

# AbSec Response to IPART Interim Report on Out of Home Care Costs and Pricing

AbSec welcomes the opportunity to respond to IPART's draft report on out-of-home care (OOHC) costs and pricing. As the peak body for Aboriginal children, young people and families in NSW, AbSec is committed to ensuring that Aboriginal children and young people in OOHC remain connected to family, community, and culture, and are supported through a system grounded in self-determination, cultural safety, and community-led decision-making. This response has also been endorsed by Burrun Dalai Aboriginal Corporation and Eleanor Duncan Aboriginal Services.

We recognise IPART's effort to shine a light on the pricing and funding models for providing OOHC in New South Wales. We acknowledge some positive aspects of this report. For instance, in bringing more transparency and accountability to the costing of support. There is also a much clearer appreciation of the need to recognise what extra Aboriginal Community Controlled Organisations (ACCOs) bring to assisting Aboriginal children in OOHC and that culturally safe assistance for Aboriginal children and young people must be properly funded. However, we are concerned by proposals that may limit the capability of ACCOs to operate effectively and/or compromise the safety and wellbeing of Aboriginal children.

This submission draws on insight gained through many decades of experience of member ACCOs from across New South Wales that assisted AbSec to prepare this response.

## Transition Payments

### Transition Payments

We note IPART's draft recommendation to replace the \$150,000 transition support payment with a per-child upfront payment of \$21,300 when a child is identified as potentially transitioning to an ACCO. Both types of payments need to be maintained and paid upfront.

These payments must be paid upfront to facilitate effective transition planning and to ensure appropriate levels of organisational readiness for transitions. This includes recruitment and training of caseworkers. However, simple per-child based payments do not adequately reflect what is required for an ACCO to support effective transitions. This is particularly concerning for smaller ACCOs that rely on the \$150,000 to support their organisational readiness, including for transitions.

### Incentives for Transitions

Despite longstanding support and commitments from Government to transition case management responsibility of Aboriginal children from mainstream NGOs and DCJ to ACCOs, there are still far too few transitions. As at most recent reporting for 2023-24, ACCOs only conduct case management for 1,329 of the 5,677 Aboriginal children and young people in statutory OOHC (23%) <sup>1</sup>.

Alongside underwhelming progress on transitions, ACCOs inform us that in many cases where DCJ and mainstream NGOs do meaningfully engage to facilitate transitions, it is often in cases where the child to be transitioned has more complex needs and/or exhibits more challenging behaviours. ACCOs are firmly committed to supporting all Aboriginal and Torres Strait Islander children in care. However, they are often asked to support children with more complex needs and so have higher support costs.

The current situation underscores that existing incentives to support and encourage transitions are not working. Meaningful progress to transition the case management of Aboriginal children in OOHC from DCJ and mainstream NGOs to ACCOs requires careful consideration of the barriers and incentives to transitions. As part of this process, consideration should be given to implementing financial penalties for NGOs that do not successfully transition increasing numbers of Aboriginal children in their care to ACCOs.

ACCOs also need sufficient funding for effective transition planning and paid prior to, or at the very least as transition planning commences. Funding to support transitions must account for the risk assumed by ACCOs. We have heard too many times from ACCOs that they have hired and trained caseworkers, cultural support workers and support staff to prepare for transitions which never came. Meanwhile, the narrative that transitions are not occurring because ACCOs lack the organisational capacity to handle the additional caseload continues to dominate the policy discourse.

### **Recommendations:**

- Support upfront transition payments of \$21,300 per child to facilitate transition planning.
- Provide base infrastructure funding of \$150,000 for all ACCOs, particularly small and regional providers, to support organisational capability, including for transitions.
- We support recommendations for extending transition payments even if a child ultimately does not transfer to the ACCO to mitigate exposure to financial risk.
- Introduce binding transition targets for non-ACCO providers, with financial consequences for non-compliance. While exemptions (e.g., no local ACCO or

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<sup>1</sup> Aboriginal-led Data Sharing Child Protection and Out-of-home Care Statistics, DCJ, 2024

carer refusal) should be considered, the current voluntary system is not working.

## Cultural Support and Connection to Country

Cultural connection is integral to the safety and identity of Aboriginal children and the strength and wellbeing of Aboriginal cultures and communities. ACCOs have highlighted several issues with the current funding structures to support cultural connection.

The current process for reimbursing costs incurred by ACCOs for facilitating cultural connection for Aboriginal children and young People in OOHC is cumbersome and administratively demanding. ACCOs provide tailored, cultural supports without certainty or assurances that those costs will be reimbursed. We have reports by ACCOs that they often face challenge by the department for cultural supports provided. As ACCOs, strong in culture and deeply engaged in their communities, it is unacceptable for DCJ to challenge what constitutes appropriate cultural supports for Aboriginal children. While we recognise that there must be some mechanism for managing costs, Aboriginal people should make the decisions about what constitutes appropriate cultural support for Aboriginal children and young people.

Compounding this, ACCOs have told us that reimbursements often take an unacceptably long time to be processed by DCJ, with ACCOs expected to bear the costs of providing cultural and other forms of support for children for months or years at a time. Clear, guaranteed and up-front funding for cultural connection activities that recognises and funds the work of ACCOs in both child-specific and community engagement work is essential.

Alongside the program funding challenges, ACCOs contend with broader economic challenges. Among these, ACCOs, particularly smaller ones, face challenges with recruitment and retention of dedicated cultural support workers, where expected to do so on a part time or temporary basis if IPART's recommendation for funding cultural support on a per child basis was implemented. AbSec appreciates IPART's recognition of the importance of cultural supports, including draft recommendations for child-specific and organisation-level funding. However, the current proposal relies too much on per-child payments. Supplementing per child payments, should be secure, upfront block-funding to maintain and develop program infrastructure to deliver cultural supports. This will give ACCOs more certainty in recruiting, training and retaining cultural support workers. Alongside this, additional efforts should be made to increase transitions which would then lift per-child funding available to ACCOS.

### Key Issues:

- ACCOs report difficulties in receiving reimbursement for cultural support from DCJ, with frequent delays and inappropriate scrutiny of costs—especially for off-country children.

- Reliance on per-child cultural funding models are challenging.

#### **Recommendations:**

- Guarantee upfront block funding to ACCOs to support the employment of Aboriginal Cultural Workers and other cultural support infrastructure.
- Make available upfront, non-contestable cultural support funding.
- Explicitly protect ACCOs from challenges by DCJ regarding the legitimacy or appropriateness of cultural support activities (and their costs). We would extend this principle to medical reimbursements. Where a licensed health practitioner (e.g. GP, specialist) has made a referral or other recommendation for a particular form of treatment, DCJ should not challenge the legitimacy and cost of that treatment.
- Recognise community-wide cultural activities (not just child-specific work) as essential, with distinct funding streams.

### **Carer Payments**

AbSec strongly opposes the proposal that DCJ should directly pay carers. No ACCOs we engaged in preparing this response support this recommendation. At present, ACCOs are required to navigate a frustrating model for carer payment reimbursements, characterised by frequent payment delays and demands to justify expenses.

Were DCJ to manage reimbursements:

- Carers will be exposed to the same payment delays, challenge to the legitimacy of some payments and the bureaucratic hurdles ACCOs currently face. Carers will, rightly, expect ACCOs to advocate and negotiate on their behalf to address their difficulties. However, ACCOs will not have the power to resolve these matters.
- The relationship between ACCOs and carers will be undermined.
- ACCOs capacity to support carers in real time will be made very difficult, especially where delays affect urgent medical or educational costs.

#### **Recommendations:**

- Retain carer payments within ACCO administration, ensuring streamlined support, continuity of service and relationships, and culturally safe engagement.

- Prescribe and enforce that all carers receive the same allowances across DCJ and agencies.

## Costs of Care

We have concerns around IPART methodology in determining efficient costs for several components of OOHHC.

### **Failure to account for organisation size**

IPART estimates the administrative costs incurred by ACCOs as being significantly higher than mainstream NGOs or DCJ, but this does not account for the fact that many ACCOs are smaller organisations. Larger organisations, including DCJ, benefit from economies of scale and corporate efficiencies which decrease their per child administrative costs. Rather, IPART should set out costs based on different organisational sizes. Omitting this information, portrays ACCOs as being less effectively managed than other organisations.

### **Rural and regional costs overlooked**

This report notes conflicting evidence regarding the costs associated with delivering services in non-metropolitan areas and as a result IPART deems that they will assume that there is no extra cost for delivering services in regional and remote areas. This extends to labour, travel, incidental and service costs. Higher costs faced by rural services are recognised by both the Commonwealth and New South Wales Governments which provide incentives to offset these additional costs. Given regional and remote areas have almost double the rate of Aboriginal children and young people in OOHHC as metropolitan areas, omitting the costs of providing support to children in these locations disproportionately affects ACCOs and those assisting Aboriginal children and young people.<sup>2</sup>

ACCOs have highlighted several examples of various inputs that are much more expensive in non-metropolitan New South Wales. For example, increased travel distances for caseworkers, cultural events and family connection result in higher costs. Compounding this, there are fewer services in regional New South Wales, often resulting in longer travel times to access relevant services and caseworkers needing to conduct more engagement with children and young people than would otherwise be the case. As a result, costs are higher. The draft report notes several Australian jurisdictions where rural and remote loadings of 10-20% are applied to the carer allowance. This principle should be extended to New South Wales for calculations of casework costs in different locations and carer allowances.

### **Failure to account for disability and children and young people residing interstate**

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<sup>2</sup> Aboriginal-led Data Sharing Child Protection and Out-of-home Care Statistics, DCJ, 2024

The draft report overlooks the real costs of supporting children with disabilities. The draft report suggests that most children in OOHC with disabilities reside in residential care and so can be excluded from wider consideration of costs. However, many children with disabilities do not reside in residential care but remain in foster care or kinship placements. For example, one ACCO case-manages 37 Aboriginal children that are in OOHC, of which 15 have a disability. None of these children are in residential care.

Similarly, the draft report does not account for the extra costs of supporting children that live outside New South Wales. However, ACCOs are still required to provide care coordination without funding. This is a particular issue where young people aged 15+ self-place outside of New South Wales with other family members.

### **Budgeting to underdeliver**

ACCOs provide culturally appropriate, wrap around support for families caring for Aboriginal children, in addition to community engagement and advocacy. Routinely, ACCOs go well beyond to meet the holistic needs of Aboriginal children and communities. This is often at the expense of enabling infrastructure, with ACCO leaders and staff working outside their formal roles to ensure that services are delivered and other compliance and administrative functions are met. These contributions do not appear in budgets or income and expenditure statements. It is concerning that the draft report assumes the lowest cost quartile as the 'efficient administrative cost'. It does not demonstrate efficiency and AbSec calls on IPART to apply higher quartiles and/or recognise the unique contribution of ACCOs in their calculations of an efficient administrative cost.

This approach is reflected elsewhere in the draft report, where the efficient upfront cost per child is estimated at \$1500. This is a figure lower than the per child costs identified for any of the age cohorts and 20% lower than the \$1871 figure identified for children aged 0-4, which account for almost a third of Aboriginal children in OOHC <sup>3</sup>.

Lastly, the funding allocated for casework per-child in the draft model equates to approximately \$58 a week, exclusive of travel, community engagement and other associated costs. This amount would fund approximately one hour of casework per child, per week. Given the report acknowledges the link between high caseloads and placement breakdowns and the additional casework requirements for Aboriginal children and children with a restoration case plan goal, this is unrealistic for good quality care.

While this funding may be sufficient for larger, metropolitan, non-ACCO NGOs who do not deliver the same mix of culturally appropriate and holistic care as ACCOs, it is

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<sup>3</sup> Aboriginal-led Data Sharing Child Protection and Out-of-home Care Statistics, DCJ, 2024



insufficient for ACCOs and especially those that operate outside metropolitan Sydney.

## Broader Structural Concerns and Funding Model Design

IPART's proposal recommends a primarily per-child funding model. While this enables tailored support, it neglects the fixed costs and program-level needs of ACCOs. This is particularly significant for smaller organisations or those serving dispersed regional areas. It affects ACCOs organisational capacity and serves as a handbrake on the growth and development of the ACCO OOH sector more generally. In so doing, the model is inconsistent with New South Wales Government commitments under Closing the Gap, particularly priority reform 2 – building the community-controlled sector.

To drive meaningful progress on Closing the Gap, it is essential that ACCO's holistic, culturally safe, service delivery is recognised and valued with secure, sustainable base funding for program infrastructure. Per-child funding should build upon this foundation.

### **Recommendation:**

- Introduce dual funding streams: one for program and workforce infrastructure, and one for individual children.

## CTG and Broader System Reform

This submission calls on IPART to more closely align their recommendations to Target 12 of the National Agreement on Closing the Gap to 'reduce the overrepresentation of Aboriginal and Torres Strait Islander children in out-of-home care by 45% by 2031'. To this end, IPART should explicitly support Aboriginal people's self-determination through a sustainable ACCO sector, in line with Priority Reform 1 of the National Agreement.

## Conclusion

IPART's review is a significant opportunity to reset the financial architecture of the OOH system in NSW. To do so effectively, it must empower ACCOs, embed cultural safety as a non-negotiable element of care, and deliver funding mechanisms that reflect equity, transparency and practicality.

We recommend that IPART revise its proposals in line with the feedback of the ACCO sector and the principles of the Aboriginal and Torres Strait Islander Child Placement Principle.