Inquiry into funding and delivery of programs to reduce homelessness

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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

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Marion Bennett	Mission Australia
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Acronyms and abbreviations used in this report

AHURI	Australian Housing and Urban Research Institute Limited
AHL	Aboriginal Hostels Limited
AIHP	Australian Indigenous Health Program
AIHW	Australian Institute of Health and Welfare
CAAPS	Council for Aboriginal Alcohol Program Services
CALD	Culturally and linguistically diverse
CAP	Crisis Accommodation Program
CHP	Community Housing Provider
IAS	Indigenous Advancement Strategy
ICHO	Indigenous Community Housing Organisation
ICO	Indigenous Community Organisation
NAHA	National Affordable Housing Agreement
NESAY	North East Support and Action for Youth
NDIS	National Disability Insurance Scheme
NPAH	National Partnership Agreement on Homelessness
NPARIH	National Partnership Agreement on Remote Indigenous Housing
NRAS	National Rental Affordability Scheme
NSW	New South Wales
PPP	Public Private Partnerships
SAAP	Supported Accommodation and Assistance Program
SAHSSI	Supported Accommodation and Homelessness Services Shoalhaven Illawarra
SHS	Specialist Homelessness Service
SHSC	Specialist Homelessness Services Collection
SIB	Social Impact Bonds
SLK	Statistical Linkage Key
SCRGSP	Steering Committee for the Review of Government Service Provision
SVA	Social Ventures Australia
TAFE	Technical and Further Education
UK	United Kingdom

Glossary

Agency: the organisation that manages and administers the homelessness service in question and is the legal entity that 'signs off' on service contracts with relevant funders. An Agency may have a number of homelessness services and may provide a broader range of services beyond the homelessness sector. In some cases, the Agency and the Service may be one and the same (in which case the Agency is a single service Agency).

Client: each individual who receives support from the service. For example, a family group of one adult and two children, where all individuals in the group are supported by the service, is counted as three clients.

Crowd funding: the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet (Oxford Dictionary nd).

Homeless: clients of homelessness services are considered to be *homeless* if they are living in any of the following circumstances:

- No shelter or improvised dwelling: includes where dwelling type is no dwelling/street/park/in the open, motor vehicle, improvised building/dwelling, caravan, cabin, boat or tent; or tenure type is renting or living rent-free in a caravan park.

- Short-term temporary accommodation: dwelling type is boarding/rooming house, emergency accommodation, hotel/motel/bed and breakfast; or tenure type is renting or living rent-free in boarding/rooming house, renting or living rent-free in emergency accommodation or transitional housing.

- House, townhouse or flat (couch surfing or with no tenure): tenure type is no tenure; or conditions of occupancy are living with relatives fee free, couch surfing.

Indigenous-focused services: Services that identify as Indigenous-specific or list Aboriginal or Torres Strait Islander (ATSI) people as their main client group.

Service: The organisational sub-unit or program within an agency which is funded or contracted to deliver homelessness assistance. An agency may manage one or many services delivering assistance to homeless people or those at risk of homelessness.

Social Impact Bonds (or Social Benefit Bonds): A financial instrument that:

- Pays a return based on the achievement of agreed social outcomes.

- Private investors provide the capital to deliver a program or service and the savings generated from achieving better outcomes enables Government to repay the upfront investment and provide a return (NSW Government 2015).

Social enterprise: Organisations or organisation node(s) that:

- Are led by an economic, social, cultural, or environmental mission consistent with a public or community benefit.

- Trade to fulfil their mission and derive a substantial portion of their income from trade.

- Reinvest the majority of their profit/surplus in the fulfilment of their mission (Barraket, Collyer et al. 2010).

For example, a coffee shop operated by a service (possibly employing clients) and revenue from the coffee shop is used by the service to provide homelessness supports.

Social impact investors: Individuals or organisations who place capital and capabilities to fund projects and organisations that deliver financial as well as social or environmental returns (JPMorgan Chase & Co. and the Global Impact Investing Network 2014).

Specialist Homelessness Services (SHSs): Homelessness specific services which receive National Affordable Housing Agreement (NAHA) and/or National Partnership Agreement on Homelessness (NPAH) funding. All other services, whether they are homelessness specific or mainstream services are referred to as non-SHSs

A list of definitions for terms commonly used by AHURI is available on the AHURI website www.ahuri.edu.au/research/glossary.

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.

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 diversity 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 (NHAH) 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.

1   Introduction

This AHURI 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, mainstream services and Indigenous services which assist the homeless. It examines implications for service delivery and government policy.

- Government provides the majority of homelessness funding, and this needs to continue into the future. Although government funding leaves many of the sector's needs unmet, the level of unmet need is greater where government funding is not available.

- Government policy recognises a need for the sector to develop a more diverse funding base if homelessness objectives are to be met. A variety of non-government funding sources are available, including philanthropic grants and rental income. These currently play a minor role in the overall funding mix. Increased funding from a wider set of sources reduces risk at the organisational level and increases the level of resources to fight homelessness. Policy-makers can support funding diversification through mechanisms that support giving in various forms, the development of own source revenue, social impact investment opportunities, and other forms of funding. However, any push for funding diversification must not be at the expense of ongoing government funding and must consider factors which limit the ability of services to diversify funding and the associated costs of diversification.

- No Australian Government or state/territory government program specifically targets funding to supporting homeless Indigenous people or those at risk of experiencing homelessness. Services for homeless Indigenous people are overwhelmingly 'mainstreamed' and funding arrangements are characterised by a lack of policy coordination. Organisations have varying views about accessing non-government funding sources.

- New forms of funding such as impact investing opportunities, crowd funding and social enterprise income have yet to make their mark in the homelessness sector, but are likely to have a role to play for particular types of interventions in the future. These sources of funds are best placed to complement existing government funding of core services.

- Three research projects inform the Inquiry. Flatau, Wood et al. (2016) collected survey data from homelessness services; including their funding profile, and implications for service delivery of diversifying their funding base. MacKenzie, McNelis at al. (2017) used case study evidence to provide further insight into the role of funding in service delivery outcomes, and Spinney, Habibis et al. (2016) examined the funding of Indigenous focused services..

1.1 The research context

This is the Final Report for the AHURI Inquiry into the funding and delivery of programs to reduce homelessness in Australia. The Inquiry's purpose is to gather and synthesise 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. This evidence is used to make policy recommendations on funding of the homelessness sector and to identify areas for future research.

The existing literature suggests that the Australian homelessness sector relies heavily on government funding with some evidence of funding obtained from non-government sources (Commonwealth of Australia 2014; Mulgan, Reeder et al. 2011). This is particularly true for services which focus on Indigenous Australians. However, there is a growing variety of funding sources and models in homelessness funding in Australia. Government policy to increase funding diversification was signalled in the White Paper *The Road Home* (Commonwealth Government 2008), where it was recognised that:

> It will not be possible to meet the headline goals under this strategy without harnessing the efforts of the broader corporate and private sector. (p. 20)

Given constraints on the level of government funding, the short-term and often changing government homelessness funding environment, and the current push by government for homelessness services to diversify their funding base, it is important to understand how these influence service provision and outcomes for homeless people, and thus the extent to which government homelessness objectives are able to be met.

The profile of funding achieved by services in the homelessness sector has not previously been mapped. We do have information on the level of government funding for Specialist Homelessness Services (SHSs) but even here the data is incomplete. For example, *The Report on Government Services* provides details of funding for SHSs, but until recently this did not include services funded under NAPH and it does not report on homelessness services which are not classified as SHSs (SCRGSP 2016). The homelessness services sector is quite heterogeneous, and there is also little knowledge about how individual funding sources, or combinations of funding, impact on the outcomes of different service models. It is important to develop an understanding of the implications of funding on client outcomes before scaling up use of individual funding sources. It is also important to understand whether different funding sources are more suitable for different service models; for example what are suitable funding sources and mix for an outreach service for rough sleepers compared with a supported accommodation service for women escaping domestic violence.

The literature often focuses on funding of a particular program or a particularly type of funding (e.g., total NPAH funding, social impact bond funding or philanthropic grants). Furthermore, as observed in relation to social housing in Australia, there is a growing diversity of hybrid funding variations (Gilmour and Milligan 2012). Further upstream are programs that are seeking to intervene to prevent homelessness or the recurrence of homelessness, such as employment or education programs. Identifying the sources and relative contributions of these other pockets of funding is a more complex task, but essential if we are to have a fuller picture of both the funding and service mix, and in turn to inform policy and practice for the future. 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. Hence, this is one of the core research questions of the Inquiry and one which this report aims to address.

A review of the available international evidence shows that the manner in which homelessness services are currently funded is also not well articulated internationally. However, it does appear

that, similar to the case in Australia, government funding remains critical to spearheading reductions in homelessness around the world, but there is also a broadening and diversity of funding sources for homelessness initiatives such as philanthropy, social impact bond income, social enterprise revenue contributions and other innovative approaches to funding. Moreover, reliance on a single source of funding is increasingly rare, and internationally there are various permutations of mixed and hybrid funding models (Fitzpatrick, Johnsen et al. 2012; Shelter Scotland 2012).

The literature provides some insight into the ability of current SHS funding to meet some client-related service objectives, but not in relation to the non-SHS sector. It does not provide evidence of the extent to which service level objectives, such as staff development, are met.

The level of unmet client demand in the SHS sector suggests that resources are not adequate to meet demand, particularly in relation to long-term accommodation, provision or referral to mental health, disability and drug and alcohol support services, and access to employment opportunities (AIHW 2015; Zaretzky and Flatau 2013). Governments are increasingly requiring programs to undertake program evaluations and to report on outcomes achieved to validate support models and justify renewal of funding. Outcomes measurement and evaluation at the individual service level is also important to attract non-government funding, particularly in relation to social impact investment, which typically requires evidence of both a financial and social return. However, the funding implications of this extra impost for services are not often addressed, negatively impacting on funding and staff time available to provide client services.

Integration of homelessness services with mental health, drug and alcohol, and other relevant services is an important part of government homelessness policy, but adequate funding for this integration is seen as a challenge to successful service integration. Service integration ranges from loose collaborative arrangements, such as referral of clients and good communication between staff in different organisations, to full service integration (Flatau, Conroy et al. 2013; Queensland Council of Social Service (QCOSS) 2016). Funding must be adequate to provide for the successful development of the integrated suite of services, to support integration of governance, provide for ongoing coordination of client support, and to allow services to meet complex client needs over an appropriate period. Appropriate IT services and systems are also considered an important element in developing efficient and effective integrated services (Flatau, Conroy et al. 2013; Queensland Council of Social Service (QCOSS) 2016).

Diversification of funding sources may alleviate the instability to the sector caused by insufficient and volatile government funding, but that is not to say that volatility is removed, as alternative sources such as philanthropic funding are also volatile. Moreover there are other concerns attached to diversifying the funding mix. One major issue is the additional bureaucratic and reporting burden placed on services when required to report to multiple funding bodies. This can also create conflict where different funders have different objectives (Flatau, Zaretzky et al. 2015). Different funding sources and models are likely to suit different service models. For example, social enterprise income may be an effective manner to generate income for a Youth Foyer, but may not be appropriate for a women's refuge, when it is based on employment of clients.

The introduction of social impact investors and philanthropists as potential sources of funding also places new demands on services, with a requirement to place greater emphasis on clear articulations of purpose and outcomes achieved, often by employing the use of quantifiable measures and indicators (Social Impact Investment Taskforce 2014). This has the potential to conflict with the objectives of the service in some cases, where many desired outcomes may be soft and not easily measureable, or longer term and not easily measureable in the shorter term (Nonprofit Finance Fund 2014). It may also lead to services not assisting people with more complex and difficult-to-solve issues (Scottish Government 2011). This type of funding also has resourcing implications as funders are very poor at funding outcomes measurement (Flatau,

Wood et al. 2015; Flatau, Adams et al. 2016; Seivwright, Flatau et al. 2016; Nonprofit Finance Fund 2014).

1.2 The structure of the Inquiry

The Inquiry was informed by three research projects providing:

- Large scale survey evidence of the mix of funding sources used by specialist homelessness services across all Australian jurisdictions and mainstream services supporting people who are homeless. Evidence is also provided of funding adequacy and how this affects service delivery; and the opportunities, challenges and limitations encountered in attempting to increase and broaden the funding base (Flatau, Wood et al. 2016).

- In-depth case study evidence across key homelessness sectors and different service delivery organisational forms of how funding impacts on service delivery. This includes case study evidence of the role of social enterprise in providing additional funding sources and directly addressing homelessness (MacKenzie, McNelis et al. 2016).

- In-depth examination of how the level and mix of funding affects homelessness support for Indigenous Australians (Spinney, Habibis et al. 2016).

Findings from these research projects were also discussed at an Inquiry panel representing a range of sector stakeholders, providing further insight into the policy implications of the research.

The large scale evidence derived from the *Australian Homelessness Funding and Delivery Survey* (Flatau, Wood et al. 2016), combined with the in-depth case study evidence (MacKenzie, McNelis et al. 2017; Spinney, Habibis et al. 2016) of this Inquiry aim to answer the following questions:

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

- What is the relative contribution of various sources of funding to the overall funding mix of SHSs and other services assisting those who are homeless or at risk of homelessness? What is the relative mix of government and non-government funding of services?

- What differences exist in funding arrangements between SHSs and other services addressing the needs of those experiencing homelessness?

- What role is presently being played by 'new' forms of finance such as crowdfunding, social enterprise revenue, impact investing and so on?

2 *The impact of funding on the operations of homelessness services*: 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?

- Does the level and mix of funding constrain service delivery?

- Does it mean that the needs of homeless people are not being fully met?

- What could be achieved in terms of service effectiveness by a higher and more diversified funding profile?

3 *Funding and client outcomes*: What is the relationship between the funding mix and service structures? What impact does funding have on outcomes for clients of services?

4 *Funding of agencies and enterprises that provide complementary services*: How, and from where, is funding sourced by agencies and social enterprises, which serve or provide

employment or other complementary opportunities for the homeless, those at risk of homelessness and those exiting homelessness services?

5   *Indigenous services*: What is the level of funding to support Indigenous homeless people and how does the funding mix influence service provision and outcomes? How much is government and how much non-government? How much is direct funding and how much indirectly sourced from other programs?

6   *Policy implications*: What are the key policy issues and policy options that arise from the research findings?

1.3   The funding of homelessness services in Australia

A detailed review of the policy environment for the funding of services and enterprises which assist the homeless and those at risk of homelessness is provided in Flatau, Wood et al. (2015) and Flatau, Wood et al. (2016), while Spinney, Habibis et al. (2016) discusses policy issues of funding for Indigenous-focused services. A summary is provided here and in Figure 1 below.

1.3.1 The National Affordable Housing Agreement (NAHA) and the National Partnership Agreement on Homelessness (NPAH)

Since the introduction of the Supported Accommodation Assistance Program (SAAP) and Crisis Accommodation Program (CAP) in the 1980s and in 2009 the National Affordable Housing Agreement (NAHA) and the National Partnership Agreement on Homelessness (NPAH), the extant research suggests that many homelessness services have relied heavily on government for recurrent funding (Flatau, Zaretzky et al. 2008; Zaretzky and Flatau 2013), with some solely reliant on government funding. Under the NAHA, the Commonwealth Government provides funding to state and territory governments for homelessness services, which manage the allocation of funds (Homelessness Australia 2012). The NAHA also provides for funding of homelessness-related capital projects such as accommodation for clients (e.g. women's refuges). The NPAH provides additional commonwealth and state and territory joint funding for housing and support services for people who are homeless or at risk of homelessness with a focus on preventing entry to homelessness and assisting exits from homelessness to housing with support. Services that receive funding through the NAHA and/or the NPAH are commonly referred to as Specialist Homelessness Services (SHSs) (Homelessness Australia 2016; SCRGSP 2016), with over 1,500 receiving funding in 2014–15 (AIHW 2015).

The NAHA agreement is to operate indefinitely, reviewed every five years. NAHA provides approximately $250 million per year to homelessness initiatives. The initial NPAH agreement was set to expire in 2013, but has, to date, been extended four times. The extension for 2015–17 saw $115 million per year provided by the Commonwealth Government, and matched by the states and territories, over 2015–17 (Homelessness Australia 2016). The latest one year extension to June 2018 was announced in December 2016, providing $117.2 million of Commonwealth Government funding with a call for the states and territories to match this (Australian Government 2016). The policy of providing a series of short-term extensions, often very close to the previous agreement expiring, creates considerable uncertainty for the sector and results in an inability to provide contracts for staff beyond the time limits of the NPAH agreement.

Indigenous focused homelessness services receiving NAHA and NPAH funding are subject to the same conditions as other homelessness services. These vary between states and territories, but include the length of term, regular financial reporting, a service agreement and performance reporting arrangements. Whether this is the best way for governments to fund Indigenous focused services is highly contested. In a review of what works (and what does not work) to overcome Indigenous disadvantage, the Closing the Gap Clearinghouse (2012: 5)

noted the importance of a flexible approach to funding, one which allowed for 'local variation in need, context and service delivery style' (Spinney, Habibis et al. 2016).

1.3.2 Other government funding

In addition to NAHA and NPAH, government funding is also provided through a range of other programs and funding sources. This includes local government authorities, Commonwealth funding for non-NAHA and NPAH programs such as Reconnect and housing-related programs designed to improve housing affordability (Homelessness Australia 2015). State and territory funding also occurs where the jurisdiction choses to fund homelessness services which do not fall within the NAHA/NPAH umbrella or to add additional funds to existing NAHA/NPAH funding. In 2014-15, the total recurrent expenditure by state and territory governments for homelessness services (including NAHA/NPAH) was $707.2 million (SCRGSP 2016).

Government funding for non-homelessness services such as health services, which provide dedicated support to the homeless, is from areas outside the NAHA and NPAH and would be a source of significant funding outside the specific homelessness budget. A comprehensive picture of homelessness-related government funding would include the portion of the budget for these services which relates to homelessness. However, it is not possible to identify this source of funding from publicly available sources. For example, conventional reporting of hospital emergency department costs does not allow identification of the extent to which these costs are driven by people who are homeless or at risk of homelessness. However, there are a small number of programs operated by mainstream services which are aimed specifically at the homeless population and it is possible to identify funding for these programs where they are known. The absence of an Australia-wide mapping of such programs and services limits our ability to provide a comprehensive account of the financing arrangements involved.

The idea that flexible funding could be provided at the local level to bring critical homelessness sector stakeholders together to deliver integrated service responses largely remains untested to date in the Australian homelessness sector. On the ground, service providers have tended to provide a wider range of services than in the past and to a degree broadened their funding base, but generally from different government funding streams. The unrealised strategy of 'turning off the tap' of prevention programs and early intervention programs to reduce the flow of people experiencing homelessness would over time have significant financial implications for the homelessness budget, but at the same time require an investment strategy.

Some homelessness services have formal arrangements which allow them to leverage off non-homelessness mainstream services, such as employment services, to provide client support. The arrangement may not involve any funding flowing to the mainstream service. However, they do represent an additional resource which is available to the homelessness service to meet client needs.

1.3.3 Other sources of funding

The White Paper, *The Road Home: A national approach to reducing homelessness* (Commonwealth of Australia 2008) raised the issue of the limitations of solely relying on government funding of services to meet government goals relating to homelessness and the need for a contribution from the corporate and philanthropic sectors. There are a large variety of possible non-government funding sources (see Figure 1). Services may derive some or all of their revenue from philanthropic channels (both individual and corporate), or their own revenue sources such as rental income and investment income. Very low incomes of those experiencing homelessness largely prevent the use of fee for service arrangements in the homelessness sector although many accommodation services do seek to charge a subsidised rent linked to commonwealth rent assistance payments. Charitable donations have always been a supplementary source of income and have been an important part of the funding fabric of larger

charities though little is known in terms of their contributions to homelessness service delivery. Philanthropic foundation funding has been mobilised for pilot projects.

Figure 1: Sources of funding for organisations delivering services to homeless people in Australia
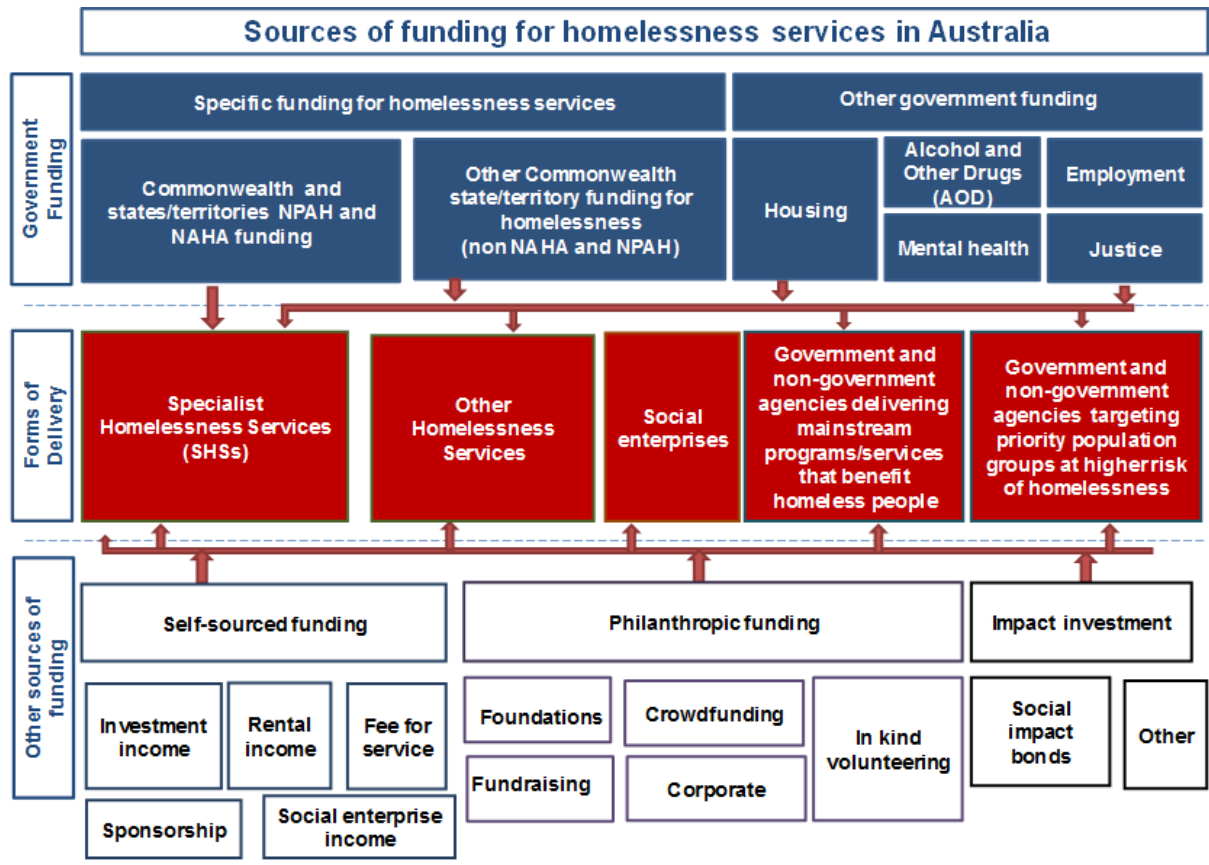
Source: Flatau, Wood et al. (2016).

There is also a push from government to expand alternative funding sources such as social enterprise revenue, and social impact investment funds, with a number of states investigating what is required to support expansion of these funding avenues (see, e.g., NSW Government 2016).

Sole reliance on government funding leaves many non-government 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 is cut. Hence, diversification as a risk management measure has merit, as it does as a means to increase resources to the homelessness service system. However, the extent to which this has been tried and 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 and the manner in which data is reported often makes it difficult to determine. The potential impact on service delivery from incorporating alternative funding sources into the financial structure is also not known. This was a key driver behind the construction and implementation of the primary data collection instrument of the Inquiry, the *Australian Homelessness Funding and Delivery Survey* (Flatau, Wood 2016).

The sustainability and stability for services and programs of the current funding mix is a key issue, compounded by changes in the political, policy and economic landscape in Australia. Many housing and homelessness services were left in a vulnerable position in 2014 awaiting

the Australian Government's deliberation of continuation of the NPAH program. Whilst good news finally came, it was only for a one-year extension to the agreement followed by a similar extension granted in December 2016. Hence, the homelessness sector remains vulnerable, and long-term planning and investment is less likely to occur in services and programs that may be more effective in the long term, but not able to 'show results' within a one year time frame. This is particularly problematic for services and programs which seek to prevent recurrent homelessness, as this requires a longer term outlook.

There have been moves to more activity-based funding models and performance measures in Australia in sectors such as social services and health, but there is considerable debate as to whether this results in the best outcome for the clients or target population in question. While activities and outputs provided to clients are easier to measure, they do not equate to the outcomes for clients, which are more complex to measure (Flatau, Cooper et al. 2006; Flatau, Zaretzky et al. 2008). In other words, accountability metrics for activity and output based funding models do not necessarily capture the end user impact of services or the way in which they are funded.

As service providers increasingly move to more diverse funding bases or hybrid funding models for their programs and services, how can we capture the overall impact of such services and assess the extent to which the funding mixes employed are optimal or allow the changing level of demand for different types of homelessness services to be met? Organisations often still have to report to the 'silos' from which the different pots of money come, but this works against being able to demonstrate the synergistic benefit of the suite of programs and the fact that the 'sum is often greater than the whole'. For example, when combining homelessness support with mental health support results in better housing and mental health outcomes than if either support were to be provided in isolation. Moreover, we also need to be able to assess outcomes at the broader program and systemic level—for example, what trends are we observing in aggregate client outcomes across all services (not just those funded through government); what changes in outcomes are being observed when the funding mix changes; and so on.

1.3.4 The joint funding of programs

Many homelessness programs are funded on a standalone basis. However, the 2008 White Paper (Commonwealth of Australia 2008) stressed the need for better integrated programs to provide a more holistic support. The strategic policy setting of prevention and early intervention was referred to as 'turning off the tap' in the White Paper. A small number of programs have achieved this through joint funding of services to deliver different aspects of homelessness support. This may take the form of joint funding of two or more services which provide homelessness support services, or joint funding of one or more service which provides homelessness support services and one or more mainstream services which provide non-homelessness services (e.g. health, legal advice or employment assistance) to the homeless population. The funding may come from a range of sources; government and non-government, but predominantly relies on streams of government funding, such as health service funding.

1.3.5 Affordable housing and the funding of homelessness services

While this Inquiry focuses specifically on homelessness, this is significantly impacted by the trends and challenges in the broader affordable housing arena. The limited and inadequate supply of social housing and affordable housing in Australia is well recognised and contributes to both homelessness and a heightened risk of homelessness (Forsyth and Durham 2013). There has been a trend over last few decades away from direct investment in public housing stocks and to demand side support for affordable housing, via rental assistance programs (Commonwealth of Australia 2014). Housing has, however, become less affordable in Australia over the last decade and incomes have not kept pace with this (Forsyth and Durham 2013), the demand for affordable housing vastly exceeds supply and the waitlists for social housing around

Australia particularly long. The unaffordability of the bulk of rental properties for very low income people drive more people into homelessness and limit the ability of those formerly homeless in social housing to make the transition into the private rental market—placing further strain on the ability of the social housing sector to respond to homelessness. So when market forces are not creating a supply of affordable housing, the risk of homelessness increases. This raises the question of balance between demand and supply side measures. This is not a phenomenon unique to Australia, of course, but is one that has precipitated greater focus on supply side issues around the world.

1.3.6 Potential consequences of reduction of funding

Fiscal belt tightening in the context of very high government deficits and debts is an issue of concern in many countries around the world including Australia and can result in funding reductions or cuts to homelessness services, as well as sectors such as the health care system that deal with a significant proportion of homeless people. One unintentional consequence of the constrained availability of government funding is the competition this can engender among not-for-profit organisations, particularly when administered through competitive tendering processes (Buckingham 2009). This can potentially be to the detriment of the sector if it reduces collaboration.

1.4 Non-government funding sources

A range of non-government funding sources are either currently used in the homelessness sector or the potential for their use is currently being explored by organisations providing homelessness services.

1.4.1 Philanthropic funding

Philanthropic funding includes public donations of money, in-kind donations, volunteering and pro-bono services from philanthropic foundations, individuals, and the corporate sector (see Figure 1). Crowdfunding is a new development and involves funding a project or venture by raising many small amounts of money from a large number of people via social media channels. Corporate philanthropy to not-for-profit organisations has grown substantially in Australia over the last 15 years (McGregor-Lowndes, Flack et al. 2014) and has been important for some of the newer innovative homelessness interventions. However, no comprehensive data exists on its overall role in the homelessness sector and corporate donations can vary substantially in size and purpose.

Philanthropy provides both funding and a wide network of stakeholders supportive of the homelessness program (Garwood 2012) and has the potential to assist not-for-profits to apply business concepts and techniques to addressing homelessness (KnowHow NonProfit 2015). However, it also brings challenges, including that it needs to be provided on a long-term basis to achieve sustained impacts on long-term issues such as homelessness (Brousseau 2009).

1.4.2 Private sector funding and Public Private Partnerships

Public Private Partnerships (PPPs) have grown in Australia as a model for funding infrastructure and capital works. Housing examples to date seem confined to community housing but no explicit examples relating to homelessness were identified. Internationally PPPs are typically characterised by their multi-dimensional approaches to complex problems not easily addressed by a single organisation (Bridgman 2003).

As well as more formally identified PPPs, internationally private-public collaborations provide alternative avenues for funding and 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.

1.4.3 Social enterprise funding

Social enterprise is rapidly gaining traction in the homelessness field both internationally, and in Australia (Kernot and McNeil 2011). Social enterprises are entrepreneurial organisations that pursue innovative approaches to problem solving social and environmental issues (Bugg-Levine, Kogutet et al. 2012). A number of Australian social enterprise examples are reviewed in the case study element of this Inquiry (see MacKenzie, McNelis et al. 2017).

While there is an emerging body of research on the effectiveness of social enterprise initiatives relating to homelessness, very few studies have tracked the longer term outcomes for participants, or included details about the funding and longer term sustainability of such programs. Nor do they examine the relative efficacy or cost benefit of these approaches over other homelessness interventions. 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, particularly for people with complex 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.

1.4.4 Social impact investment

Social impact investors are individuals or organisations which place capital and capabilities to fund projects and organisations that deliver financial as well as social or environmental returns (J.P. Morgan 2014). It is growing internationally (J.P. Morgan 2014; Gustafsson-Wright, Gardiner et al. 2015), but currently with minor applications in homelessness (Palumbo and Learmonth 2014). Active investors are looking for well-documented evidence of social impact, as well as most wanting a market rate of return (Dembek, Madhavan et al. 2016).

In Australia, social impact investment is starting to develop with the support of government and non-government organisations such as Social Ventures Australia (SVA) and Impact Investing Australia. The NSW government has established an Office of Social Impact Investment and aims to build capacity in the sector. Prevention or reduction of homelessness among young people is one area being investigated (NSW Government 2016). Australia is turning to a hybrid model involving Social Impact Bonds (SIBs), in which rather than transferring 100 per cent of the risk to the private sector, part of the risk is realised by the government (Cox 2011; Edwards 2014).

Other states have also begun to implement SIBs (Edwards 2014; Palumbo and Learmonth 2014). The South Australian government has identified two homelessness services to deliver a program to be financed through a SIB (Social Ventures Australia 2016).

1.4.5 Internal funding sources

In addition to external funding sources, supported accommodation service providers supplement their funding with internally generated revenue, largely from rent changed to clients (Flatau, Zaretzky et al. 2008). Fee for service opportunities in the homelessness sector, are however, generally very rare.

1.4.6 Capital funding—non-government sources

Capital stock in the homelessness sector has been generated from mostly government sources and but with a smaller amount from the non-government sector, including philanthropic sources (Zaretzky and Flatau 2013).

1.5 Indigenous homelessness funding

Indigenous Australians are over-represented in the homelessness population; the kinds of homelessness experienced are also more severe, and a much higher proportion of Indigenous Australians seek homelessness support in regional, remote and very remote areas than their non-Indigenous counterparts. They are nearly twice as likely as non-Indigenous homeless people to experience primary homelessness, such as sleeping rough or living in improvised dwellings and shelters, early onset homelessness and intergenerational homelessness (Flatau, Conroy et al. 2013; AIHW 2014; Chamberlain and MacKenzie 2008). Housing shortages, differences in the ways Indigenous people use household space, population mobility and reciprocal family relationships can give rise to critical social obligations that result in high levels of crowding, with Indigenous crowding rates almost five times those of Euro-Australian households (Spinney, Habibis et al. 2016; Habibis 2013; Prout 2008).

The Australian Government has recognised that homelessness amongst the Indigenous population is a critical policy issue. The White Paper (Commonwealth Government 2008) identified the vulnerability of Indigenous Australians to homelessness and set homelessness reduction targets.

Funding for Indigenous homelessness services is overwhelmingly derived from Commonwealth and state governments, and predominantly delivered via the mainstream and Indigenous community sectors. Community organisations source homelessness services funding through the NAHA and the NPAH, as well as from Indigenous-specific funding programs and Australian Government and state/territory government housing, health, mental health and justice agencies. This funding is usually provided through six-month to three-year funding agreements that are tied to performance measures.

Indigenous-specific funding programs and organisations which homelessness services can access to gain funding and resource support include the following:

- National Partnership Agreement on Remote Indigenous Housing (NPARIH), targets provision of housing and support of tenancies. The aim is to reduce the incidence of homelessness and overcrowding in remote Australia by 50 per cent by 2018 (Commonwealth Government 2009:8).

- Indigenous community housing organisation (ICHO) sector, which owns, leases and manages dwellings in major cities, regional and remote areas.

- Aboriginal Hostels Limited (AHL), a Commonwealth funded agency to provide culturally appropriate and affordable accommodation for Indigenous Australians who must live away from home to access services and economic opportunity.

- The Indigenous Australians' Health Programme (IAHP) and the Indigenous Advancement Strategy (IAS), which commenced in July 2014 and replaced a large number of Federal funded programs. These programs target broader issues which affect homelessness, such as health and employment.

In spite of the above sources of funding, no Federal or state/territory program specifically targets supporting homeless Indigenous people or those at risk of experiencing homelessness. Very few Indigenous community organisations (ICOs) receive funding through NPAH or NPARIH and services for homeless Indigenous people are overwhelmingly 'mainstreamed' and funding arrangements are characterised by a lack of policy coordination and a heavier dependence on government funding. This can create an uncertain financial environment which impacts on the organisations' ability to maintain consistent service delivery. It also reduces their capacity to take advantage of opportunities to grow (Spinney, Habibis et al. 2016; Eringa, Spring et al. 2008). Mainstreaming of Indigenous services brings to the fore questions of cultural competency. Cultural differences are implicated in reduced Indigenous access to homelessness

services and to less successful interventions (Spinney, Habibis et al. 2016; Memmott, Birdsall-Jones et al. 2011; Habibis, Birdsall-Jones et al. 2010).

The NAHA, NPAH and NPARIH and the introduction of the IAS have, along with other policy changes, seen a loss in funding and a decline in size of the Indigenous community housing organisation (ICHO) sector, which owns, leases and manages dwellings in major cities, regional and remote areas. ICHOs are generally small organisations (Eringa, Spring et al. 2008) with limited financial and organisational capacity and complex legal and financial arrangements. When programs are cut they have a limited ability to find alternative sources, so they have been hard hit by the policy shift towards 'mainstreaming'. With the exception of New South Wales, (Milligan, Phillips et al. 2011), the shift towards mainstreaming has been associated with a drastic decline in Indigenous organisations in the Northern Territory, Queensland and Western Australia and in remote Indigenous communities generally (Habibis, Phillips et al. 2015).The vulnerability of the Indigenous community housing organisation (ICHO) sector is at odds with the evidence base on the importance of culturally sensitive service delivery for effective intervention (Spinney, Habibis et al. 2016; Memmott, Birdsall-Jones et al. 2011). The objective of culturally appropriate service delivery is also supported by government homelessness policies (Commonwealth Government 2008). It is, therefore, critical to develop a deeper understanding of how the Indigenous community sector is funded, and how this shapes the nature, structure and types of homelessness services these organisations provide to Indigenous people.

Recent research on the effectiveness of NPARIH has found it has reduced crowding in some locations, but housing supply remains far short of what is required in remote Indigenous Australia. Although the transfer of housing management to state departments has resulted in some improvements, this comes with risks that some tenancies will be at risk of failure as a result of higher rental payments and less flexible tenancy management policies (Habibis, Phillips et al. 2016).

The introduction of the IAS in 2014 significantly cut Indigenous funding and many Indigenous organisations formerly funded through Federal Indigenous grants lost funding (Henderson 2015; Morgan 2015). A Senate Inquiry (Commonwealth of Australia 2016) into the process made many recommendations including:

- avoiding 'blanket competitive' processes
- awarding longer contracts to Indigenous organisations to ensure stability
- prioritising investment in small Indigenous organisations.

1.6 Research methods

The Inquiry's research studies used a mixture of methods including the use of a quantitative survey instrument (Flatau, Wood et al. 2016, Spinney, Habibis et al. 2016) and case study evidence (MacKenzie, McNelis et al. 2016; Spinney, Habibis et al. 2016). Findings from this research were also discussed at an Inquiry panel representing a range of sector stakeholders, providing further insight into the policy implications.

1.6.1 Primary evidence on funding profile and service implications (Flatau, Wood et al. 2016)

An online survey, the *Australian Homelessness Funding and Delivery Survey*, was employed to gather primary data on funding of Australian homelessness services which support the homeless population. The survey comprised four parts:

- *Part 1*: Service profile (2013–15); clients, support provided, whether the service is Indigenous specific and significant changes in service structure.
- *Part 2*: Sources of recurrent and capital funding (2013–15); including government and non-government sources of funding. Significant changes in funding experienced and the impact of this change were also the subject of questions in the survey.
- *Part 3*: How the current funding mix meets service delivery objectives.
- *Part 4*: How changes in funding sources may influence service delivery.

Survey sample

The survey was administered to two broad groups:

- *SHSs*: homelessness specific services which receive NAHA and or NPAH funding.
  — Jurisdictions provided details of organisations that receive SHS funding. A sample of 298 respondents provided comprehensive funding information.
- *Non-SHSs*: services which assist the homeless and do not receive NAHA and/or NPAH funding. This includes:
  — Homelessness-specific services funded by government sources other than NAHA and NPAH and/or by non-government sources, and
  — mainstream services not funded through NAHA or NPAH but with a dedicated focus on delivering support to homeless people in the domains of health, drug and alcohol, justice, out-of-home care and employment.
  — A web search and information from networks identified the 138 non-SHSs invited to participate. A sample of 21 respondents provided organisational funding information. Four provided mainstream services to the homeless, the remainder provided homelessness specific services including four community housing providers.

Data on service and funding profile, and effect on client services

The service profile, an overview of funding sources for 2013–15 and the effect of funding on client services are reported for the 319 SHS and non-SHS services which provided funding information. Funding profile is examined in further detail for the 233 services, 216 SHS and 17 non-SHS, which provided funding dollar amounts.

Services in the SHS group were identified by the jurisdictions and it was expected that all would indicate receiving NAHA/NPAH funding. However, only 68.5 per cent did so. It is not possible to know from survey data whether this was because NAHA/NPAH funding was not actually received or whether the service was not able to separately identify it from other government funding. The funding profile reported should be interpreted in a broad sense, with a focus on funding received from government sources rather than funding from NAHA/NPAH.

1.6.2 Case study evidence (MacKenzie, McNelis et al. 2017)

Case studies provide a more detailed understanding of the links between the funding mix, services that homeless agencies deliver and impact on homeless people.

Nine case studies were chosen as exemplar sites at which questions of different forms of funding and the implications for different mixes of funding on service delivery and client outcomes could be explored. To a considerable extent, the selection of case studies was 'purposive' with a view to examining the Inquiry questions. Qualitative data collection consisted of on-site interview(s) with a key person(s). Other financial information was obtained from various reports and documents.

The case study typology was:

1 An agency providing aged-care to homeless and highly disadvantaged elderly individuals: Wintringham (Victoria) which specialises in this area.

2 A large organisation with significant SHS funding but also a range of other government funded programs, significant charitable donations, and other sources of funding: Mission Australia (MA) (NSW), which has a well-developed corporate structure.

3 A youth-based agency working with at-risk and/or homeless young people and the Reconnect program: North East Support and Action for Youth (NESAY), which brought in a regional context and has a reputation for innovation and good practice.

4 A Domestic Violence (DV) agency funded by SHS and other government funding.

5 An Alcohol and Other Drug (AOD) treatment and mental health service: The St Vincent's Hospital auspiced service (Sydney).

6 Social enterprises working with homeless people: a composite case study was compiled based on four different homelessness related examples.

7 A Youth Foyer: Education First foyers (Victoria) managed by Launch Housing.

8 Street to Home and Housing First programs: Street to Home in Brisbane.

9 Funders of services and programs including innovative forms of funding such as impact investing and social benefit bond options. The approach is new and there are very few well developed examples. The case study discusses the concept, how it's being developed, potential and limitations.

Of these nine case studies, three (1), (3), and (7), were in Victoria; three (2), (4) and (5) in New South Wales; one (8), in Queensland, and two (6) and (9), used a range of data from several different examples.

1.6.3 Indigenous focused homelessness services (Spinney, Habibis et al. 2016)

Data specific to the funding sources for 27 organisations that support homeless Indigenous Australians was extracted from the results of the *Australian Homelessness Funding and Delivery Survey* and analysed.

All surveyed services were asked whether their main clients could be best described as Aboriginal and Torres Strait Islander people, and what proportion of all clients over the 2013–15 period were Aboriginal and Torres Strait Islander peoples.

Literature review and fieldwork

The extracted survey findings specific to homeless Indigenous Australians were complemented by a grey literature web-based search of information on homelessness service funding, including government budgets, government policy documents such as Productivity Commission reports, non-government organisation annual reports (particularly ICOs), reviews of Indigenous services and so on. This provided an initial overview of funding for services supporting homeless Indigenous Australians.

The research team identified five case studies which were investigated more thoroughly. Most were organisations that had taken part in the survey. The five case studies are of a cross-section of services provided by organisations from different areas:

• Larrakia Nation Aboriginal Corporation, Northern Territory

• Council for Aboriginal Alcohol Program Services, Northern Territory

- Ruth's Women's Shelter, Queensland

- Weave Youth and Community Services, New South Wales

- Quantum Support Services, Victoria.

Telephone and face-to-face interviews with the case study key informants provided for an in-depth analysis of the history of these services, their relationships with homeless Indigenous Australians and their sources of funding. Invaluable information was gathered on how the mix of government and non-government funding has affected the service providers' capacity and the outcomes for homeless Indigenous Australians, providing insights into each of the research questions examined in this Inquiry.

Focus groups of key stakeholders were also held in Queensland, Western Australia and the Northern Territory. These focus groups drew together key informants from government departments (both policy officers and those delivering services) to discuss the impacts of funding mix on both service providers and homeless Indigenous Australians. In particular, these focus groups addressed the third and fourth research questions.

Telephone and face-to-face interviews with the five selected case study services took place between January and April 2016. The focus groups took place in February 2016.

2 The profile of homelessness funding

This chapter describes *Australian Homelessness Funding and Delivery Survey* findings relating to the funding of homelessness services (Flatau, Wood et al. 2016 provides detailed evidence).

Government funding remains the overwhelming primary source of funding for the vast majority of homelessness services in Australia. In the case of SHSs, funding from NAHA and NPAH sources is dominant, while in the case of non-SHSs, state and territory funding other than NAHA/NPAH funding is dominant.

Indigenous focused SHSs have a higher proportion of government funding than other SHSs, and are more vulnerable to changes in government policy.

There is limited evidence that service integration via joint funding of SHS and non-SHS programs, including mainstream service, has been adopted.

There was a very small, but potentially growing, interest in newer types of funding such as social enterprise revenue, crowd funding and social benefit bonds.

2.1 The level and mix of funding for homelessness services in Australia

Respondent services to the *Australian Homelessness Funding and Delivery Survey* covered a diversity of organisational structures, geographical locations, sizes and client mix, and so provide a good evidence base for examining the current state of funding profile in the Australian homelessness sector. The evidence from the survey detailed in Flatau, Wood et al. (2016) indicates that government funding remains the overwhelming primary source of funding for the vast majority of homelessness services in Australia. Recurrent government funding accounted for 84.6 per cent of funding received by SHSs (Figure 2) and 60.6 per cent of funding for non-SHSs in the survey (Figure 3). In the case of SHSs, funding from NAHA and NPAH sources is dominant, while in the case of non-SHSs, state and territory funding other than NAHA/NPAH funding is dominant.

Non-government sources of funding that are used by both SHS and non-SHS services include donations, philanthropic funding and internally generated revenue.

- *Donations and philanthropy*—For SHSs, donations, philanthropy and sponsorship contributed only 3.6 per cent of total funding for a service. In the case of non-SHS services, a far greater role was played by donations, sponsorship, and philanthropy (21.3% of total funding).

- *Internal revenue*—Funding allocated by the parent agency to the service contributed 8.0 per cent to the overall funding received for SHSs. Funding received from the parent agency accounted for 4.6 per cent of total funding for non-SHS services. Parent agency funding to a particular service is itself a function of different sources of untied funding received by agencies.

- *In-kind support*—In-kind support was more commonly reported by non-SHS services than by SHSs.

- *Capital funding*—Across all services, funding for capital purposes represented only a very small proportion of funding. This suggests little change in the capital stock or its quality available to homelessness services in the data window of the survey (2013–15).

- *Crowd-funding and social enterprise*—Less traditional or emerging sources of funding such as crowdfunding and social enterprise revenue were evident only for a very small minority of services.

Despite the importance of government funding for both SHSs and non-SHSs, the growing imperative to diversify sources of funding was evident across SHSs and non-SHSs, with many services indicating that they had taken active steps to try and diversify their funding base (though not always successfully). This included seeking government funding other than NAHA/NPAH funds, philanthropy, community donations and fundraising. There was a small but potentially growing interest in newer types of funding such as social enterprise revenue, crowd funding and social benefit bonds.

Figure 2: Proportion of total funding by source (SHS, 2013–15, N=216)
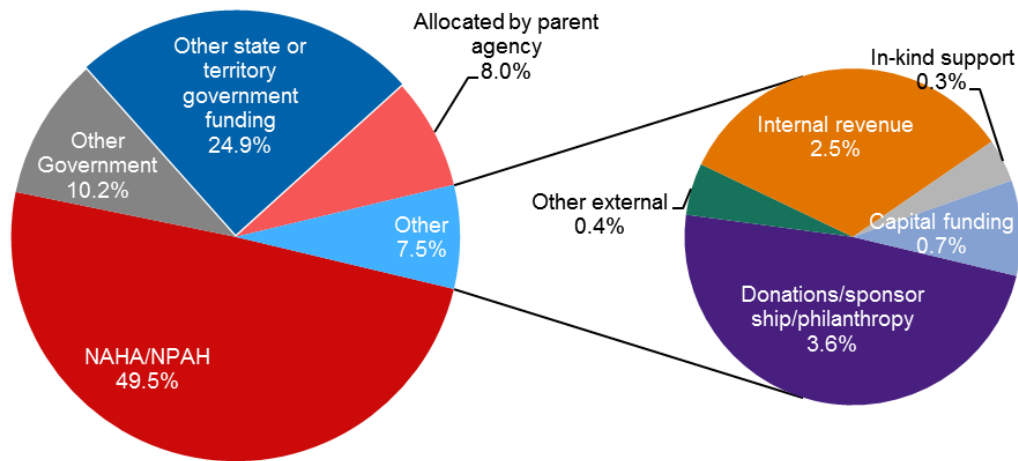
Source: Flatau, Wood et al. (2016).

Figure 3: Proportion of total funding by source (non-SHS, 2013–15, N=17)
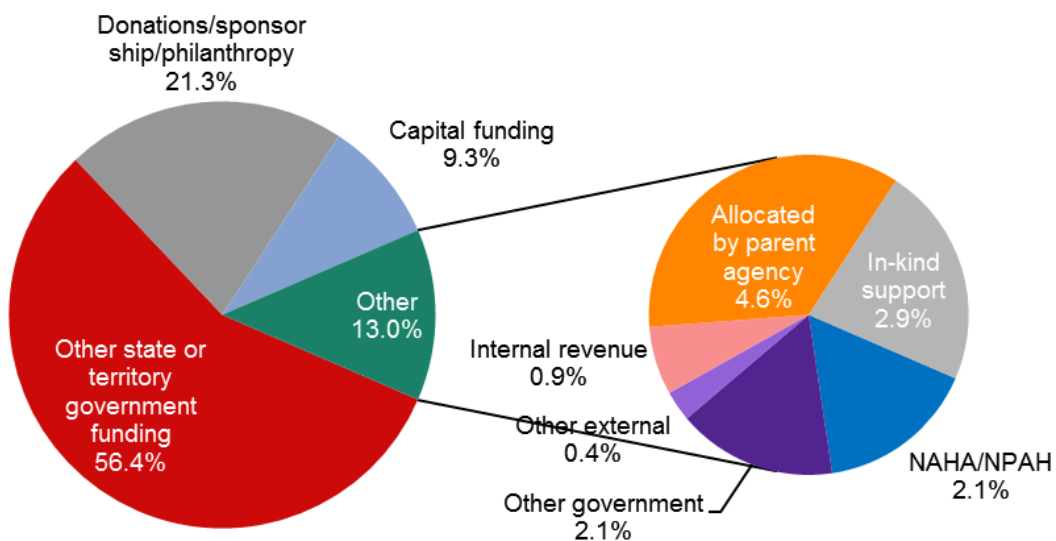
Source: Flatau, Wood et al. (2016).

2.2 Funding profile by characteristic

Although services from all jurisdictions, geographical locations, agency sizes and client group types displayed a very high proportion of government funding, some variation was observed in the relative proportion of funding identified as NAHA/NPAH and other government funding. As discussed in previous sections, some SHSs may not be able to identify NAHA/NPAH funding and some of the differences we encountered may reflect this. Difference in funding profile was also observed based on whether the service offered accommodation. Major differences identified were:

- *Geographical location*: services in regional and remote areas are more heavily reliant on government funding than those in capital cities, and have the lowest mean proportion of external funding from sources other than government (Capital city services 7%, regional 3.6% and remote services 2.4%).

- *Main client group*: services with the highest proportion of government funding were those where the main client group was Culturally and Linguistically Diverse (CALD) (95.5% of funding), domestic violence (90.5% of funding) and Aboriginal and Torres Strait Islander people (90.5% of funding). The lowest proportion of government funding was reported by services where people with mental health issues represented the main client group (77.8% of funding).

- *Accommodation*: accommodation-based services typically have a more diversified funding profile than non-accommodation based services, and are less reliant on government funding. Government funding accounted for 78.1 per cent of the total funding received by accommodation-based services, compared with a much higher 94.4 per cent for non-accommodation services, with both NAHA/NPAH and other government funding being lower for accommodation based services. This difference is offset by a higher 10.2 percent of funding for accommodation-based services being allocated by the agency compared with only 1.2 per cent for non-accommodation-based services. Accommodation-based services also reported a higher proportion of funding from donations/sponsorship/philanthropy (6.0% compared with 2.7% for non-accommodation-based services), have a larger proportion of funds from internally generated revenue, mostly rent (3.2% compared with 0.5% for non-accommodation-based services), and for capital purposes (2.0% of funding, in comparison to zero for non-accommodation-based services[1]).

2.3 Integration with other services

The Road Home (Commonwealth of Australia 2008) emphasised the need to provide more integrated service delivery. However, there is limited evidence of formal joint funding of SHS and non-SHS programs, including mainstream services, which is more prevalent amongst non-SHSs (19.0%), than SHSs (8.1%).

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. This is slightly more prevalent amongst non-SHSs (38.1%) than SHSs (32.9%).

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[1] Although 3 per cent of non-accommodation-based services which provided any funding information reported receiving capital funding, none of these services reported information on funding amounts.

2.4 Funding profile of organisations with Indigenous Australians as a main client group

Twenty-seven organisations with Indigenous Australians as a main client group participated in the AHURI *Australian Homelessness Funding and Delivery Survey*. Twenty-three of these were Indigenous specific organisations. External government funding accounted for 94.3 per cent of the total funding received by Indigenous focused services, with NAHA/NPAH funding accounting for 36.1 per cent of the total funding. When compared with all SHS services in the sample, Indigenous focused services received a lower proportion of funding from NAHA/NPAH sources and when they did the amount received per service was below that on average received by survey respondents. This was offset by a much larger proportion of other government funding. Almost half of all funding (46.6%) was obtained from other state or territory government funding and other Commonwealth government funding accounted for 11.7 per cent of total funding. There were no reports from Indigenous services of funding from independent government agencies or local government. Across SHSs generally, funding from these sources combined represented 5.6 per cent of total funding. Fifteen of the 27 organisations had funding from only one source.

Donations, sponsorship, and philanthropy accounted for 2.9 per cent of the total funding received by Indigenous-focused services; a little below that for SHSs more generally. Internally generated funding sources (e.g. rent) accounted for 2.1 per cent of total funding received by Indigenous services. This is similar to the full sample of SHSs but perhaps lower than one might expect given the importance of the provision of accommodation services in Indigenous focused services.

2.5 Policy implications of the sector funding profile

- 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. However, the non-SHS sector's heavier reliance on philanthropic grants means it is more likely to experience significant changes in funding than the SHS sector, making it more difficult for this sector to implement longer term programs.

- 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. This issue is particularly important in relation to Indigenous focused services, which are more likely to operate in remote areas.

- On average, philanthropy and sponsorship represent a sizable funding source for non-SHSs but not for SHSs. However, this funding was driven by a small number of large grants from philanthropic foundations and trusts and is not uniform across the non-SHS sector.

- To encourage growth in philanthropic funding, government must focus policy on those organisations able to provide larger dollar value grants or donations, such as philanthropic foundations, and corporations.

- While the SHS sector should seek additional funding from philanthropic sources, a shift towards greater levels of philanthropic funding introduces the risk that funding levels and changes do not reflect government policy and priorities, and that longer term programs become vulnerable to complete removal of a philanthropic funding source.

- There is limited evidence that SHS and non-SHSs are currently able to supplement external funding by generating their own income, which is typically a small dollar amount.

- There is limited evidence that current government policy promoting service integration is being implemented. Promotion of joint funding of programs to provide client support requires further development of government policy to foster these arrangements, and government funding models aimed at supporting service integration and coordination. The siloed nature of funding in which funding is provided on a departmental basis rather than on a cross-departmental project basis is the main inhibiting factor to the development of funding options for service integration.

- There is little evidence of services using social enterprise income as a source of funding or as a means of achieving employment outcomes for their clients and no SHS or non-SHSs report 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. Nevertheless, it is developing and is currently the subject of considerable policy interest. Government needs to continue development of the market infrastructure required for these funding sources to be developed.

- These funding sources are typically results based. The current trend towards evaluation of homelessness program outcomes and the associated financial benefits of these programs needs to be appropriately supported to provide the evidence base required by impact investors. However, care must be taken to ensure that results-based objectives do not become detrimental to the quality of support provided by the sector.

- Capital funding was limited compared with recurrent funding, and largely related to a single grant to one non-SHS from an independent government agency. Given the sporadic nature of capital investment, a two-year window may not be representative of longer term capital funding. However, it does suggest limited investment in capital projects such as client accommodation in the two-year period. This is significant given the current lack of affordable accommodation, and the level of unmet demand for accommodation services noted in the SHS literature.

- There was some resistance from surveyed organisations with Indigenous Australians as a main client group to the idea of spending further staff and financial resources to pursue funding from other sources.

3   Funding and service delivery effectiveness

This chapter describes *Australian Homelessness Funding and Delivery Survey* findings relating to the stability and flexibility of funding and how this impacts on service delivery and client outcomes (Flatau, Wood et al. 2016 provides detailed evidence).

- Government funding, the predominant funding source, is generally seen to have lower levels of flexibility and discretion than most other funding sources, with 70 per cent of services considering NAHA/NPAH funding was inflexible or had limited flexibility.

- Current funding is generally seen to be inadequate. Only a minority of services felt they met most (>90%) client demand, and non-SHSs were far less likely to feel they met even three quarters of client demand. Outcomes most constrained were client employment, client facilities and access to permanent housing.

- A high degree of funding instability was evident; with 22 per cent of services reporting significant changes in funding. Instability was more prominent among non-SHSs.

- The growing imperative to diversify sources of funding was evident across SHSs and non-SHSs, with many services taking active steps to diversify funding. There was small, but potentially growing, uptake of newer funding models such as social enterprise, crowd funding and social income bonds.

- Most services expressed concern about negative consequences of funding diversification; particularly increased reporting, excessive output/outcome measurement and drain on resources.

- For services with Indigenous Australians as a main client group, funding uncertainty is a major issue for the organisations and their services and the funding is at the mercy of changing governmental priorities and jurisdictional economies. Larger mainstream organisations with several services can generally cope with funding changes more easily than can smaller Indigenous specific organisations with fewer funding sources.

3.1   Flexibility and discretion over funds

Funding from government sources, except local government, were generally seen to have comparatively low flexibility and discretion. Seventy per cent of services considered NAHA/NPAH funding to be inflexible or have limited flexibility and funding from independent government agencies had the lowest mean rating of flexibility and discretion out of all funding sources reported.

The funding sources perceived to offer the greatest flexibility and discretion were community member donations, fundraising events and programs and large private donations—the majority of responding services perceived these funding sources to offer flexibility and high or very high

discretion (84.2% for both community member donations and fundraising events). Funding from corporate grants or sponsorship as well as philanthropic foundations or trusts was perceived by respondent services as more flexible than funding from government sources, but less flexible than community donations and fundraising events.

3.2 Influence of funding on outcomes

The vast majority of services reported a level of unmet outcomes, both in terms of client demand and other service outcomes. This was particularly true for the non-SHS sector.

3.2.1 Ability to meet client demand

Overall, only about one third of surveyed services indicated that they were able to meet 90 per cent or more of client demand and around two-thirds said they were able to meet 76 per cent of demand or greater. However, there was a stark difference between SHSs and non-SHSs. Whereas 70 per cent of SHSs were able to meet more than 76 per cent or more of their client demand, only 27.8 per cent of non-SHSs reported the same. About 9 per cent of SHSs reported meeting less than half of current client demand with their funding in 2013–15, with five times more non-SHS services reporting the same.

For SHSs, the ability to meet client demand was clearly positively associated with the proportion of NAHA/NPAH funding received and negatively associated with the proportion of recurrent external funding from sources other than government.

Interestingly, for non-SHSs, the ability to meet client demand was positively associated with a higher proportion of funding from external sources other than government and having funding allocated by the parent agency.

3.2.2 Outcome objectives achieved with current funding

Looking first at SHSs, over 50 per cent of services believed current funding allowed them to meet objectives relating to advocacy, integrated service delivery, flexible/tailored client services and client access to other services, staff development and innovation of services. Outcomes with the lowest level of perceived achievement were expansion of services, client facilities, client employment, introduction of new programs, access to permanent housing, IT development, financial stability and workforce stability.

Examining the non-SHSs, across all objectives except expansion of services a smaller proportion of non-SHSs perceived the outcomes were being achieved compared with SHSs. The only outcomes which over 50 per cent of non-SHSs perceived as being achieved were advocacy, flexible/tailored client services and staff development These were also outcomes that over 50 per cent of SHSs agreed were being achieved. Outcomes with the lowest level of perceived achievement for non-SHSs were similar to the SHS group: client employment, client facilities, access to permanent housing, expansion of services, IT development, financial stability and workforce stability, and evaluation of service outcomes.

3.3 Changes in funding

Significant funding instability was observed in the sector. When comparing the survey focus period of 2013–15 with the previous two years, a larger 12.7 per cent of services reported a 20 per cent or greater decrease in funding, compared with 9.5 per cent reporting a 20 per cent or greater increase in funding in 2011–13. This instability is of particular importance in the non-SHS sample, where a large 47 per cent of non-SHSs reported a significant funding change. It is also of particular importance to Indigenous focused services, where 19.2 per cent of the surveyed Indigenous services reported a significant increase in funding, while 23.1 per cent

reported a significant decrease. Some services reported dire consequences of decreased funding which resulted from the constant changes in homelessness policy and the short-term nature of funding arrangements, such as not being able to provide intensive support to clients with complex needs, staff reductions, and uncertainty about service viability and sustainability. These all have negative consequences for the ability of services to operate effectively and address client needs. This in turn decreases the likelihood of clients achieving a permanent exit from homelessness and of government being able to meet homelessness objectives.

Complete removal of a source of funding or a new source of funding was more likely to occur for corporate sponsorship and philanthropic sources than for government sourced funding. Changes in government funding predominantly related to funding increases or decreases, rather than complete removal. As most services use corporate sponsorship and philanthropic funding to supplement government funding, the combined effect can leave services with significantly reduced resources.

3.4   Experiences in seeking additional funding

Over 2013–15 homelessness services have actively attempted to obtain funding from a range of funding sources, and across most funding sources a greater proportion of the non-SHSs had taken active steps to seek funding from that source than SHSs. This interest in accessing additional funding is consistent with the evidence presented earlier that a large proportion of SHSs and particularly non-SHS services believe that many of their outcomes are not able to be met with current funding levels.

Examining first SHSs, just under one third had taken active steps to obtain other Commonwealth government funding and/or other state/territory government funding. Around 20 per cent had taken active steps to obtain funding from local government and independent government agencies. Many SHSs had also taken active steps to source funding from philanthropic sources, including philanthropic foundations or trusts (26.4%), community member donations (19.9%) and fundraising events and programs (15.9%). A smaller proportion had taken active steps to raise funding in the relatively new domains of social enterprise funds, crowd funding, social benefit bonds and social impact investor funds, showing a small but growing awareness of these alternatives.

Non-SHSs had also been actively seeking government funding from all sources: with 70 per cent seeking funding from Commonwealth government, and just under half seeking funding from each of state/territory government, local government and independent government agencies. Just under one quarter of non-SHS services also took active steps to obtain NAHA/NPAH funding. Considering non-government funding sources, nearly two-thirds of non-SHSs attempted to source funding from philanthropic foundations and trusts and community member donations. A smaller but still sizable proportion actively took steps to achieve funds from fundraising events and programs, workplace giving schemes and retail donation schemes (17.6% each). Non-SHSs more likely than SHSs to actively seek funding from the comparatively new domains of crowd funding and social enterprise funds, but none reported seeking funds from social impact investors or via social benefit bonds.

Success in actually obtaining additional funding varied. There was generally a higher success level from philanthropic sources than for other sources. Approximately one third of SHSs attempting to obtain additional Commonwealth and/or state and territory funding were successful, around half were not successful and the remainder were in the preliminary exploration phase. With local government approximately half were successful and steps to obtain funding from independent government agencies were largely in the preliminary exploration phase.

Higher success rates were reported for philanthropic funding; with over 60 per cent success in raising community member donations and fundraising, and just under 50 per cent success in raising funds from general philanthropic sources and individual private donations.

Examining the relatively new domains of crowd funding and impact investing, those seeking crowd funding reported the most success, with 42 per cent successful. Activity in the social impact investment domain was largely exploratory and no respondents were successful in raising funds from these sources. There was also interest but limited success in social enterprise, with only 15 per cent successful, and 40 per cent in the preliminary exploration stage.

The experience of non-SHSs was similar in that their greatest level of success was in raising funds from philanthropic sources, with a lower success rate in obtaining additional government funding. No non-SHSs had taken active steps to raise funds in the social impact investing domain.

Services attempting to raise additional funding were significantly more likely to be non-SHS (94%) than SHS (58%), belong to a smaller agency, and have a lower proportion of homelessness clients. They reported meeting a lower level of client demand than services which had not sought additional funding. There was also a difference in funding profile. Services seeking additional funding had a smaller proportion of NAHA/NPAH funding and were more likely to have experienced a decrease in funding from 2011–13 to 2013–15.

3.5 Use of additional funds

When SHSs[2] were asked what the top three priority improvement areas would be if additional funds were available, 55 per cent nominated expansion of services as one of these priorities, with 26.9 per cent nominating it as the first priority. As discussed previously, this was also an area with the lowest proportion of SHSs agreeing that current funding was meeting service objectives. Innovation of services, access to permanent housing and financial stability were also considered priorities for additional funding. Permanent housing and financial stability were also areas where only around one-third of SHSs considered current funding allowed their objectives to be met. Interestingly, innovation of services was an area where a comparatively high 50.6 per cent of services agreed their objectives were being met, suggesting that additional funding would achieve even more in this area.

Client employment, client facilities and IT development are other areas where a comparatively small proportion of services (less than 18%) agreed that their objectives were able to be met with current funding, but fewer than 10 per cent of SHSs considered these to be a priority area if additional funding was obtained.

3.6 Potential negative consequences of funding diversification

The vast majority of SHSs indicated at least some concern about a range of potential negative consequences arising from the need to diversify funding sources. In particular, around 90 per cent had some concern about increased reporting, excessive output/outcome measurement and drain on resources, with around 40 per cent indicating they had a lot of concern about these issues. Between 70 and 80 per cent of services expressed concern about change in focus, conflict of objectives between different funders, and conflict of interest between the service and funders.

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[2] The non-SHS group were not asked this question.

Most services with mainly Indigenous clients anticipated that attempting to further diversify their funding sources would have negative consequences on service provision and outcomes (Spinney, Habibis et al. 2016).

3.7 Policy implications—the influence of funding level and mix on service delivery

- Services have little discretion in the manner in which they utilise 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 to be unable to meet both client demand and other service outcome objectives, especially amongst non-SHSs. This 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.

- In the SHS sector, access to government funding is currently important for meeting client demand and capacity building. In the non-SHS sector non-government external funding is important in determining ability to meet demand. Where government funding is not available or inadequate it is essential to develop a philanthropic culture and the market structure required to access non-government funding sources.

- Service outcomes not currently met and considered priority areas for additional funding are expansion of services, access to permanent housing and financial stability.

- The importance of financial stability points to the need for stable government policy in the homelessness sector, and a recontracting process which assists programs to be developed and implemented effectively with a longer term perspective.

- Although service innovation objectives are largely seen as being met, this was also considered to be a priority area for additional funding, suggesting a need for continued funding for this area.

- Objectives of client employment and IT development are also generally not being met. Although services do not consider these to be priorities, client employment is nominated in the literature as an important issue in assisting clients to secure a stable income source. IT is also seen as an important factor on developing the systems required for coordinating service integration initiatives and for outcome measurement. Addressing the low level of attainment in these areas should be considered a priority for government, as well as sector education as to their relevance and importance.

- The growing imperative to obtain funding from other sources was evident across SHSs and non-SHSs. However, the ability to raise substantial new funding is limited. Areas with the highest success in accessing additional funds—community donations, fundraising and philanthropic sources—typically raise small dollar amounts. It is the potential for increased philanthropic funding which holds the greatest potential for significant levels of increased funding and which government policy should foster.

- Current government steps to develop the SIB and social impact investment markets must continue in order for this potential new private funding source to be mobilised. This includes development of market principles, and funding the education and infrastructure required for homelessness services to provide the rigorous outcome evidence required by potential social impact investors.

- Any government push to increase the level of funding diversification needs to consider a range of potential negative consequences and assist SHSs to manage them. These include increased reporting and excessive output/outcome measurement, drain on resources, change in focus, and conflict of objectives.

- Most organisations that provide homelessness services for Indigenous Australians are heavily or totally reliant on government funding, and this situation is unlikely to change. The short-term, unpredictable nature of funding arrangements is of most concern to organisations that provide services to Indigenous Australians experiencing or at risk of homelessness. In an environment where a three-year period is the maximum available funding term, and where one-year funding arrangements have become the norm, it is impossible for organisations to develop and maintain services that are most appropriate to their client groups. The diversification of funding sources developing in the mainstream homelessness sector does not appear to be happening for services that target Indigenous peoples (Spinney, Habbis et al. 2016).

4 Further insights into the funding of services from case study evidence

The case study evidence presented in MacKenzie, McNelis et al. (2017) confirms the findings of the *Australian Homelessness Funding and Delivery Survey*. It also shows that:

- Sources of non-government funding outside of the SHS budget are unlikely to provide a significant contribution to reducing homelessness in the foreseeable future.

- Philanthropic grants are used by homelessness agencies for new initiatives and innovation, but are not available to recurrently fund services provision.

- Funding raised from the community has its preconditions and the ability to access these types of funds is greater for some NGOs and services, for example, those with a target group such as families and children, than others.

- Promising social enterprise development is currently used for ancillary activities and the sector would benefit from government capital start-up funding.

- Social impact bonds are promising, but require a more sophisticated and rigorous approach to outcomes measurement.

Four policy implications emerged from the case studies:

- integrated cross-sectoral and cross-departmental funding packages to achieve greater efficiencies

- co-funding of time-limited special projects and innovation by government with the philanthropic sector

- rigorous experimental trials of social impact bonds as a strategy

- early intervention and post-intervention strategies to reduce homelessness and thus reduce the upward pressure on the homelessness budget.

4.1 Homelessness support service models

Homelessness services operate under a variety of service models, and the homelessness population they support is also not homogeneous. It is imperative that these differences are recognised when considering sources of finance and an appropriate funding profile. The case studies examine a number of different service models, all of which are supported under NAHA and NPAH. They also examine two comparatively new funding sources, SIBs and social enterprise, which were discussed in Chapter 1.

Homelessness support services generally provide client centre-based or outreach support, and some also provide accommodation with support. This accommodation is typically short to medium term, but may also be long-term. Client services provided have typically been reasonably general in nature, with specialist support such as for mental health and drug and

alcohol issues being provided through referral to other services. As discussed previously, the White Paper (2008) supported a more formal integration of support services and joint funding of homelessness programs with mainstream services. Although there is little evidence of this type of formal arrangement having been implemented, the St Vincent's Homelessness Health Service represents a primary example of what can be achieved under this type of model; providing specialist health care to people who are also receiving specialist homelessness support, in a more holistic integrated support model.

Support for aged people experiencing homelessness has traditionally been through mainstream homelessness support services, which typically only provide short to medium term support and which may not be suitable for the specialised needs of this cohort. Living Longer Living Better reforms in 2014 introduced means testing for aged care facility residents to assess eligibility to pay an accommodation payment. This is designed to increase access of the aged with low incomes to appropriate residential care (National Seniors Australia 2016), reducing risk of homelessness. Homelessness support for the aged is also available through the Commonwealth Assistance with Aged Care and Housing for the Aged (ACHA) and Home and Community Care (HACC) programs. The first helps the aged to access better more stable accommodation and, once housed, links them with community support services. The latter provides home support services (Homelessness Australia 2016).

The White Paper also saw the Street to Home model being adopted around Australia as a way of achieving the headline objective of 'offering supported accommodation to all rough sleepers by 2020'. It derives from the Housing First approach where the main premise is that a homeless person's primary need is for stable and secure shelter which then allows other issues to be more effectively addressed. The focus of Street to Home is to move chronically homeless individuals into permanent supported housing. The American literature considerably relies on arguments about the cost-effectiveness of Housing First and several studies provide evidence of a positive benefit from this model. Australian researchers (Johnson, Parkinson et al. 2012) reviewed the literature on Housing First and issued a cautionary note about how many of the evidence claims in the literature were constructed and suggested that the cost advantages may not be as great as claimed.

The development of youth foyers in Australia has followed broadly the template from the United Kingdom UK). A foyer is best described as a packaging of support and accommodation strongly linked to a commitment to participation in education, training and/or employment. Rather than being a facility and a building, the integrated package is the core concept. A field study of foyers in the UK and Australia (Steen and MacKenzie 2014) found that by comparison with the UK foyers, the existing and planned Australian foyers were heavily reliant on state and Commonwealth government funding for capital but also for recurrent support costs because the income generated from current benefits and entitlements was insufficient to ensure financial sustainability. There is a current funding shortfall in Australian foyers of around $18,000 per resident per year. In the UK the streams of income from the Supporting People's Benefit and other local government income was able to underwrite the costs of foyer support.

Generally, there is potential for foyers to mobilise support to the homelessness community from a range of mainstream services not specifically founded to provide services to the homeless. An ongoing five-year evaluation of Launch Housing's Education First foyers, two of which are included in the Inquiry case studies, will provide evidence of the success of the model in achieving this. This evaluation is jointly funded by the Victorian State government and a philanthropic foundation and includes outcomes measures.

4.2 Funding profile of case study services

The funding profiles of services included in the case study component, as described below, largely correspond with that reported in survey findings.

4.2.1 Aged care provider to homeless and disadvantaged elderly persons: Wintringham, Victoria

Wintringham works specifically with low-income older people, particularly those who are homeless or at risk of homelessness. One of their underlying principles was a change in the paradigm; from talking about homeless people who were elderly to older people who were homeless and thus eligible for aged-care funds. Wintringham is a comparatively large organisation and operates throughout both metropolitan Melbourne and regional Victoria, providing outreach, housing and homelessness support. It also provides aged care facilities and affordable accommodation.

Wintringham's funding profile was consistent with survey findings of the importance of government funding (2014–15; 80% of income was Commonwealth funding and approximately 7% state), and the ability of accommodation-based services to supplement their income through rent from tenants (13% of income). Donations represented only 0.3 per cent of operating income and this funding source has not been a priority. The service also makes substantial use of in-kind support through volunteers (approximately 8% of their workforce).

Wintringham has experienced major challenges over its development with access to capital funding for acquisition of its residential aged care facilities and housing projects. While each facility and many of the housing projects have received significant funding through Commonwealth and state government programs, the funding of each has its own unique story of determination, happenstance, innovation, partnership, generosity and good luck in terms of significant non-government funded gifted properties.

4.2.2 Youth Foyer: Education First Youth Foyers—Launch Housing, Victoria

The Education First Youth Foyers model in Victoria is led by Launch Housing, working with vulnerable young people aged 16–25 as they transition to independence. Engagement in education, training and/or employment is a core commitment for residents. A unique feature of the Education First foyers is their co-location with Technical and Further Education (TAFE) institutions.

In terms of financial mix, all capital was provided from government sources. The use of TAFE land reduced the capital cost as did the provision of smaller 22 square metres units. Recurrent funding largely comes from government sources. Foyers also charge young people rent which is used to meet maintenance costs. Philanthropic foundations play an important role on the margins, adding value; they provided funds for various aspects of the start-up and for one-off developments important to success. The largest philanthropic contribution is for a five-year evaluation of outcomes costing $1.1 million with half of these funds coming from government and the other half from philanthropy.

The Kangan Foyer is relatively new but it is currently planning development of a social enterprise and is securing two donors of recurrent funds.

4.2.3 Street to Home: Micah Projects, Brisbane

The Street to Home program in Brisbane is an assertive outreach to rough sleepers and people experiencing chronic homelessness in the Brisbane CBD. Micah, as the lead agency, sought to develop a seamless support system for homeless clients, but this was supported by a complex funding system at the back end. Micah also developed a strong commitment to measuring real outcomes not just outputs.

The primary funding source is NPAH funding through the Queensland Government. The Street to Home program is complemented by a team of health professionals, funded from the Innovation Fund of the Primary Health Network (PHN) (previously Medicare Local) of the Commonwealth Department of Health. Micah utilises these funds to outsource the health care service, which is provided by Mater Hospital and co-located with the Street to Home program. Supplementary annual funding also comes from the Management of Public Intoxication Program of the Queensland Department of Communities, Child Safety and Disability. Some additional income for service provision comes from cash and in-kind donations. In partnership with Mater and St Vincent's hospitals, Micah is seeking $700,000 to establish a Specialist Homelessness Health Clinic in Brisbane.

4.2.4 A youth homelessness agency: NESAY—North East Support and Action for Youth, regional Victoria

NESAY is a key youth homelessness community organisation in regional Victoria with a reputation for innovative programs. The small agency is mostly government funded. State funding is received from the Victorian Department of Health and Human Services, a mixture of NPAH and other state funding. It is also received from the Department of Education and Early Childhood Development for the School Focused Youth Services program. Commonwealth funding is received to deliver the Reconnect program.

In recent years the agency has coped with significant changes in government funding. It has made use of philanthropic funding for enhancing support capacity, has a small but steady stream of donations and sponsorships and relies heavily on in-kind contributions in the form of community volunteers. However, as a small agency, it considers managing the complexity of funding a challenge.

4.2.5 Social impact bonds

Social impact bonds (SIBs) are a new funding source which is currently largely untapped. There are two new SIB projects in NSW and one in Queensland partly dealing with homelessness and there is work underway to raise private investment for a SIB for homelessness services delivered through Common Ground Adelaide and the Hutt Street centre. While Common Ground focuses on the accommodation aspect of homelessness support, Hutt Street Centre offers case management support. This partnership highlights several benefits of the SIB model. It enables two organisations that are addressing different challenges related to homelessness to very successfully join forces, without requiring mergers or other entity restructure. This enhances the potential social and financial benefit; the SIB model enables investors and guarantors (in this case, the South Australian government) to select service providers that are most likely to deliver the desired social outcomes and, in turn, financial returns to investors and savings to government, and the two organisations collaborating are able to service their clients more comprehensively, reduce service duplication and maximise efficiency. Further, the prior success of Common Ground and the Hutt Street Centre in delivering their services can be leveraged to attract private capital, increasing the likelihood of the SIB going ahead and highlighting the importance of outcome measurement and program evaluation.

There is active interest in SIBs, but also questions as to what social issues this kind of funding might be most viable for. The more complex the social issue, the more difficult is it to measure outcomes. The long-term viability of social impact bonds has yet to be established, however, the experiment with social impact bonds does deserve to be followed through and the applicability, viability as well as the long-term sustainability will be evident in time.

4.2.6 Social enterprises

Social enterprise provides the opportunity to have a business enterprise linked to an agency and provide supplementary income. Alternatively, or additionally, social enterprises may act to

directly support the housing, training and employment needs of clients of homelessness services. Two examples of social enterprises relevant to homelessness are the real estate services operated by Women's Property Real Estate and Launch Housing. Both are used to create a revenue stream to help support the associated not-for-profit agencies as well as better meeting housing needs of homeless clients. In addition, HomeGround Real Estate offers an option for property owners to 'donate' their property for a specified time. The landlord, therefore, becomes a philanthropist. These properties are then used to house people who are having difficulty accessing affordable housing or are homeless and any rent received is used to maintain properties and provide support.

More common were enterprises such as The Big Issue and Streat which do not provide explicit homelessness or housing support, but do provide opportunities through employment experience to facilitate independence and freedom from homelessness. The total Big Issue budget is based on about 50 per cent from sales and 50 per cent from donations and grants. The grants and donations have allowed The Big Issue to expand and diversify its operations, although the core activity of publishing could continue without grants and donations but with more restricted capacity. Streat was 65 per cent self-funded through its businesses in 2015, with the remainder of funding coming from grants and donations. Streat has also used crowd funding to finance expansion projects and projects it will reach financial sustainability in 2018-19 (The Big Issue 2015; Streat 2012).

4.2.7 Women's domestic violence service: Supported Accommodation and Homelessness Services Shoalhaven, regional NSW

Supported Accommodation and Homelessness Services Shoalhaven Illawarra (SAHSSI) is a Specialist Homelessness Service which operates two crisis accommodation support services for women (with or without children) who are subject to domestic violence, as well as 40 transitional properties and two specialised support programs.

Approximately 75 per cent of their $3 million income comes from government SHS funding. A further 10 per cent of funding comes from grants for specialised support programs. Rent contributes 11 per cent, however donations comprise less than one per cent of overall income.

SAHSSI recognises the need to diversify their funding base and are seeking to develop opportunities in philanthropic funding. It is also acquiring a property using savings accumulated from rental income from Housing NSW tenancies over the years, and is negotiating the donation of land from a local business. However, the potential for private funding of SHS services was thought to be fairly limited.

4.2.8 Alcohol and other drugs and/or mental health program: St Vincent's Homeless Health Service, Sydney

The Homeless Health Service (HHS) operating out of St Vincent's Hospital, Sydney, provides outreach healthcare. The service operates a number of services; the Homeless Outreach Team manages intake for all referrals to the Homeless Health Service, the Way2Home Health Team works in partnership with the Way2Home Support Team (Neami) to provide healthcare and support to rough sleepers. Tierney House provides a safe and stable environment whereby residents can access assessment, treatment and support.

In addition to SHS funding, health system funding is obtained for bulk-billed medical and public hospital care and non-government funding is sourced from philanthropic donors.

Philanthropic funding is important to St Vincent's. Given the uncertainty of SHS funding and the critical need for accommodation, St Vincent's is actively seeking additional income sources through fundraising and philanthropy.

4.2.9 Large organisation with significant SHS funding: Mission Australia, NSW

Mission Australia (MA) is a large charity a with public benevolent institution status. It operates nationally, but particularly in NSW. MA's goal is to reduce homelessness and strengthen communities and it delivers a broad range of services, including housing homelessness and non-homelessness specific services such as mental health (Mission Australia 2016a). Total revenue for 2015 was $337.913 million, mostly government (41% from Commonwealth and 29.5% from state and local government). Fundraising and corporate partnerships provided 8 per cent of total revenue (Mission Australia 2016b).

MA's high profile gives it a strong base upon which to build its fund-raising activities and shift resources into this area. It has recently employed a fund-raising manager with a background in the corporate sector. In raising private funds, MA builds on its past reputation and seeks to create a brand that appeals to donors. It invests time and energy in maintaining relationships with its support base. MA's public marketing focuses on family homelessness, particularly children, and primarily maintains contact through a newsletter and email. In marketing to corporations and major donors MA talks about homelessness generally. This group is focused on making a difference either for their own brand or because they want to realise certain values or objectives, and want to pinpoint where their money goes. Many major donors want to meet people and get an understanding of what they have contributed to. Corporate donors are much more commercially and outcome focused, whereas governments focus on specified output criteria.

Of particular importance to MA is undesignated funding, i.e. income for which the use is not specified. These funds allow MA to provide services that government doesn't necessarily address; for example identifying unmet needs, developing products that meet those needs and planning the future of MA more strategically. These funds can be used for research and advocacy, and they allow MA to be more innovative and flexible in their work.

4.3 Insights from the case studies

The case studies were designed to unearth insights and explore concretely the sources and consequences of funding, but a limited set of case studies do not allow for broad generalisations. The following points represent insights derived from the case study evidence.

- The Specialist Homelessness Service (SHS) system currently receives funding of $639 million annually. Apart from the issue of whether there could be significant funding for homelessness from sources external to the SHS budget, a policy shift to serious investment in early intervention would, over time, reduce the flow into homelessness and therefore the use of homelessness services, and at the same time save money on health and justice services. Creating a greater supply of affordable housing would also prevent homelessness as well achieve a more rapid rehousing of people who become homeless.

- Sources of private funding outside of the SHS budget are unlikely to provide a significant contribution to reducing homelessness, although there are many innovative and creative uses being made of relatively small injections of one-off funding. Moreover, the appeal for public donations of goods and cash, for corporate sponsorship, for in-kind contributions and for support of social enterprises lies particularly in being able to alleviate the situation of people who are already homeless. It is a response to crisis.

- The expectation of agencies, of philanthropy, of corporate sponsors is that governments will provide the bulk of recurrent funds for services to people who are homeless. These services are costly, and although the homeless population is diverse, it includes some of the most disadvantaged people in the community.

- Philanthropic grants are likely to continue to be available and homelessness agencies will make good use of this funding source. However, the focus of philanthropy is in many instances on new initiatives and innovation. Their expectation is that those initiatives and innovations that are promising will be recurrently funded by governments.

- Improvement and innovation could be seeded through partnerships between government and philanthropic foundations. A policy, to create a modest sized innovation fund on an annual basis would facilitate this. The Education First Foyer evaluation, which is jointly funded by government and philanthropy, is a good example.

- Funding for homelessness services tends to be fragmented according to funding department and program. In the homelessness sector, several agencies remarked that their different programs are coordinated on the ground at the agency and community level, but not at departmental and government levels. An alternative funding model could be based on holistic, community-level assessments of service needs, using funding packages delivered by agencies or consortia of community agencies.

- Fund raising has its pre-conditions and some agencies have more opportunities than others. Agency and program characteristics which enhance ability to raise significant philanthropic and other fundraising income include:

  — A board and/or CEO with entrepreneurial and personal skills for fund raising

  — located in areas with rich veins of opportunity (e.g. Sydney)

  — strong brand recognition, particularly church and large welfare agencies

  — target groups that appeal to those who donate—children, young people and the elderly

  — deal with tangibles that appeal to those who donate—food, furniture, equipment and tools etc. It is more difficult to raise philanthropic income for the less intangible aspects of homelessness support.

- If government wants to encourage a greater mix of funding through encouragement of social enterprises, seed funding of social enterprise activity should be available from government or through government–philanthropy partnerships. Sustainability of the seeded activity is the key to this becoming an ongoing commitment from government, providing organisations with the opportunity and financial certainty to grow the social enterprise to sufficient scale to be self-supporting.

- A more sophisticated and rigorous approach to the monitoring and measurement of outcomes will be necessary for social impact funding to develop to any extent.

4.4 Policy implications of case study evidence

Four policy implications are suggested by the case study evidence.

1 Integrated cross-sectoral and cross-department funding packages:

The creation of more diverse funding has been developed by agencies both large and small. However, the pattern is for a more diverse range of government funding for programs and initiatives that provide more holistic and integrated support for homeless clients. The complaint is that these benefits come with additional administrative and accountability costs. The implication for policy from this finding is that government funding could be packaged or pooled on the basis of cross-departmental funding of better integrated services for people experiencing homelessness with an efficiency dividend and the potential for greater effectiveness due to integration and improved case coordination.

2 Government and philanthropic/corporate co-funding projects:

Agencies make resourceful use of philanthropic and corporate funding opportunities, but in total these comprise a small proportion of the recurrent services budget. Such funding is typically time-limited, constrained to special projects or innovation and not available for the recurrent funding of service provision. The requirement for sustainability as a criterion for funding from philanthropic foundations opens the way for joint funding of new initiatives or rigorous project evaluation. An approach could be for governments (or agencies seeking government funding) to form partnerships with corporate and philanthropic donors for enhancement initiatives.

3   Rigorous experimental trials of SIBs:

Several new forms of non-government funding were investigated such as social enterprises, and SIBs. Quite a few social enterprises have sprung up; some appear to be prospering while others struggle. Generally, they underwrite ancillary or additional support services. It is unlikely that many homelessness agencies are in a position to develop successful social enterprises. SIBs promote a business investment model for mobilising private capital investment. There is considerable interest in SIBs and a number of trials underway throughout the world. In this area, the policy advice would be to pursue this line of development with critical optimism, to work out what exactly is most appropriate for this kind of funding, what its limits are and how the outcomes measurement challenges can be addressed.

4   Early Intervention and post-intervention strategies:

The Inquiry focuses on funding sources and profile, but it should be recognised that increased expenditure on Specialist Homeless Services does not of itself address the issue of reducing homelessness. Early intervention or 'turning off the tap' and post-intervention or 'breaking the cycle' were explicit in the White Paper, *The Road Home* (Commonwealth Government 2008) and also evident in the various plans and reports produced by state and territory jurisdictions since then. Yet these utterances around early intervention and post-intervention have unfortunately remained underdeveloped in strategic policy implementation and funding. The evidence is clear that there are additional cost savings (and potentially across multiple sectors) associated with both early intervention that reduces the flow of people into homelessness and post-intervention initiatives, such as rapid rehousing or Housing First initiatives or supportive housing options for people with high and complex needs. Unfortunately, however, the current siloed nature of government portfolios and funding models, and the myriad of differing agency and sector priorities, are impediments to early intervention and effective breaking of the homelessness cycle. New ways to incentivise more joined up funding and collaborative action around homelessness merit greater attention, as there is substantial potential to save resources and reduce homelessness in the longer term via a more preventative framework.

5   Safe and sound? How funding mix affects homelessness support for Indigenous Australians

This chapter describes findings relating to the funding of Indigenous-focused homelessness services (Spinney, Habibis et al. 2016 provides detailed evidence).

- Financial support to organisations that provide services to Indigenous Australians experiencing homelessness is primarily provided by governments through the National Partnership Agreement on Homelessness (NPAH), with 94 per cent of funds from governments. The next largest source of funds (only 2%) is rent revenue.

- No Commonwealth or state program specifically targets supporting homeless Indigenous people or those at risk of experiencing homelessness. Services for homeless Indigenous people are overwhelmingly 'mainstreamed' with SHS funds going to Indigenous organisations but no targeted support or coordination with programs which are targeted at Indigenous Australians.

- Funding uncertainty is a major issue, and the problems (including operational inefficiency, inability of organisations to innovate, and impacts on staff recruitment and retention) caused by this precariousness are notably similar, regardless of the location or type of service with larger organisations best placed to cope. Research participants told us that the precarious nature of funding is a major issue for Indigenous-focused organisations and their services.

- Homeless Indigenous people usually approach a mainstream organisation for support. The cultural competency of these organisations can vary and homeless Indigenous people may not be receiving the kinds of support which are culturally appropriate and best suited to them.

- More than half of the survey respondents anticipate that negative consequences on service provision and outcomes would result from attempting to further diversify their funding sources and seeking funds from non-NAHA/NPAH sources.

- Only six of the survey respondent organisations received funding or support from other sources, but almost all of the organisations represented in the focus groups and case studies received additional types of funding or support, such as donations of goods, philanthropic grants and cash donations from community members and fundraising activities. The amounts of this additional funding were relatively small in all cases but one.

- Larger mainstream organisations can generally cope with funding changes more easily than can smaller organisations with fewer funding sources.

5.1 Existing evidence on funding of services whose main client group is homeless Indigenous Australians

5.1.1 Government funding

The funding of homelessness services for Indigenous clients has not always been a priority for Australia's Commonwealth and state governments with the Supported Accommodation Assistance Program (SAAP) not specifically recognising Indigenous Australians as a priority group for funding until the mid-1990s. It was only in the early 2000s that SAAP began to fund Indigenous-specific homelessness services.

While spending on Indigenous people amounts to $30 billion annually (SCRGSP 2014), no Commonwealth or state programs specifically target homeless Indigenous people or those at risk of experiencing homelessness. Within the major funding programs for homelessness—the NAHA and the NPAH—services for Indigenous people are overwhelmingly mainstreamed, with few Indigenous Community Housing Organisations (ICHOs) receiving funding as Specialist Homelessness Services (SHS).

Community organisations also receive funding from state government housing, health, mental health and justice agencies as there is a strong relationship between homelessness and high physical and mental health needs, drug and alcohol use, unemployment and financial hardship and high levels of contact with the juvenile justice and criminal justice systems. This funding is usually provided through six-month to three-year funding agreements that are tied to performance measures.

In addition to mainstream government funding sources, four Federal funding streams directly target Indigenous peoples: the National Partnership Agreement on Remote Indigenous Housing (NPARIH), the Indigenous Advancement Strategy (IAS), Aboriginal Hostels Limited (AHL) and the Indigenous Australians' Health Programme (IAHP). These sources fund housing programs to increase the supply of housing in remote communities (NPARIH); to improve tenancy sustainment (NPARIH) and to provide short-term accommodation for travel related to access to education, employment, training and health (AHL).They provide health services, including primary care outreach to homeless Indigenous people (IAHP); and a range of programs relating to homelessness, including mental health, criminal and juvenile justice, transport, substance use and family violence services (IAS). None of these programs have Indigenous homelessness as their primary focus. The absence of targeted homelessness funding for Indigenous people means homelessness funding arrangements for Indigenous populations are characterised by fragmentation and an absence of policy coordination.

5.1.2 Philanthropic funding

Tually, Skinner et al. (2012) and Tually, Baulderstone et al. (2013) reviewed the literature on philanthropy and homelessness in Australia. They did not specifically focus on philanthropy and Indigenous homelessness, and there seems to be no research in this area.

However, Schwab and Sutherland (2002) as well as Smyllie, Scaife and McDonald (Scaife 2006; Scaife, Williamson et al. 2012; Smyllie and Scaife 2010; Smyllie, Scaife et al. 2011) have explored the more general relationship between Indigenous organisations and philanthropic funds. They note the lack of research in this area and that Indigenous causes are under-represented as recipients of philanthropic funds (Smyllie, Scaife et al. 2011). Moreover, the funds' impact is patchy, not subject to rigorous assessment and, in particular, there is 'no assessment from the Aboriginal and Torres Strait Islander perspective' (Smyllie and Scaife 2010: 4). Indeed, Smyllie and Scaife (2010: 25) note that philanthropic boards or personnel had no knowledge of cultural competency. While many philanthropic funds see themselves as innovative risk-takers compared with the highly structured and performance-oriented outputs

typical of government funding programs, they focus on organisational capacity rather than on community capacity and tend to work through established connections rather than directly with Indigenous organisations. The funding of Indigenous causes is a new venture for many philanthropic funds and they are '"learning by doing" a new way of working' (Smyllie and Scaife 2010: 25). The philanthropic sector is also concerned that government is abrogating the role of providing 'a decent world for its citizens' (Smyllie, Scaife et al. 2011: 1144). The philanthropic funds see their own role as more limited, with a particular focus on new projects that will eventually receive mainstream government funding.

5.2 Funding profile of case study services whose main client group is homeless Indigenous Australians

5.2.1 Case study: Quantum Support Services (QSS)

QSS is a regional service that operates in a number of locations throughout central Gippsland in Victoria. For more than a decade, QSS has managed an Aboriginal Tenancies at Risk (ATAR) program, an SHS that specifically targets Indigenous Australians at risk of homelessness. This program aims 'to establish or sustain Aboriginal tenancies by supporting tenants to address issues placing their housing at risk'. In developing and managing this program, QSS has developed a strong partnership with local Indigenous-specific organisations, taking the lead because of the organisation's particular housing and homelessness services expertise. QSS had a total income of $8.4 million in the 2014–15 financial year, with government grants representing around 95 per cent. Other sources of funds included rental income (2.3%), interest (0.3%), donations (0.1%) and other income (2.1%).

5.2.2 Case study: Ruth's Women's Shelter

Ruth's Women's Shelter, a small not-for-profit organisation, is one of two shelters in Cairns that provide secure crisis accommodation to women and children escaping domestic and family violence. Ruth's operates in the area from Cooktown to Cardwell. The organisation is not Indigenous-specific, but almost two-thirds of its clients are Aboriginal Australians or Torres Strait Islanders. The purpose-built shelter has been operating since 1977 and provides rooms to house six families, with shared bathrooms and communal kitchens, lounge rooms and children's play areas. Recently, Ruth's has acquired self-contained accommodation to house women preparing to return to the community. Emotional and practical support is available to residents 24 hours a day, Monday to Friday. The vast majority of Ruth's income is from government grants. This government funding totalled $638,192 in 2014, with a slight increase to $716,306 in 2015. The additional 2015 funds were granted to help Ruth's deal with increases in staff award rates. Federal emergency relief funding for Ruth's was cut by half in recent years (from $22,000 per year to $11,000 per year), but the community has made up the shortfall with cash and in-kind donations. Ruth's received $21,205 in cash donations in 2015, and $19,864 in 2014. In comparison the organisation's rental income was only $2,772 in 2015.

5.2.3 Case study: Weave Youth and Community Services

Weave is an urban organisation operating in Waterloo and Redfern in inner Sydney. It runs a range of programs focused on young people, women and children. Around 85 per cent of participants in its programs are Indigenous Australians. Weave received funding as an SHS for the first time in 2015 after a Department of Family and Community Services review and re-tendering process. Weave's primary role is supporting homeless young people, particularly Indigenous young people, through outreach and case management. To do this, Weave employs a family and adolescent counsellor and an outreach case manager. Since 2015, Weave has housed 70 young people and worked with around 300. Government grants represented more than three-quarters (77.3%) of Weave's income in the 2014–15 financial year. Other sources

included donations (11.3%), other non-government grants (9.1%), interest (1.6%) and other income (1.0%). Weave receives a relatively high proportion of its funds from donations and other grants (mainly philanthropic funds). Weave also receives in-kind contributions, including food and other tangible items for clients as well as services to the organisation such as auditing, consulting, IT support and marketing.

5.2.4 Case study: The Council for Aboriginal Alcohol Program Services (CAAPS)

CAAPS is an Aboriginal corporation and the largest not-for-profit family-focused residential alcohol and other drug rehabilitation centre in Northern Australia. It provides residential rehabilitation programs for alcohol and drug use, with outreach and referrals to prevent homelessness. Services include a 12-week residential alcohol and drug treatment program, a 16-week volatile substance use program that targets young people, a children's program and a homelessness outreach program. Income for the 2015 financial year was $2,867,980 (CAAPS 2015). Almost 80 per cent of funding is derived from Commonwealth programs, 15 per cent from territory and state grants and only 5 per cent from other sources (CAAPS 2014).

Funding precariousness and cuts have had a marked impact on the program and on Aboriginal people in Darwin. In 2015 the service's outreach program was forced to close because of funding cuts increasing the risk of Indigenous criminalisation because of mandatory alcohol treatment legislation in the Northern Territory. Many of the people who are referred for mandatory alcohol treatment fall within CAAPS' client group because of the high visibility of homeless Aboriginal people. From CAAPS' perspective, this is a concern because not only does mandatory alcohol treatment breach human rights, but the research suggests it is also ineffective (see Lander, Gray et al. 2015).

5.2.5 Case study: Larrakia Nation Aboriginal Corporation

Larrakia Nation Aboriginal Corporation was established in 1997 to represent the interests and aspirations of eight Larrakia families who are the traditional owners of Darwin and surrounding regions. Originally established to address Native Title claims, the organisation expanded to become a multi-provider of community services in areas including homelessness support, aged care, ranger and arts and cultural services. By 2014, Larrakia's membership had grown to over 700 individuals. The organisation employs almost 100 staff, approximately three-quarters of whom are Aboriginal, and has an annual budget of just over $5 million (Larrakia Nation Aboriginal Corporation 2015).

Almost all of the funding for Larrakia's homelessness programs comes from the Commonwealth and Northern Territory governments. In 2014, 85 per cent of Larrakia Nation's income was derived from Commonwealth, state and local government grants, with the remainder from sales, services and donations (Larrakia Nation Aboriginal Corporation 2015). Significantly, all its services for homeless people are funded by mainstream programs rather than SHSs. Entrepreneurial activity is limited to artwork production and a research service. Commonwealth funding is the most important source for its homelessness services. The election of the Country Liberal Party (CLP) Government in 2012 resulted in substantial cuts to the Northern Territory's homelessness programs. Larrakia Nation was directly affected, drawing on its severely limited resources to self-fund its Return to Country program. Since 2014, Larrakia Nation has been struggling financially with the loss of its Northern Territory Government contracts, the costs of the Return to Country program, and subsequent difficulties in managing the construction of a community centre.

5.3 How are services that provide support for homeless Indigenous Australians funded, and what are the implications?

No Commonwealth or state program specifically targets homeless Indigenous people or those at risk of homelessness. This is despite an over-representation of Indigenous people among Australia's homeless population and in contrast to housing which has a number of Indigenous-specific funding streams. Services with a majority of homeless Indigenous clients are overwhelmingly run by mainstream organisations and do not have an Indigenous specific focus. Within the major funding programs for homelessness, the NAHA and the NPAH, services for Indigenous people are overwhelmingly mainstreamed. Within housing programs, funds are available to increase the supply of housing in remote communities (NPARIH), to improve tenancy sustainment (NPARIH), to provide short-term accommodation for travel related to access to education, employment, training and health (AHL), to provide health services, including primary care outreach to homeless Indigenous people (IAHP) and to provide a range of programs relating to homelessness including mental health, criminal and juvenile justice, transport, substance use and family violence services (IAS). None of these programs have 'addressing homelessness amongst Indigenous people' as their primary focus. The mainstreaming of programs for Indigenous homelessness means there is an absence of culturally appropriate homelessness service provision. Consequently, Indigenous children and families may not receive the support which is best suited to them, creating barriers to access and service delivery.

The Indigenous community sector provides some services related to homelessness, such as return to country programs, but very few ICOs receive funding through NPAH or NPARIH. The onerous application requirements and reporting conditions act as a deterrent to accessing this funding, as ICOs are generally small and lack the resources to enter the space. Instead most ICOs rely on other government programs such as Aboriginal health services or state funded programs relating to criminal justice, mental health or substance use.

One of the consequences of the reliance on government funding is that funding for homelessness services is short-term and unpredictable. This is of great concern to services whose key funding requirement is for funding certainty. Funding precariousness is having a major impact on service provision and client outcomes. In an environment where a three-year period is the maximum funding term, and where one-year funding arrangements have become the norm, services are operating at levels well below what they consider to be optimal. It is impossible for organisations to develop and maintain services that are most appropriate to their client groups. Problems of operational inefficiency, inability to innovate, and difficulties recruiting and retaining staff are common regardless of the location or type of service.

There are limited opportunities for the diversification of funding sources and this situation seems unlikely to change. The diversification occurring to some extent in the mainstream homelessness sector does not appear to be happening for services that either target Indigenous peoples or which have large numbers of Indigenous clients.

Without adequate funding for homelessness services to support Indigenous Australians, their use of non-homelessness services in sectors such as health, welfare and justice is unlikely to reduce and may increase.

5.3.1 Commonwealth and state funding

All of the organisations covered by our survey analysis and fieldwork activities are heavily reliant on funding from the government sector, including state and territory housing departments, health and child protection departments, and the Attorney-General's Department. Some informants were uncertain whether they received Commonwealth Government funding,

and some observed that it could be difficult to obtain detailed information about the ultimate origins of their state and territory government funding.

For most organisations, government funding was supplemented by a relatively small amount of self-funding, including sources such as rental income, Centrepay repayments from clients, fees for provision of literacy programs, and so on. Almost all organisations also received relatively small amounts of philanthropic or corporate funding. These amounts were generally used to fund items and activities that would not have otherwise have been available for clients, such as food vouchers and children's parties.

5.3.2 Impact on Indigenous community organisations (ICOs)

The overall high level of dependence on Federal, state and territory government funding sources made organisations providing homelessness services vulnerable to changes in the policy and funding environments. In the Northern Territory, without exception, respondents described funding for their programs as short-term, unstable and precarious

This precarious nature of funding has particularly affected ICOs. Any change in the funding had a substantial impact on the viability of the organisation. Typically small in size, they had difficulties in attracting and retaining staff. Their access to Indigenous funding streams had not protected them. Almost all had experienced changes in funding sources and had to cut some services entirely. Others were now operating on a maintenance basis, with no scope for innovation or growth. These organisations had demonstrated their effectiveness in achieving positive outcomes for clients, so from their perspective the precariousness of their existence did not seem appropriate and resulted in service inefficiencies.

A very small minority of ICOs that informed our research have responded to the diminishing and uncertain nature of government funding by attempting to diversify their funding sources and becoming more entrepreneurial. However, there is a limit to how much ICOs can achieve in this area. For some, diversification has meant seeking revenue streams from different government agencies, rather than finding alternatives in the corporate or philanthropic sectors or self-funding, because neither of the latter options seemed realistic or cost-effective.

Respondents described funding application processes that were difficult for even the more well-resourced organisations and skilled staff to follow. Funding requirements are inflexible and get in the way of good service delivery. Informants were concerned about time-consuming and sometimes frustrating reporting obligations that seem to be used for bureaucratic purposes, rather than to improve services. One ICO described how even though the funding they receive is relatively little, they are required to meet the same level of reporting as other services that receive millions of dollars. They pointed out that since they are an accredited health service that doesn't provide accommodation, the reporting obligations seem excessive and inappropriate. They have few administrative staff and so requirements in relation to, for example, meeting KPIs, effectively takes resources away from service delivery. Respondents were also concerned about the high level of staff turnover within Commonwealth and state/territory departments, because this made it difficult for their staff to build strong relationships.

5.3.3 Funding mix influences on organisations and service provision

Services are vulnerable to the precarious funding environment which has a number of problematic effects on the sector and the effectiveness of services. Short-term funding periods (less than one year) create operational inefficiencies. Some organisations are unable to employ staff. Staff turnover is also high because most services can only offer short-term contracts. Organisations are unable to run services consistently throughout the year, impacting on relationships with clients. Some organisations are unable to innovate and introduce new models of good practice, and opportunities to improve services and address service gaps are missed.

These problems are exacerbated by periods of policy change when there is no advice available on future government funding until new arrangements are in place, creating enormous uncertainty in the sector.

For both mainstream and Indigenous-specific organisations, employment of Indigenous staff is critical for providing culturally appropriate services, but funding uncertainty creates serious recruitment and retention problems. Some organisations do not have Indigenous staff working in their services despite having mainly Indigenous clients. Staff not only need the skills to work with clients with multiple needs, but also an understanding of Indigenous culture. Some services require workers with health or mental health qualifications, yet funding constraints make it difficult to pay them at competitive levels. Qualified Indigenous people are in high demand, and the lower wages and limited career structure organisations offer make it difficult to attract staff. This increases staff workloads and contributes to high staff turnover.

The precarious nature of homelessness funding meant there were few people in the organisations investigated who had been in the organisation for longer than two or three years. This reduced their capacity to take a long view on how the mix of funding sources impacts on the service and its clients. Few respondents were able to describe in any detail the funding history of their organisation and how it had impacted on programs. Very few respondents had a good understanding of the forces driving change in the sector. Their perspective was relatively short-term, with changes understood as driven by the political cycle and changes in government. The levels of support available were understood to be largely ideological determined by whoever was in power. Despite the sense that government funding was highly precarious there was nonetheless a strongly held view across all sectors that ensuring Indigenous citizens have safe, appropriate housing is a governmental responsibility—at Commonwealth and state/territory levels.

5.3.4 Impacts of funding mix on Indigenous Australians

The limited and precarious nature of funding available from Commonwealth, state and territory governments, and the mainstream nature of service provision affects Indigenous people's access to services, and limits the outcomes achieved.

Both ICOs and mainstream service providers emphasised the inappropriateness of a 'one size fits all' approach to service provision, saying culturally adapted services were essential for Indigenous people experiencing or at risk of homelessness. Many low-income Indigenous people experience difficulties beyond the issues of multiple needs evident in the overall homeless population. For example, many Aboriginal people travelling to Darwin and other population centres, as either temporary visitors or migrants, find it very difficult to access affordable private rental market or social housing. This creates high levels of crowding and public space dwelling, bringing with it risks of injury, physical and mental health problems and criminalisation. As well as high rates of mental and physical disability, many Indigenous peoples are also dealing with the legacy of colonisation.

Cultural memories of colonisation and a distrust of government and 'white fella' services mean many are reluctant to use mainstream services even when they have high levels of need. The relational orientation of Indigenous culture requires services based on direct knowledge and understanding of the client group, personal connection and face-to-face contact. Indigenous services relied on staff members' personal knowledge and networks to provide safe accommodation for individuals at risk of incarceration and/or homelessness. This kind of knowledge is absent from mainstream organisations especially if they do not employ Indigenous staff. This acts as a barrier to the willingness of Indigenous people to access the service.

Outreach work is especially important because of many Indigenous individual's reluctance to seek the services they require.

Familiarity is especially important for homeless Aboriginal people whose interactions with many mainstream services, such as the police or child protection services, have involved forms of control. The capacity of organisations to develop a trustworthy reputation and familiarity to clients is critical for effective service provision. Funding difficulties that mean they have to cut services, lose staff and curtail their support damage their relationship with the Aboriginal communities they serve and weaken their capacity to bridge the service gap for this group.

Unlike mainstream services, Indigenous organisations have an understanding of how to configure their services in ways that will increase client participation. For services to be culturally appropriate they need to respond to client expectations about age, gender and kinship relations. For example, more traditional individuals require services to be provided by someone of the same gender. An older person may have difficulty accepting services from a younger person. Historical conflicts may mean some kinship groups are reluctant to accept services provided by organisations associated with particular clan groups. Understanding these relationships is essential for any service working with Indigenous clients but few mainstream organisations possess the cultural knowledge or skills to operate in accordance with these practices and beliefs.

5.4 Policy implications for funding of Indigenous homelessness services

- The regional and remote location of many Indigenous services makes it difficult to attract non-government funding, so for the foreseeable future it is hard to see how the current reliance on government sources of funding for Indigenous homelessness will be reduced. With adequate funding for homelessness services to support Indigenous Australians, their use of non-homelessness services in sectors such as health, welfare and justice is likely to reduce (Flatau, Zaretzky et al. 2008; Zaretzky and Flatau 2013). However, this will not occur and costs in non-homelessness domains may actually increase if homelessness funding for Indigenous people is not adequate or appropriately targeted.

- The short-term and precarious nature of government funding is having a major impact on service provision and client outcomes; addressing this is the primary policy imperative.

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

- The high levels of homelessness among Indigenous Australians warrants targeted funding of indigenous-specific services that are culturally appropriate. Most of the organisations providing support to Indigenous Australians who are homeless are not Indigenous-specific. Further work is required in order to determine whether homeless Indigenous Australians are receiving the kinds of support which are best suited to them, and whether the support they receive is culturally appropriate. There is scope to increase the role of ICOs in providing homelessness services since they are best placed to address barriers of cultural difference and the legacy of colonisation. It is time to go beyond the rhetoric of national policy support for a vigorous Indigenous housing and homelessness services sector, and for sustained efforts to support Indigenous organisations to achieve this (Milligan, Martin et al. 2016).

6 Policy development options

6.1 What is the current funding profile, capacity to diversify and policy to support diversification of homelessness services?

The funding profiles of homelessness services is complex, comprising government funding of SHS and non-SHS services, non-government funding of early intervention and crisis responses, social enterprises, and other forms of funding. However, SHS services remain largely reliant on government funding, and nearly half of that funding is from a single source, the NPAH/NAHA.

The current high proportion of government funding in the SHS sector needs to continue, at least into the medium term, if an ongoing program aimed at early intervention, post-intervention and eliminating homelessness is to be achieved. Homelessness is a long-term issue requiring long-term programs. The current ability of services to access non-government funding is limited and often for one-off and short-term initiatives. It is not adequate, nor does it offer the level of stability required to provide core programs. Where core government funding is not available, services report reduced ability to meet client demand and other service objectives.

One possible option for diversification is use of philanthropic funding. Philanthropic funding represents a substantial current funding source in the non-SHS sector, but not the SHS sector. However, donations aren't typically long-term, as required for recurrent funding of homelessness programs. They are suitable for one-off projects, such as capital projects and trial of innovative programs. This creates a significant level of funding instability for services heavily reliant on this funding and uncertainty for clients.

The homelessness sector would benefit from a philanthropic market infrastructure supporting longer term philanthropic funding, including promoting of partnerships between philanthropic foundations (Carlin 2011). This has the benefit of pooling of philanthropic funds, creating both a larger pool of available funding and diversification of the sources used to fund individual philanthropic grants. This diversification would create the ability to mobilise smaller and shorter term philanthropic funding sources to fund larger and longer term philanthropic grants available for not-for-profits to deliver homelessness services, much as the financial sector diversifies risk and transforms maturity of funds. The White Paper (2008) proposed to establish a foundation to consolidate partnerships between the government and business to 'channel funding, in-kind support and sponsor innovation and research to support the work of governments and the not-for-profit sector in combating homelessness' (p.20). If this as yet unimplemented proposal were actioned it would go some way to achieving these outcomes.

Globally, characteristics attributed to successful long-term philanthropic funding relationships include: inoculation against funder fatigue; pooling of funding from a number of philanthropic sources; active engagement with the Foundation; and using donated funds to leverage further grants and scale up (Brousseau 2009; Carlin 2011). Creating a market which encourages partnerships between philanthropic foundations has the potential for other benefits and resource saving, 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).

Donations from the public and corporations and avenues such as crowd funding are also widely used, but the comparatively small amount means they cannot be used to create a meaningful major funding source. Similarly, the ability of services to raise their own income stream is limited and cannot be relied upon as a significant source of funding. Rental revenue from accommodation-based services is limited and fee-for-service income not commonly reported. Given the client base of the sector it is unlikely this will change.

Social enterprises allow cross-subsidisation of not-for-profit activities and potentially facilitate additional client services such as skills development, employment and housing. Another positive aspect of this model is that the focus on core business is not impaired and resources drained by diversification into activities which do not complement homelessness support initiatives. However, further research is required to determine the effectiveness of social enterprises in delivering these outcomes and the extent to which inefficiencies are created when homelessness services diversify in this manner. Social enterprises are typically associated with employment or entrepreneurial opportunities and they are unlikely to have applicability across the entire spectrum of homelessness services.

Use of SIBs and social impact investing to mobilise private funding of social issues is in its infancy, and although a number of agencies are investigating this avenue it is unlikely to become a major funding source in the short term. Nevertheless, the interest shown in SIBs among a number of governments at present is encouraging.

The expansion of SIBs options requires development of considerable infrastructure and a solid evidence base of program outcomes and the associated economic impact, both within the homelessness sector and other sectors such as healthcare and the justice system. The need to provide a financial return commensurate to risk as well as a social return, and the current lack of an evidence base to assess the economic impact of programs, means that in the short term these instruments are more suited to funding asset-based programs, such as affordable housing, than service-based programs such as homelessness support. Policy also needs recognise that this type of funding will typically only be accessible by larger agencies. Smaller organisations often will not have the scale to attract this type of funding, or the expertise to undertake the robust economic evaluation required to provide an evidence base.

Considerable government support will be required to support development of SIBs and social impact investment to create a structure for marketing the bonds, a common set of principles and common language, and robust and comparable outcome measures. The recent state government SIBs initiatives have started creating this infrastructure, and need to continue for it to develop in any meaningful way.

The comparatively recent initiative of evaluating program outcomes is also in its infancy and requires government support if it is to provide the robust evidence of outcomes and economic return required to support social impact investment and the allocation of government funding. Program evaluation is complex and costly, it also requires expertise. If it is to occur policy needs to require program evaluation as a standard condition in homelessness service contracts rather than the current ad-hoc approach. Specific funding also needs to be provided for the evaluation activity. Robust program evaluation and outcome measurement requires increased funding for IT to facilitate data collection, and staff training in outcome measurement and use of IT facilities, all of which, survey evidence suggests, are currently not adequately funded to meet current service objectives.

Other initiatives to support effective and systematic economic evaluation include greater public availability of government data and development of a common database of measures and

metrics of inputs, outputs, outcomes[3] and unit prices. One example of this type of database internationally is the Impact Reporting and Investment Standards (IRIS). Additionally, a community of practice to provide support networks connecting practitioners with experts and resources is needed. Support for specialist consultancy agencies such as Social Ventures Australia, which provide expertise and resources to trial initiatives which can be scaled up is recommended (Flatau, Zaretzky et al. 2015).

Robust program evaluation and evaluation of economic impact also requires longitudinal data on client outcomes (what happens once a person completes a period of support). This is not currently readily available on any broad scale. Since mid–2011 the SHSC can provide longitudinal information on a person's use of SHSs, however this is not readily available to individual agencies. Facility to link SHSC data with other government datasets such as health and justice is also in its infancy. Facilitating access to this type of longitudinal and linked data requires policy to support data linkage and setting up protocols to deal with issues such as client privacy.

6.2 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?

The funding mix available or achieved by agencies affects the services they can provide and shapes the service organisation. Government funding, which represents the majority of funding for the sector, is viewed by the majority of services as inflexible. This has the advantage for government of ensuring that services delivered are consistent with specified program outputs. However, it places restrictions on the ability of an agency to tailor services to meet the specific requirements of their target population. Specification of service contract requirements in terms of outcomes required instead of inputs and outputs would go some way to addressing this issue. However, performance-based contracting requires consensus on outcomes and robust measures, neither of which are currently available. The infrastructure to support outcome measurement, such as a common language, IT infrastructure and staff training, needs to be put in place before this can be delivered effectively.

Integration of client services to provide a holistic approach to support is recognised as important. A fairly common approach adopted by agencies to achieve this is to operate a number of complementary services drawing on funding from different government programs. This may involve a number of homelessness programs, predominantly NAHA and NPAH funded. There are more limited examples of joint funding of homelessness and mainstream services such as health care. On the one hand, this funding mix allows agencies to provide a broader range of integrated services to people who are homeless or at risk of homelessness and thus, to achieve better outcomes. On the other hand, the survey and case studies suggest that this mix comes at a cost: the complexity of funding arrangements requires high level management skills and an added administrative burden, as different programs have different purposes, different target groups, different measures of performance, different reporting requirements and different funding periods and end-dates. In addition, mixed funding requires maintaining relationships with a range of departments and branches. Government policy must be cognisant of these costs and this raises policy issues around development of common procurement processes and reporting requirements. This is potentially easier when combining

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[3] Outputs typically refer to what an organisation does and who they reach, for example the number of service hours provided and the number of clients assisted. In comparison, outcomes refer to what difference is made, for example change in housing stability or change in health.

services primarily funded through SHS channels. However, the push to diversify funding sources makes it particularly important to address these issues. In particular, if the government wants to increase the number of initiatives involving joint funding of SHS and mainstream services, it must consider development of a common language and reporting requirements so as to minimise these costs.

Funds from other sources such as public donations, corporate-sponsored donations, philanthropic grants, corporate sponsorships, corporate in-kind contributions and, donations of goods and services allow agencies to fill gaps within current services or to supplement/complement existing services. Social enterprises also provide new opportunities for homeless people. These are important as they often provide a level of flexibility in service delivery which would not be available with solely government funding. However, this focus on raising funds through a variety of means draws the focus of the Board, the CEO and other senior managers away from their main business of homelessness support to raising funds. Fundraising requires a different type of Board and CEO with entrepreneurial and personal skills. It requires intensive time, energy and the allocation of resources, developing and maintaining ongoing relationships with funders as well as different forms of accountability, administration and coordination. It requires the development of a recognised and trusted brand over a very long period. Government policy encouraging diversification of funding sources must recognise these costs and that, as discussed previously, smaller organisations in regional and remote locations are less likely to be able to supplement government funding using these sources.

The complexity of funding arrangements and the mix of funding requires an adaptable agency, one which can introduce new services, restructure existing services and wind-up services as funds become available or are expended. This instability also has implications for the employment and retrenchment of staff; making it difficult to retain quality staff and increasing training costs. This decreases the ability to deliver consistent high quality services to clients and thus the efficiency and effectiveness of homelessness programs.

6.3 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 are experiencing, homelessness?

The majority of funding is from government sources, making efficiency of contract renegotiation a major policy issue. The combination of short-term policy and contracts and last minute renegotiation introduces instability and uncertainty into the sector. This in turn has implications for employment stability, ability to introduce and maintain longer term programs and reduces program effectiveness. All of these issues have a negative effect on client outcomes.

The very small proportion of funding provided for capital purposes has a significant impact on availability of accommodation options available to assist homeless clients, including affordable housing. The vast majority of services in both the SHS and non-SHS sector report they are not able to meet client demand for long-term accommodation. This lack of accommodation options has a negative impact on the ability of the sector to achieve the government's homelessness objectives, as stated in the White Paper 2008. Lack of affordable accommodation is a major risk factor that increases the risk of people becoming homeless. It also makes it more difficult for homelessness services to house clients during and after support, making it more difficult for people to exit homelessness. Further investment is required in this field. Social enterprise real estate agencies, social Impact investment and SIBs represent a potential avenue to mobilise private capital with a view to increasing the affordable housing stock and the stock of crisis/emergency and transitional accommodation. However, as discussed previously, these are comparatively new and currently very small segments of the investment market. Government support is required to develop market infrastructure to foster these markets.

Government policy initiatives in the affordable housing space need to be more stable if non-government sources are to invest into this space. A recent AHURI report found, as a result of government initiatives introduced in 2008–14, Community Housing Providers (CHPs) are now a major contributor to social housing and that there is now significant capacity for growth developed particularly within larger CHPs (Milligan, Martin et al. 2016). However, the post-2014 scaling back of Commonwealth and/or state and territory affordable housing programs and the failure of government plans such as large scale transfers of public housing to materialise, has led to their capacity for further growth to be restricted. Growth in the CHP sector also requires development of a market infrastructure, in particular a specialist financial intermediary—with a responsibility to match diverse CHP demands for private financing with the strong interests of institutional investors in scaled-up rental housing investment (Milligan, Martin et al. 2016).

The experience of for-profit investors of the advent and demise of the National Rental Affordability Scheme (NRAS) highlighted that private firms are unlikely to achieve the commercial parameters and economies of scale required to make affordable housing a viable part of their business unless there is a more durable policy and scaled up investment framework for affordable housing (Milligan, Martin et al. 2016).

It is more difficult to strongly correlate other aspects of funding mix and service structures to outcomes because the measurement of outcomes is often weak compared to reportage of outputs. The Education First Foyers will have a well-documented case in a few years on the effectiveness of that model which involves inter-agency partnerships and seeking income apart from core capital and support funding from government. The real estate agency initiatives by Launch Housing and the Women's Property Initiative appear to be a more effective way of operating in the private rental market while at the same deriving additional income. An expectation would be for improved outcomes but that cannot be claimed until there is evidence available.

6.4 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?

Until now, comprehensive information has not been readily available regarding the funding sources of organisations that support Indigenous Australians who are homeless or at risk of experiencing homelessness.

Our main findings regarding services which mainly support Indigenous homeless people are:

- No Commmonwealth or state/territory program specifically targets homeless Indigenous people or those at risk of experiencing homelessness.
- Very few ICOs receive funding through NPAH or NPARIH.
- Services for homeless Indigenous people are overwhelmingly 'mainstreamed', despite over-representation of Indigenous people within Australia's homeless population.
- Funding arrangements are characterised by a lack of policy coordination.
- Most core funding comes from governments.
- Organisations have varying views about accessing non-government funding sources.
- Funding uncertainty is a major issue, and the problems caused by this instability are notably similar, regardless of the location or type of service.
- Funding is at the mercy of governmental priorities and changing jurisdictional economies.

- Larger mainstream organisations which provide several types of services funded by more than one funding source are generally able to cope with funding changes more easily than smaller organisations with fewer funding sources.

- Most organisations anticipate that negative consequences would result from attempting to further diversify their funding sources and seeking funds from non-NAHA/NPAH sources.

- Homeless Indigenous Australians may not be receiving the kinds of support which are best suited to them, and current support may not be culturally appropriate.

Implications of these findings include the following:

- Uncertainty of funding is having a major impact on service provision and client outcomes. Research respondents' key requirement is funding certainty. Funding arrangements need to last for at least three years to improve services' viability.

- Organisations' dependency on government funding in order to provide their services is highly unlikely to change. This needs to be factored into government income requirements.

- Most organisations providing support to Indigenous Australians who are homeless or at risk of homelessless are not Indigenous-specific. Further work is required to determine whether Indigenous Australians are receiving the kinds of support best suited to them, and whether the support they receive is culturally appropriate.

National policy for a vigorous Indigenous housing sector should include attention to the role of ICOs in addressing Indigenous homelessness since they are best placed to address barriers of cultural difference and the legacy of colonisation.

Recommendations specifically associated 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, 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

- to understand the views of both Indigenous clients of homelessness services and Indigenous people who do not or cannot access services.

6.5 Final remarks

Many agencies have reached out to provide a more diverse set of services for clients sourcing funding from a range of government programs, often from different departments. This is an advantage for clients given high levels of co-morbidity and multiple needs, but it comes at an overhead cost to the agency. Packaged cross-departmental and cross-sectoral funding is a policy direction that deserves to be given much greater attention as a result of high levels of co-morbidity in the homeless population. However, the current focus on siloed departmental

funding programs inhibits service integration. As service integration increases, the service system provides more holistic and timely care based on better information; improved client outcomes is the final reward (Flatau, Conroy et al. 2013). Nevertheless, it should not be under-estimated how and complex difficult cross-sectoral and cross-departmental funding is.

As a sector, the SHSs appear to have made resourceful use of philanthropic grants for innovation and new developments. However, the overall level of giving to the homelessness sector appears to be relatively low and this suggests a need for further capacity development of agencies in the area of fundraising, and a supportive government environment to encourage greater giving. Philanthropic giving is highly unlikely to ever reach an adequate level to fund recurrent service provision, but there are opportunities for cofunding between government and philanthropy (foundations, individuals and the corporate sector) for innovative projects and for services not generally funded in the traditional housing and homelessness funding buckets such as access to training and employment opportunities.

Government policy recognises a need for the homelessness sector to develop a more diverse funding base in order to add more resources to the system, and many homeless services indicated that they have taken steps to diversity their funding base. It is important to note that not all service types are in a position to access funding from non-government sources. Additionally, some services are concerned about the potential negative consequences of a diversified funding base. Other concerns noted were a potential change of focus flowing from the demands of funders and conflicts of interest. Governments need to provide a supportive environment for organisations' attempts to diversify their funding base.

At a macro system level, a change in the funding mix to provide significant resources for early intervention and post-intervention would potentially begin to reduce homelessness and therefore the costs of providing homelessness services.

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. As a result, not all homeless people are receiving support or accommodation, leading to poorer outcomes and continued burdens on the health and justice systems. Moreover, limited resources are devoted to crisis management resulting in fewer opportunities to support client employment initiatives and access to permanent housing.

There is a high level of funding, and hence service, instability in the homelessness sector. 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.

Lack of access to permanent housing is a recurring issue for homelessness services. This is associated with lack of capital funding for affordable housing. Access to permanent affordable accommodation was considered by services as a priority area for additional funding and it is in this area that we may see the greatest benefits from social impact investment in the future.

Indigenous homelessness is distinct from that of non-Indigenous homelessness and Indigenous people are over-represented among Australia's homeless population. Homelessness among indigenous people is compounded by policies of past and present governments and has resulted in distrust when it comes to Indigenous people engaging with mainstream services, including homelessness services.

While housing does have indigenous-specific funding streams, no Commonwealth or state program specifically targets homeless Indigenous people or those at risk of homelessness. Funding arrangements are fragmented and lack policy co-ordination. Indigenous services are overwhelmingly mainstreamed raising questions of cultural competency. Further research is needed to understand the views of both Indigenous clients of homelessness services and those who do not or cannot access services.

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