

## Senedd Housing and Local Government Committee inquiry into the Private Rented Sector

The Bevan Foundation is Wales' most influential think-tank. We create insights, ideas and impact that help to end poverty and inequality. We are grateful for the opportunity to submit written evidence to the Housing and Local Government Committee's inquiry into the private rental sector. Our response addresses each of the terms of reference set out in the consultation document in turn and is based on our extensive work on the challenges faced by low-income renters in Wales.

### 1. The supply, quality and affordability of accommodation in the private rented sector

The Bevan Foundation's recent work on the Local Housing Allowance has raised significant concerns about the availability of good quality, affordable housing in Wales.

The Local Housing Allowance (LHA) is the mechanism used to calculate the amount of Housing Benefit or housing element of Universal Credit that someone renting in the private rental sector is entitled to claim. The LHA is designed to allow a tenant to rent a property in the cheapest 30th percentile of properties available within a market area, adjusted for household composition. Our most recent research has demonstrated that this is far from the case.

Between 3<sup>rd</sup> February and 17<sup>th</sup> February, we collected data on the 2,638 properties advertised for let in Wales. Of these only 32 (1.2 per cent) were advertised at rents that were at or below LHA rates.<sup>1</sup> Of the 22 local authorities in Wales only 6 have any properties available at or below LHA rates, Cardiff, Ceredigion, Conwy, Gwynedd, Powys and Rhondda Cynon Taf. In two of the six local authorities, (Ceredigion and Conwy) there was only a single property available at LHA rates.<sup>2</sup>

The inadequacies of the LHA system have a significant effect on low-income renters. These effects are predominantly manifested in one of three ways.

Some tenants move into properties where there is a gap between the support they receive through the social security system, and their rent. According to the Department for Work and Pension's own data, in September 2022, 70 per cent of private rental sector tenants that were on Universal Credit and who received support towards their housing costs in Wales did not have their rent covered in full.<sup>3</sup> This has a significant impact on tenants' financial resilience, putting them at greater risk of falling into rent arrears or going without essentials such as food or heating.

Other tenants are pushed into poor quality accommodation. During our work on the LHA, we heard from one local authority officer that described the private rental housing that was available at LHA rates in their area as the "toilet end of the market".<sup>4</sup> This does not only have a direct impact on tenant's health and quality of life, but it can also have an impact on their financial position. Poorly

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<sup>1</sup> Bevan Foundation, *Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales, Winter 2023* (March 2023) available at - [www.bevanfoundation.org/resources/housing-winter-2023/](http://www.bevanfoundation.org/resources/housing-winter-2023/)

<sup>2</sup> *ibid*

<sup>3</sup> Statxplore data analysed by the Bevan Foundation

<sup>4</sup> Bevan Foundation, *Wales' Housing Crisis: making the LHA work for Wales* (March 2022) available at - [www.bevanfoundation.org/resources/wales-housing-crisis-making-the-lha-work-for-wales/](http://www.bevanfoundation.org/resources/wales-housing-crisis-making-the-lha-work-for-wales/)

insulated homes, for example, are more expensive to heat, placing extra pressure on the finances of low-income renters.

Some tenants are pushed into accessing support through the homelessness system. The number of people living in temporary accommodation in Wales has risen by a quarter over the past twelve months, with 9,601 individuals living in temporary accommodation as of 28<sup>th</sup> February 2023.<sup>5</sup> The gap that has opened between LHA and rents has likely contributed to this increase in two ways. First, the lack of affordable private rental sector accommodation is likely to have contributed to the increase in the number of people seeking support through the homelessness system. At the same time, the very factors that are making it difficult for renters to find affordable accommodation in the private rental sector are also making it increasingly difficult for local authority housing and homelessness teams to find appropriate move on accommodation, leading to more pressure being placed on temporary accommodation.

## 2. The challenges currently facing private sector landlords;

Over the summer of 2022 the Bevan Foundation held two joint events with the National Residential Landlords Association (NRLA) to better understand why there are not more properties available to rent at LHA rates in Wales.<sup>6</sup> The primary reason given by landlords as to why they did not choose to let out their property at LHA rates was that the gap that has developed between LHA and market rents is now so significant that there was little incentive for them to do so.<sup>7</sup> This combined with a concern that they did not have the appropriate skills to support tenants who may have additional needs meant that many landlords reported that they would prefer to let properties to people who were not in receipt of benefits.<sup>8</sup>

A secondary theme that emerged through our work over the summer of 2022 is that the rise of the holiday let industry is providing an attractive alternative income source for some landlords. Research undertaken by the Bevan Foundation found that in every local authority bar one, a property owner could make more in ten weeks by letting out their property on Airbnb than by letting out their property at LHA rates for an entire year.<sup>9</sup> Whilst there may be some higher costs associated with the holiday let industry, lower regulatory standards, and potentially lucrative returns mean that in many parts of Wales, the holiday industry is likely to be an attractive alternative for landlords, potentially reducing the availability of rental stock.

The Bevan Foundation has not undertaken recent work exploring the challenges faced by landlords more broadly. We are aware that there is significant discussion about landlords leaving the sector in Wales, however, there is limited data that allows us to objectively analyse whether the private rental sector itself is getting smaller. For example, whilst individual landlords may be selling their properties, these could be being bought by other landlords, meaning that the sector overall is not reducing in size. In fact, in the medium term, the data suggests that the private rental sector in Wales is growing. There were 44,000 more people living in the private rental sector in Wales at the time of

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<sup>5</sup> Welsh Government, *Homelessness accommodation provision and rough sleeping: February 2023* (April 2023) available at - <https://www.gov.wales/homelessness-accommodation-provision-and-rough-sleeping-february-2023>

<sup>6</sup> Bevan Foundation, *A call for action: joint pledges from Bevan Foundation and NRLA to support low income tenants* (August 2022) available at - [https://www.bevanfoundation.org/resources/nrla\\_bevan\\_joint\\_asks/](https://www.bevanfoundation.org/resources/nrla_bevan_joint_asks/)

<sup>7</sup> *ibid*

<sup>8</sup> *ibid*

<sup>9</sup> Bevan Foundation, *Holiday lets and the private rental sector* (September 2022) available at - <https://www.bevanfoundation.org/resources/holiday-lets-and-the-prs/>

the 2021 census as compared to the 2011 census. It is possible that this growth has gone into reverse in the following two years, but we think there is a need for caution when exploring recent concerns about the sector becoming smaller in the absence of robust data.

### 3. The opportunities for greater partnership working between social and private landlords.

The Bevan Foundation has not undertaken extensive work exploring opportunities for social and private landlord partnership working. We are aware however, of some examples of such partnership working in action. For instance, the Welsh Government's Leasing Scheme is at its core an example of partnership working, with some local authorities working in partnership with social landlords to manage tenancies under the Scheme. Throughout our work on LHA, however, we have heard that the significant gap that has developed between LHA and rents undermines the attractiveness of such schemes to landlords, with landlords being better off financially if they let out a property at market rate, even if it sits empty for a month than if they rented their property to at LHA rates through the Leasing Scheme.<sup>10</sup>

Whilst we are sure that there are areas where there is space for greater partnership working between social and private landlords, we believe that it imperative that these are developed in a way that is sustainable in the long term, and that doesn't limit the ability of the Welsh Government to construct the additional social housing that is needed.

### 4. Barriers to accessing the private rented sector including challenges facing young people and people with pets;

Affordability is the primary barrier preventing low-income households from accessing the private rental sector, but during our work on LHA we did identify several further barriers. Many properties that are advertised for rent on the formal rental market require tenants to satisfy certain criteria before they are permitted to lease a property. Many of these additional requirements can prove difficult for low-income tenants to satisfy, such as:

- Deposits equivalent to more than one month's rent.
- A requirement to provide a guarantor.
- Credit checks.
- Minimum income checks.
- 'Professional Only' requirements.

Of the 32 properties found advertised for rent at or below the LHA rate by the Bevan Foundation in February 2023, 23 had one or more of these requirements that could prove difficult for low-income tenants to satisfy.<sup>11</sup> This means that there were only nine properties (0.34 per cent) advertised on the formal rental market in Wales that were fully covered by LHA rates and had no additional requirements that would be difficult for a low-income tenant to satisfy.<sup>12</sup> These properties were available in just three local authorities, with seven being available in Cardiff, one in Ceredigion and one in Rhondda Cynon Taf.<sup>13</sup>

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<sup>10</sup> Bevan Foundation n(4)

<sup>11</sup> Bevan Foundation n(1)

<sup>12</sup> ibid

<sup>13</sup> ibid

## 5. How effectively the private rented sector is regulated; and

The enactment of recent legislation by the Senedd (such as the Renting Homes (Wales) Act) 2016 has undoubtedly improved the regulatory standards for the private rented sector. Whilst there may be areas where there is a case to increase regulation further (e.g. in relation to costs) the Foundation's recent work has unearthed some concerns with regards to the way that existing regulation is being enforced.

We have identified some areas where landlords may be ignoring existing regulations or have found loopholes so that they can avoid their spirit. For instance, we found examples of landlord explicitly stating that they would not rent their property to people in receipt of social security benefits, despite the ban on doing so.<sup>14</sup> We also found examples of tenants being required to pay large up-front fees before they could rent a property despite restrictions on letting agency fees.<sup>15</sup> There is therefore a clear need to both increase regulatory enforcement action and to review existing regulations to close possible loopholes.

A further limitation of the way that the sector is currently regulated is that there is a heavy dependence on tenants to both be aware of their rights and to take action against their landlord (e.g. report them to their local authority) in order for regulatory standards to be enforced. Throughout our work we have heard numerous concerns that private rental sector tenants are not empowered, both in terms of knowing their legal rights nor in feeling confident enough to take action against their landlord for fear of eviction.<sup>16</sup> There is a need for the Welsh Government to take action to both increase tenants' understanding of their rights and to increase the support that is available to take action against their landlord, if required.

## 6. The availability of data on the private rented sector and how it can be improved.

There is a need for significant improvement on the data that is held in Wales on the private rental sector.

One of the key findings of the Bevan Foundation's work on LHA has been that there are significant limitations to the data used to calculate how LHA rates are set.<sup>17</sup> LHA rates are set based on data gathered by the Welsh Government's rent officers. There is currently no obligation on landlords to share how much they charge for rent meaning that data gathered by rent officers may not provide a true overview of local rental markets. This does not only have possible implications as to how the LHA is set in Wales,<sup>18</sup> but may also undermine broader policy discussions about the private rental sector. Placing a requirement on landlords to share how much they charge for rent with the Welsh Government or Rent Smart Wales, for example, could address this data weakness.

A second weakness with the current system is that despite the creation of Rent Smart Wales, there are still limitations as to our understanding of how many landlords operate in Wales and how this may or may not be changing over time. Despite all landlords in Wales being required to register with Rent Smart Wales there is no publicly available data that allows us to explore recent trends within the sector, for example whether it is indeed the case that landlords are leaving the sector in Wales.

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<sup>14</sup> Bevan Foundation n(4)

<sup>15</sup> *ibid*

<sup>16</sup> *ibid*

<sup>17</sup> *ibid*

<sup>18</sup> *ibid*

Improving the way that this data is held and published would provide a further opportunity to better understand the private rental sector in Wales.

A further issue with the data that is gathered with regards to the rental sector in Wales concerns Broad Rental Market Areas (BRMAs). Rents vary considerably across Wales, so to reflect this, different LHA rates are set for areas with broadly similar market conditions, called BRMAs. Wales has 23 BRMAs, which are drawn up by the Department of Work and Pensions. The Bevan Foundation's work on LHA has raised concerns about whether some BRMAs are truly representative.<sup>19</sup> We believe that the Welsh Government and Welsh local authorities should use existing mechanisms to ask the UK Government to review Welsh BRMAs, to ensure that they better reflect Welsh communities.

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<sup>19</sup> *ibid*