

Briefing for Stage 3 of the Budget, 3 February 2010

Summary

- As things stand, housing investment has taken the biggest hit in this year's budget round, with the Affordable Housing Investment Programme (AHIP) falling by £204 million from this year to next.
- Housing investment is uniquely well-placed to help Scotland's economy accelerate out of a very fragile recovery. Of all capital programmes, housing investment translates most swiftly into activity and jobs on the ground.
- Investment in new affordable homes is desperately needed to meet Scotland's internationally-acclaimed commitment to house all homeless people by 2012, to get families out of expensive temporary accommodation and to slash massive waiting lists.
- We recognise that the Budget faces a series of constraints but also argue that there is scope to switch spending even at this late stage.

1. Introduction

The housing market remains in a deep trough.

- Private sector housing starts remain at less than half the level seen in recent years.
- An estimated 26,000 jobs have been lost in home-building in Scotland since the recession began.
- According to the Scottish Building Employers Federation, construction firms continue to be pessimistic about the prospects for 2010, with inevitable effects on their willingness to take on apprentices.

Recent news that the UK economy has started to move out of recession will remove little gloom from the housing sector which has been affected more dramatically by recession than other parts of the economy.

2. The Housing Budget for 2010-11

As the draft Scottish Budget stands at present, spending on the Affordable Housing Investment Programme (AHIP) will fall by £204 million between the current year and next year. Over the three years of the Spending Review (2008-9 to 2010-11), the amount invested in affordable homes remains, as planned, at £1.65 billion; it is simply the year in which the money is spent that has changed. However, since the CSR was published in the autumn of 2007 the housing landscape

has changed dramatically. If, in 2007, the investment package was not enough to address Scotland's housing needs, that is so much more the case now. Much more needs to be done to invest in new affordable homes to:

- Help get more of the 142,000 families off council house waiting lists.
- Meet the internationally-acclaimed 2012 homelessness target.
- Reduce the annual £70 million bill for temporary accommodation for homeless families.
- Sustain jobs and the viability of a strategically essential industry.

Other sectors will argue for additional investment but none has the capacity of the housing sector:

- To lever in private finance on top of public investment, swelling the value of the public pound. Every public pound invested secures half as much again in private finance.
- To show a proven track record of delivery on time and within budget – a track record that is not always shared by other larger infrastructure projects.
- To sustain jobs – every £100 million invested in house-building sustains 1600 jobs.

4. A budget for homes and jobs

Last autumn there was a widespread view that housing investment should be a priority for any accelerated capital investment coming from the UK Chancellor's Pre-Budget report. Since that was not forthcoming, the spotlight has been thrown back on what politicians can do *within* Scotland's budget to meet that same, agreed, priority.

Shelter urges MSPs to make the Scottish Budget a Budget for Homes and Jobs. We know that spending is constrained but:

- Is it a proper reflection of Scotland's priorities that spending on roads should rise by £65 million next year while investment in housing is falling by £204 million?
- Given that the Scottish Government has discretion to transfer allocations from resource budgets into capital budgets, is there a possibility that some new programmes funded through current expenditure may now seem less of a priority in more straitened times for the public purse¹?
- Shelter has shown that of the £54 million in Barnett Consequentials allocated to the Scottish Government in 2009-10 and 2010-11 as a result of housing programme changes in England, only £31 million has been added to the Scottish Budget. £23 million is "owed" to housing programmes.

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¹ For example, programmes such as the council tax freeze, free school meals and abolition of prescription charges add up to £140 million a year.