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Welsh Government

RESEARCH, DOCUMENT

# Evaluation of the Private Rented Sector Leasing Scheme pilot (summary)

This evaluation focuses on the approaches of six pilot local authorities to initiating and running the scheme, and early experiences of participating tenants and landlords.

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# Research aims and methodology

The **Private Rented Sector (PRS) leasing scheme** is being trialled between March 2020 and March 2027 in six pathfinder Local Authorities, its objectives being:

- Improved access to affordable and good quality homes in the PRS for those in receipt of benefits, including universal credit, through the removal or reduction of risks which property owners may perceive as arising during a tenancy.
- Longer term security of accommodation for tenants at risk of homelessness by providing accommodation for a period of up to five years.
- Tailored and regular support to help tenants maintain their tenancy, during the scheme and in the future. It is envisaged that this will include support and advice on how to live successfully and independently in settled accommodation, including around money management training.
- Reducing the stigma and cases of discrimination. Successful participation in the scheme will demonstrate that with the right support there need be no greater risk associated with renting properties to those on low income or receiving a benefit contribution towards their housing costs.
- Improved standard of those properties in the PRS which are part of the scheme. This will be achieved through the provision of financial assistance to bring properties which are to be let under the proposed scheme up to an agreed minimum standard.

The scheme seeks to support Local Authorities in discharging their housing duties (particularly Part 2 Housing (Wales) Act 2014 duties) to help people who are homeless (Section 73) or threatened with homelessness (Section 66). It can also be used to fulfil their housing duty to help those who are homeless and in priority need. The scheme also aims to expand the choice of good quality, affordable housing options available to prospective tenants.

The scheme enables residential properties to be leased by Local Authorities from private landlords for a fixed duration of 5 years. The lease includes a break clause which can be activated 2 years into the lease term with 12 months' notice and an alternative lease length of 3 years with automatic renewal clauses to enable the participation of landlords with a mortgage on their rental properties (hereafter referred to as mortgage holders). Rent is payable by the Local Authority to the landlord at the level of the applicable Local Housing Allowance (LHA) rate for the term of the lease, with a 10% management fee deducted from this for managing the property. Incentives are offered to landlords for bringing properties up to the required **Welsh Housing Quality Standard (WHQS)**, including the availability of a maintenance grant of up to £2,000 and of an interest free loan of up to £8,000, as well as ongoing tenancy support for the duration of one's tenancy agreement.

To test if the policy could achieve its objectives and the design of the scheme and the incentives offered were effective, a pilot was implemented on 3 March 2020 with three pathfinder Local Authorities: Cardiff City Council, Carmarthenshire County Council and Conwy Council (which partnered with Denbighshire County Council for the delivery of the pilot). In response to COVID-19, the pilot was extended on 11 September 2020 to three additional Local Authorities: Ceredigion, Newport and Rhondda Cynon Taf, albeit on a more limited basis.

Alma Economics was commissioned by the Welsh Government to undertake an evaluation of the PRS leasing scheme pilot. The aim of this evaluation was to analyse the different approaches Local Authorities had used to implement the pilot and to understand how the scheme was operating in these pathfinder Local Authorities. The evaluation would inform future decisions about the pathfinder scheme and the development of a national scheme.

As part of this evaluation, Alma Economics undertook interviews with representatives of all six pathfinder Local Authorities regarding the process of implementing the PRS scheme and its impact. Interviews were also undertaken

with nine landlords and six tenants included in the scheme regarding their experiences so far. The three initial pathfinder Local Authorities were interviewed twice to capture their feedback regarding both the implementation and the early impacts of the scheme, while the Local Authorities added to the pilot extension were interviewed only once to capture their feedback regarding the implementation stage as it was still too early to enquire about the impact of the scheme. Interviews were designed to be semi-structured to ensure coverage of questions but also to give scope for exploring issues not included in scripted questions where relevant. All interviewees' participation was on a voluntary and anonymous basis. Because all six Local Authorities were interviewed, comprehensive lessons may be drawn from their experiences of rolling out the scheme pilot locally which could be used to inform the national rollout.

Interviews with landlords and tenants, on the other hand, were limited to small samples. Therefore, interviews with landlords and tenants are only indicative of their experiences while on the scheme and not necessarily foretelling the experiences of landlords and tenants joining the pilot in the future.

## **Main findings**

### **Feedback from Local Authorities participating in the PRS leasing scheme pilot**

Local Authorities reported positive experiences working with the Welsh Government, highlighting helpful and quick responses to address queries and feedback. They also shared that they expected the scheme to assist them in discharging their homelessness prevention duties and expanding the choice of affordable housing options for prospective tenants. Some Local Authorities also enquired about expanding the scheme to enable them to discharge their duties to tenants under Section 75 of the Housing (Wales) Act 2014 or to accommodate broader groups also experiencing housing stress, such as single

people looking for one-bed properties.

Some Local Authorities were confident in administering the scheme, regardless of whether they owned housing stock already, as they had spent considerable time setting up the internal processes required for implementation and clarified in advance team roles of Council employees involved in the local rollout of the scheme. However, some of the non-stockholding Local Authorities<sup>[1]</sup> reported more difficulties implementing the scheme as they lacked experience in the housing sector. The representatives of those Local Authorities suggested that additional guidance and/or support from the Welsh Government should be provisioned for them.

This research has found that the implementation of the scheme has been resource intensive, requiring significant staff time (across a mix of specialisms, from project managers, finance and accounting staff and administrators to housing officers, IT and systems staff, legal experts, social advertising teams and electricians) to bring properties onto the scheme, and the one-month timeframe to bring new properties onto the scheme was generally viewed as unrealistic. Some Local Authorities also expressed concern about the volume of paperwork required to bring properties on board and how time-consuming and resource intensive this may become once they had more landlords and dwellings. Some suggestions have been made by Local Authorities' representatives as to how to reduce this workload (these can be found in the full report).

All Local Authorities noted the detrimental impact of the COVID-19 pandemic on implementing the scheme, with disruptions to staffing and slower communication between stakeholders ultimately leading to delays.

While the alternative of a three-year lease with automatic renewal clauses (in lieu of a single five-year lease), introduced for mortgage holders after the pilot had started, did unlock the ability of Local Authorities to bring mortgaged properties on the scheme, some reported that there were still complexities with

mortgage companies.

On-boarding of properties on to the scheme was generally slow. The scheme faced competition from housing market pressures and other similar schemes offered in some Local Authority areas. The COVID-19 pandemic posed additional challenges for bringing properties on board. For example, interested landlords could not get quotes for undertaking necessary improvements to bring their properties up to the required WHQS standards during lockdowns.

The maintenance grant was more popular than the interest-free loan as an incentive for landlords brought on the scheme so far. Only one loan application was reported to have been processed by June 2021. Some pilot extension Local Authorities suggested that interested landlords may have been put off when the maintenance grant was unavailable between April and June 2021.

Local Authorities were generally mindful not to accept applications from landlords who would have had to evict existing tenants to bring their properties on the scheme. Representatives acknowledged that it would be counter-productive to accept such applications in a scheme aimed at preventing homelessness, though some were more open than others to be considering this on a case-by-case basis rather than straight away ruling it out. Moreover, while allocating eligible tenants Local Authorities reported trying to ensure that dwellings matched respective households' needs according to certain criteria, such as size, location, neighbourhood and proximity to services.

As Local Authorities progressed in tenanting properties on the scheme, they also clarified and (where necessary) amplified the tenancy support options they offered.

**[1]** Stockholding Local Authorities are those owning housing stock and utilising it to provide social housing to eligible tenants. Local Authorities can also work together with Housing Associations and/or Registered Social Landlords to provide social housing, in which case all are also referred to as 'social landlords'

and are distinguished from other landlords by having the principal objective of meeting housing need and, in Wales, being not-for-profit organisations.

See: [Welsh Government \(2016\) Code of Guidance for Local Authorities on the Allocation of Accommodation and Homelessness](#).

## Tenant perspectives

Most tenants appreciated the longevity of the five-year leasing programme and reported feeling secure and comfortable in their new properties after the initial moving-in period. Most of them mentioned that they would like to extend their tenancy agreements beyond the five-year leasing timeframe, and the majority of them already had plans to invest in their rental properties so as to feel 'at home'.

However, the type and standards of housing allocated varied greatly among Local Authorities and did not always match each household's individual circumstances. Financial difficulties with affording the property allocated to them were still reported by some tenants, which were exacerbated by caring responsibilities and the subsequent part-time working hours. Some tenants were also unclear of the aims and objectives of the scheme, in particular the support element attached to it, meaning many of the tenants had not accessed the range of support services available to them, despite noting key independent living challenges. They continued to overcome these challenges without assistance through the scheme.

## Landlord perspectives

Landlords were generally happy with the LHA -10% rent rate, as the maintenance and management of the properties were no longer their responsibility during the period of the lease. Landlords also expressed that they were content with the income security that the scheme offered, and a majority would be happy to sign up for longer leases or be given the opportunity to



extend their leasing period after the initial five years had passed.

Time frames from initial discussions with Local Authorities to leasing the property varied greatly from two weeks to seven months, and some landlords were disgruntled with the income lost during this lengthy time period. Property inspection and documentation checks were also sporadic throughout the process of setting up the property on the scheme, with some landlords highlighting the delays in gaining these health and safety checks with tradespeople.

All landlords were aware of the aims and objectives of the scheme with some purposely buying property in order to support the scheme.

## **Recommendations and considerations**

### **Local authorities**

Key take-away lessons from the pilot indicate that stockholding Local Authorities are better placed to implement the scheme, and different challenges will be faced depending on the characteristics of each Local Authority's areas and their respective housing markets. As such, the support provided to Local Authorities while rolling out the scheme needs to vary and be adjusted to local needs and competences. The budgetary position of each Council and the financial risk each would be prepared to take on in implementing the national scheme also needs to be considered, especially in terms of administering grants and loans, and covering the repairs and maintenance of the properties.

### **Tenants**

Further practical support should be given to tenants, including during the

moving-in stage, providing initial budgeting and tenancy support, with this support outlined in an accessible manner and as soon as possible. At the same time, tenants should be made aware of the scheme's aims and objectives, and expectations for all parties involved (tenants, landlords and Local Authorities) should be clarified at the first point of call.

## Landlords

The process of bringing a property on board, and particularly all documentation, certificates and checks/surveys necessary, should be clearly outlined to landlords at the early stages of contact. This is especially important because the level of information and the number of checks and (where deemed necessary) upgrades to the property required are not usually requested by letting agencies or needed for a landlord to let their property privately, and therefore many landlords mentioned being unprepared. The time frame needed for this process to be completed will need to be reduced if the scheme is to become attractive to a range of landlords.

## Concluding remarks

This research suggests that the PRS leasing scheme has shown promising signs of achieving good outcomes for tenants via increasing the stock of property available to Local Authorities for working with households at risk of homelessness. The policy has also overall achieved the difficult balance between meeting the needs of tenants, landlords and local authorities. There is good reason to expect a national rollout to enable even better results by increasing the profile of the policy, enabling central resources and lowering ongoing costs of operating the scheme on a per property basis following higher initial costs for implementation. However, an important point to highlight is that the policy has not proven equally beneficial for all Local Authorities. A key

consideration is the rate of local rental price growth. If this outstrips LHA rental rates by too great a margin, the other aspects of the policy may not be sufficiently attractive for landlords to join the scheme.

## Contact details

This research was conducted by Alma Economics, working in association with Nia Ffion Rees, an independent housing research consultant.

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

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