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Response to the Welsh Government Green Paper consultation: Securing a path towards adequate housing including fair rents and affordability

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Introduction.

Shelter Cymru welcomes the opportunity to provide evidence to this Green Paper consultation. We strongly support the Welsh Government's vision that every person should be able to obtain a safe, and affordable home. As the introduction to the consultation document clearly recognises, *"the ability to call somewhere home provides security, identity, and a sense of community belonging."*¹

As a charity, we exist to defend the right to a safe home, because **home is everything**. We help thousands of people across all of Wales every year who have been affected by the housing emergency by offering free, confidential and independent advice. When necessary, we constructively challenge on behalf of people to ensure that they are properly assisted, and to improve practice and learning. We work with people who use our services as equals. We provide information, advice and support to help people identify the best options to prevent homelessness, to find and keep a home and to help them take back control of their own lives. We fight the devastating impact the housing

¹ <https://www.gov.wales/sites/default/files/consultations/2023-06/housing-adequacy-fair-rents.pdf>

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emergency has on people and communities in Wales through our campaigning, advice and support – and we never give up.

We understand that our response will help inform the development of a White Paper consultation next year, which will include proposals to achieve housing adequacy, including fair rents and affordability, a commitment which is part of the Co-operation Agreement with Plaid Cymru.

We also appreciate that this is an evidence gathering exercise, that there is no intention to bring forward new legislation during this Senedd term, and that it is unlikely to be taken forward until 2026/27, i.e. in three to four years' time.

Wider strategic policy making takes time and consideration. However, this should not deflect from the need for more immediate responses to support Welsh households in our housing emergency today. Calls for evidence of this nature can create an illusion of progress but do little in the short term for the record number of 10,869 people calling temporary accommodation their home². This figure has increased 70% over the last two years and is only set to spiral further upward without significant action now. In our response we provide suggestions on where this immediate action should be focused.

Securing a path towards adequate housing

Since 2019, we've campaigned with our Back the Bill³ partners – Tai Pawb and CIH Cymru – to secure housing as a human right and built the evidence base to support our call for the incorporation of the right to adequate housing in Wales.

At Shelter Cymru, we have particularly sought to promote **the role of the right in facilitating an end to homelessness in Wales**. The statutory homelessness framework is often referred to as our housing safety net, yet it is widely recognised that this net has

² <https://www.gov.wales/homelessness-accommodation-provision-and-rough-sleeping-june-2023>

³ <https://www.taipawb.org/policy-influencing/backthebill/>

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significant and growing gaps caused both by a lack of homes which people can afford and the support available to them.

Alma Economics told the Committee that, in their view *"the current policy trajectory does not put Wales on a path to ending homelessness"*. Shelter Cymru believe that establishing a right to adequate housing will set the foundations for a whole system approach to ensuring everyone in Wales can access a suitable home. It will drive planning beyond a Senedd term, in a manner consistent with the Future Generations and Wellbeing Act. Requiring the progressive realisation of a good home for all, would support the Minister's priorities of ending homelessness and establishing rapid rehousing. **A key benefit of introducing the right to adequate housing would be the elevation of the level of priority current and future governments place on housing and ending homelessness, and so it would better protect, and promote, investment in this policy area during a period of budgetary restraint.**

Affordability is a key component of the right to adequate housing. However, as a coalition, **we do not agree with the approach to combining two related, but distinctly different policy areas of fair rents and the right to adequate housing in one Green Paper.** Doing this undermines a full exploration of both issues, regardless of perspective.

In recognition of this, we have prepared a joint response as a coalition to the right to adequate housing element of the Green Paper specifically which has been submitted by Tai Pawb on partners behalf. Each partner has then provided a separate individual response to the discussion on fair rents and affordability.

Fair Rents and Affordability

Our thoughts on fair rents and affordability have been shaped by our extensive housing advice casework across Wales and first-hand experience of working with households living in privately rented accommodation. Giving advice to private sector tenants accounts for a significant proportion of Shelter Cymru's case work.

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During the first six months of 2023 alone our housing advice service assisted 2,362 households living in the private rented sector, accounting for 52% of our total caseload. Of these cases, 243(10%) had issues regarding rent levels, 242(10%) had rent arrears and 700 (30%) were facing possession proceedings. Among our casework we have seen extreme examples of rent rises of 100% and higher.

These figures do not include the many more households who seek support from us after finding themselves in the homelessness system due to the loss of a private rented sector tenancy.

Given the nature of our casework, Shelter Cymru is understandably supportive of measures which stabilise rental costs and ensure access to affordable accommodation options for low-income households. These measures would help prevent homelessness from occurring due to unsustainable housing costs and ensuring alternative accommodation is available when needed. **We are however cautious of policy interventions which target the symptoms of failures in the Welsh housing system rather than the root causes.**

A note on the role of privately rented accommodation in our housing system

We feel that it is important to reflect on the role of the private rented sector and how it is currently positioned in our pressurised housing market. This should be the starting point for any strategic policy intervention of this nature.

Shelter Cymru talks a lot about the Welsh housing emergency and can't do so without highlighting the difficulties being faced by households living in, or looking to secure accommodation in the private rented sector. **Given the shortage of social housing, supply and affordability issues in the private rented sector are some of the main drivers of homelessness in Wales.**

The 2021 census revealed a 155% increase in the number of households renting privately in Wales over the last 20 years, accounting for an extra 139,000 households. This sits in

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stark contrast to an increase of only 2% in owner occupation and the 3% increase in households living in social housing.

The option to rent privately may have previously been taken by those making an active choice for short-term flexibility, or to enable residence in a particular area for lifestyle or convenience. It was the tenure of conscious choice for people looking to establish themselves in a new area before committing to a property purchase, or for someone relocating for a short term job opportunity.

We now regularly hear reference to the private rented sector as the tenure of last resort for people unable to afford home ownership due to rising house prices and households who would have some priority for social housing if only there was sufficient supply.

The private rented sector has grown to fill the gaps elsewhere and respond to demand whilst also representing a sound business decision for investing landlords. Meanwhile, households in need of long term, secure accommodation in their local community are in a position of constant worry about whether their tenancy will be brought to an end and when they will need to pack up and move on again.

The recent trend of landlords looking to leave the sector due to greater regulation has brought into focus our reliance on this accommodation option to fill the gaps which have developed elsewhere in the housing market.

We need strategic vision from the Welsh Government about the role of the private rented sector in our housing system, who it is for and who should be providing it. Policy discussions on future rent control measures must be considered in this wider context.

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Shelter Cymru response to Green Paper questions:

Q5. Do you agree with the proposal to define “fair” in its broader context?

Q6. What considerations do you think should be taken into account when defining what is meant by fair rents – and how might we avoid unintended consequences?

Whilst we applaud the Welsh Government for being mindful of the position of both landlord and tenant in their broad definition of “fair”, in reality rent levels which are affordable for a low income family will be at a different end of the price spectrum to those required to provide a satisfactory return on a landlord’s investment. **It is naïve to think that a rent level can be found which is “fair” to all parties, to both landlord and tenant. Any view of what is “fair” is also closely linked to who we consider the private rented sector to be for, and the nature and extent of its proposed future role within the housing system.**

Increased regulation through mandatory registration, the changes introduced by the Renting Homes (Wales) Act and increased interest rates have understandably led many landlords to question whether they want to remain in the sector. It is acknowledged that any further discussion about controlling the rent which they are able to charge is likely to add fuel to that exodus.

Shelter Cymru’s focus however, has to be on the households unable to meet rising rental costs with increasing numbers turning to local authority homelessness teams when they can’t find alternative affordable options themselves. Many will go on to require temporary accommodation at a significant cost to the public purse.

It is not possible to achieve lower rents without impacting on a landlord’s return, with many relying on this income stream and facing higher mortgage repayment costs themselves.

Housing benefit has acted as a public subsidy buffer between affordability levels and investment return demands. However, Local Housing Allowance levels have not been increased since April 2020, whilst we know that Wales has seen significant rent increases of up 10% or 11% in hotspots such as Merthyr, Rhondda Cynon Taff, Cardiff,

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Newport, Vale of Glamorgan and Conwy. Research⁷ by the Bevan Foundation confirmed something which we have all known but feared – the scarcity of affordable accommodation options in the private rented sector for low income families. Data collected from 2,638 rental adverts across Wales in February 2023, found that, in Wales, only 32 properties advertised were available at or below LHA rates, equating to just 1.2% of the market. 16 local authorities did not have a single property available at LHA rates.

Call for immediate action: Shelter Cymru continue to campaign to ask MPs to support the call to unfreeze Local Housing Allowance and lift the benefits cap to make private renting more affordable and would call on the Welsh Government to continue to do the same.

Q7. What considerations do you think should be taken into account when defining “local incomes” – and how should it be defined?

Q8a. What measures should be used to assess affordability, and why?

Q8b. Do you agree that 30% of a household’s income is an appropriate indicator of affordability?

We will leave others, with a greater knowledge of available data sources and calculations to comment in detail on this section, e.g. the Bevan Foundation and Welsh Government’s own statistical team, but can provide some broader reflections.

The consultation paper rightly recognises the importance of reflecting local geographical differences in both rent and income levels. **When defining local, the smaller the geographical area being considered the better, in order to uncover localised market differences.**

Local Housing Allowance calculations for example currently use Broad Rental Market Areas as the basis for their geography. These have been criticised by the House of Lords⁴ and areas in Wales are large enough to include a number of local authorities with widely

⁴ <https://publications.parliament.uk/pa/ld200708/ldjudgmt/jd080730/heffer-1.htm>

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differing housing markets. Tying geographical collection areas to the local housing market areas set by Local Authority Strategic Housing Market Assessments would make sense as this would enable a dovetailing of data around incomes, affordability, supply and demand.

The 30% of household income as an indicator of housing affordability may be considered to be the best that we currently have but it is time to review how accurately it reflects reality. It is our understanding that this is a historic “finger in the air” indicator and we can find no evidence base for its use. There are also variations on what is deemed to be a housing cost. **Shelter Cymru would welcome and be happy to provide practical support to research into this area. Is 30% of household income a true reflection of housing affordability given the increased costs of living more generally?**

Prof Geoff Meen presented to a meeting of the Cross Party Housing Group on this topic⁵, and shared the results of some exploratory research that suggested that 30% was still too expensive for some households. According to the Bevan Foundation’s Snapshot of Poverty in Summer 2023⁶, 48% of Welsh PRS tenants are cutting down on food or skipping meals. We need greater awareness of the cumulative impact of the cost of living crisis on household budgets and the effect on people’s ability to keep a roof over their heads.

⁵ <https://www.youtube.com/watch?v=UN2OyZsMytE>
<https://www.bevanfoundation.org/wp-content/uploads/2023/08/Snapshot-of-poverty-in-summer-2023.pdf>
<https://www.caci.co.uk/datasets/paycheck/>

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Q9. Can you provide any additional data or evidence which has not been considered?

The consultation document and accompanying papers provide a comprehensive context to the data which is readily available in this area. We wonder if further exploration could be made into paid for data sources such as:

- CACI Paycheck ⁷
- Property listing data such as Zoopla
- Data insight provided by Policy and Practice ⁸

We are aware of a number of local authorities and think tanks such as the Bevan Foundation that are using this data to support their housing strategy work and see merit in a cross Wales approach to procurement which could also make this data available to third sector organisations such as ourselves.

Q10. Do you agree that better data on incomes and affordability is necessary to inform policy interventions – and how could this data be obtained?

Q11. What data do you consider needs to be captured on rents and relevant affordability factors, at what scale, and how often?

Shelter Cymru strongly agree that better data is required in relation to incomes, rent levels, affordability, supply and demand in order for policy interventions to be grounded in evidence. The Welsh Government needs to take the lead on its collection and dissemination of this data through a regular Welsh Housing Survey.

The NRLA campaigning report State of the Private Rented Sector⁹ calls for a Welsh Housing Survey to collect and regularly publish data. We fully support this and believe that there is potential for this to be an all-tenure survey which could inform a wide spectrum of policy areas including those outside of housing specifically, e.g. social care,

⁷ <https://www.caci.co.uk/datasets/paycheck/>

⁸ <https://policyinpractice.co.uk/>

⁹ <https://www.nrla.org.uk/campaigns/wales>

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planning and climate change. We would also draw attention to the potential for Rent Smart Wales to act as a conduit for collecting data on rents – see below.

Q12. Are there other considerations and potential impacts (including other data sources) you wish to highlight in regard to the current and future private rental market?

As the consultation document highlights, the overriding concern is that rent control measures will add to the number of landlords choosing to leave the sector, leading to an even greater shortage of available accommodation options.

In contrast to this fear, in their UK Rental Market Report June 2023¹⁰, Zoopla reported that although some landlords are selling “*talk of landlord exodus is overdone*”.

Across the UK, Zoopla sales shows a steady, constant flow of private landlords selling up – this has been the case since 2018 but it’s not accelerating. At the same time, there remains continued new investment in rented homes, mainly from corporate and institutional landlords. The net result is no change in the number of private rented homes in the UK since 2016.

We contacted Zoopla to find out if the picture was any different in Wales in the context of our separate regulation regime. They kindly provided us with Wales specific data, and informed us that whilst the UK wider rate of homes for sale which were formerly rented was 11% in June, the Welsh rate was lower at 6%. Please see the graph below which they provided to us and are happy to be shared.

They commented that “*we have been through the worst of the sales since 2016 but higher mortgage rates and further policy changes continue to shift the landscape for landlords pushing further rationalisation of portfolios and lower new investment.*” With only 50% of landlords using an agent this data doesn’t give perfect coverage but Zoopla consider it to be representative.

¹⁰ <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>

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Rate of homes for sale which were formerly rented, Wales



Extract from Zoopla Rental Market Report date June 2023.

We feel that further work is needed to understand the true extent of landlords exiting the market, their motivations, and how this plays out against a wider discussion on the future role of the sector.

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Q13. What other sources of data on rent might we draw on to inform policy development and future monitoring and evaluation?

Q14. Do you think there should be a requirement to provide rent information to Rent Officers?

Q15. How do you think such a requirement could be enacted and enforced?

Q16. Should such a requirement apply to all landlords or only some, perhaps larger, landlords? Why?

The lack of reliable data in relation to private sector rents has long been a concern for us. Robust data collection is essential to inform future policy decisions and monitor their impact.

As the Collaborative Centre for Housing Evidence (CaCHE) recognise¹¹ there is an *"absence of grounded understanding of landlord supply structure, how segments of rental markets function and operate with different degrees of interdependence, and the extent to which local markets are volatile and subject to external shocks."*

There were missed opportunities in the early days of Rent Smart Wales regarding the data that was collected as part of the registration and licencing process. Calls to collect rental information at the point of application or renewal were not listened to when the licencing authority was established. We understand that further data collection by Rent Smart Wales to enable informed policy making is now being considered and we very much support this as the logical place for it to happen.

Rent level information should be collected by Rent Smart Wales at the point of registration and through an annual review process, with failure to do so resulting in the revoking of landlord licences. This comprehensive data collection is vital to inform future policy direction and we believe that it is justifiable to ask all landlords to provide it, regard less of their size.

¹¹ <https://housingevidence.ac.uk/wp-content/uploads/2022/02/220223-Rent-control-Exec-summary-1.pdf>

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Q17. What do you consider to be the advantages and/or disadvantages of first, second, and third generation rent control measures?

Q18. What factors should apply to determine if a rent control measure is required?

Q19. Who should be responsible for determining if a rent control measure is to be introduced?

Q20. How could compliance with a rent control measure be monitored and enforced?

Q21. Do you have any views on the models for rent control measures?

The overriding advantages of rent control measures can clearly be identified as improving the affordability of renting in the sector for low income households. Shelter Cymru certainly see the merits of measures which seek to stabilise rental price increases for both new and existing tenancies. We have been very worried by recent trends in our casework and the impact of extreme increases on often vulnerable households, who lack meaningful routes to challenge such increases due to the risk of eviction.

One such example was highlighted to us by our Debt Advice worker based in the Bridgend area. In this case the rent being charged was more than doubled from £675 to £1375 per calendar month with minimum notice being given. From the onset the tenant was unable to maintain the payments and immediately fell into arrears. These arrears then acted as a barrier to social housing as they reduced their priority on the housing register. With our support, discretionary housing benefit was used to clear arrears of nearly £5,000 but the household still required temporary accommodation. Sadly, cases such as this are being seen on an increasingly regular basis.

As noted in a Shelter (UK) blog on the topic¹², polling has shown that the public are broadly in support of the idea of rent controls, though there is concern that most people have a

¹² <http://blog.shelter.org.uk/2015/02/the-politics-of-rent-control>

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limited understanding of the different ways in which this might work or what the wider consequences might be.

Shelter Cymru is worried about any measure which creates a rent ceiling or a maximum level of rent which can be charged. Research¹³ suggests that many landlords would respond by raising rents to the maximum allowed leading to a further increase in rents in the sector overall. Indeed, Zoopla have just reported¹⁴ that Scotland has seen the fastest growth in rent levels across the UK at 12.7% where *“rent controls are forcing landlords to maximise rents for new lets”*. As properties become vacant, landlords can reset the rent to the full market rate. This means landlords are seeking to maximise the rent for new tenancies to cover increased costs and allow for the fact that future rent increases will be capped over the life of the tenancy.

We are also concerned that any measures which are linked to the condition of the property or its energy efficiency could lead to a two tiered rental market seeing those with the lowest incomes living in the worst property conditions. On the one hand we see the merits in using this as a mechanism to incentivise property investment and the improvement in standards / living conditions. Conversely, lower income households could be priced out of better quality accommodation.

We do not feel in a position to advocate for any one approach to rent control measures until we have a clear strategic direction from Welsh Government on its view of the sector’s overall purpose, and its place within future strategy. If this is being seen as a temporary measure whilst the supply of social housing is increased, then some form of rent cap or regulated rent increases could be effective in the short term. If the aim is to retain the private rented sector at its current size or support it to grow, then other models would need to be considered – although we would advocate that access to more social homes is the only solution that assures stable homes that people can afford.

¹³ https://www.cchpr.landecon.cam.ac.uk/system/files/documents/Report_106.pdf

¹⁴ <https://advantage.zoopla.co.uk/research-and-insights/zoopla-uk-rental-market-report-september-2023/?member=true>

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In terms of the mechanisms for determining and introducing rent control measures, discussions with our colleagues at Shelter Scotland would suggest that **simplicity is key** to success. In the case of Scotland's rent pressure zone model, we have heard that the factors needed to evidence introduction are too complex and no local authority has yet applied to the Scottish Ministers to have a rent pressure zone area designated.

We support CaCHE's suggestion that it is not possible to *"to separate rent regulation from other components of the private rented sector regulatory architecture e.g. tenancy length and security. Enforcement shapes the impact of regulatory intervention."*

Most landlords would argue that they are feeling over-regulated at the moment. In reality though we should remember that the UK rental market has been the exception across Europe, and that here gradual deregulation and easier access to debt finance has fuelled the rapid growth of the sector since the turn of the century.¹⁵

Call for immediate action: Any measures to regulate rent rises will need to be preceded by measures to protect renters from retaliatory eviction. This is one reason why Shelter Cymru continues to call for a ban on no-fault evictions.

Whilst we have a structured regulatory regime for social housing providers, regulation of the private rented sector is scattered across different mechanisms – Rent Smart Wales, Residential Property Tribunal, local authority environmental health services etc. – and is weaker as a result. The makeup of the two sectors is very different but we believe that there is a lot to be said for regulation sitting in one place.

Call for immediate action: Shelter Cymru would advocate for a clearer regulatory structure for the private rented sector which we believe would benefit both landlord and tenant, including a meaningful route for tenants to challenge unreasonable rent rises.

Q22. Do you have any further evidence or observations that you wish to provide?

¹⁵ https://www.cchpr.landecon.cam.ac.uk/system/files/documents/Summary_14.pdf

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The main argument made against introducing rent control measures in Wales is that it will result in a large proportion of private sector landlords deciding to leave the market, the loss of rental units and a further rise in homelessness. It would be wrong for Shelter Cymru not to acknowledge this fear at a time when accommodation options are already scarce. However, looking at the situation with a wider strategic lens, this potential movement in the market could also be seen as a time of opportunity.

In their 2022 report, Making a house a home¹⁶, the Joseph Rowntree Foundation (JRF) consider the ownership and distribution of homes in the English housing market. They offer the argument that shifting the distribution of homes should be a core goal of housing policy. Recommendations advocate *"exploiting and supporting any reduction in the size of the private rented sector with market intervening policy which expands the supply of social housing and supports households into homeownership."*

JRF argue that *"focussing on the secondary market, particularly in the context of a shrinking private rented sector, offers an opportunity to rapidly scale social housing stock through utilising existing stock."* As well as expanding social housing supply, the socialisation of housing stock offers *"a revenue-raising means of bringing stock up to the environmental standards needed to meet net zero targets, while also supporting the regeneration of local places."*

The Welsh Government target for 20,000 new social homes looks difficult to achieve through our well-trodden new build route, with a number of challenges standing in the way.

Call for immediate action: Shelter Cymru calls on the Welsh Government to seize the opportunity of this shift in our housing stock and actively support the purchase of existing properties at scale to provide the social homes we so desperately need now.

¹⁶ <https://www.jrf.org.uk/report/making-house-home-why-policy-must-focus-ownership-and-distribution-housing>

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Call for immediate action: Equally, policy disruption of this nature could support the growth of sizable partnerships between private and social landlords, such as private sector leasing, whilst the need for such arrangements persists .

Our recommendations for immediate action

To conclude, we re-iterate our call for Welsh Government to recognise the need for **immediate action now in 2023**. Long term thinking such as this Green Paper is important, but we need to be doing more to support households in today's housing emergency. We call upon Welsh Government to:

- Continue to stress the urgency to the UK Government to unfreeze Local Housing Allowance and lift the benefits cap to make private renting more affordable.
- Give private renters meaningful routes to challenge unreasonable increases and protection through a ban on no fault evictions.
- As private sector landlords consider leaving the market, seize the opportunity to actively support the purchase or leasing of existing properties at scale to provide the social homes we so desperately need now.