

Summary report

How Australia can invest in children and return more

A new look at the \$15bn cost of late action



‘We realise there is a new urgency to embrace the potential returns on investment that come with early intervention. Australia has an ageing population, a declining tax base, increased intergenerational disadvantage and growing social issues in many communities.’

Statement from the partners

This new report presents the opportunity for wise investments in evidence-based early intervention to radically change outcomes for Australian children and young people.

The number of children and young people experiencing serious life challenges in Australia is alarming and increasing.

Our report reveals that Australian governments are spending \$15.2 billion each year on high-intensity and crisis services for problems that may have been prevented had we invested earlier and more wisely.

Stepping in with early intervention to provide support at the right time and in the right way can significantly reduce the demand for high-intensity and crisis services over time.

Early intervention can mean more young people have the best possible start in life while Australian governments maximise the impact of their spending with flow-on benefits to taxpayers.

Ensuring children and young people have access to effective, targeted early intervention (including services and programs) and effective support is a social and economic priority for Australia.

About the report

How Australia can invest in children and return more is one of the first Australian studies to analyse the cost of intervening late in areas that affect children and young people’s quality of life.

It is the result of a partnership between five organisations representing research, not-for-profit, philanthropy and business.

The partners are CoLab – Collaborate for Kids (a partnership between Telethon Kids Institute and the Minderoo Foundation), The Front Project, the Early Intervention Foundation, and Woodside Energy.

The partnership that delivered the report was initiated by CoLab. The analysis was led by the Early Intervention Foundation and co-authored with The Front Project. It replicates the Early Intervention Foundation’s method and approach to measuring the cost of late intervention in England and Wales.

Page six of this summary report presents three key actions that need to be taken for Australia to gain from the opportunity of investing more wisely in children and young people.

Issues facing children and young people included in the analysis

 **Mental health:** includes a range of mental health services, such as mental health care plans, specialised mental health services, hospital admissions, alcohol- and drug-related hospital admissions, and mental health-related prescriptions.

 **Youth homelessness:** includes homelessness services and indirect costs, including police, court and health.

 **Physical health:** includes potentially preventable hospitalisations for issues such as asthma, diabetes complications, and dental issues, and obesity and child injury costs.

 **Family violence:** includes only the costs directly related to children and young people in relation to police and justice costs, education and child protection.

 **Justice:** includes youth justice costs for detention, community-based support and justice conferencing, and detention and community support costs for young adults aged 12-24.

 **Unemployed young people:** includes Youth Allowance (Other), Newstart Allowance, Commonwealth Rent Assistance, and Special Benefit.

 **Youth crime:** includes hospital, court and police costs associated with youth offenders.

 **Child protection:** includes out-of-home care, intensive family support services, and family support services funded by child protection departments.

\$15.2bn

Amount spent each year on late intervention



\$607

For every Australian every year



The social and economic case for change

The consequences for children and young people of not investing early and in the most effective ways are reflected in unacceptably high rates of youth suicide, homelessness, crime, unemployment and obesity.

This has a clear impact on Commonwealth and state and territory budgets as well as the health, wellbeing and productivity of entire communities.

Our report reveals that Australian governments are spending \$15.2 billion each year on high-intensity and crisis support services.

The cost of late intervention equates to \$607 for every Australian every year. It includes spending on child protection services, health services, social security payments, mental health treatment, and the youth justice system.

With new approaches using early intervention strategies there is a significant opportunity to:

- Improve the lives of children and young people, and strengthen our communities
- Reduce pressure on government budgets and drive future savings
- Boost workforce skills and capabilities and build the economy.

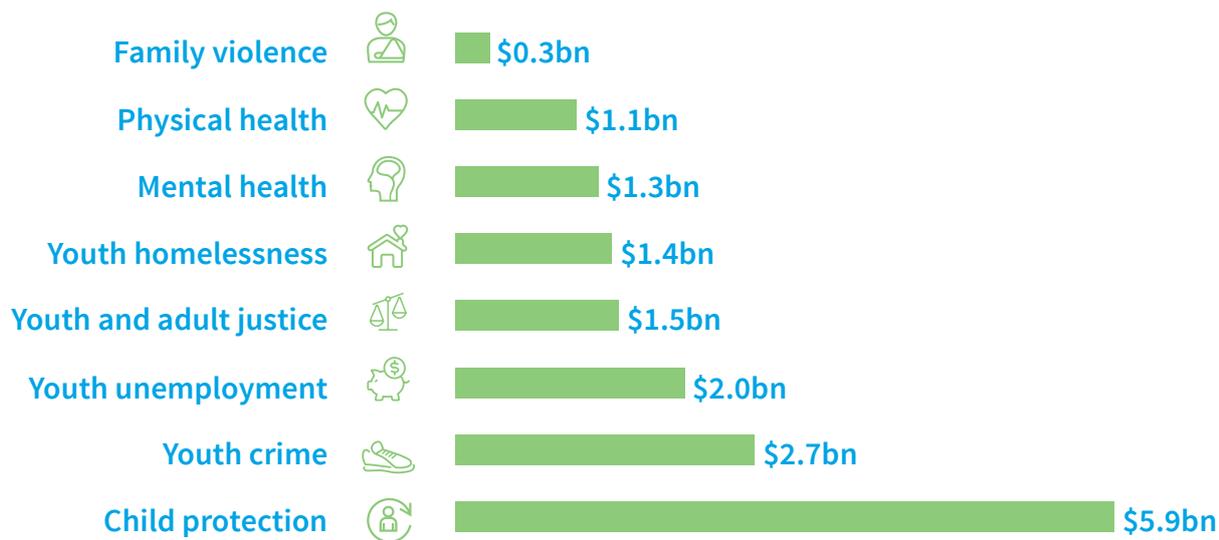
Early intervention makes sense

Early intervention involves effective and high quality support to children and young people before problems start or become magnified.

It can include providing children with access to a speech therapist when communication difficulties first emerge so they have a better chance of coping at school. On another level it can include wrap-around support for struggling new parents to prevent children entering into out-of-home care.

Early intervention is a smart investment in a stronger Australia. When we identify and tackle the challenges children and young people face earlier in their life, their chances of resilience and recovery are much greater so their need to rely on services throughout their life is significantly reduced.

Figure 1: Annual cost of late intervention in Australia by issue (2018–19 prices, \$bn)



This chart presents spending on each issue experienced by children and young people. The total figure of \$15.2bn accounts for double counting.

What is late intervention?

By *late intervention* we mean the acute, statutory and essential benefits and services required when children and young people experience significant difficulties that could have been reduced or prevented. They are often provided by governments and are expensive.

What is early intervention?

Early intervention means stepping in early to prevent problems occurring or tackling them head-on before they are much more difficult to resolve, while fostering the personal strengths and skills children and young people need to thrive.

The balance between early and late intervention

While early intervention can reduce the need and demand for crisis services over time, it is not possible to eliminate all spending on late intervention.

There will always be a need for some form of high intensity support for people during serious life challenges, so there must be resources in place to respond appropriately. However, the number of children and young people reaching crisis or significant difficulties demonstrates that Australia is not consistently preventing issues from escalating, or responding in the most appropriate way. To be effective, we must tackle the root causes of issues that children, young people and families face.

Key findings from the report

Governments in Australia are spending \$15.2 billion each year on late intervention.

This equates to \$607 for every Australian, or \$1,912 per child and young person.

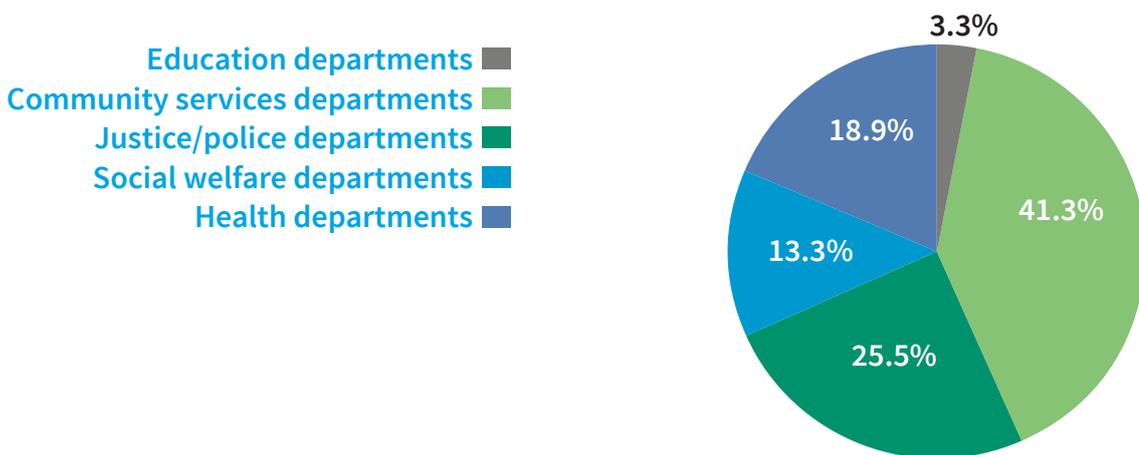
Greatest costs

The following services have emerged as carrying the highest costs.

- Services for children in out-of-home care (**39%**)
- Police, court and health costs of youth crime (**18%**)
- Social security payments for unemployed young people (**13%**)

More children and young people are experiencing serious issues in areas with higher social and economic disadvantage, including high unemployment, low education, and less affordable housing.

Figure 2: Cost of Late Intervention in Australia by area of government (2018–19 prices, \$bn)



High stakes and ongoing budget pressures

A number of trends point to greater pressure on government expenditure if action isn't taken. These trends also demonstrate that people's lives are at stake - Australian children, young people and families need access to evidence-based support earlier so that they can live fulfilling lives and reach their potential.

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25% rise • More children and adolescents are being hospitalised for mental health conditions. Hospitalisations for mental health rose 25% from 2008/09 to 2014/15 and have increased sharply since then
- 1.5% higher** • Youth unemployment remains significantly higher than the national unemployment rate and is 1.5% higher than it was in 2009
- 17% rise** • Childhood obesity has risen by 17% since 2011-12
- 34% increase** • Children and young people in out-of-home care has increased by 34% in the past 10 years. 45,000 children were in in out-of-home care in 2017/18
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124,000 • Homelessness continues to affect unacceptably large numbers of children. In 2017-18, 124,000 children and young people received homelessness services. Children and young people made up 43% (almost half) of all people who received homelessness services.

Costs are shared across government

The cost of late intervention is shared across government departments, and between the Commonwealth and state and territories. A number of issues experienced by young people result in costs to multiple departments - for example, the total expenditure on youth homelessness is \$1.4bn, which is made up of \$428m of health costs, \$174m of justice costs, \$352m of police costs, and \$432m of homelessness service costs.

Gaps in accounting

There is a need for better clarity around Australia's spending on children and young people across issues, portfolios, and levels of government. This will help identify the right points at which to intervene early, and to assess the effectiveness of current investments.

We also know that early intervention often has benefits across different areas of a child's life, generating savings to multiple government departments. Therefore, the agency investing early to improve outcomes will not be the only one to benefit from a reduction in service demand.

This needs to be better reflected holistically in government accounting to incentivise investment in the first place.

This report provides a baseline analysis of late intervention spending in Australia. It highlights the enormous value in gaining a better understanding of where Australian governments are currently investing and where the cost pressures are building.

The report also draws attention to the limitations of existing data – particularly around revealing where government investments are directed and with what impact. Increasing clarity and transparency around Australia's spending on children and young people across issues, portfolios, and levels of government is crucial for better planning.

It means Governments and organisations can identify the right points at which to intervene early, and to assess the effectiveness of current and future investments.

Methodology used in the full report

The report uses publicly available Australian data to calculate annual government expenditure on late intervention services for children and young people aged 0-24.



The analysis calculates spending on each issue in isolation. The limitations of publicly available data mean it is not possible to calculate the number of children and young people using multiple services.

Specifically, it focuses on the issues faced by children and young people:

- That result in distress for themselves, their families and their community
- That incur significant costs for the Commonwealth, state and territory governments; and
- Where it is clear that, by providing effective support earlier, there is the opportunity to change pathways or outcomes for children and young people.

The report provides a conservative estimate because:

- Costs are only included where reliable and robust data sources are available
- Only direct spending by government is included, not the wider social and economic costs of the issues experienced by children and young people
- Only the costs incurred during childhood and adolescence are shown, with no modelling of the lifetime costs associated with many of the issues highlighted
- Where assumptions have been made, they have been in the lower boundary to avoid overestimation

The way forward

In order to reduce the number of children needing high intensity support over time, decision-makers need better tools to understand where and how they can radically change the trajectory of a person's life.

It is clear that Australia needs to:

Prioritise investment in effective early intervention services for children and young people and;

Accelerate the development of data and evidence needed to make wise, targeted and impactful investments.

Three actions should be taken:



Use data and information more effectively

- Create a national early intervention dataset to map pathways and trajectories of children and young people, along with a strategy to fill data gaps
- Build capability to track and forecast the impact of early intervention investment across government portfolios and a child's life
- Increase the value of data by making it more accessible to policy makers, researchers, communities and philanthropy



Actively grow the evidence base

- Establish an investment fund that addresses evidence gaps around effective early intervention for children
- Embed clear requirements for evidence in decision-making across service delivery and report publicly on outcomes



Enable smart and transparent decision-making for accountability

- Build systems and tools that enable cross-portfolio and longer-term impacts and savings to be identified
- Enable these impacts to be considered in budget processes, and incentivise cross-portfolio investments
- Report spending and outcomes for children and young people across portfolios and levels of government



For a full copy of the report visit colab.telethonkids.org.au/investinchildren

Statement from report partners

We are a group of organisations from the not-for-profit, research, philanthropy and business sectors. We are aligned around a shared view that children are the foundation of a cohesive society, a strong economy and a prosperous Australia. We have produced a report, the first of its kind in Australia, that highlights the human and economic cost to Australia of late intervention.

We realise there is a new urgency to embrace the potential returns on investment that come with early intervention. We have an ageing population, a declining tax base, increased intergenerational disadvantage and growing social issues in many of our communities.

We hold the view that:

- Every child in every family shapes our nation's future
- A person's wellbeing is influenced by their experiences in childhood and adolescence, so it is important that all children have a good start in life
- Families raise children, but we all have a responsibility to step in when children and their families are experiencing adversity
- Investments in children are investments in human capital and human potential that benefit everyone and lead to intergenerational change
- No one sector, organisation or initiative can meet the challenge of creating large scale, positive change for all children.

We produced this report because Australia needs a solid economic analysis to enable more effective decisions about how to support young Australians. We wanted to raise awareness of the ongoing costs of not investing wisely in children and young people and create momentum to develop a collective plan to achieve lasting change.

What needs to happen

As a partnership and drawing from our experience, we want Australia to commit to action to:

- Reduce the number of children needing late intervention, and
- Equip all children so they can thrive through a happy, healthy and productive life.

We are asking all Australian government, philanthropic, business and community leaders to:

- Commit to evidence-based early intervention that supports children and builds the capabilities they need to thrive
- Prioritise investment in programs and approaches proven to have successful outcomes
- Support innovation and grow the evidence-base where there are knowledge gaps
- Consider the long-term impacts of funding and investment decisions
- Ensure services and systems are responsive to the needs and priorities of local communities
- Be accountable for delivering impact and changing outcomes for children and young people.

The opportunity exists to achieve life-changing results for Australia's children and young people through better, smarter and more effective investments.

We can, at the same time, benefit our entire economy and community. We have everything to gain.

For more information visit:
colab.telethonkids.org.au/investinchildren

