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Houses into Homes: Third Interim Evaluation Report

Research Summary

Social research Number: 96/2014

This report details findings to emerge from the evaluation of the *Houses into Homes* scheme during the second year of delivery (April 2013 to March 2014). The evaluation will continue through to 2015.

Headline Findings

- A total of 414 applications for Houses into Homes loans were received by local authorities in Wales in the first two years of scheme (1 April 2012 to 31 March 2014); 173 were received in 2013/14.
- By 31 March 2014, 230 loans had been approved; 45 in the first year of the scheme and 185 in the second year.
- There was a dramatic increase in the number of properties brought back into use following the launch of Houses into Homes. In 2013/14, a total of 2,178 empty homes were brought back into use through the direct actions of local authorities, an increase of 112 per cent on 2011/12.
- Most local authority empty homes officers attributed the increase in the number of properties brought back into use to the Houses into Homes scheme. The scheme was reported to have prompted an increase in corporate commitment to tackling empty homes, improvements in collaborative working between local authorities, better intelligence about the problem of empty homes and provided 'another tool' with which to tackle the problem of empty homes.

Background

Bringing empty properties back into use will help with efforts to increase supply and choice, improve housing conditions and meet housing need in Wales.

Recognising this fact, the Welsh Government has set itself the target of bringing 5,000 properties back into use during the current term of government (2011-2016)¹.

A new empty properties initiative was developed to help with efforts to meet this target. The Houses into Homes scheme was launched in April 2012. A £10 million fund was created by Welsh Government to support the scheme in 2012/13. A further £10 million was committed by the Welsh Government 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.

The loans are paid before work commences, are interest free and

¹ <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

must be paid back within two or three years depending on whether the property is sold or let. Local authorities can also use the funding to support works in default². In addition, the Welsh Government has funded the provision of advice, guidance and training to support delivery of Houses into Homes scheme and promote empty homes work more broadly.

Methods

A team from the Centre for Regional Economic and Social Research, Sheffield Hallam University has been commissioned by the Welsh Government to conduct an evaluation of the Houses into Homes scheme. The aim is to monitor effectiveness, impact and added value of the scheme, and to provide accountability for the use of public funds. Impacts are monitored through the ongoing collection of data from local authorities about direct actions to bring properties back into use, including applications received and loans granted under the scheme. Delivery processes are being evaluated through regular contact

² A local authority has powers to carry out works in default on a property where an owner has been required to do works (e.g. for health and safety reasons) but has failed to do so.

and annual interviews with nominated leads in each of the six regions and through an annual e-survey of all 22 local authority leads. The evaluation will report at agreed points during the three years of the programme. This summary provides an overview of findings to emerge during the second year of the scheme (April 2013 to March 2014).

Key Findings

Applications and Loans Approved (April 2013 - March 2014)

A total of 414 applications for Houses into Homes loans were received by local authorities in Wales in the first two years of scheme; 241 loan applications were received in 2012/13 and a further 173 in 2013/14.

By 31 March 2014, 230 loans had been approved; 45 were approved in the first year of the scheme and 185 were approved in the second year (April 2013 to March 2014). As of March 2014, an additional 118 applications were being processed. In the first two years of the scheme, 16 applications had been rejected and 50 applications had been withdrawn.

The total value of the 230 approved loans was £9,408,000 with £2,032,000 being approved in 2012/13 and £7,376,000 in 2013/14. A total of 468 residential units will be provided by bringing these 230 properties back into use. More than 80 per cent will provide accommodation for rent and just over forty per cent will provide affordable accommodation. The properties being brought back into use had been empty for an average of almost five and a half years.

Twenty one of the approved loans were granted to limited companies and, 207 were to individual owners and two were to unincorporated entities³. The average loan value for properties being brought back into use by a limited company was more than double the average value of loans granted to individual owners. Average private sector leverage was also larger for approved loans granted to limited companies. This funding profile reflects the fact that many of these loans involved larger conversion developments. These applications were also more likely to increase the number of units provided.

³ An unincorporated entity is an organisation that has not been granted formal corporate status by incorporation.

The works associated with 57 out of 230 approved loans were reported to have been completed and 31 properties were reported to have been brought back into use by March 2014. At this point in time, 11 loans with a value of £322,000 had been repaid in full. Together with approved loans that had not been drawn down or had been returned, this made £405,000 of loan finance available for recycling as new loans.

Local authorities reported receiving 1,390 enquiries about Houses into Homes loans in the first two years of the scheme that were yet to result in an application. In 127 cases, owners indicated that they would be submitting an application in due course. A total of 91 owners had been signposted to other empty homes interventions. Of the remainder: 328 said that they would not be proceeding; 11 did not meet the criteria; and for 833 the next step was unknown.

The Welsh Government set local authorities the target of drawing down the second tranche of £10 million of capital funding made available to support the Houses into Homes scheme by March 2014. Local authorities reported meeting this target and drawing

down their full allocation of funds against enquires and loan applications received from owners of empty properties. However, summing the value of 230 approved loans and the value of applications being processed gives a total of £14,408,460, since April 2012. Assuming that the additional 21 applications being processed for which no data were provided are of a similar average value to those for which data were provided, then the total sum value of approved loans and loans being processed would amount to just under £15.5 million, of the total funding of £20 million provided to the initiative.

Regional coordinators were asked to explain this difference. They explained that some of the expressions of interest and initial applications against which funds were drawn down from Welsh Government either did not progress through to an approved application or were progressing very slowly either because the owner was struggling to provide the requisite information or because of delays in processing the application on the part of the local authority. However, 20 out of 22 local authorities expressed confidence in allocating all funds to Houses into

Homes loans. The evaluation will track success in meeting this objective in 2014/15.

Empty Homes Activity in Wales

There has been a dramatic increase in the number of properties brought back into use since the introduction of Houses into Homes. In 2013/14, a total of 2,178 empty homes were brought back into use as a result of the direct actions⁴ of local authorities in Wales, providing 2,378 units of accommodation. This is an increase of 112 per cent on the baseline year before Houses into Homes commenced (2011/12). The situation varied across Wales, 18 local authorities reporting an increase in the number of units brought back into use and four reporting a decrease. The 10 local authorities providing relevant information reported that 20 per cent of dwellings were returned to use as affordable housing.

⁴ Examples of direct action are: grants (including Houses into Homes), loans or other financial assistance either provided or facilitated by the authority, providing advice, referral to another organisation with relevant expertise, enforcement action, or ownership enquiries and follow up action.

The increase in the number of empty properties brought back into use appears to reflect an increase in direct actions taken by local authorities following the launch of Houses into Homes. 4,554 direct actions were taken by local authorities on empty properties brought back into use in 2013/14, compared to 1,372 direct actions in 2011/12 and 1,809 in 2012/13 (an increase in the average number of direct actions per property brought back into use from 1.3 to 2.7). The provision of financial assistance (including through Houses into Homes) and threat of enforcement action remained two of the more common forms of direct action in 2013/14, in addition to advice and guidance.

The majority of local authority empty homes officers attributed the increase in the number of properties brought back into use in 2013/14 to the operation of the Houses into Homes scheme. This is an interesting finding, given that works were yet to be completed on the vast majority of the 230 properties to receive a loan in the first two years of the scheme. However, it is a finding consistent with the benefits that local empty homes officers and regional

coordinators associated with the scheme in both 2012/13 and 2013/14. These included increased corporate commitment to tackling the problem of empty homes, an increase in staff involved in empty homes work, improvements in collaborative working within local authorities and with external partners, improved relations with owners of empty properties and better intelligence about the problem of empty homes. Houses into Homes was also reported 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.

Available evidence suggests that Houses into Homes has provided additional support to tackle empty homes, rather than displacing other activities.

Delivering Houses into Homes in 2012/13

Success delivering Houses into Homes in 2013/14 is evidenced by

the fact that local authorities generated the required applications against which to draw down the additional £10 million of capital funding made available by the Welsh Government in 2013/14. As of 1 April 2014, local authorities were still to allocate some of these funds to approved applications, but 20 out of 22 local authorities expressed confidence about being able to do so.

The vast majority of local authorities prioritised applications on a first come, first served basis during 2013/14, although 12 reported having additional grounds on which priority might be granted.

Loan repayment agreements typically require owners to make a one off repayment after two or three years, depending upon whether the property is being brought back into use for rent or sale. One off payments were preferred for their relative simplicity. No problems had yet been encountered with repayments, although regional coordinators reported that few loans were yet due to be repaid.

Suggestions about how to improve the scheme focused on extending the loan repayment period,

extending eligibility to owners intending to occupy the property upon completion of works, and the need to simplify the application process. These suggestions mirror recommendations made by regional coordinators and local authority officers in 2012/13.

The regional groups were reported to have continued making an important contribution to the delivery of Houses into Homes in 2013/14 and to have brought various benefits in their wake. Key amongst these was the role the group played in providing a forum in which local authorities could share experience and seek advice and guidance. Regional groups were reported to have met less frequently in 2013/14 than in the first year of the scheme, when more regularly meetings were deemed necessary to support the introduction of the scheme. They were also reported to be extending their focus beyond Houses into Homes to consider the full gamut of empty homes issues. In response, some groups had extended their membership. No notable problems were raised with the operation of regional groups.

Regional coordinators reported that the national steering group for

Houses into Homes continued to provide a valuable forum in which regions could share experiences, secure advice and guidance and raise issues with the Welsh Government. Two other particular achievements of the group in 2013/14 were spotlighted: raising awareness of empty homes work in Wales; and promoting closer links between the Welsh Government, WLGA and local authorities.

Regional coordinators suggested that success for Houses into Homes scheme in 2014/15 would involve allocating all remaining funds drawn down from the Welsh Government to approved loans, and managing the repayment of loans with a minimal number of defaults. Potential risks to the future viability of the scheme were identified as including the possibility of the non-repayment of loans, which could jeopardise the future of the scheme by limiting the funds available for recycling as new loans; and the challenge of delivering houses into Homes in the context of local authority staffing cuts.

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