



# FUNDING OF OUT OF HOME CARE IN NSW

**This document summarises key findings from the 2025 NSW State Budget in relation to Out of Home Care (OOHC) in NSW, as well as provides our perspectives on the changes to funding flagged following our recent work informing NSW IPART's ongoing review into this sector.**

Following the release of IPART's draft final report in March 2025, and with the final report set to be released in July 2025, it is timely to examine how proposed changes will address the key issues identified throughout the review process.

Below are the key points summarising the major items covered in the NSW state budget in late June 2025 as well as their potential impact on the issues that have emerged during the ongoing review of OOHC funding and delivery.

We conclude by sharing what we commend from the proposed reforms and what we believe requires further consideration and action.

## CONTACT



**BEA MENDOZA**  
beamendoza@pfsconsulting.com.au  
Phone: (02) 9225 6100



**ADRIAN MCGARVA**  
adrianmcgarva@pfsconsulting.com.au  
Phone:



## SUMMARY OF RELEVANT INFORMATION AND CHANGES

The NSW Government reiterates its continued prioritisation of major reform and stabilisation of the OOHC system. Key achievements to date include reducing children in high-cost emergency arrangements, ending the use of unaccredited emergency accommodation for vulnerable children, recruiting more foster carers, and establishing government-run Waratah Care Cottages to reduce reliance on emergency arrangements.

The NSW Government has budgeted **\$1.2 billion over four years to FY2028-29** to fundamentally reform the out-of-home care system, comprising:

- 1. System Continuity and Reform Foundation (\$797.6 million):** The largest allocation continues to support children currently in care while designing and implementing system reforms.
- 2. Workforce Strengthening (\$191.5 million):** Recruitment of over 200 new caseworkers and retention of 2,126 existing staff through higher pay and specialised training.
- 3. Carer Financial Support (\$143.9 million):** A substantial 20% increase to foster care allowances recognising the critical role of foster carers.
- 4. Infrastructure Investment (\$49.2 million):** Government-owned, purpose-built residential OOHC housing for children and young people aged over 12 with high and complex needs.
- 5. System Oversight (\$10 million):** Funding to support the Office of the Children's Guardian.

## CARER RETENTION AND SUPPORT

The additional funding to implement a long-overdue increase in foster care allowances represents the most significant carer support investment in recent years. The Australian Childrens Welfare Agency (ACWA) has identified carer financial pressures as a critical factor in placement instability, making this investment particularly welcome.

Even so, ACWA's broader concerns about carer reimbursement processes and administrative burden remain unaddressed. IPART's recommendations regarding changes to the actual *system* for distributing care allowances still need consideration, not just the *amounts*.

## EMERGENCY CARE SYSTEM REFORM

The \$49.2 million investment in government-owned residential care housing for children over 12 with complex needs who cannot be supported in foster care or require specialised supports is aligned with ACWA's long-standing advocacy for alternatives to expensive, therapeutically inappropriate emergency arrangements. Although, the emphasis on government-delivered services may alter the mixed delivery model that many agencies prefer.

## ABORIGINAL CHILDREN AND CULTURAL CONNECTION

While the NSW Government continues to acknowledge inequality experienced by Aboriginal and Torres Strait Islander people through the National Agreement on Closing the Gap, specific funding allocation to reduce overrepresentation of Aboriginal children in OOHC and improve ACCO transition funding (as recommended by IPART at \$21,300 per transitioning child) remains unclear.

## SYSTEM OVERSIGHT

ACWA has called for outcome-focused accountability that reduces rather than increases administrative burden. The budget's emphasis on "reformed program" structures and enhanced Children's Guardian oversight suggests potential for streamlined accountability, though the risk of additional compliance requirements during transition periods remains.



## OUR ASSESSMENT: STRONG FOUNDATION, IMPLEMENTATION DETAILS CRITICAL

This budget represents genuine recognition that the OOHC system requires substantial, sustained investment rather than incremental adjustments. The government has clearly listened to sector concerns about workforce capacity, carer financial pressures, and unsustainable reliance on expensive emergency arrangements.

It is commendable that the **workforce investment** goes beyond simply adding numbers and also involves creating career progression through leading caseworker roles, which could transform professional retention.

The 20% **foster care allowance** increase is also particularly significant—acknowledging that many carers have been partially subsidising the system and representing a meaningful step toward sustainable placements.

The government's commitment to **reducing emergency arrangements** is welcomed, although investments in purpose-built residential OOHC for children over 12 with high and complex needs has the potential to improve outcomes for affected children although carries risk if not well managed.

## WHERE GAPS MAY REMAIN

Some key implementation considerations for the system reform and its corresponding budget allocation of \$797.6 million over four financial years are:

- **Balance between standardisation and individualisation:** ACWA's submission emphasised the need for funding flexibility to respond to individual children's complex needs while maintaining accountability.
- **Implementation and distribution of funding:** The successful implementation of IPART's recommendation to centralise and overhaul the packaging and distribution of payments to carers will be crucial. Increased funding to support carers is a positive start, and distribution mechanisms will be equally important.
- **Administrative cost reality:** IPART's finding that administrative costs are nearly double original PSP assumptions highlights the importance of ensuring the reformed program adequately accounts for these operational realities.
- **ACCO transition funding:** Despite strong rhetorical commitment to Aboriginal self-determination, the budget doesn't specify what practical financial mechanisms might be needed to achieve transition goals.
- **Workforce factors beyond funding:** While additional funding supports recruitment and retention, other factors such as caseload ratios and thin labour markets also require attention.



**Earlier this year, PFS Consulting assisted ACWA, the NSW non-government peak body representing community organisations working with vulnerable children, young people and their families, to inform the NSW Government's review of OOHC funding. OOHC in NSW aims to provide a safe living environment for children and young people who cannot live with their parents.**

Our work involved comprehensive research and consultations that highlighted critical funding gaps across the sector. We produced detailed analyses reviewing sector-specific cost pressures and actively participated in shaping the sector's response to the draft recommendations and findings of IPART, the Independent Pricing and Regulatory Tribunal tasked with reviewing the cost of delivering out-of-home care and the pricing arrangements with non-government providers who deliver care under contract with the NSW Government.

## IN SUMMARY

Overall, while key budget changes demonstrate genuine commitment to addressing systemic underfunding, operational factors require careful consideration. The substantial investment requires thoughtful implementation with 12-month impact assessments and flexibility to adjust approaches based on evidence—a key recommendation from ACWA's submission.



## WHY PFS

We have experienced actuaries on our team who have expertise in different areas, including life insurance, general insurance, and risk management. We have delivered similar projects for different organisations, including religious communities and other NFPs.

## CONTACT



**BEA MENDOZA**  
beamendoza@pfsconsulting.com.au  
Phone: (02) 9225 6100



**ADRIAN MCGARVA**  
adrianmcgarva@pfsconsulting.com.au  
Phone: (02) 9225 6100