

# Shelter

Cymru

## Providing the Solution

Improving the Private Rented Sector as an option for resolving housing need in Wales





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# chapterone

## Background to the research

**The Welsh Assembly Government New Ideas Fund provides the opportunity to undertake short research projects that fit the priorities within the Social Justice and Regeneration portfolio. Shelter Cymru was awarded funding for a project to undertake research into ways of improving the private rented sector as an option for resolving housing need in Wales.**

The research aims to assist in addressing the priorities of the Social Justice and Regeneration portfolio, and particularly the National Homelessness Strategy, which prioritises the private rented sector as an important source of accommodation but also acknowledges the current problems with this sector with regard to security, management, access and affordability. It is also relevant to the strategic objectives in *Wales: A Better Country* in that it seeks to assist local authorities and their partners to work more effectively to prevent homelessness and improve the private rented sector as an option for those in housing need.

The report considers the characteristics of the sector and the recent and impending changes and reforms. Through the fieldwork the researchers gained an understanding of the motivations of landlords and

tenants and the barriers faced when attempting to develop the sector as a solution to households in housing need. Chapter 5 of the report draws on good practice and current work in some areas which could help improve the use of the sector in Wales.

## Objectives and methodology of the research

**The research aims were:**

- *To develop an understanding of the key elements that impact on the accessibility of the private rented sector to low-income households and its management, conditions and security.*
- *To develop recommendations of services and/or interventions that would improve the private rented sector as a solution to homelessness and housing need in Wales.*

The research began in February 2006 with the fieldwork being undertaken between June and September. The project was guided by a Steering Group comprising of representatives from the Social Justice and Regeneration Directorate of the Welsh Assembly Government, the Welsh Local Government Association and Shelter Cymru. The Steering Group met several times during the project, received progress reports and provided advice and comment.

Wrexham County Borough Council and Carmarthenshire County Council provided assistance with the fieldwork for the project.

The research design consisted of the following methods:

## Scoping and literature review

**This involved consideration of the changes imminently affecting the private rented sector and research undertaken on the rented sector in UK countries and internationally. The work with regard to the key developments influencing the private rented sector helped inform the local fieldwork.**

## Fieldwork

**The fieldwork focussed on two local authority areas:**

- *Wrexham County Borough*
- *Carmarthenshire*

As with the situation across Wales in recent years, both have experienced increases in statutory homelessness and both are developing initiatives engaging with private sector landlords as a means of alleviating housing need.

### **Interviews with private landlords**

Interviews were conducted with private sector landlords in both the fieldwork areas. Landlords were identified through the local authorities, Landlord Forums, letting agents and advertisements in the local press.

This section comprised 20 questionnaires and the questionnaire used is included in **Annexe 1**.

### **Interviews with personnel in the two local authorities and local organisations.**

Interviews were undertaken with key personnel in the Housing sections of the two local authorities and were also completed with a sample of local organisations.

This section comprised 9 questionnaires or interviews. The questionnaires are included in **Annexe 3 and 4**. The organisations interviewed are included in **Annexe 5**.

### **Questionnaires with tenants approaching Shelter Cymru housing advice services**

The study also gathered the views of people living in the private rented sector. This was done by means of a questionnaire completed with households by Shelter Cymru Housing Law Caseworkers in Carmarthenshire, Wrexham, Denbighshire and Powys. As tenants interviewed were accessed through Shelter Cymru's Housing Advice Services, it must be recognised that they represent households experiencing various housing problems and are not, therefore, a random sample representative of private sector tenants.

This section comprised 17 questionnaires. The questionnaire is included in **Annexe 2**.

The information and comments received have been used to shape the suggestions contained in Chapter 5.

## chaptertwo

### The private rented sector in Wales

**The private rented sector currently constitutes 11 per cent of the Welsh housing stock, with 71 per cent being owner-occupied and 18 per cent rented from Housing Associations and Local Authorities.<sup>1</sup>**

Although the sector is larger than Northern Ireland (9.2 per cent<sup>2</sup>), Scotland (6.8 per cent) and England (10 per cent), it is small in comparison to countries such as Sweden, Norway, Finland and Denmark, which have sectors constituting between 19 and 21 per cent of their housing stock.<sup>3 4 5</sup> While Belgium, Germany and Switzerland have sectors that constitute between 28 and 66 per cent of their housing stock.<sup>6 7</sup>

Following a decline during the 1980s the sector in Wales, as in the UK, expanded during the 1990s and this has continued during the early years

of this century. This has been due to factors including investment e.g. people looking for secure long-term investment as a contribution to pensions, growing demand for rented accommodation, including from groups such as students, migrant workers, and households unable to afford owner-occupation and the restricted availability of social housing.

Demographic and lifestyle patterns have also contributed to the need for more housing flexibility, with fewer married couples, more single people and more cohabiting couples. Reduced job security and short-term contracts, resulting in workers frequently moving between jobs, have also played a part in the growth of the sector.<sup>8</sup> Although lower than the UK average of 10 per cent, the buy to let market also constitutes 5 per cent of the private rented sector market in Wales.<sup>9</sup>

<sup>1</sup>Welsh Assembly Government, September 2005 Living in Wales 2004 – Tenure. (SDR 94/2005). <sup>2</sup>Paddy Gray, Paddy Hillyard, Ursula McAnulty, The Private Rented Sector in Northern Ireland – Report to the Northern Ireland Housing Executive by the University of Ulster, p16. (Northern Ireland Housing Executive, 2005). <sup>3</sup>Paddy Gray and Ursula McAnulty, Recent Dynamics in the Private Rented Sector in Northern Ireland (University of Ulster, 2002). The House Condition Survey 2001 indicates that there may have been a growth in the sector. The growth has particularly been at the luxury end of the market. <sup>4</sup>Donald Houston, Kieran Barr and Jo Dean, Research on the Private Rented Sector in Scotland, (Department of Urban Studies, University of Glasgow for the Scottish Executive, 2002). <sup>5</sup>Evelyn Dyb, Council Housing in Norway: Can you get in? Can you get out? (Paper to be presented at the ENHR Conference July 2nd – 6th 2004, Cambridge, UK). <sup>6</sup>Paddy Gray and Ursula McAnulty, The increased role of the Private Rented Sector in catering for social housing in Northern Ireland (University of Ulster, Paper to be presented at the Housing Studies Association Conference: Housing Market, Communities and Consumers, University of York, April 2006). <sup>7</sup>Andrew Beer, Private Rental Housing in Europe: The View from Australia, National Housing Action, Vol. 13, No. 1 June 1997, (Special Edition: The Private Rental Market). <sup>8</sup>Rob Thomas, The growth of buy-to-let, (Council of Mortgage Lenders, September 2006). <sup>9</sup>John Heron, Buy-to-let trends – Recent developments in buy-to-let investing and lending (Paragon Group, CML seminar on Buy-to-let and the private rented sector, 31 May 2006).

The buoyancy of the sector in Wales and the UK generally is illustrated in a recent survey by the Royal Institution of Chartered Surveyors (RICS). In its July 2006 lettings survey, RICS highlights that there is growing demand for property as a result of factors such as immigration from the EU and high house prices and therefore reduced access to

owner-occupation. Rent levels, if not rental yields, are currently rising at the fastest pace in over 5 years.

*‘Tenant demand for rental property accelerated in the quarter to July, approaching the first quarter’s record pace, which was the fastest since Q2 2001.’<sup>10</sup>*

**Table 1 – Percentage of households renting privately**

Year	Privately renting households	All households	% of households renting privately
1986	81,789	1,035,000	7.9
1992	88,300	1,126,100	7.8
1997	88,536	1,157,280	7.7
2004	132,990	1,209,000	11.0

Sources: 1993 Welsh House Conditions Survey (Welsh Office,1994). 1998 Welsh House Condition Survey (SDB 94/99). Living in Wales – Tenure 2004 (SDR 94/2005)

The sector provides accommodation for a range of households, for example, 26.2 per cent are households with children. A similar proportion of couples with children live in the sector compared to the

proportion living in local authority accommodation, while the percentage of one parent households is 18.2 per cent compared to the 30.2 per cent living in local authority housing.

**Table 2 – Household type of those renting privately**

Type of household	Per cent of each type of household
Single person	12.1
Two adults without children	8.0
Two adults with children	8.0
One parent household	18.2
Other	24.8

Source: Living in Wales Survey 2004 – Tenure (SDR 94/2005)

The sector has a significantly higher concentration of younger people than Housing Association and Local Authority Housing. This may be a result of greater difficulties in accessing social rented housing by

this age group, but it might also suggest that many use the sector as a stepping-stone prior to owner-occupation or are exploiting the advantages the sector provides in terms of mobility.

<sup>10</sup>Royal Institution of Chartered Surveyors, RICS residential lettings survey Great Britain, (July '06).

**Table 3 – Age group of households renting privately**

Age of household reference person	Per cent of each type of household
18 – 29	35.0
30 – 44	12.3
45 – 64	6.6
65 +	6.4

Source: Living in Wales Survey 2004 – Tenure (SDR 94/2005)

Previous research has also illustrated the importance of the sector in providing the first home for newly formed households, those unable to access social housing or owner-occupation and enabling people to move quickly to take-up job opportunities.<sup>11</sup>

## Housing Benefit

*'HB is an income-related Social Security benefit designed to help people who rent their homes and have difficulty with their housing costs. The limitations on payments to private sector tenants were introduced to encourage claimants to live in moderately priced accommodation.'*<sup>12</sup>

There has been long-standing concern about the difficulties faced by people on welfare benefits when accessing the private rented sector. The administration of the Housing Benefit (HB) system, rent restrictions and a negative view of HB claimants has made some private landlords reluctant to let to households dependent on benefits.

Improvements in administration have occurred and there are new targets for improving processing times. The Citizens Advice report *'Housing Benefit Administration in Wales'* suggests that there are continuing problems in the administration of HB and makes 20 recommendations towards improving the system.<sup>13</sup> The report concludes that delays in processing claims, leading to rent arrears and legal action are a major part of the problem. These delays contribute to the reticence of landlords to let to HB claimants and has an effect on the supply of accommodation available to those on benefits simply because they are dependent on a system which causes the landlord problems rather than through any behaviour of their own.

For some claimants there is also a shortfall between the HB paid and the rent charged which can lead to hardship and affect longer-term security. This is a particular problem for single people under 25 years old who are subject to the restrictions of the Housing Benefit Single Room Rent. This regulation restricts housing benefit to a locally estimated shared accommodation rent, whether the claimant is sharing or not. For some young people this makes the private

rented sector completely unaffordable. Affordability, therefore, is clearly a significant problem when developing policy to encourage greater use of the sector for households who are on a low income or in housing need.

<sup>11</sup>University of Glasgow, Review of the Private Rented Sector in Wales (Welsh Assembly Government, Housing Research Report 1/02, February 2002). <sup>12</sup>John Ditch, Alan Lewis, Steve Wilcox, Social Housing, Tenure and Housing Allowance: An International Review. (DWP, in-house report 83, 2001). <sup>13</sup>Steve Povey, Housing Benefit Administration in Wales (Citizens Advice Cymru, June 2005).

**Table 4 – Households in the private rented sector claiming HB**

Year	Number of household in the private rented sector in receipt of HB
1996	58,000
1997	54,000
1998	52,000
1999	49,000
2000	47,000
2001	36,150*
2002	43,000
2003	28,761**
2004	44,900
2005	45,800

Source: Housing Benefit Operational Database, DWP

\* Data for 4 authorities, Caerffili, Merthyr Tydfil, Powys and Rhondda Cynon Taf is missing for 31 December 2001. \*\* Data for 7 authorities, Bridgend, Caerffili, Conwy, Denbighshire, Monmouthshire, Newport and Powys is missing for 31 December 2003.

\*\* Data for 7 authorities, Bridgend, Caerffili, Conwy, Denbighshire, Monmouthshire, Newport and Powys is missing for 31 December 2003.

In some areas of Wales the sector constitutes a significant part of the HB caseload undertaken by local authorities.

**Table 5 – Number of housing benefit cases in Wales at 31 December 2005**

LA Area	HB Total	PRS	PRS as %
Blaenau Gwent	6834	1244	18.20%
Bridgend	8429	2404	28.52%
Caerphilly	12905	1972	15.28%
Cardiff	23231	4643	19.99%
Carmarthenshire	10651	2683	25.19%
Ceredigion	3602	1537	42.67%
Conwy	6725	2663	39.60%
Denbighshire	5736	2201	38.37%
Flintshire	7620	1193	15.66%
Gwynedd	6740	1739	25.80%
Isle of Anglesey	4310	1390	32.25%
Merthyr Tydfil	5349	949	17.74%
Monmouthshire	3914	621	15.87%
Neath Port Talbot	11154	2259	20.25%
Newport	10823	1773	16.38%
Pembrokeshire	7285	1941	26.64%
Powys	6317	1687	26.71%
Rhondda Cynon Taff	16919	5064	29.93%
Swansea	17834	3857	21.63%
Torfaen	7396	557	7.53%
Vale of Glamorgan	6629	2447	36.91%
Wrexham	8977	954	10.63%
Total	199380	45778	22.96%

Source: DWP Housing Benefit database



The research team attempted to gather further data on the affordability of private rented accommodation and asked Local Authority Housing Benefit Departments for information on the number of HB claimants on Income Support, Job Seekers Allowance and Pension Credits in the sector, and the number of these with a rent shortfall. The vast majority of

authorities either did not reply or stated that such information was unavailable or difficult and costly to obtain. However, three authorities were able to provide the requested information and in these examples a majority of HB claimants in the private rented sector were experiencing shortfalls.

**Table 6 – Percentage of HB claimants with a shortfall in rent**

Local Authority	Claimants	Claimants with shortfall
Local Authority A	2457	2013 (82%)
Local Authority B	1138	702 (62%)
Local Authority C	2004	1502 (75%)

Although in some circumstances the shortfall was small i.e. under £10 per week, some claimants were experiencing significant shortfalls between the rent charged and the HB paid. 18 per cent of claimants in Local Authority A had a shortfall of between £20 and £30 while 6 per cent had a shortfall of over £40. In Local

Authority B, 9 per cent had a shortfall of between £20 and £30, while over 4 per cent had a shortfall of over £40. In Local Authority C, 33 per cent had a shortfall of between £10 and £20, while 15 per cent had a shortfall of between £20 and £30 and 6 per cent had a shortfall of over £40.

**Table 7 – The amount of rent shortfall**

Local Authority	Shortfall per week				
	Under £10	£10-20	£20-30	£30-40	£40+
Local Authority A	513	673	445	232	150
Local Authority B	312	194	104	43	49
Local Authority C	585	503	226	95	93

Additionally, Wrexham County Borough Council, although unable to provide comprehensive figures, did allow a brief analysis of a sample of its claimants during the period between January and August 2006. 93 cases of private rented sector HB claimants

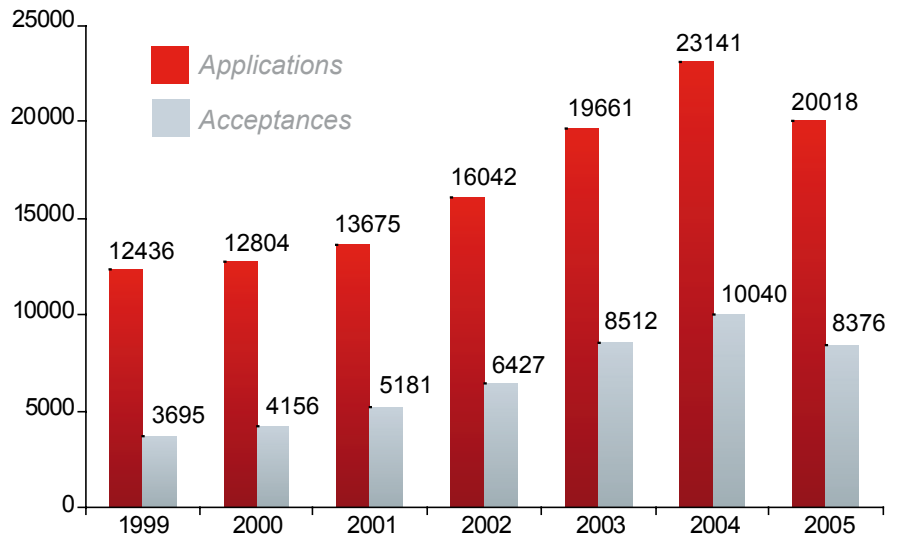
were assessed and 83 per cent of these had a shortfall. 36 per cent had a shortfall of between £10 and £20, while 25 per cent had a shortfall of between £20 and £30 and 9 per cent had a shortfall of over £40.<sup>14</sup>

<sup>14</sup> It was not known whether the claimants in Wrexham were employed or not.

## Homelessness

Increasing homelessness and difficulties in accessing suitable and affordable housing in the owner-occupied sector, due to house price increases and in the social housing sector, due to the lack of available lettings, means that utilising private rented accommodation has become increasingly important.

Recorded homelessness has been an increasing problem during the early years of this Century with annual increases in the number of households presenting and being accepted as unintentionally homeless and in priority need by local authorities between 1999 and 2004. Although remaining high, numbers fell in 2005.



Source: Welsh Housing Statistics – Homelessness January – March 2006, (July 2006 SDR 86/2006); Welsh Housing Statistics – Homelessness January – March 2005, (September 2005, SDR 81/2005)

Reasons for this decrease are unclear but changing local authority working patterns through the introduction of Prevention Teams are having an impact. Returns for the first quarter of 2006 continue to show a decrease when compared to the same period in 2005 although presentations and acceptances were higher than during the last quarter of 2005.

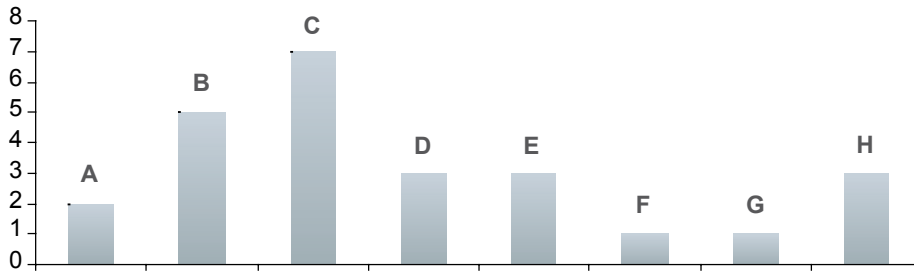
Loss of rented/tied accommodation is regularly one of the most

significant factors in households becoming homeless in Wales. Along with parents, relatives or friends no longer able to accommodate households or relationship breakdown, the loss of rented accommodation is one of the top three recorded reasons for households being accepted as homeless by Welsh local authorities. In 2005 it was the single largest reason for households losing settled accommodation.

**Table 9 – The loss of private sector/tied accommodation as a reason for homelessness**

Year	Loss of rented/tied accommodation	As a % of acceptances
2002	1412	22
2003	1638	19
2004	2374	24
2005	1844	22

**Table 10 – Household type - Wrexham**



A. Single Female B. Single Male C. Single Parent Female (1 Child) D. Single Parent Female (2 Children) E. Couple F. Couple (1 Child) G. Couple (3 Children) H. Other

This situation is similar to that in Northern Ireland, for example, where the number of those presenting as homeless due to the loss of private accommodation is also significant.<sup>15</sup>

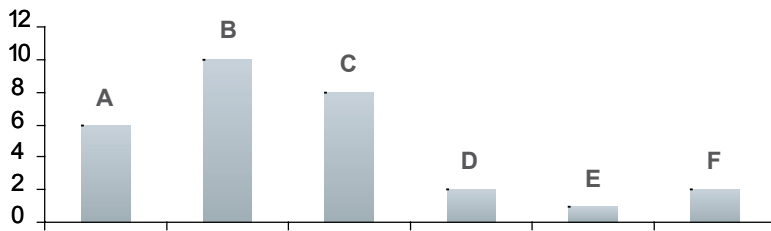
There are various reasons for loss of accommodation in the sector and these include sale of the property, inability to afford the rent, condition of the accommodation and unacceptable behaviour.

Data provided by both Carmarthenshire County Council and Wrexham County Borough Council illustrates the type of households and the reasons behind the presentation. This data was provided for the period between January and May 2006 for Wrexham and January to March 2006 for Carmarthenshire.

The majority of applicants in both areas were single parents. Information was provided for 54 cases in total for both counties and household type was available for 51 of these with three cases recorded as other. 20 of the applications were made by homeless single parents with a further 3 made by households including a pregnant woman. A further 10 households were couples with children. Therefore, 60 per cent of the households included dependent children.

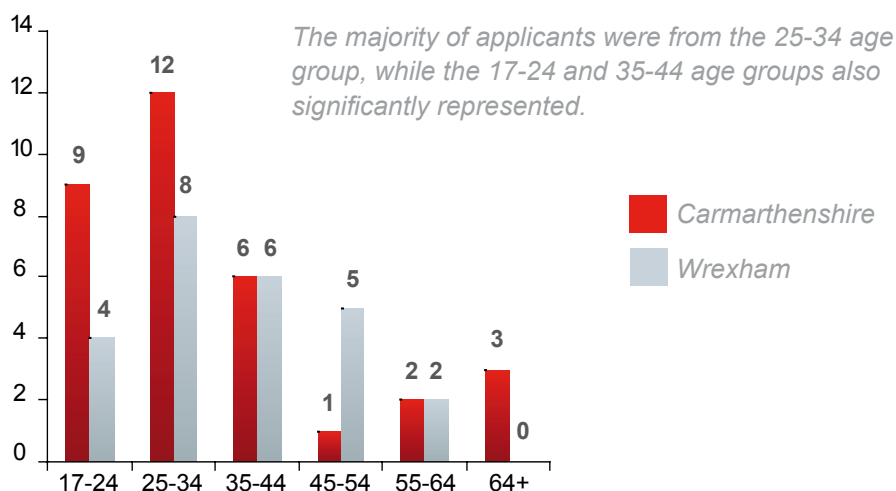
<sup>15</sup>op.cit., Paddy Gray, Paddy Hillyard, Ursula McNulty, The Private Rented Sector in Northern Ireland – Report to the Northern Ireland Housing Executive by the University of Ulster, pp.30-31.

**Table 11 – Household type - Carmarthenshire**



A. Single Person B. Single Parent C. Couple and Children D. Couple inc. pregnant E. Pregnant Woman F. Couple

**Table 12 – Age of Applicant - Carmarthenshire & Wrexham**



58 records – there were four joint applicants in Carmarthenshire

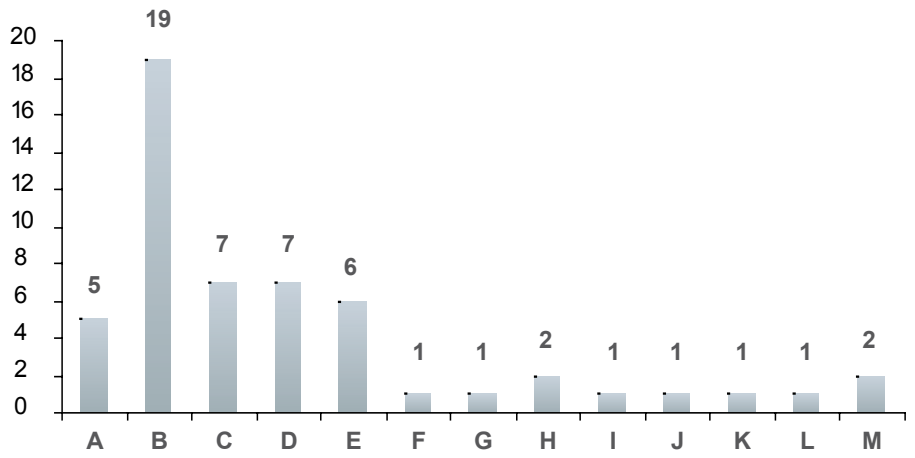
Loss of accommodation in both areas mainly related to sale of the property by the landlord or situations where the landlord required the return of the property for other reasons. Lack of affordability is an issue in both areas with rent arrears and financial problems or an inability to manage the rent also factors in the loss of the accommodation.

- A. Landlord needs Accommodation
- B. Landlord selling Property
- C. Rent Arrears
- D. Cannot afford Rent
- E. Unfit/Disrepair
- F. Children not Permitted
- G. No pregnant women
- H. Relationship breakdown/Financial
- I. Illegal Eviction
- J. Harassment from Landlord
- K. Tenancy not renewed
- L. Returned to Parents
- M. Unacceptable behaviour

### Shelter Cymru 2005-06

During the financial year 2005/2006 Shelter Cymru assisted 5986 households across Wales. A disproportionate number of these, 1398 (or 23 per cent) of households, lived in the private rented sector, with the overwhelming majority in Assured Shorthold tenancies.

**Table 13 - Reason for loss of tenancy - Carmarthenshire & Wrexham**



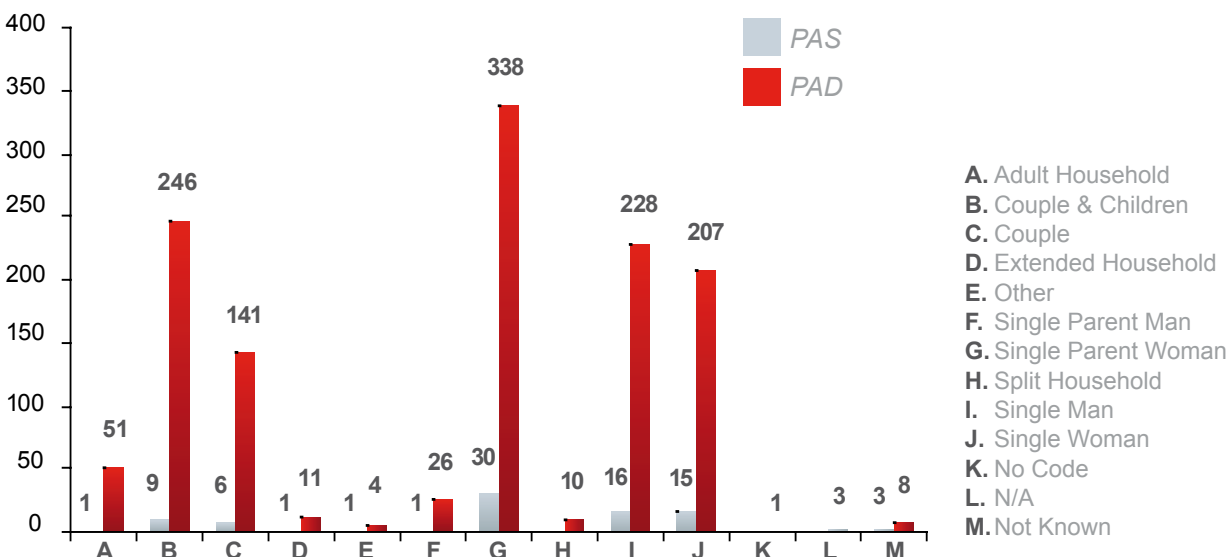
Data from 54 cases

Many of the households in the sector had multiple problems. 19 per cent were experiencing HB problems while rent arrears was a problem in 21 per cent of cases. Rent levels were also recorded as a problem in 275, or 20 per cent, of cases. Other significant issues included

dampness/disrepair, which was a problem in 29 per cent (412) of cases, and other landlord/tenant disputes, which was a problem in 25 per cent (346). A tenancy ending for other reasons was identified in 15 per cent (206) of cases.

*'Shelter Cymru assisted a disproportionate number of households with children compared to the general household profile of the sector. 48 per cent (650) of the households that approached Shelter Cymru had dependent children, while a further 34 per cent (466) were single men or women.'*

**Table 14 - Households in assured shorthold and assured accommodation**



\*\*PAD – Assured tenancies; PAS – Assured shorthold tenancies



## chapterthree

### Scoping and literature review

**This chapter includes a review of the policy environment with regard to the private rented sector in Wales.**

Increases in homelessness and the pressure on other sources of accommodation, for example, a diminishing social housing stock and inflated house prices, have meant the Welsh Assembly Government and Local Authorities are emphasising the importance of developing the use of accommodation in the private rented sector, both as temporary and more permanent accommodation.

The sector is seen as having an important role in providing accommodation options for people on low-income and welfare benefits and in assisting local authorities in preventing homelessness. This policy position is reflected in several Assembly Government publications.

The National Homelessness Strategy places significant emphasis on developing better use of the sector in alleviating homelessness in Wales.

*'The aim should be to enable people, as early as possible, to locate their own solutions to their housing problem, which will very often be in the private rented sector.'*<sup>16</sup>

*'With pressures on the social rented sector likely to continue, the private rented sector may offer the most important source of accommodation to meet temporary and permanent needs of homeless people.'*<sup>17</sup>

The Strategy recognises local authorities require a better understanding of the sector and need to offer landlords incentives in order to attract them to let accommodation to people experiencing homelessness or who are in need of housing. The expectation is local authorities will establish partnership arrangements with private landlords, possibly through landlord forums, and that packages of incentives will be developed.

As part of the commitment within the strategy an 'Access to Private Rented Sector Working Group' with the purpose of promoting access to the sector for people who are experiencing homelessness or who are at risk of homelessness will be established in late 2006. This task and finish group will:

- *Explore the current use of the sector*
- *Identify barriers and issues affecting access to the sector*
- *Advise the Assembly Government on the development of policy and investment to promote better access to the sector.*<sup>18</sup>

<sup>16</sup> Welsh Assembly Government November 2005, National Homelessness Strategy for Wales 2006-2008 p.12. <sup>17</sup> Ibid. p.27. <sup>18</sup> Welsh Assembly Government 2006. Access to the Private Rented Sector Working Group. Homelessness Strategy Working Group meeting July 2006.

The 2003 *Code of Guidance for Local Authorities on the Allocation of Accommodation and Homelessness* also cites the role the sector can have in assisting with homelessness prevention. The Code points to the contribution accommodation leased from the sector can make in augmenting the supply available to authorities for discharging their homelessness duties and authorities are encouraged to consider this option.<sup>19</sup> It also encourages authorities to facilitate bond schemes to enable households to access private rented housing.<sup>20</sup>

The position in the National Homelessness Strategy is informed by the Tarki Technology Ltd. report in 2005. The report, in relation to homelessness prevention and reducing the dependence of local authorities on Bed & Breakfast accommodation, advocated that authorities should seek to exploit opportunities for accommodation in the private rented sector. It particularly refers to the positive opportunities arising from private sector leasing – through which authorities can lease and manage

accommodation for an extended period of time and direct leasing – under which landlords accept nominations for tenancies from the local authority.<sup>21</sup>

An Assembly Government advice note on preventing homelessness also illustrates the importance of the sector. The note emphasises the importance of rent deposit schemes and tenancy support work to assist with sustaining tenancies.<sup>22</sup>

Although the sector presents certain opportunities for preventing homelessness and providing accommodation for those in housing need, the literature clearly identifies it is also regarded as having particular problems in this respect.

It is important to appreciate the sector is a commercial one and that landlords letting property are doing so for mainly financial motives. There is high demand for accommodation from groups including students and a growing number of migrant workers and landlords also have preconceptions of the HB system, the level of payment under this system and also of those claiming HB.

<sup>19</sup> Welsh Assembly Government 2003 Code of Guidance for Local Authorities on the Allocation of Accommodation and Homelessness (April 2003). Paragraph 18.20. <sup>20</sup> Ibid., paragraphs 18.25-18.27. <sup>21</sup> Tarki Technology Ltd., *Tackling Homelessness – key issues for consideration by Welsh Local Authorities* (June, 2005). <sup>22</sup> Welsh Assembly Government, *The Prevention of Homelessness – An advice note issued by the Welsh Assembly Government*, (August 2004). <sup>23</sup> Department for Work and Pensions 2006 *a new deal for welfare: Empowering people to work* January 2006, p.82.

## Legislative developments

### A new deal for welfare

The government believes HB does little to promote personal responsibility and empowerment of claimants, including incentives to enter employment, take responsibility for budgeting and financial and lifestyle management.<sup>23</sup> It is usually paid to landlords and uncertainty about processing times and levels of support claimants can expect to receive can act as barriers to moving into employment.

Research by the Department of Work and Pensions (DWP) in 2001 highlighted government concerns, including the complexity of the system, the lack of work incentives and that it provides little incentive for people to take an interest in, or responsibility for, the cost of their housing.<sup>24</sup> The Local Housing Allowance (LHA) was subsequently introduced to try and address these concerns.

Further research, published in 2002, considered the options for reforming the payment of HB in the sector, which was at that time called the Standard Local Rate (SLR).<sup>25</sup> The two options discussed were the SLR where the tenant was allowed to keep the difference between it and the Local Reference Rent, should there be any, and the SLR without this option. This developed into the LHA.

The LHA is the central element of HB reform. The maximum amount paid to tenants is based on the size and composition of the household and location of the dwelling. Two

households in similar circumstances in the same area are therefore entitled to a similar amount of benefit. The LHA is usually paid directly to tenants and mainly into bank accounts. Knowing the rates helps tenants to understand the state assistance that is available and, as it is paid direct to the tenant, the theory is that it will assist with budgeting and financial management.

### Local Housing Allowance Pathfinders

The LHA has been tested in nine pathfinder areas including Conwy. In 2005 it was extended to new areas including Pembrokeshire. It has five key principles:

- *Fairness*
- *Choice*
- *Transparency*
- *Personal responsibility*
- *Financial inclusion*<sup>26</sup>

Both the Department for Work and Pensions (DWP) and Shelter have undertaken evaluation work of the pathfinders. The Shelter evaluation focused on four of the areas – Conwy, Brighton, Edinburgh and Leeds - and considered the effect of the Pathfinders on the adequacy of HB levels, access to the sector for HB claimants, rent levels and housing problems and the risk of homelessness.<sup>27</sup> Both evaluations highlight several issues.

<sup>24</sup>op.cit., Social Housing, Tenure and Housing Allowance: An International Review.

<sup>25</sup>Nick Pettigrew & Andrew Thomas, Housing Benefit Simplification in the Private Rented Sector, (Department of Work and Pensions, 2002). <sup>26</sup>op.cit., Social Housing, Tenure and Housing Allowance: An International Review. <sup>27</sup>Liam Reynolds, On the right path? The interim findings of Shelter's research into the Housing Benefit Pathfinders (Shelter, October 2005).

The impact of the LHA on processing times appears to have been mixed. In its response *'A new deal for welfare: empowering people for work'*, Child Poverty Action Group (CPAG) questions whether the scheme has had any real impact on processing times and Shelter's interim findings also refers to only slight improvements in this respect. The DWP evaluation identifies that, after 6 months, all but one area had seen a reduction in processing times – this appears to be because the scheme is easier to understand for both claimants and landlords and because the rent officer does not need to determine the rent on each property.

Determining the vulnerability of claimants for the purpose of receiving rent payments has been an issue during the pathfinders with areas using criteria such as whether the tenant has been accepted as homeless, has a medical problem, is in arrears or has a substance misuse problem. The question of paying HB directly to the tenant was raised in DWP research prior to the LHA pathfinders and overall, because of the control over income, landlords preferred to be paid HB directly. In contrast, tenants claiming HB believed that they had little control

over their finances and little incentive to care.

*'Landlords do much of the paperwork for them; unless the landlord pressurises them they may have little concern about any delays in the payment of HB; and there is a distinct feeling that the rent/HB relationship is non-negotiable.'*<sup>28</sup>

Under the LHA tenants should be being seen as consumers with an incentive for negotiating over rents. The DWP evaluation shows that slightly more people had tried to negotiate over rents after the introduction of the LHA - 21% compared to the 16% who had moved prior to its introduction.<sup>29</sup>

However, lack of choice is a problem, with less than a third of claimants stating that they had a good choice. This was because of a limited number of properties in the areas, high rental levels, reluctance by landlords to rent to people on benefits, and the need for deposits. High demand for private rented accommodation means that alternatives are difficult to find. Rent negotiation is similarly difficult for this reason.

*'The concept of a shopping incentive is meaningless if tenants have nothing to shop for.'*<sup>30</sup>

Indeed, this was a finding of earlier research for the DWP on options for simplifying Housing Benefit in the private rented sector. While broadly welcomed by tenants, the general view of respondents in the research was that allowing people to retain the difference between the benefit provided and the rent paid would be publicly and politically unpalatable and that landlords would increase the rents and erode any possible gains.<sup>31</sup> This lack of choice and disparity in the relationship between landlord and tenant is supported in recent research by Citizens Advice.<sup>32</sup>

<sup>28</sup>op.cit., Housing Benefit Simplification in the Private Rented Sector p.26. <sup>29</sup>Department of Work and Pensions Receiving the LHA – Claimants' early experiences of the LHA in the nine Pathfinder areas, (Report 6, DWP), p.47-8. <sup>30</sup>Child Poverty Action Group, DWP Green Paper: A new deal for welfare: Empowering people to work (CPAG, April 2006). <sup>31</sup>op.cit., Housing Benefit Simplification in the Private Rented Sector, p.44. <sup>32</sup>Liz Phelps, Early Days – CAB evidence on the Local Housing Allowance, (Citizens Advice Bureau, November 2005), p.2. & p.8.



The level of shortfall between the LHA and the rent decreased in the Pathfinder areas, although some of the areas continued experiencing affordability problems, for example in Conwy where 57 per cent of claimants had a shortfall in payments compared to 61 per cent previously and claimants in North East Lincolnshire, where 60 per cent of claimants had a shortfall compared to 77 per cent previously.<sup>33</sup> Additionally, more tenants were required to pay a deposit following the introduction of the LHA. Prior to its introduction, 66 per cent of people who had moved had to pay a deposit while 75 per cent of those who moved after implementation had to pay a deposit.

There was also an impact on supply to those claiming HB. 56% of landlord respondents in the DWP evaluation said that the LHA had made them less likely to want to let properties to HB tenants, while 39% said that its introduction had not made a difference. The main reasons for the reticence included problems experienced with rent arrears and with the ending of HB payments to landlords themselves. Landlords who decided not to renew existing tenancies because of the introduction of LHA also cited the experience of rent arrears, fear

that the tenant might fall into arrears and that the benefit was paid directly to the tenant.

Shelter's research found that almost 1 in 4 landlords barred HB claimants and that the proportion of properties available to people on HB had slightly reduced since the implementation of the scheme.

*'Many properties that appear to be open and affordable to HB claimants are not in fact accessible. Half the landlords who did not exclude HB claimants in their advertisement still refused to let to HB claimants when called by our researcher.'*<sup>34</sup>

## Proposals for the future

The government's view is that the principles of the LHA have been successful but that some amendments are required. The main elements for consideration are:

- *excessive cash gains*
- *work incentives*
- *longer-term financial stability.*<sup>35</sup>

### **It will:**

Cap the LHA in order to remove the possibility of people in some areas receiving large sums of money above the rental level (and therefore a disincentive to work and incentive to overcrowd properties). The cap on the amount a claimant can receive

above the rent will be £15 a week.<sup>36</sup>

Change the criteria on which the LHA is calculated so that it is based on the number of bedrooms required. (It currently depends on bedrooms and the number of living rooms available to occupiers.)

Use the median rent as the basis for the LHA paid to claimants. This is the rent that is halfway up the distribution of all rents in an area, is less susceptible to change and will give people more certainty in the levels they will receive. (Currently, the LHA is set at the mid-point between the highest and lowest rents in an area (excluding extreme high and low rents).<sup>37</sup>

<sup>33</sup>op.cit. Department of Work and Pensions Receiving the LHA – Claimants' early experiences of the LHA in the nine Pathfinder areas. <sup>34</sup>op.cit., Liam Reynolds, On the right path? The interim findings of Shelter's research into the Housing Benefit Pathfinders, (Shelter, October 2005). <sup>35</sup>op.cit. Department of Work and Pensions, Receiving the LHA – Claimants' early experiences of the LHA in the nine Pathfinder areas. <sup>36</sup>Department for Work and Pensions 2006 A new deal for welfare: Empowering people to work consultation report, (June 2006), p.48. <sup>37</sup>op.cit., Department for Work and Pensions, 2006. A new deal for welfare: Empowering people to work, (January 2006).

## Housing Act 2004

The Housing Act 2004 introduces several measures that will impact significantly on the sector.

### Licensing

One of the major aims of the Act is to improve the fitness and management of the private rented sector. This includes the new Housing Health and Safety Rating System and also mandatory and selective licensing of properties.

- **Mandatory Licensing** for higher risk Houses in Multiple Occupation (HMOs).
- **Additional Licensing** for other types of HMOs, in particular areas designated by local authorities e.g. areas with a significant amount of student accommodation but where the HMOs are smaller.
- **Selective Licensing** of privately rented properties where criteria set by the National Assembly are met.

### Housing Health and Safety Rating System (HHSRS)

This system was introduced in Wales in June 2006.<sup>38</sup> The HHSR System replaces the fitness standard under the Housing Act 1985. It affects private landlords and agents (agents are encouraged to assess properties themselves and then carry out the necessary improvements) but social housing will also need to be free

of category 1 hazards. Category 1 hazards include cold, fire, falls, lead in drinking water pipes/paintwork and hot surfaces that could cause burns/scalds etc.

The system is designed to assess dwellings for the risks posed to the occupants and focuses on the hazards that are most likely to be present in housing.

### Tenancy Deposit Scheme (TDS)

Landlords are not required to take a deposit but if they do the provision of the Act aims to ensure that deposits are safeguarded. Only deposits taken in respect of new assured shorthold tenancies will be affected. The Act will apply when a tenancy ends and a new one is created. This provision will be introduced in April 2007 and is aimed at removing the risk of:

- **Misappropriation of tenants' deposits by landlords and letting agents.**
- **Tenants defaulting on their last months' rent.**

Under section 212 (1) of the Act the government is under a duty to make arrangements for securing that a scheme, or more than one, is established to safeguard deposits. This process is currently underway.

The changes introduced under the Housing Act 2004 will impact on the private rented sector in many ways. The introduction of mandatory

licensing for houses in multiple occupation and the new powers available to local authorities to license other properties mean that physical conditions, health and safety, and management standards in the sector should improve. The HHSRS means that properties will be assessed for the risks posed to the occupants rather than the focus being on the structure of the building.

*'The HHSRS assessment is based on the risk to the potential occupant who is a member of the age group most vulnerable to that hazard. For example, when assessing hazards relating to stairs, the elderly are considered the most vulnerable group, while for falls out of windows and from balconies children under five years are the most vulnerable.'*<sup>39</sup>

The TDS will clearly give tenants the protection from landlords who unjustly retain part of or all of the deposit paid on commencement of tenancies. Landlords and their representatives perceive it as another piece of unnecessary regulation and it has been heavily criticised by the Council of Mortgage Lenders for being overly bureaucratic.<sup>40</sup>

Taken together the changes will lead to significantly greater regulation of the sector and may of course lead to changes in the way landlords let properties e.g. the HMO licensing may lead to a contraction of this section of the market and mean less of this type of accommodation in some areas.

<sup>38</sup>The Housing Health and Safety Rating System (Wales) Regulations 2006, (Welsh Assembly Government, Welsh Statutory Instrument 2006 No. 1702 (W.164)) <sup>39</sup>Housing Corporation, 2006 Care Services Improvement Partnership, Good housing and good health? A review and recommendations for housing and health practitioners. <sup>40</sup>op.cit., Rob Thomas, The growth of buy-to-let (CML, September 2006).

## Tenure reform

In 2006 the Law Commission published its proposals for reforming security of tenure in England and Wales. The work aimed to simplify the law associated with tenures; in addition the Commission wants to see greater flexibility in how the law is applied.

The key principles are that consumer law should influence tenancy agreements and tenure law. In essence this means all aspects of the tenancy agreement should be within the contract between the landlord and tenant.

If the proposals were to be implemented, a private rented sector let will be assumed to be a 'standard contract' and modelled on the current assured shorthold (unless otherwise stated in the agreement e.g. if the landlord wants to offer a longer term contract).<sup>41</sup> Unlike the 'secure contract', which would be largely social housing tenancies, standard contracts would be subject to mandatory as well as discretionary grounds for possession and also a landlord may terminate a contract by issuing a 'notice only notice'.<sup>42</sup>

It is unlikely the Law Commissioners proposals will be implemented before 2010, although the Government of Wales Act may enable the Welsh Assembly Government to independently implement some of the proposals.

## Perspectives from the UK and beyond

The sector has also been the focus of research in several other countries both within and beyond the UK during recent years. Much of this work highlights common issues, including affordability and rent levels and access to those on welfare benefits or low-income.

Research by the University of York in 1996 considered the potential of the sector to provide accommodation for homeless people.<sup>43</sup> Amongst the main findings were that rents in the sector were higher than those of social housing, that people faced being trapped in poverty and benefits dependency and that landlords least like letting to people who are most likely to be statutorily homeless.

*'namely, households with children, unemployed people, and people receiving housing benefit.'*<sup>44</sup>

Half the private landlords in Britain preferred to let to people in work while the vast majority did not like letting to those on HB – seeing them as 'undesirable'.

<sup>41</sup>Law Commission 2006, Renting Homes: The Final Report, (Law Com No.297, May 2006), p.48.

<sup>42</sup>Ibid.p.76. <sup>43</sup>Mark Bevan and David Rhodes, Housing homeless people in the private rented sector, (Joseph Rowntree Foundation, March 1996). <sup>44</sup> Ibid.

High demand for private sector accommodation was also seen as a problem to use of the sector for homeless households.

The Welsh Assembly Government commissioned a review of the private rented sector in Wales, which was published in 2001.<sup>45</sup> This revealed a number of problems for people renting in the sector in receipt of HB. Issues included a reluctance of landlords to rent to HB claimants, problems with administration and shortfalls in the HB levels paid. The return of deposits was also problematic. The research found landlords were either '*investment landlords*' or landlords who no longer needed to live in the property. The majority owned a small number of properties while continuing to be engaged in other forms of employment, some were full-time landlords.

The research supported other sources that refer to the decline of the sector during the 1980s and 1990s and reiterated that dwellings in the sector are, on average, older and have a higher level of unfitness than other tenures. It was also found that private sector tenants were generally younger and on a lower income and that the sector also provided accommodation for professionals and mobile workers.

A recent survey by the National Landlord Association addressed the perception of tenants by landlords. The survey showed that over 60 per

cent of landlords are unwilling to let to HB claimants. The main reason for this being the perception that claimants are disruptive or exhibit anti-social behaviour. 59 per cent identified potential damage to the property as a reason, while 55 per cent identified arrears as a result of the tenant not paying the rent.<sup>46</sup>

Almost half of those questioned, who said they would not be prepared to let to tenants on HB, had previous experience of letting properties to claimants. 89 per cent of these had experienced greater problems when letting to HB claimants.

Both those landlords who were currently willing to let to tenants on HB and those not currently willing but who had done so in the past, had experienced greater problems letting properties to HB dependent households. While 22 per cent had not experienced greater problems, 47 per cent and 44 per cent had experienced rent arrears as a result of the tenant not paying and HB maladministration, while 31 per cent and 39 per cent had experienced problems with disruptive or anti-social behaviour and damage to the property respectively.

The antipathy of landlords is reflected by that of prospective tenants and homeless households. Researchers from York University found that many homeless households would prefer not to rent in the private rented sector.

<sup>45</sup> University of Glasgow 2002, Review of Private Rented Stock in Wales, (Welsh Assembly Government, Housing Research Report 1/02, February 2002). <sup>46</sup> National Landlords Association 2005 – Survey of Members – December 2005, (Unpublished January 2006).



Recent research by Broadway London found both staff and clients were sceptical of the sector's potential.<sup>47</sup> Many clients saw the sector as expensive, insecure and mistrusted landlords. A majority of those asked said they would not take a property in the sector, while addressing affordability and security could help persuade them to accept a property.

*'Clients were concerned that if the tenancy was not renewed after 2/3 years, there was no guarantee of finding other accommodation. By accessing this sector they thought they would lose their chance of a council flat which they saw as a better, more secure option.'*<sup>48</sup>

An overwhelming majority of project staff would refer some clients, mainly those without support needs or with low level needs, to the private rented sector. The necessary ingredients for making the sector a better option were:

- *Provision of deposits*
- *Affordable rent*
- *Security of two years*
- *Quality of accommodation*
- *Ongoing support*

*'Staff don't see this accommodation as an ideal option, but due to the lack of move-on, they think it should be utilised, and could be a good option for some clients.'*<sup>49</sup>

In Scotland, the Universities of Glasgow and Heriot Watt undertook research on the private rented sector in 2001. This aimed to discover the 'scope and nature of issues of concern' for tenants and landlords in the sector. The research team gathered information from 31 of the 32 Scottish Local Authorities and interviewed 17 landlords, 13 letting agents and 105 private sector tenants during the project.<sup>50</sup>

Among the findings was the need for positive engagement between local authorities and private sector landlords, for example, via Landlord Forums and rent deposit schemes. Local Authorities assuming responsibility for managing private sector properties e.g. through leasing schemes, and then letting to homeless applicants, was also suggested. This option means the landlord does not have to deal with the daily management of the property and associated problems. Financial subsidy to the landlord is also a clear motivator as is support to implement any regulations.

Much of the research has found that the major motivator for letting accommodation is financial, either as a full-time or part-time business venture, as an investment e.g. a person moving from an area keeping their original property and letting this, or as long-term investment as a pension contribution.

<sup>47</sup>Broadway London is a homelessness organisation that provides a range of services for people experiencing homelessness. Information is available at: [www.broadwaylondon.org](http://www.broadwaylondon.org) <sup>48</sup>Broadway Research Team 2006 Use of the private rented sector for formerly homeless people (Key Findings Report, April 2006). <sup>49</sup>*ibid.* <sup>50</sup>*op.cit.*, University of Glasgow 2002 Research on the Private Rented Sector in Scotland, (Department of Urban Studies, for the Scottish Executive, 2002).

In Northern Ireland, the University of Ulster is involved in a two-phase study of the private rented sector for the Northern Ireland Housing Executive that considers the recent growth in the sector and potential for further growth. Similarly, other research has found growth has been stimulated by factors such as the sale of right-to-buy properties and an influx of smaller landlords investing in buy to let properties. Improved house conditions, the growth in student numbers, the unaffordability of owner-occupation and access to other tenures have also fuelled this growth. One consequence of this is that the sector provides accommodation for people who would previously have sought social housing.<sup>52</sup>

The research identified there is a limit to which the sector could be seen as a solution to households on a low-income. The number of households presenting as homeless from the sector has increased in recent years with landlords selling the property and unaffordable rents identified as primary factors. Threats to the future of the sector included changes in house prices and interest rates and the introduction of the LHA.

*'If house prices were to stabilise, 10% of landlords surveyed would decrease the size of their portfolio, and if house prices were to drop by 10%, one fifth (21%) of landlords surveyed would decrease the size of their portfolio. The implementation of the Local*

*Housing Allowance, when Housing Benefit will be paid directly to the tenant, is an issue of concern for landlords. There is a fear that this could lead to landlords with housing benefit tenants exiting the sector or letting to non-housing benefit tenants.'*<sup>53</sup>

As in Wales, the sector in Northern Ireland has come to be seen as playing an important role in housing those who would previously have accessed social housing. Given the private rented sector is exposed to market conditions, factors that lead to dis-investment or withdrawal from renting to benefit dependent households, will have an impact on the public housing sector and homelessness strategies.

*'What is becoming clear is that the roles which private renting is performing are becoming more complex, with the emergence of low-income and vulnerable families renting privately. Problems that need to be addressed are the skills that these emerging new private housing managers require, the likelihood of changes to the Housing Benefit system, and a leveling off of house price inflation. Dis-investment in this sector may lead to additional burdens on an already depleted public sector.'*<sup>54</sup>

Current research in Australia is looking at the motivation for investing in the private rented sector. This is primarily because:

*'Housing policy in Australia relies heavily on many low-income households being able to access affordable rental housing in the private sector. This has become especially significant in view of the virtual halt in the expansion of social housing provision.'*<sup>55</sup>

The sector currently accommodates 20 per cent of the population and a significant proportion of low-income households. Although a much bigger market, the impetus for the research appears very similar to that in other countries i.e. housing policy is becoming more reliant on the sector to provide accommodation for low-income households and that access to lower cost housing is becoming more difficult.<sup>56</sup>

## **Conclusion**

Research work in the UK and beyond highlights some common issues and challenges when considering the private rented sector as a significant contributor to resolving housing need. The unaffordability of the sector to people on a low-income and the perception that private sector landlords have of HB claimants have been shown to be problems in accessing the sector for these households. The sector also currently faces a period of significant change with considerable regulatory requirements and a major reform of the HB system.

<sup>51</sup>op.cit., Rob Thomas, The growth of buy-to-let, (CML, September 2006). <sup>52</sup>op.cit., Paddy Gray and Ursula McNulty, The increased role of the Private Rented Sector in catering for social housing in Northern Ireland. <sup>53</sup>Ibid. p.14-15.

<sup>54</sup>Ibid. p.16. <sup>55</sup>Tim Seelig, Terry Burke and Alan Morris, Motivations of investors in the private rental market, (Australian Housing and Urban Research Institute, May 2006). <sup>56</sup>Ibid.

## chapterfour

### Findings of the research

**This chapter is structured as follows:**

- *a brief summary of the main activities to promote better use of the private rented sector in the two fieldwork areas*
- *a profile of the landlords interviewed*
- *a profile of tenants interviewed*
- *findings of the fieldwork.*

The fieldwork was conducted in Carmarthenshire and Wrexham and involved interviewing private landlords, local authority officers and a sample of other local stakeholders. The fieldwork also included interviewing private sector tenants who approached Shelter Cymru Housing Services in Carmarthenshire, Wrexham, Powys and Denbighshire.

#### **Carmarthenshire**

Carmarthenshire County Council is developing a portfolio of responses to homelessness prevention that includes actively working to develop accommodation options in the private rented sector.

**A mainstay of this approach is the Home Choice Scheme, the aim of which is to:**

*'encourage landlords and agents to let quality and affordable accommodation to people who are homeless or threatened with homelessness.'*

The Council views this as an essential part of its strategy to prevent the need for homelessness applications, reduce the use of Bed & Breakfast accommodation and provide greater access to, and choice of, accommodation for people who are homeless or threatened with homelessness.

The scheme works in partnership with the Carmarthenshire Bond Scheme to offer a range of benefits to landlords who provide properties for letting for either temporary accommodation or on 12-month tenancies.

The following package of benefits are made available if properties are accepted on the scheme:

- *'A non-returnable premium of 4 weeks rent (paid from the Homeless Prevention Fund) or 1 Years free Property Insurance Cover.*
- *Guaranteed payment covering up to 4 weeks void periods in the first 12 months.*
- *A Bond Guarantee (equivalent to 4 weeks) from Carmarthenshire Bond Scheme.*
- *A designated bond worker offering a comprehensive tenant and landlord liaison service. A Housing Option adviser will also link in closely to this scheme.'*



This scheme is primarily aimed at families because the rent restriction severely limits affordability for people under 25 years old.

Although the Bond Scheme itself provides bonds for people who have found private sector accommodation but cannot afford a deposit, the Home Choice scheme is a:

'pro-active initiative in terms of recruiting landlords and properties and matching them up to homeless households.'<sup>57</sup>

The scheme has been successful during the first year with considerable interest from landlords. Only two tenancies out of the thirty provided have failed. One of these was as a result of a combination of anti-social behaviour and drug/alcohol problems while the other occurred due to the break-up of the family.

The Council has also developed an active landlord forum and holds an

annual conference for landlords. In addition it provides a landlord newsletter, which includes updates and information.

Another element of the scheme includes partnership working with Foundation Housing, which leases properties from private landlords and makes them available to the authority as temporary accommodation.

The Council has a prevention fund that can be used to prevent or delay homelessness from the private rented sector e.g. paying arrears whilst resolving disputes or finding alternative accommodation and paying the HB shortfall for a limited period in some cases. It is also considering the need for more liaison work between tenants and landlords to resolve disputes and conflict.

Other good practice initiatives include regular liaison meetings between the Housing Department and Housing Benefit Section, to which private

sector landlords might be invited in the future. Additionally, consideration will be given to fast tracking HB claims from homeless applicants.

There are an estimated 3,500 to 4,000 empty homes in Carmarthenshire and these constitute up to 10 per cent of properties in some areas of the county. According to Council Tax records, while 38 per cent have been empty less than 6 months, a significant proportion have been empty for between 6 months and 1 year (12 per cent), 1 year (12 per cent), 2 to 5 years (25 per cent), 6 to 9 years (6 per cent) and over 10 years (6 per cent). The Council has developed an empty homes strategy and is currently in discussions with landlords and developers about bringing these properties back into use.<sup>58</sup>

<sup>57</sup>Further information and cost saving illustration in relation to households owed a homelessness duty is available from Carmarthenshire County Council. <sup>58</sup>Carmarthenshire County Council Housing Services 2005 Empty-Homes Strategy 2005 – 2009,

The Bond scheme has been established to assist homeless people without a priority need under legislation to find decent, affordable accommodation within the private rented sector. It was established in partnership with the Welsh Assembly Government, Dyfed Powys Probation Services and Carmarthenshire County Council, and is managed by Trothwy Cyf.

At the beginning of a tenancy the scheme provides people with resettlement support for up to 12 weeks. The landlord is given a Bond Certificate and one month's rent in advance from the Council. The Bond scheme also undertakes to liaise with landlords and HB on any issues arising with tenancies.

### **Wrexham**

Wrexham County Borough Council has recently begun developing its homelessness prevention strategy and is approaching private sector landlords as key providers of both temporary and longer-term accommodation.

The Authority has developed a Landlords Forum that aims to forge a constructive partnership between landlords, regulatory bodies and other related organisations to improve the living conditions and security of tenure of tenants and to enhance the vitality of the private rented housing sector. The forum is open to all landlords and related organisations and meetings are held every four months. It appears to be providing a good service to landlords with regard to information and updates on regulatory and legislative developments.

As part of its Homelessness Prevention work, the council has established a Prevention Team which also includes a Private Leasing Officer. The team has a Prevention Fund and is in the process of engaging with private sector landlords e.g. through the Landlord Forum, in order to develop accommodation options.

Although landlords were initially said to be sceptical of the idea of leasing property directly to the council for temporary S.193/188 accommodation, the authority has secured 9 of the 12 units of accommodation it targeted within the first year of the project.<sup>59</sup>

The Authority believes there are approximately 550 empty properties in the county borough and that these constitute an 'untapped resource'. It is in the early stages of re-writing its strategy on dealing with empty homes within the context of the new powers introduced by the Housing Act 2004 and the review of the Local Housing Strategy. It has indicated an intention to act proactively in bringing empty homes back into use.

Barnardos Cymru, with funding from the Assembly Government, provides a Bond Guarantee Scheme, which enables young people aged between 16 and 25 who are homeless or potentially homeless, on low incomes or welfare benefits in the county borough to access rented accommodation. The bond will cover damage to the property, theft or damage to items included on the inventory, and up to 4 weeks rent arrears.

The scheme works with landlords and recommends properties to clients, ensures that HB is paid directly to the landlord and can also help establish repayment plans if problems arise. It currently works with 8 landlords in the Wrexham area. Barnardos Cymru believe that it is having a measure of success but would like more resources to develop the services provided.

<sup>59</sup>Under s188 of the Housing Act 1996 a local authority should provide an applicant with temporary accommodation if it believes they may be homeless, eligible for assistance and have a priority need. Under s.193 a local authority needs to secure that accommodation is available for applicants found homeless, eligible for assistance and has a priority need, and who are not intentionally homeless.



## Landlord Profile

The research team interviewed 20 landlords in the two areas. These interviews were undertaken on a one to one basis or by telephone. Where telephone interviews were conducted, the interviewee was provided with the questions for consideration beforehand.

The landlords interviewed had diverse property portfolios, from between one and 10 properties to 60 properties. Those interviewed also had a range of accommodation types, including houses, flats and HMOs.

Letting time (years)	Carmarthenshire	Wrexham
1-4	3	2
5-10	4	3
11-15	0	3
16-20	2	0
20+	0	3
<b>Total</b>	<b>9</b>	<b>11</b>

Portfolio (properties)	Carmarthenshire	Wrexham
1-10	4	5
11-20	1	2
21-30	1	3
50+	2	1
Unspecified	1	0
<b>Total</b>	<b>9</b>	<b>11</b>

Property type	Carmarthenshire	Wrexham
Houses	1 landlord	9 landlords
Flats	8 landlords	6 landlords
HMOs	5 landlords	5 landlords

## Tenant profile

17 tenants were interviewed for the research. Shelter Cymru Housing Law Caseworkers in Carmarthenshire, Wrexham, Powys and Denbighshire interviewed tenants between August and September 2006.

Household type	Number
Single Man	4
Single Woman	1
Single Parent Woman	6
Single Parent Man	0
Couple	0
Couple with Children	4
Adult Household	2
<b>Total</b>	<b>17</b>

The sample included both single people households and households with dependent children.

Employment	Number
Unemployed	10
Sick/ill	1
Employed Full-time	3
Employed Part-time	1
Carer	1
Student	1
<b>Total</b>	<b>17</b>

Most households in the sample were unemployed and dependent on welfare benefits or on a low-income from part-time or full-time employment.

Income	Number
Up to 5,000	6
5,001 – 10,000	7
10,001 – 15,000	4
15,001 – 20,000	0
Over 20,000	0
<b>Total</b>	<b>17</b>

## Findings from the fieldwork

### Motivation for landlords

The majority of landlords interviewed stated that property was an investment while for five it was their main business. This reflects previous research for the Assembly Government and work completed in Scotland and Northern Ireland.<sup>60</sup> Two Carmarthenshire landlords who identified investment as their main motivation for letting properties had large portfolios – of 26 and 60 properties – indicating that it was a substantial business for them.

One landlord who identified 'investment as a pension' indicated further motivation as being:

*'All tenants are on HB, I specifically wanted to provide accommodation for people on a low income.'*  
(Carmarthenshire landlord)

Similarly, one landlord in the Wrexham sample, who also worked with a neighbouring local authority, indicated that part of their motivation was the satisfaction of helping to provide a successful outcome for homeless households.

Motivation	Carmarthenshire	Wrexham
Investment	6	6
Main business	3	5
<b>Total</b>	<b>9</b>	<b>11</b>

### Letting and renting practices - plans and threats

Landlords interviewed were positive about their plans to continue letting accommodation and indicated on the whole that imminent developments such as licensing, LHA, tenancy deposit scheme and possible changes in tenure would not alter these plans.

Five Wrexham respondents believed that licensing of HMOs might deter prospective landlords and subsequently affect the supply of accommodation for young people in particular, while one landlord identified a change in

interest rates as the main factor that could affect his future letting plans.

Contrary to recent evidence from RICS regarding the increase in rents and rental yields, one Wrexham landlord had recently sold properties and felt that some of the newer landlords who had invested through buy-to-let were selling because rents did not cover mortgages and property prices were not accelerating quickly enough to protect against this risk.

Reflecting the findings of research in Northern Ireland for example, there was concern about the introduction

of the LHA and its potential effect on letting to those on HB.<sup>61</sup> Landlords in Wrexham believed that the LHA in particular would have an effect on to whom they would let property in the future i.e. affecting those on housing benefit, with nine of the sample providing negative views. One landlord was adamant that HB should go to the landlord.

*"Why should it go to the tenant? It's a benefit solely for the purpose of paying the rent so it should go to the landlord"* (Wrexham landlord)

Letting Plans	Carmarthenshire	Wrexham
Continue letting	9	11
End letting	0	0
<b>Total</b>	<b>9</b>	<b>11</b>

<sup>60</sup>op.cit., Welsh Assembly Government, 2002 Review of the Private Rented Stock in Wales. See also, University of Glasgow 2002 Research on the Private Rented Sector in Scotland (Department of Urban Studies, for the Scottish Executive, 2002). <sup>61</sup>op.cit., Paddy Gray and Ursula McAnulty, The increased role of the Private Rented Sector in catering for social housing in Northern Ireland.

Separately from the survey, individual members of the Wrexham Local Landlord Forum expressed negative views about the LHA proposals and the effect this could have on the willingness of landlords to let property to people dependent on housing benefit.

*'I've got one tenant, lovely girl, keeps the house clean etc. But when the Local Housing Allowance comes in I know I won't get a penny. It'll all go on other things.'* (National Landlord Association representative)

There were four Wrexham landlords who commented that letting properties to HB recipients was positive as it could potentially provide an element of guaranteed income. However, they felt the LHA would remove this incentive.

19 of the landlords provide written tenancy agreements with only one landlord in the Wrexham area not doing this. 15 landlords used model agreements from various sources.

Reflecting the high demand currently being experienced for private sector properties in Wales, and the UK in general, none of the landlords surveyed had experienced problems letting properties.<sup>62</sup> Several landlords also identified the importance of having an established reputation in this respect.

One landlord identified the high demand for housing and pin-pointed the effect this had on HB claimants.

*'There is a big demand so you can really select the 'best tenant' with least risk', that's why it's difficult for Housing Benefit applicants.'* (Wrexham landlord)

*'Shortage of accommodation in the area.'* (Carmarthenshire landlord)

*'Because there is a high demand for properties in the area.'* (Carmarthenshire landlord)

*'Having a good reputation as landlords, as most properties are let by word-of-mouth.'* (Carmarthenshire landlord)

Growing demand for accommodation in the sector was also highlighted by organisations in both areas, with demand from migrant workers particularly identified as a factor.

*'Furthermore, there has been an influx of Polish people to the area who are able and willing to work and therefore able to pay the rent levels within the area.'* (Carmarthenshire Bond Scheme)

*'They seem to be very responsible and look after the properties.'* (Wrexham landlord)

The sample contained 16 landlords that let properties to people claiming HB. Additionally one Carmarthenshire respondent commented that landlords

do not always know whether a tenant is in receipt of HB or not but stated that this would not be a problem as he wanted tenants to receive the money and then pay him in the same way as other tenants.

Reflecting research undertaken on the private rented sector both in Wales and in England, 18 landlords had experienced problems with HB. Although delay in paying HB remains a problem, the major issue in Carmarthenshire appeared to be the shortfall between the HB paid and the level of rent. In Wrexham, delays in processing and problems with procedures were not generally seen as an issue though some commented it could still be more effective and that communication could be improved.

The time taken between the start of the tenancy and the first HB payment was also an issue while the 'clawback' or overpayment system was perceived as unfair by one Wrexham landlord. One Carmarthenshire landlord explained the current and recent problems he had experienced with HB:

*'The waiting time is commonly 6 weeks to assess, sometimes as long as 2 months. In the example of a current tenant:*

*a young girl who had baby last week. Her rent is £70 a week, and she claimed HB 2 months ago. She has just been advised of HB award of £48 a week. There is now a shortfall and rent arrears to deal with.'*

<sup>62</sup>op.cit., RICS residential lettings survey Great Britain (Royal Institution of Chartered Surveyors, July 2006).

*'HB also asks for evidence in a piecemeal manner. They will advise that all evidence has been received and then the assessor will consider it and ask for another item of evidence/ more info. The loss of information at HB is also a problem.'*

One organisation working with a more vulnerable and potentially problematic client group in Wrexham had experienced some problems with delays and tenants facing possession action as a direct result of HB delays and stated that this and the unaffordability of the sector, was a significant problem when finding accommodation. A couple of local organisations in Wrexham commented that the service could be mixed and there was sometimes an incorrect perception that all delays were due to claimant irresponsibility.

*'Sometimes brilliant – they sort things for you. Other times forms go back and forth and there is poor communication, time delays and waiting. If they delay it's OK but if the young person fails it's not acceptable.'* (Wrexham organisation)

There was also felt to be an in-built problem in that benefit was paid four weekly in arrears. This was regarded as unfair and different to the way council tenants' housing allowance is paid. Again, in Wrexham, some landlords viewed the level of rent set by the rent officer as 'unrealistic' and discouraged letting to HB recipients. One landlord did, however, state that Rent Officer decisions had recently improved.

It is clear that delays in processing leads to anxiety for landlords and is a

barrier to letting to households on HB. There is subsequently concern about whether it is simply a delay or that a tenant's claim had been unsuccessful. Landlords might subsequently discover eight weeks later that the tenant was not going to receive HB or receive less than expected and would already have rent arrears.

Six landlords in Wrexham felt the irresponsibility of tenants in not providing information, returning forms, and abiding by procedural requirements was a major reason for the problems with letting properties to those on HB.

Two of the landlords in the Wrexham sample, who stated that they had experienced problems, were adamant that they would not let to HB claimants again because of their bad experiences with specific tenants. They had not paid the rent, had caused damage and behaved anti-socially.

*'it's because of their general lack of responsibility, it's too much of a risk.'* (Wrexham landlord)

*'it wasn't Housing Benefit that was the problem it was the tenants, they didn't pay the shortfall and they didn't look after the property.'* (Wrexham landlord)

One Wrexham landlord said they were very careful in selecting tenants on HB and would seek a guarantor. Landlords emphasised they needed to feel very confident in prospective tenants.

### Tenant renting pattern

Ten of the tenants interviewed were renting their first property in the sector, while one had rented between five and six properties over a 25 year period, one household with children had rented four properties in eight years and one household had rented two properties in 15 years. Three households had been renting their properties for lengthy periods – one for 9 years, one for 10 years and the other for 11. At the other end of the spectrum, one single parent had rented four different properties in the last four years.

Ten households rented privately because they did not have any alternative. One was in the sector because they could not access council or housing association housing, while another rented privately because of affordability. Neither could access social housing and did not want to purchase a house.

Number of properties	Tenant household
1	10
2	3
3	0
4	2
5/6	1

One household was happy with the location of their property, but had problems with the rent, didn't want to buy and felt that they didn't have any alternative to renting privately.

*'No choice in the area at the time. No chance of council or housing association [property]. Had to take what I could get or otherwise homeless.'* (Carmarthenshire tenant)

One individual felt that his property was affordable while he was sharing with others, but that it was now unaffordable for him alone. Although they felt that they did not have any choice, three also felt that their property was in a convenient location. One respondent said that the property was in the right location and affordable and that he could not afford to buy a house.

Eight tenants had experienced difficulty in finding accommodation. Mirroring some of the findings from the landlord survey the reasons included lack of landlords willing to let property to people on welfare benefits, poor knowledge about benefit entitlement, difficulties in finding properties for larger families and the dearth of properties in rural communities.

*'Not many landlords would take DSS.'* (Wrexham tenant)

*'time, money – did not know my entitlement to benefits and HB therefore took the first landlord who would accept me.'* (Powys tenant)

*'been in current let 11 years – it was much easier then to find accommodation. Now it's so expensive – trying to find somewhere cheaper than the current place.'* (Denbighshire tenant)

Of those who had previously rented privately, two had to leave properties at the end of the 6-month assured shorthold while another had to leave as a result of relationship breakdown. One single parent had left previous accommodation because of poor conditions, including dampness and disrepair.

15 of those interviewed had written tenancy agreements, one did not and one did not know.

## Current concerns about accommodation

Many of the respondents had multiple concerns regarding their current accommodation.

Ten of those interviewed could not afford the rent, with one, for example, having a shortfall of £120 per month and another with a shortfall of £52. One household had rented their home for 11 years but the landlord had recently changed and the rent had been increased to reflect the current market.

Concern	Number of problems
Can't afford the rent	10
Poor conditions	4
Problems with HB	6
Can't get the landlord to sort things out	4
Don't like where it is	2
Other	9
<b>Total</b>	<b>35</b>



The household's shortfall is currently £52 but this is only because of Discretionary Housing Benefit. Six also identified problems with HB as a factor in their current concerns.

Of those who identified another issue of concern, one was worried because the landlord had moved another person into the house without consulting them, another was uncertain about the length of their tenancy – as they had been given a three month contract, and one person's tenancy was ending. One tenant was dissatisfied with the location of the property and also felt it was unsuitable for a family with children.

*'Top floor flat, I am a single parent with a young child. Lift keeps breaking down. Inappropriate as it is on top floor. Lots of single young people who are very noisy and intimidating.'* (Carmarthenshire tenant)

## Tenancies, deposits and possession

16 landlords initially provided six month assured shorthold tenancies, which subsequently became periodic. Two landlords gave 12-month tenancies and two provided an initial three-month agreement.

Nine landlords said that they had taken possession action to remove tenants and this almost always involved allegations of rent arrears. Most had used procedures i.e. serving notices etc. Three landlords referred to anti-social behaviour while one cited reasons of drug and alcohol

misuse. Damage to property was also a factor.

*'Rent arrears and damage seem to go together.'* (Wrexham landlord)

*'Rent arrears have been the main reason. Sometimes there has been associated anti-social behaviour which has pushed the issue.'* (Carmarthenshire landlord)

In Wrexham, payment of shortfalls in rent caused problems for HB recipients. Landlords generally had difficulty recovering this money, it caused arrears and difficulties and discouraged letting to claimants. It also led to people being 'asked', or 'persuaded', to leave.

Several landlords had issued notices to quit the property but only two had used the accelerated possession procedure.<sup>63</sup> Other landlords in the sample had not begun possession action but explained that tenants had been 'persuaded' to leave or had left when challenged about tenancy problems. In one instance a landlord responded that he did not always use court action but had issued notices and 'done it in his own way'.

A couple of landlords had ended a tenancy for reasons other than a breach of the agreement. In one example, the real reason was the tenant's alleged anti-social behaviour but the reason given to the tenant was that the landlord wished to sell the property.

<sup>63</sup>Jan Luba, Nic Madge and Derek McConnell, *Defending Possession Proceedings* (Fifth Edition (Legal Action Group, 2002), pp.330-332.

Some landlords expressed the view that the procedures for ending tenancies were weighted in favour of tenants and that, for them, it was financially costly and time consuming.

In Wrexham, apart from two landlords, there was generally a low level of knowledge about landlord/tenant law. There was a feeling that commencing legal proceedings was expensive and slow. It was felt that all the advice was targeted at the tenant and that landlords do not receive any support.

*'there is too much help for people on benefits, there is always someone out there to pick them up.'* (Wrexham landlord)

All 20 landlords required a deposit before letting accommodation and 13 had retained at least part of a tenant's deposit on at least one occasion. Damage to the property, rent arrears or a combination of both these factors were the reasons for landlords retaining deposits.

*'Rent arrears of £3,500 (so yes we did keep the deposit of £500!).'*  
(Wrexham landlord)

### **Contacts with services**

Several of the landlords interviewed had only minimal contact with housing services, housing benefit and environmental health and therefore were not able to give a clear view of working with their local authority or to score experiences with individual services.

In Wrexham, three landlords provided firm views of their experiences of working with individual services and two of these were at both the negative and positive extremes of the scoring spectrum. One landlord gave the Housing and Housing Benefit Departments and Environmental Health Service a score of one, which was the best score possible, while another gave each service five. One also gave the Housing Benefit Department five and Housing Department four with Homelessness Services and Environmental Health Services receiving a score of two. The Housing Benefit Department also received a four/five and five from three further landlords, with Environmental Health Services also given a five by a respondent.

In Wrexham, landlords felt that there was little contact between housing services and the landlords. Relations with council departments such as Environmental Health Services were positive but a couple had experienced problems they felt were due to 'bad tenants' where accusations had been levelled against them because they had pursued rent arrears and threatened possession. Two landlords felt that licensing was over interference and properties were often 'spoiled' by internal reorganization. There was some concern about the Housing Health and Safety Rating System as it was seen as subjective, non-specific and open to possible inconsistencies. The Landlord Forum was providing a useful service of information and updates on the

Housing Act and other developments, but only three of the 10 landlords interviewed were regular attendees.

One Carmarthenshire landlord said that the relationship with the Housing Benefit Department was very good, while two landlords reported that they did not have enough contact with the council to express an opinion, and a further two identified some problems with the HB Department. These mainly concerned delays but also the shortfall between the rent charged and the benefit paid. Although the Rent Officer sets the level of rent, these landlords still perceived shortfalls as an issue with the local authority.

*'He [one landlord] marked HB performance lower not due to administration but due to the problems which the shortfall in payments caused with rent arrears'.  
(Carmarthenshire landlord questionnaire)*

Four landlords in Carmarthenshire noted their good relationships with Homelessness/Housing Services, especially concerning the bond scheme. One landlord stated that, although he found individuals in the Housing and Homelessness service helpful, he was experiencing problems in the properties let to people through the bond scheme due to the lack of support provided to tenants.

Specifically regarding HB procedures locally, the landlord survey again provided mixed views. Six felt procedures worked well while eight felt their effectiveness was mixed. In Carmarthenshire, landlords reiterated that the low level of the

benefit paid was a significant problem, while delays in the assessment of claims was also criticised. However, the overall accessibility was good and improvements had been made to the service in the past two years. Six landlords felt unable to comment due to minimal contact with the service in both areas.

Only one landlord, in Wrexham, felt the service provided by the Housing Benefit Department was poor and the Council felt relationships between services, while still mixed, were improving with the establishment of the homelessness prevention team.

In Wrexham, it was generally felt the Housing Benefit Department service was relatively effective but that regulations imposed by government caused problems e.g. payment in arrears and the recovery of overpayments. Uncertainty about the progress of a new claim if the system was slow, caused concern and, as stated above, left the landlord with arrears at the beginning of the tenancy. The fact that a tenant could have the rent paid directly was also seen as a problem, hence the concern about the proposals for the LHA. Landlords felt there was room for better communication and problem solving and that they needed to be alerted quickly if there was a problem as this usually resulted in arrears. Improved information sharing so that problems with claims did not lead to disputes between landlord and tenant was also identified.

There was some feeling that, whatever the reforms or changes made, HB represented another bureaucratic layer rather than a tenant simply being able to pay the rent, and even if it worked well, it was a disincentive in itself as it created a risk in the flow of payments.

**Ideas for improvements included:**

- *better communication with improved support for vulnerable individuals*
- *systems for informing landlords if there was a problem*
- *dedicated HB officers that had their own caseload*
- *specific troubleshooting officers*

One Wrexham landlord mentioned a system in a neighbouring authority where a specialist officer was available to liaise where there was a 'benefit' tenant, taking responsibility for ensuring that the claim progressed, fast tracking it and being available to troubleshoot and follow-up if there were problems both with claims or the tenancy in general. This was part of

the authority's initiative to encourage landlords to help homelessness services.

There was specific criticism about Pre-Tenancy Determinations (PTD) i.e. the time taken to make decisions. One landlord had to let a property to someone else because of the delay in receiving a PTD. Homelessness Officers in Wrexham also commented on the time taken to make a PTD. However, information from the Rent Officer indicates the system is on target to make a PTD within four days if the correct information is available.

Carmarthenshire County Council Housing Department stated the working relationship with Housing Benefit was 'good, and getting better.'

The departments hold monthly meetings to discuss service issues and representatives of private sector landlords might be included in these meetings in the future. Fast tracking claims for homeless applicants is also to be considered.

The determinations of Local Reference Rents made by Rent Officers appeared as a particular issue in Carmarthenshire where it was felt by stakeholders, including the Local Authority, that determinations for some areas of the county stifle attempts to work in partnership with, and encourage engagement from, private sector landlords.

The Home Choice scheme is viewed as a successful initiative in Llanelli for example, while the low level of determinations in Carmarthen, means that the scheme does not work. Rent Officers are clearly constrained by legislation, regulation and the geographical areas in which they work, which means that their discretion in setting rent levels is restricted. In the case of Carmarthen, the geographical area used in the determination of rents includes a mixture of urban and rural areas, while rent levels in Swansea influence those set for Llanelli.

In Wrexham, council representatives were also frustrated with regard to the rent determinations made by the Rent Officer.

With shortfall levels also high in other areas (tables 6 & 7 in Chapter 2), the issue of Local Reference Rents not reflecting true market rents and therefore leading to HB shortfalls is clearly a broader issue in Wales and consideration needs to be given to addressing the way determinations are decided and the subsequent affordability problems caused. This reflects the wider perception referred to in other research.

*'Perhaps the greatest problem, particularly in the more densely populated areas and where the private rented sector is particularly buoyant, is the view, held by landlords, that the Local Reference Rent is below local market rental values. The impact of this is:*

- *An increasing lack of interest in the HB sector on the part of landlords;*
- *A disincentive to invest in properties within this market;*
- *Increasingly deceptive practices on the part of tenants who find they need to hide their HB status from landlords in order to secure a tenancy.*<sup>64</sup>

Not addressing this may have consequences for the success of wider engagement with the private rented sector. It is important that geographical areas are reviewed and that Rent Officers take into consideration the social and economic factors affecting individual areas.

## A changing sector

Landlords, local authority personnel and local stakeholders were asked about current developments in the sector. These were:

- *Local Housing Allowance*
- *Tenancy Deposit Scheme*
- *Licensing*
- *Tenure Reform*

The main area of concern for landlords was the introduction of the LHA and the forthcoming arrangements for licensing HMO accommodation.

Although the overall response was mixed and included some positive comments, many identified the LHA as an issue of concern. Several were unconcerned and cited that tenants should be encouraged to take more responsibility for paying the rent.

However, similar to research on the sector in Northern Ireland, 11 landlords viewed the development with some concern because of the fear that tenants would not pay the money owed and that, while shortfalls in benefit payment would continue to be a problem, the landlord would also be worried over payment of the whole rental charge. One landlord did not feel that paying tenants more than the rental level was positive and that many tenants preferred the HB to be paid directly to landlords.

<sup>64</sup>op.cit., Housing Benefit Simplification In the Private Rented Sector.



*'Housing benefit paid directly to tenants would be detrimental to the market, we recently had a tenant who had housing benefit paid directly to his own bank account. He made no rental payment to ourselves and appears to have spent the money on several holidays in Spain during the period it took us to evict him.'* (Wrexham landlord)

*'If payment of LHA is to be direct to tenants I won't let to HB claimants any more.'* (Carmarthenshire landlord)

Local authority representatives, Carmarthenshire Bond Scheme and Shelter Cymru respondents reiterated the view that the LHA could reduce the accommodation available to those on HB, while accepting the proposals are positive in attempting to empower tenants to exercise choice and responsibility.

*'Very concerned that this could jeopardise tenancies and cause more problems.'* (Wrexham CBC representative)

Two Carmarthenshire landlords did not have a view on HMO licensing or felt it wasn't relevant to them, while two expressed the view that this was a 'step in the right direction' in terms of improving conditions and management. One further landlord was in the process of purchasing a HMO.

However, three landlords referred to the threat licensing posed to the provision of this type of accommodation as a result of additional costs and bureaucracy. The general level of management required with HMOs was a deterrent and there did not seem to be much appetite to expand this sector e.g. one landlord was looking to reduce the number of bed-sit properties held.

A couple of Wrexham landlords also commented that their houses were 'ruined' by alterations and one specifically saw licensing as 'interference'.

The response of landlords in the survey reflects the findings of a recent Royal Institute of Chartered Surveyors (RICS) research which shows that, on a UK level, just under a third of agents reported that landlords had sold their properties while 15 per cent were changing the structure of the buildings to avoid this type of licensing requirement.<sup>65</sup>

Carmarthenshire County Council representatives indicated that the authority saw the licensing of HMO and other accommodation as an opportunity to work with landlords.

Although recognising the positive aspects, the landlords view about the LHA and licensing was supported by other respondents who also referred to the possible financial implications and the concerns relating to direct payments to tenants under the LHA.

*'X is concerned re payments going direct to client, although recognises [it is] good to encourage*

<sup>65</sup>op.cit., RICS residential letting survey: HMOs.

*responsible behaviour and look for cheaper accommodation. In reality, cheaper accommodation may be in a worse condition. Also, X feels that conflicting pressures on tenants income will lead to rent arrears if no direct payment of HB [is made to the landlord]. Money will be paid to those creditors who knock on the door and rent will not be prioritised.'*  
(Local organisation, Carmarthenshire)

Eight landlords felt the Tenancy Deposit Scheme (TDS) was either a positive development or had no concerns or strong opinions. Several others expressed concerns regarding any bureaucracy attached to the scheme and this highlights similar points made by the Council of Mortgage Lenders (CML) in its response to the government on the Housing Act 2004. The CML identifies the possible cumulative effect of regulation e.g. with regard to licensing and deposits, on the supply of rented accommodation.<sup>66</sup>

Two Wrexham landlords were worried that the TDS would be overly bureaucratic and *'take ages to resolve disputes'*. A couple of the landlords mentioned the 'habit' among tenants of not paying the rent

for the last month of the tenancy, leaving the landlord to recover it from the deposit held. There was concern that it might take time to recover deposits from the new scheme so effectively the landlord would be penalised financially, let alone have money to pay for damages.

Two Wrexham landlords were particularly incensed by the TDS proposals and said they would not work with a custodial scheme, though they would accept an insurance scheme.

There was a lack of awareness of the proposed changes in tenure law and landlords did not provide detailed information on this, although two Carmarthenshire landlords felt the proposals might simplify issues of security and possession action.

Wrexham landlords stated they were looking for a 'good tenant' and therefore, that they were not looking for simpler possession mechanisms but to avoid the need for this in most circumstances.

*'I would rather have a void than a bad tenant.'* (Wrexham landlord)

It was felt that however straightforward the tenancy agreements and procedures, nothing compensated for a bad tenant and the expense and problems caused.

Concern regarding the possible impact of regulation on the sector e.g. through the Housing Act 2004, is also a point made by the CML in a recent report on the buy to let sector. While seeing a positive outlook for the sector in general, the CML refers to the complex welter of regulations, along with rising house prices, as one of the threats to the continued prosperity of the sector. It is particularly critical of the Tenancy Deposit Schemes and, while recognising the need for an alternative dispute resolution service, believes the new system will be complicated for both landlords and tenants.<sup>67</sup>

<sup>66</sup>Tenancy deposit protection: consultation on secondary legislation - Response by the Council of Mortgage Lenders to the ODPM consultation paper (CML, February 2006). <sup>67</sup>op.cit., Rob Thomas, The growth of buy-to-let, (CML, September 2006).

## Improving the sector

Landlords use a combination of sources, including agents, solicitors, the local council, landlord forum, and other landlords to access information and assistance. Other sources included trade magazines and training courses. There was strong support among those surveyed for an advice/information service aimed at landlords. This service would also need to be proactive and incorporate update for landlords on prospective developments.

*'It would be useful to receive regular bulletins to update us re forthcoming changes in legislation etc.'*

*(Carmarthenshire landlord)*

*[The landlord] would welcome an information/advice service but feels that this would need to be proactive. He pointed out that he wouldn't necessarily know when he needed advice/updating (if unaware of change).'*

*(Carmarthenshire landlord questionnaire)*

This question was met with a very positive response from nearly all landlords interviewed in Wrexham as it was felt that when a dispute occurred that the advantage was very much with the tenants and that the landlord always suffered because of the financial expense. The Wrexham landlords felt that disputes were further complicated by agencies like Shelter Cymru which advocated on behalf of the tenant.

*'There's nothing out there for landlords.'* (Wrexham landlord)

Mediation, a "face to face" drop-in service, and an advice line were suggested as possible initiatives that would be useful to redress the perceived imbalance.

Tenants were also asked about assistance with access. More information and advice were factors they identified. Suggestions included:

- *A booklet or resource containing the contact details of landlords and properties (3)*
- *The need for more landlords who were willing to accept those on welfare benefits (4)*
- *The need for HB to pay the full rent (2)*
- *Affordable rents (2)*
- *One identified the need for more assistance through bond schemes*
- *One referred to the need for more private sector properties to be adapted for disabled people (in conjunction with assistance from local authorities).*

*'Make private rented sector cap rents in line with council rents... A fair rents system.'* (Powys tenant)

## Conclusion

The fieldwork highlights some of the key issues around letting and renting in the private rented sector in Wales, which have also been illustrated by previous research. The primary motivation for landlords was shown to be financial gain either for additional income or as a main business. Findings from landlords demonstrated that demand in the sector was high with many respondents reporting that there was often no need to advertise properties. The growing populations of migrant workers and students also strengthened demand.

Despite particularly negative views about some of the recent regulatory and legislative developments, the fieldwork showed landlords were planning to continue letting. Although positive for the sector in general, this commitment may not extend to continued letting to HB claimants because of concerns regarding the Local Housing Allowance in particular. The regulations may also create a lack of incentive for other landlords to consider providing accommodation for this type of tenant.

The perception of HB claimants as irresponsible and a 'problem' was also evident from some landlords. This supports findings of earlier research such as that of York University in 1996 and is another barrier to overcome if the private

rented sector is to play a role in housing people presenting as homeless to local authorities and contributing to alleviating housing need in Wales.<sup>68</sup>

The shortfall between the Rent Officer's determination and the market rent charged was also of concern for both tenants and landlords and militates against increased emphasis on the use of the sector to accommodate those on HB and/or a low-income.

The local authorities in both Carmarthen and Wrexham were undertaking positive work in developing practical working partnerships with private sector landlords. However, the perception of council services by those landlords who had experience of them remains mixed. There is still work to be done on improving communication between Housing Benefit Departments and landlords, although in some cases it is recognised that the department is simply undertaking its role under regulations.

<sup>68</sup>op.cit., Mark Bevan and David Rhodes, Housing homeless people in the private rented sector, (Joseph Rowntree Foundation, March 1996).

## chapterfive

### Problems and Solutions - promoting the use of the private rented sector

The objective of the National Homelessness Strategy is that people should find their own solutions to their housing problems and that these will often be in the private rented sector. However, the sector is often unaffordable, insecure, reluctant to take HB claimants and particularly interested in tenants without support needs or difficulties in paying the rent.

Current legislative and policy developments also affect the ability or willingness of the sector to engage with local authorities and to house those in housing need or on HB and lower incomes in the future. Greater regulation of the sector e.g. on deposits, is still viewed with concern, and licensing requirements could see some landlords move away from this type of renting. The LHA could be problematic and landlords and organisations interviewed in the study, reflecting views from other research, said they were concerned about the removal of direct HB payment, although several appreciated the principles of encouraging financial inclusion and personal responsibility. Reluctance to let to people on HB is evident in the findings above and is due as much to perceptions about the tenant's lack of responsibility as to problems with the system. Payment direct to the tenant inevitably

engenders further scepticism.

There are important issues in relation to landlords' perception of HB claimants, the idea of a 'good tenant/tenancy' and management and support in the sector. As already identified, research has shown that some landlords have a largely negative view of those receiving HB because of problems in terms of rent arrears and behavioural issues. This perception is an additional barrier that strategies aimed at engaging with the sector need to overcome.

Several landlords in the survey referred to finding a 'good tenant' and that it was important to ensure a 'good tenancy'. A 'good tenant' is one who does not cause any problems, pays the rent, does not damage the property and who will remain in the property for a certain length of time i.e. a low risk situation. When landlords are selecting tenants they are, therefore, engaging in a filtering process and minimising the risk to their investment. A 'good tenancy' means one with minimum management problems and disruption.

The notion of the 'good tenant' does not automatically preclude accepting HB claimants or those who have experienced homelessness, as many landlords questioned have or do accept HB claimants and work with local authorities on various initiatives.



However, faced with a market within which there is increasing demand and opportunity, and given negative perceptions of HB claimants, problems with the system and the onset of the LHA, it raises further doubt in the minds of private sector landlords. Landlords are primarily in the business of managing property not people and problems with vulnerable tenants are risks they seek to avoid. The sector is not subsidised and has no personnel employed to deal with problems, as is the case in the social housing sector. This is clearly a problem when local authorities are seeking to house vulnerable, higher need people in this sector.

High demand for property, for example from an expanding European Union and student population, militates against its use for people approaching local authorities for accommodation.

People who approach local authorities for assistance have often been unable to find solutions to their own housing need. They may need social housing because they cannot afford private housing either as owners or tenants. The majority of households will either be claiming HB or be on a low income and unable to compete in a market where they can experience shortfalls between the level of benefits paid and rental costs. Some will have lost accommodation

due to unaffordability and there is a fundamental conflict in expecting a commercial, unsubsidised sector to provide a solution for those who have either been driven out of it in the past or who are financially unable to gain access to it in the first place.

As landlords are searching for low maintenance tenants they have less reason than social housing landlords to accept those with problems or challenging behaviour. This is a problem if local authorities see the sector as an option for 'difficult' tenants particularly if other social housing partners are unwilling to accommodate for reasons of debt or behaviour. One respondent in the research stated that they would be trying to develop prevention initiatives to stop eviction and loss of accommodation in the sector but that they would also be trying to accommodate people *'especially those with large arrears to the council who won't be housed.'* This aspiration however needs to be set against the desire of landlords, stated in this and other research, that all they are really looking for is a 'good' tenant. An intensive level of support for the household along with guarantees and support to the landlord, neither of which is currently available, will be required if the sector is to be seen as a longer-term solution for vulnerable or more challenging households. Demand for accommodation means

the majority of landlords do not have difficulty in letting property and can secure higher rents than those paid under HB. Affordability is an issue for those with no support needs and who are able to manage in privately rented accommodation. Market conditions show there is substantial demand for rented accommodation and therefore less reason for landlords to accept those on HB. The stakeholders interviewed emphasised this, and that the current rent levels set by Rent Officers were too low in relation to the levels of benefit paid.

*'the problems are demand at present from migrant workers and a recognition that the sector does not need those we want to house.'*

*(Wrexham CBC representative)*

As the private rented sector is exposed to market pressures such as changing house prices and interest rate and demand fluctuations, its role as a long-term or stable solution to many of those in housing need or on low-income is problematic. Increased demand, for example, from migrant workers, which is likely to continue and uncertainties about house prices and interest rates together with the impact of HB reform may affect the role the sector can play in the future. Any change in this role will clearly impact on Local Authority strategies and plans and the demand on social and other housing.

Although only a small number of landlords were interviewed for this study, findings reflect other research on the perception that landlords have of tenants claiming HB. This perception is a barrier that still needs to be overcome, both through continued awareness raising, information and support to landlords e.g. using platforms such as local forums. However the attitude of landlords who have had poor experiences with tenants including financial losses and/or damage will clearly be difficult to change.

Landlords' experiences with certain groups of people (who are often those defined as in housing need/homeless) means they have an inbuilt reluctance to let to those who, on the face of it, are going to find financing accommodation a problem. The sector is, therefore, not a natural choice for those in housing need and often people in such circumstances are not the 'type' of tenant the landlord is looking for.

Because of the factors outlined above there is an inbuilt reluctance amongst private landlords to let to those approaching local authorities because of serious housing need or

homelessness. The fundamental problem of financing the accommodation affects nearly all of them. In addition they are often simply not perceived by the landlord as the type of tenant they are looking for.

Those seeking housing can be divided roughly into two groups:

- i) Those without specific support needs or additional risks.
- ii) Those perceived as a substantial risk including young people, people with intensive support needs, those who social housing has excluded for reasons of debt and behaviour and those deemed intentionally homeless.

Those in the first group may be able to manage better and have no specific identified needs/problems requiring support, but affordability will still be a major factor. The biggest mismatch occurs with the second group.

### **Young people**

Landlords often perceive young people to be irresponsible. Problems include an inability to budget, little or no experience of living independently,

noisy, and damage to the property. Affordability is also a problem due to the rent restriction for those under 25 years old.

### **People with drug and alcohol problems/mental health issues**

This group is again perceived as likely to be irresponsible with poor tenancy management and financial management skills. This group is perceived to cause problems for the landlord and may cause damage to the property. Other problems include disruptive behaviour e.g. causing problems with neighbours and/or leading to Police involvement.

### **Specific groups of homeless applicants**

People who approach the local authority as homeless and are found to be intentionally homeless often have associated problems. These could include:

- *Debts which make it difficult for people to access social housing due to the restrictions within the allocation policies of local authorities or housing associations.*
- *Disruptive or anti-social behaviour.*

## **Solutions**

Promoting the sector as a means of contributing to resolving housing need in Wales requires overcoming the barriers on affordability, security, management prejudice, and also real negative experiences by some landlords. The sector can make an important contribution to local accommodation options and working effectively with private landlords will improve management and conditions in the sector. For many people who are less vulnerable, the private sector represents an important opportunity of finding suitable accommodation.

It is however only one element and other options including improved working arrangements with housing associations and effective homelessness prevention policies and policies to deal with debt and behavioural issues should also be emphasised.

Local Authorities and partners will need to develop a portfolio of options and incentives to landlords and be flexible and opportunistic as a 'one size fits all' approach is unlikely to work. Frameworks that have demonstrated signs of early success, such as those in Carmarthenshire, seek to develop the supply of accommodation available and address landlord needs and partnership working both within the authority and between the authority and the sector.

For example, some landlords may be willing to negotiate a direct leasing agreement with a local authority and transfer daily responsibility for part or all of their portfolio while others may be willing simply to provide accommodation on a regular basis. Any options introduced should seek to address three main issues:

**Financial return** – most landlords are in the property business to make financial gain. They are letting property as a main business, as an investment, as a pension.

**Management responsibility and support** – landlords manage properties and not people and are seeking 'good tenants'. Many families in housing need do not have support requirements but a proportion of those that it is envisaged the sector will provide for do have additional support needs and this requires commitment and funding both from the point of view of the household and landlord.

**Affordability** – the gap between HB payments and the rent demanded by landlords often creates problems for tenants that subsequently lead to problems with sustainability.

As the private rented sector is promoted as a key contributor in relieving housing need in Wales, the Welsh Assembly Government may

also want to consider some policy matters.

- a. The sector is being promoted as a provider of accommodation for some of the most vulnerable people in society and therefore ensuring through the provision of advice and legal information that both tenants and landlords are fully aware of their rights and responsibilities, are key issues.
- b. The affordability of private rented accommodation for people claiming HB is an issue raised during this study and elsewhere. Addressing the difficulties experienced with regard to the rent determinations is important. The Assembly, Rent Officer Service and Local Authorities should explore possible actions that can be undertaken to ensure that benefit levels are more reflective of local rent levels. The Assembly Government should also continue to pursue powers to reform the Single Room Rent as this would increase the options available to under 25s.

**The following elements could assist in promoting the use of private sector accommodation in local areas:**

### **1. Private Sector Leasing**

This could be a major incentive for some landlords and can be beneficial for homeless households. Properties are let for a period of time e.g. 3 or 5 years, managed directly by the Authority or its agents (this could be a Housing Association) who could maintain standards and undertake any necessary repair work. Using this for the provision of homeless accommodation in place of B&B would also be less expensive for the authority.

This option removes the direct day-to-day management from landlords and provides them with medium to long-term income streams. Removing the responsibility for daily management may lead landlords to accept slightly less financial return over the specified period in return for a guaranteed income and a reduced management burden.

Variations on this could include multiple occupation units with an on-site manager/caretaker.

### **2. Support provision**

As it is expected the sector will provide accommodation for people who are vulnerable and in housing need, significantly higher levels of effective support services will be required than has previously been the case i.e. a range of support services from generalist to specialist.

Providing support in the sector has historically been difficult but without more resources in this area it is difficult to see the sector as a realistic option for either the landlord or prospective tenant.

Supporting People schemes that uphold the work of local Homelessness Prevention Teams may enable better use of the sector. Adequately resourced support services that both help tenants at the beginning of tenancies e.g. with a HB claim, information required, setting-up a tenancy, and which can react to problems that arise, would be an important addition.

If a Housing Authority makes a strategic decision to pursue the private rented sector as an option then it should involve Supporting People and encourage providers in this decision at an early stage. Supporting People should subsequently prioritise the need to fund support in private sector

tenancies. Support provision needs to be included during the early stages of any strategy as it will be important in building and retaining confidence among landlords.

Shelter England's Homeless to Home project is one example of an intervention that has assisted households to move into accommodation and helped with longer-term tenancy sustainment.

Other elements of the support to both tenants and landlords can be a liaison/troubleshooting service that seeks to resolve landlord and tenant disputes. Carmarthenshire County Council is considering developing a service to resolve disputes between landlords and tenants and this would include officers to provide a troubleshooting service.

### **Involvement of other Partners**

Many organisations derive benefits from the provision of suitable and sustainable accommodation options. This is especially the case of more vulnerable groups. These should consequently be part of the development of strategies to work with the private rented sector. This could include stakeholders providing support and/or funding for developing support initiatives etc. These partners include Probation, Youth Offending Teams and health services.

### 3. Financial incentives/ Homelessness Prevention/ Innovation Fund

The payment of an incentive (in addition to rent guarantees/deposits/rent in advance), which the landlord can retain at the end of the tenancy, could be explored. The Home Choice Scheme in Carmarthenshire offers an example of this.

In this way there would be a small financial incentive and a guarantee against damage to the property. The local authority could also consider paying the first month's rent in advance in lieu of housing benefit and establish a process to secure repayment of this from HB at the end of the tenancy.

Many local authorities are also developing homelessness prevention funds and ring-fencing money that officers can use flexibly to pay arrears which can offer a household and the Authority time to resolve problems or find alternative accommodation. This can be useful when working to prevent or delay homelessness and also increase access to the sector.

In the case of some current projects, Housing Benefit Sections could pay the higher rent determination provided by the Rent Officer. This is not covered by 100 per cent government subsidy but would have

an impact on the affordability of properties. Wrexham CBC Housing Benefit Section, for example, has authority to do this for certain projects within the County Borough.

### 4. Keeping landlords informed

A proactive landlord forum can be an important platform for engaging with landlords, providing information, good practice updates and reinforcing the importance of the sector within local authority housing strategies. More work may need to be undertaken to broaden the appeal of such forums and other means of engaging with landlords that do not wish to attend meetings should be considered. These could include:

- *Email alert services that provides links to information and updates.*
- *Providing an updateable handbook or reference material.*
- *Establishing annual conferences/seminars that focus on current issues locally and nationally, feature good practice examples etc.*

Both Carmarthenshire County Council and Wrexham County Borough Council have active landlord forums. The Carmarthenshire example also includes an annual conference and newsletter for landlords.

### 5. Legal help, information and advice for landlords

Many of the landlords questioned were supportive of a service that would both provide information for landlords and updates on legislation, regulation and developments. This would be a housing advice service that provides specific legal advice to landlords on individual cases.<sup>69</sup>

### 6. Working with Housing Benefit

Although stakeholders in the study expressed mixed views with regard to HB services, it is clear from this and other research that local procedures play an important part in ensuring landlords are willing to co-operate with local authority schemes and that problems with this service can quickly affect confidence in any initiative. It is important to continue to improve the relationship and partnership working arrangements between Housing Benefit departments and landlords. Support services that include liaison with HB to deal with problems arising are one way of doing this.

### 7. Dispute resolution

An arbitration/mediation service that settles disputes between landlords and tenants on issues such as repairs, rent arrears, anti-social behaviour and general tenancy issues could be positive in terms of

<sup>69</sup>Members of the National Association of Landlords do have access to advice provided by other landlords and the association provides information on the Housing Act 2004 that is available to all landlords.



economic and time costs. Benefits could include:

- *Saving time and money in settling disputes without going to court*
- *Contribute to tenancy sustainability*

A scheme could utilise other local services such as support provision, for example, if referral was necessary.

Examples of this type of service exist in both the Republic of Ireland and Northern Ireland. In the Republic the Private Residential Tenancies Board provides a dispute resolution service on breaches of tenancies and neighbour disputes while, in Northern Ireland, Smartmove is an informal mediation service that deals with issues such as rent arrears and anti-social behaviour. The service discusses the problem with both landlord and tenant and attempts to reach a compromise between the parties.<sup>70</sup>

## **8. Helping people to develop the skills to be 'good tenants'**

Many local authorities have pursued the idea of landlord accreditation as a means of improving standards and management in the private rented sector. There is also a need to improve the perception that landlords have of tenants, especially in the case of more vulnerable households. This would assist with both accessing and sustaining accommodation. 'Accreditation schemes' for tenants

may help to develop the skills to live independently and manage tenancies and consequently give landlords more confidence to let properties.

This, for example, is the aim of the 'Exeter Accredited Tenants Scheme' (EATS).<sup>71</sup> The project, which is mainly aimed at vulnerable tenants and households, provides practical information on living independently and being a good tenant. It also includes units to increase the confidence and ability of participants in the areas of:

- *benefits and utilities*
- *healthy living*
- *budgeting and debt management*
- *getting on with neighbours and landlords*
- *community knowledge and involvement*

Other examples include 'It's Your Move' which works in partnership with a range of voluntary and statutory organisations to develop pre-tenancy training programmes and resources.<sup>72</sup> The resources include a series of modules with information on:

- *'Pre-tenancy - essentially supporting clients to prepare for the practical and emotional aspects of moving to and managing a tenancy, for example, looking at managing change, preparing to move and the move on process*

- *Money management - aimed at encouraging learners to look at and discuss how they can manage their money confidently, including budgeting, dealing with debt and creditors, bills and benefits and planning your money*

- *Social skills - communication skills, assertiveness and confidence building, healthy eating and nutrition, relaxation and team building*

- *Tenancy issues - looking at dealing with neighbours and issues around anti-social behaviour, Living on Your Own, and looking at how to deal with isolation and making the most of your time.'*

There is also some scope to work with landlords on the perception of HB claimants. Through the Change-up programme, Homeless Link in England is undertaking work that seeks to improve the image of homeless people with private sector landlords. There may be opportunities to adapt the work undertaken and any lessons learnt.

## **9. Accommodation finding**

This is a service that acts as a letting agency and matches people to properties and support services. Such a service could be cross boundary and seek to develop partnerships with landlords and to link with local authority empty homes strategies and grant programmes to exploit empty

<sup>70</sup>op.cit., Paddy Gray, Paddy Hillyard and Ursula McAnulty, The Private Rented Sector in Northern Ireland – Report to the Northern Ireland Housing Executive by the University of Ulster, (Northern Ireland Housing Executive, 2005), pp.116-117. <sup>71</sup>EATS is run by Exeter Community Initiatives. Information is available at: <http://www.eci.org.uk/eats.htm> <sup>72</sup> Further information is available at: [www.itsyourmove.org.uk](http://www.itsyourmove.org.uk)

properties. The service would link into a range of support provision for landlords and tenants.<sup>73</sup>

This initiative is being piloted by organisations in England as a means of promoting better use of the private rented sector to accommodate homeless households.

- *Broadway - London-wide Private Rented Sector Scheme (PRSS)*
- *Consultancy Shop - a 'Community Interest Company' (CIC) to access the PRS*

The PRSS aims to develop a sustainable social enterprise (Community Interest Company) that will act as a lettings agency: sourcing and managing PRS accommodation and sourcing and supporting formerly homeless tenants.

The Consultancy Shop, funded by London Housing Foundation, is developing an accommodation finding scheme that seeks to overcome the 'cultural' barriers to accessing the private rented sector that exist within the homelessness sector. Its partners

include a housing association, four property companies, The Passage and Depaul Trust.

*'It proposes establishing a CIC (a social enterprise) that will source PRS accommodation from what they claim to be an 'inexhaustible supply', provide a top level lettings service to landlords, a 'property find' website for homeless people and their advisers, a rent deposit scheme and property management arrangements where necessary.'*<sup>74</sup>

<sup>73</sup>The London Housing Foundation's Private Rented Sector Grants Programme - An update, (London Housing Foundation, March 2006). <sup>74</sup>Ibid.

## Conclusion

Successfully promoting the private rented sector as a solution to the need for suitable accommodation for people experiencing homelessness and housing need in Wales requires recognition of the challenges of engaging with a commercial partner. Local Authorities will need to offer a range of options including management, support and financial incentives to landlords while, in addition, looking at affordability, security and sustainability for tenants.

Authorities need to be actively engaged in assisting take-up of tenancies in this sector, developing relationships with landlords and introducing some systems to remove the common problems like delay and uncertainty about the payment of

rent and addressing the mistrust that exists of tenants on a low income. Landlords need to be confident there will be a quick response if problems arise with those they have agreed to house. Innovative work such as undertaken by Carmarthenshire County Council is demonstrating a degree of success and illustrates that a package of services including Home Choice, leasing, work through a landlord forum and joint working can encourage positive engagement from landlords.

Additionally, systems - be it arbitration/dispute resolution that can be engaged to avoid legal action - would also be positive. For the landlord, the tenancy will be a good one if it is stable and problem free. With work at the beginning of a tenancy and guarantees of support/

response through its life or as is required, landlords may feel that the risks are sufficiently reduced to engage with homeless people and those tenants claiming HB. If landlords feel confident there is help to call on if problems arise and those systems prove effective, some concerns can be addressed.

Even taking account of the steps that authorities can take in developing engagement with landlords it should be recognised the demand for accommodation and market environment mean major financial investment and support resources are required to ensure that the private rented sector can undertake the significant role expected of it in resolving housing need in Wales.

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# Annexe 1

## Private Landlord Questionnaire

### Profile

1. **How long have you been letting property?**  
.....
2. **How many properties do you have within your portfolio?**  
.....
3. **What sort of properties do you let?**  
 Houses     HMOs     Flats
4. **Why do you let your property/properties?**  
 Investment  
 Short term use of empty property  
 Main business     Additional income  
 Other
5. **Do you intend to continue letting properties in the longer term?**  
 Yes     No    If no – why not?  
.....
6. **Do you think that there are any changes to the housing/letting market which would affect your long-term intentions?**  
.....  
.....

### Relationship with tenants

7. **Do you currently supply a written tenancy agreement to your tenants?**  
 Yes     No
  - a. If so, is this:  
 Written by you     Your solicitor  
 A model 'off the shelf' agreement
  - b. Were you aware of any model agreements when you arranged the tenancy.  
 Yes     No    If no:
  - c. Would a model tenancy agreement be useful?  
.....
8. **Have you had any problems getting tenants?**  
 Yes     No
  - b. If YES why do you think this is?  
.....
  - c. If NO, what works well?  
.....
9. **Have you experienced any problems with renting and HB? (follow-up for specific points)**  
 Yes     No
  - a. If YES please specify  
.....  
.....
  - b. If NO, what do you think makes the HB process work effectively?  
.....  
.....
10. **Do you let properties to people receiving Housing Benefit?**  
 Yes     No
  - a. If YES, What might encourage you to continue doing this?  
.....  
.....
  - b. If NO, what would encourage you to consider this?  
.....  
.....

**11. Have you taken possession action to remove tenants?**

Yes  No

a. How often over the last 5 years?

.....

b. What has been the main reason for the actions?  
(e.g. rent arrears, ASB, damage to property)

.....

.....

.....

c. Did this lead to people being evicted in most cases?

.....

**12. For what term do you generally let properties for  
(e.g. 6, 12 months)**

.....

**13. Have you ended a tenancy for reasons other than a  
breach of the tenancy agreement?**

Yes  No

a. If YES, why?

.....

b. What would have encouraged you to continue the  
agreement?

.....

.....

.....

**Assistance**

**14. What are the sources you use when you have  
problems around letting your properties or  
accessing information about changes in law  
and regulation?**

Please Specify:

Agent  Solicitor  
 Landlord forum  Council

.....

.....

**15. Would you welcome an advice service to provide  
information, advice and guidance on letting,  
changes in legislation to landlords?**

Yes  No

b. What specifically would you like out of such a service  
and how might such a service operate?

.....

.....

**Tenancy Deposit Schemes**

**16. Do you take deposits when renting your  
accommodation?**

.....

**17. Have you ever retained a deposit? How often e.g.  
regularly etc?**

.....

b. Why did you do this (damage to the property,  
arrears etc.)

.....

.....

**Working with the council**

**18. How would you rate our experience of working with  
departments in the local authority? (Scale of 1 – 5  
– 1 being the best and 5 the worst)**

Housing  Homelessness  Housing Benefit   
Environmental Health  Other

b. How could this be improved?

.....

.....

**Housing Benefit**

Looking specifically at Housing Benefit...

**19. How are Housing Benefit procedures working  
locally?**

Good  Mixed  Poor

**20. What do you think could improve the system?**

.....

.....

**21. Thinking about the impact of proposed changes to  
regulation of the sector, what do you think of the  
proposals?**

a. Local Housing Allowance

.....

b. Tenancy Deposit Scheme

.....

c. Licensing – HMO, selective licensing

.....

d. Changes in tenure

.....



# Annexe 2

## Tenant Questionnaire

**1. Why do you rent privately?**

- Right location
- Can't buy
- Can't get council or HA rented
- No other choice
- Affordability
- Don't want to buy
- Other

**2. Was it difficult finding the accommodation you are now in?**

- Yes
- No

If YES, please give reasons.

.....  
.....

**3. How many private lets have you had and over what time period?**

.....  
.....

**4. What have been the reasons for leaving previous accommodation?**

- End of six month tenancy
- Eviction
- Left out of choice (e.g. for reasons such as location, costs, size etc.)
- Illegal eviction

**5. What are your main concerns about your current accommodation? (Tick more than one if necessary)**

- Can't afford the rent
- Problems with Housing Benefit
- Can't get hold of the landlord to sort things out
- Don't like where it is
- Poor conditions
- Other (please specify)

.....  
.....

**6. What do you think could help with finding private rented accommodation?**

.....  
.....

**For Housing Law Caseworker**

**What is the household income?**

- Up to 5,000
- 10,001-15,000
- Over 20,000
- 5,001-10,000
- 5,001-20,000

**Does the household have a written tenancy agreement from the landlord?**

- Yes
- No

# Annexe 3

## Questionnaire for local organisations

**1. What service do you provide in relation to the private rented sector?**

.....  
.....

**Bond scheme specific**

**2. Please describe the service that you provide**

.....  
.....  
.....  
.....

**3. Please describe the methods you have used to develop a working relationship with private landlords?**

.....  
.....  
.....

**4. What have been the problems that you have encountered, if any, working with the private rented sector?**

.....  
.....

If there were any:

a. How did you overcome these?

.....  
.....  
.....

5. Do you think your service could work more effectively?

Yes  No

a. If YES, what would help your service work more effectively?

.....  
.....  
.....

6. Do you think the private rented sector can make a significant contribution to addressing the problem of homelessness in this area?

Yes  No

If NO, why?

.....  
.....  
.....

7. What do you see as the main obstacles with using the private rented sector as a solution to homelessness?

.....  
.....  
.....  
.....

8. What in your opinion are the specific procedures/practices/must include ingredients that LA and partners should develop in order to develop the local private rented sector as a viable solution to homelessness?

.....  
.....  
.....  
.....

9. What are the main reasons that people approach you from the private rented sector?

.....  
.....

10. What do you think of the local HB process?

Good  Mixed  Poor

a. What is specifically positive, indifferent or poor about the service provided to those in the private rented sector?

.....  
.....

b. What would improve this and facilitate better working with private landlords?

.....  
.....  
.....

11. There are several new initiatives and regulatory requirements being developed that will impact on the private rented sector. What opportunities do these provide to improve the use of the private rented sector for alleviating homelessness?

i. Local Housing Allowance

.....  
.....

ii. Tenancy Deposit Scheme

.....  
.....

iii. HMO licensing and additional licensing (e.g. for smaller HMO's),

.....  
.....

iv. Selective licensing

.....  
.....

v. Tenure reform

.....  
.....

vi. Housing Health and Safety Rating System

.....  
.....

**12. What have landlords told you of their thoughts about these developments?**

i. *Local Housing Allowance*

.....  
.....

ii. *Tenancy Deposit Scheme*

.....  
.....

iii. *HMO licensing and additional licensing (e.g. for smaller HMO's),*

.....  
.....

iv. *Selective licensing*

.....  
.....

v. *Tenure reform*

.....  
.....

vi. *Housing Health and Safety Rating System*

.....  
.....

**13. What are the threats and how can local authorities work with landlords around these?**

.....  
.....  
.....  
.....  
.....  
.....

# Annexe 4

## Questionnaire for council representatives

**1. Do you think the Private rented sector can make a significant contribution to addressing homelessness locally?**

Yes (how)       No

*If not, why not?*

.....  
.....  
.....  
.....  
.....  
.....

**2. What do you see as the main obstacles if any with using the private rented sector as a solution to homelessness?**

.....  
.....  
.....

**3. What in your opinion are the specific procedures/practices/must include ingredients that LA and partners should develop in order to develop the local private rented sector as a viable solution to homelessness?**

.....  
.....

**4. What are the main reasons that lead to people presenting as homeless from the private rented sector?**

.....  
.....

**5. What kind of working relationship do you have with the HB department?**

Good       Mixed       Poor

a. *What is specifically positive, indifferent or poor about the working relationship?*

.....  
.....

b. *What would improve this and facilitate better working with private landlords?*

.....  
.....  
.....  
.....

6. ***There are several new initiatives and regulatory requirements being developed that will impact on the private rented sector. What opportunities do these provide to improve the use of the private rented sector for alleviating homelessness?***

i. *Local Housing Allowance*

.....  
.....  
.....

ii. *Tenancy Deposit Scheme*

.....  
.....  
.....

iii. *HMO licensing and additional licensing (e.g. for smaller HMO's)*

.....  
.....  
.....

iv. *Selective licensing*

.....  
.....  
.....

v. *Tenure reform*

.....  
.....  
.....

vi. *Housing Health and Safety Rating System*

.....  
.....  
.....

7. *What are the threats and how can local authorities work with landlords around these (an advice and information service, incentives around licensing.)*

.....  
.....  
.....  
.....

**Specific to HB staff**

8. ***What is the number of private rented sector tenants in receipt of Housing Benefit in the local authority area?***

.....  
.....

a. *How many of these have a shortfall in their payments?*

.....  
.....

b. *What is the level of this shortfall? Please put the number of tenants in each category)*

- Less than £10*       *Between £10 and £20*  
 *Between £20 and £30*       *Between £30 and £40*  
 *More than £40*

9. ***Do you experience specific problems with HB claims from those renting privately?***

- Yes*       *No*

*Please specify*

.....  
.....

a. *What could improve this situation?*

.....  
.....

10. ***Do you think the HB process militates against the use of the private rented sector for alleviating housing need?***

- Yes*       *No*

*What are the issues?*

.....  
.....

11. What kind of working relationship do you have with the Housing department?

- Good       Indifferent       Poor

a. What is specifically positive, indifferent or poor about the working relationship?

.....  
.....  
.....

b. What would improve this and facilitate better working with private landlords?

.....  
.....  
.....  
.....  
.....

12. What role if any do you think you play in alleviating homelessness through the private rented sector?

.....  
.....  
.....

b. If you do – What is it?

.....  
.....  
.....

c. How could your role be maximised?

.....  
.....  
.....

# Annexe 5

## Local authority and local organisation interviews

### **Carmarthenshire**

*Private Sector Housing Development,  
Carmarthenshire County Council  
Senior Homelessness Officer  
Shelter Cymru  
Carmarthen Bond Scheme  
Citizens Advice Bureau*

### **Wrexham**

*Housing Strategy & Private Sector Housing,  
Wrexham County Borough Council Housing  
Homelessness Officers and Homelessness  
Prevention Team  
Housing Benefit Department  
Shelter Cymru  
Barnardo's Bond Scheme*



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