



The Financial Estimates Accompanying Legislation

ABOUT THE RESIDENTIAL LANDLORDS ASSOCIATION

The Residential Landlords Association (RLA) represents 30,000 small and medium-sized landlords in the private rented sector (PRS) who manage over 250,000 properties across the UK. It seeks to promote and maintain standards in the sector, provide training for its members, promote the implementation of local landlord accreditation schemes and drive out those landlords who bring the sector into disrepute. Members also include letting and managing agents.

June 2, 2017

Dear Sir/Madam,

I am writing on behalf of the Residential Landlords Association (RLA), to make representations in response to the Finance Committee's inquiry into the accuracy and reliability of estimated costs provided by the Welsh Government in the Regulatory Impact Assessment accompanying legislation.

My submission is submitted in regards to the Regulatory Impact Assessment of the Housing (Wales) Act 2014. My comments relate specifically to the national landlord and agent licensing scheme set out in the Housing (Wales) Act 2014.

Background

The RLA submitted oral and written evidence to the Communities, Equality and Local Government Committee during the consultation phases of the Housing (Wales) Bill wherein we questioned the methodologies set out in the Regulatory Impact Assessment (RIA). It was and is our belief that the remedial cost analysis carried out in advance of the bill's final passage procured financial projections that woefully underestimated the inherent realities with establishing and administering a national licensing scheme.

Through a series of recent Freedom of Information (FOI) requests, the RLA has been able to ascertain that our representations are correct as we detail further below.

A. Summary

This summary does not include an analysis of Rent Smart Wales registration and licensing achievements. Results from that analysis revealed that Rent Smart Wales is mostly on target for their licensing projections.

This summary focuses on the finance and budget trends of Rent Smart Wales. The financial details were obtained directly from Cardiff Council via a series of Freedom of Information Requests and were compared against the projects outlined in the regulatory impact assessment of the Housing (Wales) Bill.

1. Staff

As of the end of February 2017, Rent Smart Wales hired 50.2 new FTEs to administer Rent Smart Wales. This is **5 times** the projection of the regulatory impact assessment, where the projection was a total of 10 new FTEs required to administer the scheme in the initial years.

2. Costs



Overall, Rent Smart Wales is over-budget for all projections, with the exception of database development, having utilised approximately 18.6 percent of the allocated budget.

For Communications, Welsh Government has spent over twice its allocated projection, with approximately £165,000 spent, as detailed in a recent FOI response. (£80,000 projected)

Utilising a strict analysis of the Welsh Government regulatory impact assessment table for administrative costs, Rent Smart Wales have overspent the stated allocation of £250,000 approximately five times, with a total of £1,258,836 spent on staffing costs. This does not include the additional running costs of £134,950 not projected in the impact assessment.

However, we believe that the table of costs within the regulatory impact assessment contains an error. At point 7.28 of the impact assessment, it states that *“administration costs are likely to peak at £250,000 in the initial years of the scheme before falling back to £125,000.”*

The table of costs in the projections, however, details one single allocation of £250,000 for the first year of the scheme and £0 for successive years.

We consider years 1 and 2 to be the “initial years” of the scheme. Therefore, we believe that the projected costs should be as follows:

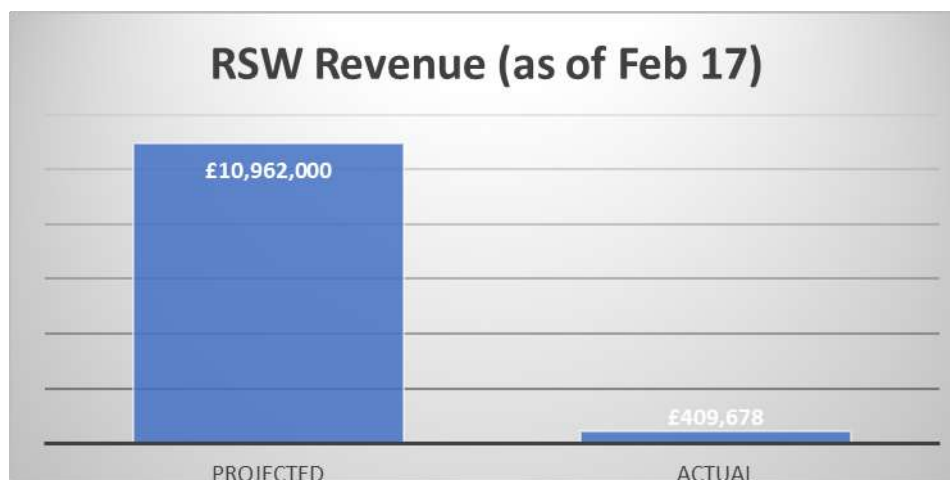
Administrative Costs	Year 1	Year 2	Year 3	Year 4
Impact Assessment Projection	£250,000	£0	£0	£0
Projection-Correction	£250,000	£250,000	£125,000	£125,000
ACTUAL	£1,258,836			

With this correction, the total allocated budget for years 1 to 3 of the scheme totals £625,000. This still puts Rent Smart Wales administrative spending beyond twice the allocated budget.

With the correction for administrative costs, the total projected spending of Rent Smart Wales for years 1 to 3, should be approximately £1,205,000 (vs. £830,000). The actual spending for this period is £1,652,141 (as reported from Cardiff Council via FOI request).

3. Revenues

Total projected revenues from the launch of the scheme to now should total near £10,962,000. We do not yet have the figures for revenues from 2016-17, as accounts do not close until 30th April 2017, and we are waiting for a response to our most recent FOI request for this information. Up to this point, however, Rent Smart Wales have generated £409,678 from landlord registration and licensing, agent licensing, and training.



As stated previously, in our representations to Welsh Government (Government) and the Communities, Equality and Local Government Committee, the RLA expressed its concerns around the utilised methodology for the projections of the regulatory impact assessment. In particular, we were concerned that the projected number of staff would be abysmally inadequate to administer a scheme of this dimension, and it has proven to be so, with Rent Smart Wales employing over 5 times its projected number of staff.

Further, we were disappointed with the general lack of information in the regulatory impact assessment in regards to how the Government generalised the pertinent fees for landlord and agent registration and

licensing. It was only after two separate FOI requests that the RLA learnt that fees were generated through “certain assumptions... based on knowledge of the sector” and “some data.” These assumptions and data should have been detailed in the regulatory impact assessment, allowing for those directly engaged within the sector to comment. Indeed, the day prior to the launch of the scheme, an entirely new and markedly different set of fees were dropped on agents and landlords within the private rented sector.

We are hopeful that future regulatory impact assessments and the arising financial projections will allow for direct representations from those engaged within the relevant industries. As the national licensing scheme demonstrates, the Government markedly underestimated the size of the task they were taking on and the associated costs. It would have been a more prudent measure to liaise directly with industry stakeholders to understand how best to resolve a small, problematic niche of a broader, already well-regulated industry. Resources could then have been directed in the appropriate direction in the sector, rather than re-creating the wheel and overspending to do so.

We thank you for your consideration.

A handwritten signature in black ink, consisting of a stylized 'H' followed by a long, sweeping horizontal line that tapers to the right.

Douglas Haig
Vice-Chairman & Director for Wales
Residential Landlords' Association

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