



FoyerInvest pre-budget submission:

An opportunity for the Commonwealth to create pathways to thriving, independent futures for young people at risk of homelessness

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Youth Foyers: a place-based solution to youth homelessness that enables lifelong independence and is ready to scale

Introduction

Over 44,000 young people aged 15-24 present alone to Specialist Homelessness Services (SHS) each year.¹ This figure has not changed for over a decade, with too many young people getting trapped in intergenerational cycles of disadvantage that span intersecting policy domains - housing, education, employment, health, domestic violence, mental health and more. This Government has made clear its commitment to ensuring 'no one is held back' and 'no one left behind'. To deliver on the promise of a better future, the Government should focus on those experiencing most disadvantage – Youth Foyers provide an effective, evidence-based and fiscally responsible way to do this in partnership with state governments and the private sector.

For young people experiencing or at risk of homelessness, Youth Foyers offer a pathway 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 and employment supports under one roof for up to two years.

With a track record of success in Australia and globally, 80% of young people exit a Youth Foyer into safe and stable housing.² There are currently 11 accredited Youth Foyers in Australia, with a further 9 due to be accredited by the end of 2023. Community demand for Youth Foyers is on the rise, with over 33 additional communities seeking investment to build new Youth Foyers in response to the urgent needs of young people in their community.

The Federal Government has an opportunity to take this evidence-based solution for youth homelessness to scale through an impact investment model that leverages Federal funding with matched contributions from state governments and private investors. This proposal aligns with the Federal Government's Housing Accord, driving collaboration on new financing mechanisms between the private sector, Federal and State governments. By incentivising superfunds, institutional investors and impact investors, the proposed approach would develop an additional 240 medium-term homes that will benefit over 2000 young people during the ten-year period.

Summary of submission

We are seeking Federal Government commitment to invest in a tranche of 6 Youth Foyers across Australia to enable young people experiencing or at risk of homelessness to transition to independent, thriving futures.

This includes:

- Federal Government contribution of \$9.6m per annum for a period of ten years towards operating costs and incentive payments for 6 Youth Foyers
- Commitment to collaborate with two or more State and Territory Governments to align matched contributions that total \$9.6m per annum for a period of ten years

The Foyer Foundation will secure private investors that contribute a combined total of \$90m up front. Investors will be guaranteed a ~3.5% return per annum, with potential for an additional outcomes-based payment of ~4.5-6.5%. The total government payment to private investors is capped at ~8%-10% of the investment and shared by Federal and State Governments equally.

Over the ten-year period, \$96m in Federal funding would attract a total investment pool of \$282m. These 6 new Youth Foyers will reach an extra 2,000 young people at risk during the ten-year period and deliver \$345m in additional lifetime benefits when compared to SHS support, driven by improved outcomes in housing, employment, health and justice.³ This represents a return on investment of \$6 for every additional \$1 spent compared to SHS support, with a 4 year pay-back period on this additional investment.⁴

¹ [AIHW 2021](#)

² Accenture, 2022, *The Integrated Foyer Approach: Economic and Social Benefits*

³ Ibid.

⁴ Ibid.

The Foyer Foundation is making this submission on behalf of FoyerInvest, a national consortium of service providers including Uniting NSW/ACT, The Brotherhood of St Laurence, Mission Australia, Wesley Mission Queensland, Launch Housing, Anglicare WA, Anglicare SA and For Purpose Investment Partners (supported by the Paul Ramsay Foundation). The Foyer Foundation is a backbone organisation that joins up the national ecosystem of Youth Foyer operators to grow the impact and reach of Youth Foyers in Australia. The Foyer Foundation ensures quality through accreditation and oversees a consistent national approach to impact measurement.

The problem

44,000 young people present to specialist homelessness services (SHS) per year. With increasing housing stress, intensifying of the housing rental crisis and potential for increased unemployment, this is expected to increase.⁵ The current system, focused primarily on short-term housing and crisis support, cannot meet escalating demand. It is failing to deliver sustained and lasting impact to these young people's lives, with 3 in 5 young people having previously presented to an SHS.⁶

Failing to support young people to transition to independent and thriving futures not only costs the economy. Youth homelessness increases the likelihood of a lifetime of adverse outcomes, decreasing the ability to sustain education or employment, which causes cycles of disadvantage and flow-on intergenerational effects.

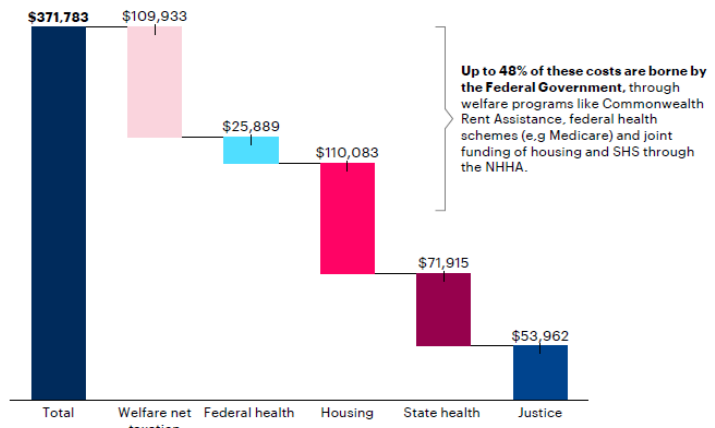
The solution

Youth Foyers are a placed-based, integrated solution providing education, employment and accommodation for young people aged 16-24 who are at risk of or experiencing homelessness.

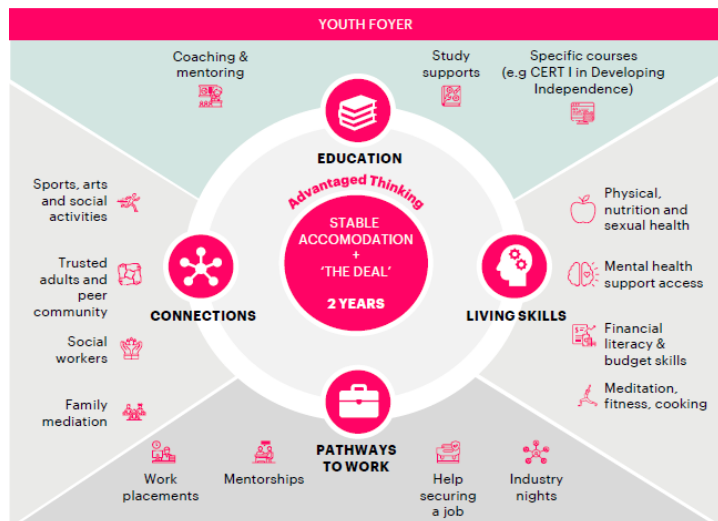
Providing a stable home base for up to two years, Foyers work in partnership with young people to define life, learning and work goals and provide the support needed to transition to independent, thriving futures. The approach is grounded in Advantaged Thinking, valuing a young person's strengths instead of focusing on their deficits.

Upon entry to Foyers, young people sign up to "The Deal", in which they agree to participate fully in the Foyer service offers. This includes education, work, social activities and developing life skills and independence. "The Deal" recognises a young person's agency in directing their own life, and the role of Foyer staff in enabling this.

Lifetime costs to the Federal and State Governments of a young person who is experiencing homelessness⁸
\$AUD 2021. Net present value (NPV). Average young person eligible for Foyer support



The current lifetime cost of a young person in the SHS system is \$371,783.⁷



The success of Youth Foyers is a result of the combination of stable accommodation with the Advantaged Thinking service offering that is tailored to every individual's unique circumstances and the local community context.

⁵ AIHW 2021

⁶ Ibid.

⁷ Accenture, 2022.

Social outcomes

Foyers have a demonstrated track record of success both here and globally, with over 130 operating in the UK since the 1990s. Recent analysis by Accenture finds that over 80% of young people exit a Foyer into stable housing, with high education, training and employment outcomes when compared with a similar cohort exiting from mainstream SHS services.⁸

<p>Education and training</p>  <p>Young people in Foyer are supported through education and training, with 46 per cent achieving a higher level of education from being in a Foyer, compared to 33 per cent for SHS.</p> <p>46%</p> <p>Achieve a higher educational outcome</p> <p>Foyers have close partnerships to education support, with many located on TAFE grounds.</p>	<p>Health and wellbeing</p> <p>Foyers aim to promote and build positive physical, emotional and psychological health through workshops, trainings, peer supported groups as well as referrals and access to specialist physical and psychological health services.</p>  <p>“Whenever I was stressed or anxious, the outdoor area was very relaxing because I used to always [garden there]. It began to be therapeutic. - Ramis¹</p>	<p>Social connections</p> <p>The stable housing environment provided by Foyer facilitates the development of social connections, which are key to building self-esteem and a sense of belonging.</p>  <p>“The services that [Foyer] put me in touch with, and all the opportunities that [Foyer] gave me have helped me grow professionally and personally. - Shaun¹</p>
<p>Employment and income</p>  <p>65 per cent of Foyer participants gain employment, compared to 53 per cent if they had gone through SHS. This is thanks to the pathways to work and mentorship programs offered at Foyer.</p> <p>“My youth development worker helped me with the cover letter and my résumé, and I got accepted. Everyone in the Foyer knows that I want to be an engineer. I'm working in an engineering company now. - Firouz¹</p>	<p>Independence and financial skills</p> <p>Certificate I in Developing Independence, delivered in partnership with TAFE, assists young people in Foyer to map their aspirations, develop goal-setting and planning skills and identify the resources and networks needed to pursue goals.</p>  <p>“I'm clearer about what I want to do in the future, and I feel more mature than before. - Firouz¹</p>	<p>Safe housing and living skills</p>  <p>80 per cent of participants exit Foyer into stable housing,² with 72 per cent of young people exiting into private housing.</p> <p>Foyer enables this transition by developing residency and living skills to sustain independent living, particularly in shared tenancies.</p> <p>80%</p> <p>Exit Foyer into stable housing</p>

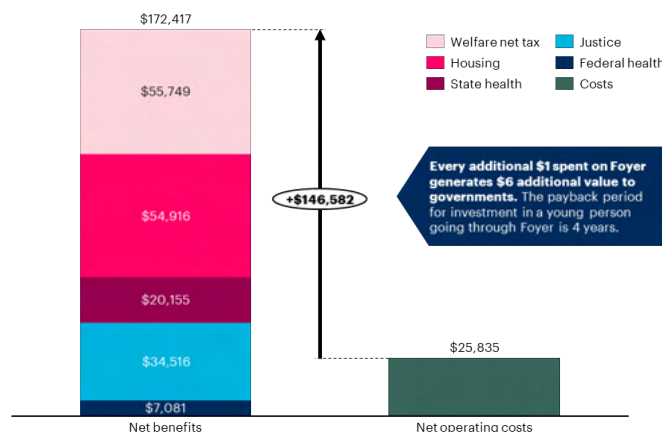
Financial benefits

For every additional \$1 of investment, Foyers deliver \$6 in benefits to government.

Youth Foyers create net benefits by reducing government costs from services across housing, health, welfare and justice over 40 years (above what would be achieved in SHS).

These figures capture the fiscal benefits only. The figures do not reflect the societal value and value to the individual created as a result of improved life outcomes after living in a Youth Foyer. In short, the total benefits are higher than those captured in fiscal figures alone.

Avoided government costs and incurred operational expenditure per person in Foyer⁹
Per individual, \$AUD, 2021, NPV, 40 years



⁸ Accenture, 2022.

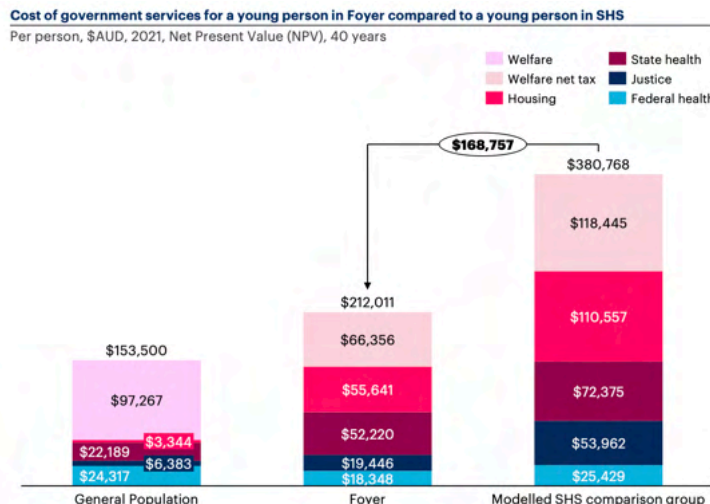
⁹ Ibid.

Benefits are split between State and Federal Governments

On average, 52% of the benefits of Foyer go to the State and 48% to the Federal government with a payback period of 4 years.¹⁰

On a per person basis, Foyers create an average of \$80,000 in benefits for the Federal Government across taxation uplifts, welfare and federal health savings.¹¹

Foyers also create \$89,000 in benefits for State Governments through the avoided social housing, health and justice costs.¹²



Opportunity for scale

Over 33 communities are actively seeking investment for new Youth Foyers to meet urgent demand by young people in their local area. 12 of these sites are ready for immediate development with community buy-in, land committed by states, councils or housing providers, and service providers ready to lead. Their major hurdle is the capital required for ongoing operations (~\$1.6m-\$2m per annum for a 40-bed Youth Foyer).

The community shortlist: Youth Foyer sites ready for investment

QLD (4)	Vic (3)	SA (1)	WA (1)	NSW (3)
Cairns Hervey Bay Caboolture Brisbane	Geelong Gippsland Pakenham	Adelaide	Broome	Central Coast Tweed Shire Orange

The Foyer Foundation and our partners in the FoyerInvest consortium have developed a solution to scale where private investors can provide the upfront capital for the development, and Federal and State governments can support the annual operating and accommodation costs, with the latter dependent on successful participant outcomes. We propose that Foyers be developed in tranches, with the initial tranche of six investment-ready communities as a proof point for future tranches needed to reach our target of 50 Youth Foyers by 2030.

The financing structure

Each Youth Foyer houses approximately 40 young people and costs around \$12m-\$20m each to develop (average \$15m) and \$45k/head (\$1.6m-\$2.0m) to operate, as well as legal, real estate and financing costs.¹³

Under our proposed structure, State and Federal governments would share the operating costs but would not pay for the upfront capital costs of ~\$15m per Foyer. Instead, the upfront capital pool of ~\$90m for 6 Foyers would be funded by private investors that receive a gross rental income yield of ~3.5% guaranteed. Private investors would be incentivised by an additional Outcomes Payment of ~4.5-6.5% based upon participant success, which would be shared by State and Federal Governments. The Outcomes Payment will reflect the Youth Foyer's performance across several measurable impact indicators. Foyers will receive a score on each indicator, to create a Weighted Score, that will determine the Outcomes Payment.

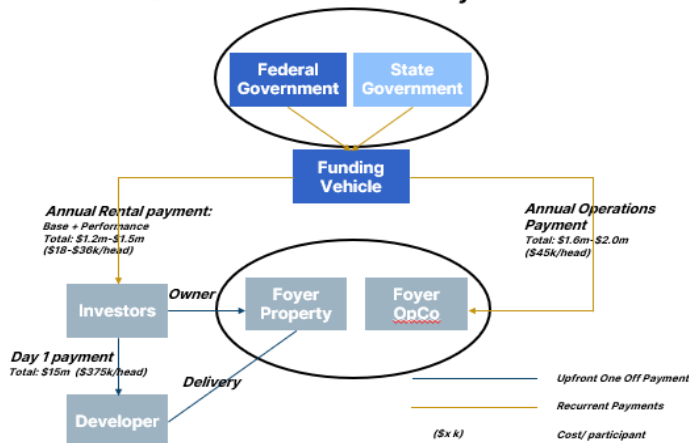
¹⁰ Accenture, 2022.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid. Note: excludes costs associated with maintaining fidelity in the model, e.g. monitoring and evaluation and Foyer accreditation process.

Structure For Individual Foyer



	Private \$\$	State \$\$	Fed \$\$	Total pool
Capital	\$90m	-	-	\$90m
Base Rent		\$1.575m	\$1.575m	\$3.150m
Incentive payment		\$2.025m	\$2.025m	\$4.05m
Operating cost per year		\$6.0m	\$6.0m	\$12.0m
Total cost per year	N/a	\$9.6m*	\$9.6m*	\$19.2m*
Total investment over 10 year period	\$90m	\$96m	\$96m	\$282m

*Assuming base + incentive is capped at 8% of capital investment

The Federal Government contribution

We are seeking Federal Government commitment to invest in the first tranche of 6 Youth Foyers across Australia to enable young people experiencing or at risk of homelessness to transition to independent, thriving futures. This includes:

- Federal Government contribution of \$9.6m per annum for a period of ten years towards operating costs and incentive payments of 6 Youth Foyers
- Commitment to collaborate with two or more State and Territory Governments to align matched contributions that total \$9.6m per annum for a period of ten years

The Foyer Foundation will secure private investors that contribute a combined total of \$90m up front. Investors will be guaranteed a ~3.5% return per annum, with potential for an additional outcomes-based payment of ~4.5-6.5%. The total government payment to private investors is capped at 8%-10% of the investment and shared by Federal and State Governments equally. There is already evidence of investor appetite, with Hand Heart Pocket committing to becoming a cornerstone social impact investor in a QLD fund targeting youth homelessness through the Youth Foyer model.

Why?

- The Federal Government has committed to ensuring that 'no one is left behind', yet 44,000 young people present to SHS services alone every year. Intervening at this critical point in a young person's life through the Youth Foyer approach enables them to transition to independent, thriving futures – delivering on the Government's promise for the next generation.
- This is an investment ready proposal that aligns with the Government's Housing Accord commitments to improve financing for new social and affordable housing projects. Crowding in investment from private investors and state governments means that every \$1 of Federal funding will attract an additional \$2 investment from State Governments or private investors. Over the ten-year period, the total quantum of capital is \$282m. The Federal Government will contribute only \$96m to unlock this total investment pool.
- The 6 new Youth Foyers will reach an extra 2,000 young people at risk during the ten-year period, delivering \$345m in additional lifetime benefits when compared to SHS support – driven by improved outcomes in housing, employment, health and justice.¹⁴
- This represents a return on investment of \$6 for every additional \$1 spent compared to SHS support, with a 4 year pay-back period on this additional investment.¹⁵

¹⁴ Accenture, 2022.

¹⁵ Ibid.



This submission was made on behalf of our FoyerInvest consortium partners.

Through the FoyerInvest consortium, The Foyer Foundation provides a way for the Federal Government to invest in place-based, community-led solutions at a national scale. We assure the quality of services through learning and development and a robust national accreditation process grounded in evidence.

