



Final Report Summary for carers

Out-of-home care costs and pricing

19 September 2025

IPART has completed its review of out-of-home care costs and pricing and provided a Final Report to the Minister for Families and Communities and the Premier outlining our analysis. This paper focuses specifically on areas of interest to carers providing foster, relative or kinship care for a child in their home. It provides an overview for carers of the decisions and recommendations we have made in our Final Report on out-of-home care costs and pricing, and key changes since the Draft Report. Our full analysis, including our changes since the draft report, can be found in our Final Report.

Our review considered the following issues:

- the efficient costs for 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.

How our decisions and recommendations are implemented is a matter for the NSW Government, as part of its wider reform of out-of-home care.



We would like to thank all the carers who contributed to our review.

We greatly appreciate the generous way so many of you engaged with us and shared your stories and experiences. Your input was invaluable.

1 Our decisions and recommendations

We have made several recommendations for DCJ to consider, to improve support for carers:



Improved data collection and reporting on measures that matter

- to increase understanding of what services children are receiving and how they contribute to their current and future wellbeing
- to monitor the experiences of carers and children in out-of-home care
- to improve the performance and long-term sustainability of the system.

For more information see Chapter 2.



Increased financial support to cover expenses

- by increasing the standard care allowance by around 20-36% compared with the 2024-25 amount (between \$117-\$292 more per fortnight) depending on the age of the child^a
- by providing up to \$1,500 for carers for the upfront costs of establishing a new placement
- by improving use of digital technology to provide targeted funding for carers such as, extending the use of Service NSW vouchers and creating a Health Care Card to cover medical and therapeutic expenses.

For more information see Chapters 3 and 11.



Increased transparency and consistency for carers

- by developing clear information for carers outlining what financial support is available and how they can access it
- by paying the care allowance at a consistent rate for all children assessed with the same level of need and requiring providers to report this transparently to DCJ
- by improving mechanisms to ensure the costs of meeting each child's medical and therapeutic needs, and the costs of facilitating family time, are met and carers are not left out-of-pocket.

For more information see Chapters 3 and 11.



Chapter 1 lists our recommendations and Chapter 12 lists our decisions.

^a Carers of young people aged 16-17 currently receive \$586 per fortnight in the care allowance and if eligible, an additional \$231 through the Teenage Education Payment (TEP). Our recommended care allowance for 16-17 year olds makes no adjustment to account for the existence of the TEP and reflects the whole day-to-day cost of providing care to young people of this age.

1.1 The need for better data

We examined the efficient costs for DCJ and non-government providers (who are contracted by DCJ) of delivering out-of-home care. We used these to develop benchmark costs for the different types of care (home-based, residential, independent living and emergency arrangements). We undertook detailed analysis on the costs of providing out-of-home care placements by both DCJ and non-government providers, including ACCOs.

One of the main challenges we encountered in estimating costs and prices for out-of-home care is the lack of information on what services children are receiving and how these services contribute to their current and future wellbeing. The lack of good quality data across the system has impacted our ability to assess efficient costs and we consider that this should be addressed as soon as possible. Over time, improved information will help to identify which services deliver the greatest benefit for children in care, and society over the long term, and ensure that the system is able to focus on the things that matter most.

We recommend that DCJ establish a framework to collect data on the services that are being provided to children and the costs of delivering them. The information collected should enable comparison across different providers and should include information on the experiences of children in care, as well as foster, relative and kin carers.

We have also identified areas where we consider additional guidance or stronger governance is needed.



For more information on our recommendation on data collection see Chapter 2.

1.2 Recommended changes to the care allowance

We have made recommendations to update the care allowance to reflect changes in household expenditure that have occurred since the care allowance was last reviewed.

We engaged the Melbourne Institute of Applied Economic and Social Research (the Melbourne Institute) to help us estimate the impact of the changes in prices and changes in the mix of goods and services that we would expect a family to purchase in relation to caring for a child.^b To do this, the Melbourne Institute analysed data from the HILDA survey, which is a well-known survey of Australians' income and expenditure patterns.

We then applied the increase identified to the existing care allowance. Following our Draft Report, we have consolidated the two older age brackets and recommend that the same rate applies for all children aged 14 or more.

^b The [Melbourne Institute: Applied Economic & Social Research](#) is a research-only, academic department in the Faculty of Business and Economics at the University of Melbourne.

Table 1 Current and Recommended care allowance (\$ per fortnight, \$2024-25)

Age	Current care allowance (standard rate)	Recommended care allowance (standard rate)
0-4	\$581	\$698
5-13	\$656	\$789
14-15	\$880	\$1,109
16-17	\$586 plus TEP and Youth Allowance (if eligible)	\$1,109

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

In June 2025, the NSW Government announced a 20% increase to the standard care allowance including the first real increase (above the Consumer Price Index) to the allowance in 20 years.^c This increase is broadly consistent with our recommendations.

We did not have strong information on the costs of caring for children with higher needs. Using the 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 updated the existing Care+1 and Care+2 allowances to reflect the recommended increase in the standard care allowance (see Table 2).

Currently the method used to categorise children's needs is different depending on whether the child's care is managed by DCJ or a non-government provider. We consider this assessment should be standardised and the Care+1 and Care+2 allowances be available for all carers with children who are assessed with higher needs, irrespective of the provider they are with.

Table 2 Updated care+1 and care+2 allowances (\$ per fortnight, \$2024-25)

Age	Care+1 (50%)	Care+2 (100%)
0-4	1,047	1,396
5-13	1,184	1,578
14-17	1,664	2,218



For more information on our recommendations on the care allowance, see Chapter 3.

1.3 Covering expenses outside the care allowance

While the care allowance covers the day-to-day costs expected for all children in out-of-home care, there are a range of other costs that it does not cover. These include medical, therapeutic, and family time expenses. It may also include other larger expenses that occur less frequently that may be difficult for carers to budget for through the fortnightly care allowance.

Such 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 funding 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.

^c NSW Premier Media Release, *Rebuilding services for young people in out-of-home care*, 24 June 2025

Currently, the way funding for medical and therapeutic services and expenses related to maintaining birth family contact are managed differs between DCJ and non-government providers. This creates inconsistency for carers and perceived unfairness. We have heard that some carers have had to wait for prolonged periods of time to receive reimbursement for expenses, while some others have not received a reimbursement at all.

As these costs vary significantly depending on the needs of the child, we recommend that they be funded on the costs of services that are identified and delivered for each child. This would provide greater transparency and consistency for carers and help ensure they are not left out-of-pocket. We have also recommended DCJ consider developing a Health Care Card for carers to use for medical and therapeutic services.

We have also recommended help with some other types of less frequent expenses, such as extracurricular activities, such as through targeted Service NSW vouchers for children in out-of-home care.



For more information on our recommendations on the care allowance, see Chapters 3 and 11.

1.4 Supporting consistency and transparency for carers

We have heard that there is a lack of equity and clarity for carers around their entitlements which can lead to a lack of trust between carers and providers. The provision of clear and consistent information to carers and children about the financial support available to them would help address a major source of tension and dissatisfaction for carers.

We have made recommendations to support the provision of information and increase the consistency of financial and non-financial supports for carers. These include:

- paying the care allowance at a consistent rate for all providers for children assessed with the same level of need.
- developing clear guidelines outlining what the care allowance covers, and additional costs carers are entitled to be reimbursed for.



For more information on our recommendations to support consistency and transparency for carers, see Chapters 3 and 11.

1.5 Where to find additional information in the Final Report

Executive Summary The Executive Summary provides an overview of the Report and our recommendations. Chapter 2 discusses our review in the context of the NSW Government's reforms in out-of-home care. Chapters 1-2	Overview of Report Changes since the Draft Report Recommendations Our approach to the review
Support for Carers This chapter sets out our recommended care allowances and discusses ways of better supporting carers. Chapter 3	Recommended care allowances Covering other expenses Consistency and transparency for carers
Efficient costs of out-of-home care These chapters set out the efficient cost components for delivering out-of-home care. Chapters 4-9	Casework Administration and overheads Care staff and facilities Aboriginal cultural connections Medical and family time costs
Benchmark costs by placement This chapter presents the benchmark costs for DCJ and non-government providers by out-of-home care placement type. Chapter 10	Home-based care Residential care Independent living Emergency arrangements
Pricing structure for outsourced services This chapter discusses our recommendations for the pricing structure and levels for contracted services and how highly variable costs should be funded. Chapter 11	Balancing cost reflective pricing with simplicity Additional components for Aboriginal children Consistency and transparency of care allowance Adjusting prices over time
Decisions This chapter lists our decisions for the review. Chapter 12	List of decisions
Appendices The appendices detail supporting context, information and analysis underpinning our decisions and recommendations.	Context Cost of caring study Case work Administration and overheads Detailed benchmark costs