

Research: briefing

Immediate costs to government of loss of home

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Overview

This paper sets out to quantify the costs to government associated with the loss of a home. These costs can be aggregated and used to make the case for increased funding for preventative measures (so-called 'spend to save' arguments), for the creation of protocols and procedures to reduce the risk of problems leading to loss of home, and to estimate the savings which might arise from such arrangements, as well as to help assess the impact of policy changes.

Given the current focus on government spending cuts, it is increasingly important to highlight the costs associated with losing a home, particularly when these are set against the relatively low costs of preventative support and intervention which might contribute to solving the problem.

The costs have been divided, for ease of reference, into four groups: Advice and Support, Homelessness Application, Local Authority Costs and Housing Benefit. Worked examples are given of the ways in which the costs can be applied to given case studies, illustrating the different routes through which people may become homeless.

For guidance on homelessness legislation please see the Shelter homelessness factsheet available [here](#).

Coverage

This menu concentrates on the financial costs to the public purse which result directly from the loss of a home and the immediate period leading up to this point. This will underestimate the true societal cost of homelessness, as it does not include indirect costs that may accrue to the state in the future as a result of the loss of home under consideration. These indirect costs include increased healthcare costs, and those which cannot readily be expressed financially, such as the wider cost to society in terms of social cohesion, well-being, and/or lowered educational achievement by children going through homelessness. It also excludes wider costs to private companies, individuals and organisations.

All costs in this report are for 2010/11. Where the most recently available figures are for previous years, these were updated in line with inflation. In those instances where the unit costs are equal across different geographic areas (for example the legal aid cost per matter start) then the exact figure has been presented; in other cases national averages based on the available information are used.

A range of sources were consulted for this study. Government data, accounting information gathered by the Chartered Institute of Public Finance Accountants, data gathered through Shelter's local authority benchmarking service¹, and information

¹ Shelter's Homelessness and Housing Advice Review Service enables local authorities to understand and compare the quality of their customer service, process efficiency / effectiveness and the quality of service delivery to others. It also enables authorities to identify and compare the cost, resource, workload and performance profile of their services against other authorities on a like-for-like basis and understand how this relates to service quality. See the service's report [here](#).

gathered directly from local authorities specifically for the purposes of this work² have all been used.

The costs are presented in a menu format, recognising that individuals' circumstances and the routes through which they may become homeless vary considerably and will have an impact on the total costs to local and national government. This approach allows for users to draw on the specific costs associated with each different scenario.

Acknowledgements

The author would like to thank all the local authority staff who responded to requests for information to inform this study. Thanks also to Michael Weatherhead of NEF Consulting and Colin Jones of Heriot-Watt University who commented on early drafts of the work.

² A small number of local authorities were consulted in order to assess differing levels of costs.

MENU OF COSTS INCURRED BY LOCAL / NATIONAL GOVERNMENT

Advice and Support	Homelessness Application
Advice funded through the Legal Services Commission £174	Cost of homelessness decision £375
Court desk advice Outside London: £79.50 London: £84.00	Temporary accommodation Hostels: £107.45 / week B&B: £334.95 / week LA Stock: £98 / week HA stock: £87 / week PRS stock: £162.44 / week
Successful prevention through housing options or homelessness prevention scheme £642	Cost of concluding duty £230
New private tenancy secured through rent deposit / guarantee scheme £294	Administrative cost of new LA letting £477
Local Authority (LA) Costs	Housing Benefit (HB) and Local Housing Allowance (LHA)
Cost of eviction from LA property £1,119	Cost of processing HB/LHA application £48
Rent arrears – write-off £1,900	Cost of HB/LHA PRS: £114.66 / week LA: £70.99 / week HA: £79.67 / week
Cost of re-letting property post eviction £2,787	

B&B: Bed and Breakfast
 HA: Housing Association
 PRS: Private Rented Sector

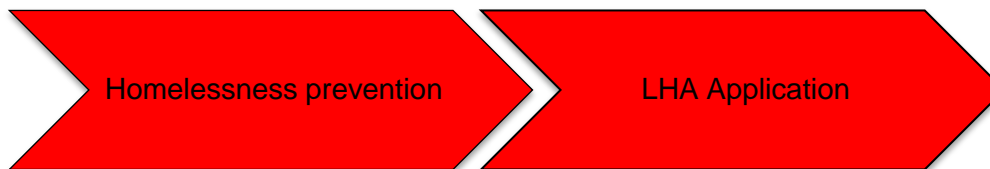
Note: Costs as at 2010/11. More detail is provided on specific cost elements in the 'Notes and Sources' section on page 8.

Typcal scenarios

This section gives some examples of how the menu can be used when applied to some typical scenarios. Individual amounts can be grossed up to represent larger numbers of similar cases where appropriate.

Case 1: Simple repossession

This example shows the costs for a simple case of a homeowner whose home is repossessed.



Anna was a homeowner who lost her job, got behind with the mortgage and lost her home. At the court hearing she was directed to her local authority's housing options team, who found her a private sector letting.	She was also advised to make an application for Local Housing Allowance (LHA).
Homelessness prevention through housing options: £642	LHA Application: £48
Total: £690	

This example only takes the case as far as the making of the LHA application; if Anna were to be successful in this application then there would be an ongoing cost in the form of LHA payments. It is also possible that Anna could have been claiming JSA once she lost her job, but this is not included on the menu as it has not arisen from loss of home.

Case 2: Complex LA eviction

This example shows a complex case involving eviction from local authority stock and a move into temporary accommodation.

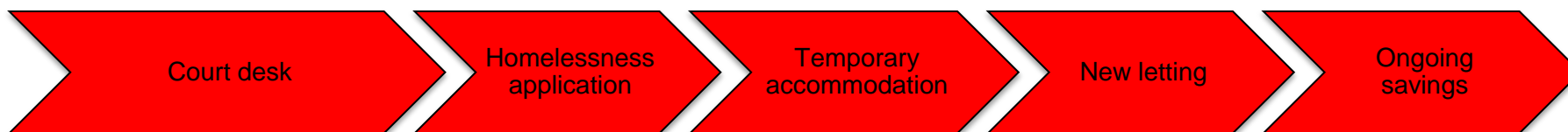


Becky was a local authority tenant; following a drop in her working hours she got into rent arrears	She was evicted, and her home was subsequently re-let	She received advice from a local advice centre	She made a homelessness application	She was housed in TA in the private rented sector for two weeks while a decision was made
Rent arrears (written off): £1,900	Eviction: £1,119 Re-let costs: £2,787	Advice: £174	Homelessness decision: £375	PRS TA (£162.44 x 2): £324.88
				Total: £6,679.88

This case includes the costs to the LA of re-letting the property from which Becky has been evicted. Although this is not money which has been spent on resolving Becky's situation, it is a cost arising from her loss of that home. It is also worth noting that the total here does include costs arising from the homelessness decision. If Becky's application was accepted, then there would be more costs arising from, for example, an extended stay in temporary accommodation and a new letting being made.

Case 3: Homelessness application one-off and ongoing costs

This example follows the homelessness process through to the point where a local authority has discharged its duty to re-house the family concerned. In addition to these one-off costs, it considers the net saving going forward resulting from lower housing benefit payments due to the change of sector.



Colin was a tenant in the private rented sector. His rent was being paid through Local Housing Allowance. His landlord gave him notice to quit as he wished to sell the property. They desperately tried to find somewhere local that was affordable but they couldn't by the time a letter came saying he had to go to court. On the day of his court hearing Colin made use of a court desk scheme, but the eviction was upheld.	The court desk adviser advised him to make a homelessness application.	This application was accepted, and Colin's family was housed in a B&B for four weeks.	Alternative accommodation was found for him and his family in the social sector, thus concluding the authority's duty to him.	As HB payments in the social sector tend to be lower than those in the private rented sector, there will be a saving going forward.
Court desk: £79.50	Homelessness decision: £375	Temporary accommodation (B&B) £334.95 x 4: £1,339.80	Admin cost of new letting: £477 Duty concluded: £230	Weekly HB payment in PRS: £114.66 Weekly HB payment in LA sector: £70.99
Total: £2,501.30				Weekly saving: £43.67

Notes and sources

Advice and support

This group contains costs which can occur before or after the actual loss of home, in an attempt to either avoid the loss or alleviate the problems caused by it. These costs are included as a recognition that even access to advice and support can sometimes not avert the loss of a home. In that case they become costs which are associated with and stem from the threat of that loss, so are included in this menu. They also provide a benchmark against which other costs of homelessness may be measured.

Advice funded through Legal Services Commission

This is the amount paid by the Legal Services Commission per matter start on a housing advice contract.

Source: Shelter, 2011

Court desk advice - outside London

This is the amount paid by the Legal Services Commission per case handled by a court desk service outside London.

Source: Shelter, 2011

Court desk advice – London

This is the amount paid by the Legal Services Commission per case handled by a court desk service in London.

Source: Shelter, 2011

Successful prevention through housing options or homelessness prevention scheme

This activity comprises all the time and costs associated with the provision of advice, support and assistance through a housing options or homelessness prevention scheme which resulted in homelessness either being prevented or relieved. (Note that prevention of homelessness does not preclude loss of home.)

Source: Shelter, 2010

New private tenancy secured through rent deposit / guarantee scheme

This figure should not be used in conjunction with the 'successful prevention' figure as it is a subset of it. It describes the cost of a prevention where the aim has been achieved through the securing of a new tenancy by the use of a rent deposit or damage guarantee scheme.

Source: Shelter, 2010

Homelessness Application

This group contains costs associated with making a homelessness application and the duties which arise from that application. So, as well as the actual cost of the decision it includes costs for the provision of temporary accommodation and the costs associated with the conclusion of a homelessness duty.

Cost of homelessness decision

This is the average cost to a local authority of administering a decision on a homelessness application (also known as a section 184 decision).

Source: Shelter, 2010

Temporary accommodation – Hostels

This is the average weekly cost of housing a homeless household in hostel accommodation.

Source: CIPFA Homelessness Actuals dataset for 2007/08 uprated with inflation.

Temporary accommodation - B&B

This is the average weekly cost of housing a homeless household in Bed & Breakfast accommodation.

Source: CIPFA Homelessness Actuals dataset for 2007/08 uprated with inflation.

Temporary accommodation – LA stock

This is the average weekly cost of housing a household in temporary accommodation using stock belonging to the local authority. This cost is usually met through Housing Benefit payments.

Source: Shelter consultation of local authorities, 2011

Temporary accommodation – HA stock

This is the average weekly cost of housing a household in temporary accommodation using stock belonging to a Housing Association. This cost is usually met through Housing Benefit payments.

Source: Shelter consultation of local authorities, 2011

Temporary accommodation – PRS stock

This is the average weekly cost of housing a household in temporary accommodation using stock belonging to a private landlord. This cost is usually met through Local Housing Allowance payments.

Source: This figure was arrived at by applying the formula (LHA rate minus 10%, plus management costs of £60 for areas outside London and £40 for London) laid down in The Income-Related Benefits (Subsidy To Authorities) (Temporary Accommodation) Amendment Order 2010 to the average LHA award for January 2011 (which is the defined rate to be used). The outside London management cost was used.

Cost of concluding duty

This activity comprises all time and costs incurred by a local authority in enabling households to move on from temporary accommodation; in the statutory provision of advice and assistance following the completion of homelessness enquiries and the notification of duties owed; and, in action to 'relieve' homelessness and conclude one of the main homelessness duties in other ways.

Source: Shelter, 2010

Administrative cost of new LA letting

This figure represents the administrative costs (i.e. advertising the vacancy, processing of applications and matching people to properties) incurred by a Local Authority in the process of re-letting a home which has been vacated for whatever reason.

Source: This figure is an average of those found by the study *Monitoring the Longer Term Impact of Choice Based Lettings* (DCLG, 2006), uprated for inflation (CPI) since 2006.

Local Authority (LA) Costs

This section only applies to households who are losing or have lost a home owned by the local authority. In other sectors costs similar to these may also arise (particularly rent or mortgage arrears) but the difference here is that it is only in the case of Local Authority-owned housing that these costs will ultimately fall to the taxpayer.

Cost of eviction from LA property

This figure contains purely the administrative costs of an eviction. It does not include costs associated with preparing the property for re-letting; these costs are included under “Cost of re-letting property” (below).

Source: *Community Access to Money* (Community Finance Solutions, 2006), uprated for inflation (CPI) since 2006.

Rent arrears – write-off

This is the average amount of rent arrears incurred by social tenants at the point at which a possession hearing was held, and thus written off by the landlord.

Source: This figure was calculated from tables A1.6 and A1.7 in *Rent arrears management practices in the housing association sector*, a report by the Tenant Services Authority.

Cost of re-letting property post eviction

This figure includes both the administrative costs (i.e. advertising the vacancy, processing of applications and matching people to properties) and financial costs (i.e. lost rental revenue, redecoration, repairs and security costs) incurred by a Local Authority in the process of re-letting a home which has been vacated for whatever reason.

Source: These figures are averages of those found by the study *Monitoring the Longer Term Impact of Choice Based Lettings* (DCLG, 2006), uprated for inflation (CPI) since 2006.

Housing Benefit (HB) and Local Housing Allowance (LHA)

Costs from this section should only be incorporated where the loss of home leads to a household which was not claiming HB or LHA making a claim, or where the loss of home leads to a household having to make a claim at a higher rate. For instance, if the loss of a social rented home leads to a household having to move into the private rented sector, supported by LHA, then the LHA may well be paid at a higher rate than the HB the household was receiving earlier. In this case, the difference between the two, rather than the whole higher LHA figure, would be the ideal figure to include in the calculation, as that is the extra cost demand which is being placed on the public purse as a result of the loss of home.

Cost of processing HB/LHA application

This figure was calculated by taking an average of responses received from local authorities.

Source: Shelter consultation of local authorities, 2011

Cost of HB/LHA – PRS

This is the average weekly LHA award, as at April 2011.

Source: DWP

Cost of HB/LHA - LA

This is the average weekly payment made in Housing Benefit to households in Local Authority housing stock, as at April 2011.

Source: DWP

Cost of HB/LHA - HA

This is the average weekly payment made in Housing Benefit to households in Housing Association stock, as at April 2011.

Source: DWP