

Committee Secretary  
Senate Standing Committees on Community Affairs

To the Committee Secretary,

***Re: Submission to the Economics Legislation Committee Review of the Provisions of the Treasury Laws Amendment (National Housing and Homelessness Agreement) Bill 2017***

Associate Professor Lisa Wood, of the School of Population and Global Health is pleased to issue this submission to the Economics Legislation Committee *on the provisions of the Treasury Laws Amendment (National Housing and Homelessness Agreement) Bill 2017 (hereafter called the Bill)*, which seeks to legislate the framework for the proposed National Housing and Homelessness Agreement.

-----

Homelessness is not without its complexities – attaining stability within this vulnerable population is difficult to achieve, and making sustainable policy to that affect is even harder. Whilst the moral case for homelessness is well supported, in the final analysis it seen as an economic issue affecting the full gamut of federal and state resources. Moreover, homelessness is now more ubiquitous and costly than ever.

Despite this and in light of recent academic work, Australia is not without sensible policy that can prioritise its people *and* financial responsibility. Emerging research trends strongly suggest that in the long term, funding for homelessness housing and support can actually be cost-saving through decreases in service utilisation. Government should not be beholden to fanciful suggestions that cannot be paid for – but government should take seriously any claim that can effectively back the down and out and reduce expenditure across multiple tiers and sectors of government.

As it stands, the Bill in question is insufficient to fully protect vulnerable Australians, and is porous enough in some areas to potentially cost the government more over the long term. This submission seeks to make it plain that amendments to this bill will do more for homeless Australians and the State and Federal budgets than currently stands.

In this new era of globally of economic pragmatism, funding Housing First rehousing and support programs should be considered as cost cutting measures rather than as spending. The potential savings multiply when the financial impact of homelessness is examined across the many government services used heavily by homeless people. In our 2017 paper, *'Tackling Health Disparities for People Who Are Homeless? Start with Social Determinants'* (1) we examined only health costs, but there are major financial impacts in the areas of Justice, Corrections, Ambulance Services, Child Protection and Family Services and Social Security as well. An evidence synthesis recently published in The Lancet on the effectiveness of interventions for marginalised and excluded populations, including people who are homeless, concluded that Housing First response to

homelessness can improve a range of health and social outcomes, particularly among those with mental health or substance use co-morbidities. (2)

The table below shows a variety of accommodation options available to those experiencing homelessness. Whilst it is difficult to cost the ‘average’ person – it is plain that in-patient and ED presentation are vastly more costly than other combinations of supported accommodation.

Accommodation and case worker cost estimates.

Accommodation Options	Cost/Day	Cost/Week
Support accommodation (homelessness services) *	\$82	
Public housing average recurrent cost/dwelling/week **		\$195
Residential mental health service ***		
24 h staffing	\$522	
Non 24 h staffing	\$181	
Case worker support		
Case worker/patient/week ****		\$115
Comparative cost of hospital use		
ED presentation *****	\$656	
Inpatient admission *****	\$2415	

Sources: \* SHS cost based on Zaretsky and Flatau 2013 \*\* Average recurrent cost/public housing dwelling (\$10,122/year) Zaretsky and Flatau 2015 \*\*\* The average estimated cost for a person in a residential mental health service in WA (2014–2015, most recently available data) was \$522 with 24 h staffing, and \$181 without 24 h staffing \*\*\*\* Based on July 2017 level 5 pay point 1 award for a community services worker with 30% on-costs and typical caseload of 10 patients \*\*\*\*\* Based on IHPA Round 19 National Hospital Cost Data

The potential for cost-savings make sense in light of our 2016 report, *‘The economic benefits of providing public housing and support to formerly homeless people’*. This report found that the provision of stable public housing for people experiencing or at risk of homelessness resulted in reduced health service use (both in terms of the number of people, frequency and duration of use), and associated cost savings to the health system and public purse. This suggests that providing stable housing with appropriate support should be a first priority to improving not only housing outcomes, but health outcomes and consequently reducing health care costs. The same logic can be applied to any number of the other aforementioned major government sectors servicing homeless people.

Specifically, the study provides an evidence base for the continuation of NPAH programs focused on the provision of housing with support. The study examined five NPAH programs (funded through NAHA) in Western Australia which support homeless people to access and sustain public housing allocations. In the standard case, without programs such as these, homeless people and those at risk of homelessness receive crisis accommodation and other forms of support and may be assisted to get onto public waiting lists, but they are not provided with direct support in accessing guaranteed public housing and support to sustain those tenancies.

Our economic analysis focused on the notional cost savings to government budgets that the provision of public housing and support has from changes in emergency presentation, days in hospital and days in psychiatric care. These services have been identified in previous research as being highly used by people who are homeless, and having the largest health care cost.

Overall, there was a cost saving associated with reduced health service use among both the NPAH program participants and among public housing tenants given priority access due to homelessness.

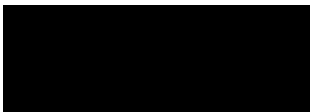
However, the greatest economic returns were observed among the NPAH cohort and, in particular, among those supported through the Housing Support Worker, Mental Health (HSWMH) program.

Fewer days in hospitals and psychiatric care account for the majority of the cost savings. The change in utilisation across these three services from entry to public housing results in a combined cost savings of \$16.4 million or \$4,846 per person, across all people in the sample for a single year. If priority housing (homelessness) clients are excluded, the change per person for NPAH clients is nearly triple this (\$13,273 per person per year). The large cost savings is primarily due to the HSWMH group, where savings amount to \$84,135 per person per year.

Of course, cost savings to government budgets revealed by the present research, but not identified by policy-makers, do not result in actual reductions in budget allocations at the time the savings occur. However, the decrease in demand for services from this population group potentially allows for otherwise unmet needs to be met within the existing budget allocation. They also provide the evidence base for more efficient resource allocation decisions in the future. In essence, these budget saving measures whilst not immediately seen are real, and over time and successive budgets their affects will be seen.

This is merely a snapshot of some of the recent research I myself have taken part in, and furthermore, only a snapshot of the research that is taking place across the globe. I full endorse the recommendations suggested by the Homelessness Australia and reproduce them below in full. Again, I fully endorse their position, and hope that the senate committee will consider these suggestions fully.

Yours sincerely,



Associate Professor Lisa Wood,

18<sup>th</sup> of December 2017

#### References:

1. Stafford, A., & Wood, L. (2017). Tackling Health Disparities for People Who Are Homeless? Start with Social Determinants. *International Journal of Environmental Research and Public Health*, 14(12), 1535.
2. Luchenski, S., Maguire, N., Aldridge, R. W., Hayward, A., Story, A., Perri, P., ... & Hewett, N. (2017). What works in inclusion health: overview of effective interventions for marginalised and excluded populations. *The Lancet*.
3. Wood, L., Flatau, P., Zaretzky, K., Foster, S., Vallesi, S. and Miscenko, D. (2016) What are the health, social and economic benefits of providing public housing and support to formerly homeless people?, AHURI Final Report No. 265, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/265>, doi:10.18408/ahuri-8202801.

## Homelessness Australia recommendations

### Context

This Bill was introduced into Federal Parliament in a context in which:

- there is no national policy or plan in relation to either housing or homelessness
- we have a shortfall of half a million properties affordable to people on the lowest incomes
- the last serious investment in social housing growth was the stimulus investment in response to the global financial crisis of 2008
- Federal investment in social housing through the NAHA, and the CSHA preceding it, has for decades been at a level inadequate to achieve the growth needed to meet need
- Australia's national homelessness policy settings have not had a significant update since the Rudd Labor Government's The Road Home policy of 2008/9
- Australia's major investments in homelessness services are the crisis responses developed in the 1990's under SAAP and demonstration projects funded through the NPAH flowing from that period, and
- Australia's housing tax settings actively contribute to housing price inflation, and fail to stimulate investment in low cost rental housing.

Critical solutions needed to address this housing affordability crisis, and increasing rates of homelessness, include the development of a national affordable housing strategy that includes:

- reform of federal policy drivers of the housing affordability crisis, including taxation
- new investment to drive significant growth in social housing,
- new incentives to stimulate private sector investment in affordable housing
- reform of Commonwealth Rental Assistance to ensure low-income earners have adequate purchasing power in the rental market, and
- commitments from state and territory governments to match new funds with state investments and other state actions to leverage new supply.

A national strategy to end homelessness requires additional funding to take demonstrated best practice to scale across the country and federal action to address the major *drivers* of homelessness, including:

- domestic and family violence
- inadequate availability of low cost rental housing, and
- inadequate level and security of incomes for people reliant on social security payments.

The Federal Government has taken none of these critical steps. Instead the Bill as proposed:

- requires only state and territory government to produce housing and homelessness plans
- introduces mechanisms that are likely to result in funding gaps and cuts, and
- broadens the scope of funding priorities to shift resources to less vulnerable cohorts.

### The need for a national affordable housing plan

The Federal Government has policy responsibility for most of the critical drivers of Australia's housing affordability crisis. A national housing plan, developed collaboratively with the states and

territories, also has capacity to leverage additional funding, and other actions within state policy jurisdiction.

Unfortunately, the Bill in its current form does not include any requirement on the Federal Government to deliver a plan, and instead in the Bill's [Explanatory Memorandum](#) shifts blame to the states and territories for outcomes that are primarily driven by federal policy drivers, including increasing homelessness, and housing stress in the rental market.

Change is needed in the Bill to more effectively capture the shared responsibility and shared capacity of both the Federal Government and states and territories to contribute to achievement of outcomes.

**RECOMMENDATION 1:** Where the legislation currently imposes a requirement on States to develop housing and homelessness plans, we propose that this requirement apply equally to the Federal Government, so that the new agreement forms part of a new national housing affordability and homelessness strategy.

### **The need for additional federal investment in social housing**

In 2017, 195,000<sup>1</sup> Australian households are on social housing wait lists. For many, the wait is indefinite. Each year, 288,000<sup>2</sup> Australians came to homelessness services for assistance, and that number is only expected to grow. Australia is in the midst of a housing and homelessness crisis.

Yet the Federal Government has failed to deliver any new funding to support the increased number of people experiencing homelessness every day. Over 66,000 people<sup>3</sup> were turned away from a homelessness service last year without receiving any support. Meanwhile there is a shortfall of 458,000 affordable homes across Australia.<sup>4</sup>

It is plain that more must be done. Yet the Federal Government has indicated it will not commit to any new funding for social housing growth.

**RECOMMENDATION 2:** The National Housing and Homelessness Plan proposed in this submission as an inclusion in the legislation needs to be underpinned by additional growth funding to boost the supply of housing available to low income households and those at risk of or experiencing homelessness, and fund additional support services taking best practice to scale across the country.

### **The potential for funding gaps and cuts to social housing and homelessness**

The Bill includes a mechanism to terminate the current ongoing National Specific Purpose Payment, through which funds are guaranteed to flow to the states and territories from the Commonwealth under the National Affordable Housing Agreement (NAHA), as of 1 July 2018.

The guaranteed and ongoing funding would be replaced by a conditional agreement, with conditions to be based on a federal assessment of the credibility of state housing plans, and on *any 'other matters'* to be included in bilateral supplementary agreements.

---

<sup>1</sup> Based on Steering Committee for the Review of Government Service Provision data, Report on Government Services 2017

<sup>2</sup> Australian Institute of Health and Welfare, *Specialist Homelessness Services Collection*, 2017

<sup>3</sup> Ibid

<sup>4</sup> Hulse, K., Reynolds, M., Stone, W. and Yates, J., (2015) Supply shortages and affordability outcomes in the private rental sector: short and longer-term trends, AHURI Final Report No.24 Melbourne: Australian Housing and Urban Research Institute. Available from: <http://www.ahuri.edu.au/publications/projects/p51018> .

The new agreement would also include federal funds currently flowing to the states under the National Partnership Agreement on Homelessness (NPAH).

The conditions included in the Bill, introduce mechanisms which could be used by a Federal Government could potentially withhold funding to the states and territories, if targets imposed by the Federal Government aren't achieved.

Given that the Federal Government has sought to blame the states for not achieving targets in the NAHA (such as a reduction in homelessness) that are primarily driven by federal policy drivers (see 1.14 in the [Explanatory Memorandum](#)), the likelihood of the Federal Government imposing unrealistic conditions on the states needs to be a consideration.

The Bill imposes a particular funding risk for 2018, with the termination of the NAHA funding. This means no funding will flow to the states for housing and homelessness until they have signed a new primary agreement (between the Federal Government and all the states and territories) *and* a supplementary agreement (between each state separately and the Federal Government). This places the states in an extremely poor situation to negotiate fair and realistic targets. A process that is more likely to maximize outcomes would see the current arrangements continue until a national agreement has been agreed, and signed by all the states and territories and the Federal Government.

Should funding to states and territories for housing and homelessness services be cut, the 394,000<sup>5</sup> Australian households who currently reside in social housing would be put at risk of homelessness, and services to the 288,000<sup>6</sup> Australians who access specialist homelessness support in a year would be reduced.

**RECOMMENDATION 3:** That the Bill be amended to clarify the scope of the legitimate funding conditions, including that the term 'credible' to describe the required state housing plans be clearly defined, and that any additional requirements to be included in designated agreements be identified.

**RECOMMENDATION 4:** That the transitional arrangements be amended so that the new funding arrangements do not come into effect until all the states and territories have agreed to a new primary (multiparty) agreement, and that supplementary bilateral agreements are removed as a condition of funding. This would require a commitment to extend the NAHA and NPAH if the new agreement was not completed by 30 June 2018.

**RECOMMENDATION 5:** That the consequences of the states not meeting targets set be made clear, and specifically not include financial penalties that will impact on funding for housing and homelessness services for people on low incomes. Instead of financial penalties, we propose that governments that are not meeting set targets be required to provide a public explanation, and develop and publish a plan to improve performance.

### Redirecting funding to less vulnerable cohorts

Funding in the current NAHA is primarily used for provision of public housing that is targeted to the lowest income households, and for delivery of homelessness services. Already the resources

---

<sup>5</sup> Based on Steering Committee for the Review of Government Service Provision data, Report on Government Services 2017

<sup>6</sup> Australian Institute of Health and Welfare, *Specialist Homelessness Services Collection*, 2017

available to these programs are too little to meet the greatly increased demand that we have seen since the housing and homelessness crisis began.

The Bill outlines that the scope of the NHHA will be broader to include housing affordability in the broader residential property market. This could include provision of affordable housing and low cost home ownership products. However, no additional funding is planned to be committed to achieve these broader outcomes. Given that the current level of resources is already busy delivering homelessness services, and housing targeted to the lowest income households, a broader scope could only be achieved by redirecting those resources away from the most vulnerable households.

**RECOMMENDATION 6:** The legislation be amended to require that each state and territory and the Federal Government should have housing plans that indicate the level of housing supply needed to respond to housing demand, and that outlines the reforms and initiatives that will be implemented to meet this need **giving priority to addressing homelessness and meeting the needs of people on low incomes.**

### Conclusion

The *Treasury Laws Amendment (National Housing and Homelessness Agreement) Bill 2017* fails to provide an adequate response to the housing and homelessness crisis in Australia. By making existing funding for housing and homelessness conditional, it not only puts already inadequate funding at risk, but risks further punishing the victims of the housing crisis for federal inaction on housing affordability.

It is not appropriate that during the housing and homelessness crisis a mechanism should be created to allow the Federal Government to cut funding to social housing and homelessness services, either by making the funding conditional, or by moving it to general affordability measures.

Instead we call for new funding to address the housing and homelessness crisis, and a national plan to end homelessness and deliver the housing and support needed to enable low income households to both attain and keep a home.