

Cost benefit analysis of Centrepoint services

The cost benefit analysis of Centrepoint services was a joint project conducted by three partners:

- Centrepoint - the leading national charity working with homeless young people aged 16 to 25. Established 40 years ago, Centrepoint provides accommodation and support to help homeless young people get their lives back on track.
- Pro Bono Economics - a charity that matches volunteer economists with charities to address questions around measurement, results, impact and value.
- Oxera - one of Europe's foremost economics consultancies that applies economic analysis to 'real-world' problems in order to support companies, policy-makers and regulators in their strategic decision-making.

The analysis determines how far each pound that Centrepoint spends on supporting homeless young people benefits the taxpayer, by looking at what additional costs would be incurred if the intervention did not take place at the current time. The analysis assumes that if Centrepoint does not intervene now, the same intervention would be carried out by another organisation at a later date. Thereby it primarily captures the benefits of early intervention through the early reduction of crime and other problems, and through higher employment and taxes.

Throughout the analysis, conservative assumptions are used, so the cost benefit identified is a minimum estimate. Some benefits, such as housing costs avoided and avoided costs to the victims of crime, have not been included as suitably robust data is not available to quantify them. Evidence suggests, however, that these are likely to be substantial. As it was a purely economic analysis, the report also does not attempt to quantify improvements in young people's quality of life as a result of Centrepoint's intervention.

Key findings

The analysis confirmed that the cost of Centrepoint's intervention is lower than the costs avoided by the intervention, thus creating a net benefit to the taxpayer:

- Every pound spent on Centrepoint services reaps an estimated net benefit of £2.40 to the public purse.
- For every young person Centrepoint works with, it is estimated that Centrepoint benefits the public purse by nearly £20,000.

The potential costs avoided as a result of Centrepoint's services arise from:

- improved education and lower barriers to securing employment and wages, and thereby higher tax revenue to the Exchequer (£12,000 per young person);
- a lower drain on welfare benefits (£7000 per young person);
- less involvement in crime leading to lower costs of the criminal justice system (£2600 per young person); and
- fewer health problems leading to a lower burden on the public healthcare system (£215 per young person).

Overall, the analysis highlights the importance of intervening in the lives of homeless people at an early stage, thereby preventing escalation of conditions that may prove very costly for both society and the individuals if left to be tackled at a later stage.

Case study: Andy

In 2011, Andy, 20, found himself with nowhere to go after he was forced to leave the accommodation where he was living with his fiancée and her family.

He said: "I moved around different places, sleeping anywhere that was dry. I felt very alone: my Mum and Dad died when I was young and I didn't have anyone."

"Life was a struggle before. Centrepont helped me turn my life around. I wouldn't have known what to do without them. I was involved in their Lifewise programme, which helped teach me life skills; I had a key worker, a counsellor and a social worker. It's down to their support that I'm where I am now."

Andy stayed at a Centrepont hostel for eight months before moving out in March 2012 and has been living independently ever since.

Determined to give something back, Andy ran both the Sunderland 10K and Great North Run in 2012 to raise money for Centrepont.

Case study: Joe

Joe first experienced homelessness at the age of 15 after his relationship with his mother broke down. He found himself 'sofa surfing' - moving between relatives' and friends' houses every few months. In an attempt to resolve issues with his mother, he moved back home. He said: "Things were not too bad for a while and I finished my GCSEs, but I didn't get the grades I hoped for in my first year of A-Levels and that's when the conflict began again and I was chucked out."

Joe was referred to a Centrepont hostel where he finally felt he "wasn't in the way of anyone". Encouraged to pursue his ambition to become a tennis coach, he was given bursaries for further training courses and travel, enabling him to qualify and, after staying in the hostel for nine months, he was personally and professionally equipped to live independently.

Joe now coaches at a London tennis centre and believes that his time at Centrepont was invaluable to him. He said: "Centrepont stuck with me and gave me the opportunity to better my qualifications, which I don't think I would have had anywhere else. It has opened doors to me that I didn't have before."

Having taken on the London Marathon for Centrepont earlier this year, Joe is keen to help other homeless young people turn their lives around: "I want other young people who have had trouble in their lives to know that they should never give up. It's important to keep looking towards the future and know that you can do more with your life. I hope that Centrepont continues to support young people the way they helped me."