

Scottish Churches Housing Action



no room for homelessness!

STATEMENT ON HOMELESSNESS IN A TIME OF RECESSION

At Poverty & Homelessness Action Week 2009, church leaders have endorsed a call from Scottish Churches Housing Action for action on affordable housing, to minimise the impact of the recession. This statement calls for a level of public investment in affordable housing equivalent to that in the years of post-war recovery, and demonstrates how this offers several routes to soften the impact of the current recession.

The statement is supported by:

Rt Rev David Lunan, Moderator of the General Assembly of the Church of Scotland
Bishop Peter A. Moran, President, Justice and Peace Commission, Roman Catholic Church
Bishop John Cunningham, President, Commission for Pastoral & Social Care, Roman Catholic Church
Most Rev Idris Jones, Primus of the Scottish Episcopal Church
Rev KM Ferguson, Moderator of the General Assembly of the Free Church of Scotland
Rev John Humphreys, Moderator, Synod of Scotland, United Reformed Church
Rev Bill Slack, General Director, Baptist Union of Scotland
Rev Lily Twist, Chair of Synod, Methodist Church in Scotland
Major Robert McIntyre, Scottish Secretary, The Salvation Army
Robin Waterston, Clerk, General Meeting for Scotland, Religious Society of Friends (Quakers)
Rev Kathy Galloway, Leader, Iona Community
Rev Fred Drummond, National Director, Evangelical Alliance Scotland
Brother Stephen Smyth, General Secretary, Action of Churches Together in Scotland

1 Riding out the perfect storm?

A number of factors came together during 2008 which mean that poverty and associated homelessness will be much worse in 2009 than in recent years. This paper sets out the reasons, and the implications both for Scottish society, and for the churches themselves.

2 Background

After a seemingly relentless rise for many years, the numbers in Scotland applying as homeless dropped in 2007-08 – by 5%¹. The Scottish Government is working to a target, set in 2002, that by 2012, there will be an entitlement to settled housing by all people applying as homeless. This will end the current position where many who are homeless, especially single people, have no meaningful entitlement.

However, homelessness is about much more than the roof over our head. It is triggered by unemployment, debt, stress, drug and alcohol misuse, inexperience in life, marital breakdown or death of a partner and many other factors – and in turn, these are made worse by the experience of homelessness. Poverty is the condition common to many of these factors.

The Joseph Rowntree Foundation² illustrates the current position in relation to poverty in Scotland:

- ❖ improvements in child poverty up to mid-2000s appear to have stalled in recent years – 25% of children in Scotland live in poverty
- ❖ 100,000 fewer pensioners are in poverty than in the late 1990s
- ❖ of working-age people, the number in poverty has remained constant over the last decade, although for those who are actually working, the number in poverty has risen
- ❖ there has been little impact in the concentration of poverty in particular ‘pockets of deprivation’.

3 Credit crunch and the recession

During 2008, it became clear that major problems were building up, initially in the banking sector, due to a period of slack lending policies which became known as ‘toxic loans’, and subsequently developing into a recession. This was coupled with steep increases in many basic living costs, not least gas and electricity for domestic fuel.

Since September, the recession has meant, among other things: higher levels of repossessions following mortgage default³; fewer loans for house purchase⁴, meaning less mobility in housing and fewer opportunities for first-time buyers; reduced levels of housebuilding⁵ - down from 25,000 last year to an anticipated 9,000 in 2009; consequent unemployment in construction-related industries.

4 The prospects

The Bank of England’s prediction about recovery envisages at least five quarters of dropping gross domestic product (GDP)⁶. The recovery process will take us well into 2010 before these figures improve, as employment levels rise again.

In the meantime, we can anticipate:

- ❖ rising unemployment as firms retrench and in some cases cease trading
- ❖ higher levels of mortgage repossession
- ❖ mortgage default by buy-to-let landlords, leading to eviction of tenants
- ❖ more homelessness applications, reversing last year’s downward trend
- ❖ greater pressure on social housing waiting lists
- ❖ higher levels of personal debt, not just of mortgage and rent arrears, but to cover basic living costs.

The side-effects of these trends will include increased levels of stress and anxiety, particularly over financial matters and housing security; impacts on health, including mental health; more use of alcohol and drugs, legal and prescribed; rising marital and relationship breakdown.

All these factors compound the issues of homelessness – stress can lead to violence in the home; abuse of alcohol will compound financial difficulty and make decision-making less rather than more rational; relationship breakdowns mean that one household needs two houses.

In particular, the impact on children will be great – unhappy homes produce unhappy children, who in turn experience stress, and may suffer education and health problems as a result, creating long-term distress. Already one-third of people directly affected by homelessness are under the age of 16⁷.

5 The context

This crisis comes at a time when local authorities, responsible for so many of the services that might mitigate these effects, are themselves under intense pressure.

The concordat⁸ between the Scottish Government and local authorities, agreed in November 2007, was linked with a freeze in council tax levels. In return for the end of ‘ring-fencing’ of funding (whereby money was passed to local authorities to carry out designated tasks on behalf of central government), and a guaranteed income stream over the period 2008-2011, each council has established a single outcome agreement (SOA). This is aimed at giving more autonomy for local decision-making.

However, councils experienced steeply rising costs during 2008, and job losses amongst council staff are now on the cards, along with budget cuts⁹. Services to people particularly affected by the recession are unlikely to escape – front-line homelessness services, housing and money advice, social work services will all be in line. Similarly, support for the voluntary sector, whether in the traditional form of grants or the more recent development of contract-based work, is coming under scrutiny.

At the same time, as noted earlier, housebuilding in the present market is drying up. With the average house price in the UK 13.7% lower in October 2008 than a year before, and difficulties in accessing credit, there is little prospect for private developers of making sales of newly-built houses on the open market. Besides the housing implications, this will have an impact on jobs in the construction industries, and consequently on other sectors dependent on mobility in the housing market – carpets and furnishings, do-it-yourself, &c.

6 The opportunity – rising to the challenge

The slowdown in market-based housing is not due to any drop in underlying need for homes: it is happening because credit finance is no longer available to convert such need into economic demand. This is the reason that dropping house prices are failing to open the market up to first-time buyers. The Scottish Government recognises this need in its target that by 2015, there will be an annual rate of housebuilding – in all sectors – of 35,000, an increase of 40% on current targets.

It follows that in a time of market failure to meet need, the social housing sector – comprising mainly housing associations and those local authorities that have retained their housing stock – takes on a more significant role. Housing associations build for both rent and home ownership, and there are schemes to assist first-time buyers.

In recognition of the worsening economic climate, in August 2008, The Scottish Government made an additional £100 million available to housing associations. By December £18 million of this had been allocated. However, this is unequal to the scale of the problem – and it is money brought forward from planned spending in 2010-2011, so does not add to the overall pot available in the current three-year spending round.

The Treasury has demonstrated its willingness to invest large sums of public money in maintaining the banking industry, because of its importance to the economy and the well-being of the electorate. In our view, the provision of the basic necessity of a home is essential for anyone effectively to participate in economic activity and the electoral process. As Catholic social doctrine has it: *“Those whose living conditions interfere with their proper growth should be the focus of particular concern”¹⁰*.

7 The proposal – new deal on housing

We call on The Scottish Government to invest on a scale equivalent to the post-war rebuilding programme in social housing – by housing associations and where appropriate, local authorities. As a prerequisite to this, we call on the Treasury to suspend normal funding allocation restrictions to allow this intensity of construction.

In 1948, 19,273 council homes were completed. The following year, the Scottish Special Housing Association and New Towns came on stream, and for the next decade, there were never fewer than 20,000 socially-owned homes added to the nation’s stock each year. This compares with the figure of 3,358 as the combined output of homes completed by housing associations and local authorities in 2007¹¹.

It will be a tremendous challenge to the social housing movement to build on this scale. However, land and construction capacity are both available as slack is taken up from private sector developments that have been unable to proceed. Availability of new affordable homes in the social sector on this scale will help in removing some of the stigma that has become attached to affordable renting as it has tended to become a ‘residual’ tenure for those who are unemployed or otherwise economically inactive.

The option has been proposed of housing associations buying direct from the private sector houses that have not sold on the open market. This has attractions, but housing associations have been reluctant to commit themselves to buying properties that may be of a lower standard – both in terms of space and sometimes of build quality – than they would themselves build. In particular, associations are working towards the Scottish Housing Quality Standard, a quality threshold to be reached by 2015 by the social rented sector, which does not apply to privately-developed homes. In the absence of relaxation of those standards (which would not be seen as desirable) or of funds to bring the bought properties up to them, there is little incentive to pursue this approach.

The statutory right to buy a rented home remains a disincentive to councils and housing associations to build – what is the point of building if they are obliged to sell at a discount within a few years? It may be sensible to encourage tenants who are in a position to buy to do so once the economic gloom lifts, but to sustain affordability for the future, any financial incentives or discount should be met by the exchequer rather than the landlord. It will be possible to build on the government’s LIFT – low-cost initiative for first-time buyers – to offer routes to home ownership without losing affordable stock.

Besides the benefits in providing for people who are – albeit temporarily – unable to access market housing, investment on the scale proposed will make a major impact in sustaining employment within the construction trades, professions such as architects, lawyers and surveyors, and in provision of goods and services related to moving house. This will have the double advantage of maintaining the tax take from those who might otherwise be unemployed and claiming benefit.

In the longer term, we believe it is essential that there be a review of the public expenditure status of the cost of housing construction; it is currently viewed in relation to the public sector net cash requirement as current expenditure. In reality, of course, since there is an asset available for at least 30 years into the future, such expenditure is investment, and should not be treated as spending. A recent leader in the journal *Public Finance* makes the same point¹².

8 The recession: implications for the churches

We recognise that the recession will affect the churches no less than other parts of society. Church activities depend primarily on voluntary income donated by members, who may find themselves struggling to sustain customary levels of giving. Within congregations, as individuals and families are hit by the recession, there will be more stress – and consequently more need for mutual support.

But the churches' emphasis will remain on mission as well as ministry. Work with homeless people, whatever their circumstances, has been a feature of church social witness for centuries – helping homeless people is mission in action. The growth in volunteer action that has taken place over the past 15 years shows that churches are not exclusively inward-focussed, and provides opportunities for ecumenical work based on practical help to those in need.

It will be an effort for churches to continue to support such work, but it is at a time of hardship that it is most necessary – those closest to the margins of society are those with the harshest experience of recession.

Churches have long struggled with an over-supply of buildings, and often these are seen as problematic – the investment required for their upkeep is a drain on resources. But church property portfolios present opportunities as well as problems. There are examples where affordable housing has been developed, alongside a new church building, the sale of the land providing the finance for the new worship space. Where the church has no further need for land or buildings, sale for affordable housing can make sense in bringing funds in to spend on other activities, particularly at a time when open market sale is unlikely.

Scottish Churches Housing Action January 2009

¹ *Operation of Homeless Persons Legislation*, Scottish Government, Sept 2008:
<http://www.scotland.gov.uk/Publications/2008/09/29091120/0>

² *Monitoring poverty and social exclusion in Scotland 2008*, Joseph Rowntree Foundation, Nov 2008, www.jrf.org.uk

³ BBC News, 21 Nov 2008, news.bbc.co.uk/1/hi/business/7741172.stm

⁴ Council for Mortgage Lenders, press release 26 Nov 2008, www.cml.org.uk/cml/media/press/2020

⁵ Homes for Scotland, Sept 2008: *Restoring housing output: scenarios for recovery*
www.homesforscotland.com/media/File/Restoring_Housing_Output_Forecasts_Sept_08.pdf?Site=1

⁶ BBC News 15 Nov 2008 news.bbc.co.uk/1/hi/business/7729253.stm

⁷ *Operation of Homeless Persons Legislation*, Scottish Government, Sept 2008:
<http://www.scotland.gov.uk/Publications/2008/09/29091120/0>

⁸ Scottish Government, Nov 2007 www.scotland.gov.uk/Resource/Doc/923/0054147.pdf

⁹ Eg "Councils face 'worst' cash crisis", *The Herald*, 8 January 2009

¹⁰ *Compendium of the Social Doctrine of the Church*, Pontifical Council for Justice and Peace, the Vatican, 2004

¹¹ *Housing Statistics for Scotland - New build summary*, Scottish Government, 2008.
www.scotland.gov.uk/Topics/Statistics/Browse/Housing-Regeneration/HSfS/NewBuildSummary

¹² 'Home Truths', *Public Finance*, Chartered Institute of Public Finance and Accountancy, 5 Sept 2008;
www.cipfa.org.uk/publicfinance/leader_details.cfm?News_id=58786