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The Early Intervention Investment Framework

**A considered and collaborative approach
to support early intervention investment**

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Overview of the Early Intervention Investment Framework

The Victorian Government has invested almost \$1 billion in early intervention initiatives under the Early Intervention Investment Framework (EIIF) and Partnerships Addressing Disadvantage (PAD) initiatives designed to improve the lives of Victorians and reduce pressure on acute services such as hospitals, prisons, and homelessness and family violence services.

With growth in demand for acute services, the Government is working to address problems before they escalate. This investment will improve the lives of Victorians by getting them the help they need earlier and reduce unsustainable pressure on Victoria's service systems.

The Government introduced the EIIF in the *2021-22 Budget* – becoming the first Australian jurisdiction to embed early intervention into its budget process.

EIIF has rigorous quantification requirements, calling for departments seeking funding to (1) set both outcome measures and expected outcomes and (2) estimate the avoided cost to the Government from the reduction in use of acute services.

The EIIF builds on the success of the PADs program. Since 2016 the Government has invested more than \$80 million in PADs initiatives, a bespoke approach to social investment, allowing innovative initiatives to be piloted with payments paid based on delivered outcomes. PADs have proved that it is possible to quantify outcomes and avoided costs for pilot early intervention initiatives and that early intervention can be meaningful, both for individuals and the service system.

The EIIF extends on the early success of the PADs program by:

- encouraging the uptake of early intervention initiatives at a wider scale (in terms of both scope and value) through the budget process
- embedding a robust framework for measuring outcomes for Victorians and estimating avoided costs to the Government from reductions in acute service use in budget decision making.

The Government funded a \$324 million early intervention package in the *2021-22 Budget*. Building on this, the *2022-23 Budget* invested \$504 million for early intervention initiatives.

The Department of Treasury and Finance (DTF) estimates system-wide impacts from reduced acute service usage of around \$500 million over the next decade from these two packages, plus additional unquantified economic benefits.

Over time, the EIIF will support a service system that:

- is more balanced – Victorians are offered a better continuum of services from early intervention through to acute
- allows more Victorians to get effective help early before problems escalate
- is more fiscally sustainable – the Government faces reduced acute service costs as problems are addressed earlier rather than escalating to crisis point requiring intensive acute service use.

Early intervention spending remains a small proportion of overall government funding each budget on services – in the *2022-23 Budget* early intervention accounted for less than 5 per cent of overall spending compared to around 30 per cent for acute services, with funding growing in each category over the last two budgets. However, as early interventions are often innovative approaches, it is important that scaling up takes place safely and steadily (rather than rapidly) to ensure they are effective.

Key priorities in continuing to embed the EIIF and grow its effectiveness and re-balance toward more early intervention over time, include:

- improving capability within the Victorian Government to quantify outcomes and measure evidence generated through the EIIF to further embed evidence-based policy
- acting to scale up, continue or cease initiatives based on learnings with a more open dialogue of ‘what works’
- investigating opportunities to apply EIIF principles to areas of joint State/Commonwealth investment and/or responsibility
- fostering strong collaboration with the service sector and including service sector insights in initiative design.

Origins of the Early Intervention Investment Framework

What is the Early Intervention Investment Framework?

The Victorian Government introduced the Early Intervention Investment Framework (EIIF) in the *2021-22 Budget*. The two goals of the EIIF are to:

1. improve outcomes for Victorian service users through timely and effective assistance
2. reduce growth in government expenditure through the decline in use of acute services.

The framework is now embedded in Victoria's annual state budget process and is applied to government funding allocated through this process. This includes ensuring that all budget initiatives submitted and funded under the EIIF are subject to rigorous requirements to quantify:

- outcome measures (and expected outcomes) that reflect the impact the proposal will have, including for the client and the system
- estimates of the avoided cost to the Victorian Government from the reduction in use of acute services from the proposal.

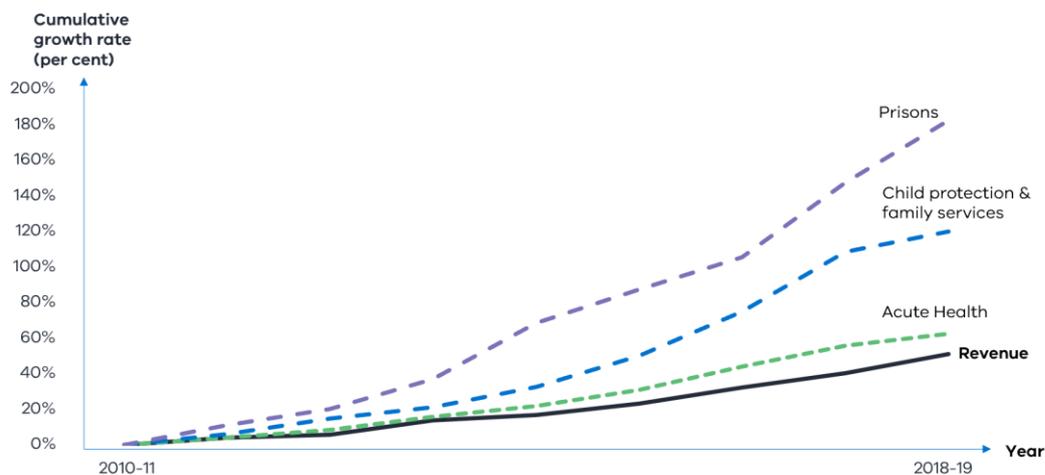
The EIIF provides a basis for trialling innovative early intervention initiatives, ensuring that evidence on the effectiveness of initiatives is collected and reported, and allowing for successful initiatives to be scaled up.

Fundamentally, the EIIF seeks to use a growing evidence base to support greater investment in early interventions over time.

The EIIF provides an organised, consistent approach to early intervention investment

Government spending is often focused on the acute end of service delivery to address immediate needs. Funding for acute services is growing at a much faster rate than growth in revenue (see Figure 1). As a share of revenue, it has grown from just over 25 per cent to 30 per cent over the past decade.

Figure 1: Victoria’s historical output costs on acute services compared to growth in state revenue (pre-COVID)



Source: Budget Paper No. 3 Service Delivery, Chapter 2, 2010-11 to 2018-19.

At the same time, early intervention initiatives made up a smaller share of government expenditure, despite evidence of their significant benefits.¹

This spending trajectory puts pressure on acute services that Victorians rely on. Unchecked, this spending trajectory is not sustainable for Victorians in need, or for future budgets. To counter this, evidence-based early interventions are needed to start slowing the growth in demand for acute services.

“The benefits of effective early intervention are significant. Improved social cohesion in communities (e.g. due to lower incidences of crime and improved neighbourhood safety), a stronger economy (e.g. improved employment and earning potential) and direct, more proximal benefits to services, like reduced demand leading to the better use of available resources and improved quality of care. While significant short-term avoided costs for governments are uncommon, the pressure on future budgets caused by costly late-stage intervention on issues like child protection and youth crime can be relieved in the longer term.”¹²

¹ For example, Social Ventures Australia ‘The Economic Case for Early Intervention in the child protection and out-of-home care system in Victoria’ November 2019; and Productivity Commission 2020, Mental Health, Report No. 95, Canberra.

² Considerations for successful implementation of the Early Intervention Investment Framework, by Centre for Excellence in Child and Family Welfare, 2022, page 2-3.

Figure 2: Examples of outcomes and avoided costs for EIF initiatives



Sources:

^(a) Royal Commission into Victoria’s Mental Health System Interim Report, Chapter 12, page 311.

^(b) Teager, W., Fox, S., & Stafford, N., How Australia can invest in early and return more: A new look at the \$15b cost of and opportunity. Early Intervention Foundation, The Front Project, and CoLab at the Telethon Kids Institute, Australia, 2019.

^(c) Zaretsky, K, Flatau, P, 2013, The cost of homelessness and the net benefit of homelessness programs: a national study, Final Report No. 218, AHURI.

^(d) Noel Towell, David could have cost taxpayers a high price, but intervention was at hand, The Age, January 7, 2022.

There are elements to early intervention that complicate investment. Early intervention has both temporal and cross-portfolio dimensions – benefits may not be realised for some time, and they may not accrue to the portfolio where the investment was originally made. This combination creates a difficult environment for departments to coordinate responses to complex problems that affect multiple services and to evaluate their success.

To overcome this challenge, the EIIF supports collaboration across departments to build evidence-based policy before submission to the budget process and understand impacts across target cohorts. The EIIF process also provides more rigorous funding advice to decision makers with a deeper whole-of-government understanding of new early interventions through the budget process. This opportunity also came at a time where access to detailed, cross-portfolio administrative data on how Victorians use services over their lifetime was increasing.

Harnessing this opportunity to embed early intervention in the budget, enables early intervention investment to grow more systematically at scale.

The right conditions for supporting the emergence of a framework for early intervention

Several key factors supported the emergence of the EIIF in addition to the need for a more organised and rigorous approach to early intervention investment:

- the PADs program was showing promising real gains from early intervention initiatives
- New Zealand's *Wellbeing Budget* was released in 2019 and required that any funding through the *Wellbeing Budget* would lead to advancing one of five government priorities which included improving mental health, reducing child poverty, and addressing the inequalities faced by indigenous Māori and Pacific Island people. Although this approach did not introduce requirements for quantifying impacts, the first wellbeing budget delivered in 2019 included mental health early intervention, which was being overlooked in many jurisdictions. This budget represented a shift in focus from solely financial measures to improvements in wellbeing

- the case for early intervention was made clear in the Royal Commission into Victoria’s Mental Health System. It focused on delivering improvements for vulnerable Victorians, including young people and those that have experienced trauma, before their needs escalate. The inquiry’s final report estimated that poor mental health costs the Victorian economy \$14.2 billion and identified that if Victoria could reduce current service demands on the mental health system by 15 per cent, this could deliver in the order of \$1.1 billion in additional economic activity for Victoria annually.³ That estimate included \$182 million in higher productivity and \$880 million in greater workforce participation among individuals providing unpaid care or not in the labour force
- the Productivity Commission highlighted underinvestment in prevention and early intervention mental health services. It recommended potential reforms including further investment in follow-up care after suicide attempts and a stigma reduction strategy⁴

- the Productivity Commission also made the case for early intervention in the Inquiry Report into Disability Care and Support, highlighting that early intervention would contribute to the feasibility of the funding for the National Disability Insurance Scheme over the longer-term as the positive results of early interventions were borne out.⁵

Additionally, during the COVID-19 pandemic it became necessary to digitise and share data, particularly in relation to health. When taken together, the factors above raised awareness of the need for and benefits from early intervention investment. This set the scene for developing a coordinated approach to early intervention at a scale that has the potential to elicit significant change for individuals and the service system.

³ Royal Commission into Victoria’s Mental Health System Interim Report, Chapter 12, page 311, ^b Teager, W., Fox, S., & Stafford, N., *How Australia can invest in early and return more: A new look at the \$15b cost of and opportunity.*

⁴ Productivity Commission 2020, Mental Health, Report no. 95, Canberra

⁵ Productivity Commission 2021, Disability Care and Support: Productivity Commission Inquiry Report, Overview and Recommendations No. 54, Canberra

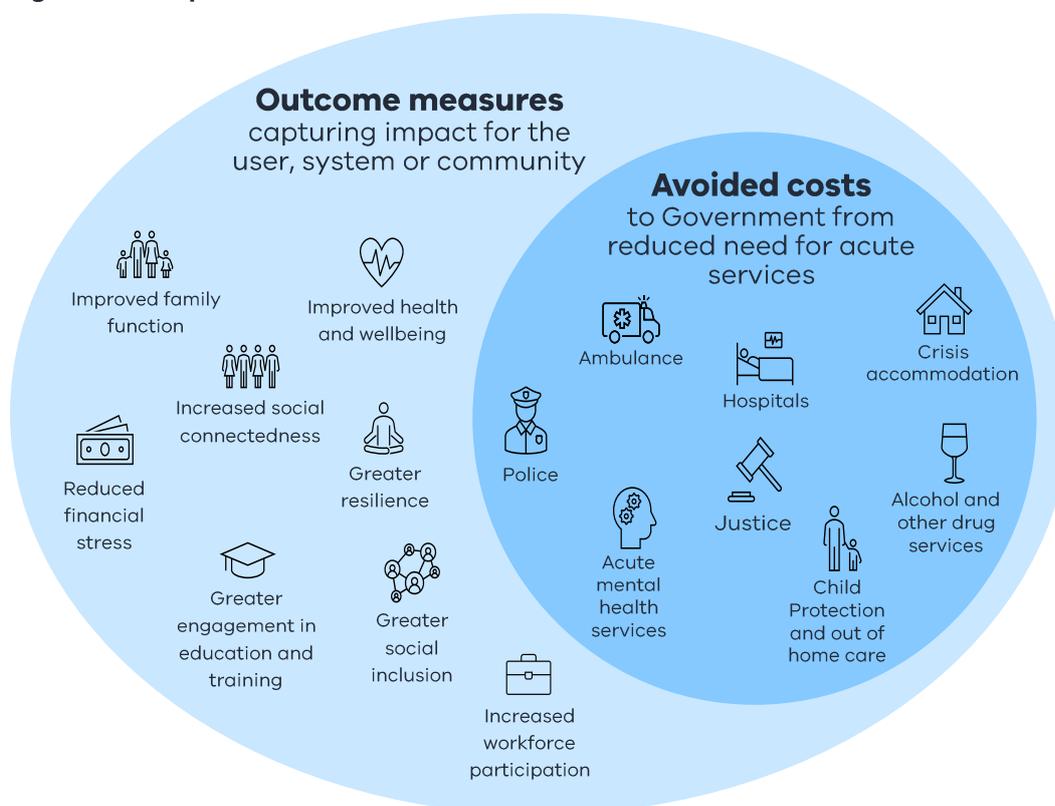
Implementation of the EIIIF through the State Budget

Measuring impact – an emerging capability

A key feature of the EIIIF that sets it apart from most early intervention investment is how it quantifies outcomes for individuals, the service system, and the community. It seeks to improve the quality of policy making and budget decisions by incentivising a greater focus on understanding what is gained from new investments. This is achieved by embedding more data-driven policy design, monitoring and evaluation across service delivery.

EIIIF budget initiatives are required to include outcome measures with expected outcomes and to report against them annually if funded. Under the EIIIF, outcome measures are considered as ‘impact measures’. The measures inform the Government’s understanding of the difference an early intervention initiative will make in return for its investment (both for service users and the system). Outcome measures may include measures that inform the calculation of avoided costs – for example the reduction in emergency department admissions – but also improvements for the individual and community such as better health and wellbeing.

Figure 3: Examples of outcomes and avoided costs for EIIIF initiatives



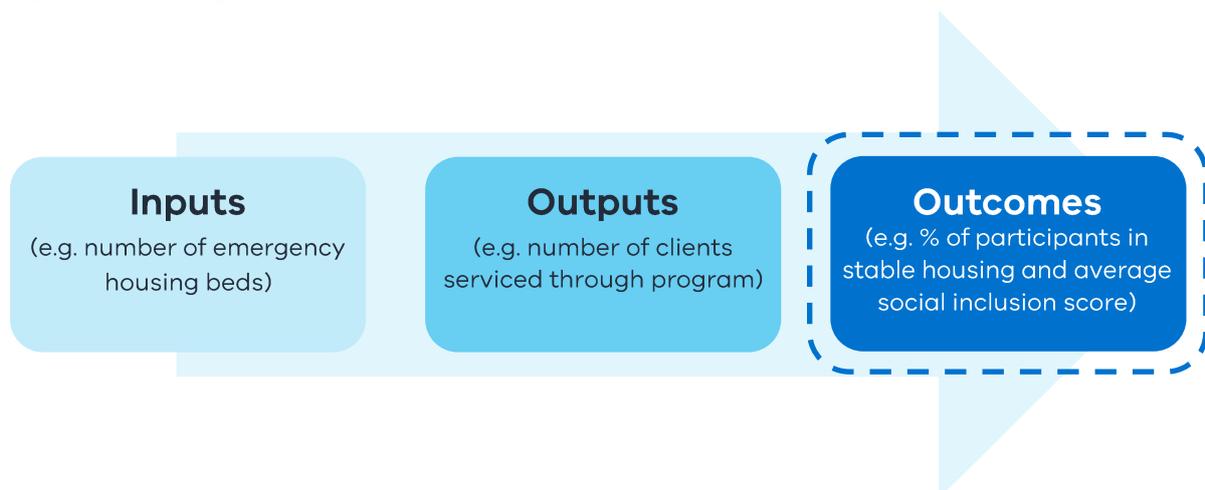
Annual expected outcomes are also estimated to quantify the expected scale of the impact for each measure. These are reported annually to the Government with advice on what's working, providing a safe pathway to scale up projects that are delivering benefits (and the scale of benefit) and to adjust programs that are not achieving their anticipated impacts.

This reporting recognises that embedding measures and capturing data can take time and is an evolving capability for departments and service providers. Another key challenge for measuring the impact of early intervention initiatives is that some initiatives have significant lead times before outcomes emerge. This has historically hampered impact measurement in traditional program evaluations.

The EIIIF goes some way to addressing this by requiring most outcomes to be reported for the four years following funding – ensuring measurement of outcomes is sustained over this period, and with reporting expected for as long as programs continue to operate.

Outcome measures under the framework differ from the performance measures departments generally report on for funded initiatives (e.g. output performance statements in Budget Paper No. 3 *Service Delivery*). They are designed to measure **the impact that the initiative is having, and through this, provide government with insights into how the initiative is improving outcomes for individuals**. They also differ from program evaluations which often have a broader remit to evaluate whether a program has met its stated objectives. The use of outcome measures is significant as it measures the ultimate end goal of the initiative rather than inputs or outputs.

Figure 4: The progression to outcomes-based measurement for EIIIF initiatives



Identifying meaningful outcome measures

Measuring **impact** is at the heart of the EIIIF, as it enables government to focus on how an initiative will help individual clients, the service system, and the community.

EIIIF initiatives can include up to **six outcome measures**. These can be a mix of what was 'avoided' (e.g. reduced usage of a nominated acute service), and what is 'gained' (e.g. increased engagement with school, strengthened relationships).

Each outcome measure should include:

- a baseline or control group
- expected outcomes also provide an indication of the impact of the initiative over time.

Strong outcome measures will capture the desired impact of EIIIF initiatives, ideally for both the individual client and the wider community or system.

An illustration of potential outcome measures across a range of policy areas is set out below.

Figure 5: Illustrative examples of EIIIF outcome measures

Measures	Expected outcomes				
	Baseline	2022-23	2023-24	2024-25	2025-26
Percentage of participants issued a Justice order or who start a Corrections custodial sentence in the 12 months following participation	80%	70%	60%	50%	45%
Percentage of participants who report strengthened family and community connection after participating in the program	–	75%	78%	81%	83%
Percentage of participants who report improved mental health and wellbeing after participating in the program	–	70%	73%	75%	80%
Portion of program participants in stable housing post-program compared to a matched cohort	–	30%	35%	35%	40%
Number of emergency department presentations after program participation compared to historical baseline	10	8	6	4	2

Outcome measures will ideally compare measured outcomes for initiative participants with those of similar individuals or groups who are not included in the intervention. For example, an outcome measure for a social housing initiative could track the proportion of participants who are in stable housing compared to a matched cohort that did not participate in the program. This comparison to the matched cohort enhances confidence in attributing the tracked impact to the funded initiative.

Departments can draw on multiple data sources to construct EIIIF outcome measures. A measure can utilise program data collected directly through the initiative, such as an outcome measure that tracks whether participants report strengthened community connection after participating in the program. Measures may also leverage linked data to support outcome measures, such as one that compares the number of emergency department presentations after program participation to a matched cohort. A set of outcome measures will ideally contain a combination of both program and linked data that reflect impacts across the individual, community and the service system.

Expected outcomes are required to be realistic and consistent with the program's business case and avoided cost inputs where there is an overlap. For programs that are already established, previous evaluations can be used as a starting point to propose outcome measures and expect outcomes. For initiatives that are a pilot program or have not been evaluated, departments may be able to use evidence from literature or evaluations of other programs to support the expected outcomes nominated.

The EIIIF recognises the complexity of tracking the impacts of early intervention initiatives, where a program's outcomes will often span a range of areas in people's lives. For example, a program that works to end homelessness may have a wide range of benefits for participants across the justice, health, and education portfolios. Departments are therefore encouraged to consider the cross portfolio impacts of their EIIIF proposal when selecting outcome measures.

DTF provides guidance to departments on selecting outcome measures and works collaboratively with departments to strengthen the expected outcomes proposed for their EIIIF initiatives. As part of annual reporting there is scope for departments to further refine measures where the proposed change is a substantive improvement.

The EIIIF as a fiscal tool

The EIIIF provides a powerful tool to estimate the impact interventions will have on vulnerable cohorts and their acute service usage – better factoring estimation of these impacts into decision-making through the budget.

Many early intervention initiatives pay for themselves in the long run by avoiding more costs from reducing acute service usage than they cost to fund – as well as broader social and economic benefits and improved outcomes. Implementing these initiatives helps government get more for its investment.

Quantifying avoided costs for early intervention initiatives allows Government to consider the impacts these initiatives are likely to have on acute service costs in budget decision-making.

This allows Government to direct its funding to initiatives that help vulnerable people *and* reduce growth in acute services spending simultaneously.

This better balance will benefit the budget bottom line, but also Victorians gain from early intervention initiatives, and those who benefit from the reduced pressure on acute services.

"The EIIF is a new budgeting tool designed to guide and grow the Victorian Government's investment in early intervention initiatives. The EIIF is a better budgeting process, investing in the evidence-informed decision-making capabilities needed to assess the effectiveness of a program and allocate resources where they will have the greatest impact for citizens and provide a clearer line of sight between investment and its impacts. It is, at times, also a better savings process that guides the responsible allocation of resources that directly links to reducing the need for acute downstream services and costs to Government."⁶

Estimating avoided costs under the EIIF

Investing early to address problems before they reach crisis point, inflict more harm and generate greater costs, is a key rationale for greater investment in early intervention. However, the avoided costs from reducing downstream acute service usage have rarely been systematically quantified in Victoria or elsewhere. The lack of evidence of this aspect of an initiative's impact has been a barrier to making the case for Government to invest in early intervention in the past.

The EIIF addresses this by requiring initiatives to estimate the resulting avoided costs for Victorian government services for 10 years following an initiative receiving funding.

Effective avoided cost estimation requires high quality data and analysis. To support this, the Victorian Government has provided funding through the EIIF to improve quantitative capability to better quantify the impacts arising from early intervention initiatives. This supports both *ex-ante* decisions about how to invest, and *ex-post* monitoring and evaluation. Investments include enhancing shared data resources and building greater data analytical capability.

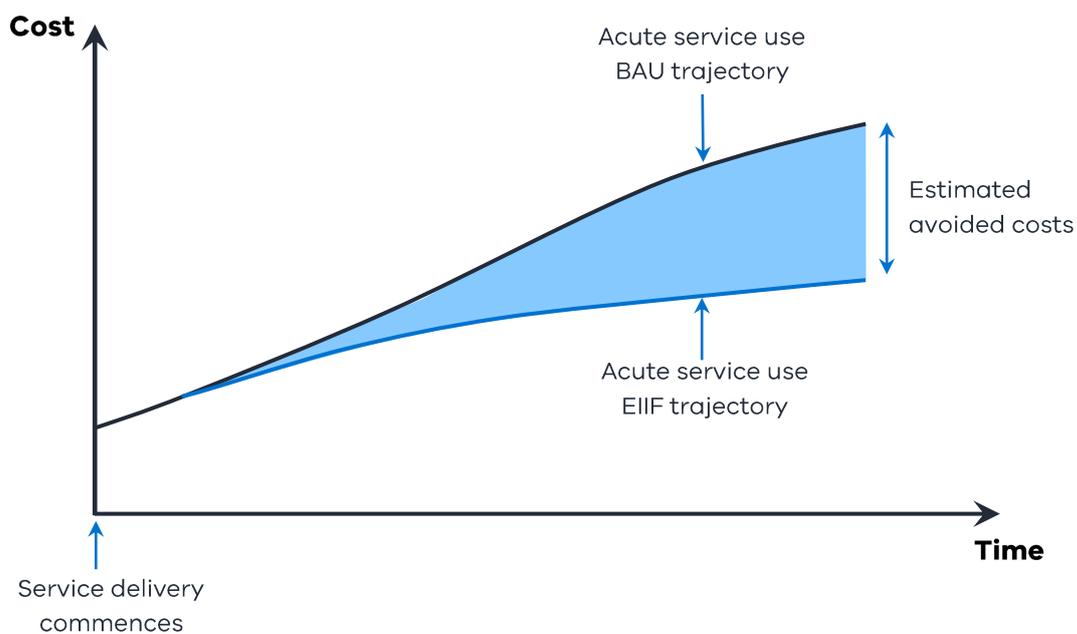
The Victorian Social Investment Integrated Data Resource (VSIIDR) underpins the EIIF, informing avoided cost estimates for initiatives in the *2022-23 Budget* as well as ongoing monitoring of outcomes. VSIIDR comprises linked administrative data, capturing how Victorians use government health, human services, education and justice services.

⁶ Implementing the Early Intervention Investment Framework, by Australia and New Zealand School of Government, 2022, page 17

Under the framework, departments are asked to estimate the avoided costs for budget initiatives, with DTF verifying departments' estimates in close collaboration with departmental subject matter experts.

DTF has developed an in-house model using VSIIIDR to support the preparation and verification of departmental estimates. The model uses advanced data analytics to estimate the impact of effective early interventions relative to the expected trajectory of service use if the intervention did not take place. This expanded capability will support collaborative work with departments to strengthen new business cases submitted to the budget process.

Figure 6: Avoided costs for an EIIF initiative



This analysis relies on defining target clients – describing the characteristics of people who will benefit from an early intervention – and using VSIDR to understand the expected impact of a specific early intervention on these people. That is, it estimates the likelihood of people with specific characteristics using a range of acute services in the future (e.g. hospitals, justice system, homelessness services) both with the investment and without the investment in a particular early intervention. The estimated avoided costs represent the difference between these two scenarios.

Encouraging early intervention – an invest/reinvest approach

The framework is designed to encourage development of more early intervention initiatives and their uptake through the budget process.

Therefore, the EIIF takes an invest/reinvest approach to early intervention investment.

Avoided costs generated and identified through the EIIF are partly retained by departments to afford flexibility for emerging needs within their portfolios, recognising that not all avoided costs are easily 'saved' and some avoided costs are used to support new investment in early intervention through the budget process.

This means the benefits that accrue to the Government – reduction in acute service costs – are used to grow early intervention investment, putting Victoria on a path towards a better balance between early intervention and the unavoidable provision of acute services.

How the EIIF works in the budget process

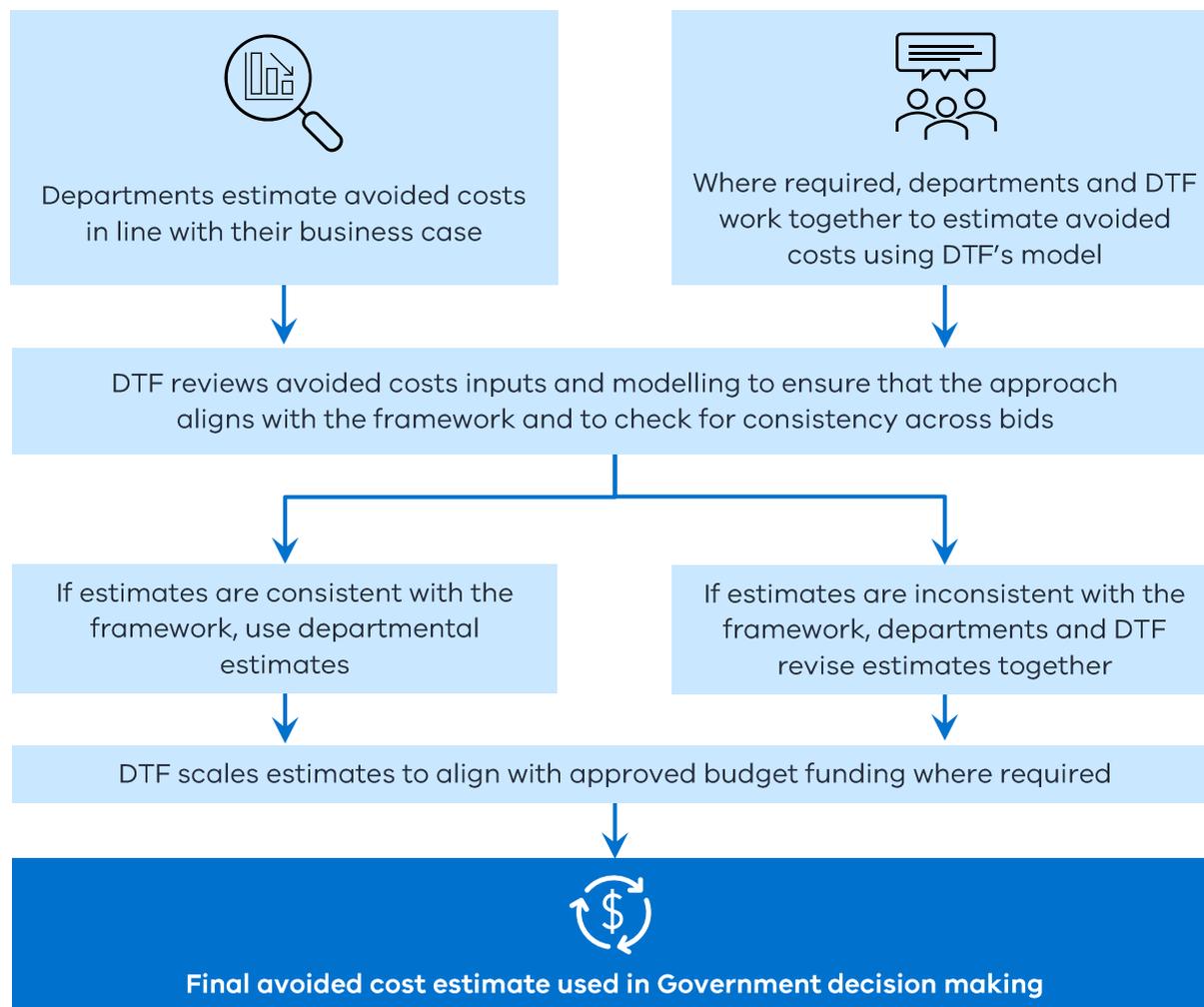
The EIIF is implemented in stages across the budget cycle.

Soon after a budget has been released, departments begin work on new policy initiatives and start to identify potential outcome measures and estimate avoiding costs, through both direct consultation with policy areas responsible for preparing initiatives and by sharing guidance material.

EIIF initiatives are required to outline outcome measures (and expected outcomes) and estimate avoided costs in business cases. Once bids are lodged, DTF reviews inputs for quality assurance of outcome measures and avoided costs and works collaboratively with departments to resolve any issues.

This gives decision-makers confidence in EIIF initiatives funded through the budget process by taking a consistent approach to developing expected measures of outcome and estimating avoided costs across departments (e.g. measuring avoided costs over a consistent timeframe). Figure 7 sets out the approach for estimating and verifying avoided costs for EIIF initiatives.

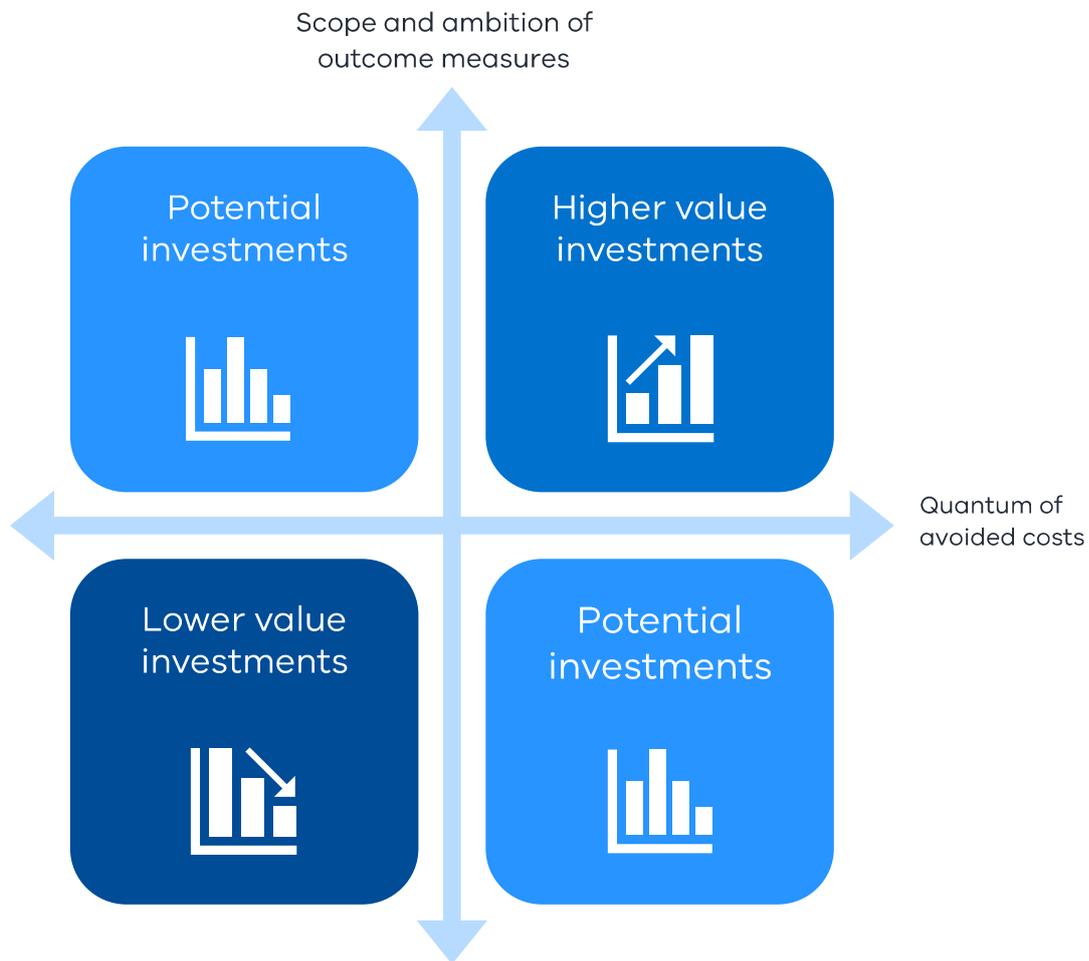
Figure 7: Developing quality assured avoided cost estimates for EIIF initiatives



Verified outcomes and avoided costs are used alongside other information in the business case to inform government decision making.

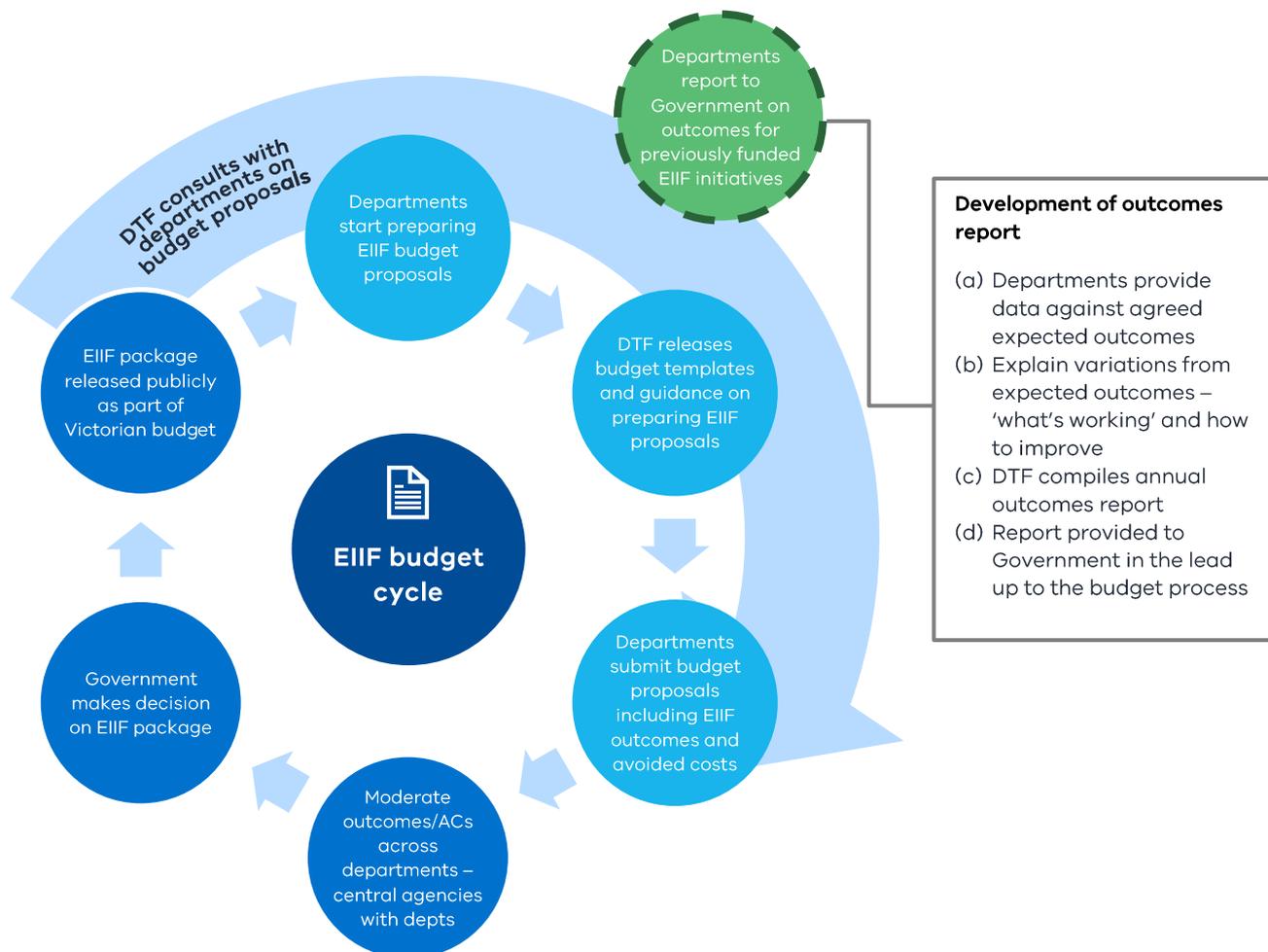
Figure 8 demonstrates how outcome measures and avoided costs can help identify potential initiatives to fund through the budget.

Figure 8: EIIF prioritisation to support budget decision making



Initiatives funded through the EIIF report on measured outcomes annually. Figure 9 below sets out the key stages in the EIIF budget cycle.

Figure 9: Key stages in the EIIF budget cycle



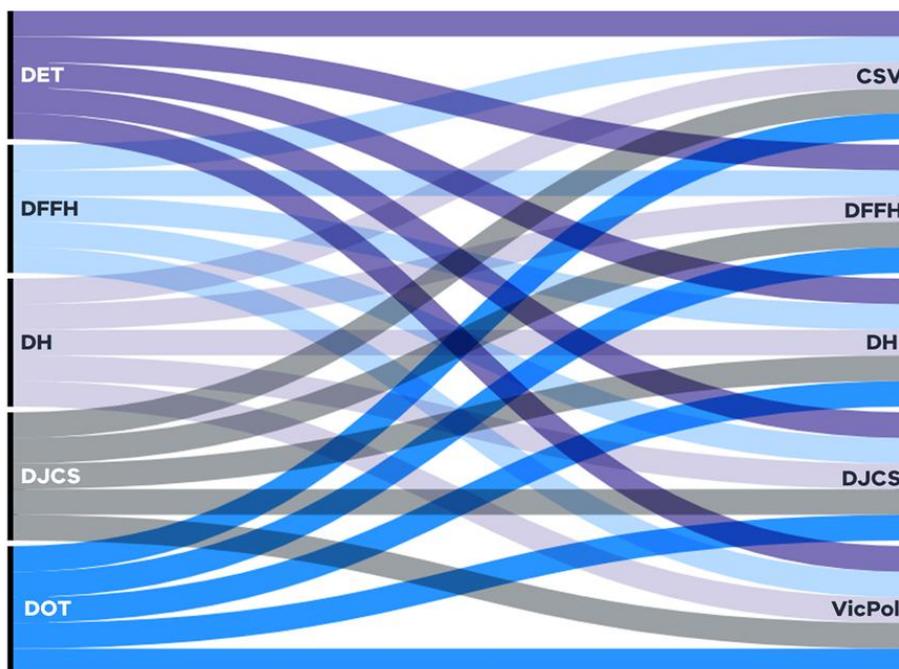
Greater collaboration across the Victorian Government

Effective early intervention that makes a difference requires collaborative culture and proactive engagement across departments about ‘what works’ in early intervention rather than a traditional siloed or programmatic response. Positive engagement between central agencies and departments to date has helped ensure high-quality EIIF bids.

More collaboration across departments early in the process can support thinking on feasibility and encourage the development of realistic outcome measures and avoided cost estimates. This early engagement provides scope for iterating and refining expected outcomes estimated over time.

Many initiatives funded through the EIF to date are expected to generate some avoided costs that accrue to departments other than the department that developed the initiative. Figure 10 shows a figurative representation of the cross-portfolio nature of avoided costs from EIF initiatives, setting out the relationship between the department where initiatives are funded and delivered, and the department where successful intervention is expected to reduce the need for acute services for initiatives funded in the 2022-23 Budget.

Figure 10: Figurative representation of cross portfolio nature of reductions in acute service usage from investment in 2022-23 Budget



The Australia and New Zealand School of Government (ANZSOG) highlights the challenges that the cross-portfolio nature of EIF initiatives can present in the budget process:

"A budget process functions to allocate a common pool of financial resources across stakeholders. During the budget process in government, line agencies develop and propose initiatives that they will implement and be responsible for, and which will draw from that common funding pool over a short-to-medium term timeframe. Each line agency has specific foci, goals and responsibilities, proposing initiatives to meet them. In this way, the process incentivises line agencies to secure a maximum allocation of resources to pursue their own specific objectives, rather than balance the needs of the broader commons ...

The roles of central financing and coordination agencies, such as DTF and the Department of Premier and Cabinet, are to manage their jurisdiction's financial commons. These agencies take a whole-of-government approach, providing economic, financial and resource management advice and tools to help the Government deliver policies and common services for the public. In this way, DTF can be seen as the steward of the commons. This is a role that seeks to resolve issues through the passage of annual appropriation legislation. It also involves long-term considerations and planning to ensure sustainable budgeting and the optimisation of fiscal resources to achieve value-for-money outcomes."⁷

This cross-portfolio nature of EIIF initiatives shows the importance of a collaborative approach supported by DTF to build trust in the process. Additionally, the internal reporting requirements of the EIIF can support engagement through rigorous evaluation.

Beyond taking a cross-portfolio approach across the Victorian Government, the design of successful early intervention initiatives can also benefit from contributions from the service sector. The sector can also help to develop more meaningful client-focused measures, due to their close relationship with service users.

The Centre for Excellence in Child and Family Welfare proposed four suggestions for kickstarting an ongoing partnership between central government, service departments and the community sector to support the implementation and embedding of EIIF:

1. Invest in R&D infrastructure

Set up a dedicated EIIF Research and Development Fund to test promising early interventions and seed projects and further develop established ones.

2. Establish a joint data centre

Set up a joint data centre to facilitate cross partnership sharing of data to support planning and decision making about where to target investment and reinvestment.

⁷ Implementing the Early Intervention Investment Framework, by Australia and New Zealand School of Government, 2022, page 4, 5

3. Develop impact measures for service users

Fund the Outcomes, Practice, and Evidence network to examine proven and promising methods of data collection that shows the impact of early intervention programs from a service user perspective.

4. Establish an annual conference promoting EIIIF innovation

Fund an annual EIIIF conference to share perspectives on how EIIIF is progressing.⁸

Early Intervention Initiatives from past two budgets

In the *2021-22 Budget*, the Victorian Government provided \$324 million over four years for an Early Intervention Investment package comprising 10 initiatives. In its second year of implementation in the *2022-23 Budget*, the EIIIF package grew to \$504 million for 16 initiatives across six departments.

The two EIIIF packages will provide timely assistance to improve the lives of Victorians, with initiatives spanning across multiple portfolios including child protection, mental health, housing, education and corrections.

Initiatives over the two years of implementation support disengaged young people, vulnerable children and their families, people living with a mental illness, persons exiting the prison system and those experiencing homelessness. They will also deliver a range of outcomes to program participants, including increased educational engagement and attainment, reduced hospitalisations, reduced interaction with the criminal justice system, reduced homelessness, and increased social and emotional wellbeing.

For further details on the initiatives funded in the 2021-22 and 2022-23 EIIIF packages, see Attachment A. As well as improving the lives of these program participants, investments from the two packages are also estimated to generate system-wide impacts from reduced acute service usage of around \$500 million over the next decade, plus additional unquantified economic benefits.

⁸ Considerations for successful implementation of the Early Intervention Investment Framework, by Centre for Excellence in Child and Family Welfare, 2022, page 3-4

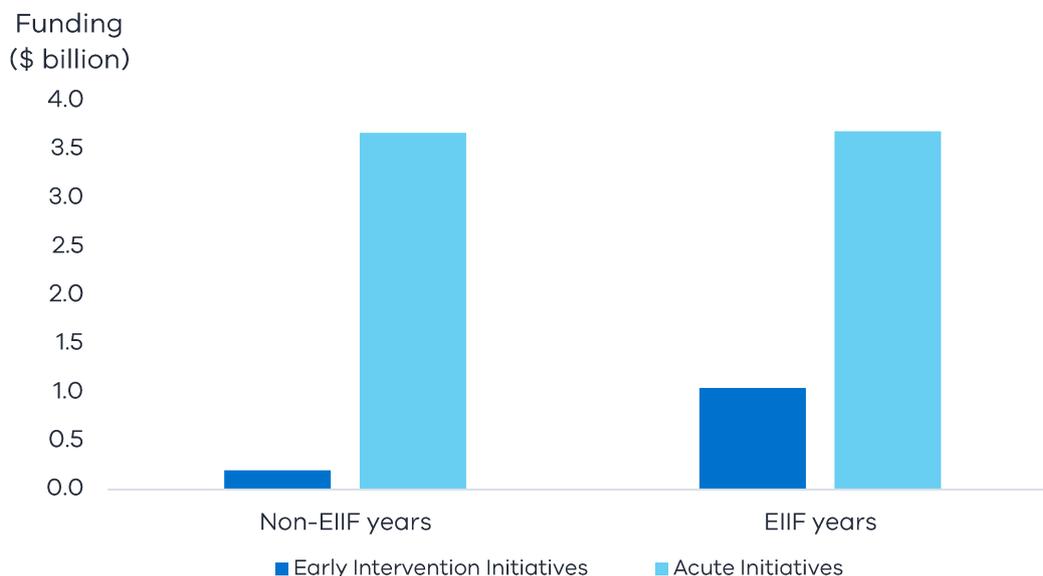
Prior to the EIIF's introduction, the Government made significant investments in social reforms that have a strong focus on early intervention, for example through Government's response to the Royal Commission into Family Violence, the Whole of Government Ice Action Plan package and the Government's response to the Royal Commission into Victoria's Mental Health System. Across the Victorian Government, recognition of the need for earlier intervention investment is growing and new approaches have been trialled in several departments.

This includes the introduction of Partnerships Addressing Disadvantage (PADs), which demonstrate that the right investments in early intervention can improve outcomes for people and divert demand from acute services. PADs flagged a turning point in the way the Government approached investing in improving outcomes. An essential part of establishing appropriate PADs entailed estimating the 'avoided cost' to inform the appropriate funding regime, with the methodology largely focused on comparisons between the PADs and a matched cohort in terms of service usage.

The EIIF builds on the PADs approach of setting outcome measures and avoided costs and provides a centralised approach to early intervention at a scale that has the potential to deliver significant change for individuals and the service system. As Figure 11 shows, average budget spending on early interventions has increased alongside the introduction of EIIF and also as a result of the significant investment in mental health and wellbeing initiatives in the *2021-22 Budget* as a result of the Royal Commission into Victoria's Mental Health System.

The EIIF is continuing the Government's delivery of an ambitious social policy reform agenda alongside growing and sustained support for acute funding – all while maintaining its key fiscal parameters.

Figure 11: Average budget spend in EIIIF years (2021-22 and 2022-23) compared to the average spend in pre-EIIIF years (2015-16 to 2020-21) on early intervention



Source: Compiled based on classifying service delivery initiatives in Victoria State Budget Paper No. 3 Chapter 1 from years 2015-16 to 2022-23 where EIIIF years are 2021-22 and 2022-23

Notes:

(a) Covers service delivery initiatives in Education, Families and Child Protection, Health, Housing and Justice portfolios as well as the Aboriginal Affairs, Mental Health and Wellbeing, Family Violence Services, Ice Action Plan, and Targeting Youth Offending Whole of Government Packages.

(b) Excludes COVID-19 funding.

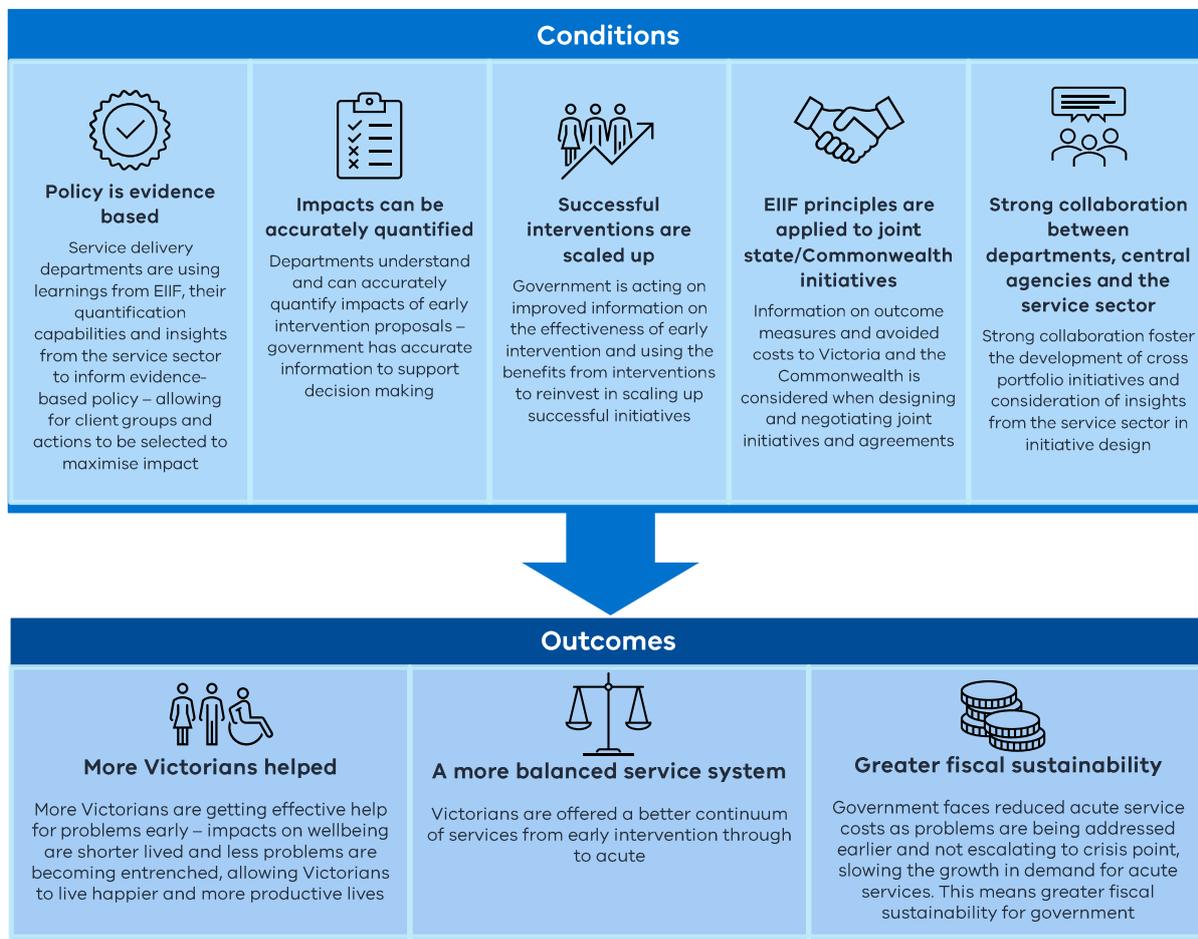
Continuing to embed the EIIIF

Pathway to success

While the EIIIF is still in its early stages, it is important to understand what success looks like for the continuation of the framework in Victoria to chart a clear path forward.

The framework will have succeeded when Victoria’s service system is recalibrated to better balance early intervention services and the necessary provision of acute services.

Figure 12: What success looks like for the EIIF



To move towards a more balanced, fiscally sustainable service system that provides early help to more Victorians, steps need to be taken to set Victoria on a trajectory to realise this success. Priority areas for growing the EIIF safely include:

- improving quantification of impacts
- further embedding use of evidence-based policy
- scaling up, ceasing, or adjusting initiatives based on realised impacts
- investigating opportunities to apply EIIF principles to joint State/Commonwealth initiatives
- improving collaboration with the service sector and incorporating their expertise into initiative design
- improving collaboration between departments to ensure departments continue to design high quality initiatives, including through collaboration across portfolios.

Improving quantification of impacts

The EIIIF's requirement to quantify impacts provides government with better information to support decision making. As such, improving the capability of Victorian government departments to collect, access and analyse both linked administrative data and program level data is necessary to improve the quantification of impacts for EIIIF initiatives.

Linked administrative data on the service usage of Victorians is a powerful resource that informs policy making to support better and fairer outcomes across the service system. Since the inception of the EIIIF, the linked data capabilities of Victorian government departments have improved. However, there is still more to be done. Adding new Victorian service data into VSIIDR and increasing the quality and granularity of datasets already in VSIIDR would improve the ability to quantify the impact of initiatives on acute service usage.

However, even with better data, the estimated avoided costs from reduced acute service use of Victorian Government services represent only a portion of the expected economic benefits from early intervention initiatives. The EIIIF does not currently capture the social and economic benefits to individuals, businesses, and the community – or avoided costs to other governments (Commonwealth or local). Outcome measures go some way to capturing these broader impacts, but future work could explore how to quantify these additional economic benefits under the framework.

DTF will seek to support better collection of, access to, and analysis of linked and program data across departments. This will allow for high-quality initiatives to be developed and considered through the EIIIF, as well as enabling the Government to have a greater level of assurance about decisions it makes.

Bolstering evidence-based policy – which interventions help Victorians?

As mentioned above, evidence-based policy provides the Government with the assurance that its investment will result in improved outcomes. The EIIIF can support evidence-based policy:

- by using measured outcomes from previous EIIIF initiatives to inform future policy design
- by using the impact measurement techniques that support the EIIIF in the policy design process to select initiatives that maximise effectiveness
- through departments increasing their research and improving program evaluations with the understanding that these elements will increase the likelihood that their initiatives will be funded.

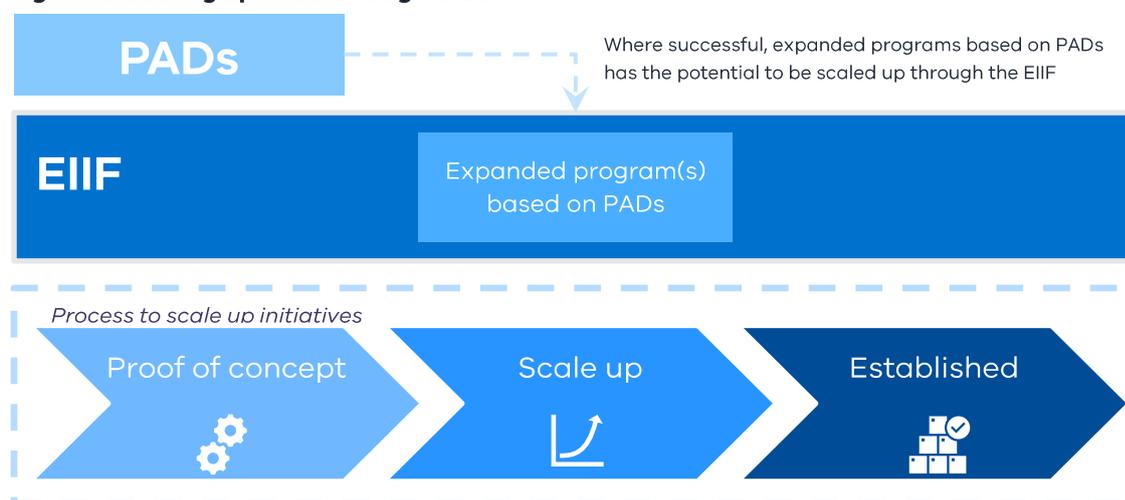
The quantification requirements of the EIIIF mean that the estimated impact of EIIIF initiatives will be clear upfront. However, the realised benefits will be revealed after the initiative is implemented through measurement and reporting of outcomes. Over time an evidence base will be developed identifying which interventions are effective and which are not achieving their intended impact.

Evidence collected through annual outcome reporting will help build a greater understanding of the measured (rather than estimated) impact of investment. As more initiatives are funded through the framework, a bank of successful and unsuccessful initiatives will be built up. This information on measured impact can also be used to refine assumptions for future avoided cost modelling and outcome measures for similar or scaled up initiatives.

Towards early intervention at scale

While PADs present an opportunity to trial smaller scale initiatives, the EIIF can accommodate a range of initiatives with different scale and policy maturity. Initiatives can be tested in a local context through both PADs and the EIIF, but the EIIF is the primary pathway to roll these initiatives out at a larger scale.

Figure 13: Scaling up PADs through the EIIF



While initial EIIF investment has been predominantly targeted at trialling new initiatives, as the bank of successful initiatives grows over time, the EIIF's invest/reinvest approach can be used to scale up more of these initiatives at a wider scale and continuing to trial new initiatives.

As more of these scaled up initiatives are implemented, progress will be made towards a service system that better balances prevention and early intervention with necessary acute service provision.

"Implementing the EIIF and scaling it up to achieve lasting system change will require sustained effort over many years. It is not a quick fix."⁹

⁹ Considerations for successful implementation of the Early Intervention Investment Framework, by Centre for Excellence in Child and Family Welfare, 2022, page 5

Scaling up Journey to Social Inclusion (J2SI)

The Journey to Social Inclusion (J2SI) PAD is an early intervention program that provides rapid access to housing and three years of wrap-around support to help Victorians experiencing chronic homelessness maintain stable housing and reduce their need for hospital and other services.

The PAD was developed from an existing program run by Sacred Heart Mission which had been successfully piloted and evaluated. Government then collaborated with Sacred Heart Mission, a private investor and contingent grantors to refine and scale up the program as a PAD, providing three years of support for 180 people.

J2SI has demonstrated a successful approach to assisting Victorians sustainably exit chronic homelessness. As of the second outcome measurement, 90 per cent of measured J2SI Social Impact Investment (SII) clients were stably housed and on average had reduced their hospital bed use by 56 per cent. These results are promising and if replicated over the program's duration could deliver \$28 million in avoided costs from the reduced need for Government services.

Building on the success of the PAD, the J2SI program has now been embedded in departmental service delivery. The 2021-22 EIIIF package included funding to contract Sacred Heart Mission to support a further 120 clients using an innovative payment by results funding arrangement. Learnings from J2SI have also been incorporated into broader government policy, influencing the design of the Homelessness to a Home program implemented as part of the COVID-19 emergency response to support people experiencing homelessness.

Progressing to a better balance between acute and early intervention services needs to be undertaken in a fiscally responsible way. The combination of the invest/reinvest approach used in the EIIIF, and the use of evidence to support the scaling up of initiatives will help ensure that expanded investment is fiscally responsible.

Conversely, those interventions that do not end up delivering successful outcomes will need to be reconsidered. Ineffective early intervention also means that demand for acute services continues to grow rapidly and unabated, leading to a missed opportunity for the Government to deploy its resources efficiently.

"An investment framework that enables long-term funding of early intervention is just the start. Exactly what gets funded is a crucial consideration for maximising impact. ... There is much to win (or lose) for a policymaker in selecting a 'best bet' intervention for service reform policy makers who sources and use interventions with strong evidence foundations tailored to the local context have a higher likelihood of early intervention success and reducing acute services system funding growth rates."¹⁰

¹⁰ *What successful early intervention looks like across the service system*, Centre for Implementation and Evaluation, 2022, page 9.

Early identification of interventions that are not delivering the expected outcomes will allow service delivery agencies to redirect their efforts to alternative early intervention initiatives that may prove to be more successful, ultimately improving the likelihood that benefits for individuals and the service system will be realised in the future.

Investigating opportunities to apply EIIF principles to joint State/Commonwealth initiatives

Currently, EIIF initiatives only measure avoided costs generated from services funded by the State. However, Victorian Government early intervention initiatives will often also have a fiscal impact for the Commonwealth Government's service usage and tax revenue.

For example, the deployment of mobile stroke units allow for early intervention for Victorians' suffering from stroke. These units can deploy early thrombolytic treatments, preventing the stroke from escalating and deferring the need for prolonged medical care. This might save the Commonwealth many years of welfare payments and foregone income tax revenue.

These avoided costs are not yet quantified or formally considered under the current application of the EIIF, as the EIIF is only applied through the State budget process rather than through interactions or agreements with the Commonwealth.

However, there is a significant opportunity for greater collaboration between the Victorian and Commonwealth Governments through considering the quantification of avoided costs to both parties from early intervention initiatives as part of negotiated intergovernmental agreements.

DTF has commenced some preliminary investigations into quantifying avoided costs that accrue to the Commonwealth and is seeking to expand on this work. DTF will also pursue opportunities to collaborate with service delivery departments to undertake research on specific initiatives where avoided costs accrue to both Victoria and the Commonwealth.

Fostering collaboration – involving the service sector in design and implementation of initiatives

Fully delivering the EIIF's objectives and anticipated benefits relies on strong authentic collaboration between three key partners: central government, service departments and the community sector. Each has a unique and integral role and contribution. As providers of a large share of funded early intervention programs, the non-government sector is a critical partner. Providers are strongly committed to the EIIF's core objective of improving people's lives by providing timely and effective assistance.

“Successful early intervention systems are built not by robotically responding to the research evidence or policy objectives, but instead are responsive to and reflective of service user needs.”

Service providers are also the point of much data collection which contributes to robust outcome measurement, an essential requirement of this framework that provides the Government with a link to its investment's impact. The EIIIF provides an opportunity to strengthen and evolve the relationship and engagement with these critical stakeholders.

"If government is serious about a three-way partnership between DTF, line departments [referring to service-focused departments] and service providers, then the sector needs to be meaningfully included in decisions about where funding should be directed (investment and re investment) for optimal impact and the kind of tailored funding models that would enable this."¹¹

Building on its commissioning of independent research from the Centre for Excellence in Child and Family Welfare, the Government will continue exploring strategies for supporting and building an ongoing dialogue with the sector on progressing early intervention under this framework, including through benefit sharing. It will also seek out new opportunities for reinvestment through new PADs and potential modifications in the future.

Fostering collaboration – coordination across service delivery departments

To ensure the EIIIF's long-term success, strong partnerships are needed across the Victorian Government.

The EIIIF highlights the interconnectedness of government services and the potential for greater collaboration, including in understanding client pathways, designing programs, and quantifying impacts.

"Successful early intervention is a team sport. People with significant unmet need have multiple system touchpoints as they bounce between services attempting to find help and resolve their issues"¹².

¹¹ *Considerations for successful implementation of the Early Intervention Investment Framework*, by Centre for Excellence in Child and Family Welfare, 2022, page 8

¹² *What successful early intervention looks like across the service system*, Centre for Implementation and Evaluation, 2022, page 7

There are opportunities to improve the design of EIIF initiatives by facilitating better collaboration across service delivery departments where initiatives cut across multiple departments. Similarly, there is also scope to strengthen the identification of outcome measures and the estimation of avoided costs through greater data sharing and cross checking of assumptions between departments. A key means to strengthen avoided cost estimates is through adopting a consistent and high-quality set of unit costs for all initiatives developed in collaboration across departments.

Through the EIIF, greater collaboration will be encouraged between Victorian Government departments on designing initiatives and quantifying impacts that cut across departmental responsibilities.

Contact us and how to find more information

We welcome feedback from all not-for-profits, academics, service delivery agencies, current or prospective PADs investors and any other interested parties.

Please address queries to Matt Donoghue, Director Early Intervention and Reform via the email below:

earlyintervention@dtf.vic.gov.au

DTF monitors this inbox regularly and will seek to provide timely responses to any queries.

For information regards the EIIF please visit:

<https://www.dtf.vic.gov.au/funds-programs-and-policies/early-intervention-investment-framework>.

For further information on PADs, including the *Future Directions in Partnerships Addressing Disadvantage - consultation paper* please visit:

<https://www.dtf.vic.gov.au/funds-programs-and-policies/partnerships-addressing-disadvantage>

