



EXECUTIVE SUMMARY

Inquiry into funding and delivery of programs to reduce homelessness

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Related reports and documents

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Spinney, A., Habibis, D. and McNelis, S. (2016) *Safe and sound? How funding mix affects homelessness support for Indigenous Australians*, AHURI Final Report No. 272, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/272>, doi:10.18408/ahuri-5109301.

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Inquiry panel members

Each AHURI Inquiry is supported by a panel of experts drawn from the research, policy and practice communities. Panel members for this Inquiry:

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Shane Hamilton	NSW Aboriginal Housing Office
Tony Keenan	Launch Housing
David Matthews	Housing and Community Services, ACT Government
Glenda Stevens	Homelessness Australia
Stewart Thomas	Department of Social Services

Executive summary

Key points

This AHURI Inquiry into the funding and delivery of programs to reduce homelessness in Australia provides the first comprehensive examination and assessment of the funding of Specialist Homelessness Services (SHSs) and other services assisting those experiencing homelessness.

- Government funding is the dominant form of funding, accounting for 84.6 per cent of funding provided to SHSs (those receiving funding from dedicated government housing and homelessness agreements).
 - Current levels of funding are below levels required to meet client demand, with only about one third of services indicating that they are able to meet client demand with current funding.
 - Non-government funding sources, including philanthropic foundations and the corporate sector, fundraising, and sponsorship play a minor role in the financing of homelessness services. New forms of funding such as social impact investment and social enterprise revenue are yet to have their impact at the grass roots level, but with Australian governments supporting the development of funding options they are likely to be more prominent in the immediate future.
 - Given the high level of unmet need, it is important that additional funding sources supplement, not replace, government funding. Diversification can come with costs in addition to the obvious benefits and 80 to 90 per cent of services expressed concern over increased reporting requirements, excessive outcomes measurement, possible changes in focus due to funder demands, and conflict between services and funders in values and objectives. The ability of services to access non-government sources of funding is determined by service type, the size of organisation and its fundraising capacity and geographical location.
 - Government homelessness programs examined do not have specific funding programs targeted to Indigenous homelessness. The cultural competency of homelessness services can vary and Indigenous people experiencing homelessness may not be receiving culturally appropriate support as a consequence.
 - Further areas for policy development include: (1) greater stability of government funding of homelessness services; (2) supportive measures to increase the level of non-government funding and to generate a positive environment for impact investment in affordable housing; (3) addressing concerns reported by services with respect to the costs of funding diversification; (4) early intervention and post-intervention strategies to reduce homelessness; and (5) integrated cross-sectoral, inter-governmental and cross-departmental government funding packages of integrated service approaches to achieve greater efficiencies.
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Key findings

This Inquiry into the funding and delivery of programs to reduce homelessness in Australia provides the first comprehensive Australian evidence of the funding of specialist homelessness services (SHSs) and mainstream services (e.g. in the health sector) with a homelessness service delivery focus. It examines the funding of these services and the implications of funding for service delivery effectiveness and client outcomes.

Three research projects inform the Inquiry. In the first of these, Flatau, Wood et al. (2016) collected and analysed survey data from 298 Specialist Homelessness Services (SHSs) and 21 non-SHS services drawn from a survey, the AHURI *Financing of Homelessness Services Survey*, they designed specifically for this Inquiry. MacKenzie, McNelis et al. (2017) provided further insight into the role of funding obtained from nine case studies of homelessness services and programs and social enterprises. Spinney, Habibis et al. (2016) examined the funding of Indigenous-focused services.

Current funding profile of the sector

The Inquiry found that the homelessness sector was highly reliant on government funding, most notably, funding under the National Affordable Housing Agreement (NAHA) and the National Partnership Agreement on Homelessness (NPAH). This heavy reliance on government funding makes the sector vulnerable to changes in government policy and to inefficiencies caused when overarching agreements, such as the NPAH, remain in the balance, and government contract negotiations are not conducted in a timely manner. Government funding represented 84.6 per cent of funding provided to SHSs in the Flatau, Wood et al. (2016) *Financing of Homelessness Services Survey*, and 60.6 per cent of funding for non-SHSs. It represents a much higher 94.3 per cent of funding for Indigenous-focused services.

Funding from government sources was perceived by services to be comparatively inflexible (Flatau, Wood et al. 2016). However, it is also perceived as essential to resourcing the provision of core activities of homelessness services. Stakeholders believe non-government funding is best placed to fund one-off projects and complement existing government funding of core services. Services attempting to raise additional funding are significantly more likely to be non-SHSs (94%) than SHSs (58%) and report meeting a lower level of client demand (Flatau, Wood et al. 2016).

Homelessness among Indigenous people is a priority issue in Australia due to the very high rates of Indigenous homelessness (AIHW 2014), but, overall, there appears to be a lack of policy and funding coordination to address Indigenous homelessness. No major government homelessness funding programs were identified in the Inquiry that specifically targeted Indigenous people. The cultural competency of available homelessness services can vary leading to the possibility that Indigenous people experiencing homelessness may not be receiving culturally appropriate support. Of the Indigenous Community Organisations (ICOs) which do provide services for Indigenous Australians experiencing homelessness, very few receive funding through NAHA or the National Partnership Agreement on Remote Indigenous Housing (NPARIH). Onerous application and reporting conditions act as a deterrent for smaller ICOs that might otherwise enter the space.

There is a high level of government funding and hence service instability in the homelessness sector, with 22 per cent of SHSs in the Flatau, Wood et al. (2016) study reporting a significant change in their funding in the last year. At the same time, other SHSs on the state and territory government rolls were no longer being funded at the time of completing the *Financing of Homelessness Services Survey*. This instability in funding appeared higher in the non-SHS sector, primarily relating to this sector's dependence on philanthropic sources of funding. The Inquiry found that funding instability negatively affects the ability of services to efficiently provide

long-term homelessness support, and adversely impacts on client outcomes and the achievement of government homelessness objectives. It is also more prevalent in the Indigenous-focused services, where the very short-term nature of service contracts, sometimes as short as three months, and changes in government policy has resulted in a significant negative impact on the ability of organisations to operate effectively and meet clients' needs (Spinney, Habibis et al. 2016).

Evidence of funding diversification

Government policy recognises a need for the homelessness sector to develop a more diverse funding base in order to add more resources into the system, and many homeless services indicated that they have taken steps to diversify their funding base. However, non-government funding is concentrated in two sources, namely, philanthropic giving through foundation funding and fundraising and rent from clients (where services provide accommodation). Philanthropic giving is more prominent in the non-SHS sector (21.3% of funding) than the SHS sector (3.6% of funding), but this relates to a small number of large philanthropic grants and is not uniform across the non-SHS sector. Corporate giving to the homelessness sector is very low save for some prominent exceptions such as the BHP Billiton support for the Perth-based Youth Foyer.

It is important to note that not all service types are in a position to access funding from non-government sources. Accommodation-based services generally have a more diversified funding base, including internally-generated income (3.2%), mostly from client rent, and philanthropic income sources (6%). Services operating in regional and remote areas are more heavily government funded than those in capital cities (non-government funding representing 3.6%, 2.4% and 7% of funding, respectively). Case study evidence showed that larger agencies with a developed brand, services with target groups which are considered more 'attractive', such as families and children, and/or services which provide material support, have a greater ability to attract philanthropic funding and corporate sponsorship.

Additionally, some services are concerned about the potential negative consequences of a diversified funding base, with over 90 per cent concerned about increased reporting, excessive output/outcome measurement and a drain on resources (Flatau, Wood et al. 2016). Other concerns noted were a potential change of focus flowing from the demands of funders and conflicts of interest.

Capacity to meet demand with current funding

The Inquiry found that homelessness service funding was considered by services to be inadequate to meet client demand (Flatau, Wood et al. 2016). This was particularly true for non-SHSs and Indigenous-focused services. Only about one third of surveyed services in the *Financing of Homelessness Services Survey* indicated that they were able to meet 90 per cent or more of client demand. The situation was worse for homelessness services not within the SHS sector, where only 28 per cent of services were able to meet 76 per cent of demand or greater (Flatau, Wood et al. 2016). Client-related outcomes most constrained were client employment initiatives, client facilities provided by the SHS and access to permanent housing. The financial stability of the service was also nominated as a key concern by services.

Lack of access to permanent housing is a recurring issue for homelessness services. This is associated with lack of capital funding for affordable housing. The proportion of funding for capital purposes identified by respondent organisations was much larger for non-SHSs (9.3% of total funding) than SHSs (0.7%). However, this largely related to a single grant to one non-SHS from an independent government agency. In the main, services reported no new capital funding. Given the sporadic nature of capital investment, the two-year window in the study conducted by Flatau, Wood et al. (2016) may not be representative of long-term capital investment. Nevertheless, it does suggest a lack of investment in capital projects in recent times (after fairly

high levels evident in the Rudd/Gillard Governments). Access to permanent affordable accommodation was considered by services as a priority area for additional funding.

Innovations in funding for homelessness services in Australia

There is growing momentum internationally in alternative funding models for homelessness services. Funding options such as social impact bonds (SIBs) or impact investment more generally, crowdfunding and revenue from associated social enterprises are increasingly part of the current funding discourse. With the exception of some social enterprise revenue initiatives and early forays into social impact bonds, these newer forms of funding are in their relative infancy in Australia.

Whilst none of the SHS or non-SHS providers completing the AHURI Financing of Homelessness Services Survey (see Flatau, Wood et al. 2016) reported funding services via social impact investment or social impact bonds, this is a rapidly growing area in Australia, and there are some promising examples underway in several states. These investment vehicles are typically results based and require both development of market infrastructure and more robust data on the program outcomes and the associated economic impact of programs. Australian governments are now actively supporting the development of impact investment options in the homelessness and housing fields and the role of such funding is a matter for current AHURI research titled 'Inquiry into social impact investment for housing and homelessness outcomes', (Muir et al. forthcoming).

To date, homelessness-related social enterprises identified as part of this Inquiry tend to be an extension of the agency's core activities (see MacKenzie, McNelis et al. 2016). Such social enterprises either provide cross-subsidisation for not-for-profit activities such as homelessness service support and/or facilitate additional client services such as skill development and employment (e.g. the training of previously homeless youth to work in hospitality). Social enterprises do not provide explicit homelessness support but can directly support the objectives of homelessness services and provide employment opportunities for the homeless.

There is considerable policy discourse across government around the need for more integrated cross-sectoral approaches, particularly in relation to complex social issues that cut across sectors and service delivery silos in their impact. In a previous study, Flatau, Conroy et al. (2013), provided evidence of relatively low levels of integration between homelessness services, mental health and drug and alcohol services despite high levels of co-morbidity in the client population. The fact that each of these sectors is funded by different funding bodies no doubt inhibits the extent to which individual services collaborate with one another. Other than the Australian Government and state/territory governments partnership that lies behind the NAHA and NPAH agreements there remains relatively few examples of multi-party funding of homelessness programs in Australia or of joint funding of homelessness and mainstream programs (e.g. drug and alcohol services). Government policy objectives promulgating more collaborative funding across sectors or funding streams appear to be very underdeveloped outside the main funding agreements of NAHA and NPAH; consequently, many services draw on a patchwork of funding sources to fund multiple types of services in order to provide a more holistic model of support. There is concern that joint funding arrangements are complex, and come with additional administrative and accountability costs.

Policy development options

A major recommendation of the present Inquiry is that government funding of the SHS sector should remain as the dominant form of funding. Homelessness is a long-term issue requiring long-term solutions and stable long-term funding to support long-term programs. The evidence

presented in the Inquiry suggests a degree of instability in funding and uncertainty of future funding.

Current levels of non-government funding of homelessness service are not in any way adequate to meet core requirements and are highly unlikely to ever be adequate. Non-government funding does not offer the level of stability required to provide core programs in the homelessness service space. Notwithstanding this, accessing additional sources of funding beyond core government funding and diversifying funding sources is important for homelessness services.

Funding diversification

Diversification of funding should be led by organisations themselves, complement existing government funding (and not be a substitute for it) and not be driven from the top down by government. It will be more successful if there is supporting investment by government for capacity development in areas such as outcome measurement. Greater coordination among different funders of homelessness services for collaborative funding partnerships and uniform reporting requirements will also help diversification.

Development of the philanthropic sector would benefit from market infrastructure initiatives which support longer term philanthropic funding, including action taken by philanthropic foundations to support partnerships, and the pooling of philanthropic funds. The aim would be to transform smaller, shorter term philanthropic funding into larger longer term grants more suitable for innovative recurrent program funding of homelessness services. Partnerships also have potential benefits such as the development of a culture of giving and support networks and resources such as shared data depositories.

Although social enterprises represent a potential funding source for homelessness services as well as a means to achieve social objectives directly through the employment and training of homelessness service clients, there remain relatively few examples of social enterprises in the homelessness area and further research is required to determine their effectiveness in delivering outcomes and additional funding and also the extent to which inefficiencies may be created when homelessness services diversify in this manner without a prior engagement in the enterprise space. Nevertheless, there are key examples of success. The social enterprises examined in case studies presented in MacKenzie, McNelis et al. (2017) have achieved positive outcomes in terms of generating employment and accommodation opportunities and revenue options for the auspicing organisation.

Development of the infrastructure to support the development of SIBs and social impact investment will require considerable government engagement to create a structure for marketing bonds, a common set of principles and common language, and robust and comparable outcome measures. The recently commenced state government SIB initiatives in Australia, which aim to provide this infrastructure, have started creating this foundation, and must continue for social impact investment to develop in a meaningful way in Australia.

Data collection and outcomes measurement

Outcomes measurement and evaluation is a point of new focus in the homelessness sector and the Inquiry recommends the implementation of capacity development initiatives and separate funding allocation in contracts for this activity. The specialist homelessness service sector and policy-makers have benefited significantly from the investment of Australian governments and SHSs themselves in the Specialist Homelessness Services Collection (SHSC), a SHS client-level data collection with national reporting undertaken by the Australian Institute for Health and Welfare (see <http://www.aihw.gov.au/shsc/>).

The SHSC is an important database that can be used by homelessness services for their own outcomes measurement and evaluation. What is at issue, however, is the funding of

supplementary outcomes measurement by services and, importantly, evaluation and reporting activity at the organisational level. Governments, as the primary funder of homelessness services, need to provide funding for organisational-level complementary data collection, evaluation and reporting, IT support and staff training. Other initiatives to support effective and systematic evaluation would include greater public availability of government data and the development of a common database of measures and metrics. At a systems level, the Inquiry recommends a continued focus on supporting further the linkage of the national SHSC homelessness unit record data with other government datasets such as health and justice databases. Facilitating access to this type of longitudinal and linked data requires policy to support data linkage and for the creation of protocols to deal with issues such as client privacy.

Funding streams and flexibility

The Inquiry supports initiatives to facilitate integration of homelessness and mainstream services through joint funding arrangements. Governments must, however, be cognisant of the costs involved to service providers in these initiatives. They also raise policy issues around development of common procurement processes, common language and reporting requirements. This creates more of a challenge when funding joint SHS and mainstream programs than joint SHS programs.

The homelessness service sector also needs to have the flexibility and capacity to respond to changes in government funding models, such as those that are currently facing the disability services sector (Purcal, Fisher et al. 2014). The individualised funding that has been implemented under the National Disability Insurance Scheme (NDIS) provides a key example of the move away from traditional models of program funding to individualised, person-centred approaches and tailored packages of client care. It has been argued that individualised funding can allow greater flexibility and enable services to meet client needs (Forsyth and Durham 2013), but as evidenced with the NDIS, such changes can create considerable uncertainty for existing services and for clients, and the homelessness sector may need to consider how it would respond or even adapt if this is mooted in the future.

Access to affordable housing

The Inquiry recommends that more funding is required for capital projects and to create a greater supply of accessible, affordable housing. This will help to stem the inflow of people into homelessness and assist people to exit homelessness. Initiatives to mobilise private capital in this direction include those discussed previously in relation to philanthropic funding and social impact investing. Growth of the community housing sector would benefit from development of infrastructure, in particular a financial intermediary to match available private capital with Community Housing Provider (CHP) requirements. It would also benefit from stability of government policy in this area, allowing businesses to have the confidence to scale up investment in affordable housing.

Indigenous focused programs

The policy implications of evidence presented in the research studies for Indigenous focused programs are generally consistent with those for mainstream programs. However, Indigenous programs do have unique features, such as a typically shorter funding timeframe.

Recommendations for with Indigenous specific programs are:

- Government funding commitments need to be for at least three-year periods to allow organisations to plan and deliver services which are cost-efficient and appropriate for Indigenous Australians.
- Funding arrangements need to support a more integrated, cooperative services sector for Indigenous Australians who are homeless. A broad range of government services need to

provide funding for homeless Indigenous Australians, especially the criminal justice system, and health and drug and alcohol services. Systems need to be developed to capture their contributions and support these activities.

Most of the organisations providing support to Indigenous Australians who are homeless are not Indigenous-specific. Further research is required in order to determine whether homeless Indigenous Australians are receiving the kinds of support which are best suited to them, whether the support they receive is culturally appropriate, and to understand the views of both Indigenous clients of homelessness services and Indigenous people who do not, or cannot, access services.

The study

The Inquiry into the funding and delivery of programs to reduce homelessness in Australia represents the first Australia-wide assessment of the funding profile of services which support the homeless population and those at risk of homelessness. The majority of homelessness funding currently comes from government sources and government policy appears supportive of increasing funding diversification. However, the profile of funding employed in the homelessness sector had not been mapped prior to the present Inquiry, nor what steps homelessness agencies were taking to attempt this diversification, what was required to facilitate diversification, or how a change in the funding profile will affect client outcomes.

Three research projects inform the Inquiry. Flatau, Wood et al. (2016) collected survey data using the online *Australian Homelessness Funding and Delivery Survey* developed by the authors. All Australian jurisdictions provided details of services receiving SHS funding. The ultimate sample of 298 SHSs, representing a response rate of 35.5 per cent, provides a representative sample of services operating in this sector. The non-SHS sample was drawn largely from a desk-top search. The respondent sample of 21 non-SHS services is small, but the lack of any formal mapping of such services means that we do not know how 'small' (or 'large') our sample is or how representative it is. The survey data included funding profile information for 2013–15, implications for service delivery and experiences in diversifying their funding base. Comprehensive financial information was provided by 216 SHS and 17 non-SHSs. SHS services are defined as services which receive funding under the National Affordable Housing Agreement (NAHA) and/or the National Partnership Agreement on Housing (NPAH). Non-SHS services are homelessness specific services which do not receive NAHA or NPAH funding, including community housing providers, and mainstream services such as health services, which operate programs specifically targeting the homeless or those at risk of homelessness.

MacKenzie, McNelis et al. (2017) provides further insights from nine case studies which examined funding for a range of service models: specialised aged care homelessness support, supported accommodation, youth outreach, Youth Foyer and Street to Home. The impact of agency size was examined by including both small organisations and a large organisation with significant SHS, other government and non-government funding. The case studies also examined a health focused service which has joint funding with a service providing homelessness support, and two comparatively new funding avenues; Social Impact Bonds (SIBs) and social enterprises.

Spinney, Habibis et al. (2016) examined funding sources for the 27 respondent organisations to the Flatau, Wood et al. (2016) survey that supported Indigenous Australians experiencing (or at risk of) homelessness. The study also incorporated insights gained through a review of the grey literature on Indigenous homelessness funding and a case study approach which gained insights from interviews and focus groups conducted with service providers and other stakeholders such as government departments.

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