

HOMELESS**WATCH**

WHAT'S IT WORTH?

GUIDANCE ON USING FINANCIAL
SAVINGS ANALYSIS IN THE
HOMELESSNESS SECTOR



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ABOUT HOMELESS LINK



Homeless Link is the national umbrella organisation for front-line homelessness charities in England. Currently we have more than 500 member organisations including hostels, day centres, supported accommodation services and others. As the collaborative hub for information and debate on homelessness, we seek to influence policy and improve services for homeless people with the aim of ending homelessness in England.

ABOUT PRO BONO ECONOMICS

PRO BONO ECONOMICS

Pro Bono Economics matches volunteer economists with charities wishing to address questions around measurement, results and impact. It aims to help charities estimate their impact and value at a time when evidence of impact is demanded, budgets are reduced, and charities might lack the expertise to do it themselves. In doing so, it hopes to improve the effectiveness of charities, so they are more able to communicate results and make informed decisions about how to use resources, and to add value through disseminating the results of its work throughout the sector, discussing methods, challenges and learning.

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1. INTRODUCTION

Why focus on financial savings?

The homelessness sector has traditionally framed its impact around 'soft' outcomes, to which a monetary value cannot be attributed. You cannot put a price on spending a night in a doorway, or feeling scared 24 hours a day, or losing your dignity. Equally, you cannot financially analyse having your own space to call "home", safety and respect. These are the things that the homelessness sector is well versed in describing. However, some things have inherent value that cannot and should not need to be valued in monetary terms.

More than ever before, charities are having to compete to win funding, show funders that they are making a difference and delivering value for money.¹ With a greater focus on identifying impacts and outcomes, for example, Payment By Results, Social Return on Investment and Social Impact Bonds, services need to be doing more to record and evidence the difference they make. Robust financial savings statements about your services can attract funding, secure existing support and demonstrate the value of the work that you do to a wider audience.

The homelessness sector is keenly aware that the interventions it provides save money from the public purse. Directly or indirectly it prevents escalating need which could require more costly public services. Services also put their service users in touch with help that they need, such as GPs, benefit agencies and specialist services. When considering how to represent the savings and costs to various public bodies, organisations are faced with a range of methodologies, conflicting costs and questions around reliability. As a result, Homeless Link is increasingly receiving requests from agencies to assist with demonstrating the value of interventions. In response to this demand, this guidance explores financial savings analysis and discusses how it can be used by the sector in robust and appropriate ways.

This guidance builds on Homeless Link's research project, [Critical Mass](#)² on client recording systems and the potentially powerful data they can yield. Critical Mass is a three year project funded by the Big Lottery. For this guidance we have drawn on approaches to financial savings analysis that have been used in the sector, consultation with experts in the field and observations from working with frontline agencies across the country. We are particularly grateful to Pro Bono Economics for working with us, and providing technical expertise, on this guidance.

Who is the guide for?

This guide is targeted at service managers and those with responsibility for generating income or fundraising for their agency. It will also be of interest to others who make a case for the homelessness sector, including commissioners and funders.

We hope that this guidance will be of practical use to organisations of varying sizes and capacities.

How to use this guide

This guidance will help you think about whom you want to influence and what you want to achieve.

In section 2 we share the views of commissioners on whether and how organisations should approach financial savings analysis and some of the things that it is important to think about if you want your analysis to be credible and taken seriously. It discusses the importance of providing all the background assumptions, workings and references so that facts and figures can be checked and justified.

Section 3 will take you through three different methods of making clear statements about the financial value of your service and help you decide which is the most appropriate for you.

¹ New Philanthropy Capital, Economic Lessons for Charities available at <http://gi.philanthropycapital.org/howto/70/economics-lessons-for-charities>

² www.homeless.org.uk/critical-mass

2. SHOULD WE USE FINANCIAL SAVINGS ANALYSIS?

2.1 THE VIEWS OF COMMISSIONERS

This guidance has been informed by consultation with local authority commissioners who commission homeless services.

The commissioners we spoke to had seen few, if any, organisations using financial savings analysis. Overall, commissioners felt that if agencies did use financial savings analysis then they would consider it as only one aspect in a value for money argument. Commissioning decisions may prioritise other considerations such as outcomes evidence, experience of staff, hourly rate and alignment with strategic priorities.

What is most important is that you are able to articulate what you are doing and evidence the outcomes you are achieving, that there is a good commissioning relationship including communicating strong messages about the value of your service.

In the same boat. Commissioners themselves need to justify internally, to senior leads or commissioning boards, the new projects that they want to design, and to protect funding for existing services they have commissioned, including demonstrating savings.

Indeed, commissioners felt that financial savings analysis of services was more their responsibility than that of individual agencies. If you are considering doing financial analysis, it is essential that you discuss the scope and scale of the work with your local commissioner from the outset.

What type of saving? Commissioners are very interested in what type of saving an organisation can demonstrate. Strong arguments for cashable or immediate non-cashable savings are most convincing in funding decisions.

A **cashable saving** is when a council will not have to spend money that they would otherwise have had to spend, leading to actual reductions in expenditure.

A **non-cashable saving** is when the costs of running a service will remain the same, even though the costs for the individual will be avoided.

Target your audience. It is important for services to point to the costs that the specific commissioner is interested in. Agencies should distinguish whether costs will accrue to the local authority, police, NHS etc., rather than just saying 'public services'. A key saving to consider is whether the service prevents people going into registered care as this is one area of significant expense.

Role of Councillors. In many places, elected Councillors are increasingly playing a role in determining commissioning decisions, especially if they are members of the Cabinet and/or have a specific lead role. Councillors may be more interested in wider costs to and impacts for the community, rather than focussed specifically on local authority costs. MPs or councillors can be powerful allies. See our [Local Influencing webpages](#)³ for more information.

Robust, local, financial information. Commissioners felt that financial information would have most impact if it used robust costs from respected sources. In this guidance we have identified the most reliable unit costs available at a national level. Local or regional financial figures and evidence from locally respected bodies - e.g. Community Mental Health Trusts - will be more convincing than national figures.

Data, data, data. Alongside verifiable financial information, commissioners were keen to underline the importance of robust data on service users (see page 10). Without this, financial information is ineffective.

³ www.homeless.org.uk/local-influencing

Commissioners want services to take ownership of the data they collect and to interpret and act on what the data tells them.

At the beginning. If a new service is being commissioned the commissioner is likely to have already done work to calculate how much the service will save the council. They will expect every project that applies to achieve those savings as that is what they are commissioning for. Commissioners were divided on whether they would welcome a response to tender documents evidencing the wider financial impact of a project. Some felt that it would be stating the obvious, whereas others thought it would demonstrate awareness. However financial savings analysis can be helpful to commissioners as part of a value for money argument, rather than in response to a pre-determined service tender.

At the end. Commissioners' views differed on whether demonstrating broader savings would be appropriate if there is the threat of closure. Some thought this evidence would not have any impact, but others that it may have a small influence on deciding between two services. The most important question for a local authority is whether clients would come into contact with local authority services if a homelessness service was reduced, or did not exist. This is referred to as 'displacement' - direct and immediate costs to other services. One commissioner commented, "Displaced costs make councillors nervous." Unanimously the commissioners we spoke to felt that it is more effective to ensure there are on-going messages about the value of a service and a good commissioning relationship. For example, "If we weren't here, in the last year X people would have been in registered care".

Added value. How services add value through assets is important to commissioners. This includes volunteers, vehicles, posts funded by other sources and buildings. These factors help to differentiate between services. For example information on how organisations assist clients into education, employment or training and how they facilitate sustainable move-on.

2.2 CHALLENGES WITH THE APPROACH

Financial analysis that "fudges" together figures relevant to homelessness found on the internet or other sources will not add credibility to the worth of a service, and may in fact undermine any argument for it. However, methods and figures that are well researched and used with a sound methodology can substantiate the case for homelessness organisations, and indeed for the sector.

It is important to understand the pitfalls and challenges in demonstrating the financial value of an intervention. The list below points to these so that they can be understood and acknowledged, allowing you to produce figures that have integrity and will withstand scrutiny.

Challenges for the sector

- Any financial measures are limited to results that can be seen quickly. Placing a price tag on an output or activity **limits "value"** to immediate or near-immediate costs, and only to those that can be measured financially. For example the reduced risk of social exclusion and improved educational outcomes cannot be measured in this way.⁴
- The value of helping someone is far greater than that which can be expressed in monetary terms. We must be very careful not to fall into the trap of **reductionism**, reducing value to only financially measurable concepts. A financial analysis should be explicit about outcomes and impacts that have

⁴ Capgemini "Research into the financial benefits of the Supporting People programme, 2009"

value but have not been included. For information on how to record and demonstrate outcomes in non-financial terms, see the [Outcomes Star](#) section of Homeless Link's website.⁵

- The use of financial savings to assess the value of services may lead to **unfair comparisons** between services. Direct comparison of cost-effectiveness between different outcomes is inappropriate, as local circumstances not only determine costs but also affect policy priorities and imperatives.⁶ There must also be caution about comparing figures that have been calculated on different financial assumptions.

Challenges to client outcomes data

- In order to make meaningful statements about the impact of a project, you must have access to **robust data** about your service users. In particular, having information about them when they enter and leave the service, and the outcomes they achieve, are vital to demonstrating the difference an intervention makes. Without this, you will be unable to undertake financial analysis. For information on how you can improve your data collection please see our [Critical Mass Toolkits](#).⁷
- Many of the consequences of homelessness, such as misuse of drugs, may also have been causes of homelessness. Because the causes and consequences of homelessness can be blurred, it can be difficult to identify the **true costs** of homelessness and helping people out of it. For example, someone regularly using drugs may be arrested or taken to hospital regardless of their housing status.
- It is difficult to evidence how much of any outcome can be directly attributed to the work of a certain project and how much can be attributed to other influences (**attribution**). It is also very difficult to prove how much positive change an individual would have experienced anyway over the course of time without any intervention at all (**deadweight**).

Challenges in financial analysis

- Even with significant work and analysis, any monetary "cost-benefit" figure that is generated can only be a "best guess" because all estimates are based on a range of **assumptions** about costs as well as several other factors.
- The only way to demonstrate impact as opposed to measuring outcomes is to estimate what would happen if a service wasn't there. These alternative scenarios are called **counterfactuals**. "Assessment of the counterfactual, or what would have happened without the intervention, is conceptually, practically and ethically difficult."⁸ Because they are based on things that may or may not happen, they are only ever an estimate. The aim is to find an alternative scenario which is the least likely to be misleading (the least biased). You cannot assume that all individuals would have gone down the path of the worst case scenario.
- The challenge is to give **careful consideration to the evidence** used to construct counterfactuals. For example, if a pattern of behaviour has remained the same for several years it is unlikely that it will change next year, so behaviour before the intervention may be an appropriate counterfactual. Ideally,

⁵ www.homeless.org.uk/outcomes-star-consultancy

⁶ Evaluating the Prevention of homelessness, 2007, Pawson et al.

⁷ <http://homeless.org.uk/cmtoolkit#.UKPCiWc17pE>

⁸ Cathy Sharp and Lucy Robertson, 2008, Evaluation of Homeless Prevention Innovation Fund Projects, Scottish Government. Available at <http://www.scotland.gov.uk/Resource/Doc/244719/0068588.pdf>

there would be a control group of otherwise identical individuals for comparison, to demonstrate the additional outcomes as a result of the intervention. When designing evaluation frameworks, consideration should be given to how data from such a group might be collected.

- Many public sector **budgets are predetermined** year on year. For example, the NHS budget is set and fewer homeless people making inappropriate presentations at A & E will not result in the NHS actually spending less money (a “cashable saving”).
- **High infrastructure costs** for a service or institution mean that reduced use by an individual will have negligible impact on spend. For example, the cost of the running of Her Majesty’s Prison Estate is largely independent of the number of inmates at any one time. Cashable savings cannot be claimed through preventing prison stays, but the saving for public spend on an individual is still worth noting.
- **Regional variation.** There is a wide variation of unit costs regionally, so it is often best to try to access local costs. This is particularly relevant in an increasingly localised political landscape. Wherever possible you should try to access local data through contacting the appropriate local authority department.
- **Accurate information.** Be aware of using out of date unit costs or information that has not been properly verified. The sources cited in the unit costs section of this guidance use costs that are from the most recent and reliable sources at point of publishing and, as far as possible, have been verified with the relevant Government departments.

3. HOW TO CARRY OUT FINANCIAL SAVINGS ANALYSIS

This chapter helps you think through how to carry out financial savings analysis by setting out three models.

3.1 CHOOSING THE RIGHT MODEL

The chart below leads you through some questions and suggests the method(s) of financial savings analysis you might want to look at. We would encourage you to also read through the sections that are referred to before you decide which method to follow.



3.2 GATHERING THE RIGHT DATA

Each of the models we refer to requires solid data about service users and service costs alongside the right public sector costs. Collecting and using the correct data with one of the three models described in this section will enable you to make meaningful statements about savings. For more information about gathering data please see the [Critical Mass toolkits](#) on our website⁹.

The models require a variety of levels of detailed data and each organisation will be looking for different things. Therefore, we have not provided a checklist of information that you will need. However, the following questions will be helpful with all the models to guide you in thinking about the data you will need.

DATA ON SERVICE USERS

- What service user data do I need? For example:
 - How many service users do we have?
 - What are their needs?
 - What outcomes do we achieve?
- How can I collect robust data on this?
- How soon do I need this?
- What is my organisational expertise on data like? Do I need help from an external evaluation or social research agency?

SERVICE COSTS

- Do I have sufficient information about what my service costs to make a value for money case?
- Am I able to break this down into units that will be useful to compare with public sector unit costs? (For example, per person/ per session/ per intervention?)
- What is my organisational capacity for management accounting? Do I need help from an external management accounting agency?

PUBLIC SECTOR OR OTHER COSTS

- What data do I need?
- Can I access local figures for this?
- If not, are the sources for national data included in Appendix 1?

⁹ http://homeless.org.uk/toolkits-and-handbooks/critical-mass/data#.UR4iLe_6mB8

3.3 MODEL ONE: UNIT COSTS

This section includes:

- what unit costs can be used for
- examples of how to use unit costs
- the most recent and verifiable unit cost figures and sources for:
 - Health
 - Social care
 - Crime and Anti-Social Behaviour
 - Housing and homelessness
 - Benefits

WHAT UNIT COSTS CAN BE USED FOR - CONTEXT SETTING

Alongside the very human impact on mental, physical and emotional health, there are a range of financial costs associated with homelessness. For example, research has shown clear links between homelessness and increased use of emergency health services¹⁰, interaction with criminal justice¹¹ and greater support needs¹².

'Unit cost' is the term used to show the cost to the public purse of individual uses of various public service functions or 'units'. You may wish to point to the cost of public services that your work diverts clients from, such as reduced number of arrests. Stating unit costs can provide a context and point of comparison for the benefits and costs of a homelessness service. Unit costs should be used as part of a wider argument for the quality and value for money of a service.

While clearly indicating the financial benefits of a service, using unit costs alongside client data does not require significant resource input and may be the most appropriate method if your organisation has limited capacity.

HOW TO USE UNIT COSTS

Unit costs should be used alongside robust client data to illustrate the financial worth of a service's outcomes. For example:

"On average our clients were arrested four times per month in the six months before engaging with the service and only once per month afterwards. A single arrest costs the police service an average of £1,668."

In its 'Evidence Review of the Costs of Homelessness'¹³, the Department for Communities and Local Government uses this approach:

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

¹⁰ Office of the Chief Analyst, Department of Health, 2010, 'Healthcare for Single Homeless People'

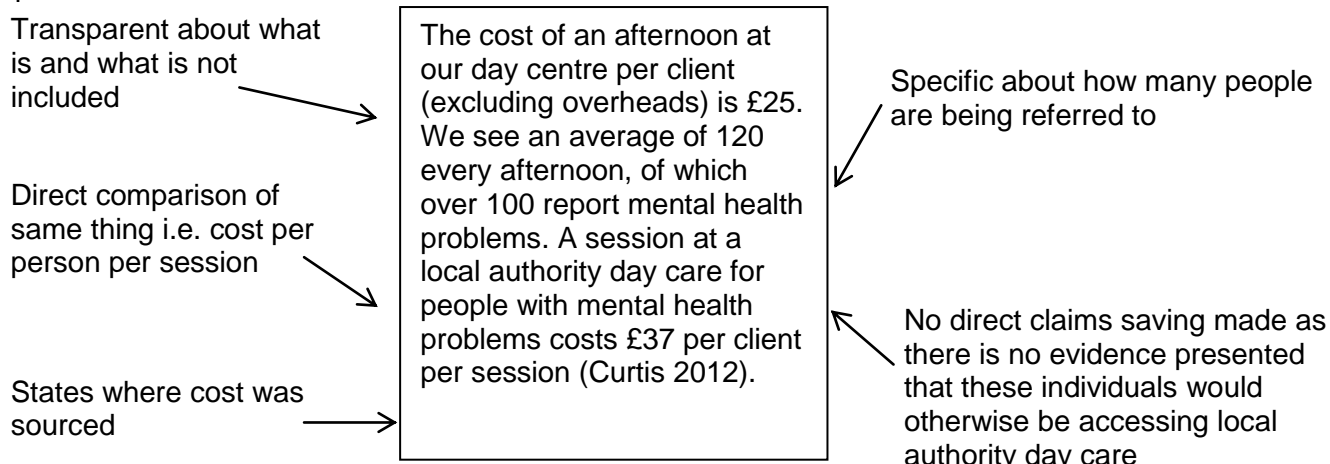
¹¹ Ministry of Justice, 2012, 'Accommodation, homelessness and reoffending of prisoners: Results from the Surveying Prisoner Crime Reduction survey' and Home Office and Office of the Deputy Prime Minister, 2005, 'Guide to Housing and Housing Support Options for Offenders and People at Risk of Offending'

¹² McDonagh, Theresa, 2012, 'Tackling Homelessness and Exclusion: Understanding Complex Lives'

¹³ Department for Communities and Local Government, 2012, 'Evidence Review of the Costs of Homelessness'

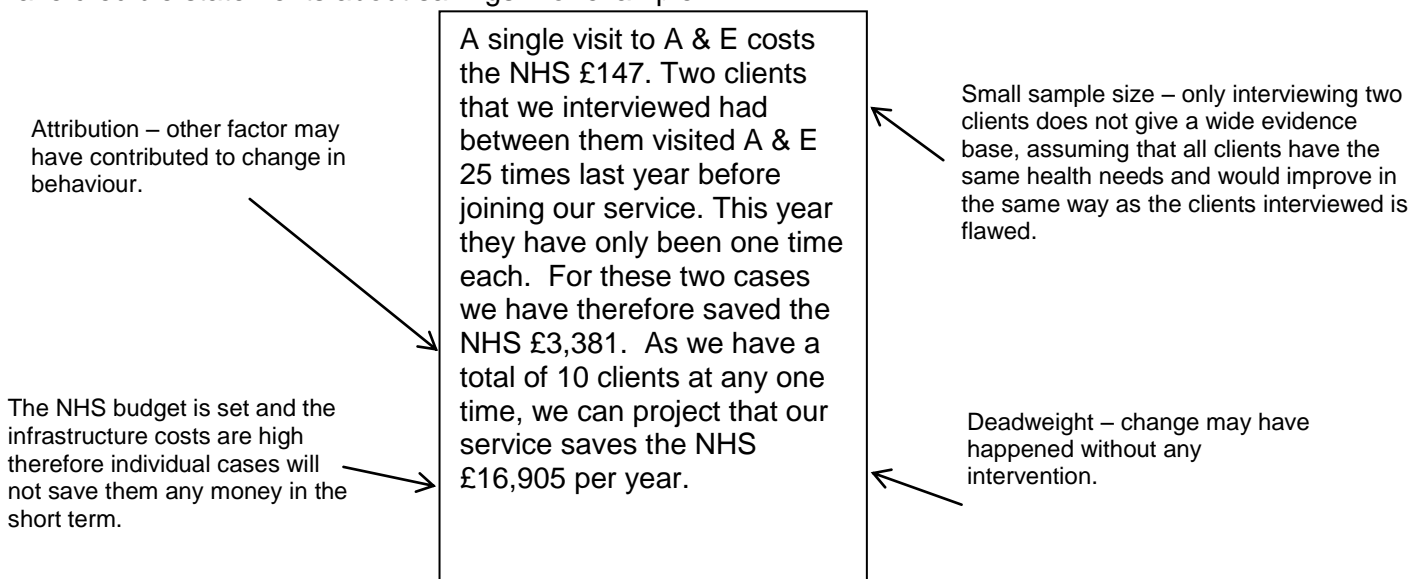
Note that the examples above avoid using strong savings claims but do make reference to evidence.

Comparing the unit cost of your service with a cost avoided as a result of the service can give an indication of the potential for a service to give value for money in the absence of a robust estimation of impact. For example:



HOW NOT TO USE UNIT COSTS

Due to the complex factors discussed in Section 2.2 above, unit costs and service data cannot be used to make credible statements about savings. For example:



You may wish to make reference to research alongside outcome data and unit costs to highlight a problem or substantiate service data. A comprehensive resource for finding research about homelessness and associate topics is available at www.homelesspages.org.uk .

UNIT COSTS SOURCES

The sources indicated below are the most current and verifiable at the time of publication in May 2013. The figures will change over time; in future years, please search for updated versions of these figures in order to maintain relevance and accuracy. The data can also be used for the other models set out later in the chapter.

Where possible you should try to access **local costs** for public services. Ask your commissioner whether they have these figures or could point you to the most relevant sources. Commissioners we spoke to had obtained useful local information from Community Mental Health, Drug and Alcohol Action Teams (DAAT) and Ambulance services.

HEALTH

Most health costs will be incurred to the NHS. It is particularly important with health issues to record information about service users' health when they enter a service. It may also help to focus on specific health issues that your service users present with.

You will find a comprehensive list of health unit costs drawn from national averages compiled by Lesley Curtis with the Personal Social Services Research Unit at the University of Kent at Canterbury and the London School of Economics and Political Science, [Unit Costs of Health and Social Care 2012](#).¹⁴ Specific references to costs are in Appendix 1. The following list suggests areas you may want to record service user data and compare to public costs:

MENTAL HEALTH

- Inpatient bed days
- Use of day care facilities
- Outpatient attendance
- Accessing counselling

DRUGS AND ALCOHOL

- Outpatient attendance
- Residential rehabilitation programme
- Inpatient detoxification
- Specialist prescribing
- Consultation with Accident and Emergency worker

PHYSICAL HEALTH

- Elective inpatient stay
- Non-elective inpatient stays
- Outpatient procedures
- Accident and Emergency treatments
- Paramedic service
- GP contact
- Prescriptions

¹⁴ <http://www.pssru.ac.uk/project-pages/unit-costs/2012/>

SOCIAL CARE

Adult social care is one of the biggest areas of spend for Local Authorities. In particular, residential care is a significant cost. If your service diverts individuals from residential care finding evidence to demonstrate this would make a strong case to a local authority.

Social care expenditure data is collected from local authorities by the DCLG. [National annual figures](#) for 2011-12 are available¹⁵ and individual [local authority level data](#).¹⁶ Your local authority social care department may also be able to provide you with more detailed information

You will find a comprehensive list of social care unit costs drawn from national averages compiled by Lesley Curtis with the Personal Social Services Research Unit at the University of Kent at Canterbury and the London School of Economics and Political Science, [Unit Costs of Health and Social Care 2012](#).¹⁷ Specific references to costs are in Appendix 1. The following list suggests areas you may want to record client data about and compare to public costs:

MENTAL HEALTH

- Residential care
- Use of day care facilities

OLDER ADULTS

- Residential care
- Use of day care facilities

COMMUNITY CARE

- Contact with social workers
- Need for home care worker

CRIME AND ANTI-SOCIAL BEHAVIOUR

The costs of crime and anti-social behaviour fall to a range of public bodies: police, courts, local authority and prison service. Be specific about the outcomes you are recording and make sure your writing is targeted towards your audience. Due to the range of bodies involved there are a range of sources that are appropriate. These sources and specific costs are in Appendix 1. The following list suggests areas you may want to record service user data on and compare to public costs:

- Amount of time in prison
- Court appearances
- Arrests
- Nights spent in police custody
- Anti-social behaviour

¹⁵ <https://www.gov.uk/government/publications/local-authority-revenue-expenditure-and-financing-in-england-2011-to-2012-final-outturn>

¹⁶ <https://www.gov.uk/government/publications/local-authority-revenue-expenditure-and-financing-england-2011-to-2012-individual-local-authority-data--2>

¹⁷ <http://www.pssru.ac.uk/project-pages/unit-costs/2012/>

HOUSING AND HOMELESSNESS

Local authorities receive money from the DCLG which is earmarked for homeless prevention. Local authorities also supplement specific central government funding for homelessness from other resources (e.g. from their general pot containing unquantifiable amounts from formula grant and council taxes) to carry out much of their routine work on homelessness. It could also be useful to find out how your local authority meets their housing costs for homeless clients, for example whether this is through spot purchase.

Housing costs vary significantly and so national averages should be treated with caution. We advise that agencies try to determine local housing costs. Information can be found on the following websites:

- Local average cost of homes can be found on the [Land Registry](#)¹⁸ website
- Average market rental values can be found on the [Rent Right](#)¹⁹ website
- Local Housing Allowance rates also give an indication of local rents, found on the [direct.gov.uk](#)²⁰ website
- Local authority 2011-12 spend on housing is available on the [DCLG's website](#)²¹

Specifically for private rented sector access schemes, Crisis, with the University of York, have produced a [downloadable tool](#)²² which assigns costs and savings. Alongside this they have published '[Making It Count: Value for money and effectiveness indicators for use by private rented sector schemes](#)²³ which provides a guide to using the tool. Specific references to some average national costs are in Appendix 1. You may want to record client data about the following and compare to public costs:

- Presentations as homeless
- Use of rent guarantee schemes
- Evictions
- Average time spent in temporary accommodation

BENEFITS

Costs to the Department of Work and Pensions (DWP) from homelessness will arise from benefit payments, including housing benefit, employment programmes and administration costs. The local authorities' administration of these benefits is also therefore a cost.

Local authority figures [expenditure on housing benefits](#) and housing benefit administration for 2011-12 were collected by DCLG²⁴. N.B. These costs may not be avoided but rather paid as a result of services which help people access their entitlements. The DWP's [Tabulation Tool](#)²⁵ facilitates calculation of average benefit claims. Specific references to average costs are included in Appendix 1. You might want to collect client data on the following:

- Benefit claims on entry/ exit to service
- Movement into work
- Improvement in health to enable work

¹⁸ www.landreg.gov.uk

¹⁹ <http://www.rentright.co.uk/rrpi.aspx>

²⁰ <https://lha-direct.voa.gov.uk/search.aspx>

²¹ <https://www.gov.uk/government/publications/local-authority-revenue-expenditure-and-financing-england-2011-to-2012-individual-local-authority-data--2>

²² <http://www.privaterentedsector.org.uk/makingitcount.asp>

²³ http://www.crisis.org.uk/data/files/publications/MakingItCount_web.pdf

²⁴ <https://www.gov.uk/government/publications/local-authority-revenue-expenditure-and-financing-england-2011-to-2012-individual-local-authority-data--2>

²⁵ <http://83.244.183.180/100pc/tabtool.html>

3.4 MODEL TWO: COSTED CASE STUDIES

This section discusses:

- what case studies can be used for
- an example
- what to consider when using case studies

WHAT COSTED CASE STUDIES CAN BE USED FOR

Case studies present a mid-point between using unit costs to demonstrate context and undertaking a full programme analysis to estimate savings. By using case studies you can show more detail about the type of service users you work with and also give information about potential outcomes.

Case studies can set the cost of a homelessness intervention for a client in the context of the cost of the public services that they might otherwise use. Commissioners have found helpful the presentation of more than one case study, showing the variety of service user journeys and giving an indication of the cumulative impact of a service. Case studies can also be used to add interest and texture to a total programme costs analysis.

Generating a cost-benefit case study that includes all client outcomes and use of all public services will require the capacity to dedicate as many resources as – if not more than – a total programme cost analysis (see section 3.4). The method presented below is not intended to be used to show total cost-benefit for individuals. A good example of how a series of case studies can be used can be found in Crisis' report '[How many, how much?](#)' (2003)²⁶ shown below. The financial figures used are now out of date, but the presentation is helpful for anyone wishing to expand on the method we describe below.

COST CATEGORY	Costs borne by	TOTAL COST OF SCENARIO					
		Andy	Beth	Charlie	Denise	Evan	Frank
Failed tenancy	Landlord				£3,000	£3,000	£3,000
Temporary accommodation	Local authority	£7,000	£22,000	£3,000		£21,000	£10,500
Support services	Local authority	£2,500	£1,500	**		£4,500	£2,000
Health services	NHS	**	£16,000	£1,000		£40,000	£7,000
Police and criminal justice	Police/courts	£1,500	£15,000	**		£14,500	£1,500
Potential resettlement	Various	**	£1,500	£3,000	£500	**	£500
Unemployment	Economy	£4,000	£16,000	£500	£1,000		
Total		£15,000	£72,000	£7,500	£4,500	£83,000	£24,500
Approximate overall duration of the scenario		1 year	1½ years	½ year	½ year	2 years	1 year
Is homelessness over by end of scenario?		Yes	No	No	No	Yes	No

²⁶ http://www.crisis.org.uk/data/files/document_library/research/howmanyhowmuch_full.pdf

USING CASE STUDIES

1. Identify what you want the case study to **demonstrate**. It is helpful to focus on one outcome that your audience is particularly interested in.
Example: If your audience is a Health and Wellbeing Board, you should focus on a client's health journey and outcomes.
2. It is important to show how **representative** the case study is, otherwise your audience will presume that you have used the worst possible case that has shown the most change and, therefore, are at risk of being discredited or even ignored. Find one or more appropriate clients that represent a wider story about your organisation. If you are able to, present more than one case to show a broader picture of your work and clients and the range of costs.
Example: 80% of our clients report having spent time in hospital as an inpatient in the year before they engaged with the service. 98% of those say that they have decreased their use of emergency services since entering our project.
3. Gather **data** about the client(s) in question. Get evidence where possible from official sources, with the agreement of the client. Stating where the evidence is from will increase the validity of your case study and give more weight to what you are demonstrating.
Example: GP records (see example over the page).
4. Research the most relevant **unit costs** for your client's journey. Where possible find local figures through contacting the relevant teams in your area.
Example: The national average costs of A&E treatments are available from Curtis (see Section 4).
5. Calculate the **cost of your work** with an individual client. If focussing on one aspect of a broader support package you provide, this may involve calculating a percentage of staff time or other resource input. In order to demonstrate the difference investing in your service makes, it is helpful for this to be detailed alongside the unit costs.
 You should have a thorough understanding of the costs of running the service for each person (or activity or positive outcome, depending on what you are trying to demonstrate) such as including the proportion of overheads.
Example: The GP sessions cost £43 per session (including overheads).
6. When writing a case study you will be making or implying **assumptions** about your client. Take time to think about assumptions you are making about your client and any figures you are using, and then be transparent about these. Also be specific about what you are and aren't including.
Example: Prescription charges are not included as we do not have access to this information.
7. Find a way to present your case study (or studies) that is readable, not too long and has a **clear message**.

EXAMPLE

The following is a hypothetical case study, constructed for the purpose of demonstration.

Toby had been sleeping on the streets for 3 years before an outreach worker put him in touch with the Elms hostel. In the year before he came to us, Toby had suffered very poor physical health. With Toby's permission we spoke to his GP who confirmed that in the 12 months before joining the hostel Toby had presented at A & E 15 times, leading to 6 admissions as a short-term inpatient. On average, each A & E treatment not leading to admission costs the NHS £112, with treatments leading to admission costing £146, in addition to an average of £586 per short stay. Toby was not registered with a GP. 80% of our clients report having spent time in hospital as an inpatient in the year before they engaged with the service. 98% of those say that they have decreased their use of emergency services since entering our project.

Since being resident at Elms for the last year, Toby has been to A & E once, leading to a single night in hospital. Although we cannot say for sure that his health wouldn't have improved without us, Toby says that the improvement in his health is due to three things:

- 1) Having a safe, warm and sheltered place to sleep every night
- 2) Eating regular healthy meals
- 3) Being in touch with the GP service that is connected to the Elms

Our GP service costs about £43 per session (including overheads), and records show that Toby has accessed 20 ten minute appointments, totalling £860. We do not have records to show the cost of the prescriptions that he has received as a result of these visits.

Incident	Number of occurrences in 12 months	Unit cost (all costs sourced Curtis 2012)	Total
A&E treatment (no admission)	11	£112	£1,232
A&E treatment (leading to admission)	6	£146	£876
Short stays in hospital	6	£586	£3,516
Average total health costs before Elms			£5,624
A&E treatment (leading to admission)	1	£146	£146
Short stay in hospital	1	£586	£586
GP visits	20	£43	£860
Total health costs at Elms (excluding prescription costs)			£1,592

3.5 MODEL THREE: TOTAL PROGRAMME COSTS

This section discusses:

- what total programme costs can be used for
- particular cautions that must be applied
- indicators of how to choose an analyst
- two examples of total programme cost analysis

WHAT TOTAL PROGRAMME COSTS CAN BE USED FOR

Total programme costs analysis refers to methods which look at the total costs for the entire programme and their clients, and compare these to the total cost for the group were the programme not in place. This can either be in terms of one area of spend (e.g. DePaul UK on keeping young people with their families) or across several public services (e.g. Making Every Adult Matter²⁷). In both cases a total sum estimating how much a service has saved can be useful for the following:

- Persuasive evidence for current commissioners
- Raising the profile of organisation's wider impact on community
- Making a case for Social Impact Bond investment
- Attracting other new funders
- Making a broader case for homelessness services

To undertake a total programme cost-benefit analysis requires a clear idea of purpose and a significant commitment of time and resources from an organisation. An organisation must have in place quality data about their service users, including baseline and exit information, needs and outcomes. There must also be a thorough understanding of the costs of running the service, such as including the proportion of overheads.

CAUTION

- Total costs programmes can be vulnerable to criticism, particularly regarding the calculation of **counterfactuals**. As they rely on several predictions of counterfactuals across a large group, figures produced by the total costs models must always be regarded as estimates rather than certainties.
- Other specific **assumptions**, such as the length of time a person would spend in temporary accommodation or the percentage of clients that would achieve any one outcome, can also significantly alter the outcome of such a method due to the multiplication within the process. Therefore under- or over-estimation or incorrect unit cost will have significant impact.
- You need to think about the **additional public service use** that your project encourages as well as the "savings". For example, accessing further education, additional GP visits, accessing mental health and DAAT. However, the government invests money in getting people to engage, so in that sense services could be seen to be contributing. To only represent savings would misrepresent the situation. Costs to the state in the short term can increase with intervention and therefore highlighting this through a cost-benefit analysis may not have the intended effect.
- Any **outlying figures**, such as extreme cases, can distort average figures. Examine the costs data to identify any such cases, with a view to considering excluding them from the average cost calculation. Be transparent about any such exclusions.

²⁷ <http://www.meam.org.uk/>

CHOOSING AN ANALYST

Our advice would be to work with an external specialist agency to ensure a robust and credible analysis. There are intricacies and nuances to financial analysis that many homelessness organisations could benefit from support with.

The following list of questions should guide you towards analysts that are likely to provide an appropriate service:

- Do they have the right expertise for the job? Be clear about what it is you want to achieve. It may be most appropriate for you to work initially with a researcher or management accountant.
- Are they open to cross-disciplinary working? To complete a total programme cost-benefit analysis is likely to require internal and external team working.
- Have they previously worked with the voluntary sector? Do they understand homelessness?
- Does their work evidence transparency and clarity?
- What is their grasp of the challenges listed in Section 2? The approach they take will affect the credibility of the work they produce.
- Do they have in place any mechanisms for quality assurance? There is no industry standard or 'kite mark' equivalent for financial savings analysis to guarantee the quality of what you are investing in. Peer review is often a helpful form of accountability.
- Do they know where to access recent, verified figures?

EXAMPLES OF TOTAL PROGRAMME COSTS ANALYSIS

Below are two examples of total programme cost methods. We include these to illustrate the kind of work that is possible, rather than as models to replicate. The DePaul UK example models the total costs based on estimates, and the MEAM example uses actual costs for the individuals in the pilot projects.

DEPAUL UK

DePaul UK's report '[Homelessness Prevention: Can we afford not to?](#)' (2011)²⁸ demonstrates the cost effectiveness of their Reconnect service, which works with young people and their families. They worked with a consultant who used a method that had previously been used by Heriot-Watt University in a report for the Government²⁹.

Noteworthy elements of their method include:

- Analysis looks specifically at savings in terms of temporary accommodation use and the costs of looked after young people – both costs to the local authority
- The report uses costs that are local to Oldham
- Transparent methods of calculation

²⁸ http://www.depauluk.org/_uploads/documents/homelessness-prevention-report-reconnect.pdf

²⁹ Herriot Watt University, 2007, 'Evaluating Homeless Prevention'

Table 1: Analysis of costs and savings of Oldham Reconnect (see notes below for calculations)**Saving per case**

Average cost per case	Total costs divided by the number of households supported by the scheme (A÷B)	£363
Cost per prevention	Total costs divided by the number of households who would otherwise have been statutory homeless (A÷C)	£749
Savings per prevention	Cost of accommodating a young person: <ul style="list-style-type: none"> ■ Temporary & settled accommodation for a 16-25 year old under Housing Act (F) ■ Annual costs of a looked after young person age 16-17 under Section 20(1) of Children Act (G) 	£3,978 £39,848
Average savings per case	Total savings from preventing homelessness under the scheme divided by the number of households supported (J÷B)	£9,493

Table 2: Overall savings and calculations for the above model

A	Total costs of Oldham Reconnect - 2009	£46,429
B	Number of young people supported (households) - 2009	128
C	Number of successful preventions, sustained for at least 6 months, where known	62 (76%)
D	Estimated no. of 16-25 year olds likely to be housed under the Housing Act if assessed today	35
E	Estimated no. of 16-17 year olds assessed as 'in need' likely to be accommodated under Children Act if assessed today (73 per cent of successful homeless preventions were young people age 16-17. If assessed today, we estimate that 60 per cent of these would be accommodated under s20 of the Children Act 1989.)	27
	Accommodation costs of a 16-25 year old under Housing Act: <ul style="list-style-type: none"> ■ Assessing a homeless application (national average)¹ ■ Temporary accommodation (Oldham: 30 nights average stay at £204 per week) ■ Supported accommodation (Oldham: low support unit average 7 month stay at £84 per week) 	£558 £872 £2,548
F	Total temporary accommodation costs	£3,978
G	Looked after costs of a 16-17 year old under Children Act <ul style="list-style-type: none"> ■ Estimated annual cost to Children's Services² 	£39,848
H	Estimated annual savings: <ul style="list-style-type: none"> ■ 35 homeless preventions: 16-25 year olds likely to have been housed under Housing Act (DxF) 	£139,230
I	<ul style="list-style-type: none"> ■ 27 x homeless preventions: 16-17 year olds likely to have been accommodated under Children Act (ExG) 	£1,075,896
J	Total annual savings	£1,215,126

EVALUATION OF THE MEAM PILOTS

FTI Consulting and Compass Lexicon, '[Evaluation of the MEAM Pilots](#)'³⁰ (2012), used 39 individual case studies across 3 project locations to compare individuals' public service use after joining the pilot with professionals' estimate of their service use had they not participated, based on behaviour upon entry to the project. Using publicly available unit costs based on national averages, the report calculated the cost of providing the services used by each client before and after their enrolment with the pilot. Clients gave their consent for the relevant information to be collected directly from local services so interviews were not relied on. The report also measured client well-being alongside service use.

Noteworthy elements of their method include:

- Administrative records about service users (from the police, housing, etc.) were used to map previous behaviour rather than relying on client reporting, which can be unreliable.
- Counterfactuals based on the previous year's behaviour were judged to be reliable because the cases studies chosen were clients who had experienced multiple needs for several years without displaying much change.

Cambridgeshire: Average monthly cost of service provision before and after enrolment

	Estimated cost per month		Monthly cost increase / (reduction)	Percentage change
	without enrolment	with enrolment		
	£	£	£	
Recorded offending	2,232	1,542	(689)	(31)%
Health and mental health	659	1,055	397	+60%
Drugs and alcohol	132	168	36	+27%
Housing	521	710	189	+36%
Total	3,544	3,475	(68)	(2)%

Note on the cost of benefits: The housing category includes the cost of housing benefits. The cost of other benefits is not included in this analysis because benefit data was not available in all three areas. Our analysis of benefits data that we could collect indicates that there was no material change in the level of benefits claimed before and after enrolment.

MANCHESTER NEW ECONOMICS

The Greater Manchester Cost Benefit Analysis model is being developed by New Economics in partnership with several government departments alongside the Association of Greater Manchester Authorities. The model will calculate the fiscal, economic and social benefits for a defined set of outcomes, relying on sophisticated and accurate input information. When it is published we will include a link to the model in this document.

³⁰ <http://www.meam.org.uk/wp-content/uploads/2012/06/MEAM-Pilots-Evaluation-June2012.pdf>

APPENDIX – UNIT COSTS DATA

The below costs were the most recent and accurate available in March/April 2013 at the time of publication. In later years you should look for updates of the sources.

All costs for Health and Social Care are taken from Lesley Curtis with the Personal Social Services Research Unit at the University of Kent at Canterbury and the London School of Economics and Political Science, [Unit Costs of Health and Social Care 2012](http://www.pssru.ac.uk/project-pages/unit-costs/2012/) can be found at <http://www.pssru.ac.uk/project-pages/unit-costs/2012/>

HEALTH

Unit	Cost	Source (Curtis, 2012)
MENTAL HEALTH		
Mental health inpatient bed day (weighted mean average)	£338	2.1, page 47
Day care facilities per day (weighted mean average of all attendances)	£100	2.1, page 47
Adult outpatient attendance (weighted mean average)	£146	2.1, page 47
Consultation with counselling services in primary medical care (N.B. mean number of sessions is 7)	£59	2.7, page 53
DRUGS AND ALCOHOL		
Drug and alcohol services outpatient attendance (mean)	£94	2.1, page 47
Residential rehabilitation programme per week	£661	3.1, page 66
Inpatient detoxification per week	£1,054	3.2, page 67
specialist prescribing per week	£53	3.3, page 68
Face-to-face contact with combined drugs & alcohol mental health team	£120	3.3, page 68
consultation with Accident and Emergency alcohol health worker (excluding qualification costs)	£48	3.4, page 69
PHYSICAL HEALTH		
Elective inpatient stay (national average cost per episode)	£3,191	7.1, page 109
Long non-elective inpatient stay (national average cost per episode)	£2,461	7.1, page 109
Short non-elective inpatient stay (national average cost per episode)	£586	7.1, page 109
Outpatient procedure (weighted national average of all procedures)	£139	7.1, page 109
Accident and Emergency treatments leading to not being admitted	£112	7.1, page 109
Accident and Emergency treatments leading to being admitted	£146	7.1, page 109
Paramedic service	£230	7.1, page 109
GP contact per 11.7 minutes (excluding qualification costs)	£36	10.8b, page 183

GP contact per 11.7 minutes (excluding qualification costs)	£36	10.8b, page 183
Prescription costs per consultation	£42.70	10.8b, page 183

SOCIAL CARE

Unit	Cost	Source (Curtis, 2012)
MENTAL HEALTH		
Local authority residential care per resident week (excluding personal living expenses)	£783	2.2, page 48
Session at local authority day care (N.B. average attendance 3 sessions per week)	£37	2.4, page 50
OLDER ADULTS		
Local authority residential care per resident week (excluding personal living expenses)	£1,007	1.3, page 39
Session at local authority day care (N.B. average attendance 3 sessions per week)	£40	1.4, page 40
COMMUNITY CARE		
Hour of face-to-face contact with adult social worker (excluding qualification costs)	£156	11.2, page 190
Home care worker per hour (week day/ weekend and night)	£23/ £24	11.5, page 193

CRIME AND ANTI-SOCIAL BEHAVIOUR

Payer	Unit	Cost	Source
Police/ Courts/ Prison service	Total costs for a drug offence conviction	£16,000	Ministry of Justice, cited DCLG, <i>Evidence review of the Costs of Homelessness</i> , 2012
Police/ Courts/ Prison service	Total costs for male convicted of shop-lifting	£3,500	Ministry of Justice, cited DCLG, <i>Evidence review of the Costs of Homelessness</i> , 2012
Prison service	Nights in prison (Calculated from annual figure of £26,978 which is an average cost across a prison population of 84,753 individuals. Includes direct resource expenditure only; excludes overheads)	£74	NOMS annual report and accounts 2010-11: management information addendum, 2011, p4, cited in MEAM evaluation p.48
Courts	Magistrate Court attendance (£760 plus inflation)	£993	Home Office, 1999, Harries, R., <i>The cost of criminal justice</i> , Home Office Research, Development and Statistics Directorate, Research Findings No. 103, p2, cited in MEAM evaluation p.48
Courts	Crown Court attendance (£8,600 plus inflation. This is an average cost for both	£11,241	Home Office, 1999, Harries, R., <i>The cost of criminal justice</i> , Home Office Research, Development and

	guilty and not guilty pleas across all indictable offences)		Statistics Directorate, Research Findings No. 103, p2, cited in MEAM evaluation p.48
Police	Arrest (based on marginal operating costs)	£1,668	National Audit Office, 'The cost of a cohort of young offenders to the criminal justice system', 2011
Police	Night spent in police custody (We assume the same unit cost for a night in police custody as for a night in prison)	£74	N/A. See MEAM evaluation, p.48
Local authority	Anti-social behaviour incident – No further action	£35	LSE, 'The Economic and Social Costs of Anti-Social Behaviour: A Review', 2003 cited New Economy, 'Greater Manchester Cost Benefit Analysis'