

To:
Grant Shapps MP
Housing Minister
House of Commons
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From:
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By email and post

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Dear Mr. Shapps,

Re Empty homes funding

I am writing on behalf of the Empty Homes Network* in response to the announcement as part of the Comprehensive Spending Review that £100million will be allocated to tackling empty homes over the next four years as part of the affordable housing budget.

Our members appreciate the interest shown in the empty homes issue by the Coalition partners both before and since the election. This latest announcement is welcome evidence that your commitment goes beyond mere rhetoric. But as practitioners we are also aware that the devil is in the detail. Some of the relevant issues are discussed below.

Distribution of funding

Historically most funding for affordable housing has been distributed by the Homes and Communities Agency (or its predecessor). Registered Social Landlords have always been free to access grant for schemes that also bring empty homes back into use, via bids to the HCA for the Rehab, Acquisition and Works, Purchase and Repair, Existing Satisfactory or Temporary Social Housing Grant scheme-types. Funding for such schemes has long been available from the multi-billion pound National Affordable Housing Programme. The relatively small amount of money actually allocated to such empty-homes schemes is mostly a reflection of perceived value-for-money issues, rather than inadequate budgets.

By contrast, local authorities have been granted only limited resources to devote to affordable housing and empty homes over recent years. Certainly, the funding allocated to local authorities for private sector renewal has been trivial compared with the funding allocated to the HCA for affordable housing.

Nevertheless, with very limited resources, local authorities committed to tackling empty homes have developed their own grant and loan schemes, offering financial assistance to owners and housing associations. The best of these feature:

- **Excellent value-for-money:**[†] funding is in the form of loans, or equity shares, or grant which is clawed back from the rental stream
- **Recirculating funds:** money recouped is re-invested in further empty homes projects
- **Financial Leverage:** typically, council funding unlocks private lending
- **Flexibility:** schemes can respond to the particular circumstances of any individual case, with the ultimate option of council Members exercising their discretion
- **Fairness:** all potential delivery partners are placed on an equal footing: individuals, developers, RSLs, self-help housing groups, community groups
- **Responsiveness:** levels of incentive are adapted to local market conditions.

Most, but not all, of these schemes secure housing for people in need, via nomination agreements or direct leasing or letting arrangements. Generally, the more the authority expects in return, the higher the level of incentive it must offer to owners **Again this is where local judgement is essential in the context of local homelessness strategies.**

Making more funding available to support local authorities will put them in a stronger position to meet the needs of their local communities by building partnerships to deal with the issue, setting priorities for action (such as individual properties or neighbourhoods), working systematically to give owners the help they need and addressing problem empties.

We therefore recommend that the £100million for empty homes is distributed via local authorities. We also suggest that funding is not restricted to the delivery of affordable housing: it's time to recognise empty homes as an independent issue, deserving its own funding stream.

Securing Value-for-Money

We think it's essential to secure value-for-money by reviewing existing models to create templates that can be replicated. There may be a role here for bodies (eg Local Government Regulation or IDeA) whose remit is to drive forwards local government efficiency. And it may be better to back-load the funding to ensure that it only goes to cost-effective schemes in authorities that are geared up to spending it. We recommend the following safeguards:

- **Ring-fencing:** empty homes is sufficiently specialist an issue to warrant ring-fencing of the funding[‡]; moreover, money recouped via loan repayments or grant claw-back should be fed back into the ring-fenced pot, creating a source of empty homes funding that will allow authorities to plan for the longer term;
- **Minimum standards:** funding should only be released to local authorities that meet a minimum standard in the delivery of their empty homes work; the availability of funding can therefore be expected to drive up standards;
- any grant or loan schemes need to offer **proven value-for-money.**

Value-for-Money in Housing Association Schemes

Following the Comprehensive Spending Review, there will still be about £2billion of uncommitted money for the HCA which RSLs can access for empty homes schemes via normal bidding routes, as discussed earlier.

However, it is imperative that any RSL empty homes projects are put on an equal playing field with new-build schemes when it comes to value-for-money assessments. That means:

- taking into account any VAT paid on refurbishment to arrive at the **net public subsidy** (after income to the Treasury is taken into account)⁵
- addressing the “grant averaging” approach that ignores developer contributions when calculating the grant-per-unit cost on new-build sites: VFM assessments need to be based on the true additionality provided by public funding.

With these important steps to ensure a level playing field, we believe it will be easier to assess the true potential of empty homes to deliver mainstream affordable housing cost-effectively.

The bigger picture

In the emerging era of localism we are all still working to define how responsibilities are best shared between central government, local government, communities and quangos on the issue of empty homes. The issue has not figured very high in past government policy: so there is very little to devolve or decentralise. At the same time, there is much to be done by central government to tackle empty homes in the public sector which it funds. Consequently, the public can reasonably expect central government to be doing more than hitherto, not less.**

But the key part of the jig-saw remains coherent local initiatives to tackle empty homes. It's the least that the public should expect. Building such initiatives isn't easy, which is why they are not as common as they might be. But it isn't impossible; and it is certainly not expensive. By giving funding to the people best able to judge what is needed locally you will make a highly visible contribution, particularly if you also provide the necessary revenue support, for example by extending the new homes bonus to long-term empties brought back into use.

Over the years, practitioners in forward-thinking areas have learned what works. We are ready to help you make a difference and look forward to hearing from you.

Yours sincerely



David Gibbens
Empty Homes Network, Policy Lead

cc. (by email only)

Eric Pickles, Secretary of State, CLG

Andrew Stunell, Parliamentary Under-Secretary of State, CLG

Bob Kerslake, Permanent Under-Secretary, CLG

David Ireland, Chief Executive, Empty Homes Agency

Sally Turner, Private Sector Housing Management, CLG

John Marr, Policy Officer, Local Government Regulation

* **About the Empty Homes Network:** We are a national network launched in 2001 as the *National Association of Empty Property Practitioners* with the support of the government and the Empty Homes Agency. Since 2002 we have been fully independent. Our main role is to support one another to make work in tackling empty homes as effective as possible by sharing best practice and information. Most of our members work for local authorities in private sector housing or housing enabling teams; we also have members belonging to housing associations, regeneration companies and private sector firms.

† Some indication of the value-for-money offered by these schemes can be gauged from the Kent loan scheme experience, where 178 homes were created from empty property at a net cost to the authority of around £2,800 per unit in lost interest. These were not however affordable homes.

‡ An alternative might be to make it a statutory duty to tackle empty homes. This is more heavy-handed than ring-fencing and it might be hard to articulate the duty in a way guaranteed to produce results.

§ This would need to extend to crediting back the tax take to the HCA to avoid under-performance. Otherwise, the number of units deliverable for a set amount of funding would still be reduced through the increased monetary cost.

** See our contribution to the Empty Homes Review *Empty Homes: National Commitment, Local Action*, downloadable from <http://www.ehnetwork.org.uk/newsitem/empty-homes-national-commitment-local-action-ehn-contribution-empty-homes-review-2010> for more detail