



Final Report summary

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 information paper provides an overview of the Final Report. We also have separate information papers for carers and Aboriginal community-controlled organisations (ACCOs). 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.



We received valuable stakeholder contributions throughout this review.

This input helped inform our advice to the NSW Government.

We would like to thank all stakeholders for their time and effort sharing their expertise and experiences with us,

1 Our decisions and recommendations

We have made several recommendations for DCJ to consider, to improve the performance and long-term sustainability of the out-of-home care system, including in the areas of:



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 help target funding to the areas where it is needed
- to improve the performance and long-term sustainability of the system

For more information see Chapter 2.



A pricing structure that reflects the costs of service delivery

- that captures the efficient costs of delivering out-of-home care and can be tailored to the varying needs of individual children.
- where every child in out-of-home care is funded to receive the medical and therapeutic services they need.
- that gives DCJ improved visibility of the services that children in out-of-home care receive and provides a clearer link between prices and service levels for contracted services.

For more information see Chapters 9, 10 and 11.



Changes to support carers to continue caring

- 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 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 Chapter 3.

^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 reflects the whole day-to-day cost of providing care to young people of this age.



Funding that is more cost-reflective for Aboriginal children in care^b

- by increasing funding for upfront cultural planning and ongoing cultural supports
- by increasing funding for Aboriginal Community Controlled Organisations (ACCOs) who deliver out-of-home care for the additional functions they fulfil and the type of care they provide
- by changing the way that transitions to ACCOs are funded from a fixed annual payment to a payment for each initiated transition.

For more information see Chapters 8, 10 and 11 of the Final Report.



Chapter 1 of the Final Report lists all recommendations and Chapter 12 lists all decisions.

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. We found differences between the current funding provided to non-government providers and the costs of delivering out-of-home care, including the costs faced by carers.

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. In the absence of this data, our review has used existing practices and current costs as the starting point for analysis. However, we are aware that recent reviews have found that the PSP is not effective or financially sustainable. 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. We also recommend that the efficient costs of providing out-of-home care are assessed again once this improved data is available.

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.

^b The term 'Aboriginal' is used in this paper in recognition of Aboriginal peoples as the Traditional Owners of NSW.

1.2 Key changes since our Draft Report

The decisions and recommendations in our Final Report differ from those in our Draft Report. This is a result of feedback we received on our draft decisions and recommendations, and in some instances additional analysis we have undertaken. The key changes are outlined below.

Our estimate of efficient costs has increased for:

- casework for restoration and cultural workers for Aboriginal children, and for CALD children
- additional staff costs (including additional leave and backfill) for care staff in residential and emergency care
- administrative costs for residential and emergency care providers after further analysis particularly of operational house management and support staff (such as rostering, accommodation management, accreditation and reportable conduct roles).

We have also included some new costs in the Final Report including:

- costs of additional casework and other support for children in out-of-home care who are not in placement
- costs for legal support for adoption matters and for court work while interim orders are in place
- an annual amount per child for the costs of travelling to Country for Aboriginal children. In our Draft Report we had recommended this be funded based on actual costs. We made this change in response to feedback from ACCOs around how our Draft Report proposal may work in practice.

Other changes include:

- We have revised our draft recommendation that DCJ consider paying the care allowance directly to all carers and recommend instead that DCJ continues to provide this funding to providers, although with additional reporting requirements on providers to report that the allowance has been passed onto carers in full
- We also now recommend that all children aged 14- 17 receive the same care allowance. We continue to recommend that the care allowance should be paid at a consistent rate for all children assessed with the same level of need to ensure equity for carers and accounted for transparently to ensure that the funding is directed where it is needed
- We have conducted a high-level sensitivity analysis to illustrate how adjusting caseloads would impact on casework costs across all placement types. We have included a range for casework costs in our estimates to allow flexibility in decision making for optimal caseloads
- We have modified our decision on the costs of recruiting and assessing new carers and now consider it should be paid upfront on a per carer household rather than per child basis
- We have modified our estimate for the cost of transitioning Aboriginal children to ACCO case management, due to changes in our assumptions in costing casework and an error we identified in our calculations
- Consistent with the above, we have included a range for the cost of casework and consider payments for reassessing and training carers that transition be made on a per carer basis.



For a full summary of changes made since our Draft Report, see Chapter 1.

1.3 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