



9 October 2023

National Housing and Homelessness Plan  
Department of Social Services  
GPO Box 9820  
Canberra, ACT 2601

Via email: [Housingandhomelessnessplan@dss.gov.au](mailto:Housingandhomelessnessplan@dss.gov.au)

**RE: Supplementary Submission for the National Housing and Homelessness Plan.**

Please see attached our supplementary submission for the National Housing and Homelessness Plan.

We will be providing a further submission closer to the deadline of 20 October 2023.

Yours faithfully,

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## NT Shelter Supplementary Submission on the National Housing and Homelessness Plan

2 October 2023

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NT Shelter welcomes the opportunity to provide this supplementary submission to the Department of Human Services in relation to the development of a National Housing and Homelessness Plan (“the Plan”). It should be read in conjunction with NT Shelter’s primary submission to the Department, which will be lodged prior to the closing date of 20 October. This submission focuses on how the Plan can secure a transition from the way that State and Territory Governments are currently funded for housing and homelessness services under the current National Housing and Homelessness Agreement (NHHA) to a model that ensures that Commonwealth funding is provided to where it is needed most.

### About Us

NT Shelter is the Northern Territory’s peak body for housing and homelessness. We advocate for affordable and appropriate housing for all people of the Northern Territory, especially those with low incomes, and those particularly vulnerable and disadvantaged in the housing market.

### Preamble

The operation of the NHHA’s current method of funding allocation egregiously fails a disproportionately high and growing number of people who typically experience the worst housing conditions and outcomes across Australia. Evidence to substantiate this has recently been presented by NT Shelter and other Northern Territory based organisations to the Parliamentary Inquiry into Homelessness and the Productivity Commission’s study report on the NHHA. The principle of needs-based funding has been thoroughly considered and strongly endorsed by those inquiries. This submission incorporates the principal arguments already presented on the matter but, importantly, provides guidance on how to proceed from here.

Part 5 – “Financial Arrangements” of the National Housing and Homelessness Agreement (NHHA)<sup>1</sup> details arrangements for general funding and homelessness funding under the agreement. For general funding, Clause 47 stipulates that:

*“Commonwealth general funding will be allocated to States in accordance with each State’s share of total population. For payment purposes, States’ population shares will be updated annually using Australian Bureau of Statistics population estimates.”*

Clause 50, in respect of homelessness funding, provides the following:

*"Commonwealth homelessness funding will be allocated to States in accordance with each State's share of total homelessness based on 2006 Australian Bureau of Statistics Census homelessness estimates."*

At the time the agreement was signed, the estimated national payments to be provided to the Northern Territory were as follows:

**Table 1: Northern Territory allocations under the NHHA**

	2018-19 \$ mil	2019-20 \$ mil	2020-21 \$ mil
General	13.5	13.5	13.5
General (SACS)	0.6	0.7	0.8
Homelessness	5.4	5.5	5.6
Homelessness (SACS)	0.2	0.3	0.4
Total	19.7	20.0	20.3

*Source: National Housing and Homelessness Agreement, page 12*

The Discussion Paper does not directly address the question of whether the method of funding allocations under Clauses 47 and 50 of the existing NHHA are sufficient, equitable or appropriate in respect of achieving the desired outcomes of the Agreement, nor does it seek comment on alternative funding models under any subsequent iteration of the NHHA. Notwithstanding this, the financial arrangements set out in those clauses in the existing agreement (NHHA) fundamentally disadvantage the Northern Territory in terms of the flow of funding and the ability of the Northern Territory Government to achieve the necessary and increasingly urgent improvements in housing and homelessness outcomes.

Our supplementary submission outlines the anomalous impacts of the current funding model on the Northern Territory, explains why it is essential that the current situation is now rectified, and provides a workable solution to ensure this occurs.

### Context

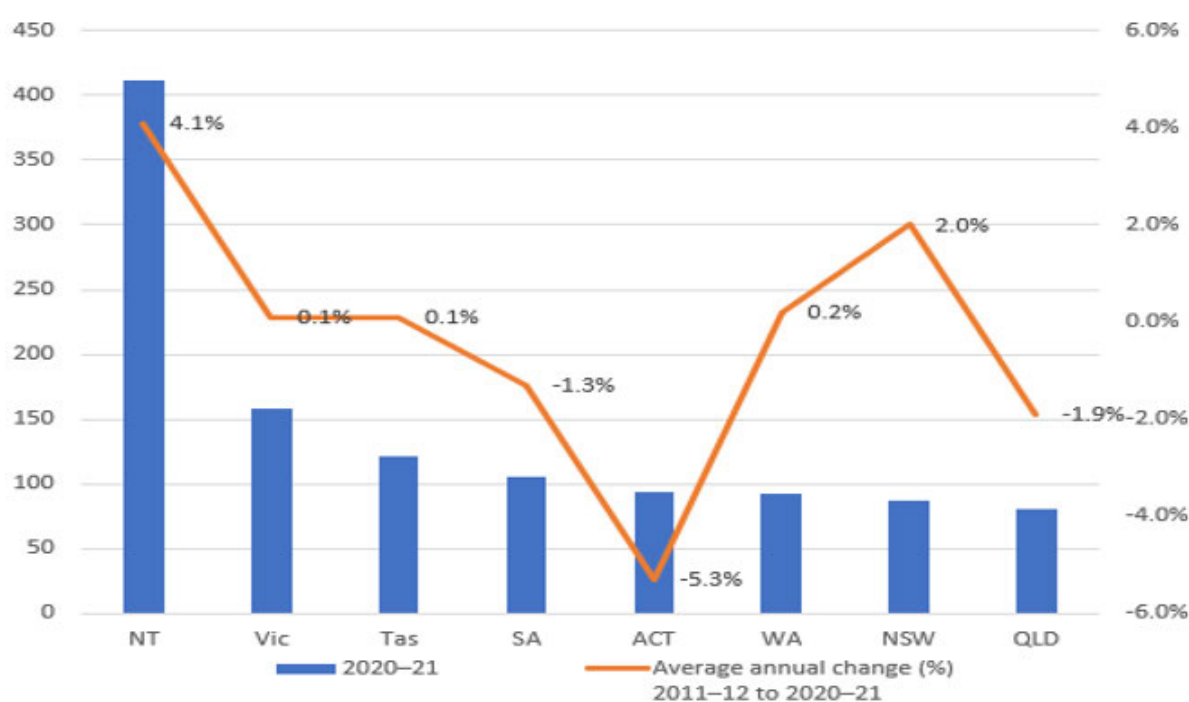
Across Australia there were an estimated 116,000 persons who experienced homelessness on Census night in 2016. In addition to those who are sleeping rough, couch surfing, living in temporary boarding houses, emergency shelters, or in overcrowded dwellings, many more Australians cannot find affordable housing in the private market, and the social housing system is far from able to meet demand.

The situation in the NT is particularly dire, with a significant and disproportionate level of homelessness and acute housing need. The rate of homelessness sits at 12 times the national average, and year-on-year increased presentations to specialist homeless service providers are being seen, and at a pace far greater than the national trajectory.

As Chart 1 shows, the rate of increase in the number of clients presenting to Specialist Homelessness Services (SHS) grew by 4.1% for each of the years since 2011-12. New South Wales, which has seen a 2% year-on-year increase over the same period, is a distant second.

Aboriginal persons represent one third of the Territory's population but are significantly overrepresented at 88.5% of all homeless persons. A total of 83% of homeless persons in the NT live in severely overcrowded dwellings, requiring four or more additional bedrooms. The majority (71%) are found in remote or very remote communities outside of Alice Springs and Darwin <sup>2</sup>.

**Chart 1: SHS Clients per 10,000 Population and 10 Year Change**



*Chart 1: The demand for Specialist Homelessness Services has risen across Australia each year since July 2011-12 but at a consistently faster rate in the Northern Territory.*

It is well established that homelessness, and a lack of safe, affordable and appropriate housing that places people at risk of homelessness, drives adverse social and economic outcomes associated with domestic and family violence, mental health, adverse education outcomes, higher burden of disease and poor health, lower rates school attendance rates and poorer educational outcomes. These are, of course, high and ongoing cost burdens on the Northern Territory budget both in absolute terms and relative to other jurisdictions.

**Table 2: Comparison 2018-19 NT SHS Client Profiles to Other Jurisdictions and the National Average Rate**

Client Profile	NT Number of Clients	NT rate	National Average rate	NT vs. National Average rate (number of times NT is greater)
Clients are <b>Aboriginal</b>	7984	968.9	832.0	1.2
Clients have experienced <b>Domestic and Family Violence</b>	4650	188.0	46.6	4.0
Clients have a current <b>Mental Health</b> issue	1046	42.3	34.6	1.2
<b>Young people</b> presenting alone	1367	55.3	17.2	3.2
Clients <b>Leaving Care</b>	281	11.4	2.7	4.2
Children with <b>Care and Protection Orders</b>	414	16.7	3.7	4.5
Clients exiting <b>Custodial Settings</b>	250	10.1	3.8	2.7
Clients with problematic <b>Drug or Alcohol</b> issues	974	39.4	11.2	3.5
Clients <b>aged 55 or older</b>	737	29.8	9.7	3.1
Clients with a <b>Disability</b>	184	7.4	2.9	2.6

Note: All rates are per 10,000 estimated resident population.

Source: Extract from Northern Territory Government submission to the Parliamentary Inquiry into Homelessness (Submission 62)

As Table 2 above shows, the rate per 10,000 clients presenting to SHS services for all client groups of interest are higher, and often markedly higher, than the national rate. This is the case for mental health, domestic and family violence, drug and alcohol issues, custodial arrangements, care and protection orders, younger clients, older clients and people with a disability.

In terms of health, the total burden of disease (DALY rate) in the Northern Territory is 1.4 times the National average<sup>3</sup>. Total burden rates are exceptionally high for kidney and urinary diseases (more than 4.5 times the national rate), blood and metabolic disorders (2.4 times the national rate) and injuries (twice the national rate). Health-adjusted life expectancy at birth (HALE) in 2018 was shortest for both males and females in the Northern Territory (66.2 and 69.5 respectively). Fatal burden rates in the Northern Territory are approximately twice that of Victoria.

### **Current Funding Arrangements**

At 1,347,791 km<sup>2</sup>, the Northern Territory is Australia’s third largest jurisdiction by landmass. Its population is widely dispersed: almost 50% of Territorians live outside the Greater Darwin region across four regional towns, 73 remote communities and more than 500 homelands and outstations. Due to remoteness and large distances, a lack of sealed roads and other infrastructure, and monsoonal weather systems across much of the Territory, it is expensive and logistically challenging to provide services in the Northern Territory relative to other States. The NHHA’s financial arrangements mechanisms do not take this into account.

Far and away the more important issue, however, is that funding allocations to State and Territory Governments under the existing national partnership agreement are, ostensibly, driven by the use of population size for NHHA general funding. This is hugely determinantal to the Northern Territory with a population of merely 246,000 (0.96% of Australia’s entire population) spread across such a large land area but with a disproportionate burden of homelessness and unmet housing need.

**Table 3: NHHA Allocations to State and Territory Governments (2021-22)**

<b>State/ Territory</b>	<b>Estimated Homeless 2021 Census</b>	<b>Homeless Rate per 10,000</b>	<b>NHHA Commonwealth Funding Allocation (\$ million)</b>	<b>Ranking (Highest to lowest on homelessness count)</b>	<b>Ranking (Homelessness funding received)</b>
NSW	35,011	43.1	490.3	1	1
Victoria	30,660	47.1	411.0	2	2
Queensland	22,482	43.5	335.6	3	3
Western Australia	9,729	36.6	178.5	5	4
South Australia	7,428	41.7	114.6	6	5
Tasmania	2,350	42.1	36.6	7	6
ACT	1,777	39.1	28.7	8	7
<b>NT</b>	<b>13,104</b>	<b>563.6</b>	<b>20.8</b>	<b>4</b>	<b>8</b>
<b>TOTAL</b>	<b>122,494</b>		<b>1,612.2</b>		

Source: ABS Census 2021 and RoGS 2023, Part G Table GA.1

Table 3 above shows that the three States with the highest numbers of homeless persons receive the highest amount of funding, ranging from \$335 million per year through to \$490 million per year. Despite having Australia’s fourth highest estimated homeless population, the Northern Territory received just \$20.8 million per year, some \$315 million per annum less than Queensland, and the lowest amount of any State or Territory in actual terms. It receives 1.3% of all funding despite having 10.7% of Australia’s estimated homeless population.

**Chart 2: The Effect of per person funding for State and Territory Governments**

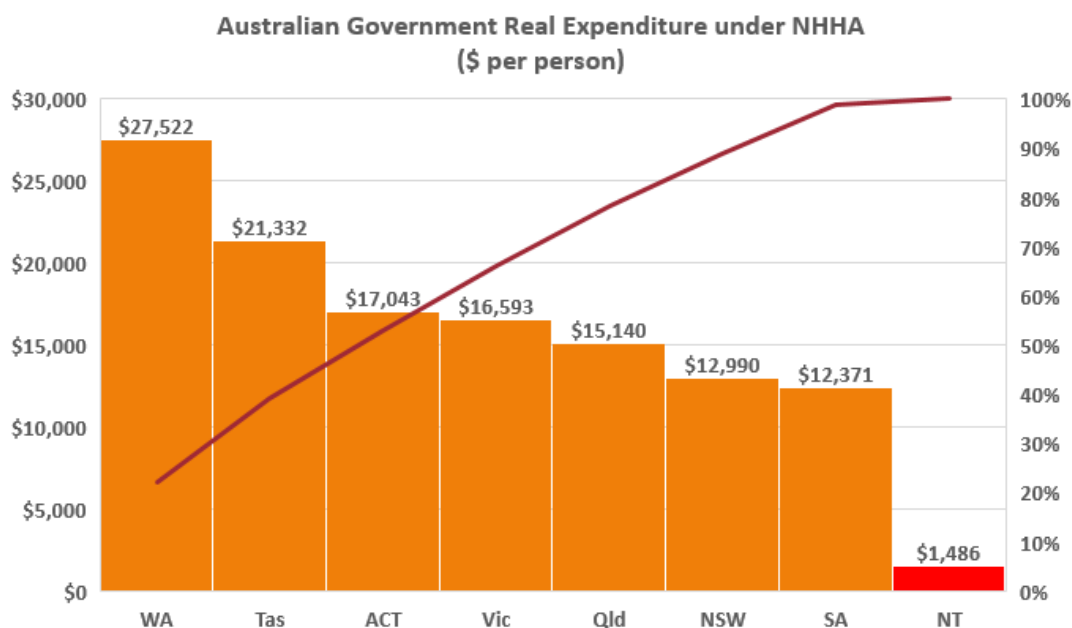


Chart 2 shows the amount that each State and Territory Government received under the NHHA in dollar terms for every person estimated to be experiencing homelessness on Census night. It needs to be read in conjunction with Table 3. In the case of Western Australia, \$178.5 million was provided under the NHHA to Western Australia in 2021-22. It has an estimated homeless population of 9,729. This amounts to funding of \$27,522 for every person estimated to be experiencing homelessness.

In stark comparison, the Northern Territory has an estimated homeless population of 13,104, approximately 34.7% more than Western Australia. However, it’s allocation under the NHHA was \$157.7 million less than that of Western Australia. Indeed, it was a meagre 11.6% of Western Australia’s funding.

The Northern Territory received \$1,486 for every person estimated to be experiencing homelessness under the NHHA in 2021-22.

To put this in perspective, the Western Australian Government is given the equivalent of a brand new Mazda 2 sedan to spend on every person experiencing homelessness. Meanwhile, the Northern Territory Government must make do with the equivalent of a bicycle.

Even the ACT, with a homelessness count of 1,777 that dwarfs in comparison with the Northern Territory’s 13,104 homeless people, receives \$8 million per annum more than the NT.



**Graphic 1: Choose your ride: Easier to cover ground quicker and more comfortably if you're a beneficiary of NHHA homelessness funding for Western Australia**




G15 PURE  
From \$27,802\*

Base features:

- Smart City Brake Support with Pedestrian detection
- Lane-keep Assist System (LAS)
- Apple CarPlay® and Android Auto™

Source: Mazda website, <https://www.mazda.com.au/compare/> as of 2 October 2023

**Graphic 2: On your bike: Sadly, pedal power doesn't cut it in the Northern Territory**




Cube Nature Pro Trapeze Hybrid Bike Silvergreen Black

FULL PRICE	CLUB PRICE <sup>?</sup>
\$1,599.00	\$1,497.00

PayPal Pay in 4    afterpay    ZIP

Size: Choose an Option...    Qty: 1

**ADD TO CART** 

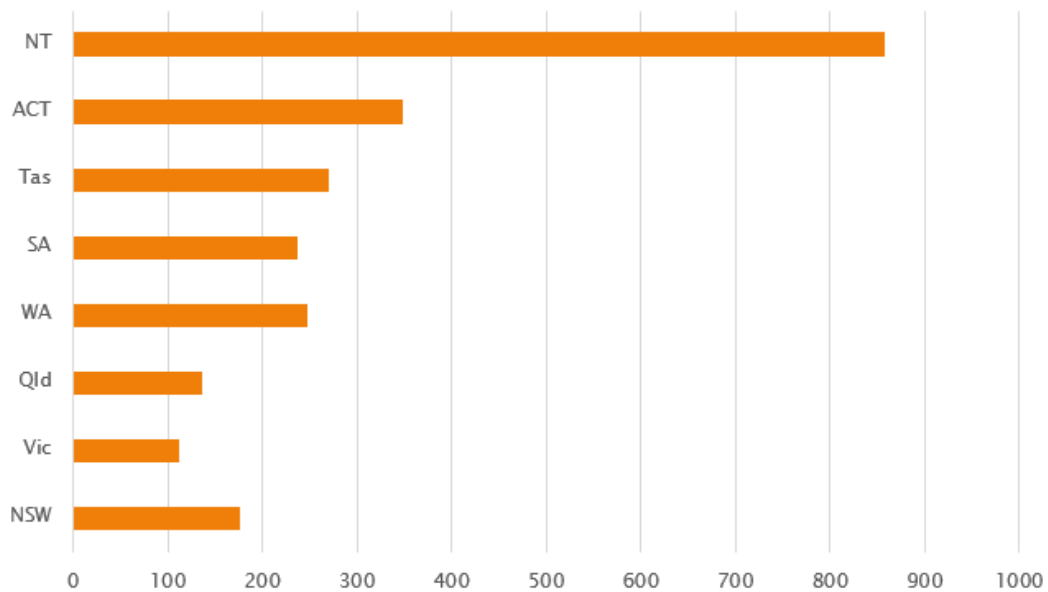
Delivery options:  Click And Collect

Source: 99 Bikes website, <https://www.99bikes.com.au/cube22-nature-pro-tp-silvergreen-black> as of 2 October 2023

### Financial Contributions by States and Territories on Housing and Homelessness

The Northern Territory Government consistently spends more recurrent expenditure on social housing per person in the population than the other States and the ACT (see Chart 5).

**Chart 3: State and Territory Government spend on social housing (per capita) - last 5 years (\$)**



Source: Report on Government Services 2023, Part G Table 18A.1

Despite having the lowest fiscal capacity to do so but borne of necessity, the Northern Territory Government has consistently spent well over twice to three times the amount of any other Government, on a per capita basis, on social housing over the past five years (see Chart 3). Indeed, this has been the case for every year since 2010 with the exception of 2014 (when it came in second). This is a direct reflection of the extent of unmet housing need in the Northern Territory, across urban, remote and very remote communities.

In accordance with Clause 17(e) of the NHHA, State and Territory Governments are required to match Commonwealth funding in respect of the portion allocated for homelessness (including SACS). The extent to which the various State and Territory Governments match or exceed *total* NHHA funding received from the Commonwealth (i.e. general plus homelessness funding) is especially telling. Table 6 sets out the amount of each jurisdiction’s own revenue that is spent on homelessness services.

NT Shelter is not suggesting that any State or Territory is receiving more funding under the NHHA than is needed in order to address their respective housing and homelessness challenges. Indeed, many if not all jurisdictions will, in all likelihood, have strong evidence-based arguments to support more Commonwealth funding for homelessness for their respective jurisdictions under the national agreement.



**Table 4: Respective State and Territory contribution for every Commonwealth dollar received under the NHHA**

State / Territory	Contribution by State / Territory	
Victoria	\$1.27	
ACT	\$1.20	
Tasmania	\$1.10	
South Australia	\$0.82	
New South Wales	\$0.65	
Western Australia	\$0.57	
Queensland	\$0.50	
Northern Territory	\$2.64	

Source: Report on Government Services 2023, Part G Tables GA.1 and 19A.1

However, based on the amount of its own money that the Northern Territory Government is consistently spending on social housing and on homelessness, NT Shelter strongly asserts that the Northern Territory Government needs and relies on its allocation of NHHA funding far more than the other jurisdictions do. Four States didn't match Commonwealth allocations.

No other State or Territory comes close to spending 2.64 times the amount of Commonwealth funding received under the National Housing and Homelessness Agreement.

## **Funding Matters: The impacts of manifestly inadequate funding**

It is necessary to give close consideration to what a grossly under-funded system looks like on the ground. The effects and impacts are insidious. SHS non-government providers receive a level of funding to provide a modest level of assistance to vulnerable clients who are homeless or at risk of homelessness. However, there is insufficient funding to replicate services that are known to be across other regions.

In many instances, programs simply do not exist at all in regions across the Northern Territory. Throughout Australia, the number of clients seeking the assistance of SHS providers per 10,000 population in 2020-21 was 108.3 (refer Chart 1 above). In contrast, there were 411.5 clients per 10,000 population in the Northern Territory – 4 times the rate of demand nationally.

The Northern Territory is the only jurisdiction across Australia that does not have a Common Ground, or Youth Foyer facility. Housing First doesn't exist despite its undeniable success – there is simply no funding to enable such initiatives. These proven, effective accommodation and support services remain a distant dream in the NT.

Another consequence of a poorly funded housing and homelessness system is the pressure on SHS providers and their staff to meet ever increasing demand in a significantly resource constrained environment. Staff in the Northern Territory were run off their feet before, let alone during and post COVID-19.

Commonwealth funding in the order of \$20 million each year is spread very thinly. This invariably places extreme challenges as to which programs can be funded and where. In a zero-sum gain environment, although there is a very high need for SHS funded prevention programs, funds cannot be diverted away from funded crisis programs without severe impacts. Budget limitations directly constrain the number of case workers that can be employed and thereby assigned to a program, reducing the number of clients who can be assisted and, consequently, the number of tenancies that can be maintained for those at risk of homelessness.

The inadequacy of homelessness funding to the Northern Territory under the NHHA has other consequences too. Because there is insufficient funding to bolster resources for assertive outreach and tenancy support services, social housing tenants frequently struggle to manage visitors and house crowding. Anti-social behaviour is, sadly, a huge challenge in urban communities in the Northern Territory and threatens the tenancy of families who have waited many years for access to permanent housing. Providing the keys to the house without case worker support is insufficient to sustain many tenancies.

A chronically underfunded system for housing and homelessness services creates a vicious cycle of outcomes that run counter to those achieved in other States and Territories. As previously mentioned, the number of clients per ten thousand has increased by 4.1% each year over the past 10 years.

In Darwin for example, homelessness funding is provided for short-stay accommodation services for people sleeping rough. Apart from an AHL hostel in Katherine with limited beds that is constantly running at capacity, there is no short-stay accommodation facility at all, let alone funding for its operations and services. In the order of 100 Aboriginal people each day who have come to Katherine from outlying communities for medical treatment are sleeping rough as a result.

There is no dedicated SHS accommodation for children in Alice Springs, nor any men's temporary accommodation in Tennant Creek. \$20 million doesn't go far in the Northern Territory. Gaps in service provision are widespread and the needs of a disproportionately high number of Territorians go unmet.

As is the case for other jurisdictions, in 9 cases out of 10 specialist homelessness services providers successfully help clients at risk of homelessness maintain their tenancy<sup>4</sup>. For a relatively small investment in front line case workers and specialist staff, significant cost reductions from homelessness prevention can be achieved across a wide spectrum of Government services. For every dollar provided in housing today there are an estimated \$4.80 in benefits in 40 years' time.<sup>5</sup>

There are clearly social and economic benefits in preventing further homelessness across Australia, including the NT. Substantial savings to the Australian and Northern Territory Governments are there for the taking through greater investment in front line homelessness services, which will facilitate greater outcomes from crisis and prevention programs alike.

### **Reimagining a fairer funding model for all States and Territories**

We strongly believe that a person's prospects of accessing housing or homelessness services should not be predicated by where they live in Australia. In particular, historic State and Territory boundaries should not lead to different cross-border opportunities and potential outcomes. It is nonsensical to us that a person experiencing homelessness in Katherine stands to receive significantly less assistance than a person over the border in Kununurra.

The continued allocation of housing and homelessness funding to States and Territories according to a *per capita* method, not cognisant of need, would continue to amount to a misallocation of resources based on an approach that is not based on evidence, is arbitrary, lacks justification and, for the people of the Northern Territory at least, is highly detrimental.

It is not a stated outcome of the NHHA that State and Territories with the largest population should receive the most money from the Commonwealth. However, there was presumably an implicit but unstated assumption that the States with the most people would, as a matter of course, have the biggest housing and homelessness challenges. As we shall see later, this is true to a degree but, ultimately, the assumption does not hold up against the evidence.

We are not aware of the reasons why the general funding allocation under the NHHA is population based although we note that it is not an uncommon basis for allocating funds under national partnership agreements. Regardless of the reason for this method of allocation at the time, there is no good reason to perpetuate it. This is especially true if the continued operation of the same method results in outcomes that have been and are likely to remain adverse and contrary to the stated aims and objectives of the NHHA. This is axiomatic in the case of the Northern Territory.

The time for this to be rectified is now and there has been strong support from key quarters.

### **Support for needs-based funding: the argument has been run and won**

Two significant inquiries have heard evidence and considered arguments from various stakeholders, including NT Shelter, on the case for a transition to needs-based funding. In both instances, the inquiries have emphatically and conclusively supported such a move through their findings and recommendations.

Recommendation 9 from the *Final Report of the House of Representatives Standing Committee on Social Policy and Legal Affairs' Inquiry into Homelessness in Australia* is as follows:

*"The Committee recommends that the Australian Government, in consultation with state and territory governments, develop a needs-based funding methodology to be*

*applied to future inter-governmental housing and homelessness funding agreements, to be completed no later than June 2022.”<sup>6</sup>*

In December 2021, the Productivity Commission was requested by then Treasurer Frydenberg to conduct a review into the National Housing and Homelessness Agreement (NHHA). The Commission undertook public consultation on a range of matters relating to the operation and effectiveness of the NHHA and, inter alia, gave detailed consideration to the principle of funding being based on need<sup>7</sup>.

The Commission concluded that the arrangements for distributing funding under the NHHA should be changed and a new model for distributing funding between States and Territories introduced. It noted that:

*“...the model should consider the need for housing and homelessness services, and the cost of developing and managing housing stock and providing services across jurisdictions”<sup>8</sup>.*

The Commission also noted that the method of funding allocation was “outdated”.

### **Box 1: Productivity Commission finds funding allocations based on outdated data and total population**



#### **Finding 4.5**

#### **Greater demands are being placed on NHHA funding, and funding is not distributed according to need**

Greater demands are being placed on the National Housing and Homelessness Agreement’s funding and some other sources of funding for housing programs have ceased or reduced in value, placing additional pressure on the NHHA to deliver housing outcomes.

NHHA funds are not allocated between States and Territories according to need — homelessness funding allocations are based on outdated data on each jurisdiction’s share of the homeless population, and general funding is based on total population.

Following on from finding 4.5, the Productivity Commission recommended (as part of Recommendation 5.1 on the next Agreement on housing and homelessness):

*“a single base funding pool for housing and homelessness services that is allocated to jurisdictions according to need and the costs of providing services.”<sup>9</sup>*

### **A National Housing and Homelessness Plan for all Australians: Why needs-based funding is so important for the Northern Territory**

Assuming that funding for capital works is funded from other sources, the ongoing operational costs met by a greater quantum of NHHA funding for the Northern Territory would enable existing services to be strengthened and expanded, an extension of successful, evidence-based programs to other regions, the provision of additional, desperately needed short- and medium-term beds, and the establishment of assistance in regions not currently receiving SHS funded services at all.

Funding commensurate with need would ensure the delivery of a sustainable, effective accommodation and tenancy support footprint in urban centres in the Northern Territory. It would also enable a service footprint to be established in some of the other 73 remote communities, potentially using a hub and spoke model. This would enable Aboriginal Community Controlled

organisations to have more control over services that are required and delivered in a remote housing context.

There would also be far greater capacity to meet the ongoing operational costs of a Youth Foyer model, Common Ground or similar model in urban centres. In short, it would enable the Northern Territory to begin to catch up with the homelessness system response already in place in every other Australian jurisdiction.

While, at the moment, there is significantly insufficient SHS funding for urban centres in the Northern Territory, it needs to be emphasised that there is no funding at all for the 73 remote communities and more than 500 homelands and outstations in the Northern Territory.

There is, quite rightly, significant capital investment by the Commonwealth and Northern Territory Governments into remote housing construction. However, there is no investment into services to protect that investment. Culturally appropriate specialist homelessness services available to residents in remote communities will enable families to receive the range of services and supports that families right across Australia already have access to. Needs-based funding will support more communities by preventing people falling through the cracks into homelessness, helping maintain tenancies, and will protect the condition of newly built housing assets.

We are able to measure unassisted requests and unmet demand for homelessness services in the urban centres of Darwin, Katherine, Tennant Creek and Alice Springs. What we don't know is what the level of underlying pent-up demand for services might be in the 573 communities with no services on the ground at all. This is what might be referred to as "*unknown demand*", additional to the quantified unmet demand. Graphic 1 on the next page illustrates this.

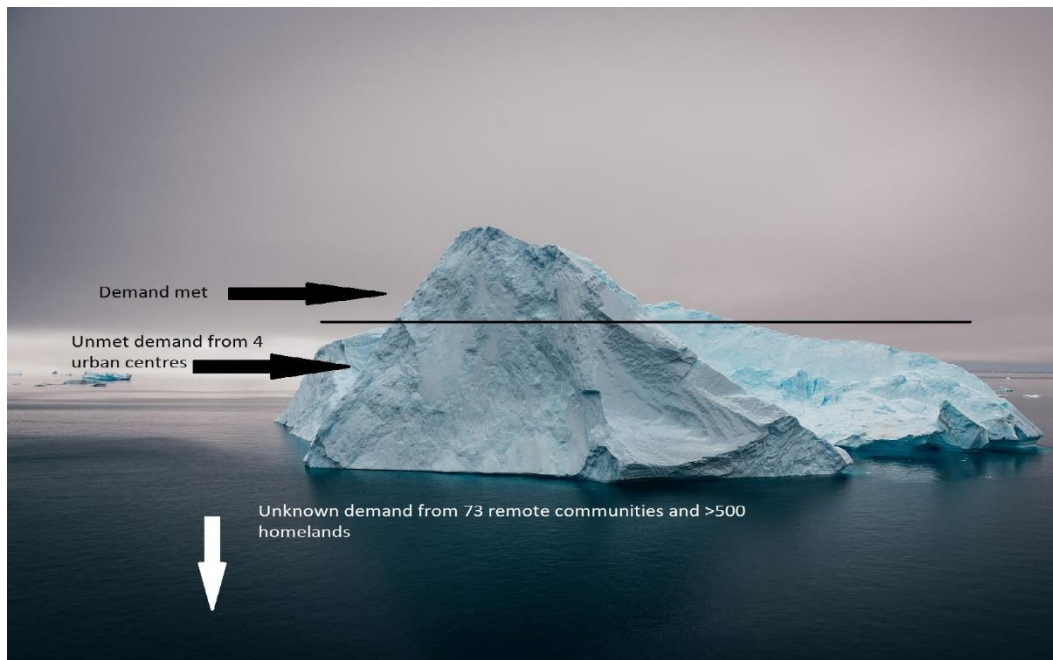
## **Box 2: What needs-based funding would mean for the Northern Territory**

- ✓ The delivery of a sustainable, effective accommodation and tenancy support footprint in urban centres in the Northern Territory.
- ✓ Access to a wider range of services in regional centres with few or none.
- ✓ Delivery of programs that work and are commonplace across the rest of Australia.
- ✓ A service footprint to be established in some of the other 73 remote communities, potentially using a hub and spoke model.
- ✓ Aboriginal Community Controlled organisations with more control over services that are required and delivered in a remote housing context and culturally safe way.
- ✓ Protect the investment in new housing through building tenant capacity and culturally appropriate local support services.
- ✓ Maintain tenancies for newly housed families and prevent further homelessness.

An equitable funding model for the Northern Territory would play a significant part in closing the gap on Aboriginal Housing disadvantage by ensuring that housing and homelessness services are accessible to a far wider range of people experiencing or at risk of homelessness across the Territory. It would ensure the provision of a great amount and greater range of front line homelessness services and enable more Territorians with unmet housing need having access to appropriate supports. This, of course, will augment the investment in social and affordable housing across the Northern Territory and have positive impacts on the wellbeing and life prospects for many First Nations people.

There are two sides to the coin when it comes to addressing unmet housing need. The first is the supply of appropriate, safe and affordable housing. The other side of the coin is providing the supports through the SHS system. This concept is no different for the Northern Territory than any other community across Australia. The only difference is that the Northern Territory is light years behind the social infrastructure that already exists elsewhere in the country.

## **Graphic 1: What's under the iceberg? Unknown SHS demand from remote communities and homelands**



*While we can reliably measure the amount of known demand for SHS services in the Northern Territory (met and unmet requests for assistance) there is an unknown but likely huge demand that we don't know about beneath the surface in our remote and very remote communities.*

### **An alternative funding model based on need**

Given that the case for needs-based funding has already been found by both the Standing Committee on Social Policy and Legal Affairs and the Productivity Commission to be compelling, attention now needs to turn to how to design and implement a revised funding model based on where funding is needed most.

There are two factors to consider in this regard:

- (i) What an alternative and improved funding model might look like (i.e. design)
- (ii) How to transition (i.e. implementation)

#### **(i) What an alternative and improved funding model might look like**

As previously mentioned, funding to State and Territory Governments under the NHHA is comprised of general funding and homelessness funding. General funding is based on each State and Territory's share of total population while homelessness funding is determined by each State's share of total homelessness based on 2006 Australian Bureau of Statistics homelessness estimates. There are also additional SACS funding components which are significant albeit relatively small in comparison with the aforementioned components.

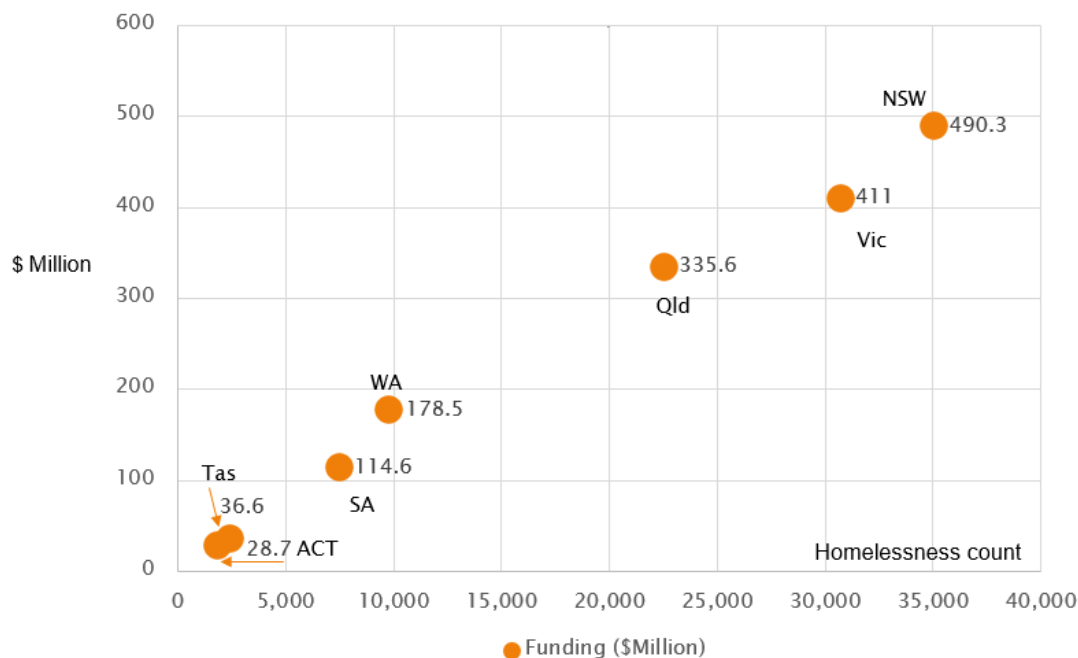
For the 2020-21 financial year, the estimated financial contribution to the States was \$1.725 Billion. Of this, \$1.419 Billion was the general funding component. That amounts to 82.3% of total NHHA allocations.

This means that State and Territory population size is overwhelmingly the determinant of Commonwealth allocations as opposed to estimated homelessness.



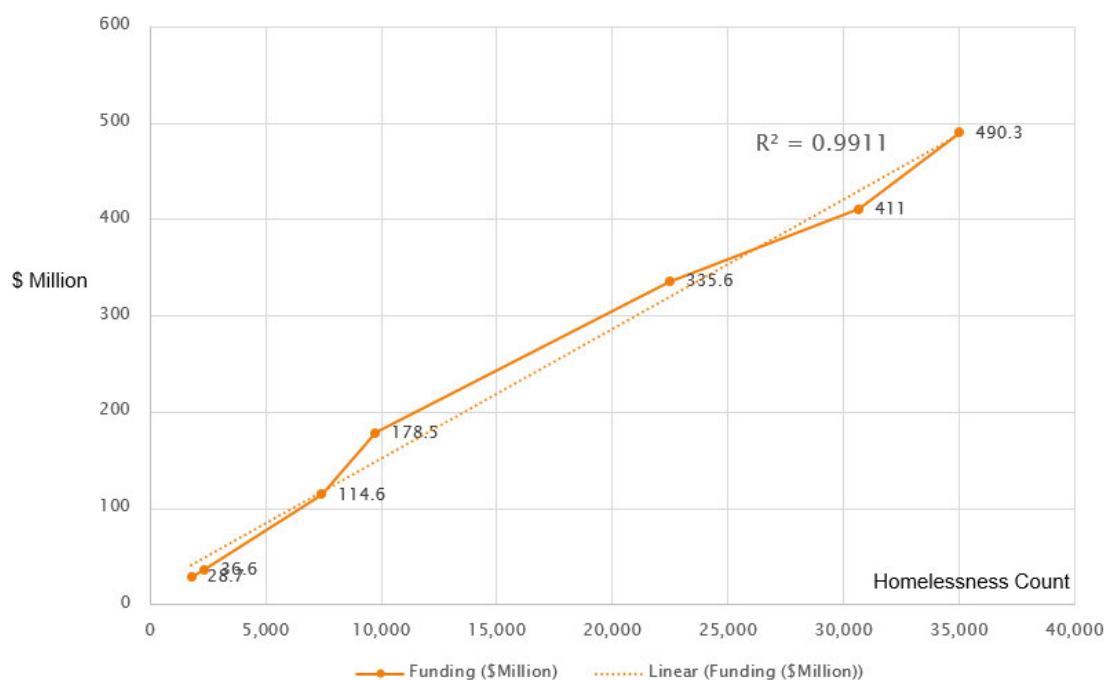
NT Shelter decided to run a test to determine the extent of any correlation between the estimated homelessness population of each State and Territory at Census night 2021 with the amount of funding received under the NHHA. This is graphically shown in Chart 4.

**Chart 4: Modelling current NHHA funding (excluding Northern Territory)**



We then ran a least squares regression analysis on the data in Chart 4 to assess the level of correlation between homelessness count and homelessness funding for each State (excluding NT). The results of this are shown in Chart 5.

**Chart 5: Least squares regression analysis of NHHA funding allocations**



The coefficient of determination ( $R^2$ ) result of 0.9911 reveals an extremely high correlation for the two variables. This means that each State and Territory (excluding NT) is receiving a quantum of NHHHA funding that is, for all intents and purpose, determined by its homelessness count as much as it is by its share of population. It is possible to speculate as to why this is the case but a reasonable conclusion is that each State and Territory (with the exception of the Northern Territory) has approximately the same *per capita* rate of homelessness and the proportionally larger the population, the proportionately larger the number of people experiencing homelessness (and vice versa).

The next step in the test was to derive a chart equation and test it. In this case, the funding allocation equation derived was as follows:

$$y=0.0135x + 16.954$$

In practical terms, this means that under the alternative funding model, each State and Territory would receive:

**\$16,954,000 (flat amount)**

**+**

**\$13,500 for every person experiencing homelessness**

We can then apply this formula to every State and Territory (excluding NT) to assess the differences between the amount of funding currently received under the NHHHA in comparison with what it would receive under this new funding formula.

**Table 5: Funding allocations comparison: NHHHA current vs equation**

State-Territory	Estimated Homeless	2022 NHHHA Funding (\$ Million)	Equation Funding* (\$ Million)	Difference (\$M)	Variance (%)
NSW	35,011	490.3	489.6	-0.7	-0.14%
Victoria	30,660	411.0	430.9	+19.9	+4.84%
Queensland	22,482	335.6	320.5	-15.1	-4.50%
Western Australia	9,729	178.5	148.3	-30.2	-16.92%
South Australia	7,428	114.6	117.2	+2.6	+2.27%
Tasmania	2,350	36.6	48.7	+12.1	+33.06%
ACT	1,777	28.7	40.9	+12.2	+42.51%
<b>TOTAL</b>		<b>1595.3</b>	<b>1596.1</b>		

\* Equation funding = \$16.954 Million + (\$13,500 x Estimated Homeless)

Some of the conclusions that can be taken from Table 5 above are as follows:

- NSW, Victoria, Queensland and South Australia are receiving approximately the same amount of funding under the NHHA as they would receive under this alternative funding model. The greatest variance within this group of 4 States is 4.84% (Victoria). The relatively small percentage variances on these higher funded States demonstrates that the alternative model being tested works well.
- Western Australia would be entitled to revised funding of \$148.3 million per year, or 17% less funding than they currently receive.
- The smaller jurisdictions of Tasmania and ACT would receive, proportionately, a significantly higher increase in funding (33% and 42.5% respectively).

The results of the test to date suggest that the new funding formula can deliver funding allocations for each of the States (excluding NT) that are not materially different to the funding they currently receive under the NHHA. This is an important conclusion, as it can support a transition to funding that more closely approximates need (i.e. number of people experiencing homelessness) than general population.

We can therefore now consider what the situation would look like for the Northern Territory when the alternative funding equation is applied (Table 6).

**Table 6: Funding allocations comparison including the NT**

<b>State-Territory</b>	<b>Estimated Homeless</b>	<b>2022 NHHA Funding (\$ Million)</b>	<b>Equation Funding (\$ Million)</b>	<b>Difference (\$M)</b>	<b>Variance (%)</b>
NSW	35,011	490.3	489.6	-0.7	-0.14%
Victoria	30,660	411.0	430.9	+19.9	+4.84%
Queensland	22,482	335.6	320.5	-15.1	-4.50%
Western Australia	9,729	178.5	148.3	-30.2	-16.92%
South Australia	7,428	114.6	117.2	+2.6	+2.27%
Tasmania	2,350	36.6	48.7	+12.1	+33.06%
ACT	1,777	28.7	40.9	+12.2	+42.51%
<b>NT</b>	<b>13,104</b>	<b>20.8</b>	<b>193.9</b>	<b>+173.1</b>	<b>+732.21%</b>
<b>TOTAL</b>		<b>1616.1</b>	<b>1769.2</b>	<b>+153.1</b>	

Table 6 shows that the Northern Territory would benefit substantially from a revised funding model based on homelessness as opposed to population share. What is interesting is that, for all intents and purposes, every State and the ACT receives NHHA funding that mirrors their homelessness count anyway. The Northern Territory is the only jurisdiction that doesn't.

The percentage increase, while staggering in size, underscores the level of under-funding for the Northern Territory under the NHHA. Unlike the other States, the current funding model has abjectly failed the NT. That needs to change.

## **(ii) How to transition (implementation)**

Should the revised funding allocation model derived above (or similar) be implemented from 1 July 2024, there would be an increased cost to the Commonwealth of \$153 million per year. This would increase to \$199.1 million per year should the current NHHA funding allocations to Western Australia, Queensland and NSW be “grandfathered”.

We strongly emphasise that NT Shelter does not in any way suggest that any increased funding to the Northern Territory Government under the next National Housing and Homelessness Plan should be funded by other States such as Western Australia and Queensland. Our interests are only in ensuring a fairer funding deal for the Northern Territory. This does not have to involve “winners” and “losers”.

In its report, the Productivity Commission remarked on potential difficulties in transitioning to a more equitable, needs-based formula:

*“Crafting a new, more equitable ‘needs-based’ formula will be complex and contested. The task could be given to an independent party such as the Commonwealth Grants Commission or an expert group created for the task. The final arrangement is likely to require transitional arrangements to avoid disruptions to services.”<sup>10</sup>*

We are more optimistic about the prospect for the Commonwealth, State and Territory Governments to crafting and implementing a new funding model. It is difficult to see how this can be done at no cost to the Commonwealth unless it expects the bigger States to fund a greater share for the NT and other smaller jurisdictions. Again, that is not what is sought.

Instead, the application of a new funding model provides an opportunity to apply the now established principle of providing funding to where it is most needed. That alone should secure the flow of additional funding for the Northern Territory where we have argued in this submission it is needed most. Quarantining or grandfathering arrangements for the other States can be negotiated if necessary to ensure that the States are not pitted against each other with inevitable winners and losers. The stakes are too high for the Northern Territory and it should not come down to an arm wrestle for funds with our bigger neighbours.

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<sup>1</sup> National Housing and Homelessness Agreement, [The National Housing and Homelessness Agreement | Federal Financial Relations](#)

<sup>2</sup> Australian Bureau of Statistics, *Estimating Homelessness: 2021 Census*

<sup>3</sup> Australian Institute of Health and Welfare, *Australian Burden of Disease Study: Impact and causes of illness and death in Australia 2018*.

<sup>4</sup> Australian Institute of Health and Welfare, *Specialist homelessness services annual report 2021-22, State and Territory Fact Sheets*

<sup>5</sup> Prof Duncan Maclennan, UNSW City Futures Research Centre, SGS Economics and Planning & others (2019), *Strengthening economic cases for housing policies*.

<sup>6</sup> House of Representatives Standing Committee on Social Policy and Legal Affairs, *Final Report: Inquiry into homelessness in Australia*, Canberra, July 2021

<sup>7</sup> Productivity Commission, *In need of repair: The National Housing and Homelessness Agreement, Study Report*, Canberra

<sup>8</sup> Ibid. page 16

<sup>9</sup> Ibid. page 40

<sup>10</sup> Ibid. page 17