



HOUSES INTO HOMES EVALUATION

Final Report

Executive Summary

1. Research aims and objectives

- 1.1 Bringing empty properties back into use will help with efforts to increase housing supply and choice, improve housing conditions and meet housing needs in Wales.
- 1.2 A new empty properties initiative was developed to help with efforts to meet the Welsh Government target of bringing 5,000 properties back into use during the current term of government (2011-2016).
- 1.3 The Houses into Homes scheme was launched in April 2012. A £10 million fund was created by the Welsh Government to support the scheme in 2012/13. A further £10 million was committed in 2013/14. Houses into Homes is based on recyclable loans as opposed to more traditional grants. Loans are made available to bring long-term empty residential properties or commercial buildings back into use as homes for rent or sale. When the work is complete, the property must be sold or rented out.
- 1.4 The loans are paid before work commences, are interest free and must be paid back within two or three years depending on whether the property is sold or let. In addition, the Welsh Government has funded the provision of advice, guidance and training to support delivery of the scheme and promote empty homes work more broadly.

2. Methodology

- 2.1 A team from the Centre for Regional Economic and Social Research, Sheffield Hallam University was commissioned in April 2012 to conduct an evaluation of HiH, focusing on the effectiveness of arrangements for delivering the scheme and its impact and added value.
- 2.2 The evaluation explored the development, promotion, implementation and delivery of the Houses into Homes scheme through regular contact (six-monthly discussions) with regional

coordinators in each of the six regional groupings and an annual e-survey of empty homes officers in all 22 local authorities

- 2.3 Detailed information about empty properties across Wales and direct actions taken by local authorities, information about loan applications and loans granted and properties brought back into use was collected from local authorities on a regular basis throughout the evaluation. A survey of loan recipients was undertaken to capture information about outcomes, to identify wider beneficiaries and provide insights into additional impacts, for example, on jobs, training and other economic impacts.

3. Key findings

Applications and Loans Approved (April 2012 - March 2014)

- 3.1 A total of 586 applications for Houses into Homes loans were received by local authorities in the first three years of the scheme, with 360 loans approved by 31 March 2015.
- 3.2 As of March 2015, an additional 82 applications were being processed. In the first three years of the scheme, 26 applications had been rejected and 118 applications had been withdrawn.
- 3.3 A total of 746 residential units will be provided by bringing the 360 properties back into use. More than 80 per cent will provide accommodation for rent. More than one-third of all properties brought back into use (35 per cent) will provide affordable accommodation. The properties being brought back into use had been empty for an average of four and a half years.
- 3.4 The works associated with 177 out of 360 approved loans (49 per cent) were reported as being completed as of 31st March 2015. These 177 loans had a combined value of £6.7 million. The loans had supported works costing a total of £12 million. The units of accommodation provided by the properties brought back into use increased from 187 to 334 as a result of redevelopment. A total of 144 properties (40 per cent of approved loans) were reported as being back in use (occupied) by 31 March 2015.
- 3.5 Local authorities reported meeting the target of drawing down the two tranches of £10 million capital funding made available by the Welsh Government to support Houses into Homes against expressions of interest and loan applications received from owners of empty properties. The value of the 360 currently approved loans was £15.3 million. The difference between total funding drawn down from the Welsh Government (£20 million) and the value of approved loans (£15.3 million) appears to reflect the fact that some of the expressions of interest and initial applications against which funds were drawn down from the Welsh Government either did not progress through to an approved application or were still progressing very slowly through the approval process.
- 3.6 Data on loan applications shows that 118 applications had been withdrawn or cancelled; these would account for more than an additional £5 million worth of loans if they were at the current average loan value. In addition, as of 31st March 2015, 82 loans were being processed. Based on the ratio of approved loans to applications received in each region during the first three years of Houses into Homes, it appears likely that some 60 of these 82

applications will be successful. Given the average loan value within each region, the predicted total value of these 60 loans is £2.7 million. On this basis, £1.9 million of funds drawn down from the Welsh Government remain unallocated to approved loans at 31 March 2015. This picture is complicated by the fact that in some regions demand (in the form of applications being processed) outstrips remaining funds, while in other regions it appears likely some funds will remain unallocated to approved loans.

- 3.7 Another important point to note is that new applications will continue to have been received by local authorities after the period covered by this evaluation (up to 31 March 2015) and some of these unallocated funds will have been subsequently allocated to approved loans.

Empty Homes Activity

- 3.8 In 2014/15 - the third year of Houses into Homes - the number of empty dwellings brought back into use as a result of the direct actions of local authorities, was 2,458: an increase of 13 per cent on 2013/14 and an increase of 140 per cent on the baseline year before Houses into Homes commenced (2011/12). The 13 local authorities able to provide details reported that in 2014/15 16 per cent of dwellings (154) were returned into use as affordable housing.
- 3.9 The majority of local authority empty homes officers attributed the increase in properties brought back into use each year since the launch of Houses into Homes to the introduction of the scheme. In total, 20 out of 22 officers reported that the scheme had resulted in an increase in the number of long-term empty homes brought back into use in 2014/15 as a result of direct actions by the local authority. In addition, 15 out of 22 officers reported that Houses into Homes had resulted in an increase in the overall number of empty non-residential properties brought back into use as accommodation.
- 3.10 Regional coordinators and local authority officers were unequivocal in their view that Houses into Homes brought numerous benefits in its wake, which helped to increase the number of empty properties brought back into use. These were reported to include increased corporate commitment to tackling the problem of empty homes, increased staffing (particularly in the first two years of the scheme), an improvement in the effectiveness of local authority efforts to bring properties back into use, and support for efforts to address other strategic priorities (for example, increasing the supply of affordable housing, supporting regeneration initiatives and generating employment). Regional coordinators reported that Houses into Homes complemented the work of other Welsh Government schemes such as Vibrant and Viable Places, as well as on key areas such as homelessness and the private rented sector.
- 3.11 Other reported benefits included improvements in collaborative working within and between local authorities and their partners (including developers), improved relations with owners of empty properties and better intelligence about the problem of empty homes. Houses into Homes was also reported to have provided local authorities with 'another tool' with which to tackle the problem of empty homes and to be helping to bring properties back into use that had proved beyond the reach of alternative interventions. Explicit reference was also made to the role the scheme was playing in enabling developers to bring empty commercial properties back into use as residential dwellings.

Delivering Houses into Homes

- 3.12 The full allocation of £20 million of capital funding was drawn from the Welsh Government by local authorities against expressions of interest and applications received. During the first year of the scheme in 2012/13, applications were encouraged through various marketing activities, including mailshots aimed at owners of empty properties, contact with landlord forums, estate and letting agents and auctioneers. The majority of local authorities continued to target owners of empty properties with marketing or direct approaches in subsequent years to raise awareness and encourage an application. In 2014/15, there was an increase in the number of local authorities targeting owners of empty properties in particular neighbourhoods, villages or towns, reportedly reflecting links being forged between Houses into Homes and other programmes, including Vibrant and Viable Places and the new Home Improvement loan scheme.
- 3.13 As of 1 April 2015, 13 out of 22 local authorities were still to allocate their full share of the £20 million of funding drawn down from the Welsh Government to approved applications, but the majority of these local authorities (11 out of 13) expressed confidence about their ability to do so.
- 3.14 All six regions had a regional empty homes group that coordinated delivery of Houses into Homes. The regional groups provided strategic steer to the scheme and acted as a forum for sharing learning and good practice. Empty homes officers and regional coordinators referred to the importance of the regional group as a forum in which local authorities could share accumulated knowledge, understanding and best practice in relation to Houses into Homes and empty homes issues more generally.
- 3.15 The national steering group for Houses into Homes was reported to have provided a valuable forum in which regions could share experiences, secure advice and guidance and raise issues with the Welsh Government. It was also credited with helping to raise awareness of empty homes work.
- 3.16 Local authority officers were optimistic about the future of Houses into Homes. The scheme was reported to have become a mainstay of efforts to tackle empty homes and funding will continue to be available as loans are recycled. However, various risks to the future of Houses into Homes were spotlighted. These included: non-payment of loans, which would limit the funds available to be recycled as loan finance to new applicants; reduced staffing levels and restricted capacity to monitor repayments, support applications and approve new loans; and limited demand for the scheme from some owners in its present form.

The Views and Experiences of Loan Recipients

- 3.17 All individuals and companies that received a loan during the first three years of Houses into Homes were contacted and asked to take part in a survey about their experiences of Houses into Homes. In total, 108 unique survey returns were received. This represents one-third of all unique loan recipients (325). The majority of the 108 respondents (90; 83 per cent) were individual owners and 17 per cent (18) were companies (representing two-thirds of all companies receiving a loan). The majority of owners (80; 74 per cent) were bringing a property back into use to rent, compared to 21 per cent (23) developing the property for sale (five per cent were redeveloping for a mix of sale and rent). Two-thirds of

respondents (70; 65 per cent) reported that the development was completed and 43 per cent (46) reported that it was fully occupied.

- 3.18 The majority of owners (89) bringing a property back into use with the help of a Houses into Homes loan had acquired the property as an investment. The majority (81) had received information from local authority officers about the scheme and local authority officers were reported to have played an important role raising awareness of the scheme. Many owners reported benefiting from the assistance of a local authority officer during the application process, although there were some criticisms from a minority of owners regarding the knowledge and expertise of staff. One-quarter of owners (27) reported that help received from local authority officers had served to improve their development in some way.
- 3.19 More than one-quarter of owners (29) reported that their development would not have gone ahead without a Houses into Homes loan. This finding is evidence of the added-value of the scheme, helping to bring back into use properties that might otherwise have remained empty. The vast majority (98) levered in funds from alternative sources to supplement their Houses into Homes loan (ranging from less than £1,000 to more than £100,000).
- 3.20 A large majority of redevelopments involved a local contractor (83), suggesting that the majority of expenditure bringing empty properties back into use would remain in the local economy. The majority were confident about being able to repay their Houses into Homes loan.
- 3.21 Three-quarters of owners (84) expressed overall satisfaction with the application process, although suggestions were forthcoming about how it might be improved. The most common was that the application and approval process was rather drawn out and should be speeded up. Owners also had various other suggestions for how the scheme might be improved, which focused on the technicalities of the scheme (including qualification criteria and the terms and conditions of the loan).

The Impact of Houses into Homes

- 3.22 The impact and value for money of Houses into Homes was analysed through seven criteria: inputs, outputs, efficiency, outcomes, effectiveness, impacts and additionality. The evidence points to key areas where it can be argued Houses into Homes has had impact and has provided value for money. These include:
- levering in additional inputs: Houses into Homes has levered in 83 pence for every £1 of loan approved; levered in money includes additional personal and private sector funding to cover the cost of works
 - economies of scale: loan funding has provided economies of scale by providing multiple units through single applications
 - increasing the supply of units: an additional 147 units have already been provided; this will increase to 402 once all works are completed
 - returning empty homes into use: 144 properties (280 units) had been returned into use by 31 March 2015
 - providing an economic impact across Wales; £46.0 million in economic output has

been provided directly and indirectly through the full cost of works

- providing rental and sales income to owners
- benefiting the local communities who resided within the immediate vicinity of empty homes; for example through increased property prices
- providing an uplift in wider empty homes activities: between 2012/13 and 2014/15 an estimated 2,511 additional properties brought back into use have been attributed (indirectly) to the programme.

3.23 Completing works to bring empty properties back into use has a positive economic impact on the Welsh economy. This is in the form of demand for goods and services, both directly from suppliers and indirectly within the intermediate supply chain. The economic impact can be measured through output expenditure and full time equivalent (FTE) jobs supported.

3.24 Evidence from the loan recipients' survey suggests initial expenditures remained within Wales, with most benefiting the immediate local economy. Only two of 104 loan recipients responding to the survey said that they would be exclusively using out of area contractors to complete the works. Assuming the full cost of works remains within Wales, the initial (direct) output expenditure created by Houses into Homes developments is £28.4 million. Applying economic multipliers it is estimated an additional £17.6 million worth of output expenditure is supported within the immediate supply chain. This gives a total output expenditure of £46 million. Using employment effect multipliers it is estimated that this level of expenditure will support just over 440 FTE jobs during the course of the works both directly (280 FTE jobs) and indirectly (160 FTE jobs) across Wales.

3.25 Evidence from the monitoring data suggests 86 of the 177 properties with completed works previously had a negative impact on the local area. For these properties it is possible to estimate the impact on the house prices of neighbouring properties. To this end, it has been assumed that the four nearest properties gain an increase in their value by 10 per cent. Working through this calculation it is estimated neighbouring properties gain an £3.3 million increase in their value as a result of the works. Repeating the calculation for all 174 approved loans that were viewed as having a negative impact on the local neighbourhood it is estimated neighbouring properties could gain an £6.5 million increase in their value as a result of the works.

3.26 Overall, Houses into Homes loans have had impact and can be argued to have provided value for money. It is estimated that £2.41 of benefits accrue for every £1 of input via Houses into Homes excluding adjustments for additionality (works that would have taken place without Houses into Homes). However taking into account additionality - adjusting for the fact that an estimated 73 per cent of works would have happened without Houses into Homes (although 44 per cent of loan recipients report the works happened sooner because of the scheme) - the benefits are less; £0.74 of benefits accrue for every £1 of inputs.

3.27 Analysis has identified two ways in which additional impact and value for money could be achieved: allocating the full amount of funding drawn down from the Welsh Government to approved loans and increasing additionality. In total, £15.3 million of the £20 million Houses into Homes funding drawn by local authorities from the Welsh Government has

been allocated to approved loans. The outputs, outcomes and impact recorded by Houses into Homes would inevitably have been greater if all this funding had been allocated to approved loans. A total of 2,341 enquiries have been converted into 468 full applications. There would therefore appear to be scope for improving the effectiveness of the scheme by converting a greater number of enquiries into applications and approved loans. This might be achieved by revising rules and regulations governing the scheme to increase the number of owners and properties that qualify for a Houses into Homes loan; simplifying and speeding up the application process, which might involve increasing staffing.

- 3.28 A final point of reflection is the extent to which Houses into Homes has delivered additional outcomes and impacts. As already noted, more than one-quarter of owners reported that their development would not have gone ahead without a Houses into Homes loan. Local authority staff were also unequivocal in attributing an overall uplift in local authority empty homes activities to the introduction of Houses into Homes; an additional 2,511 properties were brought back into use through the full range of local authority direct actions (including and in addition to Houses into Homes) during the first three years of scheme compared to the baseline year of 2011/12.

4. Recommendations

- 4.1 In addition to spotlighting the achievements of Houses into Homes, the evaluation revealed various challenges associated with the delivery of the scheme and a number of features of Houses into Homes that might be improved in a bid to increase effectiveness and efficiency.
- 4.2 **Recommendation 1:** Accelerate the allocation to approved loans of the £20 million of funding made available by the Welsh Government and drawn down by local authorities. Local authorities that have not allocated all funds drawn down from the Welsh Government to approved loans should: review their interpretation and application of the rules and regulations governing the scheme to ensure they are not placing unnecessary barriers in the way of successful applications and endeavour to speed up the application process. The Welsh Government might seek confirmation from all local authorities or regions yet to allocate funds to approved loans that unmet demand for loan finance exists within their area. A deadline might be agreed for funds to be allocated to approved loans, after which any unallocated funds might be redistributed to regions and local authorities where demand is stronger and additional funds would be welcomed.
- 4.3 **Recommendation 2:** Safeguard the staffing resources required to effectively administer Houses into Homes. The evaluation found that a critical factor informing the success of Houses into Homes during the first three years of the scheme was the role played by local authority officers. The continued success of the scheme depends upon local authorities dedicating the necessary staffing resources to administer the Houses into Homes scheme.
- 4.4 **Recommendation 3:** Review and revise the rules and regulations governing Houses into Homes. There is the potential for some relatively minor amendments to the rules and regulations governing Houses into Homes (repayment period; loan to value ratio; maximum loan) to increase demand and maximise the effectiveness of the scheme. Reforms could be introduced by the Welsh Government or responsibility could be ceded to local authorities to vary aspects of the scheme as they see fit.

- 4.5 **Recommendation 4:** Continue to share learning and provide advice, guidance and training. It is important that empty homes officers continue to have the opportunity to share experiences and hear about how other authorities are dealing with the challenges of delivering Houses into Homes.
- 4.6 **Recommendation 5:** Provide further clarification regarding interpretation of the National Strategic Indicator (PSR/004). In particular, clarification is required regarding how to count properties brought back into use through Houses into Homes. Many of the properties brought back into use through Houses into Homes were previously non-residential premises (such as churches, pubs and shops). Guidance relating to PSR/004 is unclear about whether the return of non-residential premises to use as dwellings should be included in national indicator returns submitted by local authorities.

Views expressed in this report are those of the researchers and not necessarily those of the Welsh Government

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