



Frontline agencies in partnership

The Impact of the 'Credit Crunch'

An online survey of Homeless Link
member organisations



Table of Contents

Executive Summary	3
PART A - BACKGROUND	5
1. Introduction	5
2. Method	5
3. The sample	5
PART B - SURVEY FINDINGS	7
4. Overall effect of the 'credit crunch' so far	7
5. Demand for services	8
6. Effect on income over the past twelve months	9
7. Effect on costs over the past twelve months	10
8. Effects expected over the next twelve months	11
9. Steps being taken	12
10. Conclusion	13
APPENDIX ONE	15

Executive Summary

The current economic downturn is having a profound effect on the housing market:

- Mortgage repossessions are up 12% to 11,300 in the third quarter of 2008, meaning that there have already been more repossessions in 2008 than 2007¹
- There were 28,349 landlord possession orders made in the county courts in the third quarter of 2008, an increase of 4% on the same quarter of 2007²
- The government has recently announced the Homeowner Mortgage Support Scheme, which will allow borrowers to defer their mortgage interest payments for up to two years. This is in addition to its mortgage rescue measures, designed to avoid up to 6,000 repossessions across England
- £400 million for social housing has been brought forward from existing government budgets
- The threshold for stamp duty has been reduced to £175,000
- The DWP has announced that it will shorten the waiting period before Income Support for Mortgage Interest is paid from 39 weeks to 13 weeks for new working age claims³

It is also clear that the downturn is significantly affecting third sector organisations. A recent survey by the Charity Commission⁴ found that:

- 38% of charities have been affected by the economic downturn of the last year
- 21% of charities that deliver services have seen an increase in demand for their services over the last twelve months
- 54% of charities surveyed report that they have seen increased costs in things such as energy, food and travel

A similar survey by the Association of Chief Executives of Voluntary Organisations (ACEVO) and Charities Aid Foundation (CAF)⁵ found that:

- 72% of ACEVO members are facing rising demands for their services
- 71% have seen their costs go up while 30% have seen donations fall
- 29% have made redundancies

Organisations in the homelessness sector are facing similar concerns. A recent survey by Homeless Link, the subject of this report, found that:

- One third (34%) of all homelessness organisations surveyed have already been affected significantly or very significantly by the 'credit crunch'
- Almost one third (31%) of respondents (and a slightly higher proportion of respondents in day centres), reported an increase in demand for their service
- One third of organisations reported that personal donations have been affected (34%), while around one quarter suggested that charitable grants (27%) and income from savings and investments (23%) had suffered over the past 12 months
- Looking to the future, a majority of respondents said that the 'credit crunch' would have an effect on every aspect of income included in the survey

¹ Shelter - http://england.shelter.org.uk/news/november_2008/repossessions_up_12

² Ministry of Justice, Mortgage and Landlord Possession Statistics - <http://www.justice.gov.uk/docs/stats-mortgage-landlord-q3-2008.pdf>

³ Communities and Local Government - <http://www.communities.gov.uk/news/corporate/950558>

⁴ Charity Commission - <http://www.charity-commission.gov.uk/news/crunch.asp>

⁵ ACEVO - Newsletter, October 2008

- Almost seven out of ten respondents have taken, or will be taking, steps to deal with the impacts of the 'credit crunch'. The steps to be taken include cutbacks in service provision, cost savings (particularly in relation to staffing costs), increased fundraising effort and tighter budgeting.

Overall, respondents from homelessness organisations expect the 'credit crunch' to have a greater effect over the next twelve months than it has had to date, suggesting that early action must be taken to maintain levels of homelessness service provision during the downturn.

PART A - BACKGROUND

1. Introduction

The current economic downturn is having a profound effect on the housing market and voluntary agencies. Organisations in the homelessness sector are facing similar concerns.

To better understand the situation, Homeless Link has undertaken a survey of its member organisations about the effect of the 'credit crunch.' The results of this survey are contained within this report.

2. Method

The Chief Executives or other senior representatives of all Homeless Link member organisations were emailed a request to participate in an on-line self-completion survey, accessed via a web link contained in the email. Participation was voluntary and people were able to forward the link to other homelessness organisations as appropriate.

The survey asked about the impacts of the economic downturn in terms of the demand for their service, and the impacts on their organisation's income and costs.

3. The sample

3.1 Survey response

The survey achieved 75 responses.

Respondents did not necessarily answer every question, so the numbers on which each question response is based (the 'base') varies slightly between questions, and is stated below each graph.

3.2 Interpretation of results

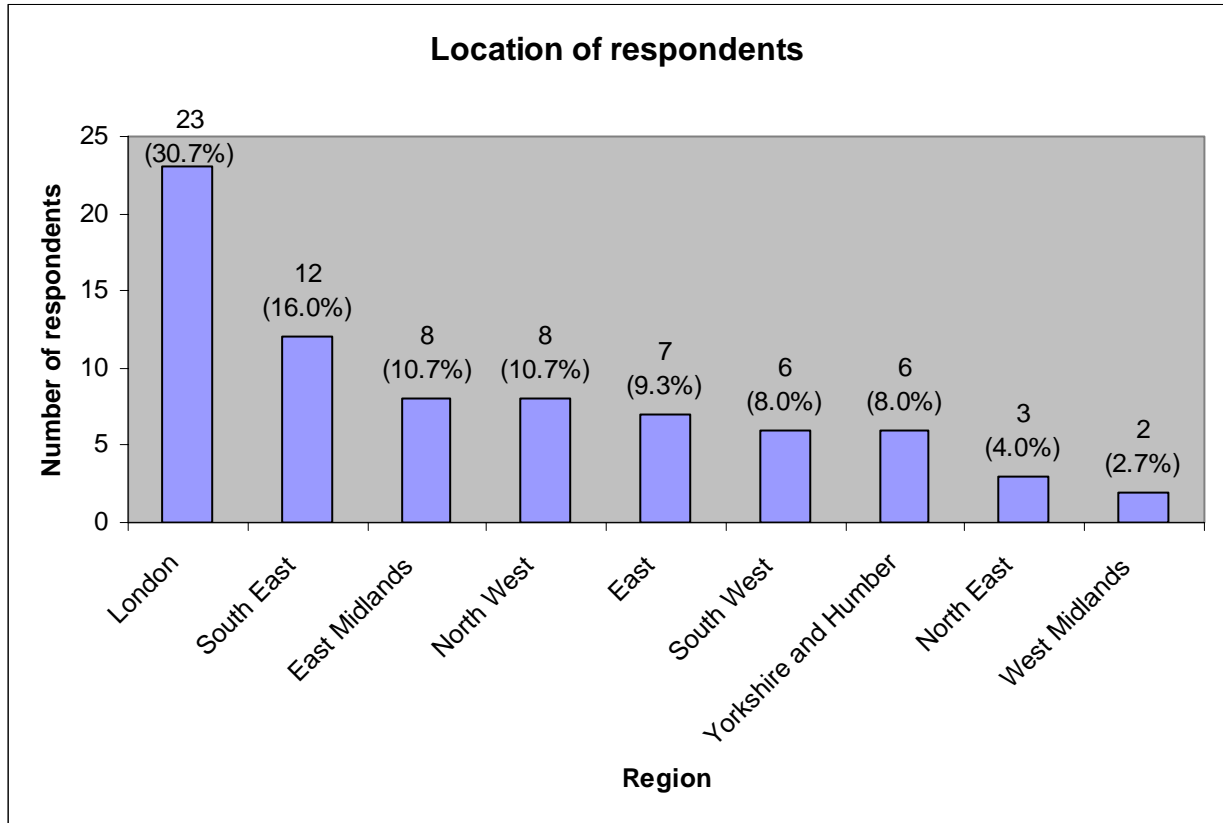
Approximately 1 in 4 people who were invited to participate responded to the survey, leading to 75 valid responses. While the response rate is good, this is still a relatively small number for statistical purposes, meaning that seemingly high percentages of responses in a particular sub group may correspond to relatively low numbers of people. The results should therefore be interpreted with some caution. The data does, however, provide an indication of the issues faced in the homelessness sector.

3.3 The respondents and their organisations

The vast majority of respondents were from voluntary organisations, ranging from national organisations providing many different services to providers of a single service in one local area. The respondents were mainly a mixture of Chief Executives and people in departmental/service 'manager' level roles. Approximately 13% of the sample was other administrative staff.

3.4 Geographical location of respondents

Respondents were asked to provide details of their location. This shows that the most common location (for almost a third of all respondents) was London.



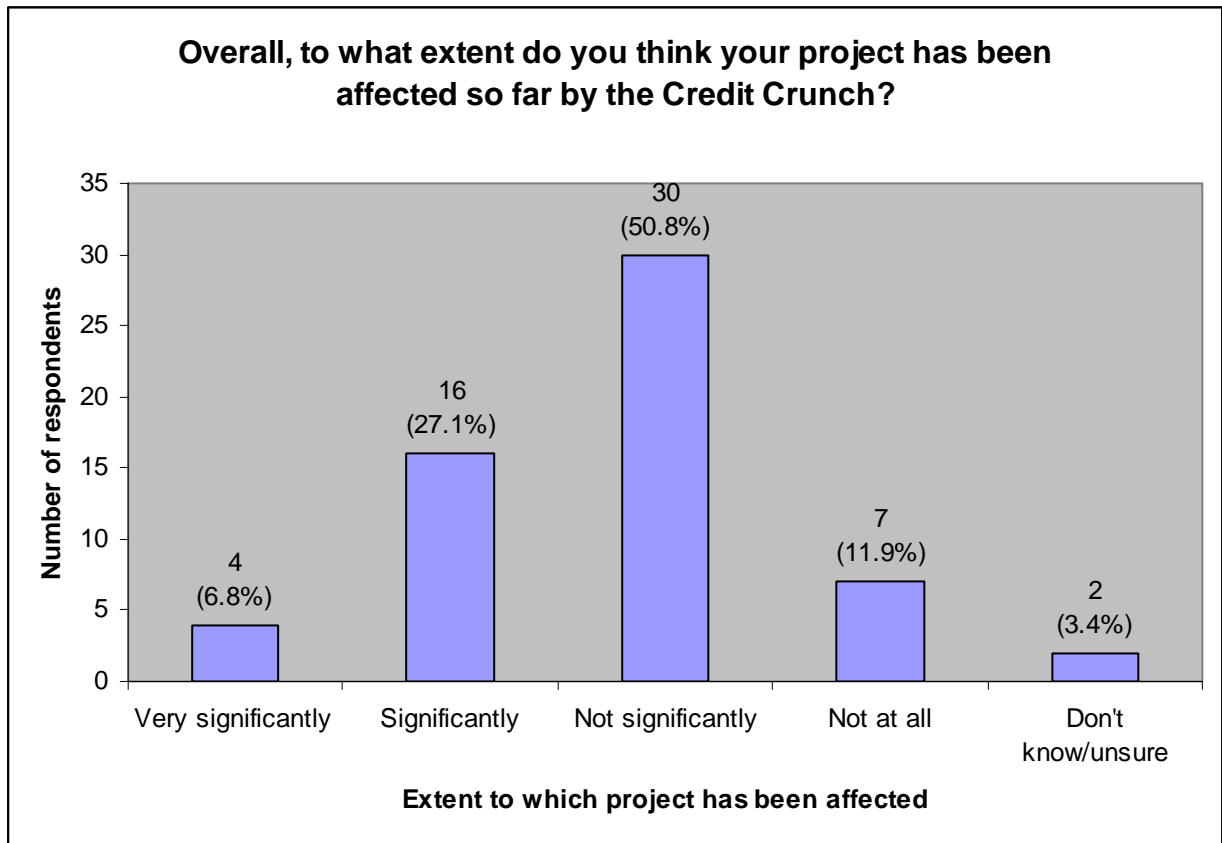
Base = 75

PART B - SURVEY FINDINGS

4. Overall effect of the 'credit crunch' so far

When asked about the overall effect of the 'credit crunch' on their project so far, a third of respondents (20) thought that the 'credit crunch' has had a 'significant' or 'very significant' overall effect on their project. Among day centres this figure rose to almost half (47%).

However, over half of all respondents (30, or 50.8%) said that the effect was not yet significant and a further seven (11.9%) respondents reported that the 'credit crunch' has yet to affect their project.

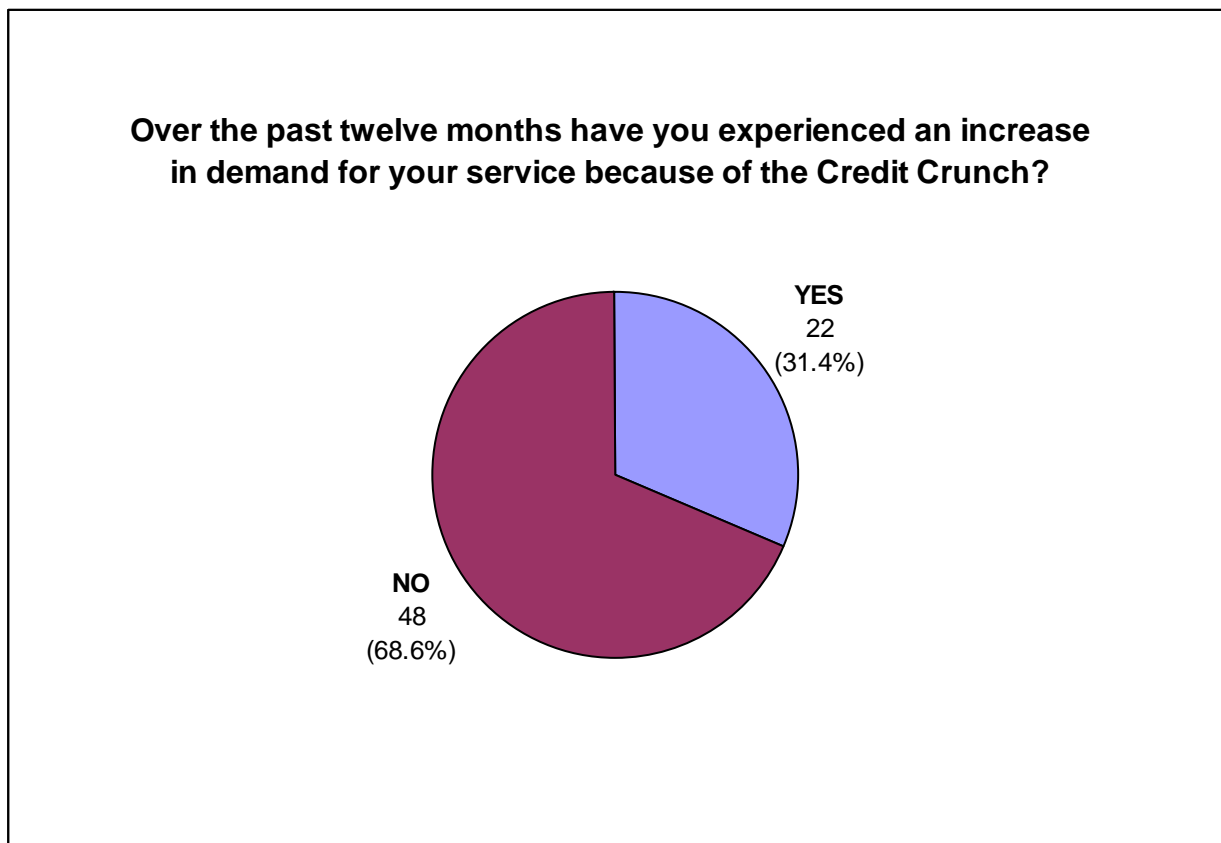


Base = 59

5. Demand for services

Almost one third of all respondents (see graph below) and a slightly higher proportion (41%) of respondents in day centres, reported an increase in demand for their service because of the 'credit crunch'. The potential cause for this is cited as debt problems and associated relationship breakdown.

Comments suggest that respondents expect this demand to increase in future.



Base = 70

What the respondents said....

"No, but we have seen an increase in people phoning up to ask what there is available should they lose their home as they are worried about jobs, mortgages etc."

"We have seen a 20-25% drop in East Europeans in the last six months as the construction trade has declined....Overall, we serve the same number of people, but the mix is different, more UK and fewer East Europeans."

"We have received an increase in demand for our services but have done so regularly for a number of years so it is difficult to isolate the 'credit crunch' as the reason. "

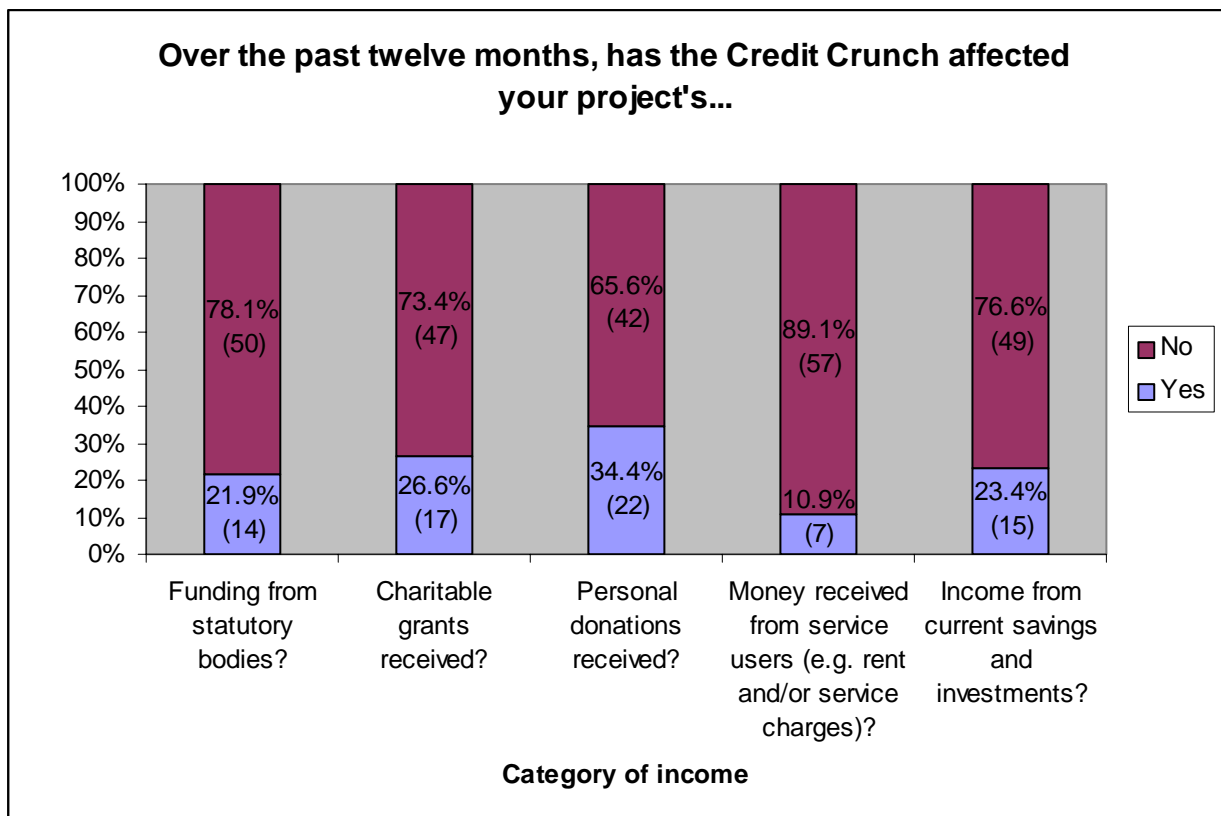
"Many more families referred to us for emergency food supplies, benefits suspended, more single people losing their accommodation, being made redundant. Many more people arriving from Eastern Europe, looking for work which does not exist, finding themselves homeless."

6. Effect on income over the past twelve months

Respondents were asked about five different categories of income. For each one, the majority of respondents said that the 'credit crunch' has not affected it over the past twelve months.

However, over one third of the respondents (22) felt that the 'credit crunch' has affected personal donations received while around one quarter suggested that charitable grants and income from savings and investments had suffered over the past twelve months. 'Other' categories of income also mentioned as having been affected by the 'credit crunch' were pension liabilities, corporate donations, and income received via social enterprises.

Section 8 shows how many organisations feel that income will be affected in the future.



Base = 64

What the respondents said...

"Less donations, tighter criteria for grants."

"Our cash reserves have been moved ... in order to safeguard them, resulting in a loss of interest."

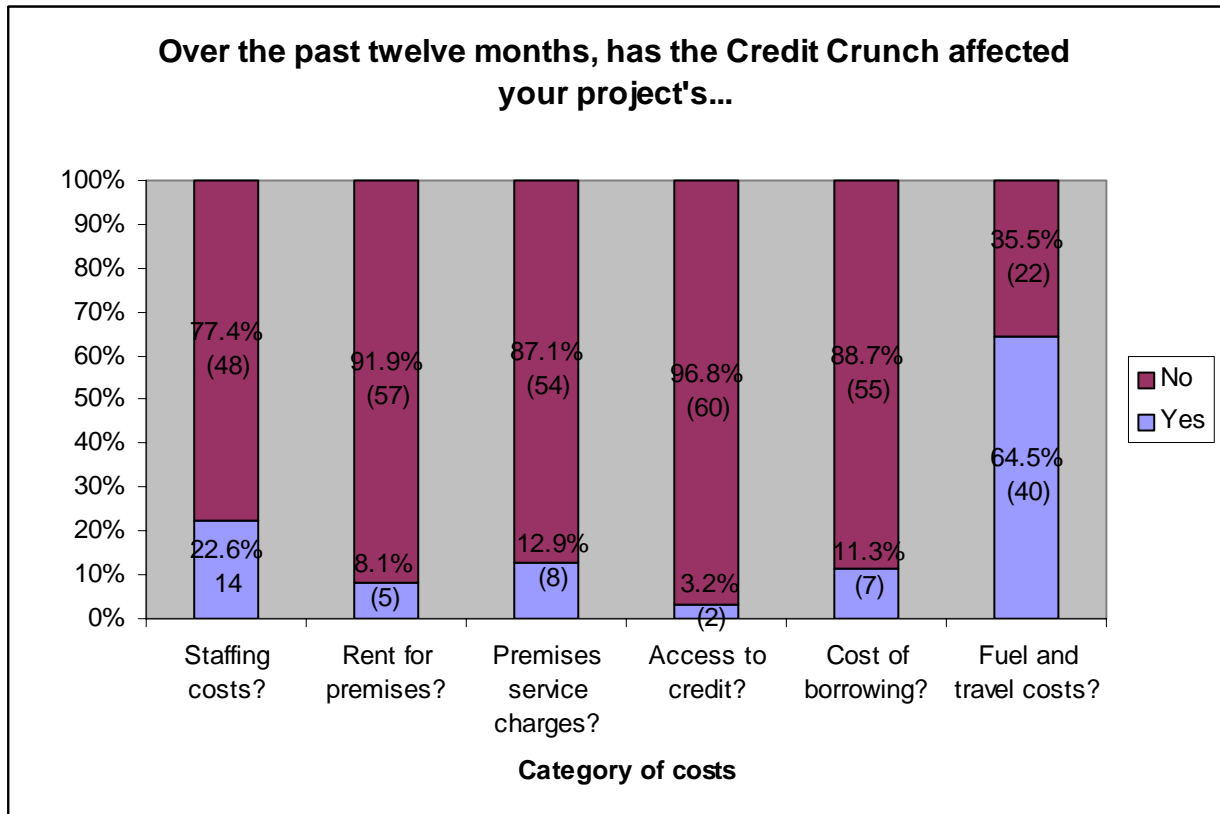
"The number of opportunities to apply for charitable grants appears to be decreasing."

"The investments are quantifiable, but again how much can be directly attributed to the 'credit crunch' is up for debate."

"Do not think 'credit crunch' has hit us yet."

7. Effect on costs over the past twelve months

Respondents were asked about six different categories of costs. For each category except 'fuel and travel' costs, the majority (more than three quarters) of respondents said that the 'credit crunch' has not affected it over the past twelve months. However, around a quarter of projects felt that staffing costs have been affected.



Base = 62

What the respondents said...

"Utilities bills for our accommodation services have increased...we are now running this particular budget at a loss."

"We cannot afford to send staff on training that will cost too much to get to."

"Fuel costs in our shared houses has risen and we are passing some of this onto our tenants."

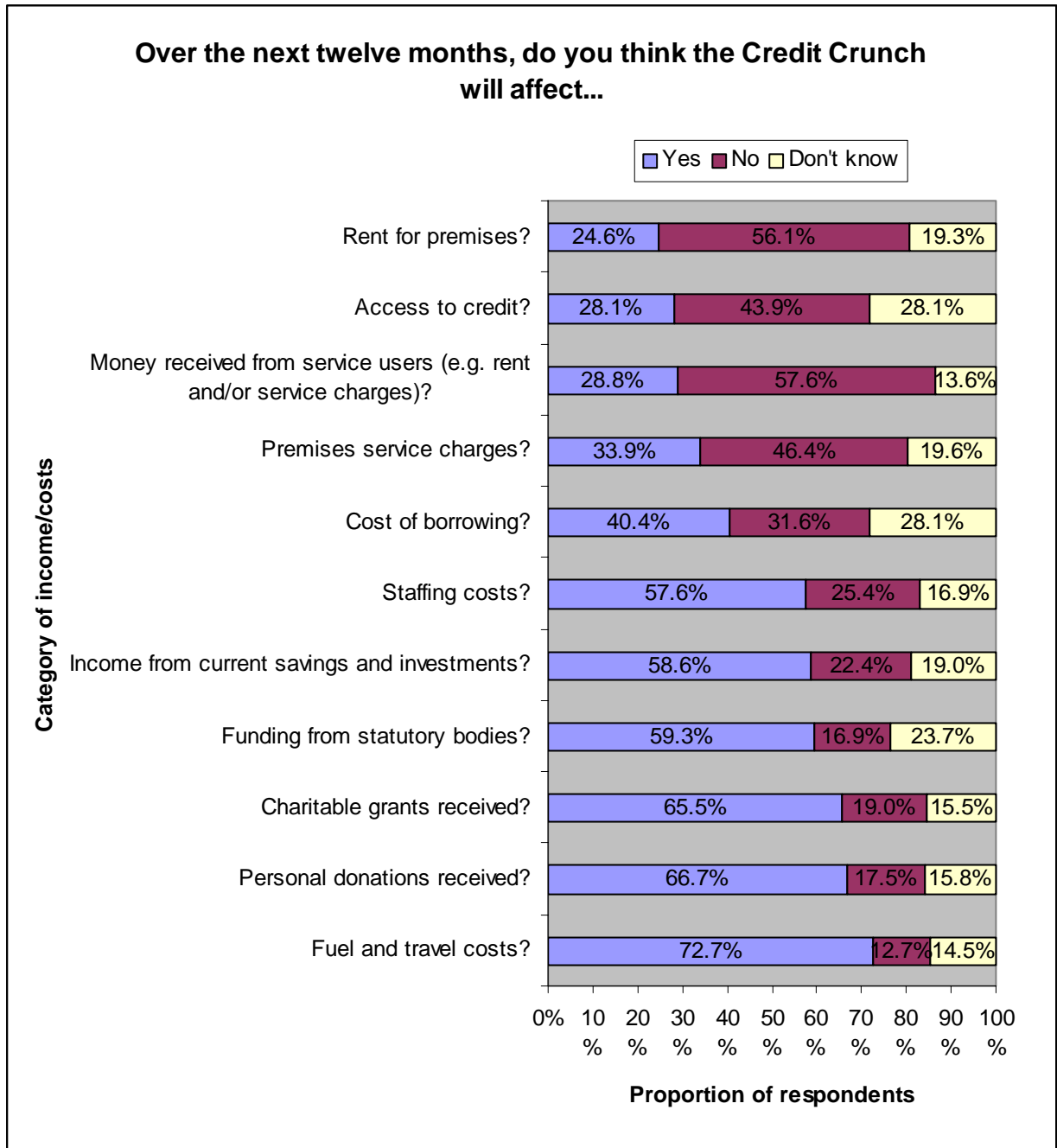
"Premises service charges cannot be increased to meet additional running costs as service users are having difficulty meeting current costs."

"We have yet to finalise a loan for a capital project that should not have taken so long (but we do not anticipate losing it)."

"Not been affected yet!!"

8. Effects expected over the next twelve months

Respondents were asked whether they thought the 'credit crunch' will affect various categories of costs and income over the next twelve months. A majority of respondents said that the 'credit crunch' would have an effect on every aspect of income included in the survey. This was also the case for two of the cost variables - 'fuel and travel' and 'staffing'.

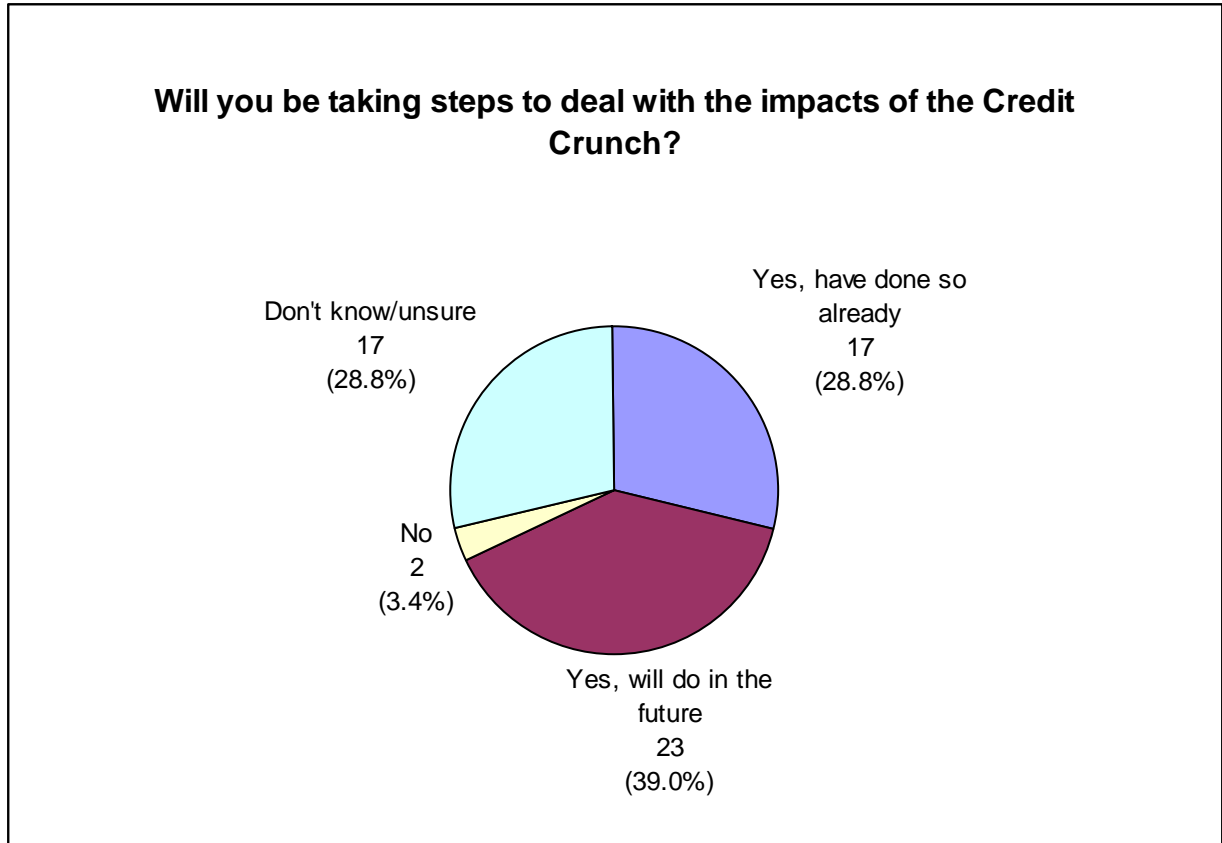


Base = 55-59⁶

⁶ The number of people responding varied slightly between each category.

9. Steps being taken

Respondents were asked whether they will be taking steps to deal with the impacts of the 'credit crunch'. Almost seven out of ten respondents reported that they have taken, or will be taking, steps.



Base = 59

The steps that respondents say they will be taking have been broadly categorised into themes. It is not possible to draw conclusions about the relative importance or weight given to each of these. However, the comments do provide a useful illustration of the types of response within the sector.

In summary the steps to be taken include cutbacks in service provision, cutbacks in growth, cost savings (particularly in relation to staffing costs), increased fundraising effort, increased focus on charging, and tighter budgeting.

A detailed list of comments is contained in Appendix 1.

10. Conclusion

The results show that overall, respondents expect the 'credit crunch' to have a greater effect over the next twelve months than it has had to date.

Almost one third of organisations (and a slightly higher proportion of respondents in day centres) reported an increase in demand for their service because of the 'credit crunch'. Comments suggest that respondents expect this demand to increase in future.

Also looking to the future, a majority of respondents said that the 'credit crunch' will have an effect on every aspect of income included in the survey. This was also the case for two of the cost variables 'fuel and travel' and 'staffing'

Almost seven out of ten respondents have taken, or will be taking, steps to deal with the impacts of the 'credit crunch'. The steps that respondents will be taking include cutbacks in service provision, cost savings (particularly in relation to staffing costs), increased fundraising effort and tighter budgeting.

Together these results suggest that early action must be taken to maintain levels of homelessness service provision during the downturn and Homeless Link will continue to work with its members and the government to support this work.

APPENDIX ONE - Steps to be taken

1. Services

1.1 Provide services in line with expected demand

"We are now having to turn people away due to long waiting list for appointments. As a result of this we are now trying to source additional funding to secure another worker."

"Provide client welfare where there is significant hardship."

"Budgeting programmes for service users."

"Freeze rent levels for clients."

1.2 Aim to continue as planned

"Continue to innovate with a new project for new funding. If it works we get funds. If not we stay smaller."

1.3 Cuts in service growth

"Revisiting our fundraising strategy, limiting service development that costs 'new' money."

"Cancel any growth in services or provisions."

2. Funding

2.1 Fundraising to maintain existing funding levels

"We were proposing a new corporate giving campaign, but are now worried about this."

"We are organising more local fundraising and restructuring around minimum wage, part-time staff workers and try to increase volunteers by 10-15%."

"We anticipate that personal donations and statutory [funding?] may decrease. However, if our client numbers increase and the need is seen to be growing, increased public awareness may help stop the decrease, we are not sure."

"We will be launching a campaign drawing attention to the downturn and our need to maintain services etc."

"Revisiting our fundraising strategy."

"Increase local private funding initiatives."

"Increase applications to funding bodies."

"Trying to secure some extra funding from charitable trusts for things we might have approached our local authority funders for."

2.2 Increasing charges/ increased focus on charging

"We are having to increase our service charges to tenants in order to recover increased energy costs."

"Large increase in fuel prices... we are just more careful to ensure any other part of the organisation using the vehicle pays their way."

"Raised service charges."

3. Costs

3.1 Staffing

"We are organising more local fundraising and restructuring around minimum wage, part-time staff workers and try to increase volunteers by 10-15 %."

"We have adopted a policy of non-replacement [of staff] at present due to the financial climate."

"I anticipate that the Board will agree a comprehensive cuts package, including salary cuts, at its next meeting."

"Try and cut down on relief staff for sickness and holiday cover to manage budgeting issues regarding project running costs."

"Not replacing non essential staff when they leave."

"Cut staff last."

"We are pegging all staff salaries."

"Redundancies anticipated and possible freeze in cost of living [salary increase]/abolish length of service increments."

"Pension contribution reductions."

"Review staffing levels."

3.2 Non-staff costs

"Cut all food budgets by cutting portions and reducing quality."

"We are seeking reductions in premises rent and rates and driving down utility costs."

"We will be working to improve efficiencies within projects."

"Merger of projects."

"Shopping around for goods and services."

"Research best prices for energy & fuel suppliers."

"Request mileage to be kept as low as possible, car sharing when appropriate etc."

"Reduction in service levels."

"Review support hours."

"We are also stopping all outreach support on the grounds of less staff and rising fuel costs."

"More stringent use of energy to cut cost of fuel and energy. Environment awareness training to staff and service users."

"Research increasing sharing resources and provision links with other groups and organisations."

4. Financial planning

4.1 Budgeting

"Our response is that we will be carrying out a very different budgeting process this year, basically preparing a zero based budget and ensuring that we review every cost line in detail."

"We are keeping a close eye on expenditure and are redrafting our investments policy."

"Much more rigorous budget process. This will include a review of every staff post to ensure that we need it."

"Changed our budget forecasts - down and identified cuts list."

"Will be contingency planning for 10% drop in income."

"Budgeting for lower donations next year."

"Being risk aware across senior managers and trustees is our main aim at this point."

"We are looking at our contract spread."

4.2 Investments

"We are seeking to recover an investment deposit"

"The organisation has spread its financial assets into secure guaranteed bank accounts."

"Investigate possible financial packages to cut financial administration fees."

5. Other

"Stepped up discussion with the local authority about the non-statutory homeless."

“Our main concern is that the homelessness sector collectively works together to prevent people slipping into homelessness because of ‘credit crunch’ factors and that we avoid giving the impression as a sector that we are firstly worried about organisational growth and stability and second, our clients. This order must be reversed!”

“Not sure about what steps we could take to lessen the impact.”

“The uncertainty is an issue. We are anticipating a continuing increase in clients but do not know what options there will be available to help them (jobs, housing etc) and we are not sure how our income will be affected.”



Homeless Link is the national membership organisation for frontline homelessness agencies in England. Our mission is to be a catalyst that will help to bring an end to homelessness.

Our two goals are to:

- raise standards in the services that support homeless people and tackle homelessness
- influence the development of policy, strategy and investment at all levels of government.

Homeless Link
First Floor
10-13 Rushworth Street
London SE1 0RB
Tel: 020 7960 3010
Fax: 020 7960 3011
Website: www.homeless.org.uk
End homelessness: www.endhomelessness.org.uk

© November 2008

Charity no. 1089173
Company no. 4313826



Frontline agencies in partnership