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Houses into Homes
Final 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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Background

1.1 Bringing long-term empty properties[1] back into use will help to increase the supply of housing and extend choice, improve housing conditions and meet housing need. Recognising this fact, the Welsh Government set itself the target of bringing 5,000 properties back into use during the current term of government (2011-2016)[2].

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 the 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 default[3]. In addition, the Welsh Government has funded the provision of advice, guidance and training to support delivery of the Houses into Homes scheme and to promote empty homes work more broadly.

1.3 This is the final report to emerge out of a three year evaluation of Houses into Homes. It focuses on the delivery of the scheme and the outcomes to emerge following the launch of Houses into Homes in April

[1] A property empty for a period of six months or more
[2] http://gov.wales/docs/desh/consultation/ 120521whitepaperen.pdf
[3] 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.

2012, through to March 2015. A number of outputs have been published during the evaluation[4][5][6][7][8]. This report draws on findings from these previous outputs and a final round of data collection and analysis conducted during 2015.

Method

1.4 A team from the Centre for Regional Economic and Social Research, Sheffield Hallam University was commissioned by the Welsh Government to conduct an evaluation of the Houses into Homes scheme. The aim was to monitor effectiveness, impact and added value of the scheme, and to provide accountability for the use of public funds. Impacts were 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 were 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. In addition, a survey of loan recipients was conducted in the third year of the evaluation, which explored their views and experiences of Houses into Homes.

Applications and Loans Approved (April 2012 - March 2014)

1.6 A total of 586 applications for Houses into Homes loans were received by local authorities in the first three years of scheme (1 April 2012 to 31 March 2015); 241 loan applications were received in 2012/13; 173 in 2013/14; and 172 in 2014/15.

1.7 By 31 March 2015, 360 loans had been approved; 45 in 2012/13; 185 in 2013/14); and 130 in 2014/15. As of March 2015, an additional 82

[4] http://gov.wales/docs/caecd/research/130430-houses-homes-first-interim-evaluation-en.pdf
[5] http://gov.wales/docs/caecd/research/130801-houses-homes-key-monitoring-data-2012-13-en.pdf
[6] http://gov.wales/docs/caecd/research/131002-houses-into-homes-second-interim-evaluation-en.pdf
[7] http://gov.wales/docs/caecd/research/2014/140313-houses-homes-key-monitoring-september-2013-en.pdf
[8] http://gov.wales/docs/caecd/research/2014/141112-houses-into-homes-third-interim-evaluation-en.pdf

applications were being processed. In the first three years of the scheme, 26 applications had been rejected and 118 applications had been withdrawn.

1.8 The total value of the 360 approved loans was £15,343,000, with £2,032,000 being approved in 2012/13; £7,376,000 in 2013/14; and £5,935,000 in 2014/15. A total of 746 residential units will be provided by bringing these 360 properties back into use. More than 80 per cent will provide accommodation for rent. More than one-third of all properties brought back into use (35 per cent) will provide affordable accommodation. The properties being brought back into use had been empty for an average of four and a half years.

1.9 Thirty-two of the approved loans were submitted by limited companies, three were submitted by unincorporated entities[9] 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.

1.10 The works associated with 177 out of 360 approved loans (49 per cent) were reported as being completed as of 31st March 2015. These 177 loans had a combined value of £6.7 million. They had supported works costing a total of £12 million. The units of accommodation provided by the properties brought back into use increased from 187 to 334 as a result of redevelopment. The average time between the loan agreed and completion of the works was 263 days; the median (which minimises the influence of a small number of outliers which took an unusually long time to complete) was 241 days. A total of 144 properties (40 per cent of approved loans) were reported as being back in use (occupied) by 31 March 2015.

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

1.11 Local authorities reported receiving 1,755 enquiries about the Houses into Homes loan scheme that were yet to result in an application between April 2012 and March 2015. In 280 cases (16 per cent) owners indicated that they would be submitting an application in due course. A total of 89 owners (five per cent) had been signposted to other more suitable empty homes interventions. Of the remainder: 397 said that they would not be proceeding; 17 did not meet the criteria and for 972 the next step was unknown.

1.12 Local authorities reported meeting the target of drawing down the two tranches of £10 million capital funding made available by the Welsh Government to support Houses into Homes against expressions of interest and loan applications received from owners of empty properties. The value of the 360 currently approved loans was £15.3 million. The difference between total funding drawn down from the Welsh Government and the value of approved loans appears to reflect the fact that some of the expressions of interest and initial applications against which funds were drawn down from the Welsh Government either did not progress through to an approved application or were still progressing very slowly through the approval process.

1.13 Data on loan applications shows that 118 applications had been withdrawn or cancelled; these would account for more than an additional £5 million worth of loans if they were at the current average loan value. In addition, 82 loans were being processed across Wales on 31 March 2015. Based on the ratio of approved loans to applications received in each region during the first three years of Houses into Homes, it appears likely that some 60 of these 82 applications will be successful. Given the average loan value within each region, the predicted total value of these 60 loans is £2.7 million. On this basis, £1.9 million of funds drawn down from the Welsh Government remain unallocated to approved loans at 31 March 2015. This picture is complicated by the fact that in some regions demand (in the form of applications being processed) outstrips remaining funds, while in other regions it appears likely some funds will remain unallocated to approved loans. Another important point to note

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

Empty Homes Activity

1.14 Analysis revealed a dramatic increase in the number of properties brought back into use following the introduction of Houses into Homes. This increase was far in excess of the number of properties brought back into use as a result of the 360 loans provided through the Houses into Homes scheme. In 2014/15 - the third year of Houses into Homes - the number of empty dwelling brought back into use as a result of the direct actions[10] of local authorities, was *2,458*: an increase of 13 per cent on 2013/14 and an increase of 140 per cent on the baseline year before Houses into Homes commenced (2011/12). The 2,458 dwellings contained 2,510 units of accommodation. This again represented an increase on previous years: including over double the number in 2011/12 and 2012/13. The 13 local authorities able to provide details reported that in 2014/15 16 per cent of dwellings (154) were returned into use as affordable housing.

1.15 It was presumed in 2013/14 that the large increase in the number of empty properties brought back into use reflected an increase in direct actions taken by local authorities. However, the further rise in the number of properties brought back into use in 2014/15 was accompanied by a fall in the direct actions by local authorities across Wales in the same year. One obvious possible explanation is that the increase in empty properties brought back into use in 2014/15, in part, reflects direct actions that were taken 2013/14. This would make

[10] 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.

sense given the inevitable delay between a direct action on an empty property and when that property is brought back into use.

1.16 The majority of local authority empty homes officers attributed the increase in properties brought back into use each year since the launch of Houses into Homes to the introduction of the scheme. In total, 20 out of 22 officers reported that the scheme had resulted in an increase in the number of long-term empty homes brought back into use in 2014/15 as a result of direct actions by the local authority. In addition, 15 out of 22 officers reported that Houses into Homes had resulted in an increase in the total number of empty non-residential properties brought back into use as accommodation.

1.17 Regional coordinators and local authority officers were unequivocal in their view that Houses into Homes brought numerous benefits in its wake, which helped to increase the number of empty properties brought back into use. These were reported to include increased corporate commitment to tackling the problem of empty homes, increased staffing (particularly in the first two years of the scheme), an improvement in the effectiveness of local authority efforts to bring properties back into use, and support for efforts to address other strategic priorities (for example, increasing the supply of affordable housing, supporting regeneration initiatives and generating employment). Regional coordinators reported that Houses into Homes complemented work in other Welsh Government schemes such as Vibrant and Viable Places, as well as on key areas such as homelessness and the private rented sector.

1.18 Other reported benefits included improvements in collaborative working within and between local authorities and their partners (including developers), improved relations with owners of empty properties and better intelligence about the problem of empty homes. Houses into Homes was also reported to have provided local authorities with 'another tool' with which to tackle the problem of empty homes and to be helping to bring properties back into use that had proved beyond the reach of alternative interventions. Explicit reference was also made to the role

the scheme was playing in enabling developers to bring empty commercial properties back into use as residential dwellings.

Delivering Houses into Homes

1.19 The full allocation of £20 million of capital funding was drawn from the Welsh Government by location authorities against expressions of interest and applications received. During the first year of the scheme in 2012/13, applications were encouraged through various marketing activities, including mailshots aimed at owners of empty properties, contact with landlord forums, estate and letting agents and auctioneers. The majority of local authorities continued to target owners of empty properties with marketing or direct approaches in subsequent years to raise awareness and encourage an application. In 2014/15, there was an increase in the number of local authorities targeting owners of empty properties in particular neighbourhoods, villages or towns, reportedly reflecting links being forged between Houses into Homes and other programmes, including Vibrant and Viable Places and the new Home Improvement loan scheme.

1.20 As of 1 April 2015, 13 out of 22 local authorities were still to allocate their full share of the £20 million of funding drawn down from the Welsh Government to approved applications, but the majority of these local authorities (11 out of 13) expressed confidence about their ability to do so.

1.21 The vast majority of local authorities prioritised applications received on a first come, first served basis during the three years of Houses into Homes, reflecting the fact that funds were available to meet demand and there was therefore no need to prioritise applications. Only one local authority reported having a waiting list of approved applications in April 2015 that were waiting for loan finance to become available.

1.22 The majority of local authorities have issued 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.

1.23 A number of factors were identified by local authority officers and regional coordinators as limiting the effectiveness of Houses into Homes. Suggestions about how to improve the scheme sought to address these problems and focused on the rules and regulations (for example, qualification criteria, loan conditions, repayment arrangements) governing Houses into Homes and staffing resources available to administer the scheme. Comments were also forthcoming about the importance of marketing and the benefits of ceding greater autonomy in the future to local authorities to deliver the scheme as they see fit.

1.24 All six regions had a regional empty homes group that coordinated delivery of Houses into Homes. The regional groups provided strategic steer to the scheme and acted as a forum for sharing learning and good practice. The groups tended to meet less frequently as Houses into Homes became established and initial teething problems were resolved. The focus of the regional group also broadened with time to consider empty homes work more generally and related private sector housing and regeneration issues. Empty homes officers and regional coordinators referred to the importance of the regional group as a forum in which local authorities could share accumulated knowledge, understanding and best practice in relation to Houses into Homes and empty homes issues more generally.

1.25 The national steering group for Houses into Homes was reported to have provided a valuable forum in which regions could share experiences, secure advice and guidance and raise issues with the Welsh Government. It was also credited with helping to raise awareness of empty homes work 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. The steering group was reported to have helped promote closer links between the Welsh Government, WLGA and local authorities from which all had

benefited. It also provided an opportunity to share experiences and seek advice and guidance.

1.26 Local authority officers were optimistic about the future of Houses into Homes. The scheme was reported to have become a mainstay of efforts to tackle empty homes and funding will continue to be available as loans are recycled. However, various risks to the future of Houses into Homes were spotlighted. These included: non-payment of loans, which would limit the funds available to be recycled as loan finance to new applicants; reduced staffing levels and restricted capacity to monitor repayments, support applications and approve new loans; and limited demand for the scheme from some owners in its present form.

The Views and Experiences of Loan Recipients

1.27 All individuals and companies that received a loan during the first three years of Houses into Homes were contacted and asked to take part in a survey about their experiences of Houses into Homes. In total, 108 unique survey returns were received. This represents one-third of all unique loan recipients (325). The majority of the 108 respondents (90; 83 per cent) were individual owners and 17 per cent (18) were companies (representing two-thirds of all companies receiving a loan). The majority of owners (80; 74 per cent) were bringing a property back into use to rent, compared to 21 per cent (23) developing the property for sale (five per cent were redeveloping for a mix of sale and rent). Two-thirds of respondents (70; 65 per cent) reported that the development was completed and 43 per cent (46) reported that it was fully occupied.

1.28 The majority of owners (89) bringing a property back into use with the help of a Houses into Homes loan had acquired the property as an investment. The majority (81) had received information from local authority officers about the scheme, who were reported to have played an important role raising awareness of the scheme. Many owners reported benefiting from the assistance of a local authority officer during

the application process, although some criticisms were forthcoming from a minority of owners regarding the knowledge and expertise of staff. One-quarter of owners (27) reported that help received from local authority officers had served to improve their development in some way.

1.29 More than one-quarter of owners (29) reported that their development would not have gone ahead without a Houses into Homes loan. This finding is evidence of the added-value of the scheme, helping to bring back into use properties that might otherwise have remained empty. The vast majority (98) levered in funds from alternative sources to supplement their Houses into Homes loan (ranging from less than £1,000 to more than £100,000).

1.30 A large majority of redevelopments involved a local contractor (83), suggesting that the majority of expenditure bringing empty properties back into use would remain in the local economy. The majority of owners (80) were creating dwellings for rent and expressed a preference for renting to working people. The majority were confident about being able to repay their Houses into Homes loan, either from the proceeds following the sale of the property, via a loan secured on the property or by drawing on their own funds (including rental income).

1.31 Three-quarters of owners (84) expressed overall satisfaction with the application process, although suggestions were forthcoming about how it might be improved. The most common was that the application and approval process was rather drawn out and should be speeded up. Owners also had various other suggestions for how the scheme might be improved, which focused on the technicalities of the scheme (including qualification criteria and the terms and conditions of the loan).

1.32 Owners indicated a willingness to let dwellings created by bringing empty properties back into use to tenants in a range of situations, although there was a clear preferences for working people. Single people over 25 years of age were the most popular household type amongst owners who had or were intending to rent out dwellings created by bringing empty properties back into use.

The Impact of Houses into Homes

1.33 Analysis considered the impact and value for money of Houses into Homes through seven criteria: inputs, outputs, efficiency, outcomes, effectiveness, impacts and additionality. The evidence points to key areas where it can be argued Houses into Homes has provided impact and value for money. This includes:

- levering in additional inputs: Houses into Homes has levered in 83 pence for every £1 of loan approved; levered in money includes additional personal and private sector funding to cover the cost of works
- economies of scale: loan funding has provided economies by providing multiple units through single applications
- increasing the supply of units: an additional 147 units have already been provided; this will increase to 402 once all works are completed
- returning empty homes into use: 144 properties (280 units) had been returned into use by 31 March 2015
- providing an economic impact across Wales; £46.0 million in economic output has been provided directly and indirectly through the full cost of works
- providing rental and sales income to owners
- benefiting the local communities who resided within the immediate vicinity of empty homes; for example though reduced anti-social behaviour and increased property prices
- providing an uplift in wider empty homes activities: between 2012/13 and 2014/15 and estimated 2,511 additional properties brought back into use have been attributed to a wider (indirect) impact of the programme.

1.34 Completing works to bring empty properties back into use has a positive economic impact on the Welsh economy. This is in the form of demand for goods and services, both directly from suppliers and indirectly within the intermediate supply chain. The economic impact can be measured through output expenditure and full time equivalent (FTE) jobs supported. Evidence from the loan recipient's survey suggests initial expenditures remained within Wales, with most benefiting the immediate local economy. Only two of 104 loan recipients responding to the survey said that they would be exclusively using out of area contractors to complete the works. Assuming the full cost of works remains within Wales, the initial (direct) output expenditure created by Houses into Homes developments is £28.4 million. Applying economic multipliers it is estimated an additional £17.6 million worth of output expenditure is supported within the immediate supply chain. This gives a total output expenditure of £46 million. Using employment effect multipliers it is estimated that this level of expenditure will support just over 440 FTE jobs during the course of the works both directly (280 FTE jobs) and indirectly (160 FTE jobs) across Wales.

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

1.36 Overall Houses into Homes loans have provided impact and value for money. It is estimated that £2.41 of benefits accrue for every £1 of input via Houses into Homes excluding adjustments for additionality (works what would have taken place without Houses into Homes). However

taking into account additionality - adjusting for the fact that an estimated 73 per cent of works would have happened without Houses into Homes - the benefits are less; £0.74 of benefits accrue for every £1 of inputs.

1.37 Analysis has identified two ways in which additional impact and value for money could be achieved: allocating the full amount of funding drawn down from the Welsh Government to approved loans and increasing additionality. In total, £15.3 million of the £20 million Houses into Homes funding drawn by local authorities from the Welsh Government has been allocated to approved loans. The outputs, outcomes and impact recorded by Houses into Homes would inevitably have been greater if all this funding had been allocated to approved loans. A total of 2,341 enquiries have been converted into 468 full applications. There would therefore appear to be scope for improving the effectiveness of the scheme by converting a greater number of enquiries into applications and approved loans. This might be achieved by revising rules and regulations governing the scheme to increase the number of owners and properties that qualify for a Houses into Homes loan; simplifying and speeding up the application process, which might involve increasing staffing.

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

Conclusion

1.39 Houses into Homes was launched in April 2012. £20 million was made available by the Welsh Government to support the scheme, which provides loans to help bring empty properties back into use as homes for rent or sale. The Welsh Government commissioned an evaluation to monitor the effectiveness, impact and added value of the scheme during the first three years of delivery. The key findings of the evaluation are that:

- local authorities met the target of drawing down £20 million capital funding made available by the Welsh Government to support Houses into Homes against expressions of interest and loan applications received from owners of empty properties.
- 360 loans were approved in the first three years of the scheme. A further 82 were being processed as of 31 March 2015. The approved loans will provide 746 residential units.
- The value of the 360 approved loans was £15,343,000. The difference between total funding drawn down from the Welsh Government and the value of approved loans appears to reflect the fact that some of the expressions of interest and initial applications against which funds were drawn down from the Welsh Government either did not progress through to an approved application or were progressing very slowly through the approval process. The outputs, outcomes and impact recorded by Houses into Homes would inevitably have been greater if all of the £20 million drawn down from the Welsh Government had been allocated to approved loans.
- Houses into Homes loans have provided impact and value for money: £0.74 of benefits accrue for every £1 of input via Houses into Homes.
- Headline statistics reveal the number of properties returned into use across Wales as a result of direct actions by local authorities has increased from 1,026 in 2011/12 (the year before Houses in to

Homes was introduced) to 2,458 in 2014/15. Local authority staff were unequivocal in attributing this increase to Houses into Homes. If it is assumed that the number of properties returned into use each year would have remained at the level in 2011/12, an additional 2,655 properties have been returned to use as a result of Houses into Homes. Excluding the 144 properties returned into use as a direct result of Houses into Homes (via works support by an approved loan) suggests 2,511 properties can be attributed to a wider (indirect) impact of the programme.

- A critical factor informing the success of Houses into Homes during the first three years of the scheme was the role played by local authority officers. The increase in staff working to help bring empty properties back into use within the majority of local authorities following the launch of Houses into Homes was recognised as vital to the effectiveness of the scheme. A reduction in staffing could risk undermining effectiveness.
- The key suggestion forthcoming from local authority officers and loan recipients for improving the number of applications, loans granted and, thereby, the effectiveness of Houses into Homes related to the rules and regulations governing the scheme. The principal suggestions included: extending the repayment period; lowering the loan to value ratio; increasing the maximum loan size per property; and permitting the owner to reside in the property upon completion of works.

Recommendations

1.40 In addition to spotlighting the achievements of Houses into Homes, the evaluation revealed various challenges associated with the delivery of the scheme and a number of features of Houses into Homes that might be improved in a bid to increase effectiveness and efficiency.

1.41 Recommendation 1: Accelerate the allocation to approved loans of the £20 million of funding made available by the Welsh Government and

drawn down by local authorities. Local authorities that have not allocated all funds drawn down from the Welsh Government to approved loans should: review their interpretation and application of the rules and regulations governing the scheme to ensure they are not placing unnecessary barriers in the way of successful applications and endeavour to speed up the application process. The Welsh Government might seek confirmation from all local authorities or regions yet to allocate funds to approved loans that unmet demand for loan finance exists within their area. A deadline might be agreed for funds to be allocated to approved loans, after which any unallocated funds might be redistributed to regions and local authorities where demand is stronger and additional funds would be welcomed.

1.42 Recommendation 2: Safeguard the staffing resources required to effectively administer Houses into Homes. A critical factor informing the success of Houses into Homes during the first three years of the scheme was the role played by local authority officers. The continued success of the scheme depends upon local authorities dedicating the necessary staffing resources to administer the Houses into Homes.

1.43 Recommendation 3: Review and revise the rules and regulations governing Houses into Homes. There is the potential for some relatively minor amendments to the rules and regulations governing Houses into Homes (repayment period; loan to value ratio; maximum loan) to increase demand and maximise the effectiveness of the scheme. Reforms could be introduced by the Welsh Government or responsibility could be ceded to local authorities to vary aspects of the scheme as they see fit.

1.44 Recommendation 4: Continue to share learning and provide advice, guidance and training. It is important that empty homes officers continue to have the opportunity to share experiences and hear about how other authorities are dealing with the challenges of delivering Houses into Homes.

1.45 Recommendation 5: Provide further clarification regarding interpretation of the National Strategic Indicator (PSR/004). In particular, clarification is required regarding how to count properties brought back into use through Houses into Homes. Many of the properties brought back into use through Houses into Homes were previously non-residential premises (such as churches, pubs and shops). Guidance relating to PSR/004 is unclear about whether the return of non-residential premises to use as dwellings should be included in national indicator returns submitted by local authorities.

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)[11]. 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 the Welsh Government to support the scheme. A further £10 million was made available in 2013/14[12]. 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 was 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 ran for the course of the programme through to March 2015. The evaluation reported at a number of agreed points during the three years of the programme.

2.3 The first interim report from the evaluation was published in May 2013[13]. It set the scene for the evaluation by detailing the background to the

[11] See http://gov.weales/docs/desh/consultation/120521whitepaperen.pdf
[12] A further £10 million of funding for the Houses into Homes scheme was announced in January 2015, bringing the total investment in the programme to £30 million. This third tranche of funding was made available to local authorities in 2015/16. It was therefore outside the scope of this evaluation.
[13] http://wales.gov.uk/docs/caecd/research/130430-houses-homes-first-interim-evaluation-en.pdf

scheme, summarising the range of powers at the disposal of local authorities 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 represented a baseline against which the impact of the Houses into Homes scheme was monitored. This first report 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 2013[14]
- a review of delivery during the first full year of the scheme, from April 2012 to March 2013[15]
- a monitoring data bulletin relating to the first 18 months of the scheme (up until September 2013), published in Spring 2014[16]
- a review of delivery during the second full year of the Houses into scheme, from April 2013 through to March 2014[17]

2.4 This report reviews delivery, analyses outcomes and evaluates impacts of Houses into Homes during the first three full years of the scheme (April 2012 to March 2015). It draws on findings from previous outputs and a final round of data collection and analysis conducted during 2015.

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 back into use for sale or rent[18]. Funding can also be used to support

[14] http://gov.wales/docs/caecd/research/130801-houses-homes-key-monitoring-data-2012-13-en.pdf
[15] http://gov.wales/docs/caecd/research/131002-houses-into-homes-second-interim-evaluation-en.pdf
[16] http://gov.wales/docs/caecd/research/2014/140313-houses-homes-key-monitoring-september-2013-en.pdf
[17] http://gov.wales/docs/caecd/research/2014/141112-houses-into-homes-third-interim-evaluation-en.pdf
[18] For further details about the scheme see http://gov.wales/topics/housing-and-regeneration/housing-supply/empty-homes/houses-into-homes/?lang=en

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 long-term empty properties back into use[19].

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 within 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 were 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

[19] Properties that have been empty for a period of six months or more. All references to empty properties within the report relate to properties that have been empty for six months or more.

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)**	£10 million	£10 million

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. These funds would subsequently be recycled through the repayment of loans granted, thereby providing an ongoing programme of loan support to owners seeking to empty properties back into residential use. 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 between 2012 and 2015 was 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*[20], since its inception in 2005. The Welsh Government also supported the WLGA Improvement Project for Empty Homes, which provided local authorities with advice, guidance and training relating to the scheme[21].

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 levering in additional resources; and value for money. Answering these questions required 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. These data were collected from local authorities across Wales on a regular basis throughout the evaluation. In addition, an on-going survey

[20] http://www.no-use-empty.org/
[21] See http://www.wlga.gov.uk/empty-homes/

of direct beneficiaries (loan recipients) was undertaken to capture information about outcomes and to identify wider beneficiaries. This also provided findings relating to additional impacts, for example, on jobs, training and other economic impacts.

2.13 The ***process evaluation*** examined the development, promotion, implementation and delivery of the Houses into Homes scheme. It addressed 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 liaised on a regular basis with the nominated lead (regional coordinator) in each of the six regional groupings. This included an annual interview with all six regional coordinators reviewing delivery and associated achievements in the previous financial year, conducted in June or July, and catch-up discussions in period between. Data from the three rounds of annual interviews with the six regional coordinators (only five were available for interview in 2015) are drawn on in this report. An e-survey of empty homes officers in all 22 local authorities was conducted annually in May to gain insight into local issues and experiences of delivering the scheme in the previous financial year. Data from all three annual rounds of this survey, to which all 22 local authorities responded, are compared and contrasted 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 three years of the Houses into Homes scheme (April 2012 to March 2015). **Chapter 4** explores the changing profile of local authority empty homes work in the three years of the scheme and compares the number of empty properties brought back into use as a result of local authority direct actions in 2014/15, 2013/14 and 2012/13 with the baseline year of

2011/12. **Chapter 5** reviews the delivery during the first three years of the scheme through analysis of the views and experiences of local authority officers and regional coordinators. Attention focuses 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. **Chapter 6** explores the views and opinions of 106 loan recipients, gathered through a survey sent out to all successful loan applicants. **Chapter 7** considers the wider impacts and benefits of the Housing into Homes scheme. **Chapter 8** provides overarching **conclusions** to be drawn from the three year evaluation, and the **final chapter** provides recommendations based on the findings from the evaluation.

3 Applications and Loans Approved (April 2012 - March 2015)

Introduction

3.1 This chapter presents monitoring data collected from all 22 local authorities profiling the applications received and loans approved in the first three years of the Houses into Homes scheme (April 2012 to March 2015).

Houses into Homes Applications

3.2 Analysis of Houses into Homes monitoring data reveals that 586 loan applications were received by local authorities in the period 1 April 2012 to 31 March 2015: 241 loan applications were received in 2012/13; 173 in 2013/14; and 172 in 2014/15. Of these applications:

- 360 had been approved to receive a Houses into Homes loan (45 in 2012/13; 185 in 2013/14; 130 in 2014/15). Many of approved applications were originally submitted in the previous financial year
- 82 were being processed as of the 31 March 2015; this includes provisionally approved applications
- 26 applications had been rejected
- 118 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 three 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 limited 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 and 2014/15 (compared to 21 in 2012/13). Only one local authority reported drawing on Houses into Homes funds to support works in default in 2013/14 and in 2014/15, compared to four local authorities in the first year of the scheme in 2012/13. Two local authorities reported using Houses into Homes funds to support marketing of the scheme in 2013/14. 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 in 2014 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.

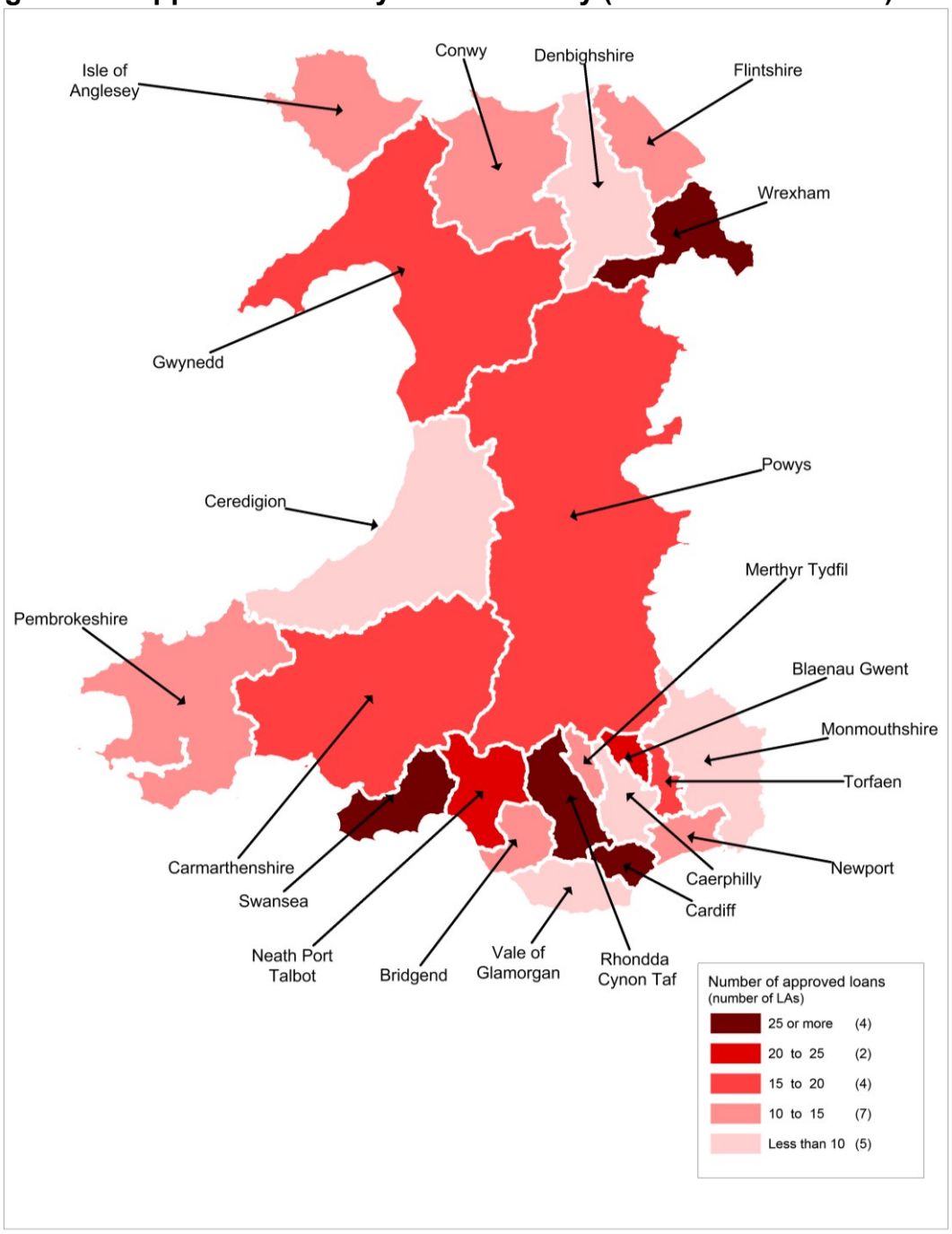
Table 3.1: Summary of Houses into Homes Applications received between 1 April 2012 and 31 March 2015

	Approved loans				Applications being processed	Other applications[22]
	Number	Total Value (£)	Average Value (£)	Number of units to be provided	Number	Number
North Wales	**82**	**4,055,452**	**49,457**	**216**	**17**	**51**
Wrexham	25	1,124,390	44,976	58	2	11
Gwynedd	17	932,300	54,841	58	7	0
Conwy	12	603,480	50,290	36	3	12
Flintshire	10	600,000	60,000	25	1	2
Isle of Anglesey	10	529,895	52,990	28	0	9
Denbighshire	8	265,387	33,173	11	4	17
Mid and West Wales	**56**	**2,601,357**	**46,453**	**118**	**15**	**12**
Powys	17	997,335	58,667	40	0	0
Carmarthenshire	18	914,397	50,800	47	10	1
Pembrokeshire	14	491,625	35,116	22	3	8
Ceredigion	7	198,000	28,286	9	2	3
Gwent	**66**	**2,415,463**	**36,598**	**115**	**21**	**16**
Blaenau Gwent	22	869,200	39,509	43	3	2
Newport	14	630,900	45,064	30	6	7
Caerphilly	7	341,894	48,842	15	5	4
Torfaen	16	317,792	19,862	16	4	3
Monmouthshire	7	255,677	36,525	11	3	0
Western Bay	**61**	**1,879,100**	**30,805**	**94**	**2**	**29**
Swansea	29	809,000	27,897	36	0	8
Neath Port Talbot	22	609,000	27,682	38	0	15
Bridgend	10	461,100	46,110	20	2	6
Cardiff and the Vale	**44**	**2,839,523**	**64,535**	**149**	**14**	**12**
Cardiff	35	2,238,631	63,961	109	12	2
Vale of Glamorgan	9	600,892	66,766	40	2	10
Cwm Taf	**51**	**1,552,470**	**30,441**	**72**	**13**	**24**
RCT	37	1,227,470	33,175	58	12	23
Merthyr Tydfil	14	325,000	23,214	14	1	1
Wales	**360**	**15,343,365**	**42,620**	**764**	**82**	**144**

Source: Houses into Homes monitoring data

[22] Other applications includes: rejected applications (26) and withdrawn applications (118)

Figure 3.1: Approved loans by local authority (as of 31 March 2015)



Source: Houses into Homes Monitoring Data

Approved Applications

3.5 The total value of the 360 approved loans was £15.3 million, an average of £43,000 per application. Breaking this down by financial year: £2 million in loans were approved in 2012/13, £7.3 million in 2013/14 and £5.9 million in 2014/15.

3.6 Table 3.2 reveals that 32 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). Just under half of loans (42 per cent) were for £25,000 exactly. Forty eight loans were for £100,000 or more including 20 loans which were for the maximum amount of £150,000.

3.7 The average loan per unit of accommodation brought into use was £22,000 and the average total cost of works to bring a unit into use was £35,000. The average private sector leverage per unit was £14,000[23] [24]. 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 £7,000; and the median total cost of works was £35,000.

Table 3.2: Value of approved applications; end 2014/15

	Number	Per cent
Less than £10,000	10	3
£10,000 but less than £20,000	48	13
£20,000 but less than £30,000	187	52
£30,000 but less than £50,000	10	3
£50,000 but less than £100,000	57	16
£100,000 to £150,000	48	13
Total	**360**	**100**

Source: Houses into Homes monitoring data

[23] Monies used to bring a property back into use, in addition to Houses into Homes loan funding.
[24] Note the average approved loan and average private sector leveraged do not sum to the average total cost of works due to missing data.

3.8 A total of 746 units of accommodation will be provided by the 360 properties being brought back into use: 90 units from the 45 loans approved in 2012/13, 378 units from the 185 loan approved in 2013/14 and 296 from the 130 loans approved in 2014/15. A total of 125 properties (35 per cent) will see an increase in the number of units they contain. This includes 72 approved applications (20 per cent of all approved applications) bringing non-residential properties back into use as accommodation, which will provide 278 units and 464 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.

3.9 Some interesting differences are apparent between approved loans for developments that will involve 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; £72,000 compared with £27,000 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 £12,000 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 80 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: £184,000 compared with £54,000 for

applications seeing no increase in the number of units (or 181 per cent increase compared with a 87 per cent increase).

3.10 Data on the number of bedrooms to be provided was available for 352 loans. The units provided by bringing the empty properties back into use will contain an average of two bedrooms, although the most common property size will be three bedrooms (37 per cent).. The total number of bedrooms provided by these properties will increase as a result of redevelopment to bring them back into use. For the 345 applications where data were provided, the total number of bedrooms will increase by 698 bedrooms (from 744 to 1,442). In total, 155 of these 345 properties will see an increase in the number of bedrooms that they contain.

3.11 Approved loans typically covered the majority of costs associated with bringing a property back into use (Table 3.3); 90 agreed loans (25 per cent) covered the full cost of the works (no additional private sector leverage was provided) and a further 113 (32 per cent) covered between 75 per cent and 100 per cent. Only 62 of the 356 loans for which full data was provided (17 per cent) covered less than 50 per cent of the cost of the works.

Table 3.3: Approved loan value as a percentage of the cost of works; end 2014/15

	Number	Per cent
Less than 50 per cent	62	17
50 per cent but less than 75 per cent	91	26
75 per cent but less than 100 per cent	113	32
100 per cent	90	25
Total	**356**	**100**

Source: Houses into Homes monitoring data

3.12 The value of additional private sector leverage to cover the cost of works (in addition to Houses into Homes loan funding) was £12,801,000; an average of £36,000 for the 356 applications where this data was provided. However the median value of additional private sector leverage was £7,000 indicating that the average was inflated by a small

number of large applications. The loan was more than 50 per cent of the value of the property at the time of application in 154 out of 332 approved applications where data was available. In 80 out of these 332 cases, the loan was less than 25 per cent of the value of the property.

3.13 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 146 out of 303 properties (48 per cent) were predicted to at least double in value. The average property value was expected to increase by just under £100,000, or 120 per cent. This appears to reflect the increase in the number of units provided by the properties brought back into use (from 362 to 764).

Table 3.4: Owners estimations of current property value compared to value after the works; percentage change, end 2014/15

Approximate increase in value of property	**Number**	**Per cent**
Less than 25 per cent increase	23	8
25 per cent but less than 50 per cent increase	51	17
50 per cent but less than 75 per cent increase	47	16
75 per cent but less than 100 per cent increase	36	12
100 per cent but less than 200 per cent increase	103	34
200 per cent or more increase	43	14
Total	**303**	**100**

Source: Houses into Homes monitoring data

3.14 At the point of application, the average length of time that properties[25] had been empty was just over four 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 (275 out of 351) and 123 (35 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

[25] Data was provided on 351 properties.

was £35,000 compared with £47,000 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 (£92,000) compared to properties that have been empty for less than two years (£58,000).

3.15 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 extensive remedial work required to bring them back into use. This might be the case, but also important is the fact that properties empty for more than two years include 63 non-residential properties being brought back into use as dwellings; these developments reported a far higher cost per unit (£43,000) compared to residential properties being brought back into use (£34,000), presumably reflecting the conversion works needing to be undertaken.

Table 3.5: Duration of time empty at point of application; end 2014/15

Length of time empty	Number	Per cent
6 months but less than a year	76	22
1 year but less than 2 years	61	17
2 years but less than 4 years	71	20
4 years but less than 6 years	52	15
6 years but less than 8 years	22	6
8 years but less than 10 years	34	10
10 years but less than 20 years	28	8
20 years or more	7	2
Total	**351**	**100**

Source: Houses into Homes monitoring data

3.16 Half (174) of the 350 approved applications for which data were provided were reported to be bringing properties back into use whose external appearance is perceived to had been having 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: £48,000 compared with £35,000.

3.17 The majority of loans (84 per cent or 301) will provide units for rent. The other 16 per cent will provide dwellings for sale or a combination of rent

and sale. The expected monthly rental yield from properties to be rented is £287,410[26]; an average of £1,105 per property[27]. The anticipated sale value for properties that will be made available for sale is £11.9 million , an average of £217,000 per property[28]. 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 £38,000 respectively. Thirty-five per cent (232 units) provided by the 324 loans for which data were available will be affordable accommodation[29].

3.18 Of the 360 approved applications, 325 (90 per cent) were submitted by individuals, 32 were submitted by limited companies and three were submitted by unincorporated entities[30]. Some interesting variations are evident between these applications, although findings have to be interpreted with caution given the relatively small number involved:

- three quarters of approved applications (24 of 32) submitted by limited companies will increase the number of units provided, compared with just under a third (100 of the 325) approved applications submitted by individual applicants; an average increase of 3.6 units compared with 0.8 units
- the average loan value of the 32 approved applications submitted by limited companies is 2.1 times that for approved applications; submitted by individual applicants: £83,000 compared with £38,000
- the average private sector leverage for the 32 approved applications submitted by limited companies is over seven time greater than for approved applications submitted by individual applicants: £166,000 compared with £23,000

3.19 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

[26] Data is available for 260 properties that will be rented.
[27] This value includes rent for all units within the property.
[28] Data is available for 55 properties that will be available for sale
[29] 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.
[30] An unincorporated entity is an organisation that has not been granted formal corporate status by incorporation.

the application process more straightforward than individual applicants; the average time recorded between forms being sent out and applications received was 64 days for limited companies and 73 days for individual applicants. In total, 121 out of 319 applications (38 per cent) for which information was available were completed and returned in less than four weeks. Over one quarter of applications took 12 weeks or more to be completed and returned (Table 3.6). These findings are consistent with the suggestion from regional coordinators that individual owners can find the application process more challenging and require more support than developers/companies (see Chapter 5).

Table 3.6: Time between application sent and received; end 2014/15

Approx time between application forms sent and received back	Number	Per cent
No days*	10	3
Less than 1 week	32	10
1 weeks but less than 2 weeks	29	9
2 weeks but less than 3 weeks	26	8
3 weeks but less than 4 weeks	24	8
4 weeks but less than 6 weeks	45	14
6 weeks but less than 8 weeks	17	5
8 weeks but less than 12 weeks	50	16
12 weeks but less than 16 weeks	30	9
More than 16 weeks	56	18
Total	**319**	**100**

Source: Houses into Homes monitoring data

* The first contact with some applicants was when they submitted the application.

Works Completed

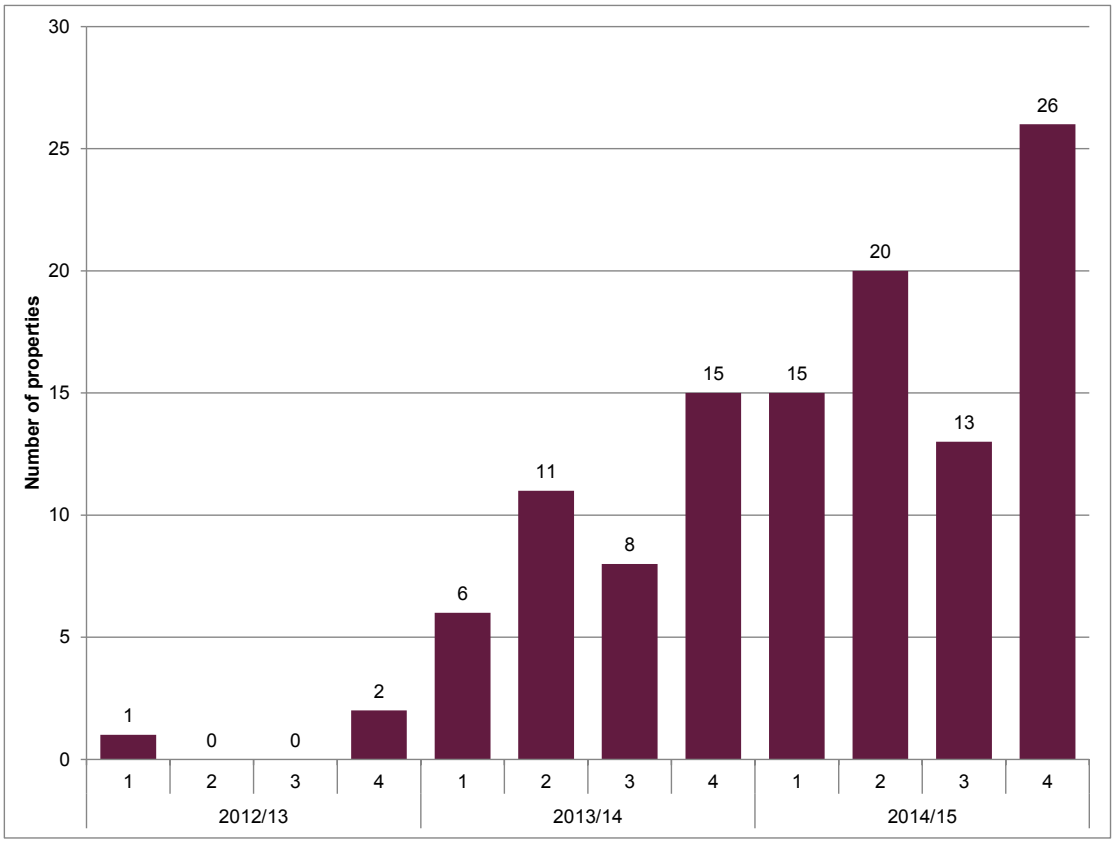
3.20 The works associated with 177 out of 361 approved loans (49 per cent) were reported as being completed. These 177 loans had a combined value of £6.7 million, had supported works costing a total of £12 million and had helped bring properties back into use that had experienced an increase in the units provided from 187 to 334. The average time between the loan agreed and completion of the works was 263 days; the median (which minimises the influence of a smaller number of works which took an unusually long time to complete) was 241 days.

3.21 A total of 144 properties (40 per cent of loan) were reported as being back in use (occupied) by 31 March 2015. Table 3.7 shows the number of properties reported as being back into use by local authority. The number of properties brought back into use increased each year: three in 2012/13; 40 in 2013/14; 74 in 2014/15 (Figure 3.2).

Table 3.7:Properties back into use via a Houses into Homes loan by local authority; end 2014/15

	Number	Percentage of loans
North Wales	**28**	**34**
Isle of Anglesey	7	70
Gwynedd	7	41
Wrexham	7	28
Conwy	4	33
Flintshire	3	30
Denbighshire	0	0
Mid and West Wales	**24**	**43**
Powys	11	65
Pembrokeshire	7	50
Ceredigion	4	57
Carmarthenshire	2	11
Gwent	**27**	**41**
Blaenau Gwent	9	41
Monmouthshire	6	86
Newport	5	36
Caerphilly	4	57
Torfaen	3	19
Western Bay	**35**	**57**
Swansea	22	76
Neath Port Talbot	13	59
Bridgend	0	0
Cardiff and the Vale	**7**	**16**
Cardiff	4	11
Vale of Glamorgan	3	33
Cwm Taf	**23**	**45**
RCT	15	41
Merthyr Tydfil	8	57
Wales	**144**	**40**

Figure 3.2: Financial quarter properties brought back into use via a Houses into Homes loan; end 2014/15



3.22 Data on expected sale value and monthly rent yield is available for 118 properties that have been brought back into use. The expected monthly rent yield is £120,000 from the 101 properties that will be available for rent, an average of £1,186 per property. The 17 properties that were to be sold had an expected sale price of £2,769,000, an average of £163,000 per property.

3.23 By the end of March 2014/15, 45 loans (13 per cent of all approved loans) with a value of £1,671,000 had been repaid in full. In addition partial payments, to the value of £134,000, have been made against seven loans. Taken together this means £1,804,000 of loan finance has been made available for recycling as new loans.

Applications Being Processed

3.24 Local Authorities reported a further 82 applications that were in the process of being assessed at the end of the monitoring period (31 March 2015). 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 58 applications where data were provided was £2,730,000 (an average of £47,000 per application);
- the number of units contained within the 60 properties for which data were provided is proposed to increase from 63 to 177; 22 properties will see an increase in the number of units available, including 13 that do not currently provide residential accommodation;
- the majority of properties (49 of the 66 properties for which information was provided) had been empty for more than one year. Only 17 per cent of applications were for properties empty for less than one year, whilst seven (11 per cent) had been empty for 10 or more years;
- 50 of the 57 applications (88 per cent) for which data were provided intend to provide accommodation for rent, five intend to provide accommodation for sale and two intend to provide accommodation for sale and/or rent.

Enquiries

3.25 Local authorities reported receiving 1,755 enquiries about the Houses into Homes loan scheme that were yet to result in an application between April 2012 and March 2015. In 280 cases (16 per cent) owners indicated that they would be submitting an application in due course. A total of 89 owners (five per cent) had been signposted to another empty homes intervention. Of the remainder: 397 said that they would not be proceeding; 17 did not meet the criteria and for 972 the next step was unknown.

Delivery Against Targets

3.26 The Welsh Government set local authorities the target of drawing down the two tranches of £10 million of capital funding, made available to support the Houses into Homes scheme. The first tranche was to be drawn by March 2013 and the second tranche was to be drawn down by March 2014. Local authorities reported meeting these targets and drawing down their full allocation of funds against expressions of interest and loan applications received from owners of empty properties.

3.27 The value of the 360 loans approved between April 2012 and March 2015 is £15,343,000. This is some £4,657,000 less than the £20,000,000 that has been drawn down from the Welsh Government.

3.28 In total, 82 loans were being processed across Wales on 31 March 2015. Based on the ratio of approved loans to applications received in each region during the first three years of Houses into Homes, it appears likely that some 60 of these 82 applications will be successful. Given the average loan value within each region, the predicted total value of these 60 loans is £2.7 million (Table 3.8). On this basis, £1.9 million of funds drawn down from the Welsh Government remained unallocated to approved loans at 31 March 2015. However, this picture is complicated by the fact that in some regions demand (in the form of applications being processed) outstrips remaining funds (North Wales, Cardiff and the Vale and Cwm Taf), while in other regions it appears likely some funds will remain unallocated to approved loans (Mid and West Wales, Gwent, Western Bay) (Table 3.8). Another important point to note is that new applications will continue to have been received by local authorities after the period covered by this evaluation (up to 31 March 2015) and unallocated funds will have continued to be allocated to approved loans.

Table 3.8: Predicted Value of Loans granted to Applications being Processed as of 31 March 2015

	Loans being Processed	Number of Successful Loans (based on ratio of loans to applications per region)	Average Value of Approved Loans per region (£)	Predicated allocation to loans being Processed (£)	Total Funds drawn down from the Welsh Government (£)	Funds Drawn Down and unallocated, taking in account Loans being Processed(£)
North Wales	**17**	**10**	**49,457**	**494,570**	**4,666,000**	**-230,221**
Mid & West Wales	**15**	**12**	**46,453**	**557,469**	**3,600,000**	**301,848**
Gwent	**21**	**17**	**36,598**	**622,166**	**3,546,000**	**361,979**
Western Bay	**2**	**1**	**30,805**	**30,805**	**3,330,000**	**1,389,290**
Cardiff & the Vale	**14**	**11**	**64,535**	**709,885**	**2,928,000**	**-815,013**
Cwm Taf	**13**	**9**	**30,441**	**273,969**	**1,932,000**	**-16,203**
Wales	**82**	**60**	**42,620**	**2,688,864**	**20,000,000**	**144**

Source: Houses into Homes monitoring data

3.29 Regional coordinators were asked about the apparent difference between the total funding drawn down by local authorities 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 the 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. Data on loan applications shows that 118 applications had been withdrawn or cancelled; these would account for more than an additional £5 million worth of loans if they were at the current average loan value. Similarly the average time between an application being received and being approved was 146 days. However, 11 of the 13 local authorities reporting that they had not allocated all the funds drawn down from the

Welsh Government expressed confidence in April 2015 about allocating drawn down funds to approved loans in the future (see paragraph 5.5 for more detail).

4 Empty Homes Activity

Introduction

4.1 A key question for the evaluation was whether Houses into Homes prompted any changes in the profile of local authority empty homes activity and the total number of empty properties brought back into use. This chapter explores this question. Discussion starts by comparing the properties brought back into use through the direct actions of local authorities during the three years of the Houses into Homes (2012/13 - 2014/15) with the baseline year 2011/12. Attention then turns to consider the changing nature and focus of local authority work on empty homes across the three years of the Houses into Homes scheme.

Local Authority Activity on Empty Homes

4.2 In-depth data on empty homes work was collected from all 22 local authorities for the financial years 2014/15, 2013/14 and 2012/13, and compared against baseline information collected for the financial year 2011/12. Analysis revealed an increase in the number of empty properties brought back into use 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, 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 actions[31] of a local authority, providing 1,152 units of accommodation. This represented a seven per cent increase in the number of units provided by bringing properties back into use

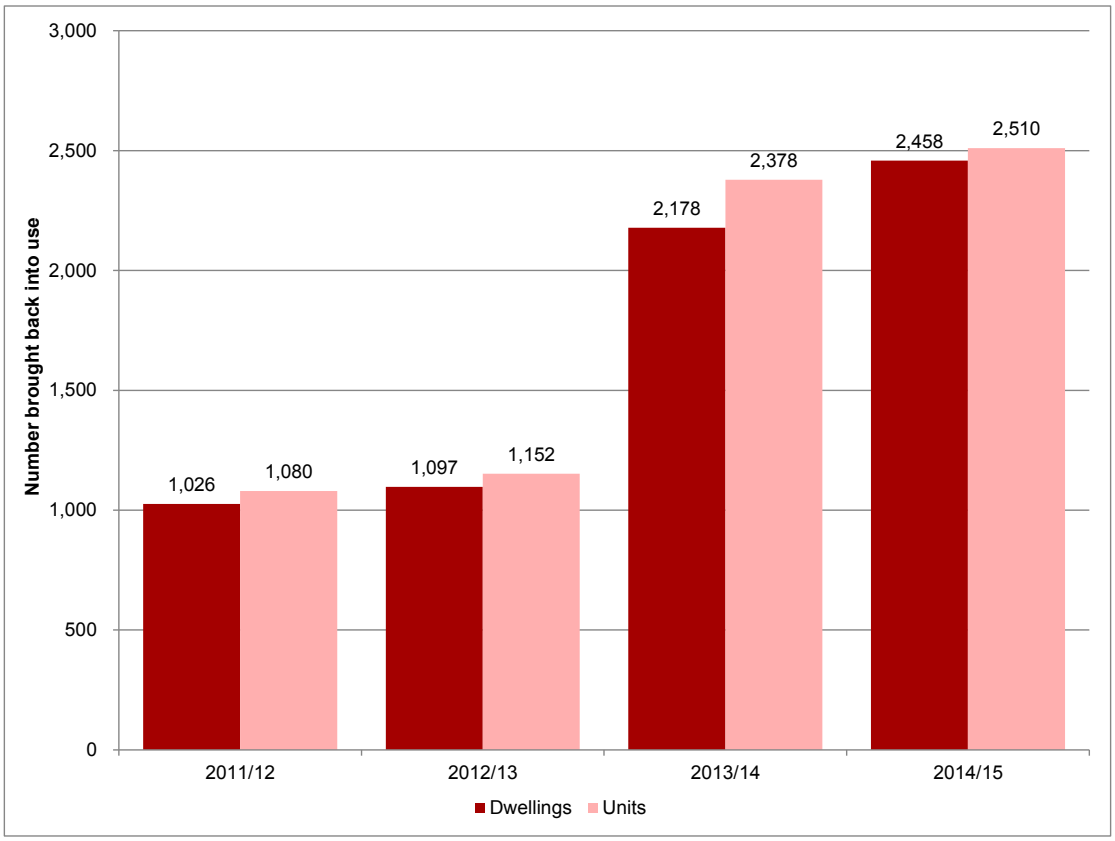
[31] It is important to note that different local authorities have tended to employ different definitions of what constitutes a direct action resulting in a property being brought back into use. Guidance from the Welsh Government has sought to promote consistency, but there remains the possibility of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

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 represented a large increase on previous years: over double the number in 2011/12 and 2012/13
- ***2014/15*** - the third year of Houses into Homes - the number of empty dwelling brought back into use increased to *2,458*: an increase of 13 per cent on 2013/14 and an increase of 140 per cent on the baseline year before Houses into Homes commenced (2011/12). The 2,458 dwellings contained 2,510 units of accommodation. This again represented an increase on previous years: including over double the number in 2011/12 and 2012/13.

4.3 The situation varied across Wales, but every local authority area reported an increase in the number of units brought back into use through direct action when comparing 2014/15 with the baseline year of 2011/12.

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



4.4 Key headlines regarding the properties brought back into use include:

- 13 local authorities providing details reported that in 2014/15, 16 per cent of dwellings (154) were returned into use as **affordable housing**.
- 11 local authorities reported that 275 (35%) of properties brought back into use in 2014/15 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 four years in the length of time that properties were empty prior to be 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 both 2013/14 and 2014/15).

4.6 It was presumed in 2013/14 that the large increase in the number of empty properties brought back into use reflected an increase in direct actions taken by local authorities. However, the further rise in the number of properties brought back into use in 2014/15 was accompanied by a fall in the direct actions by local authorities across Wales; Table 4.1 reveals an average of 129 direct actions per local authority on properties returning to use in 2014/15, compared to 268 in 2013/14. One obvious possible explanation for this pattern is that the increase in empty properties brought back into use in 2014/15, in part, reflects direct actions that were taken 2013/14. This would make sense given the inevitable delay between a direct action on an empty property and when that property is brought back into use. Reasons for the fall in direct actions in 2014/15 are unclear, but correlates with a reduction in dedicated local empty homes staff in the third year of the scheme. . 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.

4.7 The majority of local authority empty homes officers attributed the increase in properties brought back into use each year since the launch of Houses into Homes to the introduction of the scheme. In total, 20 out of 22 officers reported that the scheme had resulted in an increase in the number of empty homes brought back into use in 2014/15 as a result of direct actions by the local authority. In addition, 15 out of 22 officers reported that Houses into Homes had resulted in an increase in the total number of empty non-residential properties brought back into use as accommodation. This was the largest proportion of officers confirming that Houses into Homes was having a notable positive impact on the number of properties being brought back into use recorded during the three years of the evaluation.

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

	2011/12		2012/13		2013/14		2014/15	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Advice & Guidance (persuasion) including planning	1,055	77	1,126	62	3,357	74	1,991	77
Financial Assistance	92	7	183	12	395	9	264	10
Threat of Enforcement action	66	5	148	8	613	13	63	2
Private Sector Leasing / Social letting Scheme	21	2	75	4	62	1	61	2
Housing Act 1985 / Housing Act 2004	10	1	10	1	12	0	29	1
Building Act 1984	4	0	11	1	4	0	29	1
Direct Purchase	18	1	19	1	6	0	26	1
Sale of Property	22	2	30	2	21	0	25	1
Assistance with Organising Work	24	2	39	2	22	0	19	1
Prevention of Damage by Pests Act 1949	9	1	21	1	13	0	18	1
Local Government (Miscellaneous Provisions) Act 1982	14	1	30	2	5	0	17	1
Debt Recovery	8	1	11	1	5	0	13	1
Town & Country Planning Act 1990	2	0	11	1	8	0	12	0
Environmental Protection Act 1990	6	0	12	1	2	0	5	0
Living over the Shop (LOTS) & Homes Above Retail Premises (HARP)	9	1	0	0	0	0	4	0
CPO	4	0	13	1	0	0	3	0
Rent Deposit Scheme	3	0	5	0	0	0	2	0
Prosecution	0	0	1	0	2	0	1	0
Planning (Listed Buildings & Conservation Areas) Act 1990	0	0	3	0	0	0	1	0
RSL Change of Policy	0	0	0	0	0	0	0	0
Homesteading	0	0	0	0	0	0	0	0
Public Request Ordering Disposal (PROD)	0	0	0	0	0	0	0	0
Other please specify	5	0	28	2	27	1	5	0
Total	**1,372**		**1,809**		**4,554**		**2,588**	
Responses	19		21		17		20	
Average Number of Actions per Local Authority	**72**		**86**		**268**		**129**	

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

4.8 Positive developments in 2014/15 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 in 2014/15
- 11 out of 22 officers reported an increase in the number of homes for sale in the local area in 2014/15
- 10 out of 22 reported an increase in the supply of affordable housing in their local area in 2014/15

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 brought various benefits in its wake, which helped to increase the number of empty properties brought back into use. Table 4.2 summarises these benefits. It is striking to note that a majority of local authority officers were still reporting further improvements in relation to a number of issues in the third year of the scheme.

Table 4.2: Did you (local authority) experience any of the following changes in relation to empty homes in your area (responses from 2012/13, 2013/14, 2014/15) (n = 22)

	Yes 2012/13	Yes 2013/14	Yes 2014/15
Increase in enquiries from owners of empty homes	19	12	12
Increased corporate commitment to tackling empty homes	16	15	9
Improved effectiveness in LAs work to tackle empty homes	17	20	15
Improved intelligence about empty homes in the area	12	17	13
Rise in the number of complaints about empty homes	4	10	6
Improved intelligence about the private sector	8	17	10
Increase in the number of FTE staff dealing with empty homes	9	4	0

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 and third years of the scheme. Various explanations were provided for why Houses into Homes continued to have a positive impact on empty homes work. Speaking in 2014, 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 programme[32]). One coordinator also referred to closer working on empty homes issues across local authority departments.

4.11 Four of the six regional coordinators reported in 2014 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

[32] http://gov.wales/topics/housing-and-regeneration/regeneration/vibrant-and-viable-places/?lang=en

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 20 out of 22 local authorities revealed that they employed 16.4 FTE empty homes officers: an average of 0.8 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 and 2013/14: 1.1 FTE's and 1.0 FTE per local authority respectively.

4.13 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, before reducing slightly in 2014/15 to £262,951. This increase on the baseline year of 2011/12 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 Seventeen local authority empty homes officers reported that Houses into Homes had helped their local authority to address other strategic priorities in 2014/15. Four made explicit reference to the contribution of Houses into Homes to regeneration programmes. One officer, for example, explained how Houses into Homes loans had facilitated the improvement of properties within a Vibrant and Viable Places target area[33], as well as in surrounding city centre locations adjacent to the target area. Five officers 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. Three officers specifically referred to the opportunity that Houses into Homes had provided to bring empty commercial premises

[33] http://gov.wales/topics/housing-and-regeneration/regeneration/vibrant-and-viable-places/?lang=en

back into use as residential properties. One officer reflected that the local authority had no mechanism for doing this before the introduction of Houses into Homes. Commenting on this issue in 2014, one reported 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 In May 2015, empty homes officers were asked to identify up to three key successes or benefits that Houses into Homes had brought to the local area during the first three years of delivery:

- *ten out of 22 officers spotlighted the increase in empty properties brought back into use* as a result of Houses into Homes. Four officers made explicit reference to the important contribution the scheme was making to efforts to increase supply and meet local housing need. A related point made by another four officers was the important role that the scheme had played bringing non-residential properties back into use as dwellings.
- *seven local authority officers reported that Houses into Homes had helped promote greater dialogue between local authorities and owners of empty properties*. Commenting on this point in 2014, one officer reflected 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.

- *six local authority officers pointed to the improved relationship that the local authority now had with local developers and landlords* as a result of delivering Houses into Homes. In 2013/14, seven out of 22 local authorities reported working with external partners to deliver Houses into Homes. Partners (in addition to other local authorities within the region) included local authorities from other regions, housing associations, letting agents and private builders. One officer explained in 2015 that Houses into Homes had provided a productive basis upon which to engage with developers and foster an effective working relationship. This reflects the close working relationship that empty homes officers were often required to establish with developers to guide applications for loans to support large scale conversions and re-developments successfully through the application process.
- *five local authority officers reported that a key benefit of Houses into Homes was the improvement it had promoted in local authority work to address empty homes*. One officer reported that Houses into Homes had "created a momentous shift in the awareness of empty homes work". This finding is consistent with evidence to emerge during earlier phases of the evaluation. For example, the survey of local authority officers at the end of the first year of Houses into Homes (2013) revealed an increase in corporate commitment to tackling empty homes in 16 out of 22 local authorities. Regional coordinators interviewed in 2013 also explained that Houses into Homes had driven improvements in staff skills and enabled them to better understand and more effectively tackle the problem of empty homes, particularly in local authorities with limited previous experience of empty homes work. Ten local authority officers also reported in 2013 that Houses into Homes had prompted the development of new partnerships with departments within their local authority and three regional coordinators reported that delivery of Houses into Homes had prompted better inter-departmental working around empty homes within local authorities in their region. On a

related point, three local authority officers identified the financial support that Houses into Homes had provided for large scale redevelopment, for example, of empty commercial properties as a specific benefit of the scheme.

- *five empty homes officers spotlighted the positive impact that Houses into Homes was having on efforts to regenerate town and city centres, as well as residential neighbourhoods.* This is an example of the impact of the scheme on wider objectives. In 2014, 15 out of 21 local authority empty homes officers reported that Houses into Homes was helping their local authority address strategic priorities in other policy areas including regeneration, neighbourhood renewal, public health, homelessness, affordable housing, housing needs, and training and employment.

4.16 Other successes and benefits reported by Regional Coordinators in 2015 included:

- three regional coordinators commented that Houses into Homes had played an important role increasingly supply, improving quality and extending choice in the private rented sector. This was reported to be particularly important in local authorities that historically had a relatively small private rented sector.
- three regional coordinators pointed to the important role that Houses into Homes had served increasing the supply of smaller dwellings, which were reported to be in greater demand due to welfare reform changes and the increasing number of people looking to move to more affordable accommodation.
- 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.

4.17 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

have continued 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). However, one regional coordinator noted that the level of staff resource required to deliver Houses into Homes did limit the extent to which they were able to focus on other activities, such as enforcement.

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	Yes 2014/15
Loans (in addition to Houses into Homes loans)	5	6	6
Grants	12	10	10
Property Appreciation Loans	1	0	1
Works in default	11	12	11
Enforcement (EDMO, compulsory purchase etc.)	9	9	7
Other	2	1	2

5 Delivering Houses into Homes

Introduction

5.1 This chapter focuses on the delivery Houses into Homes during the first three years of the scheme and the lessons learnt. It draws on findings to emerge during the first two years of the evaluation and on an e-survey of 22 local authority empty homes officers and interviews with regional coordinators undertaken in 2015. It explores local authority activities (including factors promoting and inhibiting effective delivery), and considers the operation and contribution made by the six regional groups and the national Houses into Homes steering group. Discussion concludes with a review of local authority perspectives on the future of Houses into Homes.

Local Authority Activity

5.2 In the first six months following the launch of Houses into Homes in April 2012, the infrastructure required to deliver the scheme was designed and developed. Working within a framework provided by the Welsh Government, local authorities came together into regional groupings, signed collaborative agreements that formalised roles and responsibilities, and designated staff to lead on the scheme at the local authority level. These staff, supported by colleagues, have been responsible for marketing the opportunities provided by the scheme, overseeing the application process and approving loans. Monitoring data submitted by all 22 local authorities suggests that staff spent 1,848 days managing the Houses into Homes loan fund in 2014/15; this was slightly less than the 2,419 days reported in 2012/13 and 2,389 days reported in 2013/14. Time spent ranged from 10 days or less in three local authorities to 250 days or more in three local authorities.

5.3 The full allocation of £20 million of capital funding was drawn from the Welsh Government against applications received by local authorities. 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 owners of empty properties with marketing or direct approaches to raise awareness and encourage an application in 2013/14 and 2014/15 (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 in the second and third years of the scheme. However, there was an increase in 2014/15 in the number of local authorities targeting owners of empty properties in particular neighbourhoods, villages or towns. This could reflect the links being forged between Houses into Homes and area based regeneration programmes, such as Vibrant and Viable Places, as well as the new Home Improvement loan scheme[34].

Table 5.1: Groups actively targeted 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	Yes 2014/15
Individual owners of empty properties	20	20	20
Owners of empty homes (rather than commercial dwellings)	18	17	17
Owners of empty properties that are a source of nuisance	16	16	15
Property developers	13	11	11
Management / lettings agents	13	5	5
Owners of commercial properties that could be converted into residential use	11	9	7
Owners of empty properties in particular neighbourhoods villages or town	7	4	10
Owners of dwellings of a particular type or size	2	1	0
Other	2	2	1

[34] http://gov.wales/topics/housing-and-regeneration/grants-and-funding/home-improvement-loans/?lang=en

5.4 All six regional coordinators reported in 2014 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 promotion. 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 and third years of the scheme, for reasons of efficiency and effectiveness. Some 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 the Welsh Government having been allocated and few loans having yet been repaid).

5.5 Reflecting in 2015 about the lessons learnt marketing the scheme, three regional coordinators reported that direct contact with owners was the most effective means of promoting the scheme and securing applications. This approach also meant that Houses into Homes could be targeted in a more strategic manner, for example, at individual 'troublesome' empties, or at areas where neighbourhood renewal activities were being carried out. However, direct contact was reported to be resource intensive and two regional coordinators reflected that the form and nature of future marketing activities will inevitably be informed by available resources. Demand was also reported to inform the approach to marketing. Two regional coordinators reported that demand was on the wane in some areas and that local authorities were responding by reinvigorating their marketing activities. On a related point, one regional coordinator reported that there was plenty of latent demand in the region (there were still lots of empty properties), the challenge was to support owners to submit applications.

5.6 Nine out of 22 local authorities reported that they had allocated all Houses into Homes funds drawn down from the Welsh Government during the first three years of the scheme to approved loans by 1 April

2015[35]. Eleven of the 13 local authorities that had not allocated all the funds drawn down to approved loans reported that they were confident about being able to do so. However, only two officers indicated that demand for loans in their area outstripped available funds, a fact that helps to explain why only one local authority reported having a waiting list of approved applications in April 2015 waiting for loan finance to become available. In response to apparent variations in demand for loans between local authorities, two regional coordinators reported that some funds had been reallocated *within* their region toward local authorities where demand outstripped the original funding allocation. There was no evidence of the reallocation of funding between regions.

5.7 The vast majority of local authorities had prioritised applications received during the first three years of Houses into Homes on a first come, first served basis (Table 5.2). Interest in prioritising applications on additional grounds did increase in the second year of the scheme, but faded again in 2014/15, probably reflecting the fact that funds were available to meet demand and there was therefore no need to prioritise applications. Seven local authorities identified additional grounds on which an application might be prioritised (compared to 12 local authorities in 2013/14).

5.8 The majority of local authorities (17) reported that in 2015 they 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 scheduled (for example, monthly) basis. Five 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.

[35] This relates to the funds allocated during the first three years of the scheme, which totalled £20 million.

Table 5.2: Criteria used to prioritise the funding of approved applications (now or in the future) (n = 22)

Criteria used to prioritise applications*	2012/13 (no. of LAs)	2013/14 (no. of LAs)	2014/15 (no. of LAs)
First come, first served*	20	21	20
Brings empty homes (i.e. non-commercial) back into use	4	5	1
Brings empty homes that are a source of nuisance back into use	5	8	6
Brings empty homes in particular neighbourhoods / villages / town back to use	3	3	4
Brings empty properties back into use for sale	0	3	0
Brings empty properties back into use for rent	2	5	2
Brings empty properties back into use that will be available at affordable rents	3	4	3
Brings empty property of a particular type/size back into use	1	1	0
Applications submitted by private companies	3	2	1
Applications submitted by individual owners	4	4	3
Applications that will create local employment opportunities	2	1	2
Other	1	1	0

* 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 more box.

5.9 Regional coordinators questioned in 2014 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.

5.10 Only one local authority reported in 2014/15 that a loan recipient had encountered problems making agreed repayments. Six 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.

5.11 The majority of local authorities (18) reported in 2015 that repaid loans were being recycled by their local authority. Four officers reported that loans were being recycled within the region. Regional coordinators were asked in 2014 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. Reflecting in 2015, the majority of regional coordinators reported that regional pooling had worked well and expected this to continue as monies were recycled. However, one region was reported to be considering dispensing with regional pooling and devolving responsibility to individual local authorities.

Lessons Learnt by Local Authorities

5.12 Officers provided various observations and suggestions when asked in 2015 to reflect upon their experience of delivering Houses in Homes during the first three years of the scheme. In total, 21 local authority empty homes officers identified at least one factor limiting effectiveness of the scheme and 20 out of 22 suggested at least one reform that would help improve the scheme. The issues identified were consistent with themes to emerge when these questions were asked in 2013 and 2014

and focused on factors thought to be deterring applications and undermining demand for the scheme, or factors limiting efficient delivery. Key amongst these issues were the rules and regulations governing Houses into Homes and staffing resources available to administer the scheme.

5.13 The most common response from local authority empty homes officers when reflecting in 2015 on whether anything had limited the effectiveness of Houses into Homes during the first three years of the scheme, and also when asked to suggest possible reforms that might help local authorities more effectively deliver Houses into Homes, related to the **rules and regulation**s governing the scheme. Four particular aspects of the scheme were identified as constraints and changes were suggested on the basis that they would increase the number of empty properties being brought back into use.

- nine 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. In response, officers recommended extending the loan repayment period, four officers specifically recommending extending the repayment term to five years.
- five officers reported that the equity value of the property does not allow some owners to apply for a loan to cover the full cost of the works given the 80 per cent loan to value ratio applied, under which any loan offered cannot be more than 80 per cent of the property's value taking into account any existing mortgage. Two regional coordinators commenting in 2014 reported that the 80 per cent loan to value ratio rendered some projects involving more problematic, run-down, long-term empty properties unviable.
- five officers suggested extending eligibility to owners intending to occupy the property upon completion of the works.
- two officers recommended extending the maximum total of loans that could be granted to one owner in order to support large scale redevelopment and refurbishment schemes (the maximum that can

be borrowed by a single applicant is £25,000 for each property up to a total of £150,000).

5.14 An additional issue raised by region coordinators was the way in which the Houses into Homes loan was secured against the property. Where an outstanding mortgage existed on a property, the loan was secured as the 'second charge'. However, where the property was free from a mortgage or other loan secured against it, the Houses into Homes loan became the 'first charge' against the property. This was reported to subsequently make it difficult for the owner to secure a mortgage on completion of the works (which was reported to be a common means of repaying the loan). The issue was raised by loan recipients and is discussed further in Chapter 6.

5.15 Fourteen out of 22 empty homes officers reported that successful delivery was dependent upon adequate **staffing** (capacity and expertise). The introduction of Houses into Homes was reported to have resulted in an increase in staff working to bring empty properties back into use. Monitoring data provided by 16 out of 22 local authorities about the number of full time equivalent (FTE) empty homes officers revealed an increased from a total of 13.1 FTE in 2011/12 to 18.1 FTE in 2012/13. Seven of the 16 local authorities providing data reported employing more than one FTE empty homes officer, compared to three out of 16 in 2011/12. This increase was reported to have been vital. Inadequate investment in staff resources to manage the scheme was reported to risk delays in the processing of applications and/or the diversion of staff from other empty homes work. Staffing levels reduced slightly in subsequent years, from an average of 1.1 FTE per local authority in 2012/13 to 1.0 in 2013/14 and 0.8 FTE per local authority in 2014/15.

5.16 Nine out of 21 officers providing a response referred to an increase in staffing resources when asked to identify up to three things that could be done to improve the effectiveness of the scheme and seven officers pointed to staff resources when asked whether any factors limited the effectiveness of the scheme during the first three years of delivery. A

point repeatedly made by regional coordinators across the three years of the evaluation was that more inquiries would be converted into successful applications if more support was made available to assist owners through the application process. This is particularly important in order to increase the number of individual owners successfully negotiating the application process, who were reported to require more support and assistance, as one officer explained in 2015:

> *Time allocated varies by a huge amount depending on each individual application. Some applications run very smoothly, for example with a builder or property developer who are experienced in finances, construction etc. Other applications take up a considerable amount of time when planning permission, building regs etc. are required, applicants of long term empties are often inexperienced with the financial element of H2H [Houses into Homes] and require additional support throughout the process.*

5.17 Analysis undertaken in 2013 supports this conclusion, limited companies taking, on average, 22 days to submit an application compared to the average of 60 days taken by individual owners. In a bid to reduce the time taken for individual owners to submit a bid and, thereby, reduce the number of owners dropping out of the process and failing to submit an application, three officers suggested that additional revenue support might be made available to enable local authorities to provide more help and assistance to applicants. One officer pointed out that that the administration fee of between £295 and £495 paid by applicants as a contribution towards the cost of processing the application "doesn't come close to covering the local authority's costs".

5.18 Three additional staffing related issues were raised by empty homes officers or regional coordinators when reflecting back on three years of delivering the scheme about any factors that might have constrained effective delivery. First, two officers made specific reference to a lack of relevant expertise within the local authority to manage the scheme. This was one of the most common constraints raised in the first year of the scheme, when specific reference was made to delays in the processing

of applications by legal services teams. Second, one officer reported that acting as the lead authority managing the funds drawn down from the Welsh Government had taken up considerable officer time that would have otherwise have been dedicated to empty homes work. Finally, five officers identified cuts to staffing resources as a risk to effective delivery to the scheme beyond 2014/15, in a context of increasing pressure on local authority spending.

5.19 Effective local **marketing** of Houses to Homes was identified as essential for successful delivery by seven empty homes officers. Three officers suggested that improvements in national or local publicity would have helped support more effective delivery of the scheme in their local area. Responsibility for marketing the scheme was often devolved to the local authorities, but there were examples of regional collaboration. North Wales and Mid and West Wales, for example, both reported adopting a regional marketing strategy, using regional branding and issuing regional (as well as locally targeted) publicity. Marketing strategies employed included targeting information at owners of empty properties already in contact with the local authority, sending mailshots to all owners of empty properties, and publicising the scheme through contact with estate and letting agents and auctioneers. Press releases have been issued and information has been uploaded onto council websites.

5.20 The importance of marketing was explained with reference to the need to raise awareness about the opportunities provided by the scheme and to generate expressions of interest and applications. On a related point, one officer reported that the scheme has provided the local authority with a positive reason to engage with owners and developers and to start a conversation about help available and options for bringing properties back into use:

The loan scheme has provided a platform on which to write out to empty property owners with information on this scheme along with other incentives. This has resulted in much more dialogue with empty property owners and has also led to an increase in the number of

properties in the [local authority] area brought back into use (whether as a direct or indirect consequence).

5.21 Four officers suggested **greater autonomy for local authorities** over the operation of the scheme would improve effectiveness. Two of these officers reported valuing the regional group but suggested that there was no need for the region to have a role in delivery once all funds had been drawn down from the Welsh Government, reporting that the involvement of the region represented an unnecessary layer of bureaucracy. Two officers recommended that local authorities should have more autonomy, for example, to vary the administration fee, payment criteria and repayment requirements. Different views were apparent amongst regional coordinators in 2015, with some arguing for a continued role for the region and others suggesting that in future all aspects of Houses into Home delivery should be devolved to local authorities, mirroring arrangements for the new Home Improvement loan scheme.

5.22 Various other points were raised by officers in 2015 when reflecting on factors constraining delivery and changes that could be made to increase effectiveness of the scheme. One particular issue that had also been raised by officers in previous years was the **difficulties some owners encounter submitting an application**. Specific comments received included references to the problems some applicants encounter providing a property valuation, detailed schedule of works and proof of ownership.

The Regional Group

5.23 By the end of the first year of the Houses into Homes scheme, all six regions had a regional empty homes group that coordinated delivery of Houses into Homes. This was a notable development given that regional collaboration and group structures involving all local authorities were not common across regions prior to the launch of Houses into Homes. Regional coordinators explained in 2013 that the role of the regional group was to provide strategic steer to the scheme and to act as a forum for sharing learning and good practice; responsibility for marketing the scheme and approving applications was typically devolved

to local authorities. The membership and structure of the regional groups varied slightly across the six regions during the first three years of the scheme, 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.

5.24 These regional groups continued to meet in all six regions during the second year of Houses into Homes (2013/14), typically every two to three months, although groups tended to meet less frequently than during the first year of Houses into Homes. In 2014/15, the majority of local authorities (19) reported that a regional empty homes group met in their region in 2014/15 and 13 out of 22 officers reported that the group met every two to three months. Three empty homes officers reported that they had not attended a regional meeting during the year, explaining that it had proved difficult to find a satisfactory time to meet and contact via telephone and email had sufficed.

5.25 The focus of the regional group tended to broaden beyond Houses into Homes in the years following the launch of the scheme in 2012 to consider empty homes work more generally and related private sector housing and regeneration issues. 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).

5.26 All five regional coordinators interviewed in 2015 were unequivocal in their views about the key role that the regional group had played supporting delivery of Houses into Homes in their region. These views reflected the benefits that officers associated with attending the groups. In 2013, all 22 local authority empty homes officers spotlighted 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. In

2014, the six regional coordinators reinforced this point, explaining that 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.

5.27 In 2015, the majority of local officers (18 out of 22) still identified at least one benefit associated with attending the regional group. Seventeen officers reported valuing the opportunity that the group provided for local authorities to update each other on progress made delivering Houses into Homes, discuss problems and challenges, and share knowledge and good practice. One officer reported that the group provides a "safe environment for discussing queries, frustrations and strategic issues". Four officers reported that the group was still fulfilling an important functional role in relation to the delivery of Houses into Homes, for example, helping to coordinate the management of funds. Six officers reflected on the benefits arising from the regional group extending its focus to consider broader empty homes and private sector renewal issues. Examples included meetings to discuss and share expertise on particular empty homes processes (for example, enforced sales and works in default) and the forum that the group provided to discuss related projects including Home Improvement Loan scheme and the Vibrant and Viable Places programme.

5.28 Regional coordinators had differing views in 2015 about the future of the regional groups. Three regional coordinators reported that their regional group was not scheduling regular meetings, although it still met intermittently. In contrast, two regional coordinators reported that their regional group was still meeting on a regular basis. The reason given for continuing to meet on a regular basis, despite the key challenges associated with delivering Houses into Homes now being resolved, was

the expanded remit of the meeting and the forum it provided to discuss other aspects of empty homes work and private sector renewal more generally.

The National Steering Group

5.29 The delivery of Houses into Homes during the first three years of the scheme was 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 met on a regular basis during the first three years of the scheme.

5.30 Oversight of the delivery of Houses into Homes was a key concern for the steering group, but Regional Coordinators reported that during the second year of the scheme the steering group had extended its brief to consider empty homes work in the round. This was viewed as a positive development and the national group was reported to be serving an important role supporting new programmes, including the Home Improvement loans scheme.

5.31 Regional coordinators were questioned about the achievements of the national steering group in July 2014. Three key issues emerged. 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 national awareness about empty homes, generating further momentum for the Houses into Homes programme and providing 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 2015/16 and Beyond

5.32 Local authority officers were optimistic in 2015 about the future of Houses into Homes. Eighteen of the 20 officers who responded reported that they thought the scheme would be operating in its present form in their local authority in two years' time[36]. This optimism was rooted in two observations. First, the fact that funding will continue to be available as loans are recycled. The introduction of other regeneration programmes, including Vibrant and Viable Places and Home Improvement loans, were also identified as likely to stimulate demand:

> *In some ways, it is still early days for the scheme. None of our loans are due for repayment yet so this will be a new phase for us. Now that we have 'top-up' for the scheme from repayable funding, we can promote it again and there has been renewed interest lately from developers. As other regeneration projects take off, this is likely to stimulate more interest so I would expect to see a healthy stream of enquiries and applications over the next two years.*

5.33 Second, the fact that the scheme is a key tool for bringing empty properties back into use, which could become more important as the resources to support other interventions come under increasing pressure. As one officer put it:

[36] Reference to the 'present form' of the scheme relates to Houses into Homes as delivered during the first three years of the scheme, rather than the extension of the scheme announced by the Minister for Communities and Tackling Poverty in January 2015 (see http://gov.wales/newsroom/housing-and-regeneration/2015/150129-20-million-investment-in-welsh-housing/?lang=en).

The scheme is pivotal to the role of bringing empty properties back into use. With local authority capital funding for empty homes declining, the HIH scheme will be crucial.

5.34 Eleven officers spotlighted at least one risk to the future of Houses into Homes in their area. Three officers identified non-payment of loans as an inevitable risk to the future of scheme, limiting the funds available to be recycled as loan finance to new applicants. The management of defaults could also place an administrative burden on local authorities that are experiencing cuts in resource and staffing. These concerns were echoed by a regional coordinator, who observed that it was too early to know whether the repayment and recycling of loans would operate effectively, given relatively few loans had so far been repaid. Another regional coordinator reported concerns among some local authorities about the risk of exposure to the possibility of a loan not being repaid. One option for an owner struggling to repay the loan (for example, because they have not been able to sell the property) might be to secure a bridging loan. However, some owners might struggle to secure private finance, regional coordinators reporting in 2013 that some applicants to the Houses into Homes scheme had already been refused credit elsewhere. Enforcement proceedings against owners to secure the debt could prove a costly process.

5.35 Seven officers raised concerns about staffing levels and capacity to monitor repayments, supporting applications and approve new loans. These concerns were 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. One officer reflected on the consequences of a reduction in staffing resources on the scheme:

Staff resources are limited. Currently there is no dedicated officer to administer the loans and this is likely to impact on the scheme. Current applications are being processed, however, proactive work to generate applications is limited.

5.36 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. One regional coordinator raised a related point, suggesting that other aspects of empty homes work might suffer if staffing is reduced and officers are require to focus their attentions on managing Houses into Homes. On a slightly different note, another regional coordinator suggested that the Welsh Government had an important role to play maintaining pressure on local authorities to deliver Houses into Homes:

Our challenge will be keeping the staffing resources in place to enable us to do that. The Welsh Government has a role to play by keeping the profile of the scheme up and making regular checks on local authorities. Pressures on local authorities make it harder and harder for work to continue so the Welsh Government has important role in ensuring that it is able to continue."

5.37 Another staffing concern raised by one local authority officer concerned the availability of administrative support (for example, from legal services) required by empty homes officers to process loans, given the pressures on revenue spend in local authorities.

5.38 Four officers identified limited demand from owners as a risk to the future of the scheme in their area. These concerns are consistent with the fact that 20 out of 22 officers reported in April 2015 that demand for loans did not outstrip available funds. One officer related concerns about demand from owners to restrictions on how Houses into Homes funding can be spent, echoing comments about constraints limiting the effectiveness of the scheme, as discussed above:

I hope that we will have greater flexibility to suit the needs in this Authority. Continued restrictions cause concern over the ability to spend the latest allocation of Houses into Homes from Welsh Government. There is low confidence in the ability to spend the new

allocation within existing parameters. However, we will be continuing to deliver the scheme for the next few years with existing funding and recycled money.

5.39 In contrast, one officer reported that

It is very successful and is contributing in an ever increasing way to the number of properties brought back into use. We [local authorities in Wales] have had another allocation of £10 million from the Welsh Government and we already have several applications for large amounts from this money as the original scheme allocation has been paid out. There is a constant stream of enquiries so it appears its success will continue.

5.40 These two comments reflect wide variations in the number of loans approved and the funds committed that have been apparent across Wales since the launch of Houses into Homes. The six regional coordinators were asked in 2014 if they had any explanations for this variation. Two 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, discussed above. 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.

6 The Views and Experiences of Loan Recipients

Introduction

6.1 This chapter presents findings from a survey of loan recipients. All individuals and companies that received a loan during the first three years of Houses into Homes (for whom contact details were available) were contacted by the evaluation team and asked to take part in the survey, which was made available online and in hard copy form. In total, 108 unique survey returns were received. This represents one-third of all unique loan recipients. Respondents were drawn from all six regions across Wales.

6.2 The majority of the 108 respondents (90; 83 per cent) were individual owners and 17 per cent (18) were companies (representing two-thirds of all companies receiving a loan). The majority of owners (80; 74 per cent) were bringing a property back into use to rent, compared to 21 per cent (23) developing the property for sale (five per cent were redeveloping for a mix of sale and rent). Two-thirds of respondents (70; 65 per cent) reported that the development was completed and 43 per cent (46) reported that it was fully occupied.

6.3 Respondents were asked a series of questions about the background to their application, the financial package drawn together to bring the property back into use, experiences of the application process, the nature of property brought back into use and the dwellings created, and experiences of repaying the loan. These issues are considered below. Where relevant, distinctions in the views and experiences of individual applicants and companies are highlighted.

Reasons for bringing an empty property back into use

6.4 The majority of loan recipients (89; 82 per cent) acquired the empty property they were bringing back into use as an investment. One in five reported that they had inadvertently become the owner of an empty property; 11 per cent inheriting the property, seven per cent owning a second home that had fallen into disuse and four per cent previously renting out the property that was now empty.

6.5 These situations were reflected in the reasons given by respondents for seeking to bring the property back into use, the most common reason given being that it represented an investment decision (Table 6.2). However, the introduction of Houses into Homes did appear to have nudged some owners to bring their empty property back into use. One in five (20 per cent) of respondents reported that the launch of the Houses into Homes served as a catalyst for bringing an empty property back into use and one in ten (nine per cent) identified discussions with a council officer a key reason for bringing an property back into use. Factors associated with enforcement and nuisance (such as ASB, squatting and complaints by neighbours) did not emerge as particularly strong reasons for bringing a property back into use.

Table 6.1: Which of the following statements best describes you? (n=108)

	Frequency	Percentage
An individual who bought the property as an investment to do up and sell/rent	68	63
An owner, director or employee of a company or unincorporated entity (e.g. sole trader) who bought the property as an investment	14	13
An individual who inherited an empty property	12	11
An individual who bought a second home which fell into disuse	8	7
An owner, director or employee of a company or unincorporated entity (e.g. sole trader) who used to rent out the property	6	6

Table 6.2: Which of the following reasons prompted you to bring your property back into use? (n=108)

	Frequency	Percentage
The property was acquired with the express purpose of developing it for sale or rent	59	55
It was an investment decision	48	44
The Launch of the Houses into Homes Loan Scheme	22	20
Discussion with a council officer	10	9
Enforcement was taken / threatened	3	3
Complaints from neighbours	2	2
Squatting	1	1
ASB	1	1
Others	4	4

N.B. Respondents could tick more than one response

Financing works to bring an empty property back into use

6.6 Further evidence of the role that Houses into Homes has played as a catalyst supporting efforts to bring empty homes back into use is provided by responses regarding the main reason for relying on an Houses into Homes loan rather than an alternative funding source (Table 6.3). The most common reason was that help and support was provided by the local authority to make a Houses into Homes application and develop a proposal (38 per cent). This finding appears to be consistent with evidence from the local authority officer survey and interviews with regional coordinators, in which officer support was identified as vital to many (particularly individual) owners developing proposals and submitting a successful application. This assistance might be demanding on time and resources, but was appreciated by many loan recipients.

6.7 Another reported positive associated with Houses into Homes as a source of loan finance was that it represented a more favourable 'deal' than available alternatives. More than one-third of companies identified this as the main reason why they applied for a Houses into Homes loan compared to one in five individual owners. One-quarter of respondents reported that the terms of a Houses into Homes loan were favourable compared to other lenders and more than one in five reported that a Houses into Homes loan appeared cheaper than commercial products. In addition, a small proportion of respondents suggested that they were ineligible for a commercial loan (eight per cent).

Table 6.3: The main reason for using a Houses into Homes loan (n=108)

	Frequency	Percentage
The help and assistance of the Council made it possible for me to make an application and develop my proposals	41	38
The terms of the loan seemed more favourable than elsewhere	27	25
It seemed cheaper than other lenders	24	22
I could not get a commercial loan elsewhere	9	8
I was not aware that there were other funding sources available	6	6
Other	1	1

6.8 The majority of respondents reported that they had considered a range of alternative sources of finance for bringing their empty property back into use (Table 6.4). A loan from a financial institution was most commonly cited (63 per cent). Other options considered included a loan from a family member, friend or acquaintance (23 per cent) and making use of a credit card (16 per cent). Companies were far more likely to have considered a loan from a bank or building society (84 per cent).

6.9 Interestingly, more than one in five respondents reported considering a grant from the council as an alternative source of finance to Houses into Homes. This is surprising given that relatively few councils still operate grant schemes for funding works to bring empty properties back into use. However, regional coordinators did suggest that some property owners approach their local authority in the hope of securing a grant are re-directed to applying for an Houses into Homes loan because grants are no longer (or were never) available.

Table 6.4: Other financial options considered by Houses into Homes loan recipients (n=108)

	Frequency	Percentage
A loan from a Bank or Building Society	68	63
A loan from family / friend / acquaintance	25	23
A grant from the Council (that you did not have to pay back)	24	22
Using a credit card	17	16
Self-funding	12	11
A loan from the Council (other than Houses into Homes	10	9
A loan/credit agreement with a store (such as a DIY store	7	6
A grant or loan from another public body (e.g. Warm Front)	3	3
Other	2	2

N.B. Respondents could tick more than one response

6.10 The vast majority of loan recipients (90 per cent) levered in funds in addition to their Houses into Homes loan in order to finance the works required to bring their property back into use (Table 6.5). The most common source of additional finance was personal funds; more than three-quarters reported investing their own funds into the redevelopment. This was particularly true for companies, 16 out of 18 drawing on their own reserves. Almost one in five of all owners secured

funding from a friend or family member (rising to one-quarter of all companies) and 12 per cent secured investment from a business partner. Only six per cent of individuals and 15 per cent of companies reported securing a commercial loan.

Table 6.5: Additional financial sources used to bring properties back into use (n=107)

	Frequency	Percentage
No, the Houses into Homes loan funded my whole development	10	9
Yes, my own money (savings, income)	83	78
Yes, a loan or a gift from a friend/family member	20	19
Yes, investment from a partner (e.g. friend, family member, business associate)	13	12
Yes, a commercial loan	11	10
Yes, using a credit card	2	2
Yes, by mortgaging/re-mortgaging another property I own	2	2
Yes, another source of funding	2	2

N.B. Respondents could tick more than one response

6.11 The amount of addition funds levered in by loan recipients to finance works to bring a property back into use ranged from less than £1,000 to over £100,000 (Table 6.6). Many levered in relatively small amounts of additional finance, 24 per cent drawing in less than £1,000. In contrast, some loan recipients levered in large sums; 60 per cent levered in more than £10,000 and 12 per cent levered in more than £100,000 in addition to Houses into Homes funding.

Table 6.6: Amount of additional funding used to bring properties back into use (n=89)

	Frequency	Percentage
Under £1,000	21	24
1,000 to 5,000	7	8
5,001 to 10,000	8	9
10,001 to 20,000	7	8
20,001 to 50,000	22	25
50,001 to 100,000	13	14
100,001 +	11	12
Total	89	100

6.12 In an attempt to establish the extent to which the Houses into Homes loan was a critical component of the funding drawn on by owners to finance works to bring a property back into use, respondents were asked

whether the development would have gone ahead without a Houses into Homes loan. More than one-quarter of owners (27 per cent) reported that works would not have gone ahead without the Houses into Homes loan (Table 6.7). In addition, 44 per cent reported that the redevelopment would have not have gone ahead so soon without a Houses into Homes loan. One in five (22 per cent) per cent reported that the redevelopment would have proceeded at a similar time and seven per cent reported that engaging with Houses into Homes had lengthened the time it took to begin a development, an issue returned to below when discussing experiences of the application process.

Table 6.7: Would your development have gone ahead if Houses into Homes had not been available? (n=108)

	Frequency	Percentage
No	29	27
Yes, and it would have happened sooner	8	7
Yes, but it would have happened later	47	44
Yes, it would have happened at the same time	24	22
Total	108	100

Applying for a Houses into Homes Loan

6.13 A recurrent theme running through responses to a series of questions about the Houses into Homes application process related to the important role played by local authority officers in raising awareness of Houses into Homes and guiding owners through the application process. This finding is consistent with evidence to emerge from the annual survey of local authority officers and apparent within comments and reflections from regional coordinators about the critical role that local authority officers often play guiding applicants through the process.

6.14 One-third of loan recipients had become aware of Houses into Homes through direct contact with local authority staff (Table 6.8). Word of mouth also appeared to be an important source of information, 20 per cent first hearing about the scheme from a friend or colleague. One in ten people first heard about the scheme as a result of leafleting. Radio

advertising appeared to have had minimal impact, only two respondents reporting having first heard about the scheme through a radio advert.

Table 6.8: How did you first hear about Houses into Homes? (n=107)

	Frequency	Valid Per cent
Staff at the Council	35	33
A friend/colleague	21	20
Other publicity	17	16
A leaflet	12	11
An advert on the radio	2	2
Other	20	18
Total	107	100.0

6.15 Three-quarters of loan recipients reported receiving help from the local council during the Houses into Homes application process (Table 6.9). More than one-third (38 per cent) reported receiving 'a lot of help' (39 per cent of individuals and 37 per cent of companies). Only one in five respondents (21 per cent) reported that they did not receive any help *and* did not need any (19 per cent of individuals and 32 per cent of companies). A small number of respondents (three per cent) reported requiring help from the local authority but not receiving it.

Table 6.9: Help received from the local council with the loan application process (n=107)

	Frequency	Valid Per cent
Yes, I received a lot of help	41	38
Yes, I received some help	40	37
No, I did not require help	23	22
No, I required help but did not receive it	3	3
Total	107	100

6.16 One-quarter of owners (27) reported that their development had been improved as a result of the application process. This was explained with reference to improvements that ensured the application was successful and improvements relating to the specifics of the redevelopment, including the quality and quantity of new residential units provided.

6.17 Overall, more than three-quarters (78 per cent) of loan recipients reported satisfaction with the application process (Table 6.10). Positive responses might be expected from owners that had successfully negotiated the application process and received loan finance. However, satisfaction levels varied in relation to different features of the application

process. Particularly notable were relatively high levels of dissatisfaction with the length of the process; one-quarter (24 per cent) of owners expressed dissatisfaction with the time it took to make an application and more than one-third (36 per cent) expressed dissatisfaction with the length of time between submitting an application and receiving the loan. Companies expressed lower satisfaction levels than individual applicants regarding all aspects of the application process, other than in relation to communication with the council. Half of all companies expressed dissatisfaction with the length of time it took to make an application, the time between submitting an application and receiving the loan and the costs associated with making an application.

Table 6.10: Satisfaction with aspects of the application process (n=108)

	Percentage Satisfied	Percentage Dissatisfied
The application process overall	78	17
Communication with the Council	83	7
Providing the required documentation	86	8
The length of time it took to make an application	64	24
The length of time it took between submitting the application and receiving the loan	55	36
The help/assistance you received from the Council	78	10
The costs involved with making the application	65	14

Dwellings Brought Back into Use

6.18 The empty properties brought back into use by the 108 loan recipients were expected to provide 241 dwelling units. More than two-thirds (70 per cent) of owners were creating one or two dwelling units (Table 6.11). The majority of redevelopments (80 per cent) involved a local contractor (Table 6.12). This suggests that the majority of expenditure on bringing empty properties back into use remained within the local economy. Owners also committed their own time and effort to the redevelopment process, more than half reporting that they were either directly involved in the redevelopment (42 per cent) or through a firm they own or manage (17 per cent).

Table 6.11: How many individual dwelling units have (or will) been created?

Number of dwelling units per recipient	Frequency	Valid Per cent
1	53	49
2	23	21
3	11	10
4	11	10
5	4	4
6	4	4
10	1	1
11	1	1
Total	108	100

Table 6.12: How the development was undertaken (n=104)

	frequency	Percentage
Myself as an individual	44	42
A firm that you own/run/manage	18	17
Local contractors (builders, roofers, decorators etc.)	83	80
A contractor from outside the area	8	8
Other	7	7

N.B. Respondents could tick more than one response

6.19 Seventy loan recipients reported that the redevelopment was complete and 55 reported that these dwellings were now fully or partially occupied. The 24 owners of dwellings where works were complete but not all units were fully occupied were asked to explain why this was the case. Almost half reported that the development had only recently been completed and was in the process of being let or sold, five reported that there were minor works to be carried out before the unit(s) could be let or sold and three reported that the development was in the process of being let or sold. In three cases an owner reported that the dwellings created were taking longer to let or sell than had been expected. For example, one of these respondents explained that: "It is now a lovely flat but no one wants to live in the area because of high crime rates, vandalism."

6.20 Three quarters of owners (80 out 108) were bringing a property back into use to rent, 21 per cent were developing the property for sale and five per cent were redeveloping for a mix of sale and rent. One in five owners (22) explained that their plans had changed since they applied

for their loan. A number of explanations were provided for a change of plan:

- a change in personal circumstances (financial and health) meant that selling was regarded as more viable than renting (less time commitment, quicker return on investment);

- concerns about the administrative burden and responsibilities associated with renting and/or worries about the nature of the local rental market prompted some owners to sell rather than rent out the dwelling(s) created;

- in some cases the cost of redevelopment was reported to have run over budget. Concerned about struggling to recoup these costs if the property was sold in the present housing market context, some owners reported taking the decision to rent out the property until the 'the market picks up';

- some owners reported letting out dwellings following problems finding a buyer for the property; and

- three owners reported that they had decided to live in the dwelling. This is an interesting finding given that Houses into Homes loans are not available to owners who want to occupy the dwelling upon completion of works. Comments were received from owners lamenting this fact. The reflections of one owner usefully illustrate this point:

I had originally wanted to rent it, but the renovating experience wore me out. I did achieve my goal which was to rescue the house and give it a new lease of life. It looked fab, my only regret I was not allowed under the terms of the loan to move into it myself.

6.21 Owners indicated a willingness to let dwellings created by bringing empty properties back into use to tenants in a range of situations (Table 6.13). However, there appeared to be clear preferences for tenants in particular situations. Working people were the only socio-economic

group that a majority of owners (90 per cent) were willing to have as tenants. In contrast, only one-quarter (28 per cent) reported that they had or were willing to let a dwelling to a tenant who was out of work and in receipt of benefits. Only four per cent indicated that they would lease the property to a local authority or housing association fulfilling the homelessness duty or meeting the needs of a vulnerable adult.

6.22 Single people over 25 years of age were the most popular household type amongst owners who had or were intending to rent out dwellings created by bringing empty properties back into use. Owners were less willing to let to household types (single people under 25 years old, lone parents, older people) that are more likely to not be in work. (Table 6.14).

Table 6.13: Tenants that owners are willing to rent properties brought back into use to, by socio-economic characteristics (n=76)

	Frequency	Percentage
Working people	69	91
Retirees	31	41
Out-of-work benefit claimants	21	28
Students	12	16
Fulfilling a homeless duty or meeting the needs of vulnerable adults*	3	4
Other / unknown	4	5

N.B. Respondents could tick more than one response
* Leased to a council, HA or RSL provider

Table 6.14: Tenants that owners are willing to rent properties brought back into use to, by household characteristics (n=74)

	Frequency	Percentage
Single people aged 25+	56	76
Childless couples	53	72
Couples with Children	47	63
Single people under 25	40	54
Lone Parents	39	53
Elderly People	37	50
Other/unknown	5	7

N.B. Respondents could make multiple responses

Repaying the Loan

6.23 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. It was, therefore, not surprising that only 16 per cent of owners (17) reported

having repaid the loan in full and three-quarters were yet to begin repaying their loan.

6.24 The vast majority of the 91 respondents yet to repay in full reported being confident about making repayments on time and in full (79; 90 per cent). Ten per cent (9) reported not expecting to repay on time. These respondents were asked to explain why they did not expect to repay on time. Various explanations were forthcoming, which fell into two broad categories. First, owners pointed to delays in the redevelopment process. Second, some owners pointed to problems selling or letting the dwelling. The comments of one owner usefully illustrate this point:

I am finding it difficult to find tenants for the property and until I get income coming in from the property I cannot afford to make repayments. I am a pensioner on a low income.

6.25 Loan recipients had or were intending to draw on funds from a range of sources to repay their Houses into Homes loan (Table 6.15). Almost half of all owners (46 per cent) reported that they had or would repay the Houses into Homes loan by securing loan finance from an alternative source; either re-mortgaging the property (42 per cent) or securing a loan against the property (11 per cent). One-quarter (27 per cent) indicated that they had or would repay the loan from receipts from the sale of the property and one-quarter (24 per cent) reported that they would draw on their own savings. More than one-quarter (29 per cent) reported that they would draw on rental income to repay the loan. In total, almost one-third (31 per cent) of owners reported that they would pay back the loan by drawing on funds from more than one source.

Table 6.15: Ways in which loan recipients have (or intend) to pay back the loan (n=101)

	Frequency	Percentage
Re-mortgaging the property	42	42
Taking out a loan secured on the property	11	11
From rental income	29	29
From receipt of sale	27	27
Savings	24	24
Taking out a loan from friends/family	4	4
Taking out an unsecured commercial loan	0	0
Other	7	7

N.B. Respondents could tick more than one response

Improving Houses into Homes

6.26 Various comments, observations and recommendations were forthcoming from 75 respondents in response to an invitation to share their thoughts about how Houses into Homes might be improved. Many of these loan recipients (24) merely used this invitation as an opportunity to comment positively about the loan scheme. The following provide a flavour of the positive comments received:

This loan was a life saver. The property would have declined in repair and I could have gone bankrupt. Development loans just dried up and I was out of options. I could not get a loan anywhere else, I was desperate and this loan was the answer to all my prayers. Well done to whoever thought up the idea of actually helping people like me who are trying to make improvements to make the area look nicer and to provide affordable housing that is so badly needed.

The scheme is very useful, and helps people like myself with limited experience to take on significant renovation projects. It took a little while for funds to come through but staff at the council were very supportive. Both the builder and myself are very pleased with the outcome. We have now created 2 very spacious flats from what was a derelict property. The council are to be commended for their initiative and support.

Without the houses to homes scheme we would not have been in the position to proceed with the development and would have not purchased the property. As a result of the scheme we were able to finance a successful development which has provided much needed dwellings in the centre of a busy city.

6.27 These positive comments were reflected in the fact that the vast majority (90 per cent) of loan recipients indicated that they would consider making another application for a Houses into Homes loan at some point in the future.

6.28 The other 51 loan recipients that responded to the invitation to share any thoughts or comments provided recommendations about how the scheme might be improved. The issues raised chimed with the many of the proposals forthcoming from local authority officers and regional coordinators when asked for suggestions about how the scheme might be enhanced.

6.29 By far the most common issue raised (23 respondents) related to the ***time taken to negotiate the application process, secure approval and subsequently receive the loan*.** The time taken was not only a source of frustration, but in some cases was reported to have raised complications in relation to the redevelopment. One respondent, for example, explained how quotes provided by the builder and other services were time limited and the decision was therefore taken to commence works before receiving the loan:

It's a great scheme. But quotes from builders, double glazing companies etc. only last three months. The payment took 6 months from start to finish. So we had to use a lot of our own money to start the project.

6.30 Another respondent explained how the time taken to receive the loan resulted in redevelopment works being delayed because, in the meantime, the builder had committed to work on other projects. As a result, it was reported that the completion of the development was delayed and potential rental income was lost:

Although it was stressed that applications had to be submitted by end of financial year, there was a delay of 6 months before the funding was actually approved and distributed, during which time other jobs were started and had to be completed, hence the delay on starting and subsequent loss of projected income to repay the loan. Local authority did not have sufficient resources to deal with the scheme and were not given any on-costs to administer (unfair!) although despite this, they were as helpful as time/resources allowed.

6.31 A number of respondents who raised concerns about the time taken to receive their loan were at pains to praise the support provided by local

authority officers, but questioned whether the local authority had the resources or expertise required:

I cannot fault the personal help from the individuals at the Council with whom I had contact. However, there are clearly major flaws in the way these applications rely solely on individuals, and a one by one approach in their progression from application to approval. Work was virtually complete by the time I received the money - over 6 months since my application and over 4 months longer than anticipated at the stage of application. Thankfully I had other sources of cash to continue with works. This scheme could be great, its currently a pain.

I understand that there are legalities that need to be met, but some of the delays are down to internal Council bureaucracy. This is frustrating particularly bearing in mind that the loan is secured on the property anyway. The process is not as efficient as normal commercial property financing and I suspect that part of this is that the Councils involved are having to undertake processes of which they have restricted previous experience. However, the idea itself is a "win, win".

6.32 Positive comments about the help and assistance provided by local authority officers were a recurrent theme across many of the responses. However, seven respondents suggested that the local authority appeared to lack the requisite knowledge and expertise to efficiently process applications, approve loans and provide funds. The following comment is illustrative of the tone of these observations:

The scheme has worked well for me as I know the council well and aspects of property developed and legal work. Unfortunately council members who are administer the scheme are asking questions/dealing with aspects they have no professional knowledge of experience example included: - How to read company accounts - No understanding of how 2nd charges work - what a solicitors under taking is I was an earlier user of the scheme and I hope things have improved.

6.33 Seventeen respondents questioned the ***rules and regulations governing Houses into Homes.*** Six respondents questioned why the most that can be borrowed is £25,000 for each unit brought back into use. This issue was more commonly raised by developers, the following comment being illustrative of the points made:

Scheme is quite complex for smaller levels of lending due to the professional reports required. At the larger end it would be good to see a higher cap on the amount that can be borrowed. The purpose of the loan is to get more houses back in use. Professional landlords and developers are able to do this much quicker than private individuals doing the odd house. The council would also have less work to do as sanctioning £125k loan is virtually the same work as a £25k loan.

6.34 Developers raised a number of other technical issues relating to the scheme that were unlikely to impact on individual owners. For example, one developer recounted complications relating to a transfer of ownership of the refurbished property between subsidiaries of the same company:

The time, cost and effort taken to secure the loan was such that it did not give us any economic benefit. Then once we'd completed the development and wanted to move it from our building company, a wholly owned subsidiary of our rental company to that rental company, the Council insisted that we repay the loan well before the anticipated end date. This caused us great problems in refinancing. As a result we are not likely to use this financing option again even though our developments seem to meet exactly the government's targets of returning derelict properties into affordable housing. I would suggest that many other companies would face the same issues.

6.35 A number of other technical issues were raised by respondents, which tended to reflect their personal situation. Two owners commented on the 80 per cent loan to value ratio rule, under which any loan offered cannot be more than 80 per cent of the property's value taking into account any existing mortgage. This was reported to raise problems

securing a loan through Houses into Homes where this is limited equity in the property, for example, in the case of more derelict, long term empty properties.

6.36 Two different owners raised concerns about deed of priority issues (the priority of creditors in relation to rights to the debtor's asset; the property). Both respondents raised this point in relation to concerns about being able to re-mortgage the property:

I am concerned about the charge issue against the property. If the loan is taken out on a non-mortgaged property. The loan becomes the first charge. This then makes is difficult to get another loan from a bank or building society. It would be ideal if the charge could be swapped over when it came to time to get my investment out of the property. It really isn't that good unless first can become a second charge on re-mortgaging.

Please provide better information to the banks and building societies as I was led to believe that re-mortgaging would be possible whilst the loan was kept as a second charge. However this was not the case and re-mortgaging has been a difficult process.

6.37 Two owners commented on the repayment arrangements, one suggesting that it would be helpful if a longer repayment period was available and another reporting that it would have been preferable if it was possible to repay the loan on a monthly basis rather as a one-off payment after three years. Finally, two respondents were under the mistaken impression that Houses into Homes had now ended. It is unclear why they were under this impression, although one respondent seemed to think that Houses into Homes had been replaced by the Home Improvement loan scheme, but they both thought that the scheme should be continued.

7 Impact and Value for Money

Introduction

7.1 This chapter assesses the impact and Value for Money of Houses into Homes. It starts by providing an overview of the framework for how impact and Value for Money are assessed. A detailed assessment of impact and value for money is then provided covering the first three years of Houses into Homes. This analysis assesses the extent of and relationships between inputs, outputs, outcomes and impact achieved. Where possible attempts have been made to place values on the net additional impacts associated with the scheme. The chapter concludes with a summary of key impacts and consideration of the extent to which Houses into Homes has provided Value for Money.

Framework

7.2 The analysis has been informed by, and is consistent with UK Government Guidance (the HM Treasury Magenta[37] and Green[38] Books and Value for Money[39]). It includes measurement of:

- **inputs**: the financial and staff resources that have been provided and levered in;
- **outputs** achieved: for example, the number of approved loans;
- **efficiency**: the cost per output achieved;
- **outcomes and impacts**: what has been produced by the outputs;
- **impacts**: the broader effects of Houses into Homes including: the economic impact on the economy; rent yield or sales income earned; the provision of accommodation; benefits to the local communities; and wider empty homes work;

[37] HM TREASURY (2011), The Magenta Book: Guidance for Evaluation . London, TSO.
[38] HM TREASURY (2003), The Green Book: Appraisal and Evaluation in Central Government. London, TSO.
[39] HM TREASURY (2006), Value for Money Assessment Guidance. London, TSO.

- **effectiveness**: how effective the loans have been in producing outcomes and the cost per outcome; and
- **additionality:** the degree to which Houses into Homes has delivered outcomes over and above what would have been achieved in its absence.

7.3 Evidence has been drawn from a range of sources collated by the evaluation team, including:

- programme monitoring data on enquiries;
- programme monitoring data on loan applications and approved loans;
- programme monitoring data on staffing;
- programme monitoring data on wider empty homes work;
- in-depth interviews with regional coordinators;
- three annual surveys of officers in all 22 local authorities; and
- a survey of Houses into Homes loan recipients.

Inputs

7.4 This section looks at the inputs and resourcing of Houses into Homes, including the additional inputs that have been levered in. Levered in resources include additional local authority staff time and private sector financial contributions.

7.5 The Houses into Homes scheme has provided £20 million capital funding for local authorities to provide loans to owners of empty properties to bring them back into use for sale or rent. This funding has been drawn down in two tranches. The first £10 million was drawn down in 2012/13 and the second in 2013/14. Table 2.1 shows how this funding was initially assigned by local authority. This funding was then made available to pay for works to bring dwelling back into use. The loan is required to be repaid either on an ongoing basis or at the end of two or three years, depending on whether the property is to be rented or

sold. Once repaid the money is available to be recycled and made available for further loans.

7.6 In addition to the capital loan funding provided by the Welsh Government, local authorities have provided staffing resources to manage Houses into Homes. Analysis of monitoring data reveals approximately 6,656 days have been spent managing the Houses into Homes between 2012/13 and 2014/15. Based on the average reported salary of an empty homes officer within the monitoring data, this equates to an additional contribution of £773,000. This is four pence for every £1 of loan approved or three pence for every £1 of Houses into Homes funding made available[40].

7.7 Analysis of loan application data reveals beneficiaries have contributed an additional £12.8 million private sector leverage to meet the total cost of works required to bring an empty property back into use. This equates to 83 pence for every £1 of loan approved or 64 pence for every £1 of Houses into Homes funding made available.

7.8 In summary every £1 of Houses in Homes funding made available has successfully levered in 67 pence additional contributions from local authorities (to manage the fund and support applications) and loan applicants (to fund the full cost of works).

Outputs

7.9 Applications received, loans processed and loans approved are the main outputs of Houses into Homes. A detailed analysis of these measures has been provided in Chapter 3. The headline numbers for the Impact and Value of Money analysis are:

- local authorities reported 2,341 enquires about Houses into Homes;
- 586 of these enquiries have led to an application;

[40] £20 million of funding has been *made available* by the Welsh Government and drawn down by local authorities against expressions of interest and applications received. As revealed in Chapter 3, some £5 million of this funding is yet to be allocated to approved loans.

- 360 loans have been approved; and
- a further 82 were being assessed at the end of the evaluation period.

Efficiency

7.10 Efficiency compares outputs against inputs to assess the unit cost of outputs provided. In a standard assessment the units cost is compared against alternatives, with the lowest unit cost option being termed the most efficient. However, there is very limited information available on the efficiency of alternatives to Houses into Homes which prohibits a full assessment. In any case, the unit cost of outputs is affected by substantial external factors, such as the scale of works to be undertaken to bring a property back into use, which would make it difficult to generate a fair comparison, were data available relating to alternative interventions. In response to these challenges, this analysis of efficiency provides headline unit costs information from Houses into Homes and then makes some qualitative assertions on the degree to which the programme has been efficient.

7.11 Dividing the total input by the number of approved loans reveals an average input per approved loan of £80,328. This comprises a £42,620 loan, £35,560 private sector contribution and £2,148 in staffing support from the local authority. A number of points relating to efficiency emerge from this number: :

- the average loan was £42,620, which suggests economies of scale have been achieved given a maximum of £25,000 was available per unit;
- only 53 per cent of the unit cost is made up of Houses into Homes funding from the Welsh Government, which suggests the programme has been efficient in levering in additional contributions; and
- the actual input per approved loan varies considerably; a degree of variation is to be expected and is dependent on the scale and

nature of works to be completed to bring a property back into use. However, after taking this into account the input per approved loan still shows variation. This suggests there is some headway to increase efficiency in relation to certain types of applications (for example, individuals, as discussed in paragraph 3.19, who were revealed to require more advice and guidance through the application process).

7.12 The cost of dealing with enquiries and assisting people through the application process appears to be one area where efficiency savings might be made. These costs are borne by local authorities, who provide advice and guidance about the scheme and guide applicants through the process. The average local authority staff time contribution per enquiry was £330. The vast majority of enquiries (80 per cent) do not progress to application and do not, therefore, pay an application fee.

7.13 A final view on the efficiency of Houses into Homes is offered by data from the loan recipient survey (Chapter 6). When asked their main reason for using a Houses into Homes loan to complete their works 25 per cent said 'the terms of the loan seemed more favourable than elsewhere' and a further 22 per cent said 'it seemed cheaper than other lenders' (Table 6.3). These two responses suggest the loan has been viewed by many successful applicants as an efficient means of funding their works.

Outcomes

7.14 The core outcome of Houses into Homes has been the number of dwellings brought back into use; see Chapter 3 for a more detail analysis. Consideration of additional outcomes or impacts arising from the Houses into Homes programme, such as the economic impact on the economy and additional rent yield, are provided below. By 31 March 2015 the works associated with 177 Houses into Homes loans had been completed, of which 144 properties were reported as being back in use. These 144 properties provided 334 dwelling units: 147 more units than before the works were undertaken.

7.15 A further 340 units will be provided through loans where the works were not complete at the end of the evaluation period. These will take the total number of dwelling units provided to 764, an increase of 402 in the number of dwelling units provided by these properties.

Effectiveness

7.16 Effectiveness considers the ratio between outputs and outcomes. The greater the number of outcomes per output the more effective Houses into Homes is considered to be.

7.17 Overall, an average of 2.1 units are to be provided per approved loan once all works are completed and properties are returned into use. An average of 1.1 additional units will be created per property. Houses into Homes is therefore contributing to an increase to housing supply.

7.18 By the 31 March 2015, 144 properties had been returned to use: 0.4 properties per loan approved. This ratio will increase as more works are completed; 80 per cent of properties with completed works had already been returned into use. An average of 0.8 units had already been returned into use per approved loan, representing an increase of 0.4 additional units per property. As before this ratio will increase significantly as more works are completed.

7.19 Within the analysis of effectiveness it is also worth looking at the relationship between approved loans and both enquires and applications. Monitoring data provided by all 22 local authorities shows:

- 6.5 enquiries were received per approved loan; and
- 1.6 applications were received per approved loan.

7.20 The effectiveness of Houses into Homes could be increased if more enquiries could be converted into successful applications. Findings presented in Chapter 5 suggest this would require the commitment of more resources to support owners through the applications process as well as possibly simplifying the application process.

Impacts

7.21 A number of wider impacts have emerged from Houses into Homes which serve to illustrate the value of the programme. These impacts fall into five broad categories: the economic impact on the Welsh economy; rent yield and sales income; benefits to the local communities; and wider empty homes activity. Each of these impacts is discussed, in turn, below and, where possible, their monetary value is estimated.

(i) Economic impact on the Welsh economy

7.22 Completing works to bring empty properties back into use has a positive economic impact on the Welsh economy. This is in the form of demand for goods and services, both directly from suppliers and indirectly within the intermediate supply chain. The economic impact can be measured through output expenditure and full time equivalent (FTE) jobs supported. Evidence from the loan recipient's survey suggests initial expenditures remained within Wales, with most benefiting the immediate local economy. Only two of 104 loan recipients responding to the survey said that they would be exclusively using out of area contractors to complete the works. Assuming the full cost of works remains within Wales, the initial (direct) output expenditure created by Houses into Homes developments is £28,395,000[41]. Applying economic multipliers[42] it is estimated an additional £17,605,000 worth of output expenditure is supported within the immediate supply chain. This gives a total output expenditure of £46,000,000. Using employment effect multipliers[43] it is estimated that this level of expenditure will support just over 440 FTE jobs during the course of the works both directly (280 FTE jobs) and indirectly (160 FTE jobs) across Wales.

[41] This is based on details of the cost of works to be completed taken from monitoring data collected fom local authorities.
[42] Economic multipliers estimate the overall increase in economic activity (including direct, indirect and induced activity) from an initial direct injection in activity. The adopted economic multipliers have been taken from Jones, C., Bryan., Munday, M. and Roberts, A. (2010) The Input-Output Tables for Wales 2007, Environment Agency Wales. This assumes the 2007 estimates are still appropriate.
[43] Employment effect multipliers estimate the additional employment created by the increase in economic output. These have been estimated using data on Gross Output (taken from Jones, C., Bryan., Munday, M. and Roberts, A. (2010) The Input-Output Tables for Wales 2007, Environment Agency Wales.) and employment (taken from Business Register and Employment Survey; licence number NTC/BRES13-P0355). The estimate has been adjusted to 2014/15 prices using GDP deflators.

(ii) Rent yield and sales income

7.23 Returning properties back into use will provide additional rental or property sales income for owners. Of the properties currently back in use 126 are to be rented. Assuming these properties would have remained empty in the absence of Houses into Homes they are estimated to provide an additional rent yield of £149,000 per month (or £1,793,000 per year). In the longer term, 83 per cent of properties will be available for rent once the works have been completed. Assuming these properties would have remained empty in the absence of Houses into Homes, once they have become occupied they will provide a rent yield of £333,000 per month (£3,993,000 per annum)[44].

7.24 An additional 18 properties have been sold and returned into use. Evidence from the monitoring data suggests Houses into Homes has increased the value of these properties by an estimated £1,094,000. This represents additional income earned by the seller which is the direct result of the works covered by Houses into Homes. In the longer term, 53 properties will be sold once the works have been completed. It is estimated that the works will have increased the sale value of these properties by £6,191,000, which represents a benefit to the sellers.

(iii) Local community

7.25 Empty homes can have a detrimental impact on the surrounding local community. For instance, they can become a focus for anti-social behaviour and crime (such as vandalism, arson, squatting and fly-tipping). As a result, evidence suggests empty homes can reduce local house prices by up to 10 per cent[45]. Some of the problems associated with empty homes will also require the local authority, the Police or the Fire Service to take actions that may not be recoverable from the property owner.

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[44] Note landlord may have included additional expenses while renting the properties such as management fees.

[45] Two figures are widely quoted by local authorities across the UK regarding the impact of empty properties on the value of neighbouring properties. Many local authorities quote a 10 per cent figure. Others reference an estimate attributed to The Royal Institute of Chartered Surveyors that empty homes can devalue adjoining homes by as much as 18%. We presumed a reduction in value of 10 per cent for the nearest four properties.

7.26 Evidence from the monitoring data suggests 86 of the 177 properties with completed works previously had a negative impact on the local area. For these properties it is possible to estimate the impact on the house prices of neighbouring properties. To this end, it has been assumed that the four nearest properties gain an increase in their value[46] by 10 per cent. Working through this calculation it is estimated neighbouring properties gain an £3,306,000 increase in their value as a result of the works. Repeating the calculation for all 174 approved loans that were viewed as having a negative impact on the local neighbourhood it is estimated neighbouring properties could gain an £6,486,000 increase in their value as a result of the works.

(iv) Wider empty homes work

7.27 A final impact of Houses into Homes has been on wider empty homes activities within local authorities. This has been discussed in depth in Chapter 4. Headline statistics reveal the number of properties returned into use across Wales as a result of direct actions has increased from 1,026 in 2011/12 (the year before Houses in to Homes' introduction) to 2,458 in 2014/15. Local authority staff have been unequivocal in attributing this increase back to Houses into Homes. If it is assumed that the number of properties returned into use each year would have remained at the level in 2011/12, this would mean that an additional 2,655 properties have been returned to use as a result of Houses into Homes during the first three years of the scheme[47]. Excluding the 144 properties returned into use as a direct result of Houses into Homes, this suggests that 2,511 properties may be attributed to a wider (indirect) impact of the programme. It is not possible to financialise this impact without knowing anything about the specifics of these cases.

[46] The average increase in value per property has been estimated at just over £9,000. This is 10 per cent of the average price of properties that have a detrimental effect on the local community on completion of their works. It has been assumed that the neighbouring properties will on average have a similar average value to the benefiting properties on completion of their works.

[47] Note other factors may have contributed to this increase such as the introduction of the national strategic indicator.

Additionality

7.28 The additionality of Houses into Homes is an assessment of the extent to which the outputs, and thus outcomes and impacts, are additional: they would not have occurred in the absence of the programme. The loan recipient survey provides the most illuminating evidence on this issue. Respondents were asked 'would your development have gone ahead if Houses into Homes loan scheme had not been available?' Over a quarter (27 per cent) said 'no'. In these cases the outputs, outcomes and impacts are purely additional.

7.29 In a further 44 per cent of cases the respondent reported that the work would have been undertaken but would have done so at a later point in time. In these cases the outcomes and impact can be counted within the intervening time period. For instance, if it is assumed the works were on average completed one year earlier an additional rent yield of £1,757,000 could have been earned within this year but future rent yield beyond this should not be counted.

7.30 Thirty per cent responded that the works would have happened at the same time (22 per cent) or would have happened sooner (seven per cent). Consequently, in an evaluative context the outcomes and impact delivered by these loans are not viewed as being additional: they would have been achieved with or without Houses into Homes. However, it is also worth considering the main reasons cited by these 32 respondents for using Houses into Homes to finance part or all of the works. Thirteen (41 per cent) said the loan seemed cheaper than other lenders and a further eight (25 per cent) reported that the terms of the loan seemed more favourable than elsewhere. Both of these factors suggest beneficiaries have made savings by using Houses into Homes. Interestingly eight (25 per cent) also reported they applied for 'the help and assistance of the Council made it possible for me to make an application and develop my proposals'.

A comparison of inputs and benefits

7.31 Drawing together the analysis developed in the preceding sections to compare the monetary value of identified inputs and benefits emerging from Houses into Homes. A number of assumptions are required in order to undertake this comparison. These cover: the time period over which benefits are counted; the date that properties are brought back into use; the additional time properties have been brought back into use due to Houses into Homes compared to if other means had been adopted; how the units are occupied; and finally the reliability of estimates generated from the monitoring data and survey of loan recipients. It should also be noted that only the benefits with an estimated value (as outlined above) can be included in the analysis. Therefore, the analysis does not include a value for the estimated 2,511 additional properties judged to have been brought back into use as a result of Houses into Homes generating an uplift in local authority empty homes activities. Finally the analysis has not discounted future benefits due to uncertainty about when benefits will accrue.

7.32 Table 7.1 shows that, excluding adjustments for additionality, £2.41 of benefits will accrue for every £1 of input via Houses into Homes. However taking into account additionality - adjusting for the fact that an estimated 73 per cent of works would have happened without Houses into Homes - the benefits are considerably less. In this case, £0.74 of benefits will accrue for every £1 of inputs.

Table 7.1: Comparison of inputs and benefits of Houses into Homes

	Accounting for additionality		Excluding additionality	
	All funding	Approved loans	All funding	Approved loans
	£	£	£	£
WG funding	20,000,000	15,343,000	20,000,000	15,343,000
Private Sector Leverage	12,801,000	12,801,000	12,801,000	12,801,000
LA staff time	773,000	773,000	773,000	773,000
Total inputs	**33,575,000**	**28,918,000**	**33,575,000**	**28,918,000**
Economic impact	13,029,000	13,029,000	46,000,000	46,000,000
Additional rent yield	4,736,000	4,736,000	11,143,000	11,143,000
Additional sales value	1,753,000	1,753,000	6,191,000	6,191,000
Community	1,837,000	1,837,000	6,486,000	6,486,000
Total benefits to end 2017/18	**21,355,000**	**21,355,000**	**69,819,000**	**69,819,000**
Benefits per £1 input	**0.64**	**0.74**	**2.08**	**2.41**

8 Conclusions

8.1 Houses into Homes was launched in April 2012. £20 million was made available by the Welsh Government to support the scheme, which provides loans to help bring empty properties back into use as homes for rent or sale. The Welsh Government commissioned an evaluation to monitor the effectiveness, impact and added value of the scheme during the first three years of delivery. This chapter summarises the key conclusions to emerge from this evaluation.

Applications and Loans Approved (April 2012 - March 2015)

8.2 **A total of 586 loan applications were received by local authorities in the period April 2012 to March 2015. By 31 March 2015, 360 loans had been approved and 82 were being processed.** The number of loans approved varied between local authorities. The approved loans will provide 746 residential units. The majority (more than 80 per cent) will provide accommodation for rent. 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 four and a half years.

8.3 Thirty-two of the approved loans were submitted by limited companies, three 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.

8.4 Local authorities reported meeting the target of drawing down the two tranches of £10 million capital funding made available by the Welsh Government to support Houses into Homes against expressions of interest and loan applications received from owners of empty properties.

The value of the 360 approved loans was £15.3 million. The difference between total funding drawn down from the Welsh Government and the value of approved loans appears to reflect the fact that some of the expressions of interest and initial applications against which funds were drawn down from the Welsh Government either did not progress through to an approved application or were progressing very slowly through the approval process.

8.5 Data on loan applications shows that 118 applications had been withdrawn or cancelled; these would account for more than an additional £5 million worth of loans if they were at the current average loan value. In addition, 82 loans were being processed across Wales on 31 March 2015. Based on the ratio of approved loans to applications received in each region during the first three years of Houses into Homes, it appears likely that some 60 of these 82 applications will be successful. Given the average loan value within each region, the predicted total value of these 60 loans is £2.7 million. On this basis, £1.9million of funds drawn down from the Welsh Government remain unallocated to approved loans at 31 March 2015. However, this picture is complicated by the fact that in some regions demand (in the form of applications being processed) outstrips remaining funds, while in other regions it appears likely some funds will remain unallocated to approved loans. Another important point to note is that new applications will continue to have been received by local authorities after the period covered by this evaluation (up to 31 March 2015) and some of these unallocated funds will have been allocated to approved loans.

Empty Homes Activity

8.6 **Analysis has revealed a dramatic increase in direct actions by local authorities to tackle empty homes over the first three years of Houses into Homes and an increase in the number of properties brought back into use.** In 2014/15 - the third year of Houses into Homes - the number of empty dwelling brought back into use as a result of the direct actions of local authorities, was *2,458*: an increase of 13 per

cent on 2013/14 and an increase of 140 per cent on the baseline year before Houses into Homes commenced (2011/12). The 2,458 dwellings contained 2,510 units of accommodation. This again represented an increase on previous years: including over double the number in 2011/12 and 2012/13.

8.7 **The majority of local authority empty homes officers reported that Houses into Homes was important in driving this increase.** This contribution was explained through reference to various benefits associated with the scheme, in addition to providing loans to bring properties back into use. 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.

Delivering Houses into Homes

8.8 **The full allocation of £20 million of capital funding was drawn down from the Welsh Government by local authorities against expressions of interest and applications received from owners of empty properties.** During the first year of the scheme in 2012/13, applications were encouraged through various marketing activities, including mailshots aimed at owners of empty properties, contact with landlord forums, estate and letting agents and auctioneers. The majority of local authorities continued to target owners of empty properties with marketing or direct approaches to raise awareness and encourage an application in subsequent years. In 2014/15, there was an increase in the number of local authorities targeting owners of empty properties in particular neighbourhoods, villages or towns, reportedly reflecting links

being forged between Houses into Homes and other programmes, including Vibrant and Viable Places and the new Home Improvement loan scheme.

8.9 As of 1 April 2015, 13 out of 22 local authorities were still to allocate all of their share of the £20 million of funding drawn down from the Welsh Government to approved applications, but the majority of these local authorities (11 out of 13) expressed confidence about their ability to do so.

8.10 The vast majority of local authorities prioritised applications received on a first come, first served basis during the three years of Houses into Homes, reflecting the fact that funds were available to meet demand and there was therefore no need to prioritise applications. Only one local authority reported having a waiting list of approved applications in April 2015 that were waiting for loan finance to become available.

8.11 The majority of local authorities have issued 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.

8.12 **A critical factor informing the success of Houses into Homes during the first three years of the scheme was the role played by local authority officers.** Local authority officers were identified as playing a key role in marketing and publicising the scheme to owners of empty properties, fielding enquiries about the scheme and providing the guidance and assistance recognised as vital in maximising the number of successful applications. The increase in staff working to help bring empty properties back into use within the majority of local authorities following the launch of Houses into Homes was recognised as vital to the effectiveness of the scheme. A reduction in staffing could risk undermining effectiveness.

8.13 **The key suggestion forthcoming from local authority officers and loan recipients for improving the number of applications, loans**

granted and, thereby, the effectiveness of Houses into Homes related to the rules and regulations governing the scheme. The principal suggestions included: extending the repayment period; lowering the loan to value ratio; increasing the maximum loan size per property; and permitting the owner to reside in the property upon completion of work (these comments were made prior to the introduction of the Home Improvement loan scheme). Comments were also forthcoming from local authority officers about the importance of marketing and the benefits of ceding greater autonomy in the future to local authorities to deliver the scheme as they see fit.

8.14 All six regions had a **regional empty homes group** that coordinated delivery of Houses into Homes. The regional groups provided strategic steer to the scheme and acted as a forum for sharing learning and good practice. The groups tended to meet less frequently as Houses into Homes became established and initial teething problems were resolved. The focus of the regional group also broadened with time to consider empty homes work more generally and related private sector housing and regeneration issues. Membership also widened in response to the extended brief of the group.

8.15 Empty homes officers and regional coordinators referred to the importance of the regional group as a forum in which local authorities could share accumulated knowledge, understanding and best practice in relation to Houses into Homes and empty homes issues more generally. The group was still reported to be playing an important role in the third year of the scheme by the majority of local authority officers. Benefits included the opportunity to discuss new and emerging initiatives, including the Home Improvement Loan scheme and the Vibrant and Viable Places programme.

8.16 **The national steering group for Houses into Homes** was reported to have provided a valuable forum in which regions could share experiences, secure advice and guidance and raise issues with the Welsh Government. It was also credited with helping to raise awareness of empty homes work 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. The steering group was reported to have helped promote closer links between the Welsh Government, WLGA and local authorities from which all had benefited. It also provided an opportunity to share experiences and seek advice and guidance.

8.17 Local authority officers were optimistic about the future of Houses into Homes. The scheme was reported to have become a mainstay of efforts to tackle empty homes and funding will continue to be available as loans are recycled. However, various risks to the future of Houses into Homes were spotlighted. These included: non-payment of loans, which would limit the funds available to be recycled as loan finance to new applicants; reduced staffing levels and restricted capacity to monitor repayments, support applications and approve new loans; and limited demand for the scheme from owners in its present form.

The Views and Experiences of Loan Recipients

8.18 The majority of owners surveyed who had or were bringing a property back into use with the help of a Houses into Homes loan had acquired the property as an investment. **The majority of owners received advice and support from local authority officers, who were reported to have played an important role raising awareness of the scheme.** Many owners reported benefiting from the assistance of a local authority officer, although some criticisms were forthcoming from a minority of owners regarding the knowledge and expertise of staff. One-quarter of owners reported that help received from local authority officers had served to improve their development in some way.

8.19 More than one-quarter of owners reported that their development would not have gone ahead without a Houses into Homes loan. The vast majority levered in funds from alternative sources to supplement their Houses into Homes loan (ranging from less than £1,000 to more than £100,000).

8.20 **A large majority of redevelopments involved a local contractor, suggesting that the majority of expenditure bringing empty properties back into use would remain in the local economy.** The majority of owners were creating dwellings for rent and expressed a preference for renting to working people. The vast majority of owners were confident about being able to repay their Houses into Homes loan, either from the proceeds following the sale of the property, via a loan secured on the property or by drawing on their own funds (including rental income).

8.21 **Three-quarters of owners expressed overall satisfaction with the application process**, although suggestions were forthcoming about how it might be improved. The most common was that the application and approval process was rather drawn out and should be speeded up. Owners also had various other suggestions for how the scheme might be improved, which focused on the technicalities of the scheme (including qualification criteria and the terms and conditions of the loan).

Impact and Value for Money

8.22 **Houses into Homes provided impact and value for money**, including:

- levering in additional inputs: Houses into Homes has levered in 83 pence for every £1 of loan approved;
- economies of scale: loan funding has provided economies by providing multiple units through single applications;
- increasing the supply of units: an additional 147 units have already been provided; this will increase to 402 once all works are completed;
- returning empty homes into use: 144 properties (280 units) had been returned into use by 31 March 2015;
- providing an economic impact across Wales;
- providing rental and sales income to owners;

- benefiting the local communities who resided within the immediate vicinity of empty homes; and
- providing an uplift in wider empty homes activities: between 2012/13 and 2014/15 and estimated 2,511 additional properties brought back into use have been attributed to a wider (indirect) impact of the programme.

8.23 Analysis revealed that £2.41 of benefits accrued for every £1 of input via Houses into Homes, excluding adjustments for additionality. However taking into account additionality - adjusting for the fact that an estimated 73 per cent of works would have happened without Houses into Homes - the benefits are less; £0.74 of benefits accrue for every £1 of inputs.

8.24 Analysis identified two ways in which additional impact and value for money might have been achieved: local authorities allocating the full amount of funding drawn down from the Welsh Government to approved loans; and increasing additionality. In total, £15.3 million of the £20 million Houses into Homes funding drawn by local authorities from the Welsh Government has been allocated to approved loans. The outputs, outcomes and impact recorded by Houses into Homes would inevitably have been greater if all this funding had been allocated to approved loans. A total of 2,341 enquiries have been converted into 468 full applications. There would therefore appear to be scope for improving the effectiveness of the scheme by converting a greater number of enquiries into applications and approved loans. Discussion in earlier chapters suggest that this might be achieved by revising rules and regulations governing the scheme to increase the number of owners and properties that qualify for a Houses into Homes loan; simplifying and speeding up the application process, which might involve increasing staffing.

8.25 A final point of reflection is the extent to which Houses into Homes has delivered additional outcomes and impacts. Almost three-quarters of loan recipients reported that works bringing a property would have gone ahead (sooner, at the same time or later) without a Houses into Homes

loan. However, local authority staff were unequivocal in attributing an overall uplift in local authority empty homes activities to the introduction of Houses into Homes; an additional 2,511 properties brought back into use during the first three years of scheme compared to the baseline year of 2011/12. It is not possible to financialise this impact without knowing more about these specific cases.

Conclusion

8.26 Following the launch of the Houses into Homes scheme in 2012, the infrastructure required to deliver the scheme was designed, developed and implemented. Houses into Homes was marketed by local authorities and expressions of interest and applications were received from owners of empty properties against which local authorities were able to draw down the full £20 million of capital funding made available by the Welsh Government. A total of 360 loans were granted in the first three years of the scheme to support works to bring empty properties back into use and provide 746 units of accommodation. Houses into Homes has also played a key role in promoting a dramatic increase in empty homes activity, resulting in a major rise in the number of empty dwellings brought back into use through the direct actions of local authorities. With some refinements (see Chapter 9), Houses into Homes has the potential to continue playing an important role in helping to tackle the problem of long-term empty properties and to make a major contribution to housing supply.

9 Recommendations

9.1 In addition to spotlighting the achievements of Houses into Homes, the evaluation revealed various challenges associated with the delivery of the scheme and a number of features of Houses into Homes that might be improved in a bid to increase effectiveness and efficiency. This final chapter summarises these points in the form of a series of key recommendations.

9.2 **Recommendation 1: Accelerate the allocation to approved loans of the £20 million of funding made available by the Welsh Government and drawn down by local authorities.** Monitoring data has revealed that almost £5 million of the £20 million drawn down by local authorities was yet to be allocated to approved loans at 31 March 2015. Explanations include the fact that some expressions of interest and applications against which funds were drawn down did not progress to approved applications, whilst some continue to slowly progress through the approval process. Evidence also emerged of some local authorities applying qualification requirements that limit the number of successful applications.

9.3 In response, local authorities that have not allocated all funds drawn down from the Welsh Government to approved loans should: review their interpretation and application of the rules and regulations governing the scheme to ensure they are not placing unnecessary barriers in the way of successful applications and endeavour to speed up the application process. This might require a temporary increase in staff resources. The Welsh Government might seek confirmation from all local authorities or regions yet to allocate funds to approved loans that unmet demand for loan finance exists within their area. A deadline might be agreed for funds to be allocated to approved loans, after which any unallocated funds might be redistributed to regions and local authorities where demand is stronger and additional funds would be

welcomed (some reallocation of funds has taken place, but this has tended to have been within, rather than between, regions).

9.4 **Recommendation 2: Safeguard the staffing resources required to effectively administer Houses into Homes.** A critical factor informing the success of Houses into Homes during the first three years of the scheme was the role played by local authority officers. The continued success of the scheme depends upon local authorities dedicating the necessary staffing resources to administer the Houses into Homes.

9.5 Local authority officers were identified as playing a key role in marketing and publicising the scheme to owners of empty properties, fielding enquiries about the scheme and providing the guidance and assistance recognised as vital in maximising the number of successful applications. The increase in staff working to help bring empty properties back into use witnessed within the majority of local authorities following the launch of Houses into Homes was recognised as vital to the effectiveness of the scheme. It was also credited with supporting an increase in a broader range of direct actions taken by local authorities resulting in a dramatic increase in the number of empty properties brought back into use. Staff cuts would risk undermining these achievements and could result in a reduction in the number of empty properties brought back into use.

9.6 **Recommendation 3: Review and revise the rules and regulations governing Houses into Homes.** There is the potential for some relatively minor amendments to the rules and regulations governing Houses into Homes to increase demand and maximise the effectiveness of the scheme. Reforms could be introduced by the Welsh Government or responsibility could be ceded to local authorities to vary aspects of the scheme as they see fit.

9.7 Possible reforms include extending the three year timescale for repayment of loans for properties being brought back to rent, perhaps to five years, in response to reports that the current repayment period deters some applicants. It would have been reasonable to raise concerns about the impact of a five year repayment period on the

recycling of loans when the scheme was launched. However, a phased programme of repayments has now been established, by virtue of the mix of loans for rent and for sale granted across the first three years of the scheme. There are also funds drawn down from the Welsh Government yet to be allocated to loans, suggesting that the scheme does not need to rely solely on the rapid recycling of loans for funding over the next few years.

9.8 Another reform worthy of serious consideration is varying the loan to value requirements, under which any loan cannot be more than 80 per cent of the property's value taking into account any existing mortgage. Varying the loan to value ratio could help render the redevelopment of more run-down long-term empties more viable. Consideration might also be given to extending the maximum total of loans that can be granted to one owner, in recognition of the potential of the scheme to support large scale redevelopment and refurbishment schemes.

9.9 Empty homes officers frequently suggested that demand for the scheme would be dramatically increased by extending eligibility to owners intending to occupy the property upon completion of the works. The new Home Improvement Loan scheme, which provides loans to owners of substandard properties who pass affordability criteria and who are restricted by other sources of finance, should help to address the needs of this group.

9.10 **Recommendation 4: Continue to share learning and provide advice, guidance and training.** It is important that empty homes officers continue to have the opportunity to share experiences and hear about how other authorities are dealing with the challenges of delivering Houses into Homes. New challenges are likely to arise in the future, including the management of repayments and defaults; the recycling of loans; and maximising the synergies between Houses into Homes and other regeneration programmes, including Home Improvement Loans and the Vibrant and Viable Places programme. Empty homes officers grappling with these new and emerging challenges are likely to benefit from the continued provision of expert advice and guidance, which has

been provided through the WLGA Improvement Project for Empty Homes and via the project consultant Andrew Lavender. This will insure local authorities against the challenges associated with staff turnover and the potential loss of institutional knowledge and expertise. It will also provide a important source of support for empty homes officers who could find themselves assuming greater responsibility for administration of the scheme as a result of cuts in support services (such as, legal services).

9.11 **Recommendation 5: Provide further clarification regarding interpretation of the National Strategic Indicator (PSR/004).** National Strategic indicators are used to measure the performance of local authorities at a national level. They focus on key strategic priorities. The national indicator relating to empty homes (PSR/004) measures the extent to which local authorities are bringing dwellings that have been vacant for long periods of time back into occupation. It details the number and percentage of private sector dwellings that had been vacant for more than six months at 1 April that were returned to occupation during the year through direct action by the local authority.

9.12 Clarification regarding the types of activities that represent a direct action that can lead to a dwelling being returned to occupation has been provided in response to evidence that local authorities were employing different interpretations and to ensure a clear and consistent approach. Further clarification is required regarding how to count properties brought back into use through Houses into Homes. Many of the properties brought back into use through Houses into Homes were previously non-residential premises (such as churches, pubs and shops). Guidance relating to PSR/004 is unclear about whether the return of non-residential premises to use as dwellings should be included in national indicator returns submitted by local authorities. Clear guidance is required to ensure a clear and consistent approach. Regardless of whatever guidance is issued, the return of commercial properties into use as accommodation important outcome of Houses into Homes and should be monitored. In the first three years of the scheme,

72 loans (20 per cent) were granted to owners seeking to bring non-residential properties back into use. These redevelopments will provide 278 dwelling units.