

# Assessing the cost benefit trade off of preventing youth homelessness

A Place to Call Home

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## **Executive Summary: the cost benefit of preventing youth homelessness**

*Youth homelessness carries a huge cost to the public purse through the loss of taxes and productivity as well as the expense of providing support services, benefits and housing.*

In 2015-16, the cost of homelessness in England (including youth and adult homelessness) was estimated at £1.1 billion per year. Research on adult homelessness finds that each homeless individual costs the state between £25,000 and £35,000 more than other citizens. The same research suggests the cost of preventing homelessness is estimated to approximately £9,000 less.

Centrepoin't's 2017 research focuses specifically on the cost of youth homelessness. It finds that homeless young people cost the public purse between £8,900 and £12,200 (depending on their age), more than they would if they were not homeless. The majority of this cost comes from housing and welfare benefits. Costs increase when a young person reaches age 18, suggesting that not only is prevention a financially better option, early prevention represents a greater saving.

The 8.9k -12.2k estimate does not include the cost of a young person being NEET (not in education, employment or training), yet our 2017 research report A Place to Call Home demonstrates that homelessness often disrupts education and employment making the likelihood of a young person becoming NEET higher. The 8.9-12.2k figures are therefore likely to be a conservative estimate.

Research comparing the cost of early intervention for young people experiencing homelessness with the cost of a young person experiencing homelessness for a year finds that early intervention or prevention costs at least £10,000 less. This aligns with the findings from Phase 2 of A Place to Call Home. The piloted preventative intervention succeeded in preventing homelessness for eight of the eleven young people involved and supported five of these to remain in the family home. Notably, those involved in the programme felt that for those young people who did become homeless, earlier intervention could have prevented this. The pilot programme cost £25,000 or £2,270 per young person, which is over £8,000 less than the cost of homelessness per person based on Centrepoin't's research.

To estimate the cost benefit of funding this preventative pilot programme, we have decided to focus on the cost this single intervention, compared to the costs of homelessness in one single year, since we do not yet know what support the young people may need in future years, or how long they might have remained homeless had they not received support.

We therefore take Centrepoin't's figures on the annual cost of a young homeless person (averaging the cost for 16-18 year olds and 18-24 year olds), to estimate the cost of a young homeless person to be around £10,550 per year more than if they were not homeless. The cost of eleven young people being homeless would therefore be £116,050.

The Family Gateway pilot, funded by Sage Foundation cost £25,000. If we take into account the cost of the temporary homelessness experienced by the three young people who became homeless either temporarily during the pilot or at the end of the programme, we estimate the total cost of supporting these young people over the course of the intervention to be £29,806. This is £86,244 less than the estimate cost to the state had these young people become homeless (see Table 1) representing a cost benefit ratio of just under 3:1.

Though these precise figures are highly speculative, we conclude that providing a preventative whole-family intervention therefore represents excellent value for money.

Table 1

	<b>Cost (per year)</b>	<b>Calculation and source</b>
<i>Estimated cost of homelessness per young person</i>	<b>£10,550</b>	<i>The average cost of young homeless people aged under 18 (£8,900) and over 19 (£12,200) taken from Centrepoin, 2017. <math>(12,200+8,900)/2</math></i>
The counterfactual: The total cost of eleven young people becoming homeless	<b>£116,050</b>	<b>£10,550 * 11</b>
<i>Sage Foundation's funding of Family Gateway programme</i>	<b>£25,000</b>	
<i>The cost of the three young people who experienced homelessness to the state</i>	<b>£4,806</b>	<i>Taken from Centrepoin's average figures for two young people homeless for one month and one young person homeless for three months (see section 3.2)</i>
Total cost of supporting eleven young people during the intervention	<b>£29,806</b>	<b>£25,000 + £4,806</b>
<b>Cost benefit of preventing youth homelessness</b>	<b>£86,244</b>	<b>£116,050-£29,806</b>
<b>Cost benefit per young person</b>	<b>£7,840</b>	<b>£86,244/11</b>

## 1 Introduction

Youth homelessness not only has considerable personal, long term consequences for the individuals that experience it, it also carries a huge cost to the public purse. This cost is manifested in:

- young homeless people's lost productivity
- the cost of providing crisis support services
- the cost of providing temporary accommodation
- the long-term consequences of experiencing homelessness and associated costs. These consequences include increased likelihood of repeated experiences of homelessness as well as other issues linked to homelessness such as poor mental health, and substance abuse.

The total cost to the state of each young homeless person and the cost of youth homelessness overall is hard to accurately define. The costs of youth homelessness are manifest in a range of ways, in the short term and the long term. Costs also differ between different young people depending on their individual experiences. Additionally, some costs associated with youth homelessness overlap with costs that can occur for young people who are not homeless, such as a young person being NEET (not in employment, education or training), however, as we will see in section 2.1.2 research attempts to account for this.

This report outlines the research, both UK based and international, on the cost of youth homelessness and, where relevant, adult homelessness, suggesting that prevention of youth homelessness is cheaper than the alternative.

## 2 The cost of youth homelessness

### 2.1 Calculating the cost of homelessness

There are numerous difficulties associated with trying to assess the cost of youth homelessness (and thus the cost benefit of prevention).

In the following sections we therefore consider the five main challenges, namely:

1. Limitations of the data
2. Problems with demonstrating causality
3. Accounting for direct and indirect costs
4. Recognising the differences between different 'types' of homelessness
5. The long term consequences of homelessness.

#### 2.1.1 Limitations of the data

The data and research available does not provide a full, accurate picture of the cost of youth homelessness. Primarily this is because much of the research focuses on the adult homeless population, yet the cost of youth homelessness differs from the cost of adult homelessness in three key ways:

1. **Lost opportunities:** when someone becomes homeless at a young age they frequently miss out on educational opportunities and enter adulthood with fewer educational qualifications. This can then limit life opportunities, magnifying the consequences of homelessness when experienced at a young age.
2. **Reoccurring homelessness:** people that experience homelessness at a young age are more likely to experience recurring homelessness. In turn, the increased time that they are likely to spend homeless or in need of high state support throughout their lifetime rises.
3. **Specialist services:** the state is required to provide particular services for homeless young people. For example, under 18s should be in supported accommodation separate from adults. This means the cost of youth homeless services differs from adult homelessness services.

There are also other potential costs associated with homelessness for which there is limited or outdated data<sup>1</sup>. For example, drug and alcohol dependency and mental health issues are common costly problems that are related to youth homelessness.

#### 2.1.2 The counterfactual

People cost money to the state regardless of whether they are homeless. Homeless people rely on state support more and are less likely to contribute financially through tax. However, calculating only the cost of a young homeless person without considering what they would cost if they were not homeless would lead to an inaccurate picture of the cost of *homelessness* specifically.

Therefore, the cost of homelessness is often worked out by considering the 'counterfactual': thinking about the situation as it would be if a person had not become homeless, and deducting that cost from the cost of that individual while they are homeless.

<sup>1</sup> DCLG (2012). Evidence review of the cost of homelessness. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/7596/2200485.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/7596/2200485.pdf)

For example, homeless people are much more likely than the general population to have serious physical health issues. In around two thirds of cases, the health issues precede, and may even play a role in causing homelessness. Therefore, when considering the cost of homelessness, only a third of the total cost of physical health issues is taken into account as the other two thirds is considered as ‘would have happened anyway’. However, this method can lead to underestimating the cost of homelessness. This is because homelessness is highly likely to seriously exacerbate those existing issues, rather than just causing new issues. Yet this method does not account for this.

### 2.1.3 Direct and indirect costs

Homelessness has direct and indirect costs.

Direct costs are those that are incurred responding to homelessness itself, such as in providing of shelter. Meanwhile indirect costs<sup>2</sup> are those that are associated with homelessness but not necessarily incurred in responding to the homelessness itself. These types of cost, such as the cost of interactions with the criminal justice system or the health services may not be incurred for every homeless person and may be a consequence of homelessness or may have played a role in causing homelessness in the first place. However, as with physical health issues, these problems may be exacerbated by homelessness. As discussed in the section above, some methods of calculating the cost attempt to account for these indirect costs dependent on whether they ‘would have happened anyway’ but these calculations remain somewhat of a ‘best fit’ and depend on numerous assumptions. This issue is highlighted in a 2012 DCLG report<sup>3</sup>:

*“Many individual characteristics and circumstances both lead to, and are perpetuated by, homelessness. Drug and alcohol addiction, and offending, are examples of where causal and symptomatic effects can be difficult to separate.”*

However, as the report concludes, this does not mean that these types of costs should not be accounted for:

*“In the strict sense these negative consequential impacts are the costs of homelessness (i.e. attributable to it). So while there are costs of supporting somebody with multiple needs whether they are homeless or not, being homeless adds to these costs through consequential effects.”*

### 2.1.4 Different types of homelessness

As we have seen in sections 2.1.1-2.1.3, some of the difficulties in estimating the cost of homelessness come from calculating the costs. Other difficulties are due to various different definitions of homelessness including ‘rough sleeping’, ‘statutory homelessness’ and ‘hidden homelessness’ (Mulcahy et al., 2017)<sup>4</sup>. These different definitions of homelessness result in two main problems when estimating the cost of homelessness:

1. **Incomplete homelessness statistics:** some types of homelessness are included in statistics of the number of homeless people, while others are not. Therefore, when an estimate of the total cost is based on the cost of homelessness per individual multiplied by the *number of homeless people included in official statistics*, this misses out those people who are not counted and underestimates the overall cost.

<sup>2</sup> Gaetz (2012). The Real Cost of Homelessness. Available at:

[https://yorkspace.library.yorku.ca/xmlui/bitstream/handle/10315/29369/costofhomelessness\\_paper21092012.pdf?sequence=1&isAllowed=y](https://yorkspace.library.yorku.ca/xmlui/bitstream/handle/10315/29369/costofhomelessness_paper21092012.pdf?sequence=1&isAllowed=y)

<sup>3</sup> DCLG (2012). Evidence review of the cost of homelessness. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/7596/2200485.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/7596/2200485.pdf)

<sup>4</sup> Mulcahy, Bowen-Viner, Small and Menzies (2017). A Place to Call Home. Available at: <https://cfey.org/wp-content/uploads/2017/09/FULL-REPORT--A-Place-to-Call-Home.-Understanding-Youth-Homelessness.pdf>

2. **Different costs for different experiences:** different types of homelessness have different costs which means accurately calculating the cost of homelessness per person is very difficult and could lead to over or under estimations. For example, the cost to the public purse of someone rough sleeping is different to that of someone who is statutorily homeless and given temporary accommodation. It is difficult to define which type of homelessness is more or less expensive. Local authorities spend large sums of money on temporary accommodation and welfare benefits for the statutorily homeless but a rough sleeper might access other services more frequently and it is likely to be more costly to resolve their homelessness in the long run.

### 2.1.5 A long term cost

Estimates of the cost of homelessness per person are averages and, generally, annualised to provide a per year figure. However, the cost of homelessness in real life, over the long term is more complex than these single figures. When comparing the cost of homelessness to the cost of prevention, it is therefore important to consider the real cost of homelessness per individual over a longer time period than a year. This is difficult to do though, as it is not possible to ascertain how long an individual would be homeless for if their homelessness is not prevented. This is why our estimates in this report are limited to per year costs.

Homelessness becomes more costly the longer it goes on due to the increasingly complex needs an individual develops as a result. Furthermore, the cost of *resolving* homelessness also becomes more expensive the longer a person has been homeless. For example, if a person is homeless for a month, some trauma will occur and there will be a cost to addressing this as well as some likelihood of homelessness reoccurring. However, as the time spent homeless increases, the likelihood of health issues and drug and alcohol dependency issues occurring increases substantially. Thus, both the public spending on that individual whilst they are homeless, and, the cost of resolving their homelessness, alongside these issues, increases.

## 2.2 Research on the cost of homelessness

### 2.2.1 The overall cost of homelessness

A 2012 DCLG report stated that in 2010-11 English local authorities spent £345 million on homelessness. A report by PWC and Crisis<sup>5</sup> put the figure for 2015-16, four years later, at £1.1 billion. Clearly the disparity between these two figures is very large and is hard to pinpoint the exact reason for the difference given the limited methodological details available. The cost of **youth** homelessness was not separately detailed but given that homeless young people often become homeless adults the high cost of adult homelessness is highly relevant.

Estimates of the cost of homelessness per person vary. The New Economic Foundation estimated that homeless people cost between £24,500 and £26,000 *more* than other citizens per year (2003, 2008). In 2016 Crisis carried out an in-depth study of 86 homeless people, examining the cost of the public services they accessed over a 90 day period. The average public spend on each individual in that period was £8,630, which equates to £34,518 per year. Had these people not been homeless they would still have accessed public services. However, it was estimated that the public cost would have been £9,266 less if their homelessness was prevented. Note, that this reduction in the cost of over £9,000 per person is the saving over a single year. In the long term, the savings multiply.

Overall, this indicates that preventing homelessness would save the state significant sum of money. In fact, the same research estimated that if 40,000 rough sleepers - a mere 12.5% of the UK homeless population, were prevented from becoming homeless, public spending would fall by £370 million.

<sup>5</sup> Crisis (2018). Assessing the costs and benefits of Crisis' plan to end homelessness. Available at: [https://www.crisis.org.uk/media/238957/assessing\\_the\\_costs\\_and\\_benefits\\_of\\_crisis-plan\\_to\\_end\\_homelessness\\_2018.pdf](https://www.crisis.org.uk/media/238957/assessing_the_costs_and_benefits_of_crisis-plan_to_end_homelessness_2018.pdf)

### 2.2.2 The cost of youth homelessness

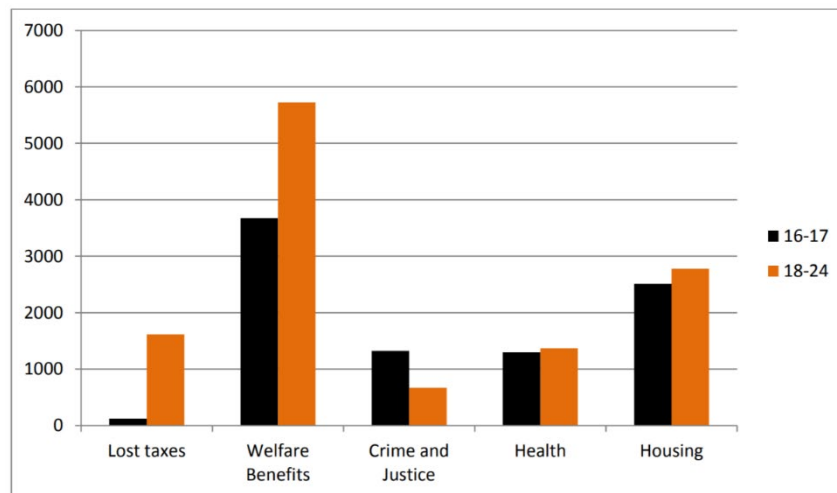
The most up to date research on the cost of youth homelessness was conducted by Centrepnt in 2017 and focuses on the cost of statutorily homeless young people. Centrepnt assess the cost of youth homelessness using five categories:

1. Lost tax revenues due to unemployment.
2. Welfare benefits
3. Crime and justice
4. Health
5. Housing

Their analysis highlights that welfare benefits are the largest cost of youth homelessness, followed by housing provision (see Figure 1). However, this analysis does not include either the cost of funding homelessness services which often support a young person to begin accessing benefits and housing, nor does it explore the cost of other types of non-statutory homelessness such as rough sleeping.

Figure 1

**Cost of homelessness for NEET young people**



Centrepnt’s research deducts the cost of a NEET young person who is not homeless in order to isolate the cost of homelessness (see Figure 2). Again, this could be considered an underestimate of the true cost of homelessness as research demonstrates that young people often drop out of education, employment or training and become NEET<sup>6</sup>, *as a result* of their homelessness. Thus, for many young people, column b represents a more accurate cost of their homelessness.

Figure 2

	NEET young person	NEET homeless young person	Cost of homelessness for NEET young person
	(a)	(b)	(b - a)
16/ 17 year olds	£3,300	£12,200	<b>£8,900</b>
18-24 year olds	£7,200	£19,400	<b>£12,200</b>

Finally, the research distinguishes between the cost of homelessness for 16-18 year olds and 18-24 year olds. When older young people are homeless, the loss of tax income is greater and these individuals qualify for more welfare and housing benefits. Thus, the cost of a homeless 18-24-year-old is over £3,000 more than the cost of a younger homeless person. As Centrepnt concludes:

<sup>6</sup> Mulcahy, Bowen-Viner, Small and Menzies (2017). A Place to Call Home. Available at: <https://cfey.org/wp-content/uploads/2017/09/FULL-REPORT.-A-Place-to-Call-Home.-Understanding-Youth-Homelessness.pdf>

*“Failing to prevent homelessness until young people are over 18 costs the state an estimated 37 per cent extra every year compared to preventing it when they are 16 or 17... not only is prevention better than cure, but that early prevention is far better than late prevention.”*

### 3 Preventing youth homelessness: cheaper than a cure?

#### 3.1 Research on the cost of prevention

Crisis' 2015 report<sup>7</sup> examined the comparative cost of preventing homelessness. It used a range of 'vignette' scenarios to illustrate the difference between addressing and preventing homelessness early and addressing it later on.

One vignette is of a 19 year old girl in a situation typical of the young people that Sage Foundation and CfEY worked with in Phase 1 and 2 of A Place to Call Home. After a breakdown in the relationship between her and her parents, a young woman leaves the family home and stays with friends. The report presents the different responses once she is no longer able to stay with friends:

1. The first response involves a LA team working alongside voluntary sector services. A homelessness charity provides immediate temporary accommodation, then negotiates a temporary return to the family home. Crucially, when she goes home, she and the family continue to receive 'floating support'. Appropriate permanent accommodation is then arranged. In this scenario the young girl continues with her education, goes on to enter into paid work and family relationships are sustained.
2. In the second response, when the girl applies for LA assistance she is not found to be in priority need and is referred to a housing advice service but given no other support. She relies on sofa surfing and the instability impacts negatively on her mental health. She uses homelessness services such as hostels, for 41 weeks within the first year of her homelessness to avoid sleeping on the streets. She begins to use drugs due to depression and becomes withdrawn and suspicious of support services which then find it difficult to engage with her. At one point she is admitted to hospital and a detoxification programme but given her continued lack of secure housing, drug use continues.

Both these scenarios are highly plausible and reflect the trends in homelessness found in the first two phases of this research project. The difference hinges on whether a young person is given immediate support when they are at risk, or first experiencing, homelessness. The cost of the response in first scenario is calculated as £1,558, the second is £11,733 depending on the services available however it could be as great as £23,500.

Scenario one is described in the Crisis report as 'prevention', however, phase 2 of this project highlighted that through community based working, young people at risk can be identified even earlier and in two-thirds of cases young people supported by the early intervention project were able to stay in the family home. If homelessness is prevented at this early stage, not only does it reduce the trauma to the young person and place less stress on their relationships with their parents, the cost of temporary accommodation included in scenario one is also avoided.

#### 3.2 Cost-benefit of funding a preventative programme

##### The cost of the Family Gateway pilot prevention programme

In 2018/19 Sage Foundation funded Family Gateway to run a pilot programme with eleven young people at risk of becoming homeless. The programme supported each young person and their whole family with the aim of preventing homelessness. The total cost was £25,000, or £2,270 per young person.

<sup>7</sup> Crisis (2015). At What Cost? Available at: [https://www.crisis.org.uk/media/20677/crisis\\_at\\_what\\_cost\\_2015.pdf](https://www.crisis.org.uk/media/20677/crisis_at_what_cost_2015.pdf)

The cost of the counterfactual

The young people involved in the programme were aged between 14 and 19 years old. Centrepoin’s research on the cost of youth homelessness gives different figures for young people under and over 18 (see section 2.2.2). Taking an average of Centrepoin’s figures we estimate that had these eleven young people become homeless they would have cost the state £10,550 each, or £116,050 in total, per year.

The results of the pilot

Eight of the eleven young people were prevented from becoming homeless, with five of the eleven remaining in the family home. Three young people did become homeless during their time working with Family Gateway, two for a period of approximately a month before they returned to the family home and one for the foreseeable future as this young person was unable to return home and was supported into independent accommodation.

Those young people that did become homeless cost the state additional money whilst they were homeless, despite still being supported by Family Gateway. It is difficult to accurately determine the cost of these young people’s homelessness but it is possible to make some estimates in order to establish a total cost of these eleven young people, to the state and to Sage Foundation, during the period the programme was run. This can then be compared to the ‘counterfactual’. Table 1 outlines estimates of the cost of each of those young people to the state during the time they were homeless. These costings are an estimate, based on Centrepoin’s figures.

Table 2

	Young person 1	Young person 2	Young person 3
Age	18	16	18
Cost to the state if homeless for one year	£12,200	£8,900	£12,200
Time spent homeless	1 month	1 month	3 months (in temporary accommodation during the intervention)
Cost of homelessness	£1,016 (£12,200/12)	£742 (£8,900/12)	£3,048 ((12,200/12)*3)
<b>Total cost of these three young people’s homelessness: £4,806</b>			

The cost benefit comparison of the preventative pilot programme

We can estimate the total cost, to both Sage Foundation and to the state, of these eleven young people during the 12 month time period of the intervention was run as being £29,806. This figure includes the cost of the intervention, funded by Sage Foundation and the cost of homelessness for the three young people who became homeless during the programme. This is £86,244 less than the cost per year had these young people become homeless, suggesting that prevention is cheaper than addressing homelessness once it has occurred, representing a cost benefit ratio of just under 3:1.

This is a considerable saving despite the intervention failing to completely prevent homelessness for all young people involved. Furthermore, it is worth noting that practitioners felt strongly that earlier support could have secured a more positive outcome for the young people who did become homeless. We therefore conclude, in line with Centrepoin’s view, that early prevention is likely to be a cost-effective way of tackling youth homelessness.