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Exploring need and funding models for a national approach to integrated child and family centres

Social Ventures Australia in partnership with the Centre for Community Child Health

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Deloitte Access Economics

Contents

Thank you

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Across four workshops and 20 individual interviews, Deloitte Access Economics gathered valuable insights from a range of stakeholders that informed the thinking and analysis in this report.

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- Lauren Heery, Senior Project Coordinator, Murdoch Children's Research Institute
- Samantha Page, Chief Executive Officer, Early Childhood Australia
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Executive Summary

The early learning landscape in Australia is poised to embrace new forms of service delivery and supports – including integrated child and family centres – that could significantly improve the lives of our most disadvantaged children and families.

This is critical, as while the majority of children and families in Australia are doing well, many experience disadvantage, with a number of key indicators pointing to pockets of high vulnerability. One out of five children commence school with at least one area of developmental delay and one out of six children aged 0-14 years are living in poverty.

At a population level, investments in current models of service delivery have not made a significant difference to the lives of children and families experiencing socio-economic disadvantage. Alternative approaches are required. Rather than seeking to adjust services to better meet need, such approaches focus on reconceptualising service delivery to be centred around the needs of children and families and to changing the conditions under which families raise their children. Integrated child and family centres (ICFCs) are one of these approaches.

ICFCs are a service and social hub where children and families can access key services and connect with other families. They offer a range of integrated services, including early learning programs, as well as health and social services. Beyond the provision and integration of services, ICFCs provide a place within a local community for families with young children to meet and connect.

A range of ICFC models operate across Australia, with different service mixes, funding approaches and conceptualisations of need. Some states and territories fund and/or deliver versions of an ICFC – like Tasmania's Child and Family Learning Centres, with state funding for all offered services and supports – though these can vary considerably. At the same time, non-government providers such as Our Place offer their own conceptions of integrated centres (often with government funding for certain components). The Child Care Subsidy (CCS) sees the Commonwealth Government provide a source of indirect funding to ICFCs which deliver childcare. The current funding arrangements across these different models create several challenges for ICFCs, including administrative difficulties related to siloed funding, and a lack of funding security.

Within this context, Social Ventures Australia and the Centre for Community Child Health (CCCH) at the Murdoch Children's Research Institute have a goal for a national early childhood development policy framework and corresponding service system that provides high quality integrated early childhood development supports to children experiencing socio-economic vulnerability from birth to six.

As part of this goal, Deloitte Access Economics was asked to explore two elements of a national framework for ICFCs in Australia:

1. **The level of child and family disadvantage across Australia as an indicator of significant need for ICFCs**, where that need is situated, and how this interacts with current ICFC supply.
2. **Options for how ICFCs could be best funded at scale** and embedded in the national early years system. To consider different options for funding ICFCs, it was necessary to develop a set of defining features and core components of a 'contemporary' ICFC model.

The approach taken to explore these elements included: conducting a workshop series with expert stakeholders; interviewing 20 stakeholders across government and non-government sectors (including a representative from every state and territory); a review of existing material around ICFCs; developing a quantitative model of need; and a principles-based assessment of funding options.

Modelling priority need for ICFCs

ICFCs seek to address many of the needs of young children and their families in a holistic and integrated fashion. In this context, need can be conceptualised along a spectrum from a universal offering that would benefit all children and families, to a targeted model for the most disadvantaged cohorts. However, children who experience socio-economic disadvantage have the most to gain from ICFC access and require prioritisation in order to achieve greatest impact. This modelling therefore focuses on a highly disadvantaged cohort, noting that the ultimate policy response for ICFCs requires consideration of a broader range of factors.

It was determined that, for the purposes of analysing and better understanding the need for ICFCs, need would be defined by the characteristics of families that reflect disadvantage. This was explored through the development of an interactive need model that:

- estimates the quantum, nature and location of need, as it relates to the role of ICFCs, across Australia. There are two elements to the analysis:
  - geographic modelling – which prioritises locations for ICFC delivery; and
  - population and supply modelling – which estimates the potential scale of need in prioritised locations, while considering current supply.
- is designed to enable key inputs to be changed for flexible use going forward.
  - It is not the intention for the model to serve as a planning or decision-making tool; but rather to bring a systematic basis to the measurement of need, such that priority areas can be identified and further steps can be taken, in partnership with local communities, to determine the most appropriate policy and service design response.

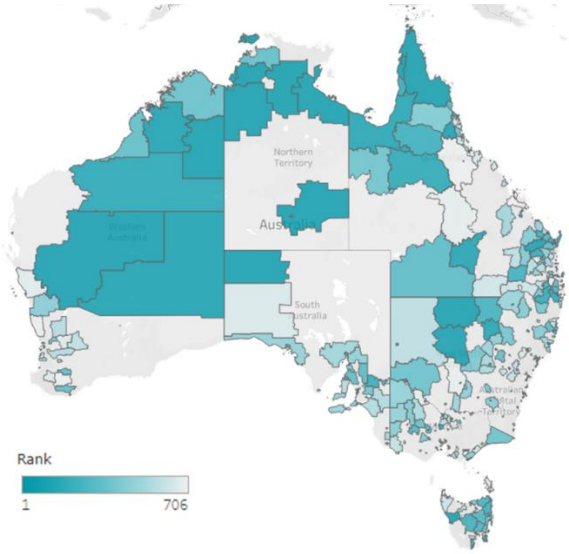
The selection of data sources and indicators for the model followed an iterative process grounded in extensive literature on need and its manifestation – as it relates to the intended purpose and goals of ICFCs. It was guided by the properties that data requires to be fit for this purpose, including that it is available on a national basis at a suitable level of geographic resolution (in this case the Australian Bureau of Statistics' Statistical Area Level 2 (SA2)). This process saw a long list of potential indicators reduced to a shortlist and, ultimately, to a small number of preferred indicators.

Geographic modelling: Prioritising areas of need

The geographic modelling utilises two well cited measures of socio-economic disadvantage: AEDC data on the portion of children developmentally vulnerable, and the ABS Census Socio-Economic Indexes for Areas (SEIFA) deciles. On this basis, a shortlist of 706 SA2s (29% of all 2,470 SA2s) was identified based on areas that would most benefit from ICFCs. This list was then ranked based on the extent of socio-disadvantage in those areas (see Figure i below).

Regional and rural areas rank highly in terms of relative levels of need with, for example, six of the ten highest ranked locations situated in the Northern Territory. However, the results also show that, within large cities and towns, a concentration of high need SA2s are evident in high growth outer suburban areas (see close-up maps of Sydney, Melbourne and Brisbane in Chapter 3).

Figure i: National ranking results of SA2s by need for ICFCs, shortlisted SA2s



Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data.

Population and supply modelling: Quantifying the level of need

The indicative level of priority need for ICFCs was quantified by estimating the population of children aged 0-6 years in each SA2 whose families meet certain characteristics of disadvantage: have a low income, have parents that are unemployed, or who live in social housing. At a population level, nationally, these were seen as the best predictive indicators of the likelihood of experiencing socio-economic disadvantage.

The **population modelling identifies in the order of 100,000 children aged 0-6 years, across the 706 SA2s, who fall within the definition of those who would benefit most from access to an ICFC**. This represents around 17% of the total 0-6 year old population across the 706 areas.

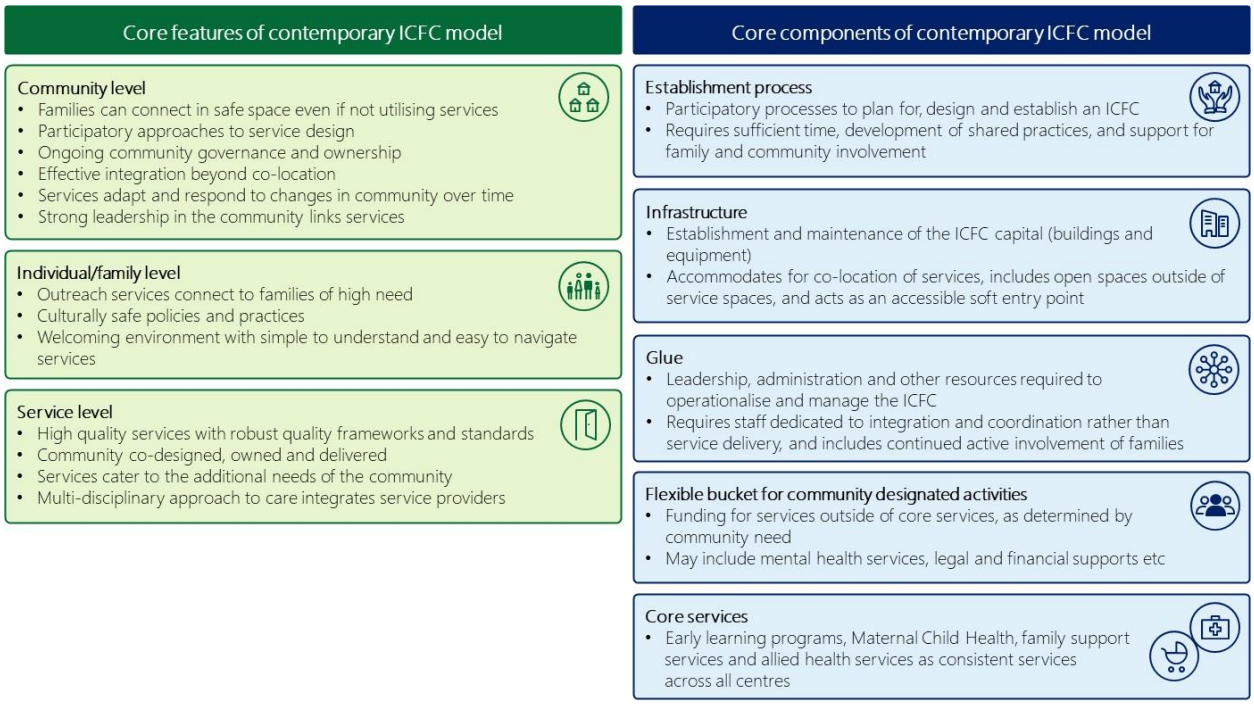
Noting that the construct of an ICFC currently varies from jurisdiction to jurisdiction, the modelling also finds that there is an existing supply of 104 ICFCs across the 706 SA2s on the shortlist. In other words, **15% of the shortlisted SA2s currently have at least one ICFC**.

A contemporary ICFC model

An agreed ICFC model is required to frame a national approach to ICFCs and was developed as part of this process. This construct is grounded in the work done by CCCH[1] and was further developed with the stakeholder group, and is defined with reference to a set of core features and a set of core components as summarised in Figure ii, below.

[1] Moore, T.G. (2021a). Core care conditions for children and families: Implications for Integrated Child and Family Services.

Figure ii: Core features and components of the contemporary ICFC model



Source: Deloitte Access Economics (2023).

Improving the state of funding for ICFCs

The conditions for success essential for the core features and components of the ICFC model were translated into a series of funding principles, for the purposes of guiding the development and assessment of funding options. The most important funding principles identified as critical for the success of the contemporary ICFC model included:

- **sustainability**, given ongoing issues with funding security faced by current ICFCs
- **responsiveness**, given the need for service delivery to respond to changes in need over time
- **equity of access**, given the currently inconsistent access to and quality of ICFCs across Australia, and the need for disadvantaged cohorts to be serviced as a priority.

Based on these funding principles, a preferred funding mechanism was identified for each of the core components of the ICFC model. These are largely consistent with the funding arrangements of most state-funded ICFCs. **One-off establishment grants are recommended for the establishment process and infrastructure**, while **recurrent block-based funding is recommended for ongoing maintenance costs, the integration glue, and for community-driven services**. Block-based funding, tied to critical factors like the size and complexity of an ICFC, reflects the need for secure funding in the face of variable levels of demand, especially in regional and remote locations which are shown to rank highly in terms of need and where the limitations of activity-based funding approaches are well demonstrated.

It is also recommended to leverage existing funding where possible for service delivery, particularly in the short term. This is driven by insights from consultation on the limited fiscal capacity of many governments, such that utilising existing funding is likely to offer the more achievable path.

Guided by the preferred funding mechanism for each of the core components, and having regard to the potential future funding role of the various levels of government, five funding options were developed (options A-E). The options seek to illustrate how the ICFC model might be delivered with varying levels of Commonwealth Government involvement; varying levels of utilisation of existing funding; and various degrees of pooling. The options were assessed against the funding

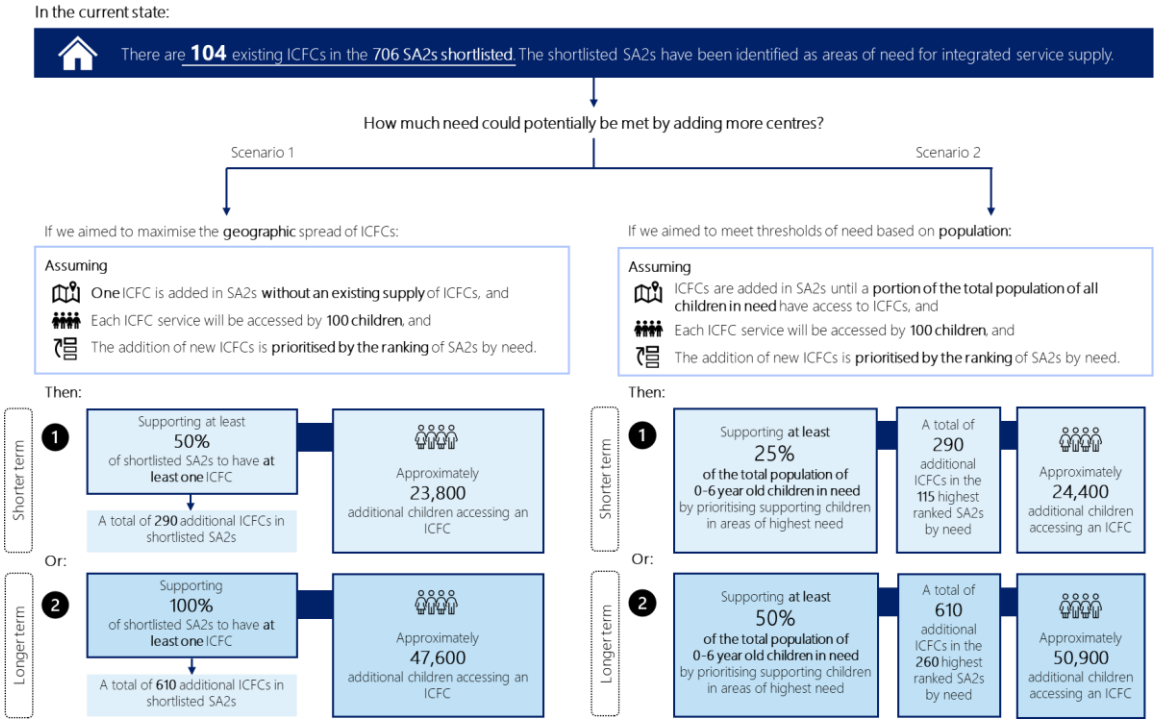
principles, showing the various trade-offs in their design and the conditions under which they may present the preferred path forward.

- **Option A**: Jurisdictions fund non-service aspects of ICFCs, services are funded as they are currently, and the Commonwealth develops a national funding model framework.
- **Option B**: Commonwealth funds the non-service aspects of ICFCs, services are funded as they are currently, and the Commonwealth develops a national funding model framework.
- **Option C**: Commonwealth funds non-service aspects of ICFCs, states/territories pool non-core services, core services funded as currently supported by a joint commission model for states/territories to enable pooling, and a national partnership agreement between Commonwealth and states/territories.
- **Option D**: Jurisdictions fund non-service aspects of ICFCs, states/territories pool non-core services, core services funded as currently, and joint commissioning model to enable pooling
- **Option E**: Commonwealth funds non-service aspects of ICFCs, Commonwealth funds services, and national pooling approach for services with potential to transform current core service delivery such as for childcare.

Towards a new national model for ICFCs

Drawing together the implications of the need modelling and the funding analysis, the future of ICFC delivery was conceptualised over the short term and the long term. Figure iii below illustrates how the scaling of ICFCs over time could meet need, based on scenario analysis modelling related to maximising the geographic spread of ICFCs or meeting thresholds of need based on the total population in need. The short and long term scenarios could provide a basis for staging over time, in the event of funding or other limitations necessitating a phased expansion.

Figure iii: Core features and components of the contemporary ICFC model

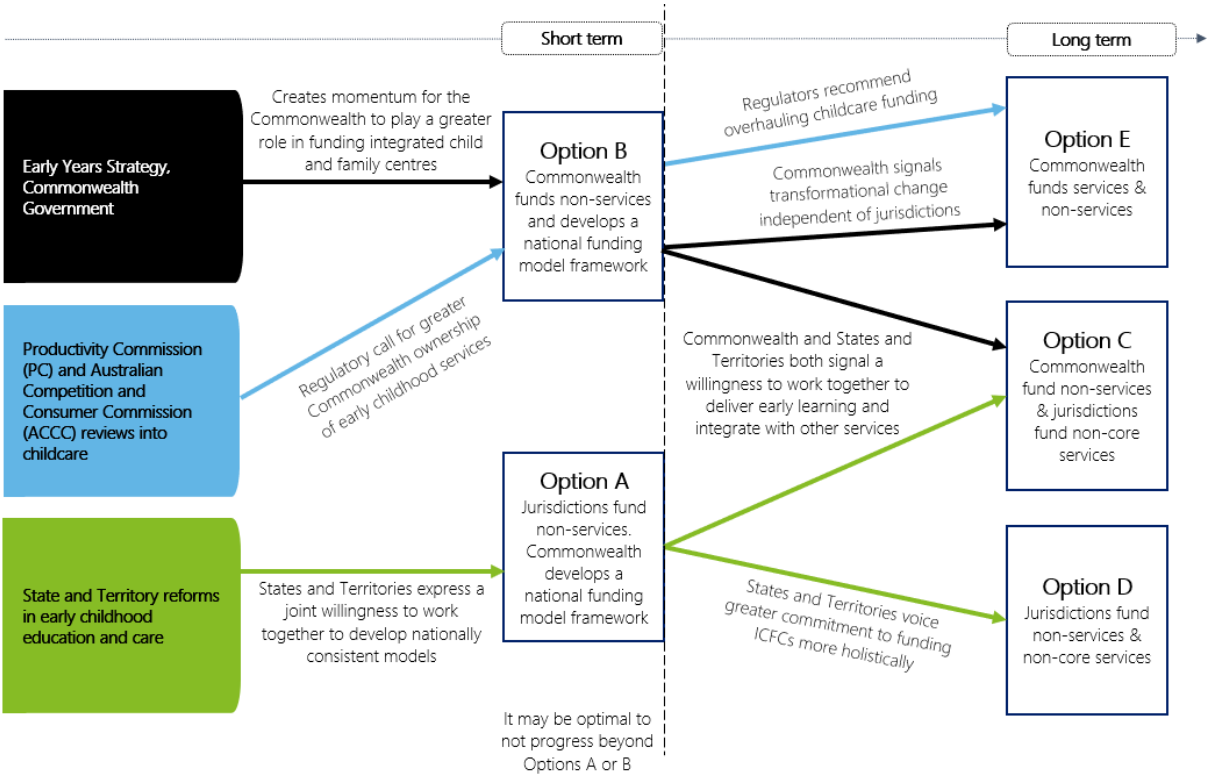


Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data.

Figure iv depicts maturity pathways for funding ICFCs in the context of current and upcoming reforms in early childhood development, acknowledging that the various positions taken by governments will determine the relative feasibility, desirability and impact of each option. It

illustrates how both what is achievable varies over time and how what is preferred is influenced by how current policy developments unfold.

Figure iv: Short- and long-term considerations for funding options in context of current and upcoming reform



Source: Deloitte Access Economics (2023).

Short term horizon

In the more immediate future, it is recommended that **ICFCs are targeted at high need areas without existing supply and funding is adjusted through Option A or B to ensure certainty for the non-service components of ICFCs** (the establishment process, infrastructure and glue).

Scenario 1 shows that in the short term, supporting at least 50% of shortlisted SA2s to have at least one ICFC, prioritised by the ranking of SA2s by need, would result in approximately 24,000 additional children accessing an ICFC across 290 additional centres (if each ICFC was accessed by up to 100 children).[2] Alternatively, under the Scenario 2 approach, to support at least 25% of the total shortlisted population in need, approximately 290 additional ICFCs would be required in the 115 SA2s ranked highest by need. Similarly to Scenario 1, this would see an estimated 24,000 additional children accessing an ICFC.

Under both scenarios, in the order of 300 additional ICFCs are required to meet thresholds of need. If these were all new centres, this is estimated to cost $1.3 billion in upfront costs (infrastructure and establishment process) and $292 million per year in ongoing costs (glue and

[2] It should be emphasised that, in practice, the actual number of children per service may vary considerably from this estimate (on average, and across different communities). The proportion of the population in need that access ICFCs in an area is also not possible to determine based on currently available data and would significantly impact on the additional services that could reasonably be developed to the benefit of a community at a point in time. As such, these results should be considered as illustrative only.

maintenance) outside of service delivery.[3] Over a 10-year timeframe, 300 ICFCs represents $1.9 billion in all upfront and ongoing maintenance costs, and $1.7 billion in glue costs. If existing infrastructure was leveraged through renovations or expansions, this could sizeably reduce the upfront infrastructure costs.

In terms of funding, with a strain on government budgets but growing appetite for integrated services for children and families, the most pressing components of ICFCs to fund better are those costed above – the establishment process, infrastructure and integration glue. Options A and B, where the states/territories and the Commonwealth respectively develop improved funding streams for the non-service components, may be relatively more or less preferable depending on how the current policy landscape unfolds. Should the Commonwealth Government's endeavours see it increase its role in and commitment to the national early childhood education and care sector then Option B may prove feasible and desirable; alternatively the momentum evident across many states may provide the impetus for A.

Long term horizon

In the long term, it is more feasible to **establish ICFCs as a permanent offering within communities experiencing socio-economic disadvantage, and they should be supported by a funding arrangement that captures the service and non-service components of ICFCs (Options C, D or E)**. It is anticipated that ICFCs would become essential infrastructure in these communities, adjacent to schools, long day care centres and similar.

More significant scaling of the number of ICFCs in Australia could have the following impacts (see Figure iii):

- Under Scenario 1, if 100% of shortlisted SA2s were supported to have at least one ICFC, an estimated 48,000 additional children could access an ICFC across 610 additional services.
- Alternatively using the Scenario 2 approach, if a threshold of 50% of the total shortlisted population in need was adopted, an estimated 610 additional centres would be implemented in the 260 SA2s ranked highest by need. This would result in approximately 51,000 additional children accessing an ICFC. This differs slightly from the Scenario 1 results due to different population compositions of the SA2s with additional ICFCs added.

With approximately 600 additional ICFCs required under these scenarios, the upfront costs (infrastructure and establishment process) are estimated to be in the order of $2.4 billion and the ongoing costs (glue and maintenance) at $569 million per year.

The current issue of siloed funding across departments and government is more amenable to resolution under a longer-term scenario. With greater appetite and intent to reconceptualise early childhood funding, this future could include the Commonwealth funding all aspects of ICFCs, and potentially transforming CCS and related funding (Option E). Option D could also be desirable in the long term with jurisdictional intent to pool funding for the whole ICFC model.

A more balanced future for the funding of ICFCs is Option C, where the Commonwealth funds the non-service aspects of ICFCs while the states/territories pool funding for non-core services. Option C also performs well when considered against funding principles such as sustainability, responsiveness, equity and accountability.

[3] Costings are derived from operational budgets from existing ICFCs and stakeholder input. This total cost for 300 ICFCs assumes that 50% of hubs are in regional areas and 50% in metropolitan areas, and 25% are small-sized (375 m^2), 50% medium-sized (750 m^2) and 25% large-sized (1,020 m^2).

Concluding reflections

There is a strong evidence base for the role that ICFCs can play in meeting the needs of vulnerable and disadvantaged families in a uniquely integrated and efficient way – and, in doing so, helping to bridge the gaps in development and wellbeing outcomes that have proven stubbornly persistent in Australia.

The modelling conducted to inform this report suggests that, regardless of precisely where on the spectrum of need the threshold is set, there is a strong case for the expansion of ICFC provision and access. In some cases this is simply about addressing gaps in service provision; in other instances it is about improving existing provision for example by extending the array of services.

If ICFCs are to realise their potential, a stronger national funding approach is required. Australia's early childhood policy landscape is amid a period of review, reform and potentially overhaul. This provides an opportunity and potential catalyst to significantly strengthen the basis upon which ICFCs are funded. But, given the array of possible reform paths in play, it also creates a level of uncertainty regarding the preferred future funding approach to ICFCs.

What is clear is that it must be an approach that systematically underwrites the defining characteristics of ICFCs in a way that provides national consistency and coverage, as well as certainty and assurance in the face of the challenging delivery contexts in which ICFCs can and need to operate. At that same time, it must be an approach which ensures ICFCs have the flexibility required to responsively meet the localised and changing needs of their communities. This mix is best recognised in Option C, but achieving this will require a stronger national funding foundation – ideally provided by the Commonwealth Government – and a commitment from states and territories, as the primary agencies responsible for service delivery, to service provision in the ICFC context.

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1 Introduction

Social Ventures Australia and the Centre for Community Child Health have a goal for a national early childhood development policy framework and corresponding service system that provides high quality integrated early childhood development supports to children experiencing socio-economic vulnerability from birth to six.

As part of this goal, Deloitte Access Economics was commissioned to explore two critical settings related to a national framework for integrated child and family centres (ICFCs) in Australia: the level of priority need for ICFCs, and options for better funding ICFCs. This chapter introduces the:

- work of Social Ventures Australia and the Centre for Community Child Health related to integrated child and family centres
- current policy landscape for ICFCs
- purpose and structure of this report
- approach to the analysis across its two phases.

1.1 ICFCs, Social Ventures Australia and the Centre for Community Child Health

Social Ventures Australia (SVA) is a social purpose organisation that works with partners to improve the lives of people in need. The Young Children Thriving program within SVA seeks to create a more proactive and responsive early years system that delivers genuine prevention so that families experiencing vulnerability and socio-economic disadvantage have what they need to support their children to thrive.

The Centre for Community Child Health (CCCH) is a department of the Royal Children's Hospital, Melbourne and a research group of the Murdoch Children's Research Institute. CCCH unites research, clinical care, training and evaluation to offer unparalleled expertise in children's health, development and wellbeing, to work towards equitable real-life improvements in children's health, development and wellbeing within a generation. The Policy and Service Development Unit within CCCH works with families, professionals, organisations, communities and policy makers to better tackle the complex problems facing children and families, supporting people to work in partnership, use evidence, test ideas, and learn.

With a shared focus on creating more equitable outcomes for children experiencing vulnerability, SVA and CCCH are working on a shared program of work to better understand and mobilise the potential of ICFCs to provide high-quality, integrated early childhood services and supports to children and families experiencing vulnerability.

1.2 The policy landscape for ICFCs

The election of the Albanese Labor Government in 2022 brought with it a renewed political interest in early years policy. This included significant funding commitments around childcare, the opening up of conversations around universal access to early learning, and a commitment to develop a National Early Years Strategy in consultation with the sector. These announcements coincided with significant investment from the NSW and Victorian Governments in early childhood education service delivery, including the introduction of a new year of free early learning for all children in both states in the year before school.

This is an opportune time to explore how our early childhood systems could better respond to the needs of children and their families, particularly those experiencing disadvantage. This strategy could include a commitment to see ICFCs available to children experiencing socio-economic disadvantage and optimised for the most impact and potential.

There has been recent interest from governments and stakeholders in identifying opportunities to improve and expand ICFC service provision. Notably:

- The Benevolent Society has developed an Early Years Impact Measurement Framework and used it to collect preliminary data from its EYPs in Queensland. It is now building a coalition of partners to embark on a second stage to create a robust method for measuring the social and economic impacts of integrated early childhood services in Australia.
- Department for Education, Children and Young People (DECYP) in Tasmania has engaged CCCH to develop a quality improvement tool to drive improvement in the CFLCs. It has also announced plans to build six new CFLCs.
- Queensland Department of Education (QDoE) has engaged CCCH to develop a quality improvement tool for the EYPs.
- The NSW Government has significantly increased funding to NSW ACFCs through the Brighter Beginnings Initiative. This also includes funding to establish more ACFCs and expand the capacity of existing centres.
- SNAICC – National Voice for our Children, partnering with SVA, has developed a national pilot initiative (THRYVE) to support and represent Aboriginal and Torres Strait Islander integrated early years services in the delivery of high quality, responsive, accessible, and culturally strong early years supports for Aboriginal and Torres Strait Islander children, families, and communities to thrive. It is currently being piloted in NSW, Western Australia and Victoria.
- The National Child and Family Hubs Network has been established by MCRI to bring together relevant stakeholders involved in research, training, communication, and advocacy related to innovative and sustainable integrated community-based Hubs, to support the health and wellbeing of children and families.

1.3 This report

Within the context of SVA and CCCH's broader goal for incorporating ICFCs in the early years system in Australia, Deloitte Access Economics was engaged to explore:

1. The level of child and family disadvantage across Australia as an indicator of significant need for ICFCs, where that need is situated, and how this interacts with current ICFC supply.
2. Options for how ICFCs could be best funded at scale and embedded in the national early years system.

This report acknowledges that there are a variety of system settings to consider in exploring a more national model of ICFCs in Australia, beyond need and funding. For example, having clear and aligned policy objectives, service design and development, and monitoring and evaluation frameworks. Figure 1.1 below depicts a more complete understanding of the range of settings to take into consideration for achieving this goal, and the focus of this report within this.

Figure 1.1: The focus of this report within the settings required to embed ICFCs in the national early childhood system

Source: Deloitte Access Economics (2023).

The remainder of this report is set out as follows:

- **Chapter 2** outlines the nature of the policy problem that ICFCs seek to address, the definition of ICFCs and the current state of different service models, including where current ICFCs are located.
- **Chapter 3** presents the methodology and findings of the need modelling. It explores the definition of need and how this translates to data sources and variables and presents findings related to: prioritising locations in Australia that would benefit most from ICFCs; quantifying the level of priority need for ICFCs; and quantifying the level of unmet priority need for ICFCs (given estimates of current capacity).

- **Chapter 4** conceptualises the future funding of ICFCs and what future ICFCs need to encapsulate to better meet the needs of communities. This is achieved by outlining the defining features of the model, its core funding components, the key challenges to current arrangements, and principles for assessing ICFC funding models.
- **Chapter 5** provides an assessment of funding mechanisms for each component of an ICFC, and estimates the cost of this ICFC model.
- **Chapter 6** considers a broader strategy for more optimally funding ICFCs in Australia, outlining and assessing five funding options by considering dependencies, benefits, risks, and limitations.
- **Chapter 7** explores what a new national model for ICFCs could look like in Australia, by stepping through options for scaling current supply and considering the future of ICFC funding under various policy scenarios.

1.4 Approach to the analysis

This report comprises two distinct but related phases. The first relates to the development of an interactive need model to support the quantification of need for ICFCs, while the second concerns options for the future funding of ICFCs. Both phases were guided by four workshops run with key stakeholders, and 20 interviews with other government and non-government stakeholders (see Appendix C for more detail).

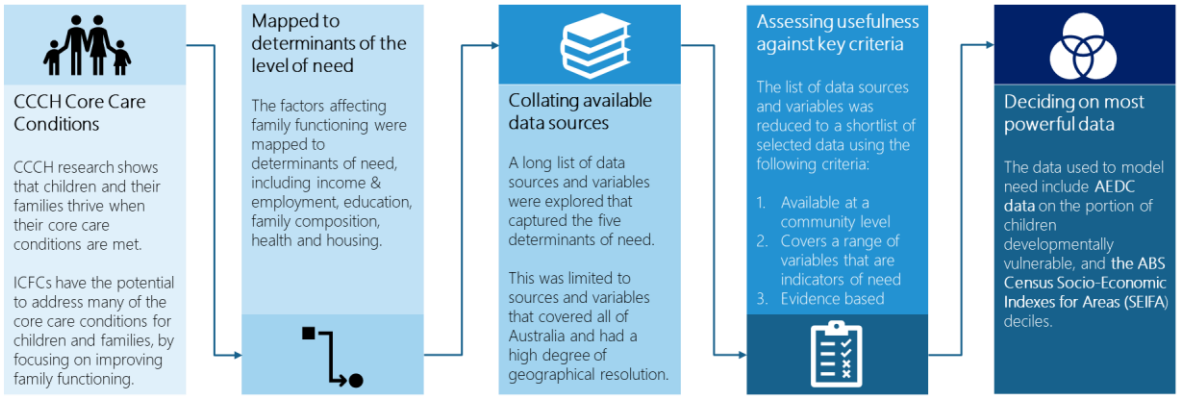
Prior to commencing both phases of work, an initial workshop was held to define the policy and funding priorities for ICFCs and develop an analytical framework. This framework was used to support the succeeding two phases of work.

1.4.1 Phase 1: modelling the need for ICFCs

The outputs of Phase 1 were supported by a workshop focused on defining need. The workshop aimed to understand what constitutes need in the context of ICFC provision, how need is identified and gauged and what data might be available and suited to a purpose such as this. While this work is able to provide an illustrative estimate of the population that may benefit from access to ICFCs, the level of demand for such services in a given community is not able to be determined based on the available evidence.

Following the workshop, the need model was constructed and parameterised. The data selection process undertaken for the need modelling is outlined in Figure 1.2 below.

Figure 1.2: Data selection process for Phase 1



Source: Deloitte Access Economics (2023).

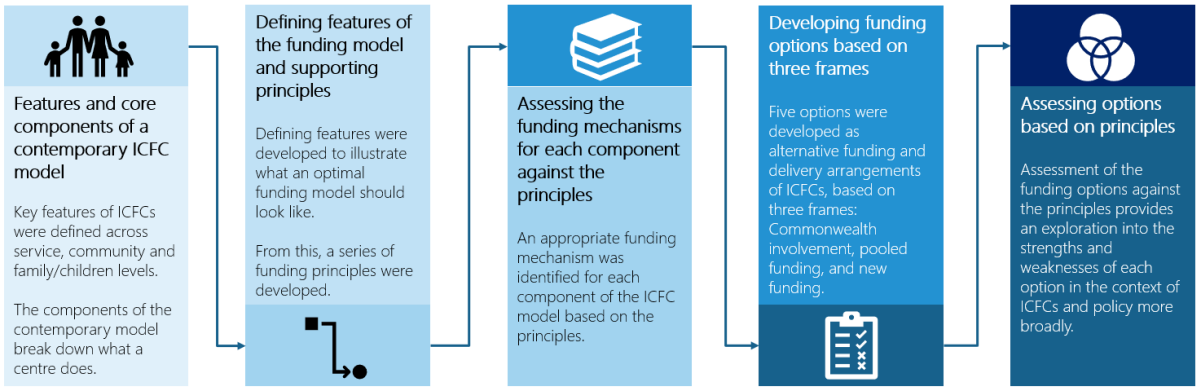
This phase of work produced an interactive model to enable users to understand the quantum, nature, and location of need across Australia and the recommended nature and scale of service delivery required to meet this need.

1.4.2 Phase 2: assessing potential funding model options for ICFCs

A desktop review, two workshops, and stakeholder consultations supported the second phase of the work, which focused on exploring potential funding model options that could enable ICFCs to

become a feature of the national early years system in Australia. Figure 1.3 outlines this options development process.

Figure 1.3: Options development process for Phase 2



Source: Deloitte Access Economics (2023).

2 ICFCs in Australia

Setting the context for the rest of the report, this chapter outlines the:

- level of disadvantage among children and families in Australia, and how this is not supported by current service delivery settings
- definition of integrated child and family centres used in this report
- current state of ICFC delivery in Australia, including the current level of supply.

2.1 Disadvantage among children and families in Australia

Pockets of Australia experience high levels of disadvantage in the early years. Children living in the most socio-economic disadvantaged areas are twice as likely to be developmentally vulnerable in one Australian Early Development Census (AEDC) domain (33.2% compared to 14.9%) and three times more likely to be vulnerable in two or more domains (19.1% compared to 6.7%) compared to children in the least disadvantaged locations.[i] Aboriginal and Torres Strait Islander children are more than twice as likely as non-Indigenous children to be developmentally vulnerable on one or more domains. So too are children from non-English speaking backgrounds.[ii] Early intervention is critical with research showing that the failure to redress early inequities results in wide disparity gaps in rates of health and developmental outcomes in adulthood.[iii]

Research has found that children's health and development are strongly shaped by the social, economic and environmental conditions in which they are born and live.[iv] It is essential that the early years of a child's life are considered within this context, with priority given to initiatives that intervene as early as possible to have a maximum preventive effect. Research has identified the need to be focusing much more on improving the conditions under which families are raising young children, in addition to investments in high-quality, evidence-based early years services.[v]

Despite the evidence around the importance of the early years and what is needed to support children and families, the current system is not supporting all children to thrive. Research conducted by the Mitchell Institute found that many of the most vulnerable children in Australia are either not attending preschool at all, or they are accessing it at a lower quality and dosage than other children. This contributes to the current situation where nearly a quarter of Australian children arrive at school without the foundational skills they need, with a child's risk of being developmentally vulnerable closely correlated with their socio-economic status.[vi]

Further, current service systems are complex and fragmented and can leave families experiencing vulnerability feeling humiliated, frustrated, and disempowered. Evidence shows that children and families with the greatest need are least likely to access services or receive the comprehensive support they need.[vii] Families experiencing disadvantage often experience challenging life circumstances and face multiple barriers to individual wellbeing and community participation.[viii] This includes complex and co-occurring challenges such as low income, low levels of parental education and intergenerational trauma.[ix]

Early intervention and prevention are essential to ensure children within these families start school thriving. ARACY identifies one of the optimal investments in prevention as universal services provided in the antenatal to age five period that provide holistic health, learning and parenting support, and include early needs identification.[x] Although services are important, it is also important to note that alone they cannot shift outcomes for those experiencing disadvantage, as they do not impact community and social factors.[xi]

2.2 Definition of ICFCs

2.2.1 Integration in the context of services for children and families

Integrated service delivery has the potential to overcome family barriers to accessing a range of key services and respond holistically to child and family needs.[xii] Integration is often described as a continuum, with increasing levels of cooperation, coordination and collaboration.[xiii] Along this

continuum, service integration involves increasing levels of cooperation, coordination, information exchange, joint planning, responsibility and accountability and the development of formal partnership structures. Full integration is characterised by the merging of previously independent entities into a single, integrated entity.[xiv] Current ICFCs in Australia sit along the spectrum of integration but cannot at this stage be considered a fully integrated entity.

2.2.2 The definition of ICFCs

ICFCs are a model that seek to address many of the needs of young children and their families in an integrated fashion, usually taking the form of a centre that provides a single location for the delivery of a range of child and family services, as well as functioning as a social hub for families to interact with each other. ICFCs offer universal services intended to support the education, health and development of children and families in communities experiencing disadvantage.

These universal services usually include early childhood programs, Maternal Child Health (MCH) and family supports, as well as a suite of tiered services for children and families requiring additional supports. Tiered services may include allied health, NDIS, family supports such as mental health or adult education programs and tertiary family support services. ICFCs also support families to identify supports that they may need and provide connections and referrals to external supports not available at a centre.

ICFCs have a dual benefit. Firstly, they are a social hub where families with young children can go to meet and connect with other local families and build their social support networks. Secondly, they can act as a service hub for the delivery of a wide range of integrated child and family services.[xv]

With these two benefits, ICFCs offer a uniquely integrated and efficient way of meeting the needs of families experiencing vulnerability and disadvantage. *Starting Better: A Guarantee for Young Children and Families* explores what a world class universal early childhood development system in Australia could look like.[xvi] ICFCs serve as an important vehicle to deliver on the core elements of the guarantee (except parental leave), and in particular the wrap around navigator service and seamless support for children.

It is important however that ICFCs are situated within an ecological model to have most impact on the lives of children and families. Broader place-based supports and an enabling policy environment are necessary to truly support all children and families to thrive.

The Core Care Conditions for Children and Families[xvii] identified significant key child and family needs that could be met through an ICFC (see Figure 3.1). ICFCs are designed to be responsive to community need and therefore the mix of supports they offer will vary. Some centres offer formal early childhood education and care (ECEC) within the service, whereas others support families to access ECEC through transition support programs (such as Launching into Learning) or structures (such as being co-located with a preschool/school). The infrastructure of an ICFC is also important to its operations, with centres designed in a way to enable families to drop in for unscheduled visits, with spaces for children to play and communal kitchens and other facilities.

The way in which staff work is also crucial to the ICFC model. ICFCs provide a safe and welcoming environment where families feel safe and able to build relationships with staff and other families. As families feel more comfortable in the space, qualified staff are able to identify the needs of children and families and assist them to access necessary supports. Some of the most high-value work undertaken by ICFCs is the informal work that happens outside of formal service delivery. In order to enable informal work, centres must be open for drop ins and staff need un-rostered time to be able to sit with clients, talk about issues and engage in casual interactions. This supports parents to feel that help is available when they need it.[xviii] When of high value, the outcomes of this informal work are both immediate and contribute to long-term relationship building and gradual positive sustainable change in families and communities. Informal work also focuses engagement around strengths and connection, rather than perceived problems or deficits.[xix]

2.3 Current state of ICFC delivery in Australia

Many programs offering integrated early childhood services have been implemented worldwide over the past two or three decades, in recognition that integrated service delivery has the

potential to overcome family barriers to accessing a range of key services and respond holistically to child and family needs. [xx,xxi]

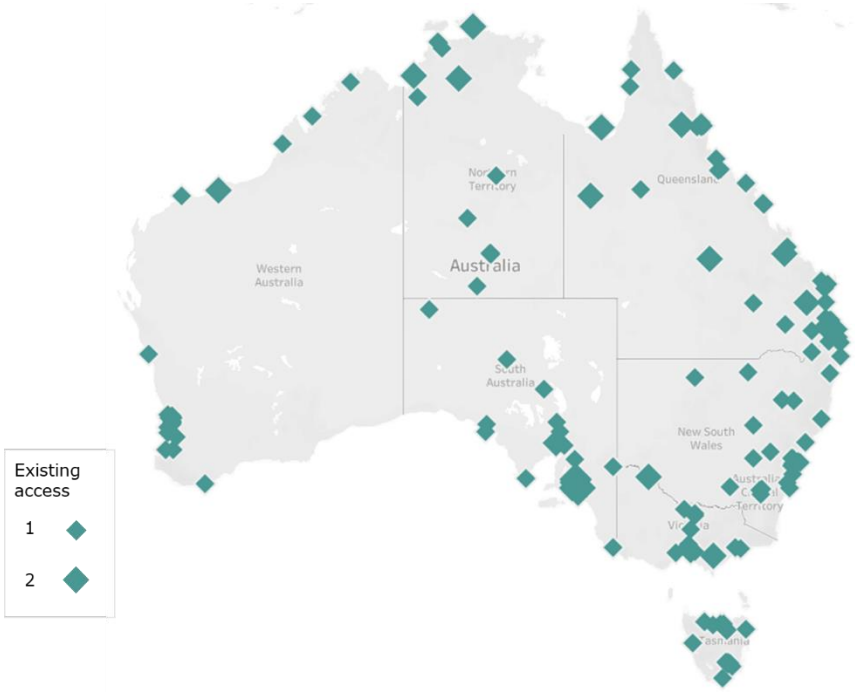
CCCH's research suggests that there is more that current ICFCs could be doing to promote child and family health and wellbeing.[xxii] While Australia has had a number of ICFC models operating at different scales for a number of decades, there is poor and inconsistent service coverage and no standard model for these services. This means that a majority of children who would benefit from an ICFC are not able to access one.

With different scales of ICFCs across Australia, there is no single national definition or single source of data that summarises national current supply. To estimate current supply, Social Ventures Australia and Deloitte Access Economics collated information from a variety of sources, subject to a definition of the ICFC, to produce the most comprehensive picture possible.

This found an estimated 209 existing services across Australia that can be broadly described as meeting the characteristics of an integrated child and family service. The integrated centres considered as part of the existing supply are:

- Aboriginal Child and Family Centres (ACFCs), Australia
- Early Years Places, Queensland
- Child and Family Learning Centres, Tasmania
- Children's Centre, South Australia
- Our Place, Victoria
- Child and Parent Centres, Western Australia
- Child and Family Centres, ACT
- Multifunctional Aboriginal Centres (MACs), Australia
- Child and Family Centres, NT.

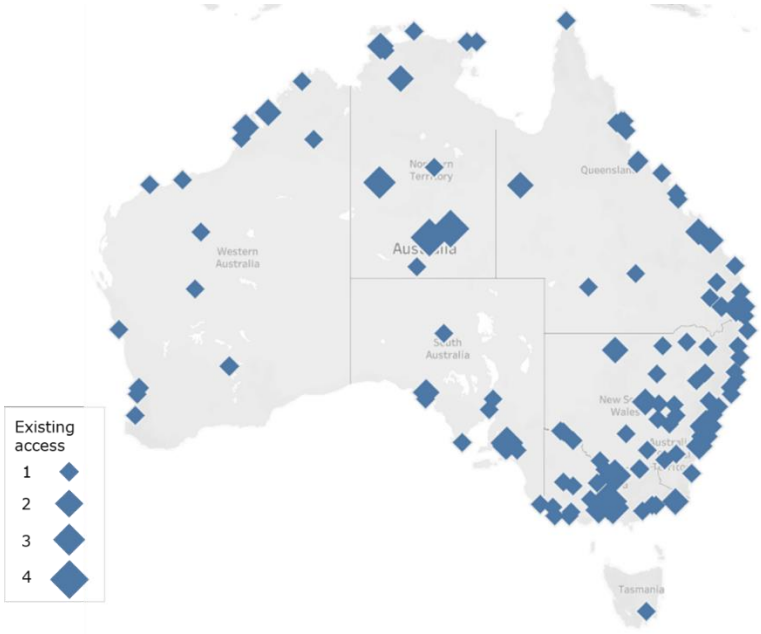
Figure 2.1 Map of the 209 existing services that broadly meet the characteristics of an ICFC



Source: Deloitte Access Economics and Social Ventures Australia (2023).

In addition to the existing 209 integrated services, there are approximately 250 other hubs including primary health hubs, school-based hubs, and Aboriginal Community Controlled Health Organisations (Figure 2.2). While these existing services do not currently reflect the components of an ICFC defined here, support and funding could allow these services to become an ICFC if and where this fits with the organisational mission and priorities.

Figure 2.2 Map of the approximately 240 other types of existing services hub models



Source: Deloitte Access Economics and Social Ventures Australia (2023).
Note: Other services include existing services that could be supported to become an ICFC. These services include Community Hubs and National Aboriginal Community Controlled Health Organisations (NACCHOs).

As well as existing ICFCs and other hubs, Deloitte Access Economics and Social Ventures Australia identified 80 place-based initiatives nationally (Figure 2.3). Place-based initiatives are designed and delivered to respond to complex social problems with the intention of targeting a specific location and population group.[xxiii] Similarly to other existing hub models, place-based initiatives could be supported to provide other services or partner with integrated service models.

Figure 2.3 Map of 80 existing place-based initiative programs

Source: Deloitte Access Economics and Social Ventures Australia (2023).
Note: Place-based initiatives are programs designed to respond to complex social problems in specific population groups or geographical locations. These initiatives include Best Start (Victoria), Communities for Children, Communities that Care, Connected Beginnings, Empowered Communities, and Stronger Places, Stronger People.

3 Modelling the need for ICFCs

Understanding need is critical to developing a national framework for integrated child and family centres that delivers outcomes for children and families. Deloitte Access Economics developed a model to quantify the level of need for ICFCs in Australia, and how this interacts with supply.

This chapter explores the:

- characteristics of a family or community that drive significant need for ICFCs
- definition and measurement of need for the purposes of modelling
- results of the need modelling, including the geographic ranking of locations in Australia with regard to need for ICFCs, the population of children estimated to satisfy certain characteristics of need across these locations, and an illustrative estimate of the number of additional services that could be developed to benefit disadvantaged communities.

3.1 Defining the need for ICFCs

Key findings

- The types of need that integrated services can help to address reflect five factors that affect family functioning, as defined by CCCH: **personal factors, social factors, immediate environmental factors, service factors, material wellbeing.**
- Following the **mapping of family functioning to types and determinants of need**, Deloitte Access Economics identified appropriate data sources and variables for use in the modelling.
- Deloitte Access Economics developed an interactive model that estimates the **quantum, nature and location of need**, as it relates to the role of ICFCs, across Australia.
- The key data sources used in the modelling include **AEDC data** on the portion of children developmentally vulnerable, the **ABS Census Socio-Economic Indexes for Areas (SEIFA) deciles**, and **ABS 2021 Census data on parents with low income, experiencing unemployment or living in social housing.**

3.1.1 Characteristics of a family or community that drive need for ICFCs

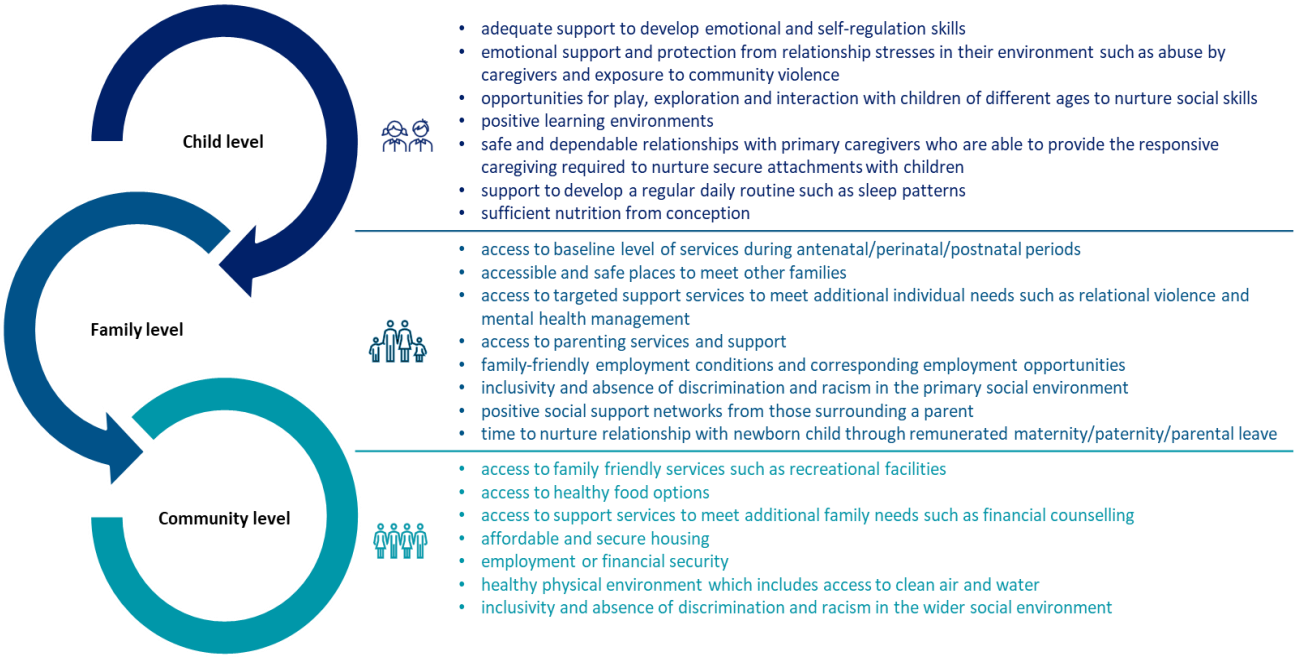
A child and their family's environments and experiences in their early years have a profound impact on their longer-term health and wellbeing. Children and their families thrive when their core care conditions are met.[xxiv] These conditions include secure relationships with caregivers, appropriate nutrition, and positive early learning environments; for parents, positive social support networks, access to support services, and social inclusion; and for both, secure housing, financial security and healthy and safe physical environments. A longer list of the core needs associated with ICFCs at child, family and community levels is summarised in Figure 3.1 below.

However, for many children and families, these core care conditions are not met. More than one in three Australian children experience some form of disadvantage[xxv], and for these children, access to and participation in quality support services is poorer than that of their peers.[xxvi] These inequities have a flow on effect; with, for example, one in five children assessed as developmentally vulnerable at school entry.[xxvii]

ICFCs are a service and support model that seek to address many of the needs of young children and their families in an integrated fashion. A synthesis of the evidence indicates that ICFCs have the potential to address many of the core care conditions for children and families, providing not only a range of high quality universal and targeted support services, but also inclusive spaces for families to meet and build their social networks.[xxviii]

ICFCs present a promising solution to the inequities facing Australian children and their families, with a dual focus on enabling and facilitating access to the service system for those who would most benefit, and building social capital.[xxix]

Figure 3.1: Core needs associated with ICFCs at child, family and community levels



Source: Deloitte Access Economics, based on Moore, T (2021).[xxx]

3.1.2 Defining and measuring need for the purposes of modelling

There is a spectrum of need for ICFCs. On one hand, ICFCs seek to address the core needs of all children and families, and as such are likely to benefit everyone. It was expressed by some in consultation that ICFCs should ultimately be delivered as a universal offering. However, it was also acknowledged that ICFCs are specifically designed to address disadvantage and inequities by improving the conditions under which families are raising children, and by this logic ICFCs should be targeted in the first instance at children and families who are more in need than others. This speaks to the various possibilities available when considering the scaling of ICFCs, which are explored further in Chapter 7 of this report.

It was agreed that, for the purpose of modelling need, the focus is on identifying the domains for which ICFCs can be most effectively targeting particular cohorts.

With this frame in mind, need for ICFCs can be considered across three high-level components (conceptualised in a flow diagram in Figure 3.2):

- **Characteristics of families (socio-economic disadvantage and family functioning)** – researchers have demonstrated that a key benefit of ICFCs is helping to improve family functioning – or the conditions under which families experiencing vulnerability are raising young children. These conditions are considered to be integral for children's wellbeing. A key gap in current service provision is therefore support that directly addresses family functioning.

  "The early childhood environment for families of infants and preschool children often lacks certain key features that are essential for the effective family functioning – especially places within the community where parents can go where they can meet other families and get access to relevant services."[xxxi]

- **Access to services** – the availability of services is a key contributor in considering how to target ICFC delivery. However, access to services was not captured in the definition of need, as the purpose of the exercise was to understand disadvantage regardless of current service

provision. Access to services is considered separately (see the figure below), given there are a variety of ways to respond to disadvantage in different communities based on the nature of existing service provision and participation.

- **Outcomes for children and families** – direct outcomes for children and families, such as child health outcomes, can also be evidence of need for ICFCs. However, for the purposes of this modelling, it was considered that outcomes are a function of appropriate services and centres responding to socio-economic disadvantage. As such, outcomes variables are considered in the definition of need for modelling to the extent that they represent proxies for the characteristics of families.

Figure 3.2: Need for ICFCs across three components

Source: Deloitte Access Economics (2023).

Factors affecting family functioning and types of need

Based on the flow diagram above, need for ICFCs is framed for the modelling within the context of family functioning and socio-economic disadvantage, under the conditions of which the core needs of children are not met. The types of need that integrated services can help to address, as shown on the left pane of Figure 3.3, reflect five factors that affect family functioning, as defined by the Centre for Community Child Health:

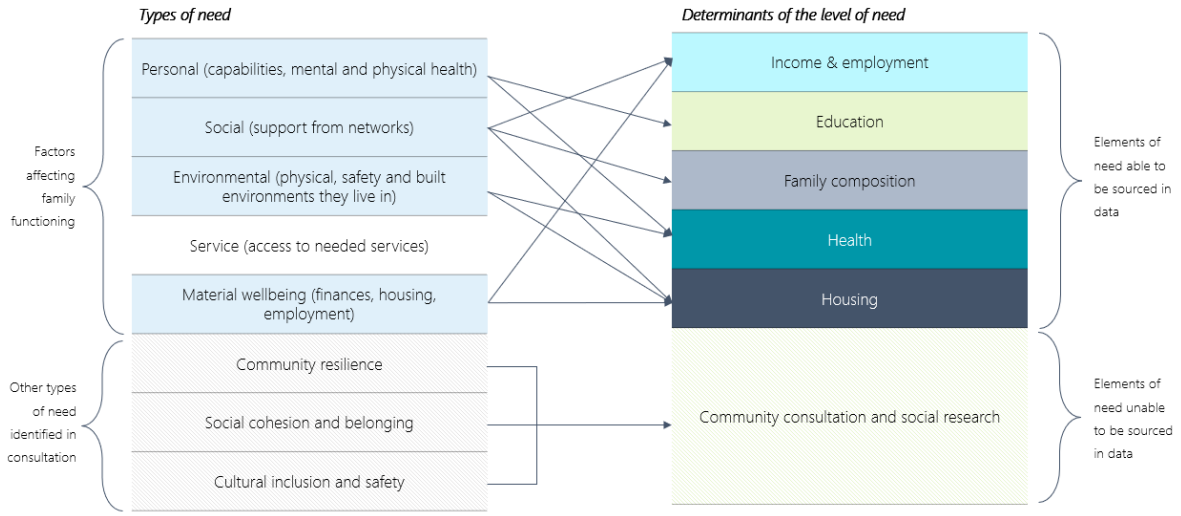
- personal factors
- social factors
- immediate environmental factors
- service factors
- material wellbeing.[xxxii]

These categories of need are then mapped to determinants of the level of need, as shown on the right pane of Figure 3.3, for which data points are available as proxy measurements of need. As Section 3.1.3 outlines, the characteristics of the available data bear heavily on the characterisation of need in the model. The modelling is required to be undertaken Australia-wide, and with a high degree of geographical resolution, which limits the data sources that are available.

Engagement with stakeholders also revealed a number of other types of need both within and outside of the five factors affecting family functioning, including community engagement or resilience, access to social connections and support, and cultural need. Despite the importance of these elements of need for considering the delivery of integrated centres, they could not be mapped to data sources.

Insights into community need in these domains is better understood and captured through community consultation and co-design processes. As Section 3.1.3 describes, the purpose of the modelling in this context is not to provide definitive answers as far as future ICFC service planning is concerned. Rather, it is to generate evidence-informed insights that can provide an input to the broader process of planning, community engagement and co-design.

Figure 3.3: Types of need and determinants of the level of need



Source: Deloitte Access Economics (2023).

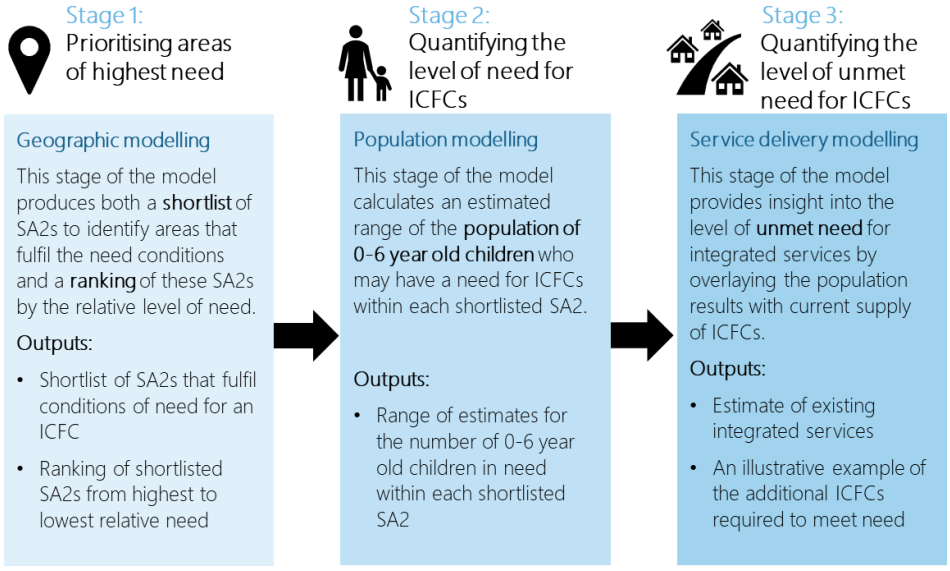
Note: The light blue shaded 'types of need' on the left pane reflect factors that were mapped to determinants of the level of the need, for which proxy measurements of need were identified. The last three 'types of need' on the left pane reflect types of need that could not be mapped to determinants of need for which data is available.

3.1.3 The scale and prioritisation modelling process

Deloitte Access Economics developed an interactive model that estimates the quantum, nature and location of need, as it relates to the role of ICFCs, across Australia. There are two elements to the analysis: geographic modelling and population modelling. The geographic modelling supports prioritisation of potential service locations across geographical areas, while the population modelling and service overlay supports an understanding of the potential scale and insights into the estimated additional service delivery required to most suitably meet need (to be further determined through the co-design process).

The logic flow of the scale and prioritisation modelling is summarised in Figure 3.4 below.

Figure 3.4: Structure of scale and prioritisation modelling



Source: Deloitte Access Economics (2023).

The model has been designed in a way that enables key inputs to be changed, allowing alternative specifications of the quantitative measurement of need to be explored and to support the flexible use of the model for policy development going forward. Underlying data can be updated, meaning that as population characteristics change so too does the guidance that the model produces.

Ultimately, the modelling is intended to:

1. Create a **representation** of the possible scale of need for ICFCs under a prescribed definition as well as the level of unmet need (given current provision).
2. Allow SVA, partners, and governments to **identify and prioritise possible communities with high levels of need** that could be suitable for ICFCs.
3. **Inform the future development** of national ICFC funding models.

The scale and prioritisation modelling **does not** capture:

1. A nuanced family and community articulation of need that captures social connections, support and relationships with existing services.
2. An understanding of how need will interact with ICFC model design – to be captured through the community co-design process.
3. The level of demand for ICFCs – while the model provides an illustrative estimate of the population that may benefit from access to ICFCs, the level of demand for such services in a given community is not able to be determined based on the available evidence.

3.1.4 Determining data sources to model need for ICFCs

Following the mapping of family functioning to types and determinants of need, Deloitte Access Economics identified appropriate data sources and variables for use in the scale and prioritisation modelling. This was based on identifying data sources that captured the determinants of need as displayed in Figure 3.3: income and employment, education, family composition, health and housing.

A long list of data sources and variables were explored in consultation, and reduced to a shortlist of selected data using the following criteria:

1. **Available at a community level –** the Australian Bureau of Statistics' Statistical Area Level 2 (SA2) geographic level was selected as the geographic area to use within the modelling. There are 2,473 SA2s in Australia, which are intended to represent a community that interacts together socially and economically. Selecting a small area level like SA2s was determined to appropriately capture the need, at a community level, for the purposes of contemplating ICFC provision in the manner it is contemplated here.
2. **Covers a range of variables that are indicators of need for ICFCs –** data available at the SA2 level that covers the five determinants of need for ICFCs was assessed. On this basis, the ABS Census and the AEDC were identified as the two sources of data that together best captured the determinants of need at the SA2 level. Consultation also revealed that data from the ABS Census and the AEDC is consistently used to define need for existing integrated centres.
3. **Evidence based –** Within these sources, variables were identified that were strongly **evidence based** and the most powerful indicators of need according to the conceptual idea of need for ICFCs.

The variables used within the model were chosen to capture cohorts that would benefit most from ICFCs. Deloitte Access Economics focused on identifying family and individual characteristics that are indicators of disadvantage. Indicators of a need for ICFCs include socio-economic indicators that can suggest longer-term disadvantage of communities, families, and children. While there are a number of datasets that could work as identifiers for need, Deloitte Access Economics identified a small number of available data and associated measures with the best explanatory power, based on a stakeholder workshop series, consultations, and existing research.

The data used to shortlist SA2s include AEDC data on the portion of children developmentally vulnerable, and the ABS Census SEIFA deciles. Both these data sets are used by the AEDC and ABS as measures of disadvantage and correlate a number of variables that are associated with

disadvantage and need. While these datasets capture different types of need, correlation on the highest need SA2s is high between the AEDC and SEIFA deciles.

An explanation of the two key datasets, justification for selection, and the threshold for need are shown in Table 3.1 below.

Table 3.1: Data sources used in the modelling

Source	Data included	Justification
Australia Bureau of Statistics Census 2016 Socio-Economic Indexes for Areas (SEIFA) deciles	The portion of the population of each SA2 in each SEIFA decile according to the Index of Relative Socio-Economic Disadvantage. This index includes variables for the portion of the population with a low income, jobless parents, no internet connection, no education beyond Year 12, who are unemployed, pay low rent, have a disability, are separated or divorced, are employed in a low skilled job, do not have a car, live in an overcrowded dwelling, or do not speak English well.	The SEIFA deciles are developed by the ABS to rank areas of relative socio-economic advantage or disadvantage. As the SEIFA calculations use Census data, the inputs used in the decile calculation provide valuable insight into disadvantage in each SA2. The variables used in the calculation of SEIFA deciles, such as low income, unemployment, or low education, are valuable indicators of disadvantage. These indicators align with the agreed characteristics of families and children that would benefit most from an ICFC.
Australian Early Development Census (AEDC) 2021	The portion of the population of children in early education who are considered developmentally vulnerable on two or more of the AEDC domains. The AEDC tracks whether children are 'on track', 'at risk' or 'vulnerable' across five domains. The domains are Physical health and wellbeing, Social competence, Emotional maturity, Language and cognitive skills (school-based), and Communication skills and general knowledge.	While not a direct measure of family functioning, the AEDC collects important information that can characterise the development of children within an SA2. Where a large portion of children are developmentally vulnerable according to the AEDC, this is likely a good indicator that the services provided by an ICFC would be needed within the community.

Source: Australian Bureau of Statistics (2016) and Australian Early Development Census (2021).

Other data such as health indicators and rates of volunteering were considered, but ultimately not used in the modelling. Limited data is available at the SA2 level, and the AEDC and ABS SEIFA deciles were identified through the stakeholder workshop series as having the best explanatory power from the data available at the SA2 level. An explanation of some of the data sets considered but not used in the modelling are shown in Table 3.2 below.

Table 3.2: Data sources considered but not used in the modelling

Source	Data considered	Justification for exclusion
Australian Institute of Health and Welfare (AIHW)	The AIHW reports data on geographies with a high propensity for: • Receiving Commonwealth Rent Assistance (2018 to 2021) • Low birthweight live births (note: SA3 level only available) • Teenage mothers who gave birth, aged between 15 and 19 (note: SA3 level only available)	The findings from identifying need using the AIHW data were highly correlated with the findings from using the AEDC and SEIFA deciles. However, the AIHW data was only available at the larger SA3 area level. This did not provide the level of detail required for the analysis.

Source	Data considered	Justification for exclusion
Dropping off the Edge (DoTE) (Jesuit Social Services)	The DoTE identifies complex disadvantage within Australian communities. The report ranks SA2s on the level of disadvantage by measuring 37 indicators.	The latest DoTE report uses Census 2016 data, in conjunction with state, territory, and Commonwealth data, to assess the level of disadvantage in each community. Deloitte Access Economics has utilised similar data to the DoTE report but has utilised the latest recently released Census 2021 data. The DoTE analysis also uses AEDC data.

Source: Australian Institute of Health and Welfare and *Dropping off the Edge* Jesuit Social Services.

The results of the geographic and population modelling are discussed in the following sections.

3.2 Prioritising areas of highest need

Key findings

- Based on the need criteria outlined, nearly **30% of areas are identified as potentially in need of ICFCs**, due to the extent of socio-economic disadvantage and vulnerability of children and families in those regions.
- The need ranking results show that within large cities and towns, a **concentration of high need SA2s is found in high population growth areas**.
- The model demonstrates a **significant level of need for ICFCs in the Northern Territory**, despite the Northern Territory having a smaller number total of SA2s.
- **Regional and rural areas rank highly** in terms of relative levels of need.

3.2.1 Inputs to the geographic modelling

The geographic elements of the need modelling include both the shortlisting of SA2s to identify areas that fulfil need conditions, and the ranking of these SA2s by the relative level of need.

All results in this section refer to the 'baseline scenario' of the geographic modelling, where SA2s are shortlisted as an area of need if they are classified by the:

- ABS to have a population of people who usually reside in the SA2, and
- ABS to be in the lowest four deciles of the Socio-Economic Index for Areas (SEIFA), an index of relative socio-economic disadvantage that includes variables such as low income, unemployment and low education, and
- AEDC to have over 10% of children developmentally vulnerable on two or more domains (out of five domains, including physical health and wellbeing, social competence, and emotional maturity). This excludes areas with a majority of children that are advantaged. Approximately 54% of all SA2s have over 10% of children developmentally vulnerable on two or more domains.

The shortlisted SA2s are then ranked by need using equal weighting according to the portion of the population in SEIFA deciles 1-3, and the portion of children classified as developmentally vulnerable on two or more domains according to the AEDC. The thresholds used to shortlist the SA2s were selected to capture those areas that are the most disadvantaged, as identified by both the ABS and AEDC. This means that the shortlisted SA2s are areas which are classified as having **both** relatively low disadvantage at a community level and have a threshold portion of children highly disadvantaged within the community.

As noted in the earlier discussion, the model is intended as a flexible, user-driven tool that allows alternative specifications of need to be tested and simulated. The results presented here reflect one specification (as described above). The application of alternative quantitative thresholds would result in different estimates being produced. However, the results do not change significantly if the ranking drivers (SEIFA deciles and AEDC results) are not equally weighted. This means that the results for the most disadvantaged areas are highly correlated with both drivers.

3.2.2 Results of the geographic modelling

Based on the specifications applied, the modelling identifies a shortlist of 706 SA2s as areas of need, representing 29% of total SA2s. In other words, **nearly 30% of all SA2s in Australia were identified as potentially in need of integrated centres**, due to the extent of socio-economic disadvantage and vulnerability of children and families in those regions.

The **eastern states make up the greatest proportion of the 706 shortlisted SA2s**, largely due to the high concentration of the Australian population in metropolitan areas in eastern states. For example, Queensland and New South Wales together represent 48% of total SA2s and comprise 54% of the shortlist with almost 200 shortlisted SA2s each.

The national results for the ten SA2s with the highest level of need are shown in Table 3.3 below. The SA4 describes the larger area that each SA2 is within. This gives an indicator of whether the SA2 is rural, regional, or in a metropolitan area.

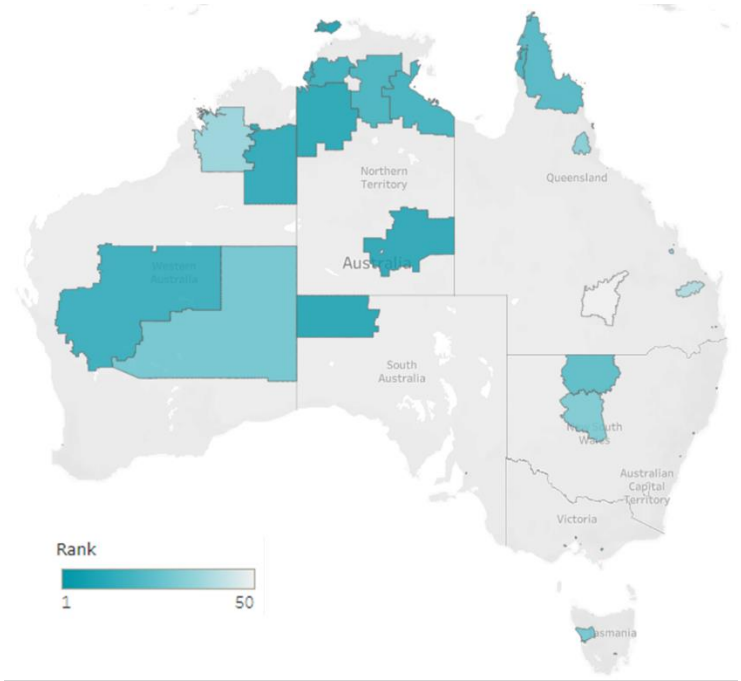
The model demonstrates a significant level of need for ICFCs in the Northern Territory, despite a smaller number of SA2s reported. Six of the ten highest ranked locations are in the Northern Territory, despite the Territory making up a relatively small share of the entire shortlist (2.% of total SA2s). Figure 3.5 also visualises the ranking of the top 50 highest needs SA2s. Over half of the Northern Territory SA2s shortlisted appear in the top 50 SA2s ranked by need, significantly above all other states which report between 4% and 8% of their total SA2s in the top 50.

Table 3.3: National ranking results of SA2s by need for ICFCs, top 10 highest need SA2s

Rank	SA2	State	SA4
1	Tiwi Islands	Northern Territory	Northern Territory - Outback
2	APY Lands	South Australia	South Australia - Outback
3	Victoria River	Northern Territory	Northern Territory - Outback
4	Sandover - Plenty	Northern Territory	Northern Territory - Outback
5	Halls Creek	Western Australia	Western Australia - Outback (North)
6	Thamarrurr	Northern Territory	Northern Territory - Outback
7	Moulden	Northern Territory	Darwin
8	Meekatharra	Western Australia	Western Australia - Outback (South)
9	Daly	Northern Territory	Northern Territory - Outback
10	Wacol	Queensland	Ipswich

Source: Deloitte Access Economics (2023).

Figure 3.5: National ranking results of SA2s by need for ICFCs, top 50 highest need SA2s



Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data. Note: SA2s shown shaded in a darker colour indicate a higher level of relative need.

The **highest ranked SA2s have a higher Aboriginal and Torres Strait Islander population** relative to the national average. In the 2021 Census, the Australian Bureau of Statistics found that Aboriginal and Torres Strait Islander people represent 3.2% of the total Australian population.[xxxiii] In the 10 highest ranked locations, the average portion of the population that are Aboriginal and Torres Strait Islander is 63%. In four of the highest ranked SA2s, Tiwi Islands, APY Lands, Sandover – Plenty and Thamarrurr, Aboriginal and Torres Strait Islander people represent over 85% of the whole population. This indicates a very high level of need for integrated services in areas with a high relative population of First Nations Australians.

The three SA2s ranked with the highest level of need in each state and territory are shown in Table 3.4 below.

This table also shows the overall rank of each SA2 across Australia. Each of the ACT's three highest ranking SA2s ranked relatively very low in terms of need from an Australia-wide perspective. The ACT government has previously published work arguing that disadvantage within the ACT may present differently to other jurisdictions, and hence SEIFA indexes may capture only a small portion of the level of disadvantage within the territory.[xxxiv] This is because the ACT has one of the greatest proportions of highly socio-economically diverse neighbourhoods, so need may be spread across the territory rather than concentrated in certain SA2s.

Table 3.4 State and territory ranking results of SA2s by need for ICFCs, top three highest need SA2s by state and territory

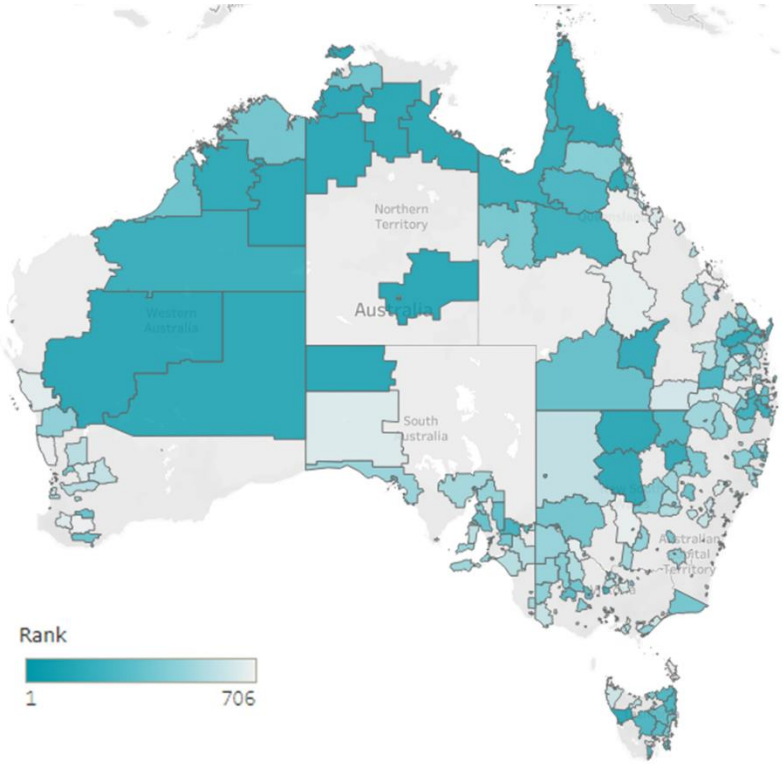
State	State Rank	SA2	SA4	Overall rank (across Australia)
NSW	1	Bourke - Brewarrina	Far West and Orana	*18*
	2	Nambucca Heads	Mid North Coast	*19*
	3	Cobar	Far West and Orana	*27*
VIC	1	Morwell	Latrobe - Gippsland	*17*
	2	Meadow Heights	Melbourne - North West	*20*
	3	Campbellfield - Coolaroo	Melbourne - North West	*39*
QLD	1	Wacol	Ipswich	*10*
	2	Aurukun	Queensland - Outback	*13*
	3	Northern Peninsula	Queensland - Outback	*15*
SA	1	APY Lands	South Australia - Outback	*2*
	2	Elizabeth	Adelaide - North	*14*
	3	Smithfield - Elizabeth North	Adelaide - North	*23*
WA	1	Halls Creek	Western Australia - Outback (North)	*5*
	2	Meekatharra	Western Australia - Outback (South)	*8*
	3	Leinster - Leonora	Western Australia - Outback (South)	*24*
TAS	1	Bridgewater - Gagebrook	Hobart	*21*
	2	West Coast (Tas.)	West and North West	*25*
	3	Acton - Upper Burnie	West and North West	*42*
NT	1	Tiwi Islands	Northern Territory - Outback	*1*
	2	Victoria River	Northern Territory - Outback	*3*
	3	Sandover - Plenty	Northern Territory - Outback	*4*
ACT	1	Charnwood	Australian Capital Territory	*379*
	2	Taylor	Australian Capital Territory	*410*
	3	Denman Prospect	Australian Capital Territory	*652*

Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data.

Figure 3.6 displays the ranking of all the shortlisted 706 SA2s (beyond the top 50 as shown above). When interpreting the results, it should be considered that rural and regional SA2s are larger than metropolitan areas due to lower population areas. For example, due to this Western Australia appears overrepresented in the shortlisted SA2s. However, only 9% of all shortlisted SA2s are in Western Australia.

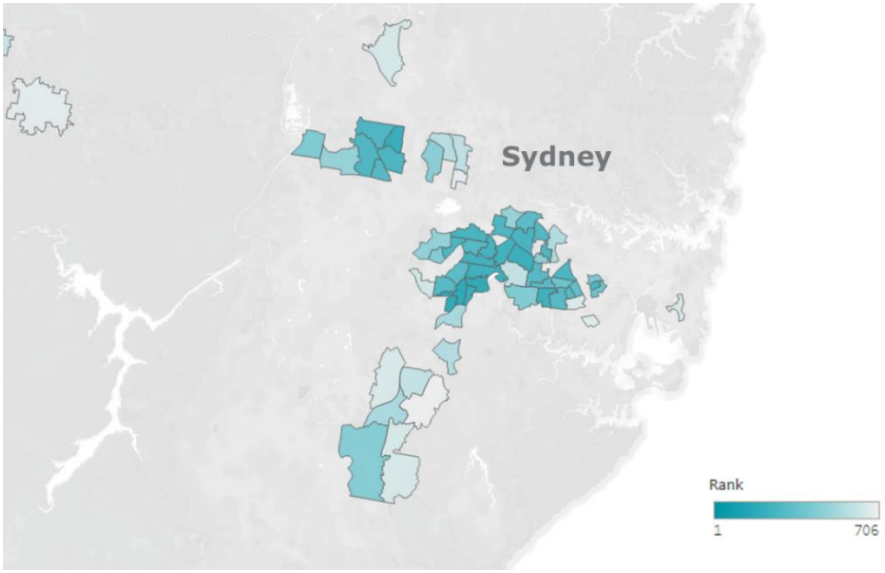
Figure 3.7, Figure 3.8, Figure 3.9 show the results in detail within select metropolitan areas in Sydney, Melbourne, and Brisbane respectively.

Figure 3.6 National ranking results of SA2s by need for ICFCs, shortlisted SA2s



Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data. Note: SA2s shown shaded in a darker colour indicate a higher level of relative need.

Figure 3.7 Sydney ranking results of SA2s by need for ICFCs, shortlisted SA2s



Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data. Note: SA2s shown shaded in a darker colour indicate a higher level of relative need.

Figure 3.8 Melbourne ranking results of SA2s by need for ICFCs, shortlisted SA2s

Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data. Note: SA2s shown shaded in a darker colour indicate a higher level of relative need.

Figure 3.9 Brisbane ranking results of SA2s by need for ICFCs, shortlisted SA2s

Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data. Note: SA2s shown shaded in a darker colour indicate a higher level of relative need.

The need ranking results show that **within large cities and towns, a concentration of high need SA2s are found in high growth areas**. For example, Liverpool East is the 10th highest SA2 by need in New South Wales, and has seen 40% population growth from 2011 to 2021. Other high growth areas include Dandenong South in Melbourne, and Wacol and Inala Richlands in Ipswich, which have seen 31%, 24%, and 27% population growth respectively from 2011 to 2021. Recent growth in these outer city areas have led to fast population growth of lower income families, which has led to a higher concentration of disadvantage in these areas.

Regional and rural areas also rank highly in terms of relative levels of need. Over two thirds of SA2s shortlisted (64%) may be classified as regional or rural at the SA4 level, while over 70% of the highest 50 ranked SA2s are located in regional or rural areas of need. Furthermore, nine of the ten highest ranked SA2s are located in Outback regions at the SA4 level.

The relatively large number of SA2s identified as high need in regional and remote areas means that some of the **highest need areas have a relatively low population of 0-6 year old children** (see Table 3.6 below). From the ten highest ranked SA2s nationally, the concentration of remote areas means that the average population of 0-6 year old children is approximately 300 children per SA2. This compares to Victoria's ten highest need areas (of which only one SA2 is classified as remote), where the average population of 0-6 year old children is 1,400 children (per SA2). As such, to complement the geographic needs analysis, population modelling was conducted to estimate the share of the total population of children aged 0-6 years old within high need SA2s that would most benefit from ICFCs due to parent and family characteristics of need. These results are discussed in Section 3.3 below.

Overall, this needs analysis provides an indication of the communities across Australia that may benefit from the development of ICFCs, given the characteristics of their population. As is discussed in the following sections, some of these communities already have forms of ICFCs in place, while others do not. Further, while these communities share common some characteristics of social disadvantage, they are very diverse, in terms of geographical isolation and other cultural attributes. The quantum and nature of ICFC provision and design in these communities may appropriately differ on the basis of these characteristics, as is discussed further in the following sections of this report.

Finally, it should be emphasised that this shortlist is based on the assumptions used in the geographic ranking modelling, described above. It does not necessarily suggest that SA2s not listed would not benefit from the development of ICFCs; rather, it seeks to identify the set of communities that would benefit most from these centres.

3.3 Quantifying the level of priority need for ICFCs

Key findings

- The population **modelling identifies in the order of 100,000 children aged 0-6 years, across 706 SA2s, whose characteristics of need align with the purpose of ICFCs – that is, who would benefit most from access to an ICFC.**
    - To quantify need, the number of children were identified who are in families with **income below the poverty line, who are unemployed, or live in social housing.**
    - This is not to suggest that specifically (and only) these children and families would access ICFCs, as the ICFC model is **inherently flexible** and may be accessed by a broad cohort of **in-need children and families**. Rather, it provides an initial indication of the level of priority need within SA2s that ICFCs could support.
- There is a **clear correlation in the proportion of SA2 populations that exhibit characteristics of need and the geographic ranking of need** outlined in Section 3.2.

3.3.1 Inputs to the population modelling

To provide an illustrative example of the number of 0-6 year old children in each SA2 that would benefit most from ICFCs, data was collected from the Census on the number of parents and families that meet certain need criteria. This was completed twice; once for the ABS Counting by families Census 2021 dataset (family measures dataset), and once for the ABS Counting by individuals Census 2021 dataset (individual measures dataset). This is because different data is available in each dataset.

The population was estimated for each dataset based on the following criteria:

- for the family measures dataset, the number of families who have a low income, have parents that are unemployed, or live in social housing
- for the individual measure dataset, the number of parents who are unemployed, have low income, low education or low English proficiency.

After considering the results using these different datasets, the **family measures dataset was identified as the most appropriate driver of need for an ICFC**. This is because the criteria used for the individual measure resulted in a broader picture of need and is considered to capture a larger cohort of people with lower relative need than in the family measures dataset. This is not to suggest that these individuals would not benefit from access to ICFCs, but for modelling purposes prioritisation has been placed on a more targeted cohort when considering the potential for expansion of access to ICFCs in the near term.

It should also be emphasised that this modelling is intended to be illustrative of the population that may be in need of ICFCs in a given community – this is not to suggest that specifically (and only) these children and families would access ICFCs, as the ICFC model is inherently flexible and may be accessed by a broad cohort of in-need children and families.

As with the modelling of need at the geographic level, the modelling outputs are a function of the specification of need in the model. The specification adopted here has been determined as the preferred specification for the purposes of illustrating population need levels, however it is reiterated that adjustments to this specification would see different estimates generated.

The process and calculations of the inputs to the population are explained in more detail in Appendix A.

3.3.2 Results of the population modelling

The **modelling identifies approximately 107,000 children aged 0-6 years as in priority need of ICFCs within the 706 shortlisted SA2s**. This represents around 17% of the total 0-6 year old population in all shortlisted areas and 5% of all 0-6 year olds in Australia. The identified share of children in need captures the children with parents who are unemployed, have low income, or live in social housing. Further discussion of the estimation of the number of 0-6 year old children in need can be found in Appendix A. This estimate is based on 2021 Census data, and therefore may change in the future as demographics within an SA2 evolve.

The population measures for the highest need SA2s are reported in Table 3.5 and Table 3.6 at the national and state and territory levels respectively (rounded to the nearest 10 children), alongside the total population of 0-6 year old children and population growth over ten years, calculated from ABS Census 2021 data. In cases where the population in need is very high within an SA2, the estimate of the population of 0-6 years old in need may be as high as the latest Census estimates of population.

Table 3.5: National population modelling results of SA2s by need for ICFCs, top 10 highest need SA2s

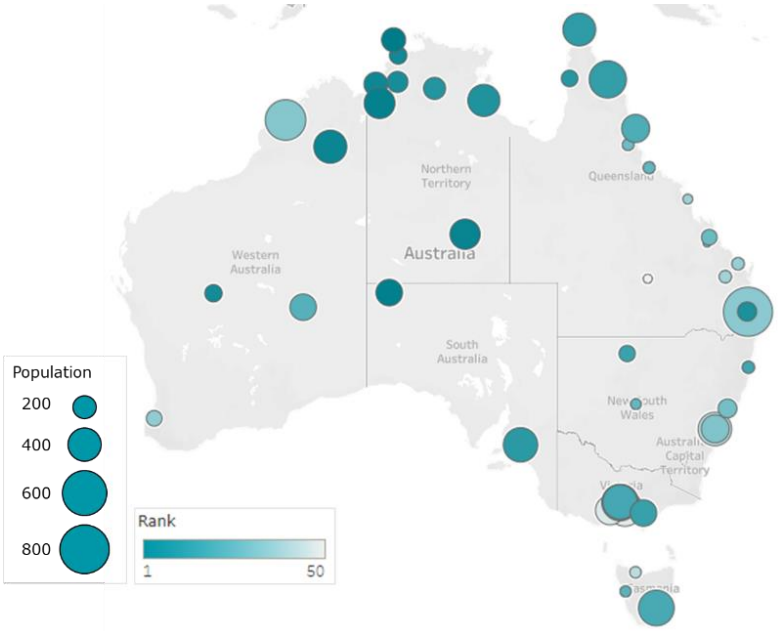
Rank	SA2	State	Estimated population of 0-6 year old children in need	Total population of 0-6 year old children	Share of 0-6 year old child population in need	Population growth 2011 to 2021
1	Tiwi Islands	Northern Territory	230	230	100%	-8%
2	APY Lands	South Australia	280	280	100%	-4%
3	Victoria River	Northern Territory	380	380	100%	4%
4	Sandover – Plenty	Northern Territory	360	430	84%	4%
5	Halls Creek	Western Australia	440	440	100%	5%
6	Thamarrurr	Northern Territory	220	220	100%	-8%
7	Moulden	Northern Territory	120	350	34%	-3%
8	Meekatharra	Western Australia	120	220	55%	-20%
9	Daly	Northern Territory	170	200	85%	-4%
10	Wacol	Queensland	140	290	48%	24%

Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data.

Figure 3.7 below shows the 50 SA2s with the highest need for ICFCs, relative to the identified size of the population of 0-6 year old children estimated to be in need. The size of the 'bubble' on the map indicates the relative population of 0-6 year old children estimated to be in need.

The figure shows that highly ranked geographies, including in the Northern Territory, also have relatively high populations of children estimated to be in need as a portion of all SA2s in the top 50. This demonstrates the correlation between the population modelling and the geographic modelling discussed in Section 3.3.

Figure 3.10: Ranking and population of 0-6 year old children estimated to have need for ICFCs, top 50 highest need SA2s



Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data. Note: SA2s shown shaded in a darker colour indicate a higher level of relative need. The size of the 'bubble' on the map indicates the relative population of 0-6 year old children estimated to be in need.

When considering the estimated number of children aged 0-6 years in need in each SA2, a number of **highly populated areas can be identified within the highest need SA2s in each state and territory**. When considering the three highest need SA2s in each state and territory (as shown in Table 3.6), an average of 240 children aged 0-6 years in each SA2 are estimated to have priority need for an ICFC. However, some SA2s have a significantly higher estimation of the number of children in need.

Table 3.6: State and territory population modelling results of SA2s by need for ICFCs, top 3 highest need SA2s by state and territory

State	Rank	SA2	Estimated population of 0-6 year old children in need	Total population of 0-6 year old children	Share of 0-6 year old child population in need	Population growth 2011 to 2021	Overall rank (Australia)
NSW	1	Bourke – Brewarrina	100	350	29%	-21%	*18*
	2	Nambucca Heads	60	400	15%	3%	*19*
	3	Cobar	50	390	12%	-15%	*27*
VIC	1	Morwell	280	1140	24%	1%	*17*
	2	Meadow Heights	470	1420	33%	-4%	*20*
	3	Campbellfield – Coolaroo	500	1600	31%	-3%	*39*
QLD	1	Wacol	140	290	49%	24%	*10*
	2	Aurukun	110	120	92%	-19%	*13*
	3	Northern Peninsula	430	450	94%	17%	*15*
SA	1	APY Lands	280	280	100%	-4%	*2*

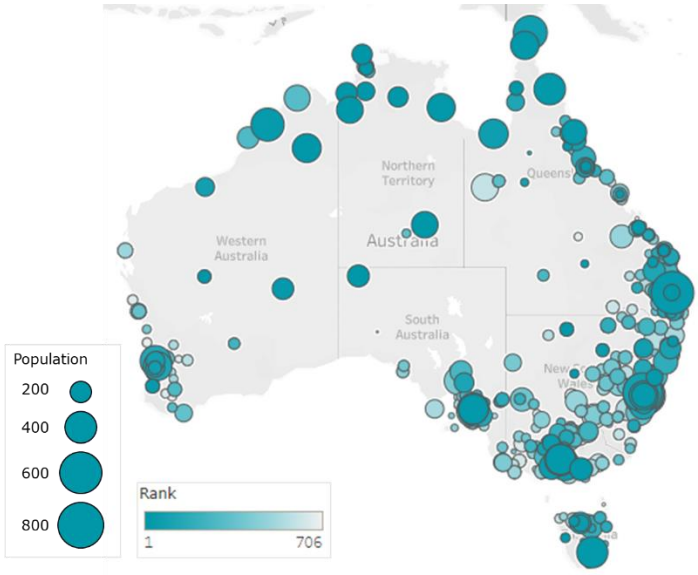
State	Rank	SA2	Estimated population of 0-6 year old children in need	Total population of 0-6 year old children	Share of 0-6 year old child population in need	Population growth 2011 to 2021	Overall rank (Australia)
	2	Elizabeth	470	990	47%	9%	*14*
	3	Smithfield – Elizabeth North	320	1160	28%	2%	*23*
WA	1	Halls Creek	440	440	100%	5%	*5*
	2	Meekatharra	120	220	55%	-20%	*8*
	3	Leinster – Leonora	280	360	77%	-11%	*24*
TAS	1	Bridgewater – Gagebrook	500	960	53%	9%	*21*
	2	West Coast (Tas.)	50	310	16%	-11%	*25*
	3	Acton – Upper Burnie	50	270	19%	-3%	*42*
NT	1	Tiwi Islands	230	230	100%	-8%	*1*
	2	Victoria River	380	380	100%	4%	*3*
	3	Sandover – Plenty	360	430	85%	4%	*4*
ACT	1	Charnwood	60	300	20%	-4%	*379*
	2	Taylor	50	370	12%	0%	*410*
	3	Denman Prospect	30	400	9%	0%	*652*

Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data.

For example, Meadow Heights and Campbellfield – Coolaroo in Melbourne (Victoria) are both located in urban areas with an estimated need population of 470 and 500 children respectively. Two of South Australia's three highest SA2s in need are also in centrally located urban areas, as Elizabeth and Smithfield – Elizabeth North have up to an estimated 470 and 320 children in need respectively. Areas with a high number of 0-6 year old children fulfilling the need criteria are likely to be located in more heavily populated urban centres.

The total ranking of each shortlisted SA2 by need and the population of 0-6 year old children estimated to benefit most from ICFCs is displayed in Figure 3.11 below (beyond the top 50 as shown above). The size of the 'bubble' on the map indicates the relative population of 0-6 year old children estimated to be in need. The heavy concentration of population in need in the east coast shows that even though regional and remote areas are highest in need, the greatest populations of need are centred around metropolitan areas.

Figure 3.11: Ranking and population of 0-6 year old children estimated to have need for ICFCs, shortlisted SA2s



Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data. Note: SA2s shown shaded in a darker colour indicate a higher level of relative need. The size of the 'bubble' on the map indicates the relative population of 0-6 year old children estimated to be in need.

Notwithstanding their smaller populations, **areas of highest need demonstrate the most significant share of 0-6 year olds in need**, with most of the top 10 SA2s modelled in Section 3.2 identified as having a majority of children in need, and half of these modelled to have all children in need. These high figures are particularly present in Northern Territory SA2s, where seven out of 17 areas shortlisted exhibit up to 85% or more children in need.

These high shares represent a much smaller number of children than other SA2s shortlisted. Of the top 50 highest need SA2s, only one has a population of children in need over 900. By comparison, Redbank Plains in Queensland holds the greatest total population of 0-6 year olds of all shortlisted SA2s at 3,500, but only 14% of the total population of 0-6 year olds are estimated to be in need. This is consistent with the lower ranked SA2s, which reflect lower shares of children in need.

3.4 Quantifying the level of unmet priority need for ICFCs

Key findings

- The **modelling finds that there is an existing supply of 104 ICFCs across the 706 SA2s in the modelled shortlist.**
- In addition to the existing 104 integrated services, there are approximately **170 existing hubs that could potentially be developed into an ICFC, if and where appropriate in the future**. There are also **60 place-based initiatives** across the 706 shortlisted SA2s, which offer programs designed to target complex disadvantage and social problems.
- Deloitte Access Economics has modelled an illustrative example of how an additional supply of ICFCs may address the levels of need identified. Two scenarios were modelled, examining if additional supply aimed to **maximise the geographic spread** of ICFCs (Scenario 1), or if additional supply aimed to **meet threshold of needs based on population** (Scenario 2)**.** Both scenarios add supply only in areas without an ICFC.
    - The **Scenario 1** analysis found that **an addition of 290 new ICFCs could allow an additional 24,000 children in high need areas** to access an ICFC, if each ICFC was accessed by 100 children.
    - The **Scenario 2** analysis found that **an additional 290 ICFCs would be required to support 25% of the population in need** in each shortlisted SA2 without an ICFC, if each additional ICFC was accessed by 100 children.

3.4.1 Inputs to the service delivery modelling

The results presented throughout Sections 3.2 and 3.3 provide an indication of the level of need that exists across the nation among families who may be supported by ICFCs. Here, these findings are overlayed with information on current integrated service delivery to produce an understanding of unmet need.

Having developed an indicative estimate of the population in each SA2 that may be considered in need of access to ICFCs, this final step in the model seeks to determine the extent of current access to ICFCs across Australia, and create illustrative examples of the number of additional services that could be developed to benefit disadvantaged communities.

The current supply of ICFCs across Australia has been estimated using publicly available data and information from key states/territories. As discussed in Section 2.3, Deloitte Access Economics identified the existing supply of integrated services and other services that may become integrated. For the purposes of the modelling, where an SA2 has a majority Aboriginal and Torres Strait Islander population, Aboriginal and Torres Strait Islander specific services (such as MACs and ACFCs) are included in the calculation of existing supply. Other non-integrated services, such as standard childcare centres and schools, are not included in the estimate of existing supply.

The illustrative example of the impact of an additional supply of ICFCs is determined through a stylised representation of an additional ICFC in each SA2 that does not have an existing supply.

3.4.2 Results of the service delivery modelling

Deloitte Access Economics' modelling finds that there is an existing supply of 104 ICFCs across the 706 SA2s in the shortlist.[4]

The number of existing ICFCs in the highest ranked SA2s by need nationally, and at a state and territory level, are shown in Table 3.7 and Table 3.8 below. There is a range of existing supply across high need and low need SA2s. For example, two of the top 10 ranked SA2s have one existing ICFC, one has two ICFCs, and the remaining seven have no existing ICFC supply.

[4] Note that the supply of existing ICFCs does not include existing services intended specifically for Aboriginal and Torres Strait Islander communities in SA2s where the majority of the population are not Aboriginal and Torres Strait Islander people. This total captures an estimate of the supply that is intended for access by the general community.

Table 3.7: Existing supply of integrated child and family centres and other hub models, for highest ranked SA2s by need nationally

State	Rank	SA2	Supply of integrated services	Supply of other hub models	Supply of place-based initiatives	Current preschool enrolment rate
1	Tiwi Islands	Northern Territory	0	0	0	Medium High
2	APY Lands	South Australia	1	0	0	Very High
3	Victoria River	Northern Territory	1	0	0	Very Low
4	Sandover – Plenty	Northern Territory	0	4	0	Very Low
5	Halls Creek	Western Australia	0	1	0	Very Low
6	Thamarrurr	Northern Territory	2	0	0	Very Low
7	Moulden	Northern Territory	0	0	0	Average
8	Meekatharra	Western Australia	0	1	0	Very Low
9	Daly	Northern Territory	0	0	0	Very Low
10	Wacol	Queensland	0	0	0	Very Low

Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data. Note: Other hub models include existing services that could be supported to become an ICFC. These services include Community Hubs and National Aboriginal Community Controlled Health Organisations (NACCHOs).

Table 3.8: Existing supply of integrated child and family centres and other hub models, for highest ranked SA2s by need at a state and territory level

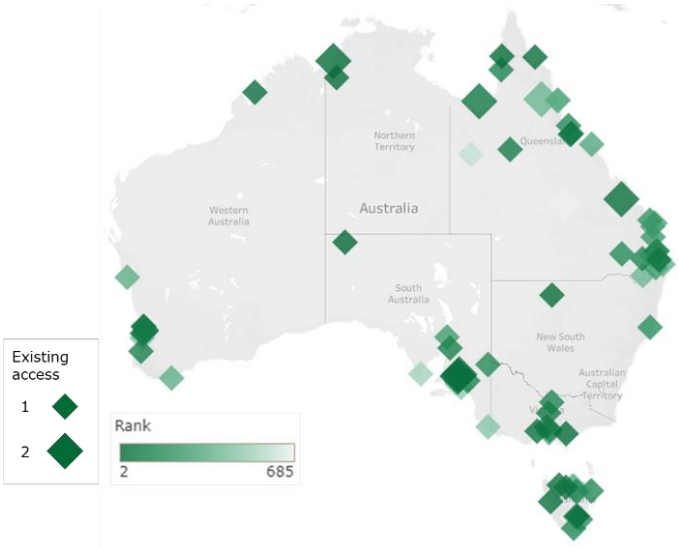
State	Rank	SA2	Supply of integrated services	Supply of other hub models	Supply of place-based initiatives	Current preschool enrolment rate	Overall rank (Australia)
NSW	1	Bourke - Brewarrina	0	2	0	High	*18*
	2	Nambucca Heads	0	0	0	High	*19*
	3	Cobar	0	0	0	Average	*27*
VIC	1	Morwell	1	0	2	Average	*17*
	2	Meadow Heights	0	2	0	Medium Low	*20*
	3	Campbellfield - Coolaroo	0	4	0	Low	*39*
QLD	1	Wacol	0	0	0	Very Low	*10*
	2	Aurukun	1	0	0	N/A	*13*
	3	Northern Peninsula	0	1	0	Low	*15*
SA	1	APY Lands	1	0	0	Very High	*2*
	2	Elizabeth	2	3	0	Very Low	*14*
	3	Smithfield - Elizabeth North	0	0	0	Low	*23*
WA	1	Halls Creek	0	1	0	Very Low	*5*

State	Rank	SA2	Supply of integrated services	Supply of other hub models	Supply of place-based initiatives	Current preschool enrolment rate	Overall rank (Australia)
	2	Meekatharra	0	1	0	Very Low	*8*
	3	Leinster - Leonora	0	0	0	Very Low	*24*
TAS	1	Bridgewater - Gagebrook	1	0	1	Low	*21*
	2	West Coast (Tas.)	1	0	0	Very Low	*25*
	3	Acton - Upper Burnie	1	0	0	Average	*42*
NT	1	Tiwi Islands	0	0	0	Medium High	*1*
	2	Victoria River	1	0	0	Very Low	*3*
	3	Sandover - Plenty	0	4	0	Very Low	*4*
ACT	1	Charnwood	0	0	0	Medium High	*379*
	2	Taylor	0	0	0	N/A	*410*
	3	Denman Prospect	0	0	0	Low	*652*

Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data. Note: Other hub models include existing services that could be supported to become an ICFC. These services include Community Hubs and National Aboriginal Community Controlled Health Organisations (NACCHOs).

The supply of existing integrated services, and the ranking of each SA2 by need, is visualised in the figure below.

Figure 3.12: Ranking of SA2s by need and scale of existing access to ICFCs



Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data.

Scenario analysis has been used to analyse the extent to which additional ICFCs could potentially meet need in shortlisted SA2s without an existing service.

This is achieved through an illustrative example of the number of ICFCs that may be required to meet the needs of children across geographical locations, or for a portion of the identified in-need population. Noting that the nature and precise design of ICFCs (including their size) would be

expected to vary with community need, a high-level estimate of ICFCs is determined through a stylised representation of the number of children that each ICFC could service (assumed to be up to 100 children aged 0-6 years old).

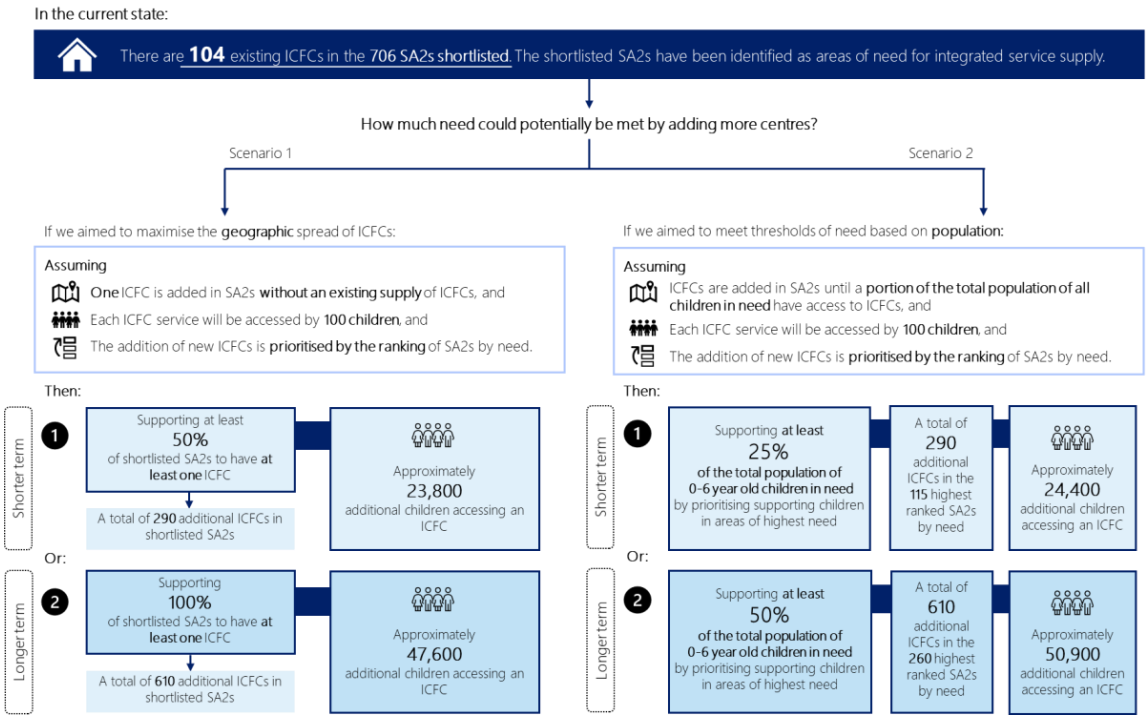
It should be emphasised that, in practice, the actual number of children per service may vary considerably from this estimate (on average, and across different communities). For example, larger services may be able to be developed in more densely populated metropolitan communities, with the converse being the case in more remote and isolated communities. The proportion of the population in need that access ICFCs in an area is also not possible to determine based on currently available data and would significantly impact on the additional services that could reasonably be developed to the benefit of a community at a point in time. As such, these results should be considered as illustrative only.

Figure 3.10 below shows **two illustrative example scenarios of how an additional supply of ICFCs may address the levels of need identified through the geographic and population modelling** need findings discussed in Sections 3.2 and 3.3. These scenarios aim to demonstrate how any additional supply may interact to address the need that may exist in each SA2. This can help inform the portion of the population in need that an investment in ICFCs may serve.

Scenario 1 demonstrates the potential impact of ICFCs if additional centres were implemented with an aim to maximise the geographic spread of ICFCs. In this scenario, one additional ICFC is added to SA2s without an existing supply of ICFCs. This scenario assumes that each ICFC is accessed by up to 100 children, and that the addition of new ICFCs are prioritised by the ranking of SA2s by need.

In **Scenario 2**, additional ICFCs are implemented with an aim to support a determined portion of the total population of 0-6 year old children in need. In this scenario, additional ICFCs to meet need are added to SA2s by prioritising those ranked highest in terms of need. ICFCs are added to SA2s by highest need until a determined threshold of overall population need is met. This scenario also assumes that each ICFC is accessed by up to 100 children.

Figure 3.13: Illustrative example of additional supply of ICFCs



Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data.

Scenario 1 considers two possible cases: if at least 50% or 100% of SA2s are supported to have at least one ICFC, with an aim to maximise the geographic spread of ICFCs. Under this scenario, supporting at least **50% of shortlisted SA2s to have at least one ICFC, prioritised by the ranking of SA2s by need, would result in approximately 24,000 additional children accessing an ICFC across 290 additional services**.[5] If 100% of shortlisted SA2s were supported to have at least one ICFC, an estimated 48,000 additional children could access an ICFC across 610 additional services. These results consider additional children who do not already have access to an ICFC.

A different approach to prioritising the implementation of ICFCs is explored in Scenario 2. The Scenario 2 results reflect prioritising meeting a total threshold of need. In this scenario, additional ICFCs are added by prioritising meeting all need in areas of highest need until the threshold of total need is met. Under this approach, the highest ranked SA2s will have all need for ICFCs met before lower ranked SA2s.

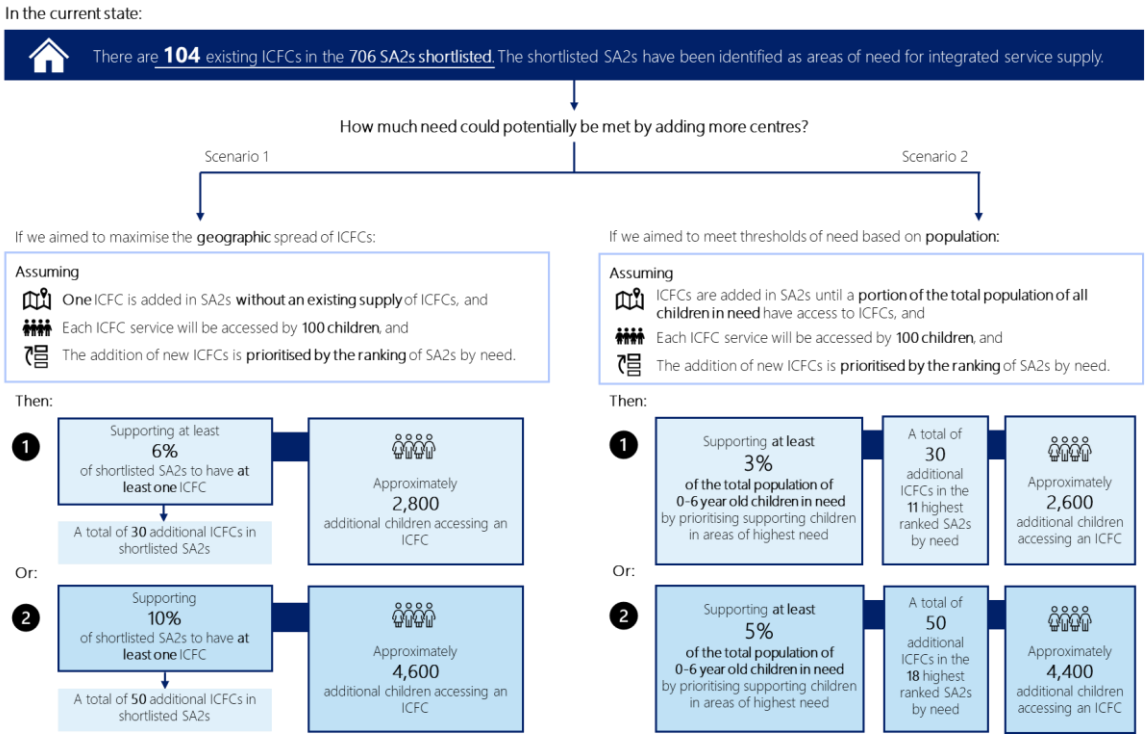
To support at least **25% of the total shortlisted population in need, approximately 290 additional ICFCs would be required** in the 115 SA2s ranked highest by need. Similarly to Scenario 1, this would see an **estimated 24,000 additional children accessing an ICFC**. If a larger threshold of 50% of the total shortlisted population in need was adopted, an estimated 610 additional centres would be implemented in the 260 SA2s ranked highest by need. This would result is approximately 51,000 additional children accessing an ICFC. This differs slightly from the Scenario 1 results due to different population compositions of the SA2s with additional ICFCs added.

These scenarios may be used to provide an indication of how investment in the creation of additional ICFCs could be prioritised across Australia. For example, distinguishing between the short and long term scenarios could provide a basis for the staging of ICFC implementation over time, in the event of funding or other limitations necessitating a phased expansion. In considering these scenarios it should be emphasised that there remains a high degree of uncertainty regarding the extent of the population that a 'typical' ICFC may service, in the absence of an established, nationally consistent model. As such, the population of children in need that may access an ICFC under these scenarios could vary considerably from what is illustrated here.

Figure 3.14 below shows a further two illustrative example scenarios of how an additional supply of ICFCs may address need if only **30 or 50 additional centres were added**. This is intended to **provide context to how a smaller number of additional centres may address the levels of need identified** through the geographic and population modelling need.

[5] Ensuring that at least 50% of shortlisted SA2s have at least one ICFC includes existing supply of ICFCs.

Figure 3.14: Illustrative example of additional supply of ICFCs, 30 and 50 additional centres



Source: Deloitte Access Economics (2023) based on Australian Bureau of Statistics and Australian Early Development Census data.

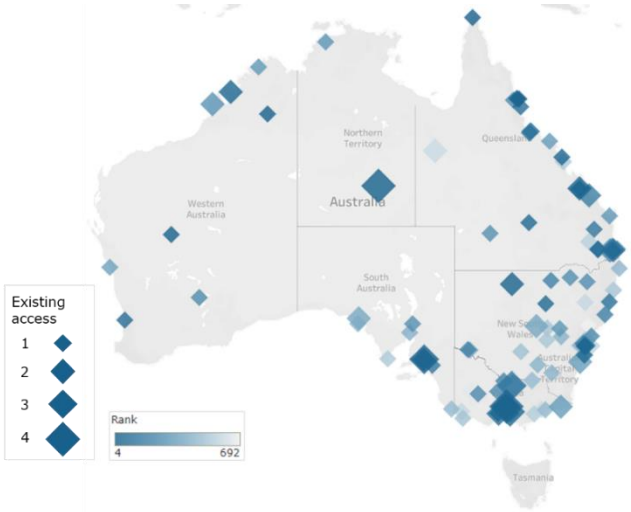
In this example, the addition of 30 centres under Scenario 1 would support at least 6% of shortlisted SA2s to have at least one ICFC. This would provide additional access to an ICFC for approximately 2,700 children. If 50 centres were added, this would support 10% of shortlisted SA2s to have an ICFC and provide access to 4,500 additional children.

Under Scenario 2, an addition of 30 centres would service 2,600 additional children in the 11 highest ranked SA2s by need. ICFCs would then support at least 3% of the total population of 0-6 year old children in need. If 50 centres were added, an additional 4,400 children would have access to ICFCs in the 18 highest ranked SA2s by need. This would see at least 5% of the total population of 0-6 year old children in need supported by ICFCs.

In addition to the existing 104 integrated services in shortlisted SA2s, there are approximately 170 existing hubs in shortlisted SA2s that could potentially be developed into an ICFC in the future, if and where appropriate and within their mission. Existing hubs are discussed in more detail within Section 2.3.

These existing hubs share some features with ICFCs, such as offering a range of services and supports, but are not considered current ICFCs due to missing features such as early learning and parenting supports. Further consultation with hubs that provide existing services would be required to determine a hub's suitability to become an ICFC. The figure below visualises the existing supply of hub models that could potentially be developed into an ICFC in the future through additional support and funding.

Figure 3.15: Ranking of SA2s by need and scale of existing access to other hub models that may have potential to be an ICFC



Source: Deloitte Access Economics and Social Ventures Australia (2023).
Note: Other services include existing services that could be supported to become an ICFC. These services include Community Hubs and National Aboriginal Community Controlled Health Organisations (NACCHOs).

In addition to the existing 104 integrated services and 170 other hubs in shortlisted SA2s, there are approximately 60 **place-based initiatives** in shortlisted SA2s. Place-based initiatives are discussed in more detail within Section 2.3.

Place-based initiatives share some features with ICFCs, such as offering programs to respond to complex social problems within disadvantaged areas and communities. However, place-based initiatives are not confined to service delivery models (for example, other place-based initiatives include community empowerment models). Further exploration of place-based initiatives would be required to determine how these initiatives may help respond to the need identified here. Identified initiatives are shown in Figure 3.16 below.

Figure 3.16: Ranking of SA2s by need and scale of existing access to place-based initiatives

Source: Deloitte Access Economics and Social Ventures Australia (2023).
Note: Place-based initiatives are programs designed to respond to complex social problems in specific population groups or geographical locations. These initiatives include Best Start (Victoria), Communities for Children, Communities that Care, Connected Beginnings, Empowered Communities, and Stronger Places, Stronger People.

4 Conceptualising the future funding of ICFCs

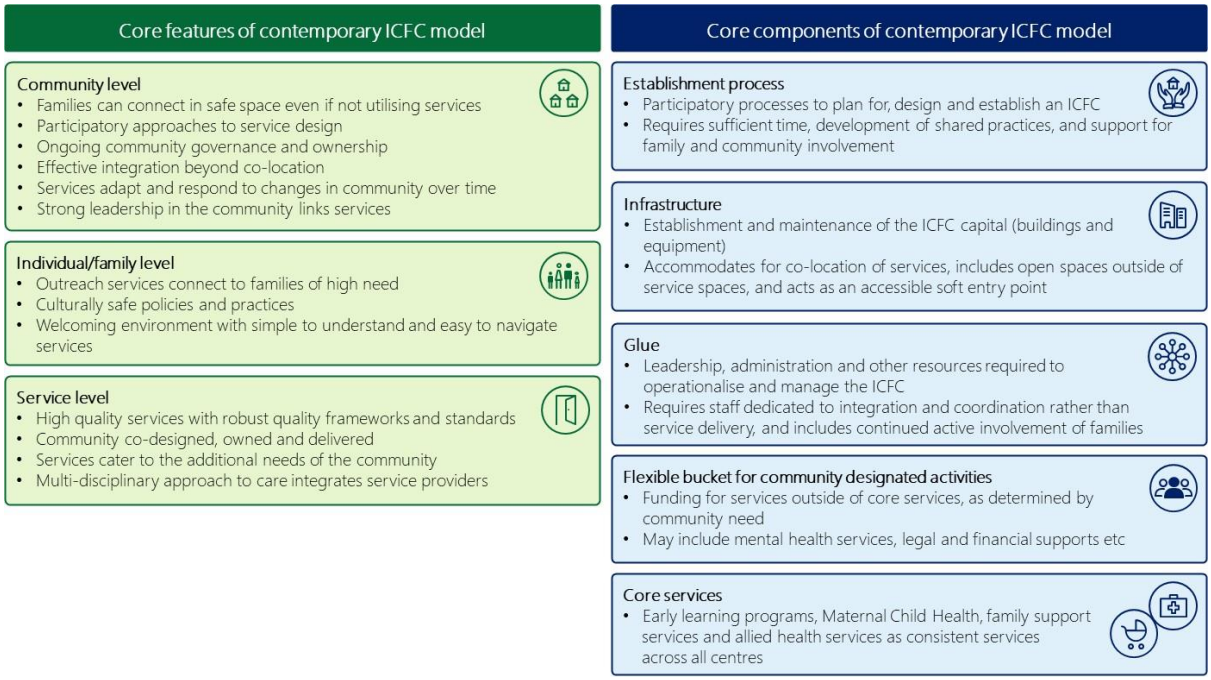
ICFCs across Australia adopt a variety of service delivery models, unique to the history and context of integrated delivery in each state/territory. However, a 'contemporary' ICFC model for ICFCs is essential for systemic reform and greater national consistency in the delivery of ICFCs. It will also inform the analysis of funding options for the purposes of this report.

This chapter lays out:

- defining design features of the contemporary ICFC model – design features and characteristics of ICFCs that are distinct from service delivery
- core components of the contemporary ICFC model – service delivery and related components that make up an ICFC
- current funding of ICFCs – how ICFCs are currently funded across Australia, by each component of the contemporary ICFC model
- key challenges to current ICFC funding arrangements – consolidation of funding challenges observed within current ICFCs
- implications for funding – core features of the funding model aligned to the core features and components of the contemporary ICFC model, then linked to a series of funding principles for assessing funding options in the following chapters.

Deloitte Access Economics worked collaboratively with a variety of key stakeholder groups, SVA and CCCH to develop the core features and components of the contemporary ICFC model (see Figure 4.1), and the related funding features and principles (for more information on the consultation process, see Appendix C).

Figure 4.1: Core features and components of the contemporary ICFC model



Source: Deloitte Access Economics (2023).

4.2 The defining design features of the model

The core features of the contemporary ICFC model refer to the critical design features of ICFCs that establish the conditions required to maximise their ability to meet the needs of their community. These features were developed based off the work already conducted by CCCH and further refined in stakeholder workshops. The features are considered on a community level, individual/family level and service level, and assist in understanding what effective funding of ICFCs should deliver.

Community level

1. The purpose of an ICFC extends beyond service delivery to enable a safe and inclusive community space where families with young children can connect, even if not utilising services.
2. The suite of services provided by an ICFC is catered to and flexible to the needs of family and communities, through participatory approaches to service design and management.
3. The ICFC set-up provides for ongoing community governance and ownership, including flexible resources to support place-based initiatives.
4. The ICFC supports effective integration of programs, services, spaces (moves beyond co-location) and virtual integration where appropriate to context.
5. The ICFC considers the evolving needs of a community. In response, services are adaptable and responsive to changes in the community over time.

Individual/family level

1. The provision of effective and inclusive outreach services, to ensure families of high need are aware of and provide safe avenues to access the ICFCs.
2. ICFCs provide families with culturally safe policies and practices, embracing a more culturally inclusive approach to service delivery.
3. ICFC services are simple to understand and navigate as a result of service cohesion. This fosters a welcoming environment, promoting positive associations (free from fear) of ICFC services for families.

Service level

1. All services are high quality services. To support the delivery of quality services, ICFCs will need to develop and incorporate robust quality delivery frameworks and National Quality Standards.
2. ICFC services are community co-designed, owned and delivered - with the vision of service delivery being centred around the needs of families and communities.
3. ICFCs support families with additional needs such as social connections, housing, and financial wellbeing.
4. The services provided are integrated with service providers using a multi-disciplinary approach to care.
5. The ICFC leverages strong leadership within services to support and guide the linkage of services.

4.3 The model's core components

Understanding the core components of an ICFC model helps understand how future funding should be conceptualised, as the attributes of these components have important implications for the properties that funding needs to hold if it is to be effective in sustainably and efficiently underwriting service delivery. The components include an establishment process, infrastructure, foundations of integration ("glue"), a flexible bucket for community designated services, and core services.

Each component is defined below, alongside a summary of the conditions critical to its success.

4.3.1 Establishment process

The establishment process is the initial step in establishing an ICFC. It is the process of local or state governments connecting with communities in a participatory process to plan for, design and establish an ICFC. A key component to the establishment process also includes identifying core funding streams and assessing if they are adequate for sustaining ICFCs. It is expected that the

need for an ICFC in the community has already been determined (for example, through the process outlined in Chapter 3).

Conditions for success:

- *Sufficient time for the process*. Determining the needs of a community and families to adequately tailor ICFC services will require sufficient consultation time with key community members. It is also a useful time to collaborate with other government and non-government groups and initiatives working in the community. Stakeholder consultations and workshops echo that there is a start-up time of at least six months and up to two years for authentic engagement including planning and delivery of work.
- *Establishment of shared practices, working together frameworks and integration specific recruitment*. Careful selection of key staff in the establishment process is integral to ensure a robust participatory co-design process. This process supports staff to work in a new way.
- *Financial support for family and community involvement*. To support family and community involvement in the establishment process, financial incentives and financial compensation may be necessary given the time commitments required of individuals.
- *Adequate support available for families to enable effective communication of needs.* Communities and families need to have a strong sense of their needs and be able to communicate this effectively during the co-design phase. This may be inhibited by factors such as low health and wellbeing literacy, language barriers, existing work and family commitments, and cultural barriers.
- *Flexibility*. Community members and establishment staff will need to enter this process with a degree of flexibility when determining the needs and service requirements of the community.

4.3.2 Infrastructure

Infrastructure refers to the establishment and maintenance of ICFC capital. This includes the building facilities of ICFCs and accompanying equipment to support service delivery.

Conditions for success:

- *Allows for co-located services*. The buildings in which ICFCs are located accommodates for multiple services on site.
- *Meets any and all regulatory requirements*. All buildings and equipment within ICFCs need to meet building and regulation requirements and standards. There are a number of building standards for both child and health facilities that will need to be met such as adequate falls prevention barriers, egress, and space allocation.
- *Open spaces outside of service spaces*. Given ICFCs are a space for communities to connect outside of service utilisation, open spaces are key for community connection.
- *Accessible and central*. The premises should be easily accessible to community members, either by walking distance, by public transport, and/or have onsite parking. These factors increase the convenience for families to access the facilities and services of an ICFC.

4.3.3 Foundations of integration ("glue")

The glue encompasses the underlying leadership, administration and other elements required to operationalise and effectively manage high quality ICFCs. These elements can be broadly grouped into:

- *Business oversight* – governance, finance, auditing, HR, risk and compliance, monitoring and evaluation and business intelligence that enables the ICFC to operate successfully.
- *Staff supports* – practice frameworks, learning and development, professional supervision, and other business and operational supports that staff need to perform their jobs properly.
- *Outreach* – the resources required to support hard to reach families, such as additional staff, vehicles and brokerage of client supports such as emergency housing.
- *Coordination and integration* – the 'navigator' role of an ICFC in establishing and supporting networks and referrals with other relevant services, as well as the leadership and coordination among services and across disciplines within the service to ensure effective integration.
- *IT* – the necessary hardware, software and capability that an ICFC needs, including a data capture system, data sharing capability between services and supports to build data collection and analysis capabilities.
- *Office administration costs* – including office supplies.

Stakeholder consultations and desktop review has indicated that the glue components of some ICFCs are not as well financed (if at all), leading to undue administrative complexity and eventual unsustainability of centres.

Conditions for success:

- *Sufficient resourcing, particularly for staff.* Sufficient support is provided to staff to ensure they can work collaboratively, invest in shared data systems and provide support to ICFC staff to build strong networks with other services. This ensures the right mechanisms are in place for staff to adequately support families seeking ICFC services.
- *Responsive to changes.* Funding allocation of the glue must be flexible given the changing landscape of ICFCs, and the different needs of ICFCs at different maturity levels. For example, initial set up of ICFCs will require more funding allocation towards staff member(s) to arrange funding. Whereas more established ICFCs benefit from the glue funding to be allocated towards ways of working (e.g., collaboration and shared practice frameworks), network building, and outreach services.
- *Responsive to community need.* Funding for glue could also be dependent on the size of the population being serviced, and/or the level of remoteness of the community, as both of these factors are likely to generate higher costs such as in the form of staff numbers and wages.
- *Shared practice frameworks.* The guidance and tools set out in the shared practice frameworks provide ICFCs with a foundation to be able to efficiently allocate glue funding to optimise outcomes.
- *Time allocation for collaboration across services/disciplines.* Multidisciplinary team meetings create cohesion in how services are offered and place children and families at the centre of ICFCs.
- *Outreach services.* Focus on outreach would contribute towards the solidification of ICFCs as a key community hub/meeting place for the most disadvantaged families and children.
- *Monitoring and evaluation.* This ensures that ICFC resources are effectively used, and any gaps or issues are identified and promptly addressed.
- *Shared information/technology systems.* Information sharing fosters greater collaboration between and within ICFCs, increasing efficiency and improving child and family outcomes.

4.3.4 Flexible bucket for community designated services

This component of the contemporary ICFC model includes specific community designated activities such as mental health services and community gardens.

Conditions for success:

- *Flexible to community input and ownership.* The success of this component is heavily dependent on the buy-in of communities. Openness to community input and ownership facilitates greater buy-in.
- *Evidence based and high quality.* Services offered by ICFCs need to be of quality. This would ensure that the services are better equipped to meet the service needs of families and encourage reuse of services.
- *Support is provided to children and families in a formal and informal capacity.*
- *Culturally safe and inclusive.* This includes service providers being culturally competent to effectively work with people from a diverse range of cultural backgrounds, and to be able to create an environment where families from all cultures feel comfortable to seek help.

4.3.5 Core services

Some ICFC models in Australia are framed around a set of core services, particularly early childhood education and care services. Some stakeholders preferred to frame ICFCs around facilities (i.e., playground, communal eating space) as opposed to services, arguing that ICFCs are ultimately community hubs, and the facilities available provide a soft entry point for families to participate.

However, core services provide consistency across centres, and it was generally agreed in stakeholder consultation that the following services are reasonable inclusions in the contemporary ICFC model which is intended to support funding analysis:

- *Early learning programs*: these programs intend to support a child's education development in their early years and includes long day care, playgroups, toy libraries, childcare, preschool, transition to school programs and other similar programs.
- *Maternal child health services*: these services describe the free universal primary health services available to families and carers with new babies, such as health nurses, immunisation services, and breastfeeding support.
- *Family health programs*: these programs support the broader health of families and parents, which in turn, allows them to be able to better support children's development. Examples of family health programs include health checks for parents.
- *Family support services*: these services support parents to help them achieve the best outcomes for their children. Examples of family support services include mental health and adult education programs.
- *Allied health services*: these services support the physical health of families and children. Examples include physiotherapy, occupational therapy and speech therapy.

Conditions for success:

- *Support quality and accessible service delivery*. This must be achieved in a way that integrates effectively with ICFCs.
- *Meet regulatory and service requirements.* The delivery of all core services must meet existing regulatory and service requirements.
- *Strong data sharing agreements*. The existence of data sharing agreements across different systems enables ICFCs to effectively and safely collect data to monitor progress.
- *The provision of time and resources beyond core service delivery*. Core service staff have time beyond scheduled activities for informal activities with parents and for integration.
- *Culturally safe and inclusive.* This includes service providers being culturally competent to effectively work with people from a diverse range of cultural backgrounds, and to be able to create an environment where families from all cultures feel comfortable to seek help.

4.4 Current funding of ICFCs

ICFC models in Australia are funded by a variety of Commonwealth and state/territory specific sources.

For example, Aboriginal Integrated Early Years Centres (offering long day care services) receive income from the Child Care Package, with further funding pooled from various Federal and State preschool funding and specific grants to offer additional supports for children and families. Many other ICFC models are led by the states and territories and are state/territory funded. For example, the Tasmanian Child and Family Centres and Queensland's Early Years Places have created their own funding models to fund infrastructure and coordination costs.

This is illustrated in more detail in Table 4.1 below, summarising how ICFC models typically receive funding across the model components. Appendix B provides more detail on the funding model adopted by different states/territories and service providers.

Table 4.1: Current funding for ICFCs across components of the contemporary ICFC model

Component of the contemporary ICFC model	Jurisdictions	Commonwealth	Philanthropic and other funding
Establishment process	Most models do not have a dedicated stream for the establishment process, rather, it is woven into the glue funding provided by jurisdictions.		
Infrastructure	Infrastructure is typically provided by the responsible agency in each jurisdiction (e.g. Aboriginal Child and	Instances of infrastructure being provided by the Commonwealth on the basis of an agreement (e.g. 2008	

Component of the contemporary ICFC model	Jurisdictions	Commonwealth	Philanthropic and other funding
	Family Centres in NSW, Our Place in Victoria, Early Years Places in Queensland, Tasmanian Child and Family Learning Centres)	National Partnership Agreement on Indigenous Early Childhood Development)	
Foundations of integration ("glue")	Centres allocate part of the operational funding received from the state and territory government towards the 'glue' (e.g. Tasmanian Child and Family Learning Centres, Early Years Places in Queensland, Aboriginal Child and Family Centres in NSW)		Some models rely on philanthropy (e.g. Our Place in Victoria)
Flexible bucket for community designated services	Range of additional family support, such as legal and family violence support or more tertiary supports offered through states.	Various cultural activities funded by Commonwealth	Inclusion programs can be supported though specific grant funding
Core services (early learning programs)	Typically, state funded ICFCs have no formal ECEC, and playgroups are their form of ECEC offering. Early learning such as playgroups, and kindergarten/preschool, are funded through state and territory funding streams, for example NSW DCJ has a supplementary funding mechanism.	Broader ECEC services such as childcare are mostly funded through the Commonwealth Government's Child Care Package (this includes CCS, see Table 4.2 below). Federal funding also supports some kindergarten delivery through the National Partnership Agreement.	Some models rely on philanthropy for early learning such as playgroups
Core services (health services)	Range of state-based allied health services operating through education departments, e.g.: • In South Australia, health services are available within the centres through partnerships with existing supports such as the Child and Family Health Service • In Western Australia, Department of Education provides health professionals to the Child and Parent Centres Maternal child health is usually provided through state arrangements.	Allied health is often funded through the NDIS Early Childhood Intervention Program or Medicare. Certain Primary Health Networks provide health navigation support services such as the Western Sydney Kids Early Years Network	Non-Government Organisations can allocate part of their budget towards hiring allied health professionals

Component of the contemporary ICFC model	Jurisdictions	Commonwealth	Philanthropic and other funding
Core services (family support)	Various family support programs are funded at the state/territory level, for example adult education programs available at Our Place are funded by the Victorian government.	Some family support programs receive funding from the Department of Social Services.	

Source: Deloitte Access Economics (2023).

4.5 Key challenges to current ICFC funding arrangements

The fragmented funding arrangements that ICFCs often operate within lead to several challenges. The challenges discussed in the following sections have been identified through stakeholder consultations and desktop research, and reflect funding challenges that often arise in other service delivery contexts too. Nonetheless, they are important in framing the motivation for considering alternative funding options for ICFCs compared to the status quo.

4.5.1 Siloed funding across departments and within government

Stakeholders have noted that while there is an understanding of the need to integrate funding and service delivery by service leaders, the ability to do so is stymied by complicated government processes such as prolonged application processes and funding approvals. This leads to well-intentioned funding arrangements sometimes taking up to two years to be approved due to multiple departments being involved.

This is attributed to funding decisions from various departments being unilateral. This means some funding lines could drop out based on individual department decisions. For many states/territories, there is currently no core body to make long term funding commitments and decisions on how funding is used for ICFCs. Some states/territories manage by allocating a lead agency – typically the Department of Education – to manage base funding and work with other departments to ensure funding is available for health and community services.

The lack of consistency across departments results in excess administrative burden to apply for and report on multiple funding streams across multiple services. This pulls resources away from the development of multi-disciplinary approaches, shared systems, outreach and other non-service specific activities, impacting upon the outcomes delivered for children and families.

There are also siloes within government. For example, the Commonwealth government funds CCS and the States/Territories are responsible for other funding (such as health care services). The firm boundaries around funding responsibility in this respect reduces the likelihood of funding being topped up, where needed, by the government that is not strictly responsible for said funding.

4.5.2 Lack of funding security

ICFCs are unique in service offering, service delivery, and anticipated outcomes. As a result, ICFCs currently operate with more ad hoc funding models with limited funding certainty, outside of the standard service system.

Given that ICFCs offer multidisciplinary services which span both state and federal responsibilities, this challenge is exacerbated further by the two-tiered funding streams. Both of which also have competing priorities, leading to high levels of uncertainty for states receiving multiple federal funding arrangements, which are time limited. A key example is the 2008 National Partnership Agreement on Indigenous Early Childhood Development, which funded the infrastructure of 38 ACFCs. However, when the partnership ended, the state and territories took over operational costs or centres stopped operating. The lack of long-term funding commitments for ICFCs does not incentivise long term planning for effective service delivery.

The lack of funding security for ICFC services is particularly problematic given the nature of the service aspirations. These aspirations include community trust and intergenerational change, which require long term investment to drive transformation.

4.5.3 Funding cannot be flexibly allocated

Current funding for ICFCs is often too prescriptive and does not allow for much leniency in the flexible allocation of funds. Stakeholders note that current funding requirement often fit service delivery to funding opportunity, rather than flexibly allowing centres to create the model that will best meet need. Some ICFC models are drawing funds from core services to fund integration glue.

4.5.4 Current funding arrangements do not support service integration

The multidisciplinary approach to ICFCs requires integration across numerous services. However, many of the funding arrangements for core services do not support integration. For example, the Medicare fee for service model focuses on providing treatment for the immediate ailment that is presented and does not support holistic care of the patient or consider the broader implications and outcomes for their families.

Similarly, the funding in the Commonwealth Government's Child Care Package is unlikely to meet the needs of highly vulnerable children and families and can be too prescriptive, stifling innovation for truly integrated service delivery. For more public commentary around the Child Care Package, see Table 4.2 below.

Table 4.2: Public commentary on issues with the Child Care Package

	Child Care Subsidy (CCS)	Community Child Care Fund (CCCF)
1	Children from disadvantaged communities and low socio-economic households are at greatest risk of not receiving subsidised childcare due to greater likelihood parents are not in the workforce to qualify for the CCS. Children from these cohorts also stand to benefit most from childcare.[xxxv]	Inconsistent allocation of the CCCF grants-based process and issues relating to understanding of CCCF eligibility makes it difficult for funds to flow proportionally to those services in greatest need.[xxxvi]
2	Excess administrative hurdles and prescriptive requirements to accessing the CCS can reduce service revenue.[xxxviixxxviii]	The CCCF grants are time-limited and not sustainable in the long term for many services that qualify for CCCF. This was especially problematic as for many services the grants represented a significant proportion of their funding.[xxxix]
3	Since the introduction of CCS, there has been no changes to access to childcare in Australia. Rather, on the contrary, over 10% of services reported that they had to decline enrolment as they were unable to meet the needs of the child.[xl]	Funding was found to be allocated based on remoteness, rather than measures of socio-economic disadvantage.[xli]

Source: Deloitte Access Economics (2023).

4.6 Implications for future funding

Reflecting the core features and components of the contemporary ICFC model and the conditions for success outlined in Section 4.3, a set of defining features of a future funding model have been established. These features reflect the attributes that funding must possess if it is to be aligned to the achievement of the overarching goals and objectives of ICFCs. They indicate that future funding must:

1. Provide assurance and certainty that funding will be **sustained** for a sufficient duration to enable long term planning.
2. **Respond** to the changing needs of communities and the changing landscape of ICFCs.
3. Systematically underwrite viability of high-quality services and spaces which **flexibly meet the needs of community**, including explicitly accounting for infrastructure and the foundations of integration.

4. Ensure **funding security and access** in the face of low and variable levels of demand, and potentially low levels of financial viability.
5. **Minimise administrative burden** and support integration by streamlining and consolidating funding wherever possible.
6. **Draw on existing funding streams** wherever possible to sustainably support core service delivery.
7. Support a nationally **streamlined** processes of service delivery in meeting the needs of community.
8. Support quality outcomes through strong **accountability** and monitoring mechanisms, at both the service and leadership level. Be **transparent** regarding the basis upon which the funding model is designed, components are calculated, and, by extension, funding allocations are determined.
9. Provide assurance that funding will be used **efficiently** and for its intended purpose.

Translating these features into a structured set of principles guides the development and assessment of alternative future funding approaches. The principles are ranked in terms of their importance to ICFC funding as established through the project workshops and stakeholder consultations, with sustainability considered the highest ranked – most important – principle.

Table 4.4: Funding design principles

Funding model principles	Description	Assessment criteria
1 Sustainability	The extent to which the funding model supports ICFC delivery over time and provides certainty regarding the ongoing adequacy of funding.	Fiscal capacity is improved with Commonwealth involvement while funding certainty is better guaranteed with joint Commonwealth and State/Territory involvement
2 Responsiveness	The extent to which funding is responsive to changes in demand and community need over time	Flexibility for funding arrangements to shift over time. State/Territory funding mechanisms are likely to be more responsive due to greater visibility closer to communities on the ground
3 Flexibility	The extent to which funding can be spent flexibly, not tied to specific activities	Expenditure conditions under which funding is provided. Block funding or pooled funding can provide greater flexibility for funding allocations
4 Equity of access	The extent to which funding provides consistent access to and quality of services across Australia, and supports disadvantaged cohorts as a priority	Consistency, distribution and scale of expected access to ICFCs. Commonwealth mechanisms are better able to ensure national consistency in funding
5 Simplicity	The extent to which the funding model is simple, easily understood and administered by both funders and ICFCs	Anticipated administrative complexity. Simple models adopt fewer funding streams/bodies
6 Ease of implementation	The extent to which new funding and delivery arrangements utilise existing funding streams/delivery models in place of more transformational models or pooling	Extent of reform/change required to existing funding streams
7 Strong governance	The extent to which governance in administration supports a single source of responsibility and leadership	Complexity of governance arrangements. An indicator would be the number of funding and/or governance bodies

Funding model principles	Description	Assessment criteria
8 Accountability	The extent to which funding recipients are accountable for the way in which funding is expended and the outcomes achieved	The development of strong and clear outcomes reporting requirements. National frameworks or conditional partnerships increase accountability
9 Efficiency	The extent to which funding and delivery arrangements encourage the most efficient means of program delivery	Expected cost effectiveness. This can be difficult to determine at the outset and is dependent on the final design of the model

Source: Deloitte Access Economics (2023).

5 Features of future funding of ICFCs

There is no consistent funding model for ICFCs nationally, with services instead relying on a range of legacy funding arrangements, philanthropic contributions or bespoke arrangements that draw on a mix of Commonwealth, State/Territory and other service funding streams and grants. Given the challenges faced under current funding models and using the principles derived at the end of Chapter 4, this chapter explores and assesses the most appropriate funding mechanisms for each component of the contemporary ICFC model. This is followed by an indicative costing of this model.

This chapter covers an:

- assessment of funding mechanisms for each component of the contemporary ICFC model
- indicative costing of the funding model.

5.1 Assessment of funding mechanisms for ICFC components

As outlined in Section 4.3, there are five components to the contemporary ICFC model. This section considers the different funding mechanisms that would be most appropriate for each component and provides an accompanying assessment against the funding principles.

The assessment considers the preferred funding mechanism for each component in isolation – as a precursor to the funding strategy analysis presented in Chapter 6. A full description of the funding mechanisms considered in this section is detailed in Appendix B.

5.1.1 Establishment process

The establishment process is the initial step in establishing an ICFC. It is the process of local or state governments connecting with communities in a participatory process to plan for, design and establish an ICFC.

Given the establishment process has a definitive period over which it takes place, a one-off establishment or investment grant is appropriate for the initial participatory process. The size of the lump sum payment could be determined by the size and demographic complexity of the community, anticipated size of the ICFC, and presence of existing shared practice processes. There is no direct causal relationship between size of community and the complexity of the establishment process, as each community will have its own challenges to work through in the establishment process. However, it can be inferred that the more complex and diverse the makeup of needs within a community, the longer the establishment process may need to be.

For the one-off establishment or investment grant to succeed in supporting the establishment of a new ICFC, the funding must be able to flexibly meet the various aspects of the establishment process – noting that the scale and importance of these aspects will vary from community to community. This will require the grant to have minimal expenditure conditions and not be tied to specific activities.

A once off lump sum payment for the establishment process aligns with the following three funding model principles:

- Simplicity – the one-off payment requires less administration compared to more complicated funding mechanisms or the application of multiple funding streams, noting there may be a necessary level of complexity if the size of the payment is based on variables like the size of the ICFC
- Flexibility – fewer expenditure conditions provides greater freedom for the funds to be spent flexibly and customised to each ICFC

- Equity of access – the one-off grant ensures all centres gain sufficient and consistent access to establishment process funds, with higher allotments potentially provided to locations with higher complexity of need.

5.1.2 Infrastructure

Infrastructure refers to the establishment of and maintenance of ICFC capital. This includes the building facilities of ICFCs and accompanying equipment to support service delivery.

Funding for both initial and ongoing infrastructure is needed. A one-off infrastructure grant is most appropriate for the initial infrastructure investment stream, to build the ICFC premises (where required). Similar to the establishment process, the size of the one-off grant could be determined by factors such as the anticipated size of the ICFC. It must also have regard to variation in land and construction costs nationally. Ultimately, this funding could be administered in ways that ensure it is aligned with the efficient cost of best meeting community need without the need for a complex funding formula (e.g., through a robust grants application based process).

It is important to note that there is often a very long lead time, often years, in planning for new build or refurbishment of infrastructure to be approved. This is a result of lengthy discussion between stakeholders as to who owns the land and who owns the building (sometimes there are multiple stakeholders). Legal costs associated with this aspect is in addition to what is discussed in this report.

The importance of recurrent capital funding, such as funding to meet the ongoing maintenance costs, was expressed strongly in consultation. For ongoing facility maintenance and upgrades, a recurrent block-based allocation would be well suited. A condition for success for block-based funding is an understanding of how costs can vary across ICFCs based on variables such as size and location. This ensures that the funding provided is adequate. A block-based capital allowance would ensure ongoing funding for capital, such that buildings and equipment could be maintained on an ongoing basis and the risk and disruption associated with the need to inject large one-off sums of funding in response to capital disrepair could be avoided.

A block-based funding model is most aligned with the following three funding model principles:

- Flexibility – the block-based model allows for funds to be spent freely without the need for it to be tied to specific activities
- Sustainability – a recurring block-based funding model provides certainty regarding the ongoing adequacy of funding.
- Simplicity – a recurrent block-based approach avoids the complexity that may accompany formulaic alternatives.

5.1.3 Foundations of integration ("glue")

The glue encompasses the underlying leadership and administration required to operationalise ICFCs, including continued active involvement of families.

Block funding is most appropriate and weighted to service need, size and complexity. The glue is a critical long-term feature of a contemporary ICFC which requires dedicated funding. Recurrent block-based funding is most effective where access must be secured in the face of low and variable levels of demand, aligning well with the conditions under which ICFCs will commonly operate.

A recurrent block-based funding approach for the glue component is most aligned with the following principles:

- Sustainability – recurrent block-based funding is an ongoing funding mechanism which offers ICFCs a level of certainty and assurance and supports long term ICFC planning and service delivery.
- Flexibility – this funding mechanism also offers flexibility in how funds can be utilised as the allocation of block-based funds is not tied to specific activities.

- Responsiveness – designed well, recurrent block-based funding allows for the variable and changing needs of families to be responded to with appropriate, localised services.
- Equity of access – designed well, recurrent block-based funding for the glue ensures consistency across centres and supports communities requiring more support with weightings related to need, size and complexity.

Over time, as ICFCs become more mature, there is an opportunity to transition from block-based funding to outcomes-based funding. This would encourage the glue to more actively pursue more long-term aspirations such as increasing participation through outreach services to increase scale, which would be considered an outcomes measure. A condition for success for outcomes-based funding is having a detailed collection of outcomes data to accurately determine appropriate funding amounts. This aspect may support the long-term funding aspirations for the glue as it can be expected that there will be more robust data collection methods in place as ICFCs become more established.

5.1.4 Flexible bucket for community designated activities

This component of the contemporary ICFC model includes specific community designated activities such as mental health services and community gardens.

The type of funding for community designated activities depends on the complexity and magnitude of the services provided, and their relationship to core services.

Where the additional services are demand driven within a community, such as appointment-based health services, it may be most effective to fund these through existing needs-based funding streams.

However, where these additional services are community driven – such as activities with a group of children and families – block-based funding would be more appropriate. This could be pooled across services and dependent upon the size of ICFC and similar indicators. The benefit of providing block funding for these types of services include:

- Equity of access – disadvantaged cohorts that may not meet requirements for need-based funding would be able to realise the benefits of supports they would not otherwise have received
- Sustainability – block funding provides certainty in the provision of funding for services that are often difficult for state-based ICFC models to procure, such as allied health
- Flexibility – funding can be spent flexibly on services desired by the community.

5.1.5 Core services

Some ICFC models in Australia are framed around a set of core services, particularly early childhood education and care services.

The preferred funding mechanism for core services depends on the nature of the service, and the need it is seeking to address, as well as the overarching funding strategy (as explored in Chapter 6). There are a variety of existing streams of funding for specific services such as individualised-based funding for CCS, and activity-based funding for many primary health services. Funding for these services is determined by a broader set of considerations than those specific to ICFCs and in many cases there is scope to improve funding design in accordance with the principles proposed in this report. For example, challenges with respect of sustainability, simplicity and access have given rise to the consideration of major revisions to the CCS. Ultimately, the funding for core services must be designed in a way that meets the efficient cost of delivery, as it varies across communities and contexts. Achieving this will ensure it supports the intent and objectives of ICFCs.

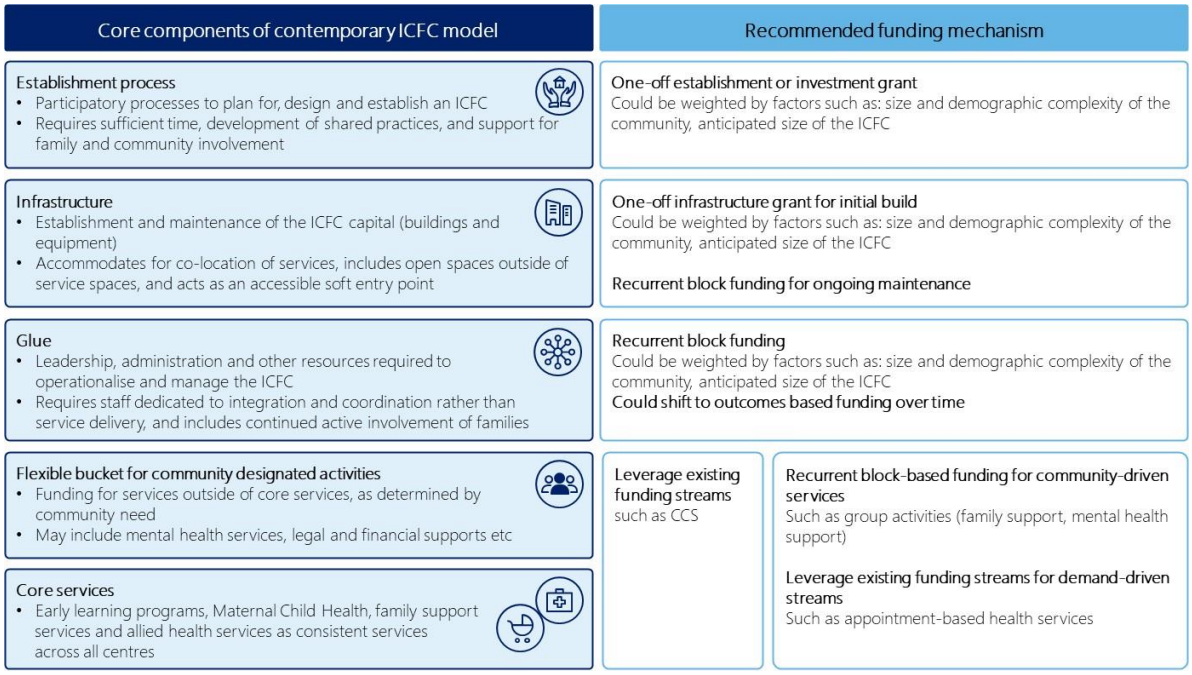
5.1.6 Summary of preferred funding mechanisms

Figure 5.1 summarises the findings of this section. It is a comprehensive illustration of how each component is best aligned to its preferred funding mechanism.

The consistent recommendation for recurrent blocking funding, tied to critical factors like the size and complexity of an ICFC, reflects the need for secure funding in the face of variable levels of demand for ICFCs. This stems from the target cohort of ICFCs – children and families facing vulnerability and/or living in areas of disadvantage – who are least likely to access services and require outreach activities to incentivise uptake. It also reflects the findings of the need modelling in Chapter 3, where a number of locations identified as high need are in regional or remote locations, where populations are small and dispersed and viable service provision is especially challenging.

While this section has outlined recommended funding mechanisms for each component, this assessment sits within a context of no new funding for ICFCs, no pooling of funding across components, and no consideration of the funding body (Commonwealth and/or states and territories). Chapter 6 considers these frames through funding strategy options.

Figure 5.1: Preferred funding mechanisms for core components of contemporary ICFC model



Source: Deloitte Access Economics (2023).

5.2 Costing of the funding model

Given the variety of ICFC service and funding models, the cost of running an ICFC varies across states/territories and providers. Nonetheless, it is useful to consider key cost drivers and develop an illustrative estimate of the cost of delivering a "contemporary ICFC" as envisioned in this report.

In arriving at a cost estimate, the costs of services (core and flexible) are not included, as the services are assumed to be funded through existing streams, and the costs can vary significantly depending on demand, uptake and the individual characteristics of children and families.

This aligns with stakeholder views that the more difficult areas for ICFCs to finance relate to the non-service components of ICFCs (the establishment process, infrastructure and integration glue) which are the specific additional costs faced by ICFCs beyond service delivery.

The key ICFC components costed in this exercise are presented in Table 5.1, split into upfront and ongoing costs, and infrastructure and non-infrastructure costs.

Table 5.1 Key ICFC components costed

ICFC component	Summary	Detail
Upfront		
1 Infrastructure – upfront	Establishment of the ICFC capital (buildings and equipment)	Capital costs relate to either: • New build • Renovations • Expansion
2 Establishment process	Participatory processes to plan for, design and establish an ICFC	Staff supports to connect with community, support community and other key stakeholder participation in service design and governance, and establish practice frameworks and working together frameworks.
Ongoing		
3 Infrastructure – ongoing	Maintenance of the ICFC capital (buildings and equipment)	Components: • Repairs and maintenance • Depreciation
4 Foundations of integration ("glue")	All ongoing costs required to operationalise the ICFC.	Components: • Business oversight • Staff supports • Outreach • Coordination and integration • IT • Office administration costs
5 Flexible bucket for community designated services	Funding for services outside of core services	Not explicitly costed, due to high variance in costs depending on demand, and needs of the individual child or family
6 Core services	Early learning programs, Maternal Child Health, family services and allied health services	Not explicitly costed, due to high variance in costs depending on demand, and needs of the individual child or family

Source: Deloitte Access Economics (2023).

The sections below discuss the key drivers of infrastructure and non-infrastructure costs, based on stakeholder discussions and cost data provided by stakeholders who have or oversee existing operations. It is important to note that what is ultimately costed reflects an ideal funding model for a "contemporary ICFC" as opposed to existing funding models, such that while some costs may appear conservatively high, this reflects the desire to fully cost components of ICFCs that are currently underfunded (such as the glue).

To account for the significant variability in the size and scope of ICFCs, the costing is nested around three ICFC sizes (small, medium and large) and considers the differences in metropolitan and regional areas. These differences help to demonstrate the large range in ICFC costs; however it should be emphasised that this costing is illustrative and based on a set of stylised specifications (including site design, staffing, and capacity limits) that should, in practice, be determined through extensive community co-design and needs analysis.

5.2.2 Infrastructure

The following sections discuss the costs associated with building and maintaining the ICFC infrastructure, based on the assumption that the building site is owned by the providing organisation or a partner (such as a government department). As such, the costs relate to owning rather than renting the building.

Alternative infrastructure funding models would alter the distribution and timing of costs. For example, another arrangement for some centres in Australia is for the property developer/investors to fund the development of the building and own the site over a lease period,

with the operator paying market rents. The advantage of this arrangement is the operator does not need the significant upfront expenditure required for the build and can start operating in a functional centre without partner support.

Upfront build

There are four main factors which influence the upfront infrastructure cost:

- if the ICFC building itself is a new build, renovation of an existing build, or expansion of an existing build
- the size of the building (i.e., small, medium, large)
- whether the ICFC is based regionally or not
- the cost per m^2 of the build, renovation or expansion.

Some ICFCs are developed as new building sites while others involve renovating or expanding on an existing building, such as an old hub or part of a school site. Despite scope to utilise existing infrastructure, consultation suggests that there are relatively high costs associated with reconfiguring existing builds, for example in manoeuvring around building and regulation constraints, or removing and replacing existing walls. In comparison, new builds have no requirements to meet the needs of existing sites, such that renovations and expansions can have the same unit cost as new builds.

There is no standard size of an ICFC. Indicative estimates of different hub sizes used to determine construction costs for this report indicate that the internal space of a centre can range from 300 m^2 to 1,000 m^2 (see Table 5.2), with respective capacity limits of 45 places to greater than 120. The size of the building will depend on the physical constraints of the site as well as the total number of facilities/rooms needed to cater to the estimated number of children and families in need. The centre size will determine its capacity limit in terms of how many children and families can access the centre at any one time. Notably, this is different from the number of children and families that will "use" the centre, or participate in activities, as multiple activities will run in a day for varying lengths of time.

Another key driver of the upfront infrastructure cost is location. Building or refurbishing centres in regional areas, compared to metropolitan areas, is associated with greater transport and materials costs as well as additional labour costs (particularly with regional workforce shortages resulting in hiring and transporting workers from metropolitan areas). Consultations estimate these additional considerations in regional areas add an approximate 20% loading to costs.

Stakeholders indicated that unit construction costs sit at approximately $5,000 per m^2. This is affected by economies of scale, where the cost per m^2 declines:

- as the size of an individual centre increases, due to more commercial construction materials and contracts; and/or
- as more centres are built, due to more commercial rates, as well as efficiencies in shared design and management costs.

Table 5.2 presents key cost parameters associated with building individual small, medium and large hubs in metropolitan and regional areas. This matrix was prepared by Bluerock Projects as a preliminary exploration of ICFC construction costs based on the requirements of established healthcare and childcare facilities.

On this basis, the total cost ranges between $1.7 million to $5.1 million. These estimates are tied to assumed specifications, and there is significant variability in final build costs for ICFCs. For example, stakeholder feedback provided various average build costs ranging from $2 million, to $8 million, to more than $10 million for a signature build at large scale. While renovations or expansions are considered to have similar unit costs as new builds, they would cost less if the size of the renovated space or expansion was less than that of a new build.

Importantly, the costs below do not include the external landscaping of the ICFC site, including parking bays, nor the cost of the land.

Table 5.2 Indicative construction costs for small, medium and large ICFCs (new builds)

		Small	Medium	Large
Site area (m^2)		675	1,350	1,850
Internal site area (m^2)		375	750	1,020
Building and delivery cost per m^2	Metropolitan	$4,720	$4,543	$4,130
	Regional	$5,664	$5,452	$4,956
Total building and delivery cost	Metropolitan	$1,770,000	$3,407,250	$4,212,600
	Regional	$2,124,000	$4,088,700	$5,055,120

Source: Deloitte Access Economics (2023) using estimates from Bluerock (2023).

Note: Building and delivery costs include construction costs, as well as design, management and authority costs/fees. Regional costs are calculated based on a 20% regional loading to metropolitan costs.

Property maintenance

Ongoing maintenance costs are costs associated with upkeep of the building and any routine maintenance. This includes activities such as pest control, waste removal, termite inspections, replacing lights, painting and minor capital works.

Ongoing maintenance costs are typically calculated based on the quality of each individual property. Large organisations with portfolios of properties are able to spread the total costs of maintenance across centres, providing both economies and scope for cross-subsidisation. Ensuring an adequate amount is allocated towards ongoing maintenance cost is important to avoid reactive spending, which is more costly that preventative spending and routine upkeep.

For the purpose of providing an illustrative estimate of the cost of running an ICFC, a 10% loading of upfront building costs each year is allocated towards ongoing maintenance. Stakeholders note that this is conservatively high, but that it would ensure appropriate upkeep of the hub and avoid the maintenance issues that adversely affect many properties.

5.2.3 Establishment process

Based on stakeholder feedback, the time to establish an ICFC is typically around two years, requiring at least one person to set-up an ICFC, engage with families and conduct other activities. Consultations indicate this establishment period requires approximately 80% of ongoing operational costs, as facilities and activities are prepared for children and families. For the purposes of the costing, the number of staff required for the establishment process is calculated as 80% of glue staff, with operational costs calculated relative to the staff as for the glue (see below).

5.2.4 Glue

Of the ongoing glue components listed in Table 5.1, cost estimates are provided for outreach, coordination and integration, and office administration including IT. Business oversight and staff supports are highly variable even within the scenarios presented here and, as such, are not costed in this exercise (more information is provided below).

Integration, outreach and office administration

Consultations indicate that even the smallest ICFC requires two to four staff to manage coordination and integration, office administration and outreach. At least two staff are needed on-site to play coordination, integration and administration roles, and additional staff beyond this are able to participate in outreach activities.

For the small, medium and large hub scenarios, an estimate of the number of full-time equivalent (FTE) glue staff members required for different centre sizes was calculated using cost estimates provided by a stakeholder setting up operations for an ICFC (see Table 5.3). Importantly, many current hub models do not separate out the 'glue' roles from general service delivery, both in classification of roles and costings. This is an issue for many centres, where service delivery staff are required to undertake glue activities, or centre staff are required to run services, due to the glue not being specifically funded. Therefore, these estimates of the number of glue staff per centre are highly illustrative.

Stakeholder input suggests the cost per full-time staff member, on average, is approximately $120,000 per year including superannuation. This reflects the indicative current rate to hire a quality social and community services employee.

Non-staff costs for these components include IT, marketing expenditure, and office expenses. Travel and transport funding is essential for outreach activities, while client expenditure is also required in many hubs, in the form of payments to assist families with emergency supports as needed, for example in domestic and family violence situations. One set of ICFC cost estimates suggest that these operational costs make up approximately 25% of ongoing, non-service related costs. Again, this proportion is illustrative as it was not possible to definitively separate out glue and non-glue staff from some provided hub costings.

Similar to infrastructure, consultation indicated that these components of glue are higher in regional areas, for example due to workforce shortages and greater distances to travel during outreach, such that a 20% loading on glue costs is applicable for regional areas.

Table 5.3 Indicative integration, outreach and office administration costs for small, medium and large ICFCs

		Small	Medium	Large
Number of FTE glue staff		3	6	8
Staffing costs (metropolitan)		$360,000	$720,000	$960,000
Operational costs (metropolitan)		$120,000	$240,000	$320,000
Total glue cost (annual)	Metropolitan	$480,000	$960,000	$1,280,000
	Regional	$576,000	$1,152,000	$1,536,000

Source: Deloitte Access Economics (2023).

Business oversight and staff supports

Business oversight and staff support costs have not been estimated as these are highly dependent on the size of the backbone organisation operating the centre.

For many existing ICFC models in Australia, these costs are incurred by large not-for-profit organisations or government departments. Large organisations running multiple centres are able to spread these aggregate costs across all centres, leveraging economies of scale to achieve a comparatively low cost per centre (for example, around $100,000 per centre each year).

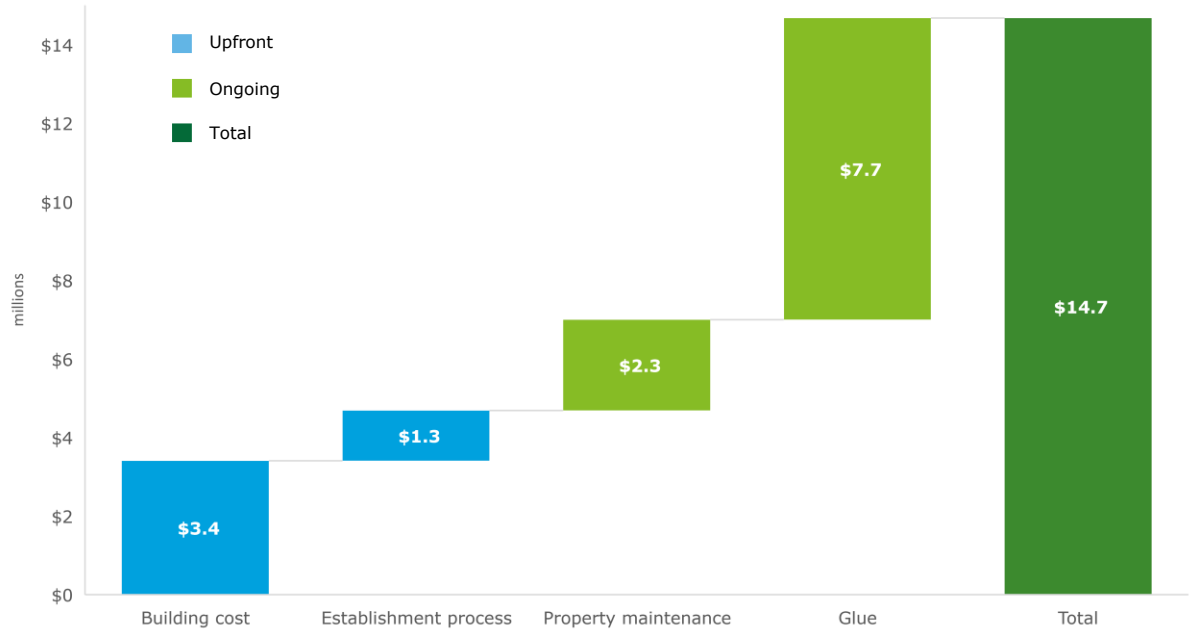
However, organisations running a smaller number of centres will incur significantly higher costs per centre (upwards of $300,000 each year, for example). The support of partnerships or auspice arrangements is needed for small organisations to run an ICFC, as they provide this critical backend support.

5.2.5 Total costs

Figure 5.2 presents the illustrative cost over 10 years of a medium-sized ICFC in a metropolitan area. Upfront costs equate to $4.7 million, composed of the building and delivery costs ($3.4 million) and establishment process costs over two years ($1.3 million). Ongoing costs reach $10.0 million over eight years, driven by the cost of the integration glue as well as property maintenance costs.

The $14.7 million total represents the cost of operating an ICFC, rather than delivering the services a centre would provide. However, the estimate for the ongoing glue expenditure is conservatively high, assuming eight FTE staff for a large hub, which for many existing ICFC models might mean that some glue staff would engage in service delivery (particularly locally determined activities such as group work).

Figure 5.2 Illustrative cost of a medium-sized, metropolitan ICFC over 10 years



Source: Deloitte Access Economics (2023).

Note: The building cost reflects a new build, rather than renovation or expansion of any existing sites. The establishment process is assumed to last 2 years from the end of the construction period. Property maintenance and glue costs are incurred for the remaining 8 years. Figures are in FY22 dollars and not indexed, and no discounting has been applied to future costs. Service delivery and business oversight costs were not costed.

This cost breakdown for different sized hubs in different locations is provided in Table 5.4.

Table 5.4 Illustrative costs of different sized ICFCs in metropolitan and regional areas (millions)

Cost components	Small		Medium		Large	
	Metropolitan	**Regional**	**Metropolitan**	**Regional**	**Metropolitan**	**Regional**
Building and delivery cost (total)	$1.8	$2.1	$3.4	$4.1	$4.2	$5.1
Establishment process (two years)	$0.6	$0.8	$1.3	$1.5	$1.9	$2.3
Property maintenance (per year)	$0.2	$0.2	$0.3	$0.3	$0.4	$0.4
Glue (per year)	$0.5	$0.6	$1.0	$1.2	$1.3	$1.5
Total (10 years)	$7.5	$8.9	$14.7	$17.6	$19.2	$23.1

Source: Deloitte Access Economics (2023).

Note: The building cost reflects a new build, rather than renovation or expansion of any existing sites. The establishment process is assumed to last 2 years from the end of the construction period. Property maintenance and glue costs are incurred for the remaining 8 years. Figures are in FY22 dollars and not indexed, and no discounting has been applied to future costs.

The estimates in Table 5.4 represent the cost of building and running one ICFC. However, there are economies of scale when many hubs are designed, built and delivered together. To demonstrate how this plays out, Table 5.5 presents scenario modelling of the total cost of building 10, 30, 50, 300 and 600 hubs. With 10 hubs being developed, no economies of scale are assumed to be achieved. From 30 hubs on, the following economies of scale are assumed:

- Infrastructure – the building and maintenance unit costs for small and medium hubs progressively fall to that of large hubs, at which point unit costs equalise across all hub sizes and continue to fall.
- Glue – the number of FTE staff required per hub for medium and large hubs falls as a greater quantity of hubs allows for efficiencies and shared resources in the activities of glue staff. In particular, three, four and five staff are respectively allocated to small, medium and large hubs when there are 30 hubs or more, compared to three, six and eight.
- Establishment process – similar to glue, the number of FTE staff required per hub falls with more hubs delivered. In particular, two, three and four staff are respectively allocated to small, medium and large hubs when there are 30 hubs or more, compared to two, four and six.

Under each scenario, hubs are assumed to be evenly distributed across regional and metropolitan areas, with 25% small, 50% medium and 25% large.

The modelling suggests that 10 hubs will cost $35.2 million in delivery costs, $14.1 million for the establishment process, and $13.1 million in ongoing property maintenance and glue costs. Establishing 50 new ICFCs represents $219.3 million in upfront costs and $49.3 million for each year of operation. **Over 10 years, developing and running 300 ICFCs is estimated to cost $1.9 billion in all upfront and ongoing maintenance costs, and $1.7 billion in glue costs.**

Notably, it is still assumed that all hubs are new builds, so any ability to utilise existing spaces with renovations/expansions would reduce initial infrastructure costs. To keep costs at a minimum, funding could be allocated with consideration of existing infrastructure, ensuring that existing spaces are prioritised for less costly expansions or renovations.

Table 5.5 Scenario modelling of the costs of delivering ICFCs at scale (millions)

Number of hubs	Upfront costs		Ongoing costs	
	Building and delivery cost (total)	**Establishment process (two years)**	**Property maintenance (per year)**	**Glue (per year)**
10	$35.2	$14.1	$3.0	$10.1
30	$105.0	$31.7	$8.9	$21.1
50	$166.5	$52.8	$14.1	$35.2
300	$949.4	$316.8	$80.5	$211.2
600	$1,726.2	$633.6	$146.3	$422.4

Source: Deloitte Access Economics (2023).

Note: The distribution of ICFCs is set as: 50% metropolitan and 50% regional, and 25% small, 50% medium and 25% large. For 10 hubs, there are no economies of scale. From 30 hubs onwards, economies of scale exist for all cost components. Service delivery and business oversight costs were not costed.

6 Funding strategy

Chapter 5 assesses how the various components of the contemporary ICFC model could individually be better funded in pursuit of the overarching aims of ICFCs and, ultimately, for the benefit of communities.

This chapter takes a further step in developing and assessing funding options that consider all components of an ICFC and speak to a national framework for funding ICFCs. The assessment considers how ICFC funding might best be optimised across components (for example via pooled funding) and explores the potential role for and merits of alternative funding bodies.

The chapter starts with a description of funding options and how they were developed, and then assesses the options in terms of appropriate funding mechanism and procurement approaches, pre-conditions and dependencies, benefits and limitations and risks. The benefits and limitations are considered with respect to the funding principles established in Section 4.6.

6.1 Funding options

Lack of funding security, siloed funding arrangements, and a lack of support for integration and flexibility in the funding of ICFCs in Australia create numerous challenges for service providers, children and their families. In this context, there is an opportunity to consider a range of alternative funding and delivery arrangements for ICFCs.

Based on consultation and research, the following frames for considering funding options became apparent as a basis for conceptualising what alternative options might look like:

1. The **extent to which the approach leverages existing funding streams**, particularly for core services, or involves the development of new funding streams.
2. The **extent of pooled funding across the components of ICFCs**, as opposed to siloed funding managed by different departments, agencies or governments.
3. The **extent of Commonwealth involvement**, as either a funder or governance body, and relatedly the development of nationally consistent frameworks.

Drawing on the analysis conducted to inform this report, and the views expressed by stakeholders, the table below provides a discussion of the benefits and limitations across the spectrum each of these three frames.

Table 6.1 Funding option frames

Frame	Description
Extent to which funding leverages existing funding streams	This frame refers to the degree to which options rely on existing funds or create new streams of funding. • Leverages existing streams – All components of ICFCs for current models are funded through existing funding. This is especially relevant to core services where there are well established national funding streams (e.g. CCS). One stakeholder noted that while funding is available, the key priority is designing funding differently. Others indicated that budgets are currently tight for all governments, so leveraging existing funding is more feasible. • New funding streams – Other stakeholders noted that continued use of existing streams may be ineffective, so creating whole new funding streams for all components will ameliorate existing inefficiencies. • The middle ground would be to leverage existing funding streams for components with strong existing funding such as core components and create new streams for the less established components such as the glue.

Frame	Description
Extent to which funding is pooled across the components of ICFCs	This frame refers to the extent to which funding is pooled or siloed across the components. • Pooling funding – funding could be pooled across departments or governments (Commonwealth and State/Territory) for all components. Theoretically, the benefit of this is that the funding is more responsive to the need of individual ICFCs, especially in rural areas where siloed funding has historically presented barriers to access and provision. However, in practice there are few examples of success that clearly evidence the benefits of pooled funding. • Siloed funding – each department and/or government can provide separate funding for each component, similar to the current state. The benefit of siloed funding is the lack of friction between departments regarding the allocation of funding responsibility and the avoidance of the more complex governance arrangements that pooling can necessitate. A limitation that currently exists in siloed funding is the administrative burden for integrated service providers, both in terms of reporting requirements, and repeat communication for participants accessing services.
Extent of Commonwealth involvement	This refers to the level of Commonwealth involvement in both the governance and funding aspects of ICFCs. • High Commonwealth involvement – the Commonwealth could have full oversight of and responsibility for all funding and/or governance arrangements and be responsible for developing a nationally consistent framework. The benefit would be greater consistency and coherence across funding and governance at a national level and utilisation of the greater fiscal capacity of the Commonwealth Government. • Low Commonwealth involvement – a model characterised by more limited Commonwealth involvement would be closer to the current state of ICFC funding and would recognise the central role that state governments play in delivering many of the services central to the ICFC offering. The downside to limited or no involvement from the Commonwealth would be the risk of insufficient and/or inconsistent funding nationally – for example, currently, not all states and territories have community health funding for ICFCs.

Source: Deloitte Access Economics (2023).

Figure 6.1 below presents five funding options and the current state of funding, and demonstrates the extent to which the options align to the frames above relative to the current state of funding. Options A and B represent reform in funding for the non-service components, and Options C, D and E seek to reform funding for both service and non-service components. It is important to note that the position of an option along each of the bars for the three frames is not reflective of the merits or otherwise of an option, rather a way of characterising an option.

Figure 6.1: Characterisation of funding options across three frames

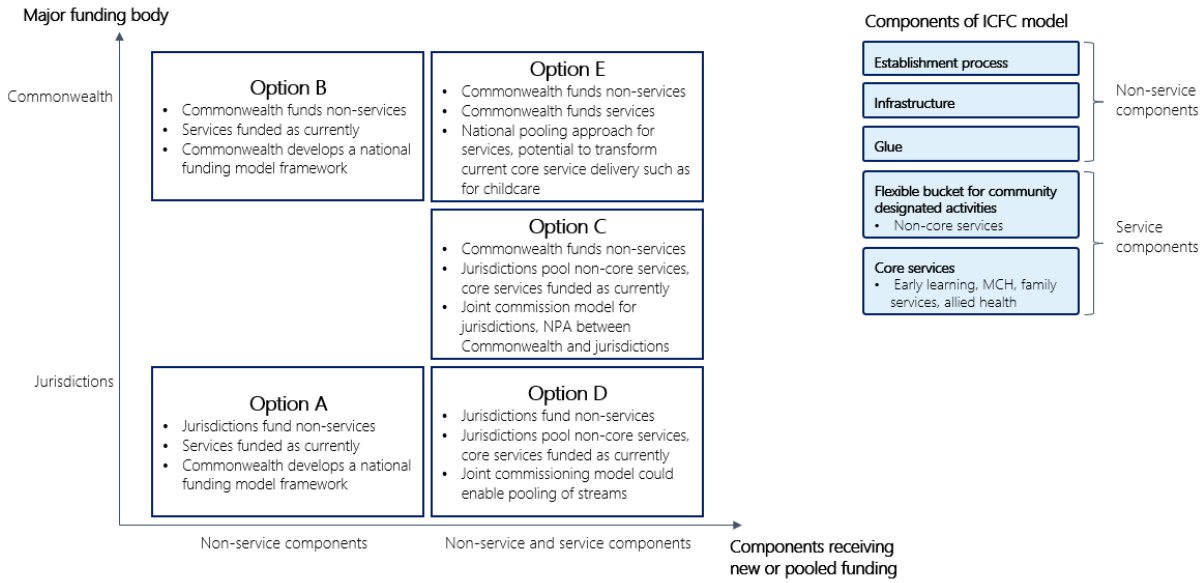
Option	Description	Leverages existing funding streams / New funding streams	Siloed funding / Pooled funding	Low Common-wealth involvement / High Common-wealth involvement
Current state	Jurisdictions draw on different streams to fund components with different models			
A	• Jurisdictions fund non-service aspects of ICFCs (establishment process, infrastructure, and glue) • Services funded as currently • Commonwealth develops a national funding model framework			
B	• Commonwealth funds the non-service aspects of ICFCs • Services funded as currently • Commonwealth develops a national funding model framework			
C	• Commonwealth funds non-service aspects of ICFCs • Jurisdictions pool non-core services, core services funded as currently • Joint commission model for jurisdictions to enable pooling, NPA between Commonwealth and jurisdictions			
D	• Jurisdictions fund non-service aspects of ICFCs • Jurisdictions pool non-core services, core services funded as currently • Joint commissioning model to enable pooling			
E	• Commonwealth funds non-service aspects of ICFCs • Commonwealth funds services • National pooling approach for services, potential to transform current core service delivery such as for childcare			

Source: Deloitte Access Economics (2023).

Note that it is not necessarily better or worse to be further along the scale across any frame.

Figure 6.2 below illustrates where each Option sits across two similar frames, to further demonstrate the differences between the options. The vertical spectrum represents the major funding body of the Option, that is, whether the new funding mechanism has greater Commonwealth or state/territory ownership. The horizontal spectrum shows the extent to which the Option is transformational based on the number of components receiving new or pooled funding. Option A and B are less transformational given the funding mechanism changes are applied to the non-service components, whereas Option C, D and E incorporate funding changes to both the non-service and service components. Section 6.2 provides more detail on each option.

Figure 6.2: Characterisation of funding options across two frames



Source: Deloitte Access Economics (2023).

6.2 Assessment of funding options

This section provides an exploration and assessment of funding options in terms of:

- **Potential funding mechanisms**, such as block-based funding
- **Potential procurement options**, such as a joint commissioning model. Explanations of joint commissioning models and national partnerships are provided in Section 6.3.
- **Pre-conditions/dependencies**, such as the ability of the Commonwealth Government and the states and territories to productively and effectively engage and collaborate.
- **Benefits & limitations/risks** as assessed against the funding principles from Section 4.6 such as simplicity, or equity of access.

Ultimately, it is essential to consider how each option delivers on the ultimate objective of ICFCs: improving outcomes for children and families, particularly those in disadvantaged and vulnerable communities.

6.2.1 Option A: States and territories fund non-services

Under Option A, states and territories would be responsible for funding the non-service aspects of ICFCs – the establishment costs, infrastructure, and glue (including any operational costs of running the centres). This funding model currently exists within some states and territories, for example the Tasmanian Child and Family Learning Centres where the Department of Education, Children and Young People pays for wages, infrastructure, an operational budget, and the glue component (but the services are funded separately). The service components would continue to be funded as they currently are, which is by both the Commonwealth (core services such as childcare (through CCS) and health) and states/territories (non-core services such as mental health services).

Option A is similar to the current state of funding for ICFCs. Where it differentiates is the additional implementation of a national funding model framework. This framework supports a level of national consistency and can be used to guide and support each state/territory to set up its non-service resourcing for ICFCs. This new governance arrangement, potentially managed at a Commonwealth level, would act as a tool to guide states/territories in their funding of ICFCs.

Potential funding mechanism and procurement

States and territories could source funds for the non-service aspects of ICFC by pooling funding across various Departments.

The ideal funding mechanisms outlined in Section 5.1 are likely to be appropriate for the establishment process and infrastructure. That is, a short-term grant to ICFCs to construct the building and meet for establishment costs, potentially weighted by factors like size. Block funding is suitable to fund the glue and ongoing infrastructure maintenance.

Pre-conditions/dependencies

A pre-condition to Option A is a long-term commitment from states/territories to fund ICFCs. Each state and territory will be responsible for funding the establishment process, infrastructure, and glue components of ICFCs. Without assurance that these components will be funded, the longevity of ICFCs within that state/territory is not assured. Further, states/territories must be willing to streamline Commonwealth governance processes and operate within their new guidelines set out.

Benefits

The benefits to Option A include:

- *Ease of implementation* – The commissioning approach to Option A will largely utilise existing funding streams within each state/territory and will not require high levels of reform.
- *Equity of access* – A national framework or model would ensure greater consistency in the service delivery of ICFCs across Australia.
- *Accountability* – The national funding model framework in this option would improve accountability of state/territory funding for non-service aspects of ICFCs.

Limitations/risks

The risks and limitations to implementing Option A are:

- *Sustainability* – The option supports stronger funding of non-service components of ICFCs but not does not provide certainty of funding for service providers. A lack of Commonwealth funding may also risk long-term funding as Commonwealth funds have greater fiscal capacity than state/territory funds.

6.2.2 Option B: Commonwealth funds non-services

Under Option B, the funding for all non-service components is a Commonwealth responsibility. The non-service aspects such as the establishment of ICFCs, building and maintenance of infrastructure, and ongoing funding of the glue will be predominantly federally funded, and governed. This Option would continue to optimise state/territory funding streams for core services that are state/territory delivered, and the additional services (flexible bucket).

During the National Partnership Agreement on Indigenous Early Childhood Development (see Section 6.3.2 for more detail), the Commonwealth funded the build and some integration supports for 38 Aboriginal Child and Family Centres, as well as three years of service operation. A difference between this arrangement and Option B is that the Commonwealth also provided funding to the States and Territories for service delivery for a time limited period.

Potential funding mechanism and procurement

The Commonwealth could either fund the set up and operations of ICFCs by establishing a new funding stream/s run by a Federal Department, or pooling funds from multiple Federal Departments.

Similar to Option A, the ideal funding mechanism appropriate for the establishment and infrastructure components is a one-off grant, while the glue could be funded via a recurrent funding mechanism such as a needs-based allocation.

Pre-conditions/dependencies

A precondition to the success of Option B is for states and territories to cooperate with the Commonwealth. Strong communication lines and a shared understanding of the Federal responsibility over the non-service components of ICFCs is required.

The Commonwealth also requires a good view of the needs of each state/territory to effectively determine funding allocations including any funding formulas for the glue. This would require strong communication channels between the States/Territories and Commonwealth, as well as nationally consistent reporting guidelines for states/territories to refer to and be guided by.

Benefits

The benefits to Option B include:

- *Ease of implementation* – Option B continues to leverage existing funding streams for services, increasing the ease of implementation.
- *Equity of access* – A national framework or model would ensure greater consistency in the service delivery of ICFCs across Australia.
- *Accountability* – The national funding model framework in this option would improve accountability of state/territory funding for non-service aspects of ICFCs.

Limitations/risks

The risks and limitations to implementing Option B are:

- *Lack of strong governance* – There is an increase in complexity to administration with the creation of the new Commonwealth funding stream for the glue. This is exacerbated by the lack of change to the existing governance arrangements, which remain across Federal and State/Territories for core and non-core services.

6.2.3 Option C: Commonwealth fund non-services & states/territories fund non-core services

Option C is similar to Option B, where the Commonwealth funds the non-service components, with the addition of States and Territories pooling funding for non-core services. The non-core service components of an ICFC that could be pooled might include community driven services such as community gardening for children and families, or cultural, language or employment programs.

Option C would continue to optimise state/territory and Federal funding streams for core services that are state/territory and Federally delivered, respectively.

Potential funding mechanism and procurement
The state and territory component could be achieved through a joint commissioning model, with funds pooled across multiple departments for the additional services, holding all agencies accountable. As discussed in Section 5.1, the funding mechanism that is most appropriate for any community driven non-core services is block-funding. This provides certainty as a recurrent funding model while allowing for some flexibility in allocation.

This model could be strengthened with a national partnership agreement with the Commonwealth, structured on bilateral agreements with the states/territories. Under this agreement, the Commonwealth could fund the non-service components under the condition that non-core services are delivered by each state/territory through the commissioning model.

Pre-conditions/dependencies
Pre-conditions that would support Option C if joint commissioning models with bilateral agreements were adopted include states and territories unanimously supporting and entering the agreements. The Commonwealth can support this by demonstrating a commitment to funding certainty and funding longevity for non-service aspects of ICFCs within the agreements.

Benefits
The benefits to Option C include:

- *Responsive* – Given the states and territories have more oversight over their respective communities and ICFCs, the needs of each community and ICFC will be better understood, and the non-core services can be more readily adjusted to reflect this.
- *Sustainable* – The bilateral agreements provide the Commonwealth and States/Territories with a level of certainty in funding (for States/Territories) and in the delivery of services (Commonwealth) for the duration of the agreement. Further, budgetary constraints facing states and territories are less limiting in this option than the current state, as the Commonwealth provides funding assurance for the key enabling components of ICFCs.
- *Flexible* – Block funding for the non-core service component supports States and Territories to provide funding for ICFCs to freely allocate towards their respective community driven activities.
- *Equity of access* – As discussed in Option B, the Commonwealth is likely to deliver greater consistency in the allocation of funding for non-service components.
- *Accountability* – A national partnership arrangement with conditional Commonwealth funding would make the states/territories more accountable in their funding of non-service components.

Limitations/risks
The risks and limitations to implementing Option C are:

- *Lack of simplicity* – The introduction of bilateral agreements increases complexity around ICFC funding and increases risks of inconsistency.
- *Complex to implement* – The reforms required across both government tiers are relatively substantial. Further, the creation of new funding streams by pooling funds across State/Territory departments is relatively transformational compared to other Options.

6.2.4 Option D: States/territories fund non-services & non-core services

Option D provides the states and territories with funding and governance responsibilities. Under this Option, each state/territory would fund the non-service and non-core service components of an ICFC. The core-service funding component remains in its current state, with states/territories continuing to leverage existing Federal funding streams. For other services, the states/territories could pool state funding across services such as MCH/allied health where this funding is not already established within a state/territory.

The Western Australian Child and Family Centres work similarly to Option D. The Department of Education uses a letter of agreement with other departments including the Department of Health to deliver funding for services to the Non-Government Organisations that run the centres. Outside of services, the State Government also funds the upfront and ongoing infrastructure costs.

Potential funding mechanism and procurement
For the procurement of funding, a commissioning model for both the non-service aspect and non-core services would suffice. Funding could be pooled across each state/territory department for all aspects outside of core services. However, states/territories may prefer to utilise existing streams for services like allied health if they are already sustainable and well-funded.

The appropriate funding mechanism for the non-service aspects would the same as Option A. For non-core services that are considered appropriate to pool, a recurrent block-based funding mechanism would allow for more flexible allocation, identical to Option C.

Pre-conditions/dependencies
Pre-conditions that would support Option D include strong commitment from the States and Territories to fund the majority of the costs of ICFCs. Similar to Option A, a strong commitment across states/territories to work collaboratively to deliver consistent care would be useful.

Benefits
The benefits to Option D include:

- *Responsive* – Given the states and territories have more oversight over their respective communities and ICFCs, the needs of each community and ICFC will be better understood, and funding for non-core services can be more readily developed to reflect this.
- *Flexible* – Block funding for the non-core service component supports States and Territories to provide funding for ICFCs to freely allocate towards their respective community driven activities.
- *Simplicity* – A more streamlined approach to funding for the non-service and non-core services components simplifies the funding process.
- *Strong governance* – This Option also supports a stronger governance structure given the more streamlined approach to funding.

Limitations/risks
The risks and limitations to implementing Option D are:

- *Hard to implement* – New funding mechanisms across each state and territory for non-service and non-core service components increases the level of reform required for establishment.
- *Lack of equity of access* – Given the greater responsibility of States and Territories to fund ICFCs, there is a risk of inconsistent allocation of funds across states/territories due to each having their own processes and procedures.

6.2.5 Option E: Commonwealth funds services & non-services

Option E seeks to transform the way funding is provided for the service and non-service components of an ICFC. Under this Option, the Commonwealth would pool funding for all components of ICFCs. This Option is transformational in the way funding is operationalised.

Potential funding mechanism and procurement
This Option could operate as a national pooling approach for core and additional services (across Commonwealth and State programs). Partnerships could be created across various departments within the Commonwealth and State/Territory level.

The non-service aspects such as the establishment of ICFCs, building and maintenance of infrastructure, and ongoing funding of the glue will be predominantly federally funded, and governed.

For the service components, a transformational method would be restructuring the CCS system by implementing a needs-based funding stream to cover all services. Need could be determined at a community level, for example using the logic and methodology of the modelling presented in Chapter 3. It is noted that restructuring CCS, for example through a loading that supports ICFCs,

is not considered to be the key vehicle to solving the funding issues faced by ICFCs (particularly in the short to medium-term). This is because of the disconnect between reforming the universal model of funding childcare in Australia to support the highly disadvantaged, but small, cohort that is in priority need of ICFCs.

Pre-conditions/dependencies
An important precondition that would ease the implementation of Option E is a common agreement among all States and Territories to relinquish leadership and governance to the Commonwealth. To support this, assurance will need to be provided to the Commonwealth of funding certainty. Given the high level of disruption this would incur on government across both State/Territory and Federal level, a transition period will need to be in place for existing ICFCs and childcare centres to adjust to new regulations and governance.

Benefits
The benefits to Option E include:

- *Equity of access* – A nationally funded ICFC approach supports greater consistency in funding across Australia, supporting an even distribution of funding across various cohorts.
- *Simplicity* – The one-stop shop approach to funding will reduce administrative complexity for both funders and ICFCs.
- *Strong governance* – Greater Commonwealth ownership of funding for ICFCs simplifies governance arrangements as there becomes a single source of funding responsibility.

Limitations/risks
The risks and limitations to implementing Option E are:

- *Not responsive* – The Commonwealth dominating funding for both the non-service and service aspects leads to less direct oversight of community ICFCs. As a result, any changes in demand and community need over time is less likely to be acknowledged.
- *Not easy to implement* – Given the transformational nature of this Option, the extent of reforms required, the costs to transition, and the transition time needed, this option will likely be challenging to implement.

6.2.6 Summary of assessment of funding options

Figure 6.2 below summarises the assessment of options by listing the main benefits and limitations of each option using the funding principles. This visualises the various trade-offs in the design of the options, for example with more sustainable options characterised by a lack of ease of implementation.

Please note:

- The allocation of principles for any option is relative to the 'medium' level of all options. This means, for example, an option with the 'simplicity' benefit is simpler than the middle ground of all the options combined.
- The allocation of principles is not exhaustive, with the listed benefits and limitations reflecting only the main features of the options. Principles not allocated to an option were not considered key benefits or limitations for the option, or could not be allocated as there are too many dependencies to make a clear assessment. This means, for example, an option without reference to simplicity is considered to be at the simplicity level of the 'medium' level of all options.
- The key indicates the importance of each principle as ranked by consensus in the project workshop undertaken for this work. As such, sustainability is the darkest coloured principle as a benefit *or* limitation because it was ranked the most important principle for assessing options. This means the shade of a principle against any option solely reflects its ranking among the principles, not the extent to which an option meets that principle.

As depicted in Figure 6.2, Option C and D are strong options based on areas of greatest benefits. Considering responsiveness and flexibility, for example, both options perform well due to the jurisdictional block-based funding allocation for the non-core services. Options A and B also

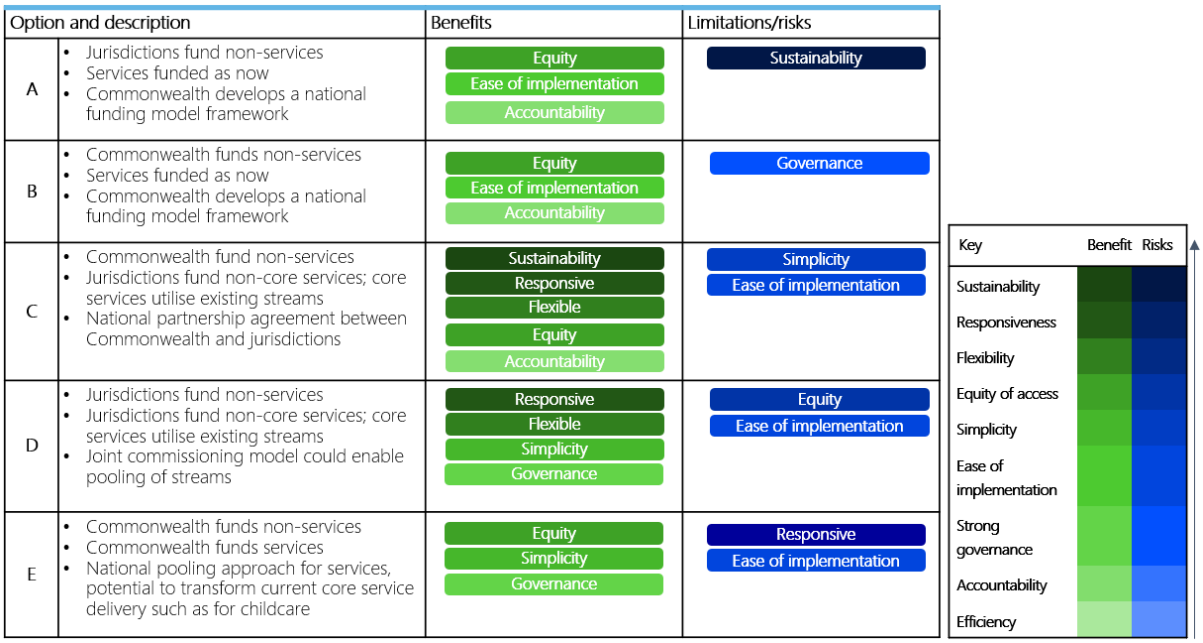
perform well considering the number of benefits relative to limitations, with Option B particularly looking strong due to a less highly ranked limitation (governance as compared to sustainability).

Option C is the only option showcasing sustainability as a benefit, for two reasons. Firstly, Commonwealth ownership of funding for non-services results in greater funding certainty for the establishment process, infrastructure, and glue components of ICFCs. Secondly, the funding for Option C is the most diversified with both Commonwealth (for non-services) and state/territory funding (for non-core services), resulting in less reliance on one government entity to fund ICFCs.

While Option C is demonstrably the strongest option based on the assessment against principles, it is important to note that the options do not operate in isolation. External policy dynamics will play an important role in determining which option should be considered. This is discussed in greater detail in Section 7.2.

The funding principles are presented again in Table 6.1 below for easy reference.

Figure 6.2: Areas of greatest benefit and risk by option



Source: Deloitte Access Economics (2023).

Note: The assessment of options against principles is relative to a 'middle ground' of all the options. In the key, benefits and limitations/risks are ranked in order of importance according to Section 4.6.2. The shading represents the ranked importance of the principles, with darker shades being more critical, and lighter shades being less critical.

Table 6.1: Funding design principles

Funding model principles	Description of principle	Assessment criteria
1 Sustainability	The extent to which the funding model supports ICFC delivery over time and provides certainty regarding the ongoing adequacy of funding.	Fiscal capacity is improved with Commonwealth involvement while funding certainty is better guaranteed with joint Commonwealth and State/Territory involvement
2 Responsiveness	The extent to which funding and is responsive to changes in demand and community need over time	Flexibility for funding arrangements to shift over time. State/Territory funding mechanisms are likely to be more responsive due to greater visibility closer to communities on the ground

Funding model principles		Description of principle	Assessment criteria
3	Flexibility	The extent to which funding can be spent flexibly, not tied to specific activities	Expenditure conditions under which funding is provided. Block funding or pooled funding can provide greater flexibility for funding allocations
4	Equity of access	The extent to which funding provides consistent access to and quality of services across Australia, and supports disadvantaged cohorts as a priority	Consistency, distribution and scale of expected access to ICFCs. Commonwealth mechanisms are better able to ensure national consistency in funding
5	Simplicity	The extent to which the funding model is simple, easily understood and administered by both funders and ICFCs	Anticipated administrative complexity. Simple models adopt fewer funding streams/bodies
6	Ease of implementation	The extent to which new funding and delivery arrangements utilise existing funding streams/delivery models in place of more transformational models or pooling	Extent of reform/change required to existing funding streams
7	Governance	The extent to which governance in administration supports a single source of responsibility and leadership	Complexity of governance arrangements. An indicator would be the number of funding and/or governance bodies
8	Accountability	The extent to which funding recipients are accountable for the way in which funding is expended and the outcomes achieved	The development of strong and clear outcomes reporting requirements. National frameworks or conditional partnerships increase accountability.
9	Efficiency	The extent to which funding and delivery arrangements encourage the most efficient means of program delivery	Expected cost effectiveness. This can be difficult to determine at the outset and is dependent on the final design of the model

Source: Deloitte Access Economics (2023).

6.3 Implementation considerations

The following sections explain the implementation considerations for procuring and delivering the various options as discussed above.

6.3.1 Joint commissioning models

Options with new funding streams and/or pooled funding compared to the current state are seeking to break down silos in the funding of ICFCs. One approach to breaking down silos is joint commissioning models.

Joint commissioning models are frequently used in the context of integrated care. They typically involve the collaboration of health and social care of organisations to share responsibility for integrated care service and their outcomes. In practice, multiple organisations work in partnership at all stages of the commissioning process. This includes the assessment of needs to the planning, procuring services, and the monitoring of outcomes.[xlii]

In the context of ICFCs, the joint commissioning model is not centred around the delivery of services, rather, the allocation of funds. It will involve the pooling of funding and resources for glue and other services from relevant departments, holding all agencies accountable. Stakeholders note that in context of early childhood, it is appropriate to have a lead agency, for example education or health.

One example of a joint commissioning model for integrated centres, currently operated by the Commonwealth Government, is Connected Beginnings (see the box below).

Connected Beginnings

Connected Beginnings is a program aiming to close the gap in school readiness between Aboriginal and Torres Strait Islander children and non-Indigenous children. The program started in 2016, operating at 24 sites across the country. In 2021, the Australian Government committed a further $81.8 million ($37 million from the Department of Health and Aged Care, and $42.8 million from the Department of Education) to expand the program to 50 sites by 2025.[xliii]

A defining feature of the Connected Beginning program is that it is jointly delivered by the health and education departments. Each site has both an Education-funded organisation and a Health-funded organisation. While initial expectations were that the Health-funded organisation would be co-located at the premises of the Education-funded organisation, this was eventually not enforced, and collaboration and integration of the services became more of a focus.[xliv]

Evidence from a 2019 evaluation of Connected Beginnings indicated that the program should continue to support both an Education- and Health-funded organisation at each site, however, improved education and health outcomes are not yet known given the relative immaturity of the program due to the communities' complex social and economic challenges. The report indicated that more measurable outcomes will not be available until around five years after commencement.[xlv] Another evaluation report will be available mid-2023 to measure the success to date.[xlvi]

6.3.2 National partnerships

Options with higher Commonwealth involvement compared to the current state are seeking to achieve greater national consistency in the funding of ICFCs.

National partnerships are where various Australian state and territory governments enter an agreement to support nationally significant reforms, service delivery initiative or projects. They are typically time-limited, with funding provided through national partnership payments.[xlvii]

There have previously existed multiple early childhood education national partnership agreements. Indigenous early childhood education nationals partnerships led to the development of Aboriginal Child and Family Centres from 2008 to 2014 (see box below).

The Australian Government also funded state and territory governments to provide quality preschool programs through the National Partnership Agreement on Early Childhood Education from 2009 to 2013; the National Partnership Agreement on Universal Access to Early Childhood Education from 2013-2015; and the Universal Access National Partnership (UANP) between 2008 and 2021. From 2022, a new four-year national reform agreement will continue to fund and strengthen the delivery of preschool under the Preschool Reform Funding Agreement.

The opportunity to develop a national partnership in the context of ICFCs allows for joint reform efforts to set out how the Commonwealth and State/Territory governments can work together to support the delivery of ICFCs. Some stakeholders have noted that there has previously been an imbalance of power between Commonwealth and State/Territory in national partnerships and expressed concern that any new partnerships would introduce long periods of negotiation. Despite this, there is optimism among other stakeholders about the ability to leverage current momentum in the sector into a national agreement.

Indigenous Early Childhood Education Nationals Partnerships

The 2008 *National Partnership Agreement on Indigenous Early Childhood Development* aligned Commonwealth and State and Territory governments to improve early childhood outcomes of Indigenous children, with an initial priority area of integrating early childhood services through children and family centres. The agreement commenced in January 2009 and established 38 ACFCs over the six years of joint funding, providing a wide mix of services including childcare, early learning and CMH services, with over three quarters of the centres reported offering at least 7 different types of services in 2013[xlviii].

The operations of the centres were supported by an integration of management, governance, and service systems. Although many of these services only became functional in 2014, the agreement lapsed in June and federal funding was discontinued. The centres continue to operate under various state and territory funding models, adopting mixed funding arrangements.

Despite the brief time functioning under the agreement, the centres achieved direct outcomes for intended groups[xlix]. The proportion of Aboriginal and Torres Strait Islander children attending the centres with age-appropriate health checks increased 14 percentage points to 95% over the six year period, while full immunization levels increased 7 percentage points to 99%. The centres were also able to increase the range of services accessed by families with the May 2014 census indicating that on average 78% of children attending childcare through the centre had not previously accessed the service. Alternatively, a 2014 review into the partnership suggested educational outcomes were not successfully achieved in the partnership as Indigenous children continue to be underrepresented in enrolments and attendance at preschool, though the ACFCs alone should not be expected to significantly impact this indicator[l].

7 Towards a new national model

This report has identified that there is a strong case for greater and more coordinated investment in ICFCs in Australia. They offer a unique and compelling model to addressing the disadvantage faced by our most vulnerable communities, in a way that puts the perspectives and needs of these communities first.

The focus of this research has been to explore two key components of the system settings required for a national model for ICFCs: need and funding. Moving forward, a national framework or model for integrated child and family centres in Australia needs to be underpinned by a number of other settings, particularly around implementation planning (see Figure 1.1).

Some of these areas requiring more detailed exploration include:

- **Workforce demands** – a key implementation consideration for the future scaling of ICFCs is a sizeable and quality workforce. Consultation made clear that the difference between successful and unsuccessful hubs is the quality of staff, particularly leadership staff. Establishing more ICFCs will require more quality operating staff to perform glue functions, as well as some uplift in service delivery workers as capacity expands. However, even existing centres are struggling with attracting and maintaining quality staff, and data from 2022 showed that job vacancies for social workers had doubled since the start of the pandemic.[li] A sufficiently large and capable workforce that is able to service ICFCs in the future is a critical enabler to scale.
- **National policy framework** – another central component of effectively scaling ICFCs is the articulation of clear policy goals/objectives for the sector. This could be formalised in a national policy framework that clearly defines and presents a vision for ICFCs. Such a framework is recommended in a number of funding options discussed in this report.
- **Data collection and measurement and quality frameworks** – quality data is essential to growing the evidence base for ICFCs, increasing investment in the sector and driving improvements in existing centres. However, ICFCs collect data on their activities and outcomes to a varying degrees and in different ways. As discussed below, consistent and well captured data on ICFCs is limited by factors such as government reporting requirements. There is also varying awareness among centre staff on the purpose of data collection, and lack of data sharing across practitioners and centres. This speaks to the need for integrated data assets and sharing frameworks, within and among ICFCs.

This chapter explores in more detail other considerations for this national model, including:

- scaling considerations – as they relate to the need modelling in Chapter 3 and beyond this
- policy considerations for better funding ICFCs – the feasibility and impact of the options discussed in Chapter 6 are framed in the context of key reforms and strategies in the early years space in Australia
- growing the evidence base – the current state of evidence illustrating the impact of ICFC models in Australia is summarised to provide a baseline for continued investment in research on ICFCs.

7.1 Scaling considerations

The future vision for a national framework for ICFCs includes the option of scaling, with the expansion of the current number of ICFCs and/or transition of similar existing models to ICFCs. Models may be scaled by any combination of need, geography, existing models, and opportunity. Two of scaling options were explored in Chapter 3, and rely on the quantification of need:

- **Scaling to maximise the geographic spread of ICFCs** – delivering new centres in as many high need locations as feasible.

- **Scaling to meet thresholds of need based on population** – expanding ICFC delivery with an aim to support a determined portion of population in need.

Outside of scaling based on need, alternative considerations for scaling include:

- **Geography** – identifying relevant geographical areas of scope could provide a pathway for scaling. This could be determined depending on existing state or community support services, and the ideal location for ICFCs, such as within public schools. The state of government funding may also indicate the geographic scope.
- **Existing models** – identifying existing models and implementing programs that expand or complement these. For example, existing integrated service models in Australia include Tasmanian Child and Family Centres, Our Place (Victoria), South Australian Children's Centres, Child and Family Centres (Western Australia), and Early Years Places (Queensland).
- **Opportunity** – scaling can also occur by identifying opportunities for increased piloting/expansion of ICFCs at the State/Territory or Federal level. The early childhood system is undergoing significant reform at multiple levels and identifying how and where ICFCs may best fit into emerging reform agendas could influence expansion priorities and pathways.

The following section follows the logic of scaling based on opportunity by considering how various policy scenarios provide different opportunities for the optimal funding of ICFCs.

7.2 Policy considerations for better funding ICFCs

The early childhood landscape is currently receiving a lot of attention and interest nationally and within states/territories, as introduced in Section 1.2. The different directions taken by governments will dictate the feasibility and impact of the five options assessed in Chapter 6. Key upcoming reforms in the early years space include are outlined in the table below.

Table 7.1: Key reforms and strategies in the early years development policy space in Australia

Reform	Description
Early Years Strategy (the Strategy)	The purpose of the Strategy is to shape the vision for the future of Australia's children and their families. The Strategy is intended for the Commonwealth to create a more integrated, holistic approach to early years education, and to better support the wellbeing and development of children. This will be done by supporting improved coordination between Commonwealth programs, funding and frameworks impacting early childhood development.[lii]
Productivity Commission review (PC)	The PC inquiry to review the universal early education system was announced in early 2023. It will commence in March 2023 with a final report due to be released 30 June 2024.[liii] The scope of inquiry of the PC report is to examine the ECEC sector and consider cost and availability barriers that affect access to ECEC services, and if there are ways to support better outcomes for children and families from a Commonwealth perspective.[livlv]
Australian Competition and Consumer Commission review (ACCC)	The ACCC is conducting an inquiry commencing 1 January 2023, with the final report due 31 December 2023. The inquiry will investigate the market for the supply of childcare services. It will examine costs of childcare services including use of land, labour, and administrative costs, and how costs and prices differ across different providers. The impact this has on childcare provider viability, quality and profits is also to be analysed.[lvi]
State and Territory reforms	There are a number of reforms being undertaken at a State/Territory level to review or shift state/territory policy related to supporting children and their families. These include:

Reform	Description
	• The South Australian Royal Commission into Early Childhood Education and Care commenced 16 October 2022, with the final report due August 2023. • The Joint Commitment to Transform Early Education by the NSW and Victorian Governments was announced 16 June 2022. As part of this commitment, $9 billion and $5.8 billion packages in Victoria and New South Wales respectively will be invested over the next decade, to ensure every child in both states will experience a full year of play-based learning before they start school. [lvii]

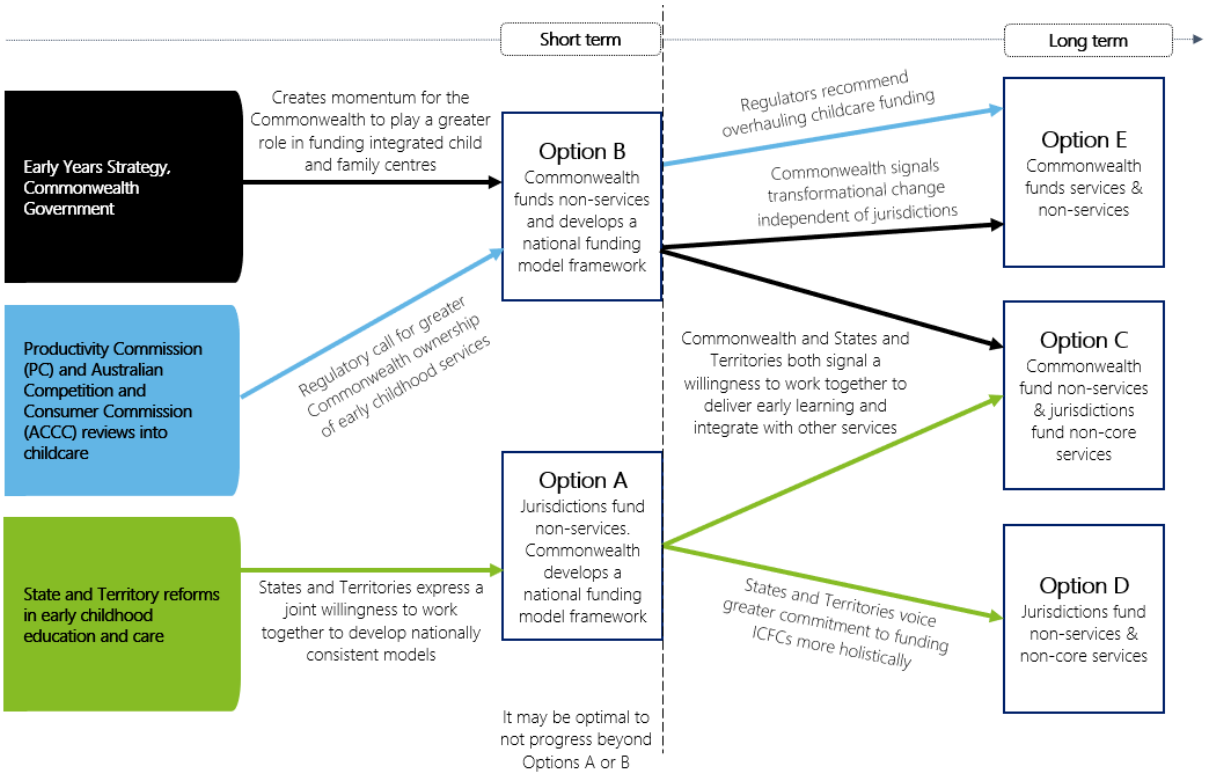
Source: Deloitte Access Economics (2023).

Three policy scenarios were developed based on these reform directions. Figure 7.1 provides a high-level overview of possible maturity pathways for funding ICFCs in the context of the current and upcoming reforms, and the different directions they make take.

Short term and long term horizons are included to showcase the relationship between the evolving policy landscape and the preferred funding path:

- The short-term horizon relates to Options A and B. As indicated in Chapter 6, the scope and degree of change varies across options, and ambitious and transformational options are likely to take a longer time to achieve. In the short term, less transformational options will be more feasible to implement. Consultations also indicated that the more urgent adjustment to ICFC funding in the short term is better funding of non-service components – particularly the integration glue – rather than fully reconceptualising service delivery.
- The long-term horizon features Options C, D and E, which involve restructuring service delivery funding. These changes require more time to implement and are considered to be less urgent than ensuring sustainability for non-service components.

Figure 7.1 Short- and long-term Options horizon in context of current and upcoming reform



Source: Deloitte Access Economics (2023).

This representation illustrates that if the Early Years Strategy and regulatory reforms call for a greater Commonwealth role in ICFCs, Option B is suitable in the short term, with the Commonwealth funding non-service components of ICFCs. This could mature to Option E over time, as funding reform expands into service delivery with Commonwealth funding of all ICFC components, particularly if the reviews indicate the need to transform childcare funding. Alternatively, if the Early Years Strategy indicates greater cooperation between the Commonwealth and states/territories, Option C would be more preferable.

Option A leans towards state and territory-led change and would be suitable in the short term. Over time, funding can mature into Option D, where ICFCs are majority state/territory funded and governed.

A more optimal scenario, noting that the reforms are unlikely to occur in isolation, is joint commitment to fund ICFCs between the Commonwealth and states/territories. This gives rise to Option C being the most balanced option in the long-term, supporting both Commonwealth and state/territory commitments.

7.3 Growing the evidence base

A new national model for ICFCs needs to be underpinned by a strong evidence base. To assist in this effort, this section summarises the current evidence for ICFCs, illustrating that while there is an increasing number of quality pieces of evidence, growing this base will encourage scaling of ICFCs.

7.3.1 Difficulties gathering evidence for ICFCs

There is growing evidence on the impact of integrated service delivery for children and families, in a range of service settings, although robustness of this is variable.[lviii] As identified in the Early Years Impact Report from The Benevolent Society (TBS), it is incredibly difficult to prove improved outcomes from an integrated model rather than standalone programs because of a combination of factors, including:

- there are many different services offered by multiple providers within each place-based system,
- each place-based system is tailored to the individual needs of the cohort,
- there are a wide variety of outcomes sought by the cohorts,
- government reporting frameworks require collection of output-related rather than outcome-related data,
- there is no publicly available counterfactual data against which to compare the outcomes of the EYP,
- measuring lifetime impacts of early childhood prevention-focussed interventions requires substantial investment into longitudinal studies.[lix]

7.3.2 Existing evidence for ICFCs

However, emerging evidence of the impact of integrated service models includes:[lx]

- Improved school readiness and parental knowledge and confidence in integrated models focused on early learning,
- Improved academic outcomes for children in co-located early years/primary school settings,
- Improved identification of developmental vulnerability and increased service access for in community-based hub models, and
- Improved engagement of families, better coordinated supports and improved child health outcome in integrated community health models.

A number of evaluations and reports demonstrate the impact of individual ICFCs on children and families. These are listed in the table below.

Table 7.2: Evaluations and reports evidencing the case for ICFCs

Evaluation	Description
NSW Evaluation of Aboriginal Child and Family Centres[lxi]	The report in 2014 found that the proportion of Aboriginal and Torres Strait Islander children attending the ACFCs who had all age-appropriate health checks increased from 81% to 95%, and the proportion who were fully immunised increased from 92% to 99%. It also found that on average 78% of children attending childcare through an ACFC had not previously accessed an early learning service, demonstrating the success of the centres to reach 'hard to reach' families.
Early Years Impact Report[lxii]	The Early Years Impact Report produced by TBS looked at their three Early Years Places (EYP) centres in Queensland and identified a number of key findings. For example, of the 11% of children attending the centres identified as having developmental delays, 89% took up the supports recommended to them. The very high uptake rate supports TBS's hypotheses regarding the trust families place in the professionals at an EYP. They also measured the effect size required for breakeven across the three centres as around 2%. Although they did not have sufficient data to undertake a Cost Benefit Analysis, this breakeven value suggests that the centres are highly likely to have a Benefit Cost Ratio exceeding one. The report also includes other important indicators though notes the lack of matched data means findings are based on very small sample sizes. E.g., 57% of the sample experienced an improvement in their SDQ scores (Strengths and Difficulties Questionnaire, used to measure changes in child development outcomes).
Evaluation of the Child and Family Learning Centres (CFLCs) in Tasmania[lxiii]	This evaluation found that CFLC users felt their children were better prepared for school and that they had closer links with schools than parents who hadn't used the service. It also found parents who had used a CFLC judged their experience of early childhood services and supports more positively than those that had not used a CFLC and parents' experiences of centres aligned with the best-practice principles from the Early Years Learning Framework for Australia.
Randomised control trial (RCT) on participants of the Early Years Education Program[lxiv]	The Early Years Education Program is a centre-based, early years care and education program targeted at the needs of children who are exposed to significant family stress and social disadvantage, including being at heightened risk of, or having experienced, abuse and neglect. A RCT was undertaken to assess the impact of the program on participants. The RCT found impacts on several outcomes for children including IQ, protective factors related to resilience and social-emotional development. The RCT found that children who participated in the program after two years had a 7 point increase in their IQ scores (essentially closing the gap with their peers), higher resiliency scores and significant reduction in social emotional problems.

Source: Deloitte Access Economics (2023).

Further evidence around early intervention and early learning programs includes:

- There is a growing body of evidence on how to support children in transcending disadvantage and realising their potential.[lxvlxvilxviilxviii] Strong evidence supports participation in evidence based quality early learning programs which evidence suggests produces a 13% Return on Investment. For children living with significant and multiple vulnerabilities and risk factors, there is powerful evidence for a targeted 'intensive care' model where the program elements, dosage and duration of the intervention are able to redress harms, overcome the effects of trauma, reduce toxic stress levels and enable children to learn in partnership with their families.[lxix]

- Evidence indicates that in families experiencing disadvantage, investing as early as possible, from birth through age five, provides the highest rate of return for early childhood development outcomes.[lxx]
- Finally, for children who are exposed to significant family stress and social disadvantage a specialised model of early childhood education is critical for impact, to: overcome the effects of trauma and enable learning; support their broader early childhood development needs; and work with families to redress underlying stressors.[lxxi]

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Appendix A
Technical appendix: Need model

A.1. Purpose of the model

Deloitte Access Economics developed an interactive model that estimates the quantum, nature and location of need, as it relates to the role of ICFCs, across Australia. There are two elements to the analysis: geographic modelling and population modelling. The geographic modelling supports prioritisation of potential service locations across geographical areas, while the population modelling and service overlay supports an understanding of the potential scale and insights into the estimated additional service delivery required to most suitably meet need (to be further determined through the co-design process).

The model has been designed in a way that enables key inputs to be changed, allowing alternative specifications of the quantitative measurement of need to be explored and to support the flexible use of the model for policy development going forward. Underlying data can be updated, meaning that as population characteristics change so too does the guidance that the model produces.

The scale and prioritisation modelling undertaken by Deloitte Access Economics is intended to:

1. Create a **representation** of the possible scale of need for ICFCs under a prescribed definition as well as the level of unmet need (given current provision).
2. Allow SVA, partners, and governments to **identify and prioritise possible communities with high levels of need** that could be suitable for ICFCs.
3. **Inform the future development** of national ICFC funding models.

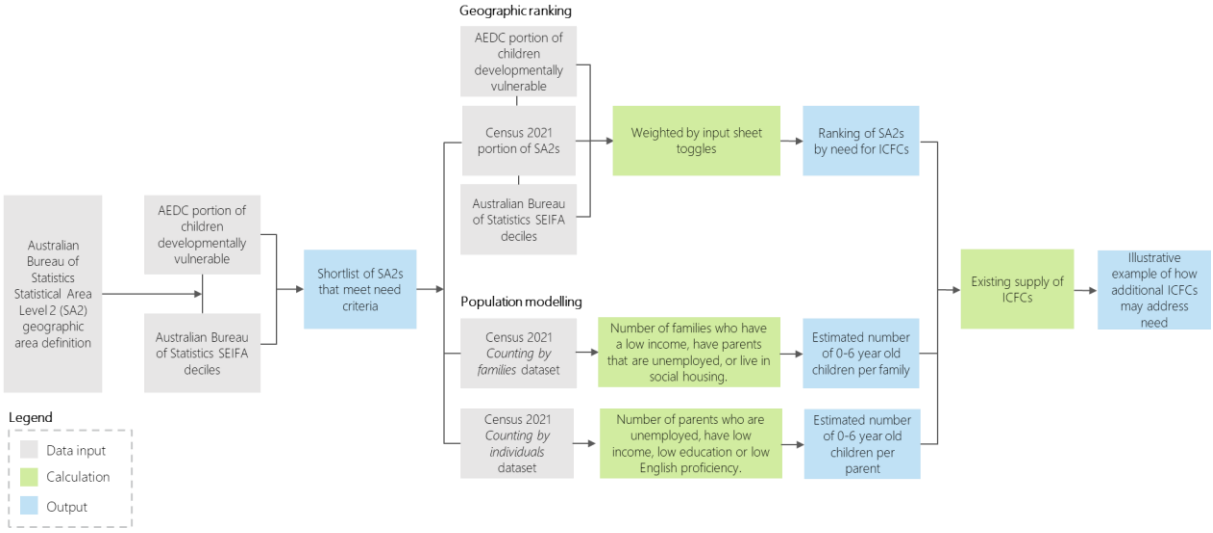
The scale and prioritisation modelling **does not** capture:

1. A nuanced family and community articulation of need that captures social connections, support and relationships with existing services.
2. An understanding of how need will interact with ICFC model design – to be captured through the community co-design process.
3. The level of demand for ICFCs – while the model provides an illustrative estimate of the population that may benefit from access to ICFCs, the level of demand for such services in a given community is not able to be determined based on the available evidence alone.

A.2. Logic of the model

The structure of the ICFC need model is summarised in Figure A.1 below, followed by a summary of how each part of the model works.

Figure A.1: Logical structure of the ICFC need modelling



Source: Deloitte Access Economics

The Australian Bureau of Statistics (ABS) produces data for statistical areas with different levels of geographic resolution. For the purposes of this modelling, data was sourced at the Statistical Areas Level 2 (SA2) level. This geographic resolution provides the detail required to estimate an example of the need for ICFCs within communities.

The modelling process **shortlisted SA2s** to identify disadvantaged communities that may have a need for ICFCs. The SA2s have been shortlisted based on the portion of children identified as developmentally vulnerable (through the Australian Early Development Census (AEDC)) and are in low ABS Census Socio-Economic Indexes for Areas (SEIFA) deciles. More information on the use of these criteria in shortlisting SA2s is available in Appendix Section A.3.2.

For each SA2, data was collated on the portion of children that are developmentally vulnerable (AEDC), the portion of the population in a low SEIFA decile (ABS Census 2021), and the portion of the population who are volunteers (ABS Census 2021). These variables are weighted equally, and a ranking of SA2s by relative is produced (**geographic ranking**). A rank of 1 indicates the SA2 with the most need for ICFCs.

To provide an illustrative example of the number of 0-6 years olds in each SA2 that may have a need for ICFCs, data was collected from the Census on the number of parents and families that meet certain need criteria (**population modelling**). This was completed twice; once for the ABS Counting by families Census 2021 dataset, and once for the ABS Counting by individuals Census 2021 dataset. This is because different data is available in each dataset:

- The ABS *Counting by families* Census 2021 dataset provides information on the number of families who have a low income, have parents that are unemployed, or live in social housing.
- The ABS *Counting by individuals* Census 2021 dataset provides an estimate of the number of parents who are unemployed, have low income, low education or low English proficiency.

The results from each of these datasets were converted to two different estimates of the number of 0-6 year old children who may meet these conditions of need in each SA2. While the model produces both these results, the results presented in this report are based on *the ABS Counting by families* Census 2021 dataset only. This is discussed in more detail in Appendix Section A.5.

A list of the existing supply of ICFCs was used to produce an **illustrative example of how an additional supply of ICFCs may address the levels of need** identified. Two scenarios were

modelled, examining if additional supply aimed to maximise the geographic spread of ICFCs (Scenario 1), or if additional supply aimed to meet threshold of needs based on population (Scenario 2).

More detail on the modelling approach, assumptions, and limitations are discussed in the remainder of this Appendix.

A.3. Shortlist of areas that fulfil conditions of need

The initial output produced by the model is a shortlist of disadvantaged communities that may have a need for ICFCs. The shortlist was developed through the following steps:

1. Identifying **geographic areas** to use within the modelling
2. Identifying the **data** to use to shortlist geographic areas
3. **Calculating a shortlist** of areas of need

These steps are explained in more detail in the sections below.

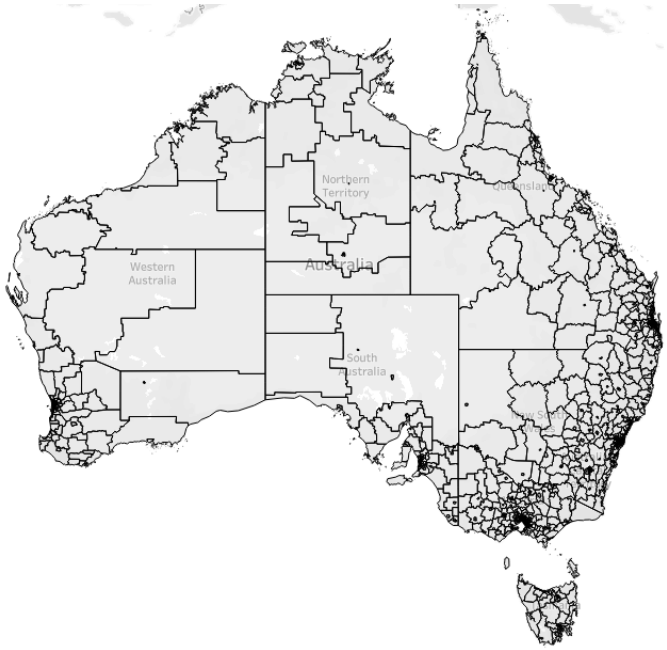
A.3.1. Geographic areas using within the modelling

The Australian Bureau of Statistics (ABS) utilises Statistical Areas as part of the Australian Statistical Geographic Standard (AGSG). The definitions of these areas are based on a 'functional area,' which the ABS defines as an area within which people commute or travel to access services.

Initially, the need modelling utilised the Statistical Area Level 3 (SA3) geographic level. There are approximately 360 SA3s and this level of regional analysis is intended to create a standard framework for analysis of regional data.

However, through the workshop process Deloitte Access Economics found that a smaller area would more accurately capture the need at a community level throughout Australia. For this reason, the model now uses the Statistical Area Level 2 (SA2) geographic level. There are approximately 2,470 SA2s, which are intended to represent a community that interacts together socially and economically.

Figure A.2: SA2 boundaries Australia



Source: Australian Bureau of Statistics.

The ABS has designed the SA2s using multiple criteria. The three most important of these according to the ABS are:

- **Population:** SA2s have an average population of 10,000 people.
- **Functional areas:** A functional area is the area from which people travel to access services at a centre, which may be a rural town, city, or commercial hub. A centre and a functional area will be represented by at least one SA2.
- **Growth:** SA2s are intended to contain likely growth areas of the urban area over the next decade.

A.3.2. Data used to shortlist SA2s

The variables used within the model were chosen to capture cohorts that may have a need for ICFCs. Indicators of a need for ICFCs include socio-economic indicators that can suggest longer-term disadvantage of communities, families, and children.

Deloitte Access Economics focused on identifying family and individual characteristics that are indicators of disadvantage. While there are a number of datasets that could work as identifiers for need, Deloitte Access Economics identified a small number of available data and associated measures with the best explanatory power, based on a stakeholder workshop series, consultations, and existing research.

The data used to shortlist SA2s include AEDC data on the portion of children developmentally vulnerable, and the ABS Census Socio-Economic Indexes for Areas (SEIFA) deciles. Both these data sets are used by the AEDC and ABS as measures of disadvantage and correlate a number of variables that are associated with disadvantage and need. While these datasets capture different types of need, correlation on the highest need SA2s is high between the AEDC and SEIFA deciles.

An explanation of the two key datasets, justification for selection, and the threshold for need are shown in Table 3.1 below.

Table A.1: Data sources used within the modelling

Source	Data included	Justification
Australia Bureau of Statistics Census 2016 Socio-Economic Indexes for Areas (SEIFA) deciles	The portion of the population of each SA2 in each SEIFA decile according to the Index of Relative Socio-Economic Disadvantage. This index includes variables for the portion of the population with a low income, jobless parents, no internet connection, no education beyond Year 12, who are unemployed, pay low rent, have a disability, are separated or divorced, are employed in a low skilled job, do not have a car, live in an overcrowded dwelling, or do not speak English well.	The SEIFA deciles are developed by the ABS to rank areas of relative socio-economic advantage or disadvantage. As the SEIFA calculations use Census data, the inputs used in the decile calculation provide valuable insight into disadvantage in each SA2. The variables used in the calculation of SEIFA deciles, such as low income, unemployment, or low education, are valuable indicators of disadvantage. These indicators align with the agreed characteristics of families and children that would have a need for an ICFC.
Australian Early Development Census (AEDC)	The portion of the population of children in early education who are considered developmentally vulnerable on two or more of the AEDC domains. The AEDC tracks whether children are 'on track', 'at risk' or 'vulnerable' across five domains. The domains are Physical health and wellbeing, Social competence, Emotional maturity, Language and cognitive skills (school-	While not a direct measure of family functioning, the AEDC collects important information that can characterise the development of children within an SA2. Where a large portion of children are developmentally vulnerable according to the AEDC, this is likely a good indicator that the services provided by an ICFC would be needed within the community.

Source	Data included	Justification
	based), and Communication skills and general knowledge.	

Source: Australian Bureau of Statistics (2016) and Australian Early Development Census.

Other data such as health indicators and rates of volunteering were considered, but ultimately not used in the modelling. Limited data is available at the SA2 level, and the AEDC and ABS SEIFA deciles were identified through the stakeholder workshop series as having the best explanatory power from the data available at the SA2 level. An explanation of some of the data sets considered but not used in the modelling are shown in Table 3.2 below.

Table A.2: Data sources considered but not used in the modelling

Source	Data considered	Justification for exclusion
Australian Institute of Health and Welfare (AIHW)	The AIHW reports data on geographies with a high propensity for: • Receiving Commonwealth Rent Assistance (2018 to 2021) • Low birthweight live births (note: SA3 level only available) • Teenage mothers who gave birth, aged between 15 and 19 (note: SA3 level only available)	The findings from identifying need using the AIHW data was highly correlated with the findings from using the AEDC and SEIFA deciles. However, the AIHW data was only available at the larger SA3 area level. This did not provide the level of detail required for the analysis.
Dropping off the Edge (DoTE) (Jesuit Social Services)	The DoTE identifies complex disadvantage within Australian communities. The report ranks SA2s on the level of disadvantage by measuring 37 indicators.	The latest DoTE report uses Census 2016 data, in conjunction with state, territory, and Commonwealth data, to assess the level of disadvantage in each community. Deloitte Access Economics has utilised similar data to the DoTE report but has utilised the latest recently released Census 2021 data. The DoTE analysis also uses AEDC data.

Source: Australian Institute of Health and Welfare and *Dropping off the Edge* Jesuit Social Services.

The thresholds used to shortlist the SA2s were selected to capture those areas that are the most disadvantaged, as identified by both the ABS and AEDC. In Deloitte Access Economics' 'baseline scenario' of the geographic modelling, SA2s are shortlisted as an area of need if they are classified by the:

- ABS to have a population of people who usually reside in the SA2, and
- ABS to be in the lowest four deciles of the Socio-Economic Index for Areas (SEIFA), an index of relative socio-economic disadvantage that includes variables such as low income, unemployment and low education, and
- AEDC to have over 10% of children developmentally vulnerable on two or more domains (out of five domains, including physical health and wellbeing, social competence, and emotional maturity).

The thresholds used to shortlist the SA2s were selected to capture those areas that are the most disadvantaged, as identified by both the ABS and AEDC. This means that the shortlisted SA2s are areas which are classified as having **both** relatively low disadvantage at a community level and have a threshold portion of children highly disadvantaged within the community.

From the total list of 2,473 SA2s, the shortlist produces 706 SA2s that fulfil both the ABS and AEDC conditions of need. This captures approximately 30% of the total number of SA2s.

A.4. Geographic ranking of need

Following the output of a shortlist of areas of need, these SA2s were ranked according to the relative level of need within each SA2. The steps to ranking the SA2s by the level of need are:

1. **Mapping** need data by SA2
2. **Converting to a Z score** to understand relativities of need
3. **Ranking** the SA2s according to variable weightings of need variables.

Each of these steps are explained in more detail in the sections below.

A.4.1. Mapping need data by SA2

To rank SA2s by potential need for ICFCs, key indicators of disadvantage were identified to use in the ranking calculation. While a number of measures could be used, Deloitte Access Economics found that the ABS SEIFA deciles and the AEDC findings were existing indicators of disadvantage that aligned closely with indicators of need for an ICFC and were available across all geographical areas in Australia.

Other possible measures of need (for example, those relating to family health and functioning) are not generally available on a sufficiently disaggregated basis. Specifically, both the ABS SEIFA deciles and AEDC combine a number of variables to assess disadvantage within an SA2. The variables used to calculate each of these indicators are included in the table below.

Table A.3: Variables included in data sources

Source	Variables considered in index	Threshold
Australia Bureau of Statistics Census 2016 Socio-Economic Indexes for Areas (SEIFA)	Index of Relative Socio-Economic Disadvantage (IRSD): • % People with stated annual household equivalised income between $1 and $25,999 • % People aged 15 years and over whose highest level of educational attainment is Year 11 or • lower (includes Certificate Levels I and II; excludes those still at secondary school) • % People aged 15 years and over who have no educational attainment • % People aged 15 years and over whose highest level of educational attainment is a • Certificate Level III or IV qualification • % People in the labour force who are unemployed • % Employed people classified as Labourers • % Employed people classified as Machinery Operators and Drivers • % Employed people classified as Low-Skill Community and Personal Service Workers • % Employed people classified as Low-Skill Sales Workers • % Occupied private dwellings paying less than $215 per week in rent (excluding $0 per week) • % Occupied private dwellings requiring one or more extra bedrooms (based on Canadian National Occupancy Standard) • % Occupied private dwellings with one or no bedrooms • % Families with children under 15 years of age and jobless parents • % Families that are one parent families with dependent offspring only • % Occupied private dwellings with no cars • % People aged under 70 who need assistance with core activities due to a long-term health condition, disability or old age	The geographic ranking modelling ranked SA2s by the portion of the population in SEIFA IRSD deciles 1-3.

Source	Variables considered in index	Threshold
	• % People who do not speak English well • % People aged 15 and over who are separated or divorced • % Occupied private dwellings with no Internet connection	
Australian Early Development Census	The AEDC tracks whether children are 'on track', 'at risk' or 'vulnerable' across five domains. The domains are: • Physical health and wellbeing • Social competence • Emotional maturity • Language and cognitive skills (school-based) • Communication skills and general knowledge	The geographic ranking model ranked SA2s by the portion of children identified as being developmentally vulnerable on two or more domains.

Source: Australian Bureau of Statistics, Australian Early Development Census

To understand the portion of the population within each SA2 that is in SEIFA Deciles 1-3, Deloitte Access Economics used SEIFA IRSD decile data at an SA1 level. SA1s are the smallest ABS Statistical Area and are aggregated to form SA2s. There are 68,850 SA1 regions covering Australia. The SEIFA decile of each SA1 was identified to calculate the portion of the population of each SA2 in SEIFA deciles 1-3.

This data was collated with the AEDC data on the portion of children developmentally vulnerable on two or more domains within each SA2.

A.4.2. Use of Z-scores to understand relative need

Once the relevant need data was collected, the data for each SA2 was converted to a Z-score to understand relative need. A Z-score is a statistical measurement that represents the number of standard deviations a value is above or below the mean, or average, of the entire dataset. The standard deviation measures how dispersed the data is relative to the mean.

By converting to Z-score, the AEDC and SEIFA data was able to be compared on a standardised basis. A very high Z-score indicated a high level of disadvantage, as the portion of children developmentally vulnerable or the portion of the population in a low SEIFA decile was significantly above the mean. The AEDC and SEIFA data z-scores were added to form a total Z-score for the relevant measures of disadvantage.

A.4.3. Ranking SA2s according to need variables

The total Z-score was ranked from largest to smallest, if the SA2 fulfilled the following criteria:

1. The SA2 was shortlisted, and
2. The SA2 is not a statistical area used for a migratory address or for persons with no usual address within a state or territory.

The ranking results were calculated at both the national and the state and territory level.

A.5. Population modelling

Following the geographic ranking of SA2s by need, modelling was undertaken to estimate a population of 0-6 year old children who may have a need for an ICFC within each SA2. The steps taken to estimate the population of children who fulfil the criteria in each SA2 included:

1. **Identifying data** and thresholds that may be an indicator of need for a child
2. **Estimating an overcount** of the population in need
3. **Converting the population** identified to estimate the number of 0-6 year old children

Each of these steps are explained in more detail in the sections below.

A.5.1. Identifying data and thresholds for need

To provide an illustrative example of the number of 0-6 years old children in each SA2 that may have a need for ICFCs, data was collected from the Census on the number of parents and families that meet certain need criteria. This was completed twice; once for the ABS *Counting by families* Census 2021 dataset, and once for the ABS *Counting by individuals* Census 2021 dataset. This is because different data is available in each dataset.

It is important to note that the *Counting by families* dataset counts families according to their place of enumeration. This means that the family is counted in the SA2 where they were located on Census night, which may not be where they usually live. The *Counting by individuals* dataset counts individuals according to their place of usual residence, or where they usually live. The difference between counting by enumeration and place of usual residence is expected to be minimal. The SA2s where there may be the largest discrepancy between the measures is for locations where people travel for holidays or work, such as fly-in fly-out mining destinations.

The data used in each dataset to capture different need indicators, the justification for data selection, and sources for the justification are summarised in the tables below.

Table A.4: Data used from ABS Census 2021 *Counting by families*

Criteria	Definition of need	Justification	Source
Income	Income below the poverty line ($489 per week for a single adult and $1,027 for a couple with 2 children).	This captures Australia's lowest income earners, as well as unemployed people and families. This will use the poverty line as defined by the Australia Council of Social Service (ACOSS)	Australian Council of Social Service, *Poverty in Australia* (2019) <https://povertyandinequality.acoss.org.au/poverty/#:~:text=Our%202022%20Poverty%20in%20Australia,a%20couple%20with%202%20children>.
Employment	In a couple family, both parents are unemployed or not in the labour force. In a one parent family, the parent is unemployed or not in the labour force.	This captures families who are not currently engaged with employment. Unemployment can result in social and economic consequences including losing skills and a network, and financial stress.	Reserve Bank of Australia, *Long-term Unemployment in Australia* (2020) <https://www.rba.gov.au/publications/bulletin/2020/dec/long-term-unemployment-in-australia.html>.
Landlord type	Dwelling rented through a state or territory housing authority, or a community housing provider.	This captures families that rely on housing assistance. Social housing tenants are more likely to have experienced chronic disadvantage than other groups.	RMIT University, *New report reveals chronic disadvantage among social housing tenants* (2019) <https://www.rmit.edu.au/news/all-news/2020/nov/max-impact-social-housing>.

Source: Australian Bureau of Statistics, Australian Council of Social Service, Reserve Bank of Australia, RMIT University.

Table A.5: Data used from ABS Census 2021 *Counting by individuals*

Criteria	Definition of need	Justification	Source
Income	Income below the poverty line ($489 per week for a single adult and $1,027 for a couple with 2 children).	This captures Australia's lowest income earners, as well as unemployed people and families. This will use the poverty line as defined by the Australia Council of Social Service (ACOSS)	Australian Council of Social Service, Poverty in Australia (2019) <https://povertyandinequality.acoss.org.au/poverty/#:~:text=Our%202022%20Poverty%20in%20Australia,a%20couple%20with%202%20children>.

Criteria	Definition of need	Justification	Source
Employment	Parent is unemployed or not in the labour force.	This captures parents who are not currently engaged with employment. Unemployment can result in social and economic consequences including losing skills and a network, and financial stress.	Reserve Bank of Australia, Long-term Unemployment in Australia (2020) <https://www.rba.gov.au/publications/bulletin/2020/dec/long-term-unemployment-in-australia.html>.
Educational attainment	Highest educational attainment of Year 11 and below (includes Certificate I and II qualifications)	This captures parents of children who are disadvantaged due to low educational attainment. Additional educational attainments leads to higher rates of employment and higher individual lifetime earnings.	Australian Government Department of Education, Benefits of educational attainment (2018) <https://www.education.gov.au/integrated-data-research/benefits-educational-attainment>.
English proficiency	Parent indicated that they speak English 'not well' or 'not at all' on the 2021 Census.	This captures parents of children who may have recently migrated, or speak a main language other than English at home. Low English proficiency can limit a person's ability to participate in society and can be a social determinant of health.	West Australian Child Development Atlas, Proficiency in Spoken English (2016) <https://childatlas.telethonkids.org.au/cda-indicators/language-other-than-eng>.

Source: Australian Bureau of Statistics, Australian Council of Social Service, Reserve Bank of Australia, RMIT University.

Data for each of these variables were collated at the SA2 variable using the ABS Census 2021.

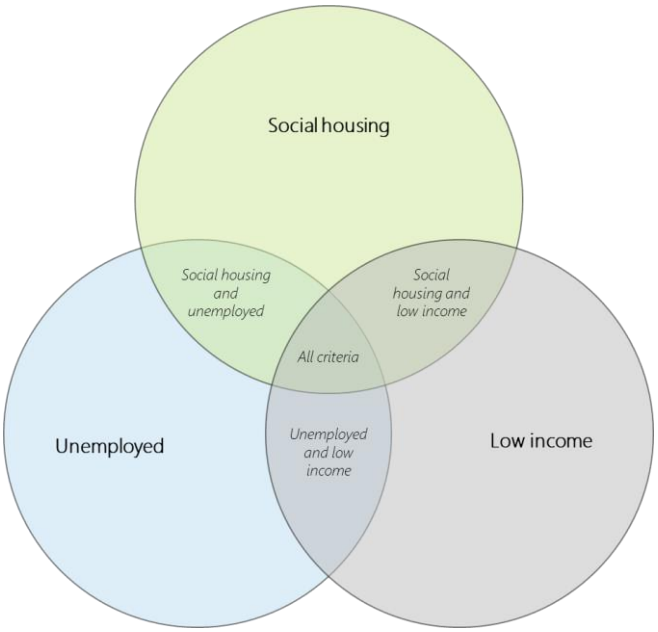
After considering the results using these different datasets, the **family measures dataset was identified as the most appropriate driver of need for an ICFC**. This is because the criteria used for the individual measure resulted in a broader picture of need and is considered to capture a larger cohort of people with lower relative need than in the family measures dataset. This is not to suggest that these individuals would not benefit from access to ICFCs, but for modelling purposes prioritisation has been placed on a more targeted cohort when considering the potential for expansion of access to ICFCs in the near term.

It should also be emphasised that this modelling is intended to be illustrative of the population that may be in need of ICFCs in a given community – this is not to suggest that specifically (and only) these children and families would access ICFCs, as the ICFC model is inherently flexible and may be accessed by a broad cohort of in-need children and families.

A.5.2. Estimating an overcount of the population in need

When adding together the populations that fulfil any of the criteria of need, there will be an approximate overcount as shown in Figure A.3 below. The 'overlaps' shown in the figure are overcounts that will occur when the populations are added together.

Figure A.3: Visualisation of the overcount when analysing the population in need



Source: Deloitte Access Economics (2023).

To estimate the overcount at an SA2 level, a national overcount percent was deducted the population in need data for each SA2. The national overcount was calculated using exact population numbers in each cohort at a national level.

For some SA2s, the national overcount was too low. This is because populations within an SA2 that are very disadvantaged will have a larger overlap between types of disadvantage than the national average. Where the overcount deducted is too large, the results of the population modelling may be larger than the entire population of the SA2 itself.

To account for this, the national overcount was scaled for SA2s with a very high portion of the population in need cohorts. The national overcount was scaled by the population identified by the Census to be within the need cohort, relative to the entire population of the SA2.

By accounting for an overcount of the population modelling, the results captured the entire population who fulfil any of the need criteria.

A.5.3. Estimating the number of 0-6 year old children in need

Once results were calculated for the number of parents or families that fulfill the need criteria, the number of 0-6 year old children in need were estimated.

For the purposes of the modelling, the number of 0-6 year old children in need within each SA2 was assumed to directly correlate to the portion of parents or families that are in need relative to the entire population of parents or families. This is because accurate data on the structure of families is not available within Census datasets.

A.6. Supply analysis

Following the geographic ranking and population modelling of SA2s by need, modelling was undertaken to analyse the existing national supply of integrated centres and produce an illustrative example of how an additional supply of ICFCs may address the levels of need identified. The steps undertaken include:

1. **Analysing the existing supply** of integrated centres in Australia

2. **Creating an illustrative example** of the additional supply required based on population need modelling

Each of these steps are explained in more detail in the sections below.

A.6.1. Analysing the existing supply of integrated centres

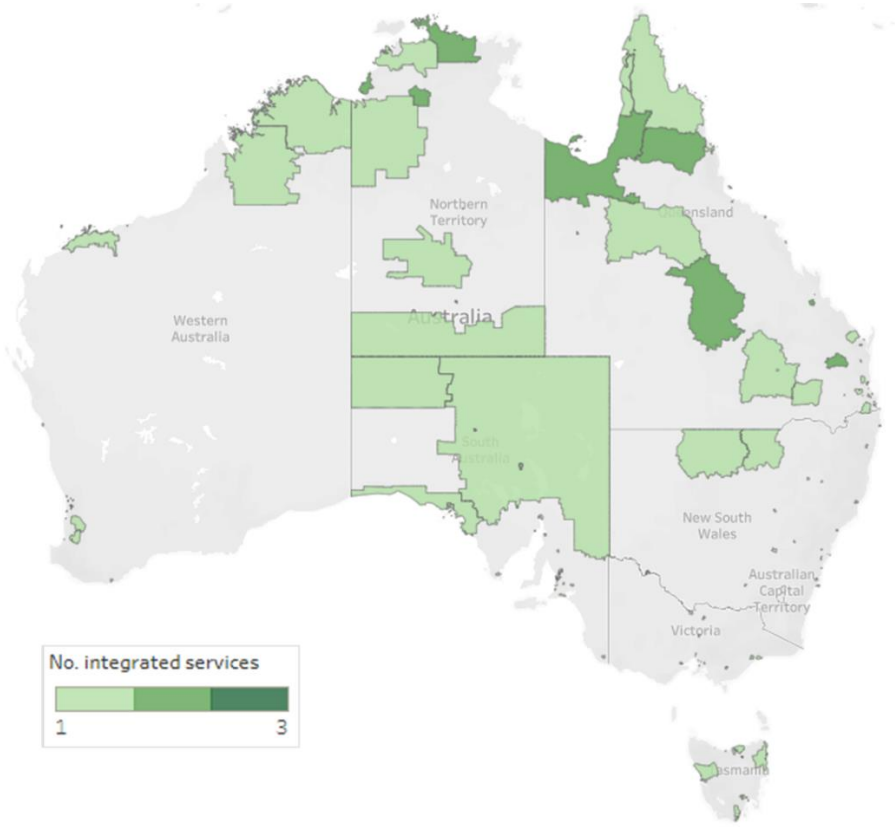
The current supply of ICFCs across Australia has been estimated using publicly available data and information from key states/territories. Deloitte Access Economics identified the existing supply of integrated services and other services that may become integrated.

With different scales of ICFCs across, there is no single national definition or single source of data that summarises national current supply. To estimate current supply, Social Ventures Australia and Deloitte Access Economics collated information from a variety of sources, subject to a definition of the ICFC, to produce the most comprehensive picture possible.

This found an estimated 209 existing services across Australia that can be broadly described as meeting the characteristics of an integrated child and family service. Of these, there was a supply of 104 existing ICFCs located in shortlisted SA2s. The integrated centres considered as part of the existing supply are:

- Aboriginal Child and Family Centres (ACFCs), Australia
- Early Years Places, Queensland
- Child and Family Learning Centres, Tasmania
- Children's Centre, South Australia
- Our Place, Victoria
- Child and Parent Centres, Western Australia
- Child and Family Centres, ACT
- Multifunctional Aboriginal Centres (MACs)
- Connected Beginnings Services, Australia.

Figure A.4 Map of the 209 existing services that broadly meet the characteristics of an ICFC



Source: Deloitte Access Economics and Social Ventures Australia (2023).

For the purposes of the modelling, where an SA2 has a majority Aboriginal and Torres Strait Islander population, Aboriginal and Torres Strait Islander specific services (such as MACs and ACFCs) are included in the calculation of existing supply. Other non-integrated services, such as standard childcare centres and schools, are not included in the estimate of existing supply.

In addition to the existing 209 integrated services, there are approximately 240 existing services that could potentially be developed into an ICFC in the future. While these existing services do not currently reflect the components of an ICFC defined here, support and funding could allow these services to become an ICFC. These services include Community Hubs and National Aboriginal Community Controlled Health Organisations (NACCHOs).

A.6.2. Estimating the additional supply required based on population need modelling

Scenario analysis has been used to analyse the extent to which additional ICFCs could potentially meet need in shortlisted SA2s without an existing service.

This is achieved through an illustrative example of the number of ICFCs that may be required to meet the needs of children across geographical locations, or for a portion of the identified in-need population. Noting that the nature and precise design of ICFCs (including their size) would be expected to vary with community need, a high-level estimate of ICFCs is determined through a stylised representation of the number of children that each ICFC could service (assumed to be up to 100 children aged 0-6 years old).

It should be emphasised that, in practice, the actual number of children per service may vary considerably from this estimate (on average, and across different communities). For example, larger services may be able to be developed in more densely populated metropolitan communities, with the converse being the case in more remote and isolated communities. The proportion of the population in need that access ICFCs in an area is also not possible to determine based on

currently available data and would significantly impact on the additional services that could reasonably be developed to the benefit of a community at a point in time. As such, these results should be considered as illustrative only.

Two scenarios were developed, to create an illustrative example of how an additional supply of ICFCs may address the levels of need identified through the geographic and population modelling. The two scenarios analysed were:

1. **Scenario 1** demonstrates the potential impact of ICFCs if additional centres were implemented with an aim to maximise the geographic spread of ICFCs. In this scenario, one additional ICFC is added to SA2s without an existing supply of ICFCs. This scenario assumes that each ICFC is accessed by up to 100 children, and that the addition of new ICFCs are prioritised by the ranking of SA2s by need.

2. **Scenario 2** considers if additional ICFCs are implemented with an aim to support a determined portion of the total population of 0-6 year old children in need. In this scenario additional ICFCs to meet need are added to SA2s by prioritising those ranked highest in terms of need. ICFCs are added to SA2s by highest need until a determined threshold of overall population need is met. This scenario also assumes that each ICFC is accessed by up to 100 children.

For each of these scenarios, the effect of an additional ICFC that can service a maximum of 100 children was estimated relative to the calculated population of 0-6 year old children in need. In some cases, one ICFC was assumed to be able to service the entire population of 0-6 year old children in need, where the population in need was less than 100 children.

A.7. Results

The results for the top 50 SA2s that the modelling has shown to have most need for ICFCs are shown in below.

Table A.6: Top 50 SA2s as ranked by need for ICFCs

Rank	SA2 Name	State	**Estimated population of 0-6 year old children** *NEED INDICATORS OPTION 1: (Family has low income, parents who are unemployed, and/or live in social housing)*	**Estimated population of 0-6 year old children** NEED INDICATORS OPTION 2: *(Parents have low education, low income, are unemployed and/or low English proficiency)*	**Total population of 0-6 year old children**
1	Tiwi Islands	Northern Territory	227	227	227
2	APY Lands	South Australia	279	279	279
3	Victoria River	Northern Territory	376	376	376
4	Sandover - Plenty	Northern Territory	362	403	427
5	Halls Creek	Western Australia	435	406	435
6	Thamarrurr	Northern Territory	222	222	222
7	Moulden	Northern Territory	120	166	346
8	Meekatharra	Western Australia	119	164	218
9	Daly	Northern Territory	174	183	201
10	Wacol	Queensland	143	200	289
11	Gulf	Northern Territory	407	406	413
12	Elsey	Northern Territory	193	209	225
13	Aurukun	Queensland	108	118	118
14	Elizabeth	South Australia	468	851	994
15	Northern Peninsula	Queensland	426	221	454
16	Cape York	Queensland	549	516	820
17	Morwell	Victoria	278	645	1141
18	Bourke - Brewarrina	New South Wales	105	149	354
19	Nambucca Heads	New South Wales	61	184	403
20	Meadow Heights	Victoria	472	1194	1419
21	Bridgewater - Gagebrook	Tasmania	504	638	955
22	Yarrabah	Queensland	311	279	330
23	Smithfield - Elizabeth North	South Australia	321	802	1163
24	Leinster - Leonora	Western Australia	278	303	361
25	West Coast (Tas.)	Tasmania	49	193	312
26	Heatley	Queensland	57	117	264
27	Cobar	New South Wales	46	160	388
28	Berserker	Queensland	97	307	636
29	Herberton	Queensland	54	164	293
30	Beresfield - Hexham	New South Wales	139	363	703
31	Mount Morgan	Queensland	25	94	149
32	Liverpool - West	New South Wales	309	998	1294

Rank	SA2 Name	State	**Estimated population of 0-6 year old children** *NEED INDICATORS OPTION 1: (Family has low income, parents who are unemployed, and/or live in social housing)*	**Estimated population of 0-6 year old children** NEED INDICATORS OPTION 2: *(Parents have low education, low income, are unemployed and/or low English proficiency)*	**Total population of 0-6 year old children**
33	Derby - West Kimberley	Western Australia	654	638	773
34	Inala - Richlands	Queensland	954	1868	2300
35	Withers - Usher	Western Australia	97	229	443
36	Svensson Heights - Norville	Queensland	62	183	406
37	Mackay	Queensland	39	81	223
38	Gayndah - Mundubbera	Queensland	63	206	437
39	Campbellfield - Coolaroo	Victoria	497	1366	1600
40	Gray	Northern Territory	98	129	332
41	Broadmeadows	Victoria	527	1115	1389
42	Acton - Upper Burnie	Tasmania	52	132	268
43	Lurnea - Cartwright	New South Wales	445	1081	1418
44	Fawkner	Victoria	246	791	1496
45	Warwick Farm	New South Wales	187	378	590
46	Glenroy - East	Victoria	272	738	1459
47	Corio - Lovely Banks	Victoria	336	909	1442
48	Dandenong - North	Victoria	487	1299	1923
49	Leichhardt - One Mile	Queensland	207	410	859
50	Charleville	Queensland	33	131	337

Source: Deloitte Access Economics (2023).

Appendix B Current funding models and funding levers

B.1. Current funding of ICFCs by model

Table B.1: Current funding of ICFCs by model

ICFC models	State	Federal	Philanthropic and NGOs/other grants
Tasmanian Child and Family Learning Centres	Department of Education, Children and Young People pays for staffing envelope, infrastructure, operational budget, 'glue' component; does not pay for formal ECEC, outreach. Department of Health funds the Child Health and Parenting Service.	Centres have received one-off funding for the construction of two centres, however no ongoing funding was committed.	Within operational budget, Centres able to create partnerships and bring in grants.
Early Years Places Qld	Department of Education covers infrastructure, staff wages, operational costs (including the 'glue' component), limited funding for outreach Department of Health co-locate child maternal health services at the centres and brokerage is provided within the Department Education funding to provide some Allied Health services	CCS funding for centres with services for ECEC	Additional grant funding for ECEC delivery. Funding from NGO from renting rooms in centre. NGOs which run the centres covers repairs and maintenance costs, and other services offering it chooses such as psychologists
South Australia's Children's Centres	South Australia Department of Education provides funding Health services are provided by the state-wide Child and Family Health Service (CaFHS)		
Child and Family Centres ACT	Partnerships with existing government and local community service providers support Child and Family Centres service delivery		
Western Australia Child and Parent Centres	Western Australia State Government provided $48.7 million to build the Child and Family Centres on school sites The Department of Education provides recurrent funding Department of Health co-locates nurses and speech pathologists to the centres		NGOs are contracted to operate, manage and report on the centres Funding from Early Years Services Grant and could be used towards pre-literacy and pre-numeracy resources, child development and parenting programs, and minor works for small scale refurbishments
Our Place (Vic)	Department of Education and Training Victoria provides infrastructure and access to schools	*CCS goes to the childcare centre on site, not Our Place*	Coleman foundation provides operational funding, including the 'glue' Backbone funding from Paul Ramsey Foundation and other philanthropic funding for specific sites

ICFC models	State	Federal	Philanthropic and NGOs/other grants
ECHO	Some block funding from State (for example Queensland government)	CCS funding is their core financing ($1.2 million)	Goodstart model provides surplus that is invested into the ECHO model.
Aboriginal and/or Torres Strait Islander ICFC's	Centres typically receive specific state funding for particular services (i.e., School Readiness Funding in VIC and Northern Territory Government contributes towards the centres)	CCS and CCCF (including Connected Beginnings) funding for operational costs and staffing, does not cover the 'glue' Centre also receives funding from the Inclusion Support program	Additional grant funding is provided to support integrated service delivery- this is very insecure Some are operated by Aboriginal Community Controlled Organisations

Source: Deloitte Access Economics (2023).

B.2. Funding levers for early childhood

This section outlines the funding mechanisms that are applicable in the context of ICFCs and are employed across human service delivery systems. These funding models can be used in isolation, or in combination with each other, at the same time or in succession for a program, system or service. The funding mechanisms in this section has been repurposed from the Front Project publication on *Funding models and levers for early childhood education and care*.

B.2.1. Block based funding

Block-based funding is a method of funding whereby governments fund service providers directly with lump sum payments. Typically, providers are required to meet certain requirements in order to be eligible for ongoing funding. Funding does not necessarily have to be attached to the level of activity, making it most useful for providers where costs are relatively fixed.

For example, block-based funding is often used for small, regional services where economies of scale cannot be achieved as enrolments/use may be low but a requirement for the service exists.

Conditions for success:

- A block-based funding model is most effective where services face relatively consistent costs across time and/or where access must be assured in the face of low and variable levels of demand.
- An understanding of how costs vary with service characteristics (e.g., size, location, and the type of services) is required to ensure that funding provided is adequate to ensure services are able to operate sustainably.
- Strong performance frameworks are often required by Governments as funding is not tied directly to activity or outcomes.

B.2.2. Activity based funding

Activity-based funding (ABF) is an approach that relies on the classification and delivery of funding in line with the cost of certain activities. Under this method, funding is directly proportional to the level of activity (e.g., enrolments) that providers deliver. It can also vary by the level of investment or support required for each activity.

ABF holds some risks to accessibility if safeguards are not put in place to support service viability in thin markets. ABF can be efficient in supporting quality delivery through specified activities. However, quality can be compromised if the design if ABF incentivises volume over quality of delivery or universal access.

Conditions for success:

- ABF relies on the effective measurement and collection of activity-based data and costs. Where this cannot be collected with confidence, there is scope for misspecification of the funding model in ways detrimental to the achievement of policy objectives – for example, the funding provided can be inadequate to ensure delivery of the service.
  The cost may be calculated and applied independently of Government to promote fairness and transparency of the process. Alternatively, the cost may be calculated internally by Government and applied.
- There must be a clear understanding of what ABF covers and what it does not, to the extent that alternative funding types must be aligned to complement it.
  For example, the ABF may reflect a base cost of delivery, the cost associated with a given level of quality or the willingness to pay by consumers.
- Variation in the cost of activity must be incorporated to ensure that providers are encouraged to support access and participation of cohorts, and not be disincentivised to be selective about those with fewer support requirements.
  Without appropriate specification, there is a risk that ABF can incentivise providers to place precedence on volume of services over quality of services. To mitigate this, estimation of levels of funding should be robustly estimated and implementation should be paired with alternative mechanisms to support quality (such as the National Quality Framework).

B.2.3. Individualised funding

This model is characterised by consumer choice, where consumers of services receive funding and have the autonomy to select their own service providers. It is a financed through demand driven approach where all eligible individuals receive access.

Individualised funding can support increased quality and affordability through encouraging increased competition between providers. This is dependent on the market efficiency, including information for consumers, market choice and low transaction costs. Individualised funding can risk accessibility if there are not safeguards in place to ensure provision in thin markets.

Conditions for success:

- An individualised funding model requires a level of alignment in the market, where the supply of services is sufficient to meet the level of demand in the market. This should be underpinned by transparent sharing of information to ensure individuals can make informed choices, which should also encourage appropriate levels of competition in the market. An alternative to this is stronger regulation of prices and possible uncompetitive behaviour by providers in the sector.
- An individualised funding model may need to be complemented by other funding models to ensure service delivery can be maintained, notably in thin markets or for particular cohorts from whom additional support may be required to achieve desired outcomes (e.g., children with additional needs in ECEC). However, by doing this, there is also a risk that it adds complexity, particularly where funding is distributed to both providers and consumers.
  While complexity in and of itself is not necessarily a disadvantage, complexity for families can act as a disincentive to participation, particularly where the service is not compulsory. In ECEC, those families most likely to be eligible for multiple funding streams are those experiencing vulnerability and where the benefits of participation are highest. Any added barriers to accessing affordable services should ideally be minimised.
- Regulation and ongoing market monitoring is important to ensuring that the sector is comprised of suitably high quality, efficient providers.
- An individualised funding model is most effective where there are a diverse range of needs as it has the flexibility to accommodate these, at the cost of increased complexity for consumers. Where near universal participation is a goal or the service provided is relatively comparable, the advantages associated with individualised funding are unlikely to outweigh the additional complexity and the impact on accessibility.

B.2.4. Needs based funding

Needs-based funding is recurrent resourcing targeted towards service providers based on characteristics of demonstrated need as defined by the consumer and provision context. It is often financed through demand driven instruments but can also be delivered via capped funding instruments where loadings are adjusted to meet a fixed funding envelope.

In respect to the ECEC policy principles, needs-based funding can support higher quality service provision through the provision of additional funding to those with greater needs. It can also increase accessibility by removing any financial disincentives for services to take on children and families with higher needs.

Conditions for success:

- Needs-based funding arrangements require an understanding of disadvantage and the level of funding to ensure children have an opportunity to achieve comparable outcomes. This requires a detailed evidence base and collection of comprehensive outcomes data to translate potential differences in outcomes to estimates of loading amounts. In the absence of this, an understanding of the drivers of disadvantage (e.g. parent occupation, parent education, socio-economic status) and how these are likely to translate to support requirements and loadings support is required.
  Services need to understand the data and the needs of relevant cohorts to ensure the funding is optimised.
- It is important that providers have sufficient incentives to facilitate quality service delivery for children with additional support needs and to ensure funding is adequate over time to provide sustainable services.

B.2.5. Outcomes based funding

Outcomes based funding models distribute funding attached to required levels of provider performance across set performance metrics. This is typically used to incentivise higher performance across the sector within specific areas and may only represent a portion the overall funding flowing to providers. It can also be used to encourage innovative service delivery models, as funding is not tied to specific activities or delivery methods.

Outcomes-based funding is most closely aligned to quality – providing a mechanism for innovative or more efficient service responses to be trialled, in line with desired outcomes.

Conditions for success:

- Detailed collection of outcomes-based data is necessary to accurately determine outcome funding amounts and clearly communicate this with providers. A key risk is that without transparent methods of outcomes-based funding, providers may be unclear exactly what they are doing poorly and therefore must improve.
  It should be considered whether existing measures of outcomes/performance (e.g. meeting or exceeding the National Quality Standards) are sufficient to link outcomes to funding.
- Incentives and unintended consequences must be well thought through and feed into the specification of the model. For example, if high attendance is decided to be a criterion for additional funding, this might create an incentive to exclude children from enrolling with a high likelihood of low attendance.
- The funding model must account for service sustainability in the absence of payments, or if payments are delivered post outcomes realisation. In the absence of this, outcomes-based funding models can favour larger organisations who are less dependent on cashflow – creating an uncompetitive environment.

B.2.6. Programmatic based funding

Programmatic funding refers to tailored funding made available for targeted investment for specific purposes and needs. Programmatic funding is typically used in addition to other recurrent funding streams. In respect to the ECEC policy principles, programmatic funding is most closely linked to

quality – providing a mechanism to support the delivery of activities or interventions not captured within the recurrent funding model.

Programmatic funding can be used to fund programs designed to boost participation and engagement in kindergarten or directly support service delivery.

Conditions for success:

- Programmatic funding is best used to complement existing recurrent funding when a new program, initiative or policy goal has been introduced.
- Clear goals, guidelines on use and reporting are essential to ensuring funds are used effectively and efficiently.
- It is necessary to have a clear understanding of how programmatic funding aligns with recurrent funding to ensure they are complementary in their pursuit of the system objectives.

While it is important that the funding be tied to a specific issue or objective, the ability to pilot programmatic funding means that there is opportunity to continue to evaluate and refine this.

Appendix C Consultation process

This report strongly benefitted from the input of many stakeholders and partners. Deloitte Access Economics would like to acknowledge the interest and engagement of every stakeholder, and the time taken to engage with the process.

Two key consultation processes were undertaken:

- workshops – four co-design workshops held with a group of sector experts
- interviews – nearly 20 interviews with government representatives and sector experts.

C.1. Workshops

Deloitte Access Economics, SVA and CCCH held a series of co-design workshops with a selection of key partners and stakeholders. The intent of these workshops was to co-create a shared and agreed upon analytical framework to support each phase of the work. The workshops also provided an opportunity to ensure that any knowledge and expertise held by SVA and other relevant stakeholders effectively and efficiently fed into the project design and analysis.

The following workshops were held from October to December 2022:

- Workshop 1 – Future vision for ICFCs: defining the policy and funding priorities for ICFCs and developing the contemporary ICFC model
- Workshop 2 – Defining need: understanding where and in what ways ICFCs could be optimally scaled, and determining appropriate data sources for defining need
- Workshop 3 – Options development: co-creation of funding model options
- Workshop 4 – Testing and validation of findings: discussion of funding model options and implementation considerations

Deloitte Access Economics would like to acknowledge the significant contributions of the following individuals who attended these workshops:

- David Ansell, Research and Policy Lead, Thrive by Five
- Sandy Blackburn, Founder and Managing Director, Social Outcomes
- John Burton, Social Policy and Research Manager, SNAICC
- Penny Dakin, Chief Executive Officer, ARACY
- Felicia Dingle, Director Operations, The Benevolent Society
- Rebecca Fry, Acting Senior Manager, Policy and Service Development Unit, CCCH, Murdoch Children's Research Institute
- Myra Geddes, General Manager Social Impact, Goodstart Early Learning
- Lauren Heery, Acting Manager, Service System Innovation, CCCH, Murdoch Children's Research Institute
- Samantha Page, Chief Executive Officer, Early Childhood Australia
- Dr Tim Moore, Senior Research Fellow, CCCH, Murdoch Children's Research Institute

C.2. Interviews

The workshops were complemented by nearly 20 interviews with sector experts and government representatives. The intent of the interviews was to test the contemporary ICFC model, understand drivers of needs in different context, and understand perspectives on funding challenges and opportunities.

Limitation of our work

General use restriction

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