The Inquiry into the funding of homelessness services in Australia

authored by
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EXECUTIVE SUMMARY

Key points

- The aim of the AHURI Inquiry on homeless funding in Australia is twofold. First, to gather and synthesise evidence on the mix of government and non-government funding of the homelessness service system as well of mainstream services and enterprises that support the homeless. Second, to examine how the funding of services supporting people who are homeless influences service provision and outcomes for homeless people.

- Australian Government and state and territory government funding of specialist homelessness services (SHS) is the key means by which homelessness services are resourced in Australia. There were 56 000 homeless clients in Australia being served by 1500 organisations under the National Partnership Agreement on Homelessness (NPAH) and National Affordable Housing Agreement (NAHA) in 2013–14.

- Studies on the cost-effectiveness of homelessness services and programs by Flatau and Zaretzky (2008) suggest that specialist homelessness services are heavily reliant on government funding. Other sources of funding, with the exception of rental income in the case of accommodation-based homelessness services, provide a minimal contribution to the financing of services. However, there has been no national survey of the funding of SHSs to confirm this and there is scant evidence on the level and form of non-government funding of homelessness service delivery. Nor is there evidence of the funding of mainstream services that provide support for homeless people. Moreover, there has been no research undertaken on the implications of different forms and combinations of funding for service delivery and client outcomes. New forms of funding and service delivery in homelessness, such as social enterprises and social impact bonds (SIBs), have yet to be investigated in the Australian context.

- The Inquiry will address a range of research and policy questions through three research projects. Reflection by an expert Inquiry Panel will help guide the research and assess the evidence presented in the projects.

Context

Prior to the 1970s, services supporting the homeless were invariably provided and funded by faith-based organisations. Government funding of homelessness services in Australia commenced in a systematic way during the Whitlam Government in the 1970s. In 1985, the Supported Accommodation Assistance Program (SAAP) began, which significantly increased the level of government funding for homelessness services.

At present, the Australian Government and state/territory governments fund the specialist homelessness sector under two agreements, namely, the National Affordable Housing Agreement (NAHA) and the National Partnership Agreement on Homelessness (NPAH). It is estimated that there are about 1500 Specialist Homelessness Services (SHS), around Australia funded under these two agreements (Australian Institute of Health and Welfare 2014).

Recent studies conducted by Flatau and Zaretzky (e.g., Flatau et al. 2008; Zaretzky & Flatau 2013) have highlighted the significant role that government funding for specialist homeless services plays, but these studies have been based on a relatively small number of services. Moreover, there is a dearth of evidence in relation to the funding of services operating outside the NAHA and NPAH Agreements. The extent and nature of funding from Commonwealth, state, territory and local government sources for services to people who are homeless (or at risk of homelessness) beyond the NAHA and NPAH Agreements is not readily identifiable. Moreover, there is increasing impetus internationally and in Australia for
services to be less dependent on government funding and to expand the array of funding sources. Philanthropic donations, own-source generated revenue and corporate sponsorship are among the more common sources of funding sought together with in-kind support in the form of volunteering. Newer forms of funding such as crowdsourcing, social investment and social impact bonds have gained traction in some areas of homelessness service delivery, but there is no data that provides a synthesised picture of this for the Australian context. There is a lack of evidence on the importance of such forms of funding as well as the impact of such sources on client outcomes.

Another evidence gap pertains to the funding of mainstream services (in sectors e.g. social housing, health, justice, welfare) assisting people who are homeless or at risk of homelessness. Other than the case of public housing, this is not captured in conventional reporting of services and funding for homelessness in Australia, which focus primarily on those that fall under the specialist homelessness service umbrella. Addressing this gap is necessary not only to provide a more complete ‘funding story’, but also because it aligns with compelling arguments for more integrated and joined-up sector responses if we are to effectively reduce homelessness (Flatau et al. 2013b).

Very high levels of unmet need are experienced in the specialist homelessness service system. SHSs are faced with an increasing number of clients and changes in the mix of clients and yet the overall level of government recurrent funding for homelessness service delivery is not rising. At the same time, housing options specifically directed to housing homeless people have recently fallen and housing affordability problems remain severe for those in financial stress driving more people into homelessness. These trends put pressure on the homelessness service system, which can only be alleviated through increased funding from a more diversified range of funding sources.

As service providers move to more diverse funding bases or hybrid funding models, the impact of such shifts on service delivery, and the extent to which the funding mixes employed are optimal and improve client outcomes, needs to be assessed. This Inquiry seeks to develop the evidence base on this issue and make policy recommendations on the basis of this.

The sustainability and stability of services and programs supporting homeless people is a key issue facing the homelessness service sector. This has been compounded by changes in the political, policy and economic landscape in Australia. Many housing and homelessness services were left vulnerable in 2014 and through 2015 awaiting the Commonwealth Government’s decision (and that of state and territory governments) on whether it would continue the NPAH program. In the end it did so, but the process highlighted the vulnerability of homelessness services to changes in government funding priorities. The homelessness sector remains vulnerable if reliant on one funding source. Those services with more diversified funding streams (and higher levels of funding overall) are less vulnerable to shocks and more able to meet the needs of more people.

Scope of the Inquiry

The AHURI Inquiry on homeless funding in Australia aims to:

- Fill the significant evidence gaps in our knowledge base on the types, mix and level of funding (government and non-government) for homelessness service delivery.
- Understand the important linkages that exist between funding sources, service delivery and outcomes for people who are homeless or at risk of homelessness.
- Develop policy options and a framework for the funding of homelessness services in Australia.
The AHURI Inquiry on homeless funding in Australia will build on the existing evidence base by:

- Undertaking the first national survey of specialist homelessness services as well as mainstream services and social enterprises supporting people who are homeless (Research Project A).
- Completing case studies across key homelessness sectors and different service delivery organisational forms of how the funding impacts on service delivery (Research Project B).
- Examining the role of funding in the delivery of services to Indigenous people who are homeless in recognition of the very high rate of Indigenous homelessness in Australia (Research Project C).

The Inquiry will also address the issue of the timeframes for funding contracts. Long-term planning and investment is less likely to occur with shorter as compared with longer funding agreements. Short-term funding contracts are particularly problematic for services and programs seeking to prevent the recurrence of homelessness and those working with homeless people with complex needs and long-term and chronic homelessness histories. Such cohorts require a longer term outlook on the part of homelessness services.

The White Paper on the reform of the federation will be released during the term of this Inquiry. As part of the White Paper process, Issues Paper 2—Roles and responsibilities in housing and homelessness was released on 11 December 2014. The AHURI Inquiry on homeless funding in Australia draws on the findings of the Issues Paper and will examine a range of questions relevant for future reform as part of the White Paper focus.

**Inquiry framework**

The Inquiry and its three supporting research projects will seek to answer the following Research Questions (RQs) and Policy Questions (PQs):

- Research Question 1 (RQ1): What is the overall level and the mix of funding for homelessness services in Australia?
- RQ2: What is the impact of the funding mix on the nature, structure and types of services provided and the extent to which these support different groups of homeless people?
- RQ3: What is the relationship between the funding mix and service structures on the one hand and the outcomes of people who are at risk of, or who are experiencing, homelessness?
- RQ4: How, and from where, is funding sourced by agencies and enterprises, which serve or provide employment or other complementary opportunities for the homeless?
- RQ5: What is the level of government and non-government direct and indirect funding of services which support Indigenous homeless people and how does the funding mix influence service provision and outcomes?

The Inquiry will also examine and seek perspectives from stakeholders on two additional Policy Questions:

- PQ1: What form should the funding of homelessness services take (e.g., individualised funding vs organisational funding, performance-based funding through mechanisms such as SIBs vs output or capability funding)?
- PQ2: What options are available to government to increase the integration of homelessness specific and mainstream funding and service delivery and improve client outcomes?
1 INTRODUCTION

The purpose of this Discussion Paper is to set the scene for the AHURI Inquiry on homeless funding in Australia which will examine, and provide evidence on, the financing of homelessness services and mainstream services supporting the homeless in Australia. The Inquiry will address a range of research and policy questions through three research projects and an Inquiry Panel process which will assess the evidence presented in the projects.

Homelessness is an issue of major social concern in Australia affecting over 100 000 people on any given night (ABS 2013). Homelessness leaves people without a base from which to work, go to school and engage with others. It causes deep distress and leads to the onset of mental and physical health problems and exacerbates pre-existing conditions. Homelessness results from, and contributes to, problems of financial insecurity and hardship and past lives of violence and trauma. The high cost of housing is a contributing cause of homelessness and a barrier to exit from it.

Homelessness services support those experiencing homelessness across a range of needs and work with those at risk of homelessness from entering homelessness. People who are homeless are also supported by other ‘mainstream’ services such as drug and alcohol services, mental health services, employment services, and so on. Homelessness services are operated almost exclusively by not-for-profit agencies. Additional support is provided by housing, health, drug and alcohol, education and employment services which are based in both not-for-profit agencies as well as government agencies. An emerging social enterprise sector provides employment and business opportunities for homeless people.

In Australia, government plays a significant part in the financing of specialised homelessness services as well as mainstream services providing support to homeless people. While there is no comprehensive data on the financing of services supporting homeless people, what evidence exists suggests that services are funded almost wholly by government, with rental income playing some part for providers of accommodation services.

The way homelessness services are funded and delivered is changing in Australia. This is so for a number of reasons.

First, there is growing recognition on the part of organisations delivering services to the homeless, that a complete reliance on government funding for services is not sustainable. There is increasing uncertainty surrounding the level and availability of government funding for services and an awareness that the growth in funding for homelessness services and related capital works, which followed the release of the Rudd Government’s White Paper, *The Road Home: A National Approach to Reducing Homelessness* (Commonwealth of Australia 2008) in 2008 and the economic stimulus package of the same period, is unlikely to be repeated.

Second, there is an increasing awareness that homelessness service delivery is not just a matter for homelessness services, but that homelessness requires a coordinated response from a variety of sectors. This has led to the introduction of new deliverers of programs in health, corrective services, education and training and employment to support the homeless and, linked to this, new funders of programs.

Third, as in many areas of the community sector, there has been increasing interest from both corporate and individual philanthropists to fund the delivery of programs designed to assist those who are homeless. In addition, we have seen new forms of delivery and funding emerge. Organisations are moving into new territory such as supporting the homeless to achieve employment through social enterprises and new forms of funding including crowd funding and impact investing in instruments such as social impact bonds (SIBs) and for-purpose, for-profit, social enterprises.
Consequently, organisations providing support to the homeless are seeking to diversify their funding base and embrace innovative models of delivery. In spite of such new forms of funding and delivery, however, the preliminary evidence presented in this report suggests that government funding currently remains the primary source of funding for homeless services and those mainstream services supporting homeless people.

While there is general recognition that we have entered a new environment in the funding and delivery of homelessness services, there is little by way of an evidence base or roadmap that captures the current funding mix in homelessness service delivery. We know a great deal about Commonwealth and state/territory government funding of homelessness services, the clients who are supported by those services and the immediate client outcomes from such services (AIHW 2013, 2015; Flatau et al. 2008; Zaretzky & Flatau 2013, Zaretzky et al. 2008, 2013). We know much less about the relative contribution of non-government funding sources (including philanthropic sources) to homelessness service delivery and the use and funding of the capital stock used to deliver accommodation services.

At the same time, a growing body of research internationally (Culhane et al. 2002; Mondello et al. 2007) and in Australia (Flatau et al. 2012, 2008; Flatau & Zaretzky 2008; Zaretzky & Flatau 2013; Zaretzky et al. 2008, 2013) demonstrates that the cost to government of providing housing support to counter homelessness is substantially offset by the savings resulting from reduced utilisation of non-homelessness services (Zaretzky & Flatau 2013; Zaretzky et al. 2013) in sectors such as health, welfare and justice.

Systems of data collection and monitoring are far more developed for government funded services, including those delivered by non-government organisations under contract, than philanthropic, corporate, and social enterprise services. We also know little about the relative role of mainstream services in supporting homeless people and the funding of those services. There is a paucity of evidence with respect to the way different funding models (or combinations thereof) impact on client outcomes and the financial sustainability of services.

Finally, we have yet to document, in a comprehensive form, the role of new forms of funding such as crowd funding and impact investing and associated new forms of service delivery such as social enterprises.

Distilling the full picture of funding for homelessness in Australia is rendered more difficult by the fact that funding for homelessness comes from a variety of sources. In particular, a critical role in supporting homeless people is played by direct housing provision and housing assistance programs. For instance, the National Partnership Agreement on Remote Indigenous Housing (NPARIH) plays a critical role with respect to Indigenous homelessness through the direct provision of housing and the amelioration of overcrowding problems. This partnership brought funding for remote Indigenous housing to over $5 billion over 10 years up until 2018 for both new homes (up to 4200) for Indigenous people and a similar number of upgrades to existing homes (COAG 2009b). While this housing initiative is not positioned as a homelessness initiative, it aims to reduce homelessness and overcrowding (a form of homelessness adopted in recent definitions of homelessness by the Australian Bureau of Statistics) as well as improving poor housing conditions for Indigenous people.

Indigenous Australians make up a relatively large proportion of the homeless population in Australia accounting for 25 per cent of the homeless population at the 2011 Census, but only 2.5 per cent of the Australian population (ABS 2013). These figures are likely to be an undercount because of the combination of high levels of crowding, frequent residential mobility, and different meanings of homelessness (ABS 2011; Birdsall-Jones et al. 2010). As a result, there is an over-representation of Indigenous Australians using specialist homelessness support services; 23 per cent of those accessing specialist homelessness services in 2013–14 were Indigenous (AIHW 2014). Homelessness, as experienced by Indigenous Australians, tends to be more severe than that experienced by non-Indigenous
Australians and is more likely to be intergenerational in nature and experienced earlier in life (Flatau et al. 2013a). At the time of the 2011 Census, the rate of rough sleeping (living in improvised dwellings, tents or sleeping out) per 10 000 people among Indigenous people was 30.6 as compared with 2.4 for non-Indigenous people (ABS 2013). Although most of those who become homeless will do so while living in a major city, a much higher proportion of Indigenous Australians seek homelessness support in regional, remote and very remote areas than their non-Indigenous counterparts.

Women and children who are made homeless as a result of domestic violence are another priority group in Australia where the funding mix for homelessness and complementary support is not well understood. Many shelters and services receive funding from the major government funding programs for homelessness services, but the extent to which this is supplemented by funds from other sources (e.g. donations) has yet to be mapped.

The purpose of this Australian Housing and Urban Research Institute (AHURI) Inquiry on homeless funding in Australia is to help fill the gap in the evidence base on the financing of services supporting homeless people, to consider the current policy environment surrounding homelessness funding and delivery, and to make recommendations on the future of homelessness funding in Australia.

This Inquiry addresses the following key question: How does the mix and extent of government and non-government direct and indirect funding in the homelessness service system and across other services and enterprises support the homeless, influence service provision and affect outcomes for homeless people? The Inquiry seeks to build policy and practice relevant evidence on the mix of government and non-government direct and indirect funding in the homelessness service system and across mainstream services and enterprises supporting the homeless and examine how the funding of homelessness services influences service provision and outcomes for homeless people.

The Inquiry will also address the issue of the timeframes for funding contracts. Long-term planning and investment is less likely to occur with shorter as compared with longer funding agreements. Short-term funding contracts are particularly problematic for services and programs seeking to prevent the recurrence of homelessness and those working with homeless people with complex needs and long-term and chronic homelessness histories. Such cohorts require a longer term outlook on the part of homelessness services.
2 THE FUNDING OF HOMELESSNESS SERVICES IN AUSTRALIA

2.1 Introduction
This chapter reviews the history of the development of the homelessness service delivery system in Australia and the various forms of funding that services use to meet the needs of the homeless. It also discusses the emerging evidence base on the funding mix of Australian homelessness services.

2.2 The history of homelessness service delivery and its funding in Australia

Prior to the 1970s, services supporting the homeless were invariably provided and funded by faith-based organisations. Government funding of homelessness services in Australia commenced in a systematic way during the 1970s (Bullen 2010; Chamberlain et al. 2014; Chesterman 1988). In 1974, The Commonwealth Government introduced the Homeless Person's Assistance Program (HPAP) in response to the findings of the Commonwealth of Australia Working Party on Homeless Men and Women (1973). As argued by Bullen (2010) and Chamberlain et al. (2014), the report of the Working Party on Homeless Men and Women represented a watershed both in terms of an understanding of the wider social and economic structural factors affecting homelessness and an expansion of the role of government in funding services. HPAP provided funding to faith-based and non-profit groups that were providing case support and accommodation for homeless persons, mainly men who were often chronically homeless. Many HPAP services, the forerunner of the Supported Accommodation Assistance Program (SAAP), which began in 1985, were traditional night shelters, but new capital expenditure increased the number of shelters and refuges.

In 1983 a review of crisis accommodation found it was very fragmented, uncoordinated, overly restricted to specific target groups, and inadequately funded. This led to the formation of the Commonwealth Supported Accommodation Assistance Program (SAAP) in 1985. In the first three years, funding increased from $43 million to $68.7 million. Alongside SAAP and as part of the Commonwealth State Housing Agreement, a new Crisis Accommodation Program ($13 million in 1984–85) was created to fund capital investment in crisis accommodation facilities. In 2009, SAAP was superseded by a National Affordable Housing Agreement (NAHA) that included funding for homelessness services rebadged with additional funding coming in the National Partnership Agreement on Homelessness (NPAH) and other channels. By 2011–12, the combined Commonwealth and states/territory funding for homelessness services was $507 million. Services who receive funding through the National Affordable Housing Agreement (NAHA) and the National Partnership Agreement on Homelessness (NPAH) are commonly referred to as Specialist Homelessness Services (SHS), a convention we follow in the present study.

In addition to services for homelessness in a generic sense, services for population subgroups identified as being at higher risk (e.g. women fleeing domestic violence and young people) began to also emerge during the 1970s and 80s in Australia. From 1974, Australian Government funding began to be directed to women’s refuges for women and children escaping domestic violence (DV). Initially, this was provided through the Department of Health, and subsequently through the SAAP funding program which as noted above commenced in the mid-eighties. Early support services sought relocation of victims as a first solution. Families were often placed in SAAP or other crisis accommodation services and offered integrated support from there (McFerran 2007). In later years, questions were raised as to why victims had to be relocated when the offender could be excluded from the household as punishment for their crime, and New South Wales (NSW) instigated the first
legislation that allowed for offenders to be excluded from the household rather than victims displaced from their homes (Spinney & Bandy 2011). Despite further policy changes, victim relocation remains the primary response to DV and has become the leading cause of homelessness for women and children in Australia. For young people, Commonwealth funding for homelessness services was introduced in 1979, in response to reports of increasing vulnerability among them. Services for young people who are homeless went on to be funded through SAAP and then NPAH and NAHA.

Following the introduction of government funding of homelessness services and particularly since the introduction of SAAP and later NAHA and the NPAH, homelessness services have relied heavily on government funding. Charitable donations were always a supplementary source of income but generally coming through large charities. Accommodation services also used rent payments as a source of own-revenue funding. While evidence is scant, it is generally thought that philanthropic funding has been mobilised for pilot projects, but has made little contribution to covering recurrent expenditure on any scale. The Federal Government White Paper, The Road Home (Commonwealth of Australia 2008) stressed that mainstream agencies should play a much larger role in preventing homelessness. The strategic policy setting of prevention and early intervention was referred to as ‘turning off the tap’. However, despite the call that mainstream agencies play a more important role and would be a source of significant funding outside of the specific homelessness budget, little progress appears to have been made in this area.

This brief historical backdrop for homelessness service delivery in Australia is by no means comprehensive, but provides some context for the review of current sources of funding that follows in subsequent sections.

### 2.3 Sources of funds for homelessness service delivery

There are a variety of sources of funding for services and enterprises which support homeless people. Figure 1 below depicts these various sources of funding for homelessness in Australia, which will be examined in more detail in this section.

#### 2.3.1 Government funding of homelessness services

In Australia, the non-government sector is the primary provider of services directly targeting and supporting homeless people. As detailed above, since the mid-1970s, providers of homelessness services have been largely funded by government, typically through a composite of federal and state/territory funding (Flatau et al. 2006, 2008; Zaretzky & Flatau 2013; Zaretzky et al. 2013).

Most government funding for the homelessness sector is provided through the NAHA and the NPAH. The latter requires joint funding from the states/territories. It is estimated that there are about 1500 Specialist Homelessness Services (SHS), around Australia funded under these two agreements (AIHW 2014).

The NAHA provided $6.2 billion worth of housing assistance to low and middle-income Australians in the first five years of operation, jointly contributed by state, territory and Commonwealth governments. Under the NAHA, Australian and state and territory governments invested an additional $632 million under the National Rental Affordability Scheme to provide incentives to organisations to build 50,000 new rental properties for rent to low-income tenants at 20 per cent below market rent. The ‘A Place to Call Home’ initiative received $300 million under this agreement to provide an ongoing pool of at least 600 homes over a five-year period for homeless individuals and families. The Australian and state and territory governments also invested an additional $400 million to deliver more public and community housing for low-income Australians, as well as specialist models of housing for people who are homeless under the National Partnership on Social Housing. In addition to this, $1.9 billion over 10 years was invested to boost the quality and supply of housing in...
remote Indigenous communities, under the National Partnership on Remote Indigenous Housing (Commonwealth of Australia 2008).

Figure 1: Sources of funding for organisations delivering services to homeless people in Australia

The NPAH was designed with four intended outcomes in mind:

1. Fewer people will become homeless and fewer of these will sleep rough.
2. Fewer people will become homeless more than once.
3. People at risk of or experiencing homelessness will maintain or improve connections with their families and communities, and maintain or improve their education, training or employment participation.
4. People at risk of or experiencing homelessness will be supported by quality services, with improved access to sustainable housing.

The NPAH initially provided resources of $1.1 billion over five years to work towards these outcomes (COAG 2009a).

Over the four years 2009–13, the Commonwealth provided $400 million in total to the states and territories, split according to the proportion of homeless in each state or territory. The states and territories were required to match the amount contributed by the Commonwealth. In addition to this, $150 million was provided by the Commonwealth over the five years 2008–13, and matched by the states and territories, to fund 'A Place to Call Home' (COAG 2009a).

The initial agreement was to expire in June 2013, but was then extended three times; first for the 2013–14 financial year, then for 2014–15, and finally for 2015–17 commencing in July 2015 and ending in June 2017. The 2013–14 and 2014–15 agreements involved the Commonwealth contributing $159 million and $115 million respectively, with these amounts
being matched by the states and territories. Over the years 2015–17, the Commonwealth will provide $230 million, to be matched by the states and territories.

The 2015 Report on Government Services indicates that total recurrent government expenditure on SHS for 2013–14 was $619.1 million (SCRGSP 2015b). The majority of this (97.4%) represents funding that was provided through the NAHA and NPAH agreements to agencies for service delivery to people who are homeless or at risk of homelessness. The remaining 2.6 per cent was expended on State and Territory government administration costs, with some minor variation on the percentage allocated to administrative costs between different states and territories (SCRGSP 2015b).

The NPARIH targets Indigenous people living in remote communities. Its aims are to improve the condition of existing housing, increase the supply of new housing and ensure that rental houses are well maintained and managed. Over ten years, from 2008 to 2018, NPARIH is providing $1.9 billion of Commonwealth funding, bringing total funding for remote Indigenous housing to $5.5 billion. This is being used to build 4200 new houses and upgrade up to 4800 existing houses in remote Indigenous communities (COAG 2009b).

As of June 2013, 2025 new houses and 5887 refurbishments were complete, ahead of schedule (DSS 2013). Refurbishment targets were exceeded overall and met or exceeded in all jurisdictions except South Australia (SA). New house targets were close to half-way met overall and in most jurisdictions. Census data indicates that severe overcrowding is being reduced in some locations where there has been NPARIH involvement, but crowding remains a significant concern in many communities. Tenancy management reforms are on track to meet the planned 2015 full implementation target, with tenancy support programs being introduced in some locations (Department of Housing 2013; Habibs et al. 2015).

Beyond the national funding schemes described above (NAHA, NPAH and NPARIH), there are some scattered examples around Australia of services that receive other forms of state, territory or local government funding, but there is currently no collated or readily available data on this. This is an evidence void that will be addressed as part of the Project A national survey described in a later section of this paper.

2.3.2 Homelessness service providers

Homelessness services are services whose purpose is to provide support to people who are homeless or at risk of homelessness. They are often part of larger organisations (e.g. the Salvation Army, Mission Australia or Anglicare) delivering a range of community support services, but may be part of organisations whose sole focus is homeless people. Those homelessness services which receive funding through the National Affordable Housing Agreement (NAHA) and/or the National Partnership Agreement on Homelessness (NPAH) are referred to as Specialist Homelessness Services (SHS) in the present study.

The existing evidence suggests that homelessness services (almost all of which are non-government organisations) almost invariably rely heavily on government sources of funding but will also use their own-sources of revenue (e.g. rent payments in the case of accommodation services) and philanthropic giving to fund their operations (see Figure 1 above). There are also some homelessness service providers in Australia that are totally or largely reliant on their own sources of revenue, principally funding from philanthropic sources. The St Vincent de Paul Society gains significant philanthropic funding from the CEO Vinnies Sleepout event and other fundraising activities to fund their homelessness services. At the time of writing, the 2015 Sleepout had raised $6 259 946 from the involvement of 1210 CEOs and 37 131 supporters (St Vincent de Paul Society 2015).

Sole reliance on government funding leaves many non-government homelessness service providers vulnerable in tight fiscal times, and the last two years has seen a number of key providers struggle to remain viable when government funding has been cut. Essential
homelessness services provided by these organisations have been destabilised as a result. This has particularly affected the Indigenous sector where mainstreaming of housing and homelessness services has contributed to the termination of some services and the decline of the sector more generally (Habibis et al. 2015). For example, the Larrakia Nation Aboriginal Corporation’s Return to Country program is the only program in Darwin that supports Aboriginal visitors from remote communities to find temporary accommodation in the city, and to return home. In 2012, the incoming Country Liberal Party government in the Northern Territory cut funding to the program and although it managed to survive using its own funding sources for a further two years, in 2014 the service was closed, directly impacting on the city’s Aboriginal homeless population (Hope 2014).

For this reason, diversification as a risk management and governance measure has merit, but the extent to which this has been achieved by organisations in the homelessness sector and in mainstream service delivery for homeless people is unknown. The data needed to complete this picture is not readily available. The Inquiry will thus seek to map the extent and patterns of funding diversification across the homelessness sector, and within different types of service providers.

2.3.3 Philanthropic funding

The landscape of philanthropic funding for homelessness has evolved considerably over the last decade. Many not-for-profit (NFP) and charity-based organisations providing homelessness services have long valued and drawn on public donations of money or in-kind contributions, especially individual volunteering. Corporate philanthropy to NFP organisations has grown substantially in Australia over the last 15 years (McGregor-Lowndes et al. 2014). The latter may be for a specific event (e.g., corporate sponsorship for a particular program) or corporate sponsorship for the organisation overall. A growing number of NFPs give recognition to corporate sponsors on their webpages, for example. There is no mechanism for mapping the diversity of these other sources of funding across the homelessness sector, or for gauging what trends are emerging in this space.

Corporate donations can vary substantially in size and purpose, but for some of the newer innovative homelessness interventions, corporate philanthropy is important. For example, The Foyer Oxford received core funding from BHP Billiton that amounted to $5 million to provide young people with fully facilitated transitional housing (Foyer Oxford 2014). An increasing number of homelessness service providers also list corporate sponsors on their websites. For example, Red Cross lists ‘business partners’ on its website while Anglicare SA also refers to ‘corporate partners’ in acknowledgement to philanthropic donations (Anglicare SA 2015; Australian Red Cross 2015).

As an alternative to monetary donations, corporate sources may contribute to organisations through in-kind support which provides goods or services in place of monetary donations. A good example of this form of funding can be found in the Exodus Foundation which provides care and support for disadvantaged Australians. The foundation boasts corporate partnerships that include VisionX who provided audio and visual services to the foundation, ASIC who provides volunteers, Seargents who provides over 2000 pies a month and Westpac who also provide regular volunteers (Exodus Foundation 2015).

When compared to most other first world nations, Australia’s philanthropy ‘brand’ is seen to be in its infancy (Tually et al. 2013), and while Australia still lags behind the US in large-scale philanthropic donations from affluent individuals, the funding of The Michael project and the subsequent Misha project is a notable exception (Conroy et al. 2014; Dalton & Di Nicola 2012; Flatau et al. 2012). Compiling an aggregated picture of philanthropic investment in homelessness in Australia is challenging, however, and impeded by the way in which data is typically collected and reported. The Australian Bureau of Statistics (ABS) report on non-profit institutions’ funding, for example, groups homelessness in a much
The broader category of ‘social services’ which also includes emergency services, youth services and welfare, child welfare, family services, disabilities services, and income support services (to name a few) (ABS 2014). This makes it impossible to pinpoint the exact amount of funding, for example, that an NFP homelessness agency receives via philanthropic means.

A report by Tually et al. (2013) into philanthropy and homelessness in Australia found that there is often a preference to fund innovative social initiatives, which poses a difficult challenge for more entrenched problems such as homelessness where long-term interventions are needed. An example of this is Infoxchange’s ‘Ask Izzy’ phone app funded in 2014 by Google’s grant program for not-for-profits. The app is designed to allow people who are homeless or at risk of homelessness to identify which services are local, open, and available (Infoxchange n.d). This can address the problem that many service directories are out-of-date, but not the actual capacity of services. Indeed one reason the app is needed is that so many services are open for limited hours or are generally at capacity. Tually et al.’s (2013) review also found very few philanthropic institutions specifically mentioned ‘homelessness’ as their key purpose, instead opting to use words such as ‘disadvantage’ and that some philanthropic funders consider homelessness-based issues (e.g. infrastructure, staffing, long-term chronic care/support) to be government responsibilities (Tually et al. 2013; Tually & Skinner 2012). These perceptions and challenges may thus impede the extent to which philanthropic investment in Australia is directed to homelessness, unless alternative ways to engage philanthropic funders are explored (Tually et al. 2013). While there is a growing body of published papers on the topic of philanthropy and homelessness in Australia, most of these are descriptive papers on particular programs or initiatives (Dalton & Di Nicola 2012; Fopp 2014; Furlan 2012; Nash 2012) and it remains difficult to distil the magnitude of philanthropic investment into homelessness across the sector.

A new development in the philanthropic funding of homelessness services is the role of crowdfunding. Streetsmart projects (see Kernot & McNeil 2011) is a crowdfunding action against homelessness which has acted as a vehicle to fund small innovative projects in homelessness around Australia. The Funding Network is an innovative platform from which philanthropists can contribute funds directly to sponsored NFP agencies through organised events at which agencies pitch for funding from the audience (The Funding Network 2015). Homeless Healthcare: Mobile GP is a Perth-based NFP organisation that provides healthcare to the homeless through walk-in practices that was sponsored by The Funding Network in 2013. The total sum of funds raised for this agency amounted to $13 650 which is a significant contribution to a small organisation. This form of funding is becoming increasingly popular, with up to $50 000 raised for some organisations in 2014.

2.3.4 The funding of mainstream services supporting the homeless

It is well recognised that homelessness often clusters with higher prevalence of health issues (physical and mental health), drug and alcohol use, unemployment, financial hardship and in some instances contact with the justice system. Thus people who are homeless or at risk of homelessness are significantly represented in contacts with services in the health, welfare and justice sectors. This is not captured, however, in conventional reporting of services and funding for homelessness in Australia which focus primarily on those that fall under the homelessness services umbrella and, in particular, SHS. Charting a more comprehensive picture of funding and service provision that includes non-specialist and mainstream services benefiting homelessness is thus one of the challenges facing this Inquiry. Doing so is necessary not only to tell a more complete ‘funding story’, but perhaps even more importantly, because it aligns with the growing recognition of the need for more integrated and join-up sector responses if we are to effectively reduce homelessness (Flatau et al. 2013b). There is a paucity of collated data or reports to answer these questions, hence...
Project A will provide critical insight into the above through its surveying of a random sample of non-specialist service providers.

From our initial scoping review, there appears to be two primary types of non-specialist service and funding arrangements:

- **Services delivered by ‘mainstream’ providers that directly assist homeless people and are not funded through NAHA or NPAH funding or other homelessness-specific funding program.** An example of this is the Homeless to Home Healthcare program in Brisbane which has had funding from two Medicare locals, but which is also supported with in-kind and other support by Mater Health Services, Micah Projects and St Vincent’s Private Hospital (Brisbane) (Connelly 2014). Similar programs are run from St Vincent’s Hospital Sydney, which coordinates a homeless health service in partnership with non-government organisations. Another example is Justice Connect, which is a legal advocacy group in NSW that campaigns to reduce unfair laws, and includes homeless law among its service portfolio (Justice Connect 2015). It has some government funding but also receives funding from donations and memberships. Street Law is another example of a legal service that includes provision of advice for people who are homeless or at risk of homelessness (Street Law Centre WA 2011).

- **Government and other funding directed to non-specialist homelessness services within the ‘mainstream’ housing, healthcare, welfare and justice systems sectors where homeless people are over-represented in service use.** The direct provision of social housing (public and community housing) to formerly homeless people represents the most fundamental form of mainstream service delivery. Social housing providers also often provide tenancy support to formerly homeless people which complements support provided under NPAH funding. Social housing relies on central sources of government funding as well as using rental income, debt/equity financing and cross-subsidisation to support formerly homeless people. Previous research undertaken for AHURI has shown that homelessness is associated both with the increased likelihood of use of healthcare, welfare and justice systems’ services as well greater cost of service utilisation (Zaretzky & Flatau 2013, Zaretzky et al. 2013). While there is some data on the over-representation of homeless people in services and programs provided by these sectors (e.g., alcohol and drug treatment, mental health services, disability services, justice programs), the funds expended are not easily disaggregated.

### 2.3.5 Capital investment

Capital investment to homelessness services is provided in the form of accommodation infrastructure for those services providing crisis or transitional accommodation to homeless people. However, apart from the investment flows recorded through government direct capital grants for homelessness accommodation services, there is no one general source of information on the crisis and transitional accommodation homelessness capital stock. The capital stock in the homelessness sector has been generated from a variety of sources including government and non-government sources.

Homelessness services providing accommodation advise that, in most cases, rent for transition accommodation is insufficient to cover maintenance and upgrade costs. Many SHS properties are under-maintained and in need of upgrade. Funding for operations in capital properties may often not be factored in adequately to funding arrangements.

Government direct capital grants to homelessness accommodation services have been supplemented in various jurisdictions by other forms of infrastructure grants, the most prominent being Lotterywest’s (the Western Australian Lottery Commission) infrastructure grants. Lotterywest provides funding for capital works and Information Technology (IT) infrastructure to organisations in the homeless sector and community sector more broadly (http://www.lotterywest.wa.gov.au/grants/grant-types).
There are also a growing number of examples of homelessness accommodation that have mixed capital funding from the government and the private sector. St Barts Lime Street development in Perth represents one of the largest capital works developments in homelessness in Australia in the last decade. The $30.6 million, seven-storey development in East Perth is made up of 54 one-bedroom residential units, 12 one-bedroom crisis units, 42 transitional housing beds and a 40-bed aged care facility and was funded through the WA Government ($22.3 million), Lotterywest ($2.8 million), the Commonwealth ($7.3 million) and St Bart’s itself through donations ($1 million) (Department of Housing 2013). We have also seen in-kind contributions to capital funding with Grocon building the Common Ground accommodation at cost in Victoria, NSW and Queensland. Funding capital works also come through bequests/donations of land and/or buildings. Some SHS own properties used for homelessness accommodation which are bequested/donated to them by individuals, religious organisations, local councils or community groups. Alternatively, they use properties owned by the religious organisations, local councils or community groups.

Reporting of funding for homelessness services in Australia often encompasses only the recurrent funding (Commonwealth and state/territory) for the non-government organisations delivering those services: What is not routinely added to the cost equation are the additional associated costs incurred within government departments to administer the programs and the capital cost of providing client accommodation. Zaretzky and Flatau provided a unique calculation of these composite costs in a previous AHURI-funded study (Flatau et al. 2008; Zaretzky & Flatau 2013; Zaretzky et al. 2013). The Inquiry will build upon this to further fill in the gaps in our understanding of the wider funding context for homelessness in Australia.

2.3.6 Mixed funding models

Private Public Partnerships (PPPs) have grown in Australia as a model for funding infrastructure and capital works projects across a range of sectors including schools, sports stadiums, transport and justice. Housing examples to date seem confined to community housing (for example a PPP between NSW Housing and BonnyRigg Partnerships to provide community housing (Pinnegar & Housing 2011) and no explicit examples relating to homelessness were identified.

Some agencies which focus on the provision of specialised homelessness service support have also added to this support through the provision of complementary drug and alcohol services, employment and training services, justice services and the like. Mixed models utilise funding from a variety of sources in order to build both an integrated service delivery model and a sustainable and more diversified model of funding for the core SHS function.

An example of an agency with a core homelessness purpose and history that employs an integrated support approach and mixed funding model is Youth Futures WA in Perth (Youth Futures WA 2010). Youth Futures offers transitional and crisis accommodation funded through NAHA together with business and philanthropic support as well as a Housing Support Worker program which provides intensive support to secure and maintain stable, long-term accommodation funded under NPAH. Youth Futures WA has now become one of the largest providers of education and training services to at-risk young people in the Perth north metropolitan area. These programs are funded through a variety of government funding sources including government departments of education, drug and alcohol offices and child protection agencies.

The Haymarket Centre in central Sydney is another homelessness services provider which provides health care, accommodation, drug and alcohol-related services, and welfare services to homeless people in Sydney. The Haymarket Centre grew out of the Haymarket Clinic established in 1974 by Dr Charles Blower which provides primary health care and welfare services for inner city homeless people. The Centre remains a strongly health-
oriented centre and has traditionally received much of its funding from the Commonwealth Department of Health and Ageing (as well as from NAHA sources).

2.3.7 Social enterprise

Social enterprise is rapidly gaining traction in the homelessness field both internationally, and in Australia (Kernot & McNeil 2011). Social enterprises are social purpose driven organisations producing and selling products in the market place to achieve social impact. Social enterprises have been established by not-for-profit organisations both to create an income stream for the organisation as well as to directly support homeless people. Generally, such enterprises are run as not-for-profit enterprises and have received seed funding grants from government in the past. Other social enterprises are for-profit in design and hybrid models of social enterprise exist. There has been an expansion of impact investment (equity investment which seeks both financial return and social impact return) in such forms in recent years (Bugg-Levine et al. 2012). Examples of social enterprises involved in homelessness in Australia include cafes that provide employment and skills training (Mission Australia 2015; STREAT 2015), Secondbite, a service that redistributes surplus fresh food to people in need (Social Ventures Australia), and The Big Issue (The Big Issue 2015).

The Big Issue came to Australia in 1993 and was launched in 1996 following the model of The Big Issue UK. The Big Issue is a not-for-profit social enterprise ‘supporting and creating job opportunities for homeless, marginalised and disadvantaged people’ (The Big Issue 2015). It manages a number of subsidiary social enterprises including The Big Issue magazine, the Women’s Subscription Enterprise, and The Big Issue Classroom and runs the Community Street Soccer Program and The Big Idea, a national competition for university students (The Big Issue 2015). The Big Issue magazine provides business opportunities for homeless, marginalised and disadvantaged vendors. Vendors buy copies of the magazine, sell them at twice the cost and keep the difference. The Big Issue’s Women’s Subscription Enterprise runs off a different model providing work and training opportunities for women who are employed to pack The Big Issue magazines for distribution to subscribers. In addition to own-revenue sources of finance, The Big Issue is supported by the corporate sector and boasts an extensive array of partnerships that include The Body Shop, Westpac, Australia Post, Wesley Mission Vic and the Origin Foundation. The organisation has now extended to educational services, in an attempt to educate Australia’s youth on the social issues of homelessness that surround them. A Street Soccer Program has also been implemented which provides a safe environment for players to form networks and seek support in order to improve their wellbeing.

Another hybrid form of social enterprise is STREAT which focuses on supporting young homeless people through employment as operators of small cafes (STREAT 2015). The cafes also offer customers an opportunity to buy food or coffee for a person in need. This has seen over 5000 coffees and 500 meals served to strangers. To date, 238 young people have benefited from employment, training, housing and support services provided by STREAT. The enterprise uses partnerships with other Melbourne services to improve the housing and overall wellbeing of the young homeless employees. This support has seen 90 per cent of participants improve their wellbeing and over 95 per cent improve their housing situation, while maintaining a high quality food service. STREAT generates 67 per cent of its funds through its own revenue, with other funding coming from both philanthropic and government sources.

2.3.8 Social impact bonds

Social impact bonds (SIBs) represent a new funding and delivery model for the social sector and for homelessness. The key feature of the model is a multi-party arrangement in which impact investors provide funds for a social initiative and achieve return on that investment if
the initiative produces a social impact greater than some hurdle level. The ultimate funder is typically government, but unlike the standard grant funding model payment is conditional and back-ended with risk taken by the investor. Typically, an intermediate contractor manages and organises projects by contracting organisations to undertake a program of work to achieve a social end (Cox 2011; Edwards 2014; Mulgan et al. 2011).

The financial risk of the project is transferred through the intermediate contractor to the private sector. This is done through the SIB which promises the full return of an investor’s money plus a premium paid by the government if, and only if, a set target is realised by the social impact project (Cox 2011). If the target is not reached, the investor experiences a 100 per cent loss.

Australia is turning to a hybrid SIB model, which, rather than transferring 100 per cent of the risk to the private sector, shares it with government (Cox 2011; Edwards 2014). In 2011, the NSW Government set aside AS$21 million for implementing SIBs which saw its first program launched in 2013 (Robinson 2012). Promising results are emerging from the program with investors receiving a return of 7.5 per cent in the first year (Palumbo & Learmonth 2014). Other states have also examined options for SIBs (Edwards 2014; Palumbo & Learmonth 2014).

Figure 2: A social impact bond scheme implemented in NSW via the Newpin Project

2.3.9 Other sources of funding generated directly by service providers

Not-for-profit (NFP) organisations generate revenue from other sources beyond government grants and philanthropic sources including rental income from clients who pay subsidised rents. An Australian study (Flatau et al. 2008) confirmed that SAAP service providers supplement recurrent funding received from government by charging clients rent, or from other sources such as vending machines. For this reason, a survey of agencies providing homelessness service will be used in the Inquiry to gather data on the extent to which providers supplement available funds through such measures.

2.4 The relative contribution of different types of funding to homelessness service delivery

As noted previously, the most well-documented form of funding for homelessness relates to government funding of specialist homelessness services (Commonwealth of Australia 2014). Total funding for specialist homelessness services in NPAH and NAHA can be determined
as well as specific purpose grants for homelessness support in other government programs. However, the specific source and amount of government funding that benefits the homeless beyond specific purpose grants is difficult to estimate. For example, the annual Productivity Commission Report on Government Services does not include non–specialist homelessness services that may receive government funding for homelessness-related service delivery (SCRGSP 2013). Moreover, specialist homelessness services that do not receive government funding are not captured in the Productivity Commission report (Mulgan et al. 2011).

Flatau et al. (2008) The cost-effectiveness of homelessness programs: A first assessment featured the first attempt at modelling the funding mix of Australian homelessness services. This program of research has been undertaken in a number of subsequent studies (Zaretzky & Flatau 2013; Zaretzky et al. 2013), and was part of a broader attempt to model the cost-effectiveness of homelessness service delivery.

Figure 3: Findings from Flatau et al. (2008) on the funding mix of Western Australian homeless services in 2005–06

Source: Flatau et al. 2008

In order to gather data on the various forms of funding homelessness services, the authors developed and distributed an Agency Cost Survey to agencies, which were the subject of the study. Flatau et al. (2008) found that agencies which participated in the study were predominantly funded by the Australian and the WA governments. Agencies under the SHAP, PRSAP, TASS and Re-entry link programs (all WA Government programs) experienced an average level of government funding of over 90 per cent (Figure 3 below). Other sources of funding included capital sources, volunteer labour and income brought in by agencies.

The second largest form of funding behind government contributions was income earned by the agency through services, accounting for up to 25 per cent of funds in SAAP agencies and 2.5 per cent of funds in Re-entry link agencies. The majority of this income was obtained in the form of rental income from tenants.

A question raised as a result of this study is the position of capital opportunity costs in the funding mix. These capital costs are usually realised in the form of houses and land which
could otherwise be sold or rented out to yield higher revenue than that being obtained through services. Although there is difficulty in assessing the value of such assets, the study found that at least 60 per cent of these costs were contributed by the government sector.

A second AHURI study (Zaretzky & Flatau 2013; Zaretzky et al. 2013) examined a range of SHSs across Australia. Three types of services were considered, namely, homelessness accommodation services, tenancy support services and Street-to-Home services under the NAHA and NPAH programs. Ten agencies participated in the survey which together, provided a combined total of 16 SHSs. All agencies offering tenancy support services or street-to-home services were completely government funded, utilising no other sources of funding. Agencies that offered supported accommodation were also largely government funded (77.8%) but received supplementary funding from agency grants and donations (7.6%) and income realised from rent (12.0%). Government carried 58 per cent of capital costs for supported accommodation services and 75 per cent for street-to-home services. No capital costs were realised in tenancy support programs, as these programs tend to offer support to clients rather than provide accommodation so little capital costs will be held by such agencies.

As seen from the aforementioned results, this second study provides a further example of the robustness of the previous 2008 study in capturing the funding mix of individual agencies. Although the methodology has proven to be an ideal baseline to develop future research from, limitations do exist which will be addressed within the inquiry. The two studies only sampled a small number of the total population of homelessness-related services and only sampled government-initiated homelessness programs.

Publically available data and reports shed little light on the relative contribution of funding from non-government sources. While individual organisations may have a handle on this for their own agency, a preliminary scan of annual reports from a random sample of 20 organisations indicates that there is little standardisation in the reporting of funding sources (see Figure 4 below for examples). Nor is there a ‘common language’ across the sector in terms of funding sources. Furthermore, for organisations that provide services other than those relating to homelessness, the specific source of funding for homelessness services is often not demarcated.

Additionally, publically available documents such as annual reports rarely provide insight into the sustainability of the current funding mix or organisational intentions regarding funding that they seek to source in the future. Also missing in Australia is a mechanism for compiling an aggregated view of where the funds for various homelessness services and organisations are derived. Being able to provide this aggregate mapping as part of this Inquiry will serve as a valuable benchmark against which shifts and trends in funding mix can be monitored over time.
Figure 4: Examples of different ways that Australian organisations (de-identified) report the breakdown of their funding for homelessness services

2.5 Summary

The mix of government and non-government funding of homelessness services is difficult to capture. Gathering the primary evidence base is one of the core research questions addressed by the Inquiry. The demise of some agencies that were primarily reliant on government funds has escalated the imperative to better understand the mix of funding for the homelessness sector.
3 THE INTERNATIONAL EVIDENCE

3.1 Introduction

Although homelessness is a priority issue requiring considerable resourcing and services in many countries, the way in which this is funded is not well articulated in current published or grey literature. Overarching national reviews of homelessness services have been commissioned in a number of countries in recent years (Fitzpatrick et al. 2012; Shelter Scotland 2011), but these tend to focus more on general policy and service issues and approaches to homelessness, and the nature and mix of funding is rarely delineated. This may, in part, reflect the fact that government has been traditionally the primary funder of homelessness services around the world; hence disaggregation of funding sources has not been deemed necessary.

Government funding remains critical to spearheading reductions in homelessness around the world (even in countries, e.g. the USA that have less of a welfare ideology), but there is also a broadening diversity of funding for homelessness including philanthropy, social impact bonds, social enterprise and other innovative approaches. Moreover, reliance on a single source of funding is increasingly rare, and internationally there are various permutations of mixed and hybrid funding models.

Internationally, other institutions are also experiencing difficulties capturing the types and levels of funding for homelessness services. Poor recording of financial data and difficulty sourcing such data has been recognised as a hindrance for developing funding snapshots for the homelessness sector (Shelter Scotland 2011). There are also inconsistencies in the way that individual homelessness services report income and operating costs (Gaetz 2012). Cost benefit studies in the international realm have often focused on specific interventions such as Housing First (Culhane 2008), rather than the national sector-wide economic analysis that AHURI has supported in Australia previously (Zaretzky & Flatau 2013). Indeed an international review of homelessness policy undertaken for the Welsh Government observed that there is a relative dearth of robust cost evidence, with the exception of studies in the US (Fitzpatrick et al. 2012).

 Casting the net wider to include services beyond the homelessness sector is even more challenging methodologically. For example, as noted by Culhane (Culhane et al. 2011) who has done much of the cost effectiveness work in the US, mainstream services (such as health or corrections) may not accurately report or document the housing status of people who attend or use their services, so it is difficult to apportion service use (or costs) to homelessness. Canada has also been active in mapping the costs to other sectors providing services to homeless people, but as observed by Gaetz, access to administrative data from services that homeless people access is often restricted (Gaetz 2012). This mirrors observations in Australia.

International variations and changing trends in approaches to homelessness also render it difficult to make neat international comparisons about funding models. ‘Housing First’ type approaches have spread geographically, for example, and have been a focal point of the more recent homelessness landscape in Canada (Goering et al. 2012), Finland (Tainio & Fredriksson 2009) and other parts of Europe (Fitzpatrick et al. 2012), and more recently entering the lexicon in France (Houard 2011) and Ireland (Fitzpatrick et al. 2012).

Despite the preceding knowledge gaps, our review of available international evidence on methods of funding provides a number of insights and ideas for future funding models in Australia. Overall, the world is experiencing innovative change with increased philanthropic funding in some areas, particularly through the introduction of SIBs by the United Kingdom (UK).
3.2 Sources of funding for homelessness internationally

3.2.1 Government funding

The extent to which the homelessness sector and its services are funded by government varies around the world, and often reflects the political and cultural ideology of that nation, as well as the policies of the government in office. France, for example has a long history of strong government support for social welfare, and indeed a high proportion of the public receive some form of housing support (Whitehead & Scanlon 2007). The US by contrast has less of a welfare mindset politically and ideologically, yet its government still invests substantially in homelessness, and increasingly in innovative approaches to prevent and reduce homelessness (United States Interagency Council on Homelessness 2015).

The extent of specific government funding for homelessness services has been gleaned for a number of countries from government reports and policies, but it is often not reported in a way that is easily compared. Total expenditure, for example, is a crude measure without adjustment for population size, and nations vary in the types of programs that are included or excluded in the reporting of government-supported homelessness services. It is reported that the United States spent US$5.1 billion on Homelessness Assistance Programs in the last financial year (United States Interagency Council on Homelessness 2015), but further information is needed to make meaningful comparisons to government expenditure in Australia, or between countries.

The delivery of government funding to homelessness in other countries takes a number of forms, but traditionally has most often been channelled through grants and programs, whereby organisations (including state or local governments) can apply for funds to deliver a particular service. Some governments are now engaging in more innovative funding models, with the UK pioneering the use of SIBs and social impact investments (DCLG et al. 2014b). These are discussed further in Section 3.2.6.

Although specific government funding for homelessness in many countries is substantial, as in Australia, it is usually not sufficient to cover the entire costs of services. The sustainability challenges and vulnerability from dependence on government funding appears to be commonly experienced in the homelessness sectors around the world. Additionally, government funding is known to be variable over time, and particularly dependent on the present economic conditions of the country. Government funding for social services including homelessness is also invariably impacted by global and local economic trends. Unfortunately, the latter can create a paradox, whereby times of economic hardship (such as the global financial crisis) exacerbate the prevalence of homelessness, but at the same time, engender fiscal belt tightening which may include funding reductions or cuts to homelessness services, as well as to other sectors such as health that deal with a significant proportion of homeless people. One of the unintended consequences of constrained availability of government funding is the competition this can engender among NFP organisations, particularly when administered through competitive tendering processes (Buckingham 2009). This can potentially be to the detriment of the sector if it reduces collaboration.

Funding from different tiers of government

The various tiers of government involved in homelessness also vary from country to country. In the UK for instance, the government invests in five primary funds from which local government councils and specialist homelessness services can apply for funding (DCLG et al. 2014a, b). One of these is the an £8 million Help for Single Homelessness Fund that aims to improve council-run services that support people at risk of homelessness (DCLG et al. 2014a, b). The UK government funds in some instances come from a composite of government departments—for example, the Fair Chance Fund is a £15 million fund that is jointly contributed to by the Department of Communities and Local Governments and the
Cabinet Office (DCLG et al. 2014a, b). Moreover, the Fund is supplemented by an SIB, for which 152 organisations have expressed interest (DCLG 2014a). In Finland, there is a large central government investment in homelessness programs and services (including homelessness prevention), but match funding is also contributed from municipalities involved in homelessness programs (Fitzpatrick et al. 2012).

Municipal and local government funding for homelessness seems more prominent in some European countries, such as Germany, Finland and France. State and local (county) government level investment in homelessness is also significant in the USA. In a review of international homelessness policies, Fitzpatrick et al. (2012) suggest that 45 per cent of funding comes from state and local sources, with a large proportion of federal funding also administered at the county level.

3.2.2 Mixed public and private funding

In various sectors, not just homelessness, there are a growing variety of funding models that combine public and private investment. This is evident internationally and mirrored in Australia. Sometimes these are formalised as public-private partnerships, but also occur more informally when, for example, non-government organisations and services seek to supplement government funding with other sources.

There are a number of examples around the globe of services to the homeless that have proactively structured themselves to be more independent and sustainable in terms of financial viability. The Boston Health care for the homeless program (O’Connell et al. 2010) is one such example, while it started with specific purpose grant funding, 75 per cent of their funding now comes from Medicaid in efforts to make it more sustainable. While this has some implications for the way that the program administers and delivers its services, it has enabled its funding, and hence, outreach, to grow significantly.

As noted by Bridgeman (2003), public-private partnerships (PPPs) are quite a common approach in initiatives to alleviate homelessness, with various permutations of public, private and NFP organisations working together, and spanning different levels of government (e.g. federal, state or county in the US). While PPPs at one level represent an alternative way to bring together funding for homelessness services or programs, they are also typically characterised by their multi-dimensional approaches to complex problems not easily addressed by a single organisation (Bridgman 2003).

Many of the examples of partnerships formed between the public sector and the private sector around homelessness are found in the US. In Los Angeles, The Hilton Foundation, an agency that builds houses to provide affordable, supportive housing for the homeless, has combined with the Department of Health Services (DHS) in order to develop the new Flexible Housing Subsidy Pool which aims to offer safe, secure housing for DHS patients who are homeless (Brousseau 2009). A recent county level example of a PPP is found in Arlington, whereby the County funding of $500 000 was matched to a grant from the Arlington Community Foundation to provide a $1 million private/public partnership to provide housing and key services to vulnerable homeless people (Arlington 2013).

As well as more formally identified PPPs, private-public collaborations is another term that is emerging in the homelessness literature. Van Leeuwin (2004) for example describes several variations of this model targeting youth homelessness in Denver, USA. As well as providing alternative avenues for funding, it has been noted that private public collaborations also provide scope to trial non-traditional interventions, facilitate complementary service provision and continuum of care within an integrated program (e.g. drug addiction treatment plus housing), and can leverage additional funding off the original collaborative investment (Van Leeuwin 2004). Moreover, the Denver examples illustrate that in a challenging economic climate, the coordinating organisation, Urban Peak, was able to substantially grow its suite of programs addressing homelessness (Van Leeuwin 2004).
One of the more novel forms of mixed funding is found in Finland, where funding for homelessness programs also comes from the Finnish Slot Machine Association (Fitzpatrick et al. 2012). This contributes to the overall substantial national investment in homelessness in the country (Fitzpatrick et al. 2012).

### 3.2.3 Private sector funding

Many of the international examples of private sector funding relate to social and affordable housing. For example, in Austria there are incentives for private investment in social housing through subsidies and tax concessions, and the government has established special institutional arrangements (housing banks) for private funds to flow to the NFP housing sector (Commonwealth of Australia 2014; Czischke et al. 2012). There is also a growing body of literature and programs pertaining to the engagement of the private sector in funding and/or supporting the integration of at-risk and homeless young people into the labour market through training, mentorship, and employment opportunities (Noble 2012). Some examples of government programs that work to improve the employment of young people include the UK Fair Chance Fund (DCLG 2014a) set up by the government, the US government’s Education for Homeless Children and Youth Program (United States Interagency Council on Homelessness 2015) and the Rotterdam SIB in the Netherlands (Sol 2014) which aims to transition youth from government benefits into employment and training.

### 3.2.4 Philanthropic funding

Often when people think of American philanthropy, names like Gates or Bloomberg come to mind. However, this view of US philanthropy is skewed, since in fact many philanthropic organisations in the US are actually small-medium in size and are comparable in size to Australian organisations (Austin 2012). As with Australia, it is difficult to ascertain from the published literature, the net value or proportion of philanthropic funding that is directed to homelessness versus other causes or issues. At the aggregate national level, one report suggests that in the US, private funding accounts for a greater proportion of funding for homelessness than Federal Government funding (Fitzpatrick et al. 2012), but the extent to which this constitutes philanthropic funding is unknown.

At the program or service level, it is also hard to gauge from available sources internationally, the relative contribution of philanthropic funds to programs and services as increasingly these operate with a mixed funding model. This has elsewhere been described as a patchwork of funding. As an illustrative example, The Shelter Association of Washtenaw is a homeless support organisation, which relies partly on philanthropy (receiving 36% of its funding from a variety of foundations, businesses and individuals) with the remainder of its funding from government (Garwood 2012). Garwood notes that while the inadequacy of government funding often drives such diversification of funding, it has other benefits as it creates a wide network of stakeholders supportive of the homelessness program (Garwood 2012).

One of the challenges around the globe with philanthropic funding is that it needs to be long-term for sustained impacts on long-term issues such as homelessness. One example of a successful long-term funding relationship is that between the Corporation for Supportive Housing and the Conrad N Hilton Foundation (Brousseau 2009) in the US. Brousseau (2009) notes that factors contributing to this long relationship include: inoculation against funder fatigue, active engagement, active engagement with the Foundation and using donated funds to leverage further grants and scale up.

Collaboration between philanthropic foundations is another way to enhance the impact and sustainability of philanthropic investment in homelessness (Carlin 2011). There are other potential benefits and resource saving that can be gained, as illustrated by the creation of a shared data repository by the Boston Foundation and the Paul and Phyllis Fireman
Charitable Foundation to assist homelessness prevention efforts in Massachusetts (Carlin 2011).

There are some examples internationally of new ways of injecting philanthropic support into social issues. Venture philanthropy, for instance, is an emerging type of philanthropy internationally that can be described as ‘grants plus advice’ (KnowHow NonProfit 2015). It takes concepts and techniques from big business and applies theories to achieving philanthropic goals through innovative grant making and has been usefully applied to help scale-up interventions on problems that need a longer term outlook to attain desired results (KnowHow NonProfit 2015).

3.2.5 Social enterprises

There are a myriad of social enterprise initiatives internationally (Czischke et al. 2012; Galera & Borzaga 2009), and a growing number targeting homelessness or the prevention of factors that precipitate homelessness (Teasdale 2009; Teasdale 2010). There is no single model and considerable variety across these social enterprises (Teasdale 2009). Examples from the international literature include Employment training programs (Teasdale 2009); Work experience programs (Teasdale 2009), and vocational training for young people in conjunction with mentoring, job skills training, clinical mental health services and harm reduction strategies (Ferguson & Xie 2007).

While there is an emerging body of research on the effectiveness of social enterprise initiatives relating to homelessness, there are many evidence gaps, and very few studies have tracked the longer term outcomes for participants, or included details about the funding and longer term sustainability of such programs. Evaluation studies of specific social enterprises are also limited in answering the bigger questions about the relative efficacy or cost benefit of these approaches over other homelessness interventions. As noted by Teasdale for example, it is not known whether social enterprises are better equipped or more effective than other organisational types in moving homeless people into employment (Teasdale 2010). There is also evidence to suggest that social enterprise routes to employment may not work so well for homeless people with more complex social support needs (Teasdale 2010). This concern highlights the need to monitor how shifts in funding and service delivery models impact on homelessness outcomes, particularly among those who may be most vulnerable.

3.2.6 Social impact bonds (SIBs)

SIBs were originally developed in the UK in 2010 to fund the Peterborough prison project which aimed to reduce reoffending rates in men serving short sentences by a minimum of 10 per cent (Disley et al. 2011). The SIB was implemented using a £5 million investment fund contributed to by private individuals and charities. Social Finance was hired as a contractor to organise and manage service delivery to clients. The two service providers contracted to date, are St Giles Trust and Ormiston Children’s and Families to provide support for both offenders and their families. If the specified outcomes are realised, then the UK Government will implement return payments to the investors. It is too early to measure the success of the program, however, early results indicate that the program is on track to receive outcome payments next year (Palumbo & Learmonth 2014).

Since their introduction, 24 SIB-funded projects have also emerged in the US, Canada, the Netherlands, Australia and Belgium (MaRS Centre for Impact Investing 2014; Robinson 2012). To date, only six have been completed, and outcomes known for only two of them, as a result it is difficult to measure the success of SIB schemes. Other countries have, however, invested in research towards these new models so that suitability for their individual needs can be determined (Robinson 2012). In a recent review of SIBs being implemented internationally (Palumbo & Learmonth 2014), only 2 of the 23 were working towards resolving homelessness issues (these were in the UK).
Both of the homelessness SIB schemes are run in London (Palumbo & Learmonth 2014). The *London Homelessness SIB* is a three-year $5 million project that was launched in 2012. The program has five outcomes to be realised including reduced rough sleeping, stable accommodation, reconnection, employment and health, and each outcome accounts for 25, 40, 25, 5 and 5 per cent of the realised funding respectively (DCLG 2014b). To date, only one of the outcomes, stable accommodation, is known to be achieving targets above baseline; however this outcome is 40 per cent of the realised aims so supports a sustainable financial model. The *London Homelessness SIB* is structurally pure, solely consisting of philanthropic funding. All funds are filtered through two service providers, St Mungos and Thames Reach, who deliver services to 831 clients over the program duration (DCLG 2014b). The service providers transfer the risk to a special purpose vehicle which acts as a contractor, holding all social investment to be distributed. The project is due to end in October 2016 upon which evaluations of outcomes will occur and the required payments will be made to investors.

At the start of 2015, seven new SIBs were announced as a part of the UK’s Fair Chance Fund (DCLG et al. 2014a, b). These SIBs will work towards improving the lives of homeless youths with payment realised after three years if the outcomes are achieved. Three main outcomes are tied with these SIBs that require clients to sustain secure accommodation, receive a National Vocational Qualification equivalent, maintain volunteering, and sustain full-time of part-time work for a period of time. The three outcomes will be assessed under education, accommodation and employment with payments made quarterly reflecting the level of achievement with a maximum payment of £17 000 for any given individual. The structure of the SIB is similar to the *London Homelessness SIB* using a primary investor as an independent contractor that will transfer risk from the government and employ homelessness agencies in order to achieve outcomes (DCLG 2014a). Payments will be made to this body on realisation of the proposed outcomes.

Internationally, it has been found that US$129.4 million has been invested in SIBs up until the end of 2014. A large amount of this has resulted from the US’s four SIBs, investing US$57.1 million, and the UK’s 15 SIBs which has invested US $54.5 million indicating that the US has more investment within a single SIB (Loxley & Puzyreva 2015). In Canada, investors have indicated a strong interest in social impact investment. The strong opinion is that a single intermediary should be involved with funneling the funds of multiple investors into one SIB that realises a set of outcomes (MaRS Centre for Impact Investing 2014). This is dissimilar to the original UK model which only sees investors individually working towards outcomes that are associated with an SIB. The first SIB of this model was launched in 2014 by the province of Saskatchewan, which provides support to young single mothers so that they may keep their child in their care (Loxley & Puzyreva 2015). The SIB will pay a 5 per cent return to funders if 22 children remain with their mothers six months after leaving Sweet Dreams supported accommodation. The US and Australia have also developed the UK’s original SIB further by transferring the risks carried by investors through government guarantees (Loxley & Puzyreva 2015). These guarantees ensure that projects will be proportionally funded by the government, which attempts to generate a higher interest from potential investors.

### 3.3 Summary

Overall, the international evidence on homelessness reflects a variety of funding models that mirror, with some variation, the mix of funding found in Australia. Government remains a substantial and critical funder for the homelessness sector around the world. This includes government funding for direct service delivery to the homeless and earmarked specialist homelessness programs and services. A number of countries recognise that there is a high concentration of homeless people who use services in other sectors such as health, welfare and justice, but this is less well articulated in most countries. Overall, there is perhaps a
greater degree of innovation in mixed funding models internationally, ranging from the growing use of social impact bonds in the UK through to more consolidated philanthropic investment in the US via large Foundations, and some innovations in public-private partnerships in several countries.

It is harder to delineate funding for services and programs in other, more mainstream sectors that may directly serve or benefit people who are homeless. This is one of the core research questions for this Inquiry, and appears similarly to be a void internationally.

What is even more difficult to distill than funding sources both internationally and in Australia, is the relative distribution of funding to different intervention points along the homelessness continuum. Funding to crisis shelters and supported accommodation is more easily identified, but it is hard to get a handle on the proportion of funding directed towards homelessness prevention in different countries. Germany is one of the countries recognised, as at the forefront on homelessness prevention (Busch-Geertsema & Fitzpatrick 2008), but it is difficult to ascertain what proportion of overall homelessness funding this receives. The Scottish Government is reported to have moved towards more preventative measures in recent years (Shelter Scotland 2011), but does this represent ‘new money’ for homelessness, or a redirection of existing resources and what is the relative proportion allocated to prevention.

While data on overall expenditure on homelessness in other countries is sparse, a growing number of studies from the USA (Culhane 2008; Culhane et al. 2011) and Canada (Gaetz 2012; Palermo et al. 2006) demonstrate the vast cost burden attributable to homelessness borne by other sectors such as health, welfare and justice. Indeed Canadian evidence suggests that the costs borne indirectly by other sectors may exceed those expended on direct homelessness services, and that preventing chronic and recurrent homelessness would represent an overall cost saving to government and community (Gaetz 2012). This is congruent with findings from AHURI-funded research led by Flatau and Zaretzky (2008) noted previously that documented the health and justice sector costs attributable to homelessness.

Such cost benefits studies are critical and insightful, but what remains lacking is a methodology for compiling a comprehensive national picture of overall funding for homelessness, that includes direct and indirect funding sources and the full spectrum of types of funding (including government, non-government, corporate sector, philanthropic funding and so on).
4 SCOPE OF THE INQUIRY

4.1 Introduction

The AHURI Inquiry on Homeless Funding in Australia will conduct three integrated research projects and assess the evidence from the research projects through an Inquiry Panel process and the delivery of a Final Inquiry Report.

The Inquiry addresses five research questions (RQs), and two additional policy questions (PQs). These questions and the methodology for the Inquiry are outlined in Section 4.2 below.

The questions to be addressed by the Inquiry cannot be answered from available data, either because it is not collected, or it is not reported in a format that enables the questions to be answered. The aim of the Inquiry is thus to answer these questions through the development of robust research projects informed by strong collaborative input from homelessness and housing policy and practice.

4.2 Inquiry questions

The Inquiry will address the following Research and Policy questions.

RQ1: What is the overall level and the mix of funding for homelessness services in Australia?

The Inquiry will cover all forms of funding of services including direct and indirect government funding (Commonwealth and state/territory), corporate, organisational and individual philanthropy; own revenue, social enterprise and impact investing sources. Sources of funding will include recurrent and capital funding. Funding levels and mix will be further cross-classified by service type (e.g., specialist homelessness services, mainstream providers undertaking targeted homelessness-specific programs, and social enterprises).

Complementary questions that will be addressed by the Inquiry, under RQ1, include:

- What data exists on different funding sources across homelessness service delivery and what original data needs to be collected to provide a more comprehensive picture?
- How meaningful is the notion of a ’specialist homelessness service’?
- What is the level of government funding under designated homelessness programs to specialist homelessness services (as well as other services) as compared with ‘mainstream’ government funding to both specialist homelessness services and to other services for homelessness-specific activity?
- Can the full extent of mainstream funding relating to homelessness be ascertained?
- What are the policy and other drivers impacting on funding that are not channelled through SHS funding?
- How can the relative mix of funding sources be mapped as an Australian baseline such that trends and changes in funding mix and levels can be tracked over time?
- How does Australia compare with other countries in respect to the mix of government and non-government funding of the homelessness service system?

RQ2: What is the impact of the funding mix on the nature, structure and types of services provided and the extent to which these support different groups of homeless people?

Complementary questions that will be addressed by the Inquiry include:

- What is the nature of the funding mix and relative allocation of funding across prevention, early intervention, crisis responses and post-crisis housing?
To what extent can expenditure on homelessness be disaggregated by funding source or by service type for high priority population groups within homelessness (for example women and children affected by DV, Indigenous homeless people)?

Do agencies that are able to source a broader range of funds able to offer a more comprehensive and better resourced program of support?

**RQ3: What is the relationship between the funding mix and service structures on the one hand and the outcomes of people who are at risk of, or who are experiencing, homelessness?**

Complementary questions that will be addressed by the Inquiry include:

- Is it possible to empirically analyse associations between funding mix and outcomes for those who are homeless? If not, what other data is needed?
- Does a broader mix of funding sources buffer challenges to service and program sustainability experienced within the homelessness sector?

**RQ4: How, and from where, is funding sourced by agencies and enterprises, which serve or provide employment or other complementary opportunities for the homeless?**

Complementary questions that will be addressed by the Inquiry include:

- What are the international trends in funding for employment and other complementary responses benefitting people who are homelessness or who at risk of homelessness?
- To what extent are mixed or hybrid funding models evident in complementary responses? For example, what is the mix of funding such as impact investing and other forms of start-up capital investment?
- Are there observable trends in traditional SHS diversifying into social enterprise, employment or other complementary programs, and if so how is this funded?

**RQ5: What is the level of government and non-government direct and indirect funding of services which support Indigenous homeless people and how does the funding mix influence service provision and outcomes?**

Complementary questions that will be addressed by the Inquiry include:

- What proportion of funding comes from Indigenous-specific funding and non-Indigenous sources of funding?
- Are there other innovative sources of funding being tapped into for Indigenous homelessness in Australia or internationally?
- What impact do changes in funding sources have on service and delivery and outcomes for Indigenous people?

The Policy Inquiry will also examine and seek perspectives from stakeholders on two additional Policy Questions relevant to the Inquiry.

**PQ1: What form should the funding of homelessness services take (e.g., individualised funding vs organisational funding, performance-based funding through mechanisms such as SIBs vs output or capability funding)?**

**PQ2: What options are available to government to increase the integration of homelessness specific and mainstream funding and service delivery and improve client outcomes?**

While the above questions will be the focal point for the Inquiry, it is likely that the Inquiry will also be able to address other important issues of policy relevance.

One such issue is the short duration of funding contracts and the sustainability of Australian funding models for homelessness service delivery: Are services given a sufficiently long lead
time to implement effective support programs and do they have confidence that programs will be maintained and continued to be invested in.

A second issue is that in Australia, the majority of funding is injected into the implementation of solutions to homelessness rather than into its prevention. Investigations need to be conducted into how the government can shift the funding flow into preventative strategies in order to cut off the stream of people entering homelessness who will subsequently replace those who have had issues resolved.

At the organisational level, little is known about whether sufficient funding is being provided for activities that lie outside direct service delivery, principally capacity-building and impact measurement and evaluation and, if funding is low, what is the effect of low levels of funding.

There has been significant interest in the role of SIBs in adding to the effectiveness of service delivery (with its focus on performance), to innovations in service design and overall level of investment in homelessness services. However, concerns have been raised with regard to the sustainability of the implementation of SIBs within Australia, to the high level of transaction costs involved, and whether impact measurement is sufficiently advanced to accommodate a SIB approach. The present study will shed light on these issues.

4.3 Inquiry methods

The Inquiry will comprise three separate research projects covering a national survey of services supporting people who are homeless, case studies of how the funding mix impacts on homelessness service delivery and an in-depth examination of the funding of Indigenous homelessness services. The Inquiry will be supported by an Inquiry Panel process which will assess the evidence presented in the projects. The panel is comprised of key Commonwealth and state and territory government representatives as well as representatives of service and peak bodies in the homelessness sector.

4.3.1 Research projects

The policy Inquiry involves three integrated research projects, hereafter referred to as Projects A, B and C.

Research Project A will gather primary data evidence on the various ways that Australian organisations, which serve the homeless, fund their programs and the types of services that are financed as a consequence. Project A will gather that evidence through an organisational survey, the AHURI Australian Homelessness Funding and Delivery Survey, administered to SHSs across Australia, and to a sample of mainstream services in areas such as social housing, drug and alcohol and mental health services delivering support to homeless people organisations, and social enterprises employing homeless people.

Research Project B will undertake a series of case studies of organisations and programs that serve the homeless to understand more clearly the links that exist between the funding mix, the services that homeless agencies deliver and their impact on homeless people. The use of case studies will provide rich evidence around relevant causal links between funding, service delivery and client outcomes for homeless people.

Research Project C will examine the issue of funding, service delivery and outcomes for Indigenous homeless people to account for the very high incidence of homelessness among Indigenous people. The study will conduct case studies of Indigenous organisations and Indigenous-specific programs as well as ‘mainstream’ organisations and programs which serve large numbers of Indigenous homeless people in different parts of the country and examine how the mix of funding influences service outcomes.
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AHURI Research Centres

AHURI Research Centre—Curtin University
AHURI Research Centre—RMIT University
AHURI Research Centre—Swinburne University of Technology
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