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Houses into Homes: Second Interim Evaluation Report



Houses into Homes Second Interim Evaluation Report

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

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1 Executive Summary

Background

- 1.1 Bringing empty properties back into use will help with efforts to increase supply and choice, improve housing conditions and meet housing need in Wales. Recognising this fact, the Welsh Government has set itself the target of bringing 5,000 properties back into use during the current term of government (2011-2016)¹.
- 1.2 A new empty properties initiative has been introduced to help deliver on this objective. The Houses into Homes scheme was launched in April 2012. It 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 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. A £10 million fund was created by Welsh Government to support the scheme in 2011/12/13.

Methods

- 1.3 A team from the Centre for Regional Economic and Social Research, Sheffield Hallam University has been commissioned by the Welsh Government to conduct an evaluation of the Houses into Homes scheme. The aim is to monitor effectiveness, impact and added value of the scheme, and to provide accountability for the use of public funds. Impacts are monitored through the ongoing collection of data from local authorities about direct actions to bring properties back into use, including applications received and loans granted under the scheme.
- 1.4 Delivery processes are being evaluated through regular contact with nominated leads in each of the six regions and through an annual e-survey of all 22 local authority leads. The evaluation will report at agreed points during the three years of the programme. This summary

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

provides an overview of findings to emerge during the first year of the scheme, from April 2012 to March 2013.

Applications and Loans Approved (April 2012 - March 2013)

- 1.5 A total of 241 applications for Houses into Homes loans were received by local authorities in Wales in 2012/13. By 31 March 2013, 45 loans had been approved, 179 were being processed, four had been rejected and one application was received after a deadline set by a local authority. The number of loans approved varied between local authorities.
- 1.6 The total value of the 45 approved loans was £2,032,169. A total of 90 residential units will be provided by bringing these 45 properties back into use. The majority will provide accommodation for rent and almost half will provide affordable accommodation. The 45 properties being brought back into use had been empty for an average of almost six years.
- 1.7 Six of the approved loans were to limited companies and 39 were to individual owners. The average loan value for properties being brought back into use by a limited company was more than double the average value of loans granted to individual owners. Average private sector leverage was also far larger for approved loans granted to limited companies. These applications were also more likely to increase the number of units provided.
- 1.8 Local authorities had received 805 enquiries about Houses into Homes loans that were yet to result in an application. In 94 cases owners indicated that they would be submitting an application. A total of 69 owners had been signposted to another empty homes intervention. Regional coordinators were asked what they thought were the main reason for the gap between enquiries and applications. Two factors were identified by all six regional coordinators; owners struggling with or put off by the complexity of the application process and the costs associated with making an application. A problem identified by four

regional coordinators was 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 the scheme (the loan cannot exceed 80 per cent of the value of the property minus any outstanding loans against the property, such as a mortgage).

- 1.9 Available evidence suggests that local authorities have been successful in meeting the target set by the Welsh Government of drawing down the full £10 million of capital funding in the financial year 2012/13 against applications received. It also appears that the loans approved and loans being processed in 2012/13 will provide more than the 450 units that local authorities originally indicated would be brought into use when claiming the £10 million of Houses into Homes funding from the Welsh Government.

Empty Homes Activity in Wales

- 1.10 Analysis reveals an increase in direct actions² by local authorities to tackle empty homes in 2012/13 and an increase in the number of properties brought back into use. In 2012/13, a total of 1,097 empty properties were brought back into use, providing 1,152 units of accommodation, a seven per cent increase compared to the situation in 2011/12. The situation varied across Wales, 14 local authorities reporting an increase in the number of units brought back into use, six reporting a decrease and one reporting no change. The reasons for this variation are unclear, but one regional coordinator suggested that, in the short term, staff in some local authorities were diverted away from other empty homes work to get Houses into Homes up and running. This could have resulted in a temporary reduction in empty properties back into use, which is likely to be reversed in subsequent years as works supported by Houses into Homes are completed and properties begin to be brought back into use through the scheme.

² Examples of direct action are: grants, 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.

Those local authorities able to provide data reported an increase between 2011/12 and 2012/13 in the proportion of homes returned to use as affordable housing and an increase in the number of bedrooms provided per unit.

- 1.11 The increase in the number of empty properties brought back into use appears to reflect an increase in direct actions taken by local authorities. 1,809 direct actions were taken by local authorities on empty properties brought back into use in 2012/13, compared to 1,372 direct actions in 2011/12 (an increase in the average number of direct actions per property brought back into use from 1.3 to 1.6). The provision of financial assistance and threat of enforcement action remained two of the more common forms of direct action in 2012/13, in addition to advice and guidance.
- 1.12 It is difficult to directly attribute the increase in direct actions to the introduction of Houses into Homes, although the scheme was reported to have raised the profile of empty homes work more generally within local authorities in Wales. In addition to providing local authorities with an additional tool to tackle the problem of empty homes, Houses into Homes was reported to have resulted in an increase in corporate commitment and spending to tackle the problem of empty homes, an increase in staff working to bring empty properties back into use, better intelligence about the problem of empty homes, and improvements in collaborative working within and between local authorities and their partners.
- 1.13 It is difficult to link the increase in properties brought back into use in 2012/13 to the 45 Houses into Homes loans issued during the year; only one property was recorded as being brought back into use as a result of works funded by a Houses into Homes loan in 2012/13. This is to be expected given that the first loans were only approved in Autumn 2012. However, at the end of the first year of the scheme a majority of local authority empty homes officers predicted that an increase in the number of empty properties brought back into use

would become apparent in the longer term as a result of Houses into Homes.

Delivering Houses into Homes in 2012/13

- 1.14 In the first year of the Houses into Homes scheme, the infrastructure required to deliver the scheme was designed, developed and implemented. Local authorities marketed the scheme and applications were generated against which the full £10 million of capital funding made available by the Welsh Government in 2012/13 was drawn down. Local authorities commenced approving loans in September 2012. Some challenges were reported delivering Houses into Homes in 2012/13. These included aspects of the scheme that were reported to discourage applications (such as the timescale for repayments, the 80 per cent loan to value ratio and the exclusion of owners wanting to occupy the property upon completion of works) and the difficulties some owners encountered negotiating the application process. In response, local authority empty homes officers and regional coordinators identified two key ways in which the scheme might be improved. First, simplifying the application process, reducing the administrative burden on applicants and increasing the efficiency of the approval process. Second, increasing demand for the scheme and bringing more empty properties back into use by extending eligibility and increasing the repayment period.
- 1.15 The regional groups were reported to have made an important contribution to the delivery of Houses into Homes and brought various benefits in their wake. Key among these was providing a forum in which local authorities could share experiences and seek advice and guidance. No notable problems were raised with the operation of regional groups, but suggestions were forthcoming about how their contribution might be enhanced. These included granting regional groups more autonomy to determine the specifics of the scheme in their region and appointing a dedicated officer to facilitate closer and

more effective collaboration between local authorities in the region on empty homes issues.

- 1.16 The national steering group was reported to have generated momentum behind delivery of Houses into Homes during its first year and to have provided a valuable forum in which regions could share experiences, secure advice and guidance and raise issues directly with the Welsh Government. Regional coordinators suggested that the remit of the group might be extended beyond Houses into Homes to address empty homes issues more broadly.
- 1.17 Some minor changes were anticipated in the delivery of Houses into Homes in 2013/14. These included an increase in the number of local authorities utilising Houses into Homes funds to conduct works in default³ and increasing attention to the potential for Houses into Homes activities to support delivery of other strategic objectives, such as promoting an increase in the supply of smaller properties in response to welfare reform. Potential risks to the successful delivery of the scheme in 2013/14 were identified as including the possibility of faltering demand and a reduction in officer input to the scheme.
- 1.18 Evidence emerged of various additional benefits arising from the scheme. In particular, the majority of 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. One local authority officer, for instance, explained that empty homes being brought back into use were providing urgently needed accommodation for homeless households in priority need of accommodation.

³ In some circumstances a local authority will pay for works to be carried out on a property and recover the costs, including staff time, from the owner. Works in default is sometimes the most effective way of ensuring necessary repairs and maintenance are carried out on a property.

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)⁴. To this end, a new empty properties initiative has been introduced in a bid to reduce the number of empty properties and increase supply and choice in the Welsh housing system.
- 2.2 The Houses into Homes scheme was launched in April 2012. It 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. Originally, a £10 million fund was created by Welsh Government to support the scheme.
- 2.3 An evaluation of the Houses into Homes scheme has been commissioned by the Welsh Government to monitor effectiveness, impact and added value of the scheme, and to provide accountability for the use of public funds. The evaluation commenced in May 2012 and will run for the course of the programme, from April 2012 to March 2015. The evaluation is scheduled to report at a number of agreed points during the three years of the programme, as well as providing a detailed final report in advance of the Welsh Government elections due in 2016. The first interim report from the evaluation was published in May 2013⁵. It set the scene for the evaluation by detailing the background to the scheme, summarising the range of powers at the disposal of local authorities in Wales to bring empty properties back into use and profiling direct actions taken by local authorities across Wales to bring properties back into use in the year prior to the introduction of the scheme. The latter represents a baseline against which the impact of the Houses into

⁴ See <http://wales.gov.uk/docs/desh/consultation/120521whitepaperen.pdf>

⁵ See <http://wales.gov.uk/docs/caecd/research/130430-houses-homes-first-interim-evaluation-en.pdf>

Homes scheme can be monitored. It also reviewed delivery during the first six months of the scheme, from April 2012 to September 2012, focusing on the design and development of the delivery framework for Houses into Homes. The second output from the evaluation was a short note presenting monitoring data relating to the first year of the scheme, published on 1st August 2013⁶. This third output reviews delivery during the first full year of the scheme, from April 2012 to March 2013.

Houses into Homes

2.4 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 rent⁷. Funding can also be used to support local authorities to conduct works in default. The scheme is solely concerned with private sector properties that have been empty for more than six months. The loans are interest free and the money is made available to the owner up front before work starts. Any loan offered is secured on the property and cannot exceed 80 per cent of the value of the property minus any outstanding loans held against it, such as a mortgage. 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 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 made available for further loans to bring empty properties back into use.

⁶ <http://wales.gov.uk/docs/caecd/research/130801-houses-homes-key-monitoring-data-2012-13-en.pdf>

⁷ For further details about the scheme see <http://wales.gov.uk/topics/housingandcommunity/housing/private/emptyhomes/housestohomes/?lang=en>

2.5 Delivery of Houses into Homes is devolved to six regional steering groups comprising representatives of each local authority in the region (see Table 2.1). Capital funding has been allocated to regions on a pro rata basis based on the percentage of the private sector stock in Wales located within each region. An indicative allocation of these funds to each local authority in the six regions was also provided. Originally, £10 million was allocated to the scheme by the Welsh Government in 2012/13. A further £10 million has been allocated to the scheme in 2013/14. Funds are drawn down from the Welsh Government by the regions on the basis of applications received from owners of empty properties. Each region has appointed a local authority as a banker, which collects information on applications received, submits these details to the Welsh Government and receives the capital funding, which is then distributed to individual authorities.

Table 2.1 Regional Groupings and Houses into Homes Funding

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	£2,332,532	£2,332,532
Mid and West Wales	Powys County Council Carmarthenshire County Council Pembrokeshire County Council Ceredigion County Council	£1,799,534	£1,799,534
Gwent	Blaenau Gwent County Council Caerphilly County Borough Monmouthshire County Council Newport City Council Torfaen County Borough Council	£1,772,762	£1,772,762
Western Bay	Bridgend County Borough City and County of Swansea Neath Port Talbot County Borough Council	£1,665,194	£1,665,194
Cardiff and the Vale	Cardiff Council Vale of Glamorgan Council	£1,464,186	£1,464,186
Cwm Taf	Merthyr Tydfil County Borough Council Rhondda Cynon Taf County Borough Council	£965,792	£965,792

- 2.6 The intention was that the first £10 million of capital funding would be drawn down and allocated in the financial year 2012/13. To this end, each local authority was given an indicative allocation, but regional groups were granted flexibility to determine the precise allocation of funds to local authorities within the region. This allowed funds originally allocated to a local authority that failed to receive applications commensurate with its capital allocation to be reallocated to other authorities evidencing greater demand.
- 2.7 The delivery of the Houses into Homes scheme is overseen by a national steering group composed of the six chairs of the regional empty homes groups, the Welsh Government, the Welsh Local Government Association (WLGA) and Andrew Lavender, a consultant who also served as project consultant for the Kent Empty Property initiative since its inception in 2005. The Welsh Government has also supported the WLGA Improvement Project for Empty Homes, which provides local authorities with advice, guidance and training relating to the scheme⁸.

Overview of the evaluation

- 2.8 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).
- 2.9 The **impact evaluation** addresses key questions including how effective the scheme has been at bringing properties back into use; the additional impacts of the scheme; the (direct and indirect) beneficiaries; the sustainability of the scheme; success leveraging in additional resources; and value for money. Answering these questions requires detailed information about empty properties across Wales and direct actions taken by local authorities, information about loan applications and loans

⁸ See <http://www.wlga.gov.uk/empty-homes/>

granted and outcome information about properties brought back into use. These data are being collected from local authorities across Wales on a regular basis throughout the evaluation. In addition, an on-going survey of direct beneficiaries (loan recipients) is to be undertaken to capture information about outcomes and to identify wider beneficiaries.

- 2.10 The ***process evaluation*** is examining the development, promotion, implementation and delivery of the Houses into Homes scheme. It is addressing key questions including the effectiveness of different approaches to delivering the scheme across Wales; difficulties and barriers encountered; and options for fine tuning the scheme to maximise efficiency and effectiveness. To answer these questions, the evaluation team are liaising on a regular basis with the nominated lead in each of the six regional groupings. This includes face to face discussions and regular telephone catch ups throughout the duration of the programme. Data from the most recent round of interviews with regional coordinators, conducted in July 2013, are analysed in this report. An e-survey of empty officers in all 22 local authorities in Wales is being conducted annually to gain insight into local issues and experiences of the scheme. Data from the most recent survey, conducted in June 2013, is analysed in this report. Interactive events will also be held at which evaluation findings will be shared with local authorities and solutions sought to emerging challenges.

Structure of the report

- 2.11 The report is divided into three key sections. **Chapter 3** profiles applications received and loans approved in the first year of the Houses into Homes scheme (April 2012 to March 2013). **Chapter 4** explores the changing profile of local authority empty homes work since the launch of the scheme and compares the number of empty properties brought back into use as a result of local authority direct actions in 2012/13 with baseline data from 2011/12. **Chapter 5** reviews the delivery of the scheme, through analysis of the views and experiences of local authority

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

3 Applications and Loans Approved (April 2012 - March 2013)

Introduction

3.1 This chapter presents monitoring data collected from all 22 local authorities in Wales profiling the applications received and loans approved in the first year of the Houses into Homes scheme (April 2012 to March 2013). It is important to note that during the first six months of the scheme attention focused on putting in place the framework necessary for delivering the Houses into Homes scheme. Local authorities did not begin receiving applications for loans under the scheme until summer 2012 and did not begin approving loans until autumn 2012.

Houses into Homes Applications

3.2 Analysis of Houses into Homes monitoring data reveals that 241 loan applications were received in the period 1 April 2012 to 31 March 2013:

- 45 applications were approved to receive a Houses into Homes loan
- 179 were being processed as of the 31 March 2013; this includes provisionally approved applications
- four applications had been rejected
- 12 applications had been withdrawn
- one application had been received after a deadline for applications set by a local authority

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 year of Houses into Homes. The six regional coordinators were asked if they had any explanations for this variation. All six regional coordinators pointed to process issues as the likely reason. These included variations in the time taken to secure the collaborative agreement in different regions; loans could not be approved until the collaborative agreement had been agreed and signed by all local authorities. Four regional coordinators also explained variations in the number of loans approved with reference to the different points from which local authorities were starting, in terms of officer

capacity and skills. This reflected different histories of empty homes work in different local authorities and, in particular, variable experience of managing a loan scheme. New systems and processes therefore had to be developed and staff training undertaken. Another explanation provided by one regional coordinator for variations in loans approved was that some local authorities have benefited from receiving a relatively large proportion of applications from developers, who were more likely to provide the requisite supporting material along with their application and require less 'hand-holding' through the process 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, 22 days to submit an application compared to the average of 60 days taken by individual owners.

- 3.4 One local authority reported not providing loans through the Houses into Homes scheme in 2012/13, explaining that it ran its own loan scheme and determined to focus its Houses into Homes activity on financing works in default. However, this local authority is intending to commence issuing loans through the Houses into Homes scheme in 2013/14. In total, four local authorities have drawn on Houses into Homes funds to support works in default.

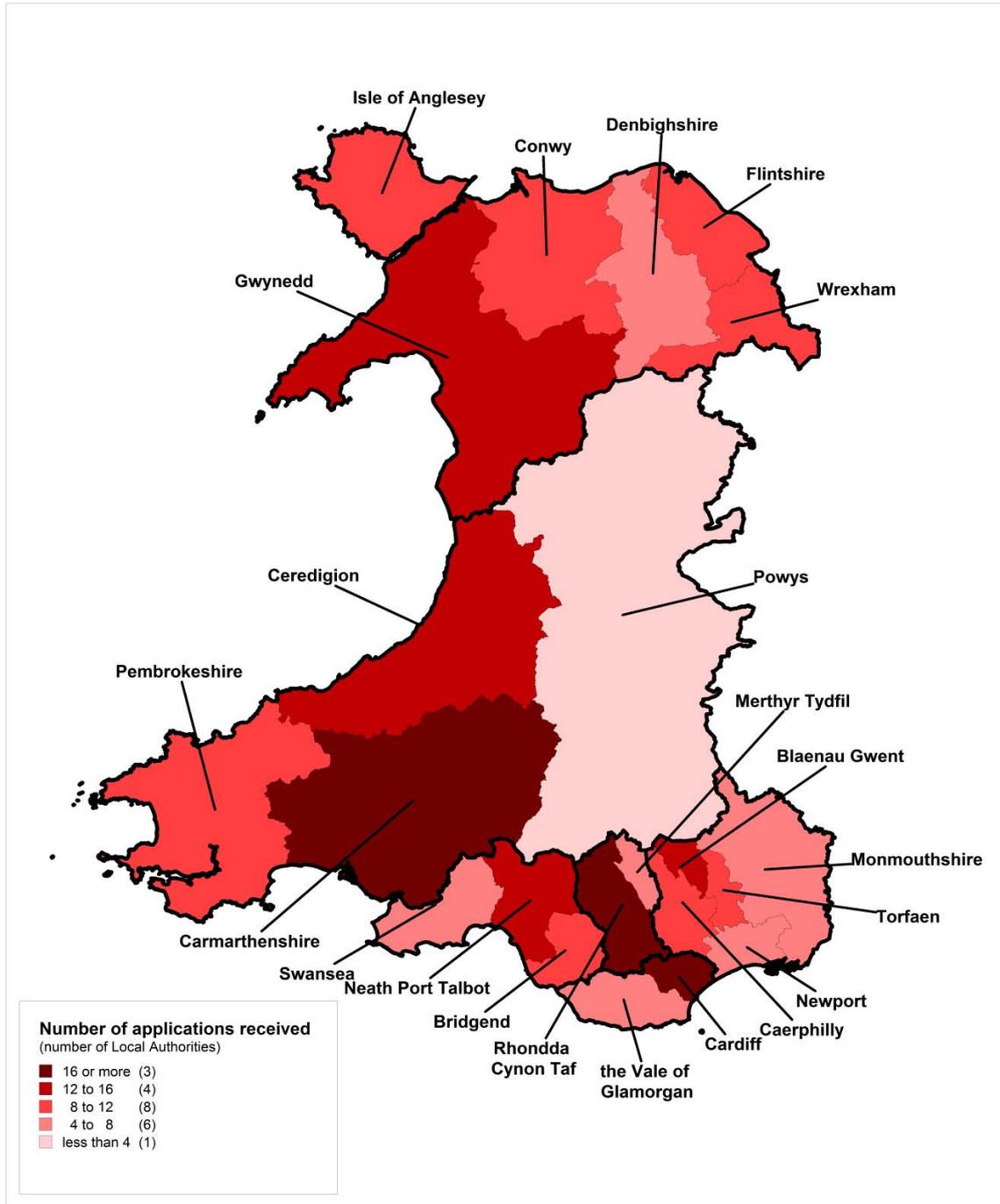
Table 3.1: Summary of Houses into Homes Applications received between 1 April 2012 and 31 March 2013

	Approved loans			Applications being processed	Other applications ⁹	Total Number of Applications	
	Number	Total Value (£)	Average Value (£)	Number of units to be provided	Number	Number	Number
North Wales	22	1,072,124	48,733	48	32	5	59
Flintshire	7	499,250	71,321	22	2	0	9
Wrexham	7	288,500	41,214	14	3	1	11
Denbighshire	3	72,387	24,129	3	4	0	7
Anglesey	3	136,987	45,662	6	2	3	8
Gwynedd	2	75,000	37,500	3	11	0	13
Conwy	0	-	-	-	10	1	11
Mid and West Wales	0	-	-	-	43	0	43
Carmarthenshire	0	-	-	-	22	0	22
Ceredigion	0	-	-	-	12	0	12
Pembrokeshire	0	-	-	-	9	0	9
Powys	0	-	-	-	0	0	0
Gwent	13	535,045	41,157	24	28	0	41
Blaenau Gwent	5	276,943	55,389	12	8	0	13
Newport	4	77,900	19,475	4	3	0	7
Monmouthshire	2	150,000	75,000	6	3	0	5
Caerphilly	1	8,300	8,300	1	7	0	8
Torfaen	1	21,902	21,902	1	7	0	8
Western Bay	1	25,000	25,000	1	23	4	28
Neath Port Talbot	1	25,000	25,000	1	8	3	12
Bridgend	0	-	-	-	9	1	10
Swansea	0	-	-	-	6	0	6
Cardiff and the Vale	1	125,000	125,000	5	27	6	34
Cardiff	1	125,000	125,000	5	22	4	27
Vale of Glamorgan	0	-	-	-	5	2	7
Cwm Taf	8	275,000	34,375	12	26	2	36
Merthyr Tydfil	6	125,000	20,833	6	1	0	7
Rhondda Cynon Taf	2	150,000	75,000	6	25	2	29
Wales	45	2,032,169	45,159	90	179	17	241

Source: Houses into Homes monitoring data

⁹ Other applications includes: rejected applications (five), withdrawn applications (12) and applications received after a deadline sent by a local authority (one)

Figure 3.1: All applications received by local authority (as of 31 March 2013)



Source: Houses into Homes Monitoring Data
 All applications received includes: approved applications, applications being processed and other applications

Approved Applications

3.5 The total value of the 45 approved loans was £2,032,169, an average of £45,159 per application. Table 3.2 reveals that 40 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). Seven loans were for £100,000 or more, the largest approaching the maximum amount of £150,000. The average loan per unit of accommodation brought into use was £22,580 and the average total cost of works to bring a unit into use was £36,042. The average private sector leverage per unit was £13,462¹⁰.

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

	Number	Per cent
Less than £5,000	1	2
£5,000 but less than £10,000	2	4
£10,000 but less than £20,000	5	11
£20,000 but less than £30,000	19	42
£30,000 but less than £50,000	1	2
£50,000 but less than £100,000	10	22
£100,000 to £150,000	7	16
Total	45	100

Source: Houses into Homes monitoring data

3.6 A total of 90 units of accommodation will be provided by the 45 properties being brought back into use. Fifteen properties will see an increase in the number of units they contain. This includes eight approved applications bringing non-residential properties back into use as accommodation, which will provide 22 units and 36 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

¹⁰ Monies used to bring a property back into use, in addition to Houses into Homes loan funding.

on empty private sector *dwellings* brought back into use, and therefore may not fully capture the impact of Houses into Homes scheme going forward.

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

- the average loan agreed is higher for applications delivering an increase in the number of residential units; £80,425 compared with £27,526 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: £56,102 compared to £7,304 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: 69 per cent compared with 85 per cent for applications seeing no increase in the number of units;
- the average anticipated change in property value is greater for applications delivering an increase in the number of residential units: £135,163 compared with £58,110 for applications seeing no increase in the number of units (or 141 per cent increase compared with a 70 per cent increase).

3.8 The 90 residential units to be brought into use by the 45 approved loans will provide 183 bedrooms, at an average of two bedrooms per unit. For the 42 applications where data were provided, the total number of bedrooms will increase by 57 bedrooms (109 to 166). In total, 13 of these 42 properties will see an increase in the number of bedrooms that they contain.

3.9 Approved loans typically covered the majority of costs associated with bringing a property back into use (Table 3.3); 17 agreed loans covered the full cost of the works (no additional private sector leverage was provided) and a further 12 covered between 75 per cent and 100 per cent. Six of the 45 loans covered less than 50 per cent of the cost of the works. In addition to Houses into Homes loan funding, the value of

additional private sector leverage to cover the cost of works was £997,230; an average of £23,191 for the 43 applications where this data was provided. The loan was more than 50 per cent the value of the property at time of application in 19 out of 40 approved applications where data was available. In 13 out of these 40 cases, the loan was less than 25 per cent of the value of the property.

Table 3.3: Approved loan value as a percentage of the cost of works; end 2012/13

	Number	Per cent
Less than 50 per cent	6	13
50 per cent but less than 75 per cent	10	22
75 per cent but less than 100 per cent	12	27
100 per cent	17	38
Total	45	100

Source: Houses into Homes monitoring data

3.10 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, the expected property value is higher in all cases where data were provided; 14 out of 41 properties are expected to at least double in value. The average property value is expected to increase by just over £80,000, or 91 per cent. This appears to reflect the increase in the number of units provided by the properties brought back into use (from 46 to 90).

Table 3.4: Current property value compared to value after the works; percentage change, end 2012/13

	Number	Per cent
Less than 25 per cent	2	5
25 per cent but less than 50 per cent	13	32
50 per cent but less than 75 per cent	9	22
75 per cent but less than 100 per cent	3	7
100 per cent but less than 200 per cent	11	27
200 per cent or more	3	7
Total	41	100

Source: Houses into Homes monitoring data

3.11 At the point of application, the average length of time that properties had been empty was almost six years, although the time varied from seven months to 35 years. The majority of properties had been empty for more than one year (40 out of 44) and 18 had been empty for five years or more (Table 3.6). A small difference was recorded in average approved loan value by the length of time the property had been empty: the average loan approved for properties empty for less than two years was £37,046 compared with £44,462 for properties empty for two or more years. This difference reflects a higher total full cost of works to bring properties back into use that have been empty for more than two years (£72,000) compared to properties that have been empty for less than two years (£52,000). It might be presumed that this difference reflects the deterioration suffered by properties that have been empty for longer and the increased cost of bring them back into use. This might be the case, but also important is the fact that that properties empty for more than two years include all the non-residential properties that are being brought back into use as residential dwellings; these developments reported a far higher cost per unit (£44,000) compared to residential properties being brought back into use (£29,000), presumably reflecting the conversion works needing to be undertaken.

Table 3.6: Duration of time empty at point of application; end 2012/13

	Number	Per cent
6 months but less than a year	4	9
1 year but less than 2 years	6	14
2 years but less than 4 years	13	30
4 years but less than 6 years	4	9
6 years but less than 8 years	7	16
8 years but less than 10 years	3	7
10 years but less than 20 years	5	11
20 years or more	2	5
Total	44	100

Source: Houses into Homes monitoring data

3.12 Half (23) of the 44 approved applications for which data were provided were reported to be bringing properties back into use whose external

appearance had been having a negative impact on the local area. Average loans approved are around double for properties whose external condition has a negative impact on the local area: £56,503 compared with £28,933.

3.13 The majority of loans (84 per cent or 37 out of the 44 for which data were provided) will provide units for rent. There is no major difference in average loans values approved by whether a property will be rented or sold on completion of the works: £43,168 and £44,278 respectively. Almost half (44 per cent) of the units provided by the 34 loans for which data were available will be affordable accommodation¹¹.

3.14 Thirty nine out of the 45 approved applications were submitted by individuals and six were submitted limited companies. Some interesting variations are evident between these applications, although findings have to be interpreted with caution given the relatively small number involved:

- all six approved applications submitted by limited companies will increase the number of units provided, compared with only nine of the 39 approved applications submitted by individual applicants; an average increase of 3.2 units compared with 0.6 units;
- all six approved applications submitted by limited companies are for properties which have been empty for two or more years; this compares with 28 of the 38 properties associated with approved applications submitted by individual applicants;
- the average loan value of the six approved applications submitted by limited companies is 2.4 times that for approved applications submitted by individual applicants: £90,000 compared with £38,261;
- average private sector leverage for the six approved applications submitted by limited companies is nearly 11 time greater than for approved applications submitted by individual applicants: £116,726 compared with £10,884.

¹¹ Affordable housing is not just social housing, but includes low cost home ownership, shared ownership and intermediate rent, where rents are set at up to 80 per cent of market levels.

3.15 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. It appears that limited companies have found the application process easier than individual applicants, the average time recorded between applications being sent out and received being 22 days for limited companies, compared to 60 days for individual applicants. In total, 18 out of 42 applications for which information was available were completed and returned in less than four weeks. One third of applications (14) took eight weeks or more to be completed and returned. These findings are consistent with the suggestion made by regional coordinators that individual owners can find the application process more challenging and require more support and assistance to submit an application (see Chapter 5).

Table 3.7: Time between application sent and received; end 2012/13

	Number	Per cent
No days*	3	7
Less than 1 week	2	5
1 weeks but less than 2 weeks	2	5
2 weeks but less than 3 weeks	7	17
3 weeks but less than 4 weeks	4	10
4 weeks but less than 6 weeks	6	14
6 weeks but less than 8 weeks	4	10
8 weeks but less than 12 weeks	3	7
12 weeks but less than 16 weeks	5	12
More than 16 weeks	6	14
Total	42	100

Source: Houses into Homes monitoring data

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

Applications Being Processed

3.16 Local Authorities reported a further 179 applications that were in the process of being assessed at the end of the monitoring period (31 March 2013). 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 144 applications where data were provided was £6,956,500, at an average of £48,309 per application;
- the number of units contained within the 171 properties for which data were provided is proposed to increase from 171 to 416;
- the majority of properties had been empty for more than one year. Only five per cent of applications were for properties empty for less than one year, whilst 22 per cent had been empty for more than 10 years;
- 129 of the 153 applications (84 per cent) for which data were provided intend to provide accommodation for rent, 18 (12 per cent) intend to provide accommodation for sale and six (four per cent) intend to provide accommodation for sale and/or rent.

Enquiries

3.17 Local authorities reported receiving 805 enquiries about the Houses into Homes loan scheme that were yet to result in an application. In 94 cases (12 per cent) owners indicated that they would be submitting an application. A total of 69 owners (nine per cent) had been signposted to another empty homes intervention.

3.18 Regional coordinators were asked what they thought were the main reason for the gap between inquiries and applications. Two factors were identified by all six regional coordinators; owners struggling with or put off by the complexity of the application process and the costs associated with making an application. Another problem identified by four regional coordinators was 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 loan to value ratio applied under the scheme. Other reasons given included problems some potential applicants encounter proving ownership and the fact that some owners require larger loans than are available under the scheme. Finally, an important point made by one regional coordinator is that an enquiry should be viewed positively, even if it does not result in an application, because it provides the local

authority to engage with the owner of an empty property and discuss available options for bringing the property back into use.

Delivery Against Targets

- 3.19 The Welsh Government set local authorities the target of drawing down against the value of received applications the full £10 million of capital funding to be drawn down and allocated in the financial year 2012/13¹². Summing the value of 45 approved loans and the value of applications being processed gives a total of £8,988,670. Assuming that the additional 35 applications being processed for which no data were provided are of a similar average value to those for which data were provided, then the total sum value of approved loans and loans being processed would amount to just under £10.7 million, indicating success delivering against this target.
- 3.20 Summing the number of units to be provided by the 45 approved loans and the number of units to be provided by applications being processed gives a total of 506 units. This increases to 525 units if it is assumed that the additional eight applications being processed for which no information was provided will provide a similar average number of units. This figure is in excess of the 450 units that local authorities indicated would be brought into use when claiming the £10 million of Houses into Homes funding from the Welsh Government¹³.

Conclusion

- 3.21 A total of 241 applications for Houses into Homes loans were received by local authorities in Wales in 2012/13. By 31 March 2013, 45 loans had been approved and 179 were being processed. The number of loans approved varied between local authorities. The 45 approved loans will provide a total of 90 residential units and 183 bedrooms. The majority will provide accommodation for rent and almost half will provide affordable accommodation. In all cases where data were provided, the

¹² <http://wales.gov.uk/newsroom/housingandcommunity/2013/130425houses/?status=ope&lang=en>

¹³ <http://wales.gov.uk/newsroom/housingandcommunity/2013/130425houses/?status=ope&lang=en>

properties brought back into use are predicted to increase in value as a result of works undertaken. The 45 properties being brought back into use had been empty for an average of six years.

- 3.22 Six of the approved loans were submitted by limited companies and 39 were submitted by individual owners. The average loan value associated with properties being brought back into use by a limited company was more than double the average value of loans granted to individual owners, but average sector leverage was far larger for approved loans granted to limited companies. They were also more likely to increase the number of units provided.
- 3.23 Available evidence suggests that local authorities have been successful in meeting the target set by the Welsh Government of drawing down the full £10 million of capital funding in the financial year 2012/13 against applications received. It also appears that the loans approved in 2012/13 will provide more than the 450 units that local authorities originally indicated would be brought into use when claiming the £10 million of Houses into Homes funding from the Welsh Government.

4 Empty Homes Activity in Wales

Introduction

4.1 A key question for the evaluation is whether Houses into Homes prompts any changes in the profile of local authority activity and the total number of empty properties brought back into use as a result. This chapter explores this question. Discussion starts by comparing the properties brought back into use through the direct actions of local authorities in Wales in 2012/13 (including Houses into Homes work) with the situation in 2011/12. Attention then turns to consider the changing nature and focus of local authority work on empty homes during the first year 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 in Wales for the financial year 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 Wales as a result of the direct actions of local authorities.
- 4.3 In 2011/12, 1,026 empty dwellings were brought back into use as a result of the direct actions of local authorities in Wales, providing 1,080 units of accommodation. In 2012/13, a total of 1,097 empty dwellings were brought back into use, providing 1,152 units of accommodation¹⁴. This represents a 7 per cent increase in the number of units provided by bringing properties back into use during the first year of the Houses into Homes scheme. The situation varied across Wales, 14 local authorities reporting an increase in the number of units brought back into use, six reporting a decrease and one reporting no change (one local authority

¹⁴ It is important to note that different local authorities employ different definitions of what constitutes a direct action resulting in a property being brought back into use. For example, four local authorities reported considering the sending of a letter to a property owner and taking no further action as a direct action, while 18 reported not counting this activity as a direct action. It is also possible that the definition of a direct action employed by a local authority might vary from year to year. This fact needs to be borne in mind when reviewing these figures.

was unable to provide the data at the time of the survey). The reasons for a decrease in the number of units brought back into use in these six areas are unclear. A possible explanation provided by one regional coordinator is that staff in some local authorities were diverted away from other empty homes work to oversee the development and delivery of Houses into Homes. This could have resulted in a temporary reduction in the number of empty properties brought back into use. Any such reduction is likely to be reversed in subsequent years as works supported by a Houses into Homes loan are completed and properties begin to be brought back into use through the scheme (see 4.6). Local authorities reported that staff spent 2,419 days managing the Houses into Homes loan fund in 2012/13. Time spent ranged from 10 days or less in three local authorities to 200 days or more in five local authorities.

- 4.4 Key headlines regarding the properties brought back into use include:
- six local authorities were able to provide data on the number of **bedrooms within the dwellings returned to use** through direct action in 2012/13 and reported that 382 bedrooms had been brought back into use. The average number of bedrooms per unit brought back into use was 2.2, compared to 1.7 bedrooms per unit in 2011/12.
 - 14 local authorities providing details reported that in 2012/13 19 per cent of dwellings (144) were returned into use as **affordable housing**. This compares to 67 dwellings (10 per cent) returned to use by 14 local authorities providing data in 2011/12.
 - 18 local authorities reported that 359 (39%) of properties brought back into use in 2012/13 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.
- 4.5 There was no notable variation between 2011/12 and 2012/13 in the length of time that properties were empty prior to being returned to

use. In both years over half had been empty for more than two years (56 per cent in 2011/12 and 58 per cent in 2012/13).

- 4.6 The increase in the number of empty properties brought back into use in 2012/13 appears to reflect an increase in direct actions taken by local authorities. Table 4.1 reveals an average of 86 direct actions per local authority in Wales on properties returning to use in 2012/13, compared to 72 in 2011/12. The provision of financial assistance and threat of enforcement action remained two of the more common forms of direct action, in addition to advice and guidance. There were large increases in the number of cases involving the threat of enforcement action, financial assistance and a private sector leasing or social letting scheme, even accounting for the fact that an additional two local authorities provided data on direct actions in 2012/13.

Table 4.1: Direct Actions on empty properties returned into use (2011/12 and 2012/3)*

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

Source: Houses into Homes monitoring data

* More than one action can be taken against the same property

4.7 It is difficult to directly attribute the increase in direct actions to the introduction of Houses into Homes, although the scheme was reported to have raised the profile of empty homes work within local authorities in Wales (see 4.9). It is also difficult to link the increase in properties brought back into use to the 45 Houses into Homes loans issued in 2012/13; only one property was recorded as being brought back into use as a result of works funded by a Houses into Homes loan in 2012/13. This is to be expected given that the first loans were only approved in Autumn 2012. However, at the end of the first year of the scheme a majority of local authority empty homes officers predicted that an increase in the number of empty properties brought back into use would become apparent in the longer term as a result of the Houses into Homes scheme:

- 19 out of 22 local authority officers predicted an increase in the total number of empty homes brought back into use
- 19 out of 22 local authority officers predicted an increase in the total number of empty non-residential properties brought into use as accommodation
- 21 out of 22 local authority officers predicted an increase in the total number of homes for rent in the local area
- 13 out of 22 local authority officers predicted an increase in the number of homes for sale in the local area
- 9 out of 22 local authority officers predicted an increase in the supply of affordable housing

4.8 Whether this proves to be the case will be revealed by on-going monitoring of the empty properties brought back into use as a result of local authority direct actions.

The Impact of Houses into Homes on Local Authority Activities

4.9 A majority (21 out of 22) of the local authority officers surveyed reported a notable change ('a lot' or 'a fair amount') in relation to empty homes

work in their local authority during the first year of the Houses into Homes scheme. This included an increase in enquiries from owners of empty properties and various improvements in understanding and responsiveness to the problems of empty homes (Table 4.2). One local authority reported no change in relation to empty homes work in the area since the launch of Houses into Homes.

4.10 Lavender and Wilson reported in 2012¹⁵ that 13 local authorities had a corporate approach to empty homes. The survey of local authority officers at the end of the first year of the Houses into Homes scheme revealed that 17 local authorities had a corporate approach to empty homes, with 16 reporting 'a lot' or 'a fair amount' of change in terms of increased corporate commitment to tackling empty homes. This commitment was reflected in an increase in local authority spending on empty homes (in addition to Houses into Homes funding). An increase in spending on staff costs is reflected in the increase in the number of full time equivalent (FTE) empty homes officers employed by local authorities. Monitoring data provided by 16 out of 22 local authorities about the number of 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 out 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. Spending on non-staff costs associated with tackling empty homes also increased, from an average of £88,000 per local authority in 2011/12 to £153,000 per local authority in 2012/13.

4.11 Improvements in understanding of the empty homes problem and the effectiveness of local authority efforts to tackle empty homes were reported by a majority of local authorities (see Table 4.2). Regional coordinators offered further insight on this issue. One, for example, 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

¹⁵ Lavender and Wilson (2012) Welsh Empty Property Initiative "Houses into Homes", The Welsh Government

previous experience of empty homes work. Another reported that Houses into Homes had promoted interest in the problem of empty homes among partner agencies and resulted in closer working relations between some local authorities in the region and stakeholders including housing associations and private sector providers.

Table 4.2: Did you experience any of the following changes in relation to empty homes in your area in the first year of the Houses into Homes scheme (n = 22)

	yes, a lot/a fair amount	not very much /at all	not sure/ don't know
increase in enquiries from owners of empty homes	19	2	1
increased corporate commitment to tackling EH	16	4	2
Improved effectiveness in LAs work to tackle EH	17	4	1
improved intelligence about EH in the area	12	8	2
rise in the number of complaints about empty homes	4	15	3
improved intelligence about the private sector	8	13	1
increase in the number of FTE staff dealing with EH	9	12	1
reduction in other (non HHH) activities to tackle EH	5	15	2

- 4.12 Regional coordinators and local authority officers were unequivocal in their view that Houses into Homes had brought various benefits in its wake, which had impacted positively on empty homes activity in local authorities in Wales. The benefit most frequently identified was the fact the scheme provides 'another tool' with which to tackle the problem of empty homes. Four of the six regional coordinators pointed to this benefit and explained that the scheme is extending the scope or scale of empty homes work in most local authorities. It was also championed as tackling a key barrier to bringing an empty property back into use encountered by many owners (a lack of finance), which many local authorities had not previously been able to address.
- 4.13 Other benefits of the Houses into Homes scheme in 2012/13 commonly cited by local authority officers were:
- helping the local authority to better meet housing need by increasing the supply of affordable and/or rented accommodation. This benefit

was also recognised by two regional coordinators, who reported the potential for the scheme to support an increase in affordable accommodation and smaller properties that are likely to be in greater demand following the removal of the spare room subsidy;

- promoting collaborative working; between local authorities in the region, between departments within the local authority and between the local authority and partner agencies in the local area. Benefits arising from involvement with the regional empty homes group were reported to include sharing information about different approaches to tackling empty homes, lessons learnt and best practice. Ten local authority officers reported developing 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;
- raising the profile of empty homes work with Members, officers, other local authority departments and external stakeholders, and;
- boosting the local economy, for example, by generating employment for local builders, architects and agents.

4.14 Evidence also emerged of additional benefits arising from the scheme.

The majority of local authority empty homes officers (15 out of 21 across the six regions) 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. One local authority officer, for instance, explained that empty homes being brought back into use were providing urgently needed accommodation for homeless households in priority need of accommodation. Another officer explained that Houses into Homes was supporting strategic priorities relating to training and employment, by virtue of the fact that approved loans were tending to use local trades people to carry out the works required to bring a property back into use.

Conclusion

- 4.15 Analysis has revealed an increase in direct actions by local authorities to tackle empty homes in 2012/13 and an increase in the number of properties brought back into use. The precise situation varies from local authority to local authority, but overall these figures are indicative of an increase in local authority activity to bring empty properties back into use prior to the introduction of Houses into Homes.
- 4.16 The impact of Houses into Homes on direct actions and the number of properties brought back into use will become apparent in subsequent years. However, local authority officers and regional coordinators reported that Houses into Homes was already having a major impact on empty homes work. In addition to providing local authorities with an additional tool to tackle the problem of empty homes, Houses into Homes was reported to have resulted in an increase in corporate commitment to tackling the problem of empty homes, an increase in staff working to bring empty properties back into use, better intelligence about the problem of empty homes, and improvements in collaborative working within and between local authorities and their partners.

5 Delivering Houses into Homes in 2012/13

Introduction

5.1 In the six months following the launch of the Houses into Homes scheme 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, designated staff to lead on the scheme at the local authority level, marketed the opportunities provided by Houses into Homes, oversaw the application process and began approving loans. This development process was reviewed in the first interim evaluation report¹⁶. This chapter focuses on experiences of working within this infrastructure and delivering Houses into Homes. It draws on findings to emerge from an e-survey of local authority empty homes officers and interviews with six regional coordinators to explore local authority activity, the operation of the six regional groups and the contribution of national Houses into Homes steering group. Discussion concludes with a review of local authority perspectives regarding priorities, aspirations and perceived challenges of delivering Houses into Homes in 2013/14.

Local Authority Activity

5.2 Local authorities were successful at meeting the target set by the Welsh Government of drawing down the full £10 million of capital funding allocated to the Houses into Homes scheme in 2012/13. (see Chapter 3). These funds were drawn down against applications received. 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

¹⁶ The first output can be downloaded at <http://wales.gov.uk/docs/caecd/research/130430-houses-homes-first-interim-evaluation-en.pdf>

agents and auctioneers. Press releases were issued and information was uploaded onto council websites.

- 5.3 The majority of local authorities (20 out of 22) reported targeting all owners of empty properties with marketing or direct approaches to raise awareness and encourage an application during the first year of Houses into Homes (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. In addition, a majority reported targeting property developers and management/letting agents, whilst half targeted the owners of commercial premises that could be converted for residential use. It was far less common for local authorities to target owners of properties in particular locations or of a particular type or size.

Table 5.1: Did you actively target any of the following groups with marketing or direct approaches to encourage and application during the first year of Houses into Homes? (n = 22)

Activity targeted at.....	Number of LAs
Individual owners of empty properties	20
Owners of empty homes (rather than commercial dwellings)	18
Owners of empty properties that are a source of nuisance	16
Property developers	13
Management / lettings agents	13
Owners of commercial properties that could be converted into residential use	11
Owners of empty properties in particular neighbourhoods villages or town	7
Owners of dwellings of a particular type or size	2
Other	2

- 5.4 By June 2013, one third of local authorities (7 out of 21 responding to the question) had allocated all their Houses into Homes funding to approved applications. Two local authority officers reported struggling to allocate funds because of limited demand for loans, an issue to which we will return below. The vast majority of local authorities (20 out of 22) prioritised applications on a first come, first served basis, with only nine local authorities identifying specific grounds on which an application might be prioritised (Table 5.2). However, a majority (17) indicated that they intend to employ more specific criteria to prioritise applications in

2013/14. For example, 16 local authorities reported that they intend to prioritise applications bringing homes back into use that are currently a source of nuisance and 13 will prioritise applications aiming to provide accommodation at affordable rents.

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

Criteria used to prioritise applications*	2012/13 (no. of LAs)	In the future (no. of LAs)
First come, first served*	20	18
Brings empty homes (i.e. non-commercial) back into use	4	3
Brings empty homes that are a source of nuisance back into use	5	16
Brings empty homes in particular neighbourhoods/villages/ town back to use	3	10
Brings empty properties back into use for sale	0	2
Brings empty properties back into use for rent	2	7
Brings empty properties back into use that will be available at affordable rents	3	13
Brings empty property of a particular type/size back into use	1	6
Applications submitted by private companies	3	4
Applications submitted by individual owners	4	3
Applications that will create local employment opportunities	2	8
Other	1	1

* Local authorities are free to determine how they prioritise applications. It is possible that a local authority might prioritise on the basis of more than one criteria. For example, applications relating to empty homes that are a source of nuisance might be prioritised first, with all other applications being considered on a first come, first served basis. It is also possible that a local authority might have changed its approach during 2012/13. Local authorities were therefore free to tick more than one box.

- 5.5 Local authorities were asked whether anything was limiting the effectiveness of the Houses into Homes scheme in their area. In total, 21 out of 22 local authorities identified at least one factor limiting effectiveness of the scheme. The issues identified included factors thought to be deterring applications and limit demand, and factors limiting efficient delivery. The five most common factors identified were:
- the three year timescale for repayment when bringing a property back into use for rent. The repayment period was thought to deter

some applicants, who would be faced with the challenge of refinancing in order to pay back the loan within three years;

- the 80 per cent loan to value ratio, under which any loan offered cannot be more than 80 per cent of the property's value, taking into account any existing mortgage. This requirement was reported to render projects unviable for some owners, for example, in situations where houses prices have fallen in recent years, resulting in loan to value ratio dropping below 80 per cent;
- the difficulties that some owners encounter submitting an application. Specific reference was made to the problems some applicants encounter providing a property valuation, detailed schedule of works and proof of ownership;
- the fact that owners intending to occupy the property upon completion of works do not qualify under the scheme, and;
- the limits of local authority capacity and resources to support and process applications, which was reported to result in delays in the approval of applications and divert officer time from other empty homes work. Specific reference was made to delays in the processing of applications by legal services teams.

5.6 Similar factors were identified by the six regional coordinators when asked if anything was limiting the effectiveness of Houses into Homes in their region. Four out of six regional coordinators referred to the burdensome nature of the application process and the volume of paperwork, for both the applicant and the local authority. Two regional coordinators echoed local authority officers and questioned why owners intending to occupy a property upon completion of works were excluded from the scheme. Three regional coordinators also identified the up-front costs associated with making an application as a barrier limiting the number of applications received.

5.7 Suggestions for reforms that might help local authorities more effectively deliver the scheme were forthcoming from 21 local authority officers. Proposals focused on addressing issues identified as undermining

effectiveness. The three most commonly suggested revisions to the scheme were an extension to the repayment period or, at least, the option of extending the period in certain situations; streamlining the application and approval process; and extending eligibility to owners intending to occupy the property upon completion of the works. Recommendations made by regional coordinators focused on streamlining or simplifying the application and approval process. Three regional coordinators suggested that more inquiries would be converted into successful applications if more support was made available to assist owners through the application process; four regional coordinators reported that the application process was demanding on personal resources (time and money). To this end, it was suggested that additional revenue support might be made available to enable local authorities to provide more help and assistance to applicants. In addition, one regional coordinator suggested that efficiencies would result from centralising administration of the scheme within each region. Some of the resulting savings could be passed on to the applicant, helping to ensure that the loan scheme is cheaper and more accessible than other forms of lending. Another regional coordinator suggested that the property valuation should be the responsibility of the lender (the local authority), rather than the applicant. This proposal was intended to simplify the application process, reduce the burden on applicants and increase demand for the scheme.

The Regional Group

5.8 All six regions have a regional empty homes group that coordinates delivery of Houses into Homes. The regional coordinators explained that the role of the regional group is 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 in 2012/13, but they were typically chaired by the regional coordinator, who represented

the region at the national Houses into Homes steering group, and the membership included operational leads from each local authority.

- 5.9 All six regional coordinators identified the formation and effective operation of the regional group as one of the major contributions of the Houses into Homes scheme to their region, promoting closer working between local authorities. None of the regional coordinators reported any notable problems or challenges with the operation of their regional group 2012/13. Five regional coordinators did report that the role, function, membership and operation of the regional group had changed over time. This was in response to a change in the group's focus away from developing systems and processes and towards delivery issues and the sharing of good practice. For example, senior managers were reported to have been more involved in some regions during the early meetings of the group when the collaborative agreement was being developed. Three regional coordinators reported that the group had met more frequently in the first few months following the launch of the scheme, when working arrangements were being agreed and finalised. Two regional coordinators reported that their group increasingly looks beyond delivery of Houses into Homes to consider the problem of empty homes more generally.
- 5.10 The regional coordinators were asked to identify the main achievements of the regional group during the first year of the Houses into Homes scheme. Above and beyond the achievement of designing and developing the infrastructure required to deliver the scheme, drawing down funding from the Welsh Government and providing oversight of the delivery process, two particular achievements emerged. First, five out of six regional coordinators emphasised the importance of the regional group as a forum in which local authorities can share experiences and hear about the means and methods employed by other authorities to overcome problems and challenges delivering Houses into Homes or relating to other empty homes issues. This was also the most common benefit arising from involvement in the regional group reported by local authority officers. Two regional coordinators also explained that the

activities of the regional group had helped to reinvigorate empty homes work in local authorities in their region with a limited recent history of involvement in empty homes work.

- 5.11 Second, a major achievement recognised by five out of six regional coordinators was that all local authorities in their region were working effectively in partnership to deliver Houses into Homes and were often cooperating more generally around empty homes issues. This was reported to be a particular achievement in areas where there was little history of cooperation. The benefits of collaboration was the second most commonly cited gain that local authority officers associated with involvement in the regional group. These benefits were reported to include the sharing of costs (for example, of marketing and publicity), the exchange of information and intelligence and the discussion and resolution of challenges encountered delivering the scheme.
- 5.12 Local authority officers were asked for suggestions about how the operation of the regional group might be improved or enhanced. No suggestions were forthcoming from 12 of the 22 officers. The 10 officers who offered suggestions focused on organisational matters. Two officers suggested that regions should be granted greater autonomy to shape the strategic direction of the Houses into Homes scheme in response to the regional context and priorities. Two other officers focused on the administration of the group. One officer pointed to the need for the regional coordinator to ensure that the expanding membership of the group and agencies invited to attend specific meetings were drawn from all local authorities in the region. Another officer suggested that revenue support is made available to employ a dedicated regional officer to coordinate the regional group, facilitate collaboration (for example, around the marketing of the scheme), enable the sharing of best practice ideas and forge links with other regional empty homes groups and regional groups in other relevant policy fields.

The National Steering Group

- 5.13 The delivery of the Houses into Homes scheme is overseen by a national steering group composed of the six chairs of the regional empty homes groups, the Welsh Government, the Welsh Local Government Association (WLGA) and Andrew Lavender, a consultant who has also served as project consultant for the Kent Empty Property initiative since its inception in 2005.
- 5.14 Five of the six regional coordinators recognised that the national steering group has made an important contribution to the delivery of Houses into Homes during the first year of the scheme. Two broad contributions were identified. First, the steering group was reported to have generated and maintained momentum behind the scheme and "driven it forward". In doing so, one regional coordinator reported that the group had helped to raise the profile of the empty homes issue at the national level. Second, the steering group was reported to have provided a forum for sharing experiences, reporting challenges, seeking advice and securing guidance. Advice and guidance was forthcoming from regional coordinators, who shared experiences and lessons learnt delivering the scheme. Two regional coordinators also made explicit reference to what they regarded as the valuable role played on the steering group by Andrew Lavender, providing expert advice and guidance. Two regional coordinators also reported valuing the opportunity provided by the group for regular contact with the Welsh Government, allowing them to seek clarification, raise problems and lobby for changes to the scheme.
- 5.15 Regional coordinators were asked whether they had any suggestions for how the contribution made by the national steering group might be strengthened or extended. Two regional coordinators had no specific suggestions. Two reported that the steering group works well in its present form but were supportive of what they saw as the broadening of the group's focus to encompass all empty homes issues. Another regional coordinator supported this extended remit from a more critical perspective, suggesting that the group should assume a more active role in driving forward empty homes work across Wales rather than merely serving as a "reporting forum" for Houses into Homes. Finally, one

regional coordinator questioned whether the steering group had any clear purpose now that the framework for delivering Houses into Homes was in place and raised the possibility of scrapping the group and making empty homes a standing item on the Housing Technical Panel.

Houses into Homes in 2013/14

- 5.16 The key priority identified by the six regional coordinators for the Houses into Home scheme in their region in 2013/14 was to generate applications from owners against which the additional capital funding made available by the Welsh Government can be drawn down, and to then allocate these funds to approved loans. This would support delivery of the key outcome that all six regional coordinators agreed would be the measure of success for the scheme in 2013/14; increasing the number of properties brought back into use and thereby increasing housing supply. When discussing outcomes, three regional coordinators referred explicitly to the objective of increasing the supply of affordable housing and two referred to the conversion of non-residential properties in an attempt to increase the supply of smaller units, in response to the changing profile of demand linked, in part, to welfare reform.
- 5.17 The majority of local authorities expressed confidence about drawing down and allocating the additional funding, reporting that demand for Houses into Homes loans was buoyant. In total, 19 out of 22 local authorities reported being confident that they could draw down and allocate the additional funding being made available by Welsh Government in 2013/14. Four local authorities had already received applications to the full value of their likely Houses into Homes allocation for 2013/14. Eight local authorities were operating a waiting list containing active applications. This included five of the local authorities that were still to allocate funding from 2012/13, suggesting that funds have not been allocated for reasons other than a lack of demand. Three local authorities raised concerns about demand to explain why they were not confident about drawing down their capital allocation for 2013/14. They reported hoping that renewed marketing and promotional activity would stimulate further applications.

5.18 Five of the six regional coordinators expressed confidence that their region would draw down and allocate the additional Houses into Homes funding made available by the Welsh Government in 2013/14, although demand was reported to vary between local authorities. One regional coordinator reported concerns about whether the region would be able to draw down and allocate additional funding, reporting that in 2012/13 some local authorities had drawn down their capital funding from Welsh Government against applications received, but were yet to fully allocate these funds to approved applications. This was reported to reflect the problems some owners encounter satisfying the requirements of the application process (see 3.19) and relatively low demand for loans within particular parts of the region resulting in a limited number of additional applications. In response, local authorities were reported to be exploring the possibility of utilising funds to support works in default and the pursuit of Empty Dwelling Management Orders (EDMOs). In total, three regional coordinators reported that local authorities in their region were intending to use Houses into Homes funds to support works in default in 2013/14, in addition to issuing loans. Regional coordinators explained that empty homes officers in some local authorities had not previously had access to resources to pursue works in default and therefore welcomed the opportunity that Houses into Homes provided to tackle empty properties that they had previously struggled to bring back into use.

5.19 Regional coordinators identified two key risks to the effective delivery of Houses into Homes in 2013/14. First, three coordinators reported that demand is presumed to exist for Houses into Homes loans, but might prove to have been exhausted in the first year of the scheme. However, it was suggested that reforms to the scheme (see 5.7), together with renewed marketing of the scheme, could help increase demand. Second, four regional coordinators reported that the success of Houses into Homes is directly related to the amount of officer time dedicated to marketing and administering the scheme. They feel that any reduction in officer input would risk undermining the effectiveness of the scheme.

Conclusion

- 5.20 In the first year of the Houses into Homes scheme, the infrastructure required to deliver the scheme was designed, developed and implemented. Local authorities commenced marketing the scheme, applications were generated and loans began to be approved. Success is evidenced by the fact that local authorities generated the required applications against which to draw down the full £10 million of capital funding made available by the Welsh Government in 2012/13. Some challenges were encountered delivering the scheme in 2012/13. In response, local authority empty homes officers and regional coordinators provided various suggestions about how to improve the scheme. Two key themes emerged. First, suggestions about how to simplify the application process, reduce the administrative burden on applicants and increase the efficiency of the approval process. Second, suggestions about how to increase demand for the scheme and bring more empty properties back into use by extending eligibility and increasing the repayment period.
- 5.21 The regional groups were reported to have made an important contribution to the delivery of Houses into Homes and brought various benefits in their wake. Key among these was providing a forum in which local authorities could share experience and seek advice and guidance. No notable problems were raised with the operation of regional groups. Suggestions about how the work of the group might be enhanced included granting regional groups more autonomy to determine the particulars of the scheme in their region and appointing a dedicated officer to facilitate the group and coordinate shared working. The national steering group was reported to have given the scheme momentum its first year and to have provided a valuable forum in which regions can share experiences, secure advice and guidance and raise issues with and seek clarification from the Welsh Government. Three regional coordinators suggested that the remit of the group should be

extended beyond Houses into Homes to address empty homes issues more broadly.

5.22 Minor changes are anticipated in the delivery of Houses into Homes in 2013/14. There is likely to be an increase in the number of local authorities utilising Houses into Homes funds to conduct works in default. There is also increasing interest in employing Houses into Homes activities to support delivery of other strategic objectives, such as promoting an increase in the supply of smaller properties. Potential risks to the successful delivery of the scheme in 2013/14 were identified as including the possibility of faltering demand and a reduction in officer input to the scheme.