22 December 2025

The Hon. Daniel Mookhey, MLC
Treasurer
Parliament House
Macquarie Street
Sydney NSW 2000

Via website: https://www.treasury.nsw.gov.au/form/pre-budget-submission

Dear Treasurer,

Re: ACWA 2026-2027 NSW Pre-Budget Submission

Who we are

The Association of Children's Welfare Agencies (ACWA) is the peak body in New South Wales representing non-government community organisations that work to improve outcomes for children, young people, and families to enable them to thrive.

Summary

Informed by the feedback and frontline experiences of our member agencies and other Non Government Organisation (NGO) providers, this pre-budget submission outlines **5 priority areas** for increased investment of around **$350 million** (approximately 30% of current budget) that will make a difference to children, families, and communities, as well as assisting our workforce and services. We support redirecting government funding to early intervention and prevention, particularly for First Nations' children, young people, families and communities. However, we consider that continued investment in out-of-home care is also needed to ensure that those children and young people who cannot live safely at home are well supported to thrive in home-based settings and that they continue to receive good support once they transition out of care.

In addition, we are deeply concerned about challenges being experienced more acutely in the sector at the moment which would benefit from some extra support, including: workforce attraction and retention; rising insurance and Workers Compensation premiums; administrative costs associated with recommissioning, contract variations and program changes; impacts of proposed changes to the SCHADS Award; and the hidden cost of the Portable Long Service Leave scheme.

Our five priorities for improved outcomes for children, families and communities

1. Early Intervention, Prevention and Family Preservation ($95 million investment)
2. Closing the Gap, and implementing the recommendations of the Family is Culture Report ($65 million investment)
3. Permanency Support and Out-of-Home Care ($80 million investment)

02 9281 8822 acwa@acwa.asn.au www.acwa.asn.au
Level 9, The Chelsea, 93/110 Sussex Street Sydney NSW 2000

The Association of Children's Welfare Agencies Ltd is a company limited by guarantee registered with ASIC under the Corporations Act 2001 (ABN 24 459 406 828 ACN 629 007 727)

4. Workforce Development, Technology & Infrastructure ($30 million investment)
5. Cost of delivering services ($60 million investment)

This submission outlines a range of targeted investment initiatives under these priorities that would serve to increase the effectiveness and efficiency of existing services, while further boosting impact through enhanced commitment to community-focused solutions and preventing costs associated with tertiary services downstream.

Background to ACWA

For more than 66 years we have worked with our members, partners, government and NGOs, and other peak bodies, to bring about positive systemic reform that will deliver better outcomes to the lives of children and young people, including those living in out-of-home care, with the purpose that we will:

> *'Advocate for and strengthen the capacity of the community service system to work effectively with children and young people and their families, kin and communities who need support'*

Our vision and what we want

ACWA and our NGO members want the NSW Government to prioritise investment in maintaining a strong, responsive and efficient community service sector that not only protects the most vulnerable members of our community, particularly children, but also enables *all* children and families to thrive. It is only by providing parents and children with the supports and resources they need to thrive that we will reduce the number of children entering the care system.

While this pre-budget submission focuses on **5 priority areas** for increased investment in the child and family sector, we recognise that there are broader societal factors that need to be addressed as a matter of urgency. With 13.4% of NSW residents (and 15.2% of children)[1] now living below the poverty line, cost of living pressures continue to be a critical driver for families seeking help from community service organisations. Likewise, secure and affordable housing is a fundamental right that underpins the safety, health and wellbeing of families and children – without it, they simply cannot thrive.

1. Early Intervention, Prevention and Family Preservation

1.1 Increase annual investment in early intervention, prevention and family preservation services by 20% (approximately $65 million) to help children and families thrive, improving equitable access to critical protective supports such as health, education, and social services through a location-based and family-centred approach.

ACWA acknowledges and welcomes the maintenance of investment in family preservation of $900 million over 5 years that was announced in May, and the commitment to increasing the

[1] https://ncoss.org.au/resources/resources-list/the-facts-about-poverty-in-nsw/

proportion of funding directed towards supporting Aboriginal children, young people and families. However, we view the lack of additional investment in Targeted Earlier Intervention and prevention as a lost opportunity to further build upon the estimated $92 million annual cost benefit[2] attributable to improved safety outcomes delivered through TEI programs.

The Cost of Late Intervention 2024 Report[3] is clear about the huge financial cost to the economy of late intervention. In fact, Australia now spends 40% more ($22.3 bn) on child protection, youth justice, youth unemployment, homelessness and mental health than it did in 2019 ($15.3 bn), with 43% of this spend directed towards the child protection system. In NSW, the cost of late intervention is estimated to be approximately $6.4 billion.

The Productivity Commission's Report on Government Services 2025 showed that in NSW, 64% of child and family expenditure is on out-of-home care compared to just 9% in Family Support Services and 5% in Intensive Family Support Services.

We understand that Treasury wishes to see a decrease in spending in out-of-home care before committing additional funding to early intervention and prevention, however Recommendation 2 in the NSW Government's 2024 System Review into Out-of-Home Care states, *"There is a need for dual investment in the out-of-home care, early intervention and family preservation programs for a defined period. Strong investment is required to reduce demand in out-of-home care, while increasing family preservation[4]."*

There is no doubt that the cost of delivering out-of-home care has escalated dramatically in recent years, but this trend is unlikely to be reversed unless there is much greater investment focused towards keeping children out of the system and it will take time before the benefits filter through to the budget as savings.

We urge Treasury to expand capacity in Targeted Early Intervention, prevention and family preservation services in the following ways:

*1.1a Invest a further **$35 million per year** in NSW Family Preservation programs including Aboriginal Family Preservation, Families Together and evidence-based Family Preservation models to ensure programs are accessible to children and families who need them, so that out-of-home care can be avoided wherever possible.* This should include:

- Increasing the number of places available to families beyond previous levels, noting that maintaining the funding level at of $900m over 5 years effectively represents a contraction of family preservation places from previous program budgets.
- Restoring the number of places within evidence-based models such as Multisystemic Therapy - Child Abuse and Neglect, and Functional Family Therapy, Child Welfare to previous levels. Places in these proven models have contracted in NSW, because there has been no net increase in Family Preservation funding.

[2] P. 103, Final Report NSW Department of Communities and Justice Targeted Earlier Intervention Program Evaluation (2024), Taylor Fry, Social Ventures Australia and Gamarada Universal Indigenous Resources Pty Ltd
[3] O'Connell, M. 2025, The Cost of Late Intervention 2024, The Front Project, Melbourne.
[4] P. 43, System Review into Out-of-Home Care: Final Report to the NSW Government

- Investing in capability development for NSW Family Preservation Services, including a workforce development strategy and training for NGOs and ACCOs. This investment will increase the effectiveness of services to prevent the need for out of home care placements and keep children safe and with their families wherever possible.
- Funding an independent evaluation of Family Preservation programs, including an outcomes measurement strategy, process evaluation and outcomes evaluation.
- Funding implementation and evaluation of Safe and Together Model training in targeted communities in NSW as a first step, to strengthen government and NGO caseworkers' capability to ensure adult and child victims can remain safe and together and hold people using violence accountable.

*1.1b Invest **$30 million** to improve location-based, equitable access to integrated health, education and social service supports for children, including recruitment and training of a high quality 'navigator' workforce.*

- Introduce targeted investment for joint Health and NGO services to reduce children's exposure to violence, through initiatives such as:
    - Investment and support for further development of integrated child and family hubs across the state to improve equitable access to critical protective supports such as health, education, and social services through a location-based and family-centred approach;
    - Funding 100 key workers and navigators across the state to drive collaboration on integrated hubs that provide multi-agency support, provide opportunities to build parental capacity and help families to create social connections during a child's first 2000 days;
- Develop and fund targeted culturally and linguistically diverse community messaging about what's needed to keep children safe.
- Commit to dedicated **funding for Foundational Supports** for children under 9 with mild to moderate disability who are not eligible for the NDIS, not repurposing of existing inadequate investment in early intervention and early childhood health services.

1.2 Invest $10 million in supporting parents and families during statutory intervention with a range of initiatives designed to improve safety and aid family reunification.

We call on Treasury to make a very modest investment of **$10 million** to support parents and family during statutory intervention with a range of initiatives designed to aid family reunification, as per the Family Inclusion Strategies in the Hunter (FISH) model, including:

- **$2 million for 15 Peer Parent and Family Advocates** (a role currently undertaken by Family Inclusion Strategies in the Hunter (FISH)) who could provide training and consultation to NGOs and DCJ on policy and practice across the 15 DCJ districts.
    - Establishing a commitment that DCJ involves these advocates prior to and in the first days of child removal. This is when there is most pain and parents

need to be informed about the process and supported to plan what they need to do to rehabilitate themselves/ change their level of parenting.
    - Locating these positions **in each Children's Court** (using the FISH Model in the Hunter) would also have a strategic impact as this is a critical point.
- **$4 million over 5 years** to establish support units for parents and children in AOD residential units throughout NSW, starting in rural areas with high levels of AOD.
- **$4 million** investment in targeted restoration initiatives including workforce training and development.

1.3 Invest $20 million in expanding access to youth hubs across the state.

ACWA supports Youth Action's call for greater focus on prevention strategies targeted towards young people, particularly those at risk of homelessness, involvement in the justice system, unemployment and mental health challenges. Youth hubs are a proven support for young people, providing a 'third space' where they can find connection, advice and support.

We seek a modest investment to provide support to this often-overlooked cohort of young people, as follows:

- **Invest $12m to fund 15 new youth hubs across NSW**, with at least nine in regional, rural and remote communities.
- **Invest $8m annually to support 10 existing youth hubs**, including at least four outside of metropolitan areas. This additional funding will empower services to engage more staff or specialists, bolster programs, increase hours of availability or explore other opportunities to upgrade service delivery to meet the growing needs of their communities.

2. Closing the Gap, and implementing the recommendations of the Family is Culture Report

We acknowledge that the NSW Government is taking significant steps to redirect funding towards Aboriginal child, youth & family services, notably in both the new Child and Family Services (CAFS) program and in the Family Preservation recommissioning, where 40% of the committed $900 million over 5 years will go to Aboriginal Community-Controlled Organisations working with Aboriginal children and families. However, there is much more to do if NSW is to meet its targets under the National Agreement for Closing the Gap and respond to the recommendations in the Family is Culture report.

2.1 Prioritise investment in the sustainable growth of Aboriginal Community-Controlled Organisations (ACCOs).

- Uplift investment by an additional **$50 million per year** for ACCOs to deliver the early support needed to keep families together and help children thrive, especially at key points of their lives including 0 – 5, at transition points, and if their families are experiencing difficulties with housing, violence and mental health issues.

- Invest **$15 million** to enable establishment and / or sustainable growth of ACCOs, enabling them to maintain the levels of workforce, carers and targeted supports needed to support *all* First Nations' children in out-of-home care to be restored to their families or find safe and loving homes in their community

2.2 Strengthen accountability for upholding the rights of Aboriginal & Torres Strait Islander children and young people through establishment of a NSW Child Safety & Wellbeing Commission.

ACWA supports AbSec's call for a strengthened accountability and oversight mechanism for safeguarding the rights & interests of Aboriginal & Torres Strait Islander children & young people, especially those with involvement in the child protection system, through the establishment of the following:

- A specialised NSW Child Safety & Wellbeing Commission to improve oversight & coordinated regulation of the child protection system for all children
- A NSW Commissioner for Aboriginal and Torres Strait Islander Children and Young People to deliver on commitments made by all Australian governments through Safe and Supported: National Framework for Protecting Australia's Children 2021-2031 and to establish & strengthen accountability & oversight roles focused on promoting the rights and interests of Aboriginal & Torres Strait Islander children.

The estimated investment needed to support these mechanisms is approximately **$12.4** million per year.

3. Permanency Support and Out-of-Home Care

While ACWA is strongly of the belief that there should be much greater investment and focus put towards keeping families together, we also urge Treasury to consider four investment priorities that will assist in maintaining a more efficient, responsive and outcomes-focused Out-of-Home Care system that is child and family-centred. The IPART Review of Out-of-Home Care Costs and Pricing is a thorough examination of the real costs of delivering services and makes a suite of recommendations based on comprehensive benchmarking and evidence gathered from sector stakeholders. ACWA is broadly supportive of the recommendations outlined in the Final Report and welcomes actions already taken by Government including the 20% uplift to the base rate of the DCJ carer allowance.

In our view, the below priorities go directly to addressing major challenges within the system that lead directly to poor outcomes for young people and create additional financial burden to the government in both the short and long-term.

3.1 Invest $50 million p.a. in the provision of priority access to allied health services, educational and specialist therapeutic supports for children in statutory OOHC.

A recent paper by Lumenia, commissioned by Families Australia for the National Foster Care Sustainability Group noted that for every $1 invested in enabling children's access to medical

and therapeutic support, $4.4 of value is generated[5]. Many children in out-of-home care experience significant barriers to accessing appropriate health assessments let alone care – long waiting lists, unaffordable allied health services, and a fragmented service system that is hard to navigate, leave families unable to meet the basic health needs of the children in their care.
Recent changes to NDIS eligibility and a lack of clarity around how foundational supports will be delivered have compounded these challenges and so we are calling on Treasury to explore investing in a range of strategies such as:

- Partnering with the Commonwealth Government to Introduce a **card system** for all children in out-of-home care, similar to the Veteran's Health Card, which enables carers to access a range of medical, therapeutic and educational supports at no or low cost. This initiative alone is estimated to provide $204.8 million in key benefits nationally to future child health and wellbeing, $195.1 million in increased pro-social behavioural benefits and $235 million of benefit from greater placement stability in out of home care systems[6].

3.2 Invest in better coordination of services and supports between State and NDIA

Approximately 25% of children in care have a disability. Providing a robust and accessible mechanism for better coordination of services between the State and the NDIA will ensure that children needing targeted services do not fall through the gap between systems but are fully supported to thrive.

3.3 Invest a minimum $30 million per year to support *all* care-experienced young people until the age of 25

ACWA welcomed the announcement by the previous government of the 'Your Choice, Your Future' package of supports designed to encourage young people to remain with their carers until age 21. However, we share the view of the sector that the scheme needs even greater investment to ensure that the most vulnerable young people, i.e. those in residential care, TSIL and SIL placements are not further disadvantaged. In this, we echo our fellow youth advocacy peaks in seeking Treasury's commitment to measures such as:

- Extending the eligibility for the Independent Living Allowance (ILA) to ***all*** young people 18-21 who have been in care, including those CYP in residential care, SIL and related programs such as Premier's Youth Initiative and Foyers.
- Increasing the ILA to at least **$600 per fortnight** in recognition of the high cost of housing and general expenses, diverting young people from homelessness and interactions with justice and health services*.
- Ensuring adequate funding of and access to Specialist After Care programs, particularly in regional, rural and remote areas of NSW.

[5] Lumenia, A Fair Go – Improving Outcomes for Children in Care
[6] National Foster Care Sustainability Group – Economic Assessment, 2025.

- Investing in a mechanism that helps young people get the greatest benefit possible out of the 'Staying on' allowance i.e. ensuring that the money is used to support young people achieve the goals outlined in their leaving care plan. This could include:
    - making the allowance available to young people themselves rather than their carers
    - investing in a network of 'mentors' to assist young people in navigating complex 'life admin' systems and connecting them to education and employment opportunities.

*We note and support advocacy by CREATE Foundation that has consistently called for the ILA to be increased to a minimum of $16,000 per year for young people leaving care up to age 25 and routinely reviewed to keep pace with the cost of living. This would bring NSW in line with arrangements in other jurisdictions and ACWA agrees that a similar package should be part of the considerations when looking at how best to improve outcomes for young people transitioning to independence from out-of-home care.

3.4 Partner with the Commonwealth Government to boost foster carer support and retention through clarifying tax-free thresholds on carer allowances and introducing foster carer leave entitlements.

Over the last 5 years, there has been a 21% decline in the number of children being placed into foster care homes. The result is an 88% increased reliance on non-family-based (residential) care[7] or group homes - which not only incur significant financial costs for governments but, most importantly, can result in poorer outcomes for children and young people, and their families and communities.

Change is needed to preserve this important part of the system for both children in care and the carers who support them. The financial pressures faced by foster carers, like all families, has increased. Rising costs and inadequate recognition of the role they play is providing a significant barrier.

Advocacy is occurring at the national level through the National Foster Care Sustainability Group and others to seek action on key initiatives that would significantly impact the proposition of fostering. We acknowledge and welcome the NSW Government's action in raising the base rate of the DCJ standard carer allowance by 20% from January 2026, and we urge the Government to further lead the nation in championing the two initiatives outlined below.

3.4a Reduce financial pressure on carers by clarifying the tax treatment of carer allowances

- Direct the ATO to clarify and update guidance on tax-free carer allowances so jurisdictions and providers can increase payments without imposing tax burdens on

[7] Australian Institute of Health and Welfare (AIHW) 2024 Child Protection data

carers. This change would support carer attraction and retention, enhance children's access to everyday opportunities, and improve stability in home-based care.

3.4b Provide equitable leave for carers through amendments to the National Employment Standards

- Adjust the National Employment Standards to help foster carers in paid employment start or continue fostering. Carers fulfil a parenting-type role but are not currently afforded the same rights as parents.
- Introducing up to 16 weeks paid carer leave to support the establishment of new children coming into care would reduce employment disruption and enhance stability for children. This reform will benefit carers, employers and governments through improved workforce participation, reduced turnover and better outcomes for children in care.

3.5 Implement recommendations of the IPART Review of Out-of-Home Care Costs and Pricing Final Report in relation to residential care placements.

The IPART Review of Out-of-Home Care Costs and Pricing found that the current pricing of residential care in NSW is not sufficient to meet the costs of delivering safe and therapeutic placements for young people and that the current pricing model does not allow for the level of flexibility required to manage fluctuations in occupancy and staffing. We therefore support implementation of the following recommendations:

- *Recommendation 10*: For residential care and group emergency arrangements, the price level and structure for contracted providers should reflect the benchmark costs set out in Chapter 10, with the following exceptions:
    - a. The cost of staffing that is not required at low occupancy should be incorporated into the price as a per child component.
    - b. Half of the cost of administration and overheads should be incorporated into the price as a per house component.
- *Recommendation 11*: The Department of Communities and Justice should consider options for simplifying the pricing structure for contracted providers, considering the costs and benefits of trading off cost reflectivity and simplicity.

4. Workforce Development, Technology and Infrastructure

The ongoing resilience of NSW's child protection system is reliant on having a strong and skilled workforce that can effectively respond to ever-changing needs. We therefore argue that a well-planned and well-executed workforce development strategy is essential for our sector.

We acknowledge that previous calls for portability of entitlements and extended contract lengths in the social services sector have been heeded, with work undertaken under the banner of the Secure Jobs and Funding Certainty scheme. There are, however, some emerging issues in relation to Workers' Compensation thresholds and the Fair Work Commission's review of the SCHADS

Award that may further discourage people from entering the sector. It is therefore critical that Treasury recognises this as a major risk to service delivery and seeks to invest in workforce sustainability measures

4.1 Invest $50 million over 5 years to boost sustainable development of the Child & Family Workforce

ACWA calls on Treasury to strengthen the sustainability of the child & family, and indeed the whole social sector workforce in NSW by:

- Investing in enhanced recruitment and training initiatives to attract and retain skilled workers;
- Investing in the establishment and delivery of comprehensive safety and wellbeing protocols and training to mitigate the likelihood of physical and / or psychosocial injury in the workplace;
- Investing in capacity-building for the delivery of hybrid and virtual models of care that complement place-based services, offer client choice and increase accessibility of support services.

4.2 Invest $100 million over 5 years in technology and processes for more effective data collection and utilisation.

In order to improve efficiencies in critical system processes, it is critical that Treasury targets investment towards:

- Establishing a data-driven solution to making strategic placement decisions, and developing clear protocols for using the available data to access suitable placements in a timely and efficient manner;
- Upgrading ChildStory and /or establishing B2B technology that supports better collection and utilisation of critical data, including:
    - Outcomes and impact
    - Services and interventions delivered
    - Progress on implementation of educational, health, cultural and leaving care plans
    - Children's networks incl. extended family
    - Carer availability and capability.

5. Cost of delivering services

We understand the significant budget challenges that the NSW Government faces in trying to balance increased demand for investment across all portfolios with finite funds.

However, as noted in the Australian Government's National Care and Support Economy Strategy 2023:

> *"Investing in social infrastructure helps improve productivity in other economic sectors. It also brings greater development opportunities for children and increased women's workforce participation."*

Evidence shows that economies do much better when the population is well-supported both financially and through access to critical services when needed. The social services sector is buckling under the weight of increased demand, shrinking donation and volunteer bases, and general increase in the cost of keeping the doors open.

We call upon Treasury to acknowledge that continuing to do more with less is not a sustainable proposition for service providers, and to invest in better supporting organisations to manage the impacts of increasing operational costs, such as:

5.1 Increasing the child and family sector budget by 0.5% (approximately $60 million) to support implementation of new programs and reforms including the cost of staff and client transitions, training in new systems and processes, adjustments to resources and information.

5.2 Providing indexed support to the community sector to cover the cost of delivering the new Portable Long Service Leave Scheme.

The new Portable Long Service Scheme requires providers to pay a 1.7% levy into the scheme rather than accruing the money until such time as it is drawn upon. This change will not only directly impact cash flow but also means that organisations will be out of pocket for every staff member who does not remain with the organisation long enough to qualify for long service leave, as provision paid into the scheme is non-returnable. Given the significant staff turnover rates within the sector, this cost is not insignificant, and we seek for Government to monitor the impact and provide support as necessary.

5.3 Providing priority housing allocation for residential care / Supported Independent Living services.

Finding suitable, affordable housing is an increasing challenge for the general population and this is only exacerbated for providers of residential care and SIL services where there are particular requirements and obligations. Having to access property in the private rental market adds insecurity and cost which could be significantly minimised if more community housing was allocated to out-of-home care providers, particularly in regional and remote areas.

5.3 Providing transition support for the sector to implement changes to the SCHADS Award.

5.4 Incorporating cover for increased insurance and Workers Compensation costs in the community sector into annual indexation.

As mentioned in our introduction, ACWA welcomes the chance to provide input into the NSW Government's 2026-2027 Budget. In doing so, we acknowledge and support the submissions of our fellow peaks, particularly Youth Action, AbSec and NCOSS.

We hope this submission provides useful insight into the critical issues that we need to tackle together, to deliver better outcomes for vulnerable children, young people and their families.

If required, I am more than happy to expand on the information contained in this submission.

Yours Sincerely,

Simone Czech
CEO ACWA