

Welsh Government Finance Committee

Rent Smart Wales Written Evidence

Scope of the inquiry and input from Rent Smart Wales:

The purpose of the inquiry is to gather evidence on how the current Regulatory Impact Assessment process works, including the consistency and reliability of the information provided, and whether there might be any desirable improvements.

Cardiff Council has been designated as the Single Licensing Authority for delivery of Part 1 of the Housing (Wales) Act 2014. The response provided below is limited to the experience and knowledge of delivering Rent Smart Wales during the set up and implementation phase to date.

This evidence considers the information outlined for Option 3 in the Explanatory Memorandum.- **Legislation to make the registration and licensing of all landlords and agents mandatory**

Assumptions relied upon By Welsh Government and RSW comments are set out below:

Assumption	Commentary
WG assumed that the costs would be recovered from fees; albeit a commitment was made to support the initial set up.	Set up funding was provided. Self funding model is now in place, No funding commitment from WG for 2017/18
WG anticipated that significant part of the marketing campaign could rely upon earned and owned communication channels.	This has been the case. In addition, we have used lower cost “paid for” advertising such as social media, google adverts, radio and bus advertising. Much of the successful advertising has been through agents / landlord forums and local authorities.
All landlords, responsible persons and agents will be required to register and where applicable obtain a licence.	Now know that only landlords are required to register
Landlord population estimated between 70,000 – 130,000 and Private Rented Sector 185,000	A main objective of the legislation is to better understand the sector to allow strategic planning. Very limited information was available at the time. 2011 census data was being relied upon. WG dwelling stock estimates currently estimate that there are 202,000 private rented homes (not all will fall under the remit of the legislation). Our current data indicates that the average number of properties / landlord is 2. This is higher than initially anticipated.

<p>Registration fees anticipated to be £50 and £10 / property</p>	<p>A financial model was later developed by Cardiff Council which set fees based on the estimated costs of processing, compliance and enforcement. A copy of the Fees Policy is attached. This distinguishes between the fees applied to an online application (£33.50) and paper based application (£80.50). The model and fee structure takes account of the Supreme Court judgement in the Hemmings v Westminster case; not available until 2015.</p>
<p>Time taken for landlords to apply for registration. (10 minutes)</p>	<p>If the applicant does not experience difficulties in understanding the requirements, 10 -15 minutes is correct for the Registration process. However, the time involved in submitting a licence application is more significant, particularly for Agent applications. The risk assessment could have also commented on the time involved in attending / undertaking training.</p>
<p>30,000 landlords will register but not become licensed, preferring to appoint an agent instead.</p>	<p>Our figures show that of the 161,564 registered properties 46,738 are being managed by letting and managing agents. However, some landlords appoint an agent and also apply for their own licence.</p>
<p>1000 letting & managing agents offices and branches</p>	<p>1083 is the number of unique offices currently part of a Commercial Licence application. This represents 707 unique agents.</p>
<p>The number of criminal cases is likely to be small with impact on the Courts</p>	<p>Enforcement activity up to 20.06.17:</p> <ul style="list-style-type: none"> • 41 FPNs Served (£150–£250 fines) • 1 successful prosecution • 6 Prosecution cases being prepared
<p>The costs to local authorities of enforcing will be met from the revenue generated from registration fees</p>	<p>Agreed up to the point when an offence is established, following which the fees from FPNs or Court costs are intended to cover the costs incurred. Often courts do not make the full award for costs.</p>

Figures provided up to end of May 2017, unless indicated otherwise.

Comparisons of cost and fee estimates with Actual

Cost Description	Commentary	Amount	Actual
Regulation of landlords and agents	Assumed that this is directly related to the set up and delivery of the new legislation. However, LAs have made the case that having the new powers have an indirect impact on the legislation already on statute, due to the consequential impact of marketing of the new scheme.	£500,000	Additional amount awarded to LAs. 2014/15: £300,000 2015/16: £500,000 2016/17: £275,000
Data base development (Cost to WG)	The database is still in the development phase with further enhancements outstanding and invoices still to be received.	£500,000	£102,910
Marketing and Communications (Cost to WG)	Campaign delivered by WG up to March 2017	£80,000 over 3 years	WG to provide
Additional staff requirement to LAs (Cost to LA)	The final delivery model opted for the designation of a single licensing authority. However, local authorities incurred additional costs during the preparation phase for marketing and promotion and dealing with additional demand on their services; this is referenced above.	£250,000 (funded by income after year1)	RSW set up grant funding from WG: £526,300 (including database)
Costs incurred to landlord / sector of applying for a licence.	A copy of the Fees Policy is attached. This makes a distinction between: <ul style="list-style-type: none"> • Online and paper applications • Landlords and agents and • Whether agents are part of a professional body or not. 	£100 / landlord or £13 million for the sector. (or 10 million when those who appoint agents are excluded)	See table below
Costs to letting and managing agents per office / branch	The fees are applied to each business based on the portfolio size, not the number of offices / branches. Worth noting that: <ul style="list-style-type: none"> • there is a cost involved in training “connected 	£250 for a Licence / registration. £100 to become a member of a professional	A copy of the Fees Policy is attached.

	<p>persons” to an application for a licence.</p> <ul style="list-style-type: none"> • Cost of providing the safeguards required to comply with licence conditions i.e. client money protection, professional indemnity insurance and member of a redress scheme can be secured without becoming part of a professional body. 	body. Total: £350	
Residential Property Tribunal costs	<p>Appeals to date 2 Landlord licence applications refused. 3 appeals against licence conditions later withdrawn by the appellant.</p>		

Summary of Activity Levels and Income received up to 30th March 2017

Activity description	Activity level	Income 2015.16	Income 2016.17
Registration	74,188	272,787	2,319,775
Licences submitted	21,871	180,673	5,232,317
Training with RSW (classroom and online)	25,870	143,130	1,187,815
Calls managed	99,380	-	-

Other considerations:

1. The limited information available about the private rented sector and the unique nature of the scheme being proposed in Wales.
2. The exact nature and extent of the scheme changed during the development stages of the legislation e.g. moved to a single licensing authority model and the licensing regime became more formalised (this differed from the model in place under the voluntary accreditation scheme)
3. The legislation took effect from 23rd November 2015, however enforcement powers were not enacted until 23rd November 2016. This significantly impacted the compliance profile for year 1 and 2 of the scheme.

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