



Communities and Culture Committee:

Making the most of private rented housing and the role the sector can play in meeting housing needs in Wales

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Shelter Cymru is the leading housing and homelessness charity in Wales and works for the prevention of homelessness and the improvement of housing conditions. Our vision is that everyone in Wales should have a decent home. We believe that a home is a fundamental right and essential to the health and well-being of people and communities.

Values

Independence

- We work for people in housing need without fear or favour.
- We will constructively challenge to ensure people are properly assisted and to improve practice and learning.

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Respect

- We work as equals with the people who use our services.
- We will help people identify the best options to find and keep a home and take control of their own lives.

Our Mission

We will improve people's lives through our advice and support services and through training, education and information work. Through our policy, research, campaigning and lobbying, we aim to help overcome the barriers that stand in the way of our vision for all people in Wales to have a decent home.

Introduction

Shelter Cymru welcomes the opportunity to contribute to the Communities and Culture Committee's inquiry into making the most of the private rented sector in Wales.

The private rented sector is a key source of housing and one that has increasingly become the focus of central and local government and their partners in terms of developing the provision to people in housing need. As the national organisation delivering legal housing advice and support services within communities across Wales, Shelter Cymru regularly assists households renting in the sector with a range of problems. We recognise the contribution the private rented sector can make and are interested in ensuring that the sector is able to deliver secure and affordable homes in the future.

Context

The private rented sector (PRS) accounts for around 11% of housing in Wales.¹ Although UK and Assembly policies have helped improve conditions in the sector, it continues to have the highest levels of disrepair, and the ending of tenancies is a significant cause of homelessness.^{2 3}

Recent proposals by the Westminster Government concerning housing benefit/local housing allowance reform are likely to have serious impacts on the private rented sector in Wales and, particularly, on the Welsh Government's aspiration (as referred to for example in the Ten year Homelessness Plan 2009-2019) to promote increased use of the sector for households in housing need.

Reducing the Local Housing Allowance to cover only the lowest third of local rents will reduce the housing available to low income households and mean more people will have to pay higher shortfalls between the actual rent and

¹ Living in Wales 2008 (Welsh Assembly Government, 2010)

² Living in Wales 2004, (Welsh Assembly Government, SDR126/2005 (r) 2008). Unfitness in the sector remained at 12.2% compared to the 18% highlighted in the 1998 Welsh House Conditions Survey. Overall unfitness in Wales is 4.8%.

³ Homelessness (April – June 2010), (Welsh Assembly Government, SDR 146/2010). The loss of private rented sector tenancies is consistently one of the top three reasons that households approach local authorities for assistance.

the level of the Allowance.⁴ Further planned reforms, such as reducing by 10% the housing benefit/local housing allowance of claimants who are on Job Seekers Allowance for over 12 months (regardless of the efforts made by individuals to find work) and proposals to link the Local Housing Allowance to the Consumer Price Index rather than local rent levels will also lead to less access to decent homes.

Tenants from the PRS are disproportionately represented among the households that approach Shelter Cymru for assistance. During the year between 1/10/2009 and 30/9/2010 our advisors dealt with 3514 cases, 856 (24%) of which involved clients in the PRS.⁵ People living in the PRS present with a range of problems, including poor conditions and management, affordability and debt, rent levels and arrears, harassment and illegal eviction, and simply the end of assured shorthold tenancies.⁶

The sector is perceived negatively by many people because of the lack of security of tenure (as well as affordability). Research and several landlord surveys also demonstrate the antipathy of landlords in the sector towards households on housing benefit.^{7 8}

The PRS in Wales is characterised by small businesses with landlords often only owning either one or a small number of properties.⁹ In a period of housing pressure, the sector has the potential to provide more decent homes. This can be partly achieved by working more effectively within the current legislative and regulatory framework to promote access to homes for

⁴ John Pritchard, The impact of changes to Housing Benefit and Local Housing Allowance (Shelter Cymru, August 2010)

⁵ Shelter Cymru Casetrack report 20 October 2010.

⁶ Living in Wales 2004 – Heating and Energy Measures, (Welsh Government, SDR 135/2005 (r), 2008). In terms of energy saving measures, the PRS has the lowest levels of draught stripping (35%), loft insulation (76%) and cavity wall insulation (31%) of any tenure.

⁷ Broadway Research Team, Use of the private rented sector for formerly homeless people (Key Findings Report, April 2006). Mark Bevan and David Rhodes, Housing homeless people in the private rented sector (Joseph Rowntree Foundation, 1996). National Landlords Association 2005 – Survey of Members, (Unpublished 2006). University of Glasgow 2002, Review of Private Rented Stock in Wales (Welsh Assembly Government, Housing Research Report February 2002). Julie Rugg and David Rhodes, The Private Rented Sector: its contribution and potential (Centre for Housing Policy, University of York, 2008).

⁸ Bruce Walker and Pat Niner, Low income working households in the private rented sector, (Department for Work and Pensions Research Report No 698, September 2010.)

⁹ University of Glasgow 2002, Review of Private Rented Stock in Wales (Welsh Assembly Government, Housing Research Report February 2002).

people in housing need and by providing landlords with a package of support in terms of management and good practice e.g. through more support for the establishment of social letting agencies and for private landlords to improve management capabilities.

However, as well as using the existing framework, Shelter Cymru is calling for a radical reform of the sector aimed at both improving security and also promoting improved standards and growth. Shelter Cymru is calling for:

- Four-year tenancies following a six-month probationary period;
- Regulation on changing rental costs in line with the market;
- An alternative dispute resolution service;
- Mandatory assistance with deposits and rent in advance;
- Legislation to make retaliatory evictions more difficult (i.e. evictions associated with a tenant's request for repairs);
- Comprehensive landlord registration and the regulation of letting agents.

We recognise that it is important to ensure that landlords see the benefits of any reforms to the sector e.g. in terms of registration. Improved standards will make the sector a more realistic and acceptable option for households and help growth. Several of the elements listed above were included in the reform of the PRS in the Republic of Ireland in 2004. Prior to 1999 the PRS in the Republic had issues such as rapidly rising rents, lack of security of tenure and a need to promote investment in the sector. The Irish Commission on the sector that reported in July 2000 stated that its overall vision was:

'a vibrant, thriving, well managed and diverse sector which satisfactorily meets a range of housing needs, provides an adequate supply of secure, affordable, good quality accommodation and operates within a regulatory framework which protects the interests of tenants and landlords.'¹⁰

The Commission recommended that the sector should be more of a primary objective of public policy, called for security of tenure, rent certainty and that it should be attractive to investors. The Residential Tenancies Act 2004

¹⁰ Eoin O'Sullivan, The Private Rented Sector – The Approach in Ireland: The *Residential Tenancies Act 2004* and the *Private Residential Tenancies Board* (Presentation at the Scottish Council for Single Homelessness National Homelessness Conference 2007, 8th and 9th November 2007, Edinburgh).

introduced landlord registration, regulation of rents (they must not be greater than the open market rate and can be reviewed up or down only once a year), security of tenure, and an alternative dispute resolution service.¹¹

The reform in Ireland was a major piece of work, reportedly, conducted without disrupting the market. There is no evidence of tenants being evicted or landlords/investors withdrawing from the sector. The reform also delivered:

- Quicker and cheaper dispute resolution
- Compliance with registration
- Detailed information on the sector – allowing for improved strategic planning.¹²

If the sector in Wales is to become a more important contributor to the supply of suitable homes, standards of letting and regulating the sector must also become more professional. This means effective legislation, regulation and partnership to improve standards across the sector and provide support to both landlords and tenants.

Shelter Cymru is also calling for a new statutory homelessness framework in Wales that would assist anyone facing or experiencing homelessness. A more effective PRS would be a key part of this framework. However, currently and in terms of homelessness prevention and any reform to discharging homelessness duty there are capacity issues with regard to the sector's contribution e.g. landlords can be very reluctant to deal with households in receipt of housing benefit or who have social problems and, as a consequence, there is a substantial amount of unmet need in the housing benefit sub-market of the PRS. (Social lettings (such as Calon and Icon lettings) and positive partnership working between landlords and local authorities is assisting with access to the sector.)

In terms of homelessness, the increased use of the PRS to provide long-term accommodation for eligible, unintentionally homeless households could have

¹¹ Ibid.

¹² Ibid.

an impact on the supply of property to households for which there is no such responsibility.

Low-income households can be vulnerable in the sector because of:

- Variable Housing Benefit administration ¹³
- Greater difficulty in arranging tenancy support
- Private landlords manage properties not people and are often not equipped or willing to deal with people who have more complex needs.

‘The perceived problems with property quality, security of tenure and affordability all play a part in persuading tenants that the PRS provides – at best – an insecure home.’ ¹⁴

¹³ Steve Povey, Housing Benefit Administration in Wales (Citizens Advice Cymru, 2005)

¹⁴ Julie Rugg and David Rhodes, The Private Rented Sector: its contribution and potential (Centre for Housing Policy, University of York, 2008)

1. How can better use be made of the private rented sector (PRS) so that it will become a tenure of choice and contribute more effectively to meeting housing need in Wales?

The sector needs to be more of a primary focus of public policy in order to ensure that it becomes a tenure of choice and a realistic option for many households. As the sector is a key part of the Ten year Homelessness Plan for Wales 2009-2019 to tackle and prevent homelessness, we believe that the Assembly should outline a comprehensive and ambitious vision of the private rented sector in the future and how it intends to improve issues such as security of tenure and promote growth. It is only in the past few years (as housing need has increased and other options have become even less accessible) that local and central government have really begun to focus on exploiting the potential of the sector as a major contributor to fulfilling housing need.

In the medium or longer-term Shelter Cymru believes that the Assembly Government should legislate to improve the private sector and make it more of a tenure of choice in Wales. We believe that effective legislation, including comprehensive landlord registration, regulation of letting agents and, crucially, dealing with security of tenure and affordability, will assist in developing the sector and benefit both tenants and landlords. As described in the introduction, such legislation has worked in the Republic of Ireland, where the approach has led to growth in the private rented sector.

Within the current legislative framework the Assembly can continue to support the work of local authorities to more proactively engage with landlords/owners and their representatives. On a practical level, greater engagement with landlords/developers and owners should be a higher priority for local authorities. Many are conducting positive work in this respect, and in an increasingly difficult context, but the situation is not consistent across the country.

The difficulty in encouraging landlords to provide homes for people on lower-incomes/housing benefit will clearly become harder in light of the changes to housing benefit/local housing allowance. As a consequence it will be even more important to develop packages that, although the rent would be lower, might be attractive to some landlords in terms of management etc.

2. What can be done to address the poor condition of some properties and standards of property management within the PRS?

Some good progress has been made with regard to both conditions of properties in the PRS and the overall standards within the sector. Property conditions have improved since the House Condition Survey of 1998 for example, with a reduction in unfitness from over 18% in 1998 to slightly over 12% in 2004.

However, further investment into the sector is required to ensure that it can successfully play the role that central government, local government and its partners expect of it in terms of helping to resolve homelessness and provide, what it is fast being perceived as, the largest source of accommodation for low income households and those who are more vulnerable.

In terms of management standards, Shelter Cymru believes that considerably more needs to be done. We have long held that comprehensive registration of landlords, and regulation of letting agents (who are often the main point of contact with the tenant), would improve standards and lead to a more professional sector. (Positions supported by the work conducted by Julie Rugg and David Rhodes on the sector in England.)

We would support Assembly work to take forward some of the points included within the consultation document – The Private Rented Sector in Wales – **consultation paper** released in Wales in February 2010 (e.g. landlord registration, regulation of letting agents) but would like to see the Welsh Government set out a comprehensive vision for the PRS in Wales including

improved regulation, and promoting growth. The consultation published earlier in 2010 rested mainly on proposals made following the Rugg/Rhodes review of the sector in England. (The Westminster Government will not now take these forward.) Under 'Opportunities for change', the consultation paper identified tenancy frameworks as an area that should be examined further, including *'There may be scope for landlords to offer longer term fixed lets if they can be reassured of the real and perceived risks.'* The paper did not however make any further reference to tenure reform as part of its approach to the sector.

3. Is there sufficient engagement with the PRS through voluntary initiatives like Accreditation Schemes and Landlords Forums to help raise standards across the sector or is more enforcement and regulation needed? Do these efforts need more strategic co-ordination at a national level?

As stated, there is considerable work being done on a local level to engage with the PRS. However, we believe that given the central role expected of the sector, targeted and effective regulation is required e.g. landlord registration and regulation of letting agents. This should not be onerous but should seek to ensure that both landlords and agents are 'fit and proper persons' and that there is effective regulation of letting agents.

We believe that conditions in the sector have improved and engagement between the sector and partners in local government and the third sector has progressed considerably. Our experience is that the success of landlord forums etc. is variable across Wales. Some are proactive forums that work well in helping to build and maintain relationships between local landlords and the local authority e.g. Carmarthenshire.

4. Is security of tenure an obstacle to developing the PRS further? Are there any other critical barriers preventing access to the PRS? How can these be overcome?

It is important to remember that the PRS is a collection of different sub-sectors that presents both opportunities and barriers. Identifiable sub-markets within the sector include, young professionals (the PRS has a younger age profile than other tenures), students, housing benefit/local housing allowance market, people on higher incomes, and immigrant communities.¹⁵ For some the flexibility that the PRS provides is important e.g. the sector provides homes for a range of households – younger households, professional people.¹⁶

For many of the people we work with, the lack of security of tenure in the PRS is a barrier. It is difficult for a family with children to settle, link up to services e.g. schools, GPs, etc. and then have to do this all again, in 6 months for example. Insecurity, for example, is considered a problem for families with children who, although positive about the choice the sector could offer, fear that they would be required to move at short notice.¹⁷ Shelter Cymru believes that as part of a long-term vision for a growing private rented sector the Assembly should explore increasing security of tenure in the sector. Reform of the PRS in Ireland appears to have increased security without compromising growth an investment in the sector.

The lack of affordable homes is a difficult barrier to overcome for many of the households that Shelter Cymru assists. Many of our clients already pay shortfalls between the rent levels and the benefit paid. Proposed changes to housing benefit/local housing allowance will exacerbate this aspect. These households are on low-incomes and increasing demand, lower levels of benefit, a diminishing number of landlords willing to let to benefit dependent households, will present further barriers to many households. A survey by Shelter in England in 2009 found that 60% of claimants found it difficult to

¹⁵ Julie Rugg and David Rhodes, *The Private Rented Sector: its contribution and potential* (Centre for Housing Policy, University of York, 2008)

¹⁶ *Living in Wales 2004 Tenure*. Table 3 shows that 35% of households were in the 18-29 age group. This second only to owner occupation (38%), double the percentage in local authority housing and more than triple that in housing association homes. (Welsh Government, SDR 94/2005 (r), 2008)

¹⁷ Laura Edwards, *Home Truths: The Reality Behind our Housing Aspirations*, (Shelter, 2005)

find a landlord who was willing to let to Local Housing Allowance claimants at the current benefit rates.¹⁸

Increased demand within the sector overall (as owner occupation remains expensive and there is a lack of social housing available) is likely to present a barrier to many of the households we assist. Some schemes in England have attempted to equip more vulnerable people with the skills required to live independently and be a 'good tenant' while others have explored ways of changing the image of 'homeless people' with private sector landlords.¹⁹

The negative views that a considerable proportion of landlords have of households on housing benefit also constitutes a barrier, particularly when seen in conjunction with increased demand and lack of affordability. Similarly, the negative perception of the sector, landlords/agents, by households is also a problem. Although there is considerable negative policy discourse on social housing, there is a relatively high rate of satisfaction with the tenure, with between 81% and 82% of tenants satisfied overall.²⁰ In contrast, the perception of the PRS amongst people can be lower. Overall satisfaction amongst residents is around 74%, while satisfaction with landlords or estate/letting agents was recorded as 69% and 68% respectively. Only 57% of lone parents were satisfied with the sector.²¹

Greater partnership working with private landlords may help to overcome some affordability problems. The motivation for most landlords is investment but some may be willing to compromise on rental for packages of management support e.g. through social letting schemes.²² Some leasing schemes may also have an impact here. However, affordability will become an even greater issue with the housing benefit/local housing allowance

¹⁸ For whose benefit, (Shelter, 2009)

¹⁹ John Pritchard, Mal Devonshire, Providing the Solution – Improving the Private Rented Sector as an option for resolving housing need in Wales, pp.46-47. (Shelter Cymru, November 2006)

²⁰ Alison Wallace, Public attitudes to housing (University of York, September 2010). Based on data from England.

²¹ Ibid.

²² University of Glasgow 2002, Review of Private Rented Stock in Wales (Welsh Assembly Government, Housing Research Report February 2002).

reforms – even greater shortfalls will mean that tenants will have fewer choices and landlords are less likely to be able to compromise.

5. Can you identify any “quick wins” (that wouldn’t require new legislation) which could have an immediate impact on improving the PRS?

The Assembly should support more coordinated work in terms of engaging with landlords or owners.

It would be interesting to explore a recommendation within the Rugg/Rhodes report that closer working between Housing Associations and private landlords/landlord representatives in terms of management standards could be beneficial and that associations should be encouraged to enter the marketplace and sell their rental management skills to private landlords and property investors.

Improve the provision in terms of deposits/rent in advance. Provision is currently fragmented (with eligibility criteria etc.) and makes it difficult for people to access the sector.

More work is required in terms of supporting landlords. A considerable amount is already happening but the more that’s expected from the PRS, the more support is going to become important.

Support for households is crucial. Landlords manage properties and not people. Many families in housing need do not have support requirements (the issues for these will be affordability and security) but a proportion of those for whom it is envisaged the sector will provide more accommodation for do have additional and more complicated support needs.

The majority of households we represent will either be claiming Housing Benefit and/or be on a low income and unable to compete in a market where they can experience shortfalls between the level of benefits paid and rental costs. Some will have lost accommodation due to lack of affordability (with

the Welfare changes this situation is set to worsen) and there is a conflict in expecting a commercial, unsubsidised sector to provide a solution for those who have either been driven out of it in the past or who can find it financially difficult to gain access to it in the first place.

Strategic investment in bringing empty homes back into use as a contribution to providing affordable homes. (See the reply to question 7).

6. What can Wales, and the Welsh Government, do to prepare for the changes to Housing Benefits announced by the UK Government?

The proposed cuts to Housing Benefit/Local Housing Allowance will seriously affect Assembly Government and Local Authority plans to use and make more use of the private rented sector. For example, the sector is crucial to the aim of reducing homelessness.²³

As referred to in our introduction, research demonstrates that landlords, overall, are not too keen to let properties to benefit recipients anyway. There is already a considerable number of households paying shortfalls in the sector and the proposed cuts are likely to exacerbate this situation and mean that some landlords will stop letting to this part of the market.

Depending on their circumstances, some landlords may be willing to negotiate lower rents and take on a package of support offered by social lettings schemes. Others though won't, and won't be in a position to because of their own commitments. A recent National Landlord Survey in England found that around 60% of landlords wouldn't negotiate lower rents. Demand for homes in Wales (e.g. the lack of affordable mortgage products mean that many households cannot buy homes and are renting) may mean that, in many areas, there is no need to negotiate lower rents as someone else is likely to let the property. (The English House Conditions Survey in 2003 indicated that the provision of housing to people in housing need accounted for only 4% of all landlords' views of their reason for letting.)

²³ Ten year homelessness plan 2009-2019 (Welsh Assembly Government, 2009)

Ultimately, these proposals are likely to mean fewer homes available to those on lower incomes. It should also be remembered that a majority of those receiving LHA/HB are already working – and not avoiding work. Linking the Local Housing Allowance to the 30th percentile of rents in an area and imposing a 10% cut on the housing allowance of anyone on Job Seekers Allowance for 12 months will both cause hardship for many households in Wales. According to the Department of Work and Pensions own impact assessment, the package of reforms announced for 2011/12 (including the setting and capping of the LHA, removal of the £15 excess) will negatively affect 48,530 of Local Housing Allowance claimants in Wales (from a total of 48,710). Setting the LHA at the 30th percentile of rents will negatively affect 89% of claimants in the PRS in Wales²⁴

The reform of housing allowance linked to Job Seekers Allowance status is particularly arbitrary and appears to conflict with the principle of conditionality i.e. it will be imposed on anyone irrespective of the efforts made to find work (in an employment market that some research expects to remain challenging until 2015). Job Seekers Allowance is already conditional on people actively seeking work.

The Government's own assessment is that these proposals could lead to increased homelessness. Research by Cambridge University on the impact of the proposals in England show that, from 2012, councils could face additional costs of £120 million per year to assist those who lose their homes because of the LHA cuts. This wipes out a fifth of the Treasury's projected savings of £600 million annually from that year. This doesn't take into consideration the broader and longer terms costs of homelessness in both social and economic terms.

The proposed linking of LHA to the Consumer Price Index (CPI) will also cause difficulty. Between 1999 and 2007 CPI increased by 15% while rents

²⁴ Impacts of Housing Benefit proposals: Changes to the Local Housing Allowance to be introduced in 2011-12, (Department of Work and Pensions, July 2010)

increased by 44%. If the LHA had been linked to CPI from 1999 it would now be 20% below the level needed to rent the average property.²⁵

Some measures to take:

- Ensure that independent advice and assistance is available and that it has sufficient capacity to deal with the fallout from the cuts and the economic environment e.g. a challenging employment market.
- Ensure that Local Authorities put money towards Discretionary Housing Payments to match the money government puts in – and that they spend it.
- Continue and increase the work with private landlords to try and minimise the impact of the changes. Social lettings packages will still be attractive to some landlords for example.
- Support exemptions to the proposed cuts – e.g. in terms of supported homelessness accommodation.

7. How can more empty homes be brought back into occupation as rented accommodation?

Local Government needs to give greater priority to identifying and addressing the issue of empty properties and make this a corporate priority. The tools are available (the Welsh Government guidance prepared in partnership with Shelter Cymru and the Shelter Cymru/Chartered Institute of Housing toolkit), but often the capacity and corporate priority at local level isn't. (There are some areas of good practice e.g. Carmarthenshire, Denbighshire and Conwy.)

Using the council tax powers within the recent Housing and Local Government Legislative Competency Order (LCO) would help. It is important that the Assembly gives local authorities powers that would encourage making better use of empty homes. The ability to charge additional council tax is one way of doing this and it would enable the Assembly to give Welsh local authorities further leverage for dealing with empty properties that can be used to provide affordable homes. Local authorities should charge additional council tax on empty homes (and second homes) and the

²⁵ CLG Live Table 740: Private Sector Rent Index, 2007 and Consumer Price Index, ONS, 2010.

revenue raised should then be used to fund local initiatives to bring empty homes back into use.

It would be worth exploring whether (via LCO or post a Yes vote in the referendum) we could simplify the current process required for EDMO's. However, enforcement is a last resort and, in many cases, more can be gained by working with owners, developers, providing a flexible package of options for different people in different circumstances. For this to work though, the issue of empty homes needs to be a greater priority at a local level.

Focussing on bringing empty homes back into use where possible (and exploring options such as commercial buildings, flats above shops etc. more actively) ordinarily makes sense both economically and socially, but in the current economic environment the investment in bringing empty properties back into use would be particularly effective and deliver a greater number of homes for less money.

Local authorities and their partners should ensure they are assessing the contribution empty homes could make as a contribution to achieving affordable homes target. 2,000 long-term empty private homes can be brought back into use for just £20 million - a much more cost effective way of providing homes compared to new build. Maintaining a new Empty Homes Fund provides opportunities for more homes to be refurbished and used. (Studies have shown that average costs of returning empty homes to a habitable state are just £6,000 - £12,000 per property. Sources: East Kent Empty Property Initiative, report of research by Fordham Research Ltd for Kent County Council, Swale Borough Council, Shepway District Council, Thanet District Council.)

As well as the lack of capacity and resources (in terms of funding) local authorities that replied to Shelter Cymru's recent survey identified the importance of maintaining and raising the profile of work on empty homes.

'Support from WAG to maintain a high political profile/Status.' (Welsh Local Authority)

It is important that the Welsh Government supports local authorities to raise the political profile and status of working on empty homes, particularly during a period when local government budgets are under increasing pressure. During the current economic environment the Assembly (and this could constitute a 'quick win') should also consider investing additional resources to help local authorities to bring empty homes back into use for people in housing need – this could be over a two year period and be linked to property targets.

A strategic overview and capacity to assist local authorities, help engage with owners and others, would again be useful. The Scottish Government recently borrowed the Welsh idea of a national post to promote the use of empty homes and assist local authorities and their partners, whilst funding for such an initiative in Wales has ended.