

NSW Government Pre-Budget Submission

August 2023

Homelessness NSW welcomes this opportunity to provide a 2023-24 Pre-Budget Submission. Homelessness NSW is a not-for-profit peak agency that exists to build the capability of people and the capacity of systems to end homelessness. We have a vision for, and commitment to a future where everyone has a safe home and the support to keep it. Our 200 members include specialist homelessness services, people with lived experience, allied organisations and services working to end homelessness. We work with our members, people with lived experience and a broad network of partners to understand drivers of homelessness, advocate for solutions, build skills and knowledge, and scale innovation.

Investment in housing and services to make homelessness rare, brief and non-recurring is critical and urgent. There are approximately 35,000 people experiencing homelessness in NSW, though this is likely an underestimate given that approximately 65,000 people seek support from Specialist Homelessness Services (SHS) each year and many more don't seek help at all. The number of people experiencing homelessness is increasing, particularly among groups including First Nations people, young people and victim survivors of domestic and family violence.^{1,2} There is a dire shortage of social housing and affordable private housing, increasing the numbers of people forced into homelessness and reducing the options for pathways out of homelessness.

The 2023-24 Budget offers an opportunity to strengthen evidence-based approaches to housing and wraparound support. We recommend five key investments that are achievable and pragmatic yet impactful in the short term, and which will set strong foundations for future work. Our recommendations amount to an overall investment of \$554 million over two years.

Recommendation 1: \$400 million over 2 years to accelerate provision of additional social housing stock. This should include new housing construction, purchase of housing and maintenance to bring existing stock online. This could be combined with the Commonwealth Social Housing Accelerator Fund to create a total \$1b NSW and Commonwealth investment.

Recommendation 2: \$52.4 million over 2 years for increase to Specialist Homelessness Services contracts during the term of contract extension. This will support services to meet growing demand (up 10% in the first 3 months of 2023) as well as provide brokerage funding to non-residents.

¹ Australian Bureau of Statistics. (2023). *2021 Census Data on Homelessness*. Available at <https://www.abs.gov.au/statistics/people/housing/estimating-homelessness-census>

² Australian Institute of Health and Welfare. (2022). *Specialist Homelessness Services Annual Report 2021–22*. Australian Government.

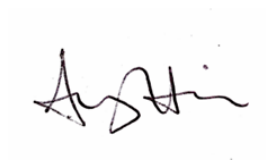
Recommendation 3: Increasing the NSW Government portion of SHS contract indexation from 5.75% to 6.2%

Recommendation 4: \$50 million for a Specialist Homelessness Services 'Operating for the Future' Fund to allow organisations to invest in processes and systems that support the backbones of their organisations.

Recommendation 5: \$50 million for a 2-year extension of the Together Home program.

Recommendation 6: \$2 million over 2 years for Homelessness NSW to continue to strengthen the capacity of the homelessness sector and to expand its systems change leadership, bringing diverse system actors together to address some of the most difficult challenges.

Yours sincerely



Amy Hains

Acting CEO, Homelessness NSW

Homelessness NSW: 2023-24 Pre-Budget Submission to NSW Government

RECOMMENDATION DETAIL

Recommendation 1: \$400 million over 2 years to accelerate provision of additional social housing stock. This should include new housing construction, purchase of housing and maintenance to bring existing stock online.

Homelessness NSW recognises the difficult economic and fiscal position of NSW at this time. The Government is facing significant fiscal pressure from unfunded commitments, cost pressures from inflation as well as potential revenue forecast downgrades as the economy slows. However, there is also a critical shortage of social housing that is contributing to growing numbers of people at risk of and experiencing homelessness and severely impeding people's ability to move out of homelessness.

In this environment, Homelessness NSW is proposing that the NSW Government commit a fiscally responsible \$200 million per year (\$400 million total) to be combined with the \$610 million Commonwealth investment, generating a \$1 billion Social Housing investment for NSW. This must be viewed as the first in a sustained pathway of planned investment in social housing by the NSW Government over the next 4 years. The need for social housing is substantial and growing, and will only be met by consistent investment, which must ramp up over time to reach a magnitude of \$2B per year for NSW in order to meet projected demand (combined investment by NSW and Commonwealth Governments).

The investment funds should retain the broad-based flexibility to deliver essential new social housing as prescribed by the Commonwealth. In addition, Homelessness NSW recommends that the NSW Government investment also be directed towards:

- **Four additional Youth Foyers in Central Coast, Penrith, Dubbo and Orange:** Evidence demonstrates that the Youth Foyer model, which provides integrated accommodation, education and support, has positive impacts for homeless young people in relation to employment, education, health and housing.^{3,4} There is currently one successfully operating Youth Foyer Project and there are a further four funding-ready Youth Foyer Projects in NSW. Each Youth Foyer needs approximately \$10-\$15 million in capital expenditure for construction and \$1.6-\$2 million per year in operating expenses which include intensive support to young people. The Youth Foyer model has attracted private equity investors which may help to offset the operating costs. A detailed project budget and budget impact statement is included at **Attachment 1**.
- **A women's only Common Ground project:** Common Ground is a Housing First model, where people experiencing homelessness live in a congregate housing model with optional case management support.⁵ It has been associated with improved long-term tenancy,

³ Accenture. (2022). *Under One Roof: The Social and Economic Impact of Youth Foyers*. The Foyer Foundation, Australia.

⁴ Coddou, M., Borlagdan, J. & Mallett, S. (2019). *Starting a Future That Means Something to You: Outcomes from a Longitudinal Study of Education First Youth Foyers*. Brotherhood of St Laurence & Launch Housing, Australia.

⁵ Bullen, J., Whittaker, E., Schollar-Root, O., Burns, L., & Zmudzki, F. (2016). *In-depth Evaluation of Camperdown Common Ground: Permanent Housing for Vulnerable Long-term Homeless People* (SPRC Report 03/16). Social Policy Research Centre, UNSW, Australia.

health and wellbeing outcomes.⁶ Investment in a women's only Common Ground should be prioritised, in line with forthcoming findings and costing recommendations from the Urbis, Women's Housing Company, HNSW and Mercy Foundation Report to be launched in September 2023.

- **Bringing more existing stock online through an accelerated maintenance program of social housing:** Maximum use must be made of all existing social housing stock as an urgent intervention to reduce social housing waitlists. This requires an investment in maintenance to existing housing stock that is damaged or in need of retro-fitting.

Recommendation 2: \$52.4 million over 2 years for increase to Specialist Homelessness Services contracts during the term of contract extension.

Specialist Homelessness Services continue to operate under extreme funding pressure due to increased demand. There has been a 10% increase in clients accessing services in NSW since the beginning of the year 2023 and many SHS are supporting more clients than they are funded to. Meanwhile, funding has remained stagnant, and indexation of contracts has not kept pace with inflation. In 2021, one in two people who sought support from specialist homelessness services in Australia could not have their accommodation needs met, reflecting the dearth of housing options and resulting in people being unable to transition out of services into long term housing pathways.⁷

Further, there are groups of people who are technically not eligible for SHS and/or government subsidies and services, but to whom, nevertheless, SHS providers have a responsibility to offer critical support and referral services under the 'no wrong door' program specification.⁸ 'No wrong door' support is not adequately resourced and creates further strain on homelessness services, while exacerbating risks of homelessness for particular groups of people. Non-residents are at particular risk of homelessness due to their inability to access health care, income constraints and social isolation. It has been estimated that up to 55% of people seeking asylum, for example, have experienced some form of homelessness since arriving in Australia.⁹ Women seeking asylum or on temporary visas who are fleeing domestic violence are especially vulnerable due to factors such as limited social supports, financial dependence on the perpetrator and fears of deportation.¹⁰ Homelessness and domestic violence service providers do their best to support non-residents in such need, but resources are needed to facilitate such 'no wrong door' support and referral.

Homelessness NSW welcomes the NSW Government's decision to delay the recommissioning process for SHS and extend contracts for two years. This provides time for the design of a rigorous and robust recommissioning process. However, in the interim, demand for services continues to apply pressure to an already fragile system.

⁶ Alves, T., Brackertz, N., Roggenbuck, C., Hayes, L., McGauran, R., Sundermann, K. and Kyneton, N. (2021). *Common Ground Housing Model Practice Manual*. MGS Architects, Mind Australia, Australian Housing and Urban Research Institute Limited, Australia.

⁷ Australian Institute of Health and Welfare. (2022). *Specialist Homelessness Services Annual Report 2021–22*. Australian Government.

⁸ NSW Department of Communities and Justice. (2021). *Specialist Homelessness Services Program Specifications*. NSW Government. p.21. Available at <https://www.facs.nsw.gov.au/download?file=811903>

⁹ 2 Roberts, A., Rego, N. and Conroy, D. (2021). *A Place to Call Home: A Report on the Experiences of Homelessness and Housing Exclusion Among People Seeking Asylum in Greater Sydney*. Jesuit Refugee Service and Western Sydney University. Available at <https://aus.jrs.net/wp>

¹⁰ National Advocacy Group on Women on Temporary Visas Experiencing Violence. (2018.) Path to nowhere: Women on temporary visas experiencing violence and their children. Available at <https://awava.org.au/2018/12/11/research-and-reports/path-to-nowhere-report-women-on-temporary-visas-experiencing-violence-and-their-children>

Our *Ending Homelessness Together* policy proposed a \$152 million per year ongoing recurrent investment.¹¹ This was based on funding the existing gap between clients seen but not funded (~30%), as well as future need, recognising the number of clients turned away (~40%) with an efficiency gain included based on a new commissioning model.

Given both the fiscal circumstances as well as the recommissioning process to come, HNSW recommends a one-off 10% increase to SHS contracts for the period of the 2-year extension, to 30th June 2025. The NSW Government currently spends approximately \$258m on SHS per year.¹² A 10% increase would cost an additional \$25 million per year (\$50 million in total).

We also recommend a \$1.2 million investment per year for the 2-year extension period (\$2.4 million in total), in brokerage funding for SHS to support the delivery of critical services and referrals for non-residents who are otherwise ineligible for SHS due to asylum seeking or temporary visa status¹³.

Recommendation 3: Increase the DCJ component of SHS contract indexation from 5.75% to 6.2%

While HNSW is pleased to see the NSW Government's announcement of 5.75% indexation to SHS contracts, this rate of indexation falls short of the increased costs of delivering homelessness services. Costs of service delivery have increased substantially in line with rising cost-of-living pressures and without adequate indexation must be absorbed by an already under-resourced homelessness service sector.

We recommend that an indexation rate of 6.2% be applied to SHS contracts to properly reflect the increased cost of service delivery.

Recommendation 4: \$50 million for a Specialist Homelessness Services 'Operating for the Future' Fund.

Specialist Homelessness Services continue to deliver for people in need, often without the necessary infrastructure enjoyed by providers in the government or private sectors. Specialist Homelessness Services across the state also operate in diverse contexts - many SHS are facing significant challenges in retaining and recruiting staff and need additional infrastructure and resources to support human resources systems.¹⁴ Other SHS face substantial barriers to information and communication technologies, and transport and logistics, particularly those operating in rural and remote parts of NSW. All organisations are needing to respond to emerging

¹¹ Homelessness NSW. (2022). *Ending Homelessness Together*. Available at <https://homelessnessnsw.org.au/campaign/ending-homelessness-together-2022/>

¹² Australian Government, Productivity Commission. (2022). *Report on Government Services 2022*

Part G, Section 19: Homelessness services. Available at <https://www.pc.gov.au/ongoing/report-on-government-services/2022/housing-and-homelessness/homelessness-services>

¹³ Costing based on 2021 ABS Census figures which show that there are approximately 300,000 non-residents in NSW. Applying the same rate of homelessness as the general population yields a potential homelessness figure of 2,400. The policy costing allocates an average of \$500 in brokerage funds per person.

¹⁴ Cortis, N. and M. Blaxland (2017). *Workforce Issues in Specialist Homelessness Services* (SPRC Report 08/17). Sydney: Social Policy Research Centre, UNSW Sydney. <http://doi.org/10.4225/53/592628989f0ab>

challenges like cyber security and digitisation, which is extremely difficult in the context of already constrained funding agreements.

HNSW recommends that the NSW Government invest \$50 million into an ‘SHS Operating for the Future Fund’. Similar to the Social Sector Transformation fund that was available during COVID, this fund would be used to allow organisations to invest in processes and systems that support the backbones of their organisations. It would strengthen the capacity of homelessness service providers in preparation for the next round of commissioning. It would also align with the work of SHS in developing their capacity and continuously improving quality service delivery throughout the process of accreditation.

Recommendation 5: *\$50 million for a 2-year extension of the Together Home program*

The emerging evidence on the Together Home program is promising, indicating that since its introduction in 2020 there have been positive impacts on housing, health and wellbeing outcomes for people with long-term experiences of rough sleeping. As a Housing First, evidence-based model, Together Home has enormous potential for providing pathways out of homelessness for highly marginalised people.^{15,16} It is vital that the efforts and successes in establishing Together Home, such as the development of a skilled workforce, cross-sector collaborations, and tenancy and wraparound support mechanisms, are not lost.

Homelessness NSW acknowledges that a full and final evaluation of the program will not be ready until 2024. However, given the existing housing and homelessness crisis, the data shows that we cannot wait. There is greater need than ever for Together Home, with the most recent street count data showing a 34% increase in the number of people sleeping rough in NSW.¹⁷

While a decision on longer-term funding should wait until the results of the evaluation are completed, Homelessness NSW recommends that NSW Government invest \$25 million per year for the next two years (\$50 million total). This would support funding for approximately 160 participants per year based on a per participant cost of \$150,000. While we note that original funding was modelled on a cost of \$75,000 per participant, costs in the rental market have escalated since that time.

Recommendation 6: *\$2 million over 2 years (in addition to existing contract) for Homelessness NSW to continue and grow its work to strengthen the capacity of the homelessness sector and facilitate systems change approach.*

Homelessness NSW currently operates its core functions via a ‘Peaks’ contract arrangement of approximately \$500,000 per year. This funding has fallen out of step with the growing scale and utility of the work that Homelessness NSW continues to contribute to the sector and the strategic homelessness policy landscape. The recent release of our systems change work – *Rare, brief and*

¹⁵ Alves, T. (2022). *Together Home Program Evaluation: Early Findings and Progress Update*. AHURI. Available at <https://www.facs.nsw.gov.au/download?file=841324>

¹⁶ Davies, K., Harvey, N., Dimmock, A., Buykx, P. & Krogh, C. (2023). *Together Home: Practitioners’ Perspectives on Building Resilience and Relationships with People Who’ve Experienced Long-Term Homelessness*. Presentation to NCOSS NGO Forum on preliminary report.

¹⁷ NSW Department of Communities & Justice. (2023). *2023 NSW Statewide Street Count: Technical Paper*. NSW Government. Available at <https://www.facs.nsw.gov.au/download?file=846764>

non-recurring: A system-wide approach to ending homelessness together¹⁸, shows that Homelessness NSW is ideally placed to play a central role in bringing diverse system actors together to address some of the system’s most difficult challenges.

As the scale of the homelessness crisis widens in NSW and there is unprecedented community and media interest in the issue of homelessness, there is an opportunity to broaden the traditional role of the peak body and resource Homelessness NSW to take the next steps in systems change leadership.

HNSW recommends an additional \$1 million per year (\$2 million over 2 years) be invested in supporting HNSW to facilitate the following system initiatives:

- Convening and facilitating change stemming from leverage points within the homelessness system (e.g. exits from institutions)
- Developing a framework and capacity building for lived expertise across the sector – ensuring the voice of lived experience is embedded in all decisions.
- Further develop *Rare, Brief and Non-Recurring* as a whole of NSW strategic framework, working with key partners across government and homelessness services on the framework and measures.
- Facilitate system data sharing, with the opportunity to leverage existing HNSW work (eg Homelessness Dashboard) at local, State and National levels.

Additional funding would be allocated to staffing and operational expenses as required, based on initiatives agreed with Government.

BUDGET IMPACT OF RECOMMENDATIONS

The table below outlines the Budget impact over the next two financial years being:

- \$302.2 million in FY23/24; and
- \$252.2 million in FY24/25

	FY23/24			FY24/25			Total (\$m)
	Capex (\$m)	Opex (\$m)	FY23/24 total	Capex (\$m)	Opex (\$m)	FY24/25 total	
Social Housing Accelerator	\$200	\$0	\$200	\$200	\$0	\$200	\$400
Increasing SHS contracts	\$0	\$26.2	\$26.2	\$0	\$26.2	\$26.2	\$52.4
SHS Operating for the Future Fund	\$0	\$50	\$50	\$0	\$0	\$0	\$50
Together Home Extension	\$0	\$25	\$25	\$0	\$25	\$25	\$50
Homelessness NSW		\$1.0	\$1.0		\$1.0	\$1.0	\$2
Total	\$200	\$102	\$302.2	\$200	\$52	\$252.2	\$554

Note: no indexation is applied

¹⁸ Homelessness NSW. (2023). *Rare, Brief and Non-recurring: A System Wide Approach to Ending Homelessness Together*. Available at <https://homelessnessnsw.org.au/rare-brief-and-non-recurring-a-system-wide-approach-to-ending-homelessness-together/>

ATTACHMENT 1: Youth Foyer Proposal

For young people experiencing or at risk of homelessness, Youth Foyers offer pathways out of cycles of disadvantage towards independent, thriving futures. A Youth Foyer provides a safe and stable home for approximately 40 young people aged 16-24, with integrated education, employment and life-skills supports for up to two years.

Within two years of living in a Youth Foyer, a young person has what they need to change their life trajectory. Over 80% of young people exit into safe and stable housing, 65% gain secure and decent employment, and they are 60% less likely to be involved in the justice system.

The Youth Foyer approach is effective because it goes beyond a crisis response, providing a medium-term housing solution with integrated services. Grounded in Advantaged Thinking, Youth Foyers focus on a young person's strengths and goals and provide the supports they need to transition to independence.

Analysis undertaken by Accenture identified that Youth Foyers deliver governments an economic return of **\$6 for every \$1 invested**.

FoyerInvest – a consortium of leading service organisations, philanthropists and investors supported by the Foyer Foundation – has identified a strong pipeline of Youth Foyer projects ready for development in communities across NSW. At least four of these sites are ready for development within 2 years.

HNSW recommends NSW Government commitment for at least four new Youth Foyers in NSW:

Ready to break ground within 1 year

- Central Coast
- Penrith

Ready for development within 1-2 years

- Dubbo
- Orange

Other potential locations (2+ years)

- Tweed Heads
- Hawkesbury Farm
- Bathurst
- Bega
- Glen Innes
- Northern Sydney
- South Western Sydney

On average, each Youth Foyer costs \$15m to develop and \$1.6m-\$2.0m to operate, as well as legal, real estate and financing costs.

Significant investment in land, planning and community engagement has already been made by organisations leading the listed NSW Youth Foyer projects. Some sites already have land secured (or board approval for purchase) and a portion of the capital required raised.

The total cost to NSW Government can be reduced by leveraging state investment with private capital and Federal co-contributions through impact investing and payment-by-outcomes options currently in development. FoyerInvest seeks to shape these options in collaboration with the NSW Government.

Budget Request (with impact table)

HNSW recommends NSW Government investment for 4 Foyers in NSW the following cost profile:

- 4 Foyer projects
- Costs include ongoing operating costs for the 4 Foyer projects
- Capital expenditure for build cost & timing are indicative and expected to be verified by Project Consortium Lead, and aggregating capital will allow flexibility to smooth expenditure between projects
- 1 project already has capital secured and the operating cost is reduced given smaller number of units and ability to stretch current services
- Operating costs are ongoing
- Indexing not applied (i.e. all FY24 dollars)

	Units	Capital	Operating	2023/24	2024/25	2025/26	TOTAL		2026/27 and ongoing
		\$m	\$m	\$m	\$m	\$m	\$m		\$m
Capital				3	18	24	45		
Operations				0	0.4	4.4	4.8		6.4
Total				3	18.4	28.4	49.8		6.4