

Australian Institute of Family Studies

Care Allowance Review

Discussion questions

Adequacy and equity

1. Should payments and financial supports for carers be expected to cover all the costs of raising a child in out of home care or just to contribute to these costs?

Yes. Payments and financial supports should cover all care costs. Key payments principles and current Victorian payment policies are outlined under the headings below.

Care Allowance payment principles

- Any person or organisation that has parental responsibility for a child under Australian family law is fully financially responsible for the child in their care. The same principle should apply to Child Protection services when parental responsibility (custody and/or guardianship) of a child is assumed.
- It is reasonable for carers to expect sufficient payments and financial supports from the Government to cover the full costs of raising the children where the Government is legally responsible (custody and guardianship) for a child. This includes expenses for:
 - day-to-day living costs (food, clothing and transport);
 - health care (paediatric, occupational health, dental, speech therapy etc);
 - education (tuition, uniforms, sporting equipment, books, school camps and IT); and
 - recreation (sports clubs, music lessons).
- Adequate financial support ensures that carers are not financially disadvantaged and can focus on their primary task of meeting the child's needs which flow from the consequences of trauma, neglect and family removal. This also acknowledges that the child's well-being and development should not be compromised by the financial burden placed on their carers.
- Foster carers are unpaid community service volunteers who offer their homes, time and skills. As part of the agreement to volunteer, it is generally accepted that volunteers should not be left with out-of-pocket expenses from costly support services such as health care and education because of their volunteering activities.

Victorian carer financial support structure

- Victoria has a two-part financial support structure which includes the following:
 - Care Allowance¹: Child Protection advises that the Care Allowance is a contribution towards the day-to-day living costs of raising a child.
 - Key features of the Care Allowance are:
 - five tier payment structure;
 - increase payment levels depending on the complexity of the placement; and
 - increase payments for older age groups.

¹ <https://services.dffh.vic.gov.au/support-carers>

- Client expenses and placement support funding²: which is a funding pool for expenses that are not covered by the Care Allowance and includes:
 - establishment costs for new placements;
 - medical expenses that are not routine such as paediatric services, occupational health, speech therapy, dental;
 - education expenses other than uniforms such as reading materials and IT supports; and
 - recreation expenses such as swimming lessons, sports club memberships, equipment, music lessons.

Key issues with Victorian financial structure

- Care Allowance:
 - Victoria has the lowest Level 1 Care Allowance payments in Australia. A carer with a child that is 0-7 years receives only \$223 per week which is not enough to cover everyday living expenses. A comparison of state care payments is provided at **Attachment A** to this submission;
 - first age related payment increase is not until age 8 which does not align to key life stages which are likely to increase the costs of care such as the commencement of primary school;
 - annual increases are not indexed to household inflation measures such as the Consumer Price Index (CPI); and
 - no payments/loading for remoteness.
- Client expenses:
 - funding is allocated on a regional basis, meaning each Department of Families, Fairness and Housing (DFFH) regional area has its own portion of the overall budget;
 - the demand for these funds varies across regions depending on the number of applications received and the level of need within each area;
 - in areas with a higher concentration of foster carers—or where children in care require more support—there can be greater call on available funds, making it harder for individual applications to be approved;
 - because of this, some regions may experience more competition for available funds, while others may have comparatively lower demand. The level of funding available in any given region is therefore influenced by the volume of requests and the urgency or priority of the expenses being considered; and
 - under investment combined with pooled funding and regional funding allocation leads to variable outcomes across the Child Protection system.

2. Should carers receive payments that go beyond the costs of raising a child?

Yes. Carers should receive payments that go beyond the basic costs of raising a child, particularly when they are unable to work due to the time and energy required to care for children with complex behaviours.

- Australian Taxation Office (ATO) Tax Determination TD 2006/62 exempts Care Allowance payments from tax that are for the day-to-day costs of care (**Attachment B**). The day-to-day costs of care includes a range of living expenses such as:

² See fact sheet *Statewide Client Support Funding Framework* at <https://services.dffh.vic.gov.au/support-carers>

- food
 - utilities (gas, electricity, telecommunications);
 - clothes and footwear; and
 - basic medical expenses.
 - However, the tax exemption does not appear to cover living expenses such as rent or mortgage repayments.
 - It is important to recognise that the time and effort required from carers often goes beyond just providing for a child's basic needs. For children with complex behaviours or additional needs, carers may need to invest significantly more time to provide support. In such cases, carers are not just providing basic care—they are also investing their personal time, which can have costly financial consequences because it can limit their ability to work and accumulate retirement income savings such as superannuation.
 - Additional compensation for lost earnings/earning time and other sacrifices carers make is a fair and necessary consideration to attract and retain dedicated caregivers.
- a. How should this be done in practice? (e.g. should all carers receive additional payments or should this only happen in certain circumstances?)**
- In a volunteer system, foster care is provided primarily as a community service rather than as a profession. However, additional payments can be justified for more complex placements, where the care requirements go beyond what is reasonably expected of a volunteer. These payments could recognise that complex cases have a greater call on a carer's time making it more difficult to work to cover living costs such as rent or mortgage payments.
 - Retirement income contributions for carers could be made by the Government in recognition of the potential negative impact that caring has on the accumulation of superannuation. This could be a positive retention measure to address financial disincentives to staying in the system over the long term.
 - Retirement security is an issue that particularly affects women as approximately 80% of carers are female,³ and because women generally have lower incomes than men.

3. How could payments and financial supports for carers be made more equitable?

a. Should payments and financial supports take into consideration a carers' financial position or other factors? (e.g. by means testing).

The FCAV does not support payments and financial supports means-testing because it could discourage skilled carers from taking on complex placements and potentially affect carer retention. It would also create classes of carers which is not desirable in a volunteer system.

4. What is the impact of inadequate payments and financial supports on carers and the children in their care?

- The Victorian Care Allowance does not reflect the true costs of foster care, nor the value of the care provided. Without increased financial support:
 - carers will continue to leave the system at a higher rate than they can be recruited;
 - fewer children will be placed in stable homes; and

³ Page 3 <https://www.fcav.org.au/assets/carers-census-report---members-1721274054.pdf>

- the welfare of vulnerable children will be negatively affected.

Key consequences include:

Financial strain on carers

- The Foster Care Association of Victoria (FCAV) commissioned the *FCAV Carer Census* in 2024 to better understand carer issues and attitudes.⁴ Key findings about the financial impact on carers of inadequate Care Allowance payments include:
 - 52% of carers identified the inadequate Care Allowance as a challenging part of being a foster carer;
 - 33% of carers identified inadequate funding for child expenses as a challenging part of being a foster carer; and
 - Carers also identified the need for funding increases as a priority systemic issue.⁵
- These findings are supported by the DFFH *Carer Census Report* commissioned in 2021.⁶ Key findings about the financial impact of caring include:
 - 65% of carers use their own personal savings;
 - 64% of carers regularly use their own funds to pay for other expenses; and
 - 18% of carers borrowed money from families and friends.⁷

Placement instability and burnout

- Carers under financial stress are more likely to experience burnout and frustration, particularly when caring for children with additional needs. This leads to:
 - higher placement breakdown rates;
 - increased reliance on emergency or short-term care; and
 - disruption to a child's sense of safety, attachment, and stability.

When carers leave the system due to inadequate financial support, it creates long-term systemic instability, making it harder to place children in safe, consistent environments and results in increased placements in more expensive options such as residential care.

Undermining recruitment and retention

- The low Care Allowance sends the message that foster care is undervalued, undermining efforts to recruit and retain carers.

⁴ FCAV *Carer Census Report*. Orima Research. 2024 [https://www.fcav.org.au/assets/census-report-2024-\(6\).pdf](https://www.fcav.org.au/assets/census-report-2024-(6).pdf)

⁵ FCAV *Carer Census Report*. Sections 10 and 12

⁶ Carer Census Report. Earnst and Young Sweeney. June 2021.
<https://www.dffh.vic.gov.au/publications/strong-carers-stronger-children>

⁷ Ibid. Figure 33. Page 63

Accessibility of payments and financial supports

5. What factors influence carers' ability to access payments and financial supports? Are there unique factors specific to:

- states and territories
 - geographic areas
 - culturally and linguistically diverse carers
 - carers of children with disability or complex needs?
- The current DFFH policy guidelines have limited information on the assessment criteria for determining eligibility for higher level Care Allowance payments. This operates as an access barrier to increased financial support for more complex placements. The FCAV strongly suggests that a copy of the DFFH *Care Allowance Policy and Procedures* document be requested by AIFS.
 - Victorian carers experience significant problems in accessing Client Expenses funding which operates as a pooled funding source, meaning all foster carers must compete for a share of the available funds rather than receiving an automatic allocation. See answer 1 for further information on issues related to client expenses funding.

6. In many states and territories, payments to carers are made by non-government organisations. What factors make it easy or difficult for out of home care service providers to provide payments to carers? (e.g. are there funding arrangements, policies or processes that make it difficult to pay carers?)

Not applicable in Victoria.

Recruitment and retention of carers

7. How do the financial costs associated with caring influence people's decision to become a carer or to stop caring?

a. Do you think the current payments and financial supports for carers make a difference?

- Financial pressures are a major deterrent to becoming a carer and insufficient support drives carers out of the system:
 - because of the low Care Allowance, many prospective carers—particularly those on low or fixed incomes, single carers, and younger adults—may not be able to afford to become foster carers; and
 - when the financial burden becomes a barrier to participation, the care system risks becoming inequitable, favouring those with greater economic privilege and excluding capable, diverse carers who could otherwise provide safe and loving homes. This may particularly be an issue for Aboriginal carers who are generally on lower incomes than non-Aboriginal carers.

8. What changes to payments and financial supports would improve carer recruitment and retention?

- Improving foster carer recruitment and retention in Victoria requires a fundamental shift in how care is valued and supported — beginning with a simpler and more equitable Care Allowance

payment system which is backed up with practical supports that reduce burnout and build carer wellbeing.

- Changes should include the introduction of a simple three-tier Care Allowance payment structure that is aligned to children's key life stages and real-world care costs as outlined below

Care Allowance Payment Structure

Level	Description	Age increments	Remoteness
1. Basic payment	Covers general day-to-day care for children with no or limited additional needs.	<ul style="list-style-type: none"> • Pre-school age (0–5) • Primary school age (6–12) • Junior high school age (13–15) and senior high (16-18) and/or children with disability or trauma 	<ul style="list-style-type: none"> • Increased payments for remoteness
2. Medium payment	Reflects increasing costs for education, social development, and extracurricular activities and higher developmental needs.		
3. High payment	Covers higher costs related to adolescence, independence preparation, complex behaviours, therapeutic needs, and disability supports.		

- This model would:
 - make payments more predictable and transparent for carers because the structure is easy to understand;
 - be annually indexed according to the CPI measure of household inflation to maintain the real value of the payment;
 - better reflect the real-world costs associated with age related developmental stages;
 - ensure carers are not disadvantaged for taking on older children or those with complex needs;
 - include remoteness loadings recognising increased day to day living costs regional areas (travel, food etc); and
 - provides a stronger financial incentive to care for children in harder-to-place age groups — especially teens—and those requiring higher levels of support.

a. Are there changes to financial supports beyond increasing payments that would improve carer recruitment and retention?

- Financial support alone is not enough to improve carer recruitment and retention rates. Carers also need practical relief, emotional support and connection to sustain their caring role. Key improvements include:
 - guaranteed access to respite care: Regular, planned respite allows carers to recharge and reduce burnout, especially for long-term or high-needs placements;
 - funded carer peer support programs: Carer-to-carer support groups, mentoring networks and peer-led debriefing programs build confidence, resilience and reduce isolation and are cost effective. Carers consistently identify access to peer support/connection networks as a high priority;

- access to trauma-informed training and behaviour management support: Carers are more likely to continue caring when they feel skilled and supported; and
- flexible funding pools for needs not covered by the Care Allowance (e.g. school camps, medical and dental care, recreation, transport) without complex application processes.

Suggested solutions

9. What could governments (state, territory or the Australian Government) do to improve carer payments and financial supports?

Recommended Actions:

- Increase Carer payments:
 - adjust carer allowances to reflect the true cost of caring for a child, considering inflation and the rising cost of living and the higher expenses incurred when caring for high needs children;
 - provide increased loadings for remoteness to assist carers cover the increased day to day living expenses associated with living in regional areas; and
 - ensure payments are indexed annually to the CPI to keep pace with economic changes and household inflation.
- Introduce additional financial support:
 - provide higher payments for carers of children with complex needs, disabilities, or trauma backgrounds; and
 - offer easy to access funding for costs such as medical expenses, education or recreation expenses.
- Improve access to education and healthcare support:
 - ensure foster children receive fully funded access to healthcare, including dental, mental health, and specialist services; and
 - fully cover school-related expenses such as extracurricular activities, tutoring, books and uniforms to support a child's educational development.
- Taxation and financial Incentives:
 - explore the potential for retirement income support payment contributions recognising that many carers are unable to work and accumulate superannuation because of the need to work less to support more complex placements.

a. Reflecting on your answers above, what do you see as the highest priority actions for governments?

Increasing base Care Allowance payments to cover the household costs of care. This should include annual indexation of the Care Allowance in accordance with the measure of household inflation by the CPI and increment increases which are aligned with the key life stages of the child.

10. What could governments and/or carer support organisations do to improve carer payments and financial supports?

See answer for question 9.

11. What could carer support organisations do to improve carer payments and financial supports?

See answer to question 9.

Final thoughts

12. Is there anything else relevant to the adequacy, consistency or accessibility of payments and financial supports for foster, kinship and permanent carers that you want to note?

The FCAV has received over 3000 carer submissions and signatures for its Petition to Increase the Care Allowance (the campaign) to increase the Care Allowance. The campaign was launched in June 2023 following repeated failures by the Victorian Government to increase the Care Allowance to a level that covers the costs of care.

Carer comments in response to the campaign are attached to this submission.