

The Financial Benefits of Supported Housing

NHF Research Briefing

April 2025

Summary

Supported housing plays a key role in preventing and reducing homelessness and relieving pressure on health and social care services. But supported housing supply is not keeping up with demand. Government research shows a current shortfall of up to 388,100 units. By 2040 between 309,900 and 541,900 more units will be needed (of which 89,500 would be for working-age people). The number of spaces in homelessness schemes have reduced by 38% since 2010.

Without adequate supply of supported housing, thousands of people could go without the support they need, costing the public purse and leaving people who could live independently with support, facing long stays in residential or institutional care, or at risk of homelessness.

To continue to realise the savings supported housing offers, the government must urgently invest in revenue support for supported housing, and to realise further savings must provide the requisite capital funding to enable need to be met in full.

To demonstrate the financial benefits of supported housing, we have compared the cost to the government of delivering supported housing, using data from the [2023 Supported Housing Review](#), to the cost of the alternative accommodation for those people were they not in supported housing.

Key findings

- The supported housing sector in England currently saves the public purse an estimated **£3.5bn every year**.
- It is estimated that **we need to build an additional 28,400 supported homes per year between now and 2040** – 22,400 for older people, and 6,000 for working-age adults.
- **Building these extra supported homes could add nearly £4bn to the national economy** each year at today's prices, supporting more than 52,000 FTE jobs.
- Building those homes by 2040 would enable supported housing need to be met and could **save the public purse £6bn every year** at today's prices.

Recommendations for government:

- 1) Urgently review supported housing funding and have a **clear cross-government approach to protect and grow this vital part of the housing system** – through the forthcoming long-term housing strategy, cross-government homelessness strategy and NHS 10-year plan.
- 2) **Allocate at least £1.6bn per year to English local authorities to commission supported housing**, matching the Supporting People programme funding cut in 2010.
- 3) To meet demand, the government should set a target to meet supported housing need as set out in the 2023 Supported Housing Review in full, **and supported homes should form part of the 1.5m homes target**.
- 4) On rent policy, the government should **increase the rent flexibility level for supported housing to 20% at new or relet**.
- 5) In the short-term, **we would welcome the opportunity to work with MHCLG on a bid to the Transformation Fund**, demonstrating to government departments, Integrated Care Systems and local authorities the efficacy of investing in supported housing to deliver wider savings across government.

Our approach

Part 1 – Supported housing costs and savings to the public purse

To estimate how much the supported housing sector currently saves the public purse each year, we have compared the cost to the government of delivering supported housing, using data in the [2023 Supported Housing Review](#), to the cost of the alternative (the counterfactual) if those people were not in supported housing. We have drawn on the counterfactual model used in the 2010 Frontier Economics report for the (then) Homes and Communities Agency, alongside up-to-date data from various sources on the costs of the alternative housing options within the counterfactual and, where possible, impacts on use of other services.

Our analysis focuses on six types of supported housing, due to the data available. According to the Supported Housing Review, these supported housing types make up 90% of all supported housing stock in England. They are:

- Short-term/transitional supported accommodation for:
 - People experiencing homelessness (single people)
 - Young people leaving care
- Long-term supported housing for:
 - People with mental health problems
 - People with a learning disability and autistic people
 - People with a physical disability or sensory impairment
- Housing for older people with care and/or support needs.

The cost of England's supported housing sector

Using data on the number of supported housing units and estimated costs from the [2023 Supported Housing Review](#), as well as additional data provided by the report author, we calculated the total annual cost to the state for supported housing accommodation and commissioned support for the existing number of supported housing units in England, by client group. See the Appendix for further workings.

	Supported housing units in England	Total annual cost to the state for supported housing accommodation and commissioned support in England
People experiencing homelessness (single people)	51,400	£925,141,220
People experiencing homelessness (families)	24,900	£434,027,770
Young people leaving care	7,300	£173,775,290
People at risk of domestic abuse	4,200	£96,668,660
People with drug or alcohol problems	2,900	£46,807,170
Prison leavers	1,900	£32,569,870
Other short-term/transitional	19,000	£288,208,700
People with mental health problems	19,200	£578,018,160
People with a learning disability and autistic people	52,800	£1,476,927,440
People with a physical disability or sensory impairment	2,400	£52,853,520
Housing for older people with care and/or support needs	349,300	£1,781,554,100
All	535,400	£5,886,551,900

Note columns may not sum due to rounding

Counterfactual model

The counterfactual housing options for those people are from the Frontier Economics 2010 report on the [Financial benefits of investment in specialist housing for vulnerable and older people](#).

This report outlined two options; we have used Option 2 which draws on information in CORE (COntinuous REcording System) on tenure prior to entering specialist housing. We considered this to be the closest available proxy for where people would be if they were not in supported housing. However, other data and research suggests the model may underestimate the number of people who would be sleeping rough or squatting. A 2023 survey of staff supporting working-age people in supported housing suggests that 38% of people would be sleeping rough, including very short-term sofa-surfing, squatting, or living in a temporary structure.¹

¹ Imogen Blood (2023) [Research into the supported housing sector's impact on homelessness prevention, health and wellbeing](#). Table 9.

Frontier Economics (2010) Table 21. Counterfactual housing – Option 2 – CORE dataset

	Social housing	Private rented / owned	Hospital	Living with family / friends	Residential home	B&B / TA	Sleeping rough / squatting	Prison / young offenders
Older People	37%	33%	2%	13%	10%	4%	0%	0%
Young people leaving care	3%	8%	0%	54%	3%	22%	8%	2%
People with mental health problems	12%	8%	17%	30%	5%	19%	6%	3%
People with learning disabilities	9%	6%	6%	37%	26%	12%	3%	1%
Single homeless people with support needs	4%	4%	2%	39%	1%	24%	22%	5%
People with physical or sensory disabilities	32%	26%	3%	22%	8%	9%	1%	0%

Counterfactual costs

The annual costs to the public purse per person for the counterfactual were calculated from a variety of sources, as laid out in the table below. Some adjustments to these costs were made where data was available, for example, alternative costs for different client groups or additional costs from increased use of other services where the accommodation in the counterfactual does not include some form of support. These are set out below the table.

Counterfactual	Annual cost to public purse per person	Data source
Social housing (working-age / older people)	£4,541 / £3,830	SDR 2023/34 – average rent for general needs social housing (all bedrooms) multiplied by 0.83 for all working-age groups and 0.7 for older people. Assumes that 83% of working-age tenants and 70% of people of pensionable age will be in receipt of Universal Credit or Housing Benefit housing entitlement, reflecting the findings in the 2023 Supported Housing Review.
Private rented (working-age / older people)	£4,917 / £4,147	Local Housing Allowance (LHA) rates applicable from 1 st April 2020 to 31 st March 2024 – median of Cat B (one-bedroom, exclusive use of facilities) multiplied by 0.84 for all working-age groups and 0.7 for older people. As above, assumes that 84% of working-age tenants and 70% of people of pensionable age will be in receipt of Universal Credit or Housing Benefit housing entitlement.
Hospital	£144,175	King's Fund (2023) quote £395 for basic cost of overnight stay (no treatment), uprated from 2017/18 NHS Reference Costs.
Living with family / friends	No data on housing costs	
Residential home	£45,000	Imogen Blood (2023) – lower range cost for residential care.
B&B / temporary accommodation	£20,870	Centre for Homelessness Impact (2024)
Sleeping rough / squatting	£26,277	Crisis (2015) At what cost? Cost to the public purse of a single person sleeping rough for a year. Uprated to 2023 costs
Prison / young offenders	£33,628	Ministry of Justice HM Prison & Probation Service Annual Report and Accounts 2022-23 – cost per prisoner.

Hospital costs: We have used the cost of an overnight stay on a mental health ward hospital for people with a learning disabilities and people with mental health problems, which is an annual cost per person of £250,755.

Residential home costs: We have used data on adult social care expenditure in [NHS England's Adult Social Care Activity and Finance Report, England 2022-23](#) to calculate the average annual per person costs of a residential care home specifically for the following groups:

- Older People (£28,290)
- People with mental health problems (£42,929)
- People with learning disabilities (£86,662)
- People with physical or sensory disabilities (£53,506)

Costs of increased use of services when needs are not met: Demos' 2017 report [The Social Value of Sheltered Housing](#) estimated that Sheltered Housing saves the NHS £468m per year, which is £1000 per person in sheltered housing. This cost has been updated to 2023 prices (£1,266) and added to the following counterfactual housing options for older people:

- Social housing
- Private rented housing
- Living with family/friends
- B&B / temporary accommodation

The 2009 [Research into the Financial Benefits of the Supporting People Programme](#) by Capgemini estimated the net impact of the withdrawal of support provided under the Supporting People Programme on the usage of a range of health, housing and criminal justice services per person per year. These costs have been updated to 2023 prices and added to housing options without support (social housing, private rented, living with family/friends and B&B/temporary accommodation) for the following groups:

- Single people experiencing homelessness (£9,269 in settled accommodation, £23,847 in temporary accommodation)

- Young people leaving care (£2,725)
- People with a learning disability and autistic people (£3,574)
- People with mental health problems (£2,324)
- People with a physical or sensory disability (£2,931)

Assumptions

This model relies on a set of assumptions about the situation of people who are in supported housing and their situation in the counterfactual, if supported housing did not exist. These include:

- One unit of supported housing is equal to one person in supported housing.
- The alternatives to supported housing are the same as they were in 2010 and that if supported housing did not exist, people would be in the same type of accommodation they were in prior to supported housing. While this is unlikely to be true, it provides a sufficient indication of the range of alternative accommodation options and the proportions of people with support needs who would likely reside there.
- None of the people who are in supported housing would be in housing that they own themselves if supported housing did not exist, given an absence of data on this.
- 83% of working-age people and 70% of older people in social or private rented accommodation in the counterfactual will have their rent covered by Universal Credit or Housing Benefit. This reflects the findings of the 2023 Supported Housing Review.
- People with a learning disability and people with mental health problems in hospital in the counterfactual would be in a mental health inpatient setting, while other client groups will be in a general hospital within an acute trust.

Caveats and limitations

The model inputs were limited by the data available. Due to a lack of data, some counterfactual costs are not included within the model; overall, we expect that the results are likely to underestimate the full costs to the public purse. Longer-term benefits are not captured, such as:

- Increased wellbeing and employment, and corresponding contributions to the economy and tax budget. For example, Home Group measured the impact of their supported housing and reported a 30% increase in their supported customers wellbeing from the start of their service to the point of move-on, this increase in wellbeing is estimated to equate to a social value of over £6k per person per year.²
- Increased likelihood of sustaining their tenancy. Staff responding to a survey for the 2023 Imogen Blood report said that if supported housing was withdrawn, 26% of residents would be in accommodation without the support they need to sustain it, while 38% would be sleeping rough, which includes very short-term situations such as sofa-surfing, squatting, and living in a temporary structure. Additionally, official statistics on reasons for households being owed a relief duty indicate the short-term and unstable nature of living with family or friends and private rented housing. In 2023/24, family or friends no longer being willing or able to accommodate is the reason for 30% of households owed a relief duty and 27% of households owed a prevention duty. Private tenancies ending is responsible for a further 15% of households owed a relief duty and 44% of households owed a prevention duty.³

The analysis did not look at all client groups who use supported housing. We were limited to those groups included in the counterfactual model that aligned with the categories in the Supported Housing Review for stock and cost estimates.

² Imogen Blood (2023) [Research into the supported housing sector's impact on homelessness prevention, health and wellbeing.](#)

³ Ministry of Housing, Communities and Local Government (2025), [Statutory homelessness live tables](#), Table A2P and Table A2R.

The model also does not take into account capital costs for building, purchasing and adapting supported housing compared to the housing options in the counterfactual, although some of these costs will be reflected in accommodation costs paid for by housing benefit.

Results

We estimate that supported housing saves the public purse around **£3.5bn per year**. Our analysis shows that the annual costs for supported housing for older people, people with mental health problems, single people experiencing homelessness and people with a learning disability and autistic people are all lower than the costs in the counterfactual. Moreover, these savings do not fully capture longer-term impacts on wellbeing, employment and tenancy sustainment when living in supported housing compared to more unstable and unsuitable accommodation where support needs are not adequately met. This is particularly important to remember with regard to the two areas which show negative savings, ie where the counterfactual appears cheaper than the supported housing option. While technically it may be cheaper in the short term to not go down the supported housing route, the long term impacts of doing this will be significantly more expensive for the public purse and for the individual.

	Estimated cost savings
Older People	£1,863,168,508
People with a learning disability and autistic people	£856,704,819
People with mental health problems	£456,235,750
People experiencing homelessness (single)	£424,749,363
People with physical or sensory disabilities	-£14,244,824
Young people leaving care	-£88,974,764
Total	£3,497,638,852

Part 2 – The economic impact of building the supported homes we need

How many additional supported homes should we be building?

The CRESR supported housing review gives a picture of how many additional supported homes are needed by 2040 in England to address unmet need, maintain current levels of provision and account for demographic changes. These break down as follows:

England	Lower	Upper
Older person	220,300	452,400
Working age adult	89,500	89,500
Total	309,900	541,900

(source: Annex table A1.3.9. Note columns and rows may not sum due to rounding)

If we assume that the actual level needed will fall halfway between the lower and upper trajectory levels, we can come to a middle way as follows:

England	Lower	Middle	Upper
Older person	220,300	336,400	452,400
Working age adult	89,500	89,500	89,500
Total	309,900	425,900	541,900

We will use these inferred middle way figures from this point.

These figures are baselined to 2023. If we assume that no progress has been made so far that means we need to divide by fifteen to get at the annual delivery needed to get to this point by 2040.

England	Middle
Older person	22,423
Working age adult	5,967
Total	28,390

For ease of reference we round these figures to the nearest hundred homes.

England	Middle, rounded
Older person	22,400
Working age adult	6,000
Total	28,400

In order to assess the economic impact of this construction programme, we need to make the assumption that the building of these homes returns the same economic impact as building general needs homes.

Using the Local Economic Impact Calculator produced for the NHF by CEBR, we can use these building target figures to arrive at estimates of the impact of this activity in terms of GVA and the number of FTE jobs supported.

In today's prices, we can see that building 28,400 homes:

- would directly add **£1.5bn** to the national economy,
- while supporting **20,970** full time jobs.

Widening the impact to look at the total economic impacts of this activity (so including the indirect and induced impacts):

- boosts the annual GVA figure to **£3.95bn**,
- supporting **52,440** full-time equivalent jobs.

Part 3 – The future shape of the sector and implications for costs and savings to the public purse

What will the sector look like after this programme?

The figures from the previous section imply a sector nearly doubled in size:

Type	Existing	Additional	After programme
Older people	349,300	336,400	685,700
Working age	186,000	89,500	275,500
Total	535,400	425,900	961,300

Note columns and rows may not sum due to rounding

The bulk of the increase here is in housing for older people, as one would expect given the shape of projected demographic change; as a nation we are living longer. However crucially the Review does not break down the working age figure into the different client groups. To address this we can make an assumption that the shape of the sector in terms of the split across different types of provision will remain basically the same. It should be noted at this point that the review does identify a variation in the levels of unmet need identified by the commissioners interviewed. People experiencing homelessness and young people leaving care are both identified as groups for whom lower levels of commissioners said there was no unmet need, and higher levels said there was a lot of unmet need. This might indicate that unmet need might be skewed towards those groups. However given the data available it is difficult to say to what extent this is the case and if so how the figures could be adjusted to reflect this.

Given this we have decided to proceed with the approach mentioned above, assuming that the overall split remains proportional.

	Existing units	% of total	Projected units of unmet need at same % rates	Total
People experiencing homelessness (single people)	51,400	27.6%	24,700	76,100
People experiencing homelessness (families)	24,900	13.4%	12,000	36,900
Young people leaving care	7,300	3.9%	3,500	10,800
People at risk of domestic abuse	4,200	2.3%	2,000	6,200
People with drug or alcohol problems	2,900	1.6%	1,400	4,300
Prison leavers	1,900	1.0%	900	2,800
Other short-term/transitional	19,000	10.1%	9,200	28,200
People with mental health problems	19,200	10.3%	9,200	28,400
People with a learning disability and autistic people	52,800	28.4%	25,400	78,200
People with a physical disability or sensory impairment	2,400	1.3%	1,200	3,600
Older people (55+)	349,300		336,400	685,700
Working age total	186,000		89,500	275,500
Total	535,400		425,900	961,300

Note columns and rows may not sum due to rounding

Using the above figures, we can leverage the costs framework laid out in the first part of this document to arrive at a figure for the cost savings implied by this notional future sector. Our findings indicate that meeting future supported housing need would generate annual savings to the public purse in the region of £6bn, at today's prices.

	Estimated cost savings
Older People	£3,657,528,330
People with a learning disability and autistic people	£1,268,831,759
People with mental health problems	£674,848,714
People experiencing homelessness (single)	£628,860,438
People with physical or sensory disabilities	-£21,367,236
Young people leaving care	-£131,633,897
Total	£6,077,068,107

Appendix

The cost of supported housing

The cost of commissioned supported housing services are figures provided by the 2023 Supported Housing Review report authors on the total funding for commissioned supported housing services, by client group, for England only (see table below), as the report published aggregated figures for Great Britain. The researchers recommended using the totals which use the median cost per unit for most client groups but the lower quartile for learning disabilities and physical disabilities.

We calculated the total annual cost of supported housing to the benefits system in England based on data from the 2023 Supported Housing Review on the proportion of supported housing tenants in receipt of Universal Credit housing entitlement or Housing Benefit (83% for working-age tenants and 70% for tenants of pensionable age) and the average cost of accommodation to the benefits per claimant per year (£13,310 for working-age tenants and £5,910 for pensionable age tenants). The Review found limited variation in rents across short-term and longer-term working age provision, with most clustering between £147 to £178 per week.

Total funding for commissioned supported housing services if provided at lower quartile or median of average funding levels per unit, England

	Lower Quartile	Median for most client groups but lower quartile for learning disabilities and physical disabilities	Median
People experiencing homelessness (single people)	£218,470,000	£357,310,000	£357,310,000
People experiencing homelessness (families)	£136,840,000	£158,950,000	£158,950,000
Young people leaving care	£65,530,000	£93,130,000	£93,130,000
People at risk of domestic abuse	£36,750,000	£50,270,000	£50,270,000
People with drug or alcohol problems	£10,890,000	£14,770,000	£14,770,000
Prison leavers	£9,030,000	£11,580,000	£11,580,000
Other*	£39,450,000	£78,310,000	£78,310,000
People with mental health problems	£176,230,000	£365,910,000	£365,910,000
People with a learning disability and autistic people	£893,630,000	£893,630,000	£2,346,410,000
People with a physical disability or sensory impairment	£26,340,000	£26,340,000	£94,260,000
Older people (55+)	£249,310,000	£336,500,000	£336,500,000
Total	£1,862,480,000	£2,386,680,000	£3,907,390,000

Source: Sheffield Hallam University estimates

Note: Local authorities were asked to include for any funding from other statutory bodies that co-commission support services.

Registered office: Lion Court, 25 Procter St, Holborn, London WC1V 6NY
 020 7067 1010 | housing.org.uk | National Housing Federation Limited,
 trading as National Housing Federation. A company with limited liability.
 Registered in England No. 302132



Total annual cost of supported housing accommodation to the benefits system in England

Client group	Units in England	No. of tenants in receipt of housing entitlement	Total annual cost of accommodation to benefit system
People experiencing homelessness (single people)	51,400	42,662	£567,831,220
People experiencing homelessness (families)	24,900	20,667	£275,077,770
Young people leaving care	7,300	6,059	£80,645,290
People at risk of domestic abuse	4,200	3,486	£46,398,660
People with drug or alcohol problems	2,900	2,407	£32,037,170
Prison leavers	1,900	1,577	£20,989,870
Veterans	1,000	830	£11,047,300
Refugees and asylum seekers	1,000	830	£11,047,300
Other short-term/transitional	17,000	14,110	£187,804,100
People with mental health problems	19,200	15,936	£212,108,160
People with a learning disability and autistic people	52,800	43,824	£583,297,440
People with a physical disability or sensory impairment	2,400	1,992	£26,513,520
Housing for older people with care and/or support needs	349,300	244,510	£1,445,054,100
All	535,400	398,890	£3,499,851,900