

# Wales Housing Crisis: making the LHA work for Wales

March 2022



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## Acknowledgements

This document forms part of a broader project of work developed in collaboration between the Bevan Foundation and the Lloyds Bank Foundation. The Bevan Foundation would like to thank the Lloyds Bank Foundation for their ongoing support.

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Registered charity no. 1104191 Company registered in Wales no. 4175018



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## Summary

This report explores the impact of the Local Housing Allowance (LHA) on low-income renters and on homelessness. The report primarily focuses on low-income renters under 35 with no dependants, given the acute challenges faced by this group due to the shared accommodation rate.

### Key findings

- Between May and December 2021, the LHA rate only fully covered the advertised rent of 3.8 per cent of properties across 10 Welsh local authorities.
- Many landlords require tenants to satisfy certain conditions before they can rent their property. These are often difficult for low-income tenants to satisfy. Only 2.1 per cent of properties advertised across 10 Welsh local authorities had advertised rent at or below LHA and did not have a requirement that would exclude a low-income tenant.
- We could not find any properties that were advertised at or below LHA and that that did not have a requirement that would exclude a low-income tenant in Conwy, Merthyr Tydfil and Pembrokeshire.
- These challenges push many low-income people into homelessness, with others trapped within the homelessness system due to a lack of available accommodation within the private rental sector.
- Other low-income renters are pushed into poor quality accommodation and financial hardship due to the inadequate support provided through the LHA.

### Solutions

We have identified five areas in which action should be taken to address the problems caused by LHA.

#### Reforming LHA

- The UK Government should uprate the LHA annually so that it keeps place with rising rents.
- The UK Government should scrap the shared accommodation LHA rate with single tenants under 35 years old being entitled to the one-bedroom LHA rate.
- The Welsh Government should mandate all landlords in Wales to share how much they charge for rent on an annual basis. This data should be collected and processed by Rent Smart Wales as part of their broader activities.
- Welsh local authorities should use existing mechanisms to ask the UK Government to review Welsh BRMAs where they are a poor fit with current markets.
- If the UK Government is unwilling to review BRMAs the Welsh Government should request the devolution of powers to determine BRMA boundaries.

- The UK Government should undertake a review to determine at what percentile LHA rates should be set to provide low-income renters with enough assistance to cover their rent.

#### Closing the gap between LHA and rents

- All Welsh local authorities should spend their DHP allocation in full.
- The Welsh Government should guarantee local authorities that their DHP pot will not fall below a designated floor. If the DWP cuts DHP allocations the Welsh Government should step in and fund the difference. This would provide local authorities with more long-term security.
- The Welsh Government should regularly review the support provided through its Leasing Scheme, amending the scheme as necessary to assist as many low-income tenants as possible.
- The forthcoming white paper on rent controls should focus on the needs of low-income tenants. Focusing on rents at the upper end of the market is unlikely to make a difference to the challenges facing low-income renters.

#### Protecting tenants

- The Welsh Government should introduce legislation that prohibits discriminatory and unfair landlord requirements. This includes excessive deposits and personal requirements that relate to the employment status of the tenant.
- The Welsh Government should work with local authorities to explore how they can support more low-income tenants to meet landlord requirements. For example, the Welsh Government should explore how its Leasing Scheme could be developed to allow local authorities to act as guarantors for low-income tenants.
- Welsh local authorities should start the process of providing support to tenants who have been issued with an eviction notice at the beginning of the six-month notice period.
- The Welsh Government should actively monitor whether landlords try and exploit any loopholes in the Renting Homes (Wales) Act 2016. If there is evidence of this taking place the Welsh Government should look at international best practice to consider how tenants can be better protected.
- Local authorities should work with support organisations in their area to produce a pamphlet for tenants. It should include a list of landlords' responsibilities and local contact details for support with tenancy queries. The Welsh Government should mandate all private rental sector landlords to share this pamphlet with their tenants at the start of a new tenancy.
- The Welsh Government should fund and promote the establishment of tenant organisations in each local authority.
- The Welsh Government should conduct undertake an annual survey of the private rental sector in Wales, working with Rent Smart Wales to share information.

### Increasing the supply of social housing

- The Welsh Government should significantly increase investment in construction of new social homes.
- The Welsh Government should explore, and support means of increasing social housing stock quickly, including purchasing empty homes and making greater use of modular housing.
- The Welsh Government should undertake a review to assess the challenges and opportunities that would be presented by devolving the housing element of universal credit and housing benefit.

### A Welsh Home Guarantee

- The Welsh Government should establish a Welsh Home Guarantee to ensure that homeless people and people threatened with homelessness are provided with a package of support to ensure they can access suitable accommodation. Such assistance should primarily be provided by local authorities with the Welsh Government ensuring that they have the required resources to do so.

# 1. Introduction

Wales is in the midst of a housing crisis. The number of people presenting themselves to homelessness services and the rate of rough sleeping, have been gradually increasing in recent years.<sup>1</sup> These pressures have worsened significantly during the Covid-19 pandemic, as households have struggled with stagnating wages and rising inflation.<sup>2</sup> As the cost-of-living crisis continues to bite, it is likely that ever greater numbers of households will struggle to keep a roof over their head.<sup>3</sup> Even where households have been able to find accommodation in the private rental sector, high rents and low incomes mean that this accommodation has often been of poor quality and a stretch on financial resources.

One factor that has played a significant role in the emergence of today's housing crisis is the reforms that have been made to the Local Housing Allowance (LHA). The reforms made to LHA mean that the amount of money that a low-income household receives through Housing Benefit or the housing element of Universal Credit is often less than their rent. The impact of the reforms to LHA in Wales is exacerbated by the housing system itself. Landlord practices such as requirements for deposits and affordability checks can prevent welfare recipients from accessing the rental market. Many of these practises are rooted in landlords' concerns around the value of the LHA and their views of low-income tenants.

The combination of both these factors leaves many households facing an impossible decision. Move into a property where rents are higher than the LHA rate and risk being pushed into significant financial hardship, or move into poor quality accommodation, or seek assistance through the homelessness system.

Single people under 35 years old with no dependants are especially vulnerable to these challenges. The LHA rate for under 35s is set at the shared accommodation rate. This limits the financial support available to them via the social security system. As a result, 68 per cent of households threatened with homelessness as of 2019 were single person households.<sup>4</sup>

These problems are exacerbated further as the LHA undermines efforts by local authorities to address insecure housing. Local authorities' attempts to rehouse people or provide financial relief is made difficult as they are unable to solve the underlying issue of inadequate LHA rates.

This report seeks to further explore and analyse the challenges created by the LHA and how households experience these pressures. This report will first provide a background summary of the LHA and how it operates. Our findings will then cover the following key areas:

- The financial shortfall
- The additional barriers created by landlords
- The lack of quality and security experienced by tenants
- The role of social housing

We then set out our recommendations for changes in policy and practice, exploring what measures can be taken in Wales to ease the challenges caused by LHA.

## 2. LHA in context

### 2.1 The Local Housing Allowance

The LHA is the mechanism used to calculate the amount of Housing Benefit or housing element of Universal Credit that someone renting in the PRS may claim.<sup>5</sup> It is designed to allow a tenant to rent a property in the cheapest 30 per cent of a market area.

LHA rates primarily depend on two key factors. First, the rates vary dependent on bedrooms. There are different rates depending on the number of bedrooms a household is entitled to, up to four-bedroom properties. There is also a separate rate for shared accommodation.

The age of the claimant and the number of people they live with, including the number, age and gender of any dependents, sets the maximum number of bedrooms to which a tenant is entitled. In addition, a single adult aged under 35 years old and with no dependents living with them are only eligible to claim for shared accommodation, unless they have an exception.

The LHA additionally differs dependent on the location of the property. Wales is divided up into multiple Broad Rental Market Areas (BRMA). The LHA is set with reference to the rents of properties in each BRMA.

The LHA is part of the set of benefits that are subject to the benefit cap, which limits the amount of social security benefits that a household can receive. A household subject to the benefit cap may therefore receive less than the LHA rate if their total benefit entitlement exceeds the cap.

#### BRMAs

Rents vary considerably across Wales, so to reflect this, different rates are set for areas with broadly similar market conditions, called BRMAs. Wales has 23 BRMAs, which are drawn up by the Department of Work and Pensions.<sup>6</sup> When determining the boundaries, the DWP must ensure residential properties within an area have adequate access to:<sup>7</sup>

- health care
- education
- recreation
- banking
- shopping

The DWP must consider access to these amenities, ensuring that a BRMA offers reasonable access to them by both public and private transport. There is a legislative requirement to consider both the distance of travel and the time taken to travel. If journeys take an unreasonable length of time, it is likely that an area is too large.

Roughly half of the BRMAs share the same borders as their respective local authorities. Larger and more rural areas, or areas with geographical features that prevent easy travel, are often split into multiple BRMAs. In total there are eleven BRMAs that either cover

multiple local authority areas or only cover a part of a local authority area (see Annex 2 for details). One BRMA, the West Cheshire BRMA, straddles the England and Wales border.

Annex 3 highlights the difference between the LHA rates for accommodation with different number of bedrooms in each area. The extent of the variation in local rents can be seen when comparing the lowest LHA rate and the highest. The lowest shared accommodation rate is to be found in Brecon and Radnor at £228.12 a month while the highest shared accommodation rate is in Newport and Monmouthshire at £330 a month.<sup>8</sup>

## 2.2 How the LHA is calculated

LHA rates are calculated by Rent Officers, a group of Welsh Government staff who work to DWP guidance on LHA matters.<sup>9</sup> To calculate the LHA rate for each BRMA in Wales, Rent Officers must first collect data on the actual rent for one-bedroom, two-bedroom, three-bedroom, four-bedroom properties and for shared accommodation in each area. There is a requirement for the Rent Officers to collect data on 20 per cent of all PRS dwellings of each accommodation type within a BRMA to constitute an adequate sample size.<sup>10</sup> In the case that they are unable to collect sufficient data they are allowed to use data from similar areas within other BRMAs and include it in their sample.<sup>11</sup>

Rent Officers are also allowed to exclude some properties from their sample. The Rent Officers (Housing Benefit Functions) Order 1997 states that "*the rent officer shall determine whether... the rent payable... is significantly higher than the rent which the landlord might have been expected to obtain.*"<sup>12</sup> This rent is then excluded from the overall dataset.

There are further restrictions on the types of accommodation that may be included in a sample. If a property has someone residing in it who is already in receipt of Housing Benefit or housing element of Universal Credit, the property will be excluded from the data set. Rent is also modified if the rent officer deems that part of the rent is "*attributable to the provision of services.*"<sup>13</sup>

Using the data from the sample, Rent Officers then calculate the rent at the 30<sup>th</sup> percentile for each type of property.<sup>14</sup> This is then the basis for the LHA rate per property type per BRMA.

## 2.3 Timeline

The LHA was first introduced in 2008 as a reform to the way in which Housing Benefit entitlement was calculated for someone living in the PRS. When it was rolled out, it was set at the median rent for an area.<sup>15</sup>

Numerous reforms were introduced in 2011 that reduced the value of LHA and changed households' eligibility.<sup>16</sup> Most notable among these changes was the reduction of the LHA to the 30<sup>th</sup> percentile of rents in a BRMA. In addition, there were caps on LHA depending on the size of a property, with the five-bedroom rate being scrapped. The age below which people were expected to share accommodation was raised from 25 to 35 and the number of bedrooms to which a household is entitled was specified. In addition, increases to LHA

were in line with the Consumer Price Index rather than following the 30<sup>th</sup> percentile of rents.<sup>17</sup>

A further decline in the value of LHA was introduced in 2016 when it was announced that the LHA would be frozen for four years. It was also planned that 30 per cent of the money saved would be used for Targeted Affordability Funding to support areas where higher rent increases resulted in a larger gap between the market and the money provided by the LHA.<sup>18</sup>

This decision to freeze the LHA was made despite the rising costs of private rentals and concerns that LHA rates would become increasingly divorced from actual rent levels. There were worries that this would lead to a gap between the value of LHA and actual rent levels, making it harder for tenants to access private rented housing. This in turn was expected to result in an increase in homelessness.<sup>19</sup>

In 2020, the level of LHA was restored to the 30<sup>th</sup> percentile of rents, enabling it to recover from the CPI cap and subsequent freeze.<sup>20</sup> However, in late 2020 it was announced that the LHA rate would not be updated for 2021/22, in effect freezing its value once again.<sup>21</sup> In late 2021, it was announced that this freeze would continue into 2023 meaning the LHA will again be unchanged for three years.<sup>22</sup>

The reforms to LHA were only one part of a broader programme of reforms of the social security system. Among the most important other reforms that took place over this period was the introduction of Universal Credit and the subsequent freeze on the value of Universal Credit.

The introduction of Universal Credit also brought with it a five-week-wait for a first payment, the benefit cap, and the two-child limit. In recent months, the UK Government additionally removed the £20 Universal Credit uplift introduced during the Covid-19 pandemic. All these reforms combined have affected households' ability to afford a good quality home in the PRS and have made it more difficult for households to cope with the rising cost of living.<sup>23</sup>

### 3. The LHA – rent gap

There is a body of evidence that demonstrates that a gap has developed between LHA and rents.<sup>24</sup> The Department for Work and Pensions' own figures show that the LHA rate is lower than the rents of 67 per cent of renters that are in receipt of Universal Credit in Wales and who are entitled to the housing element.<sup>25</sup> According to the DWP's estimates the median difference between LHA and rent where rent exceeds LHA is £100 a month for a household with no children in Wales.<sup>26</sup>

There are reasons to believe that the problem could be even greater especially for prospective renters looking to find a property. Previous studies have demonstrated that in many areas LHA only covers the rents of the bottom 13 per cent of the market.<sup>27</sup> Research undertaken in Bristol showed an even more challenging picture, with only two per cent of properties being advertised at or below LHA rates.<sup>28</sup>

In September 2021 the Bevan Foundation explored the extent of the gap that has developed between LHA and advertised rents in Wales.<sup>29</sup> This section sets out to provide an updated picture and to explore what impact this has on low-income renters and on the housing system more broadly.

It will do so in three parts. First, this section will set out the extent of the gap between LHA and advertised rents. Second, it will consider what factors may be contributing to the emergence of this gap. Third it will explore the implications of the gap for low-income renters.

#### 3.1 LHA gap

To understand the LHA-gap, the Bevan Foundation scraped data in several periodic snapshots occurring from May 2021 to December 2021. We scraped data in ten Welsh local authorities selected to provide a cross section of rural, urban, coastal and valley areas.<sup>30</sup>

Our research found that in those ten local authorities, only 4.8 per cent of all properties on the market were advertised for rent at rates that were at or below LHA.<sup>31</sup> The position deteriorated over the autumn with only 3.8 per cent of properties on the market between May and December advertised for rent at or below LHA rates. The extent of the challenge for single people under 35 can be seen more clearly when looking at the data in greater detail.

Of the rental properties we periodically collected between May and December 2021, 2,431 shared accommodation properties were advertised for rent in the ten local authorities included in the study. Of these only 152 (6.3 per cent) were advertised at rents that were fully covered by the LHA shared accommodation rate. This is a deterioration from the position in September when 7.6 per cent of shared accommodation properties on the market were fully covered by LHA.

During our data scraping, we were unable to find a single shared accommodation property advertised at LHA rates in three of the ten local authorities considered: Denbighshire, Merthyr Tydfil and Pembrokeshire. In six of the ten local authorities the gap between LHA

rates and the 30<sup>th</sup> percentile of properties on the market exceeded £100 a month. Even in Flintshire, where the gap between the 30<sup>th</sup> percentile of advertised rents and the LHA rate was smallest, a person would still be £120 out of pocket over the course of a year.

**Table 1 - Shared accommodation rental properties compared with the LHA**

Local Authority	Number of properties advertised	Number of properties that are within the LHA allowance	LHA Rate per month (£)	Monthly 30th Percentile (£)	Gap between LHA and 30th percentile per month (£)
Cardiff	1,189	47	284.44	375	90.56
Conwy	73	5	235.80	400	125.00
Denbighshire	97	0	235.80	400	125.00
Flintshire	171	39	350	360	10.00
Gwynedd	260	53	298.77*	350	52.33
Merthyr Tydfil	54	0	216.00	400	184.00
Pembrokeshire	117	0	240.00	400	160.00
Rhondda Cynon Taf	141	4	216.00	300	84.00
Swansea	304	2	250.00	375	125.00
Torfaen	25	2	216.00	340	124.00
Average of 10 authorities**	2,431	152	256.47**	375	118.53

\* In local authority in which there are multiple LHA rates, we calculated the average gap experienced within the local authority

\*\* Based on average across 10 Local Authorities

Source: data analysed by the Bevan Foundation

A similar pattern can be observed when looking at one-bedroom properties. We collected data from 742 one-bedroom properties were advertised for rent in the ten local authority areas. Of these only 29 (3.9 per cent) were advertised for rents that were fully covered by LHA, down from 4.9 per cent in September.<sup>32</sup>

From our snapshots we were unable to identify any one-bedroom properties advertised at or below LHA rates in four Welsh local authorities between May and December 2021: Conwy, Merthyr Tydfil, Pembrokeshire and Torfaen. Only in two of the ten local authorities was the gap between the LHA rate and the 30<sup>th</sup> percentile of advertised rent less than £100.

Table 2 – One-bedroom rental market compared with LHA rates

Local Authority	Number of properties advertised	Number of properties that are within the LHA allowance	LHA Rate per month (£)	Monthly 30th Percentile (£)	Gap between LHA and 30th Percentile per month (£)
Cardiff	447	20	483.28	675	166.72
Conwy	23	0	320.00	520	200.00
Denbighshire	10	2	344.10	450	164.20
Flintshire	39	1	368.20	495	106.80
Gwynedd	60	1	317.29*	550	227.80
Merthyr Tydfil	6	0	308.40	430	121.60
Pembrokeshire	18	0	313.00	375	87.00
Rhondda Cynon Taf	20	4	300.00	400	75.00
Swansea	29	1	414.24	595	180.76
Torfaen	15	0	349.24	495	100.76
Average of 10 authorities**	742	29	439.49	600	160.51

\* In local authority in which there are multiple LHA rates, we calculated the average gap experienced within the local authority

\*\* Based on average across 10 Local Authorities

Source: data analysed by the Bevan Foundation

It is clear that there is a severe shortage of accommodation available to rent at or below LHA rates. Understanding why such a gap has developed is crucial if adequate solutions are to be designed.

### 3.2 Why is there a gap between LHA rates and rents?

There are several reasons for the emergence of the gap between LHA and rents. Perhaps the highest profile of these has been the LHA freeze.

As set out in chapter 2 LHA rates were frozen between 2016 and 2020. Multiple reports have demonstrated a clear link between the LHA freeze and the emergence of a gap between the LHA and rents.<sup>33</sup>

In 2020 the UK Government increased LHA rates back to the 30<sup>th</sup> percentile of rents as part of the package of measures introduced during the Covid-19 pandemic. However, the UK Government refroze the LHA rates at 2020/21 levels for the 2021/22 and 2022/23 financial years.<sup>34</sup> The re-freezing of LHA rates at 2020/21 levels is widely considered to be a major factor in the LHA-rent gap re-emerging.<sup>35</sup> This was felt to be especially true given the impact of the pandemic and the recovery on the housing market. There is emerging

evidence from the Office for National Statistics that rents in the private rental sector increased in 2021.<sup>36</sup> This was a view echoed by local authority officers from all over Wales.

*"In the last few weeks, we have seen a massive increase again."*

Local authority housing officer, roundtable discussion, 17/01/2022

This was identified by officers in multiple local authorities as a direct cause of a widening gap between LHA and rents.

*"In (Welsh local authority) we have seen rents go through the roof. On average, between £80 to £100 a month more, above the LHA rates. It seems to be getting worse and worse."*

Local authority housing officer, roundtable discussion, 27/01/2022

There are further concerns that rents may be rising fastest in areas where the gap between LHA and rents had historically been smallest. This was having a significant impact on the availability of properties to rent at LHA rates.

*"It seems to be a particular problem in the post-industrial areas where rents were quite low..."*

Roundtable discussion participant, 27/01/2022

These challenges can be made even more pronounced as a result of local factors. For example, we heard from housing officers from multiple local authorities in the southeast that the removal of the Severn Bridge tolls had pushed up rents in their area.<sup>37</sup> In another authority we heard how the opening of a new hospital had contributed to rising house prices and rent,<sup>38</sup> whilst increasing numbers of short-term holiday lets were a concern in rural areas.<sup>39</sup>

There are other factors responsible for the gap that has developed between LHA and rent. The DWP's own data shows that whilst the decision to uplift LHA rates in April 2020 led to a reduction in the proportion of Universal Credit claimants that experienced a gap between their rent and LHA, the majority (64 per cent) still faced a shortfall.<sup>40</sup>

An important factor contributing to the gap is the way in which LHA is calculated. Rent Officers are responsible for collecting data on properties of all bedroom sizes in each BRMA. This data is then used to calculate the 30<sup>th</sup> percentile of rents by property type.<sup>41</sup> Collecting an adequate sample can be difficult in a number of BRMAs, in particular for property types that are low in number, including shared accommodation properties and properties with four or more bedrooms. In such circumstances, Rent Officers are permitted to take data from broadly similar areas and add it to the data set.<sup>42</sup> This creates a risk of the LHA being set at levels that are not fully representative of local market conditions.

This risk is heightened by the fact that there is no legal requirement for landlords to disclose how much rent they charge with Rent Officers. At one of our roundtable discussions we heard that there was very little incentive for landlords operating at the higher end of the market to submit their data. This means that data collected by Rent Officers is likely to be

skewed towards the cheaper end of the market, so that the 30<sup>th</sup> percentile is artificially low which in turn pulls down LHA rates.

*"They're saying "because our rents are so high, we don't deal with people on benefits..." so they do not waste their time submitting the information... it's the only people who rent to people on housing benefit that want to see the LHA go up."*

Roundtable discussion participant, 17/01/2022

On top of this, the LHA rate is calculated based on data on "actual rents" as opposed to "advertised rents".<sup>43</sup> In practice this means that Rent Officers collect data on the rents that are being paid by all tenants (both existing and new tenants) as opposed to the rents advertised by landlords and letting agents. While this approach reflects the rents paid by tenants, it creates problems in a market where rents are rising rapidly.

In a rapidly rising market, the rent paid by existing tenants is likely to be less than the rent paid by new tenants. Collecting data on both types of rent increases the risk of the LHA rate being insufficient for prospective tenants looking to rent a home. This risk is exacerbated by the fact that LHA rates are only uplifted annually in a year where there is no freeze. We heard concerns that market conditions can evolve far more rapidly.

*"That data is due end of October, which is then used for the following financial year. And as we have already heard, we have already seen a massive increase. I know they need time to see the data and calculate, but it's old data by the time they start."*

Local authority housing officer, roundtable discussion, 17/01/2022

The ability of Rent Officers to set the LHA at a level that accurately reflects the rental market is compromised further. Rent Officers must disregard the rents paid by tenants that already receive Housing Benefit or the housing element of Universal Credit when undertaking their calculations. There are 206,780 rental properties registered with Rent Smart Wales.<sup>44</sup> In comparison there are 89,684 households in the private rental sector who are in receipt of benefits.<sup>45</sup> This means that the rents paid by 40 per cent of households that live in the private rental sector in Wales are disregarded when LHA is calculated. As such the dataset used by Rent Officers is likely a poor representation of the Welsh rental market.

A final factor that has an impact on the LHA gap is the way that BRMAs are determined. In many cases, the BRMAs encompass numerous varied rental markets. For example, we heard from a number of local authority officers in the south Wales valleys about how rents vary widely between the north, centre and south of their local authority areas.<sup>46</sup>

For example, Torfaen BRMA contains two markets with distinct differences in prices – one in Cwmbran in the south, and one in Blaenavon in the north. Consequently, the LHA tries to represent both areas, and becomes unsuitable for the needs of each community. A house of commons report indicated that this is a common picture across the UK, particularly in larger BRMAs.<sup>47</sup> Hotspots can also emerge unexpectedly within BRMAs, where local factors drive prices in specific locations. Most BRMAs do not take this variation into account, meaning that the LHA rate becomes unsuitable for the needs of each community.

### 3.3 Why does the gap between LHA and rents matter?

The gap that has developed between LHA and rents has an impact on a number of levels. This section will discuss these in two parts. The first will explore the direct impact of the LHA–rent gap on low-income renters and on homelessness. The second will consider how the LHA–rent gap undermines policy measures taken by the Welsh Government and by local authorities to reduce homelessness and improve access to housing.

#### Homelessness and low-income renters

The most significant impact of the LHA-rent gap is its contribution to increasing homelessness. Between 2015 and 2020 the number households that required assistance to avoid homelessness in Wales increased by approximately 9,000,<sup>48</sup> with the estimated number of rough sleepers increasing by 69 per cent.<sup>49</sup> It is not a coincidence that such a surge took place at the same time that LHA rates were frozen. In 2020 Policy in Practise found that:

*“For every 10 per cent increase in the percentage of households experiencing a gap between their LHA rate and rent, the proportion of households in temporary accommodation will rise by 1 per cent.”*

Source: (Charlesworth, Fell, & Macor, 2020)

One way in which the LHA-rent gap pushes households into homelessness is by reducing the number of properties available to rent. We spoke with one tenant who was searching for a new home after receiving an eviction notice from her landlord who was looking to sell the property:

*“There are not a lot of one-bedroom private housing [in the area], and I can’t afford to pay more.”*

*Megan James, private rental sector tenant, in receipt of Universal Credit, southeast Wales 06/10/2021*

With so few options, many people are left with no choice but to seek support from local authority homelessness services, with some forced to move into temporary accommodation.

*“You don’t really have much option because house prices have risen so much... it is just so expensive everywhere.”*

Alice Jones, resident in temporary accommodation, south Wales, 21/12/2021

In 2018/19 (the last year for which data is available) nearly 2,000 homeless households who were eligible for support to alleviate their homelessness had been made homeless because of losing their rental accommodation.<sup>50</sup>

For tenants who have managed to secure a property, the existence of any gap between LHA and rents can put a real pressure on their financial position, increasing their risk of

falling into arrears on their rent. This in turn increases their risk of eviction and homelessness.

*"The price of a flat around town is about £300, and Universal Credit pays about £295. So, you're paying around £20-£25 extra a month. That's affordable. But when I'm paying that on top of a very high gas and electric, that's the issue."*

Lloyd Thomas, private rental sector tenant, mid Wales, 09/08/21

The most up to date data indicates that nearly 3,500 households were threatened with homelessness due to a loss of rented accommodation, with 900 households threatened with homelessness due to being in rent arrears.<sup>51</sup>

The tenants that we heard from were very aware of the implications of falling behind on their rent.

*"The most important arrears to avoid are with my housing."*

Megan James, private rental sector tenant, in receipt of Universal Credit, southeast Wales, 06/10/2021

The focus on avoiding rent arrears to reduce the risk of homeless has knock on implications. We heard from one tenant who could not afford to access the internet, in part due to the LHA-rent gap. This was affecting her ability to find employment.

*"Of course, I don't have internet at home, which doesn't help... I had to reply to Tesco's for a background check, and I couldn't reply in time."*

Megan James, private rental sector tenant, in receipt of Universal Credit, southeast Wales, 06/10/2021

This was a concern echoed by others.

*"You got bills to pay, and food, and there's nothing at the end of that... and they expect you to pay for travel to job interviews and pay for the stuff you need for interviews."*

Dylan Griffiths, resident in temporary accommodation, southwest Wales, 12/08/2021

We heard that single people under 35 were particularly exposed to these challenges due to the low level of the shared accommodation rate.

*"It's really difficult when you're a single guy because you're given a certain amount and it's never enough."*

Andrew Davies, resident in temporary accommodation, southwest Wales, 12/08/2021

This was a view shared by a number of local authority housing officers.

*"For people under 35, They're struggling to afford rent, and for what reason? It's age discrimination in my mind... there isn't a cheaper market for them to go into. There*

*is a lack of cheap accommodation so they're ending up in housing that they can't afford."*

Local authority housing officer, roundtable discussion, 27/01/2022

## Policy impact

In the same way that the LHA–rent gap can push people into homelessness it can also undermine Welsh Government and local authority efforts to reduce homelessness.

The same shortage of accommodation at LHA rates that pushes people into homelessness also prevents local authorities finding long-term accommodation for people in temporary housing. This can lead to some people being in temporary accommodation for a long time. We heard from one person who was hoping to remain in temporary accommodation until a property became available for them within social housing.

*"We couldn't go private. Well, we could, if we didn't spend any money and saved all the time. It's not a viable option."*

Dylan Griffiths, resident in temporary accommodation, southwest Wales, 12/08/2021

The impact of the LHA-rent gap on housing policy extends further. To alleviate some of the challenges already identified, the UK Government, the Welsh Government and local authorities have taken measures to incentivise landlords to rent their properties to low-income tenants at LHA rates or to provide extra financial support to tenants.

Discretionary Housing Payments (DHPs) are perhaps the most well-known of these measures. DHPs provide households who are struggling to meet their housing costs with an extra payment.<sup>52</sup> The payment can be used to cover a rent shortfall, to fund a deposit on a rental property and, in some circumstances, to cover rent arrears and is primarily designed to be a short-term form of support.<sup>53</sup>

DHPs are administered by local authorities with a pot of money being allocated to each from the UK Government.<sup>54</sup> Local authorities are entitled to spend two and a half times their allocation, using their own resources to fund the increase.<sup>55</sup> In addition, the Welsh Government is permitted to provide local authorities with additional funds to allow them to spend the maximum amount permitted on DHPs.<sup>56</sup>

Despite the primary purpose of DHPs being to provide short-term support for people on low-income with their housing costs many local authorities have used DHPs over a longer period to support tenants struggling to cover the cost of their rent due to the LHA gap. In 2020/21 it was recorded that 14 per cent of all DHP payments in Wales had been made due to "reforms to the LHA".<sup>57</sup>

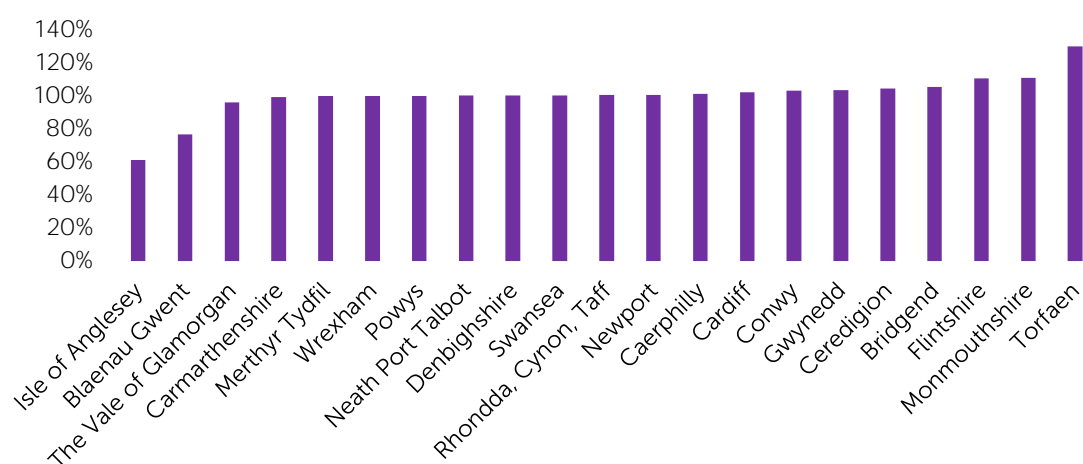
*"I've done this job for seven years now in (local authority), and I've yet to see the LHA cover rent for anyone... it has always been topped up by DHPs."*

Local authority housing officer, roundtable discussion, 27/01/2022

The increased reliance on DHPs to plug the LHA gap creates a number of challenges. First, the discretionary nature of the scheme means that the level of assistance that is available for tenants, and how that is accessed, varies significantly between local authorities.<sup>58</sup> This can perhaps be best demonstrated when looking at what proportion of their total DHP allocation is spent by each local authority.

In 2020/21 four Welsh local authorities did not spend their DHP allocation in full. Two of these local authorities had significantly underspent their allocation (Anglesey and Blaenau Gwent). On the other hand, three Welsh local authorities (Flintshire, Monmouthshire and Torfaen) spent significantly more than their DHP allocation meaning that they used some of the local authorities' own funds to top up the support provided through DHPs.

**Chart 1 – Local authority DHP spend as a percentage of DWP’s allocation, 2020/21.**



Source: UK Government. (2021b, December 16). *Discretionary Housing Payments statistics*. Retrieved from UK Government: <https://www.gov.uk/government/collections/discretionary-housing-payments-statistics>

A second challenge presented by the use of DHPs to cover the LHA-rent gap is that tenants are not provided with long-term security because DHPs are intended as a temporary measure. We heard from one tenant who had been receiving a DHP to cover the gap between his rent and his benefits. He was having to reapply for his DHP and was worried about how he would cover his rent if his bid was unsuccessful.

*“The said you only get a DHP for a certain amount of time... I’m now waiting for a DHP for £177 to be approved. I also need to renegotiate (my rent) if they can’t give me a DHP anymore.”*

Lloyd Thomas, private rental sector tenant, mid Wales, 09/08/21

The increasing gap between LHA and rent is further undermining the ability of local authorities to use DHPs to plug any financial shortfall.

*What we are seeing in (local authority) is not just a shortage of properties, but also prices have rocketed. When before we would be paying a DHP of £100 a month, its*

*more towards £200 a month... the level of DHP required is double the amount than before."*

Local authority housing officer, roundtable discussion, 27/01/2022

With a limited pot of money, and DHP budgets subject to annual fluctuations,<sup>59</sup> a number of local authorities have been reluctant to use DHPs to top up rents longer term.

*"The DHP is a short-term solution. You are doing it to plug a gap"*

Local authority housing officer, roundtable discussion, 27/01/2022

Given these pressures the Welsh Government and local authorities have been exploring other means to encourage private sector landlords to rent their properties to low-income tenants. Historically local authorities used a range of measures, such as supplying bonds or acting as a guarantor to encourage landlords to let their properties at LHA rates.<sup>60</sup> More recently the Welsh Government has introduced its Leasing Scheme.<sup>61</sup> In return for leasing their properties at LHA rates minus a management fee, landlords are offered access to grant funding and interest free loans, with responsibility for managing the tenancy passing to the local authority. A consistent message that emerged from our discussions with local authority officers is that the LHA-rent gap is undermining these efforts.

*"At the current LHA levels, even with the current incentives the Welsh Government are offering, it is proving quite difficult."*

Local authority housing officer, roundtable discussion, 27/01/2022

Another local authority officer noted:

*"We are finding challenges with getting landlords on board... we are looking at increasing the package of support given to landlords"*

Local authority housing officer, roundtable discussion, 27/01/2022

Landlords are reluctant to engage with local authority officers as a result of the LHA-rent gap. Whilst for some, the primary motivation is the possibility of making more money by renting their property out for more than the LHA, others face different barriers.

*"In our area, house prices have gone up. I have had discussions with landlords, and they've said, "my mortgage is this much a month, and the LHA doesn't even touch that."*

Local authority housing officer, roundtable discussion, 27/01/2022

For others, conditions set by mortgage companies prevent them from working with local authorities over the long term.

*Mortgage companies don't like the scheme, so we have had to change the scheme to be a five year with a three-year break clause.*

Local authority housing officer, roundtable discussion, 27/01/2022

It is clear that eradicating the LHA-rent gap is crucial if long term solutions to homelessness in Wales are to be found. Even if this was achieved, however, there are other barriers that are preventing low-income tenants for gaining access to accommodation.

## 4. Landlord requirements

Landlords across Wales commonly have requirements in place that a prospective tenant must satisfy to rent their property. These include deposits and bonds, minimum income tests and the need for referees and guarantors among others. Some landlords require tenants to satisfy multiple criteria, whilst others have no requirements at all.

These requirements can act as barriers to many low-income tenants, reducing the pool of available housing. This chapter will explore how prevalent these requirements are, including looking at the role of financial requirement and person requirements. The chapter will conclude by reflecting on the combined impact of these requirements on the availability of housing for low-income renters.

### 4.1 Financial requirements

One of the biggest challenges faced by low-income renters in Wales when seeking to rent accommodation is the need to make up front payments before they can let the property. Thousands of landlords across Wales require tenants to pay a deposit or a bond on their property.

Of the 5,206 adverts surveyed by the Bevan Foundation between May and December 2021, 2,675 (51.4 per cent) required a deposit and set out its value in the advert. Of these, 1,435 (54 per cent) required a prospective tenant to pay a deposit that was worth less than one month rent, 767 (29 per cent) asked for deposit that was equal to a month's rent, whilst 473 (18 per cent) asked for a deposit that was more than a month's rent. The most extreme example we found was a landlord asking for a deposit that was equivalent to five months' rent.

When looking at shared accommodation a mixed picture emerges. In total 37 per cent (900) of shared accommodation properties advertised asked for a deposit that was worth less than one month's rent. Nearly a quarter (558) required a deposit equal to one month's rent whilst 11 per cent (267) of shared accommodation properties advertised on the market required a deposit equivalent to more than one month rent.

The situation for someone searching for one-bedroom properties is far less restrictive. Of the 742 one-bed adverts, only 151 (20 per cent) made any reference to a deposit. Of those that did require a deposit 60 required a deposit equivalent to more than one month's rent, with another 64 requiring a deposit equal to one month's rent. A further 22 requested a deposit less than the equivalent of one month rent.

The primary reason why landlords require tenants to pay deposits up front is to minimise their financial risk. Many landlords view deposits as a tool that can reduce the risk of letting their property to a tenant who may fall into arrears or damage their property, or as a form of insurance if this were to happen.<sup>62</sup> There is some evidence that concerns about financial security are a particular motivator for landlords who let a single property, with many of these solo landlords preferring to let to tenants who are a "safe bet".<sup>63</sup>

Whatever the motivations of landlords in requiring tenants to pay an upfront deposit, the impact can be significant. We heard from several tenants about how large deposits had made searching for a home extremely challenging. The effect is to increase their risk of homelessness and trap people in temporary accommodation.

*"When I was looking to move out, some places wanted two months' rent up front, and I thought this is ridiculous."*

Chloe Andrews, social housing tenant, southeast Wales, 06/10/2021

*"Deposits are a problem. How do I get that amount of money when I don't work and I have got children to support?"*

Alice Jones, resident in temporary accommodation, south Wales, 21/12/2021

Landlord financial requirements do more than just restrict the number of properties that are accessible to people on low-incomes. As with the LHA–rent gap, many tenants feel they have no choice but to seek to access housing that they struggle to afford. This can put people in significant financial hardship, and push some into debt.

*"I borrowed money for admin fees, moving fees to move furniture... I was in debt of about £800."*

Megan James, private rental sector tenant, in receipt of Universal Credit, southeast Wales, 06/10/2021

*"You're looking at over £1,000 before you even move in. Admin fees, rent up front, deposit, moving fees all had to be paid. I had to borrow all that money."*

Chloe Andrews, social housing tenant (reflecting on her experience as a tenant in the private rental sector), southeast Wales, 06/10/2021

Repaying any money borrowed can place tenants under significant financial stress. These challenges are particularly acute for tenants whose rent is higher than the LHA rate. Over time these pressures can increase a tenant's risk of falling into arrears and facing homelessness.

The need to borrow money to cover such up-front fees can also affect a tenant's friends and family. Many tenants have few options bar borrowing money from friends and family when looking to rent a house. Tenants are all too aware of the pressure this puts them under.

*"I gave my deposit the first time here. I can't keep asking my family. They paid my first deposit and my first 6 months' rent."*

Megan James, private rental sector tenant, in receipt of Universal Credit, southeast Wales, 06/10/2021

## 4.2 Person requirements

Landlords also have a diverse range of methods to screen prospective tenants. Our analysis of property advertisements highlighted requirements in the advertisement for background

or credit checks, minimum income requirements, guarantors and employed status. It is important to note that not all requirements may be specified in the advert – others may only emerge at the letting stage.

Credit and background checks were widely used by landlords. In total 1,075 of the adverts analysed by the Bevan Foundation explicitly mentioned that tenants would have to undergo a credit check, broader background checks or provide a reference before they could rent a property. Of the shared accommodation adverts, 841 (35 per cent) referenced these requirements. In comparison, just 52 (7 per cent) of one-bedroom property adverts required the same checks.

Minimum income requirements were less common, being specified in 27 adverts. The average minimum income level was £20,000 a year, with rents on average accounting for 37 per cent of the minimum income requested. Seven one-bedroom adverts referenced a minimum income, on average requiring an income of at least £16,000. Six shared accommodation adverts had the same requirement, with an average income requirement of £17,000.

Guarantors are also used by landlords as a pre-requisite, although we found that it is relatively rare for this requirement to be specified in rental adverts. Of the adverts analysed by the Bevan Foundation, 25 required a guarantor, six in shared accommodation properties and five in one-bedroom properties. In practise, this requirement is far more common, as one housing support officer stated:

*“The guarantor thing has become more common since they’re not allowed to put up ‘no DSS.’”*

Housing support officer, focus group, Swansea, 03/03/2021

More common within the adverts we analysed were landlords requiring tenants to be employed or to be employed in a particular type of role. Nearly one in four adverts (1,247) stipulated that the properties could be let by “professionals only.” These requirements were especially prevalent in adverts for shared accommodation properties with 943 (38 per cent) adverts explicitly stating that they were looking for “professionals”. The position in one-bedroom properties was more in line with the overall average with nearly a quarter (180) of adverts including a reference to “professionals”. On top of this we found 20 adverts explicitly stating that they would not rent their property to people in receipt of social security benefits, despite the ban on doing so.

As with financial requirements the primary reason for landlords putting person requirements in place are to minimise their financial risk.<sup>64</sup> Landlords appear to be especially concerned about the financial risk of letting their property to a person in receipt of benefits. Distinguishing between real financial concerns held by landlords and popular misconceptions about people in receipt of benefits can be difficult.

In 2018, the UK Government’s Ministry of Housing, Communities and Local Government found that 52 per cent of landlords in England would not let their property to a tenant in receipt of any benefits.<sup>65</sup> Research on landlords in England and Wales undertaken by the National Residential Landlord Association (NRLA) found that 70 per cent of landlords who

would not let their property to a person in receipt of benefits would not do so due to concern about rent being paid on time, with 62 per cent reporting that they believed that benefits recipients were at a higher risk of falling into arrears.<sup>66</sup>

This research is reflected in the experiences of local authority officers.

*"It makes them [tenants in receipt of UC/ HB] unattractive for landlords because there is this question mark about whether the rent will be paid."*

Local authority housing officer, roundtable discussion, 27/01/2022

There is some evidence to suggest that closing the gap between LHA and rents could see some landlords become more willing to rent to tenants that are in receipt of benefits. Data gathered by the NRLA suggests that 23 per cent of landlords would be more willing to let to benefit recipients if the LHA was uplifted.<sup>67</sup>

However, this may not be sufficient as many landlords believe that low-income tenants are more likely to cause damage to their property than high-income tenants. The NRLA's research suggests that 41.5 per cent of private landlords associate Universal Credit receipts with anti-social behaviour.<sup>68</sup> A further 448 (28 per cent) of landlords reported that they would not take advantage of any scheme that would incentivise them to let their property to benefit recipients, with 82 per cent of these citing concerns about property damage as their reason.<sup>69</sup>

Another factor that sees landlords put requirements in place that act as a barrier to low-income tenants accessing housing is concerns about the level of support that they would have to provide. These concerns were summarised by one local authority officer.

*"Some of the feedback we receive is that landlords don't want to be unpaid social workers... we need to prove to landlords that we will support them when things go wrong."*

Local authority housing officer, roundtable discussion, 17/01/2022

These concerns were reciprocated by some tenants with support needs, who were worried that they would not be provided with the same level of wrap-around support in the private rental sector as they would in the social housing sector. These concerns were articulated very clearly by one tenant.

*"The difficulty I find is that they put you in housing and leave you to your own devices. The support's not there when you move into independent housing. When you're used to having support and suddenly that support isn't there anymore, it is really difficult."*

Andrew Davies, resident in temporary accommodation, southwest Wales, 12/08/2021

The NRLA estimate that 26 per cent of landlords would be more willing to let their property to someone in receipt of Universal Credit if they had reassurances from national or local government that support would be available for their tenants if this were needed.<sup>70</sup>

We also heard concerns that some letting agents were requiring prospective tenants to meet person requirements without the knowledge of landlords.

*"With [name of resident], I wasn't getting anywhere with the estate agents, so I tracked down the landlord and went through him instead. And he said he would take [name], but the agents wouldn't. and when I said to the landlord that this is what your agent is doing, he said 'really, I have three private flats and this is why they're all empty?' If they're [letting agents] responsible for managing the property, they're just doing what is easier for them."*

Housing support officer, focus group, Swansea, 03/03/2021

Even if all these concerns were alleviated some landlords would still be unable to let their property to a tenant in receipt of benefits. The terms and conditions of many buy-to-let mortgages and insurance products prohibit landlords from letting their properties to people who are in receipt of benefits. Nearly a quarter (23.5 per cent) of landlords in England report that the reason they are unwilling to let to tenants that are in receipt of benefits is mortgage or insurance restrictions.<sup>71</sup>

Regardless of what motivates landlords and agents to put requirements in place on who can let their property, the impact it can have on tenants and on homelessness can be significant.

We heard from tenants who had been trapped in the homelessness system because they lacked guarantors.

*"Flats are coming up in Cardiff, but what is stopping me and keeping me in the homeless system is that most of them are asking for guarantors. I haven't got family or friends, so I can't go nowhere."*

Jeremy Davies, resident in temporary accommodation, south Wales, 17/08/2021

We heard from others who had struggled to find private landlords that were willing to let to them due to the fact that they claimed benefits.

*"No DSS was the main barrier."*

Chloe Andrews, social housing tenant, southeast Wales, 06/10/2021

There are concerns, however, that whilst these requirements discriminate against all low-income tenants, some groups are more badly affected than others. For example, we heard concerns that migrants and some Black, Asian and Minority Ethnic groups face especially acute challenges. These challenges are twofold.

First, many migrants often lack UK-based guarantors, references, or credit history. This means that many recently arrived migrants have no access to the information required to satisfy many landlord requirements. In one of our focus groups, it was noted that this has been a significant barrier for the Portuguese community in north Wales.<sup>72</sup> Another tenant told us;

*"I had no record of being in the country before, few landlords wanted me."*

Megan James, private rental sector tenant, in receipt of Universal Credit, southeast Wales, 06/10/2021

As many as 25 per cent of landlords in England have stated that they would not let to a tenant without a British passport.<sup>73</sup>

Second, we heard concerns that the discriminatory practices were also faced by British passport holders from some Black, Asian and Minority Ethnic backgrounds.<sup>74</sup> This was in part a result of a perception that some landlords wanted to avoid any “complications” that may arise from renting their property to people of “non-Christian religious groups”.<sup>75</sup>

We also heard some concerns from disabled tenants or tenants with a long-term health condition that landlord requirements were preventing them from accessing housing. We heard from one tenant that felt that landlords were reluctant to allow him to rent their property due to his long-term health condition.

*“I’ve been turned down from everywhere because I am an epileptic man”*

Jeremy Davies, resident in temporary accommodation, south Wales, 17/08/2021

People currently in temporary accommodation were also identified as a group that faced a heightened risk of failing landlord personal requirements.

*“If you’re looking for accommodation, and you use that word ‘Huggard’ [local homeless hostel] or ‘homeless’ they put the phone down because they don’t want to know.”*

Jeremy Davies, resident in temporary accommodation, south Wales, 17/08/2021

This sentiment was echoed by local authority staff.

*“In the past, I’ve used my own email address to correspond with letting agents. As soon as they see ‘hostel support’ they don’t respond.”*

Local authority housing officer, roundtable discussion, 17/01/2022

The impact of landlord requirements can stretch further than limiting access to housing. The whole process of having to provide evidence to satisfy landlord requirements is laborious and can take its toll on both tenants and support staff.

*“When we have a property for someone, we need to fill in a bunch of forms, have them complete an Experian check, explain why their credit rating may be poor. We have to jump through a bunch of hoops, which is fine because that is my job. But when you are expecting people to do it, and they keep on getting knocked back all the time, it can take its toll.”*

Housing support officer, focus group, Swansea, 03/03/2021

This can have a determinantal impact on tenants, entrenching a sense of stigma and affecting their wellbeing.

*"Landlords with good properties do not want to rent to people without income... because your [Universal Credit] claim can get stopped at any point, landlords don't want you."*

John Fletcher, resident in temporary accommodation, southwest Wales, 12/08/2021

*"We were discriminated quite a bit. We would visit a property, and they [the landlord / letting agent] would say 'you're perfect for this property' but then say 'actually we are looking for someone else because you are on housing benefit.'"*

Alice Jones, resident in temporary accommodation, south Wales, 21/12/2021

### 4.3 Impact on available housing

Landlord requirements make it extremely difficult for low-income tenants to access housing. In total, 33 per cent (1,731) of all adverts examined by the Bevan Foundation mentioned at least one requirement that could act as a barrier for a low-income renter that was looking for accommodation.<sup>76</sup>

When looking by bedroom type these barriers were even more prevalent within shared accommodation properties with 1,125 (46 per cent) adverts featuring at least one requirement that was likely to act as a barrier to a low-income tenant. For one-bedroom properties, 256 (35 per cent) of the advertised properties included similar requirements. This may be an underestimate as the figure does not take into account any landlord requirements or prejudices that are not advertised online.

The impact of all this pressure is to further reduce the number of properties that are accessible for people on low-income. Of the 200 properties that were advertised at or below LHA rates between May and December 2021 in 10 Welsh local authorities, 92 had some additional requirement that would act as a barrier to low-income tenants being able to rent the property.<sup>77</sup> This means only 2.1 per cent of properties that were advertised across the 10 local authorities would be accessible to low-income renters.

Of the 108 properties that were advertised at LHA rates and that didn't have any additional barriers, 80 were shared accommodation properties. This represents 3.3 per cent of the shared accommodation properties that were advertised in the 10 local authority areas examined by the Bevan Foundation. Just 16 one-bedroom properties were available at LHA rates and had no further barriers for tenants, 2.2 per cent of the total advertised.

**Table 3 – Properties with no LHA gap and no additional requirements**

Local Authority	Properties with no LHA gap	Properties with requirements	Percentage available (%)
Cardiff	72	33	1.4
Conwy	5	0	3.5
Denbighshire	2	1	0.7
Flintshire	44	28	4.1
Gwynedd	58	24	8
Pembrokeshire	1	0	0.5
Rhondda Cynon Taf	10	1	2.2
Swansea	4	1	0.6
Torfaen	3	3	0
10-authority average	200	92	46
Merthyr Tydfil is not included due to no houses found			

## 5. Quality, suitability, and security

The combined effect of the LHA-rent gap and landlord requirements mean that many tenants have an extremely limited choice when searching for a property to rent. The previous two chapters have highlighted how such pressures mean that many tenants are left in financially precarious circumstances and how people can be trapped within the homelessness system.

Other key themes that emerged through our research have included the variable quality of accommodation available for low-income renters, concerns about landlord conduct and the impact of the lack of security of tenure. This chapter will explore each in turn and consider how they can have both an impact on the wellbeing of tenants and put extra strain on the homelessness system.

### 5.1 Quality and suitability

The poor quality of many properties at the bottom end of the rental market was something acknowledged by both stakeholders and renters during our research. Indeed, one local authority officer referred to many of the properties that low-income renters are able to rent as the *“toilet end of the market”*.<sup>78</sup> The experiences of some low-income renters suggest that this vivid description is not far from the mark.

*“There are leaks in the roof. There is a faulty light fitting where the water is coming through. There were rats behind the oven that were causing a stink... you know, simple things like that.*

Lloyd Thomas, private rental sector tenant, mid Wales, 09/08/21

These concerns echo the findings of earlier research. Research undertaken by Shelter Cymru in 2020 found that 41 per cent of renters had at least one problem with their home, with 21 per cent of private renters experiencing problems with mould, damp or condensation.<sup>79</sup> The proportion of low-income renters experiencing such issues is likely to be even higher with Shelter Cymru research dating back to 2015 finding that nearly half of low-income tenants had problems with damp or mould.<sup>80</sup>

There is a body of evidence that shows that living in cold and poor-quality housing can be a cause of ill-health.<sup>81</sup> It can also create a sense of isolation for tenants, with people unable to ask friends and family to visit.

*“There was no heating in the bathroom, and I used to measure it and it would be 8 degrees... environmental health came round, and I knew for the last year that I couldn’t have my children round because of the risks caused by the mould.”*

Chloe Andrews, social housing tenant (talking about her experience as a tenant in the private rental sector), southeast Wales, 06/10/2021

These challenges can be especially pronounced for tenants living in energy inefficient housing. We heard from some low-income tenants that could not afford to adequately heat their home given it was so energy inefficient.

*“There was very bad heating in the bedroom and lounge, and it would cost me £30 to heat it on a Sunday for my children... It got to the stage where I couldn't heat the bedroom, and I lived and slept in my lounge.”*

Chloe Andrews, social housing tenant, (talking about her experience as a tenant in the private rental sector), southeast Wales, 06/10/2021

Living in energy inefficient housing can also have long term cost implications. The additional cost of heating an energy inefficient home can be significant. This means that many low-income tenants must not only find enough money to cover the gap between LHA and rents, but they must also cover large energy bills.

Tenant concerns about housing quality extended beyond the general upkeep of properties. Over the course of our research, we spoke with low-income disabled people who had faced significant challenges finding properties within the private rental sector that met their needs. The lack of adapted housing available in the private rental sector at rents that are affordable to low-income renters mean that many people can become trapped in properties that don't meet their needs.

*“I can't work anymore; I am classed as disabled. What I am looking for is a ground flat, no stairs, with easy access to centre of town... my mobility will deteriorate over the next couple of years.”*

Lloyd Thomas, private rental sector tenant, mid Wales, 09/08/21

We heard from one tenant who had been forced to move into temporary accommodation due to this shortage of adapted housing. He reported that it had taken social services two years to find him accommodation that was suitable for his needs.<sup>82</sup>

The variable quality and adequacy of rental properties at the bottom end of the market can present real challenges to low-income renters. Many of these challenges are exacerbated by landlord practices.

## 5.2 Landlord conduct

The way that some landlords operate can exacerbate the challenges faced by low-income renters, in a variety of ways.

The most common concerns raised by tenants that the Bevan Foundation engaged with related to failure by landlords to repair properties in a timely and satisfactory manner.

*“I've been here a year and a half now and nothing has been done about it...”*

Lloyd Thomas, private rental sector tenant, mid Wales, 09/08/21

It is likely that the pandemic has made household repairs a particularly acute problem. Restrictions put in place to stop the spread of Covid-19 and the knock-on impact of the pandemic on the availability of construction supplies has placed pressure on the construction industry. Research undertaken by Shelter Cymru found that 61 per cent of private tenants who had identified at least one problem with their property during the pandemic had not had the issue resolved.<sup>83</sup>

Some of these issues pre-date the pandemic, however. Research undertaken in 2015 found that nearly a quarter of tenants reported that landlords had not carried out repairs or addressed concerns about the condition of the property.<sup>84</sup> Even where landlords do act the result is not always satisfactory.

We heard from tenants about how landlords only undertook superficial repair work for any issues they reported rather than address the root cause. Common examples given included painting over damp or mould rather than seeking to take action to stop the problem.<sup>85</sup> We heard from tenants who had been warned not to use certain appliances as they were in a dangerous condition, with no subsequent work being undertaken to rectify the fault.

*"I asked to have an electrician because I couldn't plug anything into the kitchen... They said there was water in the sockets because of the damp. They did nothing else."*

Chloe Andrews, social housing tenant (talking about her experience as a tenant in the private rental sector), southeast Wales, 06/10/2021

Others reported landlords failing to repair serious issues.

*"One day my ceiling came in. I called the landlord and nothing was done about it. There was water coming through, and I called him again, and he gave me the old advice of 'ventilation'"*

Suzy Bird, private rental sector tenant, southwest Wales, 03/03/2022

Other tenants felt that they couldn't report repair concerns to their landlords, despite the impact on their lives due to their fear of being evicted if they did so.

*"The flat isn't worth £280 a month, but he says 'well if I don't get it from you, I'll get it from someone else...' And if he says 'no, its £380 or you're out' then I'm up s\*\*t street. I'm back to being homeless again. It's like a merry-go-round where you're never really sure."*

Lloyd Thomas, private rental sector tenant, mid Wales, 09/08/21

The experiences of these tenants are not unique. Previous research has found that more than one in 10 tenants do not complain about housing conditions or challenge a rent increase because of fear of eviction, with the figure being higher among people in receipt of housing-related benefits.<sup>86</sup>

The provisions within the Renting Homes (Wales) Act 2016 prohibiting retaliatory evictions should go some way to alleviate these concerns.<sup>87</sup> With the Act set to come into force summer of 2022, the position of tenants should be strengthened.<sup>88</sup> As has been highlighted elsewhere in this report, landlords across Wales continue to use practices that have been prohibited.<sup>89</sup> Another example of such prohibited practice was provided to us by a tenant who was struggling to afford their energy bills.

*"There are issues with the energy suppliers, it's quite expensive. I'm spending £50 a month on electricity. And I've asked the landlord 'can I change supplier' and he's said 'no.'"*

Lloyd Thomas, private rental sector tenant, mid Wales, 09/08/21

Concerns about landlord conduct are therefore likely to continue to be a real challenge for low-income renters, especially given the shortage of other properties that are available on the market at LHA rates.

### 5.3 Security of tenure

We have also revealed issues relating to security of tenure. Private sector landlords are permitted to bring a tenancy to an end on multiple grounds.<sup>90</sup> Perhaps the most contentious of these has been section 21 of the Housing Act 1988 which permits landlords to bring a tenancy to an end on any grounds, more commonly known as no fault evictions.<sup>91</sup>

Prior to the pandemic a landlord issuing a section 21 eviction was only required to provide a tenant with a two-month notice period before their tenancy would come to an end.<sup>92</sup> This provided tenants with a very short window in which to find alternative accommodation, putting them at a heightened risk of homelessness.

*"I was required to move from my previous private accommodation. Landlord had to remove me, I think he was renovating the property. He said, 'I haven't got any problem with you, but I do need you to leave.'"*

Hakim Ali, resident in temporary accommodation, south Wales, 17/08/2021

The short period of section 21 notices not only puts low-income tenants at greater risk of homelessness but also had an impact on their ability to set down roots and to connect with local communities.

*"There is no point in me getting unpacked, putting all my clothes in the wardrobe, when you're not sure. I'm used to moving around. So, I don't have a massive amount of stuff. But it would be nice to go somewhere and be able to get plants and pictures everywhere."*

Lloyd Thomas, private rental sector tenant, mid Wales, 09/08/21

To address some of these challenges the Welsh Government have enacted new legislation that will see the minimum notice period for a no-fault eviction increase from two to six months.<sup>93</sup> The new legislation will come into force on 15<sup>th</sup> July 2022 and will undoubtedly ease some the pressures felt by low-income tenants.<sup>94</sup>

The potential benefits of this legislative change were demonstrated to us by the experience of one tenant. He had been forced to move into temporary accommodation following being evicted from his home. He felt that he had been pushed to move into an inadequate one-bedroom property in the private rental sector as opposed to a more suitable property in the social housing sector. A longer eviction notice would have provided the local authority with more time to find a more suitable property for the tenant.

*"There was another ground floor flat council house which was absolutely ideal. But they said they would take 6-8 weeks to fix it, and the place I was in they wanted me out as soon as possible. It was expensive really, because it was in a hotel. It was £75 a night which the council paid for... they didn't want to pay the £75 a night, and I was pressured to take the house I am in now."*

Lloyd Thomas, private rental sector tenant, mid Wales, 09/08/21

Other insights gathered through our research, raises concerns that there is a risk that many low-income tenants will not fully benefit from the extension of the notice period. The changes that will legally come into effect in Wales on 15<sup>th</sup> July 2022 will, in essence put some of the temporary measures introduced over the course of the pandemic on a permanent basis. On 24<sup>th</sup> March 2020 the Welsh Government announced that the minimum notice period for a no-fault eviction would be increased to six months, with the change remaining for the duration of the pandemic.<sup>95</sup>

During our research the Bevan Foundation heard from one low-income tenant who had been issued with a six-month notice for a no-fault eviction in 2021. Given the shortage of properties available at LHA rates and with landlord requirements reducing this availability further, she was finding it extremely difficult to find alternative accommodation, even with the extended notice period. These challenges were being exacerbated by the approach being taken by her local authority.

*"The only help I get is through Citizens Advice and Platform... I had one phone call from a lady from housing, but I haven't heard back from them... unless you're a month to eviction, they won't help you."*

Megan James, private rental sector tenant, in receipt of universal credit, southeast Wales, 06/10/2021

She was not alone in facing such a challenge.

*"The council aren't going to look at your case until the last two months."*

Housing support officer, focus group, southwest Wales, 03/03/2022

Landlord conduct could also undermine the extra protection provided by an extended notice period. We heard that some landlords have deliberately made life difficult for tenants in order to encourage them to move out before the end of the six-month notice period.

*"Yeah, you have six months. But if the landlord isn't good, they're going to make your life as awkward as possible."*

Suzy Bird, private rental sector tenant, southwest Wales, 03/03/2022

Extending the minimum notice period, as of itself may therefore only have a limited impact on reducing homelessness.

Single renters under 35 face a further challenge with regards to security of tenure. Many shared accommodation properties analysed by the Bevan Foundation were advertised via Spareroom.com, where people were looking for a lodger/ flatmate. Such properties are

predominantly made available on a licence rather than a lease. This means that a person living in such a property is provided with fewer legal protections on issues ranging from housing quality to protection from eviction than a person occupying a property on a lease.<sup>96</sup> Any low-income tenant living in such accommodation would therefore be living in extremely precarious circumstances. This precarity means that many local authorities are reluctant to use shared accommodation made available under such circumstances to house people from the homelessness system, reducing the available stock further.<sup>97</sup>

The Renting Homes Wales Act 2016 does take action to address some of these challenges. Under the Act most individuals who rent their home under a lease or a licence will be deemed to have an occupation contract.<sup>98</sup> This step will reduce the different legal protections offered to people based on whether they occupy their property based on a lease or a licence.<sup>99</sup> One of the exceptions to this, is people who are living with their landlord as a lodger. This means that many rooms advertised on websites such as Spareroom.com are likely to continue to offer limited security for tenants.

The legislative measures set to come into force over the summer through the Renting Homes (Wales) Act 2016 will undoubtedly strengthen the position of low-income tenants. It is clear, however, that for these to have the maximum impact in improving the quality of rental accommodation and landlord practices, they must be viewed as part of a broader reform of the housing system in Wales.

## 6. The role of social housing

This report has primarily focused on the position of low-income renters within the private rental sector. To fully understand the challenges facing low-income renters, however, it is important to consider the role of the social housing sector.

The social housing sector plays an important role in providing housing for people in Wales. Approximately 16 per cent of all dwellings in Wales are social housing, compared with 14 per cent that are private rentals.<sup>100</sup> There are also some important differences as to the level of financial assistance that low-income renters are entitled to within the social housing sector compared to renters in the private rental sector.

The LHA does not apply in the social housing sector.<sup>101</sup> This means that social renters don't face many of the challenges outlined in chapter 3 that are caused by the LHA-rent gap. On top of this, there is no shared accommodation rate in the social housing sector.<sup>102</sup> This means that single people under 35 are entitled to assistance to cover the cost of renting a one-bedroom property.

Tenants in the social housing sector also benefit from greater legislative and regulatory protections. No fault evictions, for example, are not permitted within the social housing sector, meaning that tenants have greater long-term security.<sup>103</sup>

A shortage of social housing means that the role that the sector can play in addressing some of the challenges that have been identified in this report is limited. This section will explore the extent of the shortage of one-bedroom social housing in Wales and will examine trends in social housing construction to explore whether the shortage is reducing.

### 6.1 Available social housing

In 2020/21, the total social housing stock in Wales stood at 235,557 dwellings.<sup>104</sup> Of these, 62,907 (27 per cent) were one-bedroom units.<sup>105</sup>

There are two broad categories of social housing: general needs and supported housing. General needs accommodation is open to anyone, whilst supported housing is reserved for specific groups. The groups include older people, disabled people or people who require additional living support.

General needs housing accounts for the vast majority of social housing stock in Wales, with nearly 85 per cent of stock being general needs properties.<sup>106</sup> When looking at one-bedroom stock, however, the picture is different. Of the 62,907 one-bedroom properties, 26,251 are supported housing or extra care units, 42 per cent of all one-bedroom stock.<sup>107</sup> This means that there are only 36,656 general needs one-bedroom social housing units in Wales.<sup>108</sup>

Comparing social housing stock with demand is a difficult task. One way in which it is possible to get a sense of how closely stock matches demand is to look at the total number of households claiming Housing Benefit and the housing element of Universal Credit in Wales. This is an imperfect measure. Not all benefit recipients want to live in social housing.

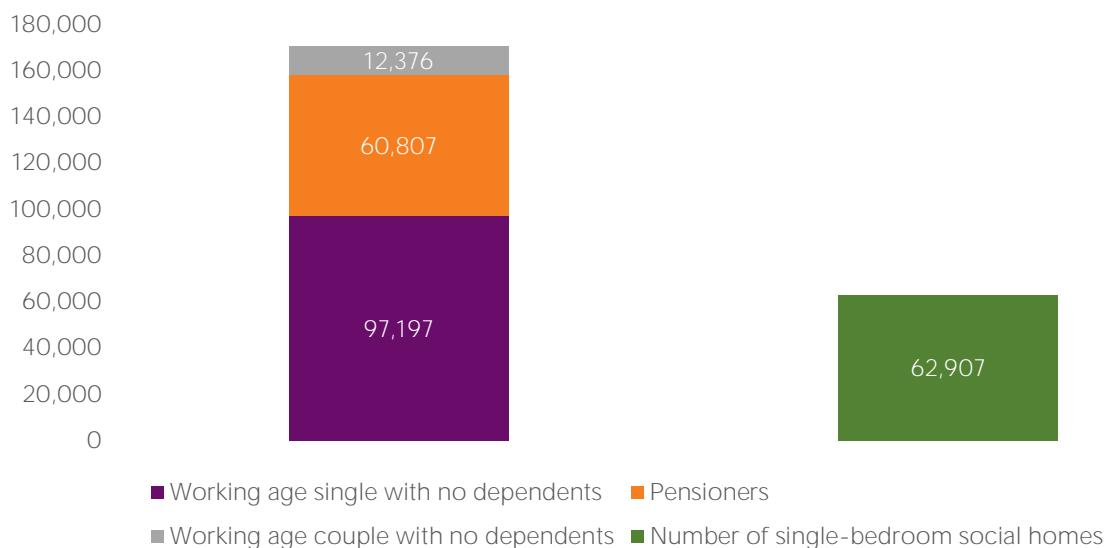
There may be some low-income tenants who opt to live in a two-bedroom property and cover any additional rent themselves, whilst others who currently live with their family or with a partner may prefer to live by themselves. There may also be people who are not in receipt of any benefits that may wish to live in social housing if there were plentiful supply. Despite these limitations, it still provides a useful insight into understanding the extent of the shortage of social housing in Wales.

Single person households account for a significant proportion of benefit recipients. There are approximately 210,000 working age adult households in Wales who claim help towards the cost of their rent.<sup>109</sup> Of these 47 per cent (~98,000) are single person households with no children.<sup>110</sup> The available one-bedroom social housing stock in Wales could therefore only provide accommodation to 64 per cent of single person, working age households receiving help towards their housing costs.

Available social housing stock for low-income single person households is likely to be even more constricted. There are over 12,000 couple no child dependent households in Wales that receive help with their housing cost.<sup>111</sup> Most of these households would only be entitled to receive benefits to cover the cost of living in in a one-bedroom property.<sup>112</sup> When these households are taken into account the total number of one-bedroom social housing stock in Wales could only provide accommodation to 57 per cent of households that are entitled to benefit support to live in one-bedroom accommodation.

This figure is likely to be lower still. There are roughly 60,000 households of state-pension age that claim Housing Benefit.<sup>113</sup> This figure includes single people with no dependent households, and couples with no dependents. When these households are taken into account the total number of one-bedroom social housing stock in Wales could provide accommodation to just 37 per cent of single person and couple with no dependents households that claim Housing Benefit or the housing element of universal credit.

**Chart 2 – number of households in receipt of Housing Benefit / the housing element of Universal Credit in comparison to the stock of social housing**



Source: Statxplare data analysed by the Bevan Foundation

Whilst putting an exact number on the shortage of one-bedroom social housing properties is a challenge it is clear that there is a significant gap between available stock and likely demand. For some low-income renters, this shortage means that they have no choice but to seek accommodation in the private rental sector, for others it can push them into properties with more than one bedroom, seeing them hit by the bedroom tax (there are approximately 20,000 households in Wales that are entitled to benefits to help with the cost of a one-bedroom property affected).<sup>114</sup> Exploring the trends in social housing stock provides an indication as to how significant a challenge this shortage is likely to be in the short to medium.

## 6.2 Trends in social housing stock

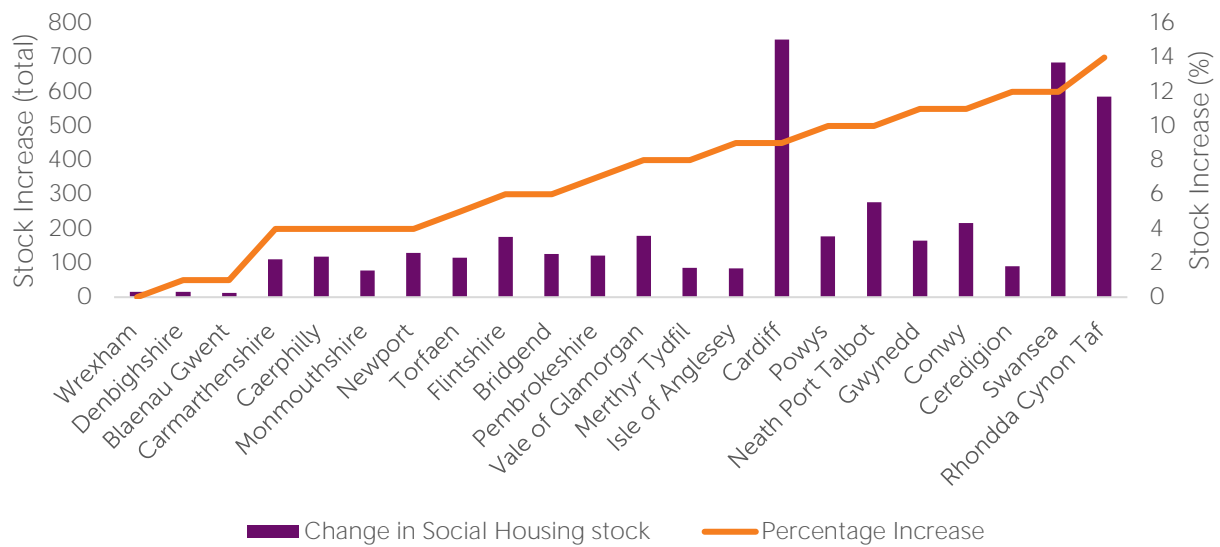
To understand how significant the shortage of one-bedroom social housing stock is likely to remain over the coming years this section will focus on developments made over the last decade, focusing on the rate at which the number of social housing properties has grown.

In 2020/21, the total social housing stock in Wales stood at 235,557.<sup>115</sup> Between 2010/11 and 2020/21 the total social housing stock increased by 9,998.<sup>116</sup> Of these properties 4,320 were one-bedroom units, accounting for 43 per cent of the total increase. These additional 4,320 units saw the total number of one-bedroom accommodation units available at social rent in Wales increase by 7 per cent.

When looking at the position in each local authority a varied picture emerges. There has been an increase in the total one-bedroom social housing stock in every Welsh local authority.<sup>117</sup> In Blaenau Gwent, Wrexham and Denbighshire the total number of one-bedroom social housing units only increased by 12, 14 and 17 respectively.<sup>118</sup> In Cardiff on the other hand, the total one-bedroom social housing stock increased by 752.<sup>119</sup> Only in five Welsh local authorities did one bedroom social housing stock increase by more than an average of 20 a year.<sup>120</sup>

A slightly different picture emerges when looking at the increase in one-bedroom social housing units as a proportion of existing one-bedroom stock. Blaenau Gwent, Wrexham and Denbighshire unsurprisingly report the lowest proportional increase in their one-bedroom social housing stock with an increase of less than 1 per cent over a decade. It is Rhondda Cynon Taf, however, that has seen the largest proportional increase in its one-bedroom stock with an increase of 14 per cent.<sup>121</sup>

Chart 3 – Increase in total one-bedroom social housing stock by local authority (number and percentage)



Source: Source: StatsWales. (2021b, October 26). Total stock at social rent by local authority area and accommodation type. Retrieved from StatsWales: <https://statswales.gov.wales/Catalogue/Housing/Social-Housing-Stock-and-Rents/totalstockatsocialrent-by-area-accommodationtype>

At current rates, the single bedroom housing stock in Wales is growing on average by approximately 432 units a year. At this pace, it would take 248 years for the single-bedroom social housing stock to match the number of single person and couple households without child dependents that claim Housing Benefit and the housing element of Universal Credit. The capacity of the social housing sector to be a part of the solution to challenge created by LHA is therefore likely to be limited unless there is a significant increase in the rate that new social housing units become available to rent.

## 7. Conclusion and recommendations

High rents and low incomes make accessing safe, secure and warm accommodation a challenge for many. The social security system should offer a safety net for all low-income households struggling to meet their housing costs. As this report has demonstrated, this is not the case. The significant gap that has developed between LHA rates and rents mean that the support provided through the social security system is not enough. This leaves many households facing an impossible decision, move into a property where rents are higher than the LHA rate and risk being pushed into significant financial hardship, or move into poor quality accommodation, or seek assistance through the homelessness system. These challenges are especially acute for single people under 35 who are only entitled to the shared accommodation LHA rate.

Fundamentally, the power to address these problems rests with the UK Government. It is the UK government that takes decisions on how the LHA is set, that decides the level of financial support provided and that makes decisions in relation to the broader social security system. If the UK Government does not take action to address the issues identified in this report, then low-income households will continue to struggle.

However, we have identified several areas where more effective policies could be pursued by the Welsh Government and Welsh local authorities to assist low-income households. Such policies will not eradicate the challenges caused by the LHA, but they could mitigate against its worse effects.

With rents continuing to rise it is imperative that action is taken immediately to ease the challenges identified in this report. Failure to do so will see more people pushed into the homelessness system, and many more pushed into financial hardship.

This conclusion sets out our calls for reform under five heading, each seeking to address a different challenge identified in this report.

### 7.1 Reforming LHA

LHA rates are set at levels that are simply too low to cover the rents of low-income renters. Reforming the LHA is key if we are to find long term solutions to problems outlined in this report. There are four measures that should be taken to achieve this.

#### Annual uprating of LHA

This report has demonstrated just how far below rents LHA rates are. The decision to freeze LHA rates again in 2022/23 will only serve to exacerbate this problem leading to the development of an even larger LHA gap. Uplifting LHA rates annually to the contemporary 30<sup>th</sup> percentile could be done swiftly and would ease some of the pressures facing low-income households.

**Recommendation – The UK Government should uprate LHA annually so it keeps pace with rising rents.**

## Scrap the shared accommodation rate

Low-income single people under 35 face significant challenges when seeking to find accommodation in the private rental sector due to the shared accommodation rate. Single people under 35 are going to continue to be at a significant disadvantage as long as the shared accommodation rate remains in place. The UK Government could act swiftly to abolish the shared accommodation rate, easing the pressure faced by young renters.

**Recommendation – The UK Government should scrap the shared accommodation LHA rate with single tenants under 35 being entitled to the one-bedroom LHA rate.**

## Improving data on rents

To ensure that LHA rates accurately reflect market conditions it is crucial that rates are set based on robust data. This report has raised concerns that there are several shortcomings built into the current system:

- There is no obligation on landlords to share how much they charge for rent meaning that data gathered by rent officers may not provide a true overview of local rental markets.
- The rents of approximately 40 per cent of all Welsh tenants are discounted due to the fact that they receive housing benefit or the housing element of universal credit.
- Small sample sizes mean that LHA rates are sometimes set using data from other BRMAs.
- There are concerns about whether some BRMAs are truly representative.

To address these concerns there are three actions that should be taken:

**Recommendation – The Welsh Government should mandate all landlords in Wales to share how much they charge for rent on an annual basis. This data should be collected and processed by Rent Smart Wales as part of their broader activities.**

**Recommendation – Welsh local authorities should use existing mechanisms to ask the UK Government to review Welsh BRMAs.**

**Recommendation – If the UK Government is unwilling to review BRMAs the Welsh Government should request for the devolution of powers to allow them to do so.**

## Review of LHA rates

In the medium term the UK Government should undertake a review of the way that LHA rates are set. The issues on data identified in this report mean that it is extremely difficult to determine at what percentile LHA rates should be set to provide low-income renters with enough assistance to cover their rent. The UK Government should work with the devolved governments and local authorities to address these data issues before taking a full review of LHA.

**Recommendation – The UK Government should undertake a review to determine at what percentile LHA rates should be set to provide low-income renters with enough assistance to cover their rent.**

## 7.2 Closing the gap between LHA and rents

Increasing the LHA is the most significant measure that can be taken to close the gap between LHA and rents. There are actions that could be taken by the Welsh Government and by Welsh local authorities to seek to close the gap.

### Action to top up rents

There are mechanisms at the disposal of the Welsh Government and Welsh local authorities that would allow them to top up the rent of low-income renters to cover the LHA gap. The most significant of these are Discretionary Housing Payments (DHPs).

DHPs remain an under-utilised tool in Wales to cover the LHA gap.<sup>122</sup> Whilst we acknowledge the concerns raised by several local authorities about the long-term viability of DHPs we believe that the crisis in housing affordability is so acute that it is right to focus on short term measures to ease the immediate pressure faced by families.

There are measures that could be taken swiftly in this area.

**Recommendation – All Welsh local authorities should spend their DHP allocation in full.**

**Recommendation – The Welsh Government should guarantee local authorities that their DHP pot will not fall below a designated floor. If the DWP cuts DHP allocations the Welsh Government would then step in and fund the difference. This would provide local authorities with more long-term security, addressing some current concerns.**

### Action to control rents

In addition to taking action to top up rents the Welsh Government does have the ability to take action to control rents. It can do so either by incentivising landlords to let their properties at LHA level or by legally requiring them to do so.

The Welsh Government have already taken action to establish an incentive-based scheme. The Welsh Government's Leasing Scheme provides funding to local authorities to incentivise landlords to let their properties to low-income tenants at 90 per cent of LHA rates.<sup>123</sup> As more information becomes available as the scheme develops it is vital that the Welsh Government reflects on the strengths and weaknesses of the scheme, refining it to meet the needs of low-income tenants.

**Recommendation – The Welsh Government should regularly review the support provided through its Leasing Scheme, amending the scheme as necessary to assist as many low-income tenants as possible.**

Discussion have also already started in Wales with regards to the possibility of controlling rents. The Co-operation Agreement between Labour and Plaid Cymru stated that proposals on "rent caps" would be published in a forthcoming white paper.<sup>124</sup>

Rent caps could have a role to play in closing the gap between rents and LHA. Both tenants and housing support officers expressed concerns that if the LHA was uplifted, landlords would raise their rent accordingly. Rent caps could serve as a tool to ensure landlords do not immediately raise their rents and provide market stability at the lower end of the market.

**Recommendation – The forthcoming white paper on rent caps should focus on the needs of low-income tenants. Focusing on rents at the upper end of the market is unlikely to make a difference to the challenges facing low-income tenants.**

### 7.3 Protecting tenants

As this report has demonstrated, even if action were taken to close the LHA gap many low-income tenants would still face challenges finding long term accommodation due to landlord requirements and local authority and Welsh Government practices. There are four sets of actions that could be taken rapidly at a Welsh and local level that could ease some of these challenges.

#### Addressing unfair landlord requirements

Approximately a third of properties advertised in the ten local authority areas examined by the Bevan Foundation included provisions that are likely to prohibit low-income tenants from renting the property. We believe that there is a case for introducing legislation to prohibit such practices.

**Recommendation – The Welsh Government should introduce legislation that prohibits discriminatory and unfair landlord requirements. This includes excessive deposits and person requirements that relates to the employment status of the tenant.**

Even if the Welsh Government took action to prohibit unfair and discriminatory landlord requirements many low-income tenants are likely to continue to face a challenge when meeting more legitimate requirements.

A number of local authorities have already developed schemes that provide support to low-income tenants to help them meet these challenges. The Welsh Government's Leasing Scheme also provides an opportunity to address some of these concerns.

**Recommendation – The Welsh Government should work with local authorities to explore how they can support more low-income tenants meet landlord requirements. For example, the Welsh Government should explore how its Leasing Scheme could be developed to allow local authorities to act as guarantors for low-income tenants.**

#### Eviction support

The Welsh Government's decision to legislate to introduce a minimum six-month notice period for no-fault evictions is to be welcomed. There are concerns however that the potential benefits of this legislative change may not be realised without change in operating practice.

**Recommendation – Welsh local authorities should start the process of providing support to tenants who have been issued with an eviction notice at the beginning of the six-month period, rather than wait until the final two months of the notice period.**

We have also highlighted concerns that landlords could place pressure on tenants to force them out of their property before the end of the six-month notice period. The Welsh Government should actively monitor how prevalent this practice becomes.

**Recommendation – The Welsh Government should actively monitor whether landlords try and exploit any loopholes in the Renting Homes (Wales) Act 2016. If there is evidence of this taking place the Welsh Government should look at international best practice to consider how tenants can be better protected.<sup>125</sup>**

### Empowering private rental sector tenants

A concern that has emerged through our work is that private rental sector tenants are not empowered, both in terms of knowing their legal rights or in terms of having a strong voice to join in policy debates.

The introduction of occupation contracts under the Renting Homes (Wales) Act 2016 may go some way to dealing with this challenge. New tenants will be provided with some information about support organisations through the contract.<sup>126</sup> We believe that there is space to go further.

**Recommendation – Local authorities should work with support organisations in their area to produce a pamphlet for tenants with useful contact details for support. The pamphlet should also include a list of responsibilities that a landlord must fulfil. The Welsh Government should mandate all private rental sector landlords to share this pamphlet with their tenants at the start of a new tenancy.**

Even where tenants are aware of their legal rights some do not take action due to the fear of being evicted by their landlord. We believe the establishment of tenancy unions could serve to empower tenants, ensuring they are supported to exercise their rights. Tenancy unions in Germany<sup>127</sup> and Sweden<sup>128</sup> represent examples of particularly strong groups that provide support for tenants. These groups provide advice for tenants, negotiate rent increases on behalf of tenants, and cover legal costs for tenants where there are disputes.

These tenancy groups are funded by the tenants, rather than from government. However, we believe that there is a case for the Welsh Government to support their development in Wales, to complement the work of other stakeholders within the sector.

**Recommendation – The Welsh Government should fund and promote the establishment of tenant organisations in each local authority.**

### Understanding the sector

There is a severe shortage of publicly available data on the state on the private rental sector in Wales. As already highlighted, there are likely to be significant shortcomings in the data collected on rents. This is not the only weakness, however. For example, there is no Welsh

equivalent to the English Housing Survey. We believe that policy must be based in strong evidence, there is a clear need to take action to address these gaps in our knowledge.

**Recommendation – The Welsh Government should conduct undertake an annual survey of the private rental sector in Wales. Working with Rent Smart Wales to share information.**

## 7.4 Increasing the supply of social housing

The long-term solution to the challenges caused by LHA is to increase the availability of housing within the social housing sector. As this report has highlighted, however, the number of social housing properties currently being constructed is not enough to make a significant difference.

If the social housing sector is to play a role in providing a solution to this challenge the Welsh Government must explore means to quickly increase social housing stock.

**Recommendation – The Welsh Government should significantly increase investment in construction of new social homes.**

**Recommendation – The Welsh Government should explore, and support means of increasing social housing stock quickly, including purchasing empty homes and making greater use of modular housing.**

Increasing the construction of social housing at the rate required will not be a cheap process. One option that could increase the resources at the disposal of the Welsh Government is to explore whether powers over housing benefit and the housing element of universal credit could be devolved. This could allow the Welsh Government to move from a model that subsidises rent to a system that subsidises supply.

**Recommendation – The Welsh Government should undertake a review to assess the challenges and opportunities that would be presented by devolving the housing element of Universal Credit and Housing Benefit.**

## 7.5 A Welsh Home Guarantee

As this report has demonstrated the combined impact of the LHA and landlord requirements can undermine the efforts of local authority housing and homelessness teams to prevent homelessness, and to find long term accommodation for people already within the homelessness system. There is more that the Welsh Government can do in collaboration with local authorities to overcome these challenges.

We recommend that the Welsh Government establish a Welsh Home Guarantee in partnership with local authorities. Such a guarantee would see homeless people or people who are at risk of homelessness provided with a comprehensive package of assistance that is tailored to the needs of the household. We envisage that the guarantee would be delivered by local authorities but with Welsh Government providing adequate resources to enable them to do so.

Among the actions we recommend that local authorities should be permitted to take with the support of the Welsh Government under the guarantee are:

- Act as a guarantor on a lease.
- Provide a reference for prospective tenants.
- Commit to providing a DHP to cover any rent gap for at least the first twelve months of a new tenancy, with this support rolled over where appropriate.
- Work with people to ensure that they receive any financial support that they are entitled to. Such support includes the Discretionary Assistance Fund, the Council Tax Reduction Scheme and the Winter Fuel Support.

Providing such support could significantly increase the money that low-income renters have in their pockets, easing the impact of the rent gap, whilst also addressing some of the issues highlighted in this report with regards to landlord practices.

**Recommendation – The Welsh Government should establish a Welsh Home Guarantee to ensure that homeless people and people threatened with homelessness are provided with an adequate level of assistance to find accommodation. Such assistance should primarily be provided by local authorities with the Welsh Government ensuring that they have the required resources to do so.**

## Annex 1. What we have done

The findings in this report are based on both qualitative and quantitative research that was conducted between March 2021 to March 2022. This section provides a short summary of the research methods adopted.

To examine the extent of the gap that has developed between LHA and rent the Bevan Foundation collected data on advertised rents. This was done by scraping data from online letting agent sites SpareRoom and Rightmove. We additionally collected data from informal property market sources, such as Gumtree, Craigslist, and Facebook Marketplace. We scraped the data in several periodic snapshots occurring from May 2021 to December 2021. Data gathered included the advertised rent as well as any other landlord requirements noted in the advert such as references and deposits, and any indicators of the quality of accommodation.

Data was gathered on properties listed in ten Welsh local authority areas; Cardiff, Swansea, Rhondda Cynon Taf, Flintshire, Denbighshire, Conwy, Gwynedd, Pembrokeshire, Merthyr Tydfil and Torfaen. These local authorities were chosen to be representative of urban, rural, coastal and valley communities. In total, we collected data from 5,206 rental adverts.

For the purpose of this report, we present data at a local authority level, rather than for each BRMA. We are doing so given that BMRAs are not a geographic entity used in other policy areas. Looking at the picture at a local authority level therefore makes it easier to make other policy comparisons and to discuss solutions more holistically. In local authorities that feature multiple BMRAs, we have calculated the LHA gap for each property with their respective LHA rate and calculated the average gap of these properties within the local authority borders. Please contact us if you wish to view the data broken down by BRMA.

It should be noted that the data gathered by the Bevan Foundation is based on advertised rent and that the final agreed-upon rent may differ. This is an important distinction as LHA levels are set based on agreed rents rather than advertised rents.

We have also used data published by the Department of Work and Pensions via Statxplora. The data used in this report is for July 2021.

To complement this, we have sought to engage with people with lived experience of homelessness, with frontline support workers, and with stakeholders in the housing sector. This is to ensure the views of the people affected by housing policy feed directly into our research and recommendations.

Central to our research were the views of people with direct lived experience of homelessness, the private rental sector, and problems with housing more generally. In total we conducted 14 semi-structured one-to-one interviews between August

and December 2021 with people with first-hand experiences of struggling with the LHA gap. Two follow up interviews were conducted with people who were in the process of searching for new accommodation between August and December 2021.

Twelve of the people interviewed by the Bevan Foundation were over 35, single, and without dependents. Nine of the participants were in temporary accommodation, four in the private rental sector, and one currently in social housing. All names used in this report are pseudonyms.

To support our one-to-one interviews, we arranged three focus groups, facilitated by Hafod, Crisis, and Together Creating Communities, Portuguese Language Speaking Community Wrexham, and South Riverside community groups to provide people with lived experience of the housing system an alternative way to share their experiences. Eleven joined these discussions and were provided with an opportunity to share their first-hand experience and to share their ideas about solutions to the issues with the current system.

In addition to speaking with people with lived experience, we have also undertaken a series of one-to-one interviews with local authority housing officers over the course of our project. In total we undertook interviews with housing and homelessness teams in ten local authorities, broadly reflecting the geographic areas selected for data analysis. Alongside these we have heard from various civil servants within both the Welsh Government and DWP, and numerous third-party stakeholders, including Shelter, the National Residential Landlords Association, End Youth Homelessness Cymru, and Cymorth.

Following our one-to-one interviews, we hosted two roundtable discussions with thirty stakeholders in the housing sector. We additionally hosted two advisory group meetings, attended by a selection of ten key stakeholders. This allowed us to glean further insights into the challenges facing the housing sector and develop ideas for solutions.

We additionally conducted a survey which was designed for staff at local authorities and within third sector organisations. The purpose of the survey was to provide stakeholders with an opportunity to share their ideas about policy solutions with the Bevan Foundation, and to provide us with an opportunity to sense check some of our ideas.

## Annex 2. List of BRMAs

Local Authority	BRMAs covered
Blaenau Gwent	Blaenau Gwent BRMA
Bridgend	Bridgend BRMA
Caerphilly	Caerphilly BRMA
Cardiff	Cardiff BRMA
Carmarthenshire	Carmarthenshire BRMA
Ceredigion	Ceredigion BRMA*
Conwy	North Clwyd BRMA*
Denbighshire	North Clwyd BRMA* Wrexham BRMA*
Flintshire	Flintshire BRMA* North Clwyd BRMA* West Cheshire BRMA*
Gwynedd	North West Wales BRMA* South Gwynedd BRMA*
Merthyr Tydfil	Merthyr Cynon BRMA*
Monmouthshire	Monmouthshire BRMA
Neath Port Talbot	Neath Port Talbot BRMA*
Newport	Newport BRMA
Pembrokeshire	Ceredigion BRMA* Pembrokeshire BRMA*
Powys	Brecon and Radnor BRMA* Neath Port Talbot BRMA* North Powys BRMA*
Rhondda Cynon Taf	Merthyr Cynon BRMA* Taff Rhondda BRMA*
Swansea	Swansea BRMA
Torfaen	Torfaen BRMA
Vale of Glamorgan	Vale of Glamorgan BRMA
Wrexham	Wrexham BRMA*
Ynys Mon	North West Wales BRMA*
* BRMA covers multiple local authorities, or a limited part of a local authority	

### Annex 3. LHA rates for Apr 2020 – Mar 2023 (£ per week)

(BRMA)	Shared Accommodation	1 bedroom	2 bedroom	3 bedroom	4 bedroom
Blaenau Gwent	54.00	66.39	80.55	90.90	132.33
Brecon and Radnor	52.50	71.86	98.96	115.07	138.08
Bridgend	58.68	109.32	109.32	115.07	156.26
Caerphilly	75.95	79.17	103.56	108.16	138.08
Cardiff	71.11	120.82	149.59	178.36	218.63
Carmarthenshire	62.71	80.55	97.81	110.47	136.93
Ceredigion	62.50	92.05	110.47	121.97	138.08
Flintshire	87.50	92.05	120.82	136.93	184.11
Merthyr Cynon	54.00	77.10	86.30	97.81	149.59
Monmouthshire	75.95	95.57	126.58	149.59	179.74
Neath Port Talbot	62.50	79.55	95.00	103.56	121.40
Newport	75.95	90.90	113.92	126.58	172.60
North Clwyd	58.95	80.00	113.92	132.33	166.85
North Powys	52.50	67.89	90.90	109.32	136.93
North West Wales	75.00	80.55	103.56	120.82	149.59
Pembrokeshire	60.00	78.25	98.96	120.82	143.84
South Gwynedd	58.95	74.79	87.45	103.56	121.20
Swansea	62.50	103.56	113.92	120.82	166.16
Taff Rhondda	54.00	75.00	92.05	98.96	137.51
Torfaen	54.00	87.31	105.86	120.82	149.59
Vale of Glamorgan	64.44	100.63	126.58	138.08	195.62
West Cheshire	73.25	103.56	126.58	149.59	205.97
Wrexham	72.84	92.05	113.92	128.88	166.85

Annex 4. Gap between LHA rates and officially recorded 30<sup>th</sup> percentile (£ per week)

(BRMA)	Shared Accommodation	1 bedroom	2 bedroom	3 bedroom	4 bedroom
Blaenau Gwent	-6.00	1.67	0.00	0.00	0.00
Brecon and Radnor	-5.00	5.19	4.37	0.00	4.60
Bridgend	-1.32	0.00	0.00	-5.75	-4.61
Caerphilly	2.94	-1.38	0.00	-1.16	0.00
Cardiff	0.69	-5.76	-5.75	-5.75	0.00
Carmarthenshire	0.00	0.00	-2.30	0.00	0.16
Ceredigion	0.00	0.00	0.47	-2.30	-2.30
Flintshire	-0.35	0.00	0.00	-1.15	0.00
Merthyr Cynon	-6.00	1.34	0.00	-5.75	17.26
Monmouthshire	0.58	0.06	0.00	0.00	-0.92
Neath Port Talbot	-4.82	-1.00	-1.66	0.00	-5.18
Newport	2.65	0.00	-1.15	-5.75	-23.02
North Clwyd	-1.30	-0.55	-1.15	0.00	0.00
North Powys	-5.00	-1.15	0.00	0.00	-1.04
North West Wales	0.00	-6.76	-5.06	-4.60	2.76
Pembrokeshire	-5.00	-1.64	-1.05	0.00	-4.55
South Gwynedd	-1.30	-0.21	-2.91	-6.45	-4.20
Swansea	-4.82	0.00	0.00	0.00	-0.69
Taff Rhondda	-6.00	-5.00	0.00	-1.04	-0.57
Torfaen	-3.50	-1.07	2.30	0.00	0.00
Vale of Glamorgan	-0.46	2.82	-0.83	-0.38	0.00
West Cheshire	-1.00	0.00	0.00	0.00	0.00
Wrexham	-3.41	-3.46	0.00	-3.45	-5.75

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- <sup>103</sup> Rhian Davies. (2019). Understanding Social Housing Evictions in Wales. Cardiff: Welsh Government. Read more here: <https://gov.wales/understanding-social-evictions-wales>
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- <sup>105</sup> *Ibid*
- <sup>106</sup> *Ibid*
- <sup>107</sup> *Ibid*
- <sup>108</sup> *Ibid*
- <sup>109</sup> Statxplora data analysed by the Bevan Foundation
- <sup>110</sup> *Ibid*
- <sup>111</sup> Statxplora data analysed by the Bevan Foundation
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- <sup>113</sup> Statxplora data analysed by the Bevan Foundation
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