



**National Commission of Audit**

**Submission from Homelessness Australia \***

**26 November 2013**

**SUMMARY**

**The homelessness sector is under considerable pressure** as result of increased demand for its services and the lack of affordable housing. **It is in no position to absorb funding cuts.**

**Homelessness services provide a valuable safety net for a wide range of people** (many of them children) whose circumstances and vulnerabilities may not otherwise be addressed, even when they fall within traditional areas of state or territory responsibility. **By working with people at risk of homelessness, those services also play an important preventive role.**

Recent research has quantified the **value of government investments in this sector in terms of health, justice and other longer-term savings**, particularly where early intervention to address children's and young people's homelessness is concerned.

Although recent state and territory reform processes have increased the contestability of service delivery, **many forms of homelessness do not yield easily to market-based solutions, and the costs (particularly capital costs) of implementing those solutions need to be given adequate weight in any decision to move to them.**

**Like preschools** – whose workforce and number of 'clients' is similar, but which attract much more substantial government funding – **homelessness services are necessarily small, geographically-dispersed operations focused on the needs of individuals and small cohorts.** Finding savings in such human services environments without compromising service quality is not easy, but may be possible with better measurement of what states and territories do with federal money.

**Homelessness Australia is keen to collaborate with the federal government to improve mechanisms for determining how well states and territories spend federal homelessness money.**

\*. Homelessness Australia is the national peak body representing homelessness services providers. Our more than 300 members in all states and territories include large national charities, small regional and remote services and state and territory peak homelessness bodies.

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## 1. The homelessness sector: a default 'safety net'

About 1600 homelessness services Australia-wide support almost 230,000 people a year, including:

- **people experiencing homelessness** (eg those who are 'sleeping rough', on someone else's couch or in severely overcrowded housing);<sup>1</sup>
- **people 'at risk' of homelessness** (eg because they are a pay packet or a Centrelink payment away from losing a tenancy, are living in a caravan park, experiencing family conflict or loss of a partner, or find themselves in other personal or financial difficulties)<sup>2</sup> who would otherwise need to look elsewhere for help.

The latter category make up slightly more of homelessness services' clients (56 per cent) than the former (44 per cent). **Were it not for the preventive work of homelessness services with 'at risk' people, a population as large as that of Wagga Wagga (about 50,000 people) could be 'sleeping rough'** (on the streets, in cars, in parks or railway stations etc) on any night of the year, **in addition to the approximately 7000 people who already do so.**

**Homelessness services accommodate about 20,000 people a night, about one-third of them children.**<sup>3</sup> In 2011-12, a quarter of these clients stayed for just five nights or less, and another third for less than 45 days.<sup>4</sup> But the number of people in the 'up to 45 nights' category increased in the six months to December 2012 – probably due to the shortage of affordable housing.<sup>5</sup>

**However, the people who sleep in homelessness services are a minority of their clients (37 per cent).** Clients of homelessness services also include:

- people whom they assist to **find accommodation elsewhere** (eg in public or private rental accommodation or motels); and
- people given other types of general or specialist assistance so that they can **remain housed elsewhere**, rather than falling into homelessness – or causing other people (eg friends or relatives who have put them up on the couch in rental housing) to do so.

The latter types of assistance are also provided to homeless clients. 'General' assistance may include advice, material aid, transport, meals, laundry or shower facilities. 'Specialist' assistance (which homelessness services may provide directly or via a referral) may include (mental) health or child protection services; financial advice; drug, alcohol or other counselling; or legal services. More than a quarter of homelessness services' clients are people provided with 'tenancy support' (assistance with meeting rent payments or bonds or preventing eviction).<sup>6</sup>

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<sup>1</sup> The latter refers to housing that is so overcrowded that it needs *four* or more extra bedrooms to accommodate everyone. The largest concentrations of this type of homelessness are in very remote areas of the NT, WA and Qld, and among recently-arrived migrants in Sydney and Melbourne.

<sup>2</sup> Caused by factors as diverse as lack of entitlements to income support payments, illness, a lifetime of low earnings and no superannuation, exploitation by payday lenders or gambling addictions.

<sup>3</sup> The Census figure for 2011 was 21,258 people accommodated, including about 8500 children: ABS, *Estimating Homelessness 2011*.

<sup>4</sup> AIHW, *Specialist Homelessness Services Annual Report 2011-12*, p 18 (Figure 2.14).

<sup>5</sup> AIHW, *Specialist Homelessness Services July-December 2012*, p 14 (Figure 2.13).

<sup>6</sup> AIHW, *Specialist Homelessness Services July-December 2012* p 15.

**Women and girls make up about 60 per cent of all clients of homelessness services, children about 30 per cent and Aboriginal people or Torres Strait Islanders about 22 per cent.** As these proportions indicate, users of homelessness services include some of the most disadvantaged or vulnerable people in Australian society, among them:

- **children and women fleeing domestic and family violence.** About a quarter of services' client load is attributable to this major structural driver of homelessness;
- **people with severe or persistent mental illnesses;**
- **more than 26,000 young people,** including
  - about 2500 who have just left formal care,
  - others who should be in care arrangements or have been in informal ones, and
  - thousands of others unable to live at home due to family conflict, adult drug use or sexual abuse.

Many young people resort to homelessness services in the context of high youth unemployment and low youth wages or income support payments.

- **about 5000 people a year released from prison or other forms of detention;**
- **large numbers of new humanitarian migrants** (including those who have exhausted migrant resettlement services);
- **fairly large numbers of asylum-seekers** (including those affected by the previous government's 'no advantage' test); and
- **about 4000 New Zealanders,**<sup>7</sup> most of them presumably on 'special category visas' which entitle them to reside permanently in Australia but not to receive income support payments.

Thus **the homelessness sector supports a very diverse range of people.** It typically does so in services that support **three client groups with quite distinct needs, who cannot be housed or sometimes even supported together:**

- single people and sometimes families;
- young people; and
- women and children escaping domestic and/or family violence.

## **2. Increasing and unmet demand for homelessness services**

Apart from their 230,000 clients, **in 2011-12 homelessness services refused another 136,818 requests for assistance (an average of 374 a day),**<sup>8</sup> 83 per cent of them for accommodation.<sup>9</sup> **In more than 60 per cent of these cases, the reason for refusal was that the service had no accommodation to offer** (ie, it was full). (Other valid reasons include, for example, that the service takes care of one cohort of people and therefore cannot safely or appropriately co-house another.)

**The most significant demand for homelessness services may lie ahead: the largest increases in demand in 2011-12 occurred among older people, particularly women aged over 55.** Almost 14,000

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<sup>7</sup> Table S2.5: All clients by country of birth, 2011–12, adjusted for non-response in AIHW, [Specialist Homelessness Services: supplementary tables 2011-12](#).

<sup>8</sup> AIHW, *Specialist Homelessness Services Annual Report 2011-12* p 85.

<sup>9</sup> *Ibid* p 88.

people in that age group sought assistance from homelessness services in 2011-12.<sup>10</sup> While this is still a very small proportion of the over-55 population, it seems likely to grow, considering that millions of older Australians rely on income support payments. Housing is already unaffordable for many people, including over-55s, in receipt of Newstart Allowance – HA regularly fields inquiries from older people living in share houses on the outskirts of cities like Melbourne.

**Increases in demand for homelessness services are often difficult to predict.** There can be multiple reasons for this, and some of them (eg natural disasters) are beyond governments' control. However, **demand peaks or spikes can also occur because governments do not take adequate account of the consequences for the homelessness 'safety net' of their other policy decisions.** For example, because there is no meaningful link between immigration intake and housing supply,<sup>11</sup> decisions taken about the former's undoubted benefits for Australia's wider economy and society have unanticipated adverse consequences for disadvantaged people who already live here (eg because newer migrants, foreign students or backpackers take up low-cost housing that might otherwise have been available to them). They therefore have profound consequences for the homelessness sector. Similarly,

- the former Department of Immigration and Citizenship (DIAC) refused to advise homelessness agencies or migrant resettlement services) when it was proposing to release asylum-seekers into the community, so that those services were unprepared for these intakes;
- 'family support' reforms at the state level, designed to prevent child protection problems, may be driving greater uptake of homelessness services by people affected by family and domestic violence (including perpetrators as well as victims).

**Demand is also increasing because of the state of the housing market.** There is an under-supply of housing suitable for many people who experience or are at risk of homelessness, not least because many are single. Housing prices continue to rise, dragging rents up with them despite tax concessions which subsidise losses on negatively-geared investment properties. High housing prices (and sometimes other lifestyle choices) cause more affluent younger people to occupy private rental accommodation that would once have been let to poorer people for longer periods at lower rents. As a result, poorer people who do not qualify for public housing (which is now mainly allocated to families and those with high needs) are forced to the extreme outskirts of cities or precipitated into homelessness. Many single mothers who were recently moved onto Newstart Allowance find housing costs extremely challenging, with significant consequences for either their work prospects or the stability of their children's schooling, and Youth Allowance buys virtually no housing at all.

### **3. Retain present Commonwealth funding while improving state accountability for spending**

**Homelessness services are in many ways similar pre-schools:** they are geographically dispersed human services focused on the needs of individuals and particular cohorts. Some homelessness services (whose clients are escaping domestic or family violence) are also necessarily inconspicuous. The homelessness and pre-school workforce sizes (in the low 20,000s) and client numbers (around 230,000) are comparable, both sectors employ many women, and a perhaps surprisingly large number

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<sup>10</sup> AIHW, *Specialist Homelessness Services Annual Report 2011-12*, p 46.

<sup>11</sup> Perhaps the Commission could consider whether affordable housing investment could be fostered by development of a visa class for this type of investor? (Provided that care was taken to ensure that any resulting housing met construction and habitation standards.)

of people who work in homelessness services (like their counterparts in pre-schools) have tertiary qualifications.

However, despite operating on more restricted hours and serving their child clients for shorter periods each week, **preschools receive much more government funding than homelessness services.**<sup>12</sup> There are very good reasons (including some related to homelessness prevention) for investing heavily in early childhood education, but **what the pre-school comparator demonstrates is that the costs of this type of quality service delivery are necessarily high.** It is quite possible that a portion of homelessness funding supports the 28 per cent of Australian children who presently miss out on 'universal access' pre-school, and it is certain that substantially more of it supports children, young people and others who have been educationally disadvantaged in that or other ways.

The Commonwealth spends just under \$660 million a year on homelessness services, most of it (an estimated \$500 million) under the National Affordable Housing Agreement (NAHA). Some of the 'outcomes' to which governments have 'committed' under the NAHA are incoherent or so at odds with current conditions and government policies as to be ludicrous.<sup>13</sup> Although the NAHA purports to set out **related 'outputs' and 'performance indicators', some<sup>14</sup> are now honoured only in the breach,** while others<sup>15</sup> seem irrational or counterproductive and still others<sup>16</sup> are measured or reported on in ways that disguise the persistence of intractable problems.<sup>17</sup>

More importantly, **the Special Purpose Payment (SPP) to which the NAHA relates is not linked in any way to achievement of NAHA outcomes. States and territories could do nothing at all and still receive the money.** Many of HA's member services complain that such loose monitoring of Commonwealth spending leads to **'resources getting sucked into state/territory bureaucracies'** and **'all kinds of [state or territory] projects end up getting titled "homelessness"'**. Indeed, some states appear to have met subsequent requirements to match *additional* Commonwealth National Partnership Agreement on Homelessness (NPAH) money with *existing* measures funded by the Commonwealth. The NAHA and the NPAH are early examples of agreements in this genre, and such sloppy monitoring of their outputs is no longer tolerated in other contexts (eg health spending).

**The remaining \$159 million of Commonwealth expenditure occurs under the NPAH.** About \$4 million is Commonwealth Own Purpose Expenditure for evaluation and research, and \$3 million goes to state administration. Between 2008 and 2013, the equivalent of \$30 million in Commonwealth money (to be matched by states and territories) a year was allocated under NPAH to

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<sup>12</sup> Government-funded pre-schools, which take only 72 per cent of all eligible children, receive about \$1.6 billion in combined Commonwealth, state and territory funding, including \$300 million under the previous government's National Partnership Agreement on Early Childhood Education: Productivity Commission, *ROGS 2013* at

<sup>13</sup> eg clause 7: '... (b) people are able to rent housing that meets their needs;

(c) people can purchase affordable housing;

(d) people have access to housing through an efficient and responsive housing market'.

<sup>14</sup> eg '[f]rom 2007–08 to 2015–16, a 10 per cent reduction nationally in the proportion of low-income renter households in rental stress'.

<sup>15</sup> 'Number of households in private rental receiving subsidies', 'number of people receiving home purchase assistance'.

<sup>16</sup> 'Proportion of Indigenous households living in overcrowded conditions.

<sup>17</sup> As the COAG Reform Council pointed out in its 2013 report, indigenous overcrowding is measured by *household* (which tends to disguise the scale of the problem when there may be 12 people in a household), and *by reference to the national indigenous population* (which has grown rapidly, but not so much in areas where this kind of overcrowding is concentrated, ie remote Australia).

build housing under the A Place to Call Home initiative. While delivery of that initiative by some states (eg Victoria) was evaluated favourably by that state's Auditor-General, it has been underwhelming elsewhere, and there remain real concerns in the homelessness sector about state 'matching' of this Commonwealth contribution.

**The 'transitional NPAH' signed in early 2013 is more than a mere continuation of the earlier agreement.** Rather, it contains some significant shifts in direction. **Even** more troubling is the fact that, **six months into this one-year agreement, state and territory implementation plans are not publicly available.** The new partnership moved away from the four 'core outputs', of which A Place to Call Home was one, apparently substituting this spending with a 'Development Fund'. **HA's members have welcomed the commitment to continuing existing services** (backed by a related performance indicator) rather than starting new ones. However, they **remain cautious about accountability for 'Development Fund' spending and for another new 'output':**

- (c) States continuing to implement reform agendas which support the national response to homelessness.

**Whether or not a state reform agenda supports the national response to homelessness is much more difficult to measure than almost anything else contemplated by the NAHA.** This is particularly so considering that the only other 'performance indicators' under the 'transitional' NPAH are formalistic ones relating to submission of Development Fund bids, reports and other information.

**There is an urgent need to update these intergovernmental agreements with performance indicators that are measurable, targets that are realistic and meaningful funding consequences if 'outputs' are not delivered in particular states or territories. It is also vital that funding instruments in this area take proper account of the underlying drivers of homelessness, including housing under-supply and unaffordability, domestic and family violence, gender inequality and poverty.**

**Homelessness Australia is very keen to assist in upgrading these accountability requirements.**

Finally, it should be noted that more than \$20 million a year of homelessness services' funding is redirected as **grants of material aid to individuals**, with 20 per cent of clients receiving an average of \$398 per person, much of it in the form of **'tenancy support' payments to keep them housed, or assistance or to purchase emergency accommodation** (eg motel rooms).<sup>18</sup> **These payments benefit housing providers, including state and territory public housing authorities** as well as people experiencing or at risk of homelessness.

#### **4. Funding homelessness services saves money in health, justice and other budgets**

**Recent research has demonstrated the cost savings to be made by governments spending money on homelessness services, particularly those with an element of prevention or early intervention.**

There is a clear incentive to change current *spending* patterns, particularly in relation to particular cohorts:

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<sup>18</sup> AIHW, *Specialist Homelessness Services 2011-12*, p and *Specialist Homelessness Services July-December 2012*, pp 16-17.

- a 2012 study of people with mental health disorders, cognitive disabilities and complex needs with repeat involvement in the criminal justice system estimated their present costs to governments to be as high as \$1 million per person per year.<sup>19</sup>
- research into domestic and family violence has estimated the annual cost to the Australian economy to exceed the previous government's post-GST stimulus spending (at \$15.6 billion), with the annual costs to governments constituting around 19 per cent of this expenditure;<sup>20</sup>
- although there are yet to be studies specifically focused on children and young people, those cohorts are the ones in which the most savings are likely to be made because people in these age groups benefit the most from early intervention.

**Governments could also benefit from the increased taxation *revenue* generated if previously homeless or 'at risk' people are able to enter the workforce.**

Research on these issues takes account of the **strongly intergenerational dimension to homelessness**. Children who grow up regarding homelessness as normal are much more likely to experience it again as adults. In the wider context of recent understandings of the power of early childhood experiences to shape adult lives and the value of early, even expensive, interventions to prevent such outcomes.

Cost-benefit research on the homelessness sector is in its infancy, and likely to be too expensive to conduct on a broader scale without access to large, pre-existing data sets. Nonetheless, **research to date appears to demonstrate that there are modest but substantial**

- **justice savings** to be made by adequately supporting homeless **single men** (including because they might otherwise be accommodated in correctional institutions); and
- **health savings** to be made by adequately supporting homeless **single women** (including because some find themselves homeless or at risk of homelessness as a result of illness).<sup>21</sup>

**The fullest savings are likely to be made where housing as well as support needs are addressed on a longer-term basis**, but this outcome is beyond the homelessness sector and (we would argue) needs separate government attention.

##### **5. Scope to increase contestability of, and private contributions to, homelessness service delivery is limited**

As in other parts of the community sector, **the homelessness services delivered by NGOs on behalf of government are provided at a fraction of the cost of government-delivered programs**. The 2010 Productivity Commission<sup>22</sup> estimate of 30 per cent savings may well be an underestimate in a sector in which so many services are provided after hours. Staff of homelessness services also commonly respond to unmet demand by working overtime to get someone else (eg a local services club) to assist people who are homeless or at risk of homelessness.

<sup>19</sup> Baldry *et al*, *Lifecourse institutional costs of homelessness for vulnerable groups*, School of Social Sciences, University of New South Wales, 2012 and McCausland *et al*, '**People with mental health disorders and cognitive impairment in the criminal justice system: Cost-benefit analysis of early support and diversion**', August 2013.

<sup>20</sup> KPMG, *The costs of violence against women and their children*, March 2009.

<sup>21</sup> Zaretsky *et al*, [The cost of homelessness and the net benefit of homelessness programs: a national study: Findings from the Baseline Client Survey](#), Australian Housing and Urban Research Institute 2013 and associated follow-up research.

<sup>22</sup> [Contribution of the Not-for-Profit Sector](#) report at

State reform processes have increased the use of tendering for homelessness service delivery. However, **there are limits to the efficiencies that can be generated by unleashing market forces on delivery of complex human services of this kind.** To begin with, as recent delays in the NSW ‘Going Home, Staying Home’ invitation-to-tender process show, **state bureaucracies are not always up to the task of managing these processes in a timely way.** Further, as the Productivity Commission pointed out in 2010, **these problems are exacerbated by short funding cycles and proliferation of service provider contracts** with different government departments for what can sometimes be relatively small amounts of money. Perhaps most importantly, *volte-face* **decisions to de-fund existing services often cause the sector to lose valuable capital infrastructure.** Frequent requirements to re-tender and re-contract disrupt delivery of existing services and participation in inter-agency networks and partnerships, and compromise volunteer recruitment and marketing strategies. Too much competition for service contracts between providers also contributes to

- undue **urbanisation of services**, distancing them from rural and remote clients;
- sub-market tendering by large providers, sometimes in fields or client groups in which they lack experience or expertise, without reference to existing providers;

and disrupts efforts to ‘join up’ delivery of housing and homelessness support and other services necessary to improve clients’ social and economic participation (eg job services).

In recent years, **the sector has increased its leverage of private sector contributions** (in the form of funds, buildings, furnishings and salaries), particularly for projects such as large ‘housing first’ developments with ‘wraparound’ services for chronically homeless people. For example, the Melbourne CBD Common Ground facility was built at cost by the Grollo Group and the ACT development will be sited on government land, fitted out by national whitegoods and furnishing retailers and local quilters and employ a ‘concierge’ funded for five years by the Snow Foundation.

Considering the complex and challenging nature of much of its work, and the imperative for secrecy where domestic or family violence is involved, **the sector also makes surprisingly good use of volunteers. Recruitment of volunteers to management boards exceeds the community sector average**<sup>23</sup> and already provides the kind of local support that Coalition policy encourages for hospital boards. **Large numbers of volunteers also currently assist with operational matters.**<sup>24</sup>

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<sup>23</sup> ACOSS, *Community Sector Survey 2011*.

<sup>24</sup> For example, St Vincent de Paul (SVDP) NSW, reports that, in 2012-13, its 15 homelessness services and three ‘night patrol’ outreaches attracted 4040 volunteers who contributed 265,677 hours – an average of 66 hours, or nearly a fortnight’s full-time labour, each – a to the following work:

Services – Hostels, Domestic Violence Refuges, Street Outreach, Day or Drop in centres that include Learning & Medical Centres, Clothing and food distribution.

Type of roles that volunteers play – befriending, facilitating or assisting in learning sessions (play groups for children, art, music, IT, literacy, cooking, budgeting, gambling support), sorting and allocating clothes donations, serving in the soup kitchens /kiosks, drivers and assistants for social outings or night street outreach.

Interestingly, 41 per cent of SVDP NSW’s homelessness volunteers are people aged under 50 – a fact which may reflect either the level of after-hours commitment involved or young people’s greater experience of the consequences of housing unaffordability. The volunteer contribution to SVDP’s homelessness service delivery comes on top of the valuable work done by other volunteers in fund-raising to support that work (eg through Vinnies op shops).

However, there are limits to the work that volunteers can do. **Homelessness services are ‘high risk businesses’, and the regulatory environments in which they operate have changed dramatically since the sector’s infancy last century.** Perhaps more importantly, **research conducted in this millennium has demonstrated the importance of:**

- **skilled, early interventions in the lives of homeless clients;** and
- **proper vetting of workers who will be exposed to vulnerable people,** even where that vetting involves extra costs.

Many people who experience homelessness have been affected by (or are at risk of) serious trauma and sometimes violence. Volunteers can prepare their meals and sort clothing for distribution to them, and appropriately supervised and vetted volunteers can play with children, lead excursions and help with budgeting session. But volunteers cannot and should not provide professional services. **Asking volunteers to take back roles that they performed in the homelessness sector in the 20<sup>th</sup> century which have since been professionalised is a recipe for disaster.**

There are also obvious limitations on the extent to which people experiencing or at risk of homelessness can contribute to the costs of the safety net that homelessness services provide. **A significant number of these clients** – not just asylum-seekers without work rights and unemployed New Zealanders, but also young people, women and children who have had to leave home with nothing because of violence – **have no, or no immediate, income** that could be drawn on. Less obviously, **there are always people in the chronically homeless population who are entitled to government income support but not in receipt of it** until assisted to apply by a homelessness service.

Despite these limitations, **some homelessness services already collect financial contributions to service delivery (eg in the form of rent, board or charges for electricity use) from clients.**