



FINAL TECHNICAL REPORT

Part 2: Kindergarten provision projection

Key findings and methodology

*Prepared for
Infrastructure Victoria
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Contents

Glossary	1
The Task	2
1 Key findings summary	3
Background	4
High-level approach	6
Assessing excess capacity in Victoria’s kindergarten infrastructure	7
Additional enrolments by 2036 and 2056	9
Additional provision to meet growth	16
Cost summary	25
A Detailed modelling and cost assumptions	28
B Geographical concordance	30
BOXES, CHARTS AND TABLES	
1.1 Number of new kindergartens funded by the State Government, 2024 to 2056	4
1.2 Total cost to government by 2056, \$2024	4
1.3 Map of Functional Urban Areas (FUA) and Local Government Areas (LGA)	7
1.4 Kindergarten enrolments and capacity, 2024	8
1.5 Kindergarten excess capacity by region, 2024	9
1.6 Methodology to estimate additional expected enrolments	11
1.7 Kindergarten school-aged population, 2024 to 2056	12
1.8 Additional enrolments from population growth and the three-Year-Old Kindergarten reform, 15-hour equivalent enrolments	13
1.9 Weighted average hours per 4yo currently and in addition after the policy reform by SA3	14
1.10 Additional enrolments from Four-Year-Old Kindergarten reform, 15-hour equivalent enrolments	15
1.11 Total additional enrolments by FUA, 2024 to 2036 and 2056	16
1.12 Additional capacity required by key driver, 2024 to 2036	17
1.13 Number of additional kindergarten facilities required, 2024 to 2036 and 2056	17
1.14 Number of kindergarten facilities required by FUA, 2024 to 2036 and 2056	18
1.15 Market shares based on total places by provider and FUA, Q1 2024	19

1.16	Assumed capital funding provided to providers (current)	19
1.17	Assumed funding shares based on total places by funding source and FUA, 2024	20
1.18	Scenarios	21
1.19	Number of new kindergartens funded by the State Government, 2024 to 2036	22
1.20	Number of new kindergartens funded by the State Government, 2024 to 2056	23
1.21	Description of indicators for result tables	23
1.22	Additional kindergarten infrastructure, 2024 to 2056	24
1.23	Current and projected funding shares by scenario, 2024 to 2056	25
1.24	State Government funded kindergarten infrastructure cost by scenario (\$2024), 2024 to 2056	26
1.25	Share of allocated State Government funding by FUA & scenario, 2024 to 2056	27
A.1	General Assumptions	28
A.2	Land requirements	29
A.3	Land cost for new schools (\$2024)	29
B.1	Concordance between different geographical areas	30

Glossary

DE	Department of Education
FUA	Functional Urban Areas (Inner Melbourne, Middle Melbourne, Outer Melbourne, Melbourne New Growth Areas, Regional City, and Rest of Regional Victoria)
Greenfield	Development of land that is not currently urban for urban purposes. This can include land in Melbourne’s New Growth Areas and in other areas.
PSP	Precinct structure plan. A high-level strategic plan for a defined ‘precinct’ area that sets out the preferred location of land uses and infrastructure to guide development, subdivision and building permits which is incorporated into the local Planning Scheme through a Planning Scheme Amendment.
SA3	ABS Statistical Areas Level 3
SA2	ABS Statistical Areas Level 2
UGB	Urban growth boundary
VIF23	Victoria in Future 2023. Population projections prepared by the Department of Transport and Planning.

The Task

The CIE was commissioned by Infrastructure Victoria to provide estimates of the number and capital cost of Victorian Government funded Kindergartens at an SA3 level to 2036 and 2056.

The following technical report summarises the key results of the analysis and methodology applied. This report accompanies an Excel workbook which provides:

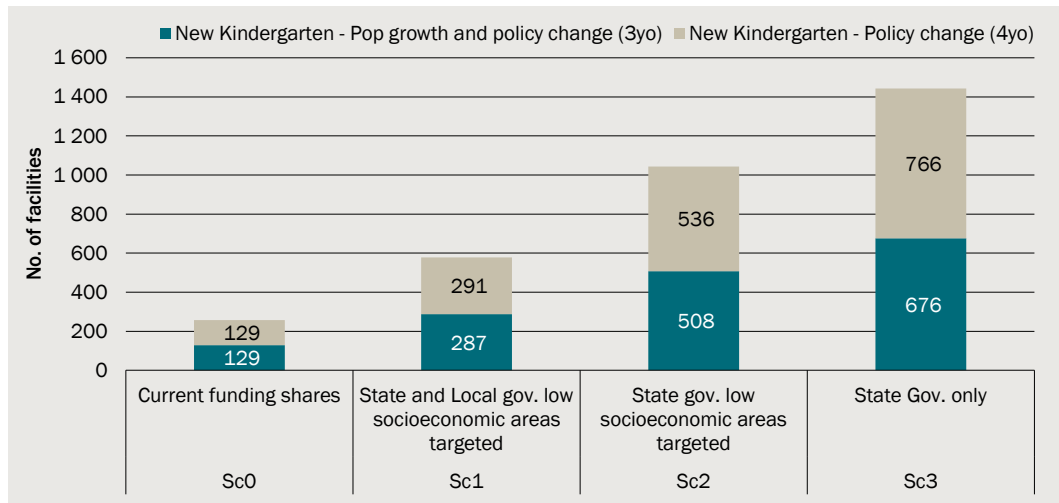
- an estimate of kindergarten demand and provision forecasts at an SA3 level for four different scenarios:
 - the model disaggregates additional required provision into three components, i.e., the additional provision required due to population growth, and the 3- and 4-year-old policy reforms
 - for each component the user can define the shares of funding to provide the additional infrastructure
- an estimate of the total capital cost of providing State-funded kindergartens
- an estimate of total land cost for new kindergartens.

Disclaimer: Note that this analysis is intended as a high-level overview. The assumptions made in this study are broad to facilitate a simplified model of infrastructure responses and their associated costs. Real-world assessments may differ, considering various complex inputs and decisions. It is important to acknowledge that the Department of Education may have alternative methods of addressing growth that have not been considered in this analysis. Therefore, the findings presented here may not necessarily reflect the planning approach of the Department of Education.

1 *Key findings summary*

- This analysis seeks to answer three key questions:
 - What additional infrastructure is needed to achieve the recent kindergarten policy reforms and meet future population growth?
 - How much of this infrastructure build responsibility might need to be met by the State Government?
 - What might be the total cost to the government of delivering this infrastructure?
- The need for additional kindergarten infrastructure is based on estimating the number of additional places required to accommodate future population growth and to implement the proposed policy changes for three-and four-year-old kindergarten. Additional kindergarten infrastructure is estimated based on modelled existing and committed capacity and expectations about future enrolments until 2036 and 2056.
- The amount of kindergarten infrastructure that might be required from the Victorian Government is subject to a wide range, depending on the role played by the Victorian Government vis-à-vis local government and private providers. This is currently uncertain. Therefore, we have conducted a scenario analysis.
 - The scenarios encompass a broad spectrum, ranging from State Government funding based on assumptions of historical funding shares (scenario 0) to targeted funding in low socio-economic areas (scenarios 1 and 2), and ultimately, full funding by State Government of all places needed due to the policy reforms (scenario 3).
- Of the total of 1,612 new facilities that could be required by 2056, the share that might be funded by the State Government ranges from a low of 16 per cent under scenario 0 to a maximum of 90 per cent under scenario 3. For scenarios 1 and 2, which involve a more targeted approach, the share ranges between 35 and 64 per cent depending on the extent of local government contributions (chart 1.1)
- The cost of expanding kindergarten infrastructure varies between **\$5.1 billion** (no change in funding shares compared to the present assumptions) and **\$28.6 billion** (reflecting the total funding required for all places due to policy reforms) for the State Government, depending on its level of involvement until 2056 (table 1.2).
 - Should the State Government direct funding towards lower socio-economic areas only, costs would range from **\$10.9 billion to \$19.2 billion** by 2056, depending upon the extent of Local Government investment in infrastructure.

1.1 Number of new kindergartens funded by the State Government, 2024 to 2056



Source: CIE_IVIC Kinder Provision Model_v1.5

1.2 Total cost to government by 2056, \$2024

	Sc0	Sc1	Sc2	Sc3
	Current funding shares	State and Local gov. low socioeconomic areas targeted	State gov. low socioeconomic areas targeted	State Gov. only
	\$b, real	\$b, real	\$b, real	\$b, real
Total	32.2	32.2	32.2	32.2
State Government	5.1	10.9	19.2	28.6

Source: CIE_IVIC Kinder Provision Model_v1.5

The following chapter presents a high-level methodology, the key findings in terms of need for additional kindergartens and the associated costs.

Background

Kindergarten/preschool education in Victoria covers preschools, kindergartens, or preschool programs in long day care centres. It is typically a one-to-two-year program for children before they start primary school. While not mandatory in Victoria, it is advised that children participate in kindergarten/preschool education to foster their social, mental, and physical skills in readiness for school.¹

Preschool is offered in designated preschools, as preschool programs within centre-based day care, or in preschools co-located with primary schools for 3- and 4-year-old children

¹ <https://liveinmelbourne.vic.gov.au/live/education-and-childcare/melbournes-education-system>

across the state. The provision of kindergarten/preschool education in Victoria is available through both government and non-government entities.²

The Victorian Government has committed to expand kindergarten programs across the state. This entails:³

- Free Kindergarten programs for all Victorian three- and four-year-old children in participating services in both standalone (sessional) services and long day care (childcare) settings:⁴
 - Three-Year-Old Kindergarten: The roll out of Three-Year-Old Kindergarten will provide up to 15 hours a week across the state by 2029 – providing Victorian children with 2 years of a quality kindergarten program before school.
 - Pre-Prep: Over the next decade, Four-Year-Old Kindergarten will transition to ‘Pre-Prep’ – increasing to a universal 30-hour-a-week program of play-based learning for every four-year-old child in Victoria by 2036.

These kindergarten programs are anticipated to generate additional demand for kindergarten infrastructure. The extent of this additional demand will depend on the design and implementation of the policy. For instance, state government-funded and/or operated facilities are expected to be free of charge for parents, whereas for other facilities parents will receive subsidies from the state government.

The Victorian government has also committed to establishing 50 Victorian Government-owned and operated early learning and childcare centres offering childcare and kindergarten programs. These centres will be built in areas with the greatest need for childcare and will make it easier for families to access quality kindergarten programs. The first of the centres will be available in 2025.⁵ While the delivery of the pre-prep reforms has been pushed out to 2036 and there has been a delay in kindergarten spending, these changes do not impact our long-term projections of need.⁶

The analysis in this report seeks to provide answers to a range of key questions:

- 1 What additional infrastructure is needed to achieve the recent policy changes and meet future population growth?
- 2 How much of this infrastructure build responsibility might need to be met by the State Government?
- 3 What might be the total cost to the government of delivering this infrastructure?

² ABS Preschool Education, Australia, 2021, Table 2 and Table 9 Children enrolled, <https://www.abs.gov.au/statistics/people/education/preschool-education-australia/latest-release>

³ <https://www.vic.gov.au/give-your-child-the-best-start-in-life>

⁴ <https://www.vic.gov.au/best-start-best-life-reforms>

⁵ Ibid.

⁶ <https://www.vic.gov.au/early-childhood-update-june-2024/pre-prep-roll-out-continues-under-victorian-budget-2024/25> and <https://www.theage.com.au/politics/victoria/thousands-of-victorians-to-miss-out-on-free-preschool-hours-20240503-p5fora.html>

High-level approach

The need for additional kindergarten infrastructure is based on estimating the number of additional places required to implement the proposed policy changes and meet population growth. This involves modelling various funding share scenarios to determine who will provide the necessary additional space. At a high level:

- Additional enrolments are calculated by SA3 and reported on Functional Urban Area (FUA) (see below for a concordance map 1.3 between FUA's and Local Government Areas (LGAs)) until 2036 and 2056:
 - Additional enrolments are based on the agreed Kindergarten Infrastructure and Services Plans (KISPs), population projections from VIF 2023, and ABS data on average weekly service utilisation for 4-year-olds.
 - Additional enrolments have been modelled based on three key drivers: population growth, the policy change for 3-year-olds, and the policy change for 4-year-olds. The first two drivers are grouped together to reflect the data contained in the KISPs.
- Additional enrolments are accommodated by new standard-sized rooms at stand-alone kindergartens, long day care (childcare) settings, or government and non-government schools. Funding for these comes from various sources including the State Government, Local Government, other entities, or a mix of funding sources.
 - It is uncertain who will provide the new kindergartens to accommodate the additional enrolments. Currently, the market share is predominantly held by private providers in most regions, with local and state governments providing the remaining facilities. The future distribution of kindergarten provision among these providers remains unclear. In this study, we have employed a scenario-based approach to examine the funding consequences associated with various proportions of provision.
- New infrastructure provided was costed using cost benchmarks.

The source of funding to provide those additional places are subject to a scenario analysis. The selected scenarios encompass a broad spectrum, ranging from State Government funding based on current funding shares to targeted funding in low socio-economic areas, and ultimately, full funding by State Government of all places needed due to the policy reforms and growth.

More details can be found in chapter 2.

Functional Urban areas

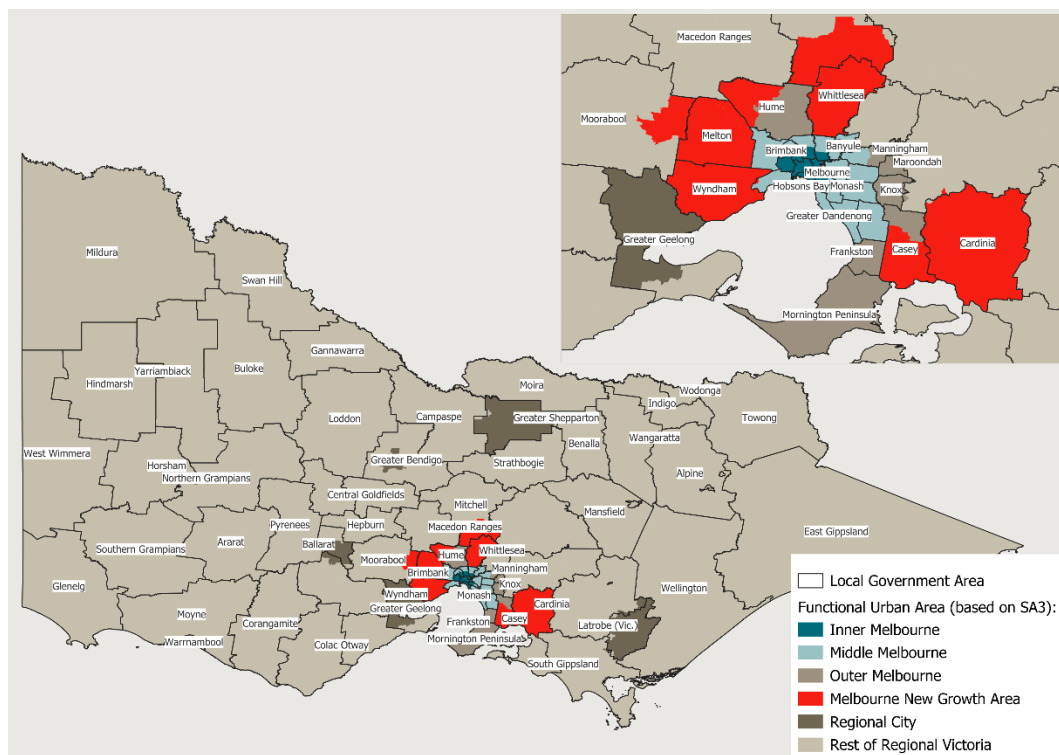
Functional urban areas are custom geography to distinguish between areas with different built forms, with inner areas being more built up than outer areas of metropolitan Melbourne.

- **Inner Melbourne:** This is a combination of tram network coverage and an eight-kilometre radius from the CBD. It does not include the full extent of the 86 trams to Bundoora and extends further out to the west where the tram network is limited.

- **Middle Melbourne:** Areas within the Western Ring Road and other areas between Inner and Outer Melbourne.
- **Outer Melbourne:** Established outer suburbs within the urban growth boundary (UGB).
- **Melbourne New Growth Areas:** Areas covered by Precinct Structure Plans (PSPs).
- **Regional City:** Major regional centres in regional Victoria.
- **Rest of Regional Victoria:** Areas outside the metropolitan Melbourne UGB and outside established areas of regional cities in regional and rural Victoria.

Melbourne's new growth areas include areas covered by Precinct Structure Plans in the 6 growth areas LGAs (Wyndham, Melton, Hume, Whittlesea, Casey and Cardinia) and parts of Mitchell LGA. Older established areas in these LGAs are not included in the Melbourne new growth areas FUA.

1.3 Map of Functional Urban Areas (FUA) and Local Government Areas (LGA)



Data source: CIE

Assessing excess capacity in Victoria's kindergarten infrastructure

Data on kindergarten enrolments and existing kindergarten capacity for three- and four-year-old children by region (SA2) is publicly available as part of the agreed KISPs.⁷ These were prepared prior to the announcement of the pre-prep (4-year-old) reforms and

⁷ <https://www.vic.gov.au/kindergarten-facilities-and-capital-funding#kindergarten-infrastructure-and-services-plans>

do not include the subsequent additional demand from this age group. Updated KISPs are currently being prepared.

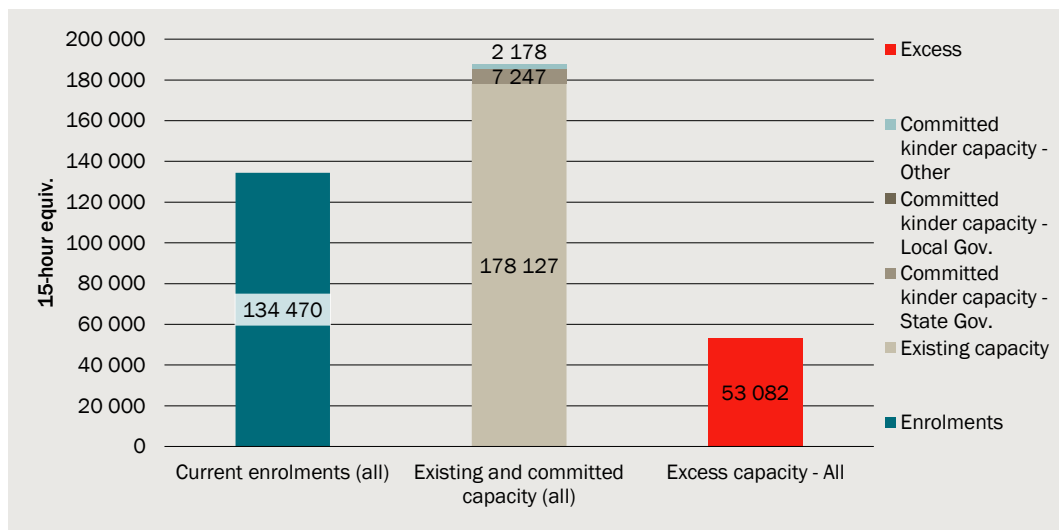
At a high level (aggregated by region) the data indicates:

- There is excess capacity across the State of over 50,000 15-hour equivalent places (chart 1.4).
 - This includes both existing and committed capacity. In total, the State Government has committed to 50 early learning and childcare centres which will provide childcare and kindergarten. Around a quarter of these will be located in Melbourne’s new growth areas.
 - The non-government school sector has currently committed to establishing 22 kindergartens at new non-government schools. Most of these will be in Melbourne’s new growth areas.⁸
- Most of the excess capacity is located in Middle Melbourne, followed by regions outside of Greater Melbourne and the Regional Cities, and Melbourne’s new growth areas. The least amount of excess capacity is in Inner Melbourne (chart 1.5).

Note that we have aggregated the data, and this pattern does not hold for every region (SA3) within Victoria.

- For example, there are places with little or no excess capacity due to a lack of committed and funded and/or excess existing capacity.

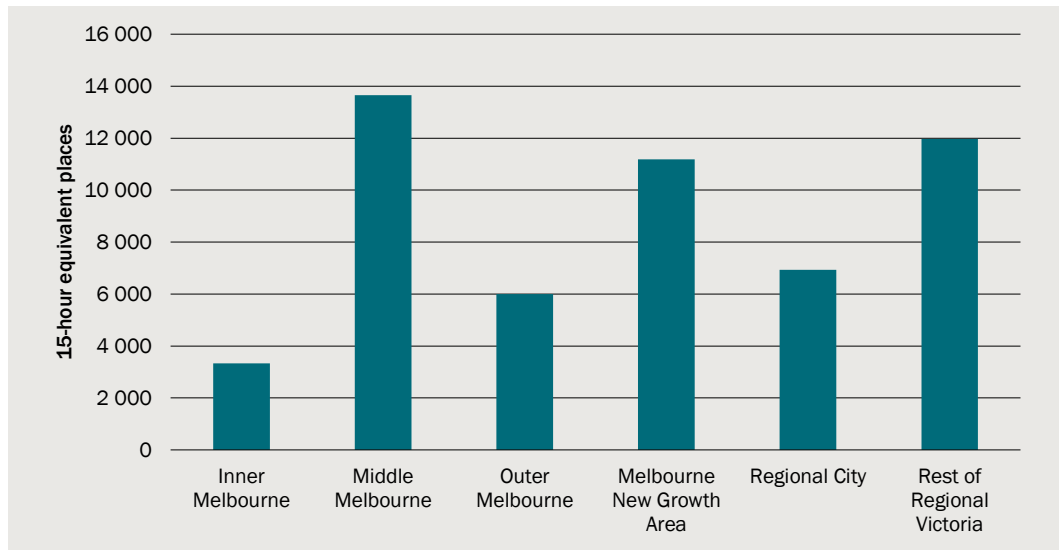
1.4 Kindergarten enrolments and capacity, 2024



Source: CIE in consultation with Infrastructure Victoria and Department of Education

⁸ Infrastructure Victoria stakeholder consultation

1.5 Kindergarten excess capacity by region, 2024



Source: CIE in consultation with Infrastructure Victoria and Department of Education

Additional enrolments by 2036 and 2056

Additional expected enrolments are driven by three key factors:

- Population growth, particularly in Melbourne's new growth areas,
- Three-Year-Old Kindergarten reform which will provide up to 15 hours a week statewide by 2029,
- Four-Year-Old Kindergarten reform which will provide up to 30 hours a week statewide by 2036.

We have modelled each of these drivers separately to allow for different funding scenarios for each key factor.

The chart below shows the underlying methodology and sources of the respective data used. In general, all data were converted to 15-hour equivalents where applicable.⁹

In summary, the following key data sources were used:

- **Population projections:** Infrastructure Victoria has provided the most up to date Victoria in Future 2023 (VIF23) projections by SA2 region produced by the Department of Transport and Planning. Data was provided for the age group of 3 to 4 years.
- **KISPs current and projected enrolments:** Agreed KISPs¹⁰ include the current and projected enrolments for 3-and-4-year-olds by SA2 region until 2029. The agreed

⁹ In the context of the policy reform this means that a 3-year-old requires one place, while a 4-year-old requires two places.

¹⁰ <https://www.vic.gov.au/kindergarten-facilities-and-capital-funding#kindergarten-infrastructure-and-services-plans>

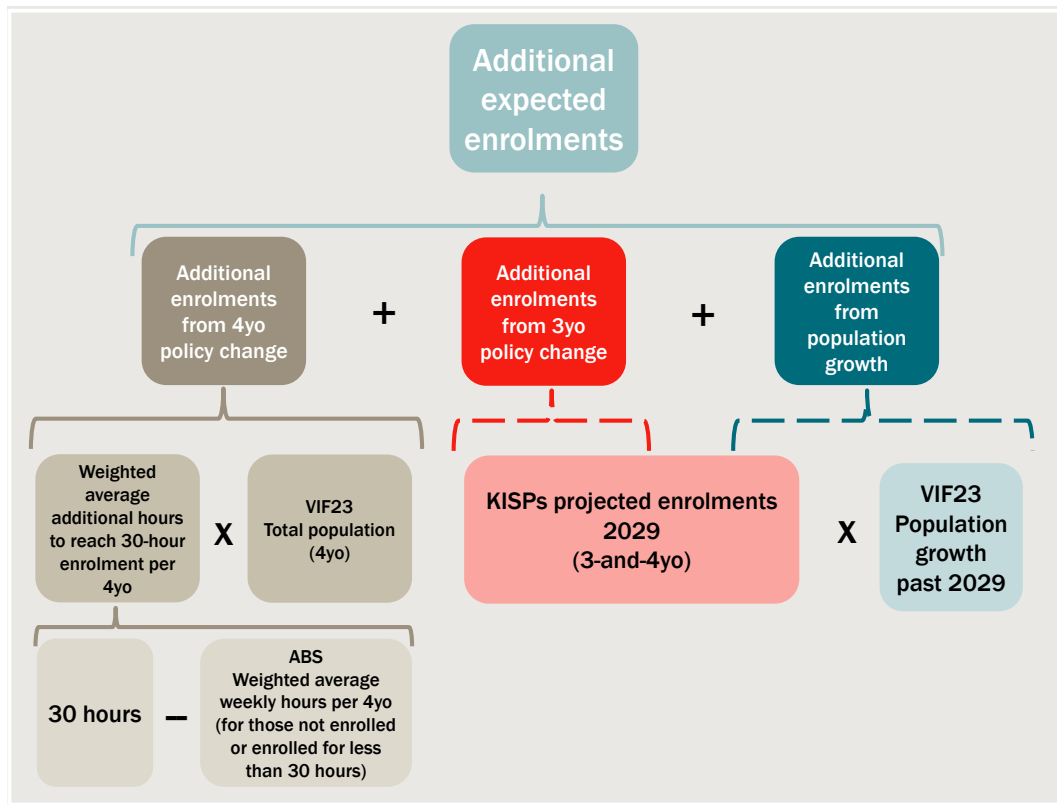
KISPs only account for the announced policy change to offer 15-hour places for every 3-year-old.

- **ABS distribution of weekly hours enrolled for 4-year-olds:** ABS data on current enrolments for 4-year-olds, broken down by SA3 and ranges of weekly hours enrolled.

Additional expected enrolments were calculated as follows:

- **Additional enrolments driven by 3-year-old reforms and population growth:** This uses the *current* number of enrolments from the KISPs and extrapolates them to 2036 using population projections from VIF23. It assumes that current service utilisation for 3-year olds will remain the same as expected in the KISPs.
- **Additional enrolments driven by the 4-year-old policy reform:** This has not been considered within the agreed KISPs and requires therefore a different approach and data source.
 - The overarching assumption here is that every 4-year-old who is presently either not enrolled or enrolled for less than 30 hours in any early childhood education service will either be eligible for or indeed require a 30-hour place by 2036. Consequently, for this specific cohort, we will boost current service utilisation to 30 hours, while maintaining any existing usage that exceeds 30 hours. This assumes that the proportion of 4-year-olds attending any early childhood education service for 30 hours will remain the same after the 4-year-old reform is in place by 2036. This is a potential limitation of the model as we have no trend data to model any change in this assumption.
 - To accomplish this, we are relying on ABS data regarding current weekly utilisation by SA3.

1.6 Methodology to estimate additional expected enrolments



Note: Additional enrolments are converted to 15-hour equivalent enrolments.

Data source: CIE

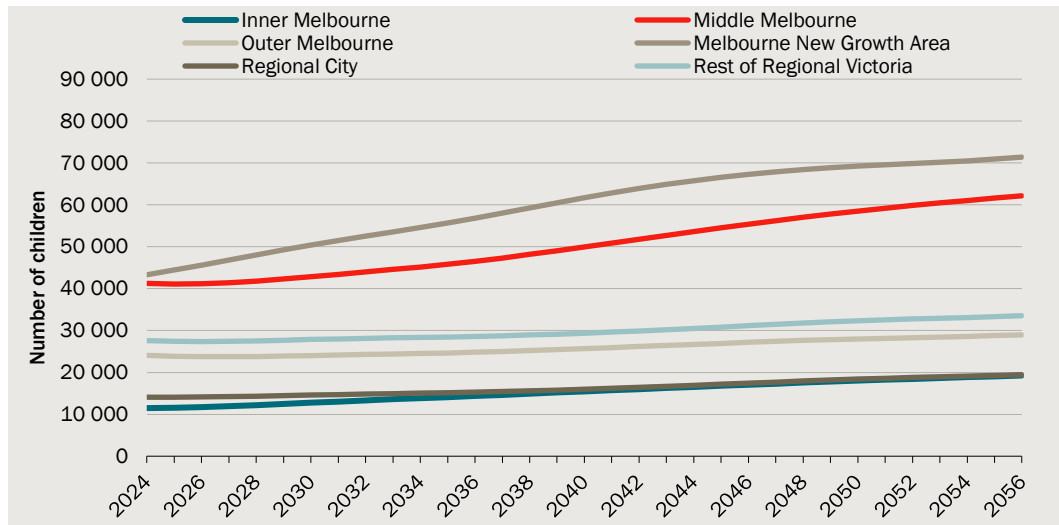
Additional enrolments from population growth and the three-year old reforms

Infrastructure Victoria has provided the most up to date Victoria in Future 2023 (VIF23) projections by SA2 region produced by the Department of Transport and Planning. Data was provided for the 3 to 4 years age group.

Overall, we observe that (chart 1.7):

- until 2036, stable population figures across all functional urban areas except for the Melbourne New Growth Areas
- until 2056, more accelerated growth in established and growth areas across Victoria.

1.7 Kindergarten school-aged population, 2024 to 2056



Data source: VIF23 provided by Department of Transport and Planning

As part of the 'Free Kinder' reform, Three-Year-Old Kindergarten will provide up to 15 hours a week across the state by 2029 – providing Victorian children with two years of play-based learning through a funded kindergarten program.¹¹

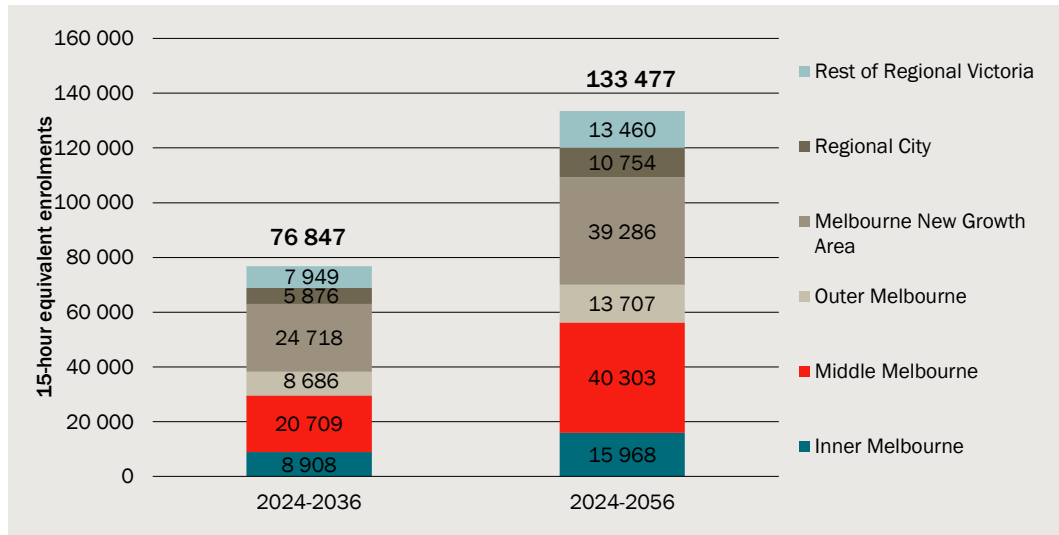
This aspect of the policy reform is expected to result in a significant increase in enrolments for three-year-olds. As per the recently agreed and published KISPs, the additional enrolments have already been estimated at the SA2 level for each local government area. Leveraging this data, we adjust for population growth to estimate the additional expected enrolments stemming from the policy reform.

Using the KISPs to 2029, and extrapolating enrolments after that based on population growth produced an estimate of the anticipated additional enrolments, which can be attributed to the three-year-old policy reform and population growth (chart 1.8):

- By 2036 due to the three-year-old reform and population growth, we anticipate an additional **77,000 15-hour equivalent enrolments** across the state, with the primary drivers being the Melbourne New Growth Areas (32 per cent) and Middle Melbourne (27 per cent).
- By 2056 due to the three-year-old reform and population growth, we project an additional **133,000 15-hour equivalent enrolments** across the state. Once again, the growth is expected to be predominantly concentrated in the Melbourne New Growth Areas and Middle Melbourne.

¹¹ <https://www.vic.gov.au/best-start-best-life-reforms>

1.8 Additional enrolments from population growth and the three-Year-Old Kindergarten reform, 15-hour equivalent enrolments



Data source: CIE based on KISPs data and VIF23.

Additional enrolments from Four-Year-Old Kindergarten reform

As part of the 'Free Kinder' reform, Four-Year-Old Kindergarten ('Pre-Prep') will provide up to 30 hours a week across the state by 2036.¹²

This aspect of the policy reform is expected to result in a significant increase in enrolments for four-year-olds. Unlike the three-year-old policy reform which is currently being rolled-out, this policy will be implemented from 2025 to 2036. Consequently, the additional enrolments due to this reform have not yet been part of the published KISPs.

We have therefore modelled additional expected enrolments from Four-Year-Old Kindergarten reform by using ABS data¹³ and VIF23 population projections. In summary (chart 1.9)

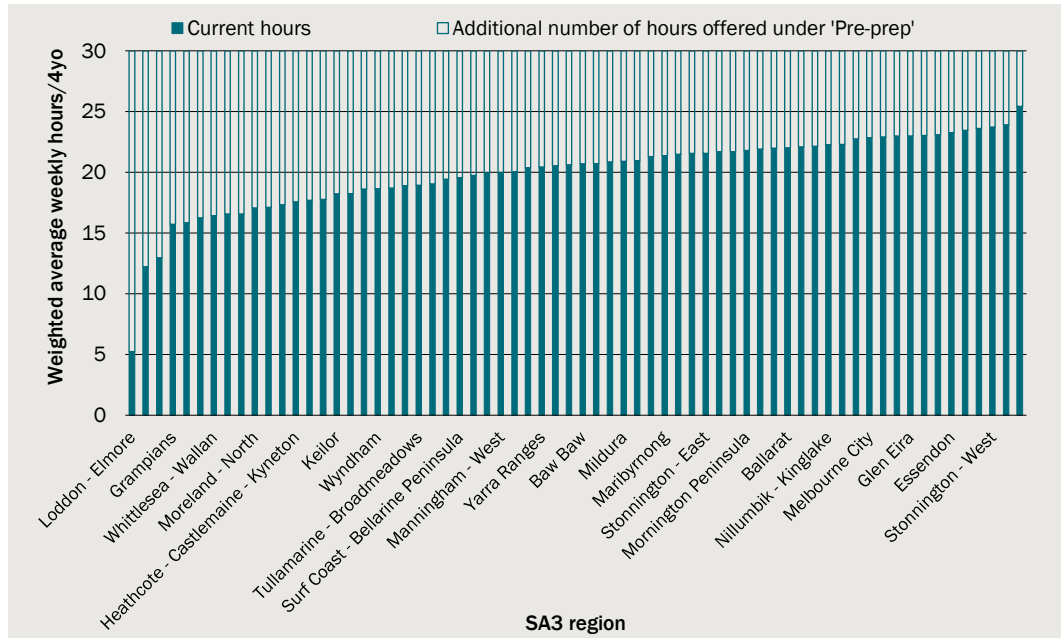
- First, we computed the weighted average weekly hours per 4-year-old by SA3 for those who are currently either not enrolled or enrolled for less than 30 hours (teal column in the chart below)
 - The overarching assumption here was that every 4-year-old who is presently either not enrolled or enrolled for less than 30 hours will either be eligible for or indeed require a 30-hour place. Consequently, for this specific cohort, we boosted current service utilisation to 30 hours, while maintaining any existing usage that exceeds 30 hours.
- Next, we subtracted this value from 30 hours to determine the weighted average additional hours needed to achieve 30-hour enrolment per 4-year-old in each SA3 (white column in the chart below).

¹² <https://www.vic.gov.au/preprep>

¹³ We have received data from the ABS *Children enrolled in Victoria, Children aged 4 years, SA3, Ranged weekly hours*.

- Lastly, we multiplied this value by the respective projected population of 4-year-olds.

1.9 Weighted average hours per 4yo currently and in addition after the policy reform by SA3

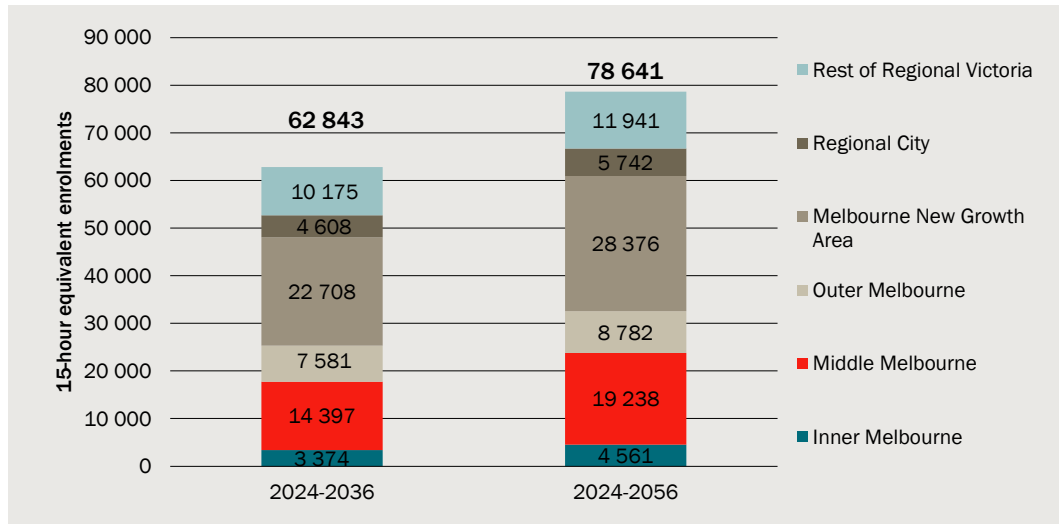


Data source: CIE

Applying the outlined methodology produced an estimate of the anticipated additional enrolments which can be attributed to the policy reform for four-year-olds. These enrolments represent the increase in service utilisation independent of population growth (chart 1.10):

- By 2036 due to the 4-year-old reform, we anticipate an additional **62,000 15-hour equivalent enrolments** across the state, with the primary drivers being the Melbourne New Growth Areas (36 per cent), Middle Melbourne (23 per cent), and Rest of Regional Victoria (16 per cent).
- By 2056 due to the 4-year-old reform, we project an additional **78,000 15-hour equivalent enrolments** across the state. Once again, the drivers are expected to be predominantly concentrated in the Melbourne New Growth Areas, Middle Melbourne, and Rest of Regional Victoria.

1.10 Additional enrolments from Four-Year-Old Kindergarten reform, 15-hour equivalent enrolments



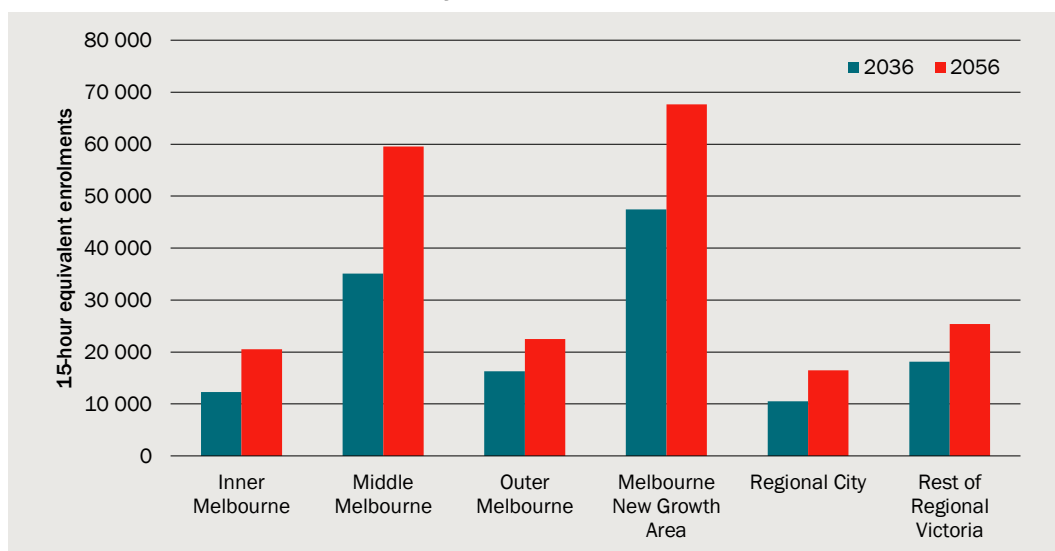
Data source: CIE based on ABS data and VIF23.

Summary

Chart 1.11 shows the total additional expected enrolments from population growth, 3-year-old reform and 4-year-old reform by FUA:

- By 2036:
 - Over 140,000 additional enrolments (15-hour equivalents) are anticipated, with the Melbourne New Growth Areas contributing 34 per cent and Middle Melbourne 25 per cent of this figure.
- By 2056:
 - Over 212,000 additional enrolments (15-hour equivalents) are anticipated, with the Melbourne New Growth Areas contributing 33 per cent and Middle Melbourne 28 per cent of this figure. Inner and Outer Melbourne, and the Rest of Regional Victoria all make up around 10 to 12 per cent, while Regional Cities contribute the least (8 per cent).

1.11 Total additional enrolments by FUA, 2024 to 2036 and 2056



Data source: CIE based on KISPs, ABS data and VIF23.

Additional provision to meet growth

Additional enrolments until 2036 and 2056 will be accommodated by existing and committed capacities, followed by the construction of new kindergarten facilities. However, beyond the already committed and funded kindergartens, it remains uncertain *who* will provide and fund new kindergartens in light of population growth and policy reforms.

This analysis aims to estimate the cost of constructing new kindergartens for the State Government, excluding the ongoing operational costs. Therefore, we are only interested in identifying who is responsible for managing and providing kindergarten services to the extent necessary to make inferences about funding sources.

The following sections discuss the number of new kindergartens required, current providers of kindergarten services, historical funding sources, and potential funding sources for the future required capacity.

New kindergartens required to accommodate growth and policy reform

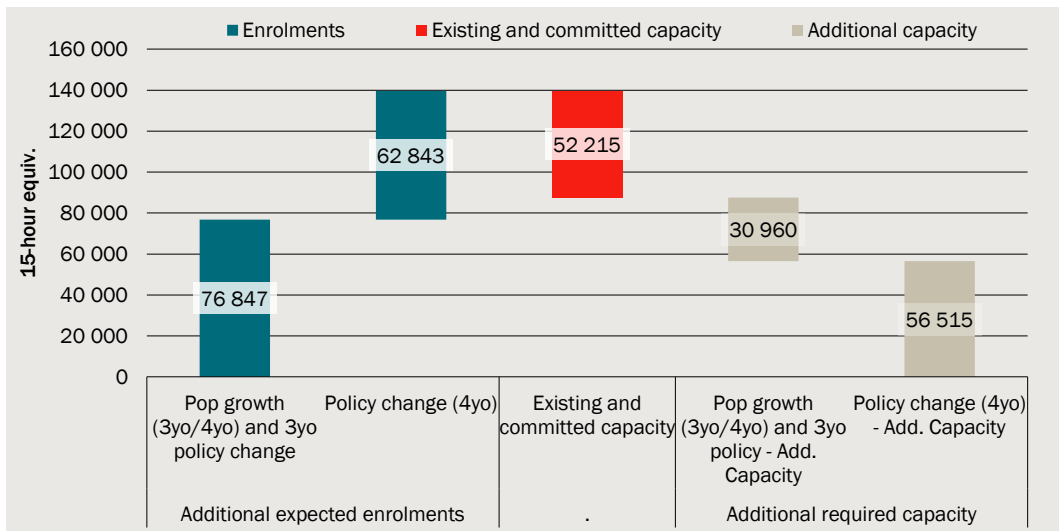
We have estimated the additional required capacity for each of the key drivers through an iterative process (chart 1.12):

- Additional enrolments due to population growth and the three-year-old policy reform are accommodated using existing and committed facilities. Those two drivers have been bundled together as we derived those from the same data source (KISPs).
- Subsequently, additional enrolments from the four-year-old policy reform are considered.
 - The allocation of capacity in our model assumes that available resources are used sequentially, with the most significant impact attributed to the last step. For

instance, capacity is first allocated to existing needs, then to the three-year-old policy reform/population growth, and finally to the four-year-old policy reform. In reality, the timing of these changes may vary. Population growth may occur after the implementation of the four-year-old reform, affecting the overall capacity allocation. Therefore, the order in which these changes are applied impacts the allocation of capacity to each of the changes.

- Using this approach, 60 percent of the additional enrolments due to population growth and the 3yo policy reform can be accommodated using existing and committed facilities, and only 10 percent of those driven by the policy change for four-year-olds.

1.12 Additional capacity required by key driver, 2024 to 2036



Source: CIE_IVIC Kinder Provision Model_v1.5

Beyond this, new kindergarten facilities are required. For this analysis, we assume a facility capacity of 99 children per day, which corresponds to three rooms with 33 children each. This capacity is larger than the previous standard of two rooms, reflecting the need for larger facilities to accommodate the expected growth in enrolments, as well as accommodating more programs and a more efficient allocation of hours.

We estimate that a total of 884 kindergartens will be needed by 2036 and 1,612 by 2056. The main drivers of this increase are the policy reforms (table 1.13 and chart 1.14):

- The majority of these will be required in the Melbourne New Growth Areas and Middle Melbourne, together accounting for almost two-thirds of the total.
- Inner and Outer Melbourne and the Rest of Regional Victoria account for similar shares, while Regional Cities require the fewest new kindergartens.

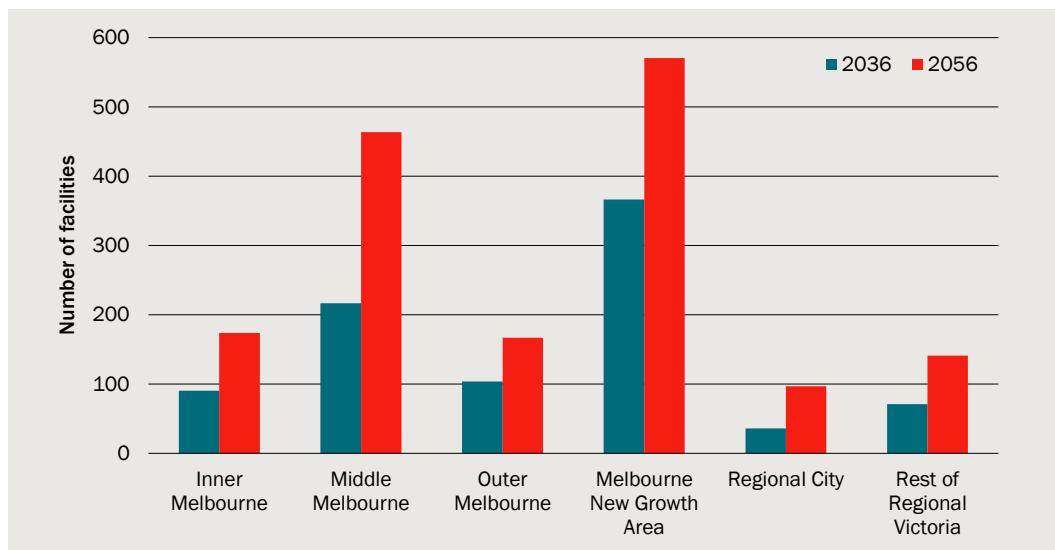
1.13 Number of additional kindergarten facilities required, 2024 to 2036 and 2056

Additional enrolment driver	2036	2056
	No.	No.
Three-year-old policy reform and population growth	313	845

Additional enrolment driver	2036	2056
	No.	No.
Four-year-old policy reform	571	766
Grand total	884	1612

Source: CIE_IVIC Kinder Provision Model_v1.5

1.14 Number of kindergarten facilities required by FUA, 2024 to 2036 and 2056



Source: CIE_IVIC Kinder Provision Model_v1.5

Who has provided and funded kindergarten services to date?

We used National Quality Standard (NQS) data¹⁴ from the Australian Children's Education and Care Quality Authority (ACECQA) to estimate the market shares of providers offering kindergarten or childcare services in Victoria. Our analysis focused on long-day care centres and kindergartens to determine these market shares. All results are aggregated to an SA3 region and reported on an FUA region.

Chart 1.15 shows the market shares of each provider and/or management type as a proportion of total places¹⁵

- Statewide, the private for-profit sector offers more than half of all kindergarten-like services. This share varies by region. For example, in the Melbourne New Growth Areas, the market share is over 63 percent, while in the Rest of Regional Victoria, the private for-profit sector's share is below 36 percent.
- The second-largest providers are private not-for-profit community-managed facilities, with an average share of 22 percent across Victoria. These will typically operate out of local government facilities. In Inner Melbourne, private not-for-profit community

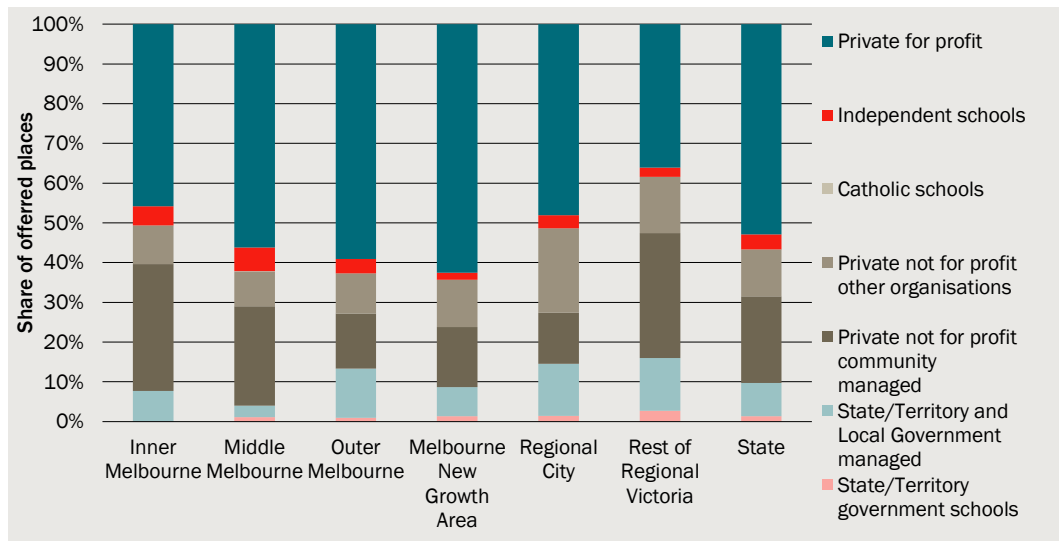
¹⁴ <https://www.acecqa.gov.au/media/40821>

¹⁵ Note that we use this as a proxy for three-and-four-year-olds and some of those places are also allocated to other age groups.

providers make up more than 32 percent of facilities, 25 percent in Middle Melbourne, and 31 percent in the Rest of Regional Victoria.

- Other providers include State/Territory government schools (1 percent), State/Territory and Local Government-managed facilities (8 percent), Independent schools (4 percent), and Catholic schools (less than 1 percent).

1.15 Market shares based on total places by provider and FUA, Q1 2024



Data source: ACECQA NQS data, <https://www.acecqa.gov.au/nqf/snapshots>

Since our focus was on funding sources, we have converted the market shares ('service provider') based on places offered to funding shares ('asset provider') based on capital funding, using the assumptions outlined in the table below. This highlights that the State Government plays a larger role in funding than the provider market shares would suggest. For example, the State Government typically supports infrastructure projects and distributes Building Block grants to local governments, not-for-profit community organisations, government schools, and non-government schools.¹⁶

1.16 Assumed capital funding provided to providers (current)

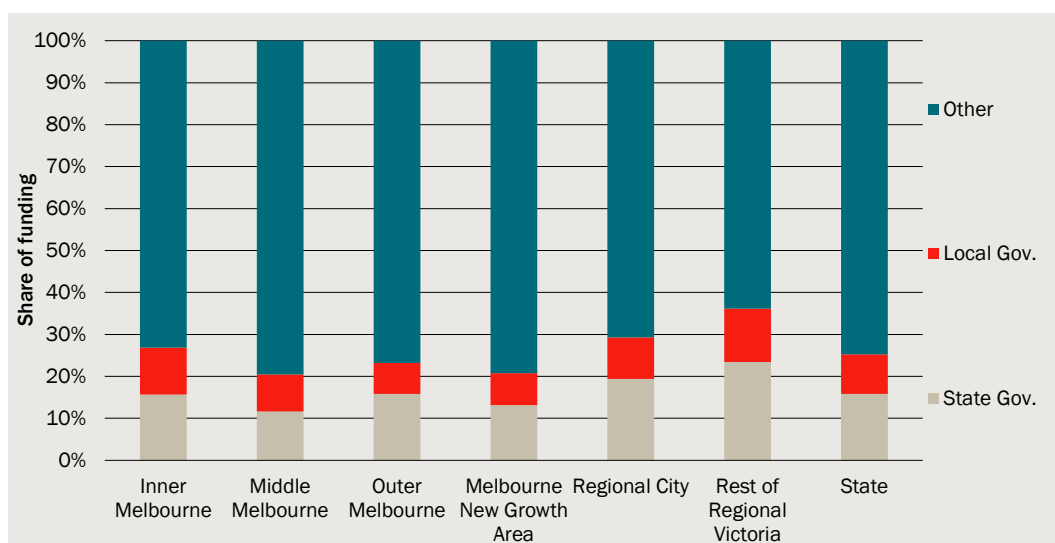
Provider Management Type	Funding source		
	State Government	Local Government	Other
	Per cent	Per cent	Per cent
State/Territory government schools	100	0	0
State/Territory and Local Government managed	70	10	20
Private not for profit community managed	25	25	50
Private not for profit other organizations	25	25	50
Catholic/ Independent schools	50	0	50
Private for profit	0	0	100

Source: CIE in consultation with Infrastructure Victoria.

¹⁶ <https://www.schoolbuildings.vic.gov.au/early-childhood-grants>

In summary (chart 1.17), ‘other’ funding sources dominate the overall picture, comprising over 75 percent of the total capital funding. This includes, for example, developer contributions to private not-for profit and state and local government managed facilities, or more generally investments from the private sector in childcare facilities. Compared to the market share based on providers, the funding share for the State Government is significantly higher, at around 16 percent. Local government account for the remaining 9 per cent.

1.17 Assumed funding shares based on total places by funding source and FUA, 2024



Source: CIE based on consultation with Infrastructure Victoria and ACECQA NQS data, <https://www.acecqa.gov.au/nqf/snapshots>

Who will fund the future kindergarten facilities required?

The source of funding to provide the additional required facilities resulting from the policy reforms is inherently uncertain at this time. Therefore, we have conducted a scenario analysis. The selected scenarios encompass a broad spectrum, ranging from State Government funding based on historical funding shares to targeted funding in low socio-economic areas, and ultimately, full funding by State Government of all places needed due to the policy reforms (table 1.18):

- Across all scenarios, we assumed that additional capacity needed from population growth will be funded as per historical funding shares.
- **Sc0 – Current funding shares** — additional required capacity originating from the policy reform is funded as per historical funding shares.
- **Sc1 – State and Local gov. low socioeconomic areas targeted** — this scenario assumes a more targeted approach to funding. In areas less likely to be serviced by private providers, particularly lower socioeconomic areas, State and Local governments will provide shared funding. In other areas, policy reforms will be funded according to historical funding shares.

- We define SA3s with a SEIFA (IRSAD) score¹⁷ below the State median as target areas.
- **Sc2 – State gov. low socioeconomic areas targeted** — same as Sc2, however, State Gov. is the sole funder of target areas.
- **Sc3 – State Gov. only** — additional required capacity originating from the policy reforms is fully funded by State Government.

We acknowledge that while Scenario 0 has been included in our analysis for completeness, its likelihood of occurring is low. This is due to the expansionary policy position taken by the State Government through the Best Start, Best Life (BSBL) reforms¹⁸, which anticipate state-supported investment to meet policy objectives. Additionally, explicit Government commitments, such as the Kinders on School Sites initiative¹⁹ and the establishment of 50 Government-owned and operated Early Learning and Childcare centres, further indicate an increased role for the state in infrastructure provision. Therefore, we have framed the scenario using the current funding shares as ‘Scenario 0’ as it may not reflect the expected future developments.

1.18 Scenarios

	Sc0	Sc1	Sc2	Sc3
	Current funding shares	State and Local gov. low socioeconomic areas targeted	State gov. low socioeconomic areas targeted	State Gov. only
Additional enrolments from population growth		Current funding shares (by SA3)	Current funding shares (by SA3)	Current funding shares (by SA3)
Additional enrolments from 3yo policy change	Current funding shares (by SA3)	<ul style="list-style-type: none"> ▪ SA3's with SEIFA below the State median: – 50/50 funded by State & Local Gov. 	<ul style="list-style-type: none"> ▪ SA3's with SEIFA below the State median: – 100 per cent funded by State Gov. 	<ul style="list-style-type: none"> ▪ 100 per cent funded by State Gov.
Additional enrolments from 4yo policy change				

¹⁷ ABS Socio-Economic Indexes for Areas (SEIFA): The Index of Relative Socio-economic Advantage and Disadvantage (IRSAD) summarises information about the economic and social conditions of people and households within an area. This index includes both relative advantage and disadvantage measures. A low score indicates relatively greater disadvantage and a lack of advantage in general. For example, an area could have a low score if there are: many households with low incomes, or many people in unskilled occupations, AND a few households with high incomes, or few people in skilled occupations. A high score indicates a relative lack of disadvantage and greater advantage in general. For example, an area may have a high score if there are: many households with high incomes, or many people in skilled occupations, AND few households with low incomes, or few people in unskilled occupations. <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/latest-release#index-of-relative-socio-economic-advantage-and-disadvantage-irsad>

¹⁸ <https://www.vic.gov.au/best-start-best-life-reforms>

¹⁹ <https://www.schoolbuildings.vic.gov.au/kinders-at-schools>

Sc0	Sc1	Sc2	Sc3
Current funding shares	State and Local gov. low socioeconomic areas targeted	State gov. low socioeconomic areas targeted	State Gov. only
	<ul style="list-style-type: none"> Other SA3's: <ul style="list-style-type: none"> – Current funding shares (by SA3) 	<ul style="list-style-type: none"> Other SA3's: <ul style="list-style-type: none"> – Current funding shares (by SA3) 	

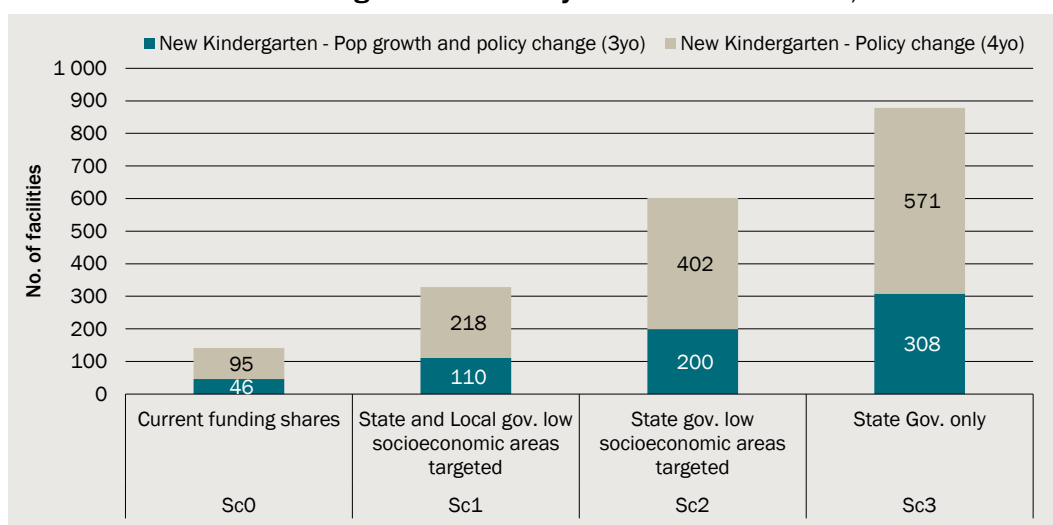
Source: CIE in consultation with Infrastructure Victoria.

New kindergartens funded by the State Government

Using the developed scenarios and assumptions outlined above, we estimate a wide range of kindergartens that might be funded by the State Government (charts 1.19 and 1.20):

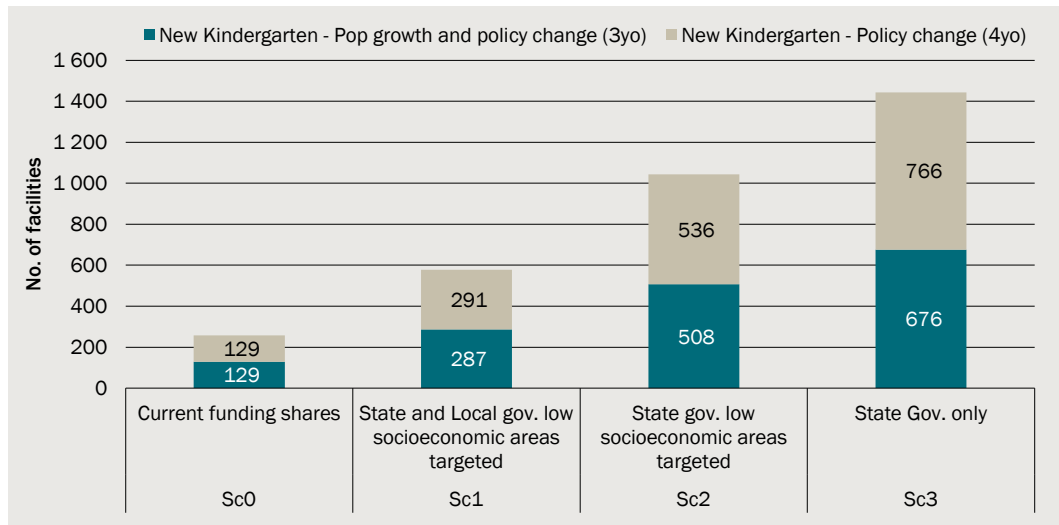
- Of the total 884 facilities required by 2036, the share funded by the State Government ranges from a low of 16 per cent under Scenario 0 to a maximum of 99 per cent under Scenario 3.
 - For Scenarios 1 and 2, which involve a more targeted approach, the share ranges between 37 and 68 per cent, depending on the extent of local government contributions.
- Of the total 1,612 facilities required by 2056, the share funded by the State Government ranges from a low of 16 per cent under Scenario 0 to a maximum of 89 per cent under Scenario 3. The maximum share is lower than in 2036 as additional enrolments from population growth are accommodated using historical funding shares which are much more biased towards the private sector.
 - For Scenarios 1 and 2, which involve a more targeted approach, the share ranges between 36 and 65 per cent.

1.19 Number of new kindergartens funded by the State Government, 2024 to 2036



Source: CIE_IVIC Kinder Provision Model_v1.5

1.20 Number of new kindergartens funded by the State Government, 2024 to 2056



Source: CIE_ IVIC Kinder Provision Model_v1.5

It is important to note that:

- This is in addition to the 50 State government early learning and childcare centres and 22 non-government schools centres that are already committed and funded.
- This assumes the most efficient possible allocation of existing and new resources to accommodate new growth.
- This assumes 3 room kindergartens with 99 places at each facility.

Detailed summary of results

Table 1.21 describes in detail the various indicators reported in the following result tables.

1.21 Description of indicators for result tables

Indicator	Description
2024	
Current enrolments	Total kinder enrolments in 2024 as per KISPs in 15-hour equivalent places
Existing capacity	Existing capacity in 2024 as per KISPs in 15-hour equivalent places
Committed kinder capacity	This includes the announced 50 early learning and childcare centres (ELCC) and the 22 non-government schools centres. For the 50-government run or owned ELCCs we have assumed that 50 per cent of the capacity is designated for 3- and 4-year-olds kindergarten, and the remaining is for childcare for other age groups.
Existing and committed capacity	Sum of existing and committed capacity
Excess capacity - All	Existing plus committed capacity less of current enrolments.

Indicator	Description
2024 to 2056	
Additional enrolments	Additional enrolments that need to be accommodated by 2056 based on population growth and the policy reforms.
Additional enrolments met by excess capacity	Number of additional enrolments that can be accommodated by the existing excess capacity.
Additional capacity required	Number of additional enrolments that cannot be accommodated by the existing excess capacity and requiring new facilities.
New Kindergartens	Number of new facilities needed based on additional capacity required. This figure is disaggregated by the key drivers and the funding source.

Source: CIE.

1.22 Additional kindergarten infrastructure, 2024 to 2056

Year	Sc0	Sc1	Sc2	Sc3
	Current funding shares	State and Local gov. low socioeconomic areas targeted	State gov. low socioeconomic areas targeted	State Gov. only
	15-hour eq. places	15-hour eq. places	15-hour eq. places	15-hour eq. places
2024				
Current enrolments	134 470	134 470	134 470	134 470
Existing capacity	178 127	178 127	178 127	178 127
Committed kinder capacity	9 425	9 425	9 425	9 425
Existing and committed capacity	187 552	187 552	187 552	187 552
Excess capacity - All	53 082	53 082	53 082	53 082
2024 to 2056				
	15-hour eq. places	15-hour eq. places	15-hour eq. places	15-hour eq. places
Additional enrolments - Total	212 118	212 118	212 118	212 118
Pop growth (3yo/4yo) and policy change (3yo)	133 477	133 477	133 477	133 477
Policy change (4yo)	78 641	78 641	78 641	78 641
Additional enrolments met by existing capacity (incl. committed)	52 574	52 574	52 574	52 574
Additional capacity required	159 544	159 544	159 544	159 544
	No. of facilities	No. of facilities	No. of facilities	No. of facilities
New Kindergarten – Grand total (99 place facilities)	1 612	1 612	1 612	1 612
Pop growth (3yo/4yo) and policy change (3yo) - Subtotal	845	845	845	845
State Gov.	129	287	508	676

Year	Sc0	Sc1	Sc2	Sc3
	Current funding shares	State and Local gov. low socioeconomic areas targeted	State gov. low socioeconomic areas targeted	State Gov. only
Local Gov.	78	259	38	19
Other	638	300	300	150
Policy change (4yo) - Subtotal	766	766	766	766
State Gov.	129	291	536	766
Local Gov.	70	270	25	0
Other	568	205	205	0
Sensitivity: New Kindergarten total if 66 place facilities	2 417	2 417	2 417	2 417

Source: CIE_IVIC Kinder Provision Model_v1.5

1.23 Current and projected funding shares by scenario, 2024 to 2056

		Sc0	Sc1	Sc2	Sc3
		Current funding shares	State and Local gov. low socioeconomic areas targeted	State gov. low socioeconomic areas targeted	State Gov. only
		per cent	per cent	per cent	per cent
Current funding shares	State Gov.	18	18	18	18
	Local Gov.	9	9	9	9
	Other	73	73	73	73
Projected funding share	State Gov.	19	28	41	52
	Local Gov.	9	20	7	5
	Other	72	52	52	42

Source: CIE_IVIC Kinder Provision Model_v1.5

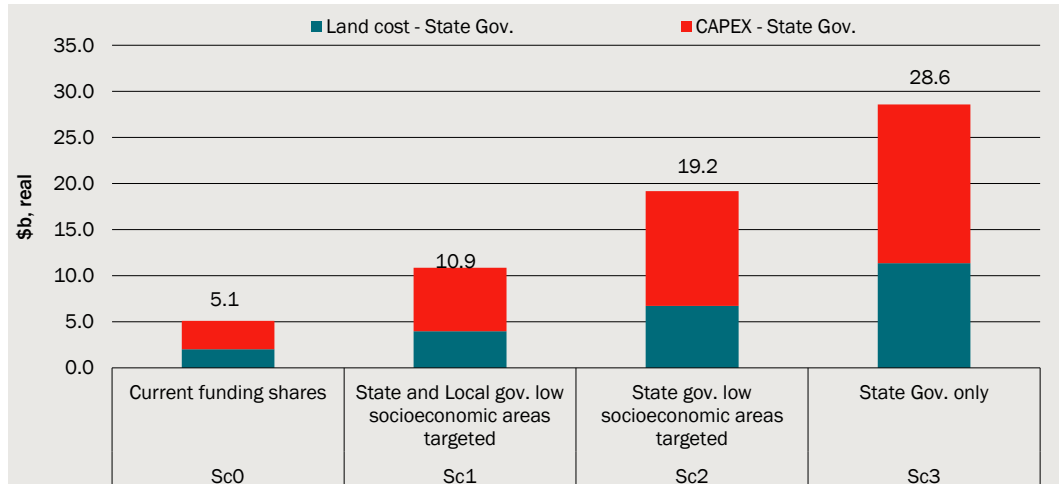
Cost summary

We model the cost of providing additional education infrastructure through managing enrolment and capacity at a regional area level (SA3).

The cost of expanding kindergarten infrastructure varies **between \$5.1 billion** (assuming no change in funding shares compared to the present) and **\$28.6 billion** (reflecting the total funding required for places due to policy reforms) for the State Government, depending on its level of involvement until 2056.

Should the State Government direct funding towards lower socio-economic areas, costs would range from **\$10.9 billion to \$19.2 billion** by 2056, depending on the extent of Local Government participation.

1.24 State Government funded kindergarten infrastructure cost by scenario (\$2024), 2024 to 2056



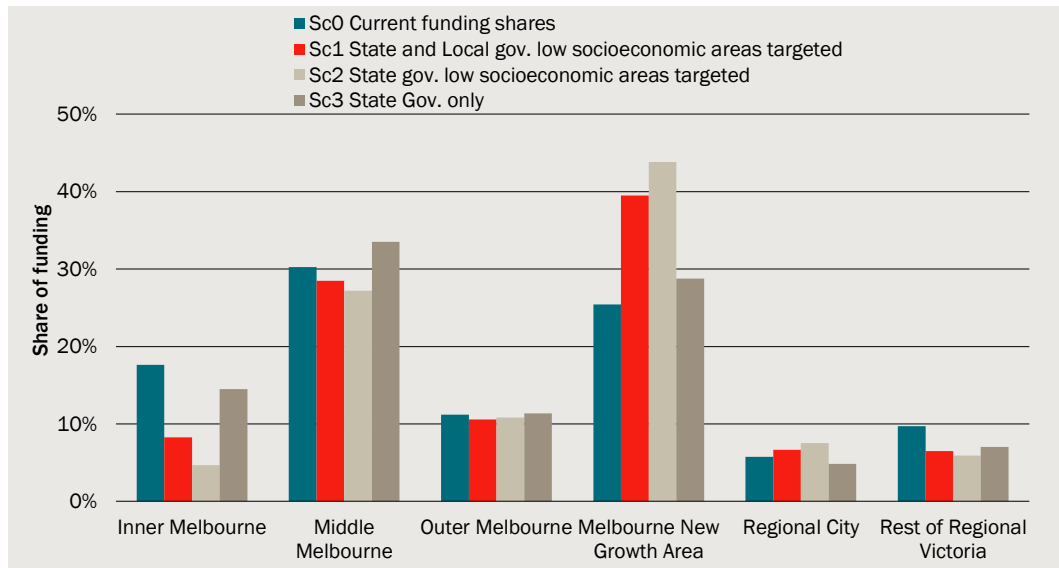
Source: CIE_IVIC Kinder Provision Model_v1.5

While the scenarios differ in total funding provided for constructing new kindergartens, they also vary in terms of *where* funding is allocated as a share of the total funding.

In comparison to Sc0, which employs current funding shares as a proxy for future funding allocation (chart 1.25):

- Sc1 and Sc2 – where funding is targeted at lower socio-economic areas – this scenario allocates substantially less to Inner Melbourne and significantly more to the Melbourne New Growth Areas and Regional Cities. Middle and Outer Melbourne receive relatively similar shares, while the Rest of Regional Victoria receives considerably less in relative terms.
 - The reason for this is that the Rest of Regional Victoria is relatively heterogeneous in terms of socioeconomics across the different SA3s. However, new facilities are predominantly needed in high socioeconomic regions which attract little or no funding under those scenarios.
- Sc3 – where funding isn't targeted towards any specific region – this scenario allocates more state funding to Middle Melbourne and the Melbourne New Growth Areas, as these areas are projected to experience both the largest relative and absolute need for additional kindergartens.

1.25 Share of allocated State Government funding by FUA & scenario, 2024 to 2056



Source: CIE_IVIC Kinder Provision Model_v1.5

A Detailed modelling and cost assumptions

Summary of assumptions

For the purpose of this analysis, we have made a suite of general modelling assumptions summarised in table A.1, that enable us to calculate infrastructure provision and cost to meet the objectives of this project. Broad assumptions have been made to support a simplified model of infrastructure responses and associated costs. Real world assessments might differ considering multiple complex inputs and decisions.

We recognise the actual situation may vary across the state and change over time as the reforms are rolled out and might not be fully represented in our assumptions.

A.1 General Assumptions

Metric	Description
3-and-4-year-old population	Based on VIF23 population projections by SA2 for 3-and-4-year-olds provided by Infrastructure Victoria and produced by Department of Transport and Planning. We assume an equal 50/50 split for 3-and-4-year-olds.
Additional enrolments	Additional expected enrolments are based on VIF23 population projections and KISPs for enrolments driven by population growth and the 3-year-old policy reform and on ABS data for enrolments driven by the 4-year-old policy reform.
Participation rate	We assume a 100 percent participation rate for the policy reforms. This means that for every 3-year-old, there is a minimum provision of a 15-hour place, and for every 4-year-old, a minimum provision of a 30-hour place. "Minimum provision" signifies our assumption that the KISPs demand forecast accommodates children who attend childcare for more than 15 hours. Regarding 4-year-olds, we explicitly model that every child exceeding 30 hours can maintain their current usage.
Proportional costs	We calculate costs for kindergarten based on required capacity, not full capacity. For example, if a new kindergarten has a capacity of 99 but only 66 is needed, we assume 66% of the cost (66/99). This assumes DE efficiently manages growth. However, given that the policy reform leads to substantial need in additional capacity this assumption is only relevant in a small number of instances.
Committed and funded capacity	We have included the State Government announced 50 early learning and childcare centres (ELCC). ²⁰ For centres where capacity was unknown, we assumed a capacity of 100 children per day. For all centres we assumed that only 50 per cent of the capacity goes towards 3- and 4-year-olds, as the remainder will be used for childcare for other age groups. We have also included 22 committed non-government schools centres as provided by Infrastructure Victoria.
Providers of Kindergarten services	We use National Quality Standard (NQS) data from the Australian Children's Education and Care Quality Authority (ACECQA) to estimate the market shares of providers offering kindergarten or childcare services in Victoria. Our analysis focuses on long-day care centres and kindergartens to determine these market shares.

Source: CIE.

²⁰ <https://www.schoolbuildings.vic.gov.au/50-childcare-centres-victoria>

Cost of additional education infrastructure

Total cost for providing additional school infrastructure includes the land cost and capital costs.

Capital and land cost

The Victorian School Building Authority provided an initial budget estimate for a 2-room facility with 66 licensed places, which also covered land requirements. To scale up for a facility with 99 licensed places, we adjusted both the capital cost and land requirements proportionally.

Based on this scaling, we determined that approximately 0.5 hectares of land per kindergarten, accommodating 99 children per day, would be needed (see table A.2).

Additionally, we adopted a capital cost of \$11.94 million per kindergarten with a capacity of 99 licensed places, derived from a base cost of \$7.96 million for a facility with 66 licensed places.

A.2 Land requirements

	66 licensed places	99 licensed places
	sqm	sqm
Facility space	472	708
Outdoor play area	462	693
Other landscape area	231	347
External works and services	1,165	1,748
Security	588	882
Total	2,918	4,377

Source: Data provided by Victoria School Building Authority.

Land cost per square metre of required land differs by region and the type of development area and is summarised in table A.3.

A.3 Land cost for new schools (\$2024)

Functional Urban Area	Greenfield	Infill
	\$/sqm	\$/sqm
Inner Melbourne	NA	3 592
Middle Melbourne	NA	2 271
Outer Melbourne	1 030	1 552
Melbourne New Growth Area	907	1 201
Regional City	593	888
Rest of Regional Victoria	559	893

Note: Land cost values are based on a weighted average of number of sales, median price per area, and median block size by region in Victoria. Greenfield values are based on the weighted average of land uses classified as Vacant land, and Infill only on Residential Land.

Source: Valuer-General Victoria *Property sales statistics* (2021), <https://www.land.vic.gov.au/valuations/resources-and-reports/property-sales-statistics>; CIE Cost of land estimates - 01May.xlsx

B Geographical concordance

B.1 Concordance between different geographical areas

Functional Urban Area	Social Infrastructure Region	SA4 Code	SA4	SA3 Code	SA3
Inner Melbourne	Inner Melbourne	206	Melbourne - Inner	20601	Brunswick - Coburg
Inner Melbourne	Inner Melbourne	206	Melbourne - Inner	20602	Darebin - South
Inner Melbourne	Inner Melbourne	206	Melbourne - Inner	20603	Essendon
Inner Melbourne	Inner Melbourne	206	Melbourne - Inner	20604	Melbourne City
Inner Melbourne	Inner Melbourne	206	Melbourne - Inner	20605	Port Phillip
Inner Melbourne	Inner Melbourne	206	Melbourne - Inner	20606	Stonnington - West
Inner Melbourne	Inner Melbourne	206	Melbourne - Inner	20607	Yarra
Inner Melbourne	Inner Melbourne	213	Melbourne - West	21303	Maribyrnong
Melbourne New Growth Area	Growth Area North	209	Melbourne - North East	20904	Whittlesea - Wallan
Melbourne New Growth Area	Growth Area North	210	Melbourne - North West	21004	Sunbury
Melbourne New Growth Area	Growth Area South East	212	Melbourne - South East	21201	Cardinia
Melbourne New Growth Area	Growth Area South East	212	Melbourne - South East	21203	Casey - South
Melbourne New Growth Area	Growth Area West	213	Melbourne - West	21304	Melton - Bacchus Marsh
Melbourne New Growth Area	Growth Area West	213	Melbourne - West	21305	Wyndham
Middle Melbourne	Inner Melbourne	207	Melbourne - Inner East	20701	Boroondara
Middle Melbourne	Outer and Middle East	207	Melbourne - Inner East	20702	Manningham - West
Middle Melbourne	Outer and Middle East	207	Melbourne - Inner East	20703	Whitehorse - West
Middle Melbourne	Outer and Middle South East	208	Melbourne - Inner South	20801	Bayside
Middle Melbourne	Outer and Middle South East	208	Melbourne - Inner South	20802	Glen Eira
Middle Melbourne	Outer and Middle South East	208	Melbourne - Inner South	20803	Kingston

Functional Urban Area	Social Infrastructure Region	SA4 Code	SA4	SA3 Code	SA3
Middle Melbourne	Inner Melbourne	208	Melbourne - Inner South	20804	Stonnington - East
Middle Melbourne	Outer and Middle North	209	Melbourne - North East	20901	Banyule
Middle Melbourne	Outer and Middle North	209	Melbourne - North East	20902	Darebin - North
Middle Melbourne	Outer and Middle North	210	Melbourne - North West	21001	Keilor
Middle Melbourne	Outer and Middle North	210	Melbourne - North West	21003	Moreland - North
Middle Melbourne	Outer and Middle East	211	Melbourne - Outer East	21104	Whitehorse - East
Middle Melbourne	Outer and Middle South East	212	Melbourne - South East	21204	Dandenong
Middle Melbourne	Outer and Middle East	212	Melbourne - South East	21205	Monash
Middle Melbourne	Outer and Middle West	213	Melbourne - West	21301	Brimbank
Middle Melbourne	Outer and Middle West	213	Melbourne - West	21302	Hobsons Bay
Outer Melbourne	Outer and Middle North	210	Melbourne - North West	21005	Tullamarine - Broadmeadows
Outer Melbourne	Outer and Middle East	211	Melbourne - Outer East	21101	Knox
Outer Melbourne	Outer and Middle East	211	Melbourne - Outer East	21102	Manningham - East
Outer Melbourne	Outer and Middle East	211	Melbourne - Outer East	21103	Maroondah
Outer Melbourne	Outer and Middle South East	212	Melbourne - South East	21202	Casey - North
Outer Melbourne	Outer and Middle South East	214	Mornington Peninsula	21401	Frankston
Outer Melbourne	Outer and Middle South East	214	Mornington Peninsula	21402	Mornington Peninsula
Regional City	Central Highlands	201	Ballarat	20101	Ballarat
Regional City	Loddon Campaspe	202	Bendigo	20201	Bendigo
Regional City	Barwon	203	Geelong	20302	Geelong
Regional City	Gippsland	205	Latrobe - Gippsland	20504	Latrobe Valley
Regional City	Goulburn and Ovens Murray	216	Shepparton	21603	Shepparton

Functional Urban Area	Social Infrastructure Region	SA4 Code	SA4	SA3 Code	SA3
Rest of Regional Victoria	Central Highlands	201	Ballarat	20102	Creswick - Daylesford - Ballan
Rest of Regional Victoria	Central Highlands	201	Ballarat	20103	Maryborough - Pyrenees
Rest of Regional Victoria	Loddon Campaspe	202	Bendigo	20202	Heathcote - Castlemaine - Kyneton
Rest of Regional Victoria	Loddon Campaspe	202	Bendigo	20203	Loddon - Elmore
Rest of Regional Victoria	Barwon	203	Geelong	20301	Barwon - West
Rest of Regional Victoria	Barwon	203	Geelong	20303	Surf Coast - Bellarine Peninsula
Rest of Regional Victoria	Goulburn and Ovens Murray	204	Hume	20401	Upper Goulburn Valley
Rest of Regional Victoria	Goulburn and Ovens Murray	204	Hume	20402	Wangaratta - Benalla
Rest of Regional Victoria	Goulburn and Ovens Murray	204	Hume	20403	Wodonga - Alpine
Rest of Regional Victoria	Gippsland	205	Latrobe - Gippsland	20501	Baw Baw
Rest of Regional Victoria	Gippsland	205	Latrobe - Gippsland	20502	Gippsland - East
Rest of Regional Victoria	Gippsland	205	Latrobe - Gippsland	20503	Gippsland - South West
Rest of Regional Victoria	Gippsland	205	Latrobe - Gippsland	20505	Wellington
Rest of Regional Victoria	Outer and Middle North	209	Melbourne - North East	20903	Nillumbik - Kinglake
Rest of Regional Victoria	Loddon Campaspe	210	Melbourne - North West	21002	Macedon Ranges
Rest of Regional Victoria	Outer and Middle East	211	Melbourne - Outer East	21105	Yarra Ranges
Rest of Regional Victoria	Wimmera Southern Mallee and Mallee	215	North West	21501	Grampians
Rest of Regional Victoria	Wimmera Southern Mallee and Mallee	215	North West	21502	Mildura
Rest of Regional Victoria	Wimmera Southern Mallee and Mallee	215	North West	21503	Murray River - Swan Hill
Rest of Regional Victoria	Loddon Campaspe	216	Shepparton	21601	Campaspe

Functional Urban Area	Social Infrastructure Region	SA4 Code	SA4	SA3 Code	SA3
Rest of Regional Victoria	Goulburn and Ovens Murray	216	Shepparton	21602	Moira
Rest of Regional Victoria	Great South Coast	217	Warrnambool and South West	21701	Glenelg - Southern Grampians
Rest of Regional Victoria	Barwon	217	Warrnambool and South West	21703	Colac - Corangamite
Rest of Regional Victoria	Great South Coast	217	Warrnambool and South West	21704	Warrnambool

Source: Data Provided by Infrastructure Victoria