



Department for  
Communities and  
Local Government

# Evidence review of the costs of homelessness

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## Section 1: Introduction and approach

1. This paper is intended to provide an initial overview of evidence held by government and other organisations, including that already published, of the magnitude of financial costs to government from homelessness. Owing to a lack of evidence on the number of homeless people interacting with government services it is not currently possible to provide a comprehensive account of the costs of homelessness. This paper therefore describes the evidence currently available, with the aim of providing some rough indications of various costs but more as a basis for further research and analysis.
2. Most of the additional financial costs of homelessness to health and support services and the police and justice system are attributable to the most vulnerable and hardest to help, including in particular those with multiple needs; around 2,000 rough sleepers<sup>1</sup> and 40,000 living in hostels.<sup>2</sup> The evidence reviewed in this paper therefore relates mainly to single homeless rough sleepers and hostel dwellers, although the costs of statutory homelessness to local government are also included.
3. Section 2 of this paper outlines the methodological challenges of identifying the costs of homelessness. Section 3 reviews existing, published, estimates of the total costs of homelessness to government in order to describe previous approaches to estimating costs, while also noting the often significant limitations of these studies. Section 4 gives an overview of the available evidence of how costs might arise by each relevant government department, and where possible provides an indication of some of the potential costs.

## Section 2: Methodological challenges

4. It is difficult to pinpoint the costs of homelessness. 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.

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<sup>1</sup> <http://www.communities.gov.uk/publications/corporate/statistics/roughsleepingautumn2011>  
Rough sleeping counts and estimates are single night snapshots of the number of people sleeping rough in local authority areas.

<sup>2</sup> Homeless Link, SNAP 2012 <http://homeless.org.uk/sites/default/files/SNAP2012percent20fullreport.pdf>

5. It can be helpful in this to think about risk factors<sup>3</sup> and triggers in the *causes* of homelessness. Risk factors include drug or alcohol problems, poor educational attainment / qualifications and ongoing mental health issues. Triggers can include bereavement, job loss, crime, leaving an institution (including the armed services), and a sudden deterioration in mental health. Relationship or family breakdown can be both a risk factor and a trigger.
6. Drug and alcohol abuse, especially when combined with a mental illness, are linked to homelessness as causal risk factors and triggers, but also as the consequence of being homeless. 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.
7. It is important, however, to recognise that the causal and consequential divide is often blurred. This creates significant challenges in identifying the true costs of homelessness, namely the 'counterfactual' which is needed to move from estimating gross costs, to estimating the additional, or net costs, i.e. the costs over and above the costs that would be incurred anyway were those same individuals were living in settled accommodation.
8. An ideal framework for estimating the costs of homelessness would therefore be underpinned by evidence which demonstrates the additional offending, benefit payments, health service usage etc. of the homeless population by comparing outcomes with a group of otherwise identical individuals. There are significant difficulties in conducting studies which can achieve this level of methodological rigour and as such existing attempts to estimate the cost of homelessness tend to rely on less robust counterfactuals, such as comparing the homeless population with the general low income population, or simply the general population.
9. A detailed examination of the costs to government of homelessness may also need to consider the proportion of UK, EU and non-EU nationals within the homeless population. This is because costs are likely to vary between these groups depending on their statutory entitlements, for example to housing or benefits. Evidence from the CHAIN<sup>4</sup> database, maintained by the homeless

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<sup>3</sup> Or predictors.

<sup>4</sup> Combined Homelessness and Information Network (2011-12) Street to Home Annual Report 1st April 2011 to 31st March 2012

charity Broadway, contains information about rough sleepers in London. The latest report shows that a total of 5,678 rough sleepers were contacted by outreach teams in London in 2011-12<sup>5</sup>. These figures show that just under half (47 per cent) of all rough sleepers in London in 2011-12 were UK nationals, while 53 per cent are non-UK nationals. Twenty eight per cent were from Central and Eastern European countries that joined the EU in 2004 or 2007. (No figures are available for other parts of the country.)

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<sup>5</sup>The CHAIN figure of 5,678 rough sleepers in London compares with a figure of 446 which was compiled and published last year by the Department of Communities and Local Government in its *Rough Sleeping England - Autumn 2011* statistical release. Total numbers of rough sleepers differ between CHAIN and DCLG estimates because the CHAIN figure is a count of all individuals who were seen sleeping rough on the streets of London on at least one night during the entire year between 1 April 2011 and 31 March 2012, whereas the DCLG figure is a snapshot of the number of rough sleepers in London as counted or estimated by each London borough and the City of London on a single night in between 1 October and 30 November 2011.

### **Costs of homelessness: summary**

A number of research studies have attempted to calculate the total costs to government of homelessness. These studies have a number of methodological limitations and concern different groups of homeless people. Estimates of the annual costs to government from these studies range from £24,000 - £30,000 (gross) per person, anything up to circa £1bn (gross) annually. The net cost is likely to be lower.

Department of Work and Pensions: Costs are likely to arise to DWP as a result of benefit payments, employment programmes, associated administration costs and payments to Local Authorities for administering housing benefit. In August 2011 the average weekly amount of benefit paid was £84 to an Income Support claimant, £80 to an Employment Support Allowance claimant and £64 to a Jobseeker's Allowance claimant.

Department of Health: Health problems, in particular mental health problems, substance misuse and alcohol dependency are more prevalent among the homeless population, especially among rough sleepers with potentially significant costs for health and support services. Unfortunately there is a lack of evidence of the numbers of homeless people who use these services. Case study evidence suggests the costs to the public services of people with multiple needs can be considerable.

Ministry of Justice: Research evidence suggests that homelessness and offending behaviours are interwoven and mutually perpetuating. Costs to the criminal justice system and policing may be significant. For example the total costs for a drug offence conviction is estimated at around £16,000.

English local authorities' current expenditure on homelessness in 2010-11 totalled almost £345m. Of this around £100m is providing temporary accommodation; £70m homelessness prevention and the remainder the administration of homelessness functions.<sup>6</sup> The Department for Communities and Local Government (DCLG) is currently exploring the scope for combining this information with activity data collected from local authorities to enable unit costs to be estimated for particular aspects of local authority activity.

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<sup>6</sup> <http://www.communities.gov.uk/documents/statistics/xls/2031449.xls>

### Section 3: Existing estimates of the cost of homelessness – an overview

10. There have been a number of studies carried out in recent years which attempt to quantify the costs to government and society of homelessness. Owing to the challenges already described, none of these is a definitive account of the total costs to the government and resource, or opportunity costs, to the rest of society. The studies also have a focus on different groups of homeless people (i.e. only rough sleepers, or statutory homeless families in temporary accommodation). As well as summarising the results of these studies, we consider the differences in their scope and their methodological limitations.
11. The National Audit Office (2005) '*More than a roof: progress in tackling homelessness*' report estimates that around £1 billion is spent annually on preventing and dealing with homelessness. The £1bn gross costs include costs to the Department for Communities and Local Government (Supporting People and other grant and capital funding) and to local authorities (provision of hostel and bed and breakfast accommodation and other welfare administration). The report does not include the full range of indirect costs to government such as health or benefits expenditure. No assessment is made of the net costs.
12. An early attempt to estimate the annual costs of homelessness in 2003 by the New Policy Institute<sup>7</sup> estimated an annual cost of £24,500 (gross) for a single homeless person, based on six case studies. The group of homeless people included in this study is very broad and includes rough sleepers, those in temporary accommodation, homeowners at imminent risk of eviction and involuntary sharers. The gross annual cost includes costs of a failed tenancy, temporary accommodation, outreach and advice services, health and criminal justice services, and resettlement. The report provides unit cost estimates for unemployment in relation to lost output (costs to the economy), but does not include welfare benefit costs.
13. A study in 2008 by the New Economics Foundation '*Work it out: barriers to employment for homeless people*' indicated an annual cost to the state of £26,000 for each homeless person. The costs relate specifically to 'job ready' homeless people. As such they have lower than average health and substance abuse problems, are mainly aged under 27 or between 40 and 55,

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<sup>7</sup> Crisis and New Policy Institute (2003) 'How many, how much? Single homelessness and the question of numbers and cost'

and 85 per cent are non-statutory rather than statutory homeless. The estimate is calculated using the low income population as a counterfactual and might therefore overestimate the additional cost of homelessness. The estimate includes the cost of benefit payments, hostel accommodation and care of children.

14. The *MEAM manifesto*<sup>8</sup> published in 2009 contains sample costs of support for a man with multiple needs who had previously been sleeping rough in London. The total for one year since he had moved off the streets was £24,350 (broken down into hospital costs £150; drug treatment £3,000; medication £400; day centre services £1,800; and accommodation and support £19,000). These calculations include direct government expenditure only and not the full range of indirect costs to government, but give a sense of the costs associated with supporting somebody with multiple needs, which can be considerably higher (£407,500 in this extreme case) if they are homeless and not properly supported.

#### **Section 4: Costs to government departments**

15. This section sets out some of the gross and net costs to the government of providing support and services to homeless people. Owing to significant gaps in the evidence, the costs described are not comprehensive and are intended only as a base on which further research might build.

##### ***a) Department for Work and Pensions***

16. The Department for Work and Pensions (DWP) supports homeless people in moving closer to the labour market, in competing effectively for job opportunities and in remaining in work. This is done by promoting job readiness through employment advice and job-related training, providing financial support through the benefits system, and by ensuring that through employment and benefit support, homeless claimants are able to secure and remain in settled accommodation. To enable support to be tailored accordingly, a homeless claimant needs to volunteer the information that their accommodation status is impacting on their capacity to find work.
17. For homeless claimants seeking work and claiming jobseeker's allowance (JSA) the absence of stable accommodation, alongside other employment barriers, is taken into account when deciding the steps the homeless claimant

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<sup>8</sup> <http://www.gulbenkian.org.uk/files/13-12-10-FP1per cent20MEAM-Manifesto.pdf>

should take to find work with the help of Jobcentre Plus or contracted provision such as the work programme. Homeless claimants may also be eligible for a range of other benefits, including, employment and support allowance (ESA) (although some existing claimants may still claim incapacity benefit (IB)), income support (IS) and housing benefit (HB). Homeless claimants who are working may also be eligible for in-work benefits such as tax credits.

18. The welfare system is currently being reformed to make a system that is simpler, fairer and ensures that work always pays. Universal credit will be introduced from October 2013. It will provide a single streamlined benefit, combining income related JSA, income related ESA, income support, housing benefit and tax credits into one payment. Figures presented here are based on the current system.

#### *Costs to DWP associated with rough sleepers and hostel residents*

19. At present, there are no reliable statistics on the number of rough sleepers and hostel residents interacting with different government services. Therefore it is not possible to provide an accurate estimate of the costs to the welfare and benefit systems that are associated with these groups of homeless claimants. The next section therefore sets out when we would expect costs to arise<sup>9</sup>.

#### Examples of where costs arise

20. We would expect costs to arise to DWP as a result of benefit payments, employment programmes, associated administration costs and payments to local authorities for administering housing benefit. An indication of some of the typical costs associated with each of these elements is provided.

#### *Out-of-work benefits*

21. The costs provided in this paragraph<sup>10</sup> are the average weekly amount of benefit paid and based on all claimants of a particular benefit. It is not possible to provide the average weekly amount of benefit paid for only homeless claimants. These costs are relevant to both rough sleepers and hostel residents claiming each benefit. In August 2011 the average weekly

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<sup>9</sup> This paper is concerned with rough sleepers and hostel residents. However, the costs discussed here may also be associated with those who are statutorily homeless and living in temporary accommodation as well as those who are 'hidden homeless' (such as those living with friends).

<sup>10</sup> Figures are provided by the DWP TabTool <http://statistics.dwp.gov.uk/asd/index.php?page=tabtool>. All figures are rounded to the nearest pound.

amount of benefit paid was £84 to an IS claimant, £80 to an ESA claimant and £64 to a JSA claimant.

### *Housing benefit*

22. Housing benefit is relevant to hostel residents but not to rough sleepers. For the purposes of housing benefit, some hostels are treated as 'exempt accommodation', a classification which enables housing benefit to meet the additional costs of providing specialist housing. Local authorities administer housing benefit within a framework set by DWP, whereby a rent officer provides a rent officer determination (ROD) of the maximum level of mainstream rent that would be appropriate for the accommodation provided. Local authorities can then claim back the total amount of housing benefit paid under the ROD as subsidy from DWP, but only 60 per cent of the amount over the ROD for vulnerable claimants. A report for DWP showed the average value of housing benefit in 2009/10 paid to those in exempt accommodation in 21 local authorities was £71 per week above the maximum level of mainstream rent that would be appropriate for the accommodation provided<sup>11</sup>. However further analysis in the same report looking at trends seen in previous years subsidy returns suggests lower average values of additional weekly housing benefit entitlement. It should be noted that these estimates cover a range of non-mainstream accommodation, some of it hostel-like in nature, but also other accommodation specifically for people with learning disabilities and other conditions.

### *Contracted provision*

23. DWP has a range of contracted provision that unemployed homeless people can benefit from. For example, homeless people on JSA can volunteer to join the work programme after three months of their claim.

### Enhancing the evidence base

24. DWP analysts are actively exploring a range of opportunities with the homelessness sector to enhance our knowledge and produce descriptive statistics of how homeless people interact with benefits and contracted provision.

### ***b) Department of Health***

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<sup>11</sup> Boath, M., Baker, E. and Wilkinson, H (2010) 'Exempt' and supported accommodation. DWP Research Report 714.

25. Those sleeping rough or in unstable accommodation have significantly higher levels of premature mortality and mental and physical ill health, substance abuse problems and higher rates of mortality than the general population. They can also experience difficulties registering with a general practitioner in the local area, accessing follow-up care or staying on a course of treatment.
26. Some health problems are more clearly the result of being homeless (i.e. caused by it) than others. A detailed report by the Royal College of Physicians recognised that ill health could be both a cause and a consequence of homelessness. Expert opinion suggests that perhaps the majority (circa two-thirds) of serious chronic health problems amongst homeless people pre-exist before the person becomes homeless (and may be a part of the cause of the transition to homelessness), although will often be exacerbated by the person being homeless. This suggests net costs in the order of one third of gross costs.
27. There is also emerging evidence that psychological disorders strongly predict homelessness, in particular youth homelessness and rough sleeping.<sup>12</sup> Many homeless people demonstrate a combination of physical illness, mental health problems and substance misuse.<sup>13</sup> As many as 40 per cent of rough sleepers have these multiple concurrent health needs, whilst research by the charity St. Mungo's found that approximately half of their residents have mental health problems, 32 per cent had an alcohol dependency and 63 per cent had a drugs problem<sup>14</sup>.
28. According to a Department of Health study, which provides estimates based on 40,500 rough sleepers or those living in a hostel, homeless people are 3.2 times more likely than the general population to be an impatient admission, at an average cost 1.5 times higher.<sup>15</sup> This implies a gross cost of £76.2m per year, rising to £85.6m when outpatient usage and accident and emergency attendances are added. The net cost (i.e. over and above the costs for the same number of the general population) is estimated at £64m year.

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<sup>12</sup> 'Homelessness and complex trauma: a review of the literature.' Maguire, N.J., Johnson, R., Vostanis, P., Keats, H. and Remington, R.E. (2009) Southampton, UK, University of Southampton

<sup>13</sup> Most individuals with multiple needs and exclusions are in the homelessness and/or prison population.

<sup>14</sup> St Mungo's, September 2008 'Homelessness: it makes you sick'

<sup>15</sup> Department of Health (2010) Healthcare for single homeless people. NB: It should be noted that the report uses a 'No Fixed Abode category' as a proxy for homelessness. This therefore includes some people who are not homeless but do not disclose their address, and may miss some homeless people who may give their hostel address.

29. However, hospital admissions and accident and emergency attendances are likely to represent only a small fraction of the total costs to health services. The box below sets out some of the health problems experienced by patients of the Cambridge Access Surgery, a GP surgery dedicated to homeless patients who are mostly rough sleepers and hostel dwellers.

**Recorded health problems among the Cambridge Access Surgery patients<sup>16</sup>:**

Drug dependence syndrome (62.5%)  
Mental ill-health (53.7%)  
Alcohol dependence syndrome (49.1%)  
Dual diagnosis\* (42.6%)  
Injuries/Assault (26.4%)  
Hepatitis C Virus antibody positive (17.6%)  
Respiratory diseases (16.7%)  
Liver disorders/ abnormalities (15.7%)  
Other infections sepsis, abscesses, MRSA, C-diff (13.9%)  
Other health problems\*\* (31.5%)

\* Mental health and substance misuse problem

\*\*Dental problems, gastroenterological diseases, deep venous thrombosis (DVT), skin conditions, epilepsy/ fits, urogenital diseases, learning/ physical disability, anaemia, cardiovascular diseases and cancer.

Random sample of 216 patients of Cambridge Access Surgery registered population

30. The most prevalent problems are drug and alcohol dependency and mental health problems, suggesting that the more significant costs to health and support services are likely to come from drug and alcohol treatment and mental health services. Unfortunately there is a lack of good evidence of the costs of providing these services to homeless people, although case study evidence suggests the costs to the public services of people with multiple needs can be considerable. The costs of drug treatment and detox programmes and mental health support, particularly, can be many times what they would otherwise be. The *Making Every Adult Matter* (MEAM) report provides two case studies of individuals with multiple needs both with recent episodes of homelessness, for whom drug treatment and detox costs, and mental health support costs, were reduced from £16,000 to £2,700 and £32,000 to £3,000 in moving from a state of homelessness with more piecemeal support, to stable accommodation with a more comprehensive and coordinated support provision.

<sup>16</sup> Department of Health (2010) Joint Strategic Needs Assessment: Homelessness and at risk of homelessness. (see Appendix 7) [http://www.cambridgeshirejsna.org.uk/webfm\\_send/110](http://www.cambridgeshirejsna.org.uk/webfm_send/110)

### **c) Ministry of Justice**

31. The relationship between homelessness and crime and offending behaviour is complex. Offending can be both a cause and effect of homelessness. It is difficult therefore to isolate the impact of homelessness on offending outcomes.
32. However, that there are strong links between both is clear. Homelessness is more prevalent in the offender population, particularly among ex-prisoners and evidence suggests there is a self-perpetuating cycle between offending and homelessness. Prisoners may lose their accommodation whilst in prison due to breakdown of communication with landlords and loss of housing benefit due to criminal conviction and the custodial sentence. Recent results from the *Surveying Prisoner Crime Reduction (SPCR)* survey find that nearly two in five prisoners (37 per cent) stated that they would need help finding a place to live when they were released. Of these, 84 per cent reported needing a lot of help. Fifteen per cent of prisoners in the sample reported being homeless before custody, compared with three and a half per cent of the general population. Three-fifths (60 per cent) of prisoners believed that having a place to live was important in stopping them from re-offending in the future. More than three-quarters of prisoners (79 per cent) who reported being homeless before custody were reconvicted in the first year after release, compared with less than half (47 per cent) of those who did not report being homeless before custody<sup>17</sup>.
33. Research by Shelter with 55 homeless ex-prisoners found that most described a clear link between their homeless situation and the crimes they had committed. Drug and alcohol misuse was found to be exacerbated by homelessness and used as a coping mechanism. In many instances crimes were committed to fund addictions, as well as to contend with unsuitable accommodation.
34. There is some evidence that the experience of becoming homeless has a direct causal effect on offending behaviour. For example, a Canadian study of 390 homeless young people in 1991 found that a significantly greater proportion of young people committed offences after, rather than before, becoming homeless. This was not explained by other characteristics of

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<sup>17</sup> Ministry of Justice (2012) Accommodation, homelessness and reoffending of prisoners: Results from the Surveying Prisoner Crime Reduction (SPCR) survey. Research summary 3/12. It should be noted that this sample does not represent the wider non-custodial offending population, only those who have been convicted and received custodial sentences.

offenders, such as age or number of previous offences suggesting higher offending rates were caused by the experience of being homeless<sup>18</sup>.

35. Taken together the evidence strongly suggests the experience of being homeless can exacerbate offending behaviour and play a role in recidivism. The resulting costs to the criminal justice system and policing may be significant. For example the total cost to the criminal justice system of a male convicted of shop-lifting is estimated to be around £3,500, while the total cost of a drug offence conviction is estimated to be around £16,000<sup>19</sup>.

#### **d) Department of Education**

36. There is persuasive evidence that frequent residential mobility for adverse reasons, such as homelessness, has a negative effect on educational attainment, particularly in secondary schools<sup>20</sup>.
37. Some children enter the care system because they become homeless. In 2011, 160 children were taken into care for reasons of 'low income' (less than one per cent of all looked after children in England) while 4,050 (six per cent of all looked after children) were in care as a result of 'absent parenting'.<sup>21</sup> The cost of placing a child in care varies significantly depending on their needs, but an illustrative unit cost for a child with few emotional and behavioural difficulties placed with local authority foster carers is £8,874 for one year.<sup>22</sup>

#### **e) Department of Communities and Local Government**

38. Local authority spend on housing-related support provides an indicator of the additional expenditure on supporting some categories of household to achieve or maintain independent living. In 2010-11 an illustrative figure of average

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<sup>18</sup> McCarthy and Hagan (1991) Homelessness: A criminogenic situation?

<sup>19</sup> Ministry of Justice previously unpublished cost estimates using existing information on the unit costs associated with different "outputs" delivered by the parts of the criminal justice process for which the MoJ has prime responsibility (court time, legal aid, and prison and probation services). Figures represent expected costs for a male adult offender. They do not include wider costs of offending to society which may be significant.

<sup>20</sup> Tunstall R. et al (2009) How housing affects children's education and development through the effects of overcrowding, frequent mobility, and poor health and wellbeing.

<sup>21</sup> Department for Education: Children Looked After by Local Authorities in England (including adoption and care leavers) - year ending 31 March 2011  
<http://www.education.gov.uk/rsgateway/DB/SFR/s001026/sfr21-2011v3.xls#A1!A1>

<sup>22</sup> PSSRU/Curtis, L (2011) Unit Costs of Health & Social Care 2011. Per annum figure derived from given cost of £14,790 for 20 months.

annual spend per unit for rough sleepers was £7,900, or for single homeless people with support needs £5,600<sup>23</sup>.

39. According to local authority Revenue Outturn returns to DCLG, English local authorities' net current expenditure on homelessness in 2010-11 totalled almost £345m.<sup>24</sup> Of this around £100m is providing temporary accommodation; £70m homelessness prevention and the remainder the administration of homelessness functions.<sup>25</sup>

40. DCLG is currently exploring the scope for combining this information with activity data collected from local authorities to enable unit costs to be estimated for particular aspects of local authority activity.

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<sup>23</sup> Supporting People Local Systems including spend data 2010/11 and Household Units as at 31.03.11. NB: these figures should be viewed as illustrative rather than absolute as spend data related to full financial year whilst household unit data was a snapshot in time of the then capacity of housing support services. Fluctuations in household units during the year, utilisation levels and differences in support delivery are not taken into account meaning these figures should not be regarded as definitive.

<sup>24</sup> RO4 forms for Housing Services excluding HRA.

<sup>25</sup> <http://www.communities.gov.uk/documents/statistics/xls/2031449.xls>