

The cost-effectiveness of homelessness programs

HOMELESSNESS PROGRAMS PRODUCE POSITIVE OUTCOMES FOR THEIR CLIENTS AT RELATIVELY LOW COST AND CAN REDUCE HEALTH, JUSTICE AND POLICE EXPENDITURE.

KEY POINTS

- Potential annual whole-of-government savings are at least twice as large as the annual cost of delivering effective homelessness programs. For example, the cost for single male homelessness assistance is only \$4,625 per client compared to average health and justice costs of \$10,212 above the normal population rate while homeless.
- People experiencing homelessness use more health services than average. For example, single men used casualty and emergency departments almost four times more than average, and made nine times more use of ambulance services. Female clients used on average \$6,779 more in health costs than average in the 12 months prior to support.
- Annual justice expenditure includes the police and court costs of responding to domestic violence. For example, justice-related costs for female clients were \$2,922 greater than average in the 12 months prior to support.
- Homelessness programs produced a range of effective outcomes for their clients including better housing, increased quality of life and feelings of safety. Over the 12 month study, dependence on government income support fell and the number of people in paid employment doubled. The programs also reduced rental arrears and tenant liabilities for those at risk of homelessness.
- The funding level per client differs between homelessness programs. The highest cost was \$25,923 per family for medium-term transitional accommodation and support and the lowest was \$1,912 per client for support to single persons exiting prison.

BACKGROUND

This study provides a first assessment of the cost-effectiveness of homelessness programs for adults operating in Perth and the south-west of Western Australia. The cost-effectiveness of any given homelessness program is measured by the extent to which the program improves client outcomes per dollar spent, over and above what would otherwise have occurred. The net cost of delivering homelessness programs is the gross cost of support less any savings or cost offsets achieved elsewhere from improved client outcomes. Cost offsets arise when homelessness programs lower government outlays in other areas of public expenditure.

*This bulletin is based on research by **Paul Flatau, Kaylene Zaretsky, Michelle Brady, Yvonne Haigh and Robyn Martin** of the AHURI Western Australia Research Centre. The research involved an examination of client outcomes from homelessness programs, the cost of providing support to clients in such programs and the whole-of-government budget implications of homelessness and the subsequent provision of support. The study utilises findings from a survey of homelessness agencies and clients in Western Australia.*



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The study covers the following programs:

- the Supported Accommodation Assistance Program (SAAP) which provides funding to non-government agencies to provide support to homeless people;
- the Supported Housing Assistance Program (SHAP) which provides tenant support services to those in public housing at risk of eviction, and the former Private Rental Support and Advocacy Program (PRSAP) program which did likewise for private rental tenants; and,
- the Transitional Accommodation and Support Service (TASS) and the Community Re-entry Coordination Support Services (Re-entry Link) programs administered by the Western Australian Department of Corrective Services (DCS) which provide transitional support to prisoners exiting jail who are at risk of homelessness due to the absence of stable housing.

RESEARCH METHOD

The data for the study was drawn from two in-depth surveys of homelessness program clients, the Client Survey and the Community Centres Survey. The Client Survey covered adult homelessness program clients. It was conducted over three waves in which clients were followed over a 12-month period. The Community Centres Survey was a one-off cross-sectional survey conducted in Perth's SAAP-funded Community Centres. These Centres provide daytime support to homeless or otherwise highly disadvantaged people.

Cost data was drawn from two sources: program budgets and support agencies, through a survey instrument, the Agency Cost Survey.

KEY FINDINGS

Client needs

Client outcomes should be viewed in the context of client needs and their histories of homelessness. Results from the Client Survey reported that 44 per cent experienced a mental health condition, and 31 per cent experienced a long-term physical health condition. Around a fifth of all respondents expressed concerns about their own alcohol and drug use.

While around half of all clients were assessed as requiring intensive or ongoing support with income and money management issues, 70 per cent of clients were assessed by their caseworkers as requiring intensive or ongoing support to obtain/maintain appropriate housing.

Around a quarter of all (adult) Client Survey respondents had experienced at least one episode of primary

homelessness (living without shelter) prior to the age of 18. In the Wave 1 study 86 per cent of participants reported that it was 'very important' to receive assistance and help from the service.

Client outcomes

Study participants reported a significant improvement in their circumstances because of the assistance they received from agencies: 58 per cent of client respondents reported that their housing position was much better than before, and 62 per cent reported improved feelings of safety following entry to support. The strongest response is evident for the SAAP-Domestic Violence and Single Women category of clients, of whom 86 per cent indicated that assistance had resulted in improved feelings of safety.

All those who had been in primary homelessness or temporary accommodation prior to support and who completed follow-up surveys remained housed at the follow-up survey point. The vast majority of those who received support to retain their accommodation in homelessness prevention programs remained in private rental accommodation and public housing at the follow-up points. Rental arrears and tenant liabilities were reduced for those experiencing financial pressure in sustaining their tenancies.

Employment rates are low among homelessness program clients but improvement in clients' employment outlook occurred following the provision of support in the SAAP-Single Men, TASS and Re-entry Link services. Reliance on government income support payments fell over the 12-month period of the study. Correspondingly, the proportion of respondents whose main income source was wage and salary income rose. By the time of the 12-month follow-up, the proportion of study participants in paid employment had doubled, albeit from a low base.

There was a rise in satisfaction with particular dimensions of life over the 12-month period, although this increase was only small and outcomes remain below the Australian general population level.

The full cost of homelessness programs

The full cost of delivering homelessness services per client is estimated inclusive of recurrent government funding, user charges (e.g. client rents), agency internal sources of income and the opportunity cost of capital (see Table 1). The cost per client of homelessness programs is related to the average length of support provided to clients, whether or not the client has dependent children, the needs of clients and the provision of accommodation. As such, inter-program analysis of cost per client cannot be undertaken unless an 'equivalent client day' measure is developed.

The full cost per client of providing homelessness services is lowest for Re-entry Link clients, where no accommodation is provided (\$1,912), while medium-term SAAP family clients have the highest costs (\$25,923) reflecting long support periods combined with high needs and the use of generally separate dwellings to accommodate larger families. Between 71 per cent and 100 per cent of these costs are paid by governments.

Potential cost offsets from the provision of homelessness programs

Effective homelessness prevention programs might yield substantial cost savings in a number of health and justice service areas. For example, prior to accessing homelessness programs, clients are more likely to use casualty and emergency departments or be apprehended by police than members of the general population.

The 'whole-of-government' budgetary savings generated in non-homelessness programs as a result of improved outcomes arising from homelessness programs are referred to as 'cost offsets'. The true government costs of providing homelessness programs are therefore defined to be net of these cost offsets.

In relation to health services, the average per annum cost of a single man accessing SAAP is \$8,947 per person greater than the population average. The cost of hospital visits is the major factor, accounting for \$8,036 per annum (90 per cent) of the difference. Similar patterns are apparent for other homeless groups.

In relation to justice services, the average cost for a single man accessing SAAP is \$1,265 per person per year greater than the population average. Nights in prison and assault are the major factors, accounting for \$847 (67 per cent) of the annual difference. The costs were greater for other groups such as victims of domestic violence, SHAP recipients and families (these costs mainly related to assault or court appearances), as well as TASS recipients (nights in prison and court appearances).

Table 2 shows that, in relation to the groups analysed in the Client Survey, for all programs the average cost of both health and justice services used by clients exceeds the population average (use by primary homeless clients of Community Centres is higher again).

TABLE 1: COST PER CLIENT BY PROGRAM

Expense item	Cost per client (\$)					
	SAAP Crisis	SAAP Med-long term	SHAP	PRSAP	TASS	Re-entry Link
Total recurrent cost	2,243	15,470	3,483	2,145	4,245	1,912
Imputed opportunity cost of capital	588	10,453	NA	NA	6,596	4,500
Total cost	2,831	25,923	3,483	2,145	10,841	1,912 (no accom) 6,412 (accom)*
Government program cost						
Recurrent cost	1,667	10,736	3,437	2,145	4,245	1,862
Opportunity cost of capital	353	9,251	NA	NA	6,596	4,500
Total cost	2,020	19,987	3,437	2,145	10,841	1,862 (no accom) 6,362 (accom)
% of cost paid by government	71%	77%	99%	100%	100%	99%

Source: Agency Cost Survey

*Not all Re-entry Link services provide clients with accommodation.

TABLE 2: PROGRAM COSTS NET OF HEALTH AND JUSTICE SERVICE COST OFFSETS

Target group/ program	Program costs net of 'population offsets'				
	Program cost per client \$ (1)	Health & justice offsets/ person/year \$ (2)	Cost / client net of annual offsets \$ (3) = (1) – (2)	Average life outcomes/ person \$ (4)	Cost /client net of average life outcomes \$ (5) = (1) – (4)
SAAP – DV & Single Women	4,625	9,701	-5,076	241,068	-236,443
SAAP – Single Men	4,625	10,212	-5,587	267,776	-263,151
SAAP – Families & General	4,625	11,967	-7,342	312,080	-307,455
PRSAP	2,842	7,647	-4,805	188,846	-186,004
SHAP	3,835	13,184	-9,349	332,315	-328,480
TASS	14,340	39,690	-25,350	1,141,948	-1,127,608
Re-entry Link – no accommodation	1,826	39,690	-37,864	1,141,948	-1,140,122
Re-entry link with accommodation	6,326	39,690	-33,364	1,141,948	-1,135,622

A negative cost per client net of offsets suggests that the cost of providing homelessness prevention services is more than offset by potential savings from reduced use of health and justice services, resulting in a net saving to government from preventing a period of homelessness. When these are calculated in whole-of-lifetime terms, this can increase the benefits of these programs significantly.

For all programs except TASS/Re-entry Link, over two-thirds of the cost difference relates to health services. For TASS/Re-entry Link clients the largest cost difference relates to the cost of time in prison: \$29,388 per person per year, representing significant potential government savings if subsequent periods of incarceration are avoided through the provision of housing support.

It is important to keep in mind that the savings predicted from these cost offsets assumes that such programs work to improve outcomes for clients in ways that would bring outcomes into line with the general population. Another way of calculating cost offsets is to compare costs of provision of health and justice services to these groups before and after homelessness services have been provided.

Although such comparisons in this study were limited by small sample size and sample attrition, they suggest that homeless people decrease their use of justice services a year after first accessing homelessness programs but increase their consumption of health services. This increase appears to relate to the improved access to mental health treatment for those with serious mental health conditions.

POLICY IMPLICATIONS

The evidence shows that programs produce positive outcomes for clients. These improved client outcomes are directly linked to the provision of services that are inexpensive relative to the direct cost of other potential supported accommodation options in the health and justice area. However, the key to understanding the cost-effectiveness of homelessness programs is to consider the cost of providing support net of relevant cost offsets.

If homelessness programs were able to reduce the utilisation of health and justice facilities by clients of homelessness programs down to population rates of utilisation, the savings achieved would pay for the homelessness programs a number of times over and at the same time reduce the budget outlays in these areas. This suggests that there is potential for homelessness programs to be dramatically cost-effective. The increased costs in the short term for some health services, however, suggest that the health cost savings, if they occur, may not flow until further down the track.

FURTHER INFORMATION

This bulletin is based on AHURI project 80306, *The effectiveness and cost-effectiveness of homelessness prevention and assistance programs*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au

The following documents are available:

- Positioning Paper
- Final Report

Or contact the AHURI National Office on +61 3 9660 2300.



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