



The New Homes Bonus

Consultation response from the Empty Homes Network

Version 1, 24th November, 2010

Version 2, 25th November, 2010

Version 3, 10th December, 2010 - Final

BACKGROUND TO OUR RESPONSE

About the Empty Homes Network

The Empty Homes Network was previously the National Association of Empty Property Practitioners (NAEPP). It adopted its new name in 2010. It was set up in May 2001 to support people involved in delivering empty property strategies. It was launched by empty property practitioners with the support of the Empty Homes Agency, the Housing Corporation and the then government minister Sally Keeble who wrote:

“NAEPP will provide a national voice for local authority and RSL staff in their work to bring empty homes back into use. The Government is keen to see its membership grow into a national network of empty property practitioners. So I would urge all local authorities to take out membership of NAEPP. This will ensure that all relevant officers in the authority benefit from the good practice and training opportunities developed by, and for, empty property practitioners

The Network has steadily grown over the years and now has over 350 registered members,, about 90% of whom work for local authorities either as Empty Homes Officers, or as Housing Enablers and Environmental Health Officers with responsibility for empty homes work in their local authority. But our membership also includes consultants, professionals, housing association and regeneration company development staff, representatives from national charities and private sector developers.

Involving our members in the consultation exercise

We created links to the relevant pages on the CLG website and produced a briefing document on the New Homes Bonus (available to full paying members only). We also created a forum on our website¹ exclusively for discussion of the proposals. Subsequently, we published the draft of this consultation response for further discussion and comment on the website.

Our members are kept informed of all activities on our website via notifications sent out daily. Thus all our members will have been aware of these developments and have had the opportunity to make comments and otherwise participate in the debate.

We are naturally concerned with those questions relevant to empty homes and have not attempted to answer questions that do not intersect with empty homes.

¹ See <http://www.ehnetwork.org.uk/forum-topic/new-homes-bonus-consultation-post-your-views-here>

OUR RESPONSE TO THE QUESTIONS

The Council Tax Base return

1. Do you agree with our proposal to link the level of grant for each additional dwelling to the national average of the council tax band?

No.

We suggest that the calculations are simplified and a flat-rate bonus of the average council tax for a Band D property is used as the reward.

We do not see any justification for giving a greater level of bonus in high-value areas where homes will tend to be in higher council tax bands. In areas with higher property values, there is more scope to secure developer contributions to offset any impacts on the local community.

Giving a bigger reward for more expensive homes could be taken to imply that it is more important to secure new homes for the well-off rather than the less well-off.

We do not think that the level of New Homes Bonus is such that it will skew planning authorities towards giving permission for developments of inappropriately high density in order to achieve greater reward. Planning authorities generally are well aware of the issues associated with overly dense developments. In the absence of top-down planning targets they will be better placed to make judgments based on purely design criteria than hitherto.

Moreover, empty homes are often in lower council tax bands yet can require significant amounts of officer time (and sometimes financial incentive) to bring them back into use. This should be reflected in the level of reward.

2. The Government proposes an affordable homes enhancement of £350 for each of the six years - what do you think the enhancement should be?

We have no view on this.

3. Do you agree with the proposal to use PPS3 and also include pitches on Gypsy and Traveller sites owned and managed by local authorities or registered social landlords to define affordable homes?

We have no view on this.

4. Do you agree with the proposal to reward local authorities for bringing empty properties back into use through the New Homes Bonus? Are there any practical constraints?

Yes, unless the government can be persuaded to adopt a more focused, targeted and hands-on approach to tackling the issue, which we think could be more effective.

We note that this question does not accurately describe what is proposed, given that local authorities will not be rewarded, as implied, for the number of homes

they bring back into use by their own endeavours but rather for the total number of long-term empty homes in their area. This number is affected by many factors that are largely outside of local authority control such as the state of the wider housing market and economy. A local authority might increase the number of homes it helped bring back into use from one year to the next but see its bonus fall because the overall number of long-term empties grew even more, under the influence of market forces. These counter-intuitive outcomes could undermine confidence in local empty homes strategies over time.

Nevertheless, we acknowledge that the proposal to include long-term empty homes in the New Homes Bonus calculation will be a significant incentive for local authorities to do more about empty homes in their areas. The proposals are probably the biggest contribution to tackling empty homes that any government has yet made.

Whilst we do not see “practical constraints”, there are certainly some issues—and alternative approaches— that deserve consideration. Key issues are outlined below under Questions 6 and 13. An alternative approach is outlined below.

Alternative approaches

Whilst we welcome the government’s efforts to do more about empty homes and think the New Homes Bonus will be a good incentive to local authorities, we also think there are alternative approaches that would avoid the perverse incentives described below in respect of the sources of data used to measure empty homes..

This could be done by initiating a coherent strategy aimed at improving delivery on empty homes. The following actions by central government would provide significant added value to the efforts of local authorities and housing associations:

- giving top priority to bringing all public sector empty homes back into use, ensuring that none are standing empty in areas of housing need for lack of funding or through the inertia of the agency that owns them
- directly challenging local authorities to improve their work on empty homes, establishing minimum standards that local people can expect their local initiative to meet
- providing low levels of match-funding to local authority empty homes initiatives that meet minimum standards, thus giving local authorities no grounds for inaction
- evaluating current grant and loan schemes offered by local authorities and RSLs to identify those that are most cost-effective; and making sure fully worked up templates exist to replicate them
- ensuring a stream of loan funding is available at preferential interest rates to support those owners, homesteaders, developers and local authorities that are capable of bringing empty homes back into use; and particularly offering support for “green homesteading” where empty homes are refurbished to high environmental standards

- offering additional support to those areas with particularly acute problems that cannot reasonably be addressed from within local authorities' own resources.
- reviewing legislation relevant to empty homes (fiscal, enforcement) to ensure it is fit for purpose and does not offer perverse incentives to owners of empty homes.

We are not saying that the above should all be handled by civil servants in Whitehall. But the government should make sure, in its leadership role, that these actions are undertaken by **somebody**, whether by itself, the private sector, the HCA, the Local Government Association, the banks, Empty Homes (the charity), or the Empty Homes Network and of course communities and local authorities.

Turning to the financial aspects of any coherent strategy to address empty homes: if we assume that the New Homes Bonus reduces the number of long-term empties by 40,000 band-D-equivalent homes (approximately one sixth of the current number of long-term empties²) this would translate into 40,000 x 6 x £1,439 of New Homes Bonus over time - a total of £345,360,000 of revenue funding over 6 years. We think a substantial amount of this would be attributable to "data cleansing" rather than genuinely returning empty homes back to use. We believe it would be possible to achieve much better results more cheaply and fairly by planned and targeted expenditure to address the empty homes issue.

5. [Outside London: Do you agree with the proposal to split the payment of the New Homes Bonus between tiers: 80 per cent to the lower tier and 20 per cent to the upper tier, as a starting point for local negotiation? If not, what would the appropriate split be, and why?](#)

Yes.

We think that the lion's share of the reward needs to go to the tier of government most concerned with granting planning permission and with the necessary levers to tackle empty homes but we welcome the fact that a proportion of the reward will go to counties as this may help support cross-boundary action on empty homes.

The exact proportions are ultimately arbitrary and we do not see any basis for proposing specific alternatives.

See above

6. [Do you agree with the proposal to use the data collected on the Council Tax Base form as at October to track net additions and empty homes?](#)

Yes but with reservations described below.

Practitioners have expressed concern regarding the unreliability of council tax data. The New Homes Bonus could be expected to have the beneficial effect of data cleansing, with local authorities making far more efforts to ensure that homes

² We calculate there were 223,061 Band D equivalent long-term empties on 5th October 2009 as recorded in the CTB form for 2010 (Data worksheet)

flagged as long-term empty are not in fact occupied. For example, where there is no discount for long-term empties and the occupant was already the liable person, neither they nor the local authority currently has much incentive to report re-occupation: in such circumstances, figures for long-term empties may be inflated. “Data cleansing” can in turn be expected to lead to a reduction in the reported numbers of long-term empties which will reflect well on the government.

However, for obvious reasons, data cleansing is unlikely to extend as vigorously in the other direction i.e. to homes that are registered as occupied when they are in fact empty. This, again, is a possible scenario where there are no discounts for long-term empties and thus no incentive to report the home as empty. We would expect, in such areas, that there would also be cases of people fraudulently claiming the 25% single-person’s discount when their home is unoccupied. These patterns of misreporting can be expected to increase further if—as we expect—many local authorities remove the discount for long-term empties altogether under the influence of the New Homes Bonus.

In short, the combination of discount policies and the New Homes Bonus can be expected to offer incentives to owners to misreport long-term empties and to councils ignore (or make no efforts to find out about) misreporting. Councils may let it be known that so long as council tax is being paid the council will not have any reason to investigate or press owners further. In any case, with around 30 occupied dwellings for every one registered as empty, there are overwhelming logistical barriers to uncovering the incidence of fraudulent claims that homes are occupied when they are not.

Predicting how widespread such practices will be is difficult. It would help to gauge the position now by commissioning research into the reliability of council tax data about long-term empties, by surveys conducted in a range of urban and rural areas, including those with different housing markets and different discount strategies.

At the same time, serious and urgent consideration should also be given to identifying alternative ways of identifying empty homes other than through Council Tax records. This would be a major step towards avoiding the perverse incentives noted above.

We also recognise that there are potential issues around what constitutes a long-term empty. These are discussed further under Question 13.

If steps are not taken to assure the validity of data about empty homes there is a danger that the statistics will lose credibility as has happened with the statistics on rough sleeping. The Coalition government’s worthy efforts may then become discredited and the genuine issue of empty homes lost in a swirling mist of claims and counter-claims about the reliability of statistics.

7. [Do you agree with the proposal for one annual allocation based on the previous year’s Council Tax Base form, paid the following April?](#)

Yes.

8. Do you agree that allocations should be announced alongside the local government finance timetable?

Yes.

9. Do you agree with the proposal to reward local authorities for affordable homes using data reported through the official statistics on gross additional affordable supply?

Yes but careful consideration needs to be given to what is included and what is not. We would like to be confident that affordable homes secured by local authorities without the involvement of housing associations are also counted. Where these homes are leased they may not figure in current statistics.

The Housing Strategy Statistical Appendix currently does not count as new supply dwellings leased for under 21 years. We think that homes leased for 6 years or more (consistent with the New Homes Bonus calculation) should be included in the affordable housing supply figures.

10. How significant are demolitions? Is there a proportionate method of collecting demolitions data at local authority level?

Given the relatively small amount of money involved we question the need to net off demolitions.

11. Do you think the proposed scheme will impact any groups with protected characteristics?

Not as far as we can see.

12. Do you agree with the methodology used in the impact assessment?

No.

The model deals only with the building of new homes, offering no impact assessment in respect of reducing the numbers of empty homes. It does not acknowledge that building new homes and re-using long-term empty homes have radically different profiles when it comes to the aspect of incentives and policy options. Two separate impact assessments should have been conducted one for new-build and one for empty homes work. In principle, either could be incentivised independently of the other.

There is no option analysis. The quality and amount of evidence supplied is not adequate to arrive at an informed opinion.

Basic information

To be able to assess the likely impact of the New Homes Bonus as an incentive, it would be important to assess its relative impact on the revenue of local authorities. The impact assessment refers to using a retrospective assessment and the details of this should have been published down to local authority level, showing the amounts of revenue split between formula grant and New Homes

Bonus. This would have highlighted the differential level of incentive between districts and unitary authorities and the overall pattern of changes in revenue.

Delivery via house-building

The model appears to us, with limited technical knowledge, to be seriously flawed and unduly reliant on speculation. We cannot see that the Impact Assessment provides any sound evidence to indicate the extent to which New Homes Bonus will induce local authorities to act in ways that will increase the supply of new homes. On the contrary:

- The Impact Assessment explicitly states “We can’t know how local authorities will behave in response to the New Homes Bonus, but we can consider a range of behavioural responses they *could* adopt...”. This begs the question of what range of behavioural responses are actually likely.
- The evidence associated with bidding for Growth Point funding is weak for the reasons given in the text (eg that it assumes that the additional units would not have been built anyway) and also because the Growth Point funding in part reflected the need for substantial targeted funding in some areas rather than the need for a generalised reward at a lower level.
- The only other evidence cited is an unpublished study by Hilber et al(2010) which is quoted as saying that there are “*strong fiscal disincentives for local planning authorities to permit new residential developments*” : but what is needed is evidence that these fiscal disincentives have actually resulted in planning refusals. If that evidence exists it should have been cited. In our understanding, the appeal mechanisms available within the planning system seem to make it unlikely that applications are refused and the refusal upheld on appeal on such grounds.
- It is indicated that international evidence will be supplied but we cannot see any relevant evidence of this nature.
- Where developments have imposed new demands on services these have normally been mitigated by developer contributions to transport, health, education and so on. But in any case the Community Infrastructure Levy was specifically introduced to address these issues and is being retained by the Coalition government.
- Evidence offered by the Impact Assessment suggests that local opposition is normally concerned with loss of green space, pollution and traffic congestion, none of which are likely to be mitigated by the New Homes Bonus. The benefits offered by the New Homes Bonus seem likely to be too remote from the concerns of local voters to offset those concerns.
- The Impact Assessment pays scant regard to the relevance of wider economic factors such as the availability of loan finance, confidence in the housing market, or the extent to which developers are geared to developing homes at particular rates, as factors affecting the supply of new homes.

- The often significant delay between granting of planning permission and building of dwellings - particularly on larger sites with lengthy phasing - also impairs the Timing and Certainty factors of the incentive mechanism.
- A critical point in the methodology seems to lie in the statement that “*as a modelling assumption we assume that 10 percentage points of the reduction [in formula grant] will be potentially mitigated through a housing supply response*”. But it seems to us that this is the hypothesis that the methodology should be attempting to prove, not an assumption.
- It becomes difficult to follow the evidence at this pivotal point because it does not seem show how the quantum of new housing is converted into monetary terms via the New Homes Bonus and how this in turn relates to the percentage mitigation in revenue grant. It would have been useful to see how many additional homes would have to be built in areas of different sizes to achieve a 10% (or 8% or 13%) mitigation in revenue reduction. Presumably this number would be very different in a unitary authority compared with a district. We would have thought it essential to reflect this latter aspect in the model - but we cannot see that it is.

Delivery via empty homes

Turning to empty homes, we find that the Impact Assessment does not address this aspect of the proposals at all, whether from the point of view of costs and benefits of the effectiveness of the incentive provided, or of alternative options such as those sketched out under Question 4 . Whilst we are not in a position to carry out a proper Impact Assessment ourselves, we can nevertheless offer some pointers.

Reviewing the positive impacts of tackling long-term empty homes we can identify the following:

- Building on green-field sites is reduced rather than increased.
- The overall reduction in the amount of building required to meet housing need reduces the carbon cost of housing, as plotted in the Empty Homes Agency research *New Tricks with Old Bricks*.
- The negative impacts that can militate against new-build development—such as traffic congestion and requirements for new infrastructure—scarcely exist.
- Returning homes to use normally involves an element of refurbishment which stimulates the local economy and generates tax revenues
- Values of neighbouring properties are depressed by long-term empties and can be expected to recover when the latter are occupied
- Re-occupation of long-term empties can end associated nuisance empties and reverse neighbourhood decline

- Making better use of the housing stock is likely to alleviate the financial and human costs of homelessness and overcrowding.

These positive impacts associated with returning empty homes to use provide the underlying justification for incentivising actions to do so. However, they might also suggest that no additional incentive at all is needed to tackle empty homes. But experience proves otherwise. The problem is that action to address empty homes can be time-consuming and complex and therefore costly. Under current arrangements councils do not benefit financially from their interventions. Neighbours may benefit from increased property values; central government may benefit from tax revenues associated with refurbishment, but the local authority receives nothing. Without some financial reward such as that provided by the proposed New Homes Bonus local authorities rarely gear themselves up to take the concerted and sustained action that tackling empty homes requires.

Unlike new build, where few areas face a ceiling on development, the scope to bring long-term empties back into use is limited. Thus, after a time, the New Homes Bonus will operate as a penalty mechanism rather than a reward i.e. the incentive will be to make sure that the numbers of long-term empty homes does not increase. But the financial incentive is the same whether it consists of gaining money by reducing the number of empties or avoiding losing money as a result of an increase in empty homes. Thus it is reasonable to expect that the New Homes Bonus would continue to incentivise work to tackle empty homes long-term.

On the other hand, the New Homes Bonus will only work as an incentive if the costs of any actions taken by the council are less than the amount of New Homes Bonus received. Council action to tackle empty homes can take many forms but generally requires a dedicated officer to pursue the various options. At an estimated cost of £36,000 per annum to run an initiative with a full-time officer (including all on-costs of employment and associated revenue costs such as advertising), this would require the officer to reduce the number of long-term empty homes by 26 or so Band-D equivalent homes annually to justify their expense, or alternatively **to prevent the number rising by 26**. (This ignores the many other benefits of bringing empty homes back into use previously cited). We think this is a reasonable target in most local authority areas, ignoring the distorting effects of successes achieved purely by data cleansing.

One probable effect of the proposed New Homes Bonus would be for local authorities to discontinue the council tax discount currently given in many areas to owners of long-term empty homes. This would increase central government tax revenue (as council tax revenue is returned to central government rather than being retained by local authorities). Whereas local authorities will earn the bonus for reducing the numbers of long-term empties for 6 years only, the government's increased tax take will be long-term. According to the 2010 CTB form (data worksheet) 91,444 dwellings were long term empty and received 50% council tax discount in 2009.. These amounted to 84,157 Band D equivalent homes. If the councils concerned now reduce the discount for long-term empties to 10% this would generate additional council tax receipts, amounting to a cash sum of around £48,441,000 per annum for central government. We think this is a definite enough probability for it to be factored into any overall impact assessment.

13. We would welcome your wider views on the proposed New Homes Bonus, particularly where there are issues that have not been addressed.

Long-term empties

Many practitioners consider the definition of a long-term empty as a home that has been empty for over 6 months to be unhelpful. Whilst many such homes will undoubtedly have remained empty for longer than is necessary, many will have owners who are actively engaged in bringing them back into use before they have been empty for a year. Moreover, where homes have been empty for as little as 6 months at the time of the CTB returns being made, local authorities will have had very little opportunity to engage with owners and try and secure re-occupation.

A consensus is emerging amongst practitioners that perhaps a better definition of “long-term empty” would be “empty for over a year”. Whilst a change of definition could be hard to accommodate without changing the council tax framework, we nevertheless recommend that this option is given further consideration.

EDMOs

We are aware that the Conservative party had voiced its intention, if elected, to repeal the EDMO legislation. We hope it has by now become clear that EDMOs are not a tool for mass procurement of social housing but by their nature will only be used judiciously on small numbers of homes where other attempts to work with owners have failed.

With the New Homes Bonus effectively penalising the local community for the failure of an owner to bring their home back into use, we think it would be entirely wrong to remove this tool. We do, however, think the EDMO legislation deserves review from the perspective of striking a more equitable balance between the interests of the community and of the owner.

£100 Million for empty homes

We consider that allocating to housing associations the £100million capital earmarked for empty homes within the CSR is inconsistent with the proposed system of rewards and penalties for local authorities under the NHB. It makes government policy appear incoherent as it withholds from local authorities an important resource that might help them deliver under the New Homes Bonus regime. The lion’s share of this funding should be reserved to local authorities so they can respond with maximum effectiveness to the New Homes Bonus. We would expect housing associations to be preferred partners for some of this work.

Versions:

Version 2 25th November 2010. Sections rearranged; text previously under Question 4 moved to Question 6 and 13.

Final Version, 10th December 2010. Section on short-term empties and review of exemption code “C” removed.

For further information or clarification

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