Submission on Priorities for the Federal Budget 2014-15

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Executive Summary and Recommendations

Homelessness remains a serious social and economic problem in Australia that requires carefully tailored solutions targeting discrete groups of people. If progress is to be made in preventing homelessness rather than simply responding to it, Homelessness Australia recommends the adoption of the following as priority items in the 2014-15 Budget.

These recommendations are REVENUE POSITIVE.

Recommendation 1: Ongoing funding, indexed to CPI, for bedrock homelessness services
(presently funded under the National Affordable Housing Agreement (NAHA))

2014-5 cost: Approximately $443 million

Recommendation 2: Five-year funding, indexed to CPI, for innovative homelessness services
(presently funded under the National Partnership Agreement on Homelessness (NPAH))

2014-5 cost: Approximately $163 million

Recommendation 3: A substantial funding increase for ‘early intervention’ homelessness
programs with proven track records

2014-15 cost: Approximately $30 million

Recommendation 4: Abolish discounts on Capital Gains Tax

2014-15 revenue: At least $5 billion

Recommendation 5: Establish a long-term Affordable Housing Growth Fund

2014-15 cost: $1 billion

If the Government is reluctant to make this last investment, Homelessness Australia urges it to commit to another 10 years of the National Rental Affordability Scheme, to commence in 2017-18.

Total recommended expenditure: $1.636 billion
Total recommended revenue-raising: $5 billion
TOTAL BUDGET SAVINGS: $3.364 billion

Homelessness Australia also urges the Government to commit to five-year funding periods for the homelessness sector. A longer funding cycle will enable organisations to plan, build and implement programs, attract and retain high quality staff and engage in more sustainable – and thus more effective and efficient – business practices which deliver better results for a client base that already lives with far more than its share of uncertainty.
Homelessness in Australia and solutions to it

Scope of the problem
The Australian Bureau of Statistics has estimated that there were more than 105,000 people in Australia experiencing homelessness on Census night, 2011. In 2012-13, Specialist Homelessness Services (SHS) supported 244,176 clients (an increase of 3 per cent on the previous year). These services were also forced to refuse an estimated 152,000 requests for support, 80 per cent of them for accommodation (an increase of 11,500 requests on the previous year). Domestic and family violence remains the leading cause of homelessness: 32 per cent of people seeking assistance were escaping it. Most (63 per cent) were women, while 19 per cent were children under 10 years of age.

Other reasons for homelessness are:

- poor and declining housing affordability, including because of depleted social housing,
- relationship or family breakdown,
- financial difficulties,
- poverty,
- inability of government agencies to meet all of the needs of people with mental illnesses or disabilities, or those of older people or young people leaving care.

‘Exiting’ homelessness is difficult, especially for those who have experienced it for lengthy periods. Without a stable home, obtaining and keeping a job or staying in school, staying healthy and free from violence is much harder than for people who have such security.

Solutions must address the problem in all its complexity – as quickly and flexibly as possible
Effective prevention and early intervention are needed. Families, older Australians and young people can be saved from ‘tipping over’ into homelessness if they have access to adequate support services backed up by a strong social housing system and avenues to remain in private rental.

Crisis accommodation needs to be accessible and available immediately, particularly for young people and women and children escaping domestic and family violence. Additionally, in 2012-13 there was a growing number (an increase of 14 per cent on the previous year) of older people experiencing homelessness for the first time. Support and assistance need to be accessible as soon as possible after the initial event to ensure that families and individuals do not slide into a homelessness cycle.

Permanent supportive housing models that offer people who have experienced long periods of homelessness the chance to secure a place to call home and to participate in employment and community life need to be established and maintained.

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1 Australian Institute of Health and Welfare Specialist Homelessness Services 2012-13, p 6.
3 Australian Institute of Health and Welfare Specialist Homelessness Services 2012-13, p 74
Accommodation and housing alone do not solve homelessness. The support required to keep people safe until they are strong and able to care for themselves includes:

- support for people to remain in education and training, and access pathways to employment,
- a national commitment to address poverty and intergenerational disadvantage,
- methods to address entrenched patterns of abuse, violence and neglect,
- timely access to appropriate mental health services,
- an income safety net for people out of work, young people living out of home with limited social and economic supports and people in housing and other forms of crisis.

Support provided by Specialist Homelessness Services to people experiencing, or at risk of homelessness includes: family and relationship counselling, job training, health and mental health services, drug and alcohol counselling, material aid and brokerage, meals, laundry and shower facilities, transport, financial and legal advice and information, advocacy as well as emergency and longer-term accommodation.

**Current Government homelessness funding**

The National Affordable Housing Agreement (NAHA) and the National Partnership Agreement on Homelessness (NPAH) represent the largest portion of ongoing funding for homelessness services in Australia. The first of these instruments is overdue for adequate indexation and the second requires immediate renewal. Changes to NAHA or NPAH funding or objectives will have profound effects for the homelessness sector.

**NAHA**

The National Affordable Housing Agreement has been beneficial for the homelessness sector because of its association with an ongoing Specific Purpose Payment, which provides funding certainty for about 1500 Specialist Homelessness Services. These services are the bedrock underpinning innovative and additional services funded under the NPAH; many are also embedded in their local communities through partnerships with local and state or territory governments in ways that maximise their contribution to those communities.

Adequate indexation of NAHA funding is vital to ensure that services and programs remain viable. The current indexation level, unfortunately, will not meet increasing demand and the true costs of service delivery. A **more realistic indexation level of 2.5 per cent is required.**

**NPAH**

The outcomes envisaged for National Partnership Agreement on Homelessness were that:

- fewer people would become homeless, or sleep rough,
- fewer people would become homeless more than once, and
- that those experiencing, or at risk of homelessness, would maintain or improve connections with family, education, training or employment.
The NPAH funded more than 180 new or improved services, drove innovation, produced new service models and built capacity. Many of these were smart, local responses that focused on early intervention. Others leveraged private investment to address the ‘wicked problem’ of chronic homelessness. NPAH-funded programs like the ‘Street to home’ initiative for ‘rough sleepers’ have been evaluated very favourably.\(^4\)

The NPAH was renewed for one year in 2013-14 to maintain existing service levels, with a continued emphasis on reducing homelessness in general and rough sleeping and repeat homelessness in particular, and on maintenance or improvement of connections with family, education, training or employment. Other outcomes envisaged by the transitional agreement were:

- a national quality system for specialist homelessness services;
- increased long-term, supported housing for particular groups experiencing or at risk of homelessness;
- continued work towards integrated delivery of services.

Again, the Commonwealth required state and territory matching of its $159 million investment. States were also permitted to make matching bids for funds for capital developments addressing the long-term, supported housing needs of particular groups.

It is essential that NPAH funding be renewed immediately, with CPI indexation, so that its initiatives can continue. Innovative and effective services cannot operate effectively on the slow drip of annual funding, with its resulting uncertainty, which wastes government money and compromises organisational planning and recruitment. People experiencing or at risk of homelessness already have enough uncertainty in their lives without fitful program delivery.

**Factors affecting homelessness funding**

**Early intervention and prevention works – and saves government money**

Significant cost savings in future budgets will result from investment in early intervention and prevention programs that have proven effective. Evidence indicates that young people who experience homelessness before the age of 18 are significantly more likely to disengage from education and to cycle through the homelessness service system in adulthood. The resultant loss of earnings potential and productive capacity means lower revenue from taxation. In addition, evidence indicates that people who experience longer periods of homelessness are more likely to suffer from serious mental and physical health conditions than people who have only experienced short periods or people with no history of homelessness. Recent research has demonstrated that savings in

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mainstream justice and health budgets can be achieved by investing in homelessness services, and child protection and public housing economies can be expected where children are stably housed.

Two federally funded programs, HOME Advice and Reconnect, have shown that early intervention results in positive outcomes for families and young people. HOME Advice assists families at risk of homelessness to manage finances. Reconnect, a community-based program, assists 12 to 18 year olds who are homeless, or at risk of homelessness, to stabilise their living situations and improve engagement with family, work, education, training and their local communities. Independent evaluations of these programs have confirmed their effectiveness: reviewers found that Reconnect made a major contribution to family reconciliation by improving conflict resolution and communication, and that 72 per cent of people using HOME Advice did not experience homelessness afterwards. It is essential that investment in early intervention and crisis management programs such as these is expanded without compromising other homelessness funding.

Transparency, consistency and not confusing apples with oranges

Homelessness Australia supports and encourages the Federal Government in seeking greater funding transparency and accountability for state spending of NAHA and NPAH monies. We recommend the introduction into any such intergovernmental instruments of performance indicators and targets that measure accurately and meaningfully whether the policy objectives of these funding agreements are being achieved, not just whether their program and capital outputs have been delivered. Other defects in existing reporting mechanisms – eg those identified by the Commonwealth Auditor-General – need to be addressed if we are to know whether homelessness spending is reducing or preventing homelessness.

Similarly, because of the complicated nature of homelessness, it is important that funding to address it is not confused with housing funding. There are good accountability reasons for quarantining funding for Specialist Homelessness Services in such a way that prevents states simply spending the money on buildings.

Ensuring a supply of well-located, affordable housing

Lack of affordable housing is impeding other homelessness initiatives

As discussed above, homelessness stems from a range of causes, not simply ‘houselessness’. However, of all the services that Specialist Homelessness Services provide, the one for which demand vastly
outstrips supply is accommodation: 80 per cent of unmet requests are now for some kind of shelter.\(^8\) The need is equally pronounced across the community sector.\(^9\) Evaluations of the NPAH ‘Street to home’ program for rough sleepers referred to above all concluded that the main limitation on its effectiveness was the lack of supply of longer-term housing options into which program clients could be placed subsequently.

The need to reform Commonwealth housing spending

The federal government spends a considerable amount on housing, but only a small amount stimulates affordable supply, particularly in areas where jobs and services are available. Despite more than $3.6 billion spent on Commonwealth Rent Assistance, Anglicare’s Rental Affordability Snapshot 2013 showed that, Australia-wide, less than one per cent of private rental housing is within the reach of people who depend on government payments. Even rents in many regional areas are high, and over the past decade parts of Melbourne and Sydney have begun to see severe overcrowding of a kind previously experienced only in remote Aboriginal communities.\(^10\) People who depend on low wages for income are not necessarily better off than those on benefits, not least because they have less choice about where they live if they are to remain employed. While long commutes to work are now common in major cities, prolonged parental absence from dormitory suburbs has a negative effect on children and communities and is particularly difficult for single parents to manage.

This housing deficit occurs in the context of, or perhaps because, 67 per cent of Australia’s 1.8 million individual landlords, almost 60,000 of them in the top income tax bracket, are now reporting taxable losses totalling in excess of $13 billion.\(^11\) Indeed, many lower-income landlords are wasting their own and government money negatively gearing rental property. Government investment in housing urgently needs to be rebalanced in favour of first home buyers and the lower- and middle-income people among Australia’s 2.5 million renters.

While a number of options are on the table, arguably the simplest to adopt – and the one least likely to have negative social and economic consequences – would be to dispense with discounts on Capital Gains Tax. As Daley\(^12\) has shown, capital gains overwhelmingly benefit higher-income earners (with 52 per cent of them flowing to the 2 per cent of taxpayers in the top tax bracket), and imposition of CGT at marginal tax rates would have a limited effect on lower-income people and the housing market in general.

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10. Almost 10,000 more people found themselves in this type of housing at the 2011 Census compared with in 2006.
Recommendations

To ensure those experiencing homelessness or who are at risk of homelessness are kept safe until they are strong and able to care for themselves, Homelessness Australia recommends the adoption of the following as priority items for the homelessness sector in the 2014-15 budget:

Recommendation 1: Ongoing funding, indexed to CPI, for bedrock homelessness services

That the Australian Commonwealth Government commits to funding, on an ongoing basis, to achieve the objective of what is presently the National Affordable Housing Agreement ‘that all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation’. Funding to be indexed to the Consumer Price Index. Assuming a 2.5% CPI, 2014-5 cost would be approximately $443 million.

Recommendation 2: Five-year funding, indexed to CPI, for innovative homelessness services

That the Australian Commonwealth Government commits to continuing the objectives of the existing National Partnership Agreement on Homelessness for at least five years (2014-2019) to provide service delivery security. Funding to be indexed to the Consumer Price Index. Assuming a 2.5% CPI, 2014-15 cost would be approximately $163 million.

Recommendation 3: A substantial funding increase for ‘early intervention’ homelessness programs with proven track records

That funding for HOME Advice and Reconnect and other like programs be substantially increased to strengthen homelessness prevention and early intervention, with subsequent indexation to the Consumer Price Index. Assuming a 2.5% CPI, 2014-15 cost would be approximately $30 million.

Recommendation 4: Abolish discounts on Capital Gains Tax

This is the simplest way of reforming Commonwealth housing taxation, and is unlikely to result in either unnecessary transaction costs or negative social or economic consequences. Revenue generated has been predicted to be in the order of $5 billion on 2013-14 dollars.

Recommendation 5: Establish a long-term Affordable Housing Growth Fund

That an affordable housing growth fund be established with a down payment of $1 billion in the first year and sustained, increasing, long-term funding. This funding should be strictly designated for expanding the stock of affordable housing, including new social housing, a proportion of which should be allocated to people who are experiencing homelessness.

The fund should support affordable housing programs providing a range of different levels of subsidy to meet the needs of households with different income levels. Program guidelines should enable housing providers to draw on a range of affordable housing programs to deliver maximum affordability and provide mixed tenure developments. 2014-15 cost: $1 billion.
Alternatively, if the government is unwilling to invest in a fund of this kind, Homelessness Australia recommends continuing and expanding the National Rental Affordability Scheme (NRAS) for another 10 years. NRAS, which commenced in 2008, aims to address the shortage of affordable rental housing by offering financial incentives for investors to build and rent dwellings to low and moderate income households, at below-market rates. The scheme has attracted encouraging levels of investor interest, and the current allocation of 50,000 dwellings is expected to be fully active by 2017.
About Homelessness Australia

Homelessness Australia (HA) is the national peak body providing systemic advocacy for the homelessness sector in Australia. Homelessness Australia works in collaboration with homelessness assistance services, state and national homelessness peak organisations, other peak organisations, government agencies and the broader community.

Homelessness Australia was formed in late 1998 as the Australian Federation of Homelessness Organisations (AFHO) by the:

- Council to Homeless Persons Australia (CHPA)
- The National Youth Coalition for Housing (NYCH)
- Women's Services Network (WESNET)

HA was established with a joint vision to proactively research, develop and promote national policy and action to reduce homelessness and its impact on the diverse range of people it affects. HA achieves this by consulting with homelessness agencies nationally, undertaking research and policy development and educating the community about homelessness.

Homelessness Australia has more than 360 member organisations, from large, national multi-focused organisations to small local specialist homelessness service providers. These services are located in city, urban, rural and remote locations. SHS support people from many sectors of society, including:

- families and children,
- younger and older people,
- victims of domestic and family violence,
- indigenous Australians and new migrants,
- people suffering from mental health issues or with disabilities, and
- people leaving care or exiting custodial arrangements.