

21 September 2020

Mr Devon Cuimara
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By email: devoncuimara@outlook.com

Dear Devon,

Economic Benefits under the Proposed Program of the Aboriginal Male's Healing Centre

This draft letter is provisional, provided for discussion purposes and should not be relied upon for making commercial decisions. No liability to any party will be accepted for the consequences of relying on the contents of this draft letter.

Aboriginal Male's Healing Centre (AMHC) Strong Spirit Strong Families Strong Culture Incorporated has retained Finity Consulting Pty Limited (Finity) to assess the economic benefits of the proposed Residential and Outreach Healing Program of the Parnpajinya Aboriginal Community Safety (PACS) project.

Background

AMHC is based in Newman in the Pilbara region of Western Australia. AMHC has proposed a Residential and Outreach Healing Program for Aboriginal and Torres Strait Islander (ATSI) males who are perpetrators of family and domestic violence. The aim of the program is to reduce and eliminate family and domestic violence amongst ATSI males and provide support for women and children who are subjected to family and domestic violence.

AMHC has requested an analysis of the potential economic benefits of the proposed program. Finity understands that the purpose for which AMHC require the advice sought is to strengthen the case for funding the construction of permanent residential accommodation and the operating costs of the centre. This letter will be included in the applications of funding from the Northern Australia Infrastructure Facility and the Indigenous Advanced Strategy in the second half of 2020. We provided draft advice to AMHC on potential economic benefits in 2017 when the program was at an earlier stage of development.

In the context of this letter, we have defined economic benefits as the direct cost savings to existing government funded initiatives that link to domestic violence. Social benefits such as those arising from better educational outcomes or reduced crime among the children of domestic violence perpetrators have not been included in our estimates but would be expected to be significant.

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Data

We have relied on the information relating to the proposed program provided by AMHC, titled “*Investment Proposal for Northern Australia Infrastructure Facility Loan (NAIF)*” dated 17th April 2020 and the proposal to the WA Department of Communities “*AMHC-PACS 12-month proposal (8)*” seeking support for payment of salaries for the centre for a 12 month trial period prepared in July 2020.

In addition, we have relied on multiple sources of publicly available data which are documented in Appendix B.

General Assumptions

When developing the economic benefits analysis of the proposed program, we have assumed the following:

- Construction of the centre will be completed by 2022 and the program will begin on the 1st January 2023.
- The centre will have a maximum capacity of 28 people at any point in time with an average intake of 7 persons per quarter from the commencement date. Each participant will undergo a 12 month program at the centre.
- The program is projected to run for ten years. A total of 280 men are assumed to utilise the residential services of the centre through to 2032.
- The degree of success of a residential program in reducing rates of recidivism relative to the prison system is largely judgemental and for this reason we have shown the sensitivity of the results to the assumption later in the letter. It is assumed that all those who enter the program successfully complete the course, although the rate of recidivism assumed will implicitly allow for any course non-completion.
- The uncertainties underlying our estimates are such that we have assumed all amounts are current dollars and have not inflated or discounted them.
- The analysis reflects an average cost basis rather than a marginal cost basis. Whilst a marginal cost basis may give a better indication of the savings over short time periods, we consider the average cost is more appropriate for decision making over longer term timeframes.

Analysis

The proposed PACS program is estimated to bring a significant amount of direct economic benefits, the level of which is heavily dependent on achieving reduced rates of recidivism and hence reduced family violence. In this context, the improvement rate is defined as the proportion of PACS program participants who would successfully reduce recidivism compared to those entering the prison system. For example, a 50% improvement rate means 14 people (of the 28 participants per annum) would not reoffend after completing the AMHC program, but would have otherwise reoffended after exiting the prison system. We have provided a set of results for a range of improvement rates.

As an example, Table 1 shows the estimated savings and the underlying assumptions for each type of economic benefits, under an improvement rate outcome of 50%. The estimated benefits total \$70 million.

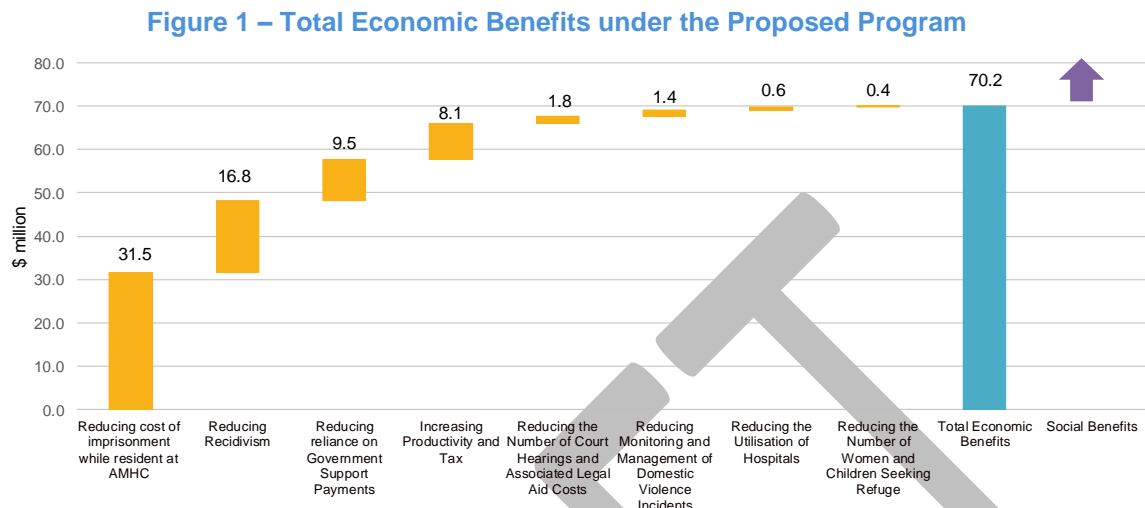
Table 1 – Savings and Assumptions under Various Types of Economic Benefits under the Proposed Program (under an improvement rate of 50%)

Type of Economic Benefit	Savings over ten years (\$)	Underlying Assumptions
Reducing cost of imprisonment while resident at AMHC	\$31.5 million	<ul style="list-style-type: none"> The estimated average cost of imprisonment per person per day in Western Australia is estimated to be \$308 in 2020/21 dollars. Each resident spends 12 months at the centre rather than in prison.
Reducing Recidivism	\$16.8 million	<ul style="list-style-type: none"> Each successful resident is assumed to have one reduced occurrence of recidivism, reducing the amount of time spent in gaol. The estimated average cost of imprisonment per person per day in Western Australia is estimated to be \$308 in 2020/21 dollars. The average length of sentence for ATSI assaults is approximately 390 days.
Reducing reliance on Government Support Payments	\$9.5 million	<ul style="list-style-type: none"> Each successful resident is assumed to have secured employment, completely removing the need for government support payments to 2032 (the end of the projection period). We note that some participants may be retrained and employed through AMHC's social enterprises, which will increase their likelihood of employment. The estimated Centrelink payment is \$511 per fortnight.
Increasing Productivity and Tax	\$8.1 million	<ul style="list-style-type: none"> Each successful resident is assumed to have secured employment, contributing income tax and increasing the productivity of the economy to 2032 (the end of the project period). Based on PwC's estimate, the lost productivity and income tax is assumed to be \$11,344 per annum for every domestic violence offender.
Reducing the Number of Court Hearings and Associated Legal Aid Costs	\$1.8 million	<ul style="list-style-type: none"> Each successful resident is assumed to have one reduced occurrence of recidivism,

Type of Economic Benefit	Savings over ten years (\$)	Underlying Assumptions
		<p>reducing the need for court and legal costs.</p> <ul style="list-style-type: none"> Each court finalisation is estimated to cost \$9,128 on average and each case in Western Australia is estimated to cost \$3,787 on average in legal aid.
Reducing Monitoring and Management of Domestic Violence Incidents	\$1.4 million	<ul style="list-style-type: none"> Each successful resident is assumed to have one less occurrence of recidivism, reducing monitoring costs from the police. The average police expenditure is estimated by PwC to be about \$9,900 per offence.
Reducing the Utilisation of Hospitals	\$0.6 million	<ul style="list-style-type: none"> We have assumed that on average one person is hospitalised per incident of domestic violence. The average hospital stay for ATSI in Western Australia costs \$4,500. This is equivalent to approximately 2.2 days in hospital.
Reducing the Number of Women and Children Seeking Refuge	\$0.4 million	<ul style="list-style-type: none"> We have assumed that on average one woman seeks refuge per incident of domestic violence. It costs the Newman Women's Shelter approximately \$2,700 per woman's stay.

Results

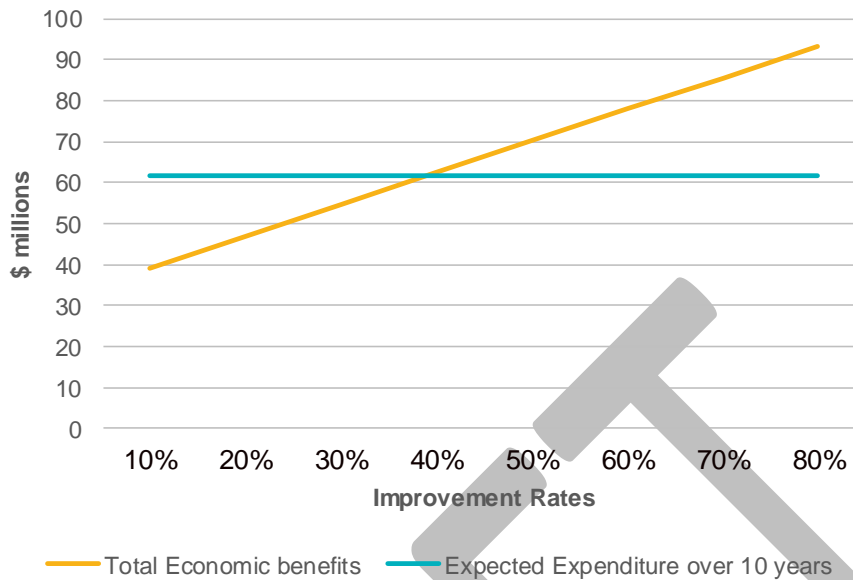
Figure 1 summarises the various economic benefits if 50% of program participants do not reoffend.



The associated social benefits have not been modelled in this exercise but are expected to increase the total benefits of the proposed program. These would include better educational and developmental outcomes for children from more functional families and observing less domestic violence as they grow up which will potentially benefit multiple future generations. Studies such as the 2012 Deloitte Access Economics investigation of the socio-economic benefits of investing in the prevention of early school leaving modelled potential benefits of \$12 for every dollar invested in the program, with overall net economic benefits to the individual and the community of the order of half a million dollars per person over their lifetime.

As noted earlier, the amount of economic benefit is ultimately dependent on the overall success of the program in reducing recidivism rates, although even for low rates of success there is a direct benefit of reduced costs to the prison system while men are in the program. Figure 2 summarises the total economic benefits based on a range of potential outcomes.

Figure 1 – Estimated Total Economic Benefits under Various Improvement Rates



The proposed program is estimated to breakeven should it achieve a 40% improvement rate. This is based on an expected expenditure of \$62 million over 10 years which consists of the following:

- Construction cost of \$42 million estimated by by Adwoa Abban from Quantum Phases Consortium Pty Ltd
- Operational cost of \$2 million per annum as provided by AMHC. No allowance has been made for net income that may be received from the development of enterprises such as an industrial laundry which is proposed to be developed in conjunction with the program

This estimate excludes the construction costs relating to the connector road which the Shire of East Pilbara has conditionally agreed to fund.

If the improvement rate is 50%, instead of 40%, the total economic benefits would be \$70 million, generating a total net economic saving of \$8 million. Alternatively, if development or operational costs are higher, the improvement rate outcome would be greater than 40% to achieve breakeven.

Reliances and Limitations

The attachment to this letter contains important reliances and limitations associated with this advice. These should be considered in order to put our findings in their appropriate context. If you would like to discuss the contents of this letter, or have any questions, please do not hesitate to contact us.

Yours sincerely

Andrew Cohen

David Minty

Fellows of the Institute of Actuaries of Australia

A Reliances and Limitations

Distribution and Use

This report is provided for the sole use of Aboriginal Male's Healing Centre (AMHC) Strong Spirit Strong Families Strong Culture Incorporated for the purposes stated on Page 1. It is not intended, or necessarily suitable, for any other purpose. This report should only be relied on by AMHC for the purpose for which it is intended.

We understand that AMHC will provide a copy of the report to Northern Australia Infrastructure Facility, the Indigenous Advanced Strategy and other potential funders. Permission is hereby granted for such distribution on the condition that the entire report, rather than any excerpt, is included in the material provided to the organisation concerned. No other distribution of the report is allowed, unless we give our approval in writing. Any third party receiving this report should not rely on it, and this report is not a substitute for their own due diligence. We accept no liability to third parties relying on our advice.

Please read the report in full. If you only read part of the report, you may miss something important. If anything in the report is unclear, please contact us. We are always pleased to answer your questions.

Data Provided

We relied on the completeness and accuracy of the information we received. We did not audit or verify the information provided to us, but have reviewed it for general reasonableness and consistence. If the information provided to us is inaccurate or incomplete, please let us know as we may need to change our advice.

Uncertainty

The design of the Parnpajinya Aboriginal Community Safety project continues to evolve although the foundations of the proposed program and related therapeutic interventions have been established since at least 2017 when we undertook our first assessment of the program. Assumptions may be revised over time with updated information and changes in the proposed program. Please contact us if you require this report to be updated to take into account any significant changes to the proposed operation or participant levels of the program.

Many things may change in the future. We have formed our views based on the current environment and what we know today. If future circumstances change, it is possible that our findings may not prove to be correct.

As well as difficulties caused by limitations on the historical information, outcomes remain dependent on future events, including legislative, social and economic forces. It is quite possible that one or more changes to the environment could produce a financial outcome materially different from our estimates.

B References to Publicly Available Information

We have relied on the following publicly available information in preparing the above advice.

- The Annual Report for 2018/19 from the Government of Western Australia Department of Justice
- “*Prison penalties for serious domestic and non-domestic assault*” by the NSW Bureau of Crime Statistics and Research, Issue paper no. 110 dated October 2015.
- “*Recorded Crime – Offenders, 2018-19*” released by the Australian Bureau of Statistics on the 6 February 2020.
- “*Australian Public Hospitals Cost Report 2013-14 Round 18*” published by the Independent Hospital Pricing Authority.
- “*Indigenous incarceration: Unlock the facts*” published by PwC Australia in May 2017.
- “*The socio-economic benefits of investing in the prevention of early school leaving*” published by Deloitte Access Economics in September 2012.
- Information on JobSeeker Payment from the Services Australia website accessed August 2020.
- Newman Womens Shelter Inc - Financial Statements for the year ended 30 June 2016 and 2019.

We also spoke to Ms Maggie Lewis, manager of the Newman Women’s Shelter in December 2017 to obtain an estimate of the number of people using the shelter. The latest annual report indicates similar activity levels and hence demand and cost for the Shelter’s services.