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## Spending Review Representation from the Empty Homes Network

### Background

Please refer to our Policy Statement *Filling the empties: National commitment, local action*<sup>1</sup> for a more complete picture of our policy proposals, with additional background. This representation focuses on those aspects relevant to the Spending Review.

### Sources of funding

Given the government's intention to pursue further cuts in public spending, we have identified options to fund our proposals by top-slicing existing funding streams that are already oriented towards the very outcomes we are proposing. Minor levels of top-slicing to fund our proposals would produce disproportionately large benefits.

## Proposal 1: A National Empty Homes Loans Scheme

### Background

The effectiveness of loan schemes for bringing empty homes back into use has been well-documented in Kent<sup>2</sup> and Wales<sup>3</sup>. The evidence available also highlights the successful delivery of a wider range of benefits such as leveraging private finance to boost local economies<sup>4</sup>. In Wales and Kent, the schemes have been used as platforms to build strong cross-boundary empty homes initiatives. The government's Empty Homes Adviser George Clarke had strongly promoted such a scheme in his television series and welcomed the first attempt at a scheme.<sup>5</sup> However, experience suggests that effective schemes will only be developed at regional or national levels through organisations with substantial expertise<sup>6</sup>. Most areas of the country lack effective loan schemes for empty homes: central government leadership and support would dramatically improve availability and produce economies of scale.

To be clear, under the proposed scheme, the loans are made to private sector owners and developers who themselves inject further capital into most projects as documented in endnote 4. The availability of the loans from the local authority frequently works as a catalyst to give the private lenders the confidence to support projects that would otherwise struggle to get funding.

## Proposals

There are two options:

**Option 1** would restrict central government involvement to building the necessary infrastructure for a national scheme based on the now proven models already operational in Wales and Kent. The national scheme would be delivered via local authorities, which already hold the necessary legal powers and have the incentives to make schemes work. Option 1 would involve:

- the development of a suite of documents and templates for local use, eg loan agreements, draft committee reports and detailed procedures. Models already exist, so development costs would be relatively small;
- the creation of suitable promotional materials including a website;
- the deployment of an enabling “team” (though a single enabler could well be sufficient) to promote the model and hand-hold local authorities as and when necessary
- (optionally) a national hotline which would then provide referrals to local authorities but facilitate central monitoring of interest and take-up.

Estimated allocation of funding would be £100,000 for the development phase and £125,000 p.a. for on-going costs (which could be revisited in the light of the demand) totalling **£600,000** total over four years.

The assumption with Option 1 would be that local authorities would use their reserves or prudential borrowing for the capital needed for the loans to private owners. As loans on the Welsh and Kent models are for two to three years, any loan fund would be recirculating. Interest could be charged to cover the cost of local authority borrowing (current models in Kent and Wales are interest-free; other areas do charge interest on their loans). Local authority revenue costs could be met through a combination of charging an admin fee and New Homes Bonus.

**Option 2** would be the same as Option 1 but, additionally, the government would provide a pot of funding for the loans, rather than requiring local authorities to borrow or draw on reserves. This might be on the basis of a ring-fenced grant to local authorities or on the basis of the money being returned after a given period of time. Taking Wales as an example, the Welsh Government initially provided £5million in ring-fenced grant to the local authorities; given the obvious success of the scheme, they quickly increased this to £10million in response to the success of the scheme; and subsequently added a further £10million that will become repayable after several years, giving a total of £20million split 50/50 between grant and interest-free loans to local authorities.

If an English model was developed comparable with and approximately pro rata to the Welsh model (based on population), the corresponding amounts would be **£90million, £180million and £360million**. Annualised over the 4 years of the Spending Review, this would be **£22.5million, £45million and £90million**. **It is important to emphasise that, as a loan fund, benefits would continue to accrue for many years into the future as the seed-corn money recirculated.**

The significant advantage of the government providing the loan pot would be the greater impetus given to the initiative, coupled with the ability to hold local authorities to particular standards of delivery in exchange for the money. For example, in Wales, the funding was conditional on the local authorities forming regional consortia to ensure economies of scale and the sharing of best practice. If central government provided a (say) 10-year interest-free loan to local authorities instead of grant, the real costs would be relatively small amount based on discounted cash flows, depending on the amount loaned and applicable discount rates. Option 2 would require some additional administrative resource, but the expectation would local authorities would provide simple automated returns documenting their use of the money.

Finally, the opportunity exists to fund scheme by top-slicing the empty homes element of New Homes Bonus, which is rising towards £150million p.a. (see also Proposal 3).

We estimate that the additional impetus given to this form of intervention around the country would result in successful outcomes with high visibility for central government. Extrapolating from the Kent figures (averaged at 75 units p.a.), we estimate that a national loan scheme would deliver **2,125 homes p.a. from long-term empty properties, including many commercial conversions**. Somewhat lesser figures are deliverable from Option 1, ie with under £1million of government expenditure over 4 years.

### Conformance with Spending Review Aims.

Promoting innovation and greater collaboration in public services	Significant contribution to building collaboration between private and public sector
Promoting growth and productivity,	Significant contribution to local economy
Delivering high-quality public services, such as the NHS	Significant economies of scale and improvements in this area of work
Promoting choice and competition	Offers choice where currently none exists in many local authority areas
Driving efficiency and value for money across the public sector	Use of standard model means no need to “reinvent the wheel” for loan schemes; centres of excellence would emerge and feed in to the wider arena.

### Analysis

Likely effectiveness and feasibility	Proven model with 10-year history (Kent), 3-year history (Wales).
Public spending implications and value for money	More than one funding model is possible, with very low expenditure associated with Option 1. Top-slicing empty homes NHB could fund any of the proposal. Value for money would be excellent on any model given wider regeneration and economic benefits. Kent estimates the cost per home created or brought into use at about £1,900. There would be hard-to-quantify but real savings at local authority level through the use of common templates.
Wider macroeconomic implications (for economic stability and growth)	Strong contribution to local economy, particularly in more deprived areas: creates jobs and spend at local suppliers (see Kent evidence).
Legislative and operational requirements	No legislative requirements. Small operational investment in central government. Should drive efficiencies and operational improvements at local government level.t
Sectoral and distributional impacts	Not calculated.
Administrative and compliance costs and issues	Relatively small based on Welsh model.

# Proposal 2: A renewed Community Grants Programme for Empty Homes

## Background

DCLG’s Community Grants Programme (2012-2015) provided grant funding to community housing organisations to deliver affordable housing. The organisations in question were small charitable organisations, mostly characterised by a significant level of volunteer input and in many cases providing not just housing but training and employment to disadvantaged people.<sup>7</sup> An excellent example is provided by the award-winning Methodist Action North West project<sup>8</sup> but this should be viewed as typical rather than as exceptional.

The dedicated programme was not extended beyond 2015, although in principle CGP organisations can partner with housing associations to access HCA affordable housing funding. In practice, however, it may be difficult for them to find partners; realistically, the range of obstacles involved, bureaucratic and otherwise, mean that few CGP organisations will attempt this route.

It would be a shame to waste the skills built up by CGP recipients during the 2012-15 programme and to overlook the potential for further delivery. A survey conducted by self-help-housing.org and HACT demonstrated that the £50million CGP programme levered in a further £26.4million from other sources<sup>9</sup>. Earlier research and showed that the respondents were keen to access a further £52million of funding<sup>10</sup>.

The CGP delivered somewhat less than was indicated by the initial bids but the outcomes were nevertheless impressive. The programme was a success by any reasonable standards, delivered significant additionality over and above affordable housing and was largely risk-free for the government as grant was payable against results and grant rates were not exceeded.

## Proposal

We propose that a new Empty Homes Community Grants Programme is launched, broadly following the model of the previous round. We would suggest that **£50million** be allocated to it, in line with the research mentioned earlier. If necessary, the money could be top-sliced from the affordable housing programme budget but we think the additionality should be accorded greater recognition, such that any new programme is treated sui generis.

Extrapolating from the delivery of the 2012-15 programme, we would estimate that this funding would produce **a further 1750 / 4120 affordable properties /bedrooms.**<sup>11</sup>

## Conformance with Spending Review Aims.

Promoting innovation and greater collaboration in public services	Significant contribution to building collaboration between voluntary organisations and, local authorities.
Promoting growth and productivity	Contribution to local economy and regeneration.
Delivering high-quality public services, such as the NHS	Encourages partnership working by local authorities.

Promoting choice and competition	Supports a range of smaller voluntary organisations competing with larger organisations such as housing associations. Anecdotally, volorgs have been able to deliver empty homes projects that larger organisations were not prepared to tackle, providing owners solutions not otherwise available.
Driving efficiency and value for money across the public sector	CGP organisations are likely more effective and efficient at delivery in this area of work compared with many local authorities and housing associations draw in volunteers.

### Analysis

Likely effectiveness and feasibility	Proven model: experienced delivery partners keen to engage.
Public spending implications and value for money	Programme could be funded under the affordable housing programme (as was the original CGP) or by joint housing/training/employment funding, given the additionality of training and employment. Low overheads, lean organisations and use of volunteers provide good value for money.
Wider macroeconomic implications (for economic stability and growth)	Strong contribution to local economy, particularly in more deprived areas: creates jobs and spend at local suppliers.
Legislative and operational requirements	No legislative requirements. Small operational investment in central government, where previous experience is available.
Sectoral and distributional impacts	Not calculated.
Administrative and compliance costs and issues	Minor in the context of the spend.

### Proposal 3 - New Homes Bonus

We would welcome the opportunity to discuss more effective use of the empty homes component of the New Homes Bonus, which is mounting towards £150million per annum across the country. We have indicated above the possibility that the Empty Homes Loan Scheme could be funded by top-slicing a relatively small amount of NHB, helping deliver the outcomes that the NHB is designed to reward. The opportunity exists for a more coherent approach to tackling empty homes if the government would be willing to consider other, similar options.

The Empty Homes Network has previously suggested the government match-fund local empty homes strategies. The amount of funding involved would naturally depend on the level of match-funding, the degree of cross-boundary working to achieve economies of scale, whether the intention was involve every local authority or to use a bid-based approach. On a 50-50 split of funding, costs to central government could amount to about £8million per annum for all housing authorities, based on approximately £25k of revenue funding per housing authority funded and allowing for a small “Troubled Homes” unit in central government. This model deliver a **visible, government-backed empty homes strategy in every local authority**, giving all communities the confidence that new homes were not being built as an alternative to bringing empties back into use, this in addition to the many practical benefits of returning empties to use (which are widely recognised but hard to quantify). Central government branding would increase the impetus of local initiatives and provide political benefits.

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cc. (by email only)  
Helen Williams, Chief Executive, Empty Homes Agency

## About the Empty Homes Network

We are a national network with approximately 500 individual members, launched in 2001 as the **National Association of Empty Property Practitioners** with the support of the government. Then-Minister Sally Keeble wrote

*“NAEPP[=EHN] 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[EHN]. 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”.*

Since then we have expanded our membership to include those working in regeneration companies, in self-help and community groups, and in private sector firms involved in helping bring empty homes back into use.

We are a not-for-profit membership organisation that is separate from and completely independent of the charity Empty Homes Agency.

Our main role is to support all practitioners and organisations involved in addressing the issue of empty homes, helping them work as effectively as possible. We do this by facilitating the sharing of information and experience, by organising training events and conferences, by promoting best practice amongst delivery partners and by promoting sound policy at national level. We will argue for service improvement; help practitioners with the least time and resources to gain confidence; and support DCLG and other policy makers in developing approaches that will work in all localities.

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## END NOTES

<sup>1</sup> See <http://www.ehnetwork.org.uk/filling-empties-ehn-policy-position> from where you can download the full document.

<sup>2</sup> Refer to the latest newsletter at <http://www.no-use-empty.org/news-archive> for details about the Kent *No Use Empty Initiative* generally, featuring a number of case studies and some key statistics.

<sup>3</sup> See <http://gov.wales/statistics-and-research/houses-into-homes/?lang=en> for formal evaluations of the the Welsh Houses to Homes initiative. The initiative itself is described at <http://gov.wales/topics/housing-and-regeneration/housing-supply/empty-homes/houses-into-homes/?lang=en>.

<sup>4</sup> Information from the Kent scheme shows the following:

NO USE EMPTY - ALL LOCAL COUNCILS	No of Loans	No Use Empty Loan	Public/Private Leverage	Total Project Cost	Total Number Of Units Supported
2007-08	8	£ 496,540	£ 2,327,404	£ 2,823,944	48
2008-09	7	£ 486,000	£ 416,879	£ 902,879	21
2009-10	17	£ 1,110,800	£ 4,608,471	£ 5,719,271	49
2010-11	30	£ 1,752,310	£ 1,519,930	£ 3,272,240	84
2011-12	25	£ 1,622,000	£ 1,898,203	£ 3,520,203	87
2012-13	17	£ 1,116,790	£ 434,793	£ 1,551,583	59
2013-14	38	£ 3,031,199	£ 2,778,600	£ 5,809,799	140
2014-15	20	£ 1,297,399	£ 2,932,336	£ 4,229,735	67
2015-16	15	£ 1,300,000	£ 3,694,099	£ 4,994,099	58
<b>Total Approved</b>	<b>177</b>	<b>£ 12,213,038</b>	<b>£ 20,610,714</b>	<b>£ 32,823,752</b>	<b>613</b>
NUE AFFORDABLE HOMES PROJECT					
2013-14	3	£ 511,500	£ 310,000	£ 821,500	14
2014-15	6	£ 1,095,600	£ 173,525	£ 1,269,125	28
Total Approved	9	£ 1,607,100	£ 483,525	£ 2,090,625	42
<b>COMBINED VALUE</b>	<b>No of Loans</b>	<b>No Use Empty Loan</b>	<b>Public/Private Leverage</b>	<b>Total Project Cost</b>	<b>Total Number Of Units Supported</b>
<b>Total</b>	<b>186</b>	<b>£ 13,820,138</b>	<b>£ 21,094,239</b>	<b>£ 34,914,377</b>	<b>655</b>

A Kent County Council evaluation noted the Kent scheme following:

### Evaluation

The success of the project has been measured by the tangible results achieved through the number of empty homes brought back into use, which amounted to 487 properties in the first three-year period. In total, since its inception the scheme has brought back into use 4,026 properties (up to July 2015)

The scheme has approved over £13.8 Million of interest free loans, which equates to 665 units of accommodation. This has leveraged in excess of £21.1 Million of private sector funding (owner's contribution), giving a total investment through the loan scheme of £34.9 Million (up to Sep 2015)

- The average cost to renovate a unit = £53k (often very worst properties)
- KCC average investment per unit £19.9k (excludes Affordable Homes Project)
- Actual cost to KCC = £1,900 per unit (loss of interest and management costs)
- Repayment of loans to date £6.5 Million
- Loans scheme created over 666 jobs & homes for approximately 1,553 people
- For each £1 spent on interest and administration, this translates to £20 being spent in local economy (labour & materials)

The completed business and resident survey demonstrated an increase in confidence in localities as a result of bringing empty properties back into use. No Use Empty is now widely regarded as one of the most effective initiatives to deal with empty properties in the UK. The scheme and their partners have won an award from Regeneration & Renewal for their partnership working 2011, shortlisted for an award by the Chartered Institute of Housing in 2012 and won Regeneration and Renewal Awards in 2014 (Partnership Working). Highly commended twice in 2015 LGC Awards for partnership working and best housing initiative.

<sup>5</sup> See <http://georgeclarke.com/george-helps-charity-reach-empty-homes-goal/>

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<sup>6</sup> The attempt by Empty Homes Agency to develop a national scheme was hampered by the small size of the charity, its limited legal and financial powers and the unrealistic requirement that it would produce affordable housing: this experience should by no means be taken as an indication of the potential for well-designed schemes, as evidenced in Wales and Kent.

<sup>7</sup> For an overview of the achievements of the scheme, see the presentation of research results from Birmingham University accessible via <http://www.ehnetwork.org.uk/library-item/cgp-best-thing-overview-research-feb-2015-presentation> . As regards additionality, results from a [HACT/self-help-housing.org survey](http://www.ehnetwork.org.uk/library-item/hact-self-help-housing.org-survey) of grant recipients (75% response rate) indicated:

- 89% would involve apprentices or trainees
- 72% would involve volunteers
- 74% would involve prospective occupants (=homesteading).

In their 2012-15 projects, 45% had provided employment to ex-offenders and 74% had provided work for unemployed people.

<sup>8</sup> See <http://www.ehnetwork.org.uk/casestudy/methodist-action-north-west-cgp-partnership-project>

<sup>9</sup> See <http://www.ehnetwork.org.uk/library-item/cgp-additional-funding-raised-ehcgp-grant-recipients-hact-survey-results>

<sup>10</sup> See <http://www.ehnetwork.org.uk/library-item/ehcgp-future-funding-impact-survey-results-october-2014>

<sup>11</sup> Bedrooms is a relevant measure because many EHCGP properties were occupied as shared homes by single people rather than families. Figures from Birmingham *The Best Thing* research (note 7 above).