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Pleace, Nicholas [orcid.org/0000-0002-2133-2667](https://orcid.org/0000-0002-2133-2667) and Bretherton, Joanne [orcid.org/0000-0002-8258-477X](https://orcid.org/0000-0002-8258-477X) (2019) *The cost effectiveness of Housing First in England*. Research Report. Homeless Link , London.

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**Housing  
First  
England**

**The cost effectiveness of Housing  
First in England**



Nicholas Pleace and Joanne Bretherton,  
March 2019

### Housing First England

Homeless Link's Housing First England project was created to promote development, and support Housing First services across England. The project aims to increase and sustain the use of Housing First in England (where appropriate for a specific client group) and promote activities that focus on leadership, research, and supporting practice.

This Housing First England research was jointly funded by Lankelly Chase and Comic Relief.

<https://hfe.homeless.org.uk>

### Acknowledgements

This piece of work was commissioned by Homeless Link. Our thanks to Helen Mathie, Jennifer Harris and Joanne Prestidge at Homeless Link for their support with this work.

In undertaking this analysis, we were entirely dependent on the good will and support of a range of organisations who provided Housing First services and which commission Housing First. Our thanks to the service providers and local authorities that chose to share information with us. We are particularly grateful to the time and effort devoted to completing our questionnaires, which created an additional workload - which was not funded - on organisations that had limited resources at their command. We should also like to thank the people using Housing First services - whose participation was anonymous - for their help in sharing data on their experiences before and after using Housing First and to the staff and volunteers in Housing First services that helped us collect this information.

Our thanks to our colleague David Rhodes for his analysis of regional rent levels based on the Family Resources Survey.

Nicholas Pleace  
Joanne Bretherton

### Disclaimer

This work was a small, entirely desk-based exercise. Housing First projects were not visited, nor were the people using Housing First services interviewed. The time and resources put into previous reviews of the cost effectiveness of Housing First, including studies conducted in Canada, Denmark, Finland, France and the USA, were not available for this report.

The opinions expressed in this report do not necessarily reflect those of Homeless Link or the University of York. Responsibility for any errors and omissions lies with the authors.

# The cost effectiveness of Housing First in England

## Contents

Executive summary .....	5
1 Introduction .....	8
About the report .....	8
2 The costs of Housing First .....	10
Introduction .....	10
Key points.....	10
Defining Housing First.....	10
The costs of Housing First .....	13
About Housing First services.....	13
The patterns and costs of support.....	16
Estimating total annual support costs .....	24
Comparing total support costs with the Housing First pilots .....	25
Overall costs including housing costs.....	27
Summary .....	29
3 Cost effectiveness: Homelessness services .....	30
Introduction .....	30
Key points.....	30
Cost comparison with other homelessness services.....	30
Support costs.....	32
Total costs .....	38
Summary .....	40
4 Cost effectiveness: Cost offsets.....	41
Introduction .....	41
Key points.....	41
Cost offsets .....	42
Cashable savings.....	42
Cost spikes.....	43
Estimating cost offsets.....	44
Other research on cost offsets.....	48
Summary .....	50
3 Conclusion: The value of Housing First.....	52

<b>Introduction</b> .....	<b>52</b>
<b>Key points</b> .....	<b>52</b>
<b>Comparison with international evidence</b> .....	<b>53</b>
<b>How should cost effectiveness be defined?</b> .....	<b>57</b>
<b>Summary</b> .....	<b>57</b>

**Produced by** Nicholas Pleace and Joanne Bretherton, of The University of York, for Housing First England

**Published** March 2019

## Executive summary

Housing First is a breakthrough in ending homelessness among people with high and complex needs and long-term, or repeated, experience of homelessness.

This report explores the cost effectiveness of Housing First, drawing on the results of anonymous surveys of 15 Housing First services in England, local authority service commissioners and a group of 29 Housing First service users.

### Costs over time

The average costs of Housing First tend to reduce over time, as people start to require less support. Across the 15 Housing First services, on average, the typical support someone received during the first month was twice the level they would be receiving at 12 months.

Longer-term use of Housing First, e.g. over a second or third year, would be expected to cost less than the first year of use. This is again because use of support services is expected to fall back over time. However, it is important that Housing First retains the capacity to respond when someone requires more support, as it works with a group of people with high and complex needs, often with repeated and long-term experience of homelessness.

### Total support costs

Housing First costs an average of approximately £4,128 in total support costs per-person during the first year of use, including staffing, administration and any personal budgets provided. The median total support cost is £3,747.

Total average costs, including housing, for the first year of use are £9,492 per person if an average social housing rent is being paid and £9,222, if an average rent in the cheapest third of the private rented sector is being paid, i.e. a private rent at level the benefit system is likely to wholly, or largely, pay.

Housing First is more expensive in areas like London and the South East where both wages and housing costs are higher. Average costs in these areas were closer to £10-£11,000 for the first year in London, but closer to £8,000 in the North East.

### Comparisons to other services

Housing First tends to cost less than fixed-site services, such as hostels and high intensity temporary supported housing. In part, this is because the level of support Housing First provides to service users tends to fall over time, which means Housing First services can redeploy resources, whereas fixed-site services tend to also have fixed costs.

Housing First also tends to have lower daily support costs than fixed-site services. When Housing First is providing 'peak' levels of support during the first month of service use, it still has lower average support costs than fixed-site services.

Three years of support from Housing First costs less, on average, than one year in fixed-site services. If homeless people with high and complex needs use Housing First for longer periods of time, this will not necessarily be more expensive than using some existing services during a shorter timeframe.

Housing First is a long-term intensive support service model, intended for homeless people with high and complex needs. The Housing First model is not designed to provide a low-cost solution to homelessness. While it can have lower operating costs than fixed-site services, Housing First is intended to end homelessness among people with high and complex needs in a cost-effective way, not to reduce spending.

### Comparison with international evidence

Housing First is sometimes described as inherently more efficient and effective than existing homelessness services. This idea is based on early North American comparisons between Housing First services and high-cost linear residential treatment (LRT) services that were designed for homeless people with a severe mental illness and addiction, which had high operating costs and were generally less successful in ending homelessness than Housing First.

Existing UK homelessness services, which have been following many of the core elements of Housing First, including a flexible, choice-led approach to service delivery and harm reduction, for more than two decades, are very different to the North American LRT services with which Housing First was first compared. Existing UK services are often successful in ending and preventing homelessness, which means that, in the UK context, it cannot be presumed that Housing First is always going to be the most cost efficient or effective option for anyone who is homeless.

Housing First can be highly effective and reduce costs for local authorities and homelessness service providers because it often works well for homeless people who are “frequent flyers” in fixed-site services, i.e. people with high and complex needs who make frequent, or long-term, use of existing services, but who cannot exit homelessness on a sustained basis. By providing a way to meet the needs of frequent flyers who become stuck in fixed-site services, Housing First can help reduce long-term and repeated homelessness and the costs associated with it.

### Cost offsets

Housing First can sometimes help the NHS save money, when it helps homeless people with complex needs who are frequent flyer users of some NHS services, such as A&E and mental health services. Emerging evidence indicates that Housing First can also significantly reduce offending behaviour and contact with the criminal justice system. While only some homeless people with high and complex needs have contact with the Police and Courts, the costs of this contact are very high, indicating real potential for cost offsets (i.e. savings for the criminal justice system due to Housing First).

Emerging UK evidence and research from Canada and Finland indicate that Housing First is likely to be most cost effective - and generate the highest savings - when it is used to help homeless people with high support needs who are heavy users of other homelessness services and health services and/or who have frequent contact with the criminal justice system. Housing First will sometimes increase costs, in cases where someone should have been receiving treatment and support, has not accessed any services while homeless, and is connected to the treatment and services they need once they start using Housing First.

### Housing First as part of an integrated homelessness strategy

Housing First does not work for every homeless person with high and complex needs, i.e. the 10% to 20% of homeless people that Housing First services are typically not able to re-house. Canadian, European and UK research also shows that Housing First delivers more mixed results in addiction, mental health and social and economic integration than it does in ending homelessness. This means Housing First is best used as part of an integrated strategy, which coordinates and provides the full range of services homeless people need, rather than as a standalone response to homelessness. Used in the right way, for people with high and complex needs within an integrated homelessness strategy, Housing First can save resources and those resources can, in turn, be used to strengthen a wider strategy to prevent and end homelessness.

The ultimate test of any homelessness service is whether or not it ends homelessness. Housing First does end homelessness and does so in a relatively cost-effective way. However, it is the human benefits of Housing First, the ways in which it can positively change the lives of people who would otherwise be caught in long-term and repeated homelessness, that are the real measure of its value.



# 1. Introduction

## About the report

This piece of work was commissioned by Homeless Link. This report draws on data collected across England, from Housing First service providers, people using Housing First and local authorities which were commissioning Housing First, during the Spring and Summer of 2018.

The work had three elements:

- A survey of Housing First service providers which asked for information on the costs of providing their services and collected basic information on how those services operated.
- A brief questionnaire that local authorities commissioning Housing First services were asked to complete, which detailed their spending on other forms of homelessness service alongside spending on Housing First.
- A questionnaire for people using Housing First, which compared their patterns of service use, with respect to health, mental health, addiction, social care and homelessness service and their contact with the criminal justice system, prior to and following use of Housing First. Respondents were asked to compare their typical patterns of service use over three months, as current users of Housing First, with their pattern of service use over a typical three-month period, before they were using Housing First.

Participation in the research was anonymous. The data on commissioning of services and the cost of providing Housing First is commercially sensitive information in a context in which different Housing First service providers can be in competition for the same local authority contracts. From a local authority perspective too, it was potentially disadvantageous for potential service providers to know what was being paid under existing contracts for both Housing First and other homelessness services. To minimise the potential risks of participating in this work, homelessness service providers and local authorities were granted total anonymity and were promised that, while they had shared actual cost data, only approximate values would be included in this report, with the bulk of the analysis focusing on average (mean) and median costs.

The questionnaires were initially distributed in the Spring. Two chase-ups were issued in the Summer (before the school holidays) and at the beginning of Autumn (after the school holidays), which asked those organisations which had not yet responded to please return whatever data they could manage to gather. Distribution was arranged in cooperation with Homeless Link, which had constructed an email list of Housing First providers, designed for communication and research, which all respondents had actively agreed to participate in, in compliance with GDPR. Ethical approval was secured using the University's internal processes.

Responses from the Housing First service providers were relatively good. Twenty-five Housing First service providers were approached, some of which ran more than one Housing First service and 17 responded. Unfortunately, the cost data supplied by two responding organisations were insufficient to enable them to be included in this analysis, so this report concentrates on cost data from 15 Housing First services.

The response from local authorities was smaller, with four authorities responding and opting to share costs, although these were larger councils with extensive homelessness service commissioning. The questionnaire

for Housing First service users was anonymised at the point of collection, i.e. no data that could identify an individual were recorded. The work was entirely reliant on the goodwill of people using Housing First services and the help of staff in those services. The response rate was lower than had been hoped for, with 29 completed questionnaires being sent to the research team.

The data gathered on the direct costs of Housing First were sufficient, covering 15 Housing First services in the North West, Yorkshire and the North East, London, the Midlands and South West. However, the data on local authority commissioning and, particularly, the number of responses from people using Housing First were not at the levels that had been hoped for.

Section 2 of this the report explores the costs of Housing First services in England. This section begins with support costs and then moves on to explore total costs, including housing. A short section briefly contrasts these results with those from the *Housing First in England*<sup>1</sup> report which looked at the costs of Housing First pilot services in 2014.

Section 3 explores the cost offsets for Housing First. Cost offsets is a term describing the money that a Housing First service can potentially save for other services which homeless people with complex needs use, but who may either stop using those services altogether or use them significantly less, as a result of being supported by Housing First. Originally this section had been intended to be based on the results of the anonymous questionnaire of Housing First service users, an evaluation of which forms the first part of this section.

However, as the numbers of responses were lower than had been hoped for, Section 3 also draws on other data. In order to ensure that this work was still producing as much useful data as possible, the author's draw on the results of a 2016 report, which recorded and costed the service use and costs of 86 single homeless people, who had been homeless for 90 days or more, over a three-month period<sup>2</sup>. Using these data, which are adjusted for inflation, three scenarios in which Housing First had been used successfully, compared to the costs of 90 days of homelessness, are explored. Alongside this, the data from the 29 people who chose to respond to the anonymous questionnaire for Housing First service users were also separately examined and the results briefly contrasted with those from earlier *Housing First in England* report. Finally, this section contrasts these results with what the evidence base tells us about the potential cost offsets for Housing First which have been reported in other countries.

The final section considers the results and what they can tell us about the financial case for Housing First. The first part of this section compares the data on costs and cost offsets with the global evidence base on Housing First. In the second section, it is argued that while the cost effectiveness of a service model like Housing First is important, the human costs of homelessness must be our ultimate concern and that the successes of Housing First in stopping homelessness and improving quality of life of formerly homeless people with complex needs should be the determining factor in whether this model is used. It is also argued that, in looking at Housing First as part of the solution to homelessness, we also need to be careful about how it is designed and implemented, fully recognise both its strengths and limits, be clear who it is used to support and look at global lessons around how to integrate Housing First alongside other services within an effective, integrated homelessness strategy.

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1 Bretherton, J. and Pleace, N. (2015) [Housing First in England An Evaluation of Nine Services](#). York: Centre for Housing Policy.

2 Pleace, N. and Culhane, D. (2016) [Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England](#) London: Crisis.

## 2. The costs of Housing First

### Introduction

This section of the report looks at the costs of providing Housing First in England in 2018, drawing on data shared by 15 Housing First services. As noted in the last section, these cost data have been anonymised in two senses, i.e. the organisations sharing these costs are not identified and the costs themselves are presented as approximate values rather than the actual figures. The first part of this section looks at operating costs, the second part at total costs, including housing, and the third part compares the costs collected in 2018 with the figures reported for nine Housing First pilots in England in 2014<sup>3</sup>.

### Key points

- Housing First provides intensive support to homeless people with high and complex needs. The Housing First model views housing as a human right and works on the basis that a flexible, respectful partnership between people using Housing First and those providing Housing First is the best way to end homelessness.
- The 15 Housing First services that shared information on their costs all followed the core philosophy of Housing First. All worked with homeless people with high and complex support needs, such as addiction and severe mental illness and who had long-term and repeated experience of homelessness.
- Housing First paid workers with a caseload, i.e. working directly with homeless people, between £9 to £17 an hour. Costs varied with location. The average wage was £12.51. Workers spent between 55% and 80% of their time with homeless people using their Housing First service, with levels varying between services. Caseloads ranged between three people per worker to 10 people per worker.
- The amount of contact hours that Housing First services had with service users typically declined over time. After 12 months of using Housing First, someone would, on average, be receiving around half the contact time they had received in their first month of using Housing First.
- The costs of supporting someone using Housing First typically fall over time. This can create flexibility, allowing services to balance out new and existing cases, as longer-term service users tend to require less support. Housing First is designed to have the capacity to respond, if someone who has been using a service for some time, requires an increase in support.
- The total costs of Housing First vary by location, wage levels and rents in social housing and private rented sector are higher in London and the South East than in other parts of England.
- Average total costs, including social housing rent, wages, back office, administrative costs and personal budgets were £9,492 per person per year. For someone using Housing First and living in cheapest third of the private rented sector, average costs were £9,222 per person per year.

### Defining Housing First

To be clear about what Housing First costs, we first of all need to be clear about what Housing First is. Dr Sam Tsemberis developed Housing First in New York, with the first service becoming operational in 1992. His idea for Housing First centred on taking the latest thinking in effective discharge arrangements from long-stay

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<sup>3</sup> Bretherton, J. and Pleace, N. (2015) [Housing First in England An Evaluation of Nine Services](#) York: Centre for Housing Policy.

psychiatric hospitals, which were designed to help people with severe mental illness settle into the community and to apply those ideas to a new form of homelessness service<sup>4</sup>.

The first example of Housing First was therefore heavily influenced by mental health resettlement and support services models, using intensive case management (ICM) and assertive community treatment (ACT) which were based on mental health models. ICM was used for people with high needs, providing support but relying on referral to external services, whereas ACT was employed for the highest need cases and used an interdisciplinary team, including specialists in addiction, mental health and clinicians who were directly employed by Housing First. Support was delivered to formerly homeless people, who had high and complex support and treatment needs, which included a diagnosis of severe mental illness in their own homes<sup>5</sup>.

When Housing First began to spread across the USA, based on the results from the original service Sam Tsemberis had designed in New York, the definition of what was Housing First began to become blurred. Quite dissimilar projects, using different sorts of accommodation and delivering varying types and intensity of support and treatment services were calling themselves 'Housing First'<sup>6</sup>. This led to criticism that Housing First was not a coherent model but was instead a term that referred to a range of inconsistent services that had different costs and different results<sup>7</sup>.

Tsemberis and his colleagues became concerned that the original model of Housing First was becoming lost and the elements that made it effective and also cost efficient were being distorted. Considerable effort was placed on promoting consistency with the original model, discussed in terms of fidelity to Housing First and a range of courses, fidelity tests, guidance and research, were produced.<sup>8</sup>

In Canada and in France, the national Housing First programmes which were led by publicly funded mental health services were developed with high fidelity to the original Tsemberis model<sup>9</sup>. Elsewhere in Europe, and in the UK, Housing First was developed with what might be termed a high degree of philosophical consistency with the original Tsemberis model, but with quite a lot of differences in an operational sense<sup>10</sup>. So, for example, Housing First in Finland was targeted not only on homeless people with a diagnosis of severe mental illness, but on all long-term and recurrently homeless people with high and complex needs, which is also the way it has tended to be targeted here in the UK. In several countries, like the Netherlands, Finland and also

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4 Tsemberis, S. (2010) *Housing First: The Pathways Model to End Homelessness for People with Mental Illness and Addiction*. Hazelden: Minnesota.

5 Padgett, D.K., Henwood, B.F. and Tsemberis, S (2016) *Housing First: Ending Homelessness, Transforming Systems and Changing Lives*. Oxford: Oxford University Press.

6 Pearson, C.; Montgomery, A.E.; Locke, G. (2009) Housing Stability among Homeless Individuals with Serious Mental Illness participating in Housing First programs *Journal of Community Psychology* 37, 3, p.404-417; Kresky-Wolff, M., Larson, M.J., O'Brien, R. and McGraw, S.A. (2010) Supportive Housing Approaches in the Collaborative Initiative to Help End Chronic Homelessness, *Journal of Behavioural Health Services and Research* 37(2) pp.213-225.

7 Tabol, C., Drebing, C. and Rosenheck, R. (2010) Studies of "Supported" and "Supportive" Housing: A Comprehensive Review of Model Descriptions and Measurement, *Evaluation and Program Planning* 33(4) pp.446-456.

8 Stefancic, A., Tsemberis, S., Messeri, P., Drake, R. and Goering, P. (2013) The Pathways Housing First fidelity scale for individuals with psychiatric disabilities. *American Journal of Psychiatric Rehabilitation*, 16 (4), 240-261; Greenwood, R.M., Stefancic, A.,

Tsemberis, S. and Busch-Geertsema, V. (2013) Implementations of Housing First in Europe: successes and challenges in maintaining model fidelity. *American Journal of Psychiatric Rehabilitation*, 16 (4), 290-312.

9 Goering, P., Veldhuizen, S., Watson, A., Adair, C., Kopp, B., Latimer, E., Nelson, G., MacNaughton, E., Streiner, D. and Aubry, T. (2014) [National at Home/Chez Soi Final Report](#). Calgary, AB: Mental Health Commission of Canada; DIHAL (2016) [The experimental programme "Un chez-soi d'abord" Housing first main results - 2011/2015](#) (French). Paris: DIHAL.

10 Pleace, N. and Bretherton, J. (2013) [The case for Housing First in the European Union: a critical evaluation of concerns about effectiveness](#). *European Journal of Homelessness*, 7 (2), 21-41; Pleace, N. and Bretherton, J. (2017) 'What Do We Mean by Housing First? Considering the Significance of Variations in Housing First Services in the European Union' in J. Sylvestre; G. Nelson and T. Aubry (eds) *Housing for People with Serious Mental Illness: Theory, Research, Practice and Policy* Oxford: Oxford University Press, pp. 287-299.

## Housing First England

the UK, Housing First has tended to use intensive case management (ICM)<sup>11</sup>, rather than ACT. One reason for this is that health, mental health, addiction services and social care are freely available, rather than being a largely private, for-profit sector, as is the case in the USA.

Homeless Link's *Housing First in England: The Principles*<sup>12</sup>, which draws on the *Housing First Guide Europe*<sup>13</sup> (on which Sam Tsemberis consulted) describes Housing First in terms of the ethos or philosophy that a service should have:

- People have a right to a home.
- Flexible support is provided for as long as it is needed.
- Housing and support are separated.
- Individuals have choice and control.
- An active engagement approach is used.
- The service is based on people's strengths, goals and aspirations.
- A harm reduction approach is used.

Housing First services also have some other characteristics which are listed in *Housing First in England: The Principles*, these can be summarised as follows:

- Housing First is not designed for everyone who is homeless, it is a service model designed for people whose homelessness is associated with high and complex treatment and support needs, including some people living rough and people experiencing long-term or recurrent homelessness.
- Housing First is an intensive service model, where workers support between five and seven people at any one point, compared to a lower intensity floating support or tenancy sustainment service where workers might have caseloads of between 25-40 people at once.

In practice then, a Housing First service offers intensive support to someone living in their own home. Whereas some service models for homeless people with high and complex needs work by getting someone 'housing ready' before offering them housing, Housing First places people into a settled home and provides the support they need to maintain that home, alongside help and support around mental and physical health, addiction, social support and community integration. The original Housing First was built around the idea of 'consumer choice' in the USA, a key part of which was that access to housing and staying in housing was not conditional on engaging with support or treatment (beyond a regular visit from a Housing First worker), i.e. housing and support were separated. Alongside this a harm reduction model was used, supporting people with ending addiction, but not requiring immediate or total abstinence in order to access that support. Since that time our approaches to homelessness service delivery have changed in a number of ways, so Housing First services can be characterised as following what are increasingly mainstream models of co-production and personalisation of services and may also adopt trauma informed care and psychologically informed environments (PIE)<sup>14</sup>.

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<sup>11</sup> There can be some differences in how intensive case management is designed and delivered across different Housing First services and between different countries.

<sup>12</sup> [https://hfe.homeless.org.uk/sites/default/files/attachments/Housing%20First%20in%20England\\_The%20Principles.pdf](https://hfe.homeless.org.uk/sites/default/files/attachments/Housing%20First%20in%20England_The%20Principles.pdf)

<sup>13</sup> <http://housingfirsteurope.eu/guide/>

<sup>14</sup> <http://homeless.org.uk/trauma-informed-care-and-psychologically-informed-environments>

### The Costs of Housing First

#### About the Housing First Services

Fifteen Housing First services shared their costs. While exact costs were shared by these services, this information was potentially sensitive in a context where different homelessness service providers may be competing for the same local authority contract or seeking other funding sources, such as the recently announced £28 million pilot programme funded by central government, in Greater Manchester, the West Midlands and the Liverpool City Region<sup>15</sup>. Therefore, alongside anonymising the services that helpfully participated in this work, the costs those services shared have also been approximated, i.e. their exact costs are not shown in this report. Other potentially identifying information has also not been included in this report, i.e. no analysis contrasting Housing First projects in different cities or regions has been undertaken as Housing First is still comparatively rare and working out that a particular project is being referred to, based on the city or region where it operates, could be possible.

The 15 Housing First services were working in the North East, Yorkshire and Humberside, North West, the Midlands, the South West and London and the South East. Most were operating within cities or urbanised areas, but there were also examples of Housing First services working in more rural and suburban areas.

All 15 Housing First services described themselves as having the following operational characteristics:

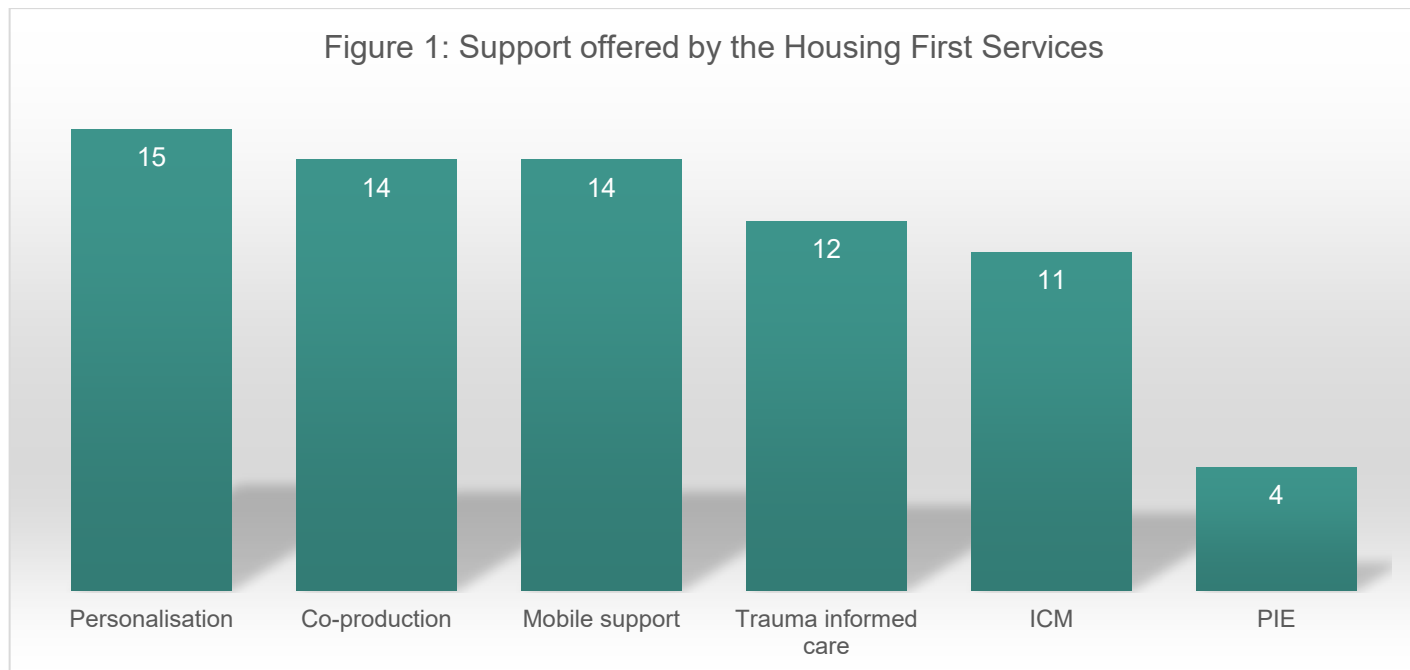
- Regarding housing as a basic human right.
- Offering flexible support.
- Separating housing and support.
- Offering choice and control to people using their service.
- Following a strength-based approach in delivering support.
- Actively engaging with people using the service, but not coercing (forcing) anyone to do anything.
- Following a harm reduction model.

Most of the Housing First services described themselves as following an ICM model and also as offering intensive support services (11 of the 15) and 12 (80%) reported they offered trauma informed care. All described themselves as offering personalised support and all, but one, said their support followed the principles of co-production. Four of the 15 services (26%) said they followed a psychologically informed environment (PIE) approach (Figure 1).

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<sup>15</sup> <https://www.gov.uk/government/news/housing-secretary-james-brokenshire-awards-funding-to-reduce-rough-sleeping>

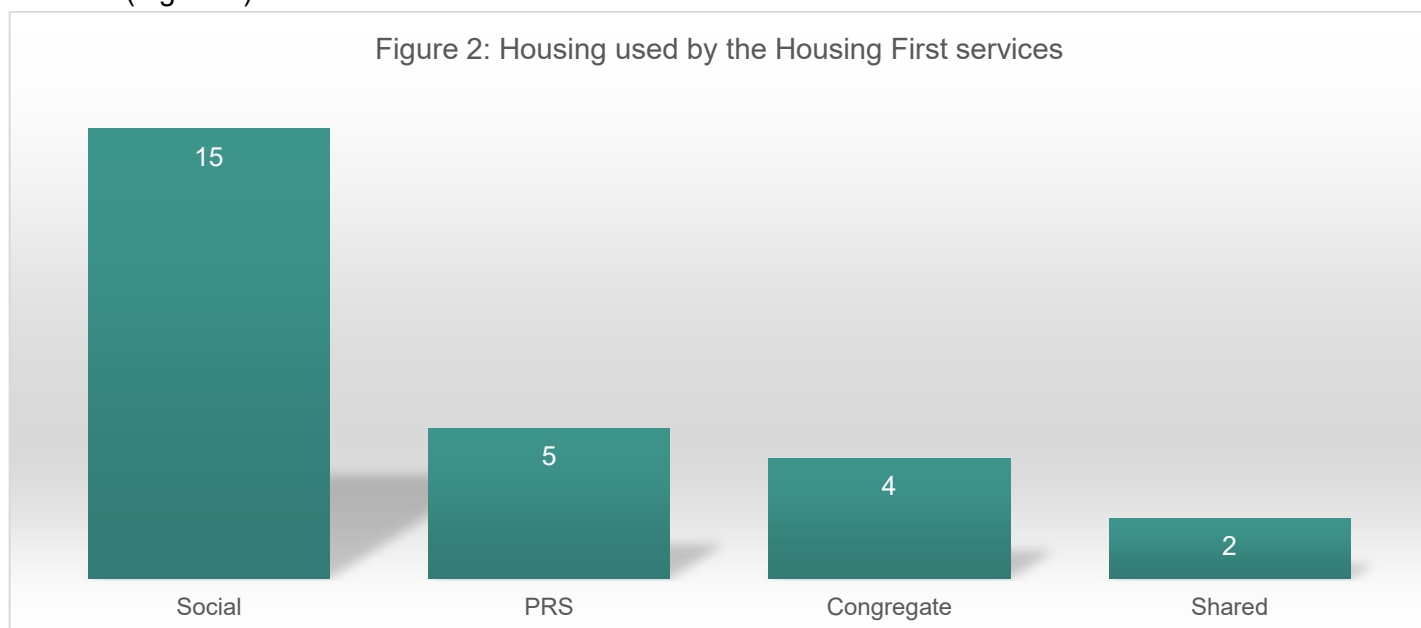
Figure 1: Support offered by the Housing First Services



Source: Questionnaire.

All of the Housing First services used social housing, with five also using the private rented sector. Use of shared housing was unusual (two services) but use of congregate housing (by which was meant two or more Housing First service users having their own flat or apartment in the same block) was used by four of the services (Figure 2).

Figure 2: Housing used by the Housing First services



Source: Questionnaire

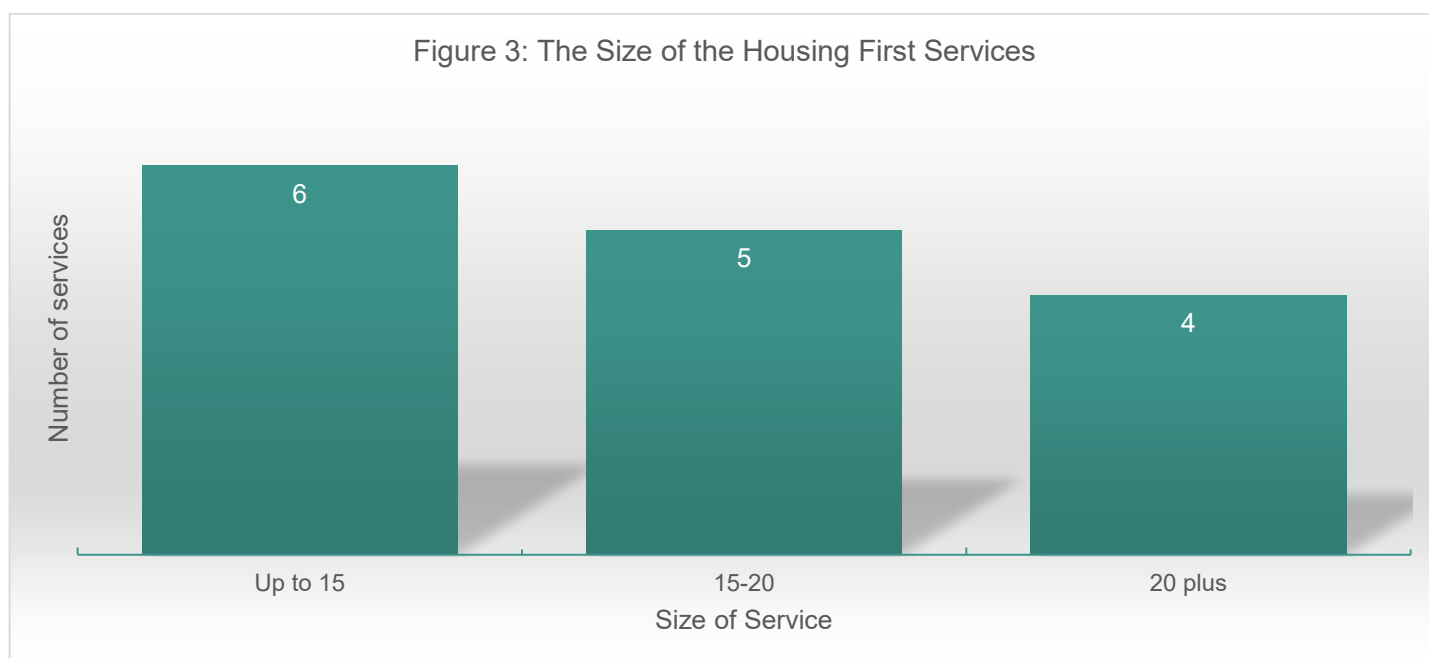
All 15 Housing First services described themselves as working with the following groups of people who were homeless:

- People with mental health problems and addiction.
- People with mental health problems.

## Housing First England

- People with a drug addiction.
- People with an alcohol addiction.
- People with a history of sleeping rough/current rough sleepers.
- People evicted from other homelessness services, such as supported housing/hostels.
- Long-term homeless people.
- Repeatedly homeless people.
- Ex-offenders/people on probation.

All of the services worked with lone adults, most were also able to work with couples (11 services out of the 15) and a small number reported they would also work with families. A number of specific Housing First services exist, like the Threshold Housing First service in Greater Manchester which focuses on homeless women ex-offenders with high and complex needs<sup>16</sup> or the Rock Trust project providing Housing First for youth<sup>17</sup>. At the time of writing these Housing First services are rare, which meant that identifying any specialisms among the 15 services would risk identification of a specific service.



Source: Questionnaire.

The Housing First services ranged in size from smaller projects supporting a smaller group of people using the service at any one point, through to more substantial services, with 20 or more service users (Figure 3). Although the situation may change if the recent £28 million pilot programme funded by central government becomes a national programme, individual Housing First services tend not to be supporting groups of more than 30. The average capacity was 15 people at any one point (the median was 16 people), collectively the 15 Housing First services could support 236 individuals at any one point in time.

<sup>16</sup> Quilgars, D. and Pleace, N. (2018) [The Threshold Housing First Pilot for Women with an Offending History: The First Two Years](#) York: Centre for Housing Policy.

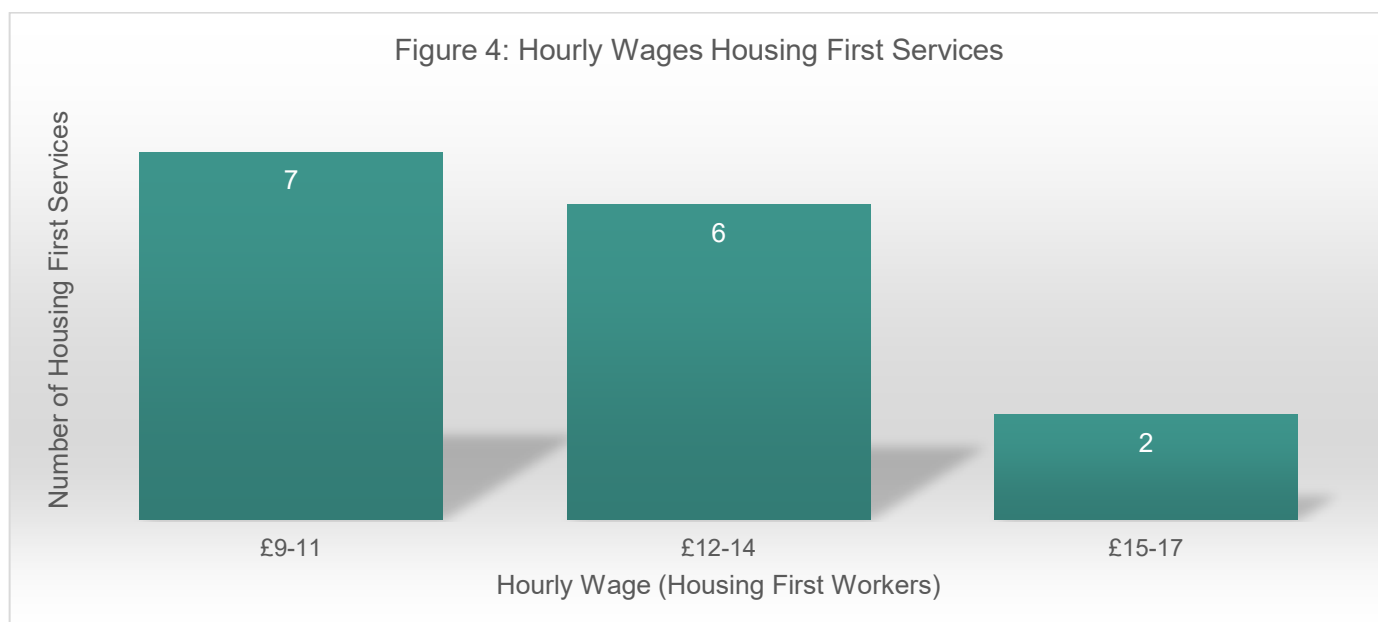
<sup>17</sup> <http://www.rocktrust.org/housing-first-for-youth/>



These services were typically similar in size to the first nine Housing First pilots in England, which were evaluated in 2014<sup>18</sup>, which again had an average of 15 service users (nine projects supported 143 users, although the fidelity of one project to the Housing First model was limited). Unlike the services surveyed in 2014, the 15 Housing First services were supported by local authority contracts, rather than short term pilot funding. However, did not mean that money was necessarily secure in the medium to long-term, or even necessarily in the short term, nor that funding could not be subject to possible cuts. Moving onto local authority contracts had not resulted in Housing First services that were typically larger in scale than they had been at what was the beginning of the "pilot stage" for Housing First four years earlier.

### The Patterns and Costs of Support

The largest group of Housing First service paid their workers, i.e. the people who delivered the support to homeless people using that service, between approximately £9-£11 per hour (seven of the 15 services). A group of almost equal size paid between £12-14 an hour (six services), with only two services paying approximately £15-17 an hour (Figure 4).



Source: Questionnaire.

The average (mean) wage was £12.51 an hour, with a median wage of £13.01 an hour. These figures include differential rates of pay within the same services, i.e. a team might include workers whose main job was the support of people using Housing First, but also include one or more senior workers, who directly supported people using Housing First, and also supervised other team members.

On average, the level of pay for workers in the Housing First services was equivalent to 170% of the minimum wage (£7.83 for adults over 25 as at April 2018<sup>19</sup>). However, this average contained some variation, there were workers in Housing First services earning around 1.5 times the minimum wage and there were those in other services earning more than twice the minimum wage. Hourly rates naturally reflected the relative level of living costs in the areas where the 15 Housing First services were based.

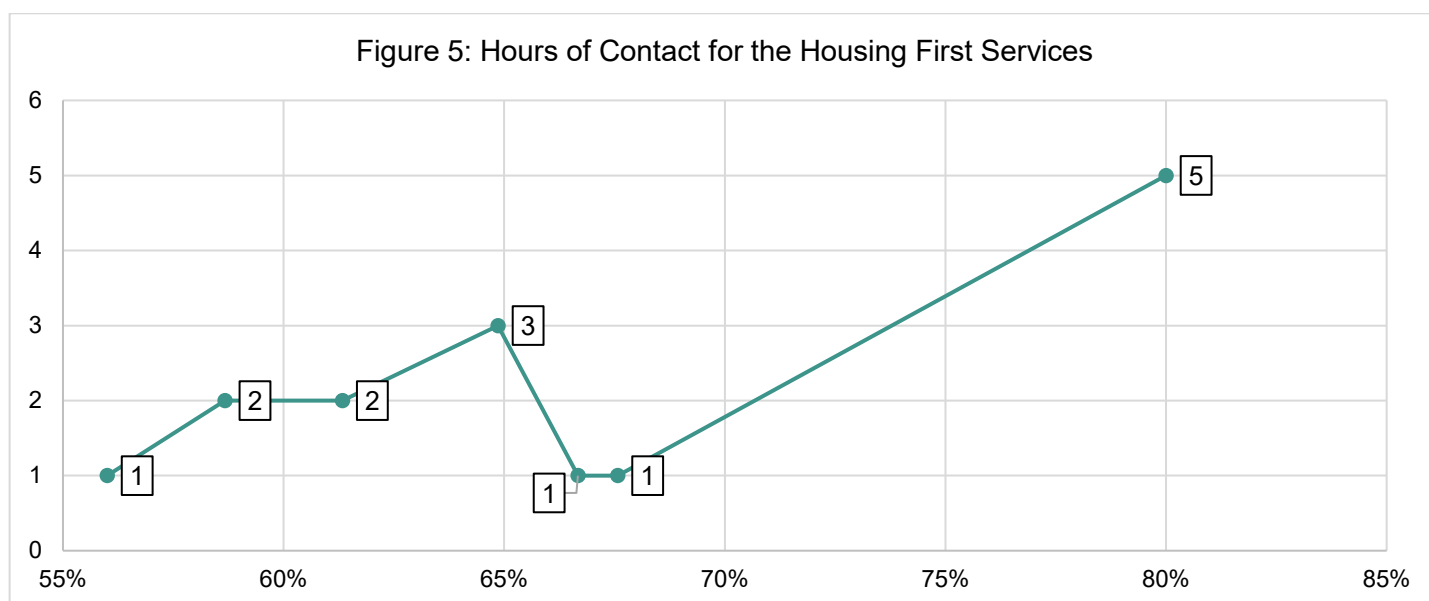
18 Bretherton, J. and Pleace, N. (2015) Housing First in England An Evaluation of Nine Services York: Centre for Housing Policy.

19 <https://www.gov.uk/national-minimum-wage-rates>

Contracted hours were nearly uniform, with almost all of the 15 services employing workers for 37.5 hours a week. None of the services exceeded this number of hours, although a small number were offering slightly shorter working weeks.

All 15 services reported that the bulk of worker time was spent delivering support and case management to the people supported by Housing First. However, there could be considerable differences as to what this meant in practice, at the lower end, around two thirds of time was spent directly providing support, whilst at the upper end, the equivalent of four days out of work was spent on supporting people using Housing First. The average (mean) time spent in contact with service users was 68% and the median level was 64%, across the 15 Housing First services (Figure 5).

The main reason for this variation appears to have been centred on location and area covered. Housing First services that were covering larger areas required workers to spend more time travelling and thus the proportion of time spent as contact hours was lower. However, there is always the possibility that workers will spend significant time travelling, due to congestion, limitations with public transport. Some of the initial research on Housing First in England also reported that when workers were sourcing suitable housing, alongside providing support, maintaining contact hours could be challenging<sup>20</sup>.

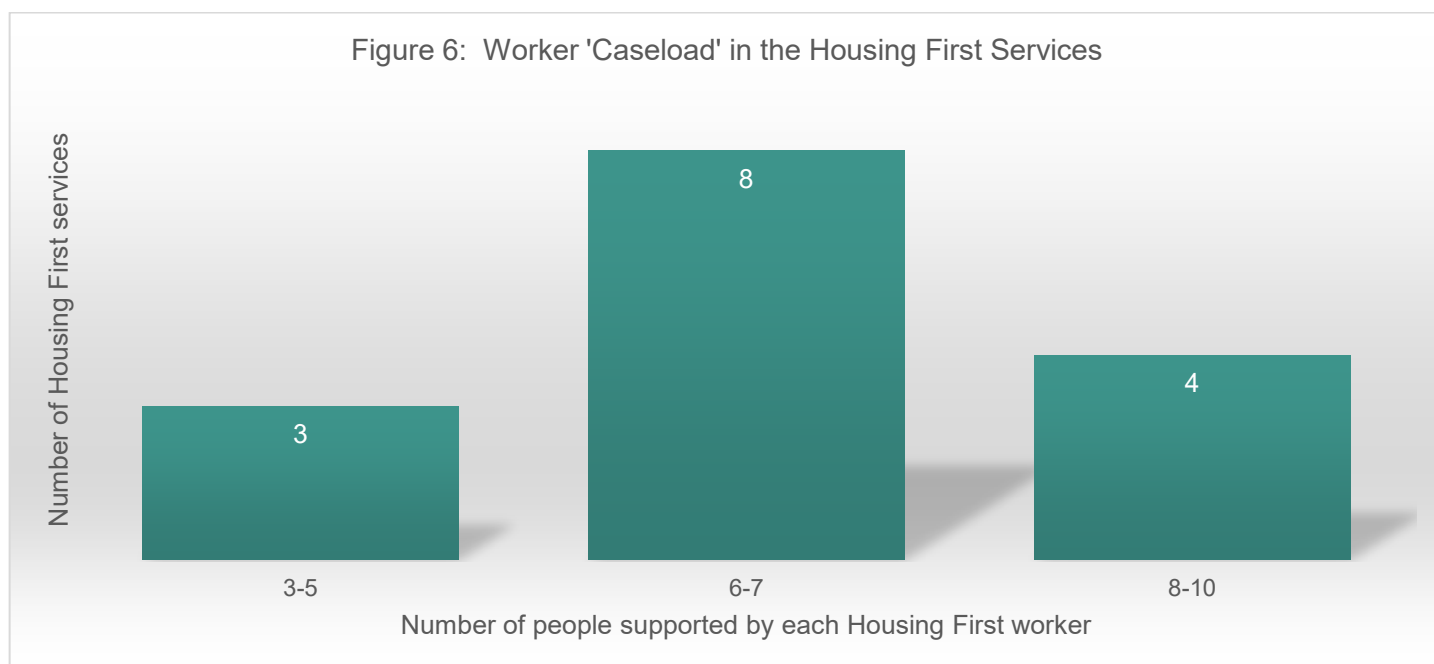


Source: Questionnaire

The number of people supported by each Housing First worker in the services varied considerably, in some cases it was less than five, in others between eight and ten people were supported by each worker. There is an expectation that a Housing First service will have a high staffing ratio relative to most other homelessness services, because it is an intensive support model that is designed for people with high and complex needs. However, the detail of how these loads were organised is important. A Housing First worker with a higher 'load' than five people could find it difficult to meet everyone's needs, but if some of those people had been using the service for some time and had reached a point where less support was needed on a regular basis, then the load would be more manageable. This said, the Housing First services had broad tendency towards the upper end

<sup>20</sup> Pleace, N. and Bretherton, J. (2013) Camden Housing First: A 'Housing First' Experiment in London York: University of York.

of what would be expected in terms of load, which may have reflected the relative levels of resource available through local authority commissioning (Figure 6).



Source: Questionnaire.

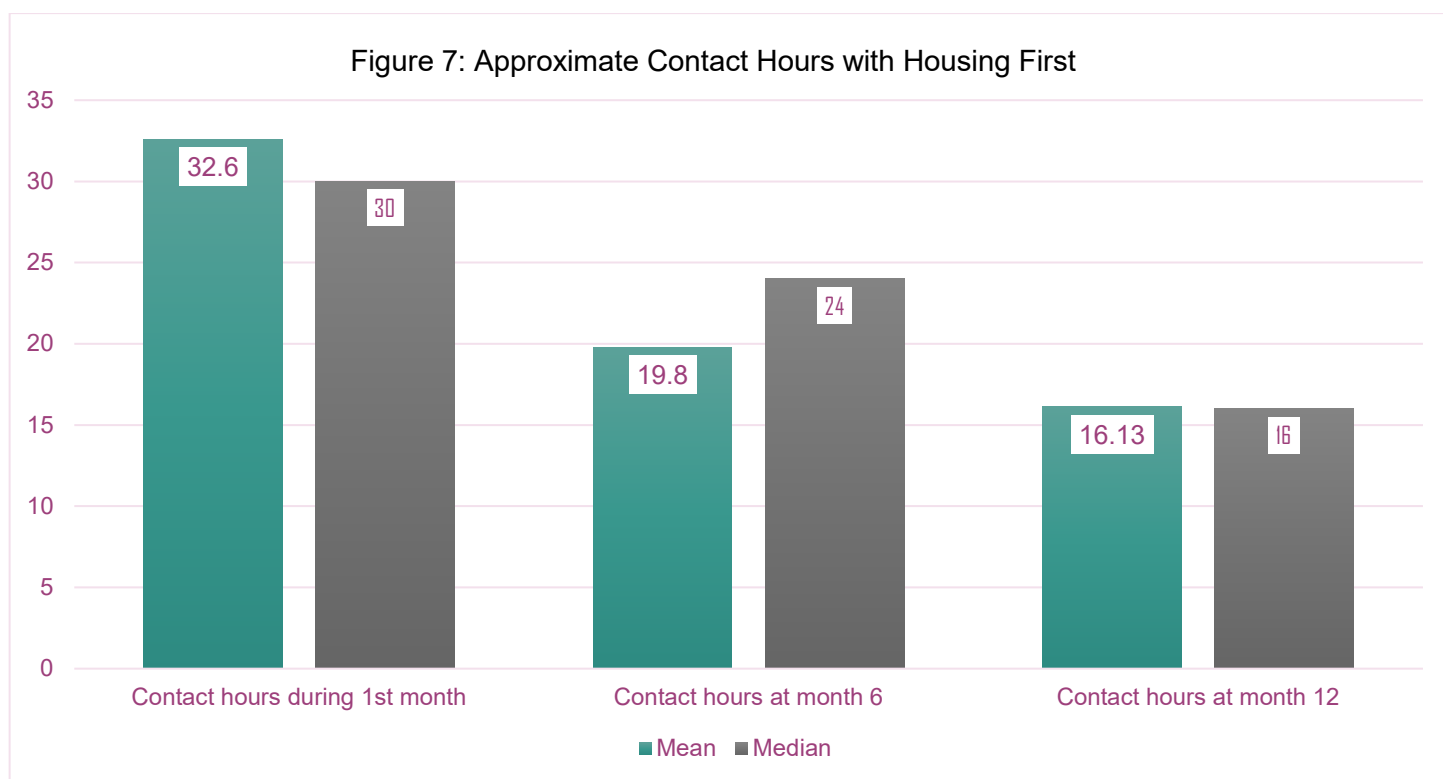
Looking at this in more detail, the 15 Housing First services were asked to estimate how the level of support they provided to people being supported by their services changed over time. These figures were estimates, and most previous research has indicated that Housing First does not - with the exception of delivering sustainable housing for between 7-9 of every ten service users at one year - necessarily produce consistent or predictable gains in health, mental health, addiction and social integration<sup>21</sup>.

This means that it is not necessarily the case that someone will need a given level of support at a given point, each person using Housing First is different and Housing First is designed to recognise and respond to that difference. Having made this point, which will be briefly revisited below, it is nevertheless a broadly accurate statement to say that, if they remain in contact with Housing First, people's support needs and thus their requirement for one to one time with a worker do tend to fall over time<sup>22</sup>.

The 15 Housing First services reported a high intensity contact during the first month of receiving support, with an average (mean) of 32.6 hours of contact and median of 30 hours reported. At six months, the support had typically lessened, to an average of 19.8 hours and a median of 24 hours, while at one year it was generally expected to be at considerably lower levels than during month one (an average/mean of 16.13 hours and a median of 16 hours) (Figure 7).

21 Quilgars, D. and Pleace, N. (2016) Housing First and Social Integration: A Realistic Aim? *Social Inclusion* 4.4, DOI: 10.17645/si.v4i4.672; N. and Quilgars, D. (2013) *Improving Health and Social Integration through Housing First: A Review* DIHAL; Johnson, G.; Parkinson, S. and Parsell, C. (2012) *Policy shift or program drift? Implementing Housing First in Australia*, AHURI.

22 Pleace, N. (2016) *Housing First Guide Europe* Brussels: FEANTSA.

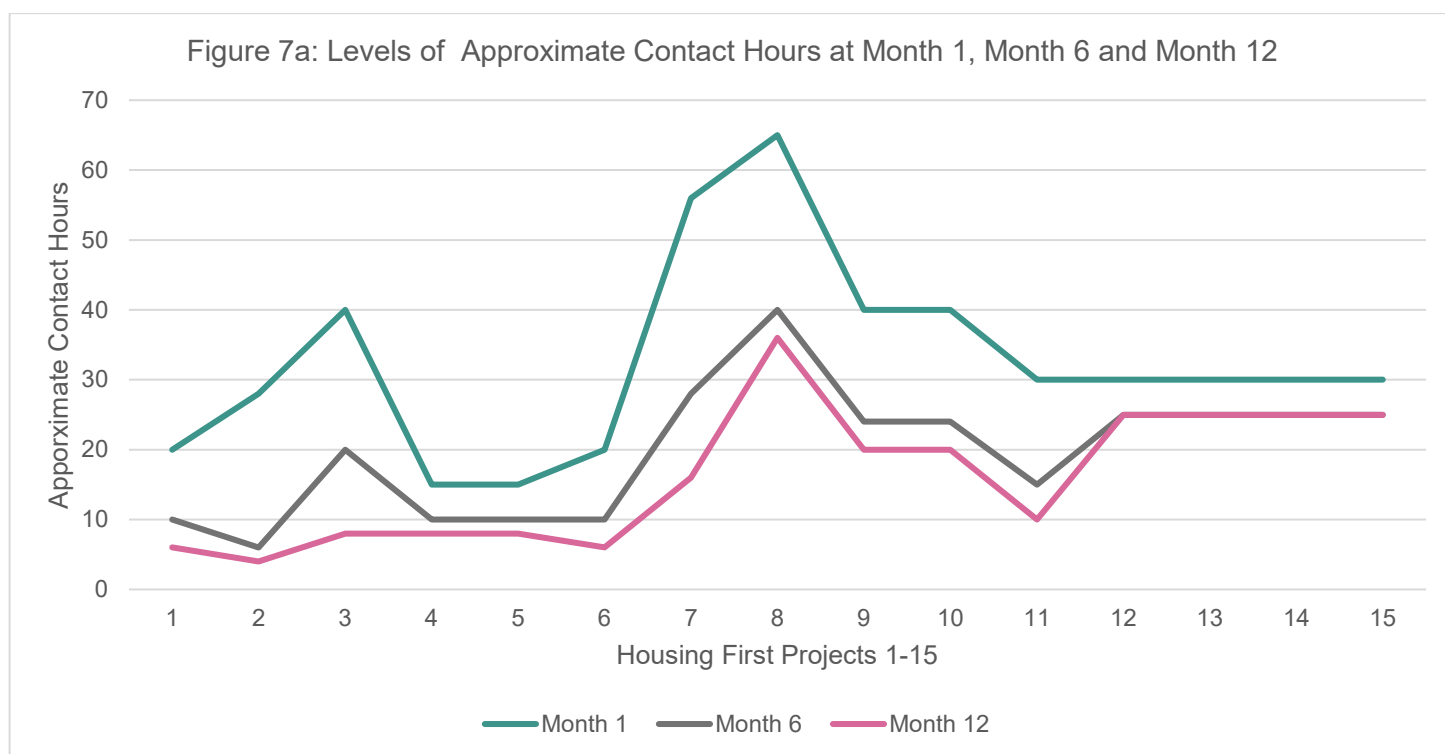


Source: Questionnaire.

These figures reflect some degree of variation. All 15 services were clearly relatively intensive, compared to most homelessness services, but the level of support did vary with the upper levels at month 1 being reported as above 50 hours by some services and as under 30 hours by others. Similar variations were reported at month 6 and at one year (Figure 7a).

Figure 7a reports the figures given by the 15 Housing First projects. As can be seen, there is some variation in the levels of support typically provided during the first month, at month six and at month 12, reflected in the differences between the average and median levels shown in Figure 7. The broad pattern however, is consistent, all the Housing First services begin at a higher intensity, have typically reduced support by month 6 and have much less contact with services users at month 12. It is important to note that every Housing First service should have the capacity to increase support when needed, so that this pattern is not constant, there will be situations where someone again needs more intensive support when they are six or 12 months into using the service.

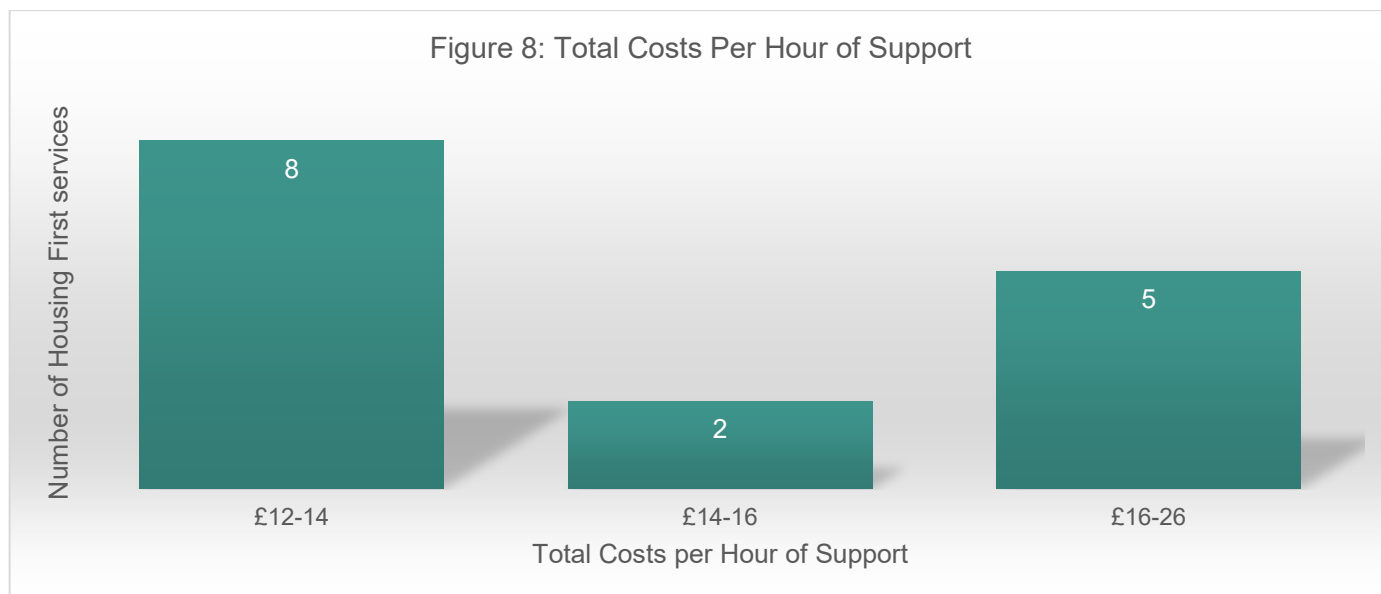
A small number of projects reported they would typically be offering the same contact hours at month 12 as at month 6, although again, levels were lower than during the first month of support. This meant that the drop in median and average typical contact hours between month 1 and month 12 was less pronounced for a small group within the 15 Housing First services.



Source: Questionnaire.

Translating this into approximate support costs requires one final stage, which is to add in the back office/administrative costs for each Housing First service and any personal budgets allocated to service users. These costs cover logistics, management, employer costs and administrative costs, everything from renting or providing office space, through to travel expenses and the employer's contribution when employing someone to work in a Housing First service. Fortunately, all 15 Housing First services were able to supply these costs and to arrive at a total cost per hour of support provided. These total costs were, of course, rather higher than the wage costs of employing a Housing First worker, because they covered both the costs of employing someone and all the other costs of running Housing First.

In practice, this meant that the largest group out of the 15 Housing First services had total operating costs, per hour of support, of between £12-14 (eight services, Figure 8). A couple of the Housing First services had total costs per hour of support of between £14-16 and five had costs of between £16-26, tending towards the lower end of that range (Figure 8).



Source: Questionnaire.

As noted, the average (mean) wage was £12.51 an hour. By contrast, *total* average (mean) costs per hour of support were £15.37. On average, total operating costs per hour of support were some 22% higher than the average hourly wage paid to workers. Across the 15 Housing First services, total costs ranged from less than £15 per hour through to over £25 an hour, reflecting differences in operating costs, such as salary levels.

Table 1: Average Total Costs for Housing First Support per Service User

Average hours and costs	Contact hours during 1st month	Contact hours at month 6	Contact hours at month 12
Mean hours	32.6	19.8	16.2
Mean hourly cost	£15.37	£15.37	£15.37
Average	£501.06	£304.33	£248.99

Source: Questionnaire.

Taking the average (mean) total costs and the average (mean) hours of contact that the 15 Housing First services reported, it is possible to arrive at the first set of figures (Table 1). On *average*:

- It cost £501 a month to support someone during their first month of using Housing First.
- It cost £304 a month to support someone by the point they had been using Housing First for six months.
- It cost £247 a month to support someone who had been using Housing First for one year.
- Average monthly support costs at one year were just under one half of those during the first month for which someone received support (49%).

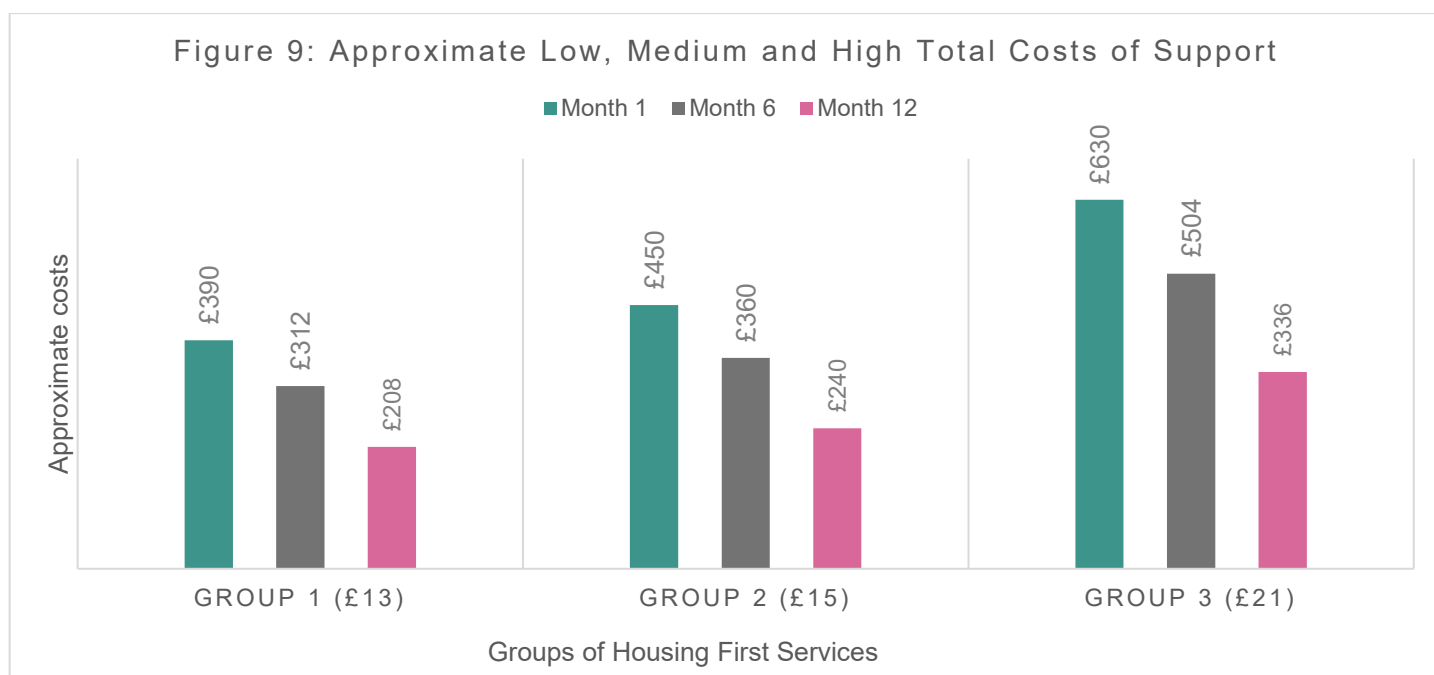
Looking at median total costs per hour of support, i.e. the cost in the middle position between highest and lowest when the costs are ranked by order, the picture is similar. The median is lower than the average, indicating that the average was being pulled upward by the presence of one or more Housing First services that had rather higher total costs than the majority and indicating that Housing First services were typically less expensive, in overall terms, than the average (mean) suggests (also shown in Figure 8, the largest group of eight services had total costs per hour of support of between £12-14). As with average costs, the cost of providing support via Housing First was reported as falling away quite sharply over time by the 15 projects, median total costs of support provided at one year were 53% of the level reported for the first month of using Housing First.

Table 2: Median Total Costs for Housing First Support per Service User

Median hours and costs	Contact hours during 1st month	Contact hours at month 6	Contact hours at month 12
Median hours	30	24	16
Median hourly cost	£13.95	£13.95	£13.95
Median	£418.50	£334.80	£223.20

Source: Questionnaire.

Looking at this from another angle, it is possible to take the midpoints from the three clusters of total costs shown in Figure 8 and look at these costs by broad group. This means using approximate figures of £13 for the first group of eight services, £15 for the second group of two services and £21 for the group of five services in the £16-26 range. The differences in total costs could be considerable, although again, the pattern reported by all 15 services of quite marked reductions in support being anticipated and experienced, meant that costs were seen as tending to fall quite markedly within a relatively short timeframe.



Source: Questionnaire.

This information is both useful, because it is important to be clear that the costs of Housing First are not necessarily fixed and will tend to fall over time, and potentially dangerous, because it can create an expectation that Housing First will, with every person who uses it for a year or more, see a clear and steady reduction in support costs. While, as has just been described, costs are anticipated to fall over time, it is also important to reiterate the point that this is not necessarily a fixed pattern. There are two main points to convey here<sup>23</sup>:

- Recovery from the physical, social, emotional and stigmatising effects of homelessness and the addiction, physical and mental illness and trauma that can be associated with homelessness will not always be steady or predictable, i.e. not everyone will be at a point of only needing (for example) 19 hours support per month at six months, they may need significantly more. In other cases, of course, the 19 hours per month (again for example) that might be typically required at six months will not be necessary, allowing the resource devoted to that individual to be reduced more quickly.
- The evidence base suggests that progress towards settled housing can be steady and rapid for people using Housing First. However, outcomes with respect to addiction, mental and physical health and socioeconomic integration can be more variable, where Housing First is most successful is in ending homelessness on a sustained basis for people with high and complex needs, but those needs do not disappear overnight<sup>24</sup>. A key issue here is that while progress can be made, the risks that someone successfully housed by Housing First continues to face, even with support in place, will often be considerable, i.e. they may continue to be *relatively* vulnerable for a long time, creating not only a need for ongoing support, but also access to a service that can scale up support rapidly. This means that resources do need to be in place so that Housing First can respond properly when someone who is a longer-term service user requires support.

23 Padgett, D.K. (2007) There's no place like (a) home: ontological security among persons with serious mental illness in the United States. *Social Science and Medicine*, 64 (9), 1925-1936.

24 Pleace, N. (2018) Using Housing First in Integrated Homelessness Strategies: A Review of the Evidence York: University of York.

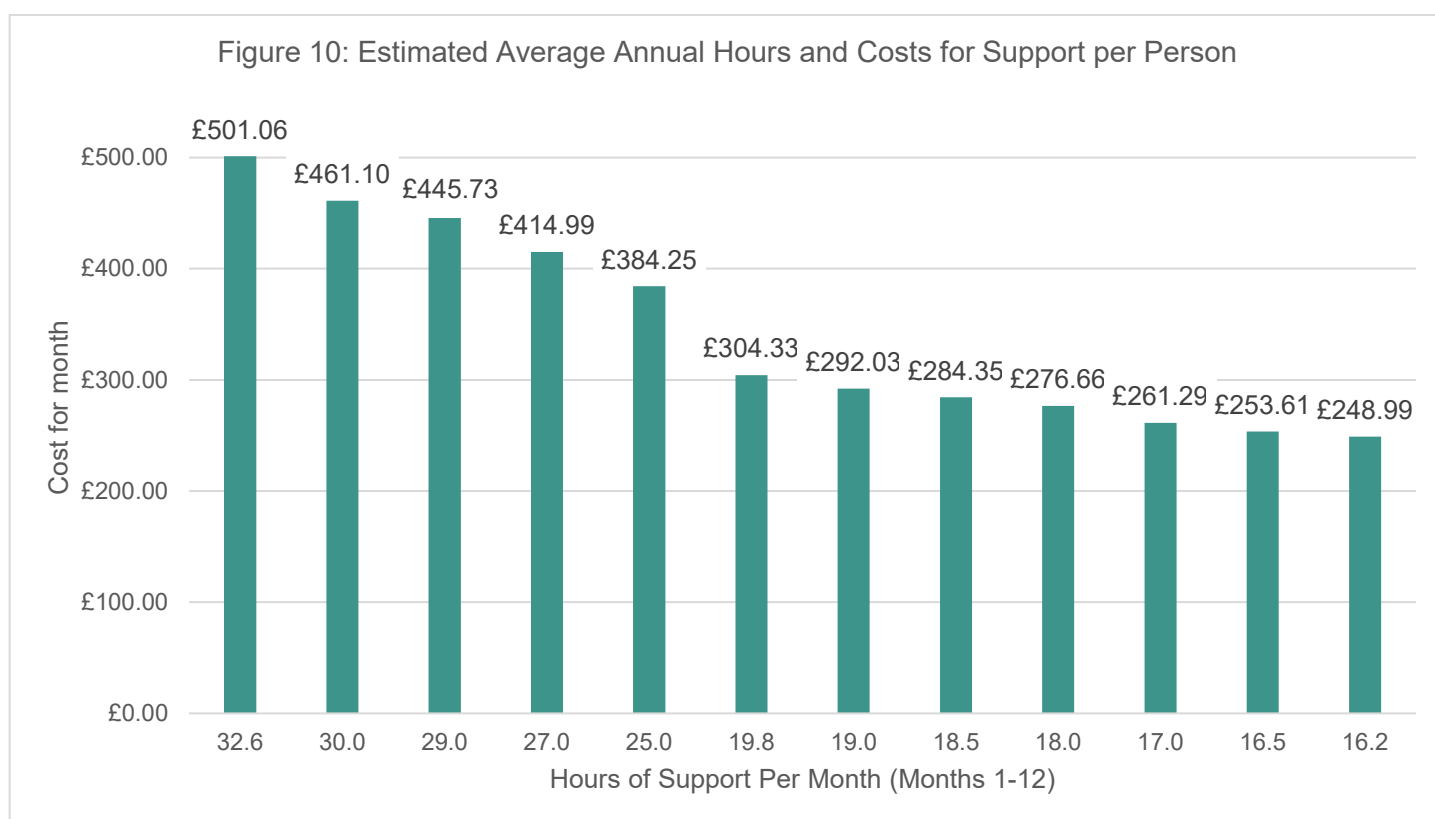


### Estimating total annual support costs

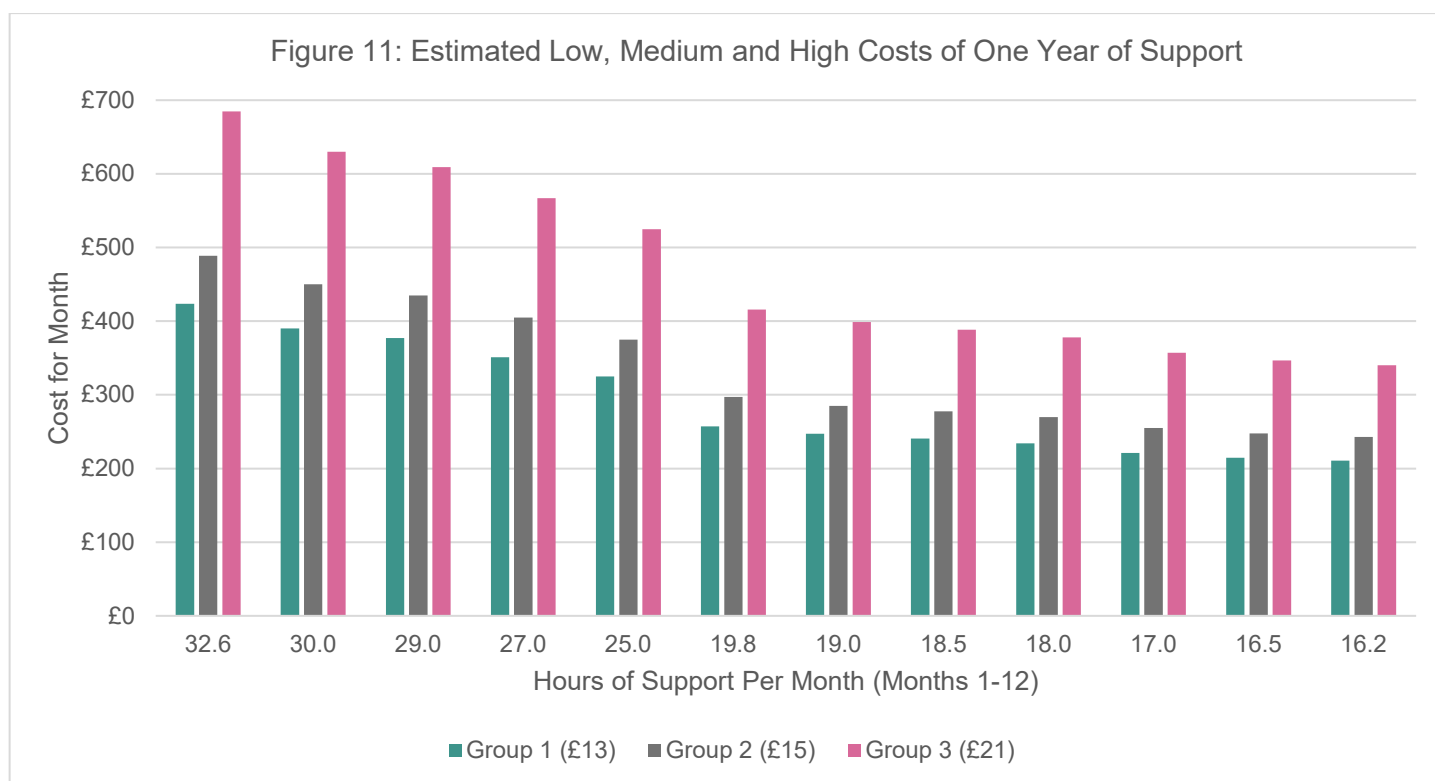
Annual costs can be estimated if it is assumed that contact hours dropped at a fairly steady rate between the average of 32.6 hours at month 1 and the average of 16.1 hours reported at Month 12, i.e. a reduction of 51% in contact hours between month 1 and month 12 of service use per person using Housing First (Figure 10).

It must be stressed that this is an estimate of typical costs, not the actual cost of an individual and, again, the experience and costs of different people using Housing First services will vary, i.e. some will require more support for a longer period, others will manage with less support more quickly and there will be individuals whose support needs drop over time, but then spike when they experience something that puts them at renewed risk of homelessness. With these caveats in mind, the typical average represented by something like the pattern shown in Figure 10 would approximate to 268.6 hours of support in a year. The cost of this pattern of support, using the average hourly cost for support (£15.37, Table 1), would be some £4,123 per person. By comparison, at the median cost of £13.95 per hour (Table 2), the cost of the same pattern of 268 hours in a year would be £3,747.

Looking at this another way, taking the midpoints of the relatively more and less expensive Housing First services from the 15, i.e. Group 1 at £13 an hour, Group 2 at £15 an hour and Group 3 at £21 an hour (see Figure 9 above), the costs would look as follows (Figure 11):



Source: Questionnaire



Source: Questionnaire. Costs are rounded.

### Comparing total support costs with the Housing First pilots

The evaluation of the first nine Housing First pilots in England, which took place in 2014<sup>25</sup>, reported higher typical support costs than was the case for the 15 Housing First projects that took part in this research. Rather than asking what the level of support would typically be at months one, six and 12, the nine services were asked what their total level of support would typically be over the course of one year.

- The Housing First pilots ranged from an approximate total cost per hour of support of £26 through to £40 an hour<sup>26</sup>. This meant that, at the equivalent 2017 prices<sup>27</sup>:
  - The lowest cost group of the nine Housing First pilots had total support costs of approximately £27 an hour (£26 an hour at 2014 prices).
  - The mid cost group of the nine Housing First pilots had total support cost of approximately £36 an hour (£34 an hour at 2014 prices).
  - The highest cost group of the nine Housing First pilots had approximate total support costs of £42 an hour (£40 an hour at 2014 prices).

25 Bretherton, J. and Pleace, N. (2015) Housing First in England An Evaluation of Nine Services York: Centre for Housing Policy.

26 As was the case with 15 Housing First services taking part in this research, the nine pilot Housing First services taking part in the 2014 evaluation were asked to supply a total cost for support, i.e. including administration, back office etc. Figures are rounded.

27 Adjusted for inflation with the Bank of England inflation calculator.

- The nine 2014 Housing First pilots typically cost more than the 15 Housing First services that took part in this research in 2018. In summary:
  - The lowest cost Housing First pilots were costing the equivalent of approximately £27 an hour on average, compared to an average of £13 per hour for the lowest cost group of 2018 Housing First services.
  - The second most expensive group of Housing First services in 2018 were costing approximately £15 an hour on average, compared to an average of £36 per hour for the second most expensive group of Housing First pilots.
  - The most expensive group of Housing First pilots cost the approximately £42 an hour on average, compared to an average of £26 per hour for the most expensive group of 2018 Housing First services.

The reasons why the nine pilots were typically more expensive than the 15 services operating in 2018 are possible to speculate on, but it is not really possible to be certain why this pattern existed, not least because several of the pilots have either ceased operation, were remodelled or recommissioned. One possibility is that several pilots were developed using short-term soft money, i.e. 'pilot' financing from sources that included the Greater London Authority, charitable sources and internal resources and were costed and operated on a different basis than the 2018 services, which were mainly commissioned by local authorities.

In France and in Ireland<sup>28</sup>, there has been concern that governments are presenting Housing First as more effective than existing homelessness services, in order to create a context in which making cuts to the homelessness sector as a whole becomes politically easier. The further concern in both countries was that, once shown to be successful, the relatively well resourced, pilots of Housing First services would then be replaced with a version of "Housing First" that was heavily diluted, offering less intensive and comprehensive support for a shorter time than was designed into the original model. In this way, Housing First could be used as a smokescreen, a way to conceal big cuts to existing homelessness services and to replace them with something that - because it is a diluted version of Housing First - was much cheaper to run, which again because it was diluted, would also be less effective. This mirrored earlier concerns that watered-down versions of Housing First were spreading across the USA after the success of the pilot programme, which were unlikely to be as effective as the original<sup>29</sup>.

There was no evidence in this research that the Housing First services working in 2018 were diluted versions of the nine 2014 pilots, despite the higher running costs of the pilots compared to the 15 Housing First services operating in 2018. The 15 Housing First offered intensive support on a sustained basis to homeless people with high and complex needs and followed the key principles of Housing First<sup>30</sup>.

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28 Pleace, N. and Bretherton, J. (2013) Finding the Way Home: Housing-led responses and the Homelessness Strategy in Ireland Dublin: Simon Communities of Ireland.

29 Stefancic, A., Tsemberis, S., Messeri, P., Drake, R. and Goering, P. (2013) The Pathways Housing First fidelity scale for individuals with psychiatric disabilities. *American Journal of Psychiatric Rehabilitation*, 16(4), pp.240-261.

30 Homeless Link (2016) [Housing First in England: The principles](#) London: Homeless Link.

Overall costs including housing costs

Precise data on exact housing costs are not available, but the Family Resources Survey<sup>31</sup>, which looks at how much households earn, claim in benefit and spend, does record data on rents in the social rented sector and private rented sector. The amount of private rented sector rent that could be afforded by someone using Housing First, who is reliant on benefit, may quite often be rather less than the average rents for these regions. However, it is possible to control for this, as has been done here, but focusing on the bottom third of the private rented sector, where benefit is likely to cover all or most of the rent (Table 3).

At average rents and average support costs for Housing First, the approximate (estimated costs) for Housing First, at average social rented sector (SRS) rent, would be £9,492 per year and marginally less at £9,222, assuming an average rent for the bottom third of the private rented sector was being paid. Average housing costs, on these figures, would be equivalent to 129% and 123% of average support costs (Table 4). As would be expected, comparing Group 3 (Housing First services with an average cost of £21 per hour of support) with Group 1 (support costs of £13) gives an idea of how total costs are influenced by support costs (see Figure 9).

Table 3: Median Rents in the Social and Private Rented Sectors (2016/17)

Region	Mean SRS	Median SRS	Mean PRS bottom 3rd	Median PRS (bottom third)
North East	£83.83	£84	£82.76	£90
North West	£90.46	£88	£74.27	£90
Yorks and the Humber	£84.64	£82	£76.45	£84
East Midlands	£88.90	£86	£77.97	£83
West Midlands	£91.10	£90	£79.61	£83
East of England	£102.28	£100	£94.71	£107
London	£135.53	£127	£134.46	£157
South East	£113.69	£109	£95.66	£110
South West	£97.46	£95	£101.89	£110
England*	£103.15	£95	£97.87	£95

Source: Family Resources Survey. Analysis: David Rhodes (see acknowledgements).

31 <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201617>

Table 4: Average Housing First Support Costs and Average Rents

Housing First	Annual support cost*	Support cost plus SRS average rent	Support cost plus PRS (bottom third) average rent
Group 1	£3,492	£8,856	£8,586
Group 2	£4,029	£9,393	£9,123
Group 3	£5,641	£11,005	£10,735
Average	£4,128	£9,492	£9,222

Source: Family Resources Survey, Questionnaire. \* Based on estimates in Table 3/Figure 11.

Looking at Table 3, it can be seen that very high housing costs in London drag the average rents up for the country as a whole, could make a very considerable difference to what Housing First actually costs (Table 5):

- At median support costs and the median rent in the bottom third of the private rented sector in the North East, a year of Housing First would cost £7,990.
- In London, assuming median support costs and median rent for the bottom third of the private rented sector, the cost would be £11,911.

Of course, while based on actual data, these costs are still estimated approximations, as they assume a constant 268 hours of support being delivered in a year (Table 3) and average and median rents are being used. Nevertheless, some sense of the potential cost differential in providing Housing First can be picked up from these figures. At median support cost and median rent, Housing First in London would cost 49% more than in the North East, just because of differences in rent.

Table 5: Average and Median Housing First Support Costs and Average and Median Rents by Region

Region	Average support costs* and average SRS rent	Median support costs and median SRS rent	Average support costs and average PRS rent (bottom third)	Median support costs and median PRS rents (bottom third)
North East	£8,487	£8,115	£8,432	£8,427
North West	£8,832	£8,323	£7,990	£8,427
Yorks and the Humber	£8,529	£8,011	£8,103	£8,115
East Midlands	£8,751	£8,219	£8,182	£8,063
West Midlands	£8,865	£8,427	£8,268	£8,063
East of England	£9,447	£8,947	£9,053	£9,311
London	£11,176	£10,351	£11,120	£11,911
South East	£10,040	£9,415	£9,102	£9,467
South West	£9,196	£8,687	£9,426	£9,467
England	£9,492	£8,687	£9,217	£8,687

Source: Family Resources Survey, Questionnaire. \* Based on estimates in Table 3/Figure 11.

## Summary

Fifteen Housing First services were able to share information on their costs. All the Housing First services offered intensive support to people with high and complex needs and followed the core principles of Housing First. All used self-contained housing, with five using both the private rented sector and social housing.

While exact costs were shared by each Housing First service, approximate costs have been reported because cost information is sensitive in a context where Housing First services are being commissioned by local authorities. The average cost of Housing First support, including administrative costs, was a total of £15.37 per hour, with a median cost of £13.95 per hour. Costs could range from under £14 an hour to over £26 per hour.

Costs were reported as likely to fall over time. Housing First services reported that they would typically expect someone to receive less support over time, on average, Housing First services reported that the level of support received during the first month would be twice the level someone would be receiving after 12 months.

The 15 Housing First services that took part in this work typically had lower operating costs than the nine Housing First pilot services that were evaluated in 2014. There was not any evidence that these 15 Housing First services were 'watered down' versions of Housing First compared to the nine pilot services evaluated in 2014. However, the UK is one of several countries that has tended not to use the more expensive versions of Housing First, i.e. services with their own interdisciplinary teams. Differences in wage levels and other costs were linked to where each of the Housing First service was located. There were marked differences in potential housing costs, which reflect the level of affordability and access to social rented stock within different regions and cities in England.

## 3. Cost Effectiveness: Homelessness services

### Introduction

This section of the report looks at the cost effectiveness of Housing First in England compared to other homelessness services. This section looks at how much Housing First costs compared to other homelessness services, with a particular emphasis on what Housing First costs in relation to other homelessness services that are designed to meet the needs of homeless people with high and complex needs. The main source for this section is the commissioning cost data for homelessness services from local authorities that participated in this research. As these data are commercially sensitive, they have been approximated and the authorities that took part in this work have been anonymised.

### Key points

- There are other types of homelessness service offering intensive support to homeless people with high and complex needs with which Housing First can be compared.
- It is also important to compare the costs of Housing First with lower and medium intensity homelessness services, as homeless people with high and complex needs, for whom Housing First is designed, can become stuck in these services, or become “frequent flyers” (people who repeatedly use services but who do not leave homelessness on a sustained basis).
- Support costs were generally higher for other forms of homelessness service than for Housing First. One reason for this was that the Housing First services tended to reduce support over time, as the needs of people using Housing First lessened.
- While support costs were lower, Housing First is designed to be provided on a long-term basis, whereas services like homeless hostels and temporary supported housing are generally intended to be shorter-term.
- Housing First support costs for three years were generally less than those for temporary supported housing/homeless hostels for one year.
- Total costs, including rent, were less for Housing First than for fixed-site services. The most expensive Housing First services were less expensive than temporary supported housing and hostels.

### Cost comparison with other homelessness services

Housing First is designed to provide housing and intensive support to end homelessness among people with high and complex needs. There are two main alternative models to Housing First.

One alternative is higher intensity fixed-site services, i.e. dedicated buildings with onsite support staff, where homeless people live, usually in their own rooms or small studio flats/bedsits on a short- or medium-term basis while services are put in place to meet their support and treatment needs and suitable housing is located. These services include hostels with 24-hour staffing that also offer dedicated one-to-one support, “wet” hostels that provide specialist support with addiction and purpose-built supported housing, again with on-site staffing, designed for homeless people with high and complex needs.

The other alternative service is another form of housing-led service, i.e. a type of floating or mobile support that places someone in ordinary housing and provides a case management/service brokering service,

alongside some direct support, to enable independent living. These services can be called floating support, tenancy sustainment services or sometimes resettlement services, they can be similar to Housing First, but do not always work in the same way, i.e. they might be less intensive, time limited or follow a different operational approach. Higher intensity versions of these services, such as services developed for long-term and recurrently homeless people towards the end of the Rough Sleepers Initiative in London, can look very similar to Housing First<sup>32</sup>.

There are other types of homelessness service that offer similar levels of support to Housing First and it is possible to compare the costs of these sorts of services with those for Housing First. However, both UK and international evidence shows that homeless people with high and complex needs will also use forms of support that can find it difficult to meet their needs. For example, homeless people with high and complex needs can become “frequent flyer” users of emergency accommodation, low intensity supported housing and hostels, spending far longer in services than those services were designed for, or using the same services again and again, because their specific needs cannot be met with the resources those services have available<sup>33</sup>.

This means that there are two tests that can be applied when assessing the costs of Housing First relative to other homelessness services:

- How does the cost effectiveness of Housing First compare with other, high intensity, homelessness services designed for people with high and complex needs?
- Can Housing First reduce the costs to lower intensity homelessness services which can find it difficult to support high-need frequent flyer individuals, who use their services on a repeated and/or long-term basis?

The potential for Housing First to stop frequent flying by homeless people whose homelessness becomes long-term or repeated, because they have high and complex needs that cannot necessarily be met by existing services, was one of the main reasons why the Housing First approach was seen as attractive by policy makers in the United States. The other reason why Housing First was attractive was that the existing American services that were designed specifically for homeless people with high and complex needs, a system of supported temporary accommodation using an approach centred on changing the behaviour of long-term homeless people with complex needs, through treatment compliance and abstinence from drugs and alcohol, were both expensive and only around 40-60% effective<sup>34</sup>.

Within hostels or supported housing, the level of support contact may follow the same broad pattern as Housing First, i.e. more during the initial phases and tailing off when someone reaches a point where they are able to live independently in their own housing, or perhaps transition to a combination of ordinary housing and low intensity support. One respect in which hostels and supported housing differ from Housing First is that resource allocation has to be fixed, because there is only a certain amount of space, i.e. the rooms or studio apartments that a supported housing scheme has on site. A Housing First service has an allocation of staffing, as with any service it has to be clear what the annual budget is, but it is to some extent scalable according to the pattern of need it is dealing with at any point. This means that if a Housing First service has a theoretical caseload of say 20 people, if seven or eight of those people are at the 'month 12' point in terms of support, it

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32 Lomax, D. and Netto, G. (2007) *Evaluation of Tenancy Sustainment Teams* London: Communities and Local Government.

33 Pleace, N. and Culhane, D. (2016) [Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England](#) London: Crisis.

34 Pleace, N. (2011) [The Ambiguities, Limits and Risks of Housing First from a European Perspective](#) *European Journal of Homelessness* 5(2).



would have capacity to take on some new service users, perhaps running with a caseload of 23-25.

By contrast, a hostel or supported housing has to wait until someone has moved on before it can increase caseload, if it has 20 places it has 20 places. Where this can become problematic is when hostels or supported housing 'silts up', i.e. when people start to pool in supported housing because there is a shortage of suitable housing to move into. This risks inefficiency, not because a hostel or supported housing project is doing anything wrong, but because there is not enough housing for move-on, which means people who could move on are not doing so and there are people in supported housing who no longer need it. The other risk, of course, is people with high and complex needs who are within the frequent flyer group, where someone could become stuck in a hostel or supported housing, or keep coming back, because the combination of support they need is not available, i.e. using ordinary housing and the intensive support provided by Housing First might work better for that individual.

By contrast, when someone no longer needs or wants Housing First, it can simply move away. One point to note here is that when someone no longer requires Housing First might take years to arrive, not months, albeit that the level of support provided - and the direct cost of supporting that person - are likely to fall considerably over time. Nevertheless, Housing First has the flexibility to come to a stop as soon as it is no longer required, or to pull away in those instances where someone does not want it, or it cannot meet their needs.

### Support costs

To begin an exploration of comparative costs, it is first necessary to pin down exactly how the costs of Housing First should be defined (Table 6). The key point here, as discussed in the last section, is that Housing First tends to cost more during the initial phases of service use than it does when someone has been using Housing First for six or 12 months.

Table 6: Average and Median Support Costs of Housing First

Housing First Costs	Average weekly cost	Median weekly cost	Monthly Average	Monthly Median
At 1 month	£116.53	£97.33	£501.06	£418.50
At 6 months	£70.77	£77.86	£304.33	£334.80
At 12 months	£57.90	£51.91	£248.99	£223.20
Estimated annual cost*	£79.83	£72.45	£343.26	£311.55

Source: Questionnaire. \*See Figure 11 and Table 3.

Based on the responses from the local authorities that participated in this work, it is possible to provide the approximate costs of three sets of services. As noted in Section 1, these costs are approximated as the information is commercially sensitive in a context where local authorities are commissioning homelessness services and the authorities themselves are not identified.

Temporary supported housing and hostels for homeless people do not use a standardised model. Different hostels and supported housing projects work in differing ways and have differing costs. There is evidence that

these services can have distinct costs, which are determined by who they are meant for, i.e. for any lone homeless person or for homeless people with high and complex needs, with services intended for higher need groups generally offering more intensive and sometimes more specialised support and as a consequence, costing more.

Table 7: Average and Median Support Costs for Fixed-Site Homelessness Services

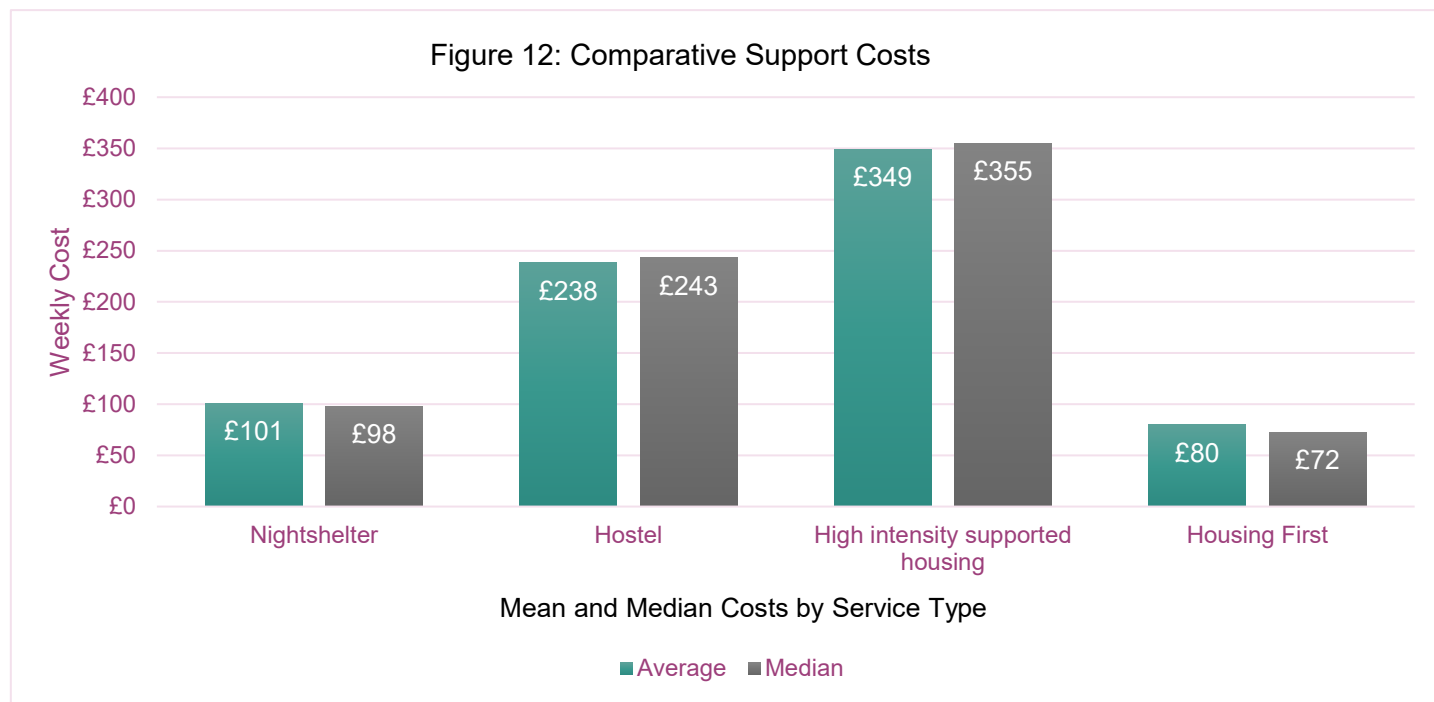
Service	Average	Median	Monthly average	Monthly median
Night shelter (low intensity)	£101	£98	£434	£421
Hostel	£238	£243	£1,022	£1,046
High intensity supported housing*	£349	£355	£1,502	£1,527

Source: Questionnaire. \*High staff to service user ratio, 24/7 cover onsite, designed for people with high and complex needs.

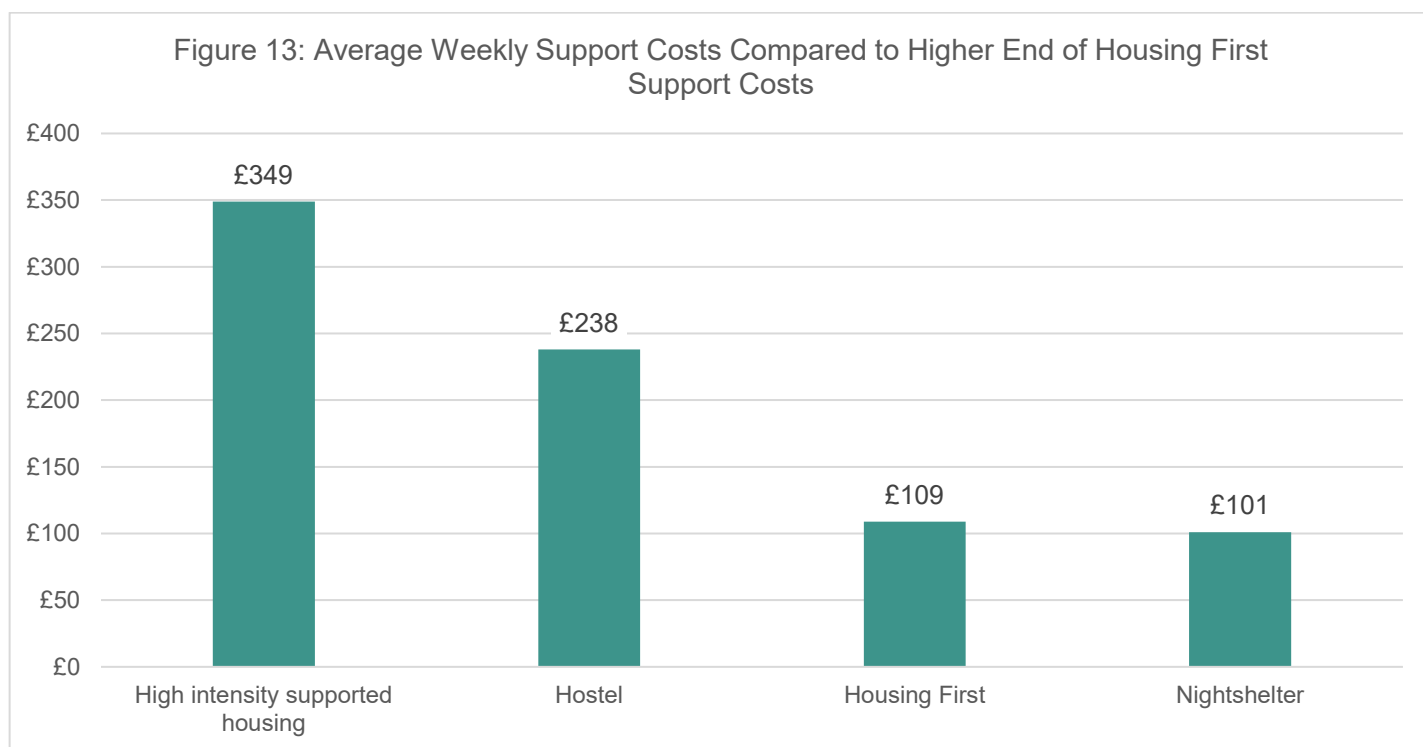
Housing First has lower typical support costs than fixed site services (Figure 12). Based on the estimate of 268 hours being delivered per year described in the last section (assuming someone joining Housing First service and needing intensive support at first, with support falling over time), weekly support costs are significantly lower. Moreover, the average and median support costs for Housing First are still considerably lower during the most intensive period of support (month 1) than those for fixed site services (Tables 6 and 7). A night-shelter/low intensity emergency accommodation service is not directly comparable with Housing First, whereas hostels and, particularly, high intensity supported housing are comparable. On this calculation, Housing First has support costs that are about the same as a much low intensity fixed site service like an emergency/night-shelter.

However, there is a need for some caution here:

- Housing First can be more or less expensive than the average and median figures for support costs and the same is true for the different types of homelessness service shown in Figure 12.
- Duration is important. People are not supposed to stay in night-shelters, hostels or high intensity supported housing for prolonged periods, whereas Housing First is explicitly designed to work on a long-term basis.
- Taking Housing First services in the upper range of costs as the starting point, the picture does look slightly different (Figure 13). Housing First services in the upper range of support costs (£21 an hour, Figure 11) are still significantly cheaper than fixed-site services, but the differential is less (Figure 13). This leads onto the final point of comparison with fixed site services in terms of support costs, the duration of service contact.



Source: Questionnaire. Based on estimated annual average (mean) and median support costs for Housing First. Figures are rounded.



Source: Questionnaire.

If a (relatively) safe assumption is made about the costs of Housing First, i.e. that annual costs for year 1 will take something like the form estimated above (Figure 10), but will tend to be lower for subsequent years, i.e. at the 'month 12' point, then the support costs for Housing First support for three years would range between £9,000 and approaching £14,000 (Table 8).

Table 8: Estimated Average, Median and Upper Range Support Costs for Housing First

	Average	Median	Upper Range
Year 1	£4,123	£3,747	£5,641
Year 2	£2,988	£2,678	£4,032
Year 3	£2,988	£2,678	£4,032
Total	£10,099	£9,104	£13,705

Source: Questionnaire.

Clearly, Housing First would tend to have much lower support costs than hostel/supported housing and high-intensity supported housing services, if someone was using such services for three years, but what if those services were engaging - successfully - with homeless people with complex needs for shorter periods?

Something of a myth has grown up around Housing First, i.e. that it is *much* more efficient than any existing fixed site homelessness service, but that image is based on North American research, which compared Housing First services with expensive, sometimes harsh, abstinence-based linear residential treatment (LRT) services which had been repeatedly demonstrated to be relatively inefficient, often losing between 50-60% of homeless people before they were rehoused, ahead of Housing First arriving on the scene<sup>35</sup>. Existing fixed-site British services however, are not like these American LRT services. English supported housing services are much more likely to be characterised by personalisation, coproduction, harm reduction and - importantly - by evidence of *effectiveness*.

The last year of Supporting People data for England (2010/11) showed 119,200 people entered short-term supported housing services with housing needs, 73% exited to settled housing. St Mungo's the major provider of homelessness services in London has data showing nearly 11,000 single homeless people using its fixed site services between 2011-2017, with a 77% rehousing rate<sup>36</sup>. The shared service user database in Liverpool City Region shows, between March 2015 and March 2017, 9,000 single homeless people entered fixed site services and 60% exited into settled housing<sup>37</sup>.

However, the evidence indicates that there are situations in which Housing First can still be much more cost effective than existing services. Homeless people who become stuck in existing services, who are frequent flyers in those services, can often be assisted by Housing First. If people who are long-term and repeatedly homeless, who by definition are not being helped out of homelessness on a sustainable basis, or reached by existing services, can be helped by Housing First, this reduces the costs around 'frequent flyers' for existing homelessness services and enhances overall effectiveness. Effectiveness is particularly enhanced if Housing First is also able to engage with 'hard to reach' homeless people with complex needs, alongside helping frequent flyers out of existing homelessness services and into settled housing.

35 Pleace, N. (2008) *Effective Services for Substance Misuse and Homelessness in Scotland: Evidence from an international review* Edinburgh: Scottish Government.

36 Pleace, N. (2018) *Using Housing First in Integrated Homelessness Strategies: A Review of the Evidence* York: Centre for Housing Policy.

37 Blood, I.; Copeman, I.; Goldup, M.; Pleace, N.; Bretherton, J. and Dulson, S. (2017) *Housing First Feasibility Study for the Liverpool City Region* London: Crisis.

Several elements come together here. For some homeless people, existing services may be effective within a shorter timeframe than is used by Housing First, which offers support for as long as someone needs. UK homelessness services are, the evidence indicates, generally more effective than the American LRT services with which Housing First was first compared. However, Housing First is able to work successfully with frequent flyers who are stuck in existing homelessness services and can also be successful with hard to reach groups. So, for some homeless people, an existing service working with them for a relatively short period, may well be cost effective. Yet if that person is a frequent flyer or is within a hard to reach group, Housing First could well be more cost effective, particularly if the person is within a frequent flyer group and uses existing homelessness services but does not exit homelessness on a sustainable basis.

How then do the costs of Housing First over time compare with those of existing services? Housing First is designed to be a medium to long-term intervention. The original US model was still engaging with service users after five years, support costs fell over time, but contact continued with a group of people whose often long-term and repeated homelessness was associated with severe mental illness, addiction and other support needs<sup>38</sup>. Taking the examples of hostels/supported housing and high intensity supported housing and assuming a scenario where those services are successful in housing someone with high and complex support needs within one year, if it is assumed that Housing First will stay engaged for a (fairly conservative) period of three years and a comparison of costs starts to look rather different.

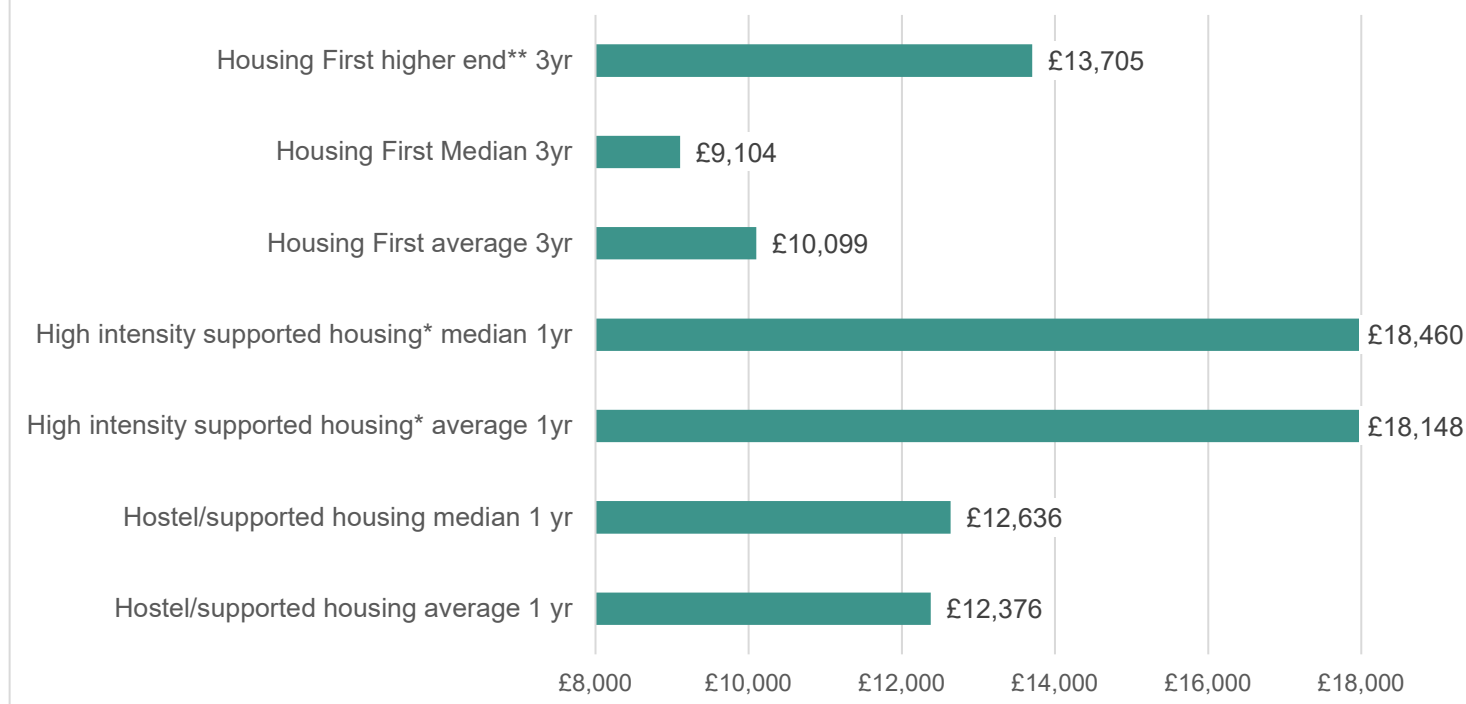
Housing First still comes out of this comparison well (Figure 14), even if it is assumed that someone stays with a Housing First service for at least three years and that existing fixed site homelessness services (with broadly comparable levels of support) are rehousing people with high and complex support after one year. Altering any of these assumptions will, of course, produce fairly dramatic shifts, if people were typically using fixed-site supported housing services for two years, Housing First would again look much more cost effective. Conversely, if engagement with Housing First were typically for four or five years, rather than three, and hostels and high intensity supported housing were housing people after six or nine months, things would swing back in favour of fixed-site services.

Reality may also be much messier than Figure 14 suggests, as length of service use may actually be all over the place, as will the costs for homelessness services. However, in the absence of integrated, anonymised administrative data on homeless service use, such as is available in Denmark and the USA, there will always be a speculative element to such an analysis. One other point worth making here is that Housing First is still a comparatively young model, in that it is not known what sort of contact rates might exist at three or five years into engagement with Housing First services, because a lot of the services are not yet that old or only now approaching the point where they have been operational that long.

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<sup>38</sup> Padgett, D.K. (2007) There's no place like (a) home: ontological security among persons with serious mental illness in the United States. *Social Science and Medicine*, 64 (9), 1925-1936.

Figure 14: One Year of Fixed Site Services compared to Three Years of Housing First Support Costs



Source: Questionnaire. \*High staff to service user ratio, 24/7 cover onsite, designed for people with high and complex needs. \*\* Housing First at the higher end of support costs (£21 per hour, compared to an average of £15.37 and a median of £13.95).

The real point behind Figure 14 is to draw attention to how different conditions can influence what might on the surface appear to be a relatively simple cost comparison. Housing First might tend to cost less in terms of support services, but it depends on what it is being compared with and what those other services are able to accomplish. For people with high and complex needs associated with long-term and recurrent homelessness, Housing First may be better characterised as something that is *cost-effective*, i.e. it represents good value for money for the public purse, because it stops long-term and recurrent homelessness. Housing First is not going to always be cheaper, or always save significant amounts of money compared to existing fixed-site services, especially when proper recognition is given to the rates at which those fixed-site services actually end homelessness.

American analysis of the relatively cost effectiveness of different service models for homeless people is, at present, far ahead of anything that can be attempted here, because the levels of data available here compared to there. This American analysis does suggest that Housing First represents an effective intervention, which is a good use of public money, but *not* that it will generate huge savings compared to existing services<sup>39</sup>. This point about needing to be careful about how we think about cost effectiveness in relation to a service model like Housing First is revisited in the final section.

Data were insufficient to enable a proper comparison between Housing First and other, high intensity, floating support services. The information that was available suggested that these services had weekly support costs

39 Culhane, D.P. (2008) The cost of homelessness: a perspective from the United States. *European Journal of Homelessness*, 2, 97-114.

of around £40-50 per service user, indicating that they had lower rates of contact and/or higher caseloads (the number of people being supported by each worker) than the 15 Housing First services that took part in the work reported here. There is an evidence gap with respect to how well existing UK models of tenancy sustainment team/floating support that provide relatively intensive support compare with Housing First services.

**Total costs**

The available evidence indicates that the rents for supported housing tend to broadly equate with those for social rented housing or the lower end of the private rented sector<sup>40</sup>. The benefits system pays a small premium to help supported housing providers manage their fixed site services, a system that was until relatively recently under threat, but which appears to have escaped being cut at the time of writing<sup>41</sup>. If it is assumed that hostel and supported housing rents are at approximately the level of the social rented sector, or the bottom third of the private rented sector, which is a reasonably conservative assumption, total cost comparative costs would look something like the following (Table 9).

Table 9: Estimated Total Costs Average/Median Support Costs and Average/Median Rents

Housing First Support and	Support cost	Support cost plus SRS rent	Support cost plus PRS rent
Housing First average rent and support cost	£4,128	£9,492	£9,217
Housing First median rent and support cost	£3,747	£8,687	£8,687
Hostel average rent and support cost	£12,376	£17,740	£17,465
Hostel median rent and support cost	£12,636	£17,576	£17,576
High intensity supported* average support cost and rent	£18,148	£23,512	£23,237
High intensity supported* median support cost and rent	£18,460	£23,400	£23,400

Sources: Family Resources Survey, analysis by David Rhodes (see acknowledgements) and questionnaire. \*High staff to service user ratio, 24/7 cover onsite, designed for people with high and complex needs.

The potential savings, if it is assumed Housing First, hostels and higher intensity supported housing have similar levels of rent, are considerable. The difference is explained by the lower support costs of Housing First services, based on the average (mean) and median support costs for the 15 services, compared to the data from local authorities on the average (mean) and median support costs for hostels and for higher intensity supported housing:

40 Pleace, N. and Culhane, D. (2016) Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England London: Crisis.

41 <https://www.gov.uk/government/news/all-supported-housing-funding-to-be-retained-in-welfare-system>

- At average support costs and average rents, Housing First would be some £8,250<sup>42</sup> less per year than staying in a hostel.
- At median support costs and median rents, the difference would be around £8,890.

Compared to high intensity supported housing, at average support costs and rents, a year supported by Housing First would cost some £14,000 less, and £14,700 less at median support costs and median rent.

Again, it is important to be careful. Regional differences, both in what Housing First costs and in housing costs can make a big difference to these costs. Housing First somewhere like London, with an average rent of £134.34 a week in the bottom end of the PRS and in the upper range of support costs, i.e. £21 an hour or more (Figure 11), could cost around £12,613 for the first year, assuming something like the broad pattern of support estimated in Figure 10. This would still, based on the data available here, almost certainly be less than the equivalent hostel or high intensity supported housing service, but Housing First, when the support and housing costs are added together, is not going to be a cheap option, particularly in areas where wages and housing costs are at the higher end.

Alongside this, these estimates are still based around assumptions. If for example, taking the 268.6 hours (Figure 10) of a typical pattern of support estimated for the first year of someone using Housing First as a starting point, say someone required say 40% more support overall, taking the total to 376 hours of contact during year one, the comparison with other services would look different. However, if it is assumed that housing costs are broadly comparable (SRS rents are used here), even a significant increase in the intensity of Housing First support still gives a cost advantage over fixed site services like a hostel, in terms of average and median support costs (Table 10).

Table 10: Estimated "High Use" Housing First Cost Comparison

Housing First	Support costs	SRS rent	Total
375 hours support at average cost	£5,764	£5,634	£11,398
375 hours support at median cost	£5,231	£4,940	£10,171
Hostel average support cost	£12,376	£5,634	£18,010
Hostel median support cost	£12,636	£4,940	£17,576

Sources: Family Resources Survey, analysis by David Rhodes (see acknowledgements) and questionnaire.

<sup>42</sup> Figures are approximate and rounded to the nearest 10.



Much does depend on the rent levels of the housing that Housing First services are able to secure. In these estimates, we have used the bottom third of the PRS as the basis for analysis, on the assumption that benefits would cover all or most of the rent for someone using Housing First, although there is widespread evidence of people having to draw on other benefits, beyond Housing Benefit or the housing element in Universal Credit, to afford rents in the private rented sector<sup>43</sup>. Clearly though, if the rent for private rented or social housing is higher, particularly if it is higher than the rents in some hostels or supported housing, some of the apparent cost advantages of Housing First would be lessened.

Housing First is not a cheap option. These services are an intensive intervention for people with high and complex needs. There is evidence, based on the work presented here, that Housing First may well be more cost effective than some fixed-site services on a day to day basis. One final point is worth making again, hostels and supported housing are designed to be time-limited services in a way that Housing First is not, a year in a hostel or supported housing may well cost more than a year in Housing First. However, someone might be using Housing First for three, four or five years, whereas they might only be in a hostel or supported housing for a few months or up to a year before they are rehoused. Rents, support costs and *duration* of service use will all be important in determining how well Housing First compares with other services in terms of cost effectiveness (Figure 14).

### Summary

Housing First tends to cost less than fixed-site services such as hostels and high intensity supported housing. This is because the support costs for these services tend to be higher overall. Assuming rents are constant, i.e. supported housing and hostels cost about the same as similar social rented or private rented housing, Housing First is significantly cheaper over the course of one year, assuming someone starts using Housing First with high support needs and support can be reduced over time.

The costs of Housing First vary, support costs can be considerably greater for some Housing First services and if a service is operating in a high-pressure housing market, such as London, total costs will be increased because housing will be more expensive than in other areas. However, Housing First still appears to typically cost less than fixed-site services, regardless of where it is operating.

People may, however, use Housing First for significantly longer periods than they stay in fixed site services like hostels and high intensity supported housing. If use of Housing First is long-term and use of fixed-site services only tends to be short term, then the differences in cost are reduced. While Housing First may be more cost effective, it is not a low-cost model.

Housing First may offer particular cost advantages where it is working with people who might become stuck in existing homelessness services, i.e. frequent flyers who use services on a long term or repeated basis but who do not exit homelessness. There is also evidence that Housing First may be able to work with hard to reach populations, increasing overall effectiveness of homelessness policy. However, existing UK services, which are different from those in North America with which Housing First was initially compared, may also be effective with other groups of people in the homeless population.

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43 <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/LLN-2018-0108#fullreport>

## 4. Cost effectiveness: Cost offsets

### Introduction

This section looks at cost offsets, which refers to the ways in which Housing First can potentially save money for other services, for example the NHS, local authorities, and in some instances the criminal justice system.

The material presented here draws on three sources. The first is a small, totally anonymised, dataset collected directly from Housing First service users from the 15 services. As noted in Section 1, it had been hoped that this request for data would receive a larger response, but only small number of forms were completed with 29 responses in total. The second dataset, drawn upon to add more comparative cost data to the research, was collected in 2016, and involved 86 lone homeless people who had all been homeless for at least three months<sup>44</sup>. This group contained many individuals with high and complex needs and it is possible - as has been done here - to contrast the actual costs of their homelessness over a three-month period, compared to the costs of Housing First. These 2016 costs have been adjusted for inflation.

### Key points

- Housing First can produce cashable savings for local authorities by reducing long-term and repeated use of temporary supported housing and hostels by people with high and complex needs who are unable to exit homelessness. There is strong evidence that Housing First can help many people in this “frequent flyer” group exit homelessness.
- NHS emergency service use, including A&E departments and mental health services, can be associated with the “frequent flyer” homeless people with high and complex needs. By ending this form of homelessness Housing First may reduce NHS costs.
- Among a minority of homeless people, with high and complex needs, contact rates with the criminal justice system can be high, which generates significant costs. There is some evidence that Housing First can radically reduce rates of offending and of contact with Police and Courts, producing potentially significant savings.
- Some cost offsets are difficult to cash. For example, so many people use A&E departments that, while ending repeated use by homeless people with complex needs will free resources, there is so much other demand that those resources will be instantly consumed, meaning that expenditure cannot be reduced or redirected.
- Costs can increase. For example, a long-term rough sleeper might get access to all the NHS services they should have been using, which means costs for other services will spike as a result of someone using Housing First.
- The greatest potential for cost offsets seems to be in reducing “frequent flyer” contact with homelessness services that are unable to provide an exit from homelessness and significantly reducing contact with the criminal justice system. There is some potential for improving costs and outcomes for the NHS.

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44 Pleace, N. and Culhane, D. (2016) Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England London: Crisis.

### Cost offsets

Cost offsets centre on what has been referred to as the 'million-dollar Murray' problem in the United States. This refers to a situation in which someone with high and complex needs cannot get access to the right sort of support to help them exit homelessness, so that they instead become a "frequent flyer". Homelessness results in frequent use of emergency health services, staying repeatedly and for long periods in emergency accommodation and supported housing, which cannot offer the right level or range of support, and in the case of 'Murray' a real individual who eventually died on the street, experiencing repeated and expensive contact with the US criminal justice system<sup>45</sup>. This argument has been backed up with substantial analysis, which found that this pattern was indeed present among a minority of the homeless population<sup>46</sup>. Australian research has also reported very similar findings<sup>47</sup>.

Cost offsets are the potential savings that can exist for other services through the operation of Housing First. There are three main sets:

- Savings for local authorities, mainly from reductions in "frequent flyer" use of homelessness services that cannot meet the specific support requirements of homeless people with high and complex needs, but also with respect to possibly reduced traffic for preventative services and the statutory homelessness system, where for example Housing First might stop an individual with complex needs presenting multiple times.
- Savings for the NHS. One area is with respect to emergency services, including ambulances and A&E, in that Housing First should enable someone to access the NHS via the common routes, i.e. by GP appointment and outpatient attendance by ensuring they are registered with and make use of primary care services. Better management of contact with Community Mental Health and Addiction services, rather than people experiencing long-term and recurrent homelessness only being treated when crises arise, via expensive emergency interventions.
- Savings for the criminal justice system, in those instances where long-term and repeated homelessness is associated with repeat offending, short term custodial sentences and frequent arrest/overnight detention.

### Cashable savings

If someone who is long-term and recurrently homeless, with high and complex needs, presents repeatedly at an accident and emergency (A&E) department there is, of course, a financial cost each time they do so. However, while that person and any other homeless people with similar needs who presents at A&E may typically require more resources than other patients, but even if they stopped using it, there are so many other people using that A&E department that it would still be working very hard to manage demand. Housing First might help reduce costs for an A&E, but it will not enable the NHS to actually spend less on that A&E as too many other people use it. The same is true for any public service operating at scale, yes if those homeless people who do have repeated contact with the Police and criminal justice system are supported away from petty crime or nuisance by Housing First, resources will be saved, but the Police will still be stretched to their limits dealing with all the other crime, committed by people with roofs over their heads. When homeless

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45 Gladwell, M. (2006) Million-Dollar Murray: Why problems like homelessness may be easier to solve than to manage *The New Yorker* February 13, 2006 Issue

46 Culhane, D.P. (2008) The cost of homelessness: a perspective from the United States. *European Journal of Homelessness*, 2, 97-114.

47 Wood, L.; Flatau, P.; Zaretsky, K.; Foster, S.; Vallesi, S. and Miscenko, D. (2016) *What are the health, social and economic benefits of providing public housing and support to formerly homeless people?* Melbourne: AHURI.

people, no matter how time consuming they may be on an individual basis, still only represent a tiny fraction of total activity, as is the case with mass public services like the NHS emergency care and the criminal justice system, supporting them away from those services will not actually allow any reduction in spending<sup>48</sup>.

Having said this, there is an advantage for services like an A&E or the Police, in that supporting homeless people who would otherwise have repeated and sustained contact with these services can at least ease some element of the pressure on staff. From this perspective, the NHS and criminal justice system will still welcome reductions in contact with highly vulnerable people and welcome a situation in which they are getting the support they need, rather than being inappropriately in contact with services that are spending resources in a way that helps no-one. The 'million-dollar Murray' argument is as strong here as in the USA.

When public services are not operating at a somewhat smaller scale, such as the homelessness prevention and statutory homelessness systems run by local authorities, then the potential for savings that can, at least theoretically, be 'cashed' becomes greater. There is the potential for real savings if a local authority is not processing multiple applications for preventative services, assessments under the terms of the homelessness legislation, and funding temporary accommodation and supported housing for a small group of long-term and repeatedly homeless people with complex needs. The reason for this, as American research has suggested, along with some work here in the UK<sup>49</sup>, is that homeless people with high and complex needs are still the minority (most English homelessness is experienced by families, particularly lone women parents<sup>50</sup>), they nevertheless use a high ratio of *total* resources spent on homelessness.

American data, based on analysis of large-scale administrative datasets (which tracked total use of homelessness services at city level over time) have indicated that only 10% of the homeless population, a group with high and complex needs, use half the overnight stays that emergency shelters have available. For example, if an American shelter has 20 beds, the equivalent of 10 of those beds will always have someone who is long-term or recurrently homeless in them, so that just 10% of the homelessness population is accounting for 50% of resource use<sup>51</sup>. Analysis of CHAIN administrative data, which covers London's homelessness services and other city-wide databases, such as in Liverpool<sup>52</sup>, indicates a similar pattern, a small group of vulnerable, high need, long term and repeatedly homeless "frequent flyers".

### Cost spikes

Alongside the possibility of cost offsets, there is the potential for cost spikes. Housing First can save money, which has been argued elsewhere should be then redeployed to help prevent and stop homelessness, rather than being seen as an opportunity to cut spending<sup>53</sup> (see Section 5). Even where savings may not be cashable, Housing First can at least take some of the pressure off overstretched public services, by providing the right support to those homeless people who would otherwise be "frequent flyers".

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48 Pleace, N.; Baptista, I.; Benjaminsen, L. and Busch-Geertsema, V. (2013) The Costs of Homelessness in Europe: An Assessment of the Current Evidence Base Brussels: FEANTSA.

49 Jones, A. and Pleace, N (2010) A Review of Single Homelessness in the UK 2000 - 2010, London: Crisis.

50 <https://www.gov.uk/government/collections/homelessness-statistics>

51 Culhane, D.P. (2018) Chronic Homelessness Center for Evidence Based Solutions on Homelessness.

52 Blood, I.; Copeman, I.; Goldup, M.; Pleace, N.; Bretherton, J. and Dulson, S. (2017) Housing First Feasibility Study for the Liverpool City Region London: Crisis.

53 Culhane, D.P. (2008) The cost of homelessness: a perspective from the United States. *European Journal of Homelessness*, 2, 97-114.

However, Housing First can also produce spikes in expenditure. Not all homeless people with high and complex needs will necessarily be "frequent flyers", indeed their service contact may be very limited. When someone with high and complex needs who has not been using NHS services, who has not been offending, who has perhaps not been using emergency accommodation, supported housing or even services like day centres or soup-runs on a regular basis starts using Housing First, the result will be an *increase*, not a decrease, in public spending. It is easy to see how this can happen. An undiagnosed mental health problem, illness or disability that had received no treatment is recognised, help is arranged, and support or treatment begin, and costs rise. Someone who had been living rough on a sustained or repeated basis is now housed, rent is being paid, necessarily intensive support is in place, and so, again, costs rise. Housing First does not always mean things will get cheaper.

The other point here is that while certain types of expenditure may stop or be reduced, spending will, obviously, not stop altogether. A formerly homeless person may no longer be presenting at A&E twenty times a year, but they might go to their GP a fair amount, taking them away from homelessness and connecting them up to better support - while it may still save money overall - does make spending stop. French analysis of their national Housing First programme, *Un chez-soi d'abord*, a specific target of which was to reduce spending on psychiatric inpatient services (mental health ward admission) found that spending was brought down significantly, but, of course, people's mental health problems still needed treatment, money still needed to be spent<sup>54</sup>.

### Estimating cost offsets

Generalising about NHS costs is difficult, because much of the cost will depend on what someone is being treated for, ranging from the cost of the treatment itself, through to if they need to stay in hospital (and if so, for how long) or can attend as an outpatient<sup>55</sup>. Costs can also (as with the Housing First services) vary by location. Broadly speaking (Table 7), an A&E visit will tend to cost more than a GP appointment and avoiding emergency service use generally, i.e. receiving care and treatment that means a crisis is less likely to be experienced, and an ambulance ride and inpatient admission that would otherwise have happened are not needed, will tend to reduce costs.

Criminal justice costs also vary. Someone may be cautioned, convicted, or simply given a verbal warning, rather than arrested. Unlike NHS costs, the cost offsets for criminal justice do not come from replacing a more expensive intervention with a more affordable and probably more effective one (e.g. a series of GP appointments which should establish continuity of care, rather being seen relatively quickly in the high-pressure environment of an A&E). A cost offset for the criminal justice system means someone who would have been arrested, held overnight, charged and/or convicted or imprisoned does not commit a crime to begin with, the saving centres on not having to do anything (Table 11).

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54 <http://www.home-eu.org/85-percent-homeless-persons-france-keep-home-two-years/>

55 <https://improvement.nhs.uk/resources/reference-costs/>

Table 11: Unit Costs for Other Services

Unit cost	Amount
Ambulance call out <sup>1</sup>	£235
A&E attendance <sup>2</sup>	£123
Hospital admission (inpatient stays) <sup>3</sup>	£1,963
Mental health hospital admission (per day) <sup>4</sup>	£483
Community Mental Health Team (per contact) <sup>5</sup>	£176
GP appointment <sup>6</sup>	£26
Anti-social behaviour <sup>7</sup>	£709
Arrested and detained <sup>8</sup>	£758
Prison (per day) <sup>9</sup>	£670

Sources: New Economy Manchester (2015, adjusted for inflation)<sup>56</sup>, NHS Reference costs<sup>57</sup>. (1) Ambulance services average cost of call out, per incident (2) A&E attendance (all scenarios) average (3) Hospital inpatients average cost per episode (elective and non-elective admissions) (4) Mental health inpatients, specialist services, hospital attendance average cost per bed day, all patients (adults, children and adolescents) (5) Mental health community provision average cost per contact (6) GP appointment average cost (7) Anti-social behaviour with further action necessary (average cost of dealing with incident) (8) Criminal proceedings: Arrest, detained average cost (9) Prison average cost across all prisons, including central costs, based on costs per prisoner per annum.

The potential for cost offsets is clear. Even replacing an A&E attendance with a GP appointment, or a mental health hospital admission with community mental health team treatment and support, will save resources. If the more expensive service interventions can be avoided, even some of the time, there will be larger cost offsets.

The 29 people who anonymously completed questionnaires on the changes in their service use since engaging with the one of the 15 Housing First services. The questionnaire asked people using Housing First to say which services they had used in the last 90 days and to compare that with what their likely pattern of service use would have been in a 90-day period prior to using Housing First.

<sup>56</sup> <http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database>

<sup>57</sup> <https://improvement.nhs.uk/resources/reference-costs/>

The 29 people who responded to the questionnaire reported high rates of mental health problems (62%), drug addiction (66%) and problematic drinking (69%). A smaller group reported a disability and/or limiting illness (28%)<sup>58</sup>. Just over one third of the group were women (35%) and 72% were of White European origin. Almost all were aged over 25 (86%) and had been using one of the 15 Housing First services for at least nine months (79%).

While the numbers of people who responded to the questionnaire were too low to do very much meaningful analysis, amongst this group of 29 people, three broad trends were evident (Figure 15):

Changes in NHS use, i.e. lower levels of A&E and hospital admission associated with severe mental illness

- Marked reductions in reported contacts with the criminal justice system
- Almost no use of emergency shelters and hostels once using Housing First
- Large reductions in reported experience of sleeping rough

For example, 17 people reported that - during a typical three-month period before using Housing First - they would use A&E at least once, whereas 11 of the same group reported that they would use A&E during a three-month period now that they were supported by a Housing First service. Contacts with community mental health teams (CMHT) went up after starting to use Housing First. By contrast, seven people reported that they had one or more hospital admissions for mental health problems prior to using Housing First, but just two had reported an admission since. This suggested Housing First was connecting people to community mental health services and might have in some instances been reducing the need for hospital admission for mental health problems.

Three people had been arrested at least once while using Housing First, but 16 had been arrested at least once before using Housing First. While these data only covered 29 people, this was a 45% reduction in the number of people reporting contact with the criminal justice system. Other research has suggested marked falls in contact with the criminal justice system being achieved by Housing First<sup>59</sup>.

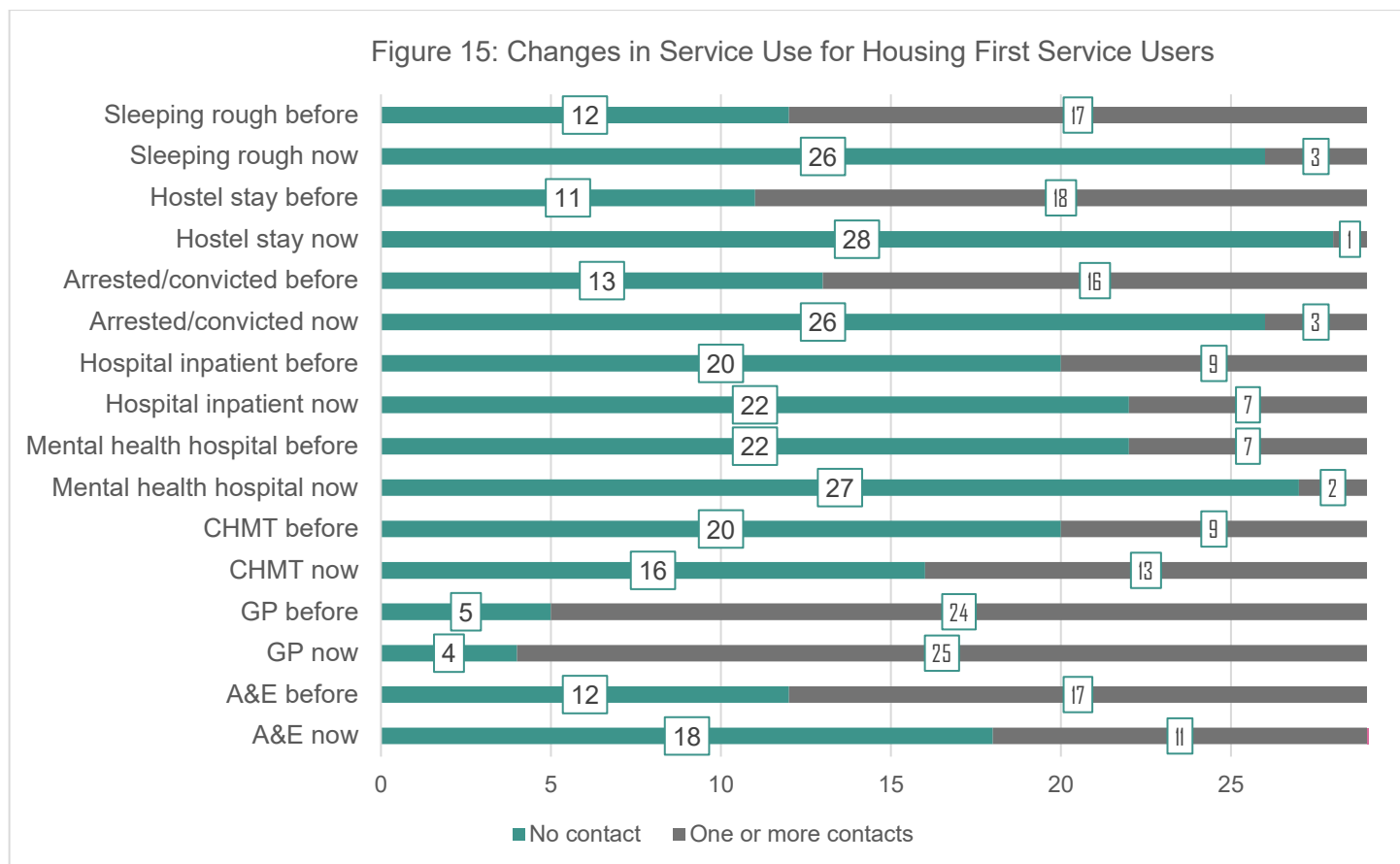
Hostel stays while using Housing First were reported by one person, compared to 18 reporting one or more stays prior to using Housing First. Rough sleeping, while it was still reported by three people using Housing First, had been experienced by 17 people prior to using Housing First (Figure 15).

This is a fairly small group of people and the changes being reported were sometimes marginal, a few less visits to A&E or a few more appointments with the GP. There were, allowing for the fact that this was a group of just 29 people, some rather larger shifts, i.e. fewer people been admitted into a hospital for mental health reasons and there were a lot less arrests since using Housing First. However, as is shown in Table 12, even these quite small shifts in service use produce reductions in spending that quickly start to add up, particularly if it is 100 Housing First service users who are being talked about, rather than just the 16 who opted to complete the anonymised questionnaire.

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<sup>58</sup> Percentages are rounded.

<sup>59</sup> Quilgars, D. and Pleace, N. (2017) [The Threshold Housing First Pilot for Women with an Offending History: The First Two Years: Report of the University of York Evaluation](#) York: Centre for Housing Policy.



Source: Anonymous Housing First service user questionnaire (based on last 90 days compared with a 90-day period prior to using Housing First, 29 respondents).

Table 12: Unit Costs for Other Services

Service	Savings from one less contact	Savings from two less contacts	Savings from three less contacts
A&E	£123	£246	£369
Mental health hospital stay*	£1,449	£2,898	£4,347
Hospital stay	£1,963	£3,926	£5,889
Arrested and convicted	£758	£1,516	£2,274
Hostel stay**	£102	£204	£306

Source: Anonymous Housing First service user questionnaire. \* Assumes a three day stay. \*\* Assumes a three day stay.



If just the people who reported they had been in contact with some services prior to using Housing First, but they had not used them in the last three months, are examined<sup>60</sup>:

- Five people who reported visiting A&E prior to using Housing First had not attended in the last 90 days, three less contacts would amount to £615.
- Five of the people who reported hospital admissions for mental health problems, prior to using Housing First, had not attended in the last 90 days, a potential saving of £7,425 (based on five fewer stays of three days duration).
- Two people who had been admitted to hospital prior to using Housing First, had not been admitted in the last 90 days, a potential reduction of £3,926 (based on two fewer admissions).
- Three people reported being arrested and convicted in the last 90 days, compared to 16 people reporting convictions prior to using Housing First, based on 16 less convictions this would be a potential saving of £12,128.
- Hostel stays were lower since starting to use Housing First. One person using Housing First had stayed in a hostel in the last 90 days, compared to 18 who reported that, during a typical 90-day period prior to using Housing First, they would stay in a hostel at least once. Seventeen three day stays in a hostel would cost around £1,734.
- Based on their most recent 90 days in Housing First and their own comparison with a typical 90-day period prior to using Housing First, around £26,000 less would have been spent by other services as a result of these 29 people using Housing First.

Of course, reality is more complex than this, people have trouble remembering exactly what they did and when and these data are only partial. Complexity comes into the picture because while some services, such as psychiatric wards, were spending less, others such as community mental health teams, were spending more. GP contact also remained fairly constant, most people were routinely going to their own GP prior to using Housing First and were continuing to do so. It is only when administrative data from Housing First, other homelessness services, the NHS, criminal justice and other services can be successfully combined and then anonymised for analysis at scale, that the UK will, like the USA, be in a position to properly explore the cost offsets of Housing First<sup>61</sup>.

As is discussed in Section 5, while there is confidence in data showing that Housing First can reliably end homelessness among people with complex needs at a high rate (around 80% of service users are typically still housed at one year), data with respect to gains in health and wellbeing are less certain. Mental health, addiction and physical health, alongside social integration, do not necessarily improve in consistent ways. This is not to suggest that Housing First cannot have positive impacts in these respects, but there is less certainty around health and social outcomes than there is with respect to how effectively Housing First ends homelessness.

### Other research on cost offsets

The responses from 29 people using Housing First did not provide enough data to look at cost offsets to the extent that had been planned. However, detailed data on the patterns of service use by 86 lone homeless adults, all of whom had been homeless for at least 90 days and many of whom had high and complex needs,

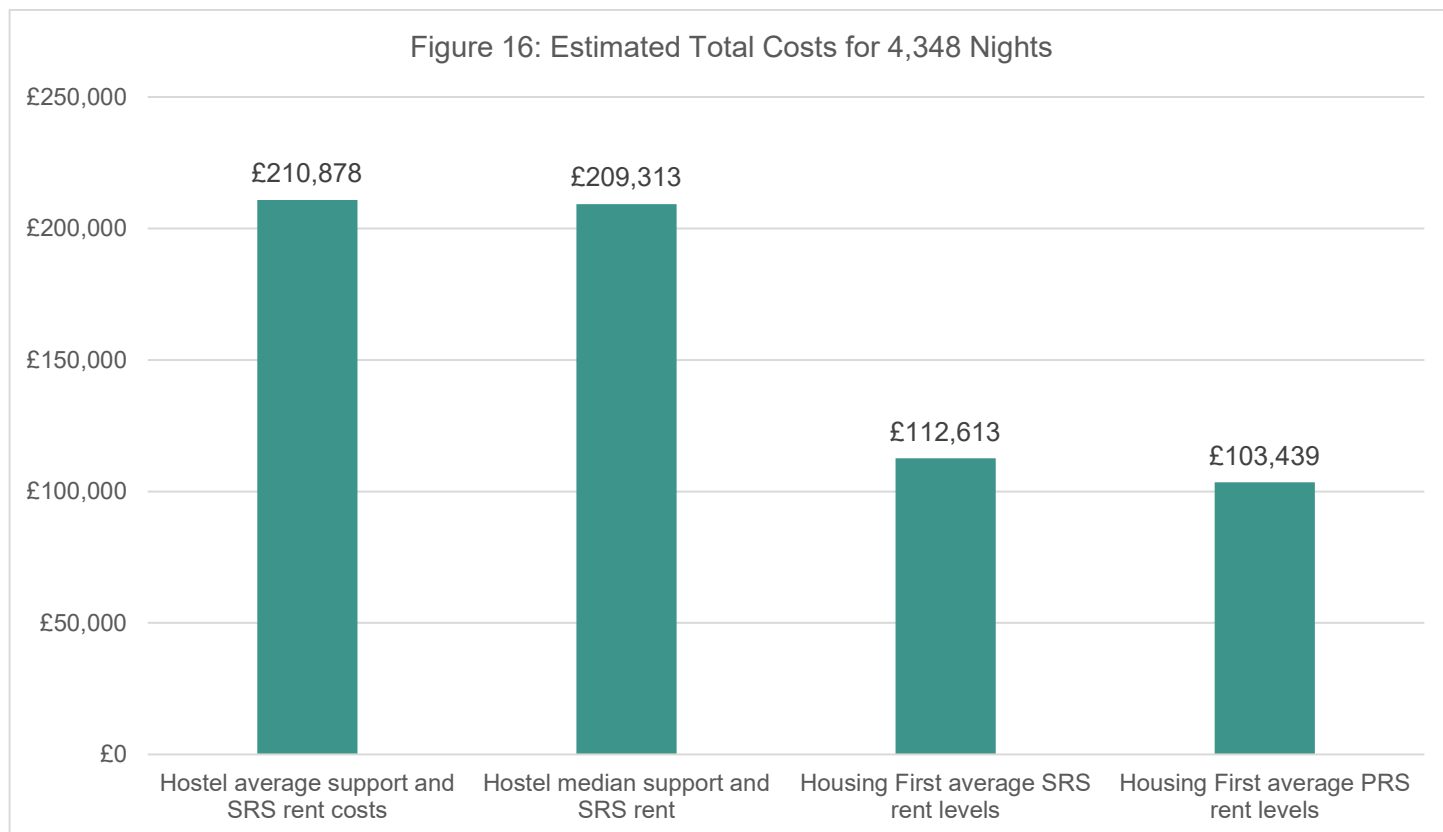
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<sup>60</sup> See Table 6 for assumptions on costs.

<sup>61</sup> Culhane, D. (2016) *The Potential of Linked Administrative Data for Advancing Homelessness Research and Policy*. *European Journal of Homelessness* 10(3).

had been collected for a 2016 study on the financial costs of homelessness<sup>62</sup>.

Adjusting these figures for inflation<sup>63</sup>, it was possible to estimate the ways in which Housing First might have reduced the financial costs of the homelessness being experienced by these 86 people. One example was the potential difference that Housing First would make to costs if these 86 people had been housed by a Housing First service for the last 90 days. Collectively, these 86 people had stayed for 4,348 nights in hostels and temporary supported housing over the last 90 days (Figure 11).



Sources: Pleace and Culhane, 2016 and Questionnaire.

At estimated average total cost (including rent), those 4,348 nights would have cost around £209-210,000, compared to between £103-£112,000 for Housing First. If the 86 lone homeless people had been in Housing First rather than in hostels and temporary supported housing for the last 90 days, the average cost would have been halved. These 86 people had all been homeless for 90 days or more and reported high rates of mental health problems, addiction, limiting illness and disability, i.e. many of them were potentially within the remit of a Housing First service.

The 2016 report estimated that an average of £19,708 (£20,416 at 2017 prices) would be spent on each of the 86 people by the NHS and criminal justice system, if they were homeless for one year. This assumed that they maintained the same pattern of service use they had reported over the last 90 days for 365 days<sup>64</sup>. If Housing First were able to reduce this level of NHS and criminal justice spending by even 20%-30%, the average cost offset would be £3,941 to £5,912, while an average reduction in spending of 50% would get close to paying

<sup>62</sup> Pleace, N. and Culhane, D. (2016) *Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England* London: Crisis.

<sup>63</sup> To 2017 costs, using the Bank of England inflation calculator.

<sup>64</sup> Pleace, N. and Culhane, D. (2016) *Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England* London: Crisis.

the total cost of Housing First, as shown in Table 9, by saving an average of £9,854 (£10,280 at 2017 prices). For NHS services, there were indications that the offsets may not be as high as for criminal justice services. Rates of GP use among the 86 people surveyed in 2016 were already high and this was the most use of NHS services. Hostels and supported housing providers often try to get people using their services and quite a number of larger towns and cities have some sort of NHS funded GP (and mental health service) specifically for homeless and rough sleeping populations<sup>65</sup>. Some reduction in emergency NHS service use was possible, had these 86 people been using Housing First, but this was a group of people with high rates of access to primary care.

By contrast, the small amount of data collected for this study, the evaluation of the nine Housing First pilots in England<sup>66</sup> and the ongoing evaluation of the Threshold Housing First project<sup>67</sup> - while all small exercises - indicate that Housing First significantly reduces rates of offending. Among the 86 people surveyed in 2016, while only some had contact with the criminal justice system, the costs of that contact were high. Among the 86, there had been 28 arrests and detentions recorded at a cost of some £21,224 and there were also six court appearances, bringing the total criminal justice costs to some £267,000. There are only some data indicating that Housing First can significantly reduce offending levels, but if it can, the potential for cost offsets may be considerable. Among the groups of people who Housing First is designed to work with, long-term and repeatedly homeless people with complex needs, there can be broad relationships between low level offending, addiction and homelessness<sup>68</sup>.

From a local authority perspective, cashable savings can potentially be delivered by Housing First services that are able to meet the needs of "frequent flyer" homelessness service users, who may take up a disproportionate amount of resources without having their homelessness resolved. This model has been used successfully in the London Borough of Camden, which targeted its Housing First service not on people sleeping rough, but on the "frequent flyer" group who had become "stuck" in its hostels and supported housing, reducing costs, increasing efficiency and achieving better outcomes for people with high and complex needs<sup>69</sup>.

## Summary

There is evidence that Housing First typically costs less than fixed site services such as hostels and supported housing. This pattern exists because Housing First support costs tend to be lower, because the support it offers is scalable in a way that cannot be achieved in fixed site services. Housing First services can redeploy staff, moving support around and, for example, taking on a higher caseload when the support needs of most of the people using the service have lessened. Fixed-site services cannot vary their deployment of support to the same extent, i.e. Housing First services can reduce resource use for someone being supported by their staff over time, whereas a hostel, for example, has a fixed number of spaces and a fixed allocation of staff.

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65 Examples include Luther Street in Oxford [https://www.oxfordhealth.nhs.uk/service\\_description/luther-street-medical-centre/](https://www.oxfordhealth.nhs.uk/service_description/luther-street-medical-centre/); the Urban Village Medical Practice Homeless Healthcare Service in Manchester <http://www.uvmp.co.uk/page1.aspx?p=13>; the York Street Practice in Leeds <https://www.nhs.uk/Services/GP/Overview/DefaultView.aspx?id=110948> and Great Chapel Street in London <http://www.greatchapelst.org.uk>

66 Bretherton, J. and Pleace, N. (2015) [Housing First in England An Evaluation of Nine Services](#) York: Centre for Housing Policy.

67 Quilgars, D. and Pleace, N. (2017) *The Threshold Housing First Pilot for Women with an Offending History: The First Two Years: Report of the University of York Evaluation* York: Centre for Housing Policy.

68 Kemp, P.A., Neale, J. and Robertson, M. (2006) Homelessness among problem drug users: prevalence, risk factors and trigger events. *Health & Social Care in the Community*, 14(4), pp.319-328.

69 Pleace, N. and Bretherton, J. (2013) *Camden Housing First: A 'Housing First' Experiment in London* York: University of York.

When homeless people stop making repeated use of some public services, the savings that result may not always be 'cashable' if homeless people only represent a very small amount of the total activity for that service. Housing First may cause spikes in public spending, where homeless people are brought into contact with NHS and other services that they should have been accessing but were not using while homeless. A limited amount of data was collected from 29 people using Housing First. This indicated drops in use of other homelessness services, the NHS and the criminal justice system. Analysis was also run using a larger dataset, on 86 lone homeless people who had high rates of complex needs, collected in 2016. These data suggested that the greatest potential for savings centred on reducing use of fixed-site homelessness services like hostels and supported housing and using Housing First instead. High costs to the NHS and criminal justice system occurred, but they were by no means uniform, for example most people had not been arrested, or attended an A&E, in the last 90 days. Equally, if a hostel stay results in a fairly rapid resolution of homelessness that service may not be much more expensive than using Housing First over a longer period. Where Housing First may be most cost effective, is in successfully helping people who are "frequent flyers" in the homelessness system, the NHS and in terms of contact with the criminal justice system.

## 5. Conclusion: The value of Housing First

### Introduction

This final section draws some comparisons with the international evidence and then briefly discusses how the value of Housing First should be assessed.

### Key points

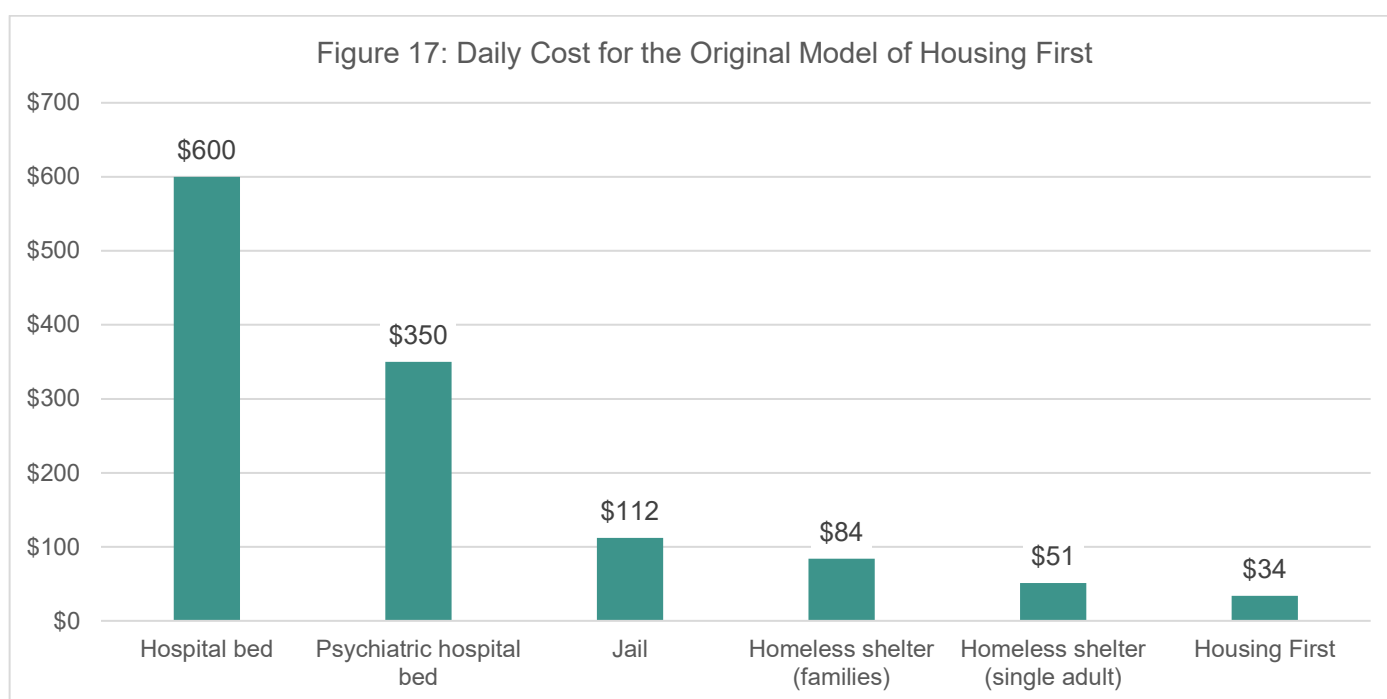
- In North Western Europe and North America, Housing First has been mainly used to work with homeless people with high and complex needs, whose experience of homelessness is often long-term and repeated. Comparisons with existing homelessness services, in which these groups were 'frequent flyers' have generally shown Housing First to be a more cost efficient of working with homeless people with high and complex needs. Housing First has also been used successfully with hard to reach populations, which can enhance the overall effectiveness of homelessness strategies.
- There is a need to be careful in reading too much into the comparisons conducted in other countries. In some instances, for example the early work that looked at Housing First compared to American linear residential treatment (LRT) services, which were abstinence-based, expensive and required behavioural change from service users, the comparison was between Housing First and existing homelessness services that are quite different to those in England. Existing English services can often be cost effective in ending homelessness, but strategic responses to homelessness can benefit from using Housing First alongside these existing services, because Housing First can be more successful with frequent flyer and hard to reach groups.
- In Finland, which is close to ending homelessness, Housing First has been used in a precise way within an integrated homelessness strategy that uses a range of preventative and other homelessness services, alongside a social housing building programme. Finnish experience shows Housing First is at its most cost effective when used for homeless people with high and complex needs, ending homelessness for people who are "frequent flyer" users of health services, criminal justice systems and other homelessness services. Canadian evidence shows the same pattern.
- Beyond the successes in housing homeless people with complex needs, the results of Housing First can be mixed, with varying outcomes around mental health, addiction and integration with the community and social networks. Despite strong results in ending homelessness, not everyone with high and complex needs can be assisted by Housing First. It is important to be realistic about what Housing First can achieve on its own and to consider how it can work most effectively with other services and homelessness prevention. This is not an argument against Housing First, which has a clear and cost-efficient role in ending homelessness but is instead a point about making sure Housing First is being used in the most effective way, i.e. as part of an integrated homelessness strategy that also involves health, social care, mental health and addiction services.
- The real value of Housing First lies in its capacity to end homelessness at the extreme end of need, in the human value of what it is able to do. In the final analysis, what matters is whether or not Housing First can end homelessness, not what it can save in financial terms, but in the lives it can help save and restore.

### Comparison with international evidence

Housing First has been consistently successful in around eight out of every 10 cases, if success is measured in terms of housing formerly homeless people with complex needs for at least one year. This success has been repeated in more than a dozen other countries, Housing First ending homelessness among people with complex needs in countries that were profoundly different from each other, in terms of wealth, culture and public spending on health, housing and welfare<sup>70</sup>.

Some Canadian, Danish and French Housing First programmes have a dedicated interdisciplinary teams (ACT). For the most part, the UK, like Finland, the Netherlands, Portugal, Spain and Sweden tends to use intensive case management in Housing First services, rather than dedicated interdisciplinary teams<sup>71</sup>. There is good evidence that Housing First services which follow the key principles of Housing First<sup>72</sup> all tend to perform strongly in ending homelessness among people with high and complex needs<sup>73</sup>.

Perhaps one of the best-known images around Housing First, reproduced here (Figure 17) is the comparison of the costs of the original Housing First with a range of other services.



Source: Sam Tsemberis (2013) <https://www.slideshare.net/brianlynch/sam-tsemberis-presentation>

70 Pleace, N. (2018) Using Housing First in Integrated Homelessness Strategies: A Review of the Evidence York: Centre for Housing Policy; Pleace, N. and Bretherton, J. (2013) The case for Housing First in the European Union: a critical evaluation of concerns about effectiveness. *European Journal of Homelessness*, 7 (2), 21-41.

71 Pleace, N. (2016) *Housing First Guide Europe* Brussels: FEANTSA.

72 Homeless Link (2016) *Housing First in England: The principles* London: Homeless Link.

73 Bretherton, J. and Pleace, N. (2015) *Housing First in England An Evaluation of Nine Services* York: Centre for Housing Policy; Quilgars, D. and Pleace, N. (2018) *The Threshold Housing First Pilot for Women with an Offending History: The First Two Years* York: CHP; Pleace, N. and Quilgars, D. (2017) *The Inspiring Change Manchester Housing First Pilot: Interim Report* York: Centre for Housing Policy; Boyle, F. and Palmer, J. with Ahmed, S. (2016) *The efficiency and effectiveness of the Housing First support service piloted by Depaul in Belfast, funded by Supporting People: An SROI evaluation* Belfast: North Harbour Consulting.

Looking at this figure, the case appears overwhelming, the daily cost of Housing First is a fraction of the cost of other services when looked at. These costs are also not far removed from the total costs, based on average support costs and average rents in the social rented sector, reported here at £24.42 a day (£30.83 if private rented housing is used). The differences are dramatic, a hospital bed is \$566 more expensive per day, it is \$316 more per day for a bed in a psychiatric ward, even the emergency shelters are more expensive, which again broadly matches the findings reported here. Unlike American experience with the original model of Housing First, the cost per night of using the UK equivalent of a US emergency shelter, i.e. a night shelter, may actually be similar to the cost of Housing First (Table 13).

As this report has shown, the comparison is not quite that straightforward. In reality, people will typically be using these services for shorter periods than they use Housing First, so a day-by-day cost is not necessarily the fairest way of presenting cost comparisons. However, if a more realistic cost comparison is undertaken (see Figure 14), which looks at how, for example, the costs of Housing First over three years compare with the costs of a fixed site homelessness service for three years, then Housing First does still look more cost-efficient.

This research suggests that Housing First support costs tend to come down over time, so that Housing First is not costing as much in year 3 as it does in year 1, and indeed is probably costing quite a lot less by the end of the first year than it does at the beginning. The dangers of assuming support needs will just continually fall over time have been pointed out, Housing First is designed on the basis that people will experience crises sometime after they have started using Housing First and the service will be in a position to react. Nevertheless, this broad tendency to cost less over time is important, because it means one of the hesitations of commissioners about using Housing First, that it will cost more overall because it provides support for longer, is not supported by the available evidence.

In some instances, Housing First has greatly outperformed existing services in financial terms. The best example of this is the early comparisons with American linear residential treatment models (LRT services), particularly those examples which were strict, abstinence-based services that set all sorts of requirements about how people should behave and expected them to complete a series of steps to make themselves 'housing ready'. At best, these services managed success rates of four to six out of every 10 people they worked with<sup>74</sup>, whereas Housing First achieved more like eight or nine out of 10 and did it at a significantly lower cost<sup>75</sup>.

In countries like England and Finland, the comparison is not necessarily as straightforward. This is because existing homelessness services are closer to Housing First, harm reduction and choice-led approaches have been mainstream practice for decades and success rates are generally higher than the old American LRT services from the 1990s<sup>76</sup>. However, Housing First can be more effective than these existing services in two key respects. First, Housing First can work very successfully with people who are frequent flyers in existing services, those homeless people who keep using those services but get stuck and cannot exit homelessness, and second, Housing First can be more successful in working with groups of homeless people that existing services may find it hard to reach. Used in this specific way, Housing First can be more cost effective than existing services and enhance overall strategic effectiveness.

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74 Rosenheck, R. (2010) Service models and mental health problems: cost effectiveness and policy relevance, in Ellen, I.G. and O'Flaherty, B. (eds), *How to House the Homeless*. Russell Sage Foundation: New York, pp. 17-36.

75 Pleace, N. (2008) *Effective Services for Substance Misuse and Homelessness in Scotland: Evidence from an international review* Edinburgh: Scottish Government.

76 Pleace, N. (2018) *op. cit.*

Perhaps the most useful comparison here is with Finland. The popular narrative here is that Finns have used the Housing First model to great effect, bringing down long-term homelessness in a cost-effective way. In reality, the picture is more complex, what the Finns actually did was develop a highly integrated national homelessness strategy, which included significant building of new social housing and, drawing on their own experience and knowledge, alongside that from the Housing First model in North America, experimented with a new way of addressing the needs of homeless people who were "frequent flyers" by replacing their emergency shelter provision with a form of Housing First.

Other Finnish homelessness services, including supported housing and floating support, which in many respects reflected mainstream English practice, were already seen to be effective. Housing First made sense in a clearly defined, niche role, replacing emergency shelters in which frequent flying homeless people with high and complex needs got "stuck". However, the Finns did not replace every other homelessness service with Housing First, because those services often worked well, cost effective use of Housing First meant using it in a very *targeted* way within an integrated strategy that included an array of other preventative, supported housing and floating support services<sup>77</sup>.

Canadian and French research on Housing First, which in both countries involved major experimental research (randomised control trials), have also shown significant cost offsets. The French research found that one of the key goals of their *Un chez-soi d'abord* programme to reduce psychiatric hospital admissions, had been achieved<sup>78</sup>. In Canada, the two year evaluation of the *At Home/Chez Soi* programme reported that, for people with the highest and most complex needs using the version of Housing First with its own multidisciplinary team (medics, psychiatrists, drug alcohol workers, peer support and support workers all directly employed by Housing First, the ACT, 'assertive community treatment' model) Housing First was very close to being cost neutral, every \$10 (CAD) spent saved an average of \$9.60 (CAD).

For the Canadian Housing First services using intensive case management (ICM), broadly similar to most current English services, which while working with high need individuals did not work with those people with the most extreme needs, the cost offset was rather less, at \$3.42 being saved for every \$10 spent. Housing First paid dividends when working with the people with the highest needs, those "frequent flyers" who were in the 10% with the highest rates of emergency, homeless and other service contact, prior to being supported by Housing First, for this small group, every \$10 spent meant at \$21.72 saving on average. Housing First could literally save double what it cost, but this was for 10% of users. The cost offsets were less for the other 90% and, for those using ICM Housing First, the cost offsets partially met the costs of providing Housing First<sup>79</sup>.

For those people with the highest and most complex needs, Canadian Housing First cost significantly less than existing services, for those people with lower support needs, part of the costs of Housing First were offset by savings elsewhere. However, the overall response to long-term and repeated homelessness was considerably enhanced by Housing First, Canada was ending homelessness more rapidly and at a higher rate because of Housing First. This meant that, while Housing First was not necessarily always *saving* money, it

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77 Y Foundation (2017) *A Home of Your Own: Housing First and ending homelessness in Finland*. Helsinki: Y Foundation; Pleace, N., Culhane, D.P., Granfelt, R., and Knutagård, M. (2015) *The Finnish Homelessness Strategy: An International Review* Helsinki: Ministry of the Environment; Pleace, N. (2017) *The action plan for preventing homelessness in Finland 2016-2019: the culmination of an integrated strategy to end homelessness?* *European Journal of Homelessness*, 11 (2), 1-21.

78 <http://www.home-eu.org/85-percent-homeless-persons-france-keep-home-two-years/>

79 Goering, P., Veldhuizen, S., Watson, A., Adair, C., Kopp, B., Latimer, E., Nelson, G., MacNaughton, E., Streiner, D. and Aubry, T. (2014) *National at Home/Chez Soi Final Report*. Calgary, AB: Mental Health Commission of Canada.



was a cost-efficient approach. The Canadians were reducing homelessness *more effectively* by spending money on Housing First than would have been the case if they kept spending on the existing services<sup>80</sup>.

Like Finland, it was the way in which Housing First has been used in Canada that is crucial, making sure it was working with frequent flyers and hard to reach groups enhanced the overall effectiveness of homelessness strategy. American research comparing a wider range of homelessness services with Housing First and similar models, has concluded the same thing<sup>81</sup>. While Housing First may not always save money, these services do end long-term, repeated and hard to reach homelessness more effectively and that means investing in Housing First is a cost-effective use of public money.

Results in ending homelessness are good and making sure Housing First is working with long-term and repeatedly homeless people, hard to reach groups and homeless people with high and complex needs maximises cost effectiveness. However, there is some evidence suggesting that Housing First is not always a complete solution to the effects of homelessness, in that mental health, addiction and social integration do not always improve over time<sup>82</sup>. This is not to suggest there are not gains and of course people being supported are, in the clear majority of cases, housed rather than homeless. Nevertheless, results can be uneven in these other areas.

A key point here is that Housing First, including those services that work with an ACT team, i.e. their own interdisciplinary teams, are still a case management or service brokering model, Housing First is *designed* to connect up to other services. Effectiveness, in this comprehensive, strategic sense is conditional on Housing First being fully part of an integrated homelessness strategy, which incorporates support and services for addiction, mental and physical health and social and economic integration. Expecting Housing First, however effective it is in terms of ending homelessness among people with high and complex needs, to solve absolutely everything by itself is not realistic. This does not mean we should not always be prepared to be critical and to look at how Housing First might be improved, but equally, it is important not to expect Housing First to tackle everything by itself<sup>83</sup>.

A related point here is that Housing First does not work for every homeless person with high and complex needs, as, typically, around 10-20% of Housing First service users do not exit homelessness with support from Housing First. Again though, by incorporating Housing First into a wider strategy, which might for example include alternatives for this group, such as the Danish Skaeve Huse model of small, congregate, fixed-site supported housing, or some other form of services, the needs of every homeless person can be met. Housing First works best, is most cost-efficient and effective, when it is working alongside prevention, supported housing, lower intensity housing-led (tenancy sustainment, floating support) and health, social care, mental health, addiction and criminal justice services within an integrated homelessness strategy, which, again drawing on the Finnish example, also means working to ensure there is enough adequate and affordable housing available.

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80 Ly, A. and Latimer, E. (2015) Housing first impact on costs and associated cost offsets: a review of the literature. *The Canadian Journal of Psychiatry*, 60(11), pp.475-487.

81 Culhane, D.P. (2008) op. cit.

82 Quilgars, D. and Pleace, N. (2016) Housing First and social integration: a realistic aim? *Social Inclusion*, 4.4, DOI:

10.17645/si.v4i4.672; Johnson, G., Parkinson, S. and Parsell, C. (2012) Policy Shift or Program Drift? Implementing Housing First in Australia. AHURI Final Report No. 184. Melbourne: Australian Housing and Urban Research Institute;

<sup>83</sup> Busch-Geertsema, V. (2012) [The Potential of Housing First from a European Perspective](#) *European Journal of Homelessness* 6(2), pp. 209-216.

### How should cost effectiveness be defined?

The most efficient use of Housing First is probably the Finnish approach, finding a clear and specific role in helping those long-term and recurrently homeless people with high needs that existing services could not provide the right mix of support for and who became "frequent flyers". Some services were replaced by Housing First, where that was logical and made operational and financial sense, but many homelessness services, ranging from supported housing and floating support through to preventative services (which have been expanded in a similar way to the UK) were kept, because they were effective for many homeless people, and Housing First, with a specific focus, was integrated into a comprehensive national homelessness strategy.

There is also the question around how any savings should be used. Again, the message from the existing evidence is that Housing First works best when it has a clear role within an integrated homelessness strategy, so it makes sense to put any savings into supporting wider homelessness strategy, not as a means to further reduce public spending on perhaps the most vulnerable group of people in society.

The most important point in all this discussion is what we value as a society. There are, clearly, some fairly powerful arguments in favour of Housing First, as when used in the right way it is not only effective in ending homelessness but can benefit other services too. However, the real value of Housing First lies in its capacity to end homelessness at the extreme end of need, in the human value of what it is able to do. In the final analysis, what matters is whether or not Housing First can end homelessness, not what it can save in financial terms, but what it can save in terms of people.

### Summary

There is international evidence that Housing First can generate significant cost offsets, particularly when working with homeless people with very high and complex needs. Spending on Housing First can save money, but more importantly, the international evidence shows it is a good use of public funding, because it can help people who are frequent flyers out of existing services, work successfully with hard to reach groups and reduce overall homelessness.

While cost offsets are an important measure of efficiency, alongside evidence of ending homelessness at a high rate, the real value of Housing First lies in ending homelessness among people with high and complex needs. It is in reducing the human costs of homelessness that Housing First shows its true value.



## What we do

Homeless Link is the national membership charity for frontline homelessness agencies and the wider housing with health, care and support sector. We work to improve services through evidence and learning, and to promote policy change that will ensure everyone has a place to call home and the support they need to keep it.

**Let's end  
homelessness  
together**

Homeless Link  
Minories House, 2-5 Minories  
London EC3N 1BJ

020 7840 4430

[www.homeless.org.uk](http://www.homeless.org.uk)

Twitter: @Homelesslink

Facebook: [www.facebook.com/homelesslink](http://www.facebook.com/homelesslink)