providers, we can conclude that cultural workers are typically paid the same salaries as caseworkers (i.e. \$112,532 including on-costs for a non-government provider, see Chapter 6). We have assumed that a full-time cultural worker on average supports 93 children. This is based on information from an ACCO as well as a comparison to the potential caseload of a DCJ casework specialist.²¹⁴ We consider the function of a casework specialist is similar to a cultural worker in terms of caseload, as it involves offering specialist casework guidance to caseworkers.

We note that many ACCOs have less than 93 children in their care, in which case this cost could be attributed to more intensive casework or a part-time cultural worker. Similarly, DCJ does not employ cultural workers in out-of-home care but employs Aboriginal caseworkers who work directly with children. It may instead incur the equivalent cultural worker costs through procuring the services of external cultural consultants.

11.2.2 Cultural planning and cultural programs

Every Aboriginal child has a unique cultural journey. Their cultural needs depend on factors such as their age, family circumstances and the traditions of their mob or community.²¹⁵ As described in the following sections, we have separated these costs into upfront and ongoing costs.

The cultural needs of Aboriginal children are captured in their cultural plan, which should at a minimum:

- identify the cultural needs of the child
- outline how the child can experience their culture to maintain their identity and their connection to family, community and Country
- help make sure that important cultural and family information is maintained for any child who is too young to contribute to their own plan.²¹⁶

^a Different organisations have different names for this type of position. We have used cultural worker as an umbrella term.

Things that could be in an Aboriginal child's cultural plan include but are not limited to:

- support from an Aboriginal mentor connected to the child's relevant community and cultural authority
- attendance at community gatherings and events
- attendance at cultural camps
- participation in traditional cultural activities
- identified significant local places and sites for the child and ways for the child to visit that site
- plans for the child to have contact with birth family, community and return to Country.

Upfront cultural planning cost

When an Aboriginal child enters care, intensive family finding and genealogy must be done to trace their heritage and cultural ties. Without this information base, it is not possible to develop a practical cultural plan. While some of the family finding will be done by the caseworker, there are additional family mapping services required for Aboriginal children that are performed by specialist researchers that have knowledge of and connection to Aboriginal communities.

We have estimated the cost of family finding and genealogy as \$6,700 based on the costs of Link Up NSW, which has a Family Link program which offers family finding and kinship tracing for Aboriginal children at risk of entering or already in out-of-home care.²¹⁷ The average cost per child is based on the total program cost in 2022-23 (\$973,000) divided by the number of referrals received for the program (154). The average cost per child in \$2022-23 was escalated to \$2024-25 using CPI.

There is also an upfront cost in developing a cultural plan which covers the intensive casework including consultation with Aboriginal families and communities. This is a casework cost, covered in Chapter 6.

Ongoing cultural program costs

Based on the variability of the cultural supports that Aboriginal children in out-of-home care may require, we consider it would not be accurate to do a bottom-up costing of different 'items' that could go into a child's cultural plan. Instead, we have approached estimating the cost by basing it on actual expenditure. Data provided by a larger ACCO suggests that the average cost of cultural programs to support children's connection to culture and community is \$990 per child per year.²¹⁸

As a point of comparison, the Victorian Government estimated a \$200-\$2000 cost per child for Aboriginal cultural supports for children in early childhood education and care.²¹⁹ We recognise that using current costs may not be completely reflective of the costs of supporting cultural needs, as we have heard that it is currently not always possible to offer the desired cultural support to meet the Aboriginal and Torres Strait Islander Placement Principle due to funding limitations.

11.2.3 Connection to Country

As part of maintaining their wellbeing, identity and cultural connection, Aboriginal children should also be able to travel to Country.²²⁰ Country refers to culturally defined areas of land, waterways and seas that are connected to a distinct group(s) of Aboriginal peoples. For Aboriginal people, Country represents a complex and interconnected relationship between land, water, culture, law, story, identity, relation, and kin. Connection to Country is a very important part of Aboriginal identity, being and culture.²²¹

"The connection. Like water, birds, all the wildlife, it's so amazing what this Country's still got. Like it's through our nature, and you belong to it, you're just looking around, and you see where the old fellas would've been."

Stolen Generations survivor²²²



The frequency and way in which Aboriginal children should connect with their Country is different depending on each child's individual circumstances and is to be determined in their cultural plan. Due to the displacement of Aboriginal peoples, many Aboriginal children in out-of-home care live off Country. For example, Abcare (which operates in Northern NSW) estimates that 68% of the children in its care are placed off Country.²²³

These costs will vary significantly depending on the child's family and ancestral background. For example, a child with ties to Country in Western Australia will require more expensive travel than a child with ties to Country within NSW. We have therefore not estimated a benchmark cost for this cost component.

Draft decisions



25. We estimate an Aboriginal cultural worker cost of \$1,210 per Aboriginal child per year.
26. We estimate an upfront cultural planning cost for family finding and genealogy of \$6,700 per Aboriginal child entering care.
27. We estimate the cost of providing cultural programs for an Aboriginal child to be \$990 per child per year (exclusive of labour, overheads, and additional variable costs that enable a child to connect with their birth family and Country. The cost of enabling an Aboriginal child to connect with their birth family and Country is unique to each child, therefore such costs cannot be estimated with precision).

PART C:

Placement benchmark
costs



Chapter 12 »

Approach to pricing structure

This chapter sets out our proposed approach for how prices for out-of-home care services should be structured

12

The previous chapters established the efficient costs of the different components of out-of-home care. This chapter discusses our proposed approach to how these costs should be priced, how prices should be adjusted over time, and how often prices should be reviewed. The following chapters set out how we have used these components to establish benchmark costs for each placement type, reflecting the varying needs of children in out-of-home care.

Prices for contracted providers could potentially be structured to incentivise the delivery of quality services and improved outcomes for children. However, it must also avoid creating incentives which could lead to perverse outcomes such as inappropriate placements or a reluctance to accept more challenging placements.

For children in home-based care, we have heard that many carers experience uncertainty regarding what costs they can be reimbursed for, and there are inconsistencies between what different providers will fund. There are also issues for providers having to move funding between packages to meet the needs of different children, and the administrative and financial burden associated with complex needs claims and reconciliation of package funding.

To address some of the inconsistencies and inefficiencies in the current system, and to ensure the funding is directed to meet the needs of children, we are proposing changes to how prices for out-of-home care delivered by non-government providers, including Aboriginal community-controlled organisations (ACCOs), is structured.

12.1 Overview of draft findings and recommendations

Rather than bundling costs that can vary significantly from child to child into packages which can obscure not only what is available, but also how the funding is being used, we are proposing that these costs be funded based on actual costs, as set out in Chapter 10. We are also proposing that there is one payment per child to the provider for home-based care, rather than a build-up of packages. This would simplify administrative processes and increase transparency.

We are also recommending that the Department of Communities and Justice (DCJ) consider paying the care allowance and reimbursements directly to all carers.

We are aware that the cost of insurance for physical and sexual abuse claims has risen dramatically in recent years. We are proposing that these costs should be funded by the NSW Government.

To meet the cultural needs of Aboriginal children in out-of-home care we are proposing the following additional components compared to non-Aboriginal children:

- an annual Aboriginal cultural support component of \$4,380
- an upfront Aboriginal cultural planning component when the child first enters care of \$6,700
- a variable Aboriginal connection payment to support return to Country based on the child's individual cultural needs.

In addition, for all children placed with an ACCO, an additional payment of \$6,820 applies. These components are all materially higher than the Permanency Support Program (PSP) equivalent.

We are also proposing that ACCOs receive up-front funding when the transition of an Aboriginal child from a non-ACCO provider is initiated.

We have also made draft recommendations for how prices should be adjusted over time, including adjustment to the care allowance. We are proposing that the prices paid to non-government providers be adjusted annually (1 July) to reflect changes in:

- the Social, Community, Home Care and Disability Services Industry Award (SCHADS award) rate for labour costs
- median rentals by location for residential, independent living and contracted emergency care arrangements
- All Capitals CPI for all other costs.^a

We are proposing that the care allowance is comprehensively reviewed every 8-10 years to ensure that it meets the cost of the goods and services required to provide quality care for a child in out-of-home care. Between reviews we recommend it be adjusted annually in line with the All Capitals CPI.

12.2 A pricing structure to more effectively meet the needs of children

In considering how the pricing structure and levels might be able to address some of the perennial issues in the out-of-home care system, there is a tension between increasing the flexibility for how providers are able to use funding, and the government being able to assess the effectiveness of the care and services provided to children in out-of-home care without the administrative burden becoming overwhelming. There is also a need to ensure that funding is used efficiently and pressure on the NSW Budget is contained.

As noted in both our Interim Report and the System review, there is a lack of visibility in the system not only of the services being delivered, but there is also no assessment of what is effective in achieving the best outcomes for children.²²⁴ This is compounded by the way funding is bundled into packages to provide services that can vary significantly from child to child. As recommended by the System review, there needs to be visibility in the funding and spending for children and young people in care.²²⁵

We consider that a simplified pricing structure, with greater transparency for how the funding is spent would assist in assessing the cost effectiveness of services.

12.2.1 A simpler payment per child to reduce administrative burden

By allowing non-government providers to allocate package funding to meet the needs of the child, the PSP was intended to provide flexibility. However, the PSP is considered to have led to an increase in administration, data entry and compliance tasks at the expense of practice related work or a focus on evidence-based services for both DCJ and non-government providers.²²⁶ It has also reduced the transparency of the system.

^a We use the CPI for All Capitals, rather than the CPI for Sydney, for any service that is not exclusive to the Sydney metropolitan area as regional NSW is likely to have more in common with smaller capital cities than Sydney.

The PSP represents a large administrative cost for providers and DCJ. In addition to the administrative costs to non-government providers discussed in Chapter 7, DCJ spends a further \$3,100 per year administering the PSP system and managing contracts for each child whose care is managed by a non-government provider.²²⁷ We consider a single annual payment per child and/or house to the provider will reduce the complexity of funding reconciliation, as discussed below and in the following placement specific chapters.

As discussed in Chapter 2, for most children, in the current PSP, the provider will receive one case plan goal package, one baseline package and one child needs package, and potentially multiple specialist packages depending on the child's needs.²²⁸ Where a provider finds the available funding inadequate, there is a process for them to seek additional funding that is administratively complex and time consuming. The PSP packages are intended to be 'built-up' to meet the individual needs of children more flexibly than the previous unit cost-based funding model. The PSP is also flexible between children, encouraging providers to allocate funding as they see fit. However, this creates significant administrative cost when providers seek additional funding for a particular child.

We have heard from non-government providers that administrative requirements have increased substantially, to the point where the burden to meet compliance with administrative processes potentially delays services' capacity to meet the needs of children.²²⁹

We have found that some package inclusions are not adequately funded, with some not included in the original cost build up at all. This is contributing to pressure on providers and carers; and the delivery of services to the children who need them.

Similarly, the PSP Evaluation found that delays were caused in part by the back-and-forth nature of the application process and the quarterly nature of reconciliation of funding. It was reported by PSP service providers that both the workload that goes into applying for packages, and the complexity of financial reconciliation, places greater administrative requirements on PSP providers. Financial reconciliation is seen to be more difficult now that children have multiple layers of funding packages. There is also a limit to the extent to which pooling of packages can overcome interruptions to resourcing.²³⁰

Delay in the reconciliation of funding creates cashflow issues

Currently, each contracted non-government provider receives an annual amount based on the number of children they are delivering services to. Funding is paid quarterly in advance and reconciled annually for any over or underpayments that occurred in the previous financial year.²³¹

We have heard that the need for manual reconciliation based on individual packages leads to significant delays in payment, also that the package service model has created a significant workload for DCJ staff.²³² The System review also found that there was a timing delay in reconciling income and expenditure data, and the preparation of unspent funding reconciliations which has a significant impact on providers.²³³

The amount to be reconciled varies between providers, with some receiving more funding than they expended and having to repay this, and vice versa for others. For 2022-23, on average large providers (across all care types) were owed just over \$450,000 per provider and medium providers were owed close to \$330,000. For small providers the average amount they were owed was just under \$60,000. This can create cashflow problems for PSP providers waiting for money they are owed, as well as in cases where they have been required to repay DCJ for funding received more than 2 years ago.²³⁴

We consider that our proposed pricing structure will reduce the administrative burden associated with reconciling multiple packages per child. The sections below discuss our proposed funding structure.

12.2.2 Pricing for upfront or irregular costs

Most of the costs associated with the provision of out-of-home care are on-going and we have been able to estimate them on an annual per child basis. There are also some costs that are one-off or less easily converted to an annual per child cost. We discuss our approach for how these costs should be funded below.

Carer recruitment and assessment

As discussed in Chapter 7, we have made a draft decision that the cost of recruiting and assessing a new carer is \$23,450 (\$18,190 for recruitment and \$5,250 for assessment). Many carers will be caring for more than one child. To convert to a cost per child we calculated the ratio of carers to children. Based on the information returns from non-government on the number of carers and children in home-based care, we found that the median number of children per carer is 1.1, which equates to 0.9 carers per child. On a cost per child basis, we have estimated the cost of recruiting and assessing trainers as \$21,100.

We are recommending that providers receive this amount when a child enters their care. As mentioned in Chapter 7, the costs for non-government providers of carer recruitment and assessment are intended to be met from each child's baseline package. However, currently these costs are not adequately funded. As they are typically one-off larger expenses we consider should be met as an up-front payment when a child enters care.

We considered whether the payment could be spread across the average tenure of carers, however data on the length of carer tenure is anecdotal, and instalment payment would add complexity if a carer transfers between providers, especially as the costs are incurred up front.

Funding these costs upfront could assist when carers move from a non-ACCO non-government provider to an ACCO as part of the transition. It would help remove some of the concern we have heard from providers about 'losing' carers having invested resources into recruiting and assessing them.²³⁵ As discussed in section 12.4.2, we have made additional draft recommendations about the costs to ACCOs for the reassessment of carers that transition to them.

DCJ would need to consider the circumstances in which this payment would be made when a carer moves between non-ACCO providers. In these cases, payment for reassessment may also be appropriate.

We have applied the same carer per child ratio to the cost of annual carer training discussed in section 7.9. Based on our draft decision (13) that the annual efficient cost of carer trainer is \$1,500, this gives an annual per child cost of \$1,350.

Draft recommendations

10. Non-government providers should receive an amount of \$21,100 per child to cover the cost of recruiting and assessing carers when a child enters their care.
11. Non-government providers should receive an annual amount of \$1,350 per child to cover the cost of carer training.

Other costs incurred upon entry into out-of-home care

Other one-off costs include the Aboriginal cultural planning package (Chapter 11) and the placement establishment payment (Chapter 5), which we are recommending be paid upon the child's entry into the provider's care.

12.3 Funding for physical and sexual abuse insurance

Non-government providers delivering out-of-home care services are required to obtain insurance against claims related to incidents of physical and sexual abuse (PSA) committed by their employees or volunteers against children in their care.

The Special Liability Insurance Scheme (SLIS) commenced on 1 January 2025 and is managed by icare on behalf of the NSW Self Insurance Corporation. It replaces DCJ's Short-Term Indemnity Scheme which provided non-government providers with coverage for PSA claims relating to alleged incidents that first occurred after from June 2017.^b

The premium for non-government providers is driven by:

- **Claims history:** physical and sexual abuse claims in the last 5 years related to contracted work on behalf of DCJ. Loadings apply depending on the number of claims and amount of the claim.
- **Retrospective cover:** a retrospective premium may be applied, depending on whether provider has previously held PSA cover, and if so, how long for and what type of policy (whether it covers 'claims made' or 'claims occurrence'). It will only be charged for and apply back to when the provider's contract with DCJ commenced.
- **Risk management:** the provider's risk management framework, policies, procedures and regular training. The base premium is reduced for strong risk management and safeguard protocols which reduce the risk of abuse occurring.

^b There are also other matters relevant to the scope of the indemnity provided by the Short-Term Indemnity Scheme.

The premium will also depend on the number of children and the placement type. Foster care is rated as the highest risk area, due to the number of historical claims, and one-to-one time with children.

We consider that the cost of PSA insurance should be met by the NSW Government, as it is a cost of providing out-of-home care. Ensuring providers have appropriate risk management frameworks and procedures in place will help reduce premiums.

The NSW Office of the Children's Guardian regulates and oversees organisations to uphold children and young people's right to be safe by building capability and using risk-based enforcement powers. It enables organisations to take action to prevent harm to children and young people through risk identification and management.²³⁶

While previous insurance coverage may be considered something the provider could control, and hence pay for, this is not always the case. In some cases, the previous insurer may have withdrawn from the market, or a provider may have assumed that professional liability insurance covered PSA claims, when this may not be the case.

The factors set out above greatly influence the level of premium. Therefore, we have not estimated an efficient cost for PSA insurance. We are proposing that providers should be reimbursed on the basis of their actual premium for PSA coverage for providing out-of-home care. For the purposes of estimating a benchmark cost for each placement type, we have included the average per child cost. Based on information received from icare, we estimate this as \$580 per child.

Draft recommendation



12. The cost of physical and sexual abuse insurance incurred by non-government providers providing out-of-home care services should be met by Department of Communities and Justice.

12.4 Proposed pricing structure for out-of-home care for Aboriginal children

This section outlines our proposed approach for pricing out-of-home care for Aboriginal children to meet their cultural needs. We have taken a principles-based approach and recognise that broader funding decisions should require input from Aboriginal organisations, practitioners and communities.

The pricing structure aspects discussed in this section are only those that are specific to Aboriginal children and ACCOs. The pricing levels to meet their basic needs and provide the placement, e.g. the care allowance, administration and overheads, or pricing associated with an Intensive Therapeutic Care Placement, would be the same as for a non-Aboriginal child.

12.4.1 Pricing structure

We are proposing a similar pricing structure for meeting the needs of Aboriginal children in out-of-home care for ACCOs and non-ACCO non-government providers. However, we recommend that ACCOs receive a loading that recognises their additional functions and holistic way in which they work to deliver care.

The types of payments that could apply on top of baseline pricing (i.e. pricing for a comparable non-Aboriginal child) are described in Table 12.1 below. Pricing for transitions is discussed in section 12.4.2.

Table 12.1 Proposed types of per child payments to apply to out-of-home care for Aboriginal children (\$2024-25)

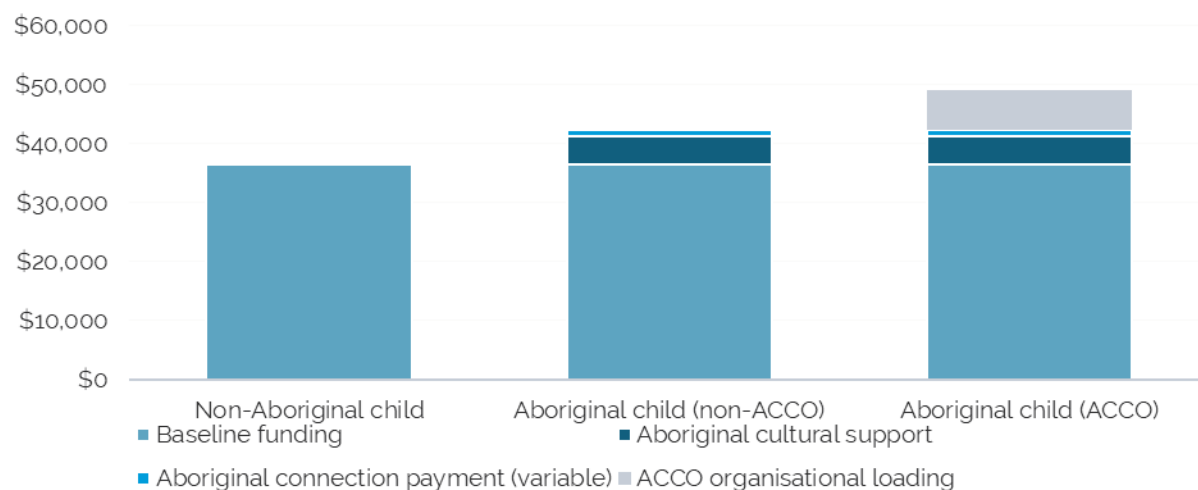
Type of payment	Description	Amount
Aboriginal cultural planning (upfront)	A payment that is made when an Aboriginal child enters care to cover the collection of information that feeds into cultural planning, including genealogy and family finding	\$6,700 (one-off)
Aboriginal cultural support (ongoing)	An annual payment per child to providers caring for an Aboriginal child, which covers casework costs (\$2,627), cultural worker support (\$1,200) and other cultural programs (\$994)	\$4,830 (annual)
Aboriginal connection payment	A variable annual payment depending on the travel to return to Country set out in the child's case plan and/or cultural plan	Variable on an actual basis
ACCO organisational costs	An annual payment per child to cover the additional functions, community accountability and holistic way of delivering care	\$6,820 (annual)

We propose that the funding to support Aboriginal children's connection to Country is reimbursed based on the actual cost (set out in a Child's case plan), mostly consistent with how we have proposed to fund medical and family time costs in section 12.2. For children whose care rests with ACCOs, the ACCO would retain responsibility for identifying the child's needs and developing the case plan. The mechanism for reimbursement should be transparent, be consistent with policies including the National Agreement on Closing the Gap, and support self-determination.

Figure 12.1 below shows how the payment types would add up to a funding package for a child. In this case, we have estimated:

- Baseline pricing to a provider caring for a non-Aboriginal child in a home-based care placement with a long-term care case plan goal is around \$36,370.
- A non-ACCO non-government provider providing a placement for a comparable Aboriginal child would receive an additional \$4,830 annually to support the child's intensive casework needs and cultural programs, and \$1,000 of funding to support the child to travel to Country (as this would be funded on an actuals basis and therefore is variable, we have used \$1,000 as an example amount).
- An ACCO providing a placement for the same child would be the amount that a non-ACCO caring for an Aboriginal child receives, with an additional \$6,820 to account for ACCOs' additional organisational costs.

Figure 12.1 Example of proposed annual pricing for comparable children by Aboriginality and placement provider



Note: We have used a base case child who is aged 5-13 and in a home-based care placement with a long-term care case plan goal. Baseline funding includes casework, ongoing carer training, an average level of contingencies and administration/overhead costs, and excludes the care allowance which is paid directly to the carer.

Our estimates of the costs of developing and implementing Aboriginal cultural plans are materially higher than current PSP funding packages. Our research and consultation have shown the importance of delivering culturally safe care to Aboriginal children, and as a result we are recommending a higher pricing level to meet costs associated with developing and implementing cultural plans for Aboriginal children. With this comes a need for visibility of services delivered to ensure that this funding is being directed toward the cultural needs of Aboriginal children in out-of-home care, particularly for non-ACCOs caring for children yet to be transitioned into ACCO care. The monitoring of the delivery of cultural supports to Aboriginal children in out-of-home care could be integrated with existing Aboriginal governance arrangements, which are further described later in this section.

Draft recommendation

13. The pricing structure to meet the needs of Aboriginal children in out-of-home care should include the following additional estimated components:
 - a. an upfront cultural planning cost for family finding and genealogy of \$6,700
 - b. an annual Aboriginal cultural support payment of \$4,830, which covers additional casework and cultural programs to support connection to culture
 - c. a variable cost of enabling an Aboriginal child to connect with their birth family and Country
 - d. if the child is placed with an ACCO, \$6,820 due to their additional organisation-level functions including community advocacy and cultural consultation.

12.4.2 Pricing for transitions

As previously discussed, the Government has a project underway to transition all Aboriginal children in out-of-home care to the case management of ACCOs. In our consultation with ACCOs we have heard about the complexities and costs involved such as:

- additional casework due to incomplete case information on the Aboriginal children who transfer
- undertaking carer reassessments
- the financial risks due to uncertainty about when transfers are occurring.^{c237}

The Audit Office of NSW also highlighted the financial disadvantage that ACCOs have experienced by the failure of the transition process, due to upscaling to support transfers that have ultimately not occurred.²³⁸ The current financial burden placed on ACCOs to accommodate the uncertainty of transitions may not align with the Government's Closing the Gap priority of building the Aboriginal community-controlled sector.

We have heard transitions can take over a year to complete, during which both the non-ACCO provider holding case management and the ACCO receiving case management will have additional work to do compared to caring for a child that is not transitioning. For the non-ACCO provider, these are casework costs including:

- more intensive work with the current carer of the child to help them understand why the transition is important, and once carer consent is obtained to prepare them for the transition
- meeting with the ACCO to discuss the transfer process and the child's background
- administration to provide required documents to DCJ.

The ACCO is actively involved in the process but does not receive any child-related funding until the transfer of case management is completed. The ACCO also typically must reauthorise and re-train the carer.²³⁹ This reauthorisation also occurs before the completion of case management transfer and therefore before the ACCO receives funding packages for the child.

We heard from our consultation that there would be 3 months' worth of lead up costs for the ACCO in the form of labour and admin and overheads.²⁴⁰ This is based on the assumption that it requires 3 months to train up a new caseworker to build up the capacity to take on additional children. Due to the large number of Aboriginal children needing to transition to ACCOs, we have assumed that ACCOs will need to employ additional caseworkers.

We recommend DCJ provides upfront funding to ACCOs for transitions rather than the current fixed Aboriginal Transition Support Payment, in the form of:

- 3 months of casework and on-costs
- 3 months of admin and overheads
- carer authorisations and training.

^c There is currently an Aboriginal Transition Support Payment of around \$150,000 annually for all ACCO PSP providers. The amount is intended to support both new and established ACCOs, but there is no transparency over how the payment was costed or what services it is supposed to cover. The payment is the same regardless of the size and capacity of the ACCO.

This would add up to an upfront package of \$21,300, to be paid to the ACCO when it is formally notified of a potential case management transfer. As transitions generally take long to complete, this would allow the ACCO time to use these funds to build up capacity to care for the child(ren) to be transitioned.

The costs presented are for home-based care, as aligned with Government policy to focus on transitions of Aboriginal children in home-based care. The same framework could be applied to residential care with updated costings.

Table 12.2 Estimated costs to transfer case management of an Aboriginal child to ACCO (\$2024-25)

Cost component	Description and assumptions	Amount per child
Casework	3 months of typical casework cost for an Aboriginal child on a long-term care case plan goal	\$4,460
Admin and overheads	3 months of typical admin and overhead costs for an ACCO caring for an Aboriginal child in foster care	\$4,690
Carer authorisation and training	Upfront training and authorisation cost per household	\$12,150
Total		\$21,300

It is possible that the fixed Aboriginal Transition Support Payment was also meant to support ACCOs to get reliable funding to build capacity. Making the transition payment related to the actual transitions that will occur may remove some of the predictability of funding for ACCOs but has the advantage of providing greater transparency of funding.

DCJ should also consider abatements and/or incentives for non-ACCOs to deliver transitions. While there are external factors affecting whether or not the child can successfully transition, we have heard that non-ACCO providers may be hesitant to transition Aboriginal children to ACCOs because it represents a loss of funding and sunk cost of carer recruitment.²⁴¹ The need for effective governance is echoed by the recent System review into out-of-home care, which in its discussion of the transition concluded:

'DCJ must co-design and implement an effective Accountability Framework that provides governance, performance, and appropriate oversight. The system inherently needs to be mindful; it is the system settings, policies and fixed rules enforced by government that must value self-determination, voice, and relationships. The notion of stewardship should be strong here and underpin the foundation of policy improvements, to ensure the longevity of success.'²⁴²

Draft recommendation

14. ACCOs should be funded for the Aboriginal children transitioning into their case management at the time a transition is initiated in the form of an upfront payment of \$21,300, rather than receiving a flat annual payment.

12.4.3 Principles for funding

We recognise the limitation of the focus of our report being on costs and pricing for ACCOs. Indeed, the Productivity Commission recommended five actions to “better enable power to be shared” under the Closing the Gap Agreement, with one action highlighting that “ACCOs should be seen as essential partners in commissioning services, not simply as passive funding recipients”,²⁴³

We have heard from AbSec during our review that the out-of-home funding model should be developed with and for ACCOs, with a preference for new commissioning practices (such as Aboriginal-led Commissioning).²⁴⁴ This also relates to other funding-related considerations we heard from stakeholders such as contract management and flexible capability development support for ACCOs.²⁴⁵ While outside the scope of our review, these issues inform how DCJ works towards achieving its commitment under the National Closing the Gap Agreement to grow the ACCO sector.

DCJ should consider the following principles when considering broader ACCO funding.

Funding decisions should be integrated with existing Aboriginal governance arrangements

SNAICC (the national peak body for Aboriginal and Torres Strait Islander children) found that current funding approaches for child & family services do not support self-determination or appropriately value and prioritise the capabilities of ACCOs.²⁴⁶ Current funding is seen as inadequate, burdensome and lacking in community control or even consultation in design and delivery.²⁴⁷

We recommend DCJ co-designs any changes to the ACCO-delivered out-of-home care funding model in partnership with peak bodies, ACCOs and Aboriginal communities. This could include working through existing Aboriginal governance arrangements and partnership with AbSec.

An Aboriginal-led commissioning project pilot is underway at trial sites in NSW. This project aims to self-empower communities with the ability to make decisions about service design, priorities and funding across the Aboriginal child and family sector.²⁴⁸ In principle, new partnership approaches such as this project could help to support self-determination, although the outcomes of this project are yet to be determined.

Further, funding should promote the NSW Government commitment to grow the ACCO sector as part of the National Agreement on Closing the Gap. That is, funding for ACCOs providers should be financially sustainable for these providers and support them to build up capacity where necessary. While it is not directly related to the scope of our review, we note other funding mechanisms to support the ACCO sector and meet commitments to Closing the Gap could also be relevant.

Funding for ACCOs should prioritise early intervention where possible

Aboriginal communities and other reviews have called for DCJ to ensure Government funding reflects policies to prioritise restoration and family preservation, especially to promote Aboriginal families staying or returning together.²⁴⁹ For example, the Family is Culture report recommended:

'The NSW Government should review funding allocations to ensure that these reflect the NSW Government legislative and policy position to prioritise restoration and family preservation. This funding should prioritise the restoration programs that are successfully delivered by Aboriginal Community Controlled Organisations and funding should be commensurate with the overrepresentation of Aboriginal children in the out-of-home care system.'²⁵⁰

As noted by the Audit Office of NSW, this recommendation was accepted by the NSW Government, but current DCJ funding structures still do not provide commensurate funding to ACCOs to address the over-representation of Aboriginal children entering and in out-of-home care.²⁵¹

Preventing Aboriginal children from entering care protects them, their families and communities from ongoing harm and trauma. It also creates savings within the child protection system²⁵², as well as savings to the Government in the long term since experiences of removal increase the chances of criminalisation, incarceration, reduced health, poor education outcomes, substance use, homelessness and child protection involvement when removed people become parents.²⁵³

Some of this should be reflected in the ACCO-specific funding that accounts for community advocacy. However, early intervention is also a separate DCJ program that sits outside the scope of our review.

Funding should be sufficient to uphold the rights of all Aboriginal children in care regardless of where they are placed

No matter whether a child is placed with an ACCO or a non-ACCO provider, the NSW Child Safe Standards require their care enables connections to culture, community and Country. While Aboriginal children are in the care of a non-ACCO provider, the funding that that provider receives should be sufficient to allow them to meet the cultural needs of Aboriginal children.

Seek Comment



4. In practice, how would our proposed funding structure for meeting the cultural needs of Aboriginal children in out-of-home care impact your ability to support these children?

12.5 Adjusting prices to reflect changing costs over time

Our Terms of Reference require us to recommend a methodology for adjusting prices paid to non-government providers going forward. Currently the funding deed between DCJ and contracted PSP providers allows for an 'indexation increase in funds to the service provider from time to time,' but does not specify how frequently this indexation should occur or how it is calculated.²⁵⁴

As discussed in the sections below, it is important that prices are updated to reflect external cost increases to ensure that providers can continue to deliver services that meet quality standards and the needs of children. We are recommending that most costs be adjusted annually in line with the All Capitals CPI. The exceptions to this are the staff cost components we have based on Award rates, rental costs for houses, and PSA insurance costs.

We also consider that the care allowance should be comprehensively reviewed every 8-10 years. This can help ensure that it meets the cost of the goods and services required to provide quality care for a child in out-of-home care and reflects changes in consumption patterns and community standards over time.

In addition, we recommend that the costs and pricing of out-of-home care be reviewed again within 5 years to consider the impact of changes implemented following our review and other reviews including the System review.

12.5.1 Changes in labour costs

As discussed in Chapters 6 and 8, the salaries for staff employed by non-government providers is set by the [Social, Community, Home Care and Disability Services Industry Award 2010](#) (SCHADS Award). This award sets rate of pay for a number of sectors including the social and community services sector. Caseworkers and casework managers typically fall within this sector. To estimate the efficient costs of non-government provider staff we have used the rates of pay in this award and made draft findings regarding the optimal team structure and number of staff.

These labour costs represent a very large proportion of total costs, therefore we consider that any changes in the award rates should be reflected in the funding the provider receives, updated 1 July each year. We consider that these changes should be passed on annually at the same time as other funding adjustments to minimise administrative burden.

As discussed in Chapter 6, We have calculated on-costs as a proportion of the salary, so these should also be adjusted in line with changes in the SCHADS pay rates. We also currently consider that the annual funding increases to non-government providers should be reflective of other contributions such as superannuation and levies such as payroll tax.

12.5.2 Changes in rental costs

As discussed in Chapter 9, we are recommending that the cost of accommodation for children in residential care, independent living and contracted emergency care be estimated using the DCJ Rent and Sales Report split into 3 regional groups.

We consider annual changes in the median rent should be reflected in the funding the provider receives, updated 1 July each year. Although updated quarterly, the annual change in median rent is also reported. As with other cost changes, we consider these changes should be passed on annually at the same time as other funding adjustments to minimise administrative burden.

We note that the cost of housing is included in the CPI basket of goods and services. However, as we have based the cost of accommodation for residential, independent living and contracted emergency care out-of-home care placements on median rentals, we consider this should be adjusted in line with changes in median rentals, and not also adjusted by CPI.

Separately, as the cost of office buildings is covered in our estimates for administration and corporate overheads, changes in these costs would be adjusted by All Capitals CPI as discussed below.

For non-contracted emergency care such as Individual Placement Agreements, we are recommending that the cost of accommodation be based on the Australian Taxation Office's benchmark market value for short-term accommodation in NSW.²⁵⁵ This is updated by financial year.

12.5.3 Administration and overheads

As discussed in Chapter 7, we have estimated the cost of administration and corporate overheads on a per child basis based on providers' financial returns to DCJ and data submitted in response to our information request. We consider these costs should be updated annually in line with the All Capitals CPI.

This includes the cost of staff employed by non-government providers in corporate operations, management and administrative roles. We have not estimated the optimal staffing structure for these roles or built-up costs based on the number of staff and respective award pay rates. Therefore, we are not recommending these staff costs be adjusted in line with changes in the SCHADS award rates.

12.5.4 Changes in PSA insurance premiums

Changes in PSA insurance premiums should be reflected in the amount paid to providers by government.

12.5.5 Future review of the care allowance

We consider the care allowance should be comprehensively reviewed every 8-10 years to ensure that it meets the cost of the goods and services required to provide quality care for a child in out-of-home care. Changes in prevailing community standards and consumption patterns that occur over time are not adequately captured by inflation adjustments alone. While these shifts may be relatively small from year to year, ignoring them over long periods of time can lead to a significant cumulative impact.

As discussed in Chapter 5, the cost of caring review undertaken for us by Melbourne Institute used a top-down approach to identify the costs associated with each child. As mentioned, a bottom-up budget standards approach whereby a standard set of expenditure items is established and then costed, was not possible in our review timeframe. We note that the cost of caring study undertaken in 2002 took around 2 years to complete.^d We consider that both approaches are valid, and although Melbourne Institute's top-down approach did not build up the basket of goods and services, it did examine how household expenditure on different items has changed over time.

We are not recommending that this comprehensive review be undertaken more frequently than every 8-10 years given the time taken to conduct a budget standards review (if this is the method undertaken). Between reviews we recommend that the care allowance be adjusted annually in line with inflation (discussed below).

Action 6 (Carers) of the *Safe and Supported: First Action Plan 2023-26*, committed to by all Australian governments, is to improve support for carers. This includes assessing carer payments in terms of adequacy, consistency and accessibility.²⁵⁶ This work was intended to be undertaken across 2023- 24. We understand that it is now being undertaken in 2025. We have discussed this proposed national review and the timing of our work with the Australian Institute of Family Studies (AIFS). The extent to which our recommendations for the care allowance form part of this process is a matter for DCJ and the NSW Government.

12.5.6 Approach to ensuring the care allowance is sufficient between review cycles

As discussed in Chapter 5, the current standard care allowance initially determined in 2006 was based on the findings of a 2002 study. Since then, it has been increased in line with the indexation rate advised by NSW Treasury. As noted, the standard care allowance has grown at a similar rate to the All Capitals and Sydney CPI.

^d We note that the 2002 study was national. However, it involved making adjustments to an earlier (1998) study by the Social Policy Research Centre (SPRC) at the University of NSW on the weekly costs of children not in care as at 1998. Using the results of this study, researchers sought feedback from carers of children in foster care about the relevance of the estimates to children in care. Carers highlighted several areas in the original estimates that did not adequately reflect the costs of caring for children in care. Source: McHugh, M, Social Policy Research Centre, *The Costs of Caring: A Study of Appropriate Foster Care Payments for Stable and Adequate Out of Home Care in Australia*, February 2002, p viii.

As discussed above, we consider the care allowance should be comprehensively reviewed every 8-10 years to ensure that it reflects changes in community standards and consumption patterns. Between these more comprehensive reviews we recommend that the care allowance be adjusted annually in line with the All Capitals CPI.

The basket of goods and services covered by the CPI reflect a high proportion of household expenditure and broadly aligns with those covered by the care allowance.^e Estimating an indexation rate to replicate the items covered by the care allowance would add complexity to the process and is less transparent than using the published All Capitals CPI.

12.5.7 Mechanism for changing costs

Our estimates for cost components and benchmarks and the pricing levels we have recommended are all in \$2024-25. As discussed above, increases in different cost components are driven by different factors. The different cost inputs (SCHADS pay rates, median rentals) and CPI are relatively straightforward to update in our benchmark model to reflect costs changes annually and provide prices in real terms.

^e We note that the CPI includes alcohol and tobacco, and insurance and financial services which are not covered by the care allowance. See Australian Bureau of Statistics, [Consumer Price Index, Australia methodology](#), accessed 22 January 2025.

Draft recommendations

- 15. The prices paid to non-government providers should be adjusted annually (1 July) to reflect changes in:
 - a. the Social, Community, Home Care and Disability Services Industry Award rate for labour costs
 - b. median rentals for residential, independent living and contracted emergency care arrangements
 - c. insurance premiums for physical and sexual abuse claims
 - d. All Capitals CPI for all other costs.
- 16. The care allowance should be comprehensively reviewed every 8-10 years to ensure that it meets the cost of the goods and services required to provide quality care for a child in out-of-home care.
- 17. Between comprehensive review cycles, the care allowance should be adjusted annually in line with the All Capitals CPI.

12.5.8 The impact of funding and contractual changes should be reviewed

As discussed throughout this report, many of our estimates of efficient costs are based on current costs and funding arrangements. If implemented, our recommendations would be expected to drive changes in these costs. Changes implemented following the System review and other recent reviews of out-of-home care in NSW, would also be expected to impact costs.

Therefore, we propose that the costs and pricing of out-of-home care be reviewed again within 5 years to take account of these changes. Depending on timing of reviews, this would not necessarily involve the comprehensive review of the care allowance which we are recommending be undertaken every 8-10 years.

Draft recommendation

- 18. The costs and pricing of out-of-home care in NSW should be reviewed, as soon as practicable, within 5 years of the implementation of the decisions and recommendations in our Final Report, to measure the impact of any reforms on funding and contracting arrangements.

Chapter 13 »

Home-based care

Benchmark placement costs and pricing structure for foster, relative and kinship care

13

Home-based care refers to foster care, kinship and relative care. Under home-based care placements, carers provide a safe, nurturing and secure family environment for children in their own home. Each child receives a care allowance which is paid to the carer to cover the day-to-day expenses for children of different ages and providers receive funding to deliver casework and other services. A child may be in home-based care for any length of time, up until the age of 18 or they are able to move to independent living.

In this chapter we discuss our draft benchmark costs for home-based care placements as well as our recommendations on pricing structure.^a We also discuss additional areas for the Department of Communities and Justice (DCJ) to consider for home-based care. These include measures to:

- improve transparency and consistency through pricing structure
- support the retention and recruitment of carers.

13.1 Overview of draft decisions and recommendations

We have developed a benchmark cost for home-based care that brings together all of the relevant cost components outlined in chapters 5 to 11. We have also made draft recommendations on the pricing structure for home-based care and considered options for increasing the consistency of payments to carers and addressing the concerns that have been raised with us by carers in our consultation.

We have found that our estimate of the efficient cost for individual cost items does not align with the current PSP funding in each instance. Of particular note are higher costs associated with administration and overheads and an increase in the care allowance.

While it is not straightforward to compare the proposed price with the prices under the PSP on an aggregate basis, this chapter outlines a number of different scenarios for comparison. For common scenarios, our recommended benchmark cost for home-based care in total is similar to the cost currently incurred in the PSP. The benchmark cost includes a number of items as up-front one-off costs that result in a higher cost for the first year of care and lower costs in subsequent years.

We recommend that the pricing levels and structure for home-based care placements largely mirrors the level and structure of the benchmark costs. However, as noted in previous chapters, we are proposing a pricing structure for all placement types that incorporates some costs through a reimbursement of expenses rather than through an upfront cost estimate.

^a We use the term 'home-based care' to refer to foster, relative, kinship and guardianship carers.

13.2 Benchmark costs for home-based care placements

We have used the costs identified in Part B of our report to build up benchmark costs for home-based care.

Consistent with our draft decisions on cost items, our benchmark placement costs include a base level of funding that is applicable to each child in care. Variations to this base level of funding apply depending on the case plan goal of the child, their level of need, if they are Aboriginal, or from a culturally and linguistically diverse background (CALD), and if they are in the care of an Aboriginal community-controlled organisation (ACCO).

For the purpose of the benchmark cost, we have included an estimated cost of contingencies (medical and family time) and an estimate of the cost of Physical and Sexual Abuse (PSA) insurance based on the average of these costs.

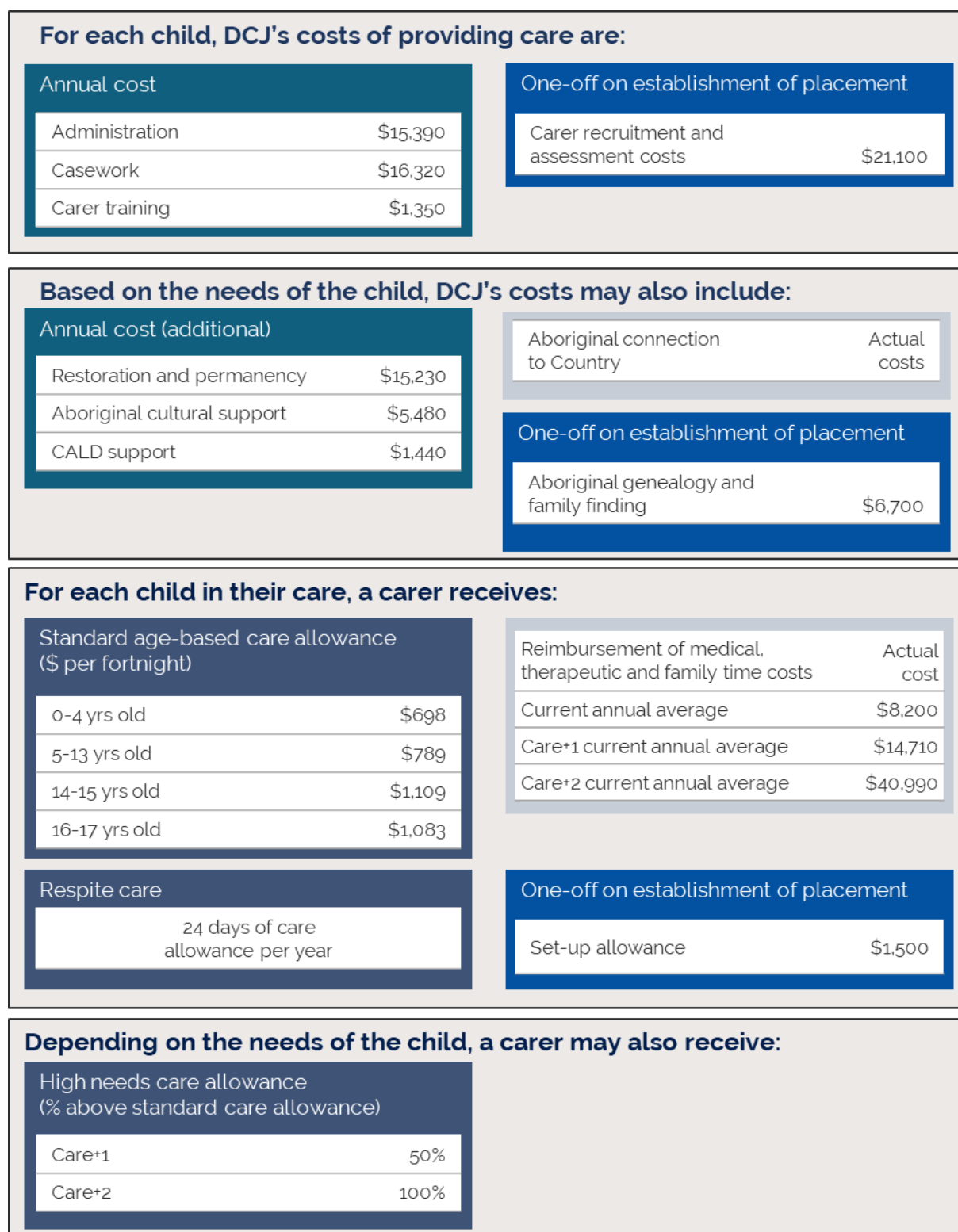
For care that is delivered by non-government providers, we have also included an estimate of the costs that are incurred by DCJ in administering contracts and undertaking secondary casework.

Draft decision



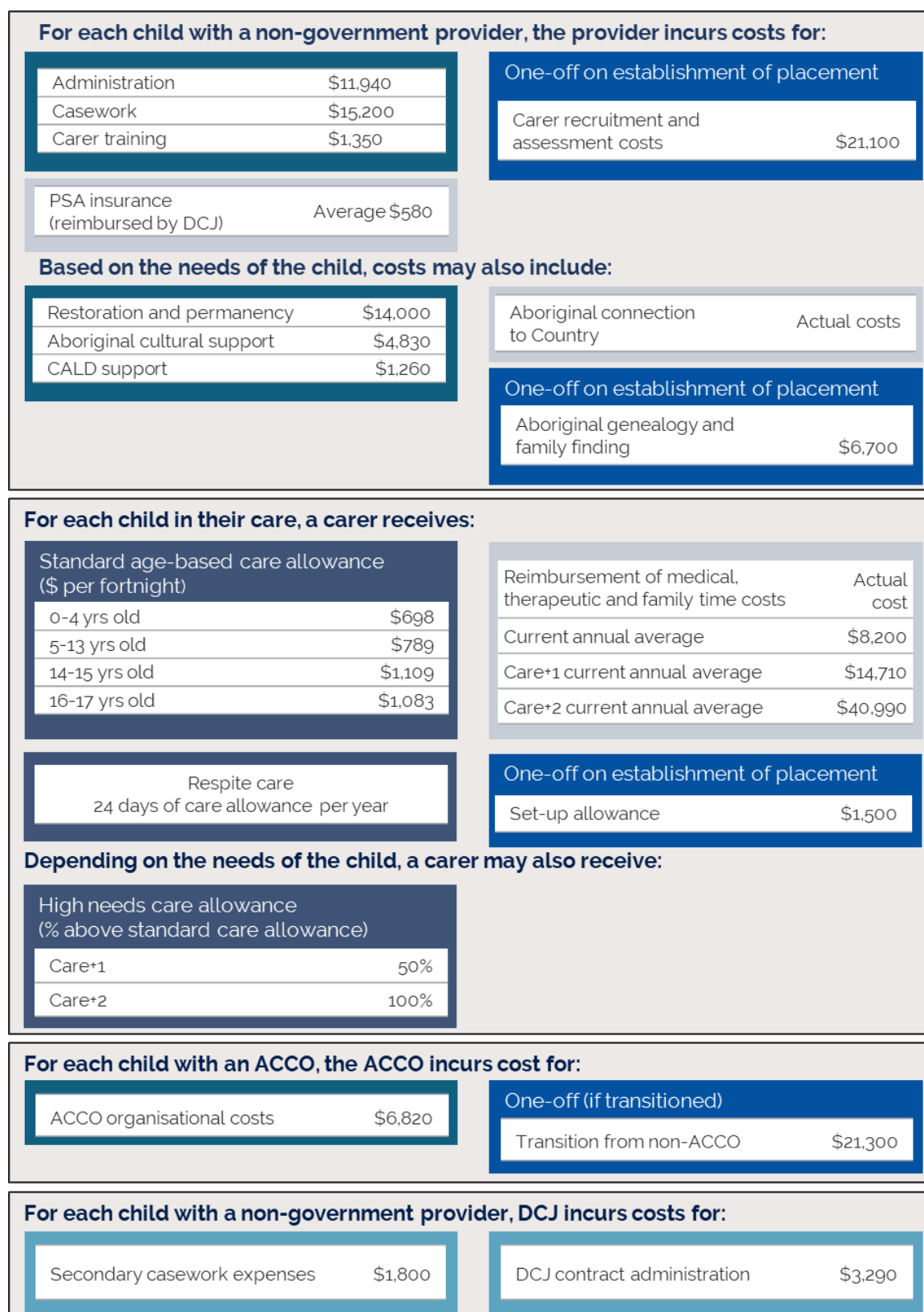
28. The estimated benchmark costs for home-based care placements are as set out in Figure 13.1 for the Department of Communities and Justice and Figure 13.2 for non-government providers.

Figure 13.1 Benchmark cost for home base care delivered by DCJ (\$2024-25)



Note: all figures are annual amounts unless stated otherwise

Figure 13.2 Benchmark cost per child for home base care delivered by non-government providers (\$2024-25)



Note: all figures are annual amounts unless stated otherwise

13.3 Proposed price structure and level for home-based care

We recommend that the price level and structure for home-based care largely reflects the structure of the benchmark placement cost. All costs within this are incorporated as a per child amount, with some costs priced as a one-off upfront cost and others being an annual amount. The sections below discuss some of the specific issues in relation to pricing home-based care delivered by non-government providers.

13.3.1 Addressing costs that are likely to vary significantly

We have included an estimate of the costs of medical care, expenses associated with family time (such as travel) and the cost of purchasing Physical and Sexual Assault insurance in our benchmark placement cost. However, our analysis for these costs shows that they are likely to vary significantly between different children or in the case of PSA insurance, between different providers. These costs are largely outside the control of providers, and it is important to ensure that they are adequately funded.

The costs of these items could be incorporated into the price structure in line with the current approach. This would mean providers receive an upfront estimate of these costs for each child and would then be required to sit within this funding envelope overall, allocating funding amongst children and costs as needed. However, there are a number of difficulties associated with pricing these elements of out-of-home care in this way. As a result, we are proposing that the costs of these items are incorporated into the price structure for non-government providers as a reimbursement based on the costs of delivering identified services to children. More discussion of the reasons for this is included in Chapter 10 and Chapter 12.

13.3.2 Improving consistency and transparency of carer payments

As discussed in our Interim Report, NSW is experiencing a shortage of willing and capable carers, and many of those that remain in the out-of-home care system feel overwhelmed and undervalued.²⁵⁷ Carers are leaving faster than they can be replaced, which puts additional pressure on the out-of-home care system and contributes to poorer outcomes for the children in care. Demographic and societal changes, including greater female participation in the workforce and the high cost of housing, have reduced the pool of potential carers.²⁵⁸

Ensuring carers feel valued and appreciated is critical in the context of the current carer shortage. We have heard from carers that they would not recommend caring to others because of their experiences, particularly because of the inadequacy of the financial support they receive.²⁵⁹ This not only puts their current placements at risk, but it also impacts the recruitment of new carers as word of mouth is one of the key ways in which potential carers inform their decisions.

We understand that the current price structure gives non-government providers the ability to adjust their carer payments to meet their objectives.^b It provides non-government providers with the flexibility to increase carer payments to recruit and attract more carers. It also allows them to tailor carer remuneration to the needs or circumstances of the child. However, the consultation process we have undertaken suggests that this has created a number of problems.

Perceived unfairness from the inconsistency in the information and financial support carers receive for doing the same job makes them feel undervalued. Inconsistent information opens carers up to the possibility of exploitation when the lack of clarity about their financial and non-financial entitlements reduces their bargaining power. We have heard from carers that this has even resulted in threats of removing their children when they have questioned their rights or entitlements.²⁶⁰ We have also heard that many carers do not trust their caseworkers because they feel like the caseworker acts in the interest of saving money for the provider.²⁶¹

“We have been trying to adopt our child for 3-4 years and all we get from our agency is caseworkers breathing down our necks. You end up feeling scared that the adoption process will be halted if you speak up.”

Anonymous carer²⁶²

“We have experienced an incredible lack of transparency and consistency from the agency, regarding what financial support there is available to support our boy. An example of this is that we were offered absolutely no financial support when he first came into our long-term care...we later learned that we were entitled to receive financial support from the agency when he came into our long-term care.”

Anonymous carer²⁶³

The recent System review also raised this issue. The Review Report recommended that:

- a. DCJ should maintain a system-wide financial policy that standardises and governs care allowance, expenses, and additional supports that carers can access for children and young people in their care from the case management agency.
- b. Providers must be transparent with carers as to the funding they receive from DCJ for children and young people in their care. This should be provided to carers on an annual basis.
- c. Carers must be provided with a list of services that every child and young person in out-of-homecare is automatically entitled to receive.²⁶⁴

^b Non-government providers must at least provide the standard care allowance to their carers.

Many of these measures were also raised in our Interim Report and we support making changes to improve consistency and information for carers. However, we are also of the view that DCJ should consider a number of other options, including paying the care allowance directly to carers. We consider 2 options below.

Option – standardisation of payments and provision of information to carers

Standardising the payments across different providers would ensure that carers receive consistent financial support and that the same policies and processes are implemented consistently across the system. It also has the benefit of allowing carers to be smoothly transitioned from one provider to another, if this is necessary. However, it reduces the flexibility of non-government providers to tailor their funding to different carers, children and families.

We have heard that some non-government providers pay a care allowance which is above the standard rate set by DCJ.²⁶⁵ A provider may choose to pay a higher allowance for many reasons, including:

- to incentivise the recruitment of carers
- to cover the higher needs of a child in care
- to support the additional cost of raising a child in care compared to the current care allowance.

Ensuring carers are paid consistently and transparently means that carers who volunteer their time receive the same level of support for their child as another carer with a child who has the same level of need.

There is evidence that income generation is not a principal motivation to become a carer but that covering costs and replacing income from employment that has ceased (or been exchanged for fostering) are important considerations.²⁶⁶ There is also evidence that failure to provide appropriate support to carers and interactions with them that imply lack of respect, information and involvement are a major source of carer dissatisfaction.²⁶⁷ In addition, meeting or knowing others who foster is an initial key motivator for carers,²⁶⁸ suggesting that ensuring that the needs of existing carers are met is important to the sustainability of the foster care model.

Our initial view is that the benefits to carers of having greater certainty regarding the financial implications of becoming a carer, greater clarity around what is and isn't funded and feeling that they are being treated more equitably is likely to outweigh any disadvantages that come from reducing the providers' flexibility to determine carer payments.

Option – DCJ pays carers directly

Where the care allowance and reimbursement processes and policies are standardised across providers, we consider that there may be little additional benefit to funding non-government providers to pay carers. Leaving the administration of carer payments to providers potentially adds to their administrative cost. It also maintains the incentive for providers to minimise outgoings. As a result, it may not fully address the concerns raised by carers around their treatment when they seek reimbursement for costs incurred. On the other hand, the lack of flexibility that results from standardisation reduces the potential benefit from involving providers in the administration of carer payments.

Centralising payment of the care allowance and reimbursement of contingencies directly between carers and DCJ provides DCJ with transparency over what services are being provided to different children and at what cost. We consider that this would provide valuable information to DCJ, as contract manager.

Paying the care allowance directly to carers by DCJ would require the carers of over 6,000 children to be re-located into the current DCJ payment system. We consider that the implementation of a direct payment of the care allowance to carers would take time to ensure there is scalability of the payment systems required to pay all carers directly. However, DCJ already has capability with almost half of children in home-based care under this system.

We consider that our draft recommended care allowances for standard care, Care+1 and Care+2 will better meet the day-to-day costs of providing care and reduce the need for non-government providers to pay above the standard care allowance rate.

In our view there may be a number of other benefits from centralising carer payments:

- It would support better relationships between carers and caseworkers/providers when financial tension is reduced.
- Non-government providers would have a reduction in the administrative burden of coordinating the care allowance payments. It would also reduce the double handling of funding for care allowances if it was paid directly to the carer.
- It would introduce a more consistent categorisation of children's needs than currently exists. This is a matter of concern to some carers who consider that the current approach is inequitable.

The disadvantages of centralisation include:

- A potential loss in benefits to some carers who have been able to negotiate additional benefits or payments (for example, private school fees). There is likely to be a need to grandfather such arrangements for existing carers.
- Systems and processes would need to be put into place to ensure that providers notify DCJ immediately on changes in placement/carer.

In our view, the direct payment of a care allowance to carers would not mean that DCJ would oversee the day-to-day interactions and support for carers case managed by non-government providers. Support, training and general case management for carers who are with non-government providers would continue to be managed and facilitated by non-government providers.

Further, we consider that additional payment arrangements, such as out-of-guideline payments or Individual Payment Arrangements, should continue to be decided on a needs basis. Particularly in cases where it has been identified that a child would benefit from additional funding above the care allowance to support their day-to-day needs. We have not set a cost for this in our pricing model as these are discretionary and individual arrangements.

Draft recommendations

19. The care allowance should be paid at a consistent rate for all children assessed with the same level of need across both non-government providers and the Department of Communities and Justice.
20. Clear guidelines should be developed outlining what the care allowance covers and what additional costs carers are entitled to be reimbursed for (including any evidence needed for the claim to be paid).
21. The Department of Communities and Justice should consider paying the care allowance and reimbursements directly to all carers.

13.3.3 Supporting children in home-based care with higher needs

Currently children whose care is managed by DCJ can receive an additional loading on their care allowance in recognition of the additional support required and disruption to daily routines that results from caring for a child with challenging behaviours and/or complex health and developmental needs.²⁶⁹

In section 5.4 we discussed our draft estimated costs of the day-to-day care for children who have higher needs. We considered alternative approaches to estimating the increased costs for children with higher needs. However, we consider that the current loadings for Care+1 (50%) and Care+2 (100%) reflect the approximate costs of providing care to children who are assessed to have increased supervisory needs.

Currently, carers in home-based care who are with non-government providers may receive a higher allowance to support the additional needs of children in their care, however there is no requirement for non-government providers to do this. Non-government providers can apply for the Additional Carer Support Specialist Permanency Support Program (PSP) package which covers additional casework provision by the non-government provider as well as additional allowance, training and respite for the carer.²⁷⁰ The Additional Carer Support package is \$29,942.48 per annum from 1 July 2024.²⁷¹ As with the care allowance, there is no visibility of how much of this is provided to the carer by non-government providers. Despite the potential access to additional financial support for carers case managed by non-government providers, some carers have told us they still struggle to cover the costs of caring for children with disability and high needs.²⁷²

Table 13.1 presents the proportion of children in out-of-home care receiving higher care allowances and additional carer support.

Table 13.1 Children receiving higher care allowances and additional carer support

Children and type of support	2021-22	2022-23	2023-24
Children with DCJ carers			
Standard allowance	6,813	6,282	5,817
Care +1	497	475	514
Care +2	91	87	91
Proportion of children Care+1 and Care+2	8%	8%	9%
Children with non-government provider carers			
Number of additional carer support (ACS) packages	509	731	1,032
Proportion of non-government provider managed children (home-based)	9%	10%	14%

Note: This is in addition to the standard rate of the care allowance

Source: IPART analysis of data provided by NSW Department of Communities and Justice.

It is important to recognise that the way in which children are categorised by DCJ for the purpose of determining whether they can access Care+1 or Care+2 is fundamentally different from the assessment process for determining eligibility for additional carer support packages.

We propose a price structure that would remove the Additional Carer Support packages and instead make provision for carers who are caring for children with higher needs through a consistent approach to eligibility for Care+1 and Care+2 allowances. DCJ would need to consider what framework should be put in place to assess the needs of individual children and what transitional arrangements may be necessary.

13.3.4 Supporting access to respite care for carers

Respite is planned breaks from caring for parents, carers and children. It is delivered by a registered respite carer who typically receives a flat rate derived from the care allowance. We have heard from some carers that caring can feel like a 24-hour job, particularly if their children have higher needs or are still settling into their home environment.²⁷³

Respite care placements can:

- provide the carer with a break from childcare responsibilities
- provide children the opportunity to experience different care environments
- support placement stability
- give siblings who are placed separately an opportunity to have time together
- give children the opportunity to connect with their kin, community and culture.²⁷⁴

Respite can take many forms and should suit the foster carer, child and their needs. In NSW, respite care is typically arranged by the provider (DCJ or non-government provider) who approves, organises and pays for a respite carer or an equivalent service. If a carer considers they would benefit from an alternative form of respite, such as house cleaning, this is agreed on a discretionary basis between the carer and their provider.²⁷⁵

Home-based carers in NSW are entitled to the equivalent of up to 24 nights of respite per year.²⁷⁶ Currently, there is not a set rate for the respite care allowance in NSW. Respite carers may receive a different respite care allowance between different providers which makes respite carers feel unsupported.

We have heard from respite carers that the rate they receive is inadequate and often does not meet the needs of a child who may be feeling uncertain or anxious as they may not be familiar with the carer or the environment they are staying in.²⁷⁷ We have heard that some children arrive for respite care with very few belongings, or they require medication which the respite carer is unable to receive a reimbursement for, leaving the respite carer out-of-pocket.²⁷⁸

We have also heard that the recruitment of respite carers in out-of-home care is impacted by the competitive daily rates for respite carers under the National Disability Insurance Scheme (NDIS)²⁷⁹ and respite carers engaged through DCJ's casework support scheme who are paid at an hourly rate equivalent to the SCHADS Award Level 4 pay point 2.²⁸⁰

We acknowledge that this could make becoming a respite carer less attractive. However, consistent with our approach to full-time carers discussed in section 13.3.1, we are not proposing to re-characterise respite carers as paid workers. Apart from anything else, to do so would potentially incentivise carers to be respite carers rather than full-time carers, for which there is also a shortage. The allowance is to cover the costs of caring for the child and is not intended to compensate the respite carer for their time. The respite carer should however be reimbursed for additional medical expenses incurred whilst the child is in their care.

Therefore, we are recommending that respite care continue to be funded based on the care allowance, equivalent to 24 nights a year per child (Table 13.2). How this funding is used to support the carer and the child should be considered on a case-by-case basis with their caseworker.

Table 13.2 Proposed annual respite care funding per child \$2024-25

Age	Standard respite care	Care+1 respite	Care+2 respite
0-4	1,197	1,795	2,393
5-13	1,353	2,029	2,705
14-15	1,901	2,852	3,802
16-17	1,857	2,785	3,713

Draft recommendations



22. The annual respite care allowance should be set at a rate equivalent to 24 days of the care allowance, dependent on the child's age and level of need.
23. Respite care arrangements should continue to be agreed upon in each child's care plan and should be delivered flexibly to suit the needs of the household.

13.4 Comparing proposed prices with the PSP

To understand how the proposed benchmark costs for home-based care compare with the current PSP pricing, we have presented a selection of 'case studies' in the tables below. Given the diverse range of child characteristics, we recognise that there are a number of benchmark cost permutations, so the tables below do not present all possible cost combinations.

13.4.1 How do the proposed prices for providers compare with PSP funding?

We have selected the following factors to show the relative differences between proposed benchmark costs and how much non-government providers are currently receiving under the PSP:

- age
- level of need
- case plan goal – restoration and permanency, and long-term care
- Aboriginal children
- care provided by ACCOs
- Children from CALD backgrounds.

The proposed costs presented below do not include DCJ's cost of administering the PSP as they are not included in the PSP pricing. We are recommending that care allowances are paid directly to carers and that some costs are funded based on actual costs. The estimates below assume the current arrangements for ease of comparison and as a result, do not exactly match the level of funding that would result from our recommendations.

Table 13.3 compares the current PSP pricing with the proposed benchmark costs for a non-Aboriginal child with low needs and a long-term care case plan goal, by age. The higher cost when entering care (Year 1), is primarily driven by upfront carer recruitment and assessment costs, as well as a set up allowance.

Table 13.3 Benchmark costs comparison – showing impact by age for a non-Aboriginal child, low needs, long-term care placed with non-ACCO (\$2024-25)

Age	Year 1		Year 2 onwards	
	Current	Proposed	Current	Proposed
0-4	\$69,142	\$79,270	\$69,142	\$56,670
5-13	\$69,142	\$81,790	\$69,142	\$59,190
14-15	\$69,142	\$90,680	\$69,142	\$68,080
16-17	\$69,142	\$89,970	\$69,142	\$67,370

Table 13.4 compares the current PSP pricing with the proposed benchmark costs for a non-Aboriginal child aged 5-13 years with a long-term care case plan goal, by level of need. For illustrative purposes we have mapped low, medium, high needs to the care allowance levels, however note that this may not reflect practice.

Table 13.4 Benchmark costs comparison – showing impact by level of need for a non-Aboriginal child aged 5-13, long-term care placed with non-ACCO (\$2024-25)

Level of need (PSP) / Care allowance type	Year 1		Year 2 onwards	
	Current	Proposed	Current	Proposed
Low / Standard Care	\$69,142	\$81,790	\$69,142	\$59,190
Med / Standard Care +1	\$72,376	\$99,270	\$72,376	\$76,670
High / Standard Care +2	\$77,336	\$136,510	\$77,336	\$113,910

Note: For illustrative purposes, we have mapped level of need to a care allowance type, however this may not reflect reality.

Table 13.5 compares the current PSP pricing with the proposed benchmark cost for a non-Aboriginal child aged 5-13, with low needs placed with a non-ACCO, for the long-term care and restoration scenarios. Restoration case plan goals have a limited timeframe of 2 years. If a child is not restored to their family within this time, their case plan goal is reassessed. Year 3 shows the impact of moving to a final order of long-term care.

Table 13.5 Benchmark costs comparison – showing impact on restoration and permanency goals for a non-Aboriginal child aged 5-13, low needs placed with non-ACCO (\$2024-25)

Plan	Year 1		Year 2		Year 3 onwards	
	Current	Proposed	Current	Proposed	Current	Proposed
Long-term care	\$69,142	\$81,790	\$69,142	\$59,190	\$69,142	\$59,190
Restoration	\$88,498	\$95,790	\$88,498	\$73,190	\$69,142	\$59,190

Table 13.6 compares the current PSP pricing with the proposed benchmark costs for an Aboriginal child aged 5-13 with low needs and a long-term care case plan goal, placed with an ACCO or non-ACCO. The higher placement cost with an ACCO when a child enters care (Year 1) compared to a non-ACCO is primarily driven by the additional organisation-wide cost of ACCOs to provide community support, cultural advocacy and cultural consultation.

Table 13.6 Benchmark costs comparison - showing impact on Aboriginal children and ACCOs for child aged 5-13, low needs, long-term care (\$2024-25)

Child	Provider	Year 1		Year 2 onwards	
		Current	Proposed	Current	Proposed
Non-Aboriginal	Non-ACCO	\$69,142	\$81,790	\$69,142	\$59,190
Aboriginal	Non-ACCO	\$73,974	\$93,320	\$69,654	\$64,020
Aboriginal	ACCO	\$75,774	\$100,140	\$71,454	\$70,840

Table 13.7 compares the current PSP pricing with the proposed benchmark costs for a child with and without a CALD background aged 5-13 with low needs and a long-term care case plan goal placed with a non-ACCO. As mentioned above, the higher cost when entering care (Year 1), is primarily driven by upfront carer recruitment and assessment costs, as well as a set up allowance.

Table 13.7 Benchmark costs comparison – showing impact on children with a CALD background for a child aged 5-13, low needs, long-term care placed with a non-ACCO (\$2024-25)

Description	Year 1		Year 2 onwards	
	Current	Proposed	Current	Proposed
Non-CALD child	\$69,142	\$81,790	\$69,142	\$59,190
CALD child	\$70,896	\$83,050	\$69,142	\$60,450

13.4.2 How do the proposed home-based care costs differ by provider?

To illustrate how the proposed home-based care benchmark costs vary by provider, that is, between DCJ, and non-government providers, both ACCOs and non-ACCOs, we have selected a single 'case study' (child aged 5-13 years with low needs). We have presented the impact of a variation in case plan goal and whether the child is Aboriginal or non-Aboriginal. The proposed benchmark costs do not represent the level of funding, rather, it shows the estimated 'system cost' of delivering an out-of-home care placement with DCJ, a non-ACCO non-government provider or an ACCO.

The costs presented in Table 13.8 include care allowances, an estimated level of other expenses to support a child in placement (such as medical expenses), carer recruitment and assessment, casework and administrative costs. For each 'case study', we expect that the care allowances, other expenses to support a child in placement, carer recruitment and carer assessment costs would be the same regardless of the provider of out-of-home care.

When comparing proposed costs between DCJ and non-ACCOs, our analysis found that DCJ has higher labour costs due to different awards that apply, therefore DCJ's casework costs are higher. We also found that the administrative costs of DCJ are higher than non-ACCOs delivering home-based care. However, we have included DCJ's cost of facilitating and administering the PSP (such as costs of contract management and Child and Family District Unit caseworkers) in the placement costs of non-ACCOs and ACCOs, as this represents the 'cost to the NSW Government' of outsourcing out-of-home care to non-government providers (estimated to be \$5,090 per child per year). The overall impact of these two things almost balances with negligible differences between the cost to Government of care delivered by DCJ and non-government providers (non-ACCOs).

Our analysis found that ACCOs have higher administrative costs relative to non-ACCOs and DCJ. These higher administrative costs are associated with differences in the way ACCOs operate such as community work, cultural advocacy and cultural consultation, which is part of the reason that ACCO delivered care is preferred for Aboriginal children. The proposed costs for ACCOs presented in this table are primarily driven by the differences in administrative costs and do not include the one-off transition payments for ACCOs.

Table 13.8 Proposed benchmark costs by provider, \$2024-25

Description	Provider	Proposed benchmark costs		
		Year 1	Year 2	Year 3 onwards
Non-Aboriginal child aged 5-13 with low needs, long-term care	Non-ACCO	\$86,880	\$64,280	\$64,280
	DCJ	\$85,780	\$63,180	\$63,180
Non-Aboriginal child aged 5-13 with low needs, restoration	Non-ACCO	\$100,880	\$78,280	\$64,280
	DCJ	\$101,010	\$78,410	\$63,180
Aboriginal child aged 5-13 with low needs, long-term care	Non-ACCO	\$98,410	\$69,110	\$69,110
	ACCO	\$105,230	\$75,930	\$75,930
	DCJ	\$97,960	\$68,660	\$68,660
Aboriginal child aged 5-13 with low needs, restoration	Non-ACCO	\$112,410	\$83,110	\$69,110
	ACCO	\$119,230	\$89,930	\$75,930
	DCJ	\$113,190	\$83,890	\$68,660

13.5 Extending support to informal carers

In cases where a child is placed in care with a relative or kinship carer and as a result does not formally enter out-of-home care, a carer will not be eligible to receive a care allowance through DCJ for their children. This is considered an informal care arrangement²⁸¹ and as a result, the children under these arrangements are not part of the out-of-home care system.

Informal carers may be eligible for support through Services Australia in their role as the primary carer, including potentially having access to the Commonwealth support payments.²⁸² Informal carers play a vital role in reducing the number of children who formally enter out-of-home care, but the support they receive is limited.

We have heard from an informal carer who receives minimal financial support to care for her grandchildren, despite them being identified as at risk of harm by DCJ and subsequently removed from their parents by a judge.²⁸³ Informal carers are often left significantly out-of-pocket to financially support the children in their care and may be left with very limited support. Informal carers who are unable to continue to look after the children in their care due to financial hardship may result in those children entering the out-of-home care system. As a result, we consider that providing support to informal carers may result in fewer entries to the out-of-home care system.

Preserving family structures and supporting children in secure and permanent arrangements are key tenets in the out-of-home care system. Further consideration of the benefits of continuing informal care arrangements as a form of intervention that could avoid the need for children to enter the more costly and less desirable out-of-home care system could help make the system more sustainable.

Draft recommendation



24. The Department of Communities and Justice should consider extending financial support to informal carers to ensure that these placements can be maintained for children that would otherwise enter out-of-home care.

13.6 Alternative models of care to address specific needs

Arrangements where carers are paid for their time and/or expertise in caring for children has been well-researched and is used to varying degrees around the world. In NSW, different models of home-based care are used for a small number of children where DCJ considers their needs cannot be adequately met by the usual approach.

These models of care involve specific requirements that carers must meet, including professional qualifications, and/or a more intensive program that carers are required to follow. Examples of professional foster care in NSW include:

- Treatment Foster Care Oregon program, a specialised foster care program designed to help children and young people who are either in, or at risk of entering, the residential care system. Carers receive a tax-free allowance of up to \$75,000 per year (pro rata) to provide care in their home for approximately 9 months term treatment program.²⁸⁴ This care allowance is designed to reflect the complexity of the young person being cared for.
- The PIC program, which engages carers with industry-recognised qualifications and professional work experience to provide therapeutic care in their home for children with significant trauma who have often had multiple placement breakdowns. PIC carers receive a full-time salary.²⁸⁵

These models play a role in diverting children with significant trauma away from (often more expensive) non-home-based care such as residential care or emergency care. Over time, the goal for some of these children may be to transition to less intensive home-based care.

We have not recommended benchmark costs or pricing for these models of care. We consider that DCJ is well-placed to do this on a case-by-case basis.

Chapter 14 »

Residential care

Benchmark costs and recommended price structure for residential care

14

Some children and young people receiving out-of-home care, receive care through a *residential model* of care. Unlike relative, kinship or foster care, which is provided within the home of a carer, residential care occurs within one of several types of placements with professional support and supervision, including varying intensity of specialised therapeutic support.²⁸⁶

Under the Permanency Support Program (PSP), the Intensive Therapeutic Care service system is used to provide residential care placements^a to children and young people over 12 years old, with assessed high and complex needs. Placement types generally vary in respect of the intensity of staffing, supervision and therapeutic programs provided as well as the configuration of the settings (number of bedrooms per facility) but are generally comprised of similar components.

This chapter sets out the methodology relating to benchmark costs for residential care placements and our recommendations on how process should be structured for these models of care. This chapter refers to cost components outlined within previous chapters.

This chapter presents our estimated efficient benchmark costs for 6 example scenarios and explains the assumptions and cost components we have used to calculate the costs of different models of residential care. We also present some observed aspects of the current residential care system which could be reducing its efficiency.

14.1 Overview of draft decisions and recommendations

We have developed a benchmark cost for residential care that brings together all of the relevant cost components outlined in chapters 5 to 11. We have also made draft recommendations on the pricing structure for residential care taking into account the incentives that are created to make the most of available capacity.

We have found that our estimate of the efficient cost for individual cost items does not align with the current PSP funding in each instance.

We recommend that the pricing levels and structure for residential care differs from the benchmark cost we have developed in two key areas:

- While we identified a different rental cost in each of three areas, we recommend that the price is based on the Sydney metropolitan rate. The difference between the estimates is relatively small and we consider the cost of administering a more complex location-based rent payment would outweigh the benefits.
- We recommend that the price structure includes more variable (per child) costs and fewer fixed (per house) costs than the benchmark rates. While staffing is largely fixed when houses are close to capacity, providers would not need as many staff where houses are only partially filled. Providers have discretion as to whether they accept a placement into an existing shared house, which is appropriate because it is important that the children living in the house are compatible with each other. However, we consider that the price structure should not incentivise them to maintain sparsely occupied houses.

^a Although the term 'residential care' is not formally used within the PSP system, it is a legacy term of previous programs and is usually used interchangeably with reference to the intensive therapeutic care, some forms of supported independent living and other types of care.

For all placement types we are proposing a pricing structure that incorporates some costs through a reimbursement of expenses rather than through an upfront cost estimate.

As for home-based care, it is not straightforward to compare the proposed prices with those under the PSP. For residential care, the number of possible combinations depends not only on the circumstances of the child but also on the configuration, occupancy and staffing levels of each house. This chapter outlines a number of different scenarios for comparison. For common scenarios, our recommended benchmark cost for home-based care in total is around 5 to 10% more than the equivalent care under the PSP.

14.2 Benchmark costs for residential care

This type of care provides home-like, supervised or supported group accommodation for between 2-4 children or young people above the age of 12 years old. The group size and supervision (staffing) intensity vary by need or level of independence of the child or young person receiving care. Provision may also be made for providing additional care for disability.

In our review we have assessed the services that make up residential care under the Intensive Therapeutic Care placements and other models of residential care. We have estimated the efficient unit costs of providing these types of services. Labour costs (the cost of direct care staff, house manager, therapeutic specialist, caseworkers and casework managers) comprise the greatest share of costs of providing residential care in all scenarios.

We consider that future programs could deliver these services in different ways. Thus, cost components have been estimated separately and can be combined in different groupings or intensities to identify benchmark costs for the specific needs of a particular future program.

Draft decision



29. The estimated benchmark costs for residential care placements are as set out in Figure 14.1 for non-government providers.

Figure 14.1 Benchmark cost for residential care placements delivered by non-government providers (\$2024-25)



Note: All costs are annual amounts unless stated otherwise.

14.3 Proposed price structure and level for residential care

We recommend that the price level and structure for residential care should differ from the benchmark placement cost. Costs within the benchmark have either been incorporated as a per child amount (with some costs priced as a one-off upfront cost and others being an annual amount) or as a per-house cost (again some of these are up-front costs and some are ongoing).

We have considered the need to address costs that are less predictable, ensuring the appropriate balance between simplicity and cost reflectivity, and the incentives and outcomes of different approaches.

For example, increasing the fixed (house related) component of a payment can allow providers greater certainty with respect to budget planning, recruitment or other activities that require certainty of funding for non-government providers. It ensures residential care providers are funded to continue operating their services during periods where there are vacancies.

Increasing the variable (child-related component) incentivises providers to ensure vacancies within houses are minimised and utilised most efficiently. It also ensures additional staffing which is sometimes required at higher occupancies is only funded if the provider is reasonably expected to incur those costs.

The sections below discuss some of the specific issues in relation to pricing home-based care delivered by non-government providers.

14.3.1 Addressing costs that are less predictable

We have included an estimate of the costs of medical care, expenses associated with family time (such as travel) and the cost of purchasing PSA insurance in our benchmark placement cost. However, our analysis for these costs shows that they are likely to vary significantly between different children or in the case of PSA insurance, between different providers. These costs are largely outside the control of providers, and it is important to ensure that they are adequately funded.

Similarly, house establishment costs can differ significantly for a range of reasons. These may be because a provider is subject to particular planning requirements, cannot locate suitable accommodation within an area and requires greater modifications. Operators may use a build to operate model and/or intend to provide a higher level of durability, lower operating costs or longer lifetime.

We consider that benchmarks do not work well in cases of high cost variability such as these. If benchmarks were used, the costs of these items could be incorporated into the price structure in line with the current approach. This would mean providers receive an upfront estimate of these costs for each child or house and would then be required to sit within this funding envelope overall, allocating funding amongst children and costs as needed. However, there are a number of difficulties associated with pricing these elements of out-of-home care in this way. As a result, we are proposing that the costs of these items are incorporated into the price structure for non-government providers as a reimbursement based on the costs of delivering identified services to children. More discussion of the reasons for this is included in Chapters 10 and 12.

In the case of house modifications, we have recommended that on the commencement of a contract any establishment costs above the benchmark amount should be specified and agreed with DCJ within the contract.

14.3.2 Trading off cost reflectivity for simplicity

To estimate the efficient benchmark costs, we considered whether some costs do predictably vary. One example of this is median rents between regions. We did observe a small difference in median rents between regions within NSW. The efficient benchmark house costs reflect this for the three regions. However, when we considered the regional rent difference as part of the overall placement costs, we found that the regional rental differences represented at most a 1% change in the efficient estimate benchmark of house costs (and less of the overall total placement costs, including child-related costs). Incorporating the regional rental differences within the price structure would create 6 different payments for house costs. For simplicity of administration and clarity, we are recommending the rent component for all houses be based on the highest median rent for the size of house.

14.3.3 Pricing structure to incentivise better utilisation of houses

To develop benchmark costs for residential care placements we allocated costs to house related or child-related categories to develop two benchmarks which are used together to estimate the cost of delivering out-of-home care. These allocations are based on the major driver of each of the costs for example, house related costs are those that are less likely to change when there are short-term vacancies in the house, such as rent, ongoing property costs, and some staffing.

Child-related costs are costs that are directly related to the care of a child or young person that do change when there are vacancies within a house. These costs include the day to day living expenses of the child in care (estimated using the recommended care allowance less housing and fit out costs), therapeutic specialist, casework staff and some facility costs such as vehicle transport costs. We note that some costs can be driven by both, but for simplicity we have allocated each cost component to only one category. When the house has a low or zero vacancy this allocation does not significantly impact the outcomes or the ability to cover costs. However, in cases where the house is not fully utilised, may not accurately represent the costs incurred by the residential care provider and may overestimate the costs incurred.

Increasing the variable (child-related) component incentivises providers to ensure vacancies within houses are minimised and utilised most efficiently. It also ensures additional staffing which is sometimes required at higher occupancies is only funded if the provider is reasonably expected to incur those costs. This is particularly significant for the 2 Bedroom configuration of homes but also for 4 Bedroom homes catering to children with significant disabilities.

Our proposed funding structure reweights some of the house funding to the child funding in circumstances where low occupancy rates result in reduced costs for providers. This approach aligns with the existing contract models, which similarly has different child payments depending on the house configuration.²⁸⁷

The current residential care programs provided under the permanency support program have different housing and staffing requirements based on the number of children and their assessed level of need. The current programs are:

- Intensive Therapeutic Care (ITC)
- Significant Disability Intensive Therapeutic Care (ITC-SD)
- Intensive Therapeutic Transitional Care (ITTC).

We have considered the inclusions and requirements of these programs in developing the efficient benchmark costs of providing residential care for each of them.

The benchmark ranges we have calculated for out-of-home care placements provide an indicative guide of efficient benchmarks within which most care scenarios will fall. Some variation within the range is expected due to intensity of staffing and support location of homes, disability or other needs of children and young people resulting in higher staffing ratios and size of homes.

Table 14.1 summarises the benchmark cost structure for different house configurations under a range of assumptions.

Table 14.1 Benchmark cost structure for different house configurations

Scenario Assumptions	Benchmark costs
Fixed (per house) component	
2BR house - 100% Active night staff	\$1,503,966
2BR house - 40% Active night staff	\$1,355,592
2BR house - 0% Active night staff	\$1,256,676
4BR house - 100% Active night staff	\$1,510,360
4BR house - 40% Active night staff	\$1,361,986
4BR house - 0% Active night staff	\$1,263,070
Variable (per child) component	
12-13 year old	\$110,144
14-15 year old	\$115,733
16-17 year old	\$116,114

The tables below, show the proposed payment structure and indicative rates of an incentive based funding approach for different house configurations.

Table 14.2 Indicative incentive-based payment structure for 2 bedroom home

Payment type	Rate
2BR house payment - 40% Active	\$356,166
Child payment - 12-13	\$609,857
Child payment - 14-15	\$615,446
Child payment - 16-17	\$615,827

Note: The 2 day staff shifts are only required if there are 2 children in the house. If only 1 child is in the house, only 1 staff member is required. Therefore, the cost of each day shift staff member is included within the child allowance to ensure no overpayment and efficient use of vacancies.

Table 14.3 Indicative incentive-based payment structure for 4 bedroom home (100% active shift)

Payment type	Rate
4BR house payment - 100% Active	\$1,263,070
child payment - 12-13	\$171,967
child payment - 14-15	\$177,556
child payment - 16-17	\$177,937

Note: The 100% active night staffing arrangement is only required when 3-4 CYP are in the house. Therefore the base house payment is at the 40% assumption and the additional active night shifts are split amongst the child payments (15% each)

Table 14.4 Indicative incentive-based payment structure for 4 bedroom home (40% active shift)

Payment type	Rate
4BR house payment - 40% Active	\$1,263,070
child payment - 12-13	\$134,873
child payment - 14-15	\$140,462
child payment - 16-17	\$140,843

Note: The 100% active night staffing arrangement is only required when 3-4 CYP are in the house. Therefore, the base house payment is at the 40% assumption and the additional active night shifts are split amongst the child payments (15% each)

14.3.4 Funding reconciliation and vacancies

Funding packages are paid to providers based on the 'actual volume' delivered by the service provider. 'Actual volume' in the context of an ITC home means the number of 4 bed and 2 bed homes the provider is expected to have available for children and young people.²⁸⁸ Payments are made quarterly in advance but are reconciled retrospectively to adjust for the actual volume of services provided over the period.²⁸⁹

The payment reconciliation process is conducted manually by DCJ. We heard that providers can be unsure of the amount of funding they may need to return to the DCJ until after the payment reconciliation process has been completed.²⁹⁰ Providers have told us that this process creates funding uncertainty and the potential for shortfalls and makes maintaining staffing levels difficult. We also heard that the manual process is administratively onerous, can be prone to error and create delays in receiving owed funding.²⁹¹

To address these issues providers are seeking a funding model with greater certainty and less manual administration.²⁹² Such a mechanism will need to balance the need for funding certainty for providers with incentives to ensure vacancies are efficiently managed.²⁹³

Draft recommendations

- ✓ 25. Pricing for residential care placements should be calculated using the estimated benchmark cost components set out in Draft Decision 29 (residential care) and Figure 14.1.
26. The pricing structure for residential care placements should continue to consist of a house related payment and a child-related payment. To encourage efficient utilisation of facilities and staffing, some staffing costs (those not required at low vacancies) should be reweighted to the child-related payment.
27. The current placement establishment payment of \$15,920 should be paid at the commencement or renewal of a contract or at 5 yearly intervals. Additional costs associated with the establishment of a house should be agreed as part of the contract negotiation.

14.4 Comparing proposed prices with the PSP

Total prices for residential care homes will vary depending on the staffing that is used and the number of children living there.

We have used our proposed pricing structure and made some assumptions around staffing and utilisation to compare the proposed prices with the funding available under the PSP.

The scenarios we present estimate prices for a 2 or 4 bedroom house at 0%, 40% and 100% active night shifts. In all scenarios we assume the house is fully occupied 80% of the year, is operated by a non-government provider and staffed with 2 day care staff and a house manager. Please note these estimates below compare the prices for providers and do not include the cost DCJ incurs in secondary casework or contract management.

Table 14.5 comparison proposed to current

Proposed efficient benchmark house payments (fully occupied)	Maximum house payment by CYP Age			Difference in maximum house payment, proposed to current by CYP Age (\$, %)		
	12-13	14-15	16-17	12-13	14-15	16-17
2BR house payment - 40% Active	\$1,575,880	\$1,587,058	\$1,587,820	\$135,211 (9.4%)	\$146,211 (10.2%)	\$145,151 (10.2%)
4BR house payment - 100% Active	\$1,950,936	\$1,973,292	\$1,974,816	-\$17,180 (-0.9%)	\$5,176 (0.3%)	\$6,700 (0.3%)
4BR house payment - 40% Active	\$1,802,562	\$1,824,918	\$1,826,442	\$77,784 (4.5%)	\$100,140 (5.8%)	\$101,664 (5.9%)

14.5 Reviewing the eligibility criteria for residential care

The current policy settings reserve the use of residential care for those with high and complex needs as assessed through the Child Assessment Tool (CAT). We have heard from providers of residential care that there are children who would be suitable for a residential care placement but are not eligible due to the current policy settings. These include teens who cannot or do not wish to live in foster care and are at risk of placement breakdown but do not score highly enough on the CAT to qualify for a residential care placement.

As residential care is significantly more expensive than home-based care, we consider that it is sensible that children are prioritised for home-based care where possible. However, both DCJ and the Advocate for Children and Young People have identified that the ITC exclusion criteria may have created a service gap for children and young people who do not qualify for ITC or SIL placements but cannot be placed in home-based foster care.²⁹⁴

ITC providers can choose not to accept children who have been referred to them if they consider the child would not be suitable for an available placement given their current client-mix. This decision is based on the requirement to ensure children and young people are matched appropriately, aligning with the 10 Essential Elements of Therapeutic Care.²⁹⁵

Providers told us that prior to the introduction of the PSP's ITC model, residential care homes had a mix of medium and high needs clients, which promoted a good client-mix. Some providers consider that the ITC exclusion criteria has made it more difficult to place new children and young people into existing homes, due to the risk that doing so will negatively impact other residents.²⁹⁶

Although the number of entering children and young people in out-of-home care has declined over the last five years, the costs of service delivery have increased.²⁹⁷ DCJ found this is due, in part, to increased reliance upon high-cost emergency arrangements. We consider that it is possible that greater flexibility around ITC exclusion criteria may prevent some children and young people from entering higher cost emergency placements which are more costly and less 'home-like' than residential care placements. However, we are of the view that DCJ is best placed to consider this issue.

14.6 The 3-bed configuration for residential care

Currently, the ITC system is designed for children and young people to live in group settings, ideally in groups of 4.²⁹⁸ DCJ does recognise that in some cases children and young people with high and complex needs may benefit from smaller groupings of 2 for a short period of time to stabilise and receive more intensive support.²⁹⁹

DCJ's preferred home configurations are as follows (in order of preference):

- 4 bed home with 4 children
- 4 bed home with 3 children, with the 4th bedroom available for placement referral
- 2 bed home with 2 children, however, children in a 2-bed home need to be supported to move to a 4 bed-home where possible.

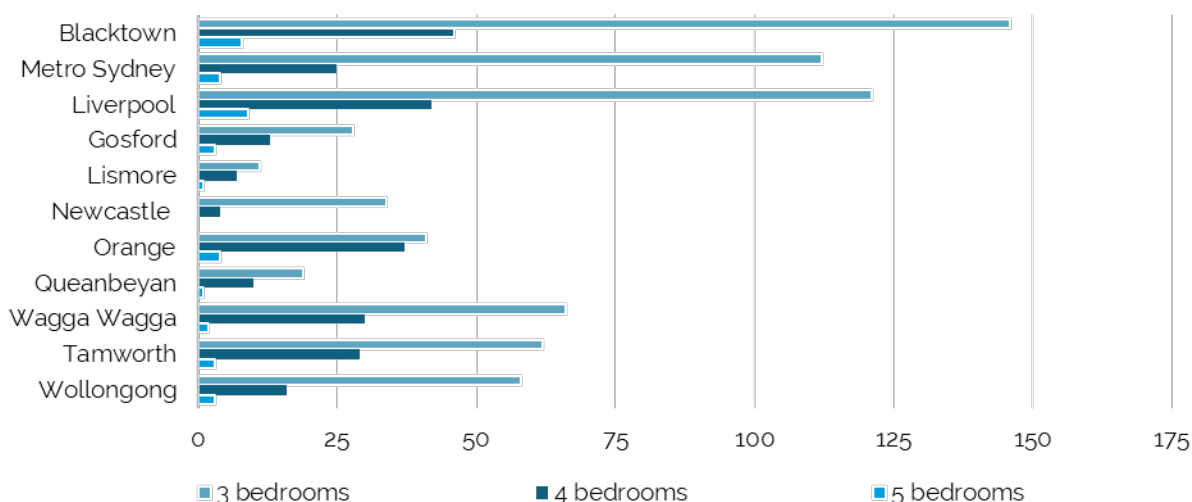
- 2 bed-home, with the 2nd bedroom available for placement referral.^{300b}

The System review report noted that 3 bed models are emerging in greater numbers noting that “matching three young people with high needs is more likely to be achievable than matching four young people with high needs”.³⁰¹ A smaller grouping of 3 children and young people may also be more conducive to delivering therapeutic care, considering the high level of need and complex behaviours of children and young people in ITCH and ITCH-SD placements.³⁰²

We make the following observations in relation to the relative availability and cost of 3-bed homes.

- Each house must have an additional room available for a care worker to sleep overnight, so to provide a 2 bed-home requires a 3-bedroom house and to provide a 4 bed-home requires a 5-bedroom house. Providers are reporting experiencing increasing difficulty securing properties large enough to accommodate a 4 bed configuration.³⁰³ The availability of 5 bedroom properties is considerably lower than 3 and 4 bedroom properties. Greater flexibility within the service requirements to consider 3 bedrooms could result in more options for residential care providers to find suitable properties, and potentially greater ability to secure the properties at lower rents. (see Figure 14.2)
- The largest cost component of residential care homes is staffing. Staffing rates in the current PSP ITC and ITCH models do not change significantly between 2 and 4 bed-homes. As a result, staffing costs are likely to be similar for 3-bed homes. The more children that these costs are spread across, the lower the placement cost. This means that where 3-bed models replace 4-bed models, the cost per child will be higher.

Figure 14.2 Number of rental properties available in ITC hubs³⁰⁴ by number of bedrooms



Source: www.realestate.com.au accessed 24 January 2025

^b Individual placements are only allowed in exceptional circumstances for a time limited period.

^c ITC services are clustered as 'hubs' in strategic locations to enable linkages between relevant mainstream and specialist services that can support the therapeutic needs of children and young people in ITC placements. These services include health, education, disability, housing and justice related services.

Chapter 15 »

Independent living

Benchmark costs and recommended price structure for independent living

15

Young people aged 16 to 17 moving towards independence may be suitable for independent living care models. Independent living programs aim to develop skills that prepare and support young people for independence. This is achieved through the provision of furnished rental accommodation, case management, and support services for up to 24 months upon placement. Young people in independent living programs may live as individual tenants or in a share house configuration with up to 3 other young people.

These models of care have a lower level of care and supervisory staff compared to residential care models. Unlike other care models, young people receiving independent living services are expected to contribute towards their housing and utilities costs in line with DCJ's charging rent policy.³⁰⁵

Currently, there are two independent living care models:

- **Therapeutic Supported Independent Living (TSIL):** TSIL is an integrated accommodation and support program which aims to prepare young people aged 16 to 17 years old with 'high' needs to transition from out-of-home care to independent living and adulthood. This is achieved through the provision of rental accommodation, case management, support services, and access to a Therapeutic Specialist for up to 24 months.³⁰⁶
- **Supported Independent Living (SIL):** SIL operates similarly to TSIL, the key difference being that SIL is for young people who are assessed as having 'low' or 'medium' needs and do not receive therapeutic support.³⁰⁷

This chapter presents our estimated efficient benchmark costs and explains the assumptions and cost components we have used to calculate the costs of deliver independent living services.

15.1 Overview of our draft decisions and recommendations

We have developed a benchmark cost for independent living that brings together all of the relevant cost components outlined in chapters 5 to 11. We have also made draft recommendations on the pricing structure for independent living.

We recommend that the pricing levels and structure for independent living differs from the benchmark cost we have developed in one key area:

- While we identified a different rental cost in each of three areas, we recommend that the price is based on the Sydney metropolitan rate. The difference between the estimates is relatively small and we consider the cost of administering a more complex location based rent would outweigh the benefits.

We have also developed a benchmark and price structure that, consistent with the current approach to pricing structure for independent living, is entirely comprised of variable (per child) costs. This is based on two underlying assumptions. Firstly that providers have greater discretion as to how the establish and staff a placement and secondly that houses are stood up on an as-needs basis (no child means no house, staffing or other costs).

As for other placement types we are proposing a pricing structure that incorporates some costs through a reimbursement of expenses rather than through an upfront cost estimate.

15.2 Benchmark costs for independent living

Independent living care services encourage providers to deliver innovative services which are responsive to the specific needs of young people.³⁰⁸ At a minimum, independent living providers are expected to provide young people with the following:

- a furnished rental house or apartment
- living skills, such as self-care, home management and budgeting
- facilitation of relationships with family and other significant people
- access to health and counselling services
- casework to support young people to achieve their goals and identify suitable exit pathways.³⁰⁹

We recognise that independent living services can be delivered in various configurations, ranging from one young person in an independent tenancy to up to 4 young people in a share house tenancy.³¹⁰ Our benchmark model assumes that young people live in a group of 4 in a share house configuration, as this is the most cost-effective way to deliver independent living services. We consider that this is appropriate because providers tend to have discretion around how independent living placements are provided.

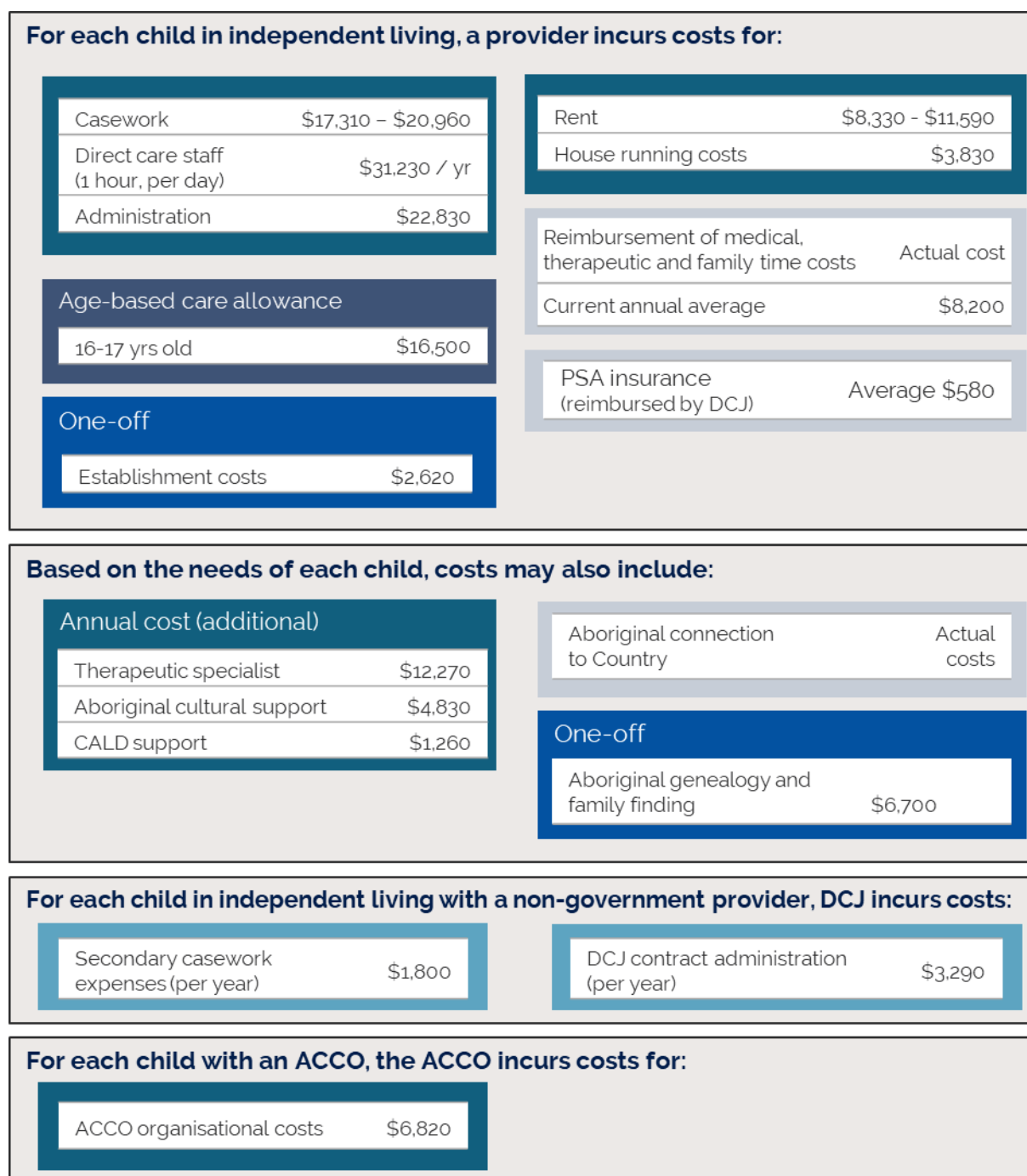
For placements that need to differ from this approach, we propose that any of the cost components in the benchmark cost for residential care placements could be substituted into the independent living model. For example, should a smaller house size be needed, the applicable house rental cost for residential care could be used instead of the 4-bed estimate we have included in the benchmark for the independent living placement cost. The exception to this is the house establishment cost, which varies between independent living and residential care due to the nature of the placement and is not substitutable.

Draft decision



30. The estimated benchmark costs for independent living placements are as set out in Figure 15.1

Figure 15.1 Benchmark cost for independent living placements (\$2024-25)



Note: All costs are annual amounts unless stated otherwise.

15.3 Proposed price structure and level for independent living

We recommend that the price level and structure for independent living should be in line with the benchmark placement cost. All of the costs within the benchmark have been identified as a per child amount. We are proposing a price structure that is entirely based on a price per child with no fixed, per-house component.

In coming to our draft recommendations, we considered the need to address costs that are less predictable, ensuring the appropriate balance between simplicity and cost reflectivity and the incentives and outcomes of different approaches.

The sections below discuss some of the specific issues in relation to pricing independent living delivered by non-government providers.

15.3.1 Addressing costs that are likely to vary significantly

We have included an estimate of the costs of medical care, expenses associated with family time (such as travel) and the cost of purchasing PSA insurance in our benchmark placement cost. However, our analysis for these costs shows that they are likely to vary significantly between different children or in the case of PSA insurance, between different providers. These costs are largely outside the control of providers, and it is important to ensure that they are adequately funded.

The costs of these items could be incorporated into the price structure in line with the current approach. This would mean providers receive an upfront estimate of these costs for each child and would then be required to sit within this funding envelope overall, allocating funding amongst children and costs as needed. However, there are a number of difficulties associated with pricing these elements of out-of-home care in this way. As a result, we are proposing that the costs of these items are incorporated into the price structure for non-government providers as a reimbursement based on the costs of delivering identified services to children. More discussion of the reasons for this is included in Chapters 10 and 12.

15.3.2 Trading off cost reflectivity for simplicity

The benchmark cost for independent living placements includes a different value for rent depending on which region of NSW the house is located. However, as for residential care placements, when we considered the regional rent difference as part of the overall placement costs, we found that the regional rental differences represented only a small part of the overall cost. As for residential care, we consider that incorporating regional variation in rent into the pricing structure would be more costly to implement than the benefit it would deliver. For simplicity of administration and clarity, we are recommending the rent component for all houses be based on the highest median rent for the size of house.

15.3.3 Pricing structure based on benchmark costs per child

To develop benchmark costs for independent living placements we calculated all costs (including those relating to costs of housing) on a per child basis, to estimate the cost of delivering out-of-home care.

In an independent living model, all costs are categorised as 'child-related'. They are all directly related to the care of a child or young person. Even where young people are living in a share house or group arrangement, shared programs or staffing are not necessarily coordinated between house mates.

Our proposed funding structure for independent living is on a per child basis due to the tailored and individualised nature of the independent living programs. This differs from residential care models which incur per-house costs regardless of vacancies. Independent living services do not have fixed-property costs; accommodation is rented for each young person entering the program and care staff provide their services directly to young people in their homes, rather than being assigned to a specific facility.

Our proposed funding structure for independent living reweights all of the house related costs to the child funding. This approach aligns with the existing contract models and we consider is appropriate given the flexibility afforded to providers around how care is delivered.

15.3.4 Recovering up-front costs

We are proposing an establishment payment for independent living services to be paid once at the commencement of a placement. We estimate that a one-off payment of \$2,226 per young person receiving independent living services should be sufficient to provide an adequately furnished living environment. Especially when considering that providers may be able to reuse some more costly furnishings, such as lounges or white goods, across independent living placements.

Our estimate is based on the costs of providing a furnished property by the number of bedrooms or residents. We have considered the following cost categories within the independent living services establishment payment:

- **Reusable furnishings:** includes furniture which could be reused between at least 2 independent living placements (approx. lifetime of 4 years). For example, white goods, furniture for communal areas, and furniture for bedrooms which could be reused, such as desks or bookshelves.
- **Security and privacy costs:** includes door locks, window locks, and video doorbell.
- **Personal items:** includes furniture and personal items which are not likely be reused between independent living placements. For example, beds, bedding, towels, kitchen utensils, cutlery and crockery.

Draft recommendation



28. Pricing for independent living placements should be in line with the estimated benchmark costs set out in Draft Decision 30 (independent living) and Figure 15.1. The pricing structure should consist only of a child-related payment.

15.4 Comparing proposed prices with the PSP

The proposed prices for independent living are similar to those under the PSP. We have considered two scenarios below for comparison, one for SIL and one for TSIL.

There are no prescribed hours of support that a young person receiving independent living services should receive, other than they should receive support at least once per week. This is because the programs are designed to be flexible and responsive to the individual needs of young people receiving independent living services.³¹¹

Currently, there are no prescribed hours of support that a young person receiving independent living services should receive, other than they should receive casework support at least once per week. For the purpose of comparing the prices under our proposed approach and the current PSP funding, we have assumed that each child receives 1.25 hours of support each day from a direct care staff member (around 9 hours per week). The total estimated annual cost for a direct care staff member to provide 1 hour of care each day is \$31,230. Assuming an average of 1.25 care hours per child per day, results in an estimated annual cost of \$39,038. Our costings for direct care staff account for on-costs as well as variations for loadings for weekend and public holiday shifts. The feedback we received from independent living service providers is that young people typically receive between 2–12 hours of support per week, depending on their needs.

Our assumption that each child receives 1.25 hours of support each day from a direct care staff member is aligned with EY's assumptions which were used to develop the PSP funding rates for independent living services. However, the increase in funding in our estimate accounts for increases to the SCHADS award and increases to the assumed wages of backfill staff. Previously it was assumed that backfill staff would be paid at a lower level than permanent staff. Our benchmark model assumes that permanent staff and backfill staff are paid at the same SCHADS level.

Table 15.1 Comparison of proposed prices with PSP funding for Independent Living (\$2024-25)

Service type	Current PSP funding rate	Proposed annual price	Difference in price proposed to current funding
Supported independent living	\$105,343	\$119,878	\$14,535 (13.8%)
Therapeutic supported independent living	\$125,206	\$135,789	\$10,583 (8.5%)

Chapter 16 »

Emergency arrangements

Benchmark costs and recommended pricing for emergency arrangements

16

Our Terms of Reference require us to develop benchmark costs for emergency arrangements. Emergency arrangements (sometimes also referred to as high-cost emergency arrangements) are short-term arrangements designed for emergency use. They may be needed when a child first enters out-of-home care, or when a placement breaks down unexpectedly. They are only considered if all other placement options are exhausted and are intended to only be an interim option until a more suitable placement is found. They can occur at any point of a child's time in care, not necessarily only at the start. As these placements are arranged at short notice and are often non-home-based and supported by paid care staff, they can be more costly than other placements. Some emergency arrangement types have been suggested to have detrimental impacts on children.³¹²

These placements are only intended to be used in limited circumstances and there are few children in NSW in emergency arrangements. As of May 2024, there were 434 children in emergency arrangements excluding emergency foster care.^a

Government policy has been to end some types of emergency arrangements, and reduce the use of others, however some types of emergency arrangements will continue to be required. This is because some children will enter out-of-home care or require a new placement on short notice.

We have used the cost components presented in previous chapters to build up cost estimates of different emergency care models used by the Department of Communities and Justice (DCJ). Based on our analysis of costs, we have presented considerations for pricing emergency care in a way that we intend to be transparent and cost-effective.

16.1 Overview of draft decisions and recommendations

We have identified benchmark placement costs for different types of emergency arrangements.

For contracted emergency arrangements, we recommend a price structure that is split out into a casework portion, house-related costs and child-related costs. This is because the provider with case management responsibility is not always the same provider that delivers the emergency arrangement. The prices paid to the emergency arrangement provider are sometimes split out into a fixed house-related price which is paid regardless of vacancies and a child-related price which are tied to placements. For other emergency arrangement types, costs are primarily incurred when placements occur.

We have found that emergency foster care has a very similar cost structure to more long-term foster care and therefore largely should have the same funding structure. The differences that we have suggested are that:

- the care allowance be paid to the emergency foster carer on a pro-rata basis (per day)
- a start-up payment be made once to the emergency foster carer only when they commence as a carer.

^a We have not been able to identify a data source for the number of children in emergency foster care.

Our estimated prices are around 30% higher for Interim Care Model and around 17% per year per child higher for Short Term Emergency Placement.

16.2 Benchmark costs for emergency arrangements

There are currently 4 different models of emergency arrangements used in NSW, as described in Table 16.1. When a child is at risk of needing an emergency arrangement, the service model to be used is chosen based on eligibility, availability and preference. Preference is given to emergency foster care, followed by Interim Care Model or Short Term Emergency Placement, followed by Individual Placement Arrangements as a last resort.³¹³

Table 16.1 Current service models for emergency arrangements^a

Category	Description	Eligibility	Approximate current cost per child per year ^b (\$2024-25)
Emergency foster care	Short term foster care placement with a volunteer carer stood up at short notice	No eligibility rules	\$69,000 - \$77,000 ^c
Interim Care Model	Short-term group residential care placement	Children ages 9-14 years categorised as low-medium needs	\$322,000
Short Term Emergency Placement	Placement in a home-like setting with 1:1 young person to care worker supervision	Young people aged 12-17 years categorised as having high or complex needs	\$787,000
Individual Placement Arrangement	Fee-for-service placement in a home-like setting with care worker supervision	No eligibility rules, only used if all other placement options have been exhausted	\$779,000 (average)

a. At the time of writing, Alternative Care Arrangements (which are non-contracted placements with non-accredited staff) are being phased out. The Government seeks to ban all Alternative Care Arrangements by March 2025, therefore we are not costing this arrangement.

b. Base funding excluding contingencies

c. There is currently no separate pricing for emergency foster care. Instead, we have presented an annual price range for more long-term foster care placements.

Source: NSW Department of Justice and Communities, [Permanency Support Program: Emergency and Temporary out-of-home care Arrangements](#), accessed 28 January 2025; IPART analysis of data provided by NSW Department of Communities and Justice.

Our costing of emergency arrangements takes a build up of cost components presented in previous chapters. This section will show how these components can be built up to estimate the cost of delivering different emergency arrangement types. The costings we have shown are for the current emergency arrangement models used by DCJ, however the components could be used to determine the cost of alternative approaches. We use the cost components presented in Part B.

Some of the emergency arrangement models have a very similar cost structure to other non-emergency models:

- Emergency foster care has a similar cost build-up to home-based care, which is shown in Draft Decision 29.
- Interim Care Model has a similar cost build-up to a residential care model, as it is a group home with care staff supervision. The benchmark cost for this model would therefore be built up of the components shown in Draft Decision 30 (Chapter 14), with the only difference being the exclusion of therapeutic specialists (which are not used in the Interim Care Model).

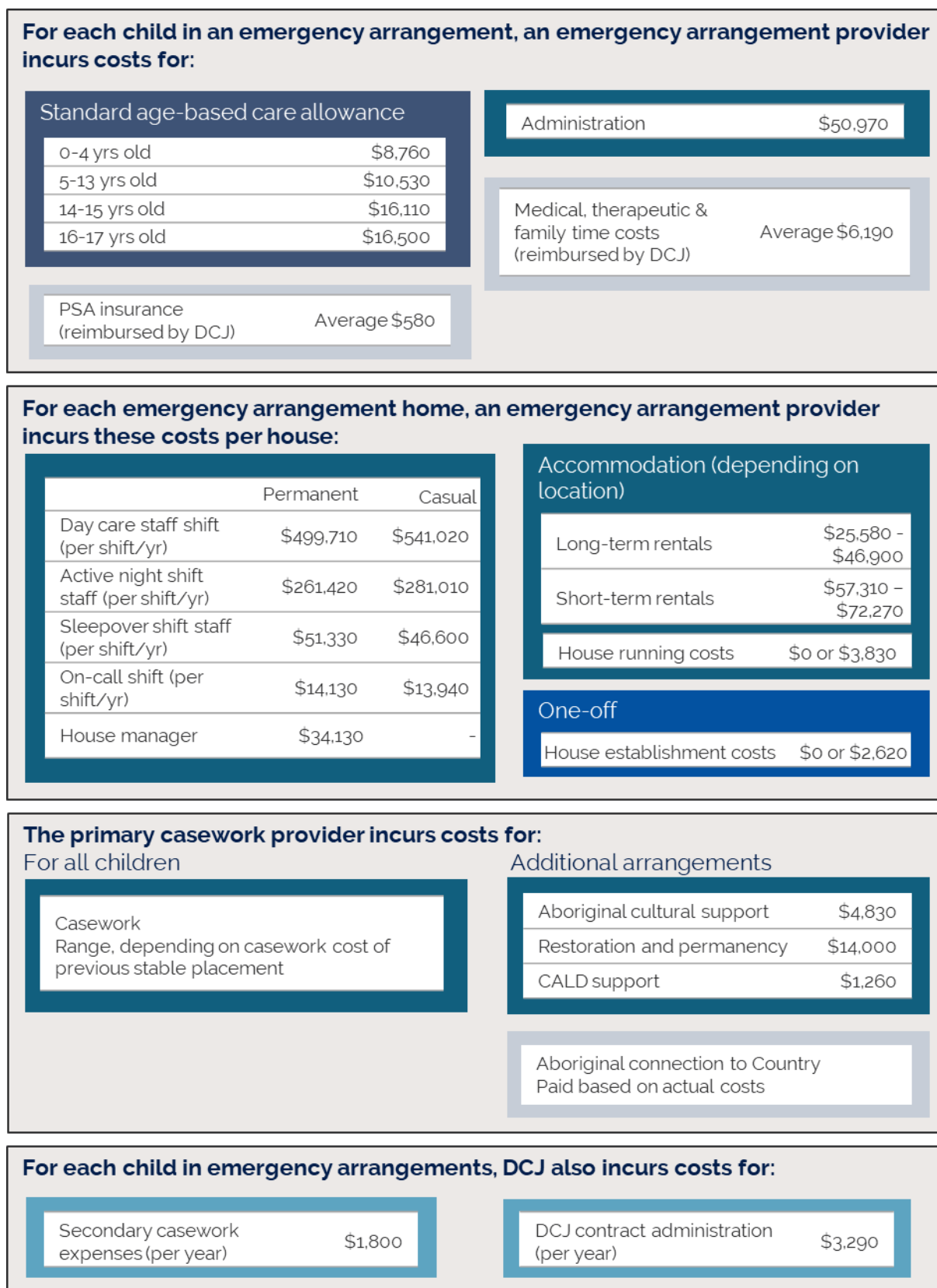
The non-home-based individual emergency arrangements (including Short Term Emergency Placement and Individual Placement Arrangements) have some different cost components to models previously presented in this report. The benchmark cost components for these types of arrangements are set out in Figure 16.1 below.

Draft decisions



31. The estimated benchmark costs for emergency foster care are as set out in Draft Decision 28 (home-based care).
32. The estimated benchmark costs for non-home-based group emergency arrangements are as set out in Draft Decision 29 (residential care), with the only difference being the exclusion of a therapeutic specialist.
33. The estimated benchmark costs for non-home-based individual emergency arrangements are as set out in Figure 16.1.

Figure 16.1 Benchmark cost for non-home-based individual emergency arrangements (\$2024-25)



16.2.1 Non-contracted emergency arrangements

For most emergency arrangement types, we present the resulting prices based on the benchmark cost in section 16.3. We have not presented a price estimate for Interim Placement Arrangements, as they are fee-for-service. This section instead presents benchmark costs based on different scenarios.

Due to their non-contracted and individualised nature, Individual Placement Arrangements do not have a standard service model. Rather, the way these placements are delivered (e.g. staffing levels) are determined on a case-by-case basis. We are basing our cost estimates on a basic placement, but acknowledge that in reality the cost of these placements are likely to differ significantly. For example, we could cost the placement with the assumption of a 1:1 ratio of direct care staff to the child but a child with higher behavioural needs could require a 2:1 supervision ratio. The scenarios presented below assume 1:1 supervision but have varying levels of active versus sleepover shifts.

As these placements are not contracted, we have assumed that the provider does not carry spare capacity to deliver these placements. This means that we have assumed that the direct care staff are employed on casual contracts and short-term rentals (such as serviced apartments) are used. Our estimates of direct care staff costs use casual direct care staff rates, as explained in Chapter 8.

Table 16.2 Benchmark costs for different types of Interim Placement Arrangements for 14-15 year old child (\$2024-25)

Scenario Assumptions	Benchmark costs
Individual child – 100% Active night staff – Sydney	\$894,300
Individual child – 100% Active night staff – Rest of state	\$879,340
Individual child – 40% Active night staff – Sydney	\$753,650
Individual child – 40% Active night staff – Rest of state	\$738,690
Individual child – 0% Active night staff – Sydney	\$659,890
Individual child – 0% Active night staff – Rest of state	\$644,930

Note: Costs would vary for children of different ages with the same range as the age-based care allowance presented in Figure 16.1.

16.3 Proposed price structure and level for emergency arrangements

The sections below discuss our proposed price structure and level for:

- emergency foster care
- other contracted emergency placements (Interim Care Model and STEP).

Emergency arrangements may not necessarily be provided by the agency that holds the case management of a given child. A unique aspect of the cost structure of emergency arrangements is therefore that some placement costs are incurred by the provider holding case management, whereas others are incurred by the provider of the emergency arrangement. We have shown the costs of these placements as a total, however in general we understand that the casework cost would be incurred by the primary provider holding case management, whereas all other costs would be incurred by the emergency arrangement provider. Both providers would incur an administration and overhead cost, but we consider these would be proportionally higher for the emergency care provider. We have therefore not factored in the administration and overhead cost to the primary casework provider, as we consider this would be absorbed elsewhere in their costs.

16.3.1 Emergency foster care

Currently, emergency foster care is not split out from regular foster care in the PSP funding model, meaning the provider receives the typical funding for a foster care placement. We consider there are minor differences in the cost of emergency foster care compared to a regular foster care placement.

While we would not expect the day-to-day costs of caring for a child in foster care to differ depending on whether it is an emergency arrangement or not, the startup costs would vary. As explained in Chapter 13, we recommend that carers should have access to a set-up budget of up to \$1,500 to support purchases for when children enter their care. For emergency care, we would not expect a carer to incur these costs each time a new child enters their care. Instead, the cost would primarily be incurred when the carer prepares for their first placement. As the emergency foster carer could incur some start-up costs each time they start caring for a new child, we consider that that a startup payment of \$1,500 could be paid to the carer upfront, rather than on a reimbursement basis.

Care allowances for emergency foster care would need to be paid on a pro-rata basis, similar to respite care. For example, if the placement only lasts 4 days, the carer would get 4 days' worth of care allowance rather than a fortnight's worth of allowance. The daily equivalents of the different care allowances are:

- ages 0-4: \$50
- ages 5-13: \$56
- ages 14-15: \$79
- ages 16-17: \$77.

16.3.2 Contracted emergency arrangements

We propose that the price for contracted emergency arrangements (currently including the Interim Care Model and Short Term Emergency Placement models) be split into the following portions:

Table 16.3 Pricing portions for contracted emergency arrangements

Funding portion	Description	Paid to
Casework portion	Casework and overhead costs incurred by primary casework provider	Primary casework provider
House-related costs	Block funding proportional to the number of houses/placements that the provider can offer. This would cover the fixed costs of carrying capacity in those houses (including staff, rent and other house costs)	Emergency arrangement provider
Child-related costs	Provided when the emergency provider provides placements, covering the costs to support the child (including care allowance, admin and overheads and medical needs)	Emergency arrangement provider

Start-up payments may also apply, as described in draft decisions 32-34.

We note that there are cases in which the emergency placement provider also holds casework responsibility, in which case the provider would receive all portions.

For Interim Care Model, the benchmark costs are presented in Table 16.4 below. We propose that pricing mirrors these costs, specifically being based on the house costs using 40% active night staff (as assumed in current pricing).

Table 16.4 Indicative price structure for different types of Interim Care Model arrangements (\$2024-25)

Scenario Assumptions	Benchmark costs
House-related costs	
4-bedroom house - 100% Active night staff	\$1,510,360
4-bedroom house - 40% Active night staff	\$1,361,980
4-bedroom house - 0% Active night staff	\$1,263,060
Child-related costs	
9-13 year old	\$70,710
14-15 year old	\$76,290

For Short Term Emergency Placement, we estimate the price levels in Table 16.6.

Table 16.5 Indicative price structure for Short Term Emergency Placement home (\$2024-25)

Payment type	Rate
House payment	\$845,990
Child payment - 12-13	\$68,270
Child payment - 14-15	\$73,850
Child payment - 16-17	\$74,240

Draft Recommendations

- ✓ 29. Pricing for contracted emergency arrangements should be composed of the following 4 portions:
- primary provider portion
 - house-related cost portion
 - child-related cost portion
 - a set-up payment upon establishment of the house (in the case of group emergency arrangements) or placement (in the case of individual emergency arrangements).
30. Emergency foster care should generally be priced in the same way as longer-term foster care placements, subject to the following differences:
- the care allowance should be paid to the emergency foster carer on a pro-rata basis of approximately \$50 - \$79 per day (depending on the age of the child) to account for different placement lengths.
 - emergency carers should receive a one-off establishment payment rather than receiving this at the start of each new placement.

16.4 Comparing proposed prices with the PSP

We can draw comparisons to current pricing for the 2 types of emergency arrangements that have a Permanency Support Program Package:

- Our draft estimates for annual pricing levels for Interim Care Model are around 30% higher than the current price of around \$322,000 per child.
- Our draft estimates for annual pricing levels for Short Term Emergency Placement are around 17% higher than the current price of around \$787,000 per child. This difference could partially be because Short Term Emergency Placement pricing amounts have not been indexed and therefore have remained at the same level since they were first introduced.

Table 16.6 Recommended annual pricing levels for emergency placement types (\$2024-25, per year)

Category	Casework costs	Child-related costs	House related costs
Interim Care Model	Range of \$15,200 to \$27,150, depending on previous stable placement type	\$70,710 - \$76,290 (depending on age)	\$1,361,990
Short Term Emergency Placement	Range of \$15,200 to \$27,150, depending on previous stable placement type	\$68,270 - \$74,240 (depending on age)	\$845,990

16.5 Reducing the need for emergency arrangements

As shown in this chapter, emergency arrangements are the most costly placement type. There will always be a need to provide emergency placements in moments when all other options have been exhausted. However, the need for these placements and the time children spend in them should be able to be minimised by applying an appropriate prevention approach.

The Office of the Children's Guardian reported in 2021 that of the children in emergency arrangements (excluding emergency foster care) at the time, 32% were placed as a result of high-needs behaviours, 28% were placed as a result of placement breakdown, and 14% were because there were no available carers.³¹⁴ Some of the recommendations in this report should help. Addressing the key frustrations of carers through making carer payments more consistent and removing some of the friction between carers and caseworkers should help address the undersupply of foster carers. In addition, ensuring appropriate placements are available to children can help to mitigate the need for emergency placements.

DCJ is already working to reduce the number of children in costly emergency arrangements. It has mainly done so by recruiting additional emergency foster carers and longer term foster carers. It also established a specialist team to support providers managing emergency placements in seeking preferable alternatives.³¹⁵

Most emergency arrangement models have an expected duration of around 3 months.³¹⁶ Table 16.7 shows that in reality children who are in emergency arrangements typically spend a considerable amount of time in them before transitioning to a more stable placement. If a child is in an emergency arrangement for more than 3 months, it may point to systemic issues that prevent placement availability. This could include insufficient long-term placement capacity and/or a lack of incentives to move the child to a more stable placement.

Table 16.7 Summary statistics on length of emergency arrangements in 2023-24^a

	Non-contracted placement (Individual Placement Arrangement)	Contracted placement (Short Term Emergency Placement)
Average number of days	165	177
Median number of days	143	80
Maximum number of days	365	365

a. Where a child has left an emergency arrangement and re-entered, their time has been counted as one total placement length. We do not have data on placement length for other types of emergency arrangements.

There is complexity in the system that may be contributing to the use of emergency arrangements, for example:

- Contracted spare capacity may be unavailable because of the needs of the specific children in care – providers with spare capacity can refuse to provide a placement for a child if they consider that the child is incompatible with the child(ren) currently living in the house.
- Contracted spare capacity may not be in the right location, and there is a desire for children to remain in their current school and community wherever possible.
- Providers may receive higher compensation for standing up a placement at short notice than for accepting a new child under their existing contract, and therefore, have an incentive to refuse to accept new children for existing houses.

-
- The preference to have children in foster care (both from a wellbeing perspective and a cost perspective) may delay placements for children when foster care is initially unavailable.
 - There are foster carer shortages.
 - Gaps in available services, for example younger children with high needs may be placed in an emergency arrangement while awaiting a more suitable option because they are not eligible for Intensive Therapeutic Care.³¹⁷

Making stable, longer-term placements available more quickly has the potential to generate cost savings. DCJ has committed to reducing the number of children in unsuitable emergency arrangements and to removing the use of unaccredited providers altogether.³¹⁸

PART D:
Appendices



Appendix A

Cost of caring study

Further information on the Melbourne Institute's cost of caring study



The sections below provide further information on the Melbourne Institute's cost of caring study.

A.1 The study analysed the year-on-year change to household expenditure in two different ways

The Melbourne Institute tested two different approaches to understand the rate of change in household expenditure. These two approaches have produced different results, but we have considered the benefits and purpose of each approach when determining which one to apply to increase the care allowance. In both approaches, the median household expenditure has been used to reduce the impact of outliers which may be present in the data.

- **Approach 1:** Analysis of household expenditure between 2006-2022 by adjusting all figures to 2022 dollars
- **Approach 2:** Analysis of household expenditure between 2006-2022 using actual dollar amounts (no adjustment for CPI)

Both approaches set control variables to ensure that the results were comparable. A control variable is anything in a study which is kept the same (or controlled) that would otherwise change between different households. For this study the control variables were:

- age of the primary caregiver
- year of the survey
- remoteness of the residence (major cities, regional areas and remote areas)
- socioeconomic status of the household based on their location's Socio-Economic Indexes for Areas (SEIFA) index
- the number of children aged 0 to 4 years
- the number of children aged 5-13 years
- the number of children aged 14-15 years
- the number of children aged 16-17 years
- number of adults in the household.³¹⁹

We consider approach 2 to be more suitable to the purpose of our review.

A.1.1 Approach 1: Analysis of household expenditure between 2006-2022 by adjusting all figures to 2022 dollars

In the first approach, household expenditure (between 2006 to 2022) has been adjusted by CPI to show the results in September 2022 dollars to align with the most recent HILDA survey results. Table A.1 shows a summary of the results of the observed household expenditure for approach 1.

Table A.1 Observed fortnightly expenditure in HILDA for a typical two-parent household (\$2022/September)

Observations	2006	2019	2020	2021	2022
No child	1,380	1,674	1,699	1,724	1,750
1 child aged 0-4	1,556	1,845	1,869	1,893	1,918
1 child aged 5-13	1,605	1,939	1,967	1,996	2,026
1 child aged 14-15	1,673	2,072	2,106	2,141	2,176
1 child aged 16-17	1,646	1,997	2,027	2,057	2,088

Source: IPART analysis of Melbourne Institute: Applied Economic and Social Research, IPART Out-of-Home Care Review: Cost of Caring, February 2025, p 21.

The Melbourne Institute then measured the real growth in household expenditure between 2006 and 2022. The real growth rates presented in Table A.2 would then be applied to the \$2022-23 care allowance originally set by DCJ.

Table A.2 Observed real growth rate in HILDA from 2006 to 2022 (%)

Observations	2006	2019	2020	2021	2022
No child	100.00	121.29	123.10	124.94	126.81
1 child aged 0-4	100.00	118.54	120.10	121.68	123.28
1 child aged 5-13	100.00	120.83	122.60	124.40	126.23
1 child aged 14-15	100.00	123.82	125.87	127.96	130.08
1 child aged 16-17	100.00	121.29	123.10	124.94	126.81

Source: IPART analysis of Melbourne Institute: Applied Economic and Social Research, IPART Out-of-Home Care Review: Cost of Caring, February 2025, p 22.

While this approach measures between a 23-30% growth between 2006 and 2022 in household expenditure for households with different aged children, we consider these results may be overstated because of the inflation rate used.

A.1.2 Approach 2: Analysis of household expenditure between 2006-2022 using actual dollar amounts (no adjustment for CPI)

In the second approach, the results of the HILDA survey have not been adjusted for inflation prior to analysis and reflect the expenditure for households in nominal dollars.^a Table A.3 shows a summary of these results.

Table A.3 Observed fortnightly expenditure in HILDA for a typical two-parent household (\$nominal)

Observations	2006	2019	2020	2021	2022
No child	1,003	1,590	1,647	1,706	1,768
1 child aged 0-4	1,145	1,780	1,841	1,905	1,970
1 child aged 5-13	1,180	1,844	1,909	1,975	2,044

^a Nominal dollars are dollars which have not been adjusted for inflation. They show the current price or cost of a good or service at a point in time.

Observations	2006	2019	2020	2021	2022
1 child aged 14-15	1,221	1,980	2,055	2,133	2,214
1 child aged 16-17	1,207	1,920	1,990	2,062	2,137

Source: IPART analysis of Melbourne Institute: Applied Economic and Social Research, IPART Out-of-Home Care Review: Cost of Caring, February 2025, p 23.

The Melbourne Institute then measured the actual growth in household expenditure between 2006 and 2022. The HILDA survey is used to understand the changes and trends in household expenditure over time. The HILDA survey already captures the impacts of inflation and expenditure when analysed year-on-year because the cost of goods and services are independently increased based on inflation and expenditure trends. This means that even though this approach does not explicitly adjust for inflation, the results are still reflective of the impact inflation has on household expenditure.

Following approach 2, the nominal growth rates presented in Table A.4 would then be applied to the \$2006-07 care allowance originally set by DCJ.

Table A.4 Observed nominal growth rate in HILDA from 2006 to 2022 (%)

Observations	2006	2019	2020	2021	2022
No child	100.00	158.49	164.21	170.13	176.26
1 child aged 0-4	100.00	155.49	160.86	166.41	172.16
1 child aged 5-13	100.00	156.28	161.74	167.39	173.24
1 child aged 14-15	100.00	162.22	168.38	174.76	181.39
1 child aged 16-17	100.00	159.11	164.89	170.89	177.11

Source: IPART analysis of Melbourne Institute: Applied Economic and Social Research, IPART Out-of-Home Care Review: Cost of Caring, February 2025, p 24.

Approach 2 measured a nominal growth in household expenditure between 2006 to 2022 of 72-81% across different age groups.

A.2 We have adjusted the 2006 care allowance to remove costs associated with rent and furniture

To understand the day-to-day costs for a child in care without a contribution to household costs, we have used an alternative growth rate observed through the HILDA data which does not include the costs of rent, mortgage or furniture. We then applied this rate to a re-based 2006 care allowance with rent, mortgage and furniture costs removed.

To re-base the 2006 care allowance, we analysed the median household expenditure on the individual cost components in December 2022 and removed the effects of inflation to present these costs in \$2006-07 (Table A.5).

Table A.5 Methodology to re-base the 2006 fortnightly care allowance without rent, mortgage and furniture costs included (\$ nominal)

Age	Median RMF ^a expenditure (\$2022 December)	Median RMF expenditure (\$2006-07)	Original care allowance (\$2006-07)	Re-based care allowance (\$2006-07)
0-4	247	166	374	208
5-13	260	175	420	245
14-15	293	197	564	367
16-17	278	186	564	378

a. Rent, Mortgage and Furniture

Source: IPART analysis of data provided by the Melbourne Institute: Applied Economic and Social Research

A.3 DCJ external respite care rates

Table A.6 below presents the external respite care rates through the Casework Support Scheme that DCJ pays if a suitable respite carer is not available.

Table A.6 Casework Support Scheme rates for external respite care (\$2024-25)

Service Type	Cost per	Standard rate	Saturday rate	Sunday rate	Public holiday rate	SCHADS Award pay level
Daytime respite	Hour	\$89.00	\$108.10	\$137.50	\$170.50	Level 4 – pay point 2
Overnight respite (awake)	Hour	\$91.00	\$108.10	\$137.50	\$170.50	Level 4 – pay point 2
Overnight respite (asleep)	Flat rate	\$205.00	-	-	-	n/a Allowance of \$57.99

Source: Department of Communities and Justice, Casework Support Scheme (CSS) – Price Guide as of 1 July 2024, December 2024, accessed 19 February 2025, pp 2-3.

A.4 National Disability Insurance Scheme respite care rates

Table A.7 below presents the National Disability Insurance Scheme (NDIS) daily respite care rates for a 1:1 respite carer.

Table A.7 Daily NDIS respite care rates for 1:1 care (\$2024-25)

Respite care rate	Rate
Standard rate 1:1	\$2,098.80
Saturday rate 1:1	\$2,682.32
Sunday rate 1:1	\$3,396.56
Public holiday rate 1:1	\$4,110.80

Source: National Disability Insurance Scheme, Pricing Arrangements and Price Limits 2024-25, October 2024, p 47.

Appendix B

Casework loadings for other case or child characteristics

B

B.1 Caseload analysis

B.1.1 Literature review

There is a lack of contemporary research on what an effective caseload is for foster care, whereby caseworkers can provide the necessary case planning and support for children in out-of-home care and their carers. In Australia, the Wood Report (2008) recommended a ratio of 12 children in foster care for every 1 caseworker.³²⁰ In addition, the Wood Report presented the results of a case file audit undertaken by the Children's Guardian and found the caseloads for non-government providers ranged from 10-12 cases per caseworker compared to 19 cases per DCJ caseworker,³²¹ noting that DCJ caseworkers case manage children under Statutory and Supported Care, while non-government providers case manage only children under Statutory Care.

The Wood Report found that the literature, at the time, supported a caseload of 15 cases per caseworker and that research broadly identifies a caseload range of 12 to 20 standard/low need cases per caseworker or 5 to 8 high need cases per caseworker.

There is limited evidence globally. In the USA, the Child Welfare League of America (CWLA) recommends a caseload of 12 to 15 children per foster care caseworker and the Council on Accreditation suggests that out-of-home care caseworkers should have no more than a caseload of 10 children.³²²

B.1.2 PSP funding

All non-government providers enter into out-of-home care contracts with DCJ as the commissioning agent. Schedules accompanying the PSP Program Level Agreement contain contractual obligations as well as caseload expectations for residential care and independent living service models. This means that the anticipated caseloads are embedded in the current PSP pricing for residential care and independent living.

Home-based care

For foster, relative and kinship care, the assumptions underpinning the PSP pricing provisioned for a caseload of 12 in the baseline package only. As providers would also receive a case plan goal package to support a child's permanency goals, our draft analysis showed that the implied caseload assumption for cases with a permanency goal of long-term care is 7 cases per caseworker, while a restoration case plan goal is 4 cases per caseworker.

Residential care

For residential care, the PSP Service Requirements prescribe a caseload of 6 children per caseworker.³²³ Generally, children placed in residential care are 12 years and over with complex and high needs (assessed as a CAT score of 5 or 6). Non-government providers are required to provide casework in line with the PSP service requirements as well as provide or facilitate access to specialist services to meet the therapeutic needs of children in residential care and integrate these supports in their daily routines. Currently, the PSP pricing for residential care packages (such as Intensive Therapeutic Care Homes or Intensive Therapeutic Care Significant Disability) embeds a caseload of 6 children per caseworker.

Independent living

For independent living, the PSP service requirements stipulate that there is flexibility in the level of casework support and is scaled according to the needs of the young person as they move to independence, as such there is no prescribed level of casework. We recognise that there are additional casework tasks for young people in care aged 15 years and over, such as leaving care plans and other support to enable a smooth transition to independence.

The PSP pricing for SIL assumes a caseload of 12 cases per caseworker for SIL, similar to home-based care. Currently, the PSP offers a Leaving Care and 15+ Years Old Reconnect package to support young people aged 15 years and older in out-of-home care. The Leaving Care package provides for additional casework such as developing a care plan as well as brokerage and cost of a life skills program. The 15+ Reconnect includes additional casework time to organise, prepare and attend birth family contact or contact with another significant person to ensure the young person develops and maintains relationships as they prepare to leave care. We propose to rely on the PSP assumptions to determine additional casework costs for leaving care support for SIL placements.

The PSP service requirements for TSIL and the PSP pricing assumptions accounts for a caseload of 8 young people per caseworker and at minimum, weekly contact in person as they move toward independence. This caseload also assumes the casework needed to facilitate or refer therapeutic care for the young person.

Emergency arrangements

The pricing for contracted emergency arrangements such as STEP and ICM do not provide for casework as the primary case responsibility is expected to remain with the provider that has case management responsibility, whether it be non-government providers or DCJ. This is to maintain casework continuity and consistency as emergency arrangements are anticipated to be temporary. When a child enters an emergency arrangement, non-government providers who hold case management will receive a not-in-placement case coordination package for continued case management, or a foster care baseline package when they enter an Individual Placement Arrangement (IPA).

For non-government providers, when a child in their care is placed in an emergency arrangement, they will cease to receive the baseline package (for example, if they were in foster care) or the child package (if they were in residential care). Instead, they will receive case coordination not-in-placement package which recognises that they will continue to provide casework support to the child or young person while they are in an emergency arrangement. In 2022-23, there were 521 children case managed by non-government providers who received a case coordination not-in-placement package.

The case coordination not-in-placement package accounts for continued case management assuming a caseload of 12 cases per caseworker. It also provides for outreach support and mentoring, transport costs, as well as food and other day-to-day items that a child may need. While the case management cost reflects the expected support needed for children in foster care, it will not be sufficient for a child previously in residential care or independent living given the lower caseloads needed for children in these placement types.

B.1.3 Actual and target caseloads in practice

DCJ and non-government providers are required by the OCG to meet the minimum requirements set out in the [NSW Child Safe Standards for Permanent Care](#) in order to be an accredited out-of-home care provider. The Child Safe Standards for Permanent Care provide a framework of what the minimum requirements are to support children in care but do not prescribe the services to be provided, and so we cannot derive an efficient caseload from the standards.

PSP policies such as the [Permanency Case Management Policy – Rules and Practice Guidance](#) set out casework practice roles and responsibilities as well as policy and procedures for non-government providers. Although these policies contain abundant information on casework checklists and processes, they are not prescriptive on how much case management is required.

We collected caseload information from DCJ and non-government providers which is discussed in the following sections.

Home-based care

Our draft analysis of foster care providers found that the average actual caseload reported was 10 and ranged from 4 to 14, while the average target caseload reported was also 10 and ranged from 7 to 14. We have heard from providers that the target caseload of 10 represents how much time they would expect from caseworkers to be able to provide the necessary quality trauma-informed care as well as focussing on building relationships with the child's support network including foster carer, teachers, and therapeutic specialists.

Optimal caseloads may reduce staff burnout and consequently may lower caseworker turnover.³²⁴ Non-government provider caseload data shows that there is an increase in caseload as caseworker vacancy rates increase, which is expected as cases would need to be reallocated. However, it is also likely that as caseloads increase and caseworkers are more stretched that would also generate additional turnover. One provider told us that caseworkers tend to be motivated by the desire to help and are particularly likely to leave if they feel that they do not have the requisite time and resources they need to be able to make a difference.

DCJ's internal analysis showed the average implied caseload for Statutory Care is 14 cases per caseworker. We have consulted with several DCJ out-of-home care teams who currently have a caseload ranging from 8 to 13 and an average of 11 Statutory Care cases per caseworker. DCJ's caseload of 17 reported in the Interim Report included children in both Statutory and Supported Care. As non-government providers only care for children in Statutory Care, we have used Statutory Care caseloads only in the analysis in this Draft Report.

Residential care

For residential care the median target caseload reported by non-government providers delivering residential care placements was 6 cases per caseworker. This is aligned with the PSP service requirements. This caseload assumes that caseworkers would be supporting children in residential care placements only. We would expect the caseload for residential care to be lower than foster care as the needs of the child would be higher and therefore require additional casework support in meeting the needs of the child.

Independent Living

For living independently placements, non-government providers' reported a median caseload of 7.5. This is across both SIL and TSIL providers.

Emergency arrangements

Our analysis of non-government providers' reported hours per week for emergency care revealed that on average, the casework hours needed are approximately twice as much compared to a 'base' foster care placement. We found that non-government providers reported that children in emergency placements require 9 hours per week equivalent to an implied caseload of 3 cases per caseworker. We have also heard from non-government providers that the caseload for emergency arrangements is 6 cases per caseworker.

We have heard from emergency care providers that house managers are carrying out some casework tasks that should be the responsibility of either DCJ or the non-government provider such as service referrals or therapeutic support. This occurs particularly in locations where there is less casework capacity within the provider holding primary case responsibility.

B.2 Court work

Court and legal work are typical for children in out-of-home care and part of a caseworker's core responsibilities. Court work can be intense but occurs infrequently for each child and as a result, there would be periods where the demand on caseworker time is significantly higher or lower than it is at other times.

The impact of court work on a caseworker's time will vary for each child based on the complexity of their case and their case plan goal. It is difficult to establish a singular cost or measure of casework hours focused on court work because of the individual needs and circumstances of each child. There may be a range of different complexities present that impact the number of casework hours required to prepare for and coordinate court work. These complexities may include the amount of evidence available, the child's relationship with their birth parents, the complex needs of the child or the child's case plan goal.

Typically, a DCJ child protection caseworker will manage casework responsibilities until a final order is received, at which point a DCJ out-of-home care caseworker or non-government caseworker will take over the casework responsibilities for the child. For children with non-government providers, court work is managed within DCJ by each Child and Family District Unit (CFDU) across NSW. For court matters, we understand that each CFDU has some discretion on the coordination with non-government providers and collation of evidence.

When a child is under the care of a non-government provider, court work is coordinated between both DCJ and the provider. This includes the preparation of affidavits, gathering evidence, establishing the desired outcome for the child (e.g. a restoration order) and attending court when required. Non-government providers and their caseworkers play an important role in supporting court work. Some stakeholders have suggested that there has recently been an increase in the expectation placed on providers to prepare court documentation, which is directly impacting caseworkers' time.³²⁵ The variance in court work for different children makes it difficult to determine whether there has been any change in these costs over time.

If a child is under the care of DCJ, a DCJ caseworker or casework manager will typically be responsible for these tasks. We consider that DCJ's statutory role, their involvement in all court matters and higher caseloads would inevitably result in more hours being spent on court work compared to a non-government provider. However, in cases where a child is case managed only by DCJ this additional work may be offset by a reduction in the back-and-forth of court materials prior to filing that occurs when caseworkers from multiple providers are required to provide input.

There may be some overlap between DCJ and non-government providers relating to court work when children are on interim orders case managed by non-government provided care. We have heard from DCJ that the portion of children who are case managed by a non-government provider prior to final orders being issued is quite low (less than 120 children per year of 1,767 entries to out-of-home care), with majority of the children entering care being case managed by DCJ child protection caseworkers.

B.3 Caseloads for intensive foster care models

Generally, the caseloads for intensive carer models appear to be based on the expected CAT score and are currently similar to that of residential care, although they vary based on the specific program. Given the small number of children in these placement types and the bespoke nature of these carer models, we have not identified an efficient caseload for intensive carer models.

Although no longer a formal placement type, we have heard from non-government providers and DCJ that there is a gap in the system between foster care and residential care which was traditionally covered by intensive foster care. Currently this has been addressed through various payments such as Additional Carer Support package for children case managed by non-government providers or the Individualised Care Allowance for DCJ case-managed children. There was no further information on the additional casework hours underpinning the additional carer support package. The Individualised Care Allowance is determined on a case-by-case basis and reflects the higher costs associated with meeting the day-to-day needs of caring for the child such as transport, housing, health, insurance, etc.

During 2022-23 there were 727 children who required an additional carer package. This represents about 7% of children receiving PSP packages during the year. In 2024 there were 15 children who received Individualised Care Allowances.

Box 16.1 Current caseloads for intensive foster care

Therapeutic Home-Based Care

THBC is a service model under the PSP that provides a 'step-down' from residential care models. It is targeted for children aged over 12 years old with high needs (CAT 5 or 6) who can be safely cared for in a home-based environment. These are one-on-one placements (one carer to one child) in the carer's home or a residence maintained by the service provider. Caseworkers supporting children in THBC are expected to have a caseload of 6 cases. In 2023-24, there were 24 children in THBC.

Professional Individualised Care

PIC is a placement type similar to THBC with a professional carer that has the necessary experience and capability to support a high needs child full-time. PIC has a focus on relational-based care. We have heard from PIC that the caseload is approximately 5 cases per caseworker. In 2023-24, there were 29 children in PIC.

Treatment foster Care Oregon

TFCO is a specialised foster carer program with carers who support children full-time. The placement is expected to be for 6-12 months. TFCO carers are supported by the clinical care team including a family therapist, a skills trainer and carers are involved in daily care team meetings to review and adjust the child's individualised treatment plans. There was no information available on caseload. In 2023-24, there were 14 children in TFCO.

Intensive foster care (pre-PSP) and additional carer support package

Intensive foster care was a placement type that was previously offered by non-government providers prior to PSP for children with medium needs (CAT 4). The funding for intensive foster care assumed a caseload of between 7.5 and 8 cases per caseworker.

Source: IPART analysis.

B.4 Casework loadings analysis

B.4.1 Interstate cases

Interstate cases refer to children who have a NSW care order but are located interstate. Typically, the provider with case management will work towards transferring their case judicially to another state where the child and their family members are located. We have heard that caseworkers supporting children located interstate will still need to conduct home visits as well as other casework requirements to ensure the child's safety and wellbeing. This usually involves lengthy travel periods (for example, from NSW to Queensland or Western Australia). DCJ's internal analysis shows that cases located interstate require an additional 53% of casework time compared to a base case.

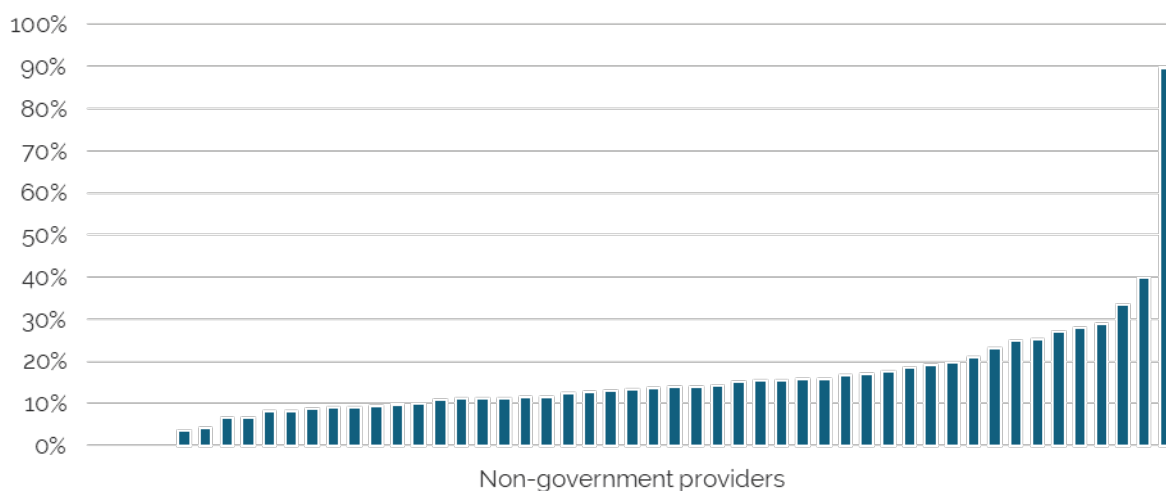
Our analysis showed that 2% of children in out-of-home care are located interstate. We have also found that the distribution of children located interstate is relatively even, with the exception of one provider who specialises in caring for children near the NSW and Victorian border. This is presented in Figure B.1 below.

Figure B.1 Proportion of children living interstate by provider, 30 June 2024



Our analysis showed that 18% of children in out-of-home care have a disability. The distribution of children with a disability appears to be relatively even across providers, with the exception of one provider who specialises in the delivery of NDIS disability services including providing ITC-SD placements. We have seen that providers who care for a relatively higher proportion of children with a disability compared to the average specialise in the delivery of NDIS and disability services or are a residential care provider. The distribution of children with a disability across providers is presented in Figure B.2 below.

Figure B.2 Proportion of children with a disability by provider 30 June 2024



Source: IPART analysis, DCJ out-of-home care population data 30 June 2024

DCJ's internal analysis has found that caseworkers spend an additional 37% more time relative to a base case with no identified complexity factors. Non-government providers have also reported an additional 75% of casework time is needed to care for children with a disability compared to a base case.

Our present view is that the providers who care for a higher proportion of children with a disability are typically providing residential care placements. The higher caseload for residential care (6 cases per caseworker) embeds the additional casework support needed for children with a disability. Therefore, our draft position is that an additional casework cost for children with a disability is not required.

B.4.3 Court involvement

As mentioned in our Interim report, cases involving court matters require intensive casework. Every child that enters out-of-home care involves the court, however after final orders, we do not have data on how many cases are currently before the court so cannot draw conclusions around prevalence or distribution amongst providers. Furthermore, there is no reliable data on the additional time required for court matters at a case level and would be challenging to quantify appropriately.

Separately, the expected court involvement by caseworkers would be captured under the restoration casework time.

B.4.4 Sibling groups

DCJ's internal analysis found that there are no economies of scale or ability to perform 'bulk' casework specifically for out-of-home care cases. This is because children will require separate care and case plans and may also be in different placements which requires separate coordination. Currently the PSP provides a specialist package for 4+ sibling option that provides for ongoing infrastructure costs to establish placements for 4+ siblings (\$25,099 per annum, FY25\$).

In 2022-23, there were 150 children case managed by non-government providers who received a 4+ sibling option package. On average, most foster care providers see only 1% of children in their care access the 4+ sibling option package.

As we do not have reliable out-of-home care population data on sibling groups or additional casework time required, we cannot draw conclusions on whether additional casework time is needed for sibling groups.

B.4.5 Regionality

DCJ's internal analysis has shown that casework does not necessarily take longer in regional areas compared to metro locations. The study found that there were several desktop casework activities that took less time in regional areas relative to staff working in metro areas. This could be due to a range of factors, such as consultations and referral type activities that were conducted over the phone rather than in person given the distance in regional locations. At a case level, the analysis found that case time was 29% lower in regional and remote areas. This could be due to practice differences and more use of technology.

Non-government providers have reported that cases in regional areas require an additional 75% casework time compared to a base case.

Given the contradicting evidence for additional casework time required for regional locations, we do not propose to estimate an additional cost based on casework activity time by regionality at this stage.

We have explored casework salary differences between metro and regional areas in section 6.5.1.

Appendix C

Administration and corporate
overhead costs analysis



C.1 Analysis of administrative costs by organisation size

Looking at the types of costs that are included, we consider that most costs are unlikely to directly vary with the number of children (see Table 7.3). For example, an additional 10-20 children in care may not necessarily increase accounting fees or office rent. However, we note that for those 'fixed' costs, most would be expected to increase as the size and scope of the activities undertaken materially increase. We have reviewed actual costs and found that this is the case.

Table C.1 Examples of fixed and variable costs

Fixed expenses	Variable expenses
<ul style="list-style-type: none"> Accounting and audit fees 	<ul style="list-style-type: none"> Computer, telephone, IT expenses
<ul style="list-style-type: none"> Advertising and promotion 	<ul style="list-style-type: none"> Motor vehicles
<ul style="list-style-type: none"> Consultancy and contractor expenses^a 	
<ul style="list-style-type: none"> Depreciation 	
<ul style="list-style-type: none"> Office rent and other property outgoings 	
<ul style="list-style-type: none"> Utilities, rates, taxes 	

We estimated the 'fixed' administrative cost for small and large providers, as well as foster and residential care by taking the median actual dollar value of expenses classified as fixed.^b For small providers the fixed component averaged \$980,000 per organisation, while the average fixed cost for large non-government providers was \$3.4 million per organisation. We converted the fixed cost to a per child cost of \$25,000 for small non-government providers and \$18,600 for large ones.

Next, we calculated the variable administrative costs per child by taking the total variable cost and dividing through by the number of children for each type of provider. The variable cost per child is only slightly higher for large non-government providers at \$2,600 per child relative to the variable cost of \$2,400 per child for small providers.

Our draft analysis showed that fixed administrative costs vary by organisation size and are therefore not purely fixed. Expressed differently, administrative costs are driven by the size of the organisation or the number of children cared for by an organisation. Table C.2 below presents the results of our analysis.

^a Without further details on what kind of consultancy or contractor expenses these relate to, we assume that majority of consultancy and contractor costs refer to head office consultancy services as subcontracting expenses would be captured in client costs.

^b Small providers have less than 100 children in their care, and providers caring for 100 or more children are considered large.

Table C.2 Summary of fixed and variable administrative costs by provider size, 2022-23

Provider size	Fixed administrative cost per organisation	Fixed administrative cost per child	Variable administrative cost per child
Small, all non-government providers	\$980,000	\$25,000	\$2,400
Large, all non-government providers	\$3,400,000	\$18,600	\$2,600

Source: IPART analysis of data provided by Department of Communities and Justice and non-government providers

Currently, under the PSP, sustainability payments of \$100,000 per organisation are available on an as-needed basis to foster care non-ACCOs with less than 100 children in their care. This payment was introduced on 1 July 2023 and with the intention to be a 'last resort' to support small non-government providers in continuing the delivery of home-based care once the placement capacity payment for foster care was abolished. We understand that no sustainability payments have been made thus far and so have not considered this payment further in our Report.

Appendix D >>

Glossary and acronyms

D

Table D.1 Glossary of terms used in this report

Term	Meaning
Aboriginal community-controlled organisation (ACCO)	An ACCO is defined under Clause 44 of the National Agreement on Closing the Gap , to among other things be controlled by Aboriginal and/or Torres Strait Islander people and not-for-profit. ACCOs are the out-of-home care provider of choice for Aboriginal children.
Aboriginal and Torres Strait Islander Child Placement Principle	A framework to promote culturally safe policy and practice that also helps to reduce the overrepresentation of Aboriginal and Torres Strait Islander children in the child protection system. These principles are embedded in the <i>Children and Young Persons (Care and Protection) Act 1998</i> , referred to there as the Aboriginal and Torres Strait Islander Child and Young Person Placement Principles.
AbSec - NSW Child, Family and Community Peak Aboriginal Corporation	AbSec is the peak organisation for Aboriginal children and families in NSW. AbSec is a not-for-profit organisation which aims to empower Aboriginal children and families impacted by the child protection system and support ACCOs in the child and family sector.
Aboriginal Legal Service (ALS)	The Aboriginal Legal Service delivers culturally appropriate community legal services for Aboriginal and Torres Strait Islander people throughout NSW and the ACT.
Actuals or actual costs	The amount of money that was paid for a good or service. Funding based on actuals means that the cost is funded based on its actual cost.
Adoption Act	Adoption Act 2000
Alternative Care Arrangement (ACA)	Emergency and temporary fee for service arrangements for children in out-of-home care when no alternative placement can be made. ACAs are usually in hotels, motels or temporary accommodation. The government's position is that ACAs are the least preferred high-cost emergency arrangements (HCEAs).
Association of Children's Welfare Agencies (ACWA)	ACWA is the NSW non-government peak body representing the voice of community organisations working with vulnerable children and their families.
Care and Protection Act	Children and Young Persons (Care and Protection) Act 1998
Caseload	The number of children that a single caseworker (one full-time equivalent) is caring for at a given time.
Child/children	Section 3 of the Care and Protection Act defines a child as a person who is under the age of 16 years and a young person as a person who is aged 16 years or above but who is under the age of 18 years. In this report, unless otherwise stated, the terms 'child' and 'children' include young people.
Child Assessment Tool (CAT)	The Child Assessment Tool (CAT) is designed to identify the most appropriate level of out-of-home care for a child based on behavioural, health and development factors applied across 3 age groups.
Child and Family District Unit (CFDU)	The local teams within DCJ that provide an interface between itself and non-government providers. There are 11 CFDUs in NSW.
Children's Guardian Act	Children's Guardian Act 2019
NSW Child Safe Standards for Permanent Care (Care Standards)	The NSW Child Safe Standards for Permanent Care are 23 standards set by the Office of the Children's Guardian which establish the minimum standards for the accreditation of out-of-home care and adoption service providers in NSW
ChildStory	The software used for data reporting on all children in out-of-home care in NSW.
Community Services Centre (CSC)	DCJ locally based community services offices, which offer services for children in DCJ case-managed care. There are approximately 80 CSCs across NSW.
Culturally and linguistically diverse (CALD)	Culturally and linguistically diverse (CALD) is a broad and inclusive descriptor relating to a person's country of birth, their ancestry, the country of birth of their parents, what languages they speak and their religious affiliation.
Department of Communities and Justice NSW (DCJ)	The lead agency in the NSW Government Communities and Justice portfolio, which aims to create safe, just, inclusive and resilient communities through its services. DCJ is the statutory child protection agency in NSW.

Term	Meaning
Designated agency	A designated agency means an agency accredited by the Children's Guardian under Schedule 3A of the <i>Children's Guardian Act</i> . DCJ and some non-government providers are designated agencies. A designated agency that places a child in the out-of-home care of an authorised carer has a responsibility to supervise the placement.
District	A geographical area defined by DCJ. There are 16 districts in 7 groups . The district boundaries are aligned with NSW Local Health Districts.
Department of Family and Community Services NSW (FACS)	A former department which, together with the former Department of Justice, now constitutes DCJ.
Early intervention/family preservation	Services that seek to support families with children at risk of harm. Early intervention is always preferable to removing children into out-of-home care.
Family is Culture review	The Independent Review of Aboriginal Children and Young People in OOH. This review was aimed at examining the high rates of Aboriginal children and young people in out-of-home care in NSW and the implementation of the Aboriginal and Torres Strait Islander Child Placement Principle in this jurisdiction.
Guardianship	Where a guardian takes on full parental responsibility of the child, making all decisions about their care until they reach 18 years of age. A child under a guardianship order is not considered to be in out-of-home care but in the independent care of their guardian.
Intensive Therapeutic Care (ITC)	ITC is for children over 12 years with complex needs who are either unable to be supported in foster care or require specialised and intensive supports to maintain stability in their care arrangements. Accommodation is in a home like environment provided by non-government providers. There are several types of ITC – Intensive Therapeutic Transitional Care (ITTC), Intensive Therapeutic Care Home (ITCH) and Intensive Therapeutic Care – Significant Disability (ITC- SD).
Interim Care Model (ICM)	A short-term group home accommodation placement for children with low or medium needs at risk of entry into other forms of emergency care (Alternative Care Arrangement or Individual Placement Agreements). Provided and staffed by accredited non-government providers.
National Agreement on Closing the Gap (the National Agreement)	An agreement between Australian governments and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations with the objective to enable Aboriginal and Torres Strait Islander people and governments to work together to overcome the inequality experienced by Aboriginal and Torres Strait Islander people, and achieve life outcomes equal to all Australians.
Non-government provider	A provider of out-of-home care that is not government affiliated. Typically, these are not-for-profit non-government organisations (NGOs) or ACCOs.
Office of the Children's Guardian (OCG)	The Office of the Children's Guardian is a statutory NSW government agency which has a range of functions relating to child safety. The powers and functions of the Children's Guardian are defined in the <i>Children's Guardian Act 2019</i> . It's responsibilities include: <ul style="list-style-type: none"> accrediting providers of out-of-home care and adoption services, including DCJ maintaining the NSW Carers Register and the NSW Residential Care Workers Register.
Out-of-home care (OOHC)	The Care and Protection Act provides for 2 types of out-of-home care: <ul style="list-style-type: none"> Statutory out-of-home care (statutory out-of-home care), which generally requires a Children's Court care order. Supported out-of-home care (supported out-of-home care) which provides either temporary or longer-term support for a range of other care arrangements made, provided or supported by DCJ. A prerequisite common to both types is that a child must be considered to be in need of care and protection. Out-of-home care is sometimes abbreviated to OOH.
Out-of-home care Health Pathway Program	NSW Health provides coordinated health assessments for children aged 0 – 17 years in statutory out-of-home care living in NSW who are expected to remain in care for longer than 90 days.
Permanency goal	Every child in statutory out-of-home care is expected to have a permanency goal to either exit out-of-home care through restoration, guardianship or adoption, or to remain in the long-term care of the Minister.

Term	Meaning
Permanency Support Program (PSP)	The PSP funds non-government PSP providers to deliver services to children in out-of-home care. The PSP packaged care service model is comprised of a case plan goal package, baseline package and child needs package. Specialist packages are available depending on the child's circumstances and eligibility.
PSP Provider	Non-government providers delivering out-of-home care through the PSP. Includes ACCOs unless otherwise noted.
Residential care	Residential care is a group home-based form of out-of-home care for children. Under the PSP, the Intensive Therapeutic Care model was designed to replace "legacy" residential care across NSW.
Restoration	Restoration is the return of a child in out-of-home care to their birth family.
SNAICC	The national non-government peak body for Aboriginal and Torres Strait Islander children and families, and the sectors that support them. SNAICC stands for Secretariat of National Aboriginal and Islander Child Care.
Statutory out-of-home care (Statutory Care)	A care arrangement where the Children's Court has made an order allocating parental responsibility for a child or young person to the Minister for Community Services. 'Statutory out-of-home care' is defined in section 135A of the Children and Young Persons (Care and Protection) Act 1998.
Supported out-of-home care (Supported Care)	A care arrangement where the Secretary has the care responsibility of a child or the Children's court has allocated parental responsibility to a relative or kin. Supported out-of-home care is defined in section 135B of the Children and Young Persons (Care and Protection) Act 1998.
Supported Independent Living (SIL)	Supported independent living is a type of residential care to prepare and support young people to make a smooth transition from out-of-home care to independent living as an adult. There is a special type of SIL called therapeutic independent living (TSIL) which incorporates therapeutic care and interventions.

Table D.2 Acronyms used in this report

Acronym	Explanation
AbSec	NSW Child, Family and Community Peak Aboriginal Corporation
ACA	Alternative Care Arrangements
ACCO	Aboriginal community-controlled organisation
ACWA	Association of Children's Welfare Agencies
ALS	Aboriginal Legal Service (NSW/ACT)
CALD	Culturally and linguistically diverse
CFDU	Child and Family District Unit
CSC	Community Service Centre
CAT	Child Assessment Tool
CYP	Children and young people
DCJ	Department of Communities and Justice
HCEA	High-cost emergency arrangements
ICM	Interim care model
IPA	Individual placement arrangements
ITC	Intensive Therapeutic Care
ITC-SD	Intensive Therapeutic Care – Significant Disability
NDIS	National Disability Insurance Scheme
NGO	Non-government organisation
OCG	Office of the Children's Guardian

Acronym	Explanation
OOHC	Out-of-home care
PSP	Permanency Support Program
ROSH	Risk of significant harm
STEP	Short term emergency placements
THBC	Therapeutic Home-Based Care
ITTC	Intensive Therapeutic Transition Care
TSIL	Therapeutic Supported Independent Living

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ISBN 978-1-76049-795-8