



The impact of the Wylfa power station on low-income private tenants



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Executive summary

This report details the findings of analysis on the impact of the Wylfa power station on low-income private tenants in North West Wales. The analysis is based on household level data that captures the income, employment and housing circumstances of 2,766 households living near the site of the Wylfa power station, in what the Welsh government has identified as the key impact area¹.

There is concern that demand for housing will increase during construction of the power station, which will impact vulnerable residents in the area. The cap on LHA rates, the benefits freeze and increasing inflation, in addition to increasing rents, mean that many private renters in the key impact area will find themselves in a situation of rising costs, without the resources to cover them.

Policy in Practice has conducted an independent assessment of the likely knock-on consequences that the development of the power station will have on low-income residents living in the private sector. This report details the situation in the key impact area now, and presents 3 scenarios in which private sector rents increase when construction of the power station begins.

- Scenario 1 (business as usual): rents are modelled on increases seen in the past 3 years, -0.3% in Anglesey, 0.9% in Conwy and 2.7% in Gwynedd²
- Scenario 2: rent increases of 5% in years 2018 and 2019 and 25% in 2020
- Scenario 3: rent increases of 5% in years 2018 and 2019 and 40% in 2020

The scenarios are based on case studies of other infrastructure investments³. The analysis takes into account other welfare reforms alongside increases in the National Living Wage, and a higher personal tax allowance.

Findings

Poverty after housing costs increases significantly as rents stray from capped Local Housing Allowance rates. The poverty rate for the key impact area in 2017 is 8.3%. The overall poverty rate is expected to increase to 14.0% in 2020 due to frozen benefit rates, changes to benefit regulations, the roll out of Universal Credit and the effects of inflation. With the construction of the power station, we estimate that poverty in the area increases only slightly to 14.3% in Scenario 2 and 14.5% in Scenario 3. However, this hides a significant impact on people living in the private rented sector. It is difficult to model an increase in social sector rents because of the future application of the LHA cap; however, 'affordable rents', set at up to 80% of market rents could also be impacted, potentially affecting 3,624 households.

Private renters are the most heavily impacted across all scenarios. The poverty rate amongst low-income private renters is as high as 62% today; this could increase by a maximum of 24 percentage points, to 83% under Scenario 2 and 86% under Scenario 3 in 2020.

In Scenario 3 there are 2,386 low-income private renting households in poverty, 528 of which are in work, compared to 440 in Scenario 1. Similarly, the number of lone parent households

¹ See Annex 1 for a map of the key impact area and a list of the area names

² This is equal to the average year on year rent increase for 2013-2014, 2014-2015 and 2015-2016 from Stats Wales, available here: <https://statswales.gov.wales/Catalogue/Housing/Private-Sector-Rents>

³ Investment in Pembrokeshire docks led to an increase in private rents of 25%, while investment in Aberdeen has led to increases in rents estimated at 40%. These scenarios were agreed with the client to help local authorities plan for a worst case scenario.

in poverty increases by 91 between Scenarios 1 and 3. There are 794 low-income private renting households with children in poverty under Scenario 1, under Scenario 3 this figure increases to 921.7

The level of financial resilience among low-income private tenants in the area, calculated by taking living costs into account alongside income, shows an even more alarming increase at risk. The proportion of low-income private tenants facing a monthly shortfall between their income and their living costs could rise from less than a half currently to close to two-thirds under Scenario 3.

Table 1.1: the effects of changing rents on poverty and financial resilience on low-income private renters				
	2017	Scenario 1	Scenario 2	Scenario 3
In poverty	1,714 (62.0%)	2,088 (75.5%)	2,304 (83.3%)	2,386 (86.3%)
At financial risk	1,251 (45.2%)	1,274 (46.1%)	1,623 (58.7%)	1,771 (64.0%)

Without efforts to mitigate the impact on low-income households, poverty will likely become more widespread in the area. An increasing number of households will struggle, with a growing number of families at risk of eviction and homelessness. This analysis estimates the total costs of homelessness to the three local authorities at £1.1 million under Scenario 2 and £1.6 million under Scenario 3.

Anglesey, Conwy and Gwynedd Councils, and the Welsh Government commissioned this report to understand the impact of a sharp increase in rents, and to have the opportunity to act to ensure that the impact on low-income households is mitigated.

The three councils can consider:

- Using this report to ask for Targeted Affordability Funding from the DWP, in order to increase LHA rates in the area
- Working with others to construct additional homes in the key impact area, where demand is likely to be greatest.
- Working with employability organisations to ensure additional employment opportunities brought about by the power station benefit low-income residents in the area
- Targeting support to households impacted negatively by the overall impact of rent increases and other reforms, or with high barriers to work

1. Introduction

This report details the findings of an analysis of the impact that the construction of Wylfa power station is likely to have on the surrounding area and, in particular, on low-income private tenants. The analysis was carried out by Policy in Practice, and commissioned by Isle of Anglesey Council, Conwy Council, Gwynedd Council and the Welsh Government.

Single Household Benefit Extract (SHBE) data, which captures detailed information on every household in the three local authorities receiving Housing Benefit, has formed the basis for the analysis on the impact of the construction of the power station. This report focuses on private tenants claiming Housing Benefit living in the key impact⁴ area, which is the area in close proximity of the power station construction site.

The report assesses the implications that large increases in rent prices, resulting from high demand for accommodation in the years leading up to the construction of the power plant, will have on the living standards of disadvantaged private tenants.

The findings will help local authorities to prepare ahead of a range of different scenarios, with the aim to:

- Provide an overview of the impact of a range of rent increases on private tenants in the area
- Provide an evidence-based approach for Anglesey, Conwy and Gwynedd Councils, and the Welsh Government, to engage with Horizon and the UK Government to expose some of the key issues around availability of affordable homes and the freezing of housing benefit rates
- Enable the three local authorities to act pre-emptively in relation to the potential impact on housing, including local displacement and homelessness

This report will assess the impact of three scenarios, each modelling different levels of private rent increase. More details on the assumptions taken into account in each scenario are outlined in the methodology section. Under each scenario our analysis highlights:

- The loss of disposable income households can expect as the result of higher rents
- The number of tenants at financial risk
- The proportion of households that would move into poverty
- The number of households with rent above the LHA rate

⁴ For details on the key impact area, provided by the Welsh Government, see Annex 1

2. Methodology

This analysis is based on the Single Housing Benefit Extract (SHBE) and Council Tax Reduction Scheme (CTRS) data from the Isle of Anglesey, Conwy and Gwynedd, as of March 2017.

SHBE is a Housing Benefit dataset provided monthly by local authorities to the DWP. The dataset contains individual-level data and thus is a rich resource for analysing the impact of welfare reform at both an individual and aggregate level. It represents low-income households, defined as those in receipt of Housing Benefit. The CTRS dataset contains similar data for all households in receipt of council tax support.

Isle of Anglesey, Conwy and Gwynedd Council each signed a secure data-sharing agreement with Policy in Practice and personally identifiable information has been removed from the data. Policy in Practice has converted the data into a format consistent with the Universal Benefit Calculator software engine, a tool that models the combined effects of different policy changes on each individual household.

The focus of the analysis is to show the effect that construction of the Wylfa power station will have on the surrounding area, by modelling three scenarios. The scenarios describe how the circumstances related to housing and income of low-income private tenants living in the key impact area will change by 2020.

The main change modelled in this analysis is a large increase in private rents; however, several other factors are taken into account such as increased inflation⁵ and changes to benefits regulations, including the roll out of Universal Credit across the UK. On top of this, our analysis factors in policy changes that will take effect from April 2018, such as the rise in the National Living Wage to £8.80 per hour and the higher personal allowance of £12,500.

Scenario 1

Scenario 1 models increases in private rents based on historical data from the past 3 years. The purpose of this scenario is to show how the key impact area would be affected if rental rates continue to rise at their current rates. The findings of this model provide a baseline for comparison with the other two scenarios to better understand the effect of the power station. The rates of rental price increases modelled are -0.25% in Anglesey, 0.9% in Conwy and 2.7% in Gwynedd².

Scenario 2

Scenario 2 bases projected increases in rent prices on the experience of Pembrokeshire. In Pembrokeshire private rents increased substantially due to construction of a power station in 2008. The analysis for this scenario forecasts private rent increases of 5% for years 2018 and 2019, and an increase of 25% for 2020. This is based on information provided by the Welsh Government and is confirmed by research for the Pembrokeshire Haven Spatial Planning Group, which finds that construction of the power station had a significant impact on the local housing market. For example, house prices increased up to 20% for properties worth less

⁵ Data on national inflation taken from the Office of Budget Responsibility Economic and fiscal outlook charts and tables (March 2016): budgetresponsibility.org.uk/download/economic-and-fiscal-outlook-supplementary-fiscal-tables-march-2016

than £150,000, with similar increases for private rent prices⁶.

Scenario 3

Scenario 3 models projected rent increases based on the experience of Aberdeenshire. In Aberdeenshire private rents increased substantially as the result of significant infrastructure investments for the construction of the power station and development of oil rigs. The analysis in this report forecasts private rent increases of 5% for years 2018 and 2019, and an increase of 40% in 2020. These figures have been provided by the Welsh Government, and are based on estimates on the effect of large infrastructure investment on the local housing market in Aberdeenshire.

There are some general limitations to this methodology:

- The analysis is based on the rent increases described above. The findings of this report are predictions of the effect that might be seen in the key impact area. In reality construction of the power station in Anglesey may have a weaker or stronger impact than the estimates from Pembrokeshire or Aberdeenshire.
- The analysis models scenarios based on current data. This means that the analysis doesn't take into account that a household's circumstances might change; rather, it shows how the current SHBE caseload would fare under the three scenarios presented.
- We assume that by 2020 Universal Credit (UC) will be fully implemented. This is a reasonable assumption to make, as DWP plans are in place for UC to be fully rolled out by 2020-21⁷. However, in reality the number of households on UC may be lower than expected⁸.
- The new power plant may bring increased employment opportunities for households subject to this analysis. However, there is little evidence of this effect in Pembrokeshire – it is unclear whether the construction of Pembroke power station affected local employment rates⁹, though it undoubtedly had a positive effect on the local economy as a whole¹⁰.

⁶ See here: www.pembrokeshire.gov.uk/objview.asp?object_id=2743

⁷ See here: <https://www.gov.uk/government/publications/dwp-single-departmental-plan-2015-to-2020/dwp-single-departmental-plan-2015-to-2020>

⁸ Though there isn't official research on this topic, we have heard anecdotal information from several Local Authorities, putting migration levels at up to 25%. For more information please contact us

⁹ Unemployment actually increased during construction of the power station between 2009-12, though this coincided with the great recession of 2008-12. See ONS statistics here:

http://www.nomisweb.co.uk/reports/lmp/la/1946157391/subreports/ea_time_series/report.aspx?

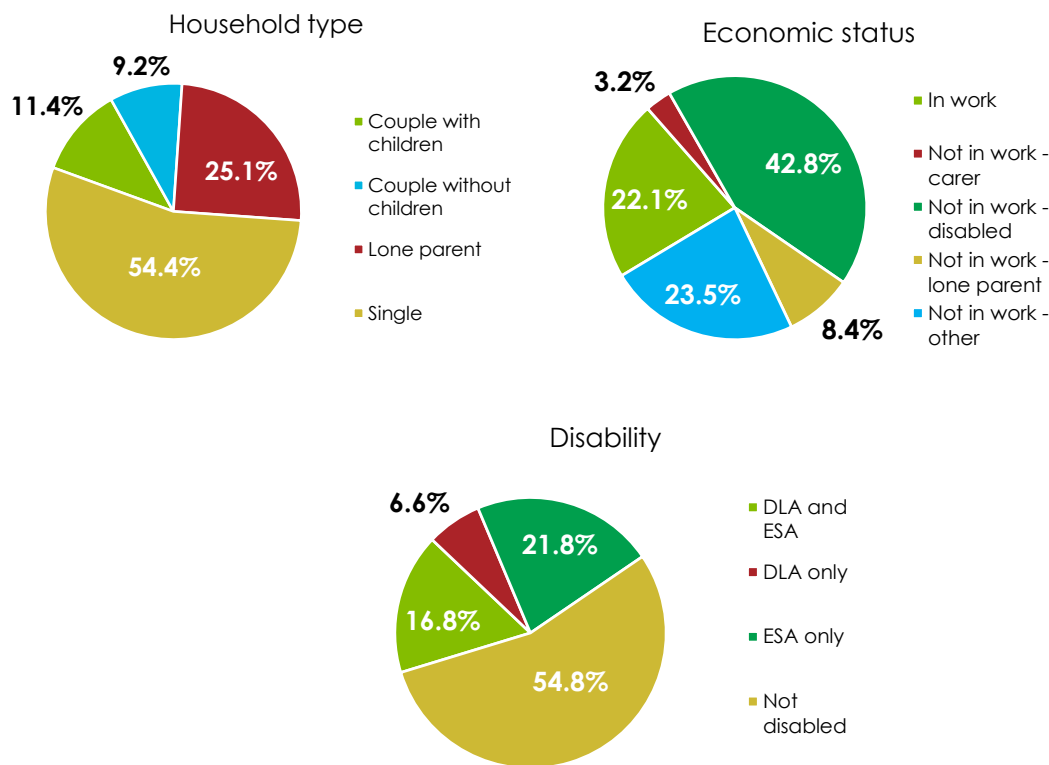
¹⁰ The power plant is estimated to be worth £10 million a year to the local economy, see here: <http://www.itv.com/news/wales/2012-09-19/1bn-new-pembrokeshire-power-station-to-open/>

3. The situation now

A total of 12,133 low-income families live in the key impact area close to the future site of the Wylfa power station. Of these 12,133 households 2,766 (22.8%) are private renters. This group of households is the focus of this analysis, as they will likely be affected by changes in rent prices during the years of construction of the power plant.

20.9% of the cohort is of pension age, with the remaining 79.1% (2,188 households) of working-age. 36.4% of households have children, with a total of 1,862 children in this cohort. The majority (54.4%) of these households is made up of single adults and one in five families is in work.

Figure 3.1: Characteristics of private renters in key impact areas



Households in poverty

To estimate the current level of poverty in the area, the analysis uses the relative income measure after housing costs¹¹, adjusted for household composition¹². Relative poverty is a standard way to measure economic deprivation in developed countries and is used by many prominent international institutions as well as the UK Government¹³. The calculation

¹¹ Median income figures, including housing costs (mortgage, rent etc.) are taken from Households Below Average Income (HBAI). See here: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/600091/households-below-average-income-1994-1995-2015-2016.pdf

¹² Based on the OECD alternate equivalence scale.

¹³ See the ONS: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/articles/persistentpovertyintheukandeu/2014>

takes 60% of national median household income and adjusts it for the composition of the household; this means the poverty line for a single person is much lower than for a family. Incorporating housing costs into this calculation allows us to effectively model the change in poverty levels caused by rent increases. It is a realistic way of showing a household's income and standard of living¹⁴, and is especially useful in areas where rental costs are high.

In the key impact area, 8.3% of the entire population lives in relative poverty. This rate is 62.0% amongst private renters claiming Housing Benefit. The large amount of private renters in poverty is likely driven by the gap between rents and Housing Benefit entitlement, generally higher among private tenants than among social tenants. Of those in poverty the vast majority (85.4%) are working age.

Financial resilience

In partnership with a number of local authorities, Policy in Practice has developed an indicator of living standards for low-income families which takes household's costs into account. These are modelled using Money Advice Trust trigger figures and they include housing costs, council tax bills (after council tax support is taken into account), utility bills, travel costs and other household costs. Compared to other measures, including relative poverty, this approach takes the needs of the household into account, and is arguably a better assessment of the financial risk faced by each household. From the perspective of local welfare provision, this indicator can help to drive operational decisions by pinpointing those families in financial crisis, likely to fall into arrears or face eviction.

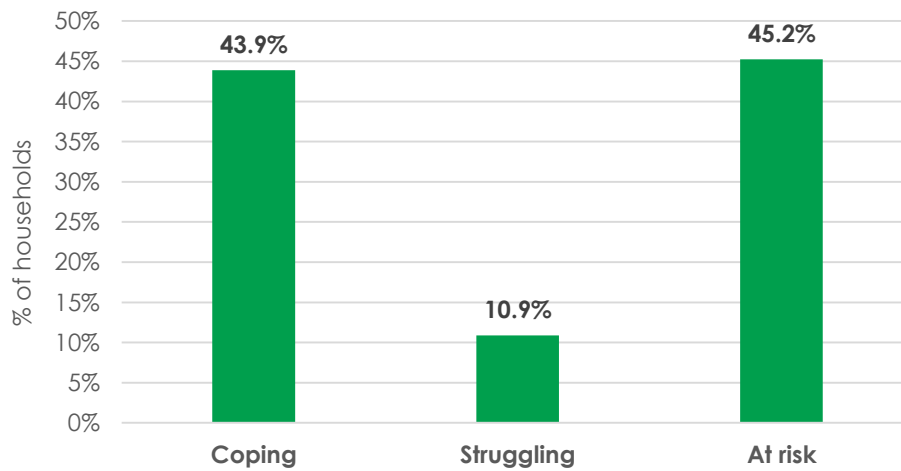
Each household is compared against its cost of living and then classified into different groups of 'financial risk'. The groups are the following:

- **Coping** – household's take-home income is greater than expected costs by over £100 p/m
- **Struggling** – household's take-home income is greater than expected costs by less than £100 p/m
- **At risk** – household expected costs exceed its income

Figure 3.2 shows the how households in the cohort fit within these categories. 43.9% of households (1,214) are coping, whilst 45.2% of households are at risk and are currently facing a shortfall between their income and outgoings.

¹⁴ See the Child Poverty Action Group: <http://www.cpag.org.uk/content/uk-poverty-line>

Figure 3.2: Financial risk 2017



Local Housing Allowance (LHA)

The Local Housing Allowance (LHA) was introduced in April 2008 and significantly changed Housing Benefit for people living in the private-rented sector. It places a cap on the maximum amount of rent taken into account in a claimant's Housing Benefit calculation. The applied LHA rate is based on broad geographical regions, household composition and age of household members. In effect, Housing Benefit is not related to the actual rent charged unless the rent is at or below the applied LHA amount.

Of the 2,766 households in the cohort, 75.4% are charged rent higher than their relevant LHA rate applied for Housing Benefit. The average difference between rent and Housing Benefit is £25.62 per week.

4. The outlook for 2020

Scenario 1 - Rents increase in line with historical averages

This section shows how the cohort of low-income private renters in the key impact area would be affected in 2020 if rents continue to rise at their current levels.

Taking into account all relevant policy and macro-economic changes as detailed in the methodology section, the private rent increases in 2020 modelled in this scenario are -0.9% in Anglesey, 2.7% in Conwy and 6.2% in Gwynedd.

Change in disposable income

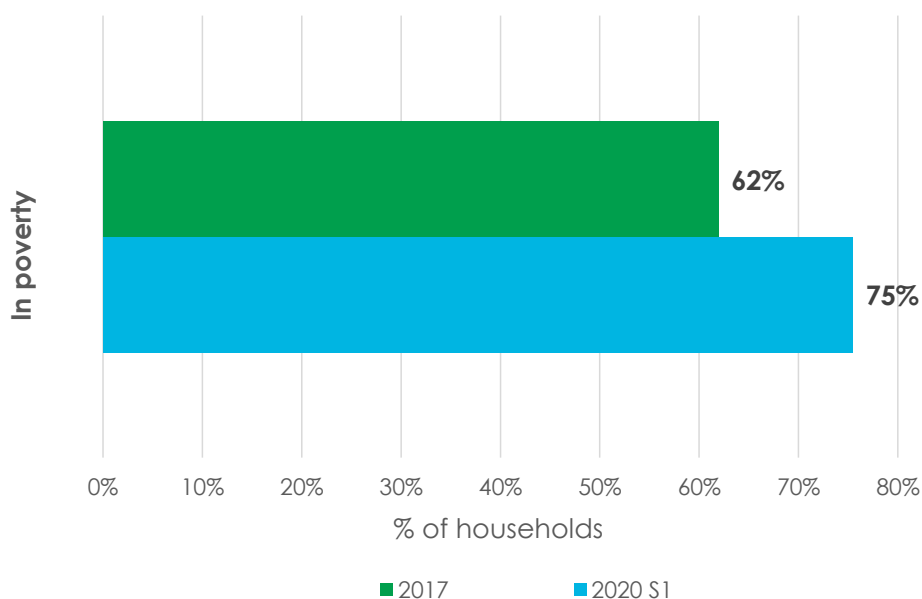
Our analysis shows the cumulative impact of these changes on each household's income. In Scenario 1, 55.1% of households in the cohort will see their real disposable income (i.e. after housing costs and inflation are taken into account) drop by more than £50, whilst only 8.9% of households would lose less than £15 a week. As rent levels haven't changed considerably in Scenario 1, the main drivers of such loss in income are the roll out of Universal Credit (which alone will leave 2,064 households worse off) and the steep projected increase in inflation rate. Households with children and those in work are among those most heavily impacted under this scenario.

Households in poverty

Under Scenario 1, 14.0% of all households living in the key impact area would fall below the poverty line, a 5.7 percentage point increase from the current level.

Amongst low-income private tenants, the proportion in poverty increases to 75.5%, up from 62.0% in 2017.

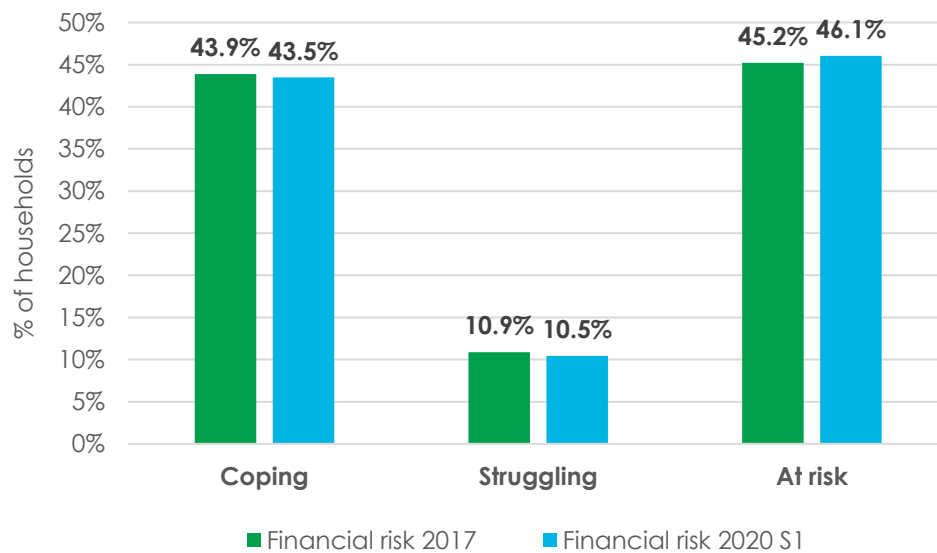
Figure 4.1: Proportion of low-income private tenants in poverty, 2017 and 2020



Financial resilience

The level of financial risk faced by households captured under Scenario 1 does not vary significantly from the current picture. This is mainly due to level of rents remaining largely unvaried - housing costs, in fact, account for a significant portion of a household's modelled expenditure. The proportion of households at financial risk increases slightly under this scenario, to 46.1%. These are households facing a monthly shortfall between their costs and their living costs.

Figure 4.2: Proportion of low-income private tenants in financial risk, 2017 and 2020



LHA freeze

Since 2015, the Government has introduced a freeze to LHA rates across the country for the next four years, in an effort to slow rental increases and reduce spending on working age benefits. In the context of the key impact area, the freeze of LHA rates would not significantly increase the number of households with rents higher than the LHA rate in Scenario 1. Under the circumstances modelled here, 76.5% of households have rent above the LHA rate.

Scenario 2 - Rents increase by 25% in 2020

This section shows how the cohort of private renters in the key impact area would be affected if the rent increases similar to the ones verified in Pembrokeshire are applied to this model.

Taking into account all relevant policy and macro-economic changes as detailed in the methodology section, the key change in this scenario is an increase in all private rent prices of 5% in years 2018 and 2019 and a 25% increase in 2020.

Change in disposable income

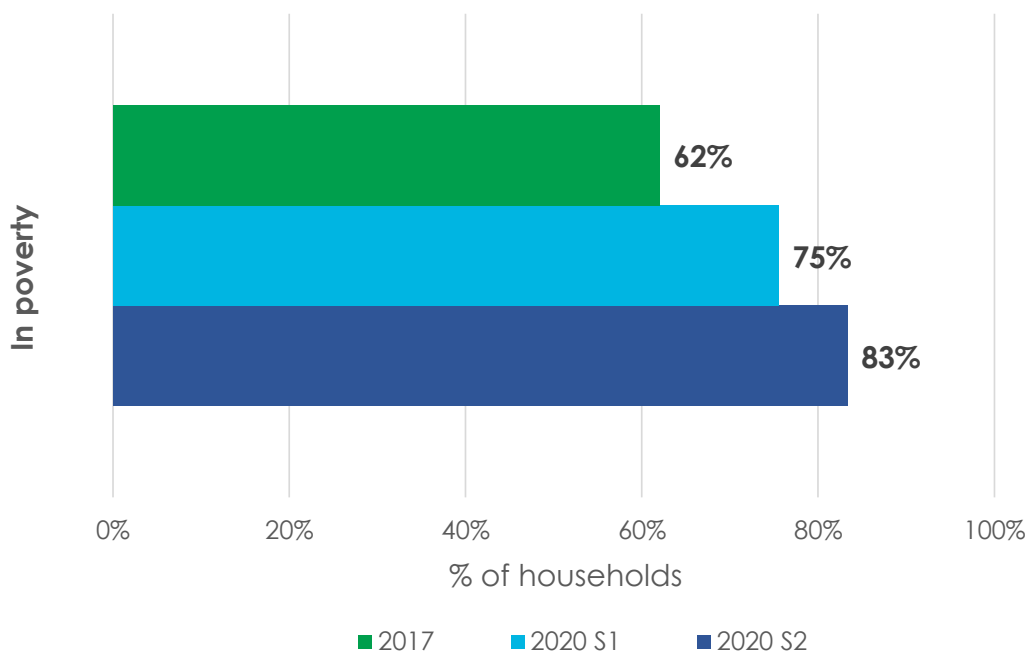
Under Scenario 1 55.1% of households would be expected to lose more than £50 per week compared to their current level of income - under Scenario 2 this figure increases to 81.2%. This difference is driven by the higher rent prices modelled under this scenario, affecting all low-income private tenants in the area.

Households in poverty

Under Scenario 2 14.3% of all households living the key impact area are in poverty, up 14.0% under Scenario 1.

Figure 4.3 below shows the proportion of low-income private renters in poverty in 2017 and in 2020, under both Scenario 1 and Scenario 2. In this cohort poverty increases from 62% in 2017 to 75% in Scenario 1 to 83% in Scenario 2.

Figure 4.3: Proportion of low-income private renting households in poverty, 2017 and 2020



When comparing the findings for Scenario 1 and Scenario 2, it clearly emerges that the analysis on poverty levels highlights a smaller marginal change in the number of households

affected (216 households in poverty), than the measure of financial resilience (349 households at financial risk), as the result of the increase in private rent prices caused by the construction of Wylfa power station. This is in line with expectations. The measure of relative poverty, in fact, is modelled around the household's income, which has remained unchanged between the two 2020 scenarios. Policy in Practice's indicator of financial resilience, on the contrary, is based on an estimates of the households specific living costs, which under the two scenarios varies significantly due to the increase in rent prices.

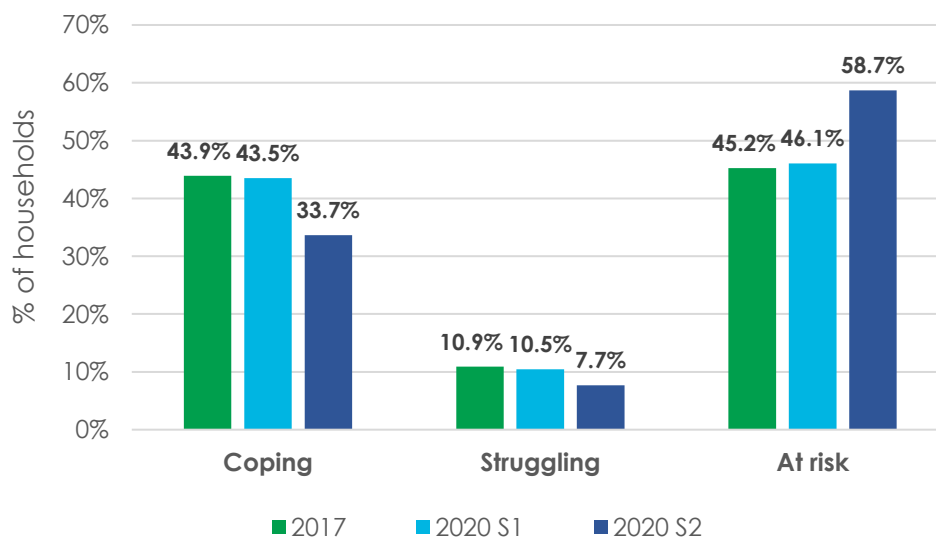
Financial resilience

Levels of financial risk faced by household notably changed under Scenario 2. Figure 4.4 shows the comparison of this indicator across the three main circumstances modelled so far.

43.5% of households are classified as coping in Scenario 1, whilst under Scenario 2 this falls to 33.7%. This drop pushes a large number of households into financial risk. Under Scenario 2, the proportion of families facing a monthly shortfall between their income and expenses rises from 46.1% to 58.7%.

The notable thing about this graph is that financial risk hardly changes between 2017 and Scenario 1, whilst under Scenario 2 the proportion of households at risk increases significantly. The increase in rents modelled in Scenario 2 are expected to have a big impact on financial risk, which may impact homelessness levels in the key impact area.

Figure 4.4: Financial risk amongst low-income private renters in 2017, S1 and S2



The analysis suggests that these households would find themselves in dire financial circumstances. The high increase in rent prices not matched by Housing Benefit entitlements would leave significant shortfalls in the budgets of these households. The implications of this is easy to predict: families would struggle to meet their financial obligations and would eventually fall behind on their rental payments. If not supported, they would likely face the risk of eviction with potential costly implications for the three councils.

Local authorities have a statutory duty to provide housing to homeless families deemed

vulnerable. This duty currently covers almost exclusively cases of families with children, but it will be expanded to single households once the new Homelessness Reduction Bill becomes effective in 2018. The New Economy Manchester estimates the average cost to local authorities in dealing with a homelessness case (after Housing Benefit subsidies are taken into account) to be approximately £8,800¹⁵ per year. If we assume that all 125 households facing a monthly shortfall of £200 per week under Scenario 2 would face eviction and would require housing in temporary accommodation, then the total costs to the three local councils would amount to £1.1 million by 2020.

LHA freeze

In the context of the key impact area, the freeze of LHA rates would represent a significant challenge for the pockets of low-income private tenants, who will face steep increases in the prices of accommodation.

Table 4.1 illustrates how private rents would be expected to increase between different property sizes. It indicates how rents would change hugely under this scenario. Even those living in 1 bedroom homes see their rent rise by £30 a week in rent. Those in larger properties will face rents significantly higher than the current rates.

Our analysis suggests that an extra 532 private renters will be affected by the LHA cap if rents increase at the rates modelled under this scenario, the vast majority of whom are single or lone parent households. This would bring the total number of households affected by the LHA cap to 2,617, 94.6% of the cohort. The average weekly shortfall of these households, between their rent and their Housing Benefit, is £56.63. For a comprehensive summary of average differences between rents and the LHA, see Annex 3 and 4.

	Private Rent (weekly)		
	Current average	S2 average	Change in rent
1 bedroom	£86.63	£119.38	£32.75
2 bedrooms	£110.44	£152.19	£41.75
3 bedrooms	£123.91	£170.75	£46.84
4 bedrooms	£139.99	£192.91	£52.92
5 bedrooms	£160.17	£220.72	£60.55

Household type	No. of additional households S2
Couple with children	56
Couple without children	23
Lone parent	127
Single	326

¹⁵ <http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/unit-cost-database>

Scenario 3 - Rents increase by 40%

This section shows how the cohort of private renters in the key impact area would be affected if rent increases at rates similar to the ones observed in Aberdeenshire, following the development of a power station and construction of oil rigs.

The key change that this scenario models is private rent increases of 5% in years 2018 and 2019 and a 40% increase in 2020.

Change in disposable income

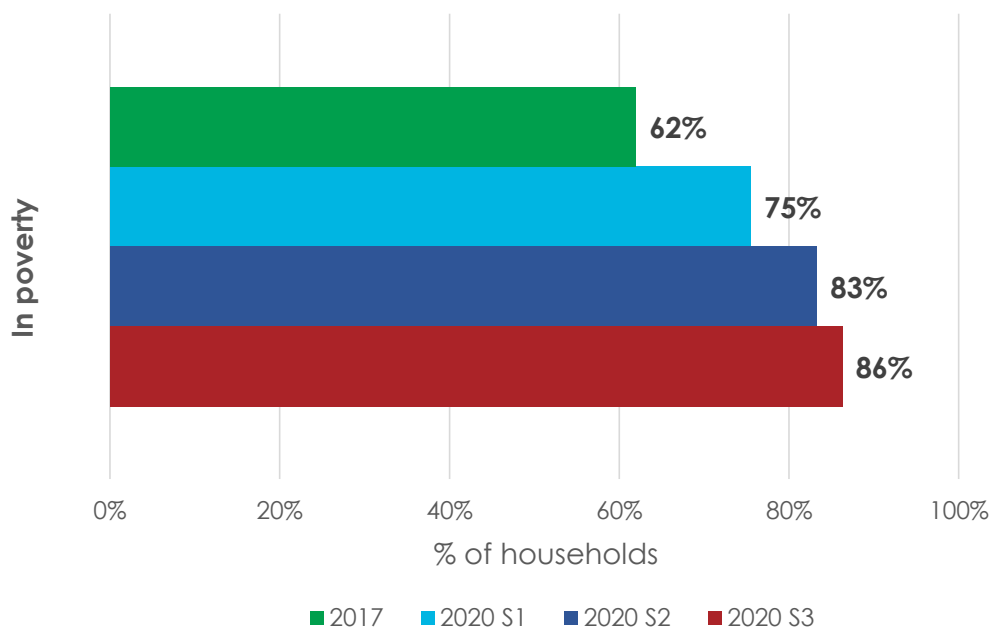
The proportion of households expected to lose more than £50 per week under Scenario 3 would increase further from the 81% figure of the previous section to a staggering 88%. Effectively, only 332 out of 2,766 households would witness a loss in real income lower than £50.

Households in poverty

Under Scenario 3, 14.5% of the entire population living in the key impact area would live in poverty, up from 14.0% and 14.3% as modelled under Scenario 1 and Scenario 2 respectively.

Figure 4.5 below shows the proportion of low-income private renters in poverty in 2017, Scenario 1, Scenario 2 and Scenario 3. 86% of households in the key impact area are in poverty in Scenario 3, 24 percentage points more than in 2017 and 3% more than in Scenario 2. Fewer households fall into poverty as rent levels increase between scenarios 2 and 3 – an interpretation of this is that most households are already in poverty in Scenario 1, so there is a smaller pool vulnerable to falling into poverty in Scenario 2 and 3. Even if rent levels don't reach the 40% recorded in Aberdeenshire, the key impact area will see a significant increase in poverty rates up to 2020, affecting the majority of private renters in the area.

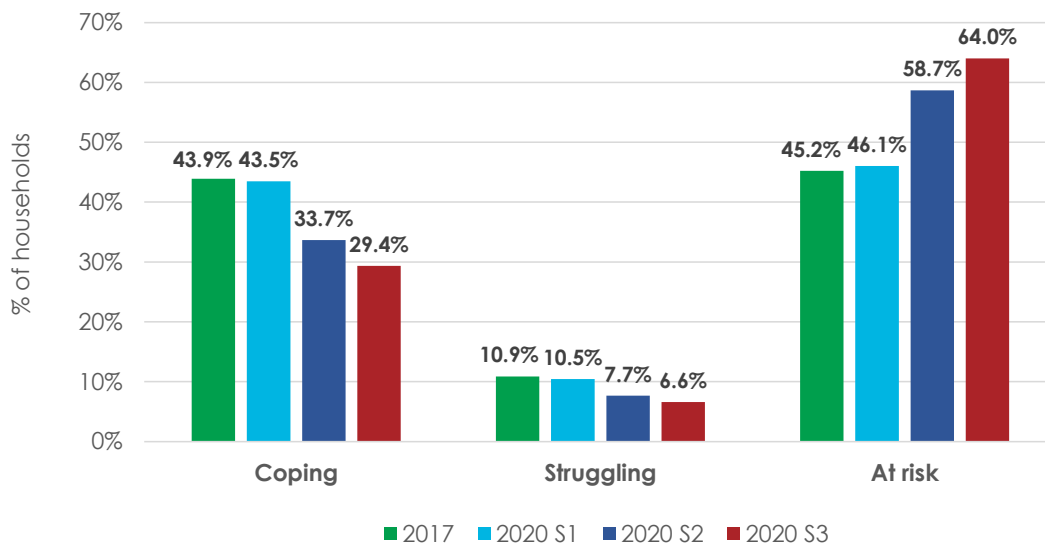
Figure 4.5: Proportion of low-income private renting households in poverty, 2017 and 2020



Financial resilience

Figure 4.6 shows the level of financial risk among low-income private tenants under Scenario 3, comparing it with the findings from the current situation and Scenarios 1 and 2.

Figure 4.6: Financial risk amongst low-income private renters, 2017 and 2020



In Scenario 1, 43.5% of households are coping, whilst under Scenario 2 this falls to 33.7% and to 29.4% under Scenario 3. The number of households at risk increases significantly, from less than half under Scenario 1 to close to two thirds of all low-income private renters under Scenario 3. As discussed in the previous section, these households would face huge financial challenges in meeting their monthly outgoings, especially their housing costs.

In Scenario 3 there are 1,771 households in the at risk category. 179 would face a shortfall of more than £200 per week. If we assume that this group would face eviction as a result of increasing rents, the cost in temporary accommodation would be over £1.6 million.

Without action to mitigate the impact of rising private rents, local authorities may face increasing rates of homelessness and spiralling costs of supporting homeless households in temporary accommodation. This effect is discussed in research focusing on the effect of Pembrokeshire’s power station – the report clearly highlight the causal link between rising rent levels and an increase in homelessness in the area³.

LHA freeze

Table 4.3 shows current rent levels by number of bedrooms in a household (for a more detailed table see Annex 3). It shows how rents move increasingly far from the LHA rate in the 3 scenarios presented. The table illustrates how much extra rent residents would have to find in all property types. In Scenario 3 the average 2 bedroom household would have to find £58.03 a week extra over the LHA rate compared to Scenario 1, which amounts to over

£3,000 a year. Whatever the size of the property tenants will have to cover a significant extra weekly amount in additional rent.

Annex 2 presents a more detailed version of this table and Annex 1 shows a complete list of the number of private renters in different parts of the key impact area, and how their rents differ from the LHA rate now, and in each of the 3 scenarios.

	LHA rate	Difference between average rent (scenario 1) and the LHA rate	Difference between average rent (scenario 2) and the LHA rate	Difference between average rent (scenario 3) and the LHA rate
1 bedroom	£71.61	£16.74	£47.77	£62.10
2 bedrooms	£91.69	£20.73	£60.50	£78.76
3 bedrooms	£110.72	£14.58	£60.03	£80.52
4 bedrooms	£133.70	£7.90	£59.21	£82.36

Our analysis suggests that an extra 586 private renters would be affected by the LHA cap if rents increase at the rates modelled in Scenario 3. This brings the total number of households affected by the LHA cap to 2,671, 96.6% of the cohort. The average weekly shortfall of these households, between their rent and their Housing Benefit, is £71.88. Of the 2,671 households 43.0% are out of work due to disability and 22.6% are in work.

Table 4.4 shows the types of household that have rent levels over the LHA rate in Scenario 3. More than half of those in this cohort are single, whilst 25% are lone parents.

Household type	No. of households scenario 2
Couple with children	310
Couple without children	240
Lone parent	684
Single	1,437

Scenario 3: details of the effect

Table 4.5 shows details of the effects of Scenario 3. It shows the number of households losing over £50 per week, in poverty and at risk by household type, economic status and disability.

The table shows the types of household that will lose more than £50 per week in this scenario. Lone parents and single households suffer, whilst those in work and those out of work due to disability also lose out significantly.

Single households are by far the largest group in poverty and at risk. In 2017 there are 630 households containing children that are in poverty, under Scenario 3 this figure increases to 921. The major economic groups at risk and in poverty are those not in work, especially those receiving disability or incapacity benefits.

Table 4.5: Details of the effects of scenario 2			
	Lost £50+ p/w	In poverty	At risk
Total	2,427	2,386	1,771
Household type			
Couple with children	12.4%	11.7%	9.3%
Couple without children	9.6%	8.4%	9.1%
Lone parent	28.1%	26.9%	20.1%
Single	50.0%	53.0%	61.6%
Economic status			
In work	23.2%	22.1%	15.5%
Not in work - carer	3.3%	3.7%	3.8%
Not in work - disabled	42.5%	38.0%	37.0%
Not in work - lone parent	9.4%	9.6%	10.0%
Not in work - other	21.6%	26.6%	33.6%
Disability			
Disabled	45.0%	39.2%	38.1%
Not disabled	55.1%	60.9%	61.9%

5. Conclusion and recommendations

In the run up to 2020, private renters in the key impact area are likely to face significant extra costs, and are unlikely to be able to maintain their current living standards. Without action to mitigate the impact, many in the cohort will face rental rates far higher than their LHA rate and will struggle to keep their finances in balance.

This analysis has highlighted how different approaches to measuring living standards provide different insights on the impact that the construction of Wylfa will have on the area. In particular, it shows that Policy in Practice's measure of financial resilience can help to better capture the number of households at risk, when changes in rents are taken into account. Alongside the relative poverty figures, the financial resilience measure allows local authorities to identify more clearly which households are facing financial difficulties and are at risk of homelessness and local displacement.

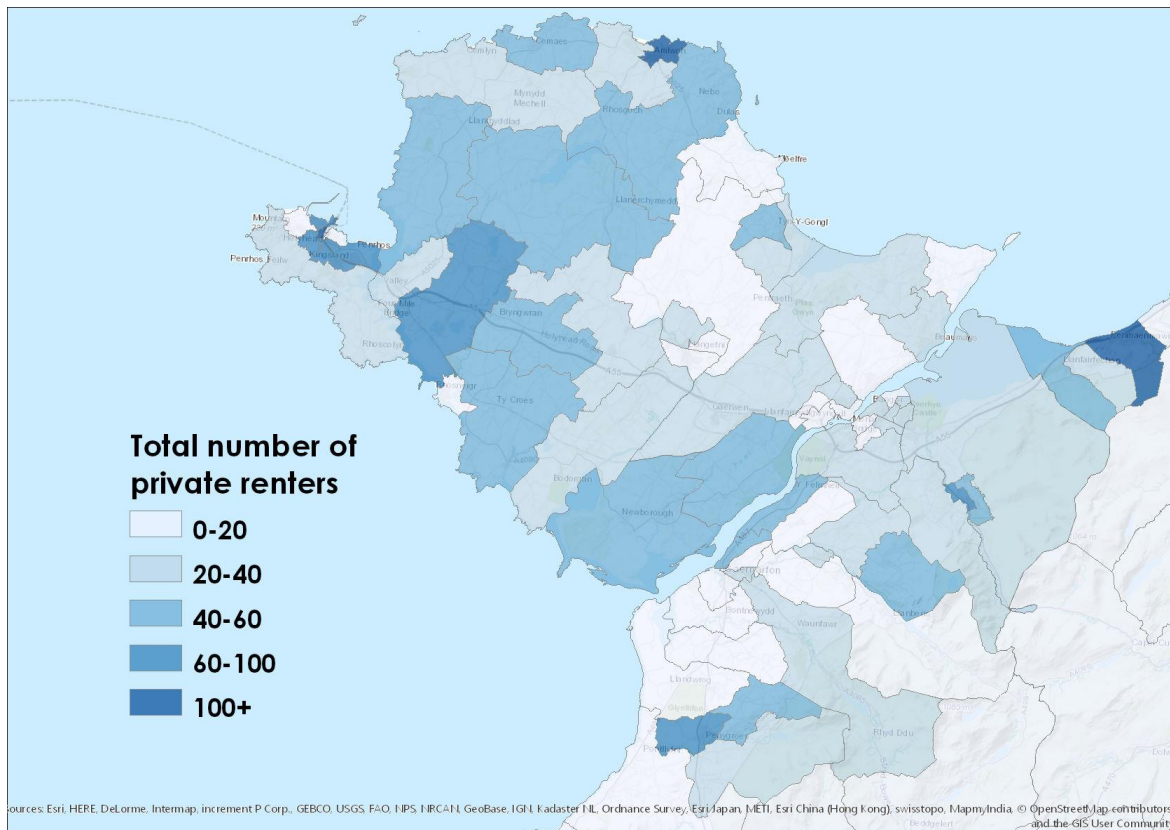
These findings highlight a series of key areas in which Anglesey, Conwy and Gwynedd Councils, in partnership with the Welsh Government, could act to alleviate the negative impact this cohort is likely to face in the years up to 2020.

Invest in affordable housing

Anglesey, Conwy and Gwynedd Council, working in close partnership with the Welsh Government, housing associations and local developers should consider expanding the supply of affordable housing in the years ahead. Increasing the supply of property in the key impact area will help to mitigate the effect of rising private rent prices shown in this analysis.

Ideally, councils would increase the provision of social rented accommodation in areas where most low-income private renters live. Figure 5.1 shows the distribution of low-income private renters in the key impact area. The areas with more than 100 households are Holyhead Town, Pant-yr-afon/Penmaenan and Amlwch Port. Holyhead Town has over 160 low-income private renting households, and along with Amlwch Port is located in close proximity to where the new power station will be built. Low-income private tenants living in these two areas (and the other areas shaded dark blue on the map below), would benefit from increased supply of affordable housing when demand for accommodation increases, which will help limit the rental increases on their homes.

Figure 5.1: The number of private renting households by community area



Engage with DWP and UK central government to raise LHA rates

LHA rates are critical in the context of rising rental prices. The DWP has introduced the Targeted Affordability Fund (TAF) to raise LHA rates in specific areas by up to 4% each year.

The Broader Rental Market Area (BRMA) of North West Wales has not been included in the list of targeted areas to date. Anglesey, Conwy and Gwynedd Council, and the Welsh Government could use this analysis, supported by evidence of the expected increase in private rents, to engage with the Department of Work and Pensions and the Department for Communities and Local Government. This information supports the case for additional funding to be allocated to the North West Wales LHA rate. This report provides an assessment of the impact that the construction of Wylfa power station will have on the local area and can support the case for securing TAF for North West Wales.

Ensure that low-income residents share the economic benefits of the power station

The construction of the power station is likely to create jobs locally, and support economic growth within the key impact area. Our analysis has not taken into account the potential benefits that Wylfa power station could bring to low-income residents in the area. It is difficult to pinpoint employment effects, for example it is difficult to see the impact on local employment of the power station in Pembrokeshire¹⁶. However, according to Horizon, the

¹⁶ See ONS statistics for the power station in Pembrokeshire on local employment: http://www.nomisweb.co.uk/reports/lmp/la/1946157391/subreports/ea_time_series/report.aspx?

main investor in the project, the power station will employ 850 people when operational, and significantly more when under construction¹⁷. A portion of this will be local labour. Anglesey, Conwy and Gwynedd Council together with the Welsh Government should seize this opportunity to ensure that even most vulnerable residents can benefit from development of the power station.

1. Consider working with Horizon Nuclear Power and Job Centre Plus, or other labour market intermediaries, to assess the skills and training needs of the local labour market in order to enable individuals to take up these new employment opportunities in the short and long term
2. Target employment support to the 862 households out of work with no obvious barriers to work identified by this analysis
3. A large number of workless households are in receipt of disability and incapacity benefit. Use local or national programmes, like the Work and Health programme to support these households into work. Strike partnerships with employers to facilitate job placements for these households

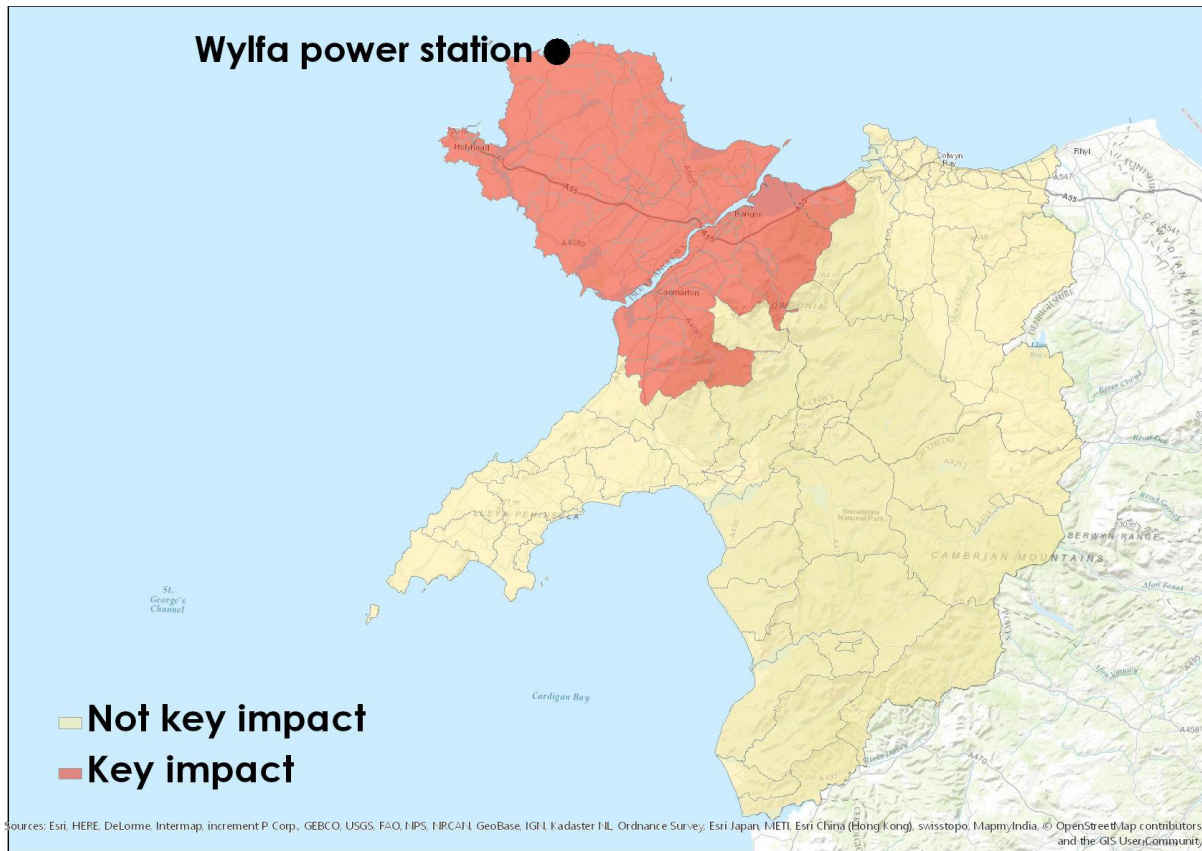
Use household-level administrative data to monitor intervention

The findings of the scenarios presented in this report provide projected impacts. Anglesey, Conwy and Gwynedd Council can track the actual impact on residents, month by month in the years leading up to the construction of Wylfa, using Housing Benefit and council tax support data. This will allow the councils to target support to households most in need, and to ensure that poverty and homelessness levels don't increase.

By monitoring the effect of the power station and the action taken to mitigate potential issues, the three councils will be able to assess which interventions are the most successful in easing pressure on households. This will help to ensure funds are targeted effectively and that households are impacted as little as possible. Policy in Practice, in partnership with a number of local authorities, has developed the new Low Income Family Tracker dashboard, a tool designed to provide local solutions to tackling poverty.

¹⁷ <https://www.horizonnuclearpower.com/our-sites/wylfa-newydd/faqs>

Annex 1: key impact area



Area name	Number of private renters	Average rent now	Difference between average rent now and average LHA	Difference between average rent scenario 1 and average LHA	Difference between average rent scenario 2 and average LHA	Difference between average rent scenario 3 and average LHA
Aberffraw	50	£414.57	£14.71	£13.99	£50.78	£66.56
Amlwch Port	111	£401.63	£11.31	£10.62	£46.27	£61.55
Amlwch Rural	26	£470.56	£23.15	£22.34	£64.10	£82.01
Arllechwedd	31	£373.65	£9.78	£15.51	£42.30	£56.52
Beaumaris	34	£433.27	£20.77	£20.02	£58.48	£74.97
Bethel	12	£483.46	£16.84	£24.24	£58.91	£77.32
Bodffordd	31	£444.26	£24.20	£23.43	£62.86	£79.77
Bodorgan	37	£449.91	£24.18	£23.40	£63.33	£80.46

Area name	Number of private renters	Average rent now	Difference between average rent now and average LHA	Difference between average rent scenario 1 and average LHA	Difference between average rent scenario 2 and average LHA	Difference between average rent scenario 3 and average LHA
Bontnewydd	13	£458.96	£18.23	£25.26	£58.18	£75.64
Braint	17	£406.48	£13.95	£13.25	£49.33	£64.80
Bryn	49	£457.63	£23.57	£26.44	£63.39	£80.81
Bryngwran	51	£394.30	£8.92	£8.24	£43.23	£58.24
Brynteg	47	£472.42	£28.78	£27.97	£69.90	£87.88
Cadnant	51	£399.40	£16.36	£19.48	£51.12	£66.32
Cefni	15	£382.10	£3.39	£2.73	£36.64	£51.18
Cwm Cadnant	14	£505.47	£25.27	£24.40	£69.26	£88.50
Cwm-y-Glo	10	£405.57	£12.02	£18.23	£47.32	£62.75
Cyngar	39	£487.80	£28.98	£28.14	£71.43	£90.00
Deiniol	27	£436.47	£27.87	£34.55	£65.85	£82.46
Deiniolen	54	£391.24	£13.89	£19.88	£47.94	£62.83
Garth	18	£367.46	£16.00	£21.62	£47.97	£61.96
Gerlan	59	£413.53	£14.20	£20.53	£50.18	£65.92
Glyder	3	£494.43	£35.71	£43.28	£78.73	£97.55
Groeslon	13	£303.20	-£13.79	-£9.15	£12.59	£24.13
Gwyngyll	9	£485.18	£33.69	£32.86	£75.92	£94.38
Hendre	21	£475.24	£25.71	£32.98	£67.06	£85.15
Hirael	23	£344.04	£9.50	£14.76	£39.44	£52.53
Holyhead Town	168	£390.87	£8.64	£7.96	£42.65	£57.53
Kingsland	68	£392.71	£6.75	£6.08	£40.93	£55.88
Llanbadrig	41	£441.09	£20.55	£19.79	£58.94	£75.73
Llanbedgoch	37	£446.64	£17.56	£16.79	£56.43	£73.43
Llanddyfnan	13	£414.05	£16.12	£15.40	£52.15	£67.91
Llaneilian	47	£415.25	£14.69	£13.97	£50.83	£66.63
Llanfaethlu	41	£390.08	£6.51	£5.84	£40.46	£55.30
Llanfair-yn-Neubwll	92	£433.41	£12.23	£11.48	£49.95	£66.44
Llanfihangel Ysgeifiog	27	£457.25	£21.12	£20.33	£60.91	£78.32
Llangoed	16	£466.81	£21.27	£20.46	£61.89	£79.66
Llanidan	50	£406.99	£11.41	£10.71	£46.83	£62.32
Llanllyfni	29	£349.95	£1.41	£6.77	£31.86	£45.18
Llannerch-y-medd	41	£423.21	£9.01	£8.28	£45.84	£61.95
Llanrug	24	£429.31	£12.23	£18.80	£49.59	£65.93
Llanwnda	20	£398.42	£16.61	£22.71	£51.28	£66.44
London Road	87	£426.50	£14.43	£13.69	£51.54	£67.78
Maeshyfryd	85	£435.26	£12.20	£11.45	£50.08	£66.64
Marchog	33	£488.14	£31.58	£39.05	£74.06	£92.64
Mechell	37	£403.70	£9.29	£8.59	£44.42	£59.79
Menai (Bangor)	24	£387.57	£18.05	£23.99	£51.78	£66.53

Area name	Number of private renters	Average rent now	Difference between average rent now and average LHA	Difference between average rent scenario 1 and average LHA	Difference between average rent scenario 2 and average LHA	Difference between average rent scenario 3 and average LHA
Menai (Caernarfon)	49	£432.74	£20.19	£26.82	£57.85	£74.32
Moelfre	15	£484.99	£21.03	£20.20	£63.24	£81.70
Morawelon	18	£418.86	£10.91	£10.18	£47.36	£63.30
Ogwen	93	£407.77	£14.81	£21.05	£50.30	£65.82
Pandy	40	£455.92	£20.77	£23.63	£60.45	£77.80
Pant-yr-afon/Penmaenan	117	£429.64	£18.66	£21.35	£56.05	£72.40
Parc ar Mynydd	11	£477.87	£16.75	£15.92	£58.33	£76.52
Peblig (Caernarfon)	27	£456.70	£25.41	£32.40	£65.15	£82.53
Penisarwaun	29	£395.62	£9.65	£15.71	£44.08	£59.14
Pentir	39	£455.71	£22.11	£29.09	£61.77	£79.12
Pentraeth	28	£450.94	£18.87	£18.09	£58.11	£75.27
Penygroes	62	£397.26	£10.49	£16.57	£45.06	£60.18
Porthyfelin	85	£404.72	£12.82	£12.12	£48.04	£63.45
Rhosyr	52	£390.47	£7.55	£6.88	£41.53	£56.39
Seiont	10	£441.07	£20.09	£26.84	£58.47	£75.26
Talysarn	42	£412.58	£13.31	£19.62	£49.21	£64.91
Trearddur	30	£484.79	£30.10	£29.26	£72.29	£90.74
Tregarth & Mynydd Llandygai	21	£406.34	£14.17	£20.39	£49.53	£65.00
Tudur	14	£464.63	£13.75	£12.95	£54.19	£71.87
Tysilio	21	£554.43	£38.22	£37.27	£86.47	£107.57
Valley	29	£426.74	£14.18	£13.45	£51.32	£67.56
Wauanfawr	28	£477.93	£30.63	£37.94	£72.22	£90.41
Y Felinheli	58	£429.81	£21.84	£28.42	£59.24	£75.60
Rhosneigr	0	N/A	N/A	N/A	N/A	N/A
Clynnog	0	N/A	N/A	N/A	N/A	N/A
Dewl	0	N/A	N/A	N/A	N/A	N/A

Annex 2: rent and LHA

Table 5.2.1							
	LHA rate	Average rent scenario 1	Difference between average rent (scenario 1) and the LHA rate	Average rent scenario 2	Difference between average rent (scenario 2) and the LHA rate	Average rent scenario 3	Difference between average rent (scenario 3) and the LHA rate
1 bedroom	£71.61	£88.35	£16.74	£119.38	£47.77	£133.71	£62.10
2 bedrooms	£91.69	£112.42	£20.73	£152.19	£60.50	£170.45	£78.76
3 bedrooms	£110.72	£125.30	£14.58	£170.75	£60.03	£191.24	£80.52
4 bedrooms	£133.70	£141.60	£7.90	£192.91	£59.21	£216.06	£82.36

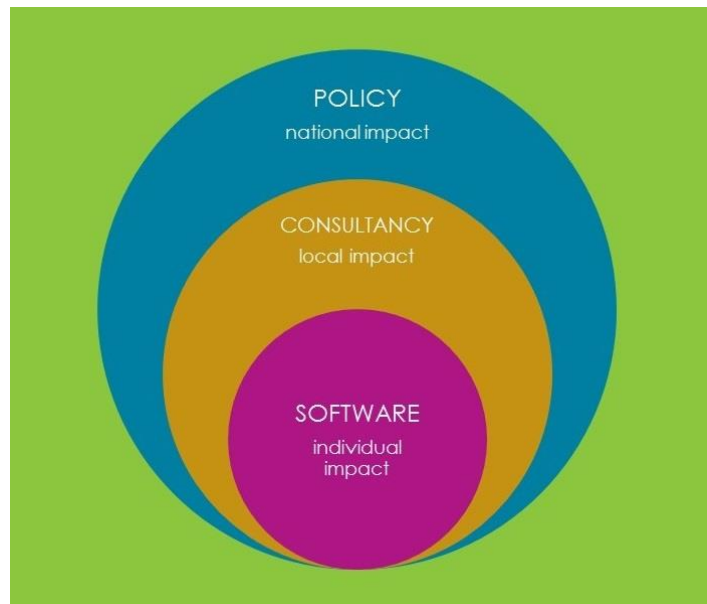
About Policy in Practice

Our mission is to reduce poverty. We do this by simplifying delivery of the welfare system. We believe that change happens on the frontline.

Deven Ghelani was a member of the team at Centre for Social Justice who developed Universal Credit and, when the policy was adopted by Government, he left to set up Policy in Practice. He was keen to ensure that the policy intent was actually put into practice.

Policy in Practice has facilitated conversations between leading local authorities and the Prime Minister's office to ensure frontline feedback about welfare reform policy has been heard.

We also help local organisations to understand the aggregate and cumulative impact of welfare reform changes on their customers so that they can accurately target support programmes.



And finally, to close the loop, the software that Policy in Practice has developed simplifies the conversations that frontline advisors can have with customers by clearly showing what benefits they can get under the current system and when they move to Universal Credit, comparing the two side-by-side using data visualisation.

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