



EXECUTIVE SUMMARY

The financing, delivery and effectiveness of programs to reduce homelessness

Inquiry into funding and delivery of programs to reduce homelessness

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Inquiry into funding and delivery of programs to reduce homelessness

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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:

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

Executive summary

This report is one of three reports to be released as part of an AHURI Inquiry into the funding and delivery of programs to reduce homelessness. It provides evidence from the Australian Homelessness Funding and Delivery Survey of how services supporting those experiencing homelessness are funded and how different forms of funding and the level of funding impacts on the delivery of homelessness assistance.

- The Australian Homelessness Funding and Delivery Survey found that the predominant source of funding of homelessness services in Australia is government funding. Recurrent government funding is estimated to account for 84.6 per cent of funding received by Specialist Homelessness Services (SHSs) and 60.6 per cent of funding for non-SHSs. SHSs are defined as those services that receive funding through targeted Commonwealth and state and territory government homelessness programs.
 - The main non-government sources of funding used by homelessness services include donations, sponsorships and philanthropy and internally-generated revenue such as rent from supported accommodation services.
 - Funding from government sources and from corporate grants and sponsorships has lower levels of flexibility and discretion than other sources of funding. The greatest level of flexibility and discretion in funding was found to be community donations, fundraising and large private donations.
 - Current levels of funding are estimated to be below levels required to meet client demand on homelessness services. Outcomes perceived as most constrained by the current level and mix of funding are client employment and access to permanent housing.
 - There is a growing interest in diversifying sources of funding among homelessness services. This extends to new forms of funding such as social enterprise revenue, crowd funding and social benefit bonds. However, these new forms of funding have yet to be realised.
 - In considering actions to diversify funding, homelessness services pointed to concerns relating to increased reporting, excessive outcome measurement, a drain on resources, possible change in focus, and conflict of objectives associated with finding new sources of funding.
 - Key areas for policy development recommended in the study include greater certainty around future government funding of homelessness services; supportive measures to increase the level of non-government funding including an expansion of philanthropic giving, sponsorship and donations, social enterprise funding options, crowd funding, the development of impact investment opportunities; and addressing the significant concerns reported by services with respect to the costs of funding diversification.
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Key findings

The Australian Homelessness Funding and Delivery Survey

This report is one of three reports to be released as part of an AHURI Inquiry into the funding and delivery of programs to reduce homelessness. It provides evidence from a national survey designed and conducted by the authors of this report, entitled the *Australian Homelessness Funding and Delivery Survey*, into how services supporting those experiencing homelessness are funded and how different forms of funding and the level of funding impacts on the delivery of homelessness assistance. The survey's aim was to provide an overarching picture of the sources of funding used by services supporting those experiencing homelessness and at risk of homelessness, the extent to which this sector is endeavouring to access non-government sources of funding and the level of success in doing so, and the sector's own assessment of how the funding mix and levels of funding impact on service delivery and client outcomes.

The *Australian Homelessness Funding and Delivery Survey* was administered across Australia to two types of services:

- 1 Specialist Homelessness Services (SHSs), defined as those services that receive NAHA or National Affordable Housing Agreement and NPAH or National Partnership Agreement on Homelessness funding.
- 2 Non-SHSs, including homelessness-specific services not funded through NPAH or NAHA and mainstream services that provide assistance to homeless people and those at risk of homelessness.

For the purposes of the study, a service is defined as an organisational unit that delivers homelessness service(s) and sits within a broader agency.

In total, 398 SHSs completed the *Australian Homelessness Funding and Delivery Survey*, a response rate of 35.5 per cent. Of these, a sub-sample of 298 (74.9%) provided full funding information. The SHS sample is representative of the range of SHSs which operate across all Australian jurisdictions. The non-SHS sample is 'relatively 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.

Sources of funds

Service-specific recurrent government funding accounted for 84.6 per cent of funding received by SHSs and 60.6 per cent of funding for non-SHSs. The main source(s) of service-specific recurrent government funding were:

- SHSs: NAHA/NPAH (49.5%) and other state/territory funding (24.9%)
- non-SHSs: other state/territory government funding (56.5%).

SHSs are more reliant on external recurrent funding sources, particularly government funding, than non-SHSs. This makes the SHS sector more vulnerable to changes in government policy.

SHSs in remote areas are more reliant on government funding than those in capital cities and regional areas, with a lower proportion of both external non-government funding and internally-generated funding evident for such services.

On average, philanthropy and sponsorship represent a sizable source of funding for non-SHSs (21.3% of total funding), but not for SHSs (only 3.6% of total funding). Philanthropic funding and sponsorship funding to the homelessness sector is characterised by a small number of large grants from philanthropic foundations and trusts to specific services and is not uniform across the non-SHS sector.

SHSs and non-SHSs supplement external funding by generating their own income such as through rent and fee for service income. However, although approximately one-third of both SHSs and non-SHSs reported receiving funding directly from internally generated income, due to the small dollar amount raised per service, internally generated income only accounted for a small proportion of total funding (SHS, 2.6% and non-SHS, 0.9%), and was predominantly associated with rent charged by accommodation-based services. Non-SHSs are more likely to supplement resources through the use of volunteer and pro-bono services, but this represents a minor contribution to total funds.

There is some evidence that current government policy promoting service integration is being matched by action in the field. Formal joint funding of programs is reported among around a fifth of all services. There is a greater prevalence of formal arrangements to leverage off other services (e.g. employment, education and financial counselling) to provide client support, without a joint funding arrangement. No SHS or non-SHSs reported funding via social impact investors or social benefit bonds. These are very new forms of funding and the market structure required to support these types of funding is in its infancy.

Limitations with the current level of funding and the mix of funding

Services have relatively little discretion in the manner in which they use funding to meet service objectives. The predominant funding source, government funding, is considered by the majority of services to offer low flexibility and discretion in service delivery. Sources with the greatest flexibility and discretion are community donations and large private donations, but these represent a minor source of funding.

Current funding levels are generally seen by homelessness services to be unable to meet both client demand and other service outcome objectives, especially among non-SHSs. A positive association was found between the ability to meet client demand and core government funding, underlining the importance of government funding in supporting the sector. Where that funding is not available, it is essential to have a well-developed philanthropy and investment market to support access to non-government sources.

A range of service objectives were perceived by both SHSs and non-SHSs as not being able to be met on the basis of the current funding levels. These included expansion of services, access to permanent housing and financial stability. Client employment, client facilities and IT development are other areas where a comparatively small proportion of services agreed that their objectives were able to be met with current funding, but fewer than ten per cent of SHSs considered these to be a priority area if additional funding was obtained.

A high degree of funding instability in the homelessness sector was evident, with 22 per cent of services reporting significant changes in funding between 2011–13 and 2013–15. Funding instability was more prominent among non-SHSs. As discussed above, financial stability was nominated as a priority area for additional funding. This also points to the need for stable government policy in the homelessness sector, assisting programs to be developed and implemented effectively with a longer term perspective.

Diversification of funding sources

The growing imperative to find funding from other sources was evident across SHS and non-SHSs, with many organisations indicating that they had taken active steps to diversify their funding base. Steps to obtain additional funding were most commonly targeted at government funding other than NPAH—philanthropy, community donations and fundraising. There was a higher success level for organisations that attempted to raise additional funds from community donations, fundraising and philanthropic sources than other sources. The dollar amounts raised through community donations and fundraising is typically small, so this success is unlikely to

translate into a significant increase in funding. It is the potential for increased levels of philanthropic funding that holds the greatest potential for significant levels of increased funding.

Although some services had taken active steps towards sourcing funds through the relatively new avenues of social impact investment and social benefit bonds, generally these steps were in the preliminary exploration phase, and no services attempting to raise funds from these sources in the previous two years had been successful. Current government steps to develop this market must continue in order for it to grow.

The vast majority of SHSs expressed concern about a range of potential negative consequences associated with a more diversified funding base. Over 90 per cent of services expressed concern about increased reporting and excessive output/outcome measurement. Other concerns from increased funding diversification held by around three-quarters of services were a drain on resources, a change in focus, and a conflict of objectives.

Indigenous-focused services in the *Australian Homelessness Funding and Delivery Survey* reported a smaller proportion of NAHA/NPAH funding, but this was offset by a larger proportion of other state and territory government funding than the sample as a whole. As discussed previously, this may reflect an inability of services to identify where government funding is obtained under NAHA/NPAH, or it may reflect a difference in government policy in funding these programs.

A much larger proportion of Indigenous-focused services provided long-term housing for clients (42.9% of Indigenous-focused services compared with 12% of non-Indigenous services). This potentially relates to the unavailability or unsuitability of affordable housing for Indigenous people outside of the homelessness system. A smaller proportion of Indigenous-focused services (61.6%) reported being able to meet greater than 75 per cent of client demand than the sample as a whole (67.5%).

Policy development options

Government funding contributes far and away the largest component of overall funding for homelessness services in Australia. The evidence suggests that it is vital for significant government funding of the sector to continue as services are currently not meeting current levels of demand and that there is a strong indication that additional funding, along with funding stability, is required for the sector to meet a broad range of outcome objectives, including adequate access to permanent housing. Non-SHSs, with a lower level of government funding, are less likely to meet service objectives than SHSs, pointing to the current importance of government funding to enable homelessness services to meet objectives.

The present study points to the fact that government funding can provide little discretion and there is a need for policy-makers to consider providing services with greater flexibility in the use of funds to meet the needs of specific client groups.

The fact that current funding levels are generally seen by homelessness services to be unable to meet both client demand and other service outcome objectives points to the need for additional funding to better meet client demand, expansion of client services, access to priority housing, service innovation, client employment, financial stability of services and IT development. Although services did not list these as top-level priorities, client employment is an important issue in assisting clients to secure a stable income source. IT infrastructure is also seen as an important factor in developing the systems required for coordinating service integration initiatives and for outcomes measurement. Addressing shortfalls in these areas through capacity development should be considered a priority for government.

To more effectively meet the demands of the clients of homelessness services, one or both of the following two things must happen. Either government funding must rise and/or non-

government sources of funding need to be tapped more effectively by homelessness services. To enable significant large-scale non-government funding, many homelessness services need to diversify funding sources and develop further the culture of philanthropic giving in Australia as well as structures to foster impact investment. Philanthropic foundations and grants represent the primary source of large-scale non-government funding. However, only a small proportion of services reported this funding source. Homelessness services and parent agencies need to develop more effective strategies to increase their effort and effectiveness in raising higher levels of funds from non-government sources.

Only a small proportion of services have taken active steps in relation to impact investing, predominantly at the preliminary exploration stage. Development of this sector has significant potential for large-scale non-government funding, but requires government support of market infrastructure development and program outcome measurement to be successful. It is also necessary to support outcome measurement and evaluation initiatives in the sector in order to provide the hard evidence on which philanthropists and social impact investors can base decisions.

Government policy around funding diversification needs to address the significant concerns reported by services around issues of over-reporting, change of service culture, draining of resources and conflict of interest with diversifying funding sources. Consideration is required as to whether funding diversification affects the ability and motivation of services to meet government policy objectives in the sector.

The sample of non-SHSs in our survey was small though we do not have a clear idea about how 'small' it is without a complete mapping of such services. Further research, specifically targeted at this sector, is required to better inform decisions regarding the importance of government funding for this sector.

The study

This study contributes to homelessness policy by providing large-scale representative data on the current funding profile of SHSs in Australia, the extent to which that funding is able to meet service outcomes, including client demand, steps that services are taking to source additional funding, and priority areas for funding. It also provides findings on the funding of services that support the homeless, but which are not incorporated under the SHS umbrella, referred to as non-SHSs.

The extant research literature is limited and we do not have large-scale representative data on the funding of both homelessness-specific services and services in mainstream service delivery that support homeless people. A primary purpose of the current research is to bridge the current significant gap in the evidence base on the funding of services supporting those who are homeless or at risk of homelessness. The study is based on the *Australian Homelessness Funding and Delivery Survey*, which was conducted throughout Australia from end-2015 to early 2016 and provides the largest data collection on the funding of Australian services that support the homelessness population.

The evidence and policy development options presented in this study are further strengthened in the AHURI's *Inquiry into the funding and delivery of programs to reduce homelessness's* two other research reports: *The funding and delivery of programs to reduce homelessness* (MacKenzie, McNelis et al. 2016), and *Safe and sound? How funding mix effects homelessness support for Indigenous Australians* (Spinney, Habibi et al. 2016). The three supporting reports will culminate in the Inquiry's Final Report (Flatau, Zaretsky et al. forthcoming).

In their reports, MacKenzie, McNelis et al. (2016) consider the role of early intervention and prevention strategies; integrated cross-sectoral and cross-department funding packages;

government and philanthropic/corporate co-funding projects, and rigorous experimental trials of social impact bonds. Spinney, Habibis et al. (2016) consider further whether Indigenous Australians, who experience rates of homelessness well above the Australian average, are receiving the kinds of support best suited to them, and whether the support they receive is culturally appropriate.

In the Inquiry's Final Report (Flatau, Zaretzky et al. forthcoming), a set of additional policy issues beyond the scope of the present study is addressed including continuity in funding, the role of competitive funding and contestability in funding, individualised funding, performance-based funding (contract renegotiation) and place-based funding options.

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