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Scottish Homes
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Glossary of Terms

The following acronyms and abbreviations are used in this report (in alphabetical order):

BTS:	Below Tolerable Standard
DPA:	Data Protection Act
EHI:	Empty Homes Initiative
EHO:	Empty Homes Officer
HA:	Housing Association
HAG:	Housing Association Grant
HRA:	Housing Revenue Account
JIT:	Just in Time (Repairs)
LA:	Local Authority
LCHO:	Low-cost home ownership
LEC:	Local Enterprise Company
MOD:	Ministry of Defence
PO:	Private Owner
PSBR:	Public Sector Borrowing Requirement
RDS:	Rent Deposit Scheme
RSL:	Registered Social Landlord
RTB:	Right to Buy
VAT:	Value-Added Tax
VFM:	Value for Money

Executive Summary

Introduction (Section 1)

In 1996 there were over 100,000 empty homes in Scotland, a third of which had been empty for a considerable time. Although the reasons for this vary, it appears likely that many of these properties could be brought back into accommodation use at an affordable cost. A 1997 Scottish Office Circular, No DD 23/97, stated,

“The Government believes that many houses which are now lying empty could be brought back into use, without undue expense, and that this could help to reduce pressure on the available council housing and provide homes for those in housing need or ease homelessness” (Article 5).

Circular No DD 23/97 represented a milestone in the Government’s efforts to support this process, by introducing the EHI. The EHI was designed as a challenge fund to assist local authorities, in partnership with others, to develop and implement strategies to bring empty properties across all categories of ownership in their area back into use.

In September 1999, The Scottish Executive appointed Caledonian Economics Ltd, in association with Arneil Johnston, to undertake a detailed evaluation of the EHI. At the time of the appointment, the EHI had been in place for three years, and a total of more than £24 million had been committed to 217 separate projects under three Rounds of funding approved between 1997/98 and 1999/2000.

The Evaluation (Section 2)

The purpose of the evaluation is to inform future policy on empty homes in Scotland, by securing comprehensive and accurate information on progress to date of the projects already supported, and obtaining the views of Council Officers and other key stakeholders involved in project implementation on the strengths and weaknesses of the EHI to date, and potential ways in which it might be enhanced in the future. The evaluation proceeded in three main stages. In Stage 1, a desk review was undertaken to collate all the available information on the individual projects supported under the three EHI Rounds at the time of bid submission. This information fed into a comprehensive database on the objectives and estimated costs and funding of each of the 217 projects supported at the point of approval. In Stage 2, primary research was carried out in the form of face-to-face interviews with project leaders and other officers in the local authorities that have sponsored EHI projects and telephone interviews with RSLs, landlords, tenants, funders and other interested parties. In addition, an analysis was undertaken of the sources of market failure addressed by EHI-supported projects, and their effectiveness in correcting market failure. The analysis was supported by in-depth Case Studies of a representative sample of twenty EHI projects. Stage 3 completed the evaluation and reporting.

The work was informed by four Workshops held with an Advisory Group set up by the Scottish Executive to guide the assignment, and comprising representatives of Scottish Homes, the Scottish Federation of Housing Associations, the Chartered Institute of Housing and Scottish local authorities.

Stage 1 Findings (Section 3)

As a starting point for the evaluation, a detailed review was undertaken of the Scottish Office files for each approved bid. The information derived from these files was collated into a bid database, which formed a key building block within the overall evaluation framework.

In order to analyse the data, four phases in the property regeneration cycle were distinguished, as follows:

- *Phase 1: Research.* In Phase 1, a sponsoring authority may collate base data on the number, type, and location of empty properties in its area, analyse the reasons why they remain empty and develop an appropriate strategy to tackle the underlying causes of empty properties.
- *Phase 2: Property Acquisition.* The second phase of the regeneration cycle involves the acquisition of empty properties by an agency charged with their release back into occupation.
- *Phase 3: Property Regeneration.* The third phase involves the implementation of a development programme to prepare empty properties for re-let. Development includes property repair, rehabilitation, modernisation and improvement to contemporary standards. It also includes property conversion to meet current market needs.
- *Phase 4: Property Release.* Phase 4 entails final release of empty properties onto the market. This phase encompasses action to facilitate the re-letting of empty properties, including support to tenants to enable them to gain access to empty properties, such as rent guarantees and initial rent deposits.

The Stage 1 research revealed that approved bids to date predominantly fall into the third phase of the property regeneration cycle, involving property development prior to release for letting or low-cost home ownership (LCHO). Just over 70% of approvals were committed towards the development of empty properties, whether by Councils, RSLs or private landlords.

The Survey of Sponsoring Local Authorities (Sections 4, 5 and 6)

An analysis of the allocation of EHI grants by Council on a per capita basis shows that the smaller rural authorities did comparatively well. The responses to our survey of sponsoring authorities also indicated that the £24 million of grant support approved under the EHI to date has been matched by approximately £27 million of other funding, bringing the total committed investment in EHI projects up to £51 million.

At the time of project approval, it was anticipated that expenditure on EHI supported projects would rise from £4 million in financial year 1997/98 to over £13 million in 1998/99 and 1999/2000 before falling back to £10.5 million in 2000/01 and £8.5 million in 2001/02. The actual level of disbursement has been somewhat lower than that forecast at the time of the original approval. Actual disbursements amounted to £3.4 million in the first year of the initiative in 1997/98, or about 85% of the anticipated amount in that year, and just over £10 million in the second year, or approximately 75% of forecast. It could therefore be anticipated that the actual profile of expenditure over the five-year programme cycle would be flatter than the forecast profile at the date of project approval.

A number of local authorities used the Empty Homes Databases they developed to analyse the reasons why properties remained empty. The findings of these analyses need to be treated with caution because of the limited sample bases from which they were drawn and the differing scope and methodologies applied by different authorities. Nevertheless, the results of the research undertaken by five authorities from which statistics were obtained suggest that, at most, only a third of empty properties were empty for economic reasons, because the owners could not afford the costs of repairs. Between a fifth and a third of all the properties recorded as being empty were empty because the owners intended to sell them, and therefore they would not be available for rent under any circumstances. A large proportion of properties remained empty because the owners were unwilling to let.

From these indicative surveys, it would seem that the majority of EHI approvals to date target only a part of the empty homes problem. The 70% of approvals given to “Phase 3” property refurbishment and upgrading projects address the problem of properties remaining empty because the cost of repairs is in excess of the expected commercial return following the repairs. However, the research suggests that at least equally as serious a constraint is the unwillingness of private owners to make their properties available for let, because of the management burden and perceived risks of letting to social housing tenants. Most EHI-supported projects did not address this problem.

One implication could be that, if the EHI is extended, greater emphasis could be placed on demand-side initiatives. One example of such an initiative is where Councils and / or RSLs act as Managing Agents for privately-owned empty properties, and thus take the perceived letting risk away from private owners. By offering a guaranteed minimum rental yield and management services to ensure that a social rented property was kept in good condition throughout the tenancy, a managing agent could help to mobilise additional empty properties for use. Examples of where an authority is seeking to act in this way include the initiatives underway in Shetland, Highland and North Lanarkshire. However, a practical constraint to this process is reported to have been the duration of the lease term, with many private owners reluctant to release their property under the terms of such an agreement much beyond 3-5 years.

One issue is how a Council or an RSL seeking to act as a Managing Agent could secure empty privately-owned properties for re-let to social housing tenants as cost-effectively as possible. Detailed consideration of this issue lies outside the terms of reference for this evaluation, but one method that might merit further consideration is the use of an auction system. Auctions have immense potential, already partly realised through established tendering systems, as mechanisms for securing assets or services for the public sector as cost-effectively as possible (Annexe 4).

The average EHI grant per unit for projects involving direct investment in properties was £15,000. This was matched by private sector and other sources of funding averaging approximately £16,000, to bring the total cost per unit to approximately £31,000. The unit cost of projects defined by the sponsoring authorities as located in major urban centres was very close to this overall average, while projects in villages were somewhat cheaper, with a total cost per unit of £25,000, of which approximately £11,000 was funded by EHI grant. By contrast, in rural areas, the average unit cost was much higher at over £40,000, although the EHI grant for these projects was only slightly above the average at approximately £17,000 per unit.

An analysis of project costs by stage of the regeneration cycle and by regeneration agent throws up some quite remarkable and counter-intuitive results. We analysed the data on two bases. The first was according to their unit cost, which is calculated simply as the total project cost divided by the number of units brought into use as a result of each project. The second basis refined this analysis by taking into account the amount of time for which each unit is actually available for social housing following project completion.

Applying this methodology, it transpires that, while major works commissioned by RSLs under the EHI ranked as the most expensive on a per unit basis, they are the most cost-effective form of social housing regeneration on a per social housing year basis.

There appear to be two main reasons for this paradox. First of all, according to the responses to our interview questionnaire, major refurbishment and upgrading projects typically gave empty properties an entirely new lease of life, which was not necessarily the case for minor works projects or acquisitions. The second factor is the high degree of leverage that can be achieved by RSLs in mobilising private finance for these projects.

Because private finance can be more easily mobilised for major structural upgrading and conversion projects than it can be for minor refurbishment works and redecoration, the net cost to the public exchequer of major structural upgrading is actually less than for minor refurbishment works.

Our calculations would appear to give powerful vindication to the RSL movement as an effective instrument for delivering social housing, both in cost per year terms and as a mechanism for leveraging in private finance.

From a policy viewpoint, the results of the cost analysis suggest the following:

- if the policy objective is to leverage in as much private finance as possible to upgrade empty properties at as low a cost per unit as possible to the Exchequer, then the best method could be an auction system in which bids for grant finance were invited from the private sector and RSLs and funds then distributed according to the cost per unit until the total grant allocation was fully committed;
- however, if the policy objective is to maximise the amount of social housing made available for any given sum, then it would appear that the most cost-effective method could be through an auction system conducted on the basis of bids costed on a “per social housing year” rather than a “per unit” basis;
- if the policy objective is to target specific groups in need, then the most cost-effective approach might be to use the local authorities themselves, not just as an enabling agent, but as a direct provider of the last resort.

Strengths of the EHI (Section 7)

The main strengths of the EHI as identified by the Scottish local authorities interviewed in the course of our research are that it acted as a catalyst to developing effective partnerships between the public and private sectors, increased the provision of affordable housing, and contributed to wider regeneration objectives. All three strengths were cited by twelve or more of the authorities interviewed.

Weaknesses of the EHI (Section 8)

Against these strengths, eleven of the authorities felt that the EHI only “scratched the surface” of the empty homes problem in Scotland. The other weaknesses most frequently mentioned by local authorities related to the administrative complexities of the EHI, including perceived restrictions on the uses to which EHI grants could be put and the difficulties in viring funds between projects, for example where a particular project did not proceed as anticipated because a partner dropped out for reasons outwith the authority’s control.

Options for Change (Section 9)

The suggestions for changes that could enhance the EHI, as identified by the interviewees, were designed to address these weaknesses while building upon the perceived strengths of the EHI.

Key changes to process covered the need for greater clarity of the bid guidelines and policy objectives and greater transparency within the bid evaluation process, allied with greater flexibility in the programme’s application, including the ability to vire funding between projects.

Key changes proposed to the substance of the EHI included a larger budget and an extension to project eligibility. A further proposal was that empty privately owned properties should not benefit from council tax exemptions or discounts, to encourage their owners to bring them back into some form of occupation.

It is difficult to precisely ascertain whether Councils would carry on with the EHI if challenge funding were not available. However, most Councils interviewed indicated that the EHI had helped to stimulate the development of an empty homes strategy in their area, and thirteen authorities (42% of the total) indicated that EHI projects were of high priority and were likely to receive local authority funding in future.

Case Study Research (Section 10)

Many of the themes emerging from other strands of the evaluation were borne out and reinforced by the Case Study research, which covered an in-depth appraisal of a representative sample of 20 EHI projects. In addition, a number of points of interest emerged from the interviews of private sector funders conducted as part of the case study research. Funders suggested that EHI projects seen in isolation might be regarded as high risk and poor value. The due diligence on the project risks undertaken by the banks generally indicated that the larger, established and stronger covenanted Housing Associations prepared professional and sophisticated business plans, which could leverage significantly more financing from the banks than the smaller RSLs. When evaluating loan applications, banks look at an RSL's overall covenants and assets, rather than the cashflow of a specific EHI project.

Overall conclusions (Section 11)

The record to date indicates that:

- the EHI has had a modest positive impact on meeting housing need. By Spring 2000, the EHI schemes that had either been completed or were under development were expected to bring 839 housing units back into use; it is anticipated that a total of 1,623 housing units will be created through the first three rounds of the EHI. Approximately 10% of all EHI projects will have directly housed a homeless people.
- the positive impact of the EHI has been achieved by tackling one important source of market failure, namely the cost of repairs and upgrading being in excess of the likely rental yield on empty properties and therefore not viable without grant support. However, the EHI has not significantly addressed another constraint to the use of empty properties, which is the lack of willingness among private owners to make the properties available for let;
- the EHI has acted as a catalyst to encourage all but three local authorities to research their empty homes problem to some extent. It also acted as a driver for the development of Empty Homes Strategies. However, the

overall picture that has emerged is that there was no consistency in either the way bids were prepared or the interpretation given by different authorities to the eligibility of different projects;

- the EHI had an added impact on the regeneration of areas with empty properties. The presence of the EHI-funded projects tended to act as a stimulus to regeneration particularly in brownfield sites and town centres, and many EHI projects helped to secure historic built heritage, contribute to community regeneration and guarantee a viable end use of the property;
- EHI projects tended to be located in areas of high demand where there is a shortage of affordable housing, and therefore did not displace existing social housing provision but was additional to it. EHI funding was used as the financing method of last resort in around 75% of the projects;

Looking to the future, the following opportunities may exist to further enhance the effectiveness of the EHI:

- the EHI should standardise simple but formal contracts and ensure complete transparency throughout the process;
- the terms of these contracts should be known to all partners prior to project commencement;
- these standard contracts should have appropriate risk allocation making them attractive to private owners while maintaining value for money;
- the contracts and agreements between private owners and RSLs should offer the private owners a reasonable return which will encourage them to let the properties and if possible let them for social housing;
- a guaranteed return will help private owners to borrow against the rental stream of their properties to assist in any upgrading or refurbishment that may be required;
- for larger structural property upgrading and conversion projects, RSLs may offer the most attractive covenant to private sector funders, and may therefore be the most appropriate vehicle for leveraging in private finance on as advantageous terms as possible.

1 Introduction and Background

1.1 Introduction

- 1.1.1. In September 1999, The Scottish Executive appointed Caledonian Economics Ltd, in association with Arneil Johnston, to undertake a detailed evaluation of the Empty Homes Initiative (EHI).
- 1.1.2. At the time of the appointment, the EHI had been in place for three years, and a total of more than £24 million had been committed to 217 separate projects under three Rounds of funding approved between 1997/98 and 1999/2000. A list of the projects approved for each Council under each of the three Rounds is appended as Annexe 1.
- 1.1.3. The purpose of the evaluation is to inform future policy on empty homes in Scotland, by securing comprehensive and accurate information on progress to date of the projects already supported, and obtaining the views of Council Officers and other key stakeholders involved in project implementation on the strengths and weaknesses of the EHI to date, and potential ways in which it might be enhanced in the future.

1.2 The Empty Homes Initiative

- 1.2.1. In 1996 there were over 100,000 empty homes in Scotland, a third of which had been empty for a considerable time. Although the reasons for this vary, it appears likely that many of these properties could be brought back into accommodation use at an affordable cost. As Circular No DD 23/97 stated,

“The Government believes that many houses which are now lying empty could be brought back into use, without undue expense, and that this could help to reduce pressure on the available council housing and provide homes for those in housing need or ease homelessness” (Article 5).
- 1.2.2. Circular No DD 23/97 represented a milestone in the Government’s efforts to support this process, by introducing the EHI. The EHI was designed as a challenge fund to assist local authorities, in partnership with others, to develop and implement strategies to bring empty properties across all categories of ownership in their area back into use.
- 1.2.3. As stated in DD 23/97, the first task for local authorities was *“to identify which properties are empty and to establish why they are empty”* (Article 6). Accordingly, a priority in the first 1996/97 Round was to develop strategies for bringing empty properties back into use. The Circular also emphasised the desirability of developing *“innovative schemes which can be developed and replicated elsewhere”* (Article 15: emphasis in original), and these requirements were incorporated as two of the key criteria in the bid assessment process. Article 22 of the Circular set out key components of empty homes

strategies, and the extent to which individual projects cohere with these components will comprise a key element in the evaluation.

- 1.2.4. The second Round, in 1998/99, was also broadly based on the principles set out in DD 23/97, with the criteria set out in a Departmental letter dated January 21st 1998. This letter re-iterated the importance of developing EHI proposals within the context of an overall empty homes strategy, and to develop them in partnership and consultation with other interests including local tenants or community groups.
- 1.2.5. The rules governing the third Round were set out in Circular No DD 24/98 dated November 16th 1998. In this Round, the Initiative moved away from single year funding to a three-year programme extending from 1999/2000 to 2001/02. As DD 24/98 stated, "*It is hoped that by providing a longer timescale within which the projects may be developed, the quality and sustainability of the projects may be enhanced*" (Article 3).
- 1.2.6. A further change in Round 3 was that research and development projects were excluded, except in the case of local authorities bidding for the first time. For other authorities, it was assumed that the strategic assessment had been completed, and that priority would now be given to capital projects designed to realise the strategy in a way that assures value for money.
- 1.2.7. In summary, total commitments under the EHI to date have been as follows:
 - under Round 1 (1997/98), £2 million of grant support was made available to support both the capital and revenue costs of successful projects. A total of 24 local authorities submitted bids under Round 1. These bids were assessed by the Empty Homes Initiative Advisory Group, and 16 local authorities received funding to support 33 separate projects;
 - Round 2 followed in 1998/99, when a further £7 million was made available. Under Round 2, 27 authorities received funding for 102 separate projects;
 - in Round 3, which began in November 1998, bids were invited for a further £15 million. Twenty-nine councils received funding for 81 projects, some of which will run until the end of 2001/02. Round 3 also included one project for Best Practice dissemination run directly by The Scottish Executive.
- 1.2.8. In total, 217 projects have been supported to date under the criteria for eligibility for funding set out in the three Scottish Office circulars.

1.3 Evaluation Objectives

- 1.3.1. The EHI was in its third year of implementation at the date of commencing the evaluation. The Scottish Executive therefore concluded that this was an appropriate time to review its record to date and assess its effectiveness in achieving the objectives laid down for it.

1.3.2. The specific objectives of the evaluation are to:

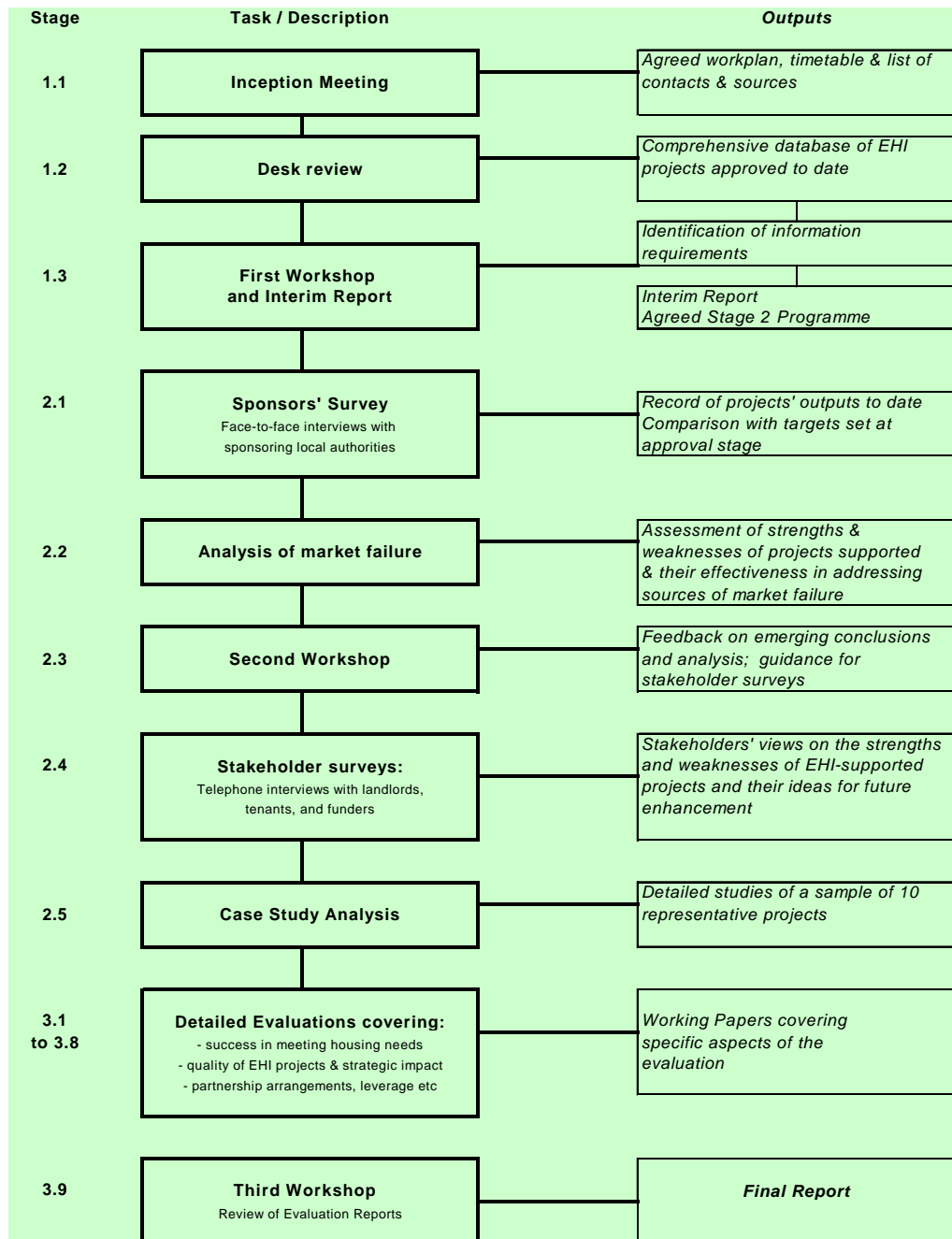
- provide a comprehensive review of the Initiative to date, the projects supported, and outputs delivered;
- assess the contribution that the EHI has made to meeting housing need, reducing homelessness and improving the quality of housing stock at both national and local level;
- assess the quality and impact of local empty homes strategies, including the quality of information available on empty properties and the extent to which local authorities have been able to assess supply and demand within their areas;
- assess the cumulative impact of the initiative on local authorities' policies and practices on empty homes and their wider housing priorities;
- assess the extent to which projects have involved partnership arrangements, and the effectiveness of those arrangements;
- calculate the extent to which the Initiative has levered in complementary private sector funding;
- analyse and compare the cost-effectiveness of different types of project funded under EHI;
- examine the extent to which funding has led to additional investment in rehabilitating empty properties which would not have taken place in the absence of the Initiative; and
- assess the sustainability of EHI-funded projects over the long-term.

1.3.3. In summary, the purpose of the evaluation is to provide a balanced assessment of the EHI's achievements to date, in relation both to the specific targets set for individual projects and to their wider economic and social impact. The intention is that the analysis contained in the Evaluation will help to inform future policy initiatives in this area.

2 Assignment Approach and Methodology

2.1.1. The approach to the assignment is summarised in Figure 2.1.

Figure 2.1:
Evaluation of the Empty Homes Initiative: Overall Approach.



2.1.2. As shown in Figure 2.1, the approach to the assignment involved completing the following tasks:

- *a Stage 1 Desk Review* collating all the available information on the individual projects supported under the three EHI Rounds at the time of bid submission. This information fed into a comprehensive database on the objectives and estimated costs and funding of each of the 217 projects supported at the point of approval. The Review also identified areas where additional information is required, which was gathered in the surveys conducted in Stage 2 of the assignment;
 - *Primary Stage 2 Research* in the form of face-to-face interviews with project leaders and other officers in the local authorities that have sponsored EHI projects (Task 2.1), and telephone interviews with landlords, tenants, funders and other interested parties including Scottish Homes (Task 2.4). In Stage 2 an analysis was undertaken of the sources of market failure addressed by EHI-supported projects, and their effectiveness in correcting market failure (Task 2.2). The analysis was supported by in-depth Case Studies of a representative sample of twenty EHI projects (Task 2.5);
 - *Final evaluation and reporting* in Stage 3.
- 2.1.3. The work was informed and guided by four Workshops held with the Project Advisory Group, structured to secure maximum benefit from the Group's experience and expertise. Feedback from the Group on the study findings and analysis at key points in the assessment process informed subsequent phases of research and reporting.
- 2.1.4. The next section sets out the main findings from Stage 1 of the evaluation.

3 The Successful EHI Bids at the Time of Approval

3.1 Introduction

3.1.1. As a starting point for the evaluation, a detailed review was undertaken of the Scottish Office files for each approved bid. The information derived from these files was collated into a bid database, which formed a key building block within the overall evaluation framework. The data contained in the Scottish Office files was synthesised into a coherent format addressing each of the following six key questions:

- *The type of each approved bid:* what did it set out to do? Did it involve the commissioning of research necessary to collate information on empty properties in a particular area, or to devise a strategy to bring them back into use, a pilot project, or some aspect of the final implementation of the empty homes policy?
- *The stage of the property regeneration cycle:* what stage of the empty homes strategy was addressed by each project?
- *The regeneration agent:* who was responsible for project implementation? Was it the Council itself? Or was it some third party, such as a Registered Social Landlord (RSL)?
- *The regeneration approach:* how was the project implemented? What was the method of the project implementation?
- *Project rationale:* why was the project being implemented? In the language of economic analysis, what source of market failure did the project seek to address?
- *Project beneficiary:* who was the ultimate beneficiary of the project?

3.1.2. For projects under implementation, the database was developed to include information on a number of other issues, including:

- the number of units being brought back into occupation;
- their end capacity, in terms of apartments;
- their occupants/tenants;
- if known, the previous accommodation occupied by their tenants, and what happened to this accommodation. For example, was this accommodation then released for homeless people or other groups in need?
- any indirect benefits of the project, for example in terms of jobs

created in the construction or modernisation capital works programme.

3.2 *Scope of Stage 1 research*

3.2.1. In Stage 1 of the evaluation, a detailed review was conducted of the Scottish Executive files on each of the 217 projects that received funding approval under three Rounds of the EHI to date. Data from the files was collated onto an EHI database, key elements of which are set out in three annexes to this report as follows:

- Annexe 1 provides summary descriptions of projects supported under each EHI Round;
- Annexe 2 classifies approved bids by type, stage of the regeneration cycle, implementing agency, the method used to achieve the regeneration of empty properties, and the rationale for support. This annexe also provides details of unit numbers and location supported by each project;
- Annexe 3 organises the data set out in the database by stage of the empty homes' regeneration cycle.

3.2 *The Approvals Process and Criteria*

3.3.1. The appraisal of bids submitted for support under the EHI was carried out by an advisory group established by The Scottish Office that included representatives from the Chartered Institute of Housing in Scotland, the Convention of Scottish Local Authorities, the Scottish Federation of Housing Associations, Scottish Homes and Shelter Scotland.

3.3.2. A key requirement set down in Circular No DD 23/97 was that all bids should be set in the wider context of an empty homes strategy. In Article 22 of the Circular, the following components of a strategy were identified:

- a commitment from the local authority and other prospective partners "to identify empty properties and to use their full range of powers and influence to bring them back into use";
- a mechanism to take forward the strategy, including possibly a named officer within each local authority with responsibility for it;
- accurate information compiled on a database giving details of the number, location and ownership of empty properties;
- the involvement of other key organisations and funding sources such as Scottish Homes, Housing Associations, and other public and private sector institutions in the effective implementation of strategy;
- a mechanism for co-ordinating policies and initiatives and determining priorities, such as a steering group comprising representatives of the

main players;

- guidance on how to make best use of the available options for dealing with owners of empty homes;
- clear objectives, with bids targeted to meet these objectives;
- specific targets for bringing empty properties back into use which reflect these objectives, and effective systems for monitoring performance against these targets;
- guidance on the standard that properties are expected to achieve before they can be considered appropriate for letting.

3.3.3. Article 22 thus provided a series of criteria that could be used to benchmark the projects financed under the EHI.

3.3.4. Criteria for eligibility were set out in Article 19 of Circular No DD/23/97. The Advisory Group used these criteria in assessing the bids submitted to them. Article 19 stipulated that bids should:

- be based on an assessment of the problem;
- be innovative;
- be replicable;
- be led by local authorities, but involve other partners;
- be part of a local empty homes strategy;
- set out clearly the objectives in the context of the Government's overall objectives of improving the quality of housing stock, reducing levels of homelessness and ensuring best use of resources;
- involve private and/or publicly owned properties;
- illustrate a significant proportion of leveraged in complementary funding as a consequence of the public money involved;
- illustrate efficient and effective use of public resources;
- establish targets and mechanisms for monitoring the success of each project;
- involve funding which could be spent in the current financial year.

3.3.5. Administration of payment of resources under the EHI was allocated to Scottish Homes, which was also given responsibility for financial monitoring. Payments were to be made to the local authority or, with the agreement of the authority, to the participating partner.

3.3.6. Bids for Round 1 were due by the end of October 1997.

3.3.7. Round 2 was initiated by a letter to Chief Executives of local authorities from Lindsay Manson of the Scottish Office's Development Department dated January 21st 1998. This announced that, following the allocation of £2 million to sixteen authorities under the 1997/98 Round, a further £7 million would be made available to fund EHI projects in the 98/99 Round. The criteria for bid assessment would be the same as in 1997/98, although, again, emphasis would

be placed on the importance of developing proposals within the context of an overall empty homes strategy. Bids for Round 2 were to be submitted no later than Friday 20th March 1998.

- 3.3.8. Round 3, initiated by Circular No DD24/98 dated November 16th 1998, made available the total amount of £15 million for the three financial years 1999/2000 to 2001/2002. As Article 3 of DD/24/98 stated, "it is hoped that by providing a longer timescale within which projects may be developed the quality and sustainability of the projects may be enhanced."
- 3.3.9. Otherwise, the criteria laid down for evaluating bids were broadly as for Rounds 1 and 2. Again, DD24/98 emphasised the importance of a strategic framework for any proposals submitted, and "the need to develop proposals in partnership and consultation with other interests, including, where relevant, local tenants or community groups, and the benefits of complementing EHI bids with linked private sector funding." In particular, Article 5 stated that "proposals for bringing empty homes back into use should be aimed at meeting identified housing need and be based on a thorough analysis of the reasons why the properties in question have become vacant." Article 5 also reiterated the desirability of innovation and replicability in approach.
- 3.3.10. DD24/98 also stated that in Round 3, "basic research and development is unlikely to receive funding other than in exceptional circumstances" (Article 6), as it was felt that the initial two years of the EHI would have provided the majority of authorities with the opportunity to assess the extent of the empty property problem and develop appropriate empty homes strategies.
- 3.3.11. A further innovation under Round 3 was that, where EHI grants were made to Housing Associations or private developers, Scottish Homes would be responsible for administering, scrutinising and confirming the grant level. DD24/98 also specified that, where proposals submitted for EHI funding formed part of the wider regeneration initiative, they would have to "be able to identify clearly and individually the empty homes to be brought back into use" (Article 9).
- 3.3.12. Bids for Round 3 were due to be submitted no later than Friday 12th February 1999.
- 3.3.13. The annex attached to DD24/98 provided the following guidelines for bids:
 - they should be set in the context of the empty homes strategy, setting out clearly the objectives of the project in the context of the government's overall objectives of improving the quality of housing stock, reducing levels of homelessness and ensuring best use of the sources, being based on an assessment of the homelessness problem;
 - they should involve a partnership approach with both public and private sector partners, and "illustrate where the application of Initiative funds will lever in funding from elsewhere to achieve maximum benefit from public resources";

- they should contribute directly to the objectives set by the sponsoring local authority;
- they should be innovative;
- they should be additional and "not seek funding for programmes or projects which are already planned, nor replace existing programmes of, for example, improvement and repair grants" (Article 4 of the Guidelines for Bids annex);
- they should provide housing of a tolerable standard, including all the standard amenities and be in a good state of repair;
- they should demonstrate financial self-sufficiency showing how the initial investment fund of EHI would be maintained in the long-term without continuing government support;
- they should be replicable;
- they should "illustrate the monitoring and evaluation arrangements which will be put in place to report on the delivery of the projects targets".

3.3.14. Each bid submitted for EHI funding support was appraised by the Advisory Group. The Group then selected the bids that were judged to best meet the criteria set out in the Circulars setting out the EHI policy guidelines.

3.4 *An Analytical Framework*

3.4.1. The Advisory Group noted that Round 1 bids generally covered three types of projects:

- research to develop strategies and establish a baseline of information;
- upgrading of empty properties to put them into a suitable state for letting; and
- action to facilitate the re-letting of empty properties.

3.4.2. In the database, these three project types are identified with the letters R, U and A to represent Research, Upgrading and Action To Facilitate Re-Letting respectively.

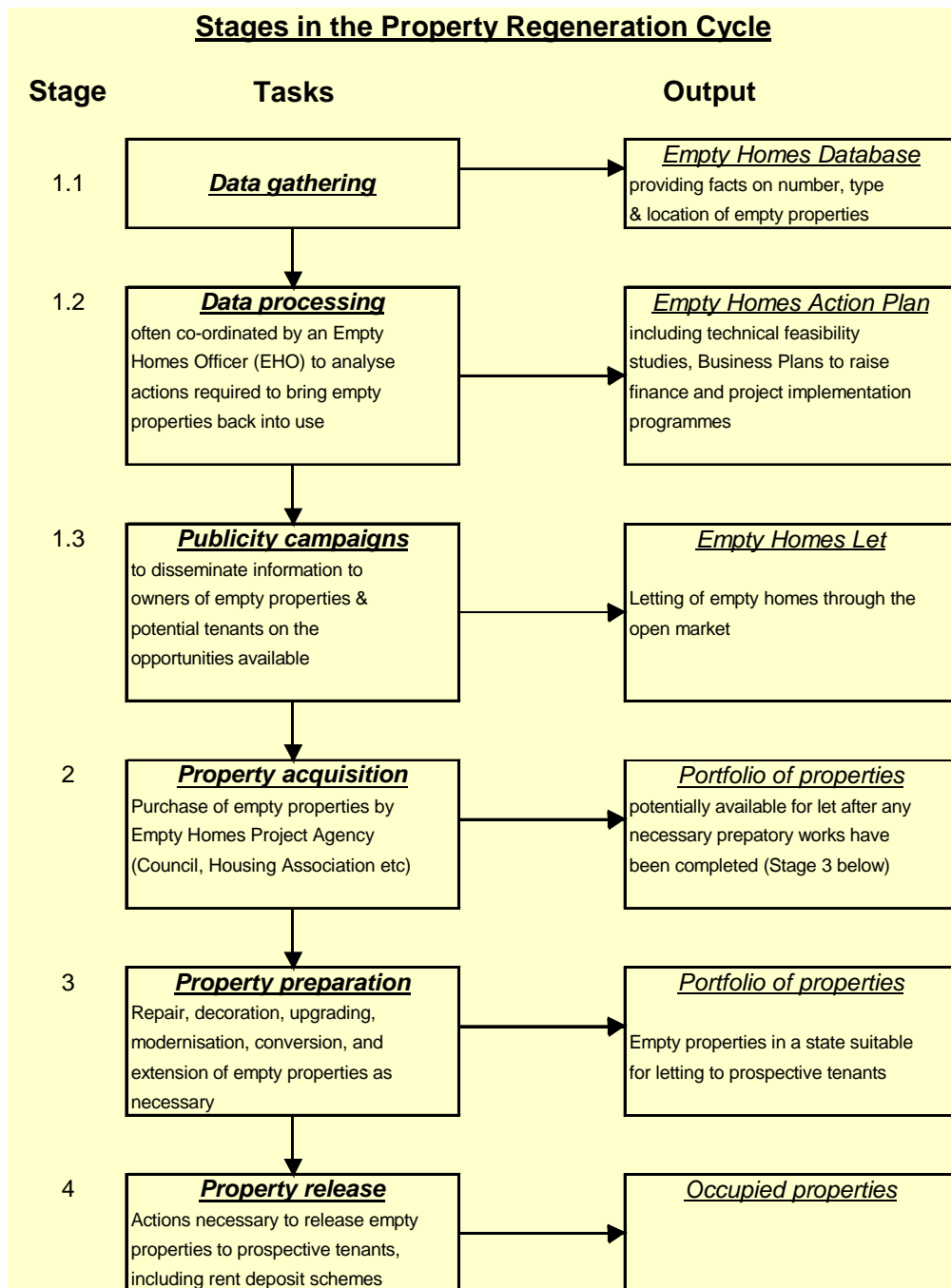
3.4.3. The Advisory Group also distinguished between the different stages of strategy development. Article 8.5 of the Report of the Empty Homes Initiative Advisory Group dated December 1997 stated that, "some authorities bid for funds to start the process, others already had such strategy in place and were bidding for projects which would help its delivery, yet others proposed pilot projects which would inform the development and implementation of the strategy in the future."

3.4.4. Figure 3.1 develops this analytical approach by identifying four main stages in

the regeneration of empty properties and their final occupation. These four stages are inception, property acquisition, property development and final release of empty properties onto the market for occupation as social housing, low-cost home ownership (LCHO), etc.

3.4.5. Each stage is described in greater detail in the sections following Figure 3.1.

Figure 3.1



Stage 1: Project Inception.

3.4.6. This stage includes:

- the collation of base data on the number, type, and location of empty properties in a local authority area;
- the analysis of reasons why properties in a particular area remained empty; and
- the development of an appropriate strategy to tackle the underlying causes of empty properties co-existing in an area where homelessness prevails.

3.4.7. Stage 1 also includes the dissemination of information on empty homes to both potential landlords and prospective tenants. A key figure in this process in many Councils was a dedicated Empty Homes Officer (EHO), appointed to develop and take forward the empty homes strategy.

Stage 2: Property Acquisition

3.4.8. The second stage of the regeneration cycle involves the acquisition of empty properties by an agency charged with their release back into occupation. The agency charged with responsibility for acquiring and rehabilitating empty properties might be the Council (indicated as 2.1 in our database), a RSL (2.2) or a private landlord (2.3).

Stage 3: Property Development

3.4.9. This third stage involves the implementation of a development programme to prepare empty properties for re-let. Development includes property repair, rehabilitation, modernisation and improvement to contemporary standards. It also includes property conversion to meet current market needs.

Stage 4: Final release of empty properties onto the market.

3.4.10. This stage encompasses action to facilitate the re-letting of empty properties, including support to tenants to enable them to gain access to empty properties, such as rent guarantees (Rg) and initial rent deposits (Rd).

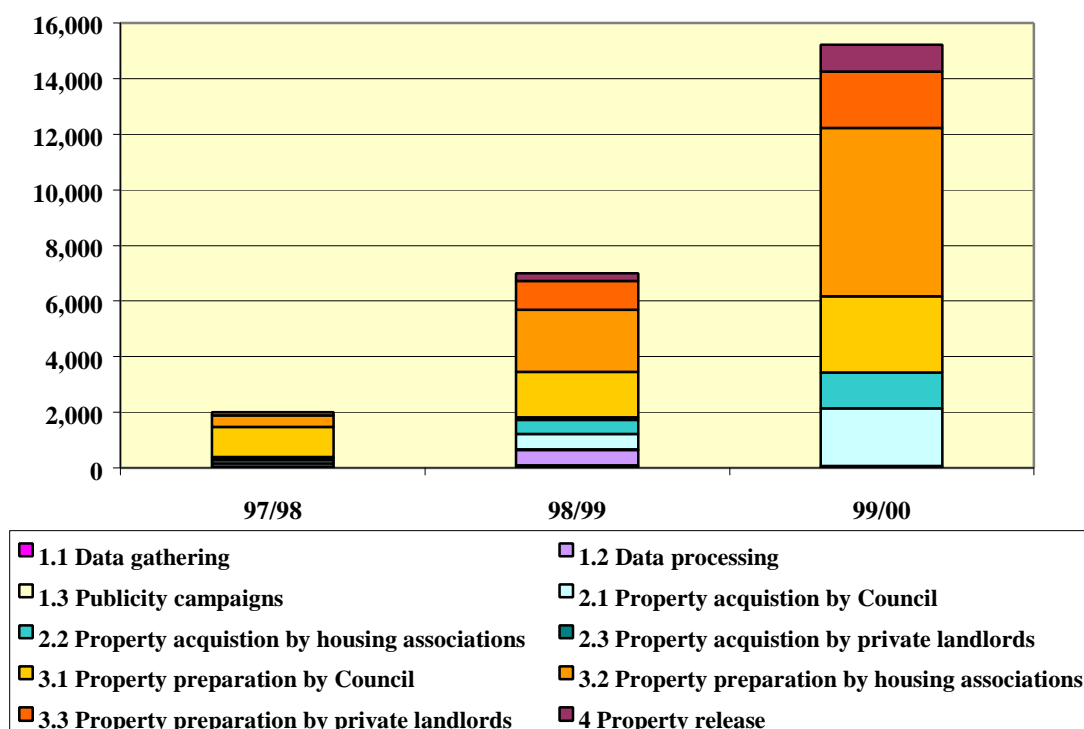
3.4.11. Therefore the stages for the analysis can be summarised as follows:

<i>Stage</i>	<i>Description</i>
1.1	Data Gathering
1.2	Data Processing
1.3	Publicity Campaigns
2.1	Property Acquisition - Council
2.2	Property Acquisition – RSL
2.3	Property Acquisition - Private Landlord
3.1	Property Preparation - Council
3.2	Property Preparation - RSL
3.3	Property Preparation – Private Landlord
4	Property Release

3.5 *Approved Bids by Stage of the Regeneration Cycle*

3.5.1. Figure 3.2 summarises the projects approved under each Round by value and stage of the property regeneration cycle.

Figure 3.2
EHI approvals summarised by Round and stage of the property regeneration cycle



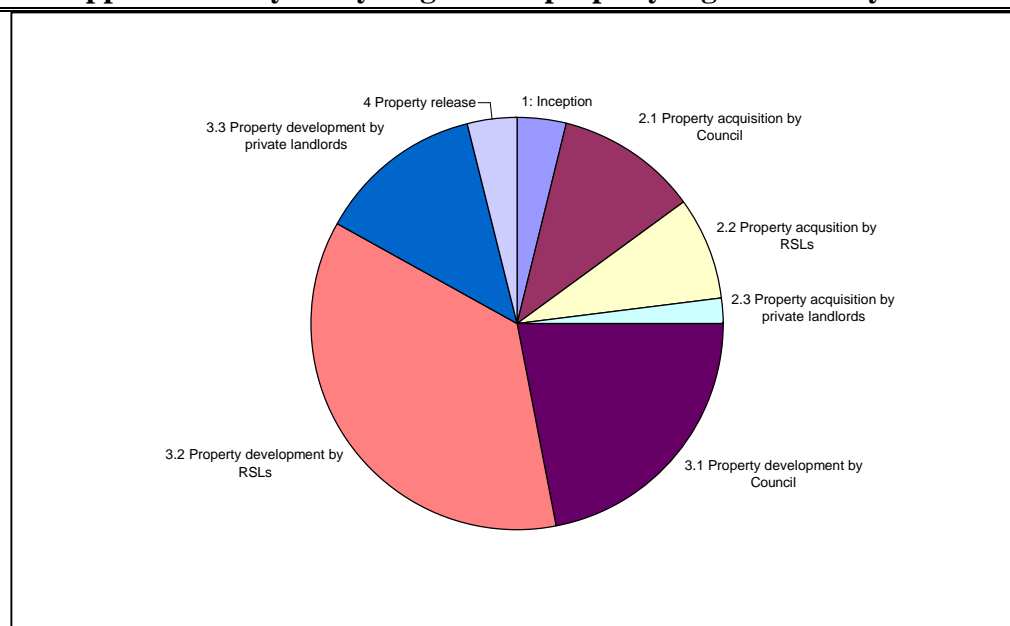
3.5.2. The Figure reveals that approved bids to date predominantly fall into Stage 3 of the regeneration cycle, involving conversion, rehabilitation and modernisation of empty properties prior to release for letting or low-cost home ownership (LCHO).

3.5.3. This is confirmed by an analysis of the successful bids in all three Rounds, summarised graphically in Figure 3.3.

3.5.4. The Figure indicates that less than 4% of the approvals in all three Rounds were for “Stage 1” projects, including funding support for EHOs. The remaining 96% plus was allocated directly towards the acquisition, rehabilitation and final release of empty properties:

- just under 20% of approvals were for the acquisition of empty properties (Stage 2), of which approximately 11% were acquired by the sponsoring Council, just under 8% by Registered Social Landlords (RSLs), principally Housing Associations, and 0.5% by private landlords;
- just over 70% of approvals were committed towards the development of empty properties (Stage 3 of the regeneration cycle). Within this 70% figure, 22% of the projects were implemented directly by the sponsoring Council, 36% by RSLs and 13% by private landlords; and
- approximately 5% of approvals were designed to facilitate the final release of empty properties to new tenants, e.g. through rent deposit or rent guarantee schemes (Stage 4).

Figure 3.3
EHI approvals analysed by stage of the property regeneration cycle



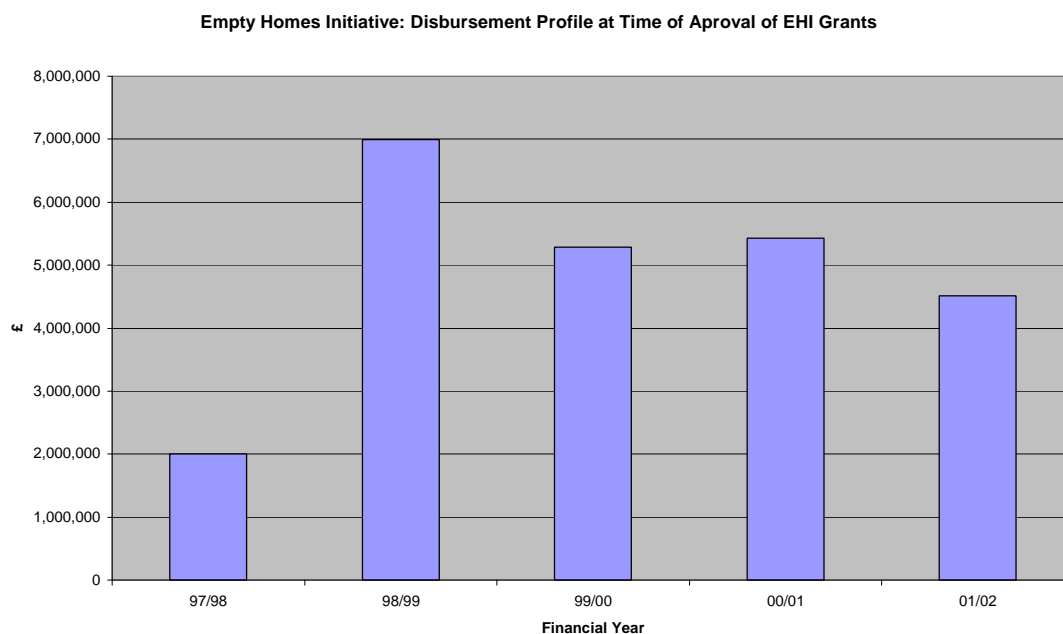
3.5.5. The statistical data on project approvals by EHI Round and by phase of the regeneration cycle are summarised in Table 3.1 below.

Table 3.1**Project approvals by EHI Round and by stage of the regeneration cycle**

<i>Stage</i>	<i>97/98</i>	<i>98/99</i>	<i>99/00</i>	<i>Total, £K</i>	<i>%</i>	<i>Nos.</i>	<i>Cost per unit</i>
<i>1.1</i>	45	90	0	134.3	0.55%		
<i>1.2</i>	119	550	72	741.9	3.06%		
<i>1.3</i>	0	44	10	54.0	0.22%		
<i>2.1</i>	110	541	2,052	2,703.1	11.17%	214	£13,718
<i>2.2</i>	102	497	1,308	1,908.1	7.88%	133	£20,778
<i>2.3</i>	25	100		124.8	0.52%	14	£8,100
<i>3.1</i>	1,082	1,623	2,723	5,427.6	22.42%	348	£16,721
<i>3.2</i>	417	2,247	6,064	8,728.8	36.06%	548	£16,524
<i>3.3</i>	100	1,041	2,026	3,167.5	13.08%	195	£15,054
<i>4.0</i>	0	259	960	1,218.8	5.03%	49	£15,549
Total	2,000	6,993	15,216	24,209	100%	1501	£16,129

3.6 Projected phasing of expenditure at time of approval

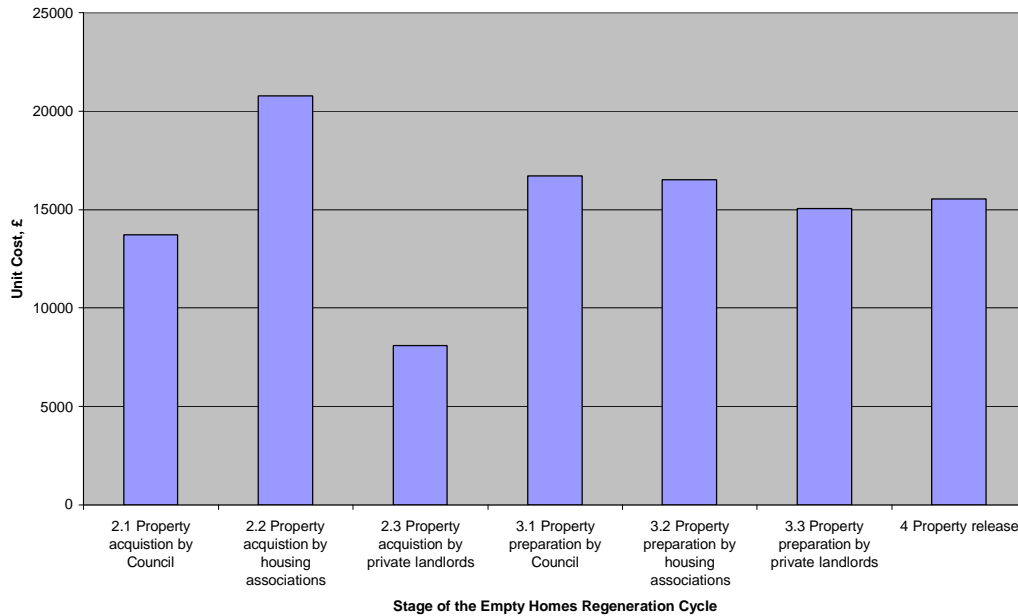
3.6.1. Figure 3.4 shows the projected phasing of expenditure at the time of EHI project approval by financial year. In Stage 2 of the evaluation, data was collated to compare the actual expenditure profile to date against these projections.

Figure 3.4**Projected phasing of expenditure at the time of EHI project approval****3.7 Comparative cost-effectiveness of EHI-supported projects**

3.7.1. Figure 3.5 gives one indicator of cost-effectiveness secured from the database at approval stage, namely the cost per unit at different phases of the property

regeneration cycle. Figure 3.5 charts in graphical form the unit cost data given in the final column of Table 3.1.

Figure 3.5
Average cost per unit of approved EHI projects at different stages of the project cycle



3.7.2. It should be noted that “unit cost” in itself is not a particularly meaningful indicator, as the area, tenant capacity, quality and expected life of the units may be very different. There is also the obvious point that, while funding the acquisition of properties by private landlords (Phase 2.3) appears to be the least-cost form of property regeneration on a per unit basis, it is also likely to be the one over which a Council exercises least control, e.g. in terms of the duration of subsequent tenancy arrangements that can be contractually enforced.

3.7.3. Further consideration of these issues is given in later sections of this report, which review the information gathered in Stage 2 of the evaluation.

3.7.4. One tentative conclusion that seems to emerge from the unit cost analysis summarised in Figure 3.5 is that the average cost of rehabilitating an empty property – at approximately £16,000 per unit for projects supported under the EHI – is lower than the cost of replacing it with an equivalent New Build unit. But even this conclusion needs to be caveated:

- a New Build project might be qualitatively superior, being designed to contemporary standards in energy efficiency, etc;
- it might have a longer expected life than a refurbished empty property;
- the Phase 3 development cost of an empty property is only equal to its economic cost if it is assumed to have zero market value in its pre-

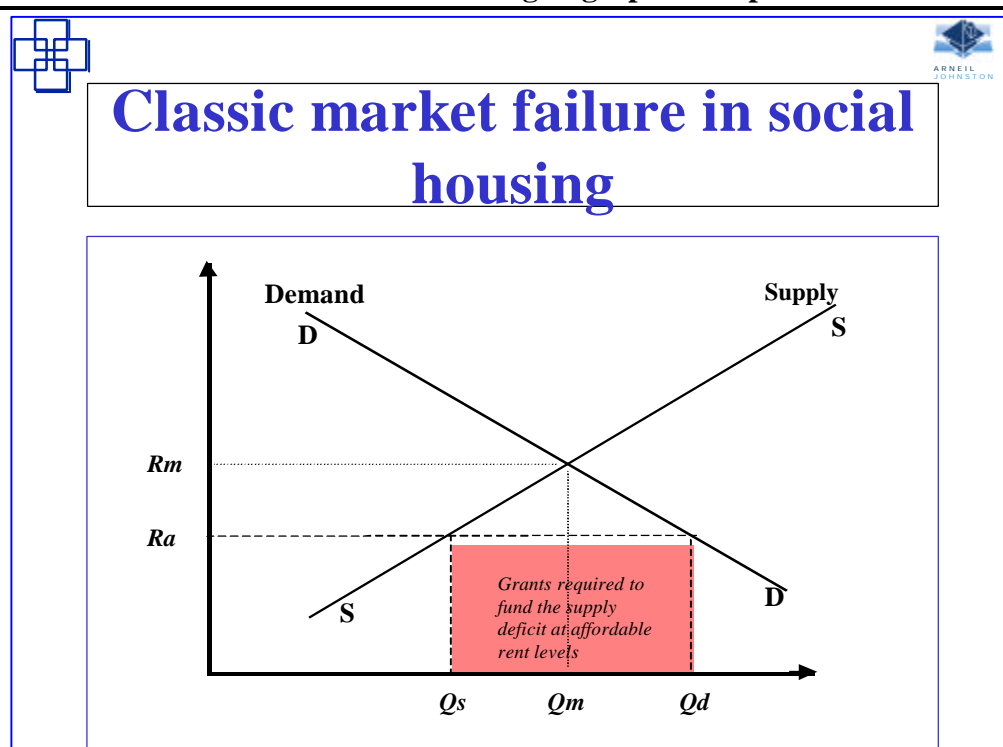
improved state. This may not be the case. Even if the property itself is derelict, there may be site value on the land on which it is located. For example, if the land value was £14,000 and the EHI development cost £16,000, then the economic cost of an EHI-supported unit would equate to £30,000, and this would be the relevant benchmark for a cost-effectiveness comparison against a New Build alternative.

4 The EHI's approach to redressing market failure

4.1 Definitions of market failure

4.1.1. The EHI was devised to help tackle the paradox of homelessness co-existing alongside empty residential properties. In economic terms, if properties that could provide housing accommodation are left empty, while at the same time homelessness is prevalent, then the housing market can be said to have failed. In seeking to remedy this failure, the first requirement is to identify the reasons why it has occurred. Figure 4.1 below provides a graphical representation of classic market failure, where demand exceeds supply because the price mechanism has not been allowed to work freely.

Figure 4.1
Classic market failure in social housing: a graphical representation



4.1.2. While Figure 4.1 is a theoretical example, it provides an illustration of market failure with some characteristics that are applicable to current empty homes issues.

4.1.3. In the example given in Figure 4.1, rents are set at an affordable level (R_a) below market clearing level (R_m). Because rents are artificially low, private landlords can only viably let out a small number of properties (Q_s). At the same time, low rental levels encourage high demand for rented properties, and the total potential demand (Q_d) equates to a much higher number of units than those available for rent (Q_s). The consequence is that only part of this demand can be satisfied, either by rationing or on a "first come first served" basis. In this simple example, some people could be homeless while others have empty homes that they are not prepared to rent because they would lose money by

doing so.

4.1.4. One remedy to such a problem would be to de-regulate rents, allowing them to rise to market-clearing levels, bringing more properties onto rental market while simultaneously reducing demand. In the example given in Figure 4.1, this would apply if rent levels rose to R_m , at which level supply and demand come into balance at Q_m . Alternatively, grants could be provided to social housing providers to fund the difference between the cost of supply and the rental yield. The shaded area in Figure 4.1 illustrates the grant requirement. The EHI is largely an example of this latter approach.

4.2 Sources of failure in the Scottish social housing market

4.2.1. In practice, the sources of market failure are likely to be far more complex than in this simple example. Possible sources may include the following:

- “demand side” failures. For example, landlords may be concerned that prospective tenants are not creditworthy, and there is a high risk of non-payment of rent. One solution to this problem would be for the Council to set up a Rent Guarantee Scheme to provide assurances to landlords that rents will be paid;
- a mismatch between tenants’ requirements and the design of properties available for them to rent. For example, elderly tenants may have difficulty using stairs in traditional tenements. A possible remedy for this problem might be the provision of refurbishment grants for the installation of lifts, entry phones, disabled access etc. to convert flats into sheltered accommodation;
- a mismatch between location and demand. For example, properties located in areas where tenants are reluctant to live because of the location, reputation, surrounding environment or perception of existing residents. One possible solution to this problem would be a property regeneration programme that forms part of a comprehensive regeneration strategy;
- lack of information about the potential opportunities for renting empty properties, both among landlords and prospective tenants. One possible solution to this problem would be to fund an Empty Homes Officer charged with collating available information and facilitating the interaction of supply and demand for empty properties;
- lack of confidence among funders about the strength of the covenant offered by social housing tenants, leading to an inability among landlords to raise finance for required refurbishment and modernisation. One possible solution to this problem might be a Loan Guarantee Scheme for the refurbishment of derelict properties. Another might be the intervention of a creditworthy middleman, such as an RSL, who would take the demand risk away from private landlords by undertaking to pay a minimum rent for the lease of a property whether or not it is occupied.

- 4.2.2. Evidence of the projects actually supported in the first three Rounds of the EHI suggests that certain projects within the overall programme are targeted to each of these forms of market failure. However, on the evidence of funding committed to date, overwhelmingly the most important source of market failure addressed by the EHI to date has been Classic Market Failure of the type illustrated in Figure 4.1. With reference to the five types of market failure identified in the bullet points above:
- Stage 4 projects addressing demand-side failures have accounted for only 5% of all projects supported to date;
 - property conversions to correct mismatches between property design and tenant requirements account for only a minority of Stage 3 approvals;
 - information provision, categorised as Stage 1.3 projects in our classification, account for less than a 0.25% of all approvals by value;
 - we could not identify any project addressing the issues of location and demand;
 - we could not identify a single Loan Guarantee project among the 217 projects approved to date.
- 4.2.3. On the basis of the facts that emerged from the Stage 1 Desk Review, 70% of the projects supported involve the rehabilitation, modernisation and conversion of empty properties. A further 20% of the projects involve the acquisition of empty properties by a sponsoring Council or RSL, with a rehabilitation / modernisation element generally built in.
- 4.2.4. The review indicated that the most important single reason that grant support was needed was that the expected returns from this social housing investment in the form of the future net rental stream was lower than the cost of the investment. Therefore, property redevelopment would not have been commercially viable without a grant.
- 4.2.5. Because of the dominance of Stage 3 Property Development projects in the overall allocation of EHI funds, we sought to analyse these projects in greater detail in the interview programme conducted with sponsoring local authorities in the first quarter of 2000. This entailed distinguishing between minor repairs and major structural alterations and according to the agent undertaking the improvement, with Councils, RSLs and private owners separately categorised.
- 4.2.6. The main findings of the local authority survey are set out in the next section of this evaluation.

5 The Survey of Sponsoring Local Authorities

5.1 The allocation of EHI Funds by Authority

5.1.1. Table 5.1 provides a summary of the allocation of EHI grants by Council for each of the three EHI funding rounds to date, in £'000s. It also shows the population for each local authority area as given in the *Municipal Yearbook 2000* and per capita allocations by authority.

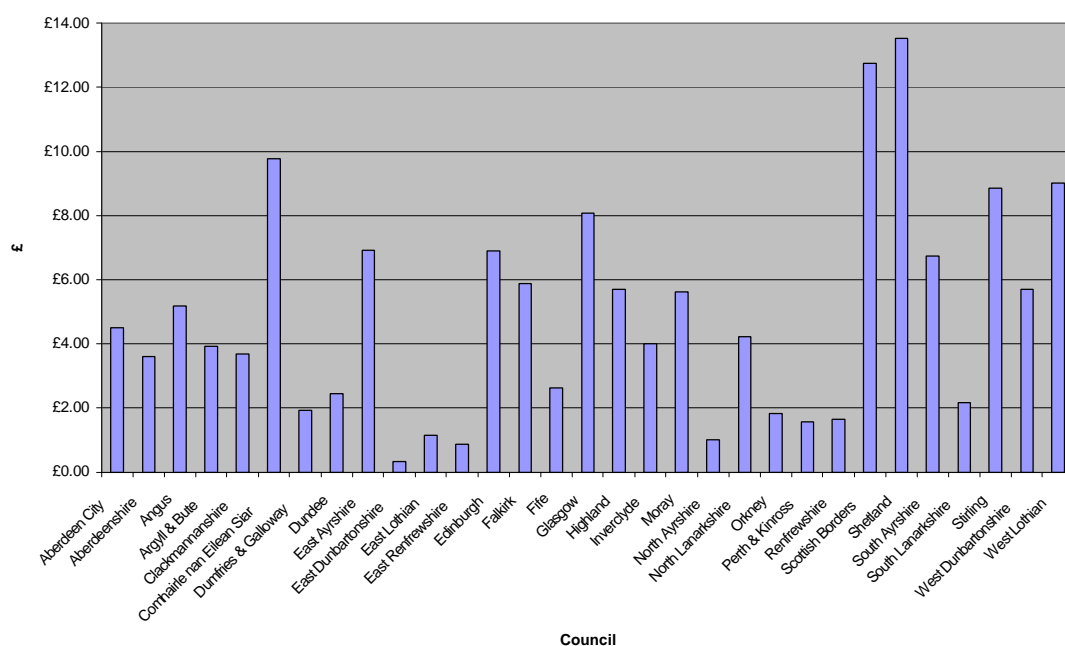
Table 5.1
Allocation of EHI Grants by Local Authority

<i>Council</i>	<i>Amount by Round, £'000</i>				<i>Pop.</i> <i>'000</i>	<i>Per</i> <i>capita</i>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>		
<i>Aberdeen City</i>	£0	£46	£516	£562	125.0	£4.49
<i>Aberdeenshire</i>	£31	£544	£240	£815	226.3	£3.60
<i>Angus</i>	£0	£30	£542	£572	110.2	£5.19
<i>Argyll & Bute</i>	£0	£30	£325	£355	90.6	£3.92
<i>Clackmannanshire</i>	£0	£0	£180	£180	48.8	£3.68
<i>Comhairle nan Eilean Siar</i>	£28	£40	£205	£273	27.9	£9.78
<i>Dumfries & Galloway</i>	£0	£55	£230	£285	147.9	£1.93
<i>Dundee</i>	£0	£30	£347	£377	153.7	£2.45
<i>East Ayrshire</i>	£58	£156	£642	£856	123.8	£6.91
<i>East Dunbartonshire</i>	£0	£0	£36	£36	110.7	£0.33
<i>East Lothian</i>	£7	£65	£30	£102	89.6	£1.14
<i>East Renfrewshire</i>	£0	£77	£0	£77	88.6	£0.87
<i>Edinburgh</i>	£255	£1,249	£1,603	£3,107	450.0	£6.90
<i>Falkirk</i>	£140	£192	£509	£841	143.0	£5.88
<i>Fife</i>	£0	£29	£888	£917	348.4	£2.63
<i>Glasgow</i>	£627	£1,604	£2,770	£5,001	619.0	£8.08
<i>Highland</i>	£127	£461	£600	£1,188	208.6	£5.70
<i>Inverclyde</i>	£0	£23	£324	£346	86.5	£4.00
<i>Moray</i>	£15	£170	£300	£485	86.0	£5.63
<i>North Ayrshire</i>	£0	£141	£0	£141	139.8	£1.01
<i>North Lanarkshire</i>	£348	£305	£724	£1,377	326.5	£4.22
<i>Orkney</i>	£0	£0	£36	£36	19.8	£1.81
<i>Perth & Kinross</i>	£0	£20	£189	£209	133.3	£1.57
<i>Renfrewshire</i>	£0	£0	£291	£291	178.3	£1.63
<i>Scottish Borders</i>	£64	£675	£614	£1,353	106.1	£12.75
<i>Shetland</i>	£11	£51	£246	£308	22.8	£13.53
<i>South Ayrshire</i>	£9	£28	£739	£775	114.9	£6.75
<i>South Lanarkshire</i>	£0	£168	£500	£668	307.4	£2.17
<i>Stirling</i>	£140	£230	£370	£740	83.6	£8.85
<i>West Dunbartonshire</i>	£30	£149	£367	£546	95.8	£5.70
<i>West Lothian</i>	£110	£425	£845	£1,380	153.1	£9.01
	£2,000	£6,993	£15,206	£24,199	4,965.9	£4.87

5.1.2. The Table reveals that the highest allocation went to Glasgow, which secured just over £5 million over the three rounds, followed by Edinburgh (£3.1 million). Allocations to the next four authorities are closely bunched, with North Lanarkshire and West Lothian each securing £1.38 million, followed by Scottish Borders (£1.35 million) and Highland (£1.19 million). The combined allocation to these six councils, at £13.4 million, equates to just over 55% of all allocations during the three rounds to date. No other council secured more than £1 million of approvals in aggregate over the three rounds.

5.1.3. However, in per capita terms, the picture is rather different, as shown in Figure 5.1. This shows that the smaller rural authorities did comparatively well, with Shetland gaining the biggest allocation on a per capita basis, at £13.53, followed by Scottish Borders (£12.75). Other small and rural authorities such as Western Isles, Stirling and West Lothian also did well in per capita terms, ranking ahead of the big urban authorities on this basis.

Figure 5.1
EHI Grant Allocations by Authority on a per capita basis



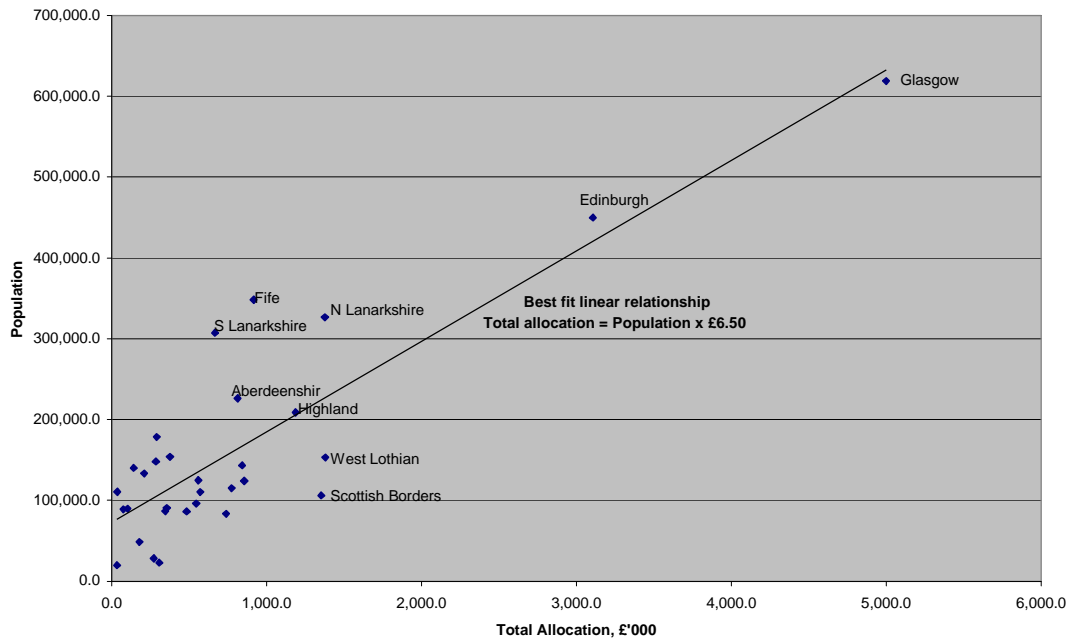
5.1.4. We regressed the total allocation for each of the 31 local authorities receiving support against their populations. The results are graphed in Figure 5.2, and the best-fit linear trend line indicates that there was a statistically significant relationship between population and allocation, as one would expect. However, there is no evidence of bias in favour of the larger authorities.

5.1.5. The best fit linear trend line between the points plotted on Figure 5.2 is represented by the equation:

$$\text{Allocation per authority} = -(\pounds 263\text{K}) + (\text{Population} \times \pounds 6.50)$$

with a correlation coefficient (R^2) of 0.73 and a standard error of the forecast allocation per authority of $\pounds 523\text{K}$.

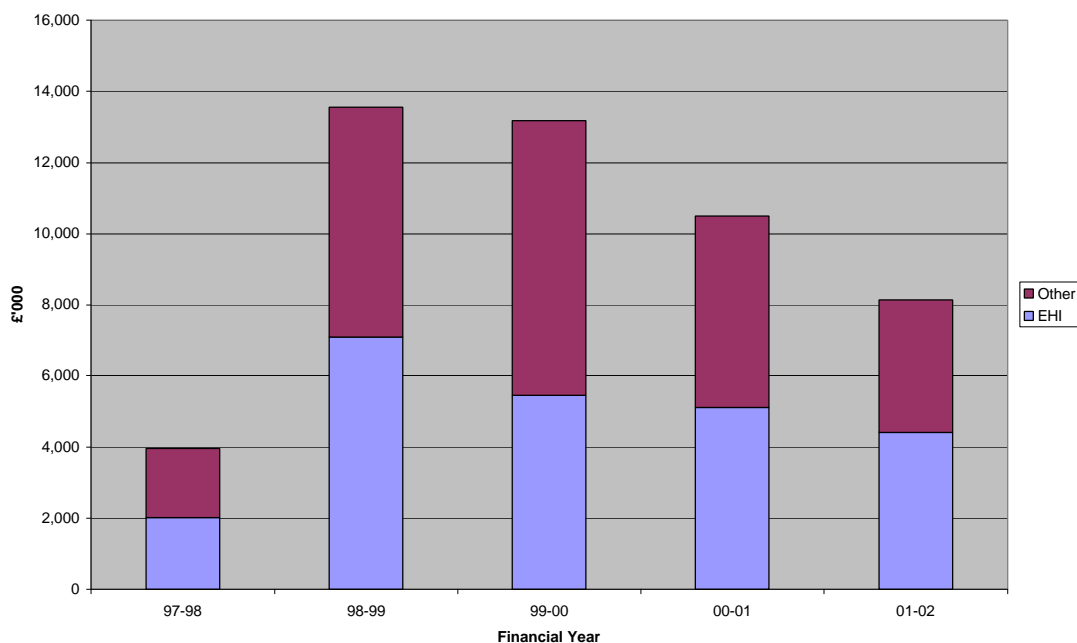
Figure 5.2
Relationship between population and total EHI allocations



5.2 The pattern of disbursement

- 5.2.1. Table 5.1 indicates that $\pounds 24$ million of grant support has been approved under the EHI to date. The responses to our survey of sponsoring authorities indicates that this has been matched by a total of approximately $\pounds 27$ million of other funding, bringing the total committed investment in EHI projects up to $\pounds 51$ million. Details of the funding secured for each of the 217 approved projects are provided in Annexe 2 to this report.
- 5.2.2. The anticipated pattern of disbursement at the time of grant approval is shown in Figure 5.3 below, distinguishing between EHI grants and complementary funding leveraged in under the initiative.
- 5.2.3. Figure 5.3 reveals that, in total, it was anticipated that expenditure on EHI supported projects would rise from $\pounds 4$ million in financial year 1997/98 to over $\pounds 13$ million in 1998/99 and 1999/2000 before falling back to $\pounds 10.5$ million in 2000/01 and $\pounds 8.5$ million in 2001/02.
- 5.2.4. The actual pattern of expenditure in the first three years of the initiative (1997/98-1999/2000) is compared with the forecast disbursement profile in Table 5.2.

Figure 5.3
Forecast investment in EHI-supported projects at the date of approval



Source: Adapted from the EHI Database. Information provided by the 31 Scottish Local Authorities sponsoring EHI-funded projects

5.2.5. Table 5.2 indicates that the actual level of disbursement has been somewhat lower than that forecast at the time of the original approval. It should be noted that the figures for actual expenditure in the financial year 1999/2000 do not reflect the full year, as the sponsors' survey was conducted in the final quarter, so the 1999/2000 figures may understate the full year outturn.

Table 5.2
The EHI: Forecast versus Actual Expenditure to Date

	97-98	98-99	99-00	00-01	01-02
Forecast at approval:					
EHI	2,012.2	7,082.8	5,451.3	5,107.3	4,407.6
Other	1,948.1	6,472.8	7,727.1	5,391.2	3,724.6
Total	3,960.3	13,555.6	13,178.4	10,498.6	8,132.2
Actual to date:					
EHI	1,740.5	5,120.7	2,816.7		
Other	1,675.2	5,004.8	6,114.7		
Total	3,415.7	10,125.5	8,931.4		

Source: Adapted from the EHI Database. Information provided by the 31 Scottish Local Authorities sponsoring EHI-funded projects

5.2.6. Table 5.2 reveals that total disbursements of EHI plus other funds amounted to £3.4 million in the first year of the initiative in 1997/98, or about 85% of the anticipated amount in that year, and just over £10 million in the second year,

or approximately 75% of forecast. It could therefore be anticipated that the actual profile of expenditure over the five-year programme cycle will be flatter than the forecast profile shown in Figure 1.3, with slippage implying that the rate of decline in future years will be less steep than shown on the graph.

5.3 *Reasons for empty homes*

5.3.1. A number of local authorities used the Empty Homes Databases they developed to analyse the reasons why properties remained empty. The findings of these analyses need to be treated with caution because of the limited sample bases from which they were drawn and the differing scope and methodologies applied by different authorities. Nevertheless, the results of the research undertaken by five authorities from which statistics were obtained throw an interesting light on the underlying factors behind empty properties in Scotland. The five authorities in the sample included two rural authorities in Moray and Highland, two largely urban authorities, (North Lanarkshire and West Dunbartonshire), and one authority that contains a mixture of urban and rural areas (South Lanarkshire).

5.3.2. Each of these authorities undertook a survey of empty properties to:

- identify those which could be brought back into use;
- establish their ownership, location and condition;
- seek to establish the reasons preventing the properties from being used; and
- estimate the costs of bringing these empty properties back into use.

5.3.3. To achieve these objectives, the authorities followed general research from secondary sources with postal surveys of identified owners of empty properties. The extent to which this research addressed these questions varied, with only Moray and South Lanarkshire offering quantitative as opposed to impressionistic responses. It should be noted that, in the absence of other quantitative research, these two surveys constitute the only sources of quantified information on the underlying reasons for empty properties, although we have no reason to suppose that they are untypical of authorities covering similar areas.

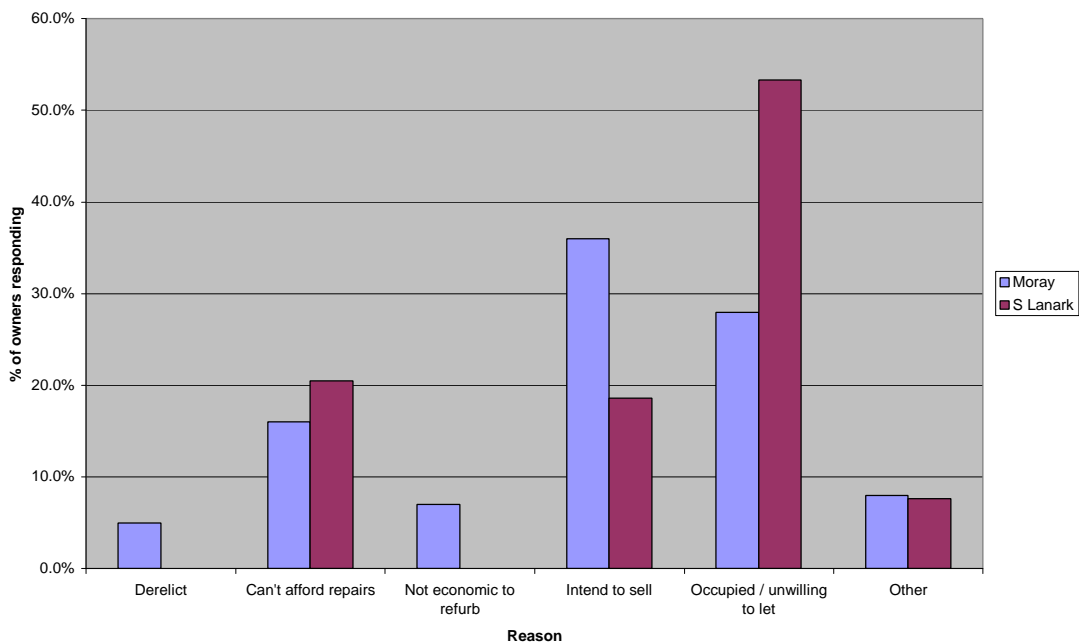
5.3.4. The quantitative responses on the reasons for empty properties provided by the Moray and South Lanarkshire surveys are summarised in Figure 5.4.

5.3.5. Salient points emerging from Figure 5.4 include the following:

- at most, only 20-30% of empty properties were empty for economic reasons, because the owners could not afford the costs of repairs;
- between a fifth and a third of all the properties recorded as being empty were empty because the owners intended to sell them, and therefore they would not be available for rent under any circumstances;

- a large proportion of properties remained empty because the owners were *unwilling* to let. This proportion varied between 28% for Moray and just over 50% in South Lanarkshire. However, South Lanarkshire concluded, “a number of these owners may be encouraged to let their property if the right support and advice were available to them”. The South Lanarkshire analysis suggested that the main reason for the reluctance of private owners to rent appeared to be related to the perceived management difficulties associated with renting. This conclusion was supported by the response to a later question in the South Lanarkshire survey, which found that two-thirds of the owners responding to the survey “expressed an interest either in talking to the council, a RSL, or a private letting agent for advice or assistance to manage their property”. As the South Lanarkshire report commented, this would seem to indicate that there is a willingness amongst owners to become involved in the private rented sector if there is support available.

Figure 5.4
Reasons for empty properties in Moray and South Lanarkshire



Source: Adapted from survey data provided by Moray and South Lanarkshire Councils

5.3.6. The West Dunbartonshire survey was different in type to that of either Moray or South Lanarkshire, in focusing on local authority as well as privately owned properties. The West Dunbartonshire survey established that, although local authority housing accounted for 37% of the total stock of 32,000 residential properties in the local authority area, it represented 63% of the void stock. The survey also concluded that most of the 643 void local authority properties were empty because of lack of demand, with over 600 classified as “difficult to let”, rather than because of lack of willingness to let. The survey stated that “we were unable to identify the reason for the large number of void privately

owned residential properties, due to a lack of information from owners. Of those we were able to identify, the most significant reason was an inability to dispose of houses on the open market”. (West Dunbartonshire Council, *Empty Homes Initiative, Final Report* by ODS Ltd). It was not possible to identify the reasons why private residential properties remain empty from the Highland or North Lanarkshire reports.

- 5.3.7. However, it is noteworthy in the case of West Dunbartonshire that only 41 private sector owners, comprising just over a third of those who responded, expressed an interest in the EHI. Of the remainder, 29% were reported to definitely not be interested, while 33% remained undecided or failed to respond. This would suggest that, for the two thirds of private owners who did not express an interest or failed to respond, the reasons that their properties remained empty reflected an unwillingness on their part to make them available for let, rather than a lack of funds to put them into lettable condition. This would be broadly consistent with the results from Moray and South Lanarkshire.
- 5.3.8. From these indicative and admittedly incomplete surveys, it would seem that the majority of EHI approvals to date target only a very small part of the empty homes problem, namely those properties which remain empty for economic reasons. The 70% of approvals given to “Stage 3” property refurbishment and upgrading projects address the problem of properties remaining empty because the cost of repairs is in excess of the expected commercial return that the owner anticipates following the repairs. But Figure 5.4 suggests that this accounts at most for a third of all the empty homes. At least equally as serious a constraint is the lack of willingness among private owners to make their properties available for let, because of the management burden and the problems they anticipated in this. Most EHI-supported projects did not address this “Stage 4” demand side problem. However, where private owners are willing to sell their properties rather than leave them empty for an indefinite period, one option is for Councils or RSLs to buy them with a view to re-letting, and some of the Stage 2 Acquisition projects did fall into this category.
- 5.3.9. One implication could be that, if the EHI is extended, greater emphasis could be placed on demand-side initiatives. One example of such an initiative is where Councils and / or RSLs act as Managing Agents for privately-owned empty properties, and thus take the perceived letting risk away from private owners. By offering a guaranteed minimum rental yield and management services to ensure that a social rented property was kept in good condition throughout the tenancy, a managing agent could help to mobilise additional empty properties for use. Examples of where an authority is seeking to act as such a managing agent include the initiatives underway in Shetland and North Lanarkshire. A practical constraint to this process is reported to have been the duration of the lease term, with many private owners reluctant to release their property under the terms of such an agreement much beyond 3-5 years.
- 5.3.10. One issue is how a Council or an RSL seeking to act as a Managing Agent could secure empty privately-owned properties for re-let to social housing

tenants as cost-effectively as possible. Detailed consideration of this issue lies outside the terms of reference for this evaluation, but one method that might merit further consideration is the use of an auction system. Auctions have immense potential, already partly realised through established tendering systems, as methods of securing assets or services for the public sector as cost-effectively as possible. They can also be used to secure the best possible price for the sale of common or public sector, as recently demonstrated by the auction of mobile phone licence rights, which realised £22.5 billion in revenues for the Exchequer compared to the Treasury’s budgetary estimate of £3 billion. Possible application of the auction mechanism as a cost-effective method of procurement of leases on empty private properties is discussed in greater detail in Annexe 4 to this report.

- 5.3.11. Another interesting initiative to address the demand-side constraint is the support given by the City of Edinburgh Council to young single homeless people during their first tenancy period. This addresses a further reason for reluctance to let on the part of private owners, namely the concern that tenants will either not pay their rents or will not take proper care of the property.

5.4 Analysis of grants and projects by location

- 5.4.1. Table 5.3 below summaries approved grants by location, distinguishing between rural, villages, towns and cities.

Table 5.3
Allocation of approved EHI Grants by Location

<i>Location</i>	<i>Total funding, £'000</i>			
	<i>Nos</i>	<i>EHI Grant</i>	<i>Other funding</i>	<i>Unit nos</i>
<i>Rural</i>	21	£1,233	£1,818	71
<i>Rural – Village</i>	21	£2,403	£2,913	212
<i>Town</i>	57	£6,911	£10,479	463
<i>City</i>	61	£9,707	£10,893	661
<i>Mixed</i>	57	£3,768	£853	216
<i>Total</i>	217	£24,021	£26,956	1,623

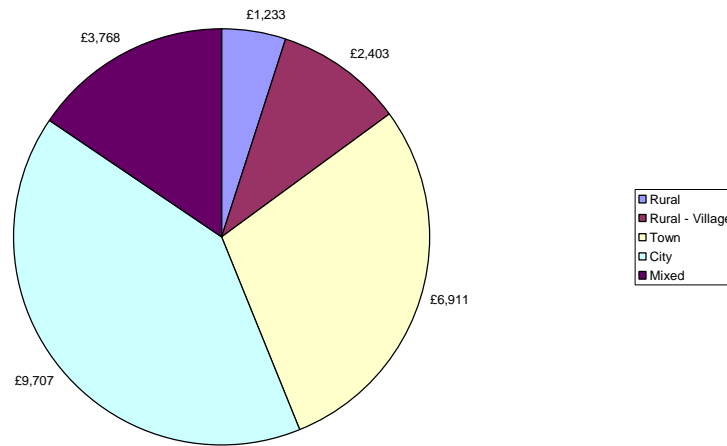
Source: Adapted from the EHI Database. Information provided by the 31 Scottish Local Authorities sponsoring EHI-funded projects. Classifications were those given by the responding Local Authorities themselves.

The overall allocation is shown graphically in Figure 5.5, which shows that:

- allocations to urban areas have accounted for more than two-thirds of the total EHI grant funding to date, with projects located in cities accounting for £9.7 million (or 40% of total allocations), while projects in towns have accounted for a further £6.9 million (or just under 30%);
- rural areas were allocated a total of £2.63 million, or just over 10% of all EHI grants approved in the first three rounds, with the balance being allocated to areas defined as “various” (mixed rural / urban) or not defined.

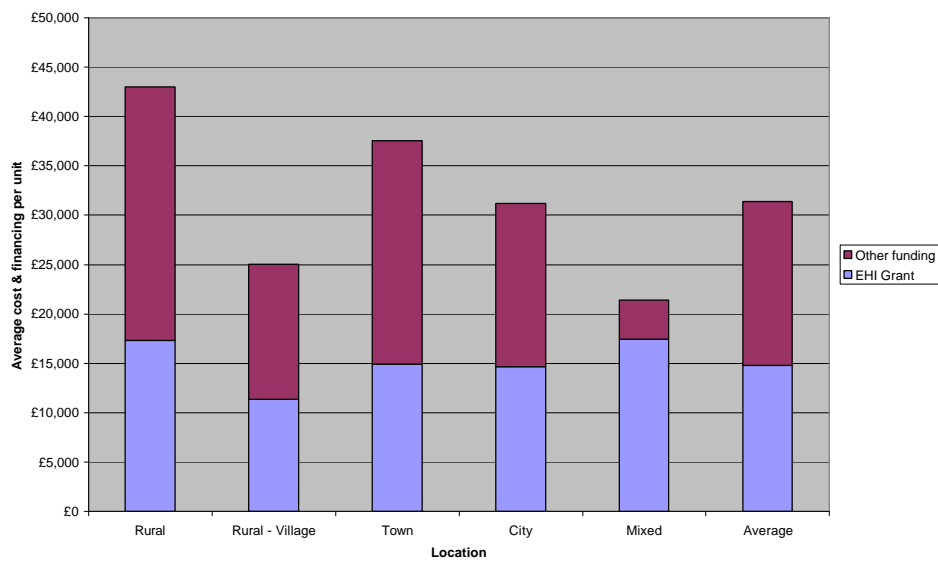
This broadly reflects the distribution of population in Scotland, as described in Section 5.1. Certainly there is no evidence of allocation bias against rural areas, and in per capita terms many have done comparatively well.

Figure 5.5
Allocation of approved EHI Grants by Location



The average cost per unit within each of the locations is shown in Figure 5.6 below, which is derived by dividing through the EHI grant and other funding by the number of projects in each of the four geographic areas.

Figure 5.6
Unit costs of EHI-supported projects by location



Source: Adapted from the EHI Database. Information provided by the 31 Scottish Local 5 Authorities sponsoring EHI-funded projects

A number of points of interest emerge from this graph, which may be summarised as follows:

- the average EHI grant per unit for projects involving direct investment in properties was £15,000;
- this was matched by private sector and other sources of funding averaging approximately £16,000, to bring the total cost per unit to approximately £31,000;
- the unit cost of projects defined by the sponsoring authorities as located in major urban centres was very close to this overall average;
- projects in villages were somewhat cheaper, with a total cost per unit of £25,000, of which approximately £11,000 was funded by EHI grant;
- by contrast, in rural areas, the average unit cost was much higher at over £40,000, although the EHI grant for these projects was only slightly above the average at approximately £17,000 per unit.

5.5 Analysis by stage of the property regeneration cycle

Classification of each stage

5.5.1. In order to analyse the comparative costs of EHI-supported projects at each stage of the property regeneration cycle, the definition of the third of the four stages identified during the desk review was further refined into the following sub-groups:

3.2 Minor refurbishment

3.3 Major refurbishment, including structural alterations and conversions.

5.5.2. For each type of property preparation, a distinction was also made according to the agent undertaking the improvement, with three categories identified: the council (C), RSLs, principally Housing Associations (HA) and private owners (PO).

5.5.3. In analysing the costs incurred at each stage of the property cycle, it should be emphasised that to some extent the distinction between doing minor works under Stage 3.2 and major works and structural alterations under Stage 3.3 may overlap. The consultancy team sought as far as possible to distinguish between the two in interviews. It should also be noted that there were a number of properties that were both acquired and upgraded under a single project, so in some cases the distinction between Stage 2 (acquisitions) and Stage 3 (preparation) is somewhat arbitrary. As far as possible, each project was classified as being in the stage at which the majority of the expenditure was incurred.

Cost analysis methodology

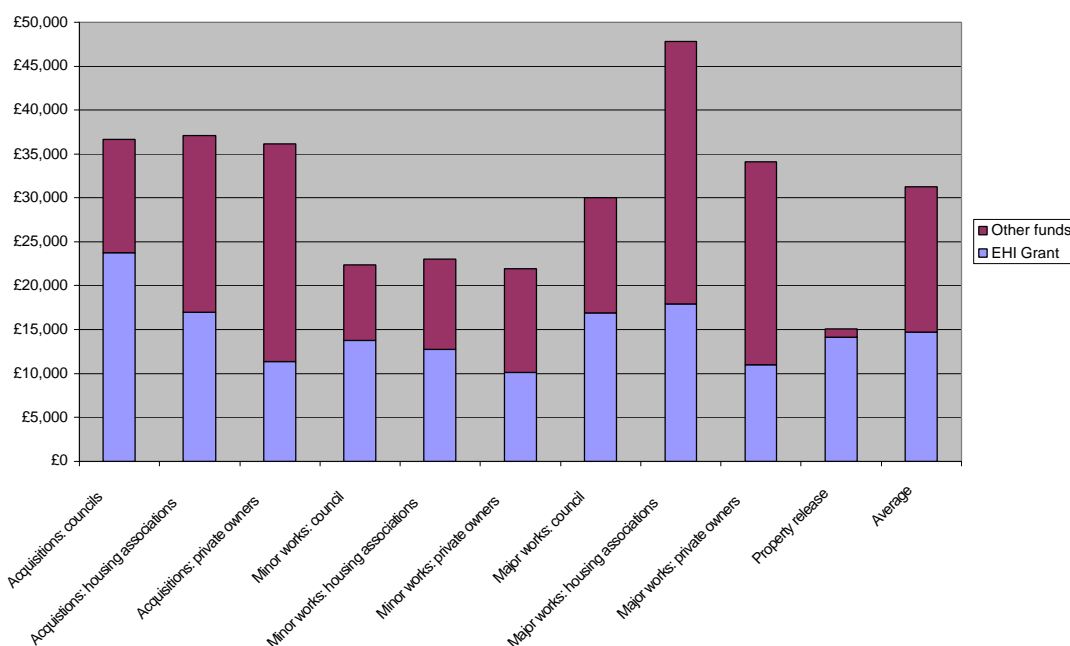
- 5.5.4. An analysis of the costs of the projects by stage of the regeneration cycle and by regeneration agent throws up some quite remarkable and counter-intuitive results.
- 5.5.5. We analysed the data on two bases. The first was according to their unit cost, which is calculated simply as the total project cost divided by the number of units brought into use as a result of each project. The second basis refined this analysis by taking into account the amount of time for which each unit is actually available for social housing following project completion.
- 5.5.6. In the case of a property owned by the Council, in most cases this period equates with the expected lifetime of the property itself. For the purposes of the analysis, if a Council purchased an empty property with EHI grant assistance, it was accounted as having 100% nomination rights. As long as the property is available, the Council can in principle use it for social housing purposes, although in some cases the Council sold the property, e.g. for LCHO.
- 5.5.7. In the case of properties owned by RSLs such as Housing Associations, the Council often has nomination rights to use the property for social purposes. Where a property is owned by a private landlord, the rights which a council enjoys with respect to that property is subject to an agreed contract with the private owner, often not extending beyond ten years.
- 5.5.8. In the base case, we calculated the number of years a property was available for social housing via nomination rights by applying the formula:
- $$N \times Y \times \%R$$
- Where
- N = the number of units brought back into use by an EHI-funded project;
 - Y = the number of years for which that property is available for social housing as indicated in interviews with the sponsoring authority; and
 - %R = percentage of nomination rights granted to the sponsoring authority.
- This formula calculates the “cost per year of nomination rights” purchased by a local authority.
- 5.5.9. It should be noted that the effect of this formula is to adjust social housing years according to the percentage of nomination rights controlled by the Council. However, in the case of RSLs, all units provided are available for social housing, whether or not the Council has nomination rights over them, which is not the case with private landlords. Therefore, in the case of RSL-owned projects, the cost per social housing year was also calculated without adjusting for the percentage of nomination rights given to a Council.

Total costs per unit

- 5.5.10. Applying this methodology, Figure 5.7 summarises the average cost per unit at each stage of the project cycle, distinguishing between projects directly implemented by Councils, RSLs and private owners / developers.

The data on which this Figure is based is summarised in Annexe 3, Table A. It reveals that the most expensive project type by stage and sponsor are major refurbishment and structural alterations by RSLs (Stage 3.3). There were 26 projects of this type, costing an average of £47,870 per unit, of which £17,944 was funded by EHI grant, and £29,925 by other sources of funds. Perhaps not surprisingly, “minor works” projects (Stage 3.2 in our classification) were significantly cheaper on a per unit basis, at a total unit cost of between £22-£23K, whether implemented by Councils, RSLs or private developers.

Figure 5.7
Average cost per unit at different stages of the property cycle



Source: Adapted from the EHI Database. Information provided by the 31 Scottish Local Authorities sponsoring EHI-funded projects

Figure 5.7 also reveals that acquisition projects (Stage 2) had an average cost of £36-37K per unit, again whether implemented by Councils, RSLs or private developers.

Costs per unit per year of nomination rights

5.5.11. So does this mean that minor works projects are more cost-effective than major refurbishment and conversion projects? To address this question, an analysis of the “cost per year of nomination rights” was carried out. The results of this analysis are shown graphically on Figure 5.8, and summarised in tabular form in Table B in Annexe 3.

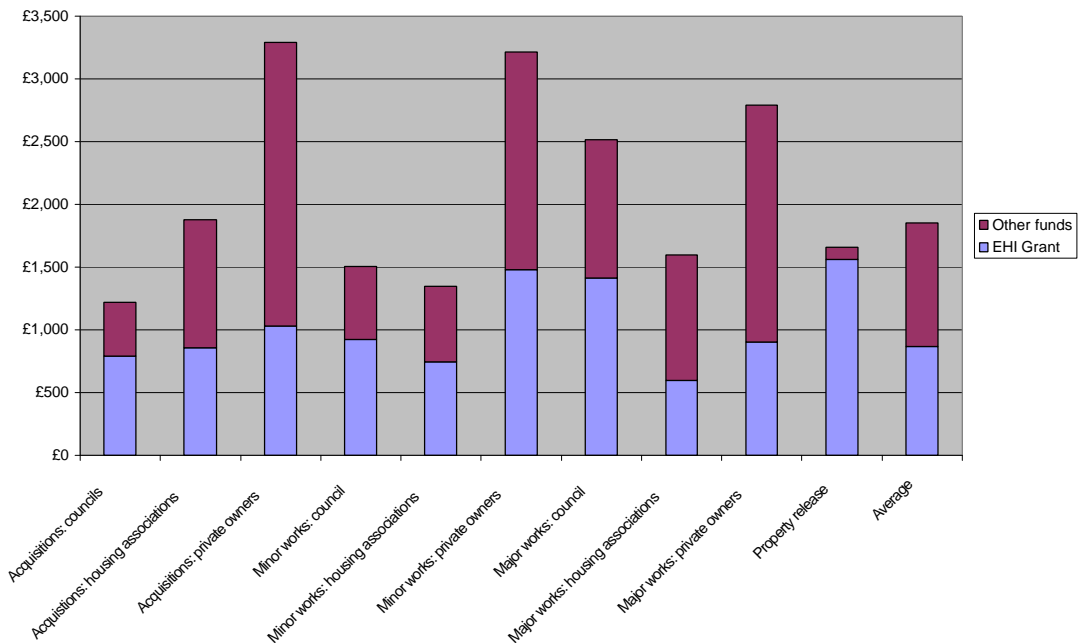
5.5.12. Figure 5.8 reveals the following:

- the most expensive projects on a “£ per year of nomination rights” basis are acquisitions by private owners and developers (POs) at £3,290 p.a.,

followed by minor works implemented by POs (£3,220 p.a.), and major works by POs (£2,800 p.a.);

- these are followed by major works projects sponsored by Councils (£2,500 p.a.);
- RSL projects are comparatively cost-effective on a “£ per year of nomination rights” basis: with acquisitions costing £1,880 p.a., major works £1,600 and minor works £1,350. This figure includes an adjustment for the percentage nomination rights secured by local authorities where an RSL was its partner in an EHI project.

Figure 5.8
Cost per year of nomination rights at different stages of the property cycle



Source: Adapted from the EHI Database. Information provided by the 31 Scottish Local Authorities sponsoring EHI-funded projects

5.5.13. All these figures are for total costs. In terms of the costs to the EHI (i.e. netting out the other funding leveraged in for each project), RSLs again perform well: with acquisitions costing £860 per year of nomination rights, minor works £745 p.a. and major works £598 p.a. If no adjustment were made for percentage nomination rights, in other words if all RSL housing is assumed to be available for social rent, then the net cost per year of social housing would be even lower. For example, we estimated that the EHI cost per social housing year via RSLs falls to £550 on this basis, compared to £598 if an adjustment is made according to the percentage of nomination rights granted to local authorities.

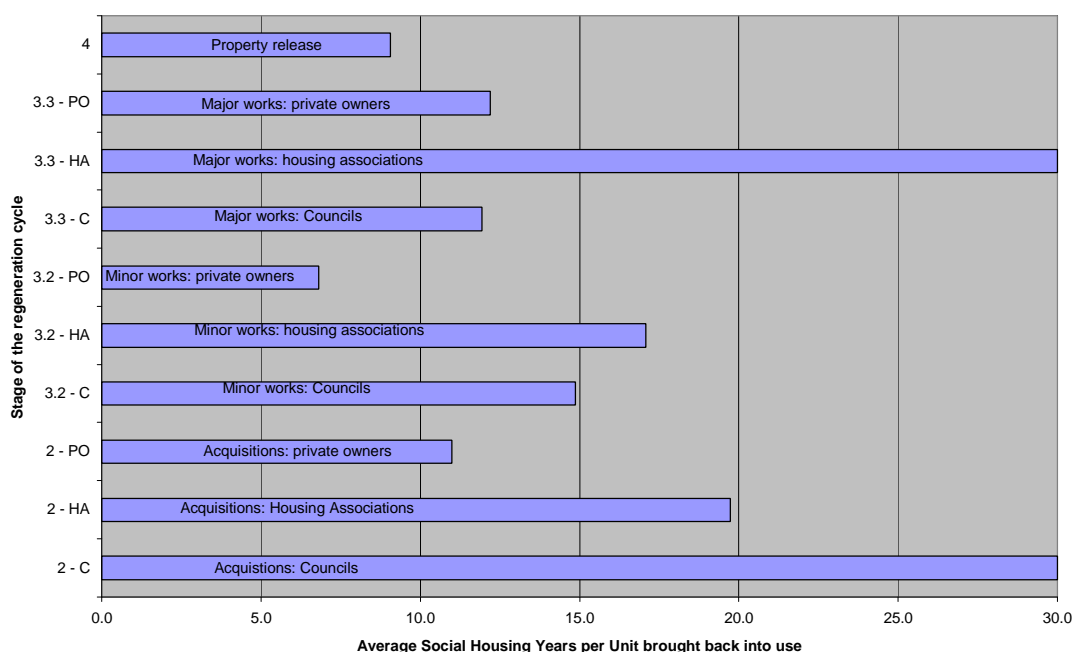
5.5.14. This last result is truly startling. *While major works commissioned by RSLs under the EHI ranked as the most expensive on a per unit basis, they emerged*

as the most cost-effective form of social housing regeneration on the basis of a cost per year of nomination rights or on a per social housing year basis.

5.5.15. This apparent paradox requires some explanation.

5.5.16. There appear to be two main reasons for it. First of all, according to the responses to our interview questionnaire, major refurbishment and upgrading projects typically gave empty properties an entirely new lease of life, which was not necessarily the case for minor works projects or acquisitions, as shown in Figure 5.9.

Figure 5.9
Average “social housing years” per unit at different stages of the property cycle



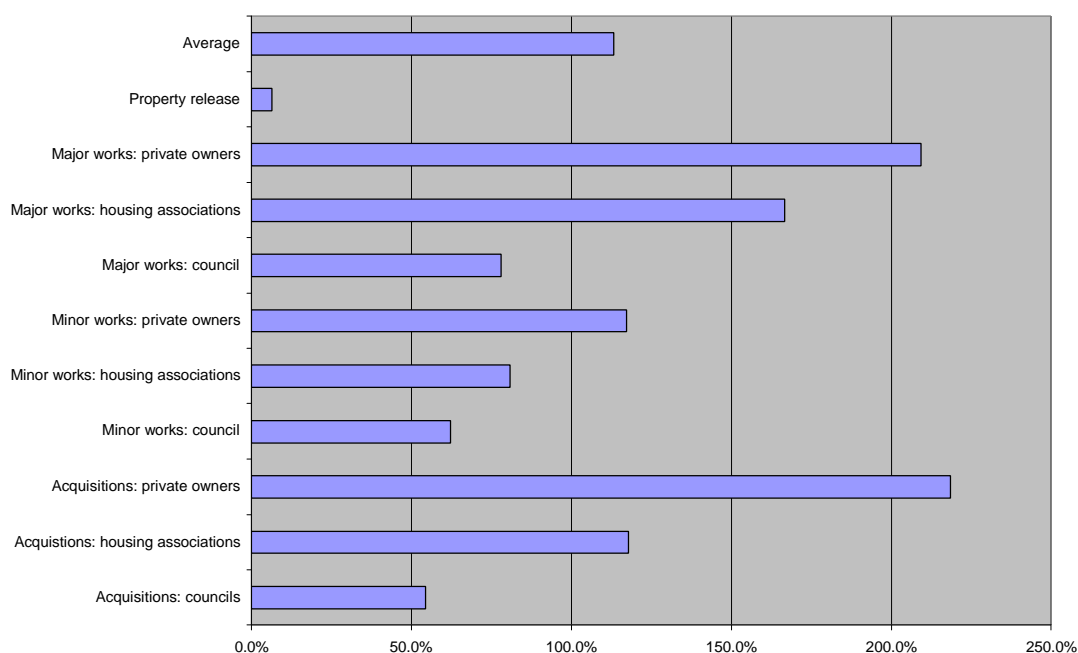
Source: Adapted from the EHI Database. Information provided by the 31 Scottish Local Authorities sponsoring EHI-funded projects

5.5.17. The Figure shows the average years of social housing achieved by each type of project, and reveals that major refurbishments by RSLs typically released properties back into social housing use for 30 years, the maximum specified in our questionnaire. By contrast, for example, acquisitions and major works by private developers only generated an average 11-12 years of social housing use, while minor works by private owners gave an average 6.8 years of social housing use per unit. Based on the responses given to our questionnaire, major refurbishments by local authorities only have an average life expectancy of between 10 and 15 years. This reflects the fact that many local authority projects were subsequently transferred to private ownership, often through low-cost home ownership (LCHO) schemes, tending to reduce the average time for which the completed projects were available for social housing use.

5.5.18. The second significant factor behind the comparative cost-effectiveness of major works in terms of EHI grant funding per unit is the high degree of leverage achieved by mobilising private finance for these projects. This is illustrated in Figure 5.10, which shows the leverage factor achieved at different stages of the property regeneration cycle by different types of owner, where leverage is defined as the ratio of non-EHI funding to EHI funding achieved on each project.

5.5.19. Figure 5.10 reveals that leverage for major refurbishment projects was more than 2:1 for private owners and 1.5:1 for RSLs, but less than 1:1 for council-sponsored projects. The leverage achieved for minor refurbishments and acquisitions was also higher for RSLs and private owners than for councils, although for all categories the leverage achieved for minor works was less than for major works. In other words, it would appear that private finance can be more easily mobilised for major structural upgrading and conversion projects than it can be for minor refurbishment works and redecoration. The consequence is that the net cost to the public exchequer of major structural upgrading is actually less than for minor refurbishment works, although the *total* cost is greater for major projects; the difference being made up by private finance and other sources of funds leveraged in for major refurbments.

Figure 5.10
Leverage factors at different stages of the property cycle



Source: Adapted from the EHI Database. Information provided by the 31 Scottish Local Authorities sponsoring EHI-funded projects

Policy implications

5.5.20. Our calculations would appear to give powerful vindication to the RSL movement as an effective instrument for delivering social housing in both cost per year terms and as a mechanism for leveraging in private finance.

5.5.21. From a policy viewpoint, the results of the cost analysis suggest the following:

- if the policy objective is to leverage in as much private finance as possible to upgrade empty properties at as low a cost per unit as possible to the Exchequer, then the best method could be an auction system in which bids for grant finance were invited from the private sector and RSLs and funds then distributed according to the cost per unit until the total grant allocation was fully allocated. The bids offering the lowest price per unit would be allocated funds first, and further allocations would be made to progressively more expensive projects until the available funds were fully committed. As Figure 5.10 shows, leverage was maximised in major works and acquisition projects sponsored by private owners;
- however, if the policy objective is to maximise the amount of social housing made available for any given sum, then it would appear that the most cost-effective method could be through a more limited tender, particularly focusing on major refurbishments of empty properties undertaken by RSLs, again perhaps using an auction system, but taking into account the amount of complementary private finance that could be leveraged in to add to the grant funds made available. In this case, an auction system might be conducted on the basis of bids costed on a “per social housing year” rather than a “per unit” basis;
- if the policy objective is to target specific groups in need, then the most cost-effective approach might be to use the local authorities themselves, not just as an enabling agent, but as a direct provider of the last resort.

5.6 *The evolving role of the local authority in social housing provision*

5.6.1. In recent years, constraints on local authority budgets, and wider restrictions on the Public Sector Borrowing Requirement (PSBR) have placed major limitations on the ability of local authorities to directly finance social housing investment. This has been a major factor in the progressive shift in ownership of social housing away from local authorities and towards RSLs. Borrowing by RSLs does not count as a strike against the PSBR and is technically private finance with no underlying guarantees by the taxpayer – i.e. the lender is exposed to what economists term “moral hazard”, so they rather than the State ultimately bear the bad debt risk.

5.6.2. Our review of the projects funded by the Empty Homes Initiative indicates that the EHI itself has been a further catalyst to this process. The picture that emerges in EHI programmes is that Scottish local authorities are increasingly concentrating on their “client” or “enabling” function in the provision of social housing, with the actual delivery of social housing services largely contracted to RSLs such as Housing Associations. It should be emphasised that local authorities do not necessarily see their role purely as enablers or providers of the last resort. This is an observation on current trends rather than a statement of the view of local authorities themselves.

- 5.6.3. The one exception to this rule is where local authorities themselves have had to act as “providers of the last resort” because the private market is either unwilling or unable to meet social housing needs. Generally this is not a supply side problem, except in a diminishing number of isolated rural areas characterised by a scarcity of private sector developers and social housing providers. In most urban areas, a viable private sector exists with the capacity to develop and manage social housing, provided that the rental stream including benefit payments is sufficient to at least cover their costs.
- 5.6.4. The major bottleneck in the efficient functioning of the social housing market appears to be on the demand side. There are specific groups in need who have no access to accommodation provided through the privately funded social housing market. The reason appears to be that these groups are not regarded as sufficiently creditworthy or reliable to be viable tenants to private sector social housing providers such as RSLs. Reasons for this include:
- a history of alcohol or drug abuse;
 - disability;
 - the lack of an initial deposit; or
 - the lack of some alternative covenant to assure a landlord of regular rental payments, as in the case of the young single homeless or young single mothers.
- 5.6.5. To the extent that the public sector has to act as a “provider of the last resort” for socially deprived groups because they cannot secure access to private or RSL-owned social housing stock, it is likely to incur higher costs on a per unit or per individual tenant basis. The reason is that the special needs of these groups require greater support than the average social housing tenant served by private landlords or RSLs. The valuation of this additional support level lies beyond the remit of the evaluation, and may be different for different groups – e.g. young single mothers would need a different type of support than recovering alcoholics. Nevertheless, it would appear that additional support is likely to be required for groups who, for whatever reason, cannot gain access to the social housing market as supplied by RSLs and private owners. One member of the Advisory Group for the EHI Evaluation made the point that this may not be currently taken into account in the financial allocations to local authorities.
- 5.6.6. In summary, the role of the local authorities is evolving from being a direct provider of social housing to becoming an enabler to ensure that social housing needs are met through one of three main methods:
- *as a client* for social housing services, providing grants or annual service charges in return for nomination rights to privately-financed social housing, managed by private registered social landlords;

- *as a catalyst* for development, bringing together a variety of partners to implement social housing projects; and
- *as a provider of the last resort*, stepping in to regenerate empty properties for use by specific social groups in need, who for whatever reason are not deemed to be viable tenants by the private sector.

6 Local Authority Empty Homes Strategies

6.1 Research on Empty Properties

- 6.1.1. As part of the survey of sponsoring local authorities, respondents were requested to state whether they had undertaken detailed research into the nature and extent of the empty homes problem in their area. The responses indicate that all but three had undertaken some form of research.
- 6.1.2. The three authorities that had not undertaken either primary or secondary research within the three EHI Rounds gave their reasons as follows:
- a review of their council tax registers indicated that the extent of the empty homes problem was not great in their areas; and
 - to the extent that it existed, they already possessed sufficient information on its nature and extent to devise an appropriate strategy to address it without undertaking extensive additional research.
- 6.1.3. All the other authorities had undertaken at least secondary research, with the base source of data for secondary research being the council tax register. Seven of the authorities interviewed had undertaken surveys of their entire area, and a further seven had undertaken partial surveys. One pilot survey had also been conducted. These surveys typically took the form of mailshots of owners of properties benefiting from a discount in council tax payment. Most of the sponsoring authorities indicated that their surveys had caused no particular problems. However, one authority stated that the survey “gave rise to an unusually large number of complaints” because of the perceived intrusion of privacy, because information supplied for one purpose (namely council tax returns) had been used for another purpose. Some survey respondents had claimed that this was in contravention to the Data Protection Act although council officers interviewed were aware of data protection issues and were satisfied that all relevant regulations had been observed.
- 6.1.4. General trends which emerged from the questions on empty homes research included the following:
- those authorities that had undertaken surveys of their entire area were typically the smaller ones, while the surveys commissioned by the larger authorities were targeted on specific priority areas;
 - secondary research was almost exclusively undertaken by council officers directly. Only one authority had retained an external consultant for this purpose. However, three of the authorities undertaking primary research had used external consultants for this purpose, while the six who had used in-house resources had largely drawn on Empty Homes Officers (EHOs) funded under the EHI. In other words, while secondary research collating information from the council tax registers had been carried out with

mainstream Council resources, primary research required dedicated resources in the form either of the EHO or external consultants;

- the primary surveys provided a single snapshot of the empty homes problem at a particular moment in time.

6.1.5. Overall, among the 32 councils interviewed, 23 had developed a database, while 9 had not. But among those authorities that had developed an empty homes database, only 6 had updated it. The reasons given by the other authorities for not updating their empty property databases included the following:

- the loss of a dedicated EHO following the first two rounds of the EHI;
- the belief that the snapshot provided by the initial survey served the purpose by identifying the nature and extent of the empty homes problem in a local authority area;
- the fact that the Council itself could not regulate a solution to the empty homes problem in the private sector, as it required a voluntary response from the private sector itself;
- limitations on the funding to address the problem. Even where survey work had revealed a particular issue that needed to be addressed, in reality the Council might not be able to address this issue adequately because of lack of funding. Therefore, rather than raising expectations by conducting further research, many Councils preferred to do what they could within funding constraints using the information they already had.

6.1.6. Despite the fact that most authorities had been unable to justify allocation of further resources to maintain and update their empty homes database, most felt that the survey work undertaken to prepare it had been useful in securing information on the scale and nature of the empty homes problem in their areas.

6.2 *Extent of the Empty Homes Problem*

6.2.1. Our interviews indicated that local authorities had experienced differing degrees of difficulty in securing access to reliable data on empty properties, particularly in the larger authorities. Primary research commissioned to supplement the information obtained from council tax registers, typically in the form of surveys of owners of properties benefiting from council tax discounts, indicated that the information contained on council tax registers was frequently inaccurate or out of date. In general, the primary research indicated that the number of properties potentially available for letting was significantly lower than the number of properties classified as empty for council tax purposes, for the following reasons:

- some properties registered as empty were in fact fully occupied, partly because the register was out of date, and partly because, in the case of rented properties, neither the landlord nor the tenant had registered the

property as being in occupation. The extent varied between areas, but typically accounted for 20% to 25% of the total;

- many were part occupied (e.g. as holiday homes) or not available to let because the owners wished to sell them;
- some rural owners are of the opinion that some properties, notably those located within farm steadings, are unsuitable for letting as tenants may disrupt agricultural operations;
- many properties were empty because no demand existed for them. This mismatch between the location of empty properties and the potential demand for them was particularly apparent in the islands and in rural areas.

6.2.2. This analysis suggests that the actual number of empty properties which might be regenerated to provide affordable rented accommodation might represent as little as a quarter of the total number of properties benefiting from council tax discounts.

6.2.3. Nevertheless, viewed on a national scale, this would still represent a significant number of properties potentially available for rent. Moreover, the statistical research undertaken in the evaluation suggests that bringing these properties back into use may represent a significantly more cost-effective method of providing affordable rented housing stock than the alternative of New Build.

6.3 *Empty Homes Strategies and the Bid Process*

6.3.1. This conclusion tended to be confirmed by the Stage 2 sponsor interviews.

6.3.2. All of the authorities interviewed to date have devised an overall housing plan for their area, with half (16) devising a dedicated Empty Homes strategy within their plans. Most of the others included explicit reference to bringing empty properties back into use as part of their overall housing strategy.

6.3.3. In other words, the strategies actually devised by the housing authorities themselves suggest that they believe that bringing empty properties back into use is one key instrument for achieving their social housing objectives.

6.3.4. The EHI process itself was an important driver of empty homes strategies. Many authorities devised their strategies in the early rounds of the EHI as a mechanism for identifying suitable projects for bid submission. By contrast, where no dedicated empty homes strategy had been prepared, Councils frequently adopted a “scattergun” approach, whereby any project deemed eligible for EHI support was submitted to the Scottish Executive. This approach effectively transferred the final decision on which projects to support from the Council to the Scottish Executive. The reasons given for this approach included the following:

- some authorities felt that they were not in a position to judge the validity of individual submissions promoted by private sector partners, or to decide which should go forward;
- for some smaller authorities, a shortlisting process was not deemed to be relevant because they only had a few projects that might potentially be eligible for support;
- tight timescales for bid submissions precluded a more considered evaluation and shortlisting process;
- some authorities did not feel that they had a sufficient understanding of the EHI eligibility criteria to undertake a shortlisting process themselves: they feared that, by reaching their own shortlist, they might eliminate projects that could have secured support in favour of others that might be rejected.

6.3.5. The overall picture emerging from this is that there was no consistency in either the way in which bids were prepared, or the interpretation given by different authorities of the eligibility of potential projects. For example, some authorities appeared to be under the misapprehension that schemes involving the conversion of empty industrial and commercial premises to residential use would not be eligible for EHI support, whereas several other authorities put forward such projects and secured consent for them.

6.3.6. Although no detailed analysis has been undertaken of the rate of conversion of EH bids, our impression is that those Councils which shortlisted potential projects themselves within the framework of a dedicated empty homes strategy achieved a better success rate than those using the "scattergun" approach.

6.3.7. This is an interesting finding in light of the complaint made by some of those interviewed that the projects selected by the Scottish Executive were not always those that they regarded as the highest priorities. This issue emerged more frequently in cases where the authority itself had not undertaken a prioritisation process but had simply submitted a long list of projects to the Executive for consideration. Councils with a more targeted approach did not generally raise "priority mismatch" as an issue.

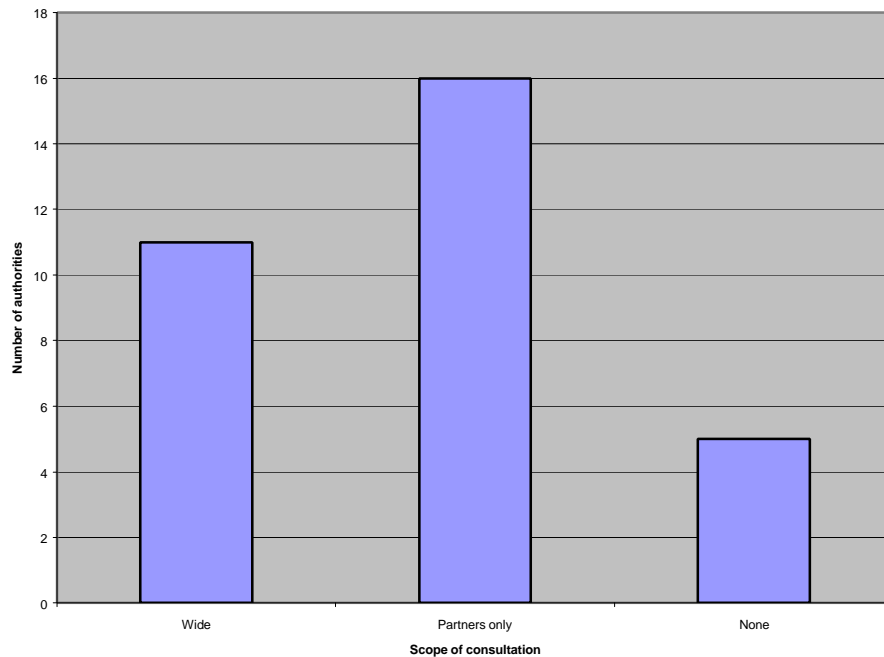
6.4 Consultation

6.4.1. Interviewees were asked how widely they had consulted prior to submitting EHI bids. The responses of the local authorities interviewed are shown in Figure 6.1 below.

6.4.2. The Figure shows that eleven of the authorities interviewed undertook wide consultations involving a number of stakeholders including tenants, community groups and RSLs, typically brought together into some form of EHI Working Group. Further analysis of the responses indicates that it was typically the larger authorities that undertook such a wide consultation process. Smaller authorities generally limited their consultations to prospective partners who

might benefit directly from projects supported under the EHI. This may reflect the fact that there are likely to be a smaller number of stakeholder organisations in the smaller authorities, and many would be represented through the partners directly involved in particular bids. Only five of the authorities interviewed had not undertaken any consultation outside the Council prior to bid submission.

Figure 6.1
Extent of consultation in the EHI Bid Process



Source: Caledonian Economics / Arneil Johnston EHI Evaluation Questionnaire, February / March 2000

6.5 *Project Preparation and Implementation*

6.5.1. Interviewees were asked whether detailed project plans had been prepared for bids submitted for EHI support. The general response was that only outline plans had been prepared, sufficient for bid purposes, for the following reasons:

- preparation of detailed plans would absorb more time and resource than could be justified prior to confirmation that the bid had been successful;
- in the case of most successful bids, the Council was not directly responsible for implementation. The preparation of detailed implementation plans was the responsibility of the implementing agency, such as a RSL.

6.5.2. Following project approval, Councils tended to apply existing disbursement and monitoring procedures rather than develop new methodologies.

- 6.5.3. A number of projects had experienced slippage during implementation. Most of the slippage occurred in projects involving several partners, where the complexity and time required to conclude negotiations on the terms of transfer of empty properties and funding their subsequent upgrading was frequently much longer than forecast in the bid.
- 6.5.4. Those interviewed did not offer any simple solution to this problem, which they generally accepted as “a fact of life” in working with many partners, particularly private owners, who are free to withdraw at any time prior to contract inception should they secure a more commercially advantageous offer. However a number of authorities did request greater flexibility in the use of empty homes grants to facilitate their virement from approved projects which were either cancelled or required less funding to projects requiring greater funding.

7 Key Strengths of the EHI

7.1 Introduction

7.1.1. The key strengths of the EHI, as identified by the interviewees were that it:

1. Supported the development of effective partnerships.
2. Increased the supply of affordable housing/additionality.
3. Made a contribution to the broader regeneration of the area.
4. Developed and enhanced the enabling role of the Council.
5. Increased diversity/flexibility/simplicity.
6. Brought empty properties back into use.
7. Gained leverage by attracting private sector funds.
8. Provided further information on the empty homes issue.
9. Supported marginal or rural communities.
10. Provided support for innovation and allowed for replication.
11. Bridged the funding gap that existed in many projects.
12. Helped to build on national experience.

7.1.2. Figure 7.1 shows the number of local authorities who actually mentioned each aspect during the course of our interviews with them. To illustrate these key strengths each point is addressed in turn. Where appropriate quotes from respondents have been paraphrased.

7.2 Developing Effective Partnerships

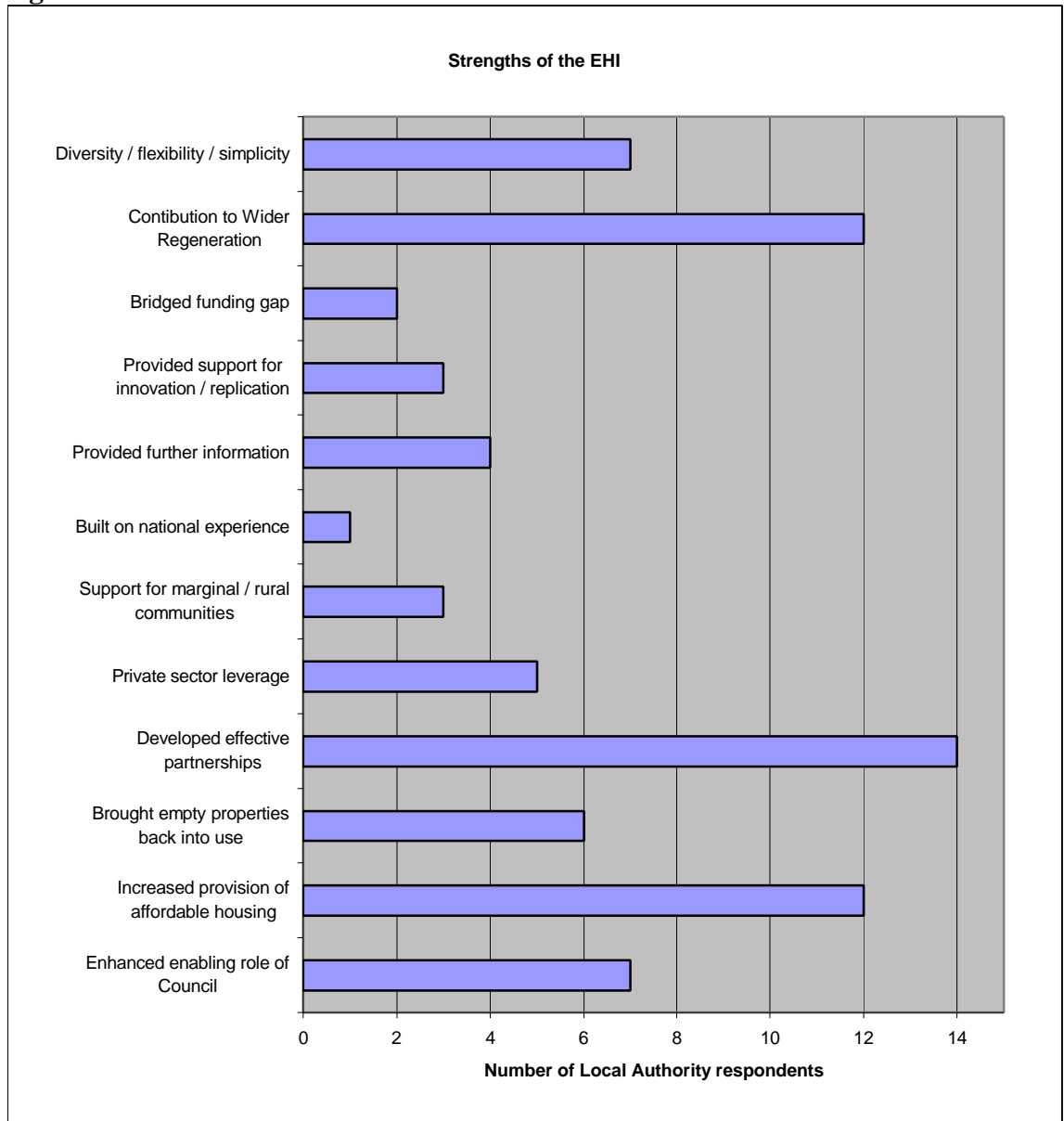
7.2.1. The EHI was successful in developing effective partnerships. Of the 32 respondents, almost half regarded the EHI as having been useful in developing relationships with partners. While this was frequently said to be the case, it was acknowledged that this was not always a straightforward process and it required considerable effort in order to attain successful working relationships.

“Partnership working was not easy but was successful in the end and everyone’s objectives were met.”

“The EHI improved partnership working both internally within the Council and with external agencies.”

“The partners could be regarded as a key strength due to their determination in pursuing the project when working under difficult circumstances.”

Figure 7.1



7.3 Increasing the supply of affordable housing

7.3.1. 12 of the respondents believed that a key strength of the EHI had been to increase the supply of affordable housing. It was held that the projects supported under the EHI added to the stock and quality of affordable housing for rent in a cost-effective way.

“The EHI increased housing provision in areas currently unable to access Scottish Homes funding”

“EHI money was effective in making the difference between a property being used and not.”

7.4 Contributing to broader regeneration

- 7.4.1. Of equal importance to respondents was that the EHI made a considerable contribution to the broader regeneration of the area. The EHI was frequently used in addition to initiatives in regeneration areas, or town centre regeneration initiatives.

“A key strength of the EHI was its contribution to the regeneration of the town heritage due to the refurbishment of important buildings in villages and town centres.”

“It is a Scottish Homes and local authority priority to regenerate the town centre. The impact of the EHI there has been noticeable.”

“The EHI fulfilled housing need and had an environmental benefit because the properties were highly visible. This meant that there was a knock on effect on the area as a whole.”

“Key strengths of the EHI were its links with the Social Inclusion Partnership (SIP), and the projects location in the town centre, which is part of the Housing Plan Joint Investment Priority.”

7.5 Other Strengths

- 7.5.1. Almost a quarter of respondents (7) held that a particular strength of the EHI had been to develop and enhance the enabling role of the Council.

- 7.5.2. Seven respondents also stated that a further strength of the EHI was that it increased the diversity, flexibility and simplicity of social housing delivery. Simplicity referred to the fairly simple grant mechanism in operation. Diversity related to the ability of the Council to put forward a wide variety of different projects for approval. Flexibility referred to both the types of projects available for funding and the ways in which they could be approached. One respondent commented that,

“This model was flexible and replicable and can be rolled out to other targeted areas.”

- 7.5.3. While only approximately a quarter (6) of interviewees said that bringing empty properties back into use was regarded as a key strength of the EHI the 217 projects have or will bring 1,623 properties back into use. Those who did comment on this aspect of the EHI held that:

“EHI money was effective in making the difference between a property being in use or not.”

“EHI released properties for mainstream housing.”

“A key strength of the EHI was the positive impact gained from the re-use of long term empty property. This impact was seen in terms of community regeneration; provision for housing need; increased Council tax income and economic benefits such as local employment.”

- 7.5.4 Another key strength identified by five respondents was that the EHI increased their leverage by attracting private sector funds. The extent to which private and other sources of finance have been levered in to EHI projects has been analysed in Section 5 above. One Council held this was particularly useful as the stock being re-used was previously local authority. These projects were only able to proceed and use the LA stock due to the input of private finance.
- 7.5.5. Four respondents held that a key strength of the EHI was that it generated the provision of further information on the Empty Homes Issue. The local authorities that regarded a key strength to be the provision of further information had all received funding for either database development, Empty Homes Officers or both.
- 7.5.6. Three of the respondents believed that one of the key strengths was the support given to rural groups and marginal groups by the EHI.
- 7.5.7. Three of the interviewees stated that their EHI projects had innovative features that had the ability for replication. One of these local authorities stated that all projects had their individual strengths in meeting key strategic objectives in a modest way while some have provided models for ongoing initiatives One EHI project has been recognised as addressing an identified problem and has been mainstreamed.
- 7.5.8. Two of the 32 Councils interviewed said that a key strength of the EHI had been its ability to bridge the funding gap that existed in many projects. One was of the opinion that the key strengths of the EHI were that it was useful in plugging the gaps in existing provision; the consolidation of previous investment and encouraged further investment. One described the EHI as a useful catalyst to re-include a building in wider street improvements from which it had been withdrawn due to previous funding difficulties.
- 7.5.9. While only one of the interviewees gave the key strengths as building on National Experience, it was stated that their projects had benefited from the advantage of talking to other Empty Homes Officers who had progressed earlier projects. Although not regarding this as a key strength of any individual projects one other interviewee said that:

“Being a member of the Empty Homes Forum has given me greater awareness of other projects funded through the EHI.”

7.6 Broad Strengths

- 7.6.1. A broad answer to this question that seemed to capture the spectrum of strengths of the EHI was given by one local authority:

“The EHI meets various needs: waiting lists are down and there are environmental benefits. It is consistent with the partnership ethos, is an effective means of leveraging in private finance and is relatively straightforward to operate and communicate.”

8 Weaknesses of the EHI

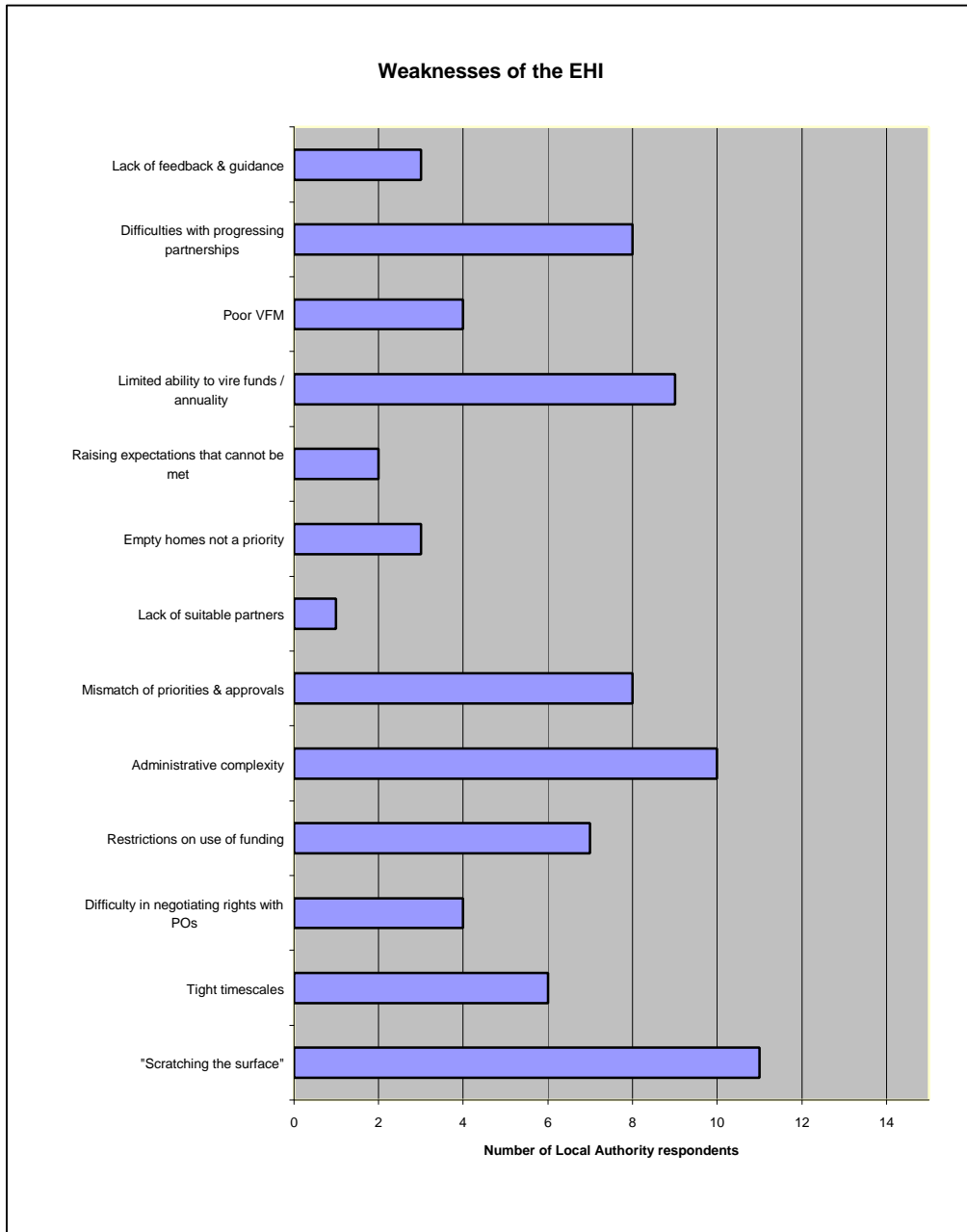
8.1 Introduction

8.1.1. The major weaknesses of the EHI, as identified by the interviewees were that it:

1. Suffered from administrative complexity.
2. Lacked the ability to transfer funds/annuality.
3. Mismatched priorities and approvals.
4. Suffered from smallness of scale (“Scratching the surface”).
5. Showed difficulties in progressing partnerships.
6. Worked on too tight timescales.
7. Showed difficulties in negotiating rights with owners.
8. Demonstrated poor value for money.
9. Addressed a non-priority issue.
10. Lacked feedback and guidance.
11. Raised expectations that could not be met.
12. Lacked suitable partners.
13. Restricted the use of funding.

8.1.2. The Figure below shows the number of local authorities who actually mentioned each aspect during the course of our interviews with them. To illustrate these key strengths each point is addressed in turn. Where appropriate quotes from respondents have been paraphrased.

Figure 8.1



8.2 *Procedural Weaknesses*

8.2.1. In order to illustrate these major weaknesses each point is addressed in turn. Where appropriate quotes from respondents have been paraphrased.

Administrative Complexity

8.2.2. Of those interviewed, ten held that a major weakness of the EHI was the complexity of the administrative process. It was particularly mentioned that the two-tier monitoring system consisting of Scottish Homes and the Scottish Executive was bureaucratic.

“The heavy administrative burden and double monitoring system is quite onerous”.

“Bureaucracy is the biggest irritation.”

“Monitoring is cumbersome. The whole process is complicated and approval must be sought in various places.”

Virement and Annuality

8.2.3. Nearly one third of respondents (9) stated that a major weakness of the EHI was the inability to transfer funds. Within this criticism there were several levels at which transfer of funds was said to have been desirable. There were instances of projects that were unable to spend the allocated funding in the given year but could have spent it in the following year if it had been available to carry forward. At the same time there were other projects that were being carried out in the same year that could have spent the funds. Where projects experienced difficulty in progressing some Councils held that they should be able to allocate this money to other projects of their own choice. One local authority did in fact assume that the grant could be vired between projects and used the allocation for a different project. Another authority did seek and was granted approval to start one project early and another later and use the money on a different timescale. In this instance however the amounts for each project remained the same and were spent at different times.

“Annuality was a problem - it was often difficult to spend the allocated (and necessary) money within the constraints of the financial year it was awarded.”

“Our first project simply failed to identify suitable properties The Scottish Office refused to allow funds to be reallocated to other major projects.”

“Timescales for disbursing the funding may not be flexible enough to take account of the need to keep all the partners together, and to allow for any slippage from one year to another.”

“The EHI is based on strategy but the funding was tied to one property, if anything goes wrong this is a fairly inflexible approach and the money can not be transferred.”

Mismatched Priorities and Approvals

8.2.4. Eight of those interviewed held that a major weakness of the EHI was that what the Council officers saw as the priority for their areas were not always the same as those types of projects for which funding was secured. This was particularly held by those authorities that had adopted a scattergun approach in their bids. Although several authorities were aggrieved at the fact that only parts of their bids were awarded funding and either it was the less important element that received funding, or the projects depended on both elements being funded. In other instances the award that was made was not of the full

amount sought which meant decisions had to be made about its continued viability.

“The number of units which money was awarded for was very limiting. The buildings which could have been used were larger than the funding allowed.”

“Restrictions in funding have had a negative impact on the implementation of strategy.”

Smallness of Scale (“Scratching the Surface”)

8.2.5. A major weakness of EHI was that it does not go far enough in addressing the problem this was mentioned by 11 respondents. These 11 Councils can be further broken down into 7 that held that there was limited funding of the EHI and 4 respondents that held that the impact of the EHI was of a scale too small to have any significant impact.

“The EHI projects only go a small way in meeting lack of housing supply.”

“The scale of the EHI means that it will not influence or reshape other strategies or programmes for investment.”

Difficulties in Progressing Partnerships

8.2.6. Eight respondents held that one of the major weaknesses of their projects was the difficulties encountered in developing relationships with partners. This correlates with the large number who held that developing partnerships were also major strengths of the projects, the overlap of respondents who said that partnership arrangements represented both strengths and weaknesses in their projects was 3 Councils. This indicates the determination there was to develop partnerships through difficult circumstances. These issues include the partnerships dealings with Scottish Homes and the Scottish Executive.

“We were working with a very difficult owner and there was confusion over roles/ remits with Scottish Homes. These were eventually resolved.”

“Project based bids are vulnerable to the withdrawal of key partners.”

“The Council had to spend time developing relationships with developers for new projects.”

“We experienced a loss of momentum as corporate partners were unable to dedicate staff to the corporate taskforce.”

Other Weaknesses

8.2.7. Of the 32 respondents, 6 believed that the timescales involved in the processing of the EHI were too tight. This complaint was frequently made about the time given to prepare and submit bids as well as the time to spend the money after project approval had been given. It was also suggested more

than once that had longer timescales been given to prepare the bids then more innovation and complexity of arrangements would have been seen.

“The time allowed for preparing bids was too short especially for us to be able to involve partners.”

“Bidding timescales were possibly too short. The timescale for bidding restricted the degree of detail that could be secured on cost, and meant that some of the larger projects were speculative until the outcome of the bid was known.”

- 8.2.8. Four Councils indicated that they had difficulties negotiating with owners regarding nomination difficulties and refusals, the short period of nomination rights, lack of security for the tenants, and access restrictions to financial institutions.

“The Short Assured Tenancy was very unpopular with tenants, but was necessary to sell a repair grant scheme to private owners.”

“LCHO excludes those who are not eligible for mortgages or do not have savings.”

“We experienced difficulties in securing nominations rights due to the initially unfavourable perceptions of prospective tenants by owners.”

- 8.2.9. While the actual value for money of the entire EHI to date has been evaluated and found to be broadly positive in comparison to a New Build alternative, there was a perception from some Councils that the EHI represented poor value for money. Four of the Councils cited this as a major weakness of the projects. In one case this was acknowledged as being the result of overcoming difficulties in the learning process.

“There would have been better use of resources if it had been possible to carry out this project more cheaply. This way the final value of the property was less than the input investment.”

“We experienced implementation problems which led to an overrun of costs. This meant that the out turn costs do not look good value for money.”

- 8.2.10. There was also the issue of ensuring that the initiative was attractive to outside parties.

“Incentives in terms of grant and rent levels are not sufficient to encourage private owners to come into the scheme and funders have stated that these projects are only marginally viable.”

- 8.2.11. It must be noted however that the project to which this quote relates did attract private owners. This would suggest that the funding levels are demonstrating value for money as they are at the optimum level, which will attract private owners, with limited EHI subsidy.

8.2.12. Three of the respondents said that a weakness of the EHI was that empty homes are not the priority issue in their area. They held that challenge funding could be better used by addressing other issues. The three interviewees who responded in this way had nevertheless bid for and received EHI funding.

“The EHI does not lend itself to the housing situation here where generally speaking supply of housing outstrips demand.”

“The availability of EHI funds shifted the attention away from previously identified priority projects.”

8.2.13. While only 3 respondents held that the lack of guidance and feedback were a major weakness of the project, this issue became more frequently cited as a possible option for change. One member of the EHI Advisory Group commented in correspondence,

“My view upon all of this is that there is a lack of clarity about the objectives of the EHI, about the bidding process and about the lack of feedback in relation to those bids which have failed. I think what the Executive should have done is to consult widely with local authorities and other players on the objectives of the initiative itself and on the bidding process. Equally I think they should have been prepared to accept that these objectives might be different in for example rural areas than in urban areas, or in areas where the supply and demand equation was different.”

8.2.14. Two local authorities held that a major weakness of the EHI was that it raised expectations particularly among private owners who wanted assistance in bringing their empty properties back in to use. Research identified target properties and their owners and then subsequent initiatives failed to progress as they did not receive funding. Publicity campaigns or developing the databases also increased the profile of Empty Homes and therefore the belief that the problem would definitely be tackled.

“Our initial research identified major project opportunities. The appointment of the EHO and the subsequent publicity campaign raised awareness and expectations with private landlords. The Council was unable to meet these expectations because the subsequent bid for major project funding was rejected.”

8.2.15. One respondent held that there was a lack of suitable partners available to work with in respect of the EHI.

8.2.16. The 7 respondents who made this statement held that there were problems with the distinctions between capital and revenue funding. Often this was with specific regard to the EHO for whose post revenue funding was required. There was the complaint that staff and therefore revenue funding was required in order to progress and develop capital projects. One authority who stated that they did have a significant empty homes problem regarded a major weakness to be the fact that they had to rely on grant funding for the post of EHO and

that given the financial resources of the Council there is the need to find resources to enable the initiative to continue.

“EHO ends after one year and is unlikely to be funded further.”

“Project management and planning were staff intensive, especially partnership working. Staff are needed to progress this and the gap is very noticeable now there is no EHO.”

“We did not receive revenue funding. The capital funding awarded was part of a larger bid that included revenue costs of providing support. Without revenue funding we will not be able to deliver the service as anticipated.”

9. Options for change

9.1 Introduction

9.1.1. The suggestions for changes that could enhance the EHI, as identified by the interviewees, were that there should be:

Changes to Process

1. Three-year rolling programme.
2. Greater flexibility with and the ability to vire funding.
3. Greater clarity of the bid guidelines and policy objectives.
4. Greater transparency within the bid evaluation process.
5. Feedback on the bid appraisal process and examples of Best Practice.
6. Streamlined administration.
7. Greater support from the Scottish Executive.
8. Greater publicity of the Empty Homes Initiative.
9. Improvements to the bid process.

Changes to Substance

9.1.2. More support in terms of:

1. More revenue funding.
2. A shift from project to programme based approval.
3. A greater budget for challenge funding.
4. An extension to the eligibility of projects.
5. Recognition of the differences in urban/ rural areas.
6. A review of fiscal treatment.
7. A greater emphasis on working with other Registered Social Landlords (RSLs).

8. The development of joint bids between Local Authorities.

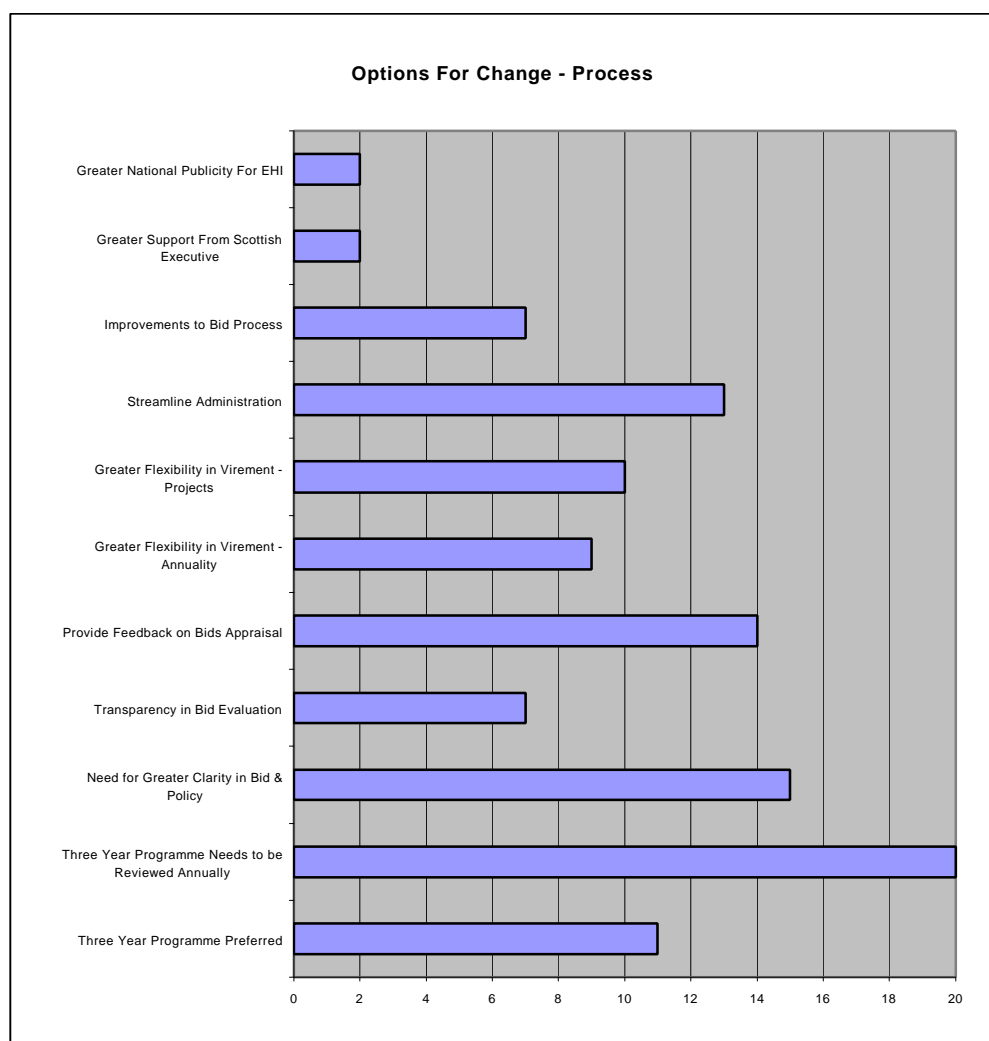
9. Changes to Data Protection Act.

9.1.3. From this broad list of options for future change it was identified that these suggestions fall into two distinct types. The type of issues that address the processes involved in the EHI and those that address the substance of the EHI. As might be expected, most of the suggestions were designed to address one or more of the weaknesses or build on the identified strengths of the EHI.

9.2 Options for Change – Process

9.2.1. Options for change that related to the process of the EHI are summarised in Figure 9.2 below and explained in greater detail in the sections that follow.

Figure 9.2
Possible changes to the EHI Process



Three-year Rolling Programme

9.2.2. Twenty of those interviewed expressed a preference regarding the timescales of the EHI. All of the 20 respondents who expressed a preference stated that they preferred the EHI to be administered on a 3-year cycle. Of these 20, 11 held that the most appropriate way forward with the three-year cycle would be with an annual review.

9.2.3. One Council who did not directly state a preference said that

“The three-year cycle has made it very difficult because we now have no money until the next round.”

9.2.4. Another Council recognised that while the three years gives a longer term planning timescale it cuts down on flexibility because another bid cannot be made for three years.

“Three years would be slightly better for planning purposes but we would still face the same difficulties with regard to end of year spend and slippage.”

“A three year rolling programme would be good.”

Greater Flexibility/Virement

9.2.5. Nineteen of those interviewed believed that the EHI would benefit from greater flexibility of funding and funds could be moved between projects and over financial years. There was a fairly even split with 9 respondents wishing to see greater flexibility with regard to Annuality, and 10 looking for the a greater level of movement of funds between projects where required.

“We would like to see the ability to mobilise funding more flexibly, both to ensure that the availability of funding matches opportunity; and where projects have been cancelled funding can be switched to other projects.”

“We would like to see a procedure for Councils to be notified of potential underspends elsewhere, so that projects could be advanced or accelerated.”

Greater Clarity of Bid Guidelines and Policy Objectives

9.2.6. Fifteen respondents would like to see clearer guidelines and policy objectives in order to make an informed bid for EHI funds. From these 15 respondents there was a level of disappointment at the lack of clarity at present. It was held that this had led to considerable time spent on abortive work, preparing project bids that were not approved. Greater clarity would lead to more productive use of time, only developing projects of the type that would be more likely to be funded.

“In the future guidance should be clearer and state what will and will not be funded. There is a general issue of concern over attempting to stick to the

guidelines and then seeing that other Councils have not followed them, yet have received more funding.”

“The criteria should be made clearer in order to allow Local Authorities to tailor bids.”

“We need consistency – some bids which were not approved for one Council, have been successful in others.”

Greater Transparency in Bid Evaluation

9.2.7. A further seven Councils stated that the EHI would benefit from greater transparency in bid evaluation.

Feedback on Bid Appraisal and Best Practice

9.2.8. Fourteen Councils said that there was a lack of appropriate feedback on bid appraisals and that this should be developed in the future. It was held that the Scottish Executive should return information on why bids were not successful so that experience gained in previous rounds could be transferred. Some respondents stated that it would also be useful to develop Best Practice Guidance to enable Councils to prepare further projects.

“We do not get appropriate feedback. There is a lack of any real response and this must be sought by the local authority.”

It should be noted that, since our survey of sponsoring authorities was carried out, the empty homes network, funded by the Executive, has produced information based on a conference held last year. This information is aimed at helping Councils to develop further projects.

Streamlined Administration

9.2.9. Thirteen Councils believed that there should be more streamlined administration. There were a variety of comments on this subject but all were dissatisfied with the levels of bureaucracy which were encountered. One Council suggested that an Empty Homes Agency similar to that in existence in England be established.

“Procedures did not seem to have been agreed between Scottish Homes nationally and locally resulting in time consuming discussions about details.”

“There are good monitoring procedures but the Executive and Scottish Homes monitoring processes should be unified. It is unclear why Scottish Homes administers the grant- this adds another layer of complexity. We should have one grant disbursement agency, the same as the approving agency.”

“There is a lot of red tape attached to the process which could slow it down. Simplification would be desirable.”

Other Procedural Enhancements

9.2.10. Two Councils stated that they would like more practical support from the Scottish Executive.

“The Scottish Executive and Scottish Homes are too far from the EHO to give any support.”

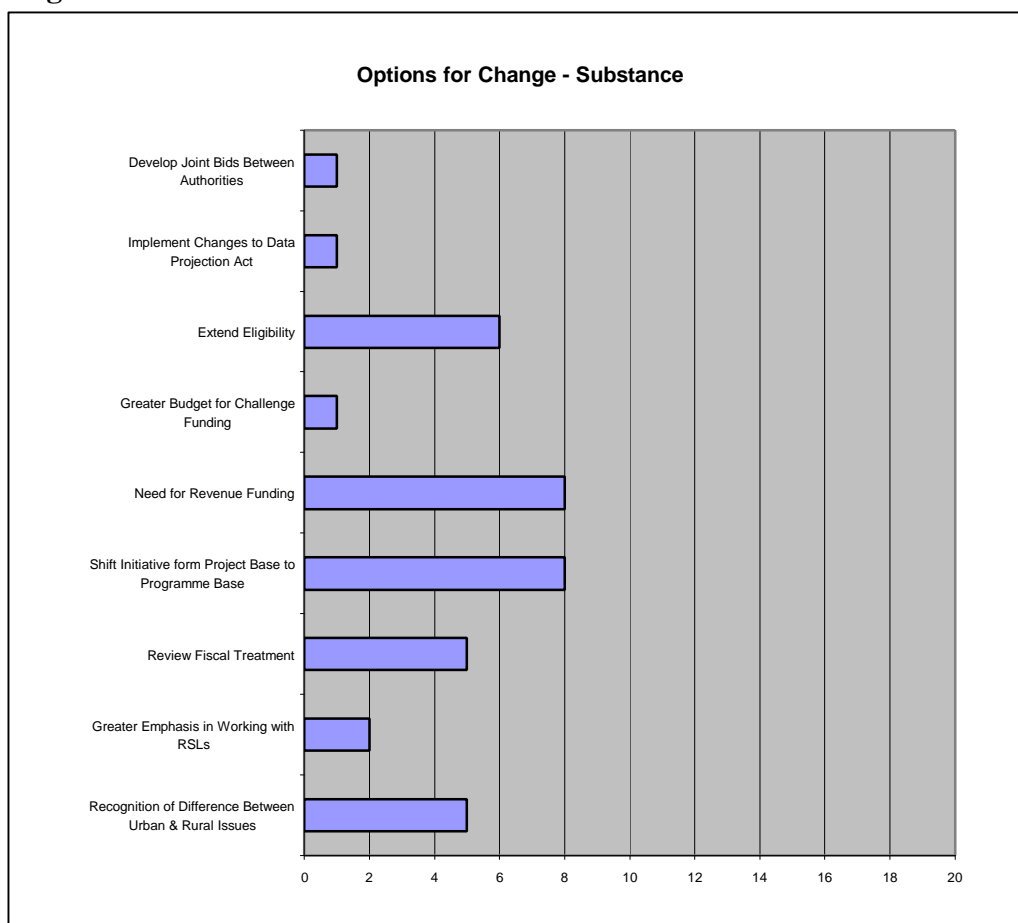
9.2.11. Two Councils believed that there should be greater promotion of the EHI and more publicity to encourage more partners to come forward.

9.2.12. On a related issue, 7 interviewees held that there should be a longer lead-time for bid preparation or that there should be a two-stage bid process.

9.3 Options for Change - Substance

9.3.1. Options for change, which related to the substance of the EHI, are summarised in Figure 9.3 and discussed in greater detail in the sections that follow.

Figure 9.3



9.3.2. Eleven of the Councils interviewed wanted to see more support for the EHI. Councils wanted to see more support in terms of the following.

More Revenue Funding

9.3.3. Eight Councils wished to see an increase in revenue funding to enhance the EHI

“The EHI should provide more funding and a dedicated officer.”

“There should be ongoing funding for EHO”

A Shift from Project to Programme Based Approval

9.3.4. Eight authorities made the point that there should be a shift away from the funding of individual projects to a global allocation capital in support of an agreed strategy or programme to address the empty homes problem in their area, the Councils should then be left to decide on the highest priority projects within that programme.

Greater budget for Challenge Funding

9.3.5. This was identified by one Council as an option for change for the EHI.

An Extension of the Eligibility of Projects

9.3.6. While there seems to have been some disparity in what each Council viewed as eligible projects for EHI funding 6 Councils want to see an extension of the eligibility of types of projects. Within this it was suggested that more management initiatives be funded under EHI; more prevention strategies and initiatives be developed; and different types of buildings be eligible.

“EHI applies to houses yet some projects in other Councils, which have been given approval, are conversions of other types of building e.g. mills or industrial buildings.”

“So far the EHI has focussed on particular niche markets i.e. community care, the EHI should extend the types of projects which are eligible.”

Recognition of the Differences in Urban/Rural Areas

9.3.7. Five respondents indicated that there was a need for greater recognition of the differences between urban and rural areas and the problems which each have with regard to empty homes. Of these five respondents four were rural authorities while one was predominately urban. The rural authorities perceived a problem of higher costs in developing housing projects in rural areas. The urban authority believed that the EHI funding was better suited for rural areas. The urban authority stated that high turnover and high vacancy rates could not be targeted through this initiative.

“Building costs are likely to be higher in rural and island areas – is this fully take into account in the appraisal.”

Review of Fiscal Treatment

9.3.8. Issues raised under this heading were the ending of Council tax discounts for empty property and holiday homes and the review of VAT on refurbishment.

9.3.9. Councils expressed the need for the review of fiscal treatment for housing. This view was spread across very different types of authority who had high numbers of vacant holiday properties, or urban areas where ex RTB houses lay empty.

“Council tax discounts encourage empty properties; they do not encourage people to fill empty homes.”

9.3.10. The issue of VAT on refurbished properties was also an issue that was believed to have an impact on the incidence of properties lying empty while new build projects went ahead. It was said that the VAT on refurbishment encourages new build and makes the costs difficult for upgrade projects.

A Greater Emphasis on Working with Other RSLs

9.3.11. Two Councils believed that there should be greater emphasis on developing working between Councils and other Registered Social Landlords.

The Development of Joint Bids between Local Authorities

9.3.12. One Council held that there was too much emphasis on competitive bidding between Local Authorities, which meant that there was a lack of partnership working between LA's. It was suggested that an interesting development would be to work together with several LA's to submit collective bids.

Changes to the Data Protection Act

9.3.13. One Council believed that changes to the Data Protection Act were an important option for change.

10. Case Studies

10.1 Case Study Selection

- 10.1.1. An initial long list of 53 projects was identified as possible candidate Case Study projects. These projects were selected as offering a representative cross sample of the range and stages of all EHI projects. The long list was submitted to the Steering Group through the Scottish Executive and a final list of 20 case studies were then identified.
- 10.1.2. The 20 selected Case Studies were then benchmarked against a set of average ratios for all projects, such as leverage percentage, average EHI value and slippage rates. In general, the ratios for the Case Studies were close to the averages for the entire list of 217 EHI-supported projects, leading to the conclusion that they represented a reasonable sample of the projects as a whole.
- 10.1.3. For each case study, we sought to secure the views of the sponsoring authority and any partners (where applicable), as well as funders and tenants. It should be noted that not all the projects evaluated had private sector funders, and that it was not possible to gain a tenants' perspective for all case studies. For some of the studies tenants had not yet been identified, as work was still ongoing. In a small number of others tenants could not be identified and in one case study involving housing frail elderly the study team was requested not to make contact.
- 10.1.4. In the sections that follow, the Case Studies are classified by stage of the property regeneration cycle, and their main features are summarised and discussed. The Case Studies described in each section are summarised in Table 10.1 below.

Table 10.1
Index of Case Studies

No & Title	Type	Location	No of Units	EHI Funding	Other Funding
1 Repossession Purchases	Buy Back Scheme	Town	57 to date	£1,260,000	£2,352,920
2: Purchase of six empty MoD Homes	Purchase	Rural	6	£205,151	£50,000
3 : Lead Tenancy Project	Lead Tenancy	Town	14	£308,000	£105,000
4: Nurse's Home Conversion	Conversion	Town	4	£74,702	£63,690
5: Residential care home conversion	Conversion	Town	19	£54,195	£1,175,013
6: Conversion of estate cottages	Conversion	Rural	1	£9,000	£24,000
7 : Just in Time Repairs Projects	Just in Time Repairs	Mixed	50	£50,000	Unknown
8: Conversion of non-residential property	Conversion	City	4	£246,500	£118,500
9: Tenement Modernisation	Modernisation	City	75	£1,012,500	£1,500,000
10: Listed building restoration	Historic Restoration	Urban	8	£200,000	£1,327,804
11: Rehabilitation of a disused hotel	Rehabilitation	Town	5	£149,500	£15,000
12: Flat upgrades for special needs	Upgrading	City	12	£280,000	£475,000
13: Flat Refurbishment	Modernisation	City	19	£190,000	N/A
14: Conversion of a Steading	Conversion	Rural Village	5	£100,000	£300,000
15: Conversion of flats over shops	Conversion	Town	6	£50,000	N/A
16: Nurses' home upgrading	Conversion	Rural Village	6	£113,015	£109,000
17: Refurbishment of rural housing for social rent	Refurbishment	Rural	6	£102,300	£166,700
18: BTS Refurbishment	Refurbishment	Town	7	£204,347	N/A
19: Refurbishment of empty tenements	Refurbishment	Town	4	£55,000	£139,900
20: Rent Deposit Scheme	Rent Deposit	Rural	3	£20,000	N/A

10.2 Stage 2 Case Studies

Case Study No 1: Repossession purchases

Project Description

- 10.2.1. The project involved the purchase of ex-council properties purchased under the Right To Buy which had subsequently been repossessed, in order to let them for social housing. This project was funded in the first round of EHI funding and was replicated in the two subsequent rounds.
- 10.2.2. The breakdown of funding over the three years was Year 1 £110,000 EHI and £139,000 Private Finance; Year 2 £400,000 EHI and £713,920 Private Finance and Year 3 £750,000 EHI, £1,350,000 Private Finance and £150,000 Council funding.

Sponsor Perspective

- 10.2.3. The Council felt that in some cases it is very difficult to track down the owners of empty properties, particularly when they are lenders as they are reluctant to admit that the properties are empty.
- 10.2.4. The Council were confident that, set against the backdrop of an acute shortage of housing for rent, bringing empty properties back into use in this way contributes to alleviating the shortage. The key strengths of the project as identified by the Council were that this initiative meets various needs, e.g.:
- cutting waiting lists;
 - generating environmental benefits;
 - is consistent with the partnership ethos;
 - is an effective means of leveraging in private finance; and
 - is relatively straightforward to operate and communicate.

Partner Perspective

- 10.2.5. Three RSLs have been involved over the three years bringing in total 58 properties back into use.
- 10.2.6. While two RSLs had heard about the EHI through the press and other contacts, all were approached by the Council to take part in the project. The Council had decided that this project and these types of property were priorities. The Associations then chose individual properties to target if they fitted the EHI project criteria. One Association stated that they viewed the exercise as a means of increasing stock, while another said that this was not the usual type of project which the Association became involved in, they would usually concentrate on new build stock and are rarely involved in pepper potted stock management. All three Associations had no particular client group in mind other than they would come from the Council housing waiting list.
- 10.2.7. The difficulties experienced by the RSLs included:
- delays in the grant being paid;

- establishing which properties are in fact empty;
- the time consuming nature of the project; and
- the fact that all costs had to be estimated through one short initial visit.

10.2.8. The strengths of the project included the ability to bring properties that have lain empty for some time back into use in the social rented sector. The project therefore assisted in reducing the waiting list and contributed to the alleviation of homelessness.

Tenant perspective

10.2.9. None of the tenants interviewed had heard of the EHI until we contacted them. Two of the tenants had previously lived in rented council houses, one had been an owner-occupier, two had lived with relatives, one had been in supported accommodation and two had been homeless. The reasons for renting this accommodation previous accommodation was temporary, to get their own tenancy, to get a smaller house and to get a level access property.

10.2.10. Three tenants believed that without this project they would still be living in their previous accommodation, four felt that they would have waited longer but gone somewhere else with the council while one felt that they would still be in homeless accommodation. Three of the four tenants felt that they would be happy to stay in this property while one felt that they wished to move closer to the shops. Three out of four tenants felt that they had benefited by being allocated this property quicker than would otherwise have happened. One tenant felt that the disadvantages of the project were the high rent levels and the time it took to get the property completed, while another felt disadvantaged without the Right to Buy.

Evaluation of the project

10.2.11. This project showed considerable success in all three rounds of the EHI. Properties that have been repossessed are brought back into use for social housing. These properties have been former Council houses and this project enables the stock of social housing in the area to be replenished. This project has enabled a number of partners to become involved in the Council area, each bringing their own input to the same project. Tenants value the project for the speed at which they are able to rehoused through this scheme. There is the added value that waiting list applicants can see that properties are not lying empty when they require housing.

10.2.12. It is possible that the pepper pot nature of the project and the higher rents compared with similar surrounding council properties may cause demand problems in the future. Projects of this type have considerable merit. However, future market demand must be well researched.

Case Study No 2: Purchase of six empty MoD Homes

Project Description

10.2.13. The project involved the purchase of 6 empty Ministry of Defence homes for let at affordable rents. This project was opportunistic in that the MOD declared the house surplus to their requirements. There was a clause in the titles giving the Council first refusal to purchase the properties if they were to be sold. This coincided with the time that the EHI bids were due to be submitted. The EHI funding of £205,151 was added to £50,000 bank borrowing in order to enable the Council to purchase the properties. The EHI was required because there was a lack of funding through any other means. The Council purchased the properties then transferred them to the Association.

Partner Perspective

10.2.14. The RSL had heard about the EHI through the local Council. They too viewed the project as opportunistic as the property being offered to the local authority was in an area of high housing demand. These properties were regarded as priorities because they were family houses in the town centre, in a good residential area. They meet part of a strong demand on the Association in terms of area and type. These properties also required minimal repairs, which meant that they were ideal for the Association. The client group in the area represents the highest demand in terms of 2-3 bed roomed general needs properties these properties fitted that demand.

10.2.15. The Association surveyed the properties and worked out a financial calculation based on rents, the condition of the property and what could be raised through private finance. This brief was agreed by the local authority and formed the bid for the EHI.

10.2.16. The only issue of concern in negotiations was that the Council wanted to insert a condition that the houses would be let as affordable rented accommodation in perpetuity. The RSL found this unacceptable if there are to be changes to extend the Right to Buy to all social housing tenants.

10.2.17. The most obvious strength of this project was that it had the ability for properties to be recycled into the social rented sector. These properties would otherwise have been sold on the open market or remained empty. This was a very simple procedure, which benefited from an element of luck by happening at the right time.

10.2.18. The only weakness of this project was that it went no way towards building a strategic programme to tackle the substantial problem of empty homes in the area.

10.2.19. The close relationship between the Council and the Association was an important element of this project. Both the Council and the Association would

like to see the process repeated and the Council has already identified 80 surplus MOD properties in the area.

Tenant perspective

10.2.20. One tenant had heard about the EHI through the Council who had asked if they would like to go on the RSL list in addition to the Council waiting list. The tenant was already resident in a Council house but had been on the transfer list for eight years in order to move to a better area. The tenant pays the rent through a student income and receives reduced Council Tax charges. The tenant felt that the benefits of the project were that she had acquired a nice house in a better area. She felt that had it not been for the project she would still be in her old property waiting a lot longer for a transfer. While the tenant believed that she would stay in her current property she was frustrated by the lack of a Right to Buy on the new property.

Evaluation of the Project

10.2.21. This project demonstrates good partnership working and has been successful in bringing empty homes back into use for social rent in an area with a pressurised housing market.

10.2.22. The key to the project was that the EHI enabled resources to be made available at short notice.

10.2.23. This project created high demand, quality houses for social rent that would not otherwise be available.

10.2.24. It is unlikely that such a project would be viable if/when Right to Buy is extended to RSL tenants.

10.3 Stage 3 Case Studies

Case Study No 3 : Lead Tenancy Project

Project Description

10.3.1. The project was a Lead Tenancy Project that received £308,000 from the EHI. The funding was provided to allow the conversion of properties that then tied the owners into a leasing agreement whereby the RSL would let and manage the properties for 20 years. The EHI funding attracted a further £105,000 from the private owners. The reason that the private owners entered into this scheme was that the cost of repairing the properties was prohibitively expensive and they did not wish to manage the properties themselves.

Sponsor / Partner Perspective

10.3.2. Both the RSL and the private owners saw the strengths of the project as being to bring back into use empty town centre properties. One owner felt that it would not have been commercially viable to proceed without EHI funds and the property, which is in the town centre and adjoins other properties, would have lain empty indefinitely. The other owner thought that he may eventually have been able to develop the property but it would have lain empty and deteriorated significantly until then.

10.3.3. It was felt by the RSL that this project would produce higher specification properties than the owners would have produced by themselves. The weaknesses as perceived by the RSL were mainly in the length of time spent on negotiations. There was a very long time spent in preparing documentation, which was considered complex and could have been made simpler. It was stressed by the RSL that it was the lead tenancy type project and not the EHI that made the process take a long time. The RSL felt that it was unlikely that they would become involved in any other lead tenancy type projects due to the long and drawn out processes involved. Lead tenancy type projects are more time consuming than they should be for the reward they bring.

10.3.4. Both owners had encountered some difficulties during negotiations and have still not reached a final agreement with Scottish Homes on terms of contract. There is a clause in the contract that states that if the factoring RSL decide to terminate the agreement before the twenty years have passed then the owner must repay a percentage of the funding. This makes the risk attached to the project too high for the owners to proceed. This has not yet been agreed and has led to lengthy legal complications that have slowed the process.

Funders' Perspective

10.3.5. The Project attracted EHI and private property owners funding. The Council and the private owners interviewed felt that this Lead Tenancy Project would not have gone ahead without the use of EHI funding. One owner expressed that he would not become involved in any other Lead Tenancy type projects

due to contractual difficulties, because of a perceived unfair financial risk mentioned above and the lengthy and costly negotiations.

Evaluation of the Project

- 10.3.6. The project has the potential to bring 14 social housing units into use in several small towns. It has the additionality of contributing to the regeneration of these town centres, as both buildings are prominently located in the centre. For Lead Tenancies to be successful there is a need for complete transparency throughout the process to minimise areas of future legal dispute. Standard terms of contracts should be developed and made known to private owners prior to starting the project.
- 10.3.7. As a result Lead Tenancy agreements in general are more time consuming than the reward that they bring. If this is indicative of other Lead Tenancy Type projects simpler mechanisms need to be developed to allow smoother progress.

Case Study No 4: Nurse's Home Conversion

Project Description

10.3.8. The project involves the conversion of a former nurses' home in the grounds of a hospital to provide social housing. The project attracted EHI funding of £74,702 for the conversion of the property to provide 4 new units. The RSL have contributed a further £63,690 towards the conversion costs of these units, which will be owned and managed by the RSL on completion of the project. It is anticipated that the project will be completed within three years.

Sponsor Perspective

10.3.9. The Council felt that all their EHI projects were consistent with elements of the local housing strategy. There is not a major problem of empty homes, and the majority of those that are empty are Council owned in areas of low demand. Other areas have a shortage of affordable housing and the EHI projects have been aimed at extending house types in areas of shortage. The Council have a particular interest in seeing smaller flats and houses developed through the EHI because these are the types of properties that developers cannot or will not undertake due to issues of affordability.

Partner Perspective

10.3.10. The RSL is carrying out the project as part of a larger development, which in turn forms part of a mixed tenure development on the entire hospital site. The larger project is also HAG supported and will provide an area of new build for social rent. The RSL regarded the project as a priority because this was a useful building requiring conversion and the extra EHI funding would assist in making the project viable.

10.3.11. The EHI element of the project will provide 4 units intended to house people from the general needs housing waiting list. The Council will have 50% nominations rights on the new lets and relets of the EHI properties.

10.3.12. The RSL stated that the strength of the project was that the overall design meets a number of criteria such as EHI, Environmental Sustainability, and Secured by Design.

Evaluation of the Project

10.3.13. The project is still in the very early stages of development but it is anticipated that it will provide social housing in an area of housing need.

10.3.14. The key benefit for the project was that the EHI supported the integration of an existing building within a larger project. However, it is unclear whether a level of HAG funding could have been made available to meet the same objective.

Case Study No 5: Residential care home conversion

Project Description

- 10.3.15. The project involves converting an empty residential care home into 19 flats for the frail elderly. Additional funding was also in place to upgrade an existing day care centre, and EHI funding was used as gap funding. The amount awarded was £54,195. Other funding involved in this project was from HAG and private finance. The total funding for the project was £1,175,013.
- 10.3.16. The EHI funding was expected to be spent in the year 1998/99, while the other funding was expected to be spent over three years with £491,814 in 1998/99; £598,903 in 1999/00 and the final £30,101 in 2000/01. This anticipated spend is how the project developed and how the funds were spent.

Sponsor Perspective

- 10.3.17. The Council had owned and managed the property before the implementation of the EHI and the RSL took ownership and management of the property on completion. There had been no specialist provision in place before the project, but the RSL and the Social Work Department will provide specialist input on completion.
- 10.3.18. There is a nomination agreement with the Council and the RSL and there will be 50% nominations ongoing. A total of 19 units housing a maximum of 32 occupants has been created.
- 10.3.19. The rent for the property will be £32.42 per week for the two apartment, 1 person units; £35.66 per week for the two apartment, 2 person units; and £41.49 per week for the three apartment 4 person units.

Evaluation of the Project

- 10.3.20. This project demonstrates how the EHI can be used as an enabling mechanism to allow empty properties to be brought back into use. The project had been completed and the frail elderly tenants were moving in to their new accommodation at the time of interviews. In this situation there was a property that was well suited for the intended purpose. Therefore, the evidence suggests that the input of the EHI funds allowed the entire project to succeed.

Case Study No 6: Conversion of estate cottages

Project Description

10.3.21. The project involves conversion of estate cottages into upgraded accommodation for let. The original EHI bid had been to refurbish two damp empty cottages, but subsequently this initial brief changed to convert the two cottages into one. The EHI project funding was £9,000 with a further investment of £24,000 from the property owners. The final property would be a two or three apartment property. The funding was due to be spent in the year 1999/2000 but at the time of the interview no money had been spent.

Partner Perspective

10.3.22. The property belongs to a large estate run by a commercial estates management company. The estates owners regard themselves as a community support mechanism and try to assist local communities, although their primary function is as that of a profit making organisation.

10.3.23. This property was selected as a project because it was situated in a small community village where there is the need for social rented housing. It was regarded as a priority because it had had a closing order served upon it and it was located in the middle of the community. The property is former estate workers cottages and is part of a conservation village.

10.3.24. The target client group was elderly or special needs. The agents will manage the property although they will give 100% nominations rights to the Council for 10 years.

10.3.25. This project has run into some difficulty in acquiring listed building consents and as a result may not receive any other funding. This would put the entire project in jeopardy.

Evaluation of the Project

10.3.26. This project demonstrates the potential to provide further housing in a conservation area through the rehabilitation of decayed and empty properties. The EHI presented the opportunity for this project to go ahead when it would not have done so otherwise.

10.3.27. However, the project is encountering difficulties over listed building consents that will affect the ability of the owner to provide the remaining funding. Projects of this type can have added value for local communities. However, it is important that all partners have a clear understanding of each others requirements and resources at an early stage.

Case Study No 7: Just in Time Repairs Projects

Project Description

- 10.3.28. The project involves two Just In Time (JIT) repairs projects. The projects funded JIT repairs to allow private owners with landlord potential to secure a small amount of funding to prevent a property becoming unlettable. The first project was awarded £50,000. However, no money was spent within the financial year of the award and the award was not claimed. The following year a subsequent bid for JIT repairs received funding of £30,000 to be spent over 3 years. This secured funding for five properties by the end of the financial year.
- 10.3.29. During the period of the first bid the Council wrote out to farmers and owners of empty properties to inform them about the JIT repairs project. The Council believe that this may have taken time to filter through and have an impact. It is possible that the length of time it took for this to happen and the owners of empty properties to contact the Council was too long compared to the period over which the funds were allocated. It is possible that some of the benefits from the publicity in the first round where no allocations were made were seen in the second round of the EHI JIT repairs.

Sponsor Perspective

- 10.3.30. The Local Authority had carried out a survey of empty homes through earlier rounds of the EHI but this survey had not identified any properties that could benefit from JIT repairs. For this reason, after the Council received JIT funding, its EHO sought identify properties that would benefit from JIT repairs and progress them with funding from the Council's non-HRA funds.
- 10.3.31. The criteria for properties to be eligible for JIT repairs under the EHI were the same through both rounds of funding. The project was intended to fund repairs on properties that were a) empty and b) marginally below standard.

Partner Perspective

- 10.3.32. There have been five projects selected to date. One has been refused permission to continue. Three owners have been interviewed and the fifth has moved out of the area. Of the three which were possible to be contacted the owners felt that the EHI was a worthwhile project which had enabled them to repair property and now were tied into an agreement to let the property for five years.

Evaluation of the Project

- 10.3.33. It is clear that projects of this nature have a longer than anticipated lead in time.

10.3.34. The second JIT project was expected to spend 10 grants in its first year, but only four have proceeded. While four properties have benefited and are now occupied the success rate of this project is limited. A key reason for this is the lack of information on properties requiring JIT repairs. The local authority had carried out empty homes research but this was not targeted at suitable properties.

10.3.35. The evidence suggests that Just In Time repairs could have considerable merit as a cost-effective method of bringing empty properties back into use. However, for it to succeed there requires to be more consistent long term funding which would allow the benefits of the scheme to become more widely known to owners.

Case Study No 8: Conversion of non-residential property

Project Description

10.3.36. The project involved the conversion of non-residential property in the city centre to provide social rented housing. The EHI award was £246,500 and this would enable the leverage of a further £118,500 from private finance. The EHI money was due to be spread over the years 2000/01 and 2001/02. The number of units proposed was six. Planning restrictions resulted in an amendment to the plans and the project will now provide four flats plus a workspace. The reason behind the need for the EHI funding was the cost of repair. The principal partners involved in the project are the Council, Scottish Homes and a RSL. The ownership and management of the property will transfer from the Council to the RSL. The intended beneficiaries will come from the general housing waiting list. The council will have 50% nominations rights in perpetuity.

Sponsor Perspective

10.3.37. This property was selected by the RSL because it would meet the Council objectives to develop inner city regeneration and meet housing need. Scottish Homes, the Council and the RSL all agreed that this property was a priority. The project preparation process was described as 'partnership in its widest sense involving all the bodies that work in the area as well as tenants'.

10.3.38. The most apparent issue, which has arisen during the implementation to date, is the high level of trust being displayed by everyone involved. A lot of work is being carried forward in the spirit of co-operation because as yet no legal agreements have been finalised. While the project is on target with regard to the EHI, this element is part of the greater picture, made possible by mutual co-operation. The implementation is a meticulous process of assembling funding and co-operating with other parties.

10.3.39. Although still in its early stages no particular weaknesses have been identified with this project, no great problems have been encountered although it was recognised that due to the complexity of the project this did mean that it would take time to assemble.

Evaluation of the Project

10.3.40. This is a high unit cost project that would not have happened without the presence of the EHI. The RSL had been waiting for the opportunity to develop the property. This property would not have been developed, because it is very difficult to make a development of only 4 houses financially viable.

10.3.41. The key strength of this project lies in the trust and co-operation between so many partners. The RSL felt that the particular strengths of this project were the multi-agency Public Private Partnership and the trust and co-operation, which has gone with this. Where possible partnership of this nature should be

encouraged and developed. The impact that the EHI can have by acting as one element in a much larger project should also be recognised.

10.3.42. However, a key issue is whether the high cost of the project is reflected in the added value to the location. Projects of this nature are high cost and it is important that a full cost and benefit analysis is carried out before investment proceeds.

Case Study No 9: Tenement Modernisation

Project Description

10.3.43. The project entails the transfer of unmodernised traditional tenement properties owned by the Council to the RSL for modernisation and return to social housing. The approved amount of the EHI funding was £1,012,500. Private finance was to be levered in to the value of £1,500,000. The number of units proposed is 25 per year for three years. The project method is that of a refurbishment grant needed due to the cost of repair to the properties. The principal partners involved are the RSL and the Council. The ownership and management of the properties, which had previously been with the Council, will pass to the RSL on project completion. The City Council will have 100% nominations rights of the anticipated total of 75 properties, with the intended beneficiaries coming from the housing list.

Sponsor Perspective

10.3.44. The Council selected the flats to be developed. They were regarded as a priority because they were of below tolerable standard (BTS). The traditional Scottish Homes Model was used to work out the funding model, which led to an initial calculation of £13,500 per flat, which this fitted the RSL target.

10.3.45. A key issue that arose during negotiations was in relation to nominations. The nominations agreement had to be revised after the announcement of the intention to extend the Right To Buy. This agreement stated that there would always be 16 flats made available to the Council. However, a shortfall was encountered in the first year and the Council would not allow any more of the total figure to be spent in that year. There was an issue of understanding and interpretation of how the money should be profiled between Scottish Homes, the RSL and the Council.

10.3.46. One particular strength of this project is that it does cover three years and now that the first phase has been successfully completed a model has been established to enable additional units to come on board. The First Phase was a learning experience and further phases will benefit from this.

Evaluation of the Project

10.3.47. The project will bring back into use a considerable number of city centre BTS properties. The project has been successful through the first year, and this can be built on in the future to make the further stages of the project run more smoothly. A key feature is that these properties were located in areas of high demand and therefore would add to the overall stock available for rent. However, care should be taken when considering such projects that there is an appropriate demand for the modernised flats. Therefore, a market analysis should be carried out. Subject to this qualification, this project has considerable potential to be replicated in the future. It is also important that streamlined procedures are in place and that all partners are aware of the funding structure and how it will operate during the project.

Case Study No 10: Listed building restoration

Project Description

10.3.48. The project involves the restoration of a listed building to provide 8 houses for the elderly. The EHI funding in this project was a small component of a much bigger package. The National Trust regarded this property as a priority because it was one in their portfolio of historic buildings, but, because of the need for extensive repair, no other agency was willing to take on the project.

10.3.49. A funding package was developed where the National Trust, the Heritage Lottery Fund, Historic Scotland the Council and the RSL all partly fund the project. EHI funding of £200,000 represented approximately 15% of the total project costs of £1,327,804.

Partner Perspective

10.3.50. The RSL were keen to expand their partnerships, and willing to take on the management of the property. The weaknesses as seen by the National Trust are that the funding package is very complex and is reliant on many different partnerships and agreements. There is a threat that the funding package will not come together as anticipated and any shortfall would lead to design cuts. In particular, the Heritage Lottery is the largest single funding body, and they operate stages of approval. While the first stage has been passed, second stage approval has not yet been given.

10.3.51. The National Trust see the strengths of this project to be bringing back into use a property which would otherwise not have been reused, would have continued to decay and may ultimately have been demolished. The benefits of the project extend beyond building restoration to regeneration and housing provision.

Evaluation of the Project

10.3.52. This project will enable a building of historic merit to be converted to housing use while not destroying those features that were important to conserve. The restored building will have added value for the town centre regeneration. The National Trust involvement will mean that the final specification will be higher than if the project was being done under normal funding mechanisms.

10.3.53. However, a key feature of such complex funding is that each partner requires to be satisfied that their objectives are met. Therefore, it is important that there is an agreed system of arbitration in place to ensure any conflicts are resolved without the threat of withdrawal of funds. Developing projects with partners where funding is agreed in stages can be high risk. At present the final funding go ahead is still to be secured, assuming this is given and the partners continue to work together this project has the potential to fulfil its objectives and provide a new use for this historic building.

Case Study No 11: Rehabilitation of a disused hotel

Project Description

10.3.54. The project entails the purchase and rehabilitation of a disused hotel to provide 5 unit homeless accommodation in an area of high housing need. The project award was £149,500 from the EHI. Other funding was to come from Scottish Homes £15,000; loans secured against rental income, and the RSL supplying gap funding.

Sponsor Perspective

10.3.55. It was felt that there was insufficient time to develop the projects. There were four possible projects fitting the EHI criteria. The RSL had a particular interest in the conversion of commercial properties because conversions do not attract VAT. They also wanted to use town centre properties to develop a balanced portfolio of properties situated closely together to make housing management easier and more economic.

10.3.56. A key objective was to increase stock in order to address a shortage of affordable housing for rent in the area and assist with a problem of rural homelessness which was exacerbated by the pressurised housing market.

Partner Perspective

10.3.57. Problems arose during negotiations because the EHI money was not available for three years. This left only two alternatives open to the RSL:

- using their own finances to procure the property, and then refinancing when the EHI money became available; or
- waiting to buy the property when the funding was released.

10.3.58. The RSL felt that it was obvious from day one that the 3-year programme of the funding package made it impossible to do any deal. The RSL felt that they could sit and watch the property dilapidate further over the 2 years until the funding was available. This option would have cost more in the end. As it turned out the vendor sold the property before the EHI funds became available.

10.3.59. The RSL also felt that the fact that bids went in so quickly meant that it was difficult to tie people in to agreements. Commitments were stated but were not binding when the project came to be implemented and some agreements failed.

10.3.60. The RSL believed that the EHI seemed to cause a problem between two major funders: the Council and Scottish Homes. This caused delays for the RSL who believe that the relationship between the local authority and Scottish Homes needs to be made clearer. It was also stated that Scottish Homes are the

experienced funders and managers of capital programmes so they should be the organisation to deal with these matters.

Evaluation of the Project

10.3.61. Much can be learned from a failed project. Firstly, funding must be targeted when required. Projects involving at risk properties in private ownership should recognise the potential for failure or incurred cost if funding is delayed. However, the property was sold to another purchaser before the funding became available and, while the project may not have progressed, the fact that the property was purchased by another party may indicate that it will be brought back into use without EHI funding.

Case Study No 12: Flat upgrades for special needs

Project Description

10.3.62. The project involved the upgrade of flats which were in RSL ownership but which had lain empty. This Case Study concerns two EHI bids where the funding was joined together and the projects carried out together. Both projects would have been in the RSL's development programme irrespective of whatever funding could have been identified. The EHI funding for this project was £280,000, with total other funding of £475,000.

Sponsor Perspective

10.3.63. The RSL had the intention to house young single minority ethnic clients.

10.3.64. A funding plan was developed in a piecemeal fashion after an invitation to submit for EHI funding was received. The EHI bid was made on the basis of what the Association felt they were likely to be awarded. Following the funding award, Scottish Homes indicated that if the building specification was increased they would match the costs. The RSL also went about seeking funding commitments on the revenue side through special needs revenue subsidy and checking that Housing Benefit would meet the support needs. Therefore the funding structure for the project could be described as an iterative process.

10.3.65. The only issue that arose during negotiations was that Scottish Homes were willing to put HAG into the equation, which raised the project from a patch and repair job to comprehensive tenement improvement.

10.3.66. While the RSL owned the majority of the properties within the building there were also three owner-occupiers in the building. Two of these owners received local authority grant funding to enable them to participate in the project. The third property was purchased to ensure it was refurbished with the rest of the building. Scottish Homes and the local authority agreed to underwrite the cost of the RSL purchasing the property.

Evaluation of the Project

10.3.67. The specific strengths of this project lie with the fact that it was possible to develop a very specific solution to a specific problem. This gap site/ semi derelict building was situated in an inner city neighbourhood. The EHI had the ability to target funds to bring this empty property back into use.

10.3.68. A perceived weakness was that the project concentrated on supported accommodation. The nature of the project dictates that these properties are clustered. It was felt that having to bid encouraged packaging of support while in other circumstances dispersal of the project would be more appropriate.

10.3.69. The feasibility of the project grew as it developed and attracted HAG funding to conduct a comprehensive tenement improvement rather than patch repairs. The success of this project lies partly in the HAG funding and the local authority grants to owners. However, as the project was in the RSL's programme it is likely that EHI funding accelerated the implementation rather than enabled it. Also the constraints of EHI funding led to a grouping of accommodation that, while adequate, was not ideal for the purpose.

Case Study No 13: Flat Refurbishment

Project Description

10.3.70. The project involved the refurbishment of 19 flats in a Pre-1919 building. The property required upgrading and minor works by the RSL through a refurbishment grant. The EHI funding awarded was £190,000. The reason the funding was required was the cost of repairs required. The principal partners involved were the RSL and the Council. The project was managed by the RSL although six of the properties were owned and managed by the Council both before and after the implementation process. The main aim of the RSL was to increase the mainstream housing stock. The intended beneficiary of these properties was to be thirteen families from the housing list or from ethnic minority groups.

Partner Perspective

10.3.71. Due to the tight timescales private finance was not developed. Had there been a longer lead in time, this might have been possible. The RSL had wished to complete 13 properties but succeeded in completing only 7 in the year. The RSL see a great strength of the project to be that the EHI provided an additional source of funding which enabled the properties to be upgraded. This would not have happened otherwise. The project also demonstrated good co-ordination between the Local Authority and the RSL.

Tenant perspective

10.3.72. Of the tenants interviewed, half had been homeless prior to securing this accommodation, one third had rented privately; and the remainder had lived with relatives. Circumstances of overcrowding and homelessness were the factors that led to the decision to rent this accommodation.

10.3.73. When asked where they thought they would live without this project those who had previously rented privately thought they would still rent privately. Those who had been homeless thought that without the EHI they would live in homeless accommodation, private or socially rented accommodation or had no idea where they would live.

10.3.74. Half of the tenants felt that their future housing needs would be met by a transfer within the Association, while two hoped to stay in their current home and one felt that they were likely to become an owner occupier.

10.3.75. The advantages of the project for the tenants ranged from getting a home in a popular multicultural area, to security of tenure and affordable rents. No tenant reported any disadvantages of the project or anything that they would change about it.

Evaluation of the Project

- 10.3.76. The project provided a basis for the Association to develop further properties in the building in later years. The project would have benefited from a longer lead in time that would have enabled the association to lever in private finance. This problem had been remedied in later years of this project, but highlights the need for realistic lead-in times that allow all elements of the project to be in place.
- 10.3.77. For the tenants, the project was successful and the benefits ranged from getting a home in a popular multicultural area, to security of tenure and affordable rents. In addition, by rehousing individuals from private accommodation there is a significant reduction in Housing Benefit Payments.

Case Study No 14: Conversion of a Steading

Project Description

10.3.78. The project involves the conversion and upgrade of a steading into 5 new housing units. The EHI funding allocated was £100,000 with additional funding of £300,000 coming from the National Trust for Scotland and Scottish Homes. The owners, the National Trust for Scotland, own and will manage the property that will provide social housing in a rural village setting. The Council will have 100% nominations rights for the first lets and 50% of the second lets. The beneficiaries will be from the general housing list and the rent will be £180 per month.

Partner Perspective

10.3.79. This building was regarded as a priority because it had been derelict for around twenty years. It had been established through community liaison that affordable housing and business opportunities were needed on that site. This complied with another of the priorities of the National Trust to provide local infrastructure.

10.3.80. The National Trust have devised an allocation process to ensure that the housing will be let to local people in housing need. The tenants who will be allocated the properties will be required to enter into agreement with the National Trust to ensure that the properties are well maintained by both the Trust and the tenant.

10.3.81. One issue that arose from negotiations was that it was established that rents would be set at affordable levels, although this had not been an original funding requirement.

10.3.82. From the viewpoint of the National Trust one particular strength of the project is that it has evolved from the needs of the community who are stakeholders in the project and the Trust feel that they acted as a catalyst by providing the opportunity. The EHI has encouraged the Trust to think differently about other projects. By focussing on the objectives of the EHI, they may be able to utilise this funding for other projects. The Trust stated that without the EHI the fabric of rural housing would decline, because the EHI recognises the need to use and bring back into occupation the existing housing stock. Without the EHI funding this property would probably have been left to deteriorate further, and it is unlikely that it would have become housing.

Evaluation of the Project

10.3.83. This project has also demonstrated success in achieving its objectives. The partnership with the National Trust has worked well to bring a building of historic merit into use as social housing. It has also encouraged the National Trust to view empty properties in a different way and this may lead to further

projects that develop empty buildings. There is a strength in the community ownership of the project providing local people with what they believe is required.

10.3.84. This project has provided affordable housing for rent in an area of housing pressure.

Case Study No 15: Conversion of flats over shops

Project Description

10.3.85. The project involves the conversion and rehabilitation of 6 privately owned properties over shops by two individuals. The funding given to this project was £50,000 each year for 3 years. The properties will remain in private ownership but will be managed as social housing by the RSL for an agreed time on completion.

Sponsor Perspective

10.3.86. These projects were not regarded as priorities by the RSL, but they stood up to feasibility studies and were progressed because they were financially viable and there is a shortage of housing in the area. The RSL work closely with the council and were directly approached by the Council and the private owner.

10.3.87. The RSL believed that the only area in which there may be weakness with this project is that the properties are not clustered together and this may lead to a weakness of management. Apart from this the EHI was seen as being a very successful programme and any problems were a result of having yearly bids.

Partner Perspective

10.3.88. Both owners had already identified these properties which they wanted to develop and got involved with the EHI as a means of enabling this. Both owners stated that they would have progressed the projects in the absence of EHI funding although one felt that the standard of the finished accommodation would have been lower, and the other felt that the project would have progressed faster without the EHI. Both owners agreed that they would not have provided accommodation for social housing without the EHI; the finished properties would have been sold or rented in the private market.

10.3.89. There were issues in the negotiation of grants, one owner felt that the 14 months, which it took to negotiate, the grant was too long although recognised that the high level of grant was only possible by tying the property into social housing for 20 years. The other owner had also had difficulty in negotiating the period for social rent. This had changed from 10 to 12 to 15 years and there had been an added complication where the owner wished for the rent to be index linked due to the long-term nature of the agreement.

10.3.90. Both owners felt that the strengths of the project lay in the quick payment of the grant at the outset, which meant that operating capital was not held up in any way. One said that the strengths of the project was that the process was simple and smooth. Another liked the long-term nature of the project, which lenders seemed to perceive as a strength, and were willing to lend more because of this.

10.3.91. The weaknesses seen by the owners were in the length of time that the grant took to be negotiated and due to the fact that because the property is going into management for 15 years and is not being sold as would happen with his other ventures there is no way that he can claim back VAT. He felt that this was such a huge amount that it almost made the project unworkable.

Evaluation of the Project

10.3.92. The project added six properties to the stock of socially rented housing. However, there was a prolonged period of negotiation due to the lack of a clear specification of issues such as length of time for social rent and rent levels over time. Such projects would benefit from a standard boilerplate type of agreement linked to a competitive bidding process for competing owners.

10.3.93. The process for negotiation and processing of audit involved a large number of people and this wasted resources in time and negotiation. If this type of project is to be more cost effective there should be a single point of contact with private owners.

Case Study No 16: Nurses' home upgrading

Project Description

10.3.94. This project involved the transfer of a former nurses home from council ownership to the RSL this property needed extensive upgrading. The EHI funding was £113,015, which was leveraged up with £64,400 funding from the local authority and £109,000 from the RSL. Six properties were to be created in a rural village setting. The project would be through a refurbishment grant due to the cost of repair of the property. The expected lifetime of the properties for social housing will be 30 years. The project completion time was 12 months. The Council have 100% nominations for the first lets and 50% for second lets. The actual number of occupants in the six properties is now 14.

Partner Perspective

10.3.95. The RSL work closely with the Council and through this contact they heard about the EHI. The project was selected following a design competition, which was to form the basis of the Council's EHI bid. The intended client group was general needs and this is the type of occupant housed.

10.3.96. The RSL did not regard this project as a priority. They had carried out several other feasibility studies on properties in the area and those projects that were financially viable are also to proceed due to the shortage of housing in the area.

10.3.97. The RSL stated that they approached the project from a contractors' perspective, retaining design features where possible. A local contractor was brought in at an early stage to advise on this process. An issue that arose during implementation was that once the bid had been approved there was very little scope to alter the project. There were additional costs encountered when the work began and it was expected that a sum of £10,000 would come from Historic Scotland. This did not happen and meant that both the local authority and the RSL had to increase their contributions.

10.3.98. The RSL felt that the main strength of the project was the fact that it brought the contractor in at a very early stage as this resulted in lower costs for the same end result. The building has since been nominated for a Saltire Award for the sympathetic restoration of a building that would otherwise have been demolished.

Tenant perspective

10.3.99. One tenant had never heard of the EHI and could not comment on the scheme. He had previously been living with someone else in their Council tenancy. He decided to rent this property because he was nominated to the RSL from the Council housing waiting list. His rent was paid through earned income and he felt that if he had not been housed through this project he

would be in a privately rented room and would not have his own home. The tenant expressed his wish to remain in this property in the future.

Evaluation of the Project

10.3.100. While the project was not initially a priority it did meet a local need for social housing. However, it does illustrate that there is an issue of how unforeseen costs will be handled through the EHI procedure. Although it was not a critical factor for this project, as the RSL and the Council had the resources to bridge the funding gap, it may be for future projects.

Case Study No 17: Refurbishment of rural housing for social rent

Project Description

- 10.3.101. The project was to purchase and refurbish for social rent six empty properties on a private rural estate. The funding for this project was £102,300 from the EHI, £15,000 from the LEC, £56,700 from the Council and £95,000 of private finance. This made a total funding for the project of £269,000.
- 10.3.102. The properties were in the ownership of the private estate, and managed by the Forest Enterprise. After the EHI the property would be in the ownership of a Community Trading Company and managed by the Council.
- 10.3.103. The outcome of the project was the creation of 6 three-apartment properties, which now house 12 occupants. The rent per week is £46.50.

Partner Perspective

- 10.3.104. The Community Trading Company is a retail management company trading from a local shop and run by a management committee. The company first heard of the EHI through a Council officer. The properties, which had previously been foresters' houses, were regarded as priorities because they had lain empty for around 15 years and there was demand for housing in the area.
- 10.3.105. The Trading Company had already acquired funding from the Rural Homes Initiative to renovate the properties, but still needed to find the money to cover the purchase price. The rental stream covered management and maintenance costs and the private finance. The LEC contributed funds to landscape the adjacent areas. In a further 4 properties not purchased in this way, the owners applied for grants to install a hot and cold water system, which were then channelled through the trading company so that a system could be installed for all the properties. The Council agreed that local forestry workers would have first priority for these properties, with the remainder let to local people.
- 10.3.106. The Trading Company considered the strengths of the project that it has been an interesting exercise for the community, which involved partnership working and has ultimately led to the ownership of four houses and a resultant strengthening of the Trading Company. It was likely that these properties would otherwise have been bought as holiday homes.

Evaluation of the Project

- 10.3.107. The project acted as a catalyst to bring houses back into use for social rent in a rural area with a significant housing need. In addition it supported the improvement of a number of private homes, strengthened the local Trading Company and created partnership working with the Local Enterprise Company.
- 10.3.108. This is a good example of how a housing project can bring added value to a rural environment.

Case Study No 18: BTS Refurbishment

Project Description

10.3.109. The project involves the improvement and refurbishment of 7 Below Tolerable Standard (BTS) tenement flats to allow them to be rented for social housing and meet community care needs. The property is situated in a housing action area. The property is expected to be part of a hospital resettlement scheme although it has not yet been identified which flats or how many will be for special needs or general needs.

Partner Perspective

10.3.109. The RSL heard about the EHI through the Council and was guided by the fact that the Council had looked at a number of projects before selecting this one. The RSL had carried out a feasibility study of the area and was knowledgeable about the types and conditions of houses. It is intended that some homeless and some special needs applicants from the Council and RSL lists would be housed. Therefore there will be some amenity housing on site.

10.3.110. The RSL established indicative costs through its feasibility study. It then evaluated the cost per unit in line with other typical developments, and this indicated value for money. The project was then competitively tendered.

10.3.111. The final cost was higher than anticipated. This was due to a change in costs between the time of the bid submission and the time of the award. However, cost savings were made which enabled the project to proceed.

10.3.112. One of the strengths of this project identified by the RSL was that the EHI funding was additional to its own sources. This was the type of project the Association would like to do it but was not able to do without the extra funding through the EHI.

10.3.113. The main concern that the RSL had with the project was that the level of grant is fixed too early; details of cost do change yet this is not taken into account. Scottish Homes cost plans are able to take this into account so the EHI should also do so. Also the very short lead in time, which meant that there was only a limited amount of research which could be done by the Association before submitting the project for approval.

10.3.114. An unusual feature of this project was that due to the delay of another EHI project by the same Council this project was able to start ahead of schedule by using some of the funds allocated to the other project. These funds were paid back to the other EHI project when allocations came through for this project.

Evaluation of the Project

10.3.115. The EHI funding for this project was considered an additional resource for the Association. It is unclear how the application of EHI funds differed from the of normal HAG funding.

- 10.3.116. The short timescale for application combined with the fixed nature of the grant can cause problems with implementation at a later stage.
- 10.3.117. In this case the Council used its discretion to bring the project on faster than it could otherwise have done by using resources approved for another project. While this flexibility was a considerable advantage it is unclear whether it was within the terms of the EHI grant given to the Council.
- 10.3.118. There is a need for clarification of funding sources with the objectives or HAG differentiated from that of EHI.

Case Study No 19: Refurbishment of empty tenements

Project Description

- 10.3.119. The project entailed the refurbishment of long term empty tenements to be sold for low cost home ownership. The award from the EHI was £55,000 and the private developer who owns a building company contributed £139,900. The number of units proposed under the EHI was 4 with the private developer also refurbishing a number of flats for market rent.
- 10.3.120. The client group targeted were first time buyers or those who were currently on the council housing waiting list. The properties were all completed in the space of one year and all were sold within one week of completion. The project provided high quality, fully refurbished property for sale at an affordable price.

Partner Perspective

- 10.3.121. A particular strength of the project was that the developer provided a move in package to reduce the cost of entering owner occupation for the first time. This included carpets, white goods, 3-piece suite, bedroom furniture and soft furnishings, legal fees, survey reports and a mortgage arrangement fees.
- 10.3.122. The Council considered that it is unlikely that the beneficiaries of the project would have been able to access such high quality housing in the absence of the initiative without the expense of competition, and move in expenses such as furniture, legal fees etc. As the majority of the flats have been sold to single people locally employed in low-income jobs this initiative has helped them take the first steps into home ownership whilst minimising the need for additional expenditure to ensure sustainability.
- 10.3.123. The Developer heard about the initiative through Scottish Homes. He felt that had it not been for the EHI funding received the project could possibly have been progressed with the use of Scottish Homes Gro Grant.
- 10.3.124. The developer had prepared this project by using a firm of surveyors to conduct a feasibility study for the site and also used the surveyors to inform the development of a funding plan. The developer did not feel that there had been any issues that arose during negotiation or implementation of the project.
- 10.3.125. The developer identified a particular strength of the project as being the ability of EHI funding to target smaller developments, which Scottish Homes would not tend to fund. The developer stated that all his developments went well and that he saw partnerships as the way forward.

Beneficiaries' perspective

- 10.3.126. One new owner chose to purchase the property because she wanted to live in the town centre and the attraction of this property was that it was a newly renovated tenement. A further attraction was the provision of all white goods,

carpets and some furniture, all of which were new. While she felt that there had been adequate time for her to come to the decision to buy the property, she did not envisage staying in the property indefinitely.

Evaluation of the Project

10.3.127. This project demonstrated considerable success in refurbishing town centre tenement properties to a desirable standard for low cost home ownership. The developer who carried out the project showed innovation in furnishing the properties with white goods and some furniture to enable those of modest income to enter owner occupation with only the purchase price to consider. These two elements reinforced the ability of individuals to participate.

10.3.128. The relationship between the EHI funding and Scottish Homes Gro-Grant could be clarified to avoid potential duplication of grant structures.

10.4 Stage 4 Case Studies

Case Study No 20: Rent Deposit Scheme

Project Description

- 10.4.1. This project comprises a Rent Deposit Scheme for private landlords linked to allocations to those in housing need. It was designed to enable those tenants who could not afford an initial deposit, and more broadly to enable those of modest income, to access the private rented sector. The funding was used to create a pool from which deposit guarantees would be honoured.
- 10.4.2. The EHI funding for this project was £20,000. These funds would be used to honour the rent deposit guarantee. It was anticipated that 50 property deposits could be guaranteed over several years by utilising the funds when required. Any payments made to landlords will be recharged to the tenant, so ensuring the pool of funds is maintained.
- 10.4.3. To date only three rent deposit bonds have been issued. A total number of seven people have been housed through this scheme. The scheme is ongoing.

Sponsor Perspective

- 10.4.4. The Council's project officer believed that the success of the project had been constrained by the need to target empty property, and it is difficult to find empty property of lettable standard in this area. Pressures on the local housing market mean that if the property is of lettable standard, it will not be empty.

Partner Perspective

- 10.4.5. The owner also felt that there was a weakness with the project because the rent deposit scheme only covered the deposit and did not cover other risks such as rent arrears. This view was based on a bad experience with late payment of housing benefit. The owner said that the poor administration of housing benefit may deter other owners from letting in this way.
- 10.4.6. When asked if he would change any aspects of the project or the implementation process, the owner said that his view of the project was generally positive, and he had a good working relationship with the Council.

Tenant perspective

- 10.4.7. Both tenants had previously been homeless, and they felt this was the only way that they could get a house. One tenant felt that the property was quite small and isolated, and they were already looking for alternative privately rented accommodation. The other tenant expressed a wish to gain employment and felt that this would not be possible due to the high rents charged for the property. She felt that she would have to move when she gained employment, but in the meantime she was happy with the

accommodation. She said that the main benefit of the project was that she had been homeless, and this project allowed her to access housing. She thought that there were no disadvantages or anything that should be changed about the project.

10.4.8. When asked about the benefits of the project, one tenant saw no benefits with the project, and stated that they had to take the house or be homeless. He also felt that the most frustrating element was that when he moved in and explained the deposit guarantee scheme to the landlord, the landlord was not happy about the scheme and the tenant claims that he ended up paying £50 deposit anyway. He therefore concluded that the Rent Deposit Scheme did not work and that it was a waste of time and money for both the tenant and the Council.

Funders' Perspective

10.4.9. The Project is a Rent Deposit Scheme (“RDS”) administered by the Council. Only one RSL we interviewed was aware of the RDS. No Private Sector Funders interviewed were aware of RDS. Guidance on this Scheme needs to be issued to organisations involved in the sector if more use is to be made of it.

Evaluation of the Project

10.4.10. This project has not had a high take-up, with only 3 out of a possible 50 rent deposit bonds issued to date. Our conclusion is that this may reflect a lack of suitable empty properties in the area, in which case it is possible that the EHI was not the most appropriate funding source for this project. There is also some evidence of a lack of awareness of the scheme’s existence among funding partners who might potentially make use of it. It has had a modest positive impact in enabling a tenant on low income to enter the housing market.

10.4.11. The sponsoring Council has acknowledged that there is a problem with this project and are seeking amendments to the conditions. There were two market reasons for this low response:

- firstly, the target of bringing empty homes back into use is difficult to reconcile with the lack of empty lettable houses in a buoyant market – i.e. there is no empty property problem in the area targeted. As a consequence, the twin EHI objectives of occupying empty houses and facilitating access to those in need are difficult to achieve;
- secondly, other factors that mitigate against low-income groups gaining access to private rented property were not fully addressed, particularly delays in processing Housing Benefit and the perceived poverty trap.

10.4.12. If an RDS is to be successful, it must develop co-ordinated delivery with Housing Benefit and effective longer-term benefits counselling including transitional arrangements from unemployment to employment. It must also be imaginatively marketed to potential beneficiaries and funders.

10.5 Case Study Conclusions

Target Outcomes

10.5.1. Thirteen of the Case Study Projects met their target timescales. Six were behind schedule due to contractual negotiations, the lack of suitable properties and the need for a greater lead in time than was available. It was unclear whether the other project met the timetable set for completion.

10.5.2. The Case Studies were also successful in producing the number of housing units that they set out to produce. Eleven of the 20 Case Studies had an outcome of 100% of the intended units to be created. While one Case Study averaged a unit outcome of 137% of the target number of units. Those that did not meet the target number of units varied from 0% where the project did not proceed to between 40 – 66% of the target. Of those projects which did not meet the target number of units to be created, two were the consequence of alterations to the building specification, one was due to the lack of available properties while a further two have the potential to progress in future years and thus meet the targets set.

Impact on Homelessness

10.5.3. The Case Studies have been assessed to determine their impact on homelessness. Four of the Case Study projects had a direct impact on homelessness with a total of fifteen units being used to house homeless people. The exact number of homeless people housed is not clear. Ten projects had no direct impact on homelessness and in a further four it was unclear as to whether there would be any impact on homelessness.

Impact on Stock Quality

10.5.4. Of the 20 Case Studies one has had no impact on Stock Quality due to the termination of the project. Of the others 12 will have had an impact on the quality of stock, a further 5 projects will have an impact on the quality of stock when they reach completion. The two remaining projects involved action to facilitate letting and the purchase of empty properties, which will have little impact on the quality of housing stock.

Additionality

10.5.5. Fourteen of the Case Studies displayed or will display on completion some level of additionality. This was shown through the regeneration and improvement of town centres or adjoining areas through the presence of the EHI project. These projects were unlikely to have gone ahead without the use of EHI funding. For 3 other projects it was unclear as to whether there had been additionality as a consequence of the use of EHI funding.

10.5.6. Three of the projects could not be said to display any additionality. One of these projects would have gone ahead without the EHI. However, the resultant

housing units would have been developed for sale. Therefore, due to the presence of EHI funding these properties were let for social housing.

Sustainability

10.5.7. The Case Studies were also assessed to determine whether the demand for the property would be sustainable. Excluding the project that did not proceed, all of the Case Study projects have been evaluated as able to sustain demand for the properties. They are also able to sustain future maintenance requirements due to the nature of the management arrangements in place.

10.5.8. We also evaluated the sustainability of the organisation that will be responsible for the property to determine the long-term success of the project. Of the 19 projects that went ahead, 18 organisations were deemed to be sustainable (mainly established RSLs). One organisation was presumed to be sustainable but this is not known. The organisation has not previously been an owner of rented property therefore operational sustainability cannot be assumed.

Affordability

10.5.9. In terms of affordability, 17 of the 19 projects were affordable, in the sense that they charged rents equivalent to those charged by local authorities or RSLs in the project areas, rather than commercial rents. It was unclear with two of the projects if they were affordable because one was managed by a private organisation who had not yet set rental levels, the other project had no guarantees of affordability and would be dependant on the private landlords involved. However, the majority of the projects will be affordable because they will be managed by a RSL. Even in cases where the property is retained by private owners the majority have an agreement in place for the property to be let at affordable levels. The one case study that provided homes for sale was a LCHO scheme that ensured affordability.

10.5.10. 18 of the projects were thought to be replicable. The majority of these were conversion and rehabilitation projects, which could be replicated given the presence of suitable empty properties and the demand for more housing. Other projects were more opportunistic but could also be replicated if the correct circumstances were to be repeated.

Cost Per Unit

10.5.11. The cost per unit of each Case Study was also calculated. The maximum cost of any of the Case Studies was £168,875 per unit while the average cost per unit was £43,384. While this may seem to be higher cost per unit than established in Sections 3 and 5, it should be noted that there were a greater number of rural Case Studies selected which would lead to higher costs.

10.5.12. The Case Studies produced an average of 10 units per project.

Project Beneficiaries

10.5.13. In 12 Case Studies the actual number of occupants was not known. It was only possible to ascertain how many units had been or will be created. The Case Studies where the number of occupants was known ranged from a minimum of 2 occupants to a maximum number of 32.

10.5.14. The beneficiaries in the Case Studies were also identified. Eleven projects housed clients from the general needs waiting list, three projects housed elderly people one of which was specifically the frail elderly, one of the Case Studies was aimed at homeless people while another targeted ethnic minority applicants and one was for first time buyers or people on the housing waiting list who could afford to buy the property.

Private Finance

10.5.15. The Case Studies were also assessed to discover the level of private finance being levered in through the EHI. Three of the Case Studies did not lever in any private finance at all (one was the project which did not proceed). The average amount of private finance to EHI funding was 263%. The maximum amount of private finance was 2,076%. We can conclude that from the Case Studies the EHI was successful in leveraging private finance. This correlates broadly with our findings from Section 5.5 and figure 5.10 of the study, although the average leverage in the sample of 20 Case Studies was greater than in the total population on 217 EHI projects. This may reflect the fact that the Case Studies contained more conversion and upgrading projects involving RSLs and private sector partners than the population as a whole.

10.6 The Funders' Perspective

Public Sector Co-Funding in EHI Projects

10.6.1. The objectives of the EHI and HAG funding cited by the sponsoring authorities interviewed were:

- an interest in meeting the Community's affordable housing needs;
- improving the quality of housing stock in their area; and
- an interest in reducing homelessness.

10.6.2. EHI funding was seen as a small piece of the broader and better funded new-build housing, regeneration and improvement of town centres programmes.

10.6.3. Project risks that were identified as problem areas from a funding perspective included the high initial feasibility and project development costs, particularly for smaller EHI projects, and the impact of VAT on the project viability and tenant demand.

10.6.4. A further issue raised related to planning risk, and the time and difficulty involved in getting the licences, permits and approvals, guarantees and consents to acquire, renovate and release property for re-letting, particularly with old historic buildings in Conservation Areas.

10.6.5. Other issues raised covered:

- contractual risk, particularly in the case of Lead Tenancy Projects, as a consequence of the lack of flexible lease documents and long and costly negotiations;
- the lack of information on the condition and availability of properties slowed down the Council's ability to react pro-actively and spontaneously;
- the need for clearer guidance on what are the purposes to which Councils can put EHI money.

10.6.6. The Councils interviewed thought the established RSLs such as Housing Associations were often the best-suited organisation to manage the EHI project risks, with the Councils assisting the RSLs in managing the funding of projects.

The RSLs' view of funding

10.6.7. The RSLs interviewed subscribed to the general principles and policies of the EHI, but the bigger and more established RSLs regard the EHI as a small supplemental development programme which "bolts onto" existing programs and loan applications. As stand alone projects, EHI projects are frequently not financially viable.

10.6.8. The funding issues identified as problem areas by the RSLs interviewed in the course of the case study research include the following:

- disproportionately high EHI overhead costs;
- collateral warranty: when buying properties on the open market the RSLs had difficulty in borrowing against the EHI Project as funders such as banks may regard EHI projects as offering insufficient security, as they involve mainly refurbishment projects, which are regarded as offering lower value for money (VFM) over the long term compared to New Build;
- planning risk, the bid timetable and the lack of sufficient information to make an informed choice are also seen as potential problem areas by RSLs, who fear being locked into the financial parameters of the deal before knowing the detail of the deal.

10.6.9. However, as experience is gained about EHI procedures, the initial teething problems are being overcome and managed better. The RSLs interviewed in the course of our case study research echoed the local authority sponsors in calling for EHI administration to be streamlined to remove bottlenecks. For

example, EHI evaluation committee meetings could meet more often to speed up the funding process or facilitate virement between projects. The RSLs emphasised that many suitable properties are lost because of slow response times of the system and an inability to raise financing quickly.

10.6.10. The RSLs interviewed felt that, in the short term, the EHI structure is replicable and does meet some immediate needs, but there are concerns that it is not a long-term solution to the twin problems of empty homes and homelessness with the present levels of funding, perceived lack of financial flexibility and commitment of governmental resources. The relationship between affordable rent levels and the ability to raise private finance is a conflicting area. High rents produce high cash flows, which in turn can leverage a high amount of private finance, which is ideal with the limited public resources available. However, EHI policy supports low or affordable rents, which generates a low cash flow which can leverage only a small amount of private finance. Therefore greater HAG and EHI funding is required. The conclusion of the RSLs interviewed is that raising more private sector financing for affordable housing through the EHI format is not a long-term solution – or perhaps, more accurately, can only form a small part of a wider strategy designed to offer a long term solution.

Heritage Lottery Funding

10.6.11. The objective of the Heritage Lottery Funding is primarily the funding of the conservation of historic properties. If the property is used for social or affordable housing, then that is an incidental or a secondary factor. The Heritage Lottery Fund will enter into particular EHI-supported projects on a stand-alone basis and on the basis that the project is financially viable.

10.6.12. The funding amount is determined by the conservation deficit calculation. The funding usually has a condition of a certain right of public or controlled access.

10.6.13. Project risks that were identified as problem areas in mobilising Lottery Funding included the following:

- *Financial Risk:* development and overhead costs limit the flexibility of EHI projects. Under the Building Preservation Trust a floating loan can be applied for to assist with the upfront development costs that will cover items like professional fees. Based on the Heritage Lottery Fund experience with older buildings, they expect to see a higher ongoing maintenance and contingency figure than the RSLs are presently putting forward.
- *Planning Risk:* because of the multitude of funders involved and the different criteria used by funders in EHI projects supported by the Lottery Fund, a timetable risk and thus a cash flow risk is real;
- *Design & Engineering Risk:* When interviewed on the Case Studies in which it was involved, the Lottery Fund stated that, because RSLs are

limited in the upfront fees they can pay professional evaluators, sub-standard or poorly qualified contractors were hired and their advice has caused significant cost overruns and problems later on in the Project.

10.6.14. When asked if the Heritage Lottery Fund would fund EHI projects like this again, the response was that the Fund did not know much about the Initiative. Based on their limited experience of the EHI to date, they feel similar projects may be better managed under the Building Preservation Trust. A strong EHI marketing initiative has to accompany an application, as funders are generally not aware of the details of Heritage Lottery Fund Programme.

National Trust Funding

10.6.15. The objective of the National Trust funding of the EHI Projects is similar to that of the Heritage Lottery Fund. Funding for projects involving the restoration and regeneration of buildings of historical interest are a priority. The restoration of derelict old buildings that may have a benefit to the community's social housing programme is a secondary concern. Having said that, the Case Study EHI project supported by the National Trust is seen as a win-win for all partners. The RSL got eight houses, the National Trust and the Heritage Lottery Fund got an "A" listed building and the community has benefited as this adds to the regeneration of the surrounding area.

10.6.16. The funding amount and structure was viewed as a stand alone Project. The National Trust will recover all its management costs involved in the Project and will aim to break even.

10.6.17. The problem project risks that were identified were similar to the Heritage Lottery Fund except the step-in rights of the Trust were of more concern. The National Trust was keen to ensure that the end user for the building would maintain its historical integrity and will not reconvert the building after a period of time.

Private Funding in EHI Projects

A. Banks-Debt Financing

10.6.18. The key finding emerging from the debt funders interviewed (Royal Bank of Scotland, Lloyds TSB and Bank of Scotland) was that they regard EHI grant finance as a "bolt onto" existing financial services offered to the RSL. The banks are therefore interested in understanding the EHI insofar as it assists them in understanding their clients needs, and offering them a range of services to meet those needs, and indirectly help to improve the quality of housing stock in an area.

10.6.19. However, EHI projects seen in isolation may be regarded by debt funders as high risk and poor value. None of the Banks interviewed had an active "Socially Concerned Investment Portfolio" that EHI projects could comfortably fit into, in comparison to socially concerned banking institutions such as the Co-op Bank. Two of the banks were not aware that the project

they were investing in was an EHI-supported project until we contacted them. They were under the impression that they were financing a broader regeneration project.

- 10.6.20. The amount of debt financing that can be leveraged is dependent on other sources of funding available, and the ability of the EHI properties to produce an attractive and continual income stream (cash flow) over the full period of the loan. The banks interviewed would not have invested in the Case Study projects surveyed in the evaluation if the level of grant funding fell below 60%, which might be taken as evidence that grant funding is a prerequisite for mobilising private sector debt finance for the type of project and client group targeted by the EHI. The 60% figure could be dropped to 55% in high rental areas where they are guaranteed a strong cash flow. However, this may conflict with the EHI's affordable housing policy.
- 10.6.21. In the Due Diligence done on the Project Risks by the Banks, they generally found that the larger, established and stronger covenanted Housing Associations prepared professional and sophisticated business plans, which could leverage significantly more financing from the banks than the smaller RSLs.
- 10.6.22. The project risks identified as problem areas were market risk or demand risk (the biggest concern) followed by maintenance risk.
- 10.6.23. When evaluating loan applications, banks will look at an RSL's overall covenants and assets, not a specific EHI Project. If an EHI project were submitted for funding on a stand-alone basis, debt finance would be difficult (in some cases impossible) to secure. In other words, EHI projects need to be bundled within a more attractive financial package to make it worth the risk and effort of the bank.
- 10.6.24. Funders have observed that most RSLs have selected variable interest rate loans. While willing to meet whatever their clients require, the view of some funders is that, when looking at the risks over 30 years, a fixed rate might represent a more manageable risk for the RSL at the end of the day. Funders have also expressed concerns regarding insufficient contingency and maintenance reserves budgets especially in later years and for older stock.
- 10.6.25. With regard to planning risk, the Banks are aware of significant levels of frustration and bureaucracy that their clients have to go through to get a deal together, especially if there are a number of parties involved. However most applicants are successful in hiding or screening the Bank from their day-to-day frustrations.
- 10.6.26. With respect to contractual risk, the Right to Buy (RTB) clause is of concern if the RSL is not a charity. The banks are also watching very closely the new legislation on Income Support Tenants and the Contractual *vs.* Statutory obligations of RSLs. The Banks involved in EHI Projects described no significant problems with their RSL borrowers in meeting their requirements on warranties, conditions precedent, default triggers, step-in rights, restrictions

on cash flow, third Party income risk, asset preservation conditions, minimum balance sheet coverage ratios, prohibition on additional growth, etc.

10.6.27. All the Banks interviewed will fund EHI projects again, depending of course on the balance sheet of the RSL making a loan application. However, they are not interested in specific EHI projects, only in financing a portfolio of projects managed by an RSL in which they have confidence. One reason is that their set-up costs do not vary much between a small loan compared to big loans. The consequence is that bundled housing projects with a funding requirement of £4-£5 million would attract serious discussion on reducing lending rates, while smaller projects below £50K would quite possibly face very high rates reflecting the banks' costs of doing business at this level. It could therefore be worth thinking about approaching funders under a broader "regeneration" title as they have expressed an interest in committing significant resources for regeneration projects, rather than an "Empty Homes Initiative" title for future projects.

B. Private Property Owners - Equity Financing

10.6.28. The objective of the private property owners interviewed in the Case Studies is to generate an income from the otherwise costly and problematic property they own, and to move the management risk associated with the property to the Housing Association.

10.6.29. The funding amount and structure for each property viewed as a stand-alone project is seen as commercially viable by the POs – a notable contrast to the banks. The main project risk that was identified was Contractual Risk. Long contract negotiations, and the issue of non-standard contract conditions that shift the balance of risk from the RSL to the owner, is a major problem that needs to be resolved. One possible mechanism could be the use of standard auctions supported by leases issued by RSLs as Managing Agents; this is discussed further in Annexe 4.

11. Overall Conclusions of the EHI Evaluation

11.1 Meeting Housing Need

- 11.1.1. The EHI has had a modest positive impact on meeting housing need. The statistical analysis provided by the EHI database, and the complementary information supplied by the Case Studies, indicate that approximately 10% of all EHI projects will have a direct impact in housing homeless people, while in total EHI-supported investments that had been completed or were under development in Spring 2000 were expected to create 839 housing units. It is anticipated that there will be a total of 1623 housing units created through the first three rounds of the EHI.
- 11.1.2. A large majority of the projects (70%) have been classified as Stage 3 projects involving the preparation of properties in order to be reused. All of these Stage 3 projects will have a positive impact on the quality of housing stock. Stages 1, 2 and 4 have not directly impacted on the quality of housing stock available.
- 11.1.3. To date there has been a certain amount of time slippage of projects. There is an average slippage of 75-80% in terms of actual disbursements compared to the forecast given at the time of bid submissions. The reasons for the slippage in timescales using information from the Case Study examples include:
- the lack of suitable properties;
 - delays in response times, e.g. as a consequence of lack of awareness about the opportunities offered by EHI-supported projects;
 - the complexity of partnership arrangements;
 - delays in contract negotiations; and
 - the lack of the necessary consents in place in time.

11.2 Sources of market failure

- 11.2.1. The market failure analysis into the underlying causes of empty homes shows that approximately a third of empty properties are empty because the cost of repair is in excess of the expected commercial return. However, projects to address the cost or repair make up 70% of the EHI funded projects.
- 11.2.2. By contrast, the EHI has not really addressed another constraint to the use of empty properties, namely the lack of willingness among private owners to make the properties available for let, because of the management burdens and the problems which they anticipate in this. One implication may be that, if the EHI is extended, greater emphasis could be placed on demand side initiatives. An example of how this could be done is for RSLs or Councils to act as Managing Agents for privately owned empty properties taking the perceived letting risk away from private owners. Funders interviewed in the course of the Case Study research also indicated that they regarded the covenant of established RSLs as superior to stand-alone projects or individual small private landlords, implying that if RSLs extended their Managing Agent

function, it could assist in mobilising additional private finance at lower interest rates.

- 11.2.3. One potential method through which a RSL seeking to act as a managing agent could secure empty privately owned properties for relet to social housing tenants as cost-effectively as possible could be through the use of an auction system.

11.3 Quality and Impact on Strategy

- 11.3.1. The EHI has acted as a catalyst to encourage all but three local authorities to research their empty homes problem to some extent. All had undertaken at least secondary research with the base source being the Council Tax Register. Of the 32 Councils interviewed, 23 had developed a database while 9 had not. However, among the authorities that had developed a database, only six had updated it, although most local authorities felt that the survey work done to prepare the database had been useful in securing data on the scale and nature of the empty homes problem in their area. Despite this, the quality of information received was often poor and there were issues about reliability, accuracy and obsolescence. We must conclude that in general the information gathered has been mixed, patchy and inconsistently updated.
- 11.3.2. All 32 authorities have devised an overall Housing Plan, with half including a dedicated Empty Homes Strategy within the plan. The EHI acted as a driver for the development of these Empty Homes Strategies. Most of the authorities that did not have a dedicated strategy included specific reference to bringing empty properties back into use as part of their overall housing strategy. Many authorities devised their strategies in the early rounds of the EHI as a mechanism for identifying suitable projects for bid submission. However, the overall picture that has emerged is that there was no consistency in either the way bids were prepared or the interpretation given by different authorities to the eligibility of different projects.

11.4 Partnership Arrangements

- 11.4.1. 81% of all EHI projects involved partnership working of some type. All the projects considered under the Case Study research had an element of partnership working. The Case Studies illustrated that proactive and enthusiastic partnerships were a key success factor in project implementation.
- 11.4.2 Those projects that enjoyed the most success were characterised by good informal relationships among their partners. One project in particular displayed a great deal of trust and co-operation between several partners who proceeded with the project before all formal agreements were in place. Strong effective partnerships proved necessary to sponsor complex contractual arrangements. Other projects described initial difficulties with partners. If these difficulties can be resolved, they can lead to stronger and more effective partnerships both for the project in hand and any future projects. While there were several instances of contractual and negotiating issues which had to be

resolved, only one partner involved in the twenty Case Studies felt that partnerships did not exist, relationships needed to be clearer and commitments should be identified.

11.5 Additionality

11.5.1. Our Case Studies have shown that the EHI has had an added impact on the regeneration of areas with empty properties. The presence of the EHI-funded projects have tended to act as a catalyst and stimulus in brownfield sites and town centres. Several historic properties that have had plans for redevelopment and have attracted some funding would not have gone ahead in the timescale they did without EHI funding. Many of the projects assisted helped to secure the built heritage, contribute to community regeneration and guarantee a viable end use of the property.

11.5.2. In the Case Studies, we found that the EHI projects tended to be located in areas of high demand where there is a shortage of affordable housing. For the purposes of the study affordability was taken as the local Registered Social Landlord current rent level. Our analysis leads to the conclusion that displacement is far more likely to occur in areas of low demand for affordable housing. This finding highlights the need to conduct sound market analysis to determine that there is in fact a demand for affordable housing before such projects are progressed.

11.5.3. Throughout the full range of EHI projects we have found little or no relationship between EHI and NHP. Our analysis of the projects indicates that this is partly due to the relatively small scale nature of the projects funded under the EHI.

11.5.4. From the Case Studies, it became apparent that the EHI funding was used as the financing method of last resort in around 75% of the projects. The view of those surveyed was that, without EHI support, these projects would not have found the funding for the whole project to proceed according to the timescale achieved. In many cases, EHI support enabled projects that had already been planned but had been unable to secure sufficient funds to be implemented.

11.6 Leverage

11.6.1 A major message emerging from the evaluation is that every project except those in direct Council management involved the transference of risk to the private sector owner or the RSL. The ultimate credit risk lies with the private sector owner or RSL. One way to manage this risk and make the projects more attractive to private funders is for the demand risk to be retained by the Council or the RSL through Managing Agent arrangements, as their covenant is deemed to be stronger than that of small private landlords. Social housing tenants are generally deemed to be a poor credit risk and therefore have very limited direct access to private housing finance.

11.6.2 There was a high degree of leverage achieved by mobilising private finance for EHI projects. As used in this report, leverage is defined as the level of private and other finance drawn into the project as a proportion of EHI funding ($= \text{Other Funds} / \text{EHI grant}$), so a leverage factor of 1 would indicate that £1 had been raised from other funding sources for every £1 of EHI grant, while a factor of 2 would indicate that £2 of other funds had been invested in a project for every £1 of EHI grant. From our studies it would appear that private finance can be more easily mobilised for major structural upgrading and conversion projects than it can be for minor refurbishment works and redecoration. One surprising statistic that emerged from our evaluation is that the net cost to the public exchequer of major structural upgrading actually appears to be less than for minor refurbishment works, although the total cost is greater for major projects. The difference is made up by private finance and other sources of funds levered in for major refurbishments. These findings were further confirmed through the Case Studies where the average amount of private finance to EHI funding was 263 %: i.e. £2.63 of other funding was invested for every £1 of EHI grant, on average.

11.6.2 Based on the experiences detailed in the Case Studies, and in particular the funders' responses, the following opportunities may exist to mobilise additional private sector investments into EHI projects:

- the EHI should standardise simple but formal contracts and ensure complete transparency throughout the process;
- the terms of these contracts should be known to all partners prior to project commencement;
- these standard contracts should have appropriate risk allocation which does not make it unattractive to the owner to participate yet maintains value for money;
- the contracts and agreements between private owners and RSLs should offer the private owners a reasonable return which will encourage them to let the properties and if possible let them for social housing;
- a guaranteed return will help private owners to borrow against the rental stream of their properties to assist in any upgrading or refurbishment that may be required;
- for larger structural property upgrading and conversion projects, the RSLs may offer the most attractive covenant to private sector funders, and may therefore be the most appropriate vehicle to leverage in bank finance on as attractive terms as possible for this type of project.

11.7 Cost Effectiveness Evaluation

11.7.1 The cost-effectiveness of the EHI can be determined by using the average cost per unit at each stage of the project cycle. The data collected in this way

reveals that the most expensive project type and stage are major refurbishments and structural alterations by RSLs. There were 26 projects of this type, costing an average of £47,870 per unit, of which £17,944 was funded by the EHI, and £29,925 by other sources. Table 11.1. below summarises the average cost-effectiveness of projects supported by the EHI at different stages of the project cycle, by sponsor.

Table 11.1
Average Unit Costs of EHI-supported projects

<i>Stage</i>	<i>Definition</i>	<i>EHI</i>	<i>Other</i>	<i>Total</i>
<i>2 - C</i>	Acquisitions: councils	£23,711	£12,921	£36,632
<i>2 - HA</i>	Acquisitions: RSLs	£17,014	£20,071	£37,085
<i>2 - PO</i>	Acquisitions: private owners	£11,355	£24,830	£36,185
<i>3.2 - C</i>	Minor works: council	£13,792	£8,586	£22,378
<i>3.2 - HA</i>	Minor works: RSLs	£12,727	£10,295	£23,022
<i>3.2 - PO</i>	Minor works: private owners	£10,093	£11,829	£21,923
<i>3.3 - C</i>	Major works: council	£16,884	£13,156	£30,040
<i>3.3 - HA</i>	Major works: RSLs	£17,944	£29,925	£47,870
<i>3.3 - PO</i>	Major works: private owners	£11,018	£23,052	£34,071
<i>4</i>	Property release	£14,161	£893	£15,054
	<i>Overall</i>	<i>£14,677</i>	<i>£16,609</i>	<i>£31,286</i>

11.7.2. However, from an analysis of ‘cost per social housing year’ it was found that the most expensive projects are acquisitions by private owners and developers at £3,290 p.a., followed by minor works implemented by private owners (£3,220 p.a.) and major works by private owners (£2,800 p.a.). The next most expensive ranked on this basis are major works projects sponsored by Councils (£2,500 p.a.). RSL projects are comparatively cost-effective with acquisitions costing £1,880 p.a., major works £1,600 and minor works £1,350.

11.7.3. This apparent paradox can be explained by two main factors: property life under social housing, and leverage.

Property life

11.7.4. Major refurbishment and upgrading projects typically gave empty properties a new lease of life, which was not necessarily the case for minor works projects or acquisitions. Major refurbishments by RSLs usually released properties back into social housing for 30 years. By contrast acquisitions and major works by private developers only generated an average 11-12 years of social housing use, while minor works by private owners gave an average of 6.8 years of social housing use, largely because it was difficult to negotiate longer contracts with POs for social housing purposes, rather than because of the actual property life.

Leverage

11.7.5. The comparative cost-effectiveness of major works in terms of EHI grant per unit is high due to the high degree of leverage achieved by mobilising private finance for these projects.

11.8 *Employment effects*

11.8.1. The analysis of the projects also covered whether there had been any jobs created as a result of the EHI funding. Our study found that there had been a negligible level of job creation - possibly no more than 3 care workers from all 217 projects. While tradesmen, builders and contractors were employed through many EHI projects, these cannot be attributed as job creations by the EHI. In general, the scale of EHI projects was too small to have any noticeable impact on job creation.

11.9 *Project Sustainability*

11.9.1. The sustainability of EHI funded projects over the long term has been assessed through the success of those projects in the Case Studies. This assessment shows that the projects will be sustainable in the future in terms of the future demand and rental revenues. This is because the majority of the projects are either for special needs groups or are located in areas of shortage of affordable rented housing.

11.9.2. The projects have also been assessed as sustainable in terms of future maintenance requirements. The management and leasing arrangements that are in place generally ensure the upkeep of the property is a condition of the management agreements.

11.9.3. Again drawing on the Case Study examples, it was found that almost all the projects were sustainable based on the stability and viability of the organisation. Only one Case Study did not totally comply. This reflected the fact that the organisation concerned had not previously been an owner of rented property and, while there were no indication that the organisation lacked operational stability, it was concluded that this stability could not be guaranteed. Of the other organisations, the majority were established RSLs such as Housing Associations.

Sustainability of EHI

11.9.4. It is difficult to ascertain, with any degree of accuracy, whether the Councils would carry on with the EHI if challenge funding were not available. However, some indication can be gained from the questionnaire responses to the questions of:

- How do the projects fit with the Council's wider housing priorities?;
- What are the projects major weaknesses?; and

- Are the projects sustainable without ongoing grant or revenue funding?.

11.9.5. By analysing the answers to the above questions it was possible to ascertain that 13 Councils (42%) indicated that the EHI type projects were of high priority and therefore it could be considered that similar projects would receive local authority funding in future. A further 13 (42%) indicated that such projects could be priorities and therefore may attract resources from the Council. The remaining 5 (16%) indicated that EHI was not a specific priority and therefore was unlikely to be funded if challenge funding was removed.

11.9.6 Councils' did indicate that the EHI did tend to stimulate the development of an empty homes strategy. However, given the competing priorities for resources on both the Housing Revenue Account capital budget and the General Services Housing Budget, it is unlikely that EHI would remain a significant priority.

11.9.7. Therefore, from the information available through the study, it is likely that the EHI could be sustainable within around 42% of Councils.

Annexe 1: Summary Descriptions of EHI Projects

The EHI Database

The Advisory Group noted that Round 1 bids generally covered three types of projects:

- research to develop strategies and establish a baseline of information;
- upgrading of empty properties to put them into a suitable state for letting; and
- action to facilitate the re-letting of empty properties.

In our database, we have identified these three project types with the letters R, U and A to represent Research, Upgrading and Action To Facilitate Re-Letting respectively.

The Advisory Group also distinguished between the different stages of strategy development. As Article 8.5 of the Report of the Empty Homes Initiative Advisory Group dated December 1997 stated "some authorities bid for funds to start the process, others already had such strategy in place and a bidding for projects which would help its delivery, yet others proposed pilot projects which would inform the development and implementation of the strategy in the future."

In our database, we have identified these three project stages as follows:

- *1: Project Inception.* This stage includes the acquisition of base data on the number, type, and location of empty properties in a local authority area (database development, indicated as Dd in our database), the analysis of reasons why properties in a particular area remained empty (database analysis, indicated as Da, which includes feasibility studies), and the development of an appropriate strategy to tackle the underlying causes of empty properties co-existing in an area where homelessness prevails (strategy development, indicated as Sd);
- *2: Pilot Projects.* This stage covers the implementation of pilot projects to test particular areas of strategy design, before they are rolled out to full implementation;
- *3: Full Implementation.* Full implementation involves the acquisition, preparation and release of empty properties. For this reason, we have subdivided Stage 3 into three sub stages. Stage 3.1 covers the acquisition of empty properties, indicated by the acronym PA for property acquisition in our database. PAC signifies property acquisition by the Council, while PA HA signifies acquisition by a RSL and PA PL indicates acquisition by a private landlord. Stage 3.2 covers the preparation of empty properties for re-let, including their repair, rehabilitation, modernisation and improvement to contemporary standards. Stage 3.3 covers the final release of empty properties onto the market. This stage encompasses action to facilitate the re-letting of empty properties, including support tenants to enable them to gain access to empty properties, such as rent guarantees (Rg) and initial rent deposits (Rd).

As a starting point for our evaluation, we undertook a detailed review of the Scottish Office files for each approved bid. We collated the information derived from these files into a bid database, which formed a key building block within the overall evaluation framework. The data contained in the Scottish Office files was synthesised

into a coherent format addressing each of the following six key questions:

- The type of each approved bid: what did it set out to? Did it involve the commissioning of research necessary to collate information on empty properties in a particular area, or to devise a strategy to bring them back into use, a pilot project, or some aspect of the final implementation of the empty homes policy?
- What stage of the empty homes strategy was being tackled?
- Who was the agent responsible for project implementation? Was it the Council itself? Or was it some third party, and if so who?
- How was the project being implemented? What was the method of the project implementation?
- Why was the project being implemented? What was its rationale? In the language of economic analysis, what source of market failure did the project seek to address?
- Who was the ultimate beneficiary of the project? This final question only applied for Stage 3 projects under implementation, and in particular at Stage 3.3, where properties were finally being released for occupation.

Database Objectives

The objective of the database is to collate and synthesise information on the projects supported under the EHI in a consistent manner. The database forms a key building block in the evaluation process, so it is essential that the data contained in it is as accurate and comprehensive as possible.

Database Structure

The database is organised in a series of columns, with a separate row provided for each project. The columns for which data is entered in respect of each EHI project are as follows:

- Project number.
- Name of the sponsoring authority.
- EHI round under which support was approved (three to date).
- Short project title.
- Amount of grant approved for the project.
- A sub-total for the total amount of grant provided for each Council in each round.
- A short description of the project.
- Number of units brought back into use under the project.
- Location of units.
- Type of project.
- Stage of project in the property regeneration cycle.
- Project agency. The agency is the recipient of the support and the body with ultimate responsibility for project implementation. Agents include the sponsoring Council (indicated by the abbreviation Coun), RSL (HA), universities (Univ), private owners (PO) etc.
- Project method. This column summarises the means by which the project was implemented.

- Project rationale. This column gives a brief summary of the reasons why the project was implemented.
- Project partner. The name of the principal partner to the Council (RSL, university etc).
- Owner. The ultimate owner of the properties being brought back into use under the project.
- Manager. The name of the agency responsible for managing and maintaining the completed project (may be the same as the project owner or principal partner in many cases).
- Specialist provider, e.g. of special needs services (where applicable).
- Project beneficiary. The groups afforded accommodation by the project.
- Project funding from EHI grant.
- Project funding from other sources.
- Total project funding.
- Forecast disbursement of project funding by year, 1997/98 through 2001/02 onwards.
- Number of individuals afforded accommodation by the project.
- Profile of individuals afforded accommodation by the project.
- Previous accommodation of individuals afforded accommodation by the project.
- Number of jobs created by the project, e.g. in construction and other capital works.
- Project contact details. The name, address and contact details of the Council officer responsible for project implementation (to be contacted in Stage 2 of the assignment).

Database Sources

As a starting point for our evaluation, we undertook a detailed review of the Scottish Office files for each approved bid. We collated the information derived from these files into a bid database, which formed a key building block within the overall evaluation framework. The data collated from this source was checked, validated and elaborated in the course of detailed face-to-face interviews conducted with the sponsoring authorities in the first quarter of 2000.

Summary of Approved EHI Projects by Council and Round

Sponsor	EHI Round	Project Title	EHI Grant Award	Short Description
Aberdeen City	98/99	EHI Officer	£23,610	Funding of an Empty Homes Officer
Aberdeen City	98/99	Pilot redecoration allowances	£10,000	Pilot redecoration allowances to determine whether LA will budget for scheme later
Aberdeen City	98/99	Seamen's Mission Feasibility	£12,000	A feasibility study to convert the Seaman's mission for homeless people
Aberdeen City	99/00 - 01/02	Lead Tenancy Agreements	£264,000	Target a number of empty properties to be developed on a basis similar to lead tenancy
Aberdeen City	99/00 - 01/02	Repair & Conversion Grants	£252,000	Assist landlords to refurbish properties,
Aberdeenshire	97/98	Analysis of Council Tax register	£1,221	Analysis of Council Tax register to identify empty properties
Aberdeenshire	97/98	Empty Properties Research	£19,551	Research by Aberdeen University to identify empty properties
Aberdeenshire	97/98	Transfer of info to GIS system Later amended to purchase of 3 x PCs and printer to enable staff to access database.	£5,600	Transfer of information on empty properties to a GIS system Later amended to purchase of 3 x PCs and printer to enable staff to access database.
Aberdeenshire	97/98	Empty Homes Officer	£4,730	Appointment of an Empty Homes Officer to develop strategy
Aberdeenshire	98/99	Advice to owners	£4,000	Advice and support to owners to prevent rise in no. of empty properties & to assist owners to let properties
Aberdeenshire	98/99	Rent deposit scheme	£20,000	Rent deposits linked to allocation to those in housing need. Only provided initial deposit, linked to owners charter.
Aberdeenshire	98/99	Minor repairs grants	£60,000	Grants for minor repairs. Merged with major repair budget Feb'99 resulting in a total budget £310,000.
Aberdeenshire	98/99	Major repairs grants	£250,000	Grants for major repairs targeted in the Aberdeenshire & Cairngorm regeneration areas

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
Aberdeenshire	98/99	Assisting empty homes purchase	£100,000	Assistance to people in housing need to purchase empty properties for occupation
Aberdeenshire	98/99	Release of property feus	£70,000	Release of feus for properties to be added to the rental stock
Aberdeenshire	98/99	Staff Funding for two staff members to manage the programme	£40,000	Funding for two staff members to manage the programme
Aberdeenshire	99/00 - 01/02	Low Cost Home Ownership	£240,000	Stimulate sale of empty properties in areas of low demand
Angus	98/99	Consultancy Assessment	£30,000	Identify EH, assess which could be returned to occupation, costs, demand
Angus	99/00 - 01/02	Lead Tenancy Grants	£308,000	Angus HA identified 3 properties suitable for lead tenancy type projects as developed by SH
Angus	99/00 - 01/02	Russell Square Bedsit Conversion	£36,000	Conversion of empty unpopular sheltered housing bedsits to 1 bed flats
Argyll & Bute	98/99	Strategy research	£30,000	Obtain info on location, ownership & condition of empty stock
Argyll & Bute	99/00 - 01/02	9 / 10 Argyll Terrace	£150,000	Purchase & improvement of 6 vacant BTS properties by Council & a further 6 by POs
Argyll & Bute	99/00 - 01/02	West Highland Hospital, Oban	£74,702	Conversion of nurses home which had been empty for 3 yrs
Argyll & Bute	99/00 - 01/02	LCHO Scheme	£100,000	Similar to existing Tenants Incentive Scheme, but targeted at those who wish to purchase voids
Clackmannanshire	99/00 - 01/02	34-44 Drysdale St, Alloa	£179,702	Rehab of 6 tenemental flats in Alloa town centre
Comhairle nan Eilean Siar	97/98	Empty homes register	£28,000	Funding to support the establishment of an empty homes register
Comhairle nan Eilean Siar	98/99	Advice to owners	£25,000	Provide an Information & Advice service to owners of empty properties
Comhairle nan Eilean Siar	98/99	Publicity leaflet	£5,000	Publicity
Comhairle nan Eilean Siar	98/99	Empty Homes Survey	£10,000	Update/ enhance recent survey of EH
Comhairle nan Eilean Siar	99/00 - 01/02	MOD Houses, Colombia Place, Stornoway	£205,151	Council purchase 6 MOD houses, buy them, transfer to HA for let

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
Dumfries & Galloway	98/99	Empty Homes Research	£15,000	Research to quantify the scale & resources of EH problems across D&G
Dumfries & Galloway	98/99	25 Butt Street	£20,000	Rehab of 2 bed flat central Annan
Dumfries & Galloway	98/99	10 High Street, Wigtown	£20,000	Rehab of terraced property Wigtown
Dumfries & Galloway	99/00 - 01/02	High Street, Lockerbie	£69,000	Above shop flat conversion
Dumfries & Galloway	99/00 - 01/02	Bruce Street, Annan	£152,000	Refurb of former police accommodation
Dumfries & Galloway	99/00 - 01/02	9 & 11 Carronbridge	£9,000	Refurb of 2 empty damp cottages NOTE change to plan - now knocking two cottages into one.
Dundee	98/99	Needs assessment research	£20,000	Research & analysis to identify, quantify, categorise EH and identify info gaps
Dundee	98/99	Strategy development: EHI Officer	£10,027	Part-time EH officer dedicated to the development & implementation of strategy to bring into sustainable housing
Dundee	99/00 - 01/02	Conversion: 26 Exchange St, Dundee	£264,000	Derelict B-listed commercial premises, city centre conservation area, convert to lead type tenancies
Dundee	99/00 - 01/02	Repairs grants	£82,500	Pilot to provide incentive to landlords (non-OO) to repair property to lettable standard
East Ayrshire	97/98	Empty Homes Officer	£8,000	Funding for an Empty Homes Officer to develop strategy and publicity
East Ayrshire	97/98	20-30 Bank St, Kilmarnock	£50,000	Grants to private owners to help bring empty properties into use
East Ayrshire	98/99	Empty property officer	£28,400	Extension of post created in round 1
East Ayrshire	98/99	Browns Institute Main Street New Milns	£128,000	C-listed community hall, vacant since late 80's, disrepair, refurb create 4 2-bed flats
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [1] 73-77 Main St	£75,000	Restoration & conversion into 5 flats of previous shop & flats
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [2] 26-28 High St	£75,000	Restoration and conversion into 2 houses
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [3] 25-35 Main St	£200,000	Refurbishment & conversion into 17 flats
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [4] 5 Earl Grey St	£18,720	Comprehensive renovation of 3 flats to let

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [5] Ochiltree	£273,000	Rehab prominent corner site of empty block of flats
East Dunbartonshire	99/00 - 01/02	Empty Homes Officer	£24,302	1yr temp contract, to collate & analyse EH info, develop EH strategy, liaise with partners, provide info & advice, funding
East Dunbartonshire	99/00 - 01/02	Feasibility Study	£12,000	Empty homes research concentrating on private sector, identify, categorise EH, survey, database, options appraisal, identify financial model.
East Lothian	97/98	Empty Homes Research	£7,000	Research into the empty homes problem & evaluation of house leasing scheme
East Lothian	98/99	Just in time repairs	£50,000	PO (landlord potential) properties where small amount of money would prevent property becoming unlettable, if left to go beyond this point lots of £ needed to rectify, so assist landlords with repairs before gets too bad
East Lothian	98/99	Empty Homes Officer	£10,000	Funding of an Empty Homes Officer
East Lothian	98/99	Publicity campaign	£5,000	Communication, publicity & associated costs
East Lothian	99/00 - 01/02	Just in Time Grants	£30,000	Small scale funding to allow any viable projects to receive support
East Renfrewshire	98/99	138-142 Main Street, Barrhead	£77,092	2*BTS buildings, subject to closing orders refurb & upgrade
Edinburgh	97/98	Decoration vouchers	£50,000	Pilot scheme for vouchers for decoration and cleaning to speed take-up of tenancies
Edinburgh	97/98	Renovation funding	£204,980	Funding of the renovation of 18 empty flats at 80 Duddingston Row
Edinburgh	98/99	Private sector research	£20,000	Develop a common identification of categories of EH
Edinburgh	98/99	Scotmid, Great Junction Street	£264,000	Convert former commercial premises to hsg, using Lead tenancy type to create 12 flats for let by RSL

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
Edinburgh	98/99	The Harriers, Fernieside Ave	£132,000	New build flats never let, vandalised, to be relet at affordable rents by HA
Edinburgh	98/99	Pre-1919 Council Properties	£165,000	BTS pre 1919 tenements unable to let, return 6 properties to charity for relet, plus 3 private sector
Edinburgh	98/99	14 & 16 Niddrie Marischal	£107,000	Refurb of 2 vacant blocks for relet to existing Council tenants of area who require rehousing to facilitate area regeneration
Edinburgh	98/99	Muirhouse HA	£300,000	Transfer of stock to Muirhouse HA
Edinburgh	98/99	Churches Millenium Project	£29,650	Use of skilled volunteers to undertake reletting repairs, including a training element for younger applicants & follow up support
Edinburgh	98/99	Decoration vouchers	£104,200	Extension of last year's pilot project in City/Leith to allow proper evaluation
Edinburgh	98/99	Tenant support: 16-17 yr olds	£104,600	Employ 4 young persons support workers to sustain tenancies
Edinburgh	98/99	Tenant support: Gracemount	£22,600	Tenancy support worker for young tenants with high turnover/arrears, to create more sustainable community
Edinburgh	99/00 - 01/02	People's Palace	£246,500	Refurb of vacant non-residential property to provide social rented hsg, HA lead project, Coun has at least 50% nomination rights
Edinburgh	99/00 - 01/02	Inner City Tenement Flats	£1,012,500	Transfer of unmodernised CEC properties to HA to modernise using private finance, return to social hsg, with CEC retaining 100% nomination rights
Edinburgh	99/00 - 01/02	Hailesland Park	£80,000	Conversion of previous shop to 4 units for wheelchair users
Edinburgh	99/00 - 01/02	House Purchase Scheme	£264,000	Purchase of empty private sector property to bring it back into use as social rented hsg
Falkirk	97/98	Slammanan Road Conversion Phase 1 Limerigg renovation	£40,000	Bring 7 empty Council properties back into use for let under Limerigg village action plan

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
Falkirk	97/98	Breton Court renovation	£100,000	Bringing 4 empty Council properties back into use for community care purposes
Falkirk	98/99	Slammanan Rd conversion Phase 2 Limerigg renovation	£70,000	Convert & refurbish 8 empty 2 apt flats currently empty
Falkirk	98/99	Camelon conversion Hamilton Street Phase 1	£42,000	Conversion of unpopular bedsits to create upgraded flats
Falkirk	98/99	Bo'ness Town Hall refurb	£8,000	Conversion of BTS caretakers accommodation in Town Hall, to relet to a voluntary organisation
Falkirk	98/99	Corentin Court refurb	£54,000	Upgrade & adapt 6 properties to be brought back into letting for community care purposes
Falkirk	98/99	Research & strategy development	£18,000	Research, feasibility study, examine private sector grants, LCHO schemes, produce a forward plan for EH strategy
Falkirk	99/00 - 01/02	Breton Court	£112,000	Follow on, upgrading remaining 16 empty flats for frail elderly-community care strategy
Falkirk	99/00 - 01/02	Anderson House	£30,000	Upgrade 2 semi-detached props to provide a group home for people w/physical and/or learning disabilities
Falkirk	99/00 - 01/02	Hamilton Street, Camelon	£167,250	Follow on conversion of unpopular bedsits into flats
Falkirk	99/00 - 01/02	Dymocks Building, Bo'ness	£200,000	Major conversion of derelict Cat A listed buildings to 6 1-beds, 1 2-bed, 1-1 maisannette for elderly/infirm
Fife	98/99	Empty Homes Officer	£21,000	Post of Empty Properties Officer for temp period of one year
Fife	98/99	Filling the empties	£5,000	Filling the empties campaign, include info on range of options available - council grants, lead tenancies &c
Fife	98/99	Database	£3,000	Identify & record details of owners & encourage use of empty properties
Fife	99/00 - 01/02	Private Owners' Grant	£150,000	Empty homes grant pilot in east, OO props empty for 6mth +

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
Fife	99/00 - 01/02	Repurchasing homes, Glen HA	£150,000	Props empty 6mths+, majority repossessions, others difficult to sell, return EH to meet Hsg need
Fife	99/00 - 01/02	6 Rose Street, Burntisland	£166,842	Return this prop to meet hsg need through complete rehab to provide affordable quality homes
Fife	99/00 - 01/02	268-278 High Street, Kirkcaldy	£271,500	Commercial prop empty 5yrs, return to meet Hsg need, provide follow on accommodation for former foyer residents
Fife	99/00 - 01/02	102-104 Bonnygate	£149,500	Return hotel to accommodation, complete rehab, high hsg need, 5 units
Glasgow	97/98	Glenkirk Feasibility Study DID NOT GO AHEAD	£20,000	Feasibility study into the potential use of empty properties
Glasgow	97/98	St George's Mansions	£190,000	Refurbishment of 19 pre-1919 flats at St George's Mansions
Glasgow	97/98	Marywood Square	£60,000	Refurbishment of a 7/8-apartment property at Marywood Square
Glasgow	97/98	Meadowell Street	£357,332	Refurbishment of 24 empty flats at Meadowell Street
Glasgow	98/99	Braidfauld major conversion	£200,000	Properties unpopular due to size - ,major conversion to adapt smaller units to larger house
Glasgow	98/99	Braidfauld minor conversion	£30,000	Props unpopular due to size, minor conversion to adapt some of the houses to meet needs of disability client group
Glasgow	98/99	5 local housing demand surveys	£70,000	Joint council & Hsg Assoc. household and waiting list survey for 5 selected communities in Glasgow
Glasgow	98/99	Muirpark St / Gardner St	£24,413	Internal upgrading
Glasgow	98/99	Pollockshaws Rd / Allison St	£140,000	8 flats owned by HA and 1 under PO, bought PO and convert 9 flats to 6
Glasgow	98/99	Allison St	£140,000	9 prop tenement which had 3 OO and 6 HA flats , make to lettable standard
Glasgow	98/99	Meadowside 1	£108,263	upgrade, install standard amenities, & barrier free to 6 properties within a housing action area

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
Glasgow	98/99	Meadowside 2	£40,509	Extensive repair works to 3 vacant props
Glasgow	98/99	Argyle Street	£79,800	Rehab of 3 uninhabitable flats
Glasgow	98/99	Charing Cross HA	£41,125	Upgrade to habitable conditions
Glasgow	98/99	Govanhill HA	£296,100	36 vacant flats outside HAA's insufficient capital funding to upgrade to lettable standard
Glasgow	98/99	Anderston / Burnbank	£22,400	4 transfer properties need refurbishment
Glasgow	98/99	Maxwell Road	£14,000	2 flats in need of upgrade & repair
Glasgow	98/99	Cathcart & District HA	£113,400	18 empty flats need upgrading & essential repairs, would take referrals for hsg young single homeless
Glasgow	98/99	Harland Cottages / Dumbarton Rd	£63,000	HA identifies 5 vacant props, cause dry rot & disrepair
Glasgow	98/99	Camlachie HA	£124,950	14 flats requiring major internal works prior to relet, postwar tenemental
Glasgow	98/99	Drummore Road DID NOT TAKE UP BID	£38,500	11 flats in serious disrepair, essential work would meet hsg needs of the community
Glasgow	98/99	Linthouse HA Shop Conversion	£29,400	Acquire & convert 2 vacant shops to hsg
Glasgow	98/99	Partick HA Shop Conversion	£28,000	1 shop empty 5yrs+ convert to 1 bed wheelchair flat, vandalised, acquire & convert
Glasgow	99/00 - 01/02	Various properties, Cathcart HA	£132,300	21 empty properties to refurbish to provide permanent accommodation to waiting list & young single homeless
Glasgow	99/00 - 01/02	Buccleuch St / Dalhousie St	£187,124	Repair & improve 7 flats in B listed prop, for subsequent let
Glasgow	99/00 - 01/02	Various properties, Glasgow West HA	£77,830	Upgrade 9 props into use benefit prospective tenants & community in general
Glasgow	99/00 - 01/02	Various properties, Govanhill HA	£870,000	54 void props due to lack of investment & BTS, spiralling, acquire 10 props pa repair & relet halt decline
Glasgow	99/00 - 01/02	Various properties, Meadowside HA	£486,050	Bring back 24 props for use for permanent letting

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
Glasgow	99/00 - 01/02	Various properties, Partick HA	£497,000	Prop HA own & some like to purchase, upgrade level access, barrier free, minority ethnic, Rough Sleepers
Glasgow	99/00 - 01/02	Various properties, Southside HA	£24,000	Bring 3 unlettable props back into use
Glasgow	99/00 - 01/02	177 Nithsdale Rd	£45,000	Convert 3 bed SH into 2 smaller SH units
Glasgow	99/00 - 01/02	224 Gourlay Street	£22,000	Acquire & upgrade to barrier free this abandoned vandalised prop
Glasgow	99/00 - 01/02	62/88 Fraser St Law St, Stamford St, Barrowfield St	£276,050	Internally upgrade to lettable standard 17 empty props
Glasgow	99/00 - 01/02	Shop conversions	£152,250	Acquisition of 9 vacant ground floor shop units to create 1 and 2 apt flats for disabled needs
Highland & Islands Consortium	99/00-01/02	Croft Housing	bring empty crofting housing back into use	
Highland	97/98	Strathmashie Estate	£102,300	Purchase and refurbishment of 6 empty properties on the Strathmashie Est by Laggan Community Trading Centre
Highland	97/98	Braxholm Terrace	£24,800	Purchase and refurbishment of 4 properties in Braxholm Terrace
Highland	98/99	Empty Homes Officer	£36,500	2yr appointment of EH officer/ EH research
Highland	98/99	Nurse's Home Refurbishment	£113,015	Transfer 5 units to HA, need extensive upgrade, create 6 units, 2*3apt, 4*2apt
Highland	98/99	Ardgour Schoolhouse Renovation	£36,250	Convert old school to a house, school empty for 6 yrs,
Highland	98/99	Highland Hotel Conversion	£175,309	Convert hotel empty since 1992 to 17 1bed flats
Highland	98/99	The Square, Balmacara	£100,000	Convert steading to 5 new hsg units
Highland	99/00 - 01/02	Developing rural leasing	£150,000	
Highland	99/00 - 01/02	Working with Highland landowners	£150,000	
Highland	99/00 - 01/02	Tackling flats over shops	£150,000	
Highland	99/00 - 01/02	Vacant public sector property	£150,000	
Inverclyde	98/99	Empty Homes Officer	£22,588	Appoint EH officer, esp. to establish rationale for long term vacancies

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
Inverclyde	99/00 - 01/02	4 & 6 Barnhill St, Greenock	£323,833	Refurb 12 2-apt tenemental flats, 10 flats for furnished tenancies for YSH, 2 flats for support workers
Moray	97/98	Empty Properties Database	£15,000	Research to establish an empty properties database
Moray	98/99	Advice, support & factoring	£29,000	Appoint EHO to work w/ owners to make props available for rent
Moray	98/99	Tenants' rent & deposit scheme	£10,500	Funding to create pool from which deposits & guarantees could be honoured
Moray	98/99	Minor repairs programme	£40,000	Minor repairs & redecoration for EH which could be let if PO could afford them
Moray	98/99	Major repairs programme	£90,000	Improvement grants to PO looking longer term, conditions i.e., noms, rent levels, time to be let
Moray	99/00 - 01/02	Major repair grants	£300,000	Funding for PO to return property to use, incentives particularly for BTS
North Ayrshire	98/99	Countess Street	£141,300	Purchase, upgrade of 8 flats
North Lanarkshire	97/98	Cumbernauld Wishaw Extension	£60,000	Extension of Cumbernauld Foyer to Wishaw to bring 4 properties into use for young in housing need
North Lanarkshire	97/98	Empty Homes Officer	£5,572	Appointment of an Empty Homes Officer to develop the strategy
North Lanarkshire	97/98	Property renovation	£150,000	Renovation of 15 empty properties for LCHO and rent
North Lanarkshire	97/98	Cumbernauld Foyer Extension	£80,000	Extension of Cumbernauld Foyer for young in housing need
North Lanarkshire	97/98	Shield House Project	£52,750	Refurbishment of two empty properties for accommodation for those with special needs
North Lanarkshire	98/99	Empty Homes Officer	£16,600	Continuation of funding of EH officer
North Lanarkshire	98/99	Wishaw cottage refurbishment	£40,000	Renovate/refurbish prop to create Womens Aid refuge
North Lanarkshire	98/99	Viewpark bungalow refurbishment	£62,100	Refurb 2 nursery bungalows for young single mothers
North Lanarkshire	98/99	Shield House flat renovation	£40,000	Move on accommodation for alcohol drugs rehab

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
North Lanarkshire	98/99	Greenend, Coatbridge	£72,000	Sale of 2 empty blocks empty 6mths +
North Lanarkshire	98/99	Cambushethan Street renovation	£74,671	Refurb building to residential flats for low cost sale
North Lanarkshire	99/00 - 01/02	Women's Aid Project, Wishaw	£45,000	Development of a women's aid refuge by the refurb of 2 cottages in state of disrepair
North Lanarkshire	99/00 - 01/02	Extension of Foyer Service	£132,000	Replicate existing provision in other areas, upgrade long term voids to create one stop access point for young people
North Lanarkshire	99/00 - 01/02	Repurchasing Repossessed Homes	£300,000	Purchase repossessed/abandoned homes from PO/Lenders, HA take over management & maintenance
North Lanarkshire	99/00 - 01/02	Provision of Wheelchair Accommodation	£90,000	Refurb 3 props permanently in wheelchair / on hospital discharge scheme
North Lanarkshire	99/00 - 01/02	LCHO Homes, Wishaw	£56,527	Convert derelict building into prime location flats
North Lanarkshire	99/00 - 01/02	Housing Associations as Managing Agents	£100,000	Bring EH in PO to use as afford rented hsg by use of management agreements between HA & PO
Orkney	99/00 - 01/02	Empty Homes Officer	£36,000	Employment of EH officer
Perth & Kinross	98/99	Consultancy advice	£20,000	Consultancy advice to continue pursuit of EH strategies
Perth & Kinross	99/00 - 01/02	Redundant Properties, 152-156 South St	£188,775	Conversion of redundant props to housing partnership with Perthshire HA
Renfrewshire	99/00 - 01/02	Brown Street, Paisley	£86,762	Refurb & upgrade of 8 empty flats to provide supported accom to young single & single homeless adults
Renfrewshire	99/00 - 01/02	Pre-1919 Tenements: Paisley Rd	£204,347	Improve 6 empty BTS tenement flats for social rent esp. community care needs
Scottish Borders	97/98	Flat refurbishment	£64,000	Refurbishment of two flats as supported accommodation for young single people
Scottish Borders	98/99	Empty Homes Officer	£18,763	Appoint EH officer to establish extent/nature of EH, & develop EH strategy

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
Scottish Borders	98/99	Chiefswood Rd, Melrose *see project 3.64*	£183,515	Refrb/upgrade various props
Scottish Borders	98/99	Oakwood Lodge, Galashiels	£54,195	Convert empty residential care home into 19no flats for frail elderly & upgrade existing day care centre
Scottish Borders	98/99	Galashiels Mill Conversion	£418,400	Convert old mill to provide 21 flats for rent
Scottish Borders	99/00 - 01/02	1-12 Chiefswood Rd, Melrose	£222,477	Bring 3 empty blocks back into use, through modernisation
Scottish Borders	99/00 - 01/02	Individual empty properties, Central Borders	£136,590	Purchase & bring back into use various properties
Scottish Borders	99/00 - 01/02	Romes Wine Bar, Duns	£120,960	Purchase/refrb hotel for rented accom & retail unit
Scottish Borders	99/00 - 01/02	Individual empty properties, Berwickshire	£133,732	Purchase relet vacant prop
Scottish Executive	99/00 - 01/02	Best practice dissemination	£10,000	Funding for meetings and conferences
Shetland	97/98	Empty properties database	£3,420	Assistance with the completion of an empty properties database
Shetland	97/98	Empty Homes Co-ordinator	£7,280	Appointment of an Empty Homes Co-ordinator to identify properties which could be brought into use
Shetland Islands	98/99	Database Completion	£6,520	Complete database as started previous year
Shetland Islands	98/99	Empty Homes Coordinator	£15,500	£ for funding of EH co-ordinator to co-ordinate fulfilment of EH aim & objectives
Shetland Islands	98/99	Lead tenancies programme	£29,080	Lease of empty properties from POs by Hjaltland HA for temp accom for homeless & Council tenants
Shetland Islands	99/00 - 01/02	Purchase by Hjaltland HA	£199,500	Identify props which fail to sell, HA purchase, refurb to provide 1/2 bed apt
Shetland Islands	99/00 - 01/02	Empty Homes as Temporary Accommodation	£46,500	Identify vacant props ready to let/ requiring minimum expense to be fit to let ,negotiate 3-10 yr leases w/ owners
South Ayrshire	97/98	Empty homes strategy	£8,500	Funding of staff to support the development of an empty homes strategy
South Ayrshire	98/99	Empty Homes Officer	£27,500	
South Ayrshire	98/99	Publicity	£10,500	Funding of advertising & publicity campaign

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
South Ayrshire	99/00 - 01/02	57 Sandgate, Ayr	£497,457	Long term empty office block conversion to provide hsg
South Ayrshire	99/00 - 01/02	The Carrick Arms, Girvan	£241,420	Purchase and let former office block
South Lanarkshire	98/99	Hamilton refurb	£55,000	Refurb of long term empty homes for LCHO
South Lanarkshire	98/99	Larkhall refurb	£57,470	Refurb of long term empty homes for LCHO
South Lanarkshire	98/99	Empty Homes Officer	£24,000	Address info gaps on vacant private sector properties
South Lanarkshire	98/99	Cathkin refurb	£27,000	2 properties for move-on accom for young people leaving care
South Lanarkshire	98/99	Rutherglen feasibility study	£5,000	Assess suitability & options for foyer accommodation development
South Lanarkshire	99/00 - 01/02	Buy to rent schemes	£250,000	Repurchase empty properties, repair & let through HA
South Lanarkshire	99/00 - 01/02	LCHO / rent development grant	£250,000	Refrb/convert EH for OO or rent - target low income 1st time buyers
Stirling	97/98	Baker Street	£50,000	Improvement of 5 derelict properties for LCHO sale at Baker St
Stirling	97/98	Port St. Stirling	£60,000	Repair of 6 empty properties above shops in Port St. Stirling for rent
Stirling	97/98	Main St. Callander	£30,000	Repair of 4 BTS flats for sale for low-cost home ownership at Main St. Callander
Stirling	98/99	16 Baker Street refurb	£60,000	Refurb of vacant town centre tenements
Stirling	98/99	24 Cowan Street refurb	£40,000	Refurb of vacant town centre tenements
Stirling	98/99	Rural property conversion programme	£50,000	Conversion grants to POs
Stirling	98/99	South Kersebonny Farm conversion	£80,000	Farm building empty 5yrs+ convert to hsg
Stirling	99/00 - 01/02	Tackling empty properties, Stirling town centre	£370,000	Working w/ PO & OO to bring up to standard & back into use properties
West Dunbartonshire	97/98	Empty homes strategy	£30,000	Funding to support the development of an empty homes strategy
West Dunbartonshire	98/99	Development project	£32,000	Development of Empty homes strategy
West Dunbartonshire	98/99	Moss Cottage conversion	£117,000	Convert prop to house learning difficulties
West Dunbartonshire	99/00 - 01/02	Town Centre: Flats above shops	£146,855	Purchase & improve vacant offices & flats
West Dunbartonshire	99/00 - 01/02	Purchase & improvement of properties	£170,437	Buy & improve difficult to sell props

Sponsor	EHI Round	Project Title	EHI Grant	Short Description
West Dunbartonshire	99/00 - 01/02	Repair & rent	£50,000	Repair grants to bring props back into use for letting
West Lothian	97/98	Repossession purchases	£110,000	Purchase of homes repossessed because of mortgage arrears for repair & relet
West Lothian	98/99	Empty Property Acquisition	£400,000	Repurchase repossessed ex council prop, continue initiative
West Lothian	98/99	Research & empty homes register	£25,000	Research post into repossessions
West Lothian	99/00 - 01/02	Repossessed / abandoned property scheme	£750,000	Continuation of purchase or repossessed props, focus on ex pub sect & private sect
West Lothian	99/00 - 01/02	Youth Homeless project	£35,000	Purchase/convert EH for youth homeless units
West Lothian	99/00 - 01/02	Move on mainstream tenancies	£60,000	Purchase & convert empty property to let homes
		Total:	£24021296	

Annexe 2: Classification of Approved Bids

<i>Sponsor</i>	<i>EHI Round</i>	<i>Project Title</i>	<i>EHI Grant</i>	<i>Other</i>	<i>Total funding</i>	<i>Unit nos</i>	<i>Location</i>	<i>Type</i>	<i>Stage</i>	<i>Agency</i>
Aberdeen City	98/99	EHI Officer	£23,610		£23,610	0	Urban - major	Research	1.1	Council
Aberdeen City	98/99	Pilot redecoration allowances	£10,000		£10,000	0	Urban - major peripheral	Action to let	1.4	Council
Aberdeen City	98/99	Seamen's Mission Feasibility	£12,000	£0	£12,000	0	Urban - major central	Research	1.2	Council
Aberdeen City	99/00 - 01/02	Lead Tenancy Agreements	£264,000		£264,000	24	Urban - major central	Upgrade	3.2 - HA	RSL
Aberdeen City	99/00 - 01/02	Repair & Conversion Grants	£252,000	£468,000	£720,000	24	Urban - major	Upgrade	3.2 - PO	Council
Aberdeenshire	97/98	Analysis of Council Tax register	£1,221		£1,221	0		Research	1.1	Council
Aberdeenshire	97/98	Empty Properties Research	£19,551		£19,551	0	Urban - small town rural	Research	1.1	Council
Aberdeenshire	97/98	Transfer of info to GIS system Later amended to purchase of 3 x PCs and printer to enable staff to access database.	£5,600		£5,600	0	rural small town	Research	1.1	Council
Aberdeenshire	97/98	Empty Homes Officer	£4,730		£4,730	0	small town rural	Research	1.1	Council
Aberdeenshire	98/99	Advice to owners	£4,000		£4,000	0	small town rural	publicity/ research	1.1	Council
Aberdeenshire	98/99	Rent deposit scheme	£20,000		£20,000	ongoing scheme	Small town rural	Property release	4.1	Private Owner
Aberdeenshire	98/99	Minor repairs grants	£60,000	£23,288	£32,774	20	small town rural	Action to let	3.2 - PO	Council
Aberdeenshire	98/99	Major repairs grants	£250,000	£195,000	£505,000	13	rural small town	action to let and 2 x conversion	3.2 - PO	Council
Aberdeenshire	98/99	Assisting empty homes purchase	£100,000	various		10	rural small town	action to let	2 - HA	Council
Aberdeenshire	98/99	Release of property feus	£70,000	£0	£0	0	Urban	Action to let	4	Council
Aberdeenshire	98/99	Staff Funding for two staff members	£40,000		£40,000	n/a	n/a	All	1.1	Council
Aberdeenshire	99/00 - 01/02	Low Cost Home Ownership	£240,000		£240,000	24	Urban town rural	Action to let	4 - PO	Council
Angus	98/99	Consultancy Assessment	£30,000		£30,000	0	Rural	Research	1.2	Council
Angus	99/00 - 01/02	Lead Tenancy Grants	£308,000.00	£105,000.00	£413,000	14	Urban	Conversion, Action to let,	3.2 - HA	Coun, RSL, PO
Angus	99/00 - 01/02	Russell Square Bedsit Conversion	£36,000.00	£36,000.00	£72,000	6	Urban town	Upgrade/conversion	3.3 - HA	Council/RSL
Argyll & Bute	98/99	Strategy research	£30,000		£30,000	0		Research	1.2	Council
Argyll & Bute	99/00 - 01/02	9 / 10 Argyll Terrace	£150,000	£66,000	£216,000	6	Urban	Upgrade	2 - C & PO	Council & POs
Argyll & Bute	99/00 - 01/02	West Highland Hospital, Oban	£74,702	£62,690	£137,392	4	Urban	Conversion	3.3 - HA	RSL
Argyll & Bute	99/00 - 01/02	LCHO Scheme	£100,000	£224,700	£324,700	10	Rural	Purchase	2 - PO	Private Owner
Clackmannanshire	99/00 - 01/02	34-44 Drysdale St, Alloa	£179,702	£121,310	£301,012	6	Urban- town	Upgrade	3.2 - HA	Council
Comhairle nan Eilean Siar	97/98	Empty homes register	£28,000		£28,000	n/a	n/a	Research	1.1	Council
<i>Sponsor</i>	<i>EHI Round</i>	<i>Project Title</i>	<i>EHI Grant</i>	<i>Other</i>	<i>Total funding</i>	<i>Unit nos</i>	<i>Location</i>	<i>Type</i>	<i>Stage</i>	<i>Agency</i>

Comhairle nan Eilean Siar	98/99	Advice to owners	£25,000		£25,000	N/a	N/a	Advice	1.3	Council
Comhairle nan Eilean Siar	98/99	Publicity leaflet	£5,000		£5,000	n/a	n/a	Publicity	1.3	Council
Comhairle nan Eilean Siar	98/99	Empty Homes Survey	£10,000		£10,000	n/a	n/a	Research	1.2	Council
Comhairle nan Eilean Siar	99/00 - 01/02	MOD Houses, Colombia Place, Stornoway	£205,151	£50,000	£255,151	6	Rural	Action to let	2 - HA	Council
Dumfries & Galloway	98/99	Empty Homes Research	£15,000		£15,000	n/a	n/a	Research	1.2	Council
Dumfries & Galloway	98/99	25 Butt Street	£20,000		£20,000	1	Urban town	Action to facilitate let	3.2 - C	Council
Dumfries & Galloway	98/99	10 High Street, Wigtown	£20,000		£20,000	1	urban town	Upgrade	3.2 - C	Council
Dumfries & Galloway	99/00 - 01/02	High Street, Lockerbie	£69,000	£90,000	£159,000	6	urban town	Conversion of empty shops for wheelchair access and above shop flat	3.3 - HA	RSL
Dumfries & Galloway	99/00 - 01/02	Bruce Street, Annan	£152,000	£76,000	£228,000	4	urban town	Upgrade	2 - C	Council
Dumfries & Galloway	99/00 - 01/02	9 & 11 Carronbridge	£9,000	£24,000	£33,000	1	village	Upgrade	3.2 - PO	private owner
Dundee	98/99	Needs assessment research	£20,000	£339	£20,339		urban major	Research	1.2	Council
Dundee	98/99	Strategy development: EHI Officer	£10,027		£10,027	n/a	urban major	Research	1.1	Council
Dundee	99/00 - 01/02	Conversion: 26 Exchange St, Dundee	£264,000	£199,623	£463,623	12	Urban - major	Conversion	3.3 - PO	Council/ SH
Dundee	99/00 - 01/02	Repairs grants	£82,500	£82,500	£165,000	30	Urban - major	Action to let	3.2 - C	Council
East Ayrshire	97/98	Empty Homes Officer	£8,000	£2,500	£10,500	n/a	n/a	Research	1.2	Council
East Ayrshire	97/98	20-30 Bank St., Kilmarnock	£50,000	£165,000	£215,000	4	urban town centre	Action to let	3.3 - HA	RSL
East Ayrshire	98/99	Empty property officer	£28,400	£7,900	£36,300	n/a	n/a	Research	1.2	Council
East Ayrshire	98/99	Browns Institute Main Street NewMilns	£128,000	£337,400	£465,400	4	rural village	Upgrade	3.2 - C	Trust
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [1] 73-77 Main St	£75,000			5	rural village	Upgrade & Conversion	3.3 - C	Trust
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [2] 26-28 High St	£75,000			2		Upgrade	3.3 - PO	Private Owner
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [3] 25-35 Main St	£200,000			17	rural village	Upgrade	3.2 - C	Council
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [4] 5 Earl Grey St	£18,720	£60,000	£70,240	3	rural village	Upgrade	3.2 - PO	Private Owner
East Ayrshire	99/00 - 01/02	Newmilns Townscape: [5] Ochiltree	£273,000		£641,000	12		Upgrade and refurb	3.2 - PO	Private Owner
East Dunbartonshire	99/00 - 01/02	Empty Homes Officer	£24,302		£24,302	n/a	n/a	Research	1.2	Council
East Dunbartonshire	99/00 - 01/02	Feasibility Study	£12,000	£1,960	£13,960	n/a	n/a	Research	1.2	Council
East Lothian	97/98	Empty Homes Research	£7,000		£7,000	n/a	n/a	Research	1.2	Council
East Lothian	98/99	Just in time repairs	£50,000		£50,000	Ongoing	Rural village / urban town	Upgrade	3.2 - PO	Private Owner
East Lothian	98/99	Empty Homes Officer	£10,000		£10,000	n/a	n/a	Research	1.2	Council
Sponsor	EHI Round	Project Title	EHI Grant	Other	Total funding	Unit nos	Location	Type	Stage	Agency

East Lothian	98/99	Publicity campaign	£5,000		£5,000	n/a	n/a	Publicity	1.3	
East Lothian	99/00 - 01/02	Just in Time Grants	£30,000		£30,000	30	rural village/urban town	Upgrade/action to facilitate letting	3.2 - PO	Private Owner
East Renfrewshire	98/99	138-142 Main Street, Barrhead	£77,092	£185,492	£262,584	3	urban small town	Upgrade	3.2 - PO	Private Owner
Edinburgh	97/98	Decoration vouchers	£50,000		£50,000		Urban - major	Action to let	3.2 - C	Council
Edinburgh	97/98	Renovation funding	£204,980	£435,655	£640,635	18	Urban - major	Upgrade	3.3 - HA	Council / RSL
Edinburgh	98/99	Private sector research	£20,000	£5,745	£25,745	n/a	N/a	Research	1.2	Council / SH
Edinburgh	98/99	Scotmid, Great Junction Street	£264,000		£264,000	12	Urban - major	Upgrade	3.3 - C	Council
Edinburgh	98/99	The Harriers, Fernieside Ave	£132,000	£132,927	£300,744	6	Urban - major	Upgrade	2 - HA	RSL
Edinburgh	98/99	Pre-1919 Council Properties	£165,000	£103,500	£268,500	9	Urban - major	Upgrade	2 - C	Council
Edinburgh	98/99	14 & 16 Niddrie Marischal	£107,000		£108,000	8	Urban - major	Upgrade	3.2 - C	Council
Edinburgh	98/99	Muirhouse HA	£300,000	£939,000	£1,239,000	24	Urban - major	Action to let	2 - HA	RSL
Edinburgh	98/99	Churches Millenium Project	£29,650	£50,510	£80,160	6	Urban - major	Upgrade/A	3.2 - C	Council
Edinburgh	98/99	Decoration vouchers	£104,200		£104,200		Urban - major	Action to let	3.2 - C	Council
Edinburgh	98/99	Tenant support: 16-17 yr olds	£104,600		£104,600		Urban - major	Action to let	4.2	Council
Edinburgh	98/99	Tenant support: Gracemount	£22,600		£22,600		Urban - major	Action to let	4.2	Council
Edinburgh	99/00 - 01/02	People's Palace	£246,500	£118,500	£365,000	6	Urban - major	Conversion	2 - HA	RSL
Edinburgh	99/00 - 01/02	Inner City Tenement Flats	£1,012,500	£1,500,000	£2,512,500	75	Urban - major	Upgrade	2 - HA	Council / RSL
Edinburgh	99/00 - 01/02	Hailesland Park	£80,000	£75,000	£155,000	4	Urban - major	Conversion	3.2 - HA	Council
Edinburgh	99/00 - 01/02	House Purchase Scheme	£264,000	£599,400	£1,603,000	11	Urban - major	Upgrade & conversion	2 - HA	Council / RSL
Falkirk	97/98	Slammanan Road Conversion Phase 1 Limerigg renovation	£40,000		£40,000	7	rural village	Upgrade	3.2 - HA	Council
Falkirk	97/98	Breton Court renovation	£100,000	£100,000	£200,000	4	smaller town	Upgrade	3.2 - C	Council
Falkirk	98/99	Slammanan Rd conversion Phase 2 Limerigg renovation	£70,000	£75,000	£145,000	4	rural village	Conversion	3.3 - C	Council
Falkirk	98/99	Camelon conversion Hamilton Street Phase 1	£42,000	£42,000	£84,000	3	Urban town	Conversion	3.3 - HA	RSL
Falkirk	98/99	Bo'ness Town Hall refurb	£8,000	£4,000	£12,000	1	urban - town	Upgrade	3.2 - C	Council
Falkirk	98/99	Corentin Court refurb	£54,000	£100,000	£154,000	6	urban - town	Upgrade	3.2 - C	Council
Falkirk	98/99	Research & strategy development	£18,000		£18,000	n/a	N/a	Research	1.2	Council
Falkirk	99/00 - 01/02	Breton Court	£112,000		£112,000	16	urban town	Upgrade	3.2 - C	Council
Falkirk	99/00 - 01/02	Anderson House	£30,000	£38,000	£68,000	1	small town rural	Conversion	3.3 - HA	Council
Falkirk	99/00 - 01/02	Hamilton Street, Camelon	£167,250	£167,250	£334,500	16	URBAN TOWN	Conversion	3.3 - HA	RSL
Falkirk	99/00 - 01/02	Dymocks Building, Bo'ness	£200,000	£1,127,804	£1,327,804	8	urban town	Conversion	3.3 - HA	National Trust for Scotland
Fife	98/99	Empty Homes Officer	£21,000		£21,000	n/a	n/a	Research	1.2	Council
Fife	98/99	Filling the empties	£5,000		£5,000	n/a	n/a	Research	1.2	Council
Fife	98/99	Database	£3,000		£3,000	n/a	n/a	Research	1.2	Council
Fife	99/00 - 01/02	Private Owners' Grant	£150,000	£150,000	£300,000	20		Action to let	3.2 - PO	Council
Sponsor	EHI Round	Project Title	EHI Grant	Other	Total funding	Unit nos	Location	Type	Stage	Agency

Fife	99/00 - 01/02	Repurchasing homes, Glen HA	£150,000	£150,000	£300,000	12	town	Upgrade/action to let/conversion	2 - HA	RSL
Fife	99/00 - 01/02	6 Rose Street, Burntisland	£166,842	£170,958	£337,800	12		Upgrade	2 - HA	RSL
Fife	99/00 - 01/02	268-278 High Street, Kirkcaldy	£271,500	£305,000	£576,500	12	town	Purchase & Upgrade	2 - HA	RSL
Fife	99/00 - 01/02	102-104 Bonnygate	£149,500		£887,800	5		Upgrade	2 - HA	RSL
Glasgow	97/98	Glenkirk Feasibility Study (cancelled)	£20,000					Research	1.2	Council
Glasgow	97/98	St George's Mansions	£190,000		£190,000	19	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	97/98	Marywood Square	£60,000	£12,000	£72,000	1	urban central major city	Upgrade & conversion	3.3 - HA	RSL
Glasgow	97/98	Meadowell Street	£357,332	£648,322	£1,005,654	24	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	98/99	Braidfauld major conversion	£200,000			10		Upgrade	3.3 - C	Council
Glasgow	98/99	Braidfauld minor conversion	£30,000	£87,000	£117,000	10	urban central major city	Upgrade/conversion	3.3 - C	Council
Glasgow	98/99	5 local housing demand surveys	£70,000		£70,000	n/a	n/a	Research	1.2	Coun/RSL/S H
Glasgow	98/99	Muirpark St / Gardner St	£24,413	£15,000	£39,413	3	urban central major city	Upgrade	3.3 - HA	RSL
Glasgow	98/99	Pollockshaws Rd / Allison St	£140,000	£475,000	£755,000	12	urban central major city	Upgrade & conversion	3.2 - HA	RSL
Glasgow	98/99	Allison St	£140,000						3.2 - HA	RSL
Glasgow	98/99	Meadowside 1	£108,263	£91,252	£199,515	6	urban central major city	Upgrade	3.3 - HA	RSL
Glasgow	98/99	Meadowside 2	£40,509	£60,000	£100,509	3	urban major city central	Upgrade	3.3 - HA	RSL
Glasgow	98/99	Argyle Street	£79,800	£32,632	£112,432	3	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	98/99	Charing Cross HA	£41,125	£119,809	£160,934	5	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	98/99	Govanhill HA	£296,100	£60,000	£356,100	36	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	98/99	Anderston / Burnbank	£22,400	£9,600	£32,000	4	urban central major city	Upgrade/ Action to let	3.2 - HA	RSL
Glasgow	98/99	Maxwell Road	£14,000	£13,000	£27,000	2	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	98/99	Cathcart & District HA	£113,400	£48,600	£162,000	18	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	98/99	Harland Cottages / Dumbarton Rd	£63,000	£26,322	£86,322	5	urban central major city	Upgrade	3.2 - HA	RSL
<i>Sponsor</i>	<i>EHI Round</i>	<i>Project Title</i>	<i>EHI Grant</i>	<i>Other</i>	<i>Total funding</i>	<i>Unit nos</i>	<i>Location</i>	<i>Type</i>	<i>Stage</i>	<i>Agency</i>

Glasgow	98/99	Camlachie HA	£124,950	£15,000	£139,950	14	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	98/99	Drummore Road DID NOT TAKE UP BID	£38,500			11		Upgrade	3.2 - HA	RSL
Glasgow	98/99	Linthouse HA Shop Conversion	£29,400	£15,000	£44,400	1 unit	urban central major city	conversion	3.2 - HA	RSL
Glasgow	98/99	Partick HA Shop Conversion	£28,000	£12,000	£40,000	1	urban central major city	conversion	3.2 - HA	RSL
Glasgow	99/00 - 01/02	Various properties, Cathcart HA	£132,300	£56,700	£189,000	21	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	99/00 - 01/02	Buccleuch St / Dalhousie St	£187,124	£430,000	£617,124	7	urban major city central	Upgrade	3.3 - HA	RSL
Glasgow	99/00 - 01/02	Various properties, Glasgow West HA	£77,830	£10,800	£88,630	9	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	99/00 - 01/02	Various properties, Govanhill HA	£870,000	£174,000	£1,044,000	30	urban central major city	Upgrade	2 - HA	RSL
Glasgow	99/00 - 01/02	Various properties, Meadowside HA	£486,050	£458,000	£944,050	22	urban central major city	Upgrade	3.3 - HA	RSL
Glasgow	99/00 - 01/02	Various properties, Partick HA	£497,000	£240,000	£737,000	23	urban central major city	Upgrade	3.3 - HA	RSL
Glasgow	99/00 - 01/02	Various properties, Southside HA	£24,000		£24,000	6	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	99/00 - 01/02	177 Nithsdale Rd	£45,000	£10,000	£55,000	2	urban central major city	conversion	3.3 - HA	RSL
Glasgow	99/00 - 01/02	224 Gourlay Street	£22,000	£10,500	£32,500	1	urban central major city	Upgrade	2 - HA	RSL
Glasgow	99/00 - 01/02	62/88 Dalsarf Street Fraser St Law St, Stamford St, Barrowfield St	£276,050			17	urban central major city	Upgrade	3.2 - HA	RSL
Glasgow	99/00 - 01/02	Shop conversions	£152,250	£65,250	£217,500	6	urban central major city	conversion	3.2 - HA	RSL
Highland & Islands Consortium	99/00-01/02	Croft Housing						Action to let	4	
Highland	97/98	Strathmashie Estate	£102,300	£166,700	£269,000	6	Rural	Upgrade	2 - PO	Community/POs
Highland	97/98	Braxholm Terrace	£24,800	£105,200	£130,000	4	Urban peripheral town	Upgrade	2 - PO	Private Owner
Highland	98/99	Empty Homes Officer	£36,500	£7,500	£44,000	n/a	n/a	Research	1.2	Council
Highland	98/99	Nurse's Home Refurbishment	£113,015	£174,400	£287,415	6	Rural	Upgrade	3.2 - HA	RSL
Highland	98/99	Ardgour Schoolhouse Renovation	£36,250	£82,750	£119,000	2	Rural	Upgrade & conversion	3.2 - HA	HSCHT
Highland	98/99	Highland Hotel Conversion	£175,309	£413,268	£588,577	18	Urban - town	Upgrade	3.3 - PO	Private Owner
<i>Sponsor</i>	<i>EHI Round</i>	<i>Project Title</i>	<i>EHI Grant</i>	<i>Other</i>	<i>Total funding</i>	<i>Unit nos</i>	<i>Location</i>	<i>Type</i>	<i>Stage</i>	<i>Agency</i>

Highland	98/99	The Square, Balmacara	£100,000	£300,000	£400,000	5	Rural	Upgrade & conversion	3.3 - NT	National Trust for Scotland
Highland	99/00 - 01/02	Developing rural leasing	£150,000	£0	£150,000				4	
Highland	99/00 - 01/02	Working with Highland landowners	£150,000		£150,000				3.2 - PO	Private Owner
Highland	99/00 - 01/02	Tackling flats over shops	£150,000		£150,000				3.2 - HA	RSL
Highland	99/00 - 01/02	Vacant public sector property	£150,000		£150,000				3.2 - C	Council
Inverclyde	98/99	Empty Homes Officer	£22,588		£22,588	n/a	n/a	Research	1.2	Council
Inverclyde	99/00 - 01/02	4 & 6 Barnhill St, Greenock	£323,833	£40,000	£363,833	10	town	conversion	3.3- HA	Council
Moray	97/98	Empty Properties Database	£15,000		£15,000	n/a	n/a	Research	1.2	Council
Moray	98/99	Advice, support & factoring	£29,000			n/a	n/a	Action to let	4	RSL
Moray	98/99	Tenants' rent & deposit scheme	£10,500					Action to let	4	Council
Moray	98/99	Minor repairs programme	£40,000					Action to let	3.2 - PO	POs
Moray	98/99	Major repairs programme	£90,000		£169,500				3.3 - PO	POs
Moray	99/00 - 01/02	Major repair grants	£300,000		£300,000	30		Upgrade/A	3.3 - PO	POs
North Ayrshire	98/99	Countess Street	£141,300	£532,600	£673,900	8	urban town (of SURI status)	Upgrade	3.3 - C	Council
North Lanarkshire	97/98	Cumbernauld Wishaw Extension	£60,000	£11,734	£71,734	4	Urban town	Upgrade	3.3 - C	Council
North Lanarkshire	97/98	Empty Homes Officer	£5,572		£5,572	n/a	n/a	Research	1.2	Council
North Lanarkshire	97/98	Property renovation	£150,000	£457,000	£609,145	15	Urban town	Upgrade	3.3 - PO	POs
North Lanarkshire	97/98	Cumbernauld Foyer Extension	£80,000	£20,350	£100,350	6	Urban town	Upgrade	3.3 - SH	YMCA / YWCA
North Lanarkshire	97/98	Shield House Project	£52,750		£52,750	2	Urban town	Upgrade	3.2 - C	Council
North Lanarkshire	98/99	Empty Homes Officer	£16,600		£16,600	n/a	n/a	Research	1.2	Council
North Lanarkshire	98/99	Wishaw cottage refurbishment	£40,000		£40,000	1	Urban town	Upgrade	3.2 - C	Council
North Lanarkshire	98/99	Viewpark bungalow refurbishment	£62,100	£43,533	£105,633	2	Urban town	Upgrade	3.3 - C	Council
North Lanarkshire	98/99	Shield House flat renovation	£40,000		£40,000	1	Urban town	Upgrade	3.3 - C	Council
North Lanarkshire	98/99	Greenend, Coatbridge	£72,000	£188,000	£260,000	8	Urban town	Upgrade	3.2 - PO	POs
North Lanarkshire	98/99	Cambushethan Street renovation	£74,671	£150,000	£224,671	5	Urban town	Upgrade	3.2 - PO	Private Owner
North Lanarkshire	99/00 - 01/02	Women's Aid Project, Wishaw	£45,000		£45,000	2	Urban town	Upgrade	3.2 - C	Council
North Lanarkshire	99/00 - 01/02	Extension of Foyer Service	£132,000		£132,000	6	Urban town	Upgrade	3.2 - C	Council
North Lanarkshire	99/00 - 01/02	Repurchasing Repossessed Homes	£300,000	£150,000	£450,000	30	various	Action to let	2 - HA	RSL
North Lanarkshire	99/00 - 01/02	Provision of Wheelchair Accommodation	£90,000	£85,000	£175,000	3	various	A/Upgrade	3.3 - HA	RSL
North Lanarkshire	99/00 - 01/02	LCHO Homes, Wishaw	£56,527	£305,000	£361,527	9	Urban town	conversion	3.3 - PO	POs
North Lanarkshire	99/00 - 01/02	Housing Associations as Managing Agents	£100,000	£50,000	£150,000	20	various	Action to let	4 - HA	RSL
Orkney	99/00 - 01/02	Empty Homes Officer	£36,000		£36,000	n/a	n/a	Research	1.2	Council
Perth & Kinross	98/99	Consultancy advice	£20,000	£1,220	£21,220	n/a	n/a	Research	1.2	Council
Sponsor	EHI Round	Project Title	EHI Grant	Other	Total funding	Unit nos	Location	Type	Stage	Agency
Perth & Kinross	99/00 - 01/02	Redundant Properties, 152-156 South St	£188,775	£127,506	£316,281	6	urban smaller city	conversion	3.3 - HA	Council

Renfrewshire	99/00 - 01/02	Brown Street, Paisley	£86,762	£356,652	£443,414	8	urban town	Upgrade & action to let (furnishings & security)	3.2 - HA	Council
Renfrewshire	99/00 - 01/02	Pre-1919 Tenements: Paisley Rd	£204,347	£636,000	£840,347	13	urban town	Upgrade	3.3 - HA	Council & HA
Scottish Borders	97/98	Flat refurbishment	£64,000	£23,000	£87,000	2	urban town (Gala)	Upgrade	3.2 - C	Council
Scottish Borders	98/99	Empty Homes Officer	£18,763		£18,763	n/a	n/a	Research	1.2	Council
Scottish Borders	98/99	Chiefswood Rd, Melrose *see project 3.64*	£183,515		£183,515			Upgrade	2 - C	Council
Scottish Borders	98/99	Oakwood Lodge, Galashiels	£54,195	£1,120,818	£1,175,013	19	urban town	conversion	3.3 - HA	RSL
Scottish Borders	98/99	Galashiels Mill Conversion	£418,400	£509,810	£928,210	21	urban town (Gala)	Upgrade/conversion	3.3 - HA	RSL
Scottish Borders	99/00 - 01/02	1-12 Chiefswood Rd, Melrose	£222,477	£277,328	£499,805	12	rural/village	Upgrade	2 - HA	Council/RSL
Sponsor	EHI Round	Project Title	EHI Grant	Other	Total funding	Unit nos	Location	Type	Stage	Agency
Scottish Borders	99/00 - 01/02	Individual empty properties, Central Borders	£136,590	£99,708	£236,298	12	various	Upgrade/action to facilitate letting	3.2 - HA	Council/RSL
Scottish Borders	99/00 - 01/02	Romes Wine Bar, Duns	£120,960	£127,832	£248,792	4	rural village	Upgrade/action to let/conversion	3.2 - HA	RSL
Scottish Borders	99/00 - 01/02	Individual empty properties, Berwickshire	£133,732		£133,732	6	rural/village	Action to let/upgrade	2 - HA	RSL
Scottish Executive	99/00 - 01/02	Best practice dissemination	£10,000		£10,000	n/a				
Shetland	97/98	Empty properties database	£3,420		£3,420	n/a	n/a	Research	1.1	Council
Shetland	97/98	Empty Homes Co-ordinator	£7,280		£7,280	n/a	n/a	Research	1.1	Council
Shetland Islands	98/99	Database Completion	£6,520		£6,520	n/a	n/a	Research	1.1	Council
Shetland Islands	98/99	Empty Homes Coordinator	£15,500		£15,500	n/a	n/a	Research	1.1	Council
Shetland Islands	98/99	Lead tenancies programme	£29,080		£29,080	6	Rural	Action to let	4	RSL
Shetland Islands	99/00 - 01/02	Purchase by Hjaltland HA	£199,500	£519,500	£719,000	6	Rural	Action to let	2 - HA	RSL
Shetland Islands	99/00 - 01/02	Empty Homes as Temporary Accommodation	£46,500		£46,500	6	Rural	Action to let	4	RSL
South Ayrshire	97/98	Empty homes strategy	£8,500		£8,500	n/a	n/a	Research	1.2	Council
South Ayrshire	98/99	Empty Homes Officer	£27,500	£15,000	£32,000	n/a	n/a	Research	1.2	Council
South Ayrshire	98/99	Publicity	£10,500		£10,500	n/a	n/a	Publicity	1.3	Council
South Ayrshire	99/00 - 01/02	57 Sandgate, Ayr	£497,457	£296,815	£751,071	15	urban town	conversion	2 - HA	Council have management of project. LA & SH jointly monitor the development carried out by HA
South Ayrshire	99/00 - 01/02	The Carrick Arms, Girvan	£241,420	£101,785	£343,205	6	urban town	Conversion/Upgrade	2 - HA	RSL
South Lanarkshire	98/99	Hamilton refurb	£55,000	£135,900	£190,900	4	urban town	Upgrade	3.3 - PO	Council
<i>Sponsor</i>	<i>EHI Round</i>	<i>Project Title</i>	<i>EHI Grant</i>	<i>Other</i>	<i>Total funding</i>	<i>Unit nos</i>	<i>Location</i>	<i>Type</i>	<i>Stage</i>	<i>Agency</i>
South Lanarkshire	98/99	Larkhall refurb	£57,470	£195,000	£252,470	6	urban town	Upgrade	3.3 - PO	Council

South Lanarkshire	98/99	Empty Homes Officer	£24,000		£24,000	n/a	n/a	Research	1.2	Council
South Lanarkshire	98/99	Cathkin refurb	£27,000		£27,000	2	urban peripheral major city	Upgrade	3.2 - C	Council
South Lanarkshire	98/99	Rutherglen feasibility study	£5,000			40		Research	1.2	Council
South Lanarkshire	99/00 - 01/02	Buy to rent schemes	£250,000	£500,000	£750,000	21	urban peripheral major city	Action to facilitate letting	3.2 - HA	RSL
South Lanarkshire	99/00 - 01/02	LCHO / rent development grant	£250,000	£2,253,250	£2,503,250	35	urban	Upgrade	3.3 - PO	Council
Stirling	97/98	Baker Street	£50,000	£150,000	£200,000	3	urban smaller city	Upgrade	3.2 - C	Council
Stirling	97/98	Port St. Stirling	£60,000	£170,000	£230,000	6	urban smaller city	Upgrade	3.3 - PO	POs
Stirling	97/98	Main St. Callander	£30,000	£140,000	£180,000	4	rural town	Upgrade	3.2 - C	Council
Stirling	98/99	16 Baker Street refurb	£60,000	£200,000	£260,000	6	urban smaller city	Upgrade	3.2 - PO	POs
Stirling	98/99	24 Cowan Street refurb	£40,000	£100,000	£120,000	4	SMALLER CITY	Upgrade	3.2 - PO	POs
Stirling	98/99	Rural property conversion programme	£50,000	£300,000	£350,000	10	rural	Upgrade	3.2 - PO	PO & Trust
Stirling	98/99	South Kersebonny Farm conversion	£80,000		£230,000	8	rural	Upgrade	3.2 - PO	Trust
Stirling	99/00 - 01/02	Tackling empty properties, Stirling town centre	£370,000	to be agreed	£370,000	37	urban smaller city	Upgrade & conversion	3.3 - PO	Private Owner
West Dunbartonshire	97/98	Empty homes strategy	£30,000		£30,000	n/a	n/a	Research	1.2	Council
West Dunbartonshire	98/99	Development project	£32,000		£32,000	n/a	n/a	Research	1.2	Council
West Dunbartonshire	98/99	Moss Cottage conversion	£117,000	£215,820	£332,820	5	urban town	conversion	3.3 - HA	RSL
West Dunbartonshire	99/00 - 01/02	Town Centre: Flats above shops	£146,855	£97,903	£244,758	6	urban town	Upgrade & conversion	3.3 - HA	RSL
West Dunbartonshire	99/00 - 01/02	Purchase & improvement of properties	£170,437	£208,419	£378,856	15	urban town	Upgrade	3.2 - HA	RSL
West Dunbartonshire	99/00 - 01/02	Repair & rent	£50,000	£50,000	£100,000	10	urban town	Upgrade	3.2 - POs	RSL
West Lothian	97/98	Repossession purchases	£110,000	£139,000	£249,000	3	rural/village and Urban/town	Action to let	2 - HA	Council
West Lothian	98/99	Empty Property Acquisition	£400,000	£713,920	£1,118,920	33	urban town	Action to let	2 - HA	Council
West Lothian	98/99	Research & empty homes register	£25,000		£25,000	n/a	n/a	Research	1.2	Council
West Lothian	99/00 - 01/02	Repossessed / abandoned property scheme	£750,000	£1,500,000	£2,250,000	69	rural/village, urban town	Action to let	2 - HA	Council
West Lothian	99/00 - 01/02	Youth Homeless project	£35,000	£88,000	£123,000	8		Upgrade	2 - HA	RSL
West Lothian	99/00 - 01/02	Move on mainstream tenancies	£60,000	£132,000	£192,000	4	urban/town	Upgrade	2 - HA	RSL
		Total:	£24,021,296	£26,955,959		1,623				

Annexe 3: Projects by stage and unit cost.

Table A

Average per unit cost by stage of the property regeneration cycle

<i>Stage</i>		<i>Nos</i>	<i>Cost per unit</i>		
			<i>EHI</i>	<i>Other</i>	<i>Total</i>
<i>1.1</i>	EHOs and data collection	28			
<i>1.2</i>	Research & feasibility studies	19			
<i>1.3</i>	Publicity campaigns & advice	7			
<i>2 - C</i>	Acquisitions: councils	4	£23,711	£12,921	£36,632
<i>2 - HA</i>	Acquisitions: RSLs	24	£17,014	£20,071	£37,085
<i>2 - PO</i>	Acquisitions: private owners	2	£11,355	£24,830	£36,185
<i>3.2 - C</i>	Minor works: council	21	£13,792	£8,586	£22,378
<i>3.2 - HA</i>	Minor works: RSLs	33	£12,727	£10,295	£23,022
<i>3.2 - PO</i>	Minor works: private owners	19	£10,093	£11,829	£21,923
<i>3.3 - C</i>	Major works: council	10	£16,884	£13,156	£30,040
<i>3.3 - HA</i>	Major works: RSLs	26	£17,944	£29,925	£47,870
<i>3.3 - PO</i>	Major works: private owners	13	£11,018	£23,052	£34,071
<i>4</i>	Property release	11	£14,161	£893	£15,054
		217	£14,677	£16,609	£31,286

Table B

Average cost per year of nomination rights and leverage factor by stage of the property regeneration cycle

<i>Stage</i>		<i>Av. years per unit</i>	<i>Cost per year</i>			<i>Leverage Factor</i>
			<i>EHI</i>	<i>Other</i>	<i>Total</i>	
<i>1.1</i>	EHOs and data collection					
<i>1.2</i>	Research & feasibility studies					
<i>1.3</i>	Publicity campaigns & advice					
<i>2 - C</i>	Acquisitions: councils	30.0	£790	£431	£1,221	54.5%
<i>2 - HA</i>	Acquisitions: RSLs	19.7	£862	£1,017	£1,879	118.0%
<i>2 - PO</i>	Acquisitions: private owners	11.0	£1,032	£2,257	£3,290	218.7%
<i>3.2 - C</i>	Minor works: council	14.9	£928	£577	£1,505	62.3%
<i>3.2 - HA</i>	Minor works: RSLs	17.1	£745	£603	£1,348	80.9%
<i>3.2 - PO</i>	Minor works: private owners	6.8	£1,481	£1,736	£3,217	117.2%
<i>3.3 - C</i>	Major works: council	11.9	£1,415	£1,103	£2,518	77.9%
<i>3.3 - HA</i>	Major works: RSLs	30.0	£598	£998	£1,596	166.8%
<i>3.3 - PO</i>	Major works: private owners	12.2	£903	£1,890	£2,793	209.2%
<i>4</i>	Property release	9.1	£1,561	£98	£1,659	6.3%
	Average	16.9	£870	£984	£1,854	113.2%

Annexe 4: The Potential Role of Auctions in Mobilising Privately-Owned Properties for Social Housing Use in Scotland

Introduction

Information on the reasons for empty properties in private ownership is scanty. However, from the research that has been undertaken, it appears that about a third are empty because the costs of bringing them up to lettable condition exceeds the expected rents, a third are either not empty or are empty pending sale (and therefore would not be available for let under any circumstances), and a third are empty because their owners are unwilling to let them.

The precise percentages may be different, but the main point is that the EHI has largely addressed the first cause of empty properties, by focusing on grant support towards the costs of repair and upgrading to bring properties up to lettable standard.

However, few of the projects supported under the EHI have addressed the problem of unwillingness on the part of private owners to make their properties available for let to social housing tenants. Following the PFI principle that risks should be allocated to the parties best able to bear them, potentially a middleman could assist in addressing this problem by taking the perceived risks of letting to social housing tenants away from the individual private owner. Under a "managing agent" arrangement, private owners would lease their properties for periods of 3-5 years to either a Council or a reputable Registered Social Landlord (RSL) such as a Housing Association. The Managing Agent would undertake to return the property to the private owner at the end of the lease period in no worse condition than at the point commencement of the lease. The Managing Agent would also undertake to pay a fixed monthly or quarterly rental, and therefore accept the void risk. Two key risks associated with social housing lets: demand and maintenance risk: would thereby be transferred.

This type of approach is currently being considered by a number of councils, including Shetland, North Lanarkshire and Highland. This suggests that those nearest the issue do believe that it has a role to play in tackling the twin problems of empty properties co-existing close to areas of social housing need.

A key issue is how such an approach could be most cost-effectively implemented, securing private properties for re-let at as low a price as possible. This is where the auction mechanism may have a role to play.

It does on the face of it seem surprising that, since auctions have been so widely and generally successfully used in transactions involving private residential and commercial properties in Scotland, they have not been applied in the social housing market.

One reason may be that, as structured for commercial transactions, the auction mechanism is not particularly efficient. There are numerous examples of badly designed auctions that lead to sub-optimal results, such as the auction for ITV franchises in 1991. But the recent auction for mobile phone licences does indicate what a powerful tool auctions can be in minimising costs and maximising revenues for the public sector, if they are properly designed for the purposes for which they are intended. Analysis of the economic principles underlying efficient auction design was first undertaken by William Vickrey, late Professor of Economics at Columbia University, who was awarded the Nobel Prize in Economics in 1996 for his pathbreaking work in this field. Other economists have developed his work over the past 30 years.

The Role of Auctions in a Competitive Market

Like Dr Pangloss, the economist seeks an ideal where "all is for the best in the best of all possible worlds."

In economic terms, this happy state of affairs is achieved if customer utility is maximised within existing resources. This is defined technically as Pareto-optimality. If a Pareto optimum can be achieved, no alternative allocation of available resources can yield a better result for the customer.

It can be demonstrated mathematically that this economic optimum exists under a state of perfect competition. The perfect competition model is a hypothetical construct of a free market characterised by many buyers and sellers, where information about the goods and services on offer is rapidly and costlessly transmitted. The interaction of buyers and sellers then achieves an optimal result provided that the price mechanism is allowed to work freely to bring supply and demand into equilibrium.

In the *Wealth of Nations*, Adam Smith hypothesised that this interaction could be achieved without human intervention through the “invisible hand” of the price mechanism moving freely to bring buyers and sellers together. However, in the real world this happens only in a limited number of “open outcry” markets where communication between buyers and sellers is instantaneous, such as street markets for fruit and vegetables or the old Stock Market. Most other markets require the participation of an intermediary such as a broker or auctioneer to bring buyers and sellers together. Two essential requirements for the efficient functioning of intermediated markets are that:

- the intermediary must be trusted by both buyers and sellers, as one or both of them is likely to have to lodge money or assets with the intermediary at some point to complete the transaction;
- buyers and sellers must have confidence in the intermediation process itself. They must understand and be willing to sign up to the rules of the game, otherwise they may not participate in it.

Types of Auction

Four basic types of auctions have been widely used throughout the world:

- *the English auction*, or ascending-bid open oral auction. In the English auction, the price is successively raised until only one bidder remains, and that bidder wins the object at the final price. This auction can be run by having an auctioneer announce prices on behalf of the seller, or by having the bidders call out prices themselves, or by having bids submitted electronically with the best current bid posted;
- *the Japanese auction*, which is a variant on the English auction under which the price rises continuously while bidders gradually quit the auction. Bidders observe when their competitors quit, and once someone quits, he or she is not let back in. There is no possibility for one bidder to pre-empt the process by making a large ‘jump bid’;
- *the Dutch or descending-bid auction*, used in the sale of flowers in the Netherlands. The descending auction works in the opposite way to the Japanese auction. The auctioneer starts at a very high price, and then lowers the price continuously. The first bidder who calls out that she will accept the current price wins the object at that price;
- *the Scottish or first-price sealed-bid auction*, extensively used in private residential and commercial property transactions in Scotland. Under this system, each bidder independently submits a single bid, without seeing others’ bids, and the object is sold to the bidder who makes the highest bid. The winner pays his or her bid, which is the highest or ‘first’ price bid. This system is now commonly used to award public sector contracts throughout the UK. The public sector also uses this method to purchase a wide variety of goods and services, with the winning contractor being the one quoting the lowest price to provide any given service, although more recently this concept has been widened under the Best Value system under which prices are adjusted to take account of the quality of the service being offered.

Vickrey proved mathematically that the closing price of all auction systems is equal under certain conditions, and that this price is equal to the marginal utility of the auctioned commodity to the winning bidder. His revenue equivalence theorem would suggest that, provided certain conditions are met, it does not matter which auction system is used – the seller will achieve the same price under any of them, and this is an economically efficient price where the marginal utility to the successful bidder just equals the marginal cost to the seller.

However, Vickrey also demonstrated that this result only applies under very restricted conditions, and

that certain types of auction are more fragile than others. For example, under the Dutch or Scottish systems, when deciding what price to bid, a bidder may well take into account the bids likely to be submitted by competing bidders. As this is inevitably a guess, it takes the bids and hence the result of the auction process out of the world of perfect competition and into the world of game theory, where the final result is indeterminate and may well be economically inefficient.

Commenting on this in his seminal paper *Counterspeculation, auctions and sealed tenders*, Vickrey wrote that,

"Where bidders are fairly homogeneous and sophisticated, the Dutch auction may produce results that are reasonably close to the Pareto-optimal, but where there is much variation in the state of information or the generally expected intensity of desire of the various players for the object, or where the bidders are insufficiently sophisticated to discern the equilibrium point strategy or for some other reason fail to use this strategy, then the Dutch auction is likely to prove relatively inefficient from the point of view of securing an optimum allocation."

He came to similar conclusions regarding the sale or purchase of a single lot by sealed bids.

Evidence in support of Vickrey's theoretical analysis is provided by the Scottish property market. Where prices are stable and sellers and buyers are in reasonable balance with access to good benchmark information, the auction system appears to work well. When prices are changing rapidly or the market situation is changing so quickly that there may be asymmetries in the flow of information between buyers and sellers, then the final price at which a transaction is concluded may vary widely, in contravention of the Law of One Price. This states that in an efficient market for any commodity, there is only one price equating marginal utility with marginal cost, and this price should prevail for all transactions. If several prices prevail for any commodity, it provides *prima facie* evidence of an inefficiently functioning market. A practical example of this phenomenon may be seen in the Edinburgh residential property market in 1999/2000. During this period, demand for residential property in the capital increased, stimulated by the arrival of the Scottish Parliament and a boom in the financial services sector. In the short term at least, the supply of residential property is relatively inelastic. The consequence was a rise in residential property prices. However, while this would have happened in any event, it is possible that it was given a further speculative twist by the existence of the first price sealed bid transaction mechanism. The reason is that, with such an auction, prospective purchasers become concerned not only by the underlying economic value of the asset for which they are bidding, but also by the prices likely to be tendered by competitors. Where prices are rising and there is a perceived scarcity of the asset being auctioned, there is a temptation to bid above economic value to seek to pre-empt counter bids. The likely consequence may be a "Winner's Curse", under which the winning bid is far in excess of the underlying economic value of the asset, giving rise to potential losses subsequently.

Public auctions can go spectacularly wrong if the rules of the game are not carefully devised. Indeed, our literature review identified many more examples of poorly designed public sector auctions than well designed ones, leading to significant losses to the public sector compared with the economic optimum. What made the 2000 mobile phone licence auction so unusual was the fact that it was well designed following Vickrey principles, in contrast to many more that were not.

For example, in April 1993, Australia embarked on an auction for pay-TV satellite television licences. The rules were as follows: sealed bids, one round of bidding, with no restrictions on multiple bids. Two unknown companies triumphed, both backed by a Lebanese accountant, Albert Hadid. Neither bidder could pay, so the government opened the second-placed bids. They were horrified to discover that the same two companies also submitted the second-highest bids. The auction dragged on for ten months, until the licences were finally allocated when Hadid could sell them.

In the UK, in 1991, licences for ITV franchises were auctioned off on a single-bid, franchise-by-franchise basis. The system generated wildly divergent results since competition for franchises was uneven, in direct contravention of the Law of One Price. Central TV, which knew it had no competition, got away with bidding just £2,000. The losers from this bid were the general public. The gainers were the private sector shareholders in Central TV who benefited from huge windfall gains that in many cases made them millionaires. In economic terms, such arbitrary wealth transfers are a complete nonsense. By contrast, Yorkshire Television was so worried about the competition that it bid

£37.7million, an amount which later pushed it into financial difficulties – an example of the “Winner’s Curse”.

To avoid these problems, Vickrey recommended a second-price sealed-bid auction (also called the Vickrey auction by economists). Under this system, each bidder independently submits a single bid, without seeing others’ bids, and the object is sold to the bidder who makes the highest bid. However, the price she pays is the second-highest bid, or ‘second price’. The idea here is that by paying the second price, the successful bidder mitigates the risk of the Winner’s Curse by paying only what someone else would be willing to pay for the auctioned item.

Commenting on the economic rationale underlying this system, Vickrey wrote that,

"in cases in which, by reason of asymmetry among bidders, errors in evaluation, or mistakes in strategy, the result with the "top price" method is nonoptimal, a change to the "second price" method will yield an increase in the aggregate profits to be shared among seller and buyers.... In addition to the gain from the improved allocation of resources, there is another possible gain (which is that) it makes a general market appraisal entirely superfluous, whether considered from the standpoint of individual gain or from that of the overall allocation of resources. Each bidder can confine his efforts and attention to an appraisal of the value the article would have in his own hands.... In the first instance this saving might redound largely to the benefit of the bidders; as a corollary, however, more bidders might be induced to put in bids, resulting in a better allocation of resources and a higher price for the seller."

In other words, under a Vickrey-style auction, every bidder would focus on assessing the asset value to him or herself, rather than on "second guessing" the market - and would reveal this information to the market via the bid process.

A Possible Outline Design of a Social Housing Auction

A key finding of the economic analysis on auctions, and the empirical evidence of how they have been used in practice, is that it is critically important to design the auction system carefully to achieve a socially efficient outcome. What follows here is therefore not intended as a final system design, but rather as an outline of the possible way the auction mechanism could be mobilized to increase the effective supply of social housing in Scotland and reduce unit costs.

The ideal territory for a pilot for such a system could be a city such as Edinburgh or Inverness where there is already a well-developed private property market, and a plentiful supply of empty properties.

The following steps would need to be completed to implement an auction system for the mobilisation of empty private properties for social housing purposes:

1. Agree objectives, e.g. in terms of the number and size of properties that the Managing Agent was seeking to secure, the available budget, and the standard lease term. At least in the first round of any such system, the number of properties might be quite small, and the lease terms short (say three years) to ensure active competition among private owners for the right to offer leases.
2. Devise an economically efficient auction design to meet these objectives.
3. Test the design through interviews with a representative sample of private owners of empty properties, to establish whether they would be prepared to become involve in the auction as proposed, or if not whether any changes could be introduced to the design to make it more attractive. This process of testing was one of the features of the highly successful auction for mobile phone licences.
4. Prepare a prospectus setting out the benefits to private owners of getting involved in the auction. A major benefit would be that they would secure a financial return on an asset that (presumably) is generating a zero return while it is lying empty. The financial return achieved by letting would be at minimum risk if the owner has confidence in the soundness and integrity of the counterparty (i.e. the Council or the RSL acting as the Managing Agent). Within the prospectus, the Managing Agent needs to state its "reserve price", or a maximum that it would be prepared to pay to lease an

empty property in any year (or over the 3-year period). To be economically efficient, this reserve price should be set equal to the opportunity cost or sacrificed alternative of leasing an empty privately owned property. This might be the cost to the Managing Agent (Council or RSL) of direct provision. For example, if the full life cycle cost of directly providing a two apartment unit was calculated to be £3,000 per annum, then the Managing Agent would declare that this was the maximum that it was prepared pay for such an apartment for a one-year lease. In PFI terms, this would be the "public-sector comparator" (PSC) or the hurdle that the private sector would have to surmount to demonstrate Best Value.

Some care would need to be taken in constructing the PSC, for example to take account of the repair or improvement obligation that the Managing Agent would need to meet for direct provision compared to properties leased from private owners.

The Council or its managing agent partner should also state the maximum number of units of each type that it is seeking to secure, based on need and on available budgets. For example, if the initial maximum reserve price is set at £3,000 p.a. per unit, the expected rental per unit is £1,500, and the available budgets are £150,000, then the Managing Agent could lease a minimum of 100 units for that year at a maximum net cost of £1,500 per unit. The prospectus should also state the term of the lease. There may be merit in keeping this lease term reasonably short. From the information gathered in the EHI evaluation, it appears that there is resistance among private owners to lease their properties for lengths of time in excess of 5 years. From the Council's perspective, long leases also have the disadvantage of "silting up" scarce resources for a long period. If the initial annual auction rounds were successful, then it would be expected that the net cost to the Council per unit would progressively decline as confidence in the process built up and more private owners were prepared to submit tenders for the letting of their properties. So it might be unwise to seek to commit scarce resources for 20 years to buy an illiquid asset (i.e. a property lease) that might be cheaper in five years time.

5. Market the prospectus, e.g. by direct mail to owners (including RSLs), following it up if necessary with telephone calls to get as many expressions of interest as possible.
6. Initiate the auction process by sending out bid forms, perhaps of approximately 1 page of A4, which anyone interested in participating would be invited to send back by a given date. What the Managing Agent is hoping for is many more offers than it wishes to take up - e.g. 90 initial bids chasing 20-30 lease requirements. This gives the Managing Agent effective control over the process, by enabling it to qualify the properties on offer (e.g. in terms of their condition and layout) and perhaps do a sift to eliminate the least suitable before progressing the auction process.
7. Receive and prequalify initial bids. Bids could be returned by post, fax (the method used in the mobile phone auction) or e-mail. The bid form, which could be no more than one page of A4 per property, would set out the address and type of property, contact details for the owner, and the owner's opening price for leasing. Owners would be permitted to submit multiple bids for several properties and to quote different prices for different properties if they so desire – although obviously only one price per property. A bid would involve no obligation or commitment of any kind prior to its acceptance. Bids could also be modified, withdrawn or revoked during the auction process and for a period (say 1-24 hours) after notice of effectiveness prior to acceptance. For its part, the Managing Agent would undertake a due diligence assessment on the initial bids, to check the estimated costs to bring each property into lettable condition. The aim would be to standardise bids onto an "equivalent bid price per unit" basis, in line with the Law of One Price, by adjusting each opening bid by the required costs of repair to arrive at a "price per social housing year". To enable the process to flow, the requisite adjustment would need to be rapid and perceived as fair and impartial. To achieve this, the referee undertaking the adjustment might need to be independent of both buyer and seller, but acceptable to both – e.g. from a list agreed by both the Managing Agent as buyer and PO representatives as sellers.
8. Progress bid rounds. After initial bid submission, bid rounds would progress at regular intervals, e.g. one-week each apart, for a defined number of rounds (e.g. 4-6) or for an indefinite period until the number of bids remaining just equalled the number of properties which the Managing Agent wishes to lease. The mobile phone auction used the second method, and there were more than 130 rounds of bidding until the auction finally closed.

9. Publish bid prices after each round. At the end of each round, details of bid prices received would be published (although not necessarily the identity of individual bidders). The "reserve price" would now be adjusted to be equal to the value of the marginal bid. For example, if the Council wished to lease 50 two-unit apartments and received 100 bids in the opening round of the auction, the marginal bid would be the 50th ranked in order of price. For the next round, bidders would only be allowed to submit revised bids that beat the revised reserve price by a given percentage. For example, in the early rounds of the mobile phone auction, bidders were required to beat the current highest bid for a given licence by a 5% margin. In the later rounds, this was reduced to 2.5%. A private owner below the 50 unit cut-off point in any round - say, offering a unit at £2,800 against a quote of £2,500 for the 50th unit – would have three alternatives. Firstly, he or she can withdraw from bidding altogether on the basis that the quote of £2,800 is the best that can be offered. Secondly, he or she can try and beat the revised reserve price by quoting 5% less (e.g. £2,300). Or thirdly, he or she can decide to "sit out" the round and re-enter the auction in a subsequent round. But there may be constraints on this third option. There may not be a subsequent round if no further bids are received. Or the auction rules themselves may place a limit on bidders' ability to do this, for example not allowing a bidder who has sat out two successive rounds to re-enter.

10. Close auction when no further bids are received. In the example above, the auction would come to an end when only 50 qualifying bids remained. The closing price would be the quote of the 50th bidder at that time, and this would be lease price paid to all successful bidders. It should be noted that this is an economically efficient price, in the sense that it is equal to the marginal cost. It also approximates a Vickrey-style "second price" auction, in that the prices secured by bidders 1-49 are set, not by their own bids, by the quotation of the marginal bidder.¹ This should avoid the problem of the Winner's Curse, by generating profits for all bidders whose cost of supply was less than that of the marginal bidder. At the same time, it would generate net savings for the Managing Agent compared to the alternative of direct provision. These savings would accrue by definition, since successful bids would beat the Agent's own direct costs of provision. The savings could be quite substantial, meaning that more and better quality social housing could be provided for any given budget.

It should be emphasised that the above is no more than a "bare bones" outline of the type of process that might be followed, which would require considerably more work to develop into a full auction design. In addition to an efficiently designed system, it would be imperative to market the opportunity as imaginatively and positively as possible to maximise private sector interest and confidence in it. There might well be merit in rolling out a pilot auction for no more than, say, 30-50 units to test the design and also to ensure that considerably more bids were received than the number that the Managing Agent intends to accept.

It should also be emphasised that the auction system outlined above would not represent a panacea for social housing problems in Scotland, but is presented only as one additional tool that social housing providers could consider deploying to increase the supply of housing for social tenants in a cost-effective way.

The potential increase in the supply of affordable housing for rent would occur if private owners currently unwilling to let their properties for social housing purposes were induced to enter the market as a result of the auction process.

The effect of this is shown in Figure A4. In the example given in the Figure, the supply of properties available for rent shifts upwards from SS to $S2S2$. As a consequence of this increase, the market-clearing equilibrium rent level falls from R_m to R_{m2} . The differential between affordable rents R_a and market rents R_{m2} therefore also falls. This in turn reduces the amount of grant financing which would have to be provided to fund the difference between the cost of supply and affordable rents. In the event that insufficient grant finance was available to fund the difference between costs and rents, increasing supply in this way would reduce the deficit in social housing provision at affordable rent levels from Q_sQ_d to $Q_{s2}Q_d$.

¹ Under a strict Vickrey system, the closing price would be set by the 51st bid rather than the 50th

Figure A4
Potential effects of an auction system on social housing supply and rental levels

