

## Bringing Empty Homes back into use Bidding guidance

November 2011

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## Introduction

1. The Coalition Government has published its Housing Strategy, of which an important part is its strategy for tackling empty properties. The strategy, as part of the Government's wider approach to housing, outlines a number of tools, approaches and potential resources for tackling empty properties, including £100m capital funding from within the 2011-15 Affordable Homes Programme (AHP). This funding has been set aside to tackle long-term empty properties which would not come back into use without additional financial intervention. The majority of that funding is available over the period 2012-15.
2. This funding is intended to deliver at least 3,300 affordable homes by March 2015. We hope that it will provide an opportunity to foster new approaches and innovation to do more.
3. The Housing Strategy sets out that the funding available will be allocated either through the Homes and Communities Agency (HCA) (which, from 1 April 2012, for London, will transfer to the Greater London Authority (GLA)) or through an intermediary grants giving organisation via formal bidding rounds. This is so that both Registered Providers of Social Housing and smaller not-for-profit community and voluntary groups are able to apply for funding.
4. We recognise that there are a very wide range of possible approaches to tackling empty homes, and that different approaches are needed in different circumstances. We want to offer providers as much flexibility as possible to take the most effective approach locally, whilst ensuring a rigorous approach to value for money. There may be a range of solutions, appropriate to individual areas or schemes, which attract funding through either or both of the HCA and the intermediate organisation funding routes.
5. This bidding guidance sets out the requirements, assessment criteria and timetable for bids where funding is sought from the HCA. Further bidding guidance for smaller not-for-profit community and voluntary groups who do not intend to become Registered Providers will be published by the intermediary grants giving organisation once appointed.
6. There is no fixed split of funding between the HCA route and the intermediary grants giving organisation. However we hope to be able to award at least £10m through the community grants route, and as much as £30m, if sufficient high quality bids come forward.
7. Prospective bidders for funding from the HCA are encouraged to read this bidding guidance alongside the Empty Homes section of the Housing Strategy, and the [Affordable Homes Framework](#) published on 14 February 2011.

## **Empty Homes – funding requirements**

### **8. Type of properties which may be brought back into use**

The funding available may be used to bring empty homes and other types of property, including commercial property, into use as affordable housing.

9. Funding could be payable in respect of property currently in the ownership of a number of types of organisation, for example:
- public bodies eg health authorities, Ministry of Defence, government departments etc (but not local authorities);
  - unregistered landlords and co-operatives which are not subsidiaries of Registered Providers;
  - private individual(s) or companies.

Existing social housing is not eligible for funding.

10. To be considered for funding, properties will have been empty for a significant period of time and the expectation is that they would remain so without this funding. It is not expected that capital funding will be sought or used for properties which have been empty for less than six months. Across the programme, we expect that properties will have been empty for an average of at least two years.
11. Bidders should demonstrate how they will identify and bring forward a pipeline of properties, how this fits in with wider housing strategy in the area, and meets housing needs identified by the local authority.
12. This may include properties in areas at risk of decline, or in former Housing Market Renewal areas where intervention with some capital investment may support local community-based approaches, and help to keep existing communities together.
13. Properties may be brought into use for the range of uses set out below, to meet housing needs identified by the local authority either through renting, or in the case of shared ownership, to enable economically active households to access affordable home ownership, and support economic activity in an area.

## **Use of properties**

14. Properties must be brought back into use for affordable housing<sup>1</sup>.
15. In line with the Framework for the Affordable Homes Programme published on 14 February 2011, we anticipate that the majority of properties will be brought back into use at an Affordable Rent. The requirements for setting Affordable Rents are set out in the Framework at chapter 3.
16. Properties may also be brought back into use as shared ownership.
17. Within that overall framework, properties may be brought back into use as part of a homesteading scheme, where residents (or future residents) contribute their labour in exchange for a reduced rent or (in a shared ownership scheme) an increase in the share they own in the property.
18. In line with the Affordable Homes Framework, it is anticipated that properties will be brought back into use at social (target) rents only in exceptional circumstances (see paragraphs 4.20 – 4.23 of the Affordable Homes Framework). Bids to bring empty properties back into use at target rents would have to provide good value for money for the capital investment sought.

## **Bringing properties back into use**

19. Although there is no fixed delivery model, it is anticipated that properties may be secured through two main routes which will enable the Registered Provider to take a legal interest in the property, and thus be the landlord. The first route is on a lease (and repair) basis – ie leasing properties for a defined period from the property owner and at the end of that period, the property reverts to the long-term owner. The second is on a purchase and repair basis – ie where the bidder purchases the property and becomes the long-term owner.
20. There is no prescribed mechanism for the funding of repairs for leased properties – repairs may be carried out directly by the provider, or on the basis of a grant or loan to the owner. Owners should be encouraged to make their own contribution to the works costs wherever possible, to improve the value for money of the funding requested. Bids may therefore include proposals to create or contribute to a revolving fund for the reinvestment of funding in delivering further properties as loans are re-paid. In assessing value for money, we will take account of the first property brought back into use for the funding requested – but innovative

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<sup>1</sup> As defined by Planning Policy Statement 3 – Planning for Housing  
Technical change to Annex B - Affordable housing definition - *Consultation*  
<http://www.communities.gov.uk/documents/planningandbuilding/pdf/1917850.pdf>

approaches to create revolving loan funds are encouraged, and providers should set out their proposals, including on-going monitoring and reporting arrangements as part of their bid.

21. Bidders should note that the funding available is capital, to bring empty properties back into use. It can therefore be used to fund eligible acquisition, works and on-costs (where those can be capitalised in line with the statement of recommended practice). It cannot be used to fund revenue posts, for example, to provide general advice about empty homes.
22. Where properties are to be brought back into use on a leased basis, we expect the minimum lease length will be five years. However, we wish to encourage longer lease periods where possible, and anticipate that the average lease length will be around 10 years.

### **Standards**

23. Where properties are brought back into use on a purchase and repair basis (ie as permanent housing), bidders should meet the HCA's [Design and Quality standards 2007](#) for rehabilitation.
24. Leased properties should be refurbished to the Decent Homes standard as a minimum, and are encouraged to meet the standards outlined in the HCA's Design and Quality standards for temporary social housing. Where it is proposed that properties will have a longer than average lease length, (more than 10 years), providers are encouraged to exceed the Decent Homes standard wherever possible, and to outline their proposals for doing so as part of their bid. Where the lease length exceeds 15 years, the Design and Quality standards for rehabilitation should be met.

### **Supporting employment opportunities**

25. Tackling empty homes often offers opportunities to deliver wider benefits to communities, including employment and training opportunities. We are keen to see bids which include such opportunities.

### **The Green Deal**

26. Bringing empty homes back into use offers a sustainable way of increasing housing supply. The renovation which is almost always needed offers an opportunity to install energy efficiency improvements to a property.

27. The Green Deal is a framework which, from 2012, will enable households to buy energy efficiency improvements to their homes, at no upfront cost, recouping payments through a charge in instalments on the energy bill.
28. We would encourage Registered Providers to consider taking advantage of the Green Deal as they renovate properties to bring them back into use. This will allow them to include energy efficiency improvements to their properties, with no up front costs. The golden rule of the Green Deal is that the *expected* financial savings must be equal to or greater than the costs attached to the energy bill, so future residents of the property have a more energy efficient property at no additional cost.
29. More information on the Green Deal can be found at [http://www.decc.gov.uk/en/content/cms/tackling/green\\_deal/green\\_deal.aspx](http://www.decc.gov.uk/en/content/cms/tackling/green_deal/green_deal.aspx)

## **London**

30. From April 2012, the Mayor will take responsibility for housing investment in the capital. It is anticipated that around £15m of the available funding will be directed to the capital, subject to sufficient value for money deliverable bids being received. This £15m does not represent a floor, or a cap should bids received warrant allocating more funding to London.
31. The bidding requirements contained in this guidance apply equally in London. In addition, bids which will bring heritage homes at risk back into use, where these provide good value for money, are encouraged.
32. Bids in London will be jointly assessed by the HCA (London) and by the GLA.

## **Who should bid?**

33. Where funding is sought from the HCA, it will be a requirement that the ultimate landlord of the property is a Registered Provider of Social Housing. Bids are therefore sought from organisations who are currently Registered Providers, or who intend to apply to register with the Social Housing Regulator <http://www.tenantservicesauthority.org/server/show/nav.14475>. Bids are strongly encouraged from Registered Providers who will be the ultimate landlord of the properties, but who intend to work in partnership with local community groups to bring empty properties back into use as affordable homes and/or where there may be opportunities for local community and voluntary groups to manage those properties on behalf of Registered Providers.
34. Community and voluntary groups who wish to apply direct for funding (and are not working in partnership with a Registered Provider who will be the landlord), and who do not intend to become a Registered Provider

of Social Housing should submit bids to the independent grant giving organisation once appointed, in accordance with the guidance for the community funding element of the Empty Homes Programme.

## **Assessment Criteria**

### **Value for money**

35. As outlined above, we wish to meet, and preferably exceed, the aspiration to bring 3,300 homes back into use for the funding available. Value for money will therefore be a key criterion in our assessment of bids. In assessing value for money we will take account of:
- The funding requested, number of properties to be delivered and estimated size (no. of people housed) of properties (to allow both funding per home brought into use, and funding per person to be considered).
  - The amount of funding requested and whether properties will be purchased and brought into permanent use or leased, and the proposed lease length. Our expectation is that properties with shorter lease lengths will require less funding than properties with a longer lease or which will provide permanent affordable housing.
  - The rent to be charged
  - The length of time that properties have been empty prior to being brought back into use.
36. Department for Communities and Local Government (DCLG) modelling carried out for the business case for this Programme assumed that most properties will be leased (for 5 – 20 years) rather than acquired outright. That modelling assumed that, for a five-year lease, grant rates range from £6,000 in the North to £13,000 in London. For a 10-year lease, grant rates range from £9,000 to £22,000. The HCA will be mindful, in assessing the value for money of the bids received, of the assumptions in the DCLG business case.
37. For properties to be brought back into use as permanent housing (ie purchase and repair properties), we will be mindful in the value for money assessment, of how the grant requested compares to the value for money achieved under the AHP (for Affordable Rent or for shared ownership).

### **Meeting local priorities**

38. We will only support bids which have clear local authority support, and where proposals meet local priorities or support local strategies to tackle empty homes.



39. In addition, where proposals offer good value for money, we will prioritise bids which have local community support or which offer opportunities to work in partnership with local community and voluntary groups in the delivery and/or on-going management of the affordable homes.

### **Equalities and diversity**

40. Local authorities and the HCA are subject to both general and specific equalities duties introduced by the Equalities Act 2010 from 1 April 2011. This means that we must have regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations in the exercise of our functions.
41. We want to be sure empty homes brought back into use will meet the diverse housing needs of all sections of our communities and we expect that providers will seek to address local priorities identified and agreed by local authorities. Providers will be expected to work with the local authority in which empty homes are brought back into use to agree nominations arrangements which comply with a local authority's allocation policies.
42. As outlined above, we wish to encourage Registered Providers to work in partnership with community groups who are able to offer assistance in bringing properties back into use, or in the subsequent management of homes.
43. We would also encourage providers to consider provision for vulnerable and older people through this route. We will consider the appropriateness of the provision for the intended client group, and where providers propose to make homes available to vulnerable or older people, they should submit a supporting statement outlining how the homes will meet the needs of the proposed client group.

### **Deliverability**

44. We will prioritise bids with a high degree of certainty of delivery. We will therefore take account of the certainty of delivery timescales and in particular proposals for identifying empty properties - including working with relevant local authorities.
45. Our assessment of deliverability will influence the scale of allocation, if any, that we will wish to offer to successful bidders. Where bids exceed the available funding, we may offer scaled allocations to those bids which meet our criteria, taking account of the degree of certainty of delivery. All other things being equal (and taking account in particular of value for money), we will seek to make funding available to a wide range of providers, and to achieve good geographic coverage across the country, to spread the delivery risk and maximise the benefit and impact of improving the position on empty properties nationally.

46. It is an absolute requirement of the programme that properties brought back into use must be complete by 31 March 2015, the backstop date for funding within this Spending Review period. No funding will be available beyond this date. Successful bidders will be required to enter into a delivery contract with the HCA. Where delivery is not in line with forecasts, there will be an opportunity for providers to put right any delays. However, where progress is consistently behind forecasts, and there is a risk to overall delivery of the number of empty homes to be achieved, and to the funding allocated, the contract will allow for allocations to be withdrawn, and to be offered to providers who have capacity, and have demonstrated through their delivery track record, the ability to do more.

## **Standards**

47. Good quality homes remain an important aim for the HCA and the assessment process will favour proposals which, subject to offering good value for money:
- exceed the Decent Homes standard (where properties are brought into use through lease arrangements, and the lease period is less than 15 years); or
  - exceed the 2007 Design and Quality standards for rehabilitation (where empty homes are brought into use through purchase and repair as permanent properties or where the lease period is for 15 years or more).

## **Information Requirements**

48. A template for the submission of bids can be found at [www.homesandcommunities.co.uk/ourwork/empty-homes](http://www.homesandcommunities.co.uk/ourwork/empty-homes).
49. Bidders for funding through the HCA will be required to submit the following template information:
- Details of the bidding organisation including who will be the landlord and (if different) who will manage the properties, and confirmation of the proposed landlord's status as a Registered Provider (or intention to apply to become a Registered Provider of Social Housing).
  - Information about their proposed programme, including
    - i. The number of properties to be delivered and the local authority(ies) in which properties will be located;
    - ii. Whether properties will be brought back into use on a lease and repair basis (and the estimated lease length), or purchase and repair, basis;

- iii. Details of any proposals to fund properties on a revolving loan basis;
  - iv. The type of affordable housing that properties will be brought back into use as (eg Affordable Rent, affordable home ownership);
  - v. The estimated mix and size (by anticipated number of persons housed) of properties;
  - vi. The estimated costs of delivery – broken down between lease or purchase costs, works costs, and on costs;
  - vii. The amount of funding requested;
  - viii. Proposed rents to be charged, and for Affordable Rent properties, the % of the rent as a proportion of the market rent;
  - ix. For affordable home ownership, the estimated initial sales value and proposed average initial sales tranche;
  - x. Any contribution from the bidders own resources (split between borrowing, other public subsidy, surpluses etc) or from other funding sources (including through the Green Deal or contributions from property owners);
  - xi. The estimated timescale for delivery of properties brought back into use; and
  - xii. The average length of time for which properties will have been empty.
50. Supplementary written information should be provided in a supporting statement covering the areas set out below. Guidance on submitting supporting statements is provided at [Empty Homes](#).

#### **Meeting local authority needs**

- Confirmation of local authority support and details of local authority feedback;
- Information about how properties will meet local authority equalities and diversity priorities;
- Supporting information about the suitability of homes brought into use where they are to be targeted at client groups such as vulnerable or older people;

#### **Community benefits**

- Details of wider community benefits, (for example: opportunities to work in partnership with local community and voluntary groups; information about local community support; proposals to support employment and training initiatives) delivered through the programme;

#### **Summary of approach**

- Details of how a pipeline of properties will be identified and brought forward;
- Information about the property standards to be delivered;
- Details of any proposals to fund properties on a revolving loan basis;

- Details of how the Green Deal will be incorporated, where applicable.

## **Bidder requirements**

### **Registered Provider status**

51. As outlined above, the landlord of grant-funded social housing properties (including Affordable Rent and shared ownership) must be registered with the Social Housing Regulator. This will be a condition of receiving empty homes funding through the HCA and payment of completion monies. Full details of how to register are available on the TSA website: <http://www.tenantservicesauthority.org/server/show/nav.14475> .

### **Investment Partners**

52. Existing HCA Investment Partners are not required to submit a new qualification application.
53. Organisations who are not already qualified as Investment Partners with the HCA will need to submit an application for qualification. Applications for Investment Partner status assess an applicant's financial and technical capacity to undertake an agreed programme of new supply, and the organisation's good standing. Providers must have achieved HCA Investment Partner status before payment under a contract for the delivery of empty homes can be made and details of their empty homes programme can be entered on to the Investment Management System (IMS). IMS is the HCA's online programme management and payment system used to administer all affordable homes funding. For organisations who are not existing HCA Investment Partners, and who seek qualification only for the delivery of empty homes funding, we will seek to ensure that our assessment processes are proportionate to the scale of funding sought and take into account that works will be undertaken to existing properties. Full details of the qualification process are available on the HCA website: <http://www.homesandcommunities.co.uk/affordable-homes>

## **Contractual and other requirements**

### **Delivery contract**

54. Successful bidders will be required to enter into a standard form of delivery contract for the programme. Where a successful bidder already has a signed and completed Framework Delivery Agreement (FDA) with the Agency in place for the Affordable Homes Programme, funding allocated under the Empty Homes Programme will be handled through the Programme Change Mechanism, and added to the FDA and the

Programme Agreement as a variation.

55. Where bidders are successful in obtaining allocations both in and outside London, they will be required to enter two separate contracts for delivery post-April 2012.
56. Bidders who are successful in obtaining allocations will be required to enter details of their agreed empty homes programme onto the HCA's IMS. New Investment Partners will need to register for IMS access. A request for an application form for accessing IMS can be made by phoning 01908 353604.

### **Funding and payment terms**

57. In line with arrangements for the AHP, payment will be made at completion on a payment by results basis. Bidders should take account of these payment arrangements in putting together and ensuring the financial viability of their bids. However, we will consider on an exceptional basis, proposals for different funding profiles, particularly for very small providers who may not have sufficient cash-flow to front-fund the whole of a development.
58. There will be a separate payment rate for empty homes properties, based on the aggregate allocation and number of homes to be delivered. For providers who are already delivering homes under the main Affordable Homes Programme, the payment rate for empty homes will be separate from the average payment rate for homes delivered under the AHP.
59. Once allocations are agreed, our expectation is that the proposed number of properties will be deliverable for the amount of funding sought. It will not be possible to increase the amount of funding available or to deliver fewer homes for the same amount of funding if assumptions change. Bidders will need to ensure that they are able to deal with changes in assumptions from within their own resources.
60. It is anticipated that in most cases, proposals will be on the basis that properties will be brought back into use on a lease basis. Given that, bidders will not be able to gain agreement from the Regulator to convert existing social rent properties to an Affordable Rent to fund delivery under the Empty Homes Programme, as doing so impacts the Housing Benefit bill, and is a form of public subsidy.

## Timetable and how to bid

61. The bid window opens on Monday 21 November 2011 for bidders to bring forward proposals for assessment. The window will remain open for a period of eight weeks closing at noon on Monday 23 January 2012. Bids should be submitted electronically using the spreadsheet and guidance available on our website at [Empty Homes](#). Supporting statements should be sent in PDF format. Guidance on submitting supporting statements is also provided at the link above.
62. Submissions should be returned via email to the following address: [AHPOffers@hca.gsx.gov.uk](mailto:AHPOffers@hca.gsx.gov.uk)
63. Bids will be assessed by Homes and Communities Agency area investment teams based on the criteria outlined above.

<b>Milestone</b>	<b>Date</b>
Empty Homes bid launch	21 November 2011
Empty Homes bid close	23 January 2012 - noon
Assessment and moderation period	24 January - 15 February 2012
Sign off of proposed programme (HCA and DCLG – incl. Ministers)	16 February – 14 March 2012
Confirmation of allocations	By 16 March 2012

## Contacts

64. The first point of contact for competition applicants are our area investment teams. Our area office details are set out below. Bidders are strongly advised to contact their area office to discuss their proposals and local priorities for bringing empty homes into use.
65. For general competition enquiries or general questions about the operation of the scheme, bidders are invited to email the Agency at: [AHPFAQ@hca.gsx.gov.uk](mailto:AHPFAQ@hca.gsx.gov.uk). Bidders should note that where questions raised may be of general applicability to all prospective bidders, these, and our response will be published on our website.

## **Our offices**

Main switchboard: 0300 1234 500

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