



Education First Youth Foyers

Economic evaluation

Brotherhood of St Laurence

June 2019



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Executive Summary

The purpose of this report is to provide an evidence based analysis of the value for money offered by the three *Education First Youth Foyer (EFY Foyer)* services. This follows the investment made by Victorian Government in the establishment and operation of the EFY Foyer services, and the need to understand the value offered by this approach compared to other Government funded services.

KPMG was engaged by BSL to provide a response to two key questions:

- To what extent does the Education First Youth Foyers (EFY Foyer) approach represent a cost effective alternative to the standard type of intervention aimed at young people at risk of, or experiencing homelessness?
- To what extent do the benefits achieved by the EFY Foyer approach justify the cost involved and represent value for money in the longer term?

To answer these questions, KPMG undertook an independent assessment of the EFY Foyer services' economic and social impacts through application of a cost benefit analysis (CBA) framework. The analysis is predominantly based on expenditure and funding data gathered from EFY Foyer and other service providers and DHHS, survey data collected from young people who have participated in the EFY Foyer and comparator services, and data linkage work managed by Brotherhood of St Laurence (BSL).

More than 6,000 young people in Victoria are experiencing homelessness, with many more likely to be at risk of homelessness

The number of young people who are homeless or at risk of homelessness in Victoria is substantial, with the most recent Census in 2016 estimating that 6,370 Victorians aged 12 to 24 years were homeless on any given night.¹ This represents an increase from the previous census in 2011, which recorded an estimated 6,117 young people as being homeless.²

The risk factors known to contribute to homelessness for young people are complex and varied, and there is a strong link between homelessness under the age of 24 and longer term negative social and economic outcomes for young people, Governments and the community. This underlines the importance of both intervening at a young age to mitigate more pronounced longer term impacts, and the importance of multi-faceted and tailored approaches to addressing the housing and non-housing needs of young people at risk of, or experiencing homelessness.

The Victorian Government funds a range of different youth homelessness services

Most homelessness services for young people are specifically funded to serve this cohort and feature varying levels and types of support from youth workers and other skilled and specialist staff.

Three models are examined through this analysis:

- **Foyer services**, which have been operating across the UK since the 1990s, in the US since the early 2000s, and in Australia in more recent years. These are characterised by access to a diverse range of supports and services (e.g. training, education, life skills, youth development, etc), mutual obligation and responsibility (e.g. rental charges, participation in study and / or work, etc), and longer term accommodation arrangements (typically up to two

¹ Australian Bureau of Statistics (ABS), Census of Population and Housing: Estimating Homelessness, 2016 (2049.0)

² Australian Bureau of Statistics (ABS), Census of Population and Housing: Estimating Homelessness, 2011 (2049.0)

years). The Foyer services operating in Victoria are typically smaller scale, with capacity ranging from 15-20 beds.

- **EFY Foyer services**, which represent a type of Foyer developed by Hanover (now Launch Housing) and the Brotherhood of St Laurence. Three services currently operate in Victoria, with each service located on the site of a vocational and higher education provider and providing 40 beds for eligible young people who are homeless or at risk of homelessness. Planning and development work commenced in 2010, with the first EFY Foyer service (Holmesglen) established in 2013, followed by Kangan in 2014 and Goulburn Ovens in 2016. The three EFY Foyer services provide integrated learning and student accommodation in mainstream educational settings, and are designed for young people who have the ambition to engage in education and training, but have been unable to do so.
- **Transitional Housing Management (THM) services**, which involve provision of supported short-term accommodation (with access to support services) as a stepping stone to more permanent housing in public or community housing or the private market. These services are typically utilised by people who are either experiencing homelessness or in housing crisis, and are primarily focused on addressing the individual's housing needs rather than provision of a broader range of support services.

These models were selected to include a range of alternative responses, ranging from a short to medium term focus on addressing housing crisis and the provision of transitional housing (THM services), through to models designed to work with young people to develop the capabilities they require to support independent living (EFY Foyer and Foyer services).

As highlighted above, while there are several Government funded services available to address the housing needs of young people who are homeless or at risk of homelessness, there are key differences in terms of focus and availability of additional supports, as well as the maturity of the different models (i.e. EFY Foyer services are relatively new, compared to the more established THM and Foyer services).

A cost benefit analysis framework was applied to examine the value for money offered by EFY Foyer model and other services

The analysis included an assessment of the costs incurred by the organisations responsible for operating each service, and the resulting benefits for participants (i.e. improved employment and earnings) and Government (i.e. reduced expenditure on unemployment benefits, housing support, etc). This analysis and report focuses on costs and benefits able to be monetised, with a qualitative assessment of other outcomes considered as part of the broader evaluation work being undertaken by BSL.

The CBA was undertaken in accordance with the relevant Government guidelines, namely the Department of Treasury and Finance's Economic Evaluation Guidelines.³

The monetised benefits of the EFY Foyer services significantly outweigh the direct and indirect costs associated with this model

The analysis considered the costs and benefits attributable to young people who exited EFY Foyer or other services from 2014/15 to July 2017. For the purposes of comparison, the modelling has assumed no difference in cohort size across the three service types (i.e. costs and benefits modelled are reflective of services being provided to the same number of young people over the same time period). The assumed cohort size of 331 young people was derived based on bed capacity and the median length of stay for young people involved in the EFY Foyer service

³ Department of Treasury and Finance (DTF), Economic Evaluation for Business Cases Technical Guidelines, August 2013

(based on survey data collected). Delivery costs are modelled for this period only, with benefits modelled over a 20 year timeframe (2014/15 to 2033/34).

The table below compares the quantified costs and benefits of the EFY Foyer and Other Foyer services to those estimated for the THM services. It compares the rate of improvement across different outcome areas between the two Foyer models, and the THM service (i.e. the baseline level of intervention) to account for variation in baseline attainment.

Net impact compared to THM services	Other Foyers	EFY Foyer
Direct costs – service delivery	\$13.67m	\$8.45m
Indirect costs – education delivery	\$1.66m	\$2.69m
Total costs	\$15.33m	\$11.15m
Employment – increased earnings	\$2.31m	\$3.74m
Employment – avoided Govt support	\$2.14m	\$3.47m
Housing – avoided housing support	\$11.43m	\$12.22m
Health – reduced ED presentations	\$0.18m	\$0.07m
Health – reduced hospital admissions	-\$0.50m	\$1.61m
Police – reduced offences	\$0.24m	\$0.10m
Total benefits	\$15.80m	\$21.22m
Net program impact	\$0.47m	\$10.07m
Benefit Cost Ratio	1.03	1.90

Source: KPMG analysis 2019

As shown above, compared to THM services, the EFY Foyer model delivers approximately an additional **\$10 million in net benefits over a 20 year timeframe**.

While the Other Foyer services deliver greater benefits than the THM services (more than \$15 million), the analysis indicates these services are also the most costly to deliver compared to both THM and EFY Foyer services. This difference in cost is driven by the smaller scale of the sample services (less than 20 beds compared to 40 for each EFY Foyer service and considerably more for THM services), and also a longer median length of stay for young people in these services.

The analysis demonstrates a strong case for continued and expanded investment in EFY Foyer services, in addition to the other models currently funded by Victorian Government

The analysis presented in this report demonstrates that there is a likely to be a significant improvement in outcomes for young people as a result of their participation in the EFY Foyer services. While the EFY Foyer services are more costly to operate than the THM services, this additional investment is offset by improvements in educational attainment, housing, health and levels of future offending behaviour.

This finding is supported by the results of the quantitative analysis, which show a net benefit of around \$10 million for the EFY Foyer cohort modelled (331 young people), compared to the costs

and outcomes associated with the THM services. This benefit is shared between the young person (improvements in earnings and employment outcomes), the Australian Government (reduced expenditure on unemployment support) and the Victorian Government (reduced expenditure on future housing support, health sector and criminal justice system (CJS) interventions).

The results of the quantitative analysis are also likely to materially understate the true benefits to participants and Government (for all services). This is due to the inability to quantify broader criminal justice system benefits (as well as other socio-economic impacts), which are likely to be material for this cohort, and a general conservatism applied in the development of the assumptions required to complete the analysis.

Finally, this analysis is limited to the costs and benefits associated with the current implementation of the EFY Foyer services. Given demand for the service from suitable participants and consistent (or improved) implementation, the EFY Foyer services and the associated benefits are likely to be largely proportionate to any additional investment in the EFY Foyer model.

Key limitations

- Not all benefits were able to be quantified in the analysis, with the quantitative analysis representing only a portion of the total benefits of each service.
- Across the EFY Foyer and comparator services, there are differences in the target cohort (i.e. varying forms of participation and disadvantage / social exclusion) and differences in the services (i.e. entry requirements, scale, maturity, etc).
- The survey response rates for young people vary across services, with significant attrition 12 months after exit (across all services).
- There is no longitudinal data available to track outcomes for young people beyond a year after exit, with evidence based assumptions applied to estimate the longer term outcomes for young people.

1 Introduction

This section outlines the purpose of this report and supporting analysis, relevant background and context, the scope of KPMG's services in assisting the Brotherhood of St Laurence (BSL), and the approach adopted in undertaking the required analytical work.

1.1 Document purpose

The purpose of this report is to provide an evidence based analysis of the value for money offered by the *Education First Youth Foyer (EFY Foyer)* services and other interventions targeted to young people at risk of, or experiencing homelessness. This report represents the culmination of around three years of work, which comprised an interim cost effectiveness and quality assessment report, ongoing advice in relation to data gathering activities, and this final cost effectiveness / cost benefit analysis report.

Given the investment made by Government in the EFY Foyer model since its establishment, there is a need to understand the value offered by this approach relative to other Government funded services. This report provides an independent assessment of these impacts, and will be used to communicate the benefits of the EFY Foyer model to current and potential future funders of the service.

1.2 Background

As of the most recent Census in 2016, it was estimated that 6,370 Victorians aged 12 to 24 years were homeless on any given night.⁴ Data from the Australian Institute of Health and Welfare shows that the most common risk factors for young people finding themselves homeless include family breakdown, domestic violence, or circumstances where entire families may be evicted from a home.

Research has shown that homelessness under the age of 24 can set the scene for long-term social exclusion, and a range of attendant personal and social problems⁵ However, as homelessness has generally been caused by, and in turn exacerbated, a complex set of personal, social and economic factors, a comprehensive and multi-faceted response to addressing housing and non-housing needs is required to support young people to get back on the path to independent yet connected, and sustainable livelihoods. Young people who find themselves homeless need responses to be tailored to their specific developmental, social and legal needs if they are to be effective.⁶

Given this, most homelessness services in Australia for young people are specifically funded to serve this cohort and often feature support from youth workers, but the type of support, length of stay and layout of the properties used to support homeless young people vary greatly between services.

⁴ Australian Bureau of Statistics (ABS), Census of Population and Housing: Estimating Homelessness, 2016 (2049.0)

⁵ Yfoundations, Creating a future without youth homelessness. Accessed 31 August 2015 at: <https://yfoundations.org.au>

⁶ Stephen Gaetz, quoted in "'Housing First' Approach may put homeless youth last, report warns", The Canadian Press, April 21, 2014. Accessed 22 May 2014

1.3 Scope and approach

KPMG was engaged by BSL to provide a response to two key questions:

- To what extent does the Education First Youth Foyers (EFY Foyer) approach represent a cost effective alternative to the standard type of intervention aimed at young people at risk of, or experiencing homelessness?
- To what extent do the benefits achieved by the EFY Foyer approach justify the cost involved and represent value for money in the longer term?

To answer these questions, KPMG undertook an independent assessment of the EFY Foyer services' economic and social impacts through application of a cost benefit analysis (CBA) framework (refer below).

This work was based on financial data sourced from services and DHHS, and outcomes data sourced from participant surveys and a linked data analysis undertaken by BSL. This enabled a comparison of costs and benefits associated with young people participating in the EFY Foyer services, and a comparison of these impacts with agreed comparator services.

Cost benefit analysis

A CBA is an economic appraisal tool that enables measurement of economic, environmental and social costs and benefits associated with the service, and weighs these costs and benefits against each other. The analysis provides insight into whether the service is, on an overall basis, beneficial to stakeholders who are impacted by the service.

The CBA was undertaken in accordance with the relevant government guidelines, namely the Department of Treasury and Finance Economic Evaluation guidelines.⁷

The development of the cost-benefit analysis of the EFY Foyer service involved the following steps:

- Identifying the community interest (or referent group) for the Project;
- Identifying the relevant economic costs and benefits;
- Quantification of the identified costs and benefits, where possible;
- Comparing and contrasting all costs and benefits over the evaluation period; and
- Generating economic appraisal performance measures, namely the Net Present Value of net benefits (NPV) and a Benefit Cost Ratio (BCR).

1.4 Structure of this report

The remainder of the document is structured as follows:

- **Section 2** provides an overview of the EFY Foyer services and comparator services
- **Section 3** outlines the approach adopted for the cost benefit analysis undertaken by KPMG, and summarises the results of the modelling work
- **Section 4** provides the overall findings and conclusions of this analysis.

⁷ Department of Treasury and Finance, Economic Evaluation for Business Cases Technical Guidelines, August 2013

2 Program overview

This section provides an overview of the Foyer Model, the distinguishing features of the EFY Foyer services and a profile of these and other services operating across Victoria.

2.1 The Foyer Model

Foyer is a particular model of accommodation services for young people who experience homelessness, providing integrated learning and accommodation settings for young people who are at risk of, or experiencing homelessness. Services based on the Foyer model have been operating across the UK since the 1990s, in the US since the early 2000s, and in Australia in more recent years.

Foyer projects are characterised by a number of key departures from more traditional youth accommodation services:⁸

- **Access to a diverse range of supports and services, including access to training and education, recreation and social activities, support workers, and life skills support** – as no two paths to homelessness are the same, no two paths out of homelessness will be the same. Therefore, diverse supports are necessary to address someone’s complicated and long-standing issues holistically, and provide the types and intensity of support that are needed at the times they are needed.
- **Mutual obligations and responsibilities** – in return for accommodation and support, young people agree to pay rent, meet the normal requirements of a tenancy agreement and, critically, to actively pursue activities such as study and work that will put them on a path to longer-term independence and well-being.
- **Long term in nature** – residents may stay for two years.

By intervening in this way, Foyers seek to enable young people to develop and achieve educational and employment pathways, and diverge from welfare and service dependence. The stability of accommodation in a congregate setting, for young people who are unable to rely on support during a critical developmental stage, enables Foyers to provide the support and services to enable participants to progress towards more fulfilling, independent and productive lives.

2.2 Education First Youth (EFY) Foyers

The EFY Foyer model represents a type of Foyer, with three services currently operating in Victoria, and providing services for up to 120 young people at any one time (refer Table 1 below for overview). Since 2010, the EFY Foyer model has developed in three stages: start up which included planning and development) from 2010 to 2013; establishment (in which EFY Foyers implemented and built on a partial model) from 2013 to 2016; and the full model (in which all EFY Foyer service offers had been implemented and underwent continuous improvement) from 2016 onwards.

⁸ Adapted from Youth Homelessness in Rural Australia. AHURI Research Bulletin Issue 82, August 2006; and Foyer Foundation website (accessed May 2019), <http://foyer.org.au/foyers-in-australia>

Table 1: Education First Youth Foyers - key facts

Education First Youth Foyers	
Lead auspice	Launch Housing, Berry Street
Locations	Located on TAFE campuses at Holmesglen (established 2013), Kangan Institute (2014) and Goulburn Ovens (2015)
Model	Youth Foyer
Property arrangement	Congregate
Number of beds	40 beds (each location)
Ages	16-24 years
Requirements	Commit to the reciprocal 'Deal' agreement between participants and staff. As part of the Deal, young people agree to participate in education and five other EFY Foyer service offers. In return, foyer staff agree to provide participants with accommodation, opportunities and inclusion in a learning community for up to two years. Young people must also undertake the Certificate I in Developing Independence, at or before entry.

Source: Brotherhood of St. Laurence

There are a number of key practices that distinguish the EFY Foyer services from some other foyer models and youth homelessness services:

- They prioritise education through their primary partnership with the TAFE institutions where they are located, the Certificate I in Developing Independence co-delivered between the TAFE and EFY Foyer and the reciprocal 'Deal' emphasising participation in education to a minimum of Year 12 or equivalent qualifications.
- They prioritise participation in mainstream opportunities through cross-sectoral partnerships across six service offers: education, employment, housing and living skills, health and wellbeing, social connections and civic participation
- Each foyer houses 40 young people to generate economies of scale to be financially viable long-term.
- They use an Advantaged Thinking practice approach, focused on building young people's capabilities by recognising and investing in their aspirations and talents
- Their governance model enables top-down and bottom-up feedback from stakeholders.
- The foundation of the service is based on a detailed and ingrained approach to outcomes monitoring and evaluation.
- Post-foyer transition coaching and support for up to a year.

The three existing EFY Foyer services were funded as part of the Victorian Government Office for Housing's 2010 State Election commitment, with each service located on the site of a vocational and higher education provider and providing 40 beds for eligible young people who are homeless or at risk of homelessness.

2.3 Comparator youth homelessness services

For the purposes of comparison with the EFY Foyer model, two other types of services are incorporated within this analysis, namely:

- Foyer and foyer-like services (referred to in this report as 'Other Foyers')

- Transitional Housing Management (THM) services

The purpose being to enable an assessment as to whether the EFY Foyer service represents a cost effective approach to achieving long-term housing, education and training outcomes for young people who are homeless or at risk of homelessness. These comparator services were intended to represent realistic alternative support arrangements to the EFY Foyer services.

The comparator models chosen are a mix of other existing foyer models in Australia and traditional transitional housing models, both using dispersed and congregate property arrangements (i.e. apartment living versus dispersed housing).

The broad characteristics of the models chosen are described below.

2.3.1 'Other Foyer' services

A number of services, which exhibit most or all of the fundamental characteristics of foyer program design (described in the chapter above), have been chosen as a basis for comparison against EFY Foyers in terms of cost-effectiveness. Expenditure and funding information was obtained from a total of six services and included in the analysis, as agreed with BSL and DHHS.

This sample was intended to be representative of all Foyers in Victoria, including a mix of metropolitan and regional services, and an average size of around 15 beds across a mix of congregate and dispersed services.

Survey data used to analyse participant outcomes were provided by a broader sample of Other Foyer services (i.e. more than the six services who provided funding / expenditure data).

Aggregated financial and outcomes information for these services was used to support the modelling outlined in Section 3.

2.3.2 Transitional housing management (THM) services

Transitional housing is short-term accommodation with access to support services, which acts as a stepping stone to more permanent housing in public or community housing, or the private market.

THM service models differ from foyers in several ways:

- Traditional THM services generally do not come with the same level of mutual obligation that is associated with foyers, such as a requirement to be in education, employment or training.
- The length of accommodation and support associated with these models are generally not as long-term in nature as for foyer models, although in some cases it can be similar.

Four THM services were included within the comparator group for the analysis. Again, these services were viewed as being representative of all THM services, and included services of varying size, location and configuration. While expenditure and funding information was used for these organisations only, all participant survey responses received from THM services were used in the analysis.

Aggregated financial and outcomes information for these services was used to support the modelling outlined in Section 3.

2.4 Conclusions

This section has highlighted the distinctions between the three types of services examined as part of this analysis. These differences contribute to variations in service delivery costs and the outcomes achieved for participating young people, and include:

- **Scale of the service** – the Other Foyer services included in the analysis are typically smaller in scale, with an average capacity of around 15 beds, compared to 40 beds for each EFY Foyer service and around 40-50 for each THM service. Larger services may provide the opportunity for economies of scale in service delivery, but might offer less opportunity for more intensive and individualised support.
- **Maturity of services / adaptive approach**– the EFY Foyer services are relatively early in their development, with the full model only in operation from 2016 onwards. While establishment costs have been excluded from this analysis, the adaptive approach adopted for the establishment of the service means the data utilised reflects a model that was first implemented as a partial / base model, and then refined as the implementation progressed. In comparison, the Other Foyer and THM services have been operating for a longer period of time, which is likely to be reflected by more efficient and mature service delivery arrangements.
- **Level of support** – the focus of THM services is primarily on the provision of short term accommodation, with access to support services typically ‘client led’. In comparison, the Other Foyer and EFY Foyer services provide access to a diverse range of supports and services to meet the needs of their clients. This additional support involves additional costs but is intended to contribute to improved outcomes.
- **Target cohort** – the Foyer model is structured around mutual obligation and responsibility, with foyer participants selected based on their ability to live in congregate settings and willingness to participate in the foyer deal. For the EFY Foyer services, this involves enrolment in education and training, with similar requirements in place for Other Foyer services. In comparison, THM services are more likely to provide accommodation to a young person who is unable to meet these requirements, with survey data indicating that around 13 per cent of THM participants were sleeping rough prior to entry, compared to 5 per cent for the EFY Foyer and Other Foyer services.

The implications of these differences for the costs and benefits of each service type, and overall value for money is examined in Section 3.

3 Economic Analysis

This section outlines the agreed scope of the economic analysis, the approach adopted, the results of the analysis, and the overall outcomes delivered for young people, Government and other stakeholders.

3.1 Purpose of the analysis

The purpose of the economic analysis is to examine the overall value for money offered by the EFY Foyer model and other comparator services (i.e. Other Foyer services, THM services). The analysis is primarily focused on the financial and economic costs and benefits associated with EFY Foyer and the comparator services, namely the costs incurred by the organisations responsible for operating each service, and the resulting benefits for participants (i.e. improved employment and earnings) and Government (i.e. reduced expenditure on unemployment benefits, housing support, etc).

The scope of this analysis is limited to those impacts able to be monetised, which included:

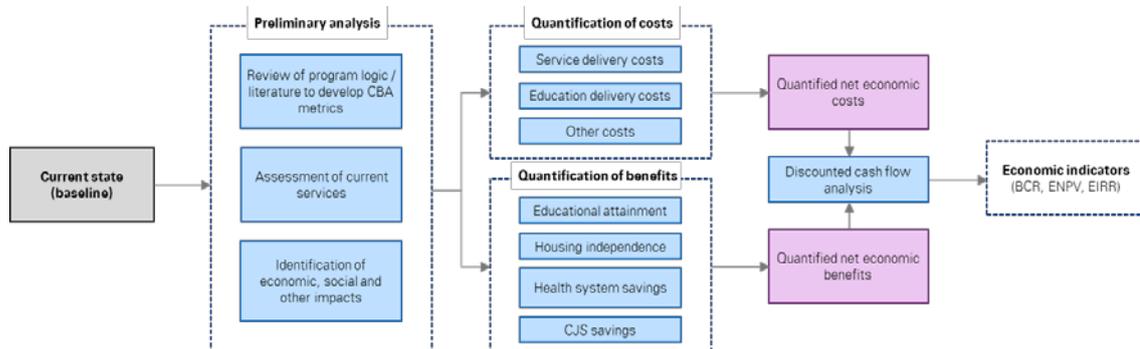
- Differences in **educational attainment**, quantified based on the resulting impact on employment and earnings outcomes
- Differences in **housing outcomes**, quantified as changes in the future requirements for government funded housing support
- Differences in **health outcomes**, quantified as changes in the rate of future hospital presentations and admissions
- Differences in **criminal justice system outcomes**, quantified as changes in the rate of future offending behaviour.

For all impacts modelled quantitatively, the assumptions made are clearly stated and are deliberately conservative to avoid overstating benefits attributable to the program. A qualitative assessment of other outcomes is considered as part of the broader evaluation work being undertaken by BSL.

3.2 Approach to the analysis

An overview of the CBA approach adopted for the EFY Foyer service is illustrated in Figure 1⁹ below.

Figure 1 – Approach to CBA



Source: KPMG 2019

⁹ Figure definitions: Benefits to Cost Ratio (BCR) – ratio of benefits relative to the costs, a BCR > 1 indicates the benefits of a program outweigh the costs; Economic Net Present Value (ENPV) - the difference between the present value of cash inflows outflows related to the program, an ENPV > 0 indicates a net benefit;

This high-level approach can be summarised as follows:

- **Define the 'base case'** – all costs and benefits are evaluated in terms of their incremental impact compared to what would have occurred in the absence of the intervention (i.e. the 'base case');
- **Cost and benefit analysis** – where possible, identified cost and benefits are quantified in monetary terms. This relied on expenditure and funding information sourced from services and DHHS, self-reported outcomes from service recipients gathered through a survey tool, and data linkage work undertaken by BSL in collaboration with other agencies.
- **Overall value for money assessment** – an overall Net Present Value (NPV) and other decision criteria was calculated based on the monetised costs and benefits, and an appropriate discount rate.

The analysis considered the costs and benefits attributable to young people involved in EFY Foyer or comparator services from 2014/15 to 2017/18. Delivery costs are modelled for this period only, with benefits modelled over a 20 year timeframe (2014/15 to 2033/34).

3.3 Limitations of the analysis

The limitations with the approach adopted for this analysis include:

- while the cost-benefit analysis was able to quantify some important benefits in monetary terms, not all benefits were able to be quantified in the analysis, with the quantitative analysis representing only a portion of the total benefits of each service.
- the comparison of costs and benefits attributable to each service must be considered in the context of differences in the target cohort (i.e. varying forms of participation and disadvantage / social exclusion) and differences in the services (i.e. entry requirements, scale, maturity, etc).
- key outcomes data used to support the analysis is based on survey responses provided by young people at entry, exit and 12 months after exit. While collection of survey data was coordinated by each service, the response rate varied across each service type, with a higher response rate recorded for the EFY Foyer services compared to the Other Foyer and THM services. All three groups experienced attrition rates for follow up surveys.
- the analysis is based on the achievement of positive pathways for young people exiting EFY Foyer and other services. There is no longitudinal data available to track outcomes for young people beyond a year after exit, with evidence based assumptions applied to estimate the longer term outcomes for young people.

As a result of these limitations (i.e. certain benefits unable to be monetised, limitations / potential bias in the data), the model results should be considered an indicative estimate of the overall benefits provided by each service.

3.4 Define the base case

The base case for an economic analysis is typically defined as the counterfactual scenario, which represents what would have occurred in the absence of the intervention. For the purposes of this analysis, this is considered from two different perspectives:

- 1) Maintenance of the baseline outcomes recorded for young people at entry to an EFY Foyer or comparator service;
- 2) The change in outcomes recorded for young people who have received the THM service (i.e. the 'baseline' service for young people who are homeless or at risk of homelessness).

Table 2 below summarises the base case assumptions for this analysis and the source of the data used to inform these assumptions (either self-reported survey responses collected from young people at program entry, exit and 12 months post exit, or data linkage work undertaken by BSL in collaboration with other agencies).

Table 2: Baseline outcomes for young people

Outcome	Base case (1)			Base case (2)
	THM	Other foyers	EFY Foyer	THM change
Educational attainment Percentage completing year 12 or equivalent <i>Based on survey data collected from service recipients.</i>	42.2% of THM cohort have completed year 12 or equivalent at entry.	41.9% of Other Foyer cohort have completed year 12 or equivalent at entry	42.0% of EFY Foyer cohort have completed year 12 or equivalent at entry	Increase from 42.1% to 54.2% completion of year 12 or equivalent from entry to 12 months post exit.
Not in supported housing or sleeping rough Percentage of cohort not in crisis accommodation, THM/supported housing, treatment or detention centres or sleeping rough <i>Based on survey data collected from service recipients.</i>	51.8% of THM cohort not in supported housing or sleeping rough at entry	64.1% of Other Foyer cohort not in supported housing or sleeping rough at entry	49.8% of EFY Foyer cohort not in supported housing or sleeping rough at entry	Increase from 51.8% to 53.1% of cohort not in supported housing or sleeping rough from entry to 12 months post exit.
Health outcomes Reduction in ED presentations Reduction in days in hospitals (unplanned admissions) <i>Based on outcomes of data linkage work</i>	0.55 ED presentations per THM client in the 12 months before entry 0.11 days in hospital per THM client in the 12 months before entry	0.67 ED presentations per Other Foyer client in the 12 months before entry 0.16 days in hospital per Other Foyer client in the 12 months before entry	0.38 ED presentations per EFY Foyer client in the 12 months before entry 0.56 days in hospital per EFY Foyer client in the 12 months before entry*	Reduction from 0.55 to 0.48 ED presentations per client (12 months before entry, 12 months post exit) Reduction from 0.11 to 0.04 days in hospital per client (12 months before entry, 12 months post exit)
Criminal justice system outcomes Reduction in offending behaviour (recorded offences) <i>Based on outcomes of data linkage work</i>	0.34 offences recorded per THM client in the 12 months before entry	0.14 offences recorded per Other Foyer client in the 12 months before entry	0.13 offences recorded per EFY Foyer client in the 12 months before entry	Increase from 0.34 to 0.39 offences per client (12 months before entry, 12 months post exit)

Source: Data provided by Brotherhood of St Laurence (survey responses and linked data analysis)

The assumptions outlined above were used to identify the change in outcomes recorded for young people involved in each service type, and the change achieved for the 'baseline' service (i.e. THM services).

The above shows similar characteristics for participants in each service at entry. While this might suggest similarities in the cohort, further analysis indicates five key differences:

- EFY Foyer participants are much more likely to be enrolled in education at entry (70 per cent), followed by Other Foyer participants (51 per cent), then THM participants (25 per cent).
- Foyer participants are younger than the THM sample, especially 'Other Foyer' participants. Over half of THM respondents are 20 or older, compared to 17 per cent in other Foyers and 38 per cent in EFY Foyers.
- EFY Foyer services include more men than either comparison group (52 per cent), with EFY Foyer services intentionally seeking a gender balance when selecting participants, while the other samples tend to reflect the demographics of homelessness services seekers (about a third men).
- EFY Foyer also has more participants who were born overseas (35 per cent) and speak a language other than English at home (22 per cent). Less than 20 per cent of the other two samples were born overseas.
- Other foyer respondents are more likely to be employed at entry (32 per cent) than EFY Foyer (18 per cent) or THM (11 per cent) respondents

Although there are differences in the three cohorts, due to limited numbers it was not possible to adjust the sample to improve comparability (e.g. matching characteristics). Therefore, all findings from the analysis should be interpreted within the context of the differences highlighted above.

3.5 Cost analysis

The costs included in the quantitative analysis represent the full service delivery costs incurred by providers over the model period, less any rental income received from young people within the service. Actual expenditure information was sourced from the EFY Foyer services, with DHHS funding data used as a proxy for expenditure data for a sample of Other Foyer and THM services.

Table 3 below summarises the cost analysis undertaken for the EFY Foyer and comparator services, including total funding or expenditure over the model period, the bed capacity and median length of stay for each service type, and a cost comparison across services for a given number of clients.

Table 3: Cost comparison – EFY Foyer and comparator services

Cost analysis	THM	Other Foyers	EFY Foyer
Delivery costs (\$ nominal, 4 years)			
Staff costs			\$9.94m
Non-staff costs	No breakdown in costs available	No breakdown in costs available	\$5.81m
Less Rental income			(\$1.21m)
Total costs (\$ nominal, 4 years)	\$9.12m	\$14.29m	\$14.54m
Cost per client (\$ nominal)			
Total bed capacity	199	87	80-120
Median length of stay	1.17 years	1.53 years	1.21 years

Cost analysis	THM	Other Foyers	EFY Foyer
Total clients (4 years)	682	228	331
Cost per client (per support period)	\$13,364	\$62,802	\$43,926
Cost comparison			
Client numbers (total)	331	331	331
Cost per client (per support period)	\$13,364	\$62,802	\$42,926
Total costs (\$ nominal, 4 years)	\$4.42m	\$20.79m	\$14.54m

Source: KPMG analysis of expenditure and funding information provided by services and DHHS

The above costs represent the actual operating expenditure for the three EFY Foyer services as provided via a data request to the service providers, and funding information provided by DHHS for a sample of six 'Other Foyers' and four 'THM' services. The comparator organisations were identified in consultation with DHHS and BSL, and sought to provide a representative sample of services within each group (e.g. varying scale, different levels of support, location, etc).

An indicative cost per client was then calculated, which took account of the bed capacity of sample services and the assumed length of stay (based on an analysis of the survey data provided to BSL). This showed the 'Other Foyer' services to be more expensive than the EFY Foyer services on a cost per client basis. This appears to be mostly attributable to a longer length of stay (i.e. 1.53 years compared to 1.21 years), and is also likely to reflect the smaller scale of the 'Other Foyer' services (i.e. approximately 15 beds per service, compared to 40 beds for the EFY Foyer services).

The THM services are considerably less expensive than both the EFY Foyer and 'Other Foyer' services, which is likely to reflect a primary focus on accommodation rather than other support services, a shorter length of stay and greater opportunity for economies of scale in operating larger services.

For the purposes of this analysis, it was necessary to compare costs across each service type for an equivalent number of clients. This compared the cost of the EFY Foyer services for an estimated 331 clients (i.e. approximately \$14.5 million) to the approximate cost of THM and 'Other Foyer' services for the same number of clients. This analysis showed a comparatively greater cost for 'Other Foyer' services (i.e. approximately \$21 million) and a lower cost for THM services (i.e. approximately \$4.5 million).

3.6 Benefit analysis

This section summarises the outcomes of the quantitative analysis of the benefits attributable to EFY Foyer and comparator services, including changes in educational attainment, housing, health and criminal justice system outcomes.

3.6.1 Educational attainment

The impact of the EFY Foyer comparator services on the level of educational attainment, and resulting employment and earnings outcomes represent a benefit to individuals (in the form of increased earnings) and Government (in the form of reduced expenditure on unemployment benefits).

Table 4 below summarises the assumed changes in educational attainment for young people following their participation in the EFY Foyer or comparator services. This analysis is based first on the survey responses at program entry (% with year 12 or equivalent qualifications) and 12

months following completion, with this then combined with publicly available data on education pathways for young people following school completion.

Table 4: Educational attainment – assumed change for each service type

Attainment	THM	Other Foyers	EFY Foyer
Year 12 completion (or equivalent)	42.2% at program entry 54.2% at 12 months post completion Equates to 40 additional young people	41.9% at program entry 66.7% at 12 months post completion Equates to 82 additional young people	42.0% at program entry 74.7% at 12 months post completion Equates to 108 additional young people
University completion	35% progress to University 40.5% completion rate Equates to 6 additional young people	35% progress to University 40.5% completion rate Equates to 12 additional young people	35% progress to University 40.5% completion rate Equates to 15 additional young people
VET / TAFE completion	46.1% progress to TAFE/VET 45.5% completion rate Equates to 8 additional young people	46.1% progress to TAFE/VET 45.5% completion rate Equates to 17 additional young people	46.1% progress to TAFE/VET 45.5% completion rate Equates to 23 additional young people

Source: KPMG analysis of survey data provided by Brotherhood of St Laurence

As shown above, based on the recorded change between entry and 12 months post program exit, the EFY Foyer services contribute more strongly to educational attainment. Between entry and 12 months post exit, an additional 108 young people reported completing year 12 or its equivalent, which was more than double the amount for the THM services and around 50 per cent greater than the Other Foyer services. This then contributed to a proportionate difference in the additional young people completing university or a TAFE/VET qualification.

The modelling then sought to value this improvement educational attainment based on its contribution to improved employment and earning outcomes for each participant over the model period (refer Table 5 for assumptions).

Table 5: Employment and earnings assumption – by attainment level

Education attainment	Percentage employed	Average income ¹⁰
Did not finish year 12 or equivalent	13.0%	\$18,199 per annum
Year 12 or equivalent	89.8%	\$29,899.50 per annum
TAFE / VET	95.0%	\$46,799.50 per annum
University	95.5%	\$58,499.50 per annum

Source: KPMG analysis of survey data provided by Brotherhood of St Laurence

When a young person was assumed to be unemployed, their income was assumed to be equivalent to the relevant NewStart fortnightly payment (approx. \$540 per fortnight).

¹⁰ ABS, Census of Population and Housing (2016), Employment, Income and Education, Age.

The results of the modelling are summarised in Table 6 below.

Table 6: Employment outcomes – quantitative analysis

Area	THM	Other Foyers	EFY Foyer
Net impact of service on employment	11.7	24.2	31.9
Employment benefit (\$ nominal, 20 years)			
Additional client earnings	\$5.83m	\$12.05m	\$15.90m
Avoided unemployment support	\$3.74m	\$7.73m	\$10.20m
Total benefit (\$ nominal, 20 years)	\$9.57m	\$19.78m	\$26.10m
Employment benefit (\$ NPV, 20 years)			
Additional client earnings	\$2.16m	\$4.48m	\$5.91m
Avoided unemployment support	\$2.00m	\$4.15m	\$5.48m
Total benefit (\$ NPV, 20 years)	\$4.17m	\$8.62m	\$11.38m

Source: KPMG analysis

As shown above, while the improvement in educational attainment following participation in each service is assumed to impact future employment, the benefit to the individual is the difference between their future earnings and the unemployment benefits that would otherwise be provided by Government (i.e. the net earnings impact). As such, the Commonwealth Government also realises a benefit in the form of the avoided expenditure on unemployment benefits that would otherwise be payable to young people who are unemployed.

The total employment benefit is greatest for the EFY Foyer services and is estimated to be **\$11.38 million over the model period**, which is nearly three times the value of the employment benefit for THM services.

There is also a cost associated with increased levels of educational attainment, with additional education delivery costs funded by a combination of State and Commonwealth Governments. Table 7 below summarises the estimated cost of improved educational attainment for the EFY Foyer and comparator services.

Table 7: Indirect costs – education delivery

Education costs	THM	Other Foyer	EFY Foyer
University	\$0.89m	\$1.84m	\$2.43m
TAFE / VET	\$0.48m	\$0.98m	\$1.30m
School	\$1.08m	\$1.41m	\$1.86m
Total (\$ nominal, 20 years)	\$2.05m	\$4.23m	\$5.59m
Total (\$ NPV, 20 years)	\$1.56m	\$3.22m	\$4.25m

Source: KPMG analysis; Education costs sourced from Report on Government Services, Australian Government Department of Education and Training, ACARA National Report on Schooling

The above demonstrates the additional costs incurred by Government as a result of the success of each model in improving educational attainment. These indirect costs are more than offset by the employment and income benefits outlined in Table 6 above.

3.6.2 Independence from supported housing

The impact of the EFY Foyer and comparator services on independence from supported housing, and the resulting need for Government support represents a benefit of all services.

Table 8 below summarises the assumed changes in housing independence for young people following their participation in the EFY Foyer or comparator services. This analysis is based first on the survey responses at program entry and 12 months following completion. This impact was then valued based on the average annual cost of housing support, which was assumed to be \$14,712 per client per annum.¹¹

Table 8: Housing outcomes – quantitative analysis

Outcome	THM	Other Foyers	EFY Foyer
Percentage not in supported housing or sleeping rough	51.8% at program entry	64.1% at program entry	49.1% at program entry
<i>Percentage of cohort not in crisis accommodation, THM/supported housing, treatment or detention centres or sleeping rough</i>	53.1% at 12 months post completion	87.5% at 12 months post completion	81.5% at 12 months post completion
	Equates to 4.3 additional young people	Equates to 99.5 additional young people	Equates to 105.1 additional young people
Avoided housing support (\$ nominal, 20 years)	\$1.09m	\$25.19m	\$26.73m
Avoided housing support (\$ NPV, 20 years)	\$0.52m	\$11.95m	\$12.74m

Source: KPMG analysis of survey data provided by Brotherhood of St Laurence

As shown above, while there is only a marginal improvement in housing independence reported for the THM cohort, much more significant improvements were reported for the EFY Foyer and Other Foyer groups. This translates into a saving for Government over the model period.

3.6.3 Health outcomes

The analysis of the impact of the EFY Foyer and other services on health outcomes for young people is based on the data linkage work managed by BSL. This enabled a comparison of Emergency Department (ED) presentations and the number of days in hospital (emergency / unplanned admissions) in the 12 months prior to program entry and the 12 months following completion (refer Table 9 below).

¹¹ Calculated based on estimate provided in *Raising our Children: Guiding young Victorians in care into adulthood – a report commissioned by Anglicare Victoria in 2016.*

Table 9: Health outcomes – assumed change for each service type

Outcome	THM	Other Foyers	EFY Foyer
Reduction in ED presentations	0.55 per client in the 12 months prior to entry	0.67 per client in the 12 months prior to entry	0.38 per client in the 12 months prior to entry
	0.47 per client in the 12 months after exit	0.48 per client in the 12 months after exit	0.26 per client in the 12 months after exit
	Equates to 27 less ED presentations	Equates to 65 less ED presentations	Equates to 43 less ED presentations
Reduction in days in hospital	0.11 days per client in the 12 months prior to entry	0.16 days per client in the 12 months prior to entry	0.56 days per client in the 12 months prior to entry
	0.04 days per client in the 12 months after exit	0.20 days per client in the 12 months after exit	0.15 days per client in the 12 months after exit
	Equates to 23 less days in hospital	Equates to 11 more days in hospital	Equates to 133 less days in hospital

Source: KPMG analysis of linked data provided by Brotherhood of St Laurence

This change was then monetised based on the average cost of an ED presentation (\$578 per presentation)¹² and the average cost per bed per day in an acute health setting (\$1,780 per bed per day).¹³

Table 10: Health outcomes – quantitative analysis

Health benefit	THM	Other Foyers	EFY Foyer
Reduced ED presentations (nominal, 20 years)	\$0.27m	\$0.65m	\$0.43m
Reduced days in hospital (nominal, 20 years)	\$0.72m	-\$0.33m	\$4.09m
Total health benefit (nominal, 20 years)	\$0.99m	\$0.32m	\$4.52m
Reduced ED presentations (NPV, 20 years)	\$0.13m	\$0.31m	\$0.20m
Reduced hospital admissions (NPV, 20 years)	\$0.34m	-\$0.16m	\$1.95m
Total health benefit (NPV, 20 years)	\$0.47m	\$1.50m	\$2.15m

Source: KPMG analysis

As shown above, while there is a marginal saving in health system expenditure for the THM cohort over the model period, with more significant savings estimated for the EFY Foyer and Other Foyer groups.

3.6.4 Criminal justice system outcomes

The analysis of the impact of the EFY Foyer and other services on criminal justice system outcomes for young people is based on the data linkage work managed by BSL (linking clients of EFY and other services to police offence data). This enabled a comparison of the rate of offending

¹² Productivity Commission, Report on Government Services, 2018-19 (figure adjusted for period of analysis)

¹³ Independent Hospital Pricing Authority (2013), National Hospital Cost Data Collection Australian Public Hospital Cost Report (figure adjusted for period of analysis).

behaviour in the 12 months prior to program entry and the 12 months following completion across the difference services (refer Table 11 below).

Table 11: Police outcomes – quantitative analysis

Outcome	THM	Other Foyers	EFY Foyer
Reduction in rate of offending (no. of offences recorded per client)	0.34 per client in the 12 months prior to entry 0.39 per client in the 12 months after exit Equates to 16 more offences	0.14 per client in the 12 months prior to entry 0.01 per client in the 12 months after exit Equates to 43 less offences	0.13 per client in the 12 months prior to entry 0.10 per client in the 12 months after exit Equates to 10 less offences
Avoided police costs (\$ nominal, 20 years)	-\$0.13m	\$0.37m	\$0.08m
Avoided police costs (\$ NPV, 20 years)	-\$0.06m	\$0.18m	\$0.04m

Source: KPMG analysis of linked data provided by Brotherhood of St Laurence

The saving quantified represents only the avoided police expenditure per offence. While data linkage work was undertaken, which identified some instances of young people from EFY Foyer or other services interacting with the youth justice or adult correctional system, this was not able to be incorporated in the quantitative analysis. This is because very few interactions occurred within 12 months of program entry or 12 months of exit, which diminished any evidence of causality between involvement in one of the services and criminal behaviour.

3.6.5 Additional benefits unable to be quantified

There are a range of other benefits to participants in each service, Government and the community, which were unable to be quantified as part of this analysis. These benefits are likely to include:

- Broader criminal justice system savings to Government, such as reduced costs of custodial and community based orders, and avoided costs across the courts system, as well as a decrease in the community costs of crime (i.e. property damage, lost productivity etc).
- Broader health system benefits, such as reduced interactions with mental health services, and alcohol and other drug services.
- Intergenerational benefits, such as reduced interaction between the children of young people participating in the EFY Foyer and other services with the child protection and out of home care systems.

While these benefits are likely to be material and apply (to varying extents) to EFY Foyer and other services, there was insufficient evidence available to enable quantification in monetary terms for inclusion in this analysis.

3.7 Value for money assessment

There are two parts to the value for money assessment, namely (1) a comparison of the change achieved between entry and exit across the different services, and (2) a comparison of the two Foyer models to the THM services.

3.7.1 Comparison of the change between entry and exit

Table 12 below identifies the costs and benefits that have been monetised for inclusion in the quantitative CBA and their estimated value in NPV terms. This represents the impact of each service on participating young people, as measured by the estimated level of change from program entry to exit.

Table 12: Summary outcomes of the quantitative analysis

Net impact	THM	Other Foyers	EFY Foyer
Direct costs – service delivery	\$3.70m	\$17.37m	\$12.15m
Indirect costs – education delivery	\$1.56m	\$3.22m	\$4.25m
Total costs	\$5.25m	\$20.59m	\$16.40m
Employment – increased earnings	\$2.16m	\$4.48m	\$5.91m
Employment – avoided Govt support	\$2.01m	\$4.15m	\$5.48m
Housing – avoided housing support	\$0.52m	\$11.95m	\$12.74m
Health – reduced ED presentations	\$0.13m	\$0.31m	\$0.20m
Health – reduced hospital admissions	\$0.34m	-\$0.16m	\$1.95m
Police – reduced offences	-\$0.06m	\$0.18m	\$0.04m
Total benefits	\$5.10m	\$20.90m	\$26.31m
Net program impact	-\$0.15m	\$0.31m	\$9.91m
Benefit Cost Ratio	0.97	1.02	1.60

Source: KPMG analysis

The above shows the greatest benefits are estimated for the EFY Foyer services, with the majority of the quantitative benefits resulting from improvements in employment and housing outcomes for this cohort.

The comparatively higher costs of the Other Foyer services, likely due to reduced scale and longer length of stay, means the net impact of these services is below the level modelled for the EFY Foyer services. In comparison, the THM services represent a comparatively lower cost service, but given a greater focus on short term accommodation for those in housing crisis, there is a smaller impact on the outcome areas included in this analysis.

3.7.2 Comparison of two Foyer models to THM services

Table 13 below compares the quantified costs and benefits of the EFY Foyer and Other Foyer services to the THM services. This comparison is designed to adjust for any baseline improvement in outcomes for participating young people (attributable to non-service related factors), and instead compare the rate of improvement between the two Foyer models, and the THM service (i.e. the baseline level of intervention).

Table 13: Comparative value for money – relative to THM services

Net impact	Other Foyers	EFY Foyer
Direct costs – service delivery	\$13.67m	\$8.45m
Indirect costs – education delivery	\$1.66m	\$2.69m
Total costs	\$15.33m	\$11.15m
Employment – increased earnings	\$2.31m	\$3.74m
Employment – avoided Govt support	\$2.14m	\$3.47m
Housing – avoided housing support	\$11.43m	\$12.22m
Health – reduced ED presentations	\$0.18m	\$0.07m
Health – reduced hospital admissions	-\$0.50m	\$1.61m
Police – reduced offences	\$0.24m	\$0.10m
Total benefits	\$15.80m	\$21.22m
Net program impact	\$0.47m	\$10.07m
Benefit Cost Ratio	1.03	1.90

Source: KPMG analysis

As shown above, compared to THM services, the EFY Foyer model delivers approximately an additional **\$10 million in net benefits over a 20 year timeframe**.

While the Other Foyer services deliver greater benefits than the THM services (more than \$15 million), the analysis indicates these services are also the most costly to deliver compared to both THM and EFY Foyer services. This difference in cost is driven by the smaller scale of the sample services (less than 20 beds compared to 40 for each EFY Foyer service and considerably more for THM services), and also a longer median length of stay for young people in these services.

3.8 Sensitivity analysis

This section examines the sensitivity of the above analysis to variations in key assumptions. The table below describes the alternative scenarios considered as part of the sensitivity analysis, including the specific assumptions made within the main analysis, and the alternative assumptions modelled.

Table 14: Sensitivity analysis – scenarios tested

Variable	Core analysis	Sensitivity analysis
Discount rate	7%	4% and 10%
Percentage attaining Year 12 (or equivalent) by 12 months post exit	EFY Foyer assumption: 42.0% to 74.7%	+/- 5% on assumed rated of year 12 completion
Percentage not in supported housing or sleeping rough 12 months post exit	EFY Foyer assumption: 64.1% to 87.5%	+/- 5% on assumed rated of housing stability

Source: KPMG Analysis

The outcomes of the above sensitivity analysis are summarised below, with the impact of each on the assessed level of quantitative costs and benefits provided.

Table 15: Sensitivity analysis – results for EFY Foyer services

Sensitivity analysis		Net Present Value (2017/18 dollars)
Main analysis (refer Section 3.4.6)		\$10.07m
Scenario analysis		
Discount rate	4% discount rate	\$17.50m
	10% discount rate	\$5.09m
Completion of year 12 or equivalent	79.7% (EFY Foyer)	\$11.15m
	69.7% (EFY Foyer)	\$8.97m
Housing stability	86.5%	\$12.07m
	76.5%	\$8.05mm

Source: KPMG Analysis

As shown above, under all scenarios the quantitative benefits associated with EFY Foyer remain substantially greater than for the THM services.

4 Conclusions

The analysis presented in this report demonstrates that there is a likely to be a significant improvement in outcomes for young people as a result of their participation in the EFY Foyer services. While the EFY Foyer services are more costly to operate than the THM services, this additional investment is offset by improvements in educational attainment, housing stability, health outcomes and levels of future offending behaviour.

This finding is supported by the results of the quantitative analysis, which show a net benefit of around \$10 million for the EFY Foyer cohort modelled (331 young people), compared to the costs and outcomes associated with the other services. This benefit is shared between the young person (improvements in earnings and employment outcomes), the Australian Government (reduced expenditure on unemployment support) and the Victorian Government (reduced expenditure on future housing support, health sector and CJS interventions).

The results of the quantitative analysis are also likely to materially understate the true benefits to participants and Government (for all services). This is due to the inability to quantify broader criminal justice system benefits (as well as other socio-economic impacts), which are likely to be material for this cohort, and a general conservatism applied in the development of the assumptions required to complete the analysis.

Finally, this analysis is limited to the costs and benefits associated with the current implementation of the EFY Foyer services. Given demand for the service from suitable participants and consistent (or improved) implementation, the EFY Foyer services and the associated benefits are likely to be largely proportionate to any additional investment in the EFY Foyer model.



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