

Exploring Need and Funding Models for a National Approach to Integrated Child and Family Centres

Summary brief | August 2023



This brief is drawn from the Deloitte Access Economics report released in August 2023, as part of the shared vision for integrated child and family centres held by Social Ventures Australia (SVA) and the Centre for Community Child Health (CCCH), a research group of Murdoch Children’s Research Institute and a department of The Royal Children’s Hospital, Melbourne.

Integrated Child and Family Centres (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 target cohorts.

SVA and CCCH have a vision for a national early childhood development policy framework and corresponding service system that provides high quality integrated supports to children experiencing socio-economic vulnerability from birth to six. To support this vision, SVA and CCCH commissioned Deloitte Access Economics to prepare a report exploring two elements of a national approach to 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 it 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 included the development of a set of defining features and core components of a contemporary ICFC model.

The report draws on the findings from a series of workshops and meetings held with nearly 20 stakeholders from across government- including a representative from every state and territory- and non-government organisations, a review of existing material around ICFCs, the development of a quantitative model of child need, and a principles-based assessment of funding options.

The report seeks to:

- identify where the highest levels of unmet need for children are across the country
- help to define what is included in a high-quality ICFC,
- articulate the features of a funding model that would ensure ICFCs are able to deliver these, and
- propose a plan to scale ICFCs to ensure more children can access them.

The report finds that there is a strong evidence base for the role that ICFCs can play in meeting the needs of families experiencing vulnerability and disadvantage in a uniquely integrated and efficient way – and, in doing so, helping to bridge the gaps in child development and wellbeing outcomes that have proven stubbornly persistent in Australia.

Starting Better: A Guarantee for Young Children and Families¹ explores what a world class universal early childhood development system in Australia could look like. 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.

Regardless of precisely where on the spectrum of child need the threshold is set, there is a case for the expansion of ICFC provision and access. However, if ICFCs are to realise their potential, a stronger national funding approach is required. Current reforms in the early childhood policy landscape in Australia provide an opportunity and potential catalyst to significantly strengthen the basis upon which ICFCs are funded.

¹ Centre for Policy Development (CPD), [Starting better: a guarantee for young children and families](#), CPD, 2021, accessed 14 March 2023.

Key findings in numbers

706

communities* across Australia are experiencing a high level of socioeconomic disadvantage and child vulnerability

30%

of all communities in Australia are found to have a high level of socioeconomic disadvantage and child vulnerability

106,000

children aged birth to six years across these highly disadvantaged communities are experiencing the most significant disadvantage

6/10

highest ranked locations are in the Northern Territory

14%

of these highly disadvantaged communities currently have access to an ICFC



A concentration of high need communities are found in high growth areas within large cities and towns

~300

additional ICFCs are needed to ensure access for 25% of children experiencing the most significant disadvantage in the most disadvantaged communities

61%

of shortlisted communities are classified as regional or rural



A stronger national funding approach is required to support ICFCs to realise their potential

65%

of these highly disadvantaged communities have a higher Aboriginal and Torres Strait Islander population relative to the national average

* Communities refers to Statistical Area Level 2 (SA2) geographic areas from the Australian Bureau of Statistics.

Prioritising areas of child need

Although integrated early years models could benefit all children and families, the evidence around the impact of disadvantage on children's development and wellbeing suggests prioritisation for ICFCs should go to families experiencing disadvantage. Accordingly, Deloitte Access Economics conducted geographic modelling utilising two well cited measures of socio-economic disadvantage: Australian Early Childhood Development Census (AEDC) data on the portion of children developmentally vulnerable, and the Australian Bureau of Statistics (ABS) Census Socio-Economic Indexes for Areas (SEIFA) deciles. On this basis, **706 communities** (Statistical Areas 2 SA2s) were identified as potentially in need of an ICFC. This represents nearly 30% of all communities in Australia.

The modelling identified a significant level of child and family need for ICFCs in the Northern Territory. Other areas that ranked highly are:

- Regional and rural areas, and
- high population growth areas within large cities and towns.

Remoteness of the 706 communities identified as most in need of an ICFC:

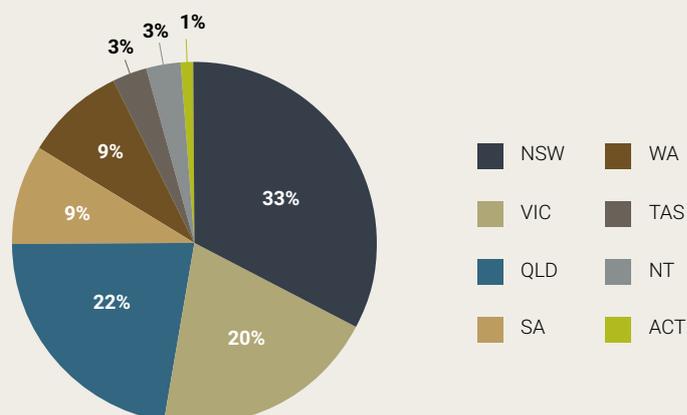


Quantifying the level of child need

There are more than **100,000 children** aged birth to six years across 706 shortlisted communities in need who are experiencing the most significant disadvantage. This represents close to 17% of all children birth to six in these communities and **5% of all children** birth to six in Australia. As noted above, although all children and families could benefit from ICFCs, these identified children are those that are considered most in need of an ICFC due to their characteristics of disadvantage and vulnerability.

The indicative level of need was determined by estimating the population of children aged birth to 6 years in each community whose families meet certain characteristics of disadvantage: have a low income, have parents that are unemployed, or who live in social housing.

Distribution of the 106,000 children experiencing the most significant disadvantage across the shortlisted communities, broken down by state:



Quantifying the level of unmet child need and impact of additional supply

There are approximately 209 ICFCs across Australia, with 105 of these in the 706 shortlisted communities. This means that **601 of the most disadvantaged communities currently do not have access to an ICFC**. Across the top ten highest need communities, two have one existing ICFC, one has two ICFCs, and the remaining seven have no existing ICFC supply.

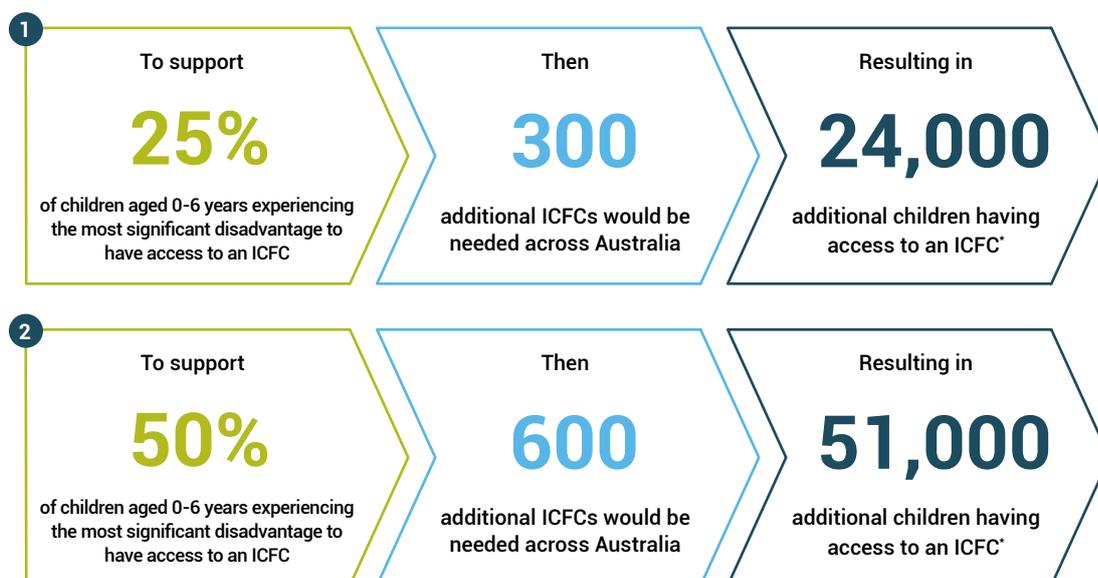
Figure 1: National ranking results of SA2s by need for ICFCs, top 10 highest need SA2s

Rank	SA2	State	Current preschool enrolment rate
1	Tiwi Islands	Northern Territory	Medium High
2	APY Lands	South Australia	Very High
3	Victoria River	Northern Territory	Very Low
4	Sandover - Plenty	Northern Territory	Very Low
5	Halls Creek	Western Australia	Very Low
6	Thamarrurr	Northern Territory	Very Low
7	Moulden	Northern Territory	Average
8	Meekatharra	Western Australia	Very Low
9	Daly	Northern Territory	Very Low
10	Wacol	Queensland	Very Low

Scenario analysis was used to analyse the extent to which additional ICFCs could meet this unmet child need in shortlisted communities without an existing centre. Assuming that each new centre serviced 100 children, the scenario analysis found that **in the order of 300 additional centres are needed to support approximately 24,000 children**, ensuring access for at least 25% of the total population of children aged birth-six identified as experiencing the most significant disadvantage.

In the longer term, the scenario analysis identified that **in the order of 600 additional centres are needed to support approximately 51,000 children**, ensuring access for at least 50% of the total population of children aged birth-six most identified as experiencing the most significant disadvantage.

Figure 2: Possible solutions for scaling ICFCs

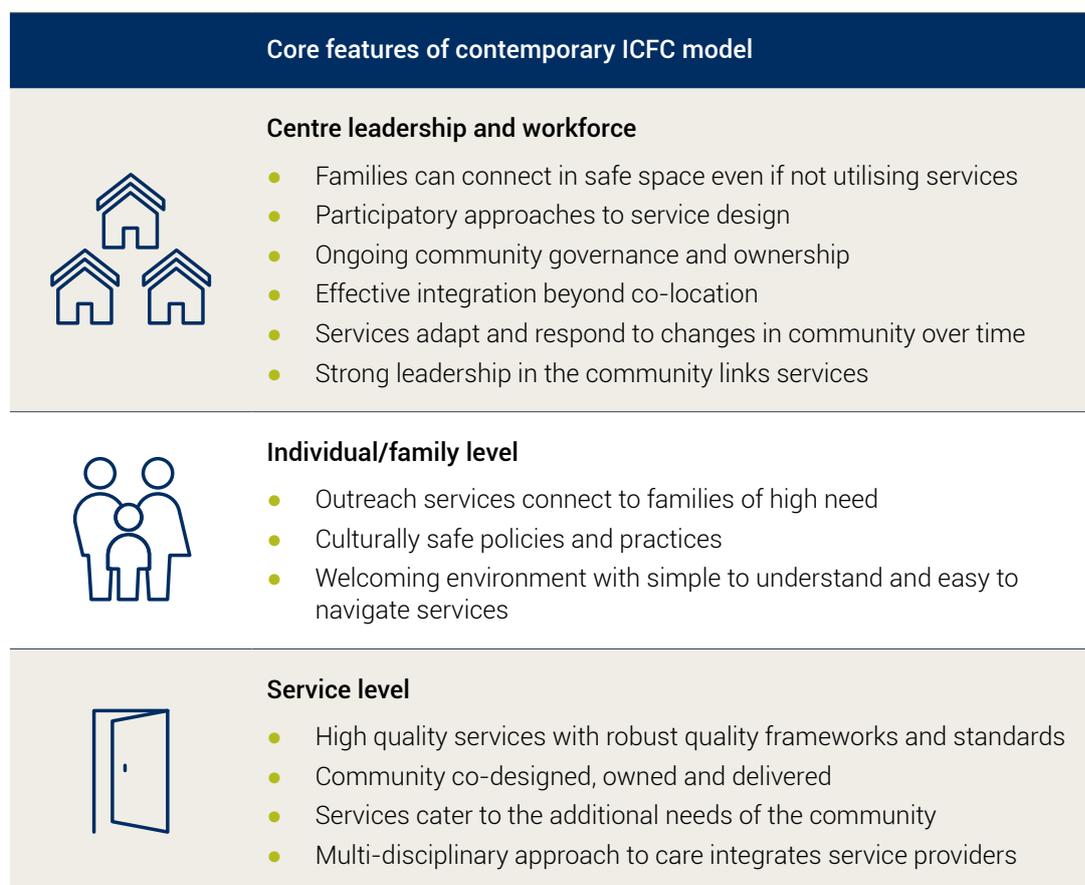


*Assuming that each new ICFC services 100 children. ICFCs are added in highest ranked communities until a portion of the total population of all children in need have access to ICFCs.

Core features and components of a contemporary ICFC

Consultations with stakeholders identified the core features and components of high-quality ICFCs. The core features focus on what is needed to support outcomes at a community, individual and service level. The core components describe the architecture of the model. All of the features and components are necessary for an effective, high-quality ICFC.

Figure 3: Core features and components of ICFCs



Core components of contemporary ICFC model



Establishment process

- Participatory processes to plan for, design and establish an ICFC
- Requires sufficient time, development of shared practices, and support for family and community involvement



Infrastructure

- Establishment and maintenance of the ICFC capital (buildings and equipment)
- Accommodates for co-location of services, includes open spaces outside of service spaces, and acts as an accessible entry point



Glue

- Leadership and administration required to operationalise the ICFC
- Requires staff dedicated to integration and coordination rather than service delivery, and includes continued active involvement of families



Flexible bucket for community designated activities

- Funding for services outside of core services, as determined by community need
- May include mental health services, legal and financial supports etc



Core services

- Consistently deliver early learning programs, Maternal and Child Health, as well as family and other allied health services across all centres

Funding strategy for scale

ICFC models in Australia are funded through a range of mechanisms that can include both Commonwealth and state funding. These often fragmented funding arrangements create challenges for centres that can undermine integration, create unnecessary administrative burdens, and impact on the capacity for centres to be responsive to community need and deliver the best outcomes for children and families. A new model for funding ICFCs supports aspirations to scale ICFCs over time to meet the unmet need detailed above.

Funding principles

A set of defining features of a future funding model have been established to 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 process 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.

These features were translated into a set of principles to guide the development and assessment of alternative future funding approaches. Through stakeholder working sessions, the principles were ranked in terms of their importance as established through project workshops and stakeholder consultations. **Sustainability, responsiveness and flexibility** were considered the three most important principles.

Funding mechanisms for ICFC components

Core components

Based on these principles, a preferred funding mechanism was identified for each of the core components of the model, as defined in Figure 3.

- One-off establishment grants were recommended for the establishment process and initial infrastructure investment.
- Recurrent block-based capital funding was recommended for ongoing maintenance and upgrades to infrastructure.
- Recurrent block-based funding was also recommended for the “glue” component, and for community driven services.

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 that many of the areas identified as high need are in regional or remote locations, where populations are small and dispersed and viable service provision is especially challenging.

Core services

There are a variety of existing streams of funding for specific services such as individualised based funding for Child Care Subsidy (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 developed for this report. 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, while adhering to the overarching principles of sustainability, flexibility and responsiveness. Achieving this will ensure it supports the intent and objectives of ICFCs.

Options for funding

The report examines a range of funding options that consider all components of an ICFC and speak to a national framework for funding ICFCs. The assessment of funding options considers how ICFC funding might best be optimised across components and explores the potential role for and merit of alternative funding bodies, specifically the commonwealth or state/territories.

The following frames were used to consider funding options:

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.

The report identified five options for funding ICFCs at scale, outlined in the table below. Two of the options, A and B, represent reform only in funding for the non-service components (establishment process, infrastructure and glue). In both of these, a commonwealth national funding model framework is recommended. Three of the options, C,D and E, are more transformational and represent reform for both service and non-service components.

Figure 4: Overview of funding options for ICFCs

Option	Description			
Current state	Jurisdictions draw on different streams to fund components with different models			
A	<ul style="list-style-type: none"> Jurisdictions fund non-service aspects of ICFCs (establishment process, infrastructure, and glue) Services funded as currently Commonwealth develops a national funding model framework 	<p>Leverages existing funding streams</p>  <p>New funding streams</p>	<p>Siloed funding</p>  <p>Pooled funding</p>	<p>High commonwealth involvement</p>  <p>Low commonwealth involvement</p>
B	<ul style="list-style-type: none"> Commonwealth funds the non-service aspects of ICFCs Services funded as currently Commonwealth develops a national funding model framework 	<p>Leverages existing funding streams</p>  <p>New funding streams</p>	<p>Siloed funding</p>  <p>Pooled funding</p>	<p>High commonwealth involvement</p>  <p>Low commonwealth involvement</p>
C	<ul style="list-style-type: none"> 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 	<p>Leverages existing funding streams</p>  <p>New funding streams</p>	<p>Siloed funding</p>  <p>Pooled funding</p>	<p>High commonwealth involvement</p>  <p>Low commonwealth involvement</p>
D	<ul style="list-style-type: none"> Jurisdictions fund non-service aspects of ICFCs Jurisdictions pool non-core services, core services funded as currently Joint commissioning model to enable pooling 	<p>Leverages existing funding streams</p>  <p>New funding streams</p>	<p>Siloed funding</p>  <p>Pooled funding</p>	<p>High commonwealth involvement</p>  <p>Low commonwealth involvement</p>
E	<ul style="list-style-type: none"> 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 	<p>Leverages existing funding streams</p>  <p>New funding streams</p>	<p>Siloed funding</p>  <p>Pooled funding</p>	<p>High commonwealth involvement</p>  <p>Low commonwealth involvement</p>

Scaling recommendations

Short term horizon	Longer term horizon
<p>In the more immediate future, the report recommends that ICFCs are targeted at areas of high child vulnerability that don't have an existing centre. Funding is adjusted through Option A or B, with either the commonwealth government or state/territory governments funding the establishment process, infrastructure and glue, to ensure certainty for these non-service components of ICFCs.</p>	<p>In the longer term, ICFCs should be established as a permanent offering within communities experiencing socio-economic disadvantage. 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.</p>

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 government 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 government 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.

"...regardless of precisely where on the spectrum of child need the threshold is set, there is a 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 extending on existing provision with a broader array of services and, critically, greater integration."

– **Deloitte Access Economics**

Towards a new national model

The report concludes that if ICFCs are to realise their potential, a **stronger national approach is required**. This approach must systematically underwrite 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 community.

Achieving this will require a stronger national funding foundation, ideally provided by the commonwealth government. Commonwealth government funding of the integration “glue” in 300 new centres is estimated to cost \$211 million per year. This investment would need to be supported by a commitment from states and territories, as the primary agency responsible for service delivery, to support service provision in the ICFC context.



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