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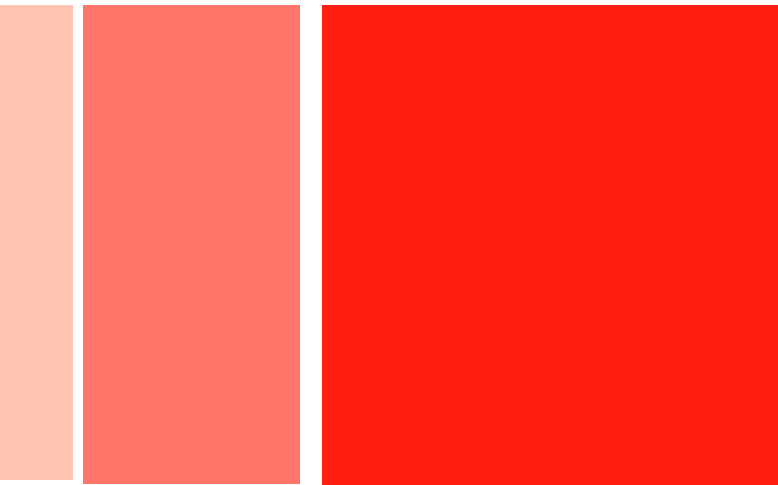


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Houses into Homes Third Interim Evaluation Report



Houses into Homes Third Interim Evaluation Report

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Front cover photographs: before and after of the derelict house renovated via the Houses to Homes scheme in Parkes Street, Burry Port

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

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1 Executive Summary

Background

- 1.1 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.
- 1.2 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 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.
- 1.3 This report is the third major report to emerge from an ongoing evaluation of Houses into Homes and focuses on delivery and outcomes to emerge during the second full year of the scheme, from April 2013 to March 2014. Findings from the first year of the scheme were reported in October 2013, and a number of data bulletins have also been published³.

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

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

³ <http://wales.gov.uk/statistics-and-research/houses-into-homes/?lang=en>

Methods

- 1.4 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.
- 1.5 Delivery processes are being evaluated through regular contact with nominated leads in each of the six regions and through an annual e-survey of all 22 local authority leads. The evaluation is reporting at agreed points during the three years of the programme.

Applications and Loans Approved (April 2012 - March 2014)

- 1.6 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); 241 loan applications were received in 2012/13 and a further 173 in 2013/14.
- 1.7 By 31 March 2014, 230 loans had been approved; 45 were approved in the first year of the scheme (April 2012 to March 2013) and 185 were approved in the second year of the scheme (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.
- 1.8 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.

- 1.9 Twenty one of the approved loans were granted to limited companies, 207 were to individual owners and two were to unincorporated entities⁴. 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 far 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.
- 1.10 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.
- 1.11 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.
- 1.12 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

⁴ An unincorporated entity is an organisation that has not been granted formal corporate status by incorporation.

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

1.13 Analysis reveals 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 actions⁵ of local authorities in Wales, providing 2,378 units of accommodation. This is an increase of 99 per cent on 2012/13 and 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.

1.14 The increase in the number of empty properties brought back into use appears to reflect an increase in direct actions taken by local

⁵ 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.

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.

1.15 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. In total, 15 out of 22 local authority empty homes officers reported that the programme had resulted in an increase in the number of long-term empty properties brought back into use in their area in 2013/14. Benefits were also reported in relation to types of properties being brought back into use: 17 out of 22 local authority officers reporting an increase in the total number of homes for rent in the local area; seven out of 22 reporting an increase in the number of homes for sale in the local area; and nine out of 22 reporting an increase in the supply of affordable housing.

1.16 These are interesting findings, 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, they are findings consistent with the various benefits reported by local empty homes officers and regional coordinators as being associated with the scheme in both 2012/13 and 2013/14. These included increased corporate commitment to tackling the problem of empty homes, 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). Other reported benefits included improvements in collaborative working within and between local authorities and their partners, 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. 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 2013/14

- 1.17 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. As of 1 April 2014, local authorities were still to allocate some of these funds to approved applications, but the vast majority of local authorities expressed confidence about being able to do so.
- 1.18 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.
- 1.19 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.

- 1.20 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.
- 1.21 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.
- 1.22 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.

2 Background to the Study

Introduction

- 2.1 The Welsh Government has set itself the target of bringing 5,000 properties back into use during the current term of government (2011-2016)⁶. A new empty properties initiative has been introduced to help with efforts to meet this target, reduce the number of empty properties and increase supply and choice in the Welsh housing system. The Houses into Homes scheme was launched in April 2012. Originally, a £10 million fund was created by Welsh Government to support the scheme. A further £10 million was made available in 2013/14. The scheme makes available loans to bring 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 interest free and 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 default. In addition, the Welsh Government has funded the provision of advice, guidance and training to support delivery of the Houses into Homes scheme and promote empty homes work more broadly.
- 2.2 An evaluation of the Houses into Homes scheme has been commissioned by the Welsh Government to monitor effectiveness, impact and added value of the scheme, and to provide accountability for the use of public funds. The evaluation commenced in May 2012 and will run for the course of the programme, from April 2012 to March 2015. The evaluation is scheduled to report at a number of agreed points during the three years of the programme, as well as providing a detailed final report in 2015..

⁶ See <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

2.3 The first interim report from the evaluation was published in May 2013⁷. It set the scene for the evaluation by detailing the background to the scheme, summarising the range of powers at the disposal of local authorities in Wales to bring empty properties back into use and profiling direct actions taken by local authorities across Wales to bring properties back into use in the year prior to the introduction of the scheme. The latter represents a baseline against which the impact of the Houses into Homes scheme can be monitored. It also reviewed delivery during the first six months of the scheme, from April 2012 to September 2012, focusing on the design and development of the delivery framework for Houses into Homes. Subsequent outputs have included:

- a monitoring data bulletin relating to the first year of the scheme, published in August 2013⁸
- a review of delivery during the first full year of the scheme, from April 2012 to March 2013⁹
- a monitoring data bulletin relating to the first 18 months of the scheme (up until September 2013), published in Spring 2014¹⁰

2.4 This report reviews delivery and monitoring data relating to the second full year of the Houses into scheme, from April 2013 through to March 2014.

Houses into Homes

2.5 The Houses into Homes scheme provides capital funding for local authorities to provide loans to owners of empty properties to bring them

⁷ See <http://wales.gov.uk/docs/caecd/research/130430-houses-homes-first-interim-evaluation-en.pdf>

⁸ <http://wales.gov.uk/docs/caecd/research/130801-houses-homes-key-monitoring-data-2012-13-en.pdf>

⁹ <http://wales.gov.uk/docs/caecd/research/131002-houses-into-homes-second-interim-evaluation-en.pdf>

¹⁰ <http://wales.gov.uk/docs/caecd/research/2014/140313-houses-homes-key-monitoring-september-2013-en.pdf>

back into use for sale or rent¹¹. Funding can also be used to support local authorities to conduct works in default. The scheme is solely concerned with private sector properties that have been empty for more than six months. The loans are interest free and the money is made available to the owner up front before work starts. Any loan offered is secured on the property and cannot exceed 80 per cent of the value of the property minus any outstanding loans held against it, such as a mortgage.

- 2.6 The loans are available to pay for work on dwellings and the conversion of commercial buildings into good quality accommodation. This includes work that involves splitting a property into multiple units. Individuals, charities and companies can apply. An administration fee of between £295 and £495 (to be determined by the local authority) is required as a contribution towards the cost of processing the application. The most that can be borrowed is £25,000 for each unit brought back into use up to a maximum total of £150,000 per applicant. The loan is required to be repaid after two years if the property is returned to use for sale, or three years if the property is returned to use for rent. Once repaid, the money will be recycled and made available for further loans to bring empty properties back into use.
- 2.7 Delivery of Houses into Homes is devolved to six regional steering groups comprising representatives of each local authority in the region (see Table 2.1). Capital funding has been allocated to regions on a pro rata basis based on the percentage of the private sector stock in Wales located within each region. An indicative allocation of these funds to each local authority in the six regions was also provided.
- 2.8 Funds are drawn down from the Welsh Government by the regions on the basis of enquiries and applications received from owners of empty properties. Each region appointed a local authority as a banker, which collected information on applications received, submitted these details to

¹¹ For further details about the scheme see <http://wales.gov.uk/topics/housingandcommunity/housing/private/emptyhomes/housestohomes/?lang=en>

the Welsh Government and received the capital funding, which was then distributed to individual authorities.

Table 2.1 Regional Groupings and Houses into Homes Funding, rounded to nearest £1,000

| Region | Local Authorities (regional lead in bold) | Funding 2012/13 | Funding 2013/14 |
|----------------------|--|-----------------|-----------------|
| North Wales | Conwy County Borough Council Denbighshire County Council Flintshire County Council Gwynedd County Council Isle of Anglesey County Council Wrexham County Borough Council | £2,333,000 | £2,333,000 |
| Mid and West Wales | Powys County Council Carmarthenshire County Council Pembrokeshire County Council Ceredigion County Council | £1,800,000 | £1,800,000 |
| Gwent | Blaenau Gwent County Council Caerphilly County Borough Monmouthshire County Council Newport City Council Torfaen County Borough Council | £1,773,000 | £1,773,000 |
| Western Bay | Bridgend County Borough City and County of Swansea Neath Port Talbot County Borough Council | £1,665,000 | £1,665,000 |
| Cardiff and the Vale | Cardiff Council Vale of Glamorgan Council | £1,464,000 | £1,464,000 |
| Cwm Taf | Merthyr Tydfil County Borough Council Rhondda Cynon Taf County Borough Council | £966,000 | £966,000 |
| Total | Wales (all local authorities) | | |

2.9 The intention was that the first £10 million of capital funding would be drawn down from the Welsh Government by local authorities in the financial year 2012/13 and the second £10 million of funding would be drawn down in 2013/14. To this end, each local authority was given an indicative allocation, but regional groups were granted flexibility to determine the precise allocation of funds to local authorities within the region. This allowed funds originally allocated to a local authority that failed to receive applications commensurate with its capital allocation to be reallocated to other authorities evidencing greater demand.

2.10 The delivery of the Houses into Homes scheme is overseen by a national steering group composed of the six chairs of the regional empty homes groups, the Welsh Government, the Welsh Local Government Association (WLGA) and Andrew Lavender, a consultant funded by the Welsh Government to provide support to local authorities and who served as project consultant for the Kent Empty Property initiative *No Use Empty*¹², since its inception in 2005. The Welsh Government has also supported the WLGA Improvement Project for Empty Homes, which provides local authorities with advice, guidance and training relating to the scheme¹³.

Overview of the evaluation

- 2.11 A team from the Centre for Regional Economic and Social Research, Sheffield Hallam University was commissioned in April 2012 to conduct an evaluation of Houses into Homes, focusing on the effectiveness of arrangements for delivering the scheme (process evaluation) and its impact and added value (impact evaluation).
- 2.12 The ***impact evaluation*** addresses key questions including how effective the scheme has been at bringing properties back into use; the additional impacts of the scheme; the (direct and indirect) beneficiaries; the sustainability of the scheme; success leveraging in additional resources; and value for money. Answering these questions requires detailed information about empty properties across Wales and direct actions taken by local authorities, information about loan applications and loans granted and outcome information about properties brought back into use. This data is being collected from local authorities across Wales on a regular basis throughout the evaluation. In addition, an on-going survey of direct beneficiaries (loan recipients) is to be undertaken to capture information about outcomes and to identify wider beneficiaries. This will help generate findings relating to additional impacts, for

¹² <http://www.no-use-empty.org/>

¹³ See <http://www.wlga.gov.uk/empty-homes/>

example, on jobs, training and other economic impacts. These issues will be addressed in the final evaluation report in 2015.

- 2.13 The **process evaluation** is examining the development, promotion, implementation and delivery of the Houses into Homes scheme. It is addressing key questions including the effectiveness of different approaches to delivering the scheme across Wales; difficulties and barriers encountered; and options for fine tuning the scheme to maximise efficiency and effectiveness. To answer these questions, the evaluation team are liaising on a regular basis with the nominated lead in each of the six regional groupings. This includes an annual interview reviewing delivery and associated achievements in the previous financial year, conducted in June or July, and catch-up discussions every intervening six months for the duration of the programme. Data from the most recent round of annual interviews with all six regional coordinators, conducted in July 2014, are analysed in this report. An e-survey of empty officers in all 22 local authorities in Wales is being conducted annually in May to gain insight into local issues and experiences of delivering the scheme in the previous financial year. Data from the most recent survey, conducted in June 2014, to which all 22 local authorities responded, are analysed in this report.

Structure of the report

- 2.14 The report is divided into three key sections. **Chapter 3** profiles applications received and loans approved in the first two years of the Houses into Homes scheme (April 2012 to March 2014). **Chapter 4** explores the changing profile of local authority empty homes work in the second year of the scheme (2013/14) and compares the number of empty properties brought back into use as a result of local authority direct actions in 2013/14 with the situation in 2012/13 and the baseline year of 2011/12. **Chapter 5** reviews the delivery of the scheme in 2013/14, through analysis of the views and experiences of local authority officers and regional coordinators, focusing on the activities of local

authorities, the work and associated achievements of the six regional groups coordinating delivery of the scheme and the operation and contribution of the national steering group for Houses into Homes.

3 Applications and Loans Approved (April 2012 - March 2014)

Introduction

3.1 This chapter presents monitoring data collected from all 22 local authorities in Wales profiling the applications received and loans approved in the first two years of the Houses into Homes scheme (April 2012 to March 2014).

Houses into Homes Applications

3.2 Analysis of Houses into Homes monitoring data reveals that 414 loan applications were received by local authorities in the period 1 April 2012 to 31 March 2014. 241 loan applications were received in 2012/13 and a further 173 in 2013/14. Of these applications:

- 230 applications had been approved to receive a Houses into Homes loan (45 in 2012/13 and 185 in 2013/14). Many of the applications approved in 2013/14 were originally submitted in 2012/13
- 118 were being processed as of the 31 March 2014; this includes provisionally approved applications
- 16 applications had been rejected
- 50 applications had been withdrawn.

3.3 Table 3.1 and Figure 3.1 reveal wide variations in the number of loans approved in the different regions in the first two years of Houses into Homes. The six regional coordinators were asked in June 2014 if they had any explanations for this variation. Three key explanations were provided. First, three regional coordinators pointed to variations in either the scale or nature of demand between local authorities. References to the nature of demand included the observation that some areas benefit from receiving a relatively large proportion of applications from developers, who were reported to find the application process more straightforward than individual owners. This suggestion appears to be supported by data on the time between an application pack being issued

and a completed application received. As revealed below, limited companies take, on average, 37 days to submit an application compared to the average of 63 days taken by individual owners. One regional coordinator reported that at least one local authority in the region was now targeting developers precisely for this reason. Second, one regional coordinator reported that the loan conditions operated by some local authorities limit the number of loans approved. For example, one regional coordinator observed that the consequence of complications and confusion around deed of priority issues (the priority of creditors in relation to rights to the debtors asset; the property) in one local authority was that applications from owners with a mortgage were struggling to proceed. Third, three regional coordinators pointed to process issues, including variations in the speed that local authorities commenced processing applications following the launch of the scheme that were related to prior experience of managing a loan or grant scheme, and the number of staff dedicated to the approval process.

- 3.4 All 22 local authorities reported providing loans through the Houses into Homes scheme in 2013/14 (compared to 21 in 2012/13). One local authority reported drawing on Houses into Homes funds to support works in default in 2013/14, compared to four local authorities in 2012/13. Although, two local authorities reported using Houses into Homes funds to support marketing of the scheme, further investigation revealed that this was actually income from administration fees paid by owners submitting an application, which was being invested in marketing activities, rather than Houses into Homes funding from the Welsh Government. Regional coordinators were asked why so few local authorities are drawing on Houses into Homes funds to support works in default. Two issues were raised by way of explanation. First, it was reported that many local authorities already have a small budget to support works in default (12 in 2013/14, 11 in 2012/13). Second, it was suggested that Houses into Homes is best employed tackling cases that local authorities might struggle to address via works in default, for example, as a result of the size of the development.

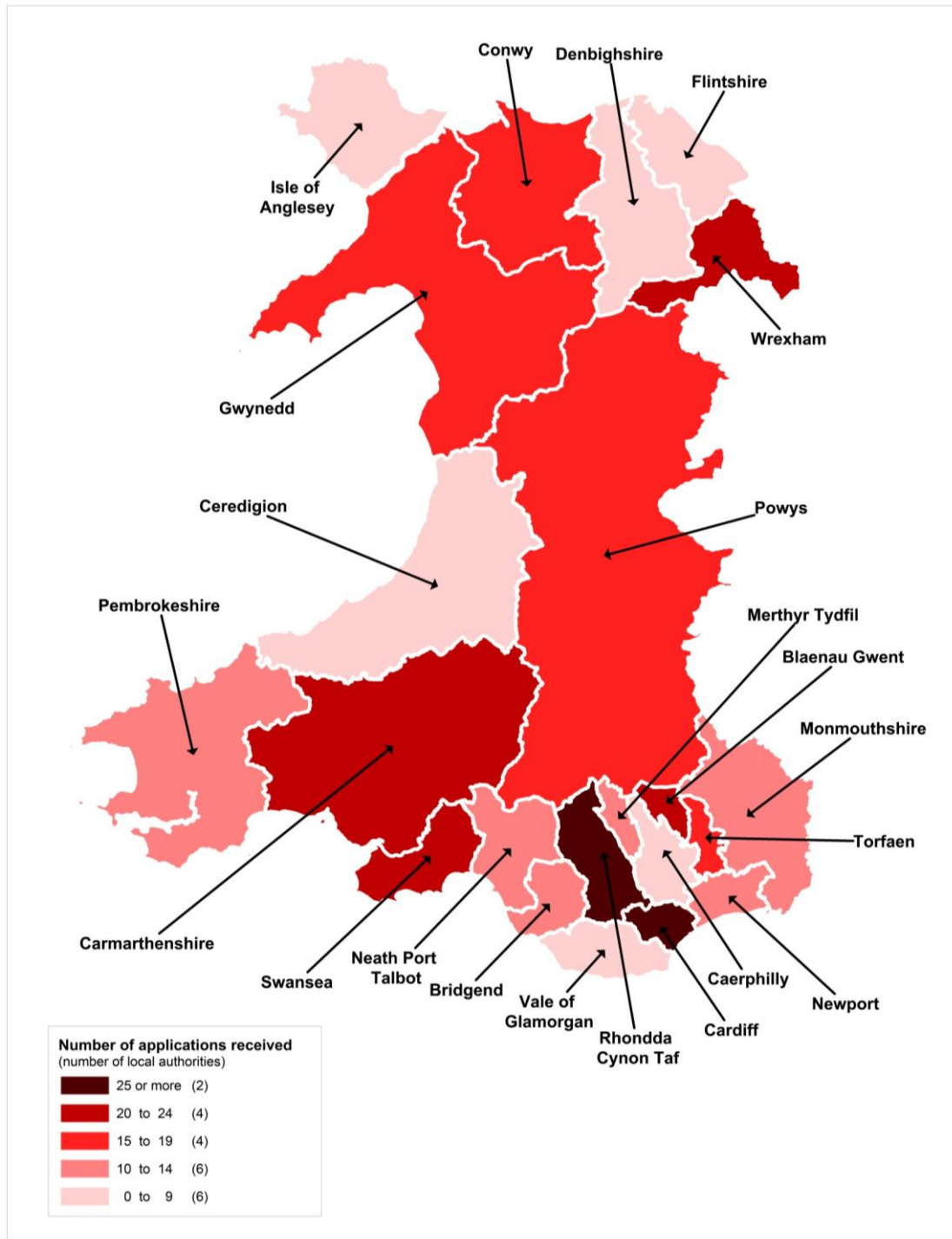
Table 3.1: Summary of Houses into Homes Applications received between 1 April 2012 and 31 March 2014

| | Approved loans | | | Number of units to be provided | Applications being processed | Other applications ¹⁴ |
|-----------------------------|----------------|------------------|-------------------|--------------------------------|------------------------------|----------------------------------|
| | Number | Total Value (£) | Average Value (£) | | Number | Number |
| North Wales | 52 | 2,610,000 | 50,000 | 136 | 25 | 24 |
| Gwynedd | 12 | 666,000 | 56,000 | 38 | 4 | 0 |
| Wrexham | 15 | 546,000 | 36,000 | 27 | 7 | 3 |
| Flintshire | 7 | 525,000 | 75,000 | 22 | 1 | 2 |
| Anglesey | 8 | 462,000 | 58,000 | 24 | 1 | 8 |
| Conwy | 7 | 338,000 | 48,000 | 22 | 12 | 7 |
| Denbighshire | 3 | 72,000 | 24,000 | 3 | 0 | 4 |
| Mid and West Wales | 33 | 1,643,000 | 50,000 | 67 | 24 | 4 |
| Powys | 14 | 926,000 | 66,000 | 37 | 1 | 0 |
| Carmarthenshire | 9 | 414,000 | 46,000 | 17 | 13 | 1 |
| Pembrokeshire | 6 | 165,000 | 28,000 | 7 | 7 | 3 |
| Ceredigion | 4 | 137,000 | 34,000 | 6 | 3 | 0 |
| Gwent | 49 | 1,509,000 | 31,000 | 73 | 19 | 5 |
| Blaenau Gwent | 16 | 678,000 | 42,000 | 33 | 5 | 1 |
| Torfaen | 15 | 293,000 | 20,000 | 15 | 2 | 3 |
| Monmouthshire | 7 | 256,000 | 37,000 | 11 | 3 | 0 |
| Caerphilly | 5 | 167,000 | 33,000 | 8 | 4 | 1 |
| Newport | 6 | 116,000 | 19,000 | 6 | 5 | 0 |
| Western Bay | 40 | 1,329,000 | 33,000 | 65 | 8 | 17 |
| Swansea | 21 | 548,000 | 26,000 | 25 | 3 | 3 |
| Bridgend | 8 | 438,000 | 55,000 | 18 | 3 | 6 |
| Neath Port Talbot | 11 | 343,000 | 31,000 | 22 | 2 | 8 |
| Cardiff and the Vale | 28 | 1,466,000 | 52,000 | 84 | 23 | 10 |
| Cardiff | 24 | 1,355,000 | 56,000 | 73 | 19 | 2 |
| Vale of Glamorgan | 4 | 111,000 | 28,000 | 11 | 4 | 8 |
| Cwm Taf | 28 | 851,000 | 30,000 | 43 | 19 | 6 |
| RCT | 17 | 601,000 | 35,000 | 32 | 17 | 5 |
| Merthyr Tydfil | 11 | 250,000 | 23,000 | 11 | 2 | 1 |
| Wales | 230 | 9,408,000 | 41,000 | 468 | 118 | 66 |

Source: Houses into Homes monitoring data

¹⁴ Other applications includes: rejected applications (16) and withdrawn applications (50)

Figure 3.1: All applications received by local authority (as of 31 March 2014)



Source: Houses into Homes Monitoring Data

All applications received includes: approved applications, applications being processed and other applications

Approved Applications

- 3.5 The total value of the 230 approved loans was £9,408,000, an average of £41,000 per application. Breaking this down by financial year: £2,032,000 in loans were approved in 2012/13 and £7,276,000 in 2013/14.
- 3.6 Table 3.2 reveals that 30 per cent of approved applications were for more than £30,000. This reflects the fact that many approved applications are bringing multiple units back into use (up to £25,000 can be borrowed for each unit brought into use). Twenty seven loans were for £100,000 or more, the largest approaching the maximum amount of £150,000. The average loan per unit of accommodation brought into use was £21,000 and the average total cost of works to bring a unit into use was £36,000. The average private sector leverage per unit was £35,000¹⁵ ¹⁶. However these averages are heavily skewed upwards by a small number of applications. It is therefore perhaps more informative to consider the median of each of these measures. The median approved loan value was £25,000; the median level of private sector leverage was £6,000; and the median total cost of works was £35,000.

Table 3.2: Value of approved applications; end 2012/13

| | Number | Per cent |
|--------------------------------|------------|------------|
| Less than £10,000 | 7 | 3 |
| £10,000 but less than £20,000 | 35 | 15 |
| £20,000 but less than £30,000 | 118 | 51 |
| £30,000 but less than £50,000 | 7 | 3 |
| £50,000 but less than £100,000 | 36 | 16 |
| £100,000 to £150,000 | 27 | 12 |
| Total | 230 | 100 |

Source: Houses into Homes monitoring data

- 3.7 A total of 468 units of accommodation will be provided by the 230 properties being brought back into use: 90 units from the 45 loans

¹⁵ Monies used to bring a property back into use, in addition to Houses into Homes loan funding.

¹⁶ Note the average approved loan and average private sector leveraged do not sum to the average total cost of works due to missing data.

approved in 2012/13 and 378 units from the 185 loan approved in 2013/14. Seventy two properties (31 per cent) will see an increase in the number of units they contain. This includes 38 approved applications (17 per cent of all approved applications) bringing non-residential properties back into use as accommodation, which will provide 128 units and 229 bedrooms. These figures confirm the view of regional coordinators that work to bring empty non-residential properties back into use as accommodation is an increasingly important aspect of empty homes work. Currently, the National Strategic Indicator (PSR/004) for empty homes work does not take account of non-residential properties brought into use, focusing only on empty private sector *dwellings* brought back into use, and therefore may not fully capture the impact of Houses into Homes scheme going forward.

3.8 Some interesting differences are apparent between approved loans that will see an increase in the units provided and those that will not:

- the average loan agreed is higher for applications delivering an increase in the number of residential units; £70,000 compared with £28,000 for applications seeing no increase in the number of units;
- average private sector leverage is higher for applications delivering an increase in the number of residential units: £80,000 compared to £13,000 for applications seeing no increase in the number of units;
- approved loan as a percentage of the total cost of works is lower for applications delivering an increase in the number of residential units: 66 per cent compared with 81 per cent for applications seeing no increase in the number of units;
- the average anticipated change in property value, estimated by the applicant, is greater for applications delivering an increase in the number of residential units: £185,000 compared with £52,000 for applications seeing no increase in the number of units (or 172 per cent increase compared with a 79 per cent increase).

3.9 The 468 residential units to be brought into use by the 230 approved loans will provide 931 bedrooms, at an average of two bedrooms per unit. The most common property size will be three bedrooms: 37 per

cent of applications. For the 217 applications where data were provided, the total number of bedrooms will increase by 395 bedrooms (496 to 891). In total, 87 of these 217 properties will see an increase in the number of bedrooms that they contain.

- 3.10 Approved loans typically covered the majority of costs associated with bringing a property back into use (Table 3.3); 65 agreed loans covered the full cost of the works (no additional private sector leverage was provided) and a further 62 covered between 75 per cent and 100 per cent. 35 of the 220 loans where full data was provided covered less than 50 per cent of the cost of the works.
- 3.11 The value of additional private sector leverage to cover the cost of works (in addition to Houses into Homes loan funding) was £7,771,000; an average of £35,000 for the 222 applications where this data was provided. However the median value of additional private sector leverage was £6,000 indicating that the average was inflated by a small number of large applications. The loan was more than 50 per cent the value of the property at time of application in 74 out of 199 approved applications where data was available. In 56 out of these 199 cases, the loan was less than 25 per cent of the value of the property.

Table 3.3: Approved loan value as a percentage of the cost of works; end 2013/14

| | Number | Per cent |
|--|------------|------------|
| Less than 50 per cent | 35 | 16 |
| 50 per cent but less than 75 per cent | 58 | 26 |
| 75 per cent but less than 100 per cent | 62 | 28 |
| 100 per cent | 65 | 30 |
| Total | 220 | 100 |

Source: Houses into Homes monitoring data

- 3.12 Applicants were asked to estimate the expected value of the property in both its current condition and after the works have been completed. Table 3.4 summarise these data. Upon completion of the works, all owners providing an estimate predicted the property value would

increase and 83 out of 189 properties (44 per cent) were predicted to at least double in value. The average property value was expected to increase by just under £98,000, or 111 per cent. This appears to reflect the increase in the number of units provided by the properties brought back into use (from 252 to 468).

Table 3.4: Owners estimations of current property value compared to value after the works; percentage change, end 2013/14

| Approximate increase in value of property | Number | Per cent |
|--|------------|------------|
| Less than 25 per cent increase | 12 | 6 |
| 25 per cent but less than 50 per cent increase | 43 | 23 |
| 50 per cent but less than 75 per cent increase | 30 | 16 |
| 75 per cent but less than 100 per cent increase | 21 | 11 |
| 100 per cent but less than 200 per cent increase | 59 | 31 |
| 200 per cent or more increase | 24 | 13 |
| Total | 189 | 100 |

Source: Houses into Homes monitoring data

3.13 At the point of application, the average length of time that properties had been empty was almost five and a half years, although the time varied from six months through to one property that had been empty 40 years. The majority of properties had been empty for more than one year (181 out of 222) and 89 (45 per cent) had been empty for five years or more (Table 3.5). A small difference was recorded in average approved loan value by the length of time the property had been empty: the average loan approved for properties empty for less than two years was £31,000 compared with £44,000 for properties empty for two or more years. This difference reflects the higher total full cost of works to bring properties back into use that have been empty for more than two years (£86,000) compared to properties that have been empty for less than two years (£49,000).

3.14 It might be presumed that higher total cost of works for properties that have been empty longer reflects the deterioration suffered by properties whilst empty and the more intensive remedial work required to bring

them back into use. This might be the case, but also important is the fact that that properties empty for more than two years include all the non-residential properties that are being brought back into use as residential dwellings; these developments reported a far higher cost per unit (£44,000) compared to residential properties being brought back into use (£33,000), presumably reflecting the conversion works needing to be undertaken.

Table 3.5: Duration of time empty at point of application; end 2013/14

| Length of time empty | Number | Per cent |
|---------------------------------|---------------|-----------------|
| 6 months but less than a year | 27 | 12 |
| 1 year but less than 2 years | 33 | 15 |
| 2 years but less than 4 years | 61 | 27 |
| 4 years but less than 6 years | 21 | 9 |
| 6 years but less than 8 years | 28 | 13 |
| 8 years but less than 10 years | 8 | 4 |
| 10 years but less than 20 years | 37 | 17 |
| 20 years or more | 7 | 3 |
| Total | 222 | 100 |

Source: Houses into Homes monitoring data

- 3.15 Half (114) of the 227 approved applications for which data were provided were reported to be bringing properties back into use whose external appearance is perceived to have had a negative impact on the local area. Average loans approved are higher for properties whose external condition was perceived to be having a negative impact on the local area: £50,000 compared with £32,000.
- 3.16 The majority of loans (85 per cent or 194 out of the 229 for which data were provided) will provide units for rent. The other 15 per cent will provide dwellings for sale or a combination of rent and sale. There is a difference in average loan values approved by whether a property will be rented or sold on completion of the works: £43,000 and £28,000 respectively. 41 per cent (150 units) provided by the 180 loans for which data were available will be affordable accommodation¹⁷.

¹⁷ Affordable housing is not just social housing, but includes low cost home ownership, shared ownership and intermediate rent, where rents are set at up to 80 per cent of market levels.

3.17 207 out of the 230 approved applications (90 per cent) were submitted by individuals. Of the remainder 21 were submitted by limited companies and two were submitted by unincorporated entities¹⁸. Some interesting variations are evident between these applications, although findings have to be interpreted with caution given the relatively small number involved:

- two thirds of approved applications (14 of 21) submitted by limited companies will increase the number of units provided, compared with only 57 of the 206 approved applications submitted by individual applicants; an average increase of 2.7 units compared with 0.7 units;
- the average loan value of the 21 approved applications submitted by limited companies is 2.2 times that for approved applications submitted by individual applicants: £78,857 compared with £37,000;
- the average private sector leverage for the six approved applications submitted by limited companies is nearly six times greater than for approved applications submitted by individual applicants: £134,000 compared with £24,000.

3.18 As part of the monitoring template, local authorities were asked to record the date on which applications packs were sent out and completed forms received. Data provided suggests that limited companies tend to find the application process more straightforward than individual applicants; the average time recorded between applications being sent out and received was 37 days for limited companies, compared to 63 days for individual applicants. In total, 74 out of 187 applications (40 per cent) for which information was available were completed and returned in less than four weeks. One quarter of applications took eight weeks or more to be completed and returned (Table 3.6). These findings are consistent with the suggestion made by regional coordinators that individual owners can find the application process more challenging and require more

¹⁸ An **unincorporated entity** is an organization that has not been granted formal corporate status by incorporation.

support and assistance to submit an application than developers/companies (see Chapter 5).

Table 3.6: Time between application sent and received; end 2013/14

| Approx time between application forms sent and received back | Number | Per cent |
|---|---------------|-----------------|
| No days* | 6 | 3 |
| Less than 1 week | 16 | 9 |
| 1 weeks but less than 2 weeks | 19 | 10 |
| 2 weeks but less than 3 weeks | 20 | 11 |
| 3 weeks but less than 4 weeks | 13 | 7 |
| 4 weeks but less than 6 weeks | 24 | 13 |
| 6 weeks but less than 8 weeks | 16 | 9 |
| 8 weeks but less than 12 weeks | 28 | 15 |
| 12 weeks but less than 16 weeks | 17 | 9 |
| More than 16 weeks | 28 | 15 |
| Total | 187 | 100 |

Source: Houses into Homes monitoring data

* These returns could reflect the fact that first contact local authorities had with some applicants was when they submitted the application.

Works Completed

3.19 The works associated with 57 out of 230 approved loans were reported as being completed and 31 properties were reported as being back in 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.

Applications Being Processed

3.20 Local Authorities reported a further 118 applications that were in the process of being assessed at the end of the monitoring period (31 March 2014). Proposals can change during the approval process, but key points about the stated intentions of these applications include:

- the total amount of loan funding applied for in the 97 applications where data were provided was £5,000,155 (an average of £52,000 per application);
- the number of units contained within the 111 properties for which data were provided is proposed to increase from 110 to 288;
- the majority of properties (83 of the 108 properties for which information was provided) had been empty for more than one year. Only 13 per cent of applications were for properties empty for less than one year, whilst 21 (19 per cent) had been empty for more than 10 years;
- 87 of the 103 applications (84 per cent) for which data were provided intend to provide accommodation for rent, 11 intend to provide accommodation for sale and 5 intend to provide accommodation for sale and/or rent.

Enquiries

3.21 Local authorities reported receiving 1,390 enquiries about the Houses into Homes loan scheme that were yet to result in an application between April 2012 and March 2014. In 127 cases (nine per cent) owners indicated that they would be submitting an application in due course. A total of 91 owners (seven per cent) had been signposted to another empty homes intervention. 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.

Delivery Against Targets

3.22 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 (the first tranche of £10 million capital funding was successfully drawn down in 2012/13). 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 £14,408,000, 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. Regional coordinators were asked about this apparent difference between the total funding drawn down from the Welsh Government (£20 million) and the value of approved loans and applications being processed. The explanation provided was 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 (for example, were withdrawn by the owner or were deemed by the local authority to not satisfy qualification criteria) 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 of the 22 local authority empty homes officers expressed confidence about allocating all drawn down funds to approved loans (see paragraph 5.5 for more detail). The evaluation will monitor success in meeting this objective in 2014/15.

- 3.23 Summing the number of units to be provided by the 230 approved loans and the number of units to be provided by applications being processed gives a total of 756 units. This increases to 774 units if it is assumed that the additional eight applications being processed for which no information was provided will provide a similar average number of units.

Conclusion

- 3.24 A total of 414 loan applications were received by local authorities in 2012/13 and a further 173 in 2013/14. By 31 March 2014, 230 loans had been approved and 118 were being processed. The number of loans approved varied between local authorities. The approved loans will provide 468 residential units and 931 bedrooms. The majority will provide accommodation for rent and just over two fifths will provide

affordable accommodation. In all cases where data were provided, the properties brought back into use are predicted to increase in value as a result of works undertaken. The properties being brought back into use had been empty for an average of five and a half years.

3.25 Twenty one of the approved loans were submitted by limited companies, two were submitted by unincorporated entities and 207 were submitted by individual owners. The average loan value associated with properties being brought back into use by a limited company was more than double the average value of loans granted to individual owners, but average sector leverage was far larger for approved loans granted to limited companies. They were also more likely to increase the number of units provided.

3.26 Local authorities reported meeting the target of drawing down the second tranche of £10 million capital funding made available by the Welsh Government to support Houses into Homes. However, there was an apparent difference between the total funding drawn down from the Welsh Government during the first two years of the scheme (£20 million) and the value of approved loans and applications being processed, which were valued at an estimated £15.5 million. This difference appears to reflect the fact 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 through the approval process.

4 Empty Homes Activity in Wales

Introduction

4.1 A key question for the evaluation is whether Houses into Homes prompts any changes in the profile of local authority empty homes activity and the total number of empty properties brought back into use as a result. This chapter explores this question. Discussion starts by comparing the properties brought back into use through the direct actions of local authorities in Wales in 2013/14 (including Houses into Homes work) with the situation in 2012/13 and 2011/12. Attention then turns to consider the changing nature and focus of local authority work on empty homes during the second year of the Houses into Homes scheme (2013/14).

Local Authority Activity on Empty Homes

4.2 In-depth data on empty homes work was collected from all 22 local authorities in Wales for the financial year 2013/14 and compared against information collected during 2012/13 and baseline information collected for the financial year 2011/12. Analysis revealed an increase in the number of empty properties brought back into use in Wales as a result of the direct actions of local authorities.

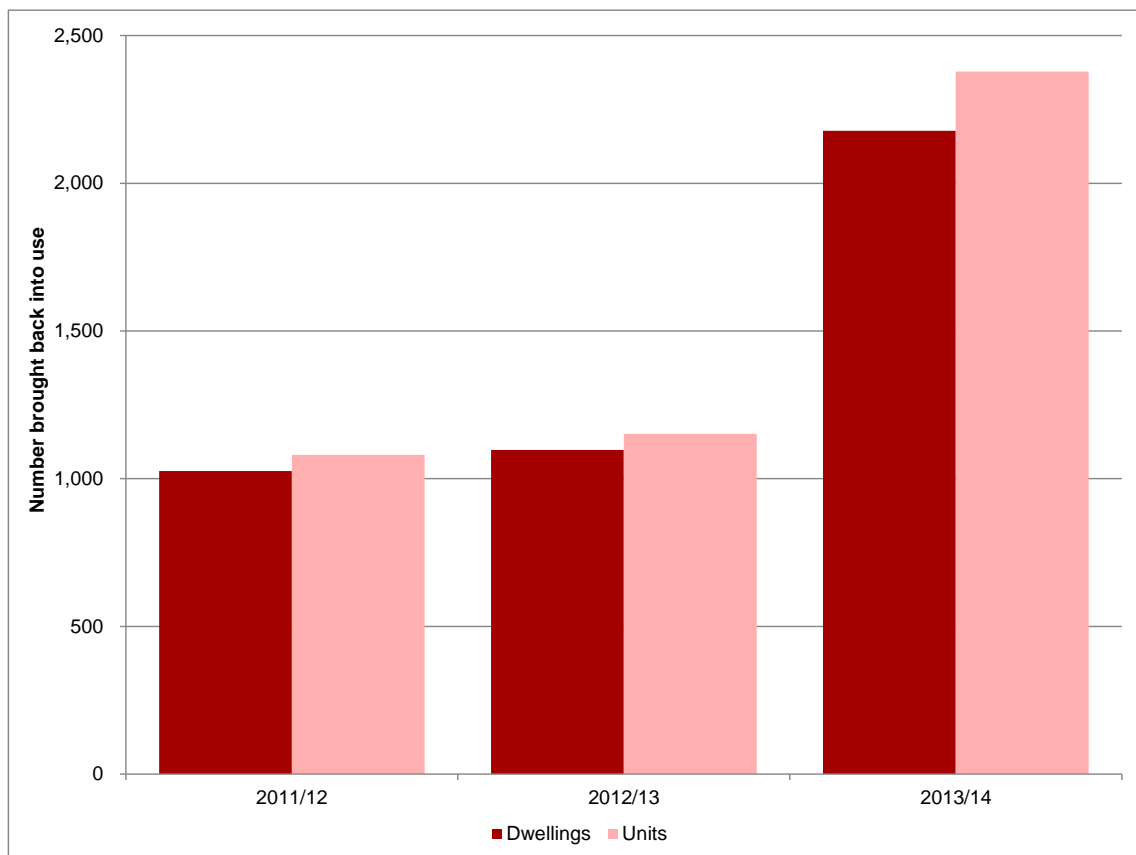
- **2011/12** - the baseline year before Houses into Homes started - 1,026 empty dwellings were brought back into use as a result of the direct actions of local authorities in Wales, providing 1,080 units of accommodation
- **2012/13** - first year of Houses into Homes - a total of 1,097 empty dwellings were brought back into use as a result of the direct actions¹⁹ of a local authority, providing 1,152 units of accommodation. This represented a seven per cent increase in the

¹⁹ It is important to note that different local authorities have tended to employ different definitions of what constitutes a direct action resulting in a property being brought back into use. Guidance from the Welsh Government has sought to promote consistency, but there remains the possibility of variation in interpretations of what represents a direct action.

number of units provided by bringing properties back into use during the first year of the Houses into Homes scheme. However, a major increase was not expected during the first year of the scheme, when local authority efforts focused on marketing the scheme and putting in place the systems and mechanisms for processing applications.

- **2013/14** - the second year of Houses into Homes - the number of empty dwelling brought back into use increased substantially to 2,178: an increase of 99 per cent on 2012/13 and an increase of 112 per cent on the baseline year before Houses into Homes commenced (2011/12). The 2,178 dwellings contained 2,378 units of accommodation. This again represented a large increase on previous years: over double the number in 2011/12 and 2012/13.

Figure 4.1: Number of dwellings and units brought into use per year



- 4.3 The situation varied across Wales, with 18 local authorities reporting an increase in the number of units brought back into use through direct action in 2013/14, compared with 2012/13, and four reporting a decrease.
- 4.4 Key headlines regarding the properties brought back into use include:
- 10 local authorities providing details reported that in 2013/14, 20 per cent of dwellings (126) were returned into use as **affordable housing**.
 - 13 local authorities reported that 286 (46%) of properties brought back into use in 2013/14 had been having a **negative impact on the local area** while empty. This compares to 27 per cent of properties brought back into use reported by 15 local authorities in 2011/12 (the baseline years before Houses into Homes began).
- 4.5 There was no notable variation over the last three years in the length of time that properties were empty prior to being returned to use, with over half having been empty for more than two years (56 per cent in 2011/12, 58 per cent in 2012/13 and 55 per cent in 2013/14).
- 4.6 The large increase in the number of empty properties brought back into use in 2013/14 appears to reflect an increase in direct actions taken by local authorities. Table 4.1 reveals an average of 268 direct actions per local authority in Wales on properties returning to use in 2013/14, compared to 72 in 2011/12 and 86 in 2012/13. The provision of financial assistance (including Houses into Homes loans) and threat of enforcement action remained two of the more common forms of direct action, in addition to advice and guidance. There were large increases in the number of cases involving the threat of enforcement action and financial assistance in 2013/14.

Table 4.1: Direct Actions on empty properties returned into use (2011/12, 2012/13 and 2013/14)

| | 2011/12 | | 2012/13 | | 2013/14 | |
|--|--------------|----------|--------------|----------|--------------|----------|
| | Number | Per cent | Number | Per cent | Number | Per cent |
| Advice & Guidance (persuasion) including planning | 1,055 | 77 | 1,126 | 62 | 3,357 | 74 |
| Threat of Enforcement action | 66 | 5 | 148 | 8 | 613 | 13 |
| Financial Assistance | 92 | 7 | 183 | 12 | 395 | 9 |
| Private Sector Leasing / Social letting Scheme | 21 | 2 | 75 | 4 | 62 | 1 |
| Assistance with Organising Work | 24 | 2 | 39 | 2 | 22 | 0 |
| Sale of Property | 22 | 2 | 30 | 2 | 21 | 0 |
| Prevention of Damage by Pests Act 1949 | 9 | 1 | 21 | 1 | 13 | 0 |
| Housing Act 1985 / Housing Act 2004 | 10 | 1 | 10 | 1 | 12 | 0 |
| Town & Country Planning Act 1990 | 2 | 0 | 11 | 1 | 8 | 0 |
| Direct Purchase | 18 | 1 | 19 | 1 | 6 | 0 |
| Local Government (Miscellaneous Provisions) Act 1982 | 14 | 1 | 30 | 2 | 5 | 0 |
| Debt Recovery | 8 | 1 | 11 | 1 | 5 | 0 |
| Building Act 1984 | 4 | 0 | 11 | 1 | 4 | 0 |
| Environmental Protection Act 1990 | 6 | 0 | 12 | 1 | 2 | 0 |
| Prosecution | 0 | 0 | 1 | 0 | 2 | 0 |
| Planning (Listed Buildings & Conservation Areas) Act 1990 | 0 | 0 | 3 | 0 | 0 | 0 |
| CPO | 4 | 0 | 13 | 1 | 0 | 0 |
| RSL Change of Policy | 0 | 0 | 0 | 0 | 0 | 0 |
| Living over the Shop (LOTS) & Homes Above Retail Premises (HARP) | 9 | 1 | 0 | 0 | 0 | 0 |
| Rent Deposit Scheme | 3 | 0 | 5 | 0 | 0 | 0 |
| Homesteading | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Request Ordering Disposal (PROD) | 0 | 0 | 0 | 0 | 0 | 0 |
| Other please specify | 5 | 0 | 28 | 2 | 27 | 1 |
| Total | 1,372 | | 1,809 | | 4,554 | |
| Responses | 19 | | 21 | | 17 | |
| Average Number of Actions per Local Authority | 72 | | 86 | | 268 | |

Source: Houses into Homes monitoring data. Please note: more than one action can be taken against the same property

- 4.7 The majority of local authority empty homes officers attributed the increase in direct actions and properties brought back into use to the Houses into Homes scheme. In total, 15 out of 22 officers reported that the scheme had resulted in an increase in the number of empty properties brought back into use in 2013/14 as a result of direct actions by the local authority. Positive developments were also reported in relation to the type of properties being brought back into use:
- 17 out of 22 local authority officers reported an increase in the total number of homes for rent in the local area
 - seven out of 22 officers reported an increase in the number of homes for sale in the local area
 - nine out of 22 reported an increase in the supply of affordable housing
- 4.8 The positive impact of Houses into Homes on the number of properties brought back into use reported by local authority empty homes officers and regional coordinators is an interesting finding, given that works are 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 empty homes officer associated with the introduction of the scheme in 2012/13 and its delivery in 2013/14, as the following section explains.

The Impact of Houses into Homes on Local Authority Activities

- 4.9 Regional coordinators and local authority officers were unequivocal in their view that Houses into Homes continued to bring various benefits in its wake during 2013/14, which helped to increase the number of empty properties brought back into use. In the first year of the Houses into Homes scheme, a majority (21 out of 22) of local authority officers reported a notable increase in empty homes work in their local authority area. A further increase in activity was reported in the second year of the scheme (2013/14). This included an increase in enquiries from

owners of empty properties and various improvements in understanding and responsiveness to the problems of empty homes (Table 4.2).

Table 4.2: Did you experience any of the following changes in relation to empty homes in your area (2012/13 and 2013/14) (n = 22)

| | Yes 2012/13 | Yes 2013/14 |
|--|----------------|----------------|
| increase in enquiries from owners of empty homes | 19 | 12 |
| increased corporate commitment to tackling empty homes | 16 | 15 |
| Improved effectiveness in LAs work to tackle empty homes | 17 | 20 |
| improved intelligence about empty homes in the area | 12 | 17 |
| rise in the number of complaints about empty homes | 4 | 10 |
| improved intelligence about the private sector | 8 | 17 |
| increase in the number of FTE staff dealing with empty homes | 9 | 4 |

4.10 Houses into Homes was reported to have raised the profile of empty homes work in its first year of operation and resulted in an increase in corporate commitment to tackling the problem. Benefits continued to accrue during the second year of the scheme, with 15 out of 22 local authority empty homes officers reporting that corporate commitment to tackling empty homes increased in 2013/14 and no officers reporting a decrease in commitment. Various explanations were provided for the continuation of a trend reported in 2012/13, following the launch of Houses into Homes. One regional coordinator referred to a 'cycle of interest' in empty homes, whereby awareness about the problem of empty homes had been raised, in part by the launch and related marketing of the Houses into Homes scheme. This prompted more owners to contact their local authority seeking advice or assistance and more complaints from residents about empty homes in their area. This, in turn, was reported to have prompted local councillors to take more interest in the problem. Another regional coordinator reported how reports on progress tackling empty homes are now submitted to cabinet on a six monthly basis by the empty homes in one local authority. Another regional coordinator referred to increased awareness within local authorities about the potential to link empty homes work with other regeneration initiatives (such as the Vibrant and Viable Places

programme²⁰). One coordinator also referred to closer working on empty homes issues across local authority departments.

- 4.11 Four of the six regional coordinators reported that local authorities in their region had extended efforts to tackle empty homes, both diversifying and intensifying the actions taken. This included the threat of taking enforcement action, both as a result of increased resources linked to the higher profile of the empty homes issue and improved data about empty homes in the area. One regional coordinator also reported that increased interest in the problem of empty homes prompted by Houses into Homes among partner agencies had resulted in closer working relations between local authorities and stakeholders including housing associations and private sector providers.
- 4.12 In contrast to the first year of the scheme, only four local authorities reported an increase in the number of dedicated staff dealing with empty homes, but only one local authority reported a reduction. Monitoring data provided by 16 out of 22 local authorities revealed that they employed 16.4 FTE empty homes officers: an average of 1.0 FTE per local authority. This represents an increase from the baseline year before Houses into Homes 2011/12 when on average 0.7 FTE's were employed. However the average was slightly less than for 2012/13: 1.1 FTE's per local authority.
- 4.13 However, spending on non-staff costs - such as grant, loan and works in default expenditure - associated with tackling empty homes increased from an average of £88,000 per local authority in 2011/12 to £153,000 per local authority in 2012/13 and £296,000 per local authority in 2013/14. This reflects the additional resources provided by Houses into Homes to support empty homes work, as well as the increased attention being paid to empty homes following the launch of the scheme.
- 4.14 Fifteen local authority empty homes officers reported that Houses into Homes was helping their local authority to address other strategic

²⁰ <http://wales.gov.uk/topics/housing-and-regeneration/regeneration/vibrant-and-viable-places/?lang=en>

priorities. Five made explicit reference to the contribution of Houses into Homes in supporting efforts to increase the supply of affordable housing and meet housing need (including homelessness) in the area. Four officers referred to the role that Houses into Homes was playing in supporting local regeneration priorities. Examples included the regeneration of towns and cities through the conversion of empty commercial premises into housing and tackling the environmental blight of empty homes in residential areas. One officer commented that "these buildings would not have been able to find another purpose otherwise". Two regional coordinators also referred to the contribution of Houses into Homes to wider regeneration objectives when reflecting on the unforeseen benefits of the scheme in 2013/14.

4.15 Other successes and benefits reported by local authority officers and Regional Coordinators included:

- Promoting collaborative working to tackle the problem of empty homes between local authorities in the region, between departments within the local authority and between the local authority and partner agencies in the local area. These benefits were also referred to by officers in 2012/13, although local authority links with external partners were more to the fore in responses in 2013/14. In total, seven out of 22 local authorities reported working with external partners to deliver Houses into Homes in 2013/14. Partners (in addition to other local authorities within the region) included local authorities from other regions, housing associations, letting agents and private builders.
- Four local authority officers and one regional coordinator reported that Houses into Homes had helped promote greater dialogue between local authorities and owners of empty properties. One officer commented that the scheme had encouraged owners to engage with the local authority, rather than seeing them "as the enemy". Another officer made a similar point, reflecting that prior to Houses into Homes the local authority approach was focused on punitive measures, but that the opportunity to grant loans offered a

more positive option when working with owners. A result of more positive interaction between owners and the local authority was reported to be greater understanding on the part of local authorities about the problems that owners can face bringing properties back into use and greater understanding on the part of owners about the support and assistance available to help bring properties back into use.

- Four local authority officers referred to the role the scheme was playing in boosting the local economy, when discussing the successes of the scheme in 2013/14, for example, by generating employment for local builders, architects and agents.
- One regional coordinator reported that local authorities are now more readily recognised (by councillors and officers, by partner agencies and by owners) as an agency with a key role to play in tackling the problem of empty homes.

4.16 Available evidence suggests that Houses into Homes has provided additional support to tackle empty homes, rather than displacing other activities. Table 4.3 indicates that similar numbers of local authorities continue to commit capital funds (other than Houses into Homes funding) to support efforts to bring empty properties back into use, including alternative loans, grants, works in default and enforcement action (the total funds committed is unknown).

Table 4.3: Local authorities committing capital funds (other than Houses into Homes funding) to activities to bring empty properties back into use 2012/13 and 2013/14 (n = 22)

| | Yes 2012/13 | Yes 2013/14 |
|--|----------------|----------------|
| Loans (in addition to Houses into Homes loans) | 5 | 6 |
| Grants | 12 | 10 |
| Property Appreciation Loans | 1 | 0 |
| Works in default | 11 | 12 |
| Enforcement (EDMO, compulsory purchase etc.) | 9 | 9 |
| Other | 2 | 1 |

Conclusion

- 4.17 Analysis has revealed a dramatic increase in direct actions by local authorities to tackle empty homes in 2013/14 and an increase in the number of properties brought back into use. The majority of local authority empty homes officers reported that Houses into Homes was important in driving this increase.
- 4.18 Local authority officers and regional coordinators pointed to various other benefits associated with the scheme in 2013/14. These included increased corporate commitment to tackling the problem of empty homes, 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). Other reported benefits included improvements in collaborative working within and between local authorities and their partners, improved relations with owners of empty properties and better intelligence about the problem of empty homes.

5 Delivering Houses into Homes in 2013/14

Introduction

5.1 This chapter focuses on experiences of delivering Houses into Homes in 2013/14 and lessons learnt. It draws on findings to emerge from an e-survey of 22 local authority empty homes officers and interviews with six regional coordinators to explore local authority activity, the operation of the six regional groups and the contribution of national Houses into Homes steering group. Discussion concludes with a review of local authority perspectives regarding priorities, aspirations and perceived challenges of delivering Houses into Homes in 2014/15.

Local Authority Activity

- 5.2 Local authorities reported that staff spent 2,389 days managing the Houses into Homes loan fund in 2013/14; this was slightly less than the 2,419 days reported in 2012/13. Time spent ranged from 10 days or less in two local authorities to 250 days or more in three local authorities.
- 5.3 Capital funding was drawn from Welsh Government against 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 and publicising the scheme through contact with landlord forums, estate and letting agents and auctioneers. Press releases were issued and information was uploaded onto council websites. The majority of local authorities (20 out of 22) continued to target all owners of empty properties with marketing or direct approaches to raise awareness and encourage an application during 2013/14 (Table 5.1). A majority of local authorities also reported targeting specific owners, including owners of empty homes (distinct from empty commercial properties) and owners of empty properties that are a source of nuisance. There was a reduction in the number of local authorities targeting management/letting agents, compared to 2012/13,

and it continued to be far less common for local authorities to target owners of properties in particular locations or of a particular type or size.

Table 5.1: Did you actively target any of the following groups with marketing or direct approaches to encourage applications for Houses into Homes loans? (n = 22 local authorities)

| Activity targeted at..... | Yes 2012/13 | Yes 2013/14 |
|--|----------------|----------------|
| Individual owners of empty properties | 20 | 20 |
| Owners of empty homes (rather than commercial dwellings) | 18 | 17 |
| Owners of empty properties that are a source of nuisance | 16 | 16 |
| Property developers | 13 | 11 |
| Management / lettings agents | 13 | 5 |
| Owners of commercial properties that could be converted into residential use | 11 | 9 |
| Owners of empty properties in particular neighbourhoods villages or town | 7 | 4 |
| Owners of dwellings of a particular type or size | 2 | 1 |
| Other | 2 | 2 |

- 5.4 All six regional coordinators reported that local authorities in their region were still actively marketing the scheme, but explained that local authorities were tending to invest less time and effort in advertising. This was reported to reflect the fact that awareness raising about Houses into Homes was less important than in the first year of the scheme when few people were aware of the scheme and the opportunities it provided. Advertising tended to be more targeted during the second year of the scheme, for reasons of efficiency and effectiveness. Local authorities also reported seeking to manage expectations and demand at a time when funds were more limited (the majority of funding drawn down from Welsh Government having been allocated and few loans having yet been repaid).
- 5.5 Twenty out of 22 local authorities reported that they were confident about their ability to allocate the Houses to Homes funds drawn down from the Welsh Government in 2013/14 to approved applications. Two local authorities reported being unsure. Eight local authorities reported that they already had a waiting list of approved applications waiting for loan finance to become available on 1 April 2014. The six local authorities providing data had a total of 39 applications for loan finance

on their waiting lists. Regional coordinators interviewed in June 2014 reported that more local authorities were likely to start operating a waiting list in the near future, given that many had almost allocated all available funding and were awaiting the repayment of approved loans.

- 5.6 The vast majority of local authorities (20 out of 22) continued to prioritise applications received (including those placed on a waiting list) on a first come, first served basis during 2013/14 (Table 5.2). Twelve local authorities identified additional grounds on which an application might be prioritised (compared to nine local authorities in 2012/13).

Table 5.2: Have you used any of the following criteria to prioritise the funding of approved applications and do you plan to do so in the future? (n = 22)

| Criteria used to prioritise applications* | 2012/13 (no. of LAs) | 2013/14 (no. of LAs) |
|--|-------------------------|-------------------------|
| First come, first served* | 20 | 21 |
| Brings empty homes (i.e. non-commercial) back into use | 4 | 5 |
| Brings empty homes that are a source of nuisance back into use | 5 | 8 |
| Brings empty homes in particular neighbourhoods / villages / town back to use | 3 | 3 |
| Brings empty properties back into use for sale | 0 | 3 |
| Brings empty properties back into use for rent | 2 | 5 |
| Brings empty properties back into use that will be available at affordable rents | 3 | 4 |
| Brings empty property of a particular type/size back into use | 1 | 1 |
| Applications submitted by private companies | 3 | 2 |
| Applications submitted by individual owners | 4 | 4 |
| Applications that will create local employment opportunities | 2 | 1 |
| Other | 1 | 1 |

* Local authorities are free to determine how they prioritise applications. It is possible that a local authority might prioritise on the basis of more than one criteria. For example, applications relating to empty homes that are a source of nuisance might be prioritised first, with all other applications being considered on a first come, first served basis. It is also possible that a local authority might change its approach. Local authorities were therefore free to tick more than one box.

- 5.7 The majority of local authorities (13) were issuing loans on the basis that owners would make a one-off repayment two or three years after the loan was granted, depending upon whether the property was brought back into use to rent or for sale. Only one local authority reported that loans were being repaid on a regular (for example, monthly) basis. Eight

local authorities reported taking a case by case approach to determining whether repayments would be made on a regular basis or as a one-off lump sum after two or three years.

- 5.8 Regional coordinators pointed to various reasons to explain why local authorities might prefer the one-off repayment of loans:
- monthly repayments are likely to place a greater administrative burden on local authorities. It was also reported that the finance department in some authorities might struggle to administer regular loan repayments;
 - monthly repayments pose various questions about default management and when to commence recovery action. This was reported to be more clear cut in the case of lump sum repayments;
 - monthly repayments are unlikely to result in repayment of the loan within two or three years. The owner will still, therefore, be required to make a lump sum payment after two or three years;
 - the one-off repayment of the loan is written into the terms and conditions of the loan agreement in some local authorities. One regional coordinator suggested that some empty homes officers would be reluctant to engage with local authority legal services about the possibility of revising the terms and conditions of the loan agreement, given the difficulties encountered agreeing these details with legal services when the scheme was first developed.
- 5.9 No local authorities reported that any loan recipients had encountered problems making agreed repayments, although 15 out of 22 did point out that no repayments were as of yet due to be repaid. Five officers reported being aware of cases in their local authority where a loan was approved but scheduled works were not completed and a property was not brought back into use.
- 5.10 Regional coordinators were asked about arrangements in their region for recycling loans (repaid loans, cancelled or returned loans or loans recovered). Two regional coordinators reported that funds were to be recycled through a regional pot and made available to local authorities on a first come, first served basis. Four regional coordinators reported

that loans would be repaid to local authorities who would utilise the funds if demand existed, but would otherwise make these resources available to other local authorities.

5.11 Local authority empty homes officers were asked whether anything limited the effectiveness of the Houses into Homes scheme in 2013/14. All 22 local authority empty homes officer identified at least one factor limiting effectiveness of the scheme. The issues identified included factors thought to be deterring applications and undermining demand for the scheme, and factors limiting efficient delivery. The four most common factors identified were:

- *staffing resources dedicated to delivering Houses into Homes*. The overarching point made by seven officers was that the limited staff resources dedicated to managing the scheme resulted in either delays in the processing of applications and/or the diversion of staff from other empty homes work. Two officers made specific reference to problems with the contribution of legal services teams, including delays in the processing of applications.
- *the repayment period* - seven officers reported that the three year timescale for repayment on loans for properties being brought back into use to rent served to deter some applicants;
- *difficulties submitting an application* - six officers reported that some owners encounter difficulties submitting an application. Specific comments included references to the problems some applicants encounter providing a property valuation, detailed schedule of works and proof of ownership;
- *exclusion of owner occupiers from the scheme* - four officers referred to the fact that owners intending to occupy the property upon completion of works do not qualify under the scheme.

5.12 Similar factors were identified by the six regional coordinators when asked if anything limited the effectiveness of Houses into Homes in their region in 2013/14. Two out of six regional coordinators identified the up-front costs associated with making an application as a barrier limiting the number of applications received. One regional coordinator echoed local

authority officers and suggested that a lack of adequate resources in some local authorities was rendering the application process a rather long and drawn out affair. Two regional coordinators reported that the scheme was not doing enough to bring long-term empty properties back into use, referring specifically to the 80 per cent loan to value ratio, under which any loan offered cannot be more than 80 per cent of the property's value taking into account any existing mortgage, could serve to render projects involving more problematic, run-down properties unviable.

5.13 Suggestions were forthcoming from all 22 local authority officers in response to an open-ended question about possible reforms that might help local authorities more effectively deliver the scheme. Proposals focused on addressing issues identified as undermining effectiveness. The four most commonly suggested revisions to the scheme were;

- extending eligibility to owners intending to occupy the property upon completion of the works (six out of 22). One regional coordinator supported this suggestion;
- an extension of the loan repayment period (five out of 22)
- greater local authority autonomy over the operation of the scheme, including resources and the specifics of how the scheme operates (including qualification criteria) (five out of 22). Four of these officers reported valuing the regional group but made suggested that there was no need for funding to be held regionally, viewing this arrangement as an unnecessary layer of bureaucracy. However, it was not clear how funds would then be reallocated between local authorities in the region, for example, in response to evidence of varying levels of demand for Houses into Homes funding.

The Regional Group

5.14 In 2012/13, all six regions had a regional empty homes group that coordinated delivery of Houses into Homes, providing a strategic steer and acting as a forum for sharing learning and good practice. The membership and structure of the regional groups varied slightly across

the six regions in 2012/13, but they were typically chaired by the regional coordinator, who represented the region at the national Houses into Homes steering group, and the membership included operational leads from each local authority. These regional groups continued to meet in 2013/14 in all six regions, typically every two to three months, although regional coordinators reported that the groups were tending to meet less frequently than during the first year of Houses into Homes. No regional coordinators reported any notable problems or challenges with the operation of their regional group 2013/14.

- 5.15 Four regional coordinators reported that the focus of the regional group broadened beyond Houses into Homes during 2013/14 to consider empty homes work more generally and related private sector housing and regeneration issues. Six local authority officers made this point through reference to the involvement of the regional group in discussions regarding the private rented sector loan scheme. Local authority officers also reported that membership of their regional group had widened in response to the extended brief of the group (for example, one officer reported that grants officers and colleagues from environmental health and housing strategy were now attending the regional group).
- 5.16 All 22 local authority empty homes officers referred to the importance of the regional group as a forum in which local authorities could share experiences and hear about the means and methods employed by other authorities to overcome challenges delivering Houses into Homes and tackling the problem of empty homes more generally. The six regional coordinators reinforced this point, explaining that in 2013/14 the regional group served as a forum in which local authorities could share accumulated knowledge, understanding and best practice. One regional coordinator also referred to the role that the group played in facilitating the provision of joint training sessions for empty homes officers from across the region. Ten local authority empty homes officers made explicit reference to the closer collaboration between local authorities,

above and beyond delivery of Houses into Homes, as a benefit arising from their involvement in the group in 2013/14.

The National Steering Group

- 5.17 The delivery of the Houses into Homes scheme is overseen by a national steering group composed of the six regional coordinators, the Welsh Government, the Welsh Local Government Association (WLGA) and Andrew Lavender, a consultant who has also served as project consultant for the Kent Empty Property initiative since its inception in 2005. The national steering group continued to meet on a regular basis in 2013/14.
- 5.18 Regional coordinators reported that oversight of the delivery of Houses into Homes remained a key concern for the steering group in 2013/14, but that it had extended its brief to consider empty homes work in the round. In response, it was reported that the possibility of extending membership of the group was being considered. Housing associations were one interest group that it was suggested should be invited to join the group.
- 5.19 Regional coordinators pointed to three key achievements of the national steering group during 2013/14. First, the steering group was credited with helping to raise awareness of empty homes work and the activities of the Welsh Government, the Welsh Local Government Association (WLGA), local authorities and their partners in trying to bring empty properties back into use. Explicit reference was made to the national empty homes conference held in Cardiff in November 2013, which was reported to have helped raise awareness about empty homes in Wales, generate further momentum for the Houses into Homes programme and provide a forum for sharing good practice. Second, the steering group was credited with promoting closer links between the Welsh Government, WLGA and local authorities from which all had benefited. Regional coordinators reported valuing the opportunity the group provided for regular contact with the Welsh Government and the WLGA. Third, one regional coordinator reported that the group continued to

provide a forum for sharing experiences, reporting challenges, seeking advice and securing guidance. One regional coordinator underlined the importance of the group when commenting that something else would have to be developed in its place if it was to stop meeting at some point in the future. It was suggested that an expert group under the auspices of the Housing Technical Panel might be one option.

Houses into Homes in 2014/15

- 5.20 The key outcomes that all six regional coordinators agreed would represent success for the Houses into Homes scheme in 2014/15 were allocating the remaining funds drawn down from the Welsh Government to approved loans, and managing the repayment of loans with a minimal number of defaults. Delivering these outcomes was identified as the key priority or target by all six regional coordinators. The vast majority of local authority officers (20 out of 22) expressed confidence that the funds drawn down from the Welsh Government but yet to be allocated to approved bids would be distributed in 2014/15. Regional coordinators were similarly confident about allocating outstanding funds. There was greater uncertainty about whether loans would start to be repaid with minimal defaults, for no particular reason other than there was currently little evidence upon which to base an assessment, given few loans were yet due for repayment.
- 5.21 Regional coordinators pointed to two key risks that could undermine effective delivery of Houses into Homes in 2014/15. First, four regional coordinators pointed out that the non-repayment of loans could jeopardise the future of the scheme by limiting the funds available for recycling as new loans. Managing defaults could also place an administrative burden on local authorities that are experiencing cuts in resource and staffing. A second, and related risk, identified by regional coordinators was the challenge of delivering Houses into Homes (advising and guiding potential applicants; processing and approving applications; managing repayments and recycling funds) in the context of staffing cuts. Three regional coordinators pointed to the likelihood of staff cuts, both as fixed term appointments made to support the

introduction of the Houses into Homes scheme come to an end and as local authorities seek to make savings in the face of ongoing cuts in the block grant received from government. This concern was related to the opinion that success in delivering Houses into Homes is linked to the amount of officer time dedicated to managing and administering the scheme.

Conclusion

- 5.22 As of 1 April 2014, the majority of local authorities were still to allocate all of the funds drawn down from the Welsh Government to approved applications, but the vast majority of local authorities (20 out of 22) expressed confidence about being able to do so.
- 5.23 The majority of local authorities prioritised applications on a first come, first served basis in 2013/14, although 12 reported having additional grounds on which priority might be granted. The loan repayment agreements enforced by local authorities 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 few loans were yet due to have been repaid.
- 5.24 A number of factors were identified by local authority officers and regional coordinators as limiting the effectiveness of scheme in 2013/14. Suggestions about how to improve the scheme sought to address these problems and 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 those forthcoming from regional coordinators and local authority offices in 2012/13.
- 5.25 The regional groups were reported to have continued to make 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. They were also reported to be extending their focus beyond Houses into Homes to consider the full gamut of empty homes issues.

- 5.26 The national steering group was reported to have continued to provide a valuable forum during 2013/14 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: continuing to raise awareness of empty homes work in Wales; and promoting closer links between the Welsh Government, WLGA and local authorities.
- 5.27 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.