The private rented sector in Wales
What is the private rented sector?

Wales has a number of types of housing tenure including:

- **Owner occupier housing**: occupants own (or pay a mortgage on) their home
- **Social rented housing**: occupant rents their home from a local authority or registered social landlord
- **Private rented sector housing**: occupants rent their home from a private landlord or letting agent
- **Co-operative housing**: occupants are members who own, run and have an equal say in what the cooperative does; various models can be used including self-build and mutual home ownership

The 2011 census reports that the private sector represents 14% of Welsh households. It is estimated that more than 180,000 households are living in the private rented sector (PRS) in Wales.¹

**Dwelling stock estimates by year and tenure**²

![Dwelling stock estimates % by year & tenure in Wales](image)

The private rented sector in Wales

Research suggests that 14,300 new homes are required each year to meet housing need in Wales.³ In 2012/13 the total number of new-build properties completed was less than 5,500; Wales is undersupplying the national housing requirement by a considerable amount, and this deficit is growing year on year.

Over the last decade, the private rented sector has grown both in absolute numbers and proportionately, mostly at the expense of owner occupation levels. If trends continue, the private rented sector will

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become the second most used accommodation type, after home ownership; it is anticipated to reach 20% of the total stock by 2020.

The private rented sector is diverse, providing homes to a wide variety of households including students, families, single persons and those looking for short-term housing solutions.

However since the 2008 economic downturn the sector is increasingly being used as a longer-term housing option. Since new homes in the social housing sector are not keeping up with demand, and first time buyers or “generation rent” are finding it increasingly difficult to access owner-occupation, the private rented sector is increasingly being used by many more Welsh households.

The private rented sector historically has a bad reputation for the quality of its housing and security of the tenure; landlords have had little incentive to improve their homes and many tenants are afraid of complaining of poor standards for fear of losing their home. An increasing number of “accidental” landlords are joining the more traditional professional investors, “buy to let” borrowers and consortia providers renting private housing in Wales. However there are significant gaps in our knowledge and understanding of the sector.

New private rented sector legislation

“The sector is in need of a more modern and professional approach by landlords. It is too important a part of the housing system in Wales to be left to chance”.6

Welsh Government announced in the Homes for Wales white paper, that it will be developing a system stewardship approach to housing. This means that the new housing bill, and other legislation, will work across the entire industry with new laws, market interventions and statutory responsibilities for Wales. This new approach promotes “joined-up” government as well as co-operation and collaboration between all sectors. The Housing (Wales) Bill was published in November 2013 and includes several proposals relating to the private rented sector.

The principle legislative interventions that will effect tenants and landlords in the private rented sector in Wales, in the next few years include:

- Tenancy reform
- National PRS registration and accreditation scheme
- Statutory discharge of homelessness duty into the private sector

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5 Commons Select Committee—Private Rental Sector, http://www.finders.co.uk/news/2013/02/commons-select-committee-private-rental-sector/
Renting homes (Wales) bill

The Welsh Government is seeking to reform tenancy law in Wales to create a simpler, more logical and clearer legal framework to replace the complexity of current law. The Welsh Government is taking a whole system approach that balances tenant and landlord’s rights and responsibilities, and maximises consumer flexibility, protection and choice.

The key proposals include creating two types of rental contract in Wales:

- A “secure contract” modelled on the current secure tenancy issued by local authorities. This contract will be used by landlords providing “social housing” (local authorities and registered social landlords) creating a “single social tenancy”
- A “standard contract” modelled on the assured short-hold tenancy that is used mainly in the private rented sector. An assured short-hold tenancy will result in a minimum notice period of two months

The proposals will also mean that all landlords will be required to give tenants a written copy of their contract. A template tenancy agreement will be made available for landlords to use and arrangements for starting and ending a tenancy will be standardised. A clear definition of unacceptable behaviour in all contracts will mean introducing a standard “prohibited conduct” term in every rental contract; breaching this term could trigger possession proceedings. The “prohibited conduct” term will cover domestic abuse and all potential forms of anti-social behaviour.

Provision relating to succession entitlements, joint tenancies and renting for 16 and 17 year olds will also change, and it is proposed that the “six month moratorium” that stops a court from ordering a “no-fault” possession in the first six months of an assured tenancy will be abolished.

Proposals for a better private rented sector

The Welsh Government new housing bill is proposing to establish a national, mandatory registration and licensing scheme to regulate landlords, lettings and management agents in the private rented sector in Wales. It will be called the “Welsh agents and landlords licensing scheme” (WALLS) with the aim of mapping current provision more effectively and raising standards.

Landlords and agents will be required to register and become accredited with a local authority; landlords and agents who do not sign up to the scheme will be guilty of a criminal offence and unable to operate for up to five years. The proposed registration fee to join the scheme will be £50 plus an annual administration fee of £20.

Landlords and agents will be required to pass a “fit and proper test” to become “approved” and will then be:

- Issued with a membership card displaying a unique identification number
- Required to display their membership on each new tenancy agreement
- Searchable by tenants via an online database

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To achieve “licensing” status landlords and managing agents will have to:

- Become licensed within two years of the introduction of the scheme
- Complete an accredited training course
- Adhere to a Code of Practice

Once the license has been granted it remains in place for three years. Financial sanctions will be in place for non-compliance, with fines of up to £5,000 being proposed.

New homelessness legislation

Welsh Government recognises the need to do more to address homelessness, and intends to introduce a “housing solutions” approach nationally that emphasises preventative interventions.

The “housing solutions” approach includes:

- A change to the definition of “threatened with homelessness” with an extension from 28 to 56 days. It will increase the opportunities for tenants to approach local authorities to remain in their accommodation or plan an alternative
- A new duty for local authorities (LAs) to take “all reasonable steps to achieve a suitable housing solution” and a requirement for housing associations to work more closely with local authorities
- If an applicant is intentionally homeless, and the household contains a child, and where they have not received help under this section within the previous 5 years, then from 2019 the local housing authority must secure accommodation for occupation by the applicant

A key aspect of the “Housing Solutions” model is the proposal to discharge statutory duty for homeless persons into the private rented sector for a tenancy of at least six months duration. This will enable local authorities to fully discharge their housing duty through the offer of suitable private rented sector accommodation. Details on the housing solutions model are in the new housing bill.

It is hoped that this change will take better advantage of the opportunities available in the current housing market, and reduce the number of local authority placements of homeless families in temporary housing, such as bed and breakfast accommodation.

Innovation and developments

Encouraging “step-change”

The demand for private rented properties is increasing, and it is likely that Wales will continue to rely on the sector to meet growing housing need. For this reason there has been some suggestion that local and Welsh government will need to work more closely with private landlords to raise standards, by improving consumer protection and building landlord and agent capacity. Welsh councils are responsible for strategic housing planning locally and the Welsh Local Government Association has commissioned a fact sheet.

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project\textsuperscript{7} to strengthen partnership working with private landlords and drive improvement in the sector. An improvement toolkit and benchmarking materials have been developed.

\textbf{“Local authorities need to use the private rented sector to be able to effectively manage their housing need”}.
Simon Inkson, Housing Consultant, PRS improvement project, said at CIH Cymru’s PRS Summit 2013

The project concluded that some local authorities take a “silo” approach to working with the private rented sector, with an absence of clear packages to incentivise landlords to improve standards and to encourage empty property owners to consider bringing their properties back into use. However the project has also identified pockets of good practice in councils across Wales.

\textbf{The project recommends that in order to encourage step-change within the private rented sector and local authority relationship, there is a need to:}

\begin{itemize}
  \item Establish a vehicle to drive corporate working between landlords and local authorities
  \item Generate a supply of affordable homes in the private rented sector
  \item Improve engagement and communication
  \item Improve knowledge of owners’ aspirations and willingness to work with local authorities
\end{itemize}

\textbf{Embedding the private rented sector into Local Housing Strategies}

\textbf{Welsh Government is keen that local authorities work more closely with the private rented sector, and to support this the Welsh Local Government Association has developed a new framework to develop Local Housing Strategies\textsuperscript{8} to:}

\begin{itemize}
  \item Ensure the private rented sector is taken into account within local housing market assessments. This identifies factors such as trends, and size and conditions of the private rented sector
  \item Ensure the strategy provides clarity about appropriate interventions and partnership working across local authority boundaries
  \item Improve communications with private sector landlords
  \item Increase the prevention of homelessness within the private sector
  \item Ensure work on “empty homes” that can bring them back into use
\end{itemize}

\textbf{Housing in Multiple Occupation (HMOs)}

A “House in Multiple Occupation” (HMO) is a property rented out by at least 3 people who are not from the same “family”, but share some facilities such as a kitchen; it is often called a “house share”. To check whether a property is considered an HMO or not there are a number of building, residency, household and consideration “tests”\textsuperscript{9} which are used.

\textsuperscript{7} Welsh Local Government Association, Local Government Partnership with the PRS: Improvement Project, \url{http://www.wlga.gov.uk/private-rented-sector}

\textsuperscript{8} Welsh Local Government Association (2013). Embedding the Private Rented Sector into Local Housing Strategies, \url{http://www.wlga.gov.uk/housing-publications/embedding-the-private-rented-sector-into-local-housing-strategies/}

\textsuperscript{9} Welsh Government, \url{http://wales.gov.uk/topics/housingandcommunity/housing/publications/licensehmoland/?lang=en}

\url{www.cih.org}
Under the Housing Act 2004, licensing is mandatory for all HMOs which have three or more storeys and are occupied by five or more persons forming two or more households. Local authorities have the discretion to extend licensing to other categories of HMOs, for example for ineffective management or where there are other issues. This enables them to address particular concerns; for example Cardiff Council requires all HMOs in Cathays, an area with high student density, to register with the authority.

Recently, Welsh Government\(^\text{10}\) has stated its intention to strengthen information sharing between local authorities and other agencies to identify and facilitate action against unlicensed HMOs and unscrupulous owners, who own and manage properties across multiple council areas.

### Social lettings agencies

Recently more Welsh councils and housing associations have been setting up social lettings agencies, often as subsidiary companies, to help find people suitable accommodation in the private rented sector.

**What is a social lettings agency?**

The purpose of a social lettings agency is to open up and maximise access to the private rented sector. It is usually run by a Council, registered social landlord, or a third sector agency. The purpose of a social lettings agency is to manage homes in the private sector on behalf of private owners, and to let these homes to people in housing need, often to those at risk of homelessness or on social housing waiting lists. The social lettings agency usually provides a full housing management service to the tenant and landlord, including repairs, void management and rent collection.

**Welsh Local Government research**

A study on social lettings in Wales was commissioned by the Welsh Local Government Association in 2013 as part of their private rented sector improvement project, and the interim findings were presented at the CIH Cymru private rented sector summit 2013. The interim findings from the research found that not all social lettings agencies in Wales currently provide the level of quality, management, affordability or accessibility that local authorities, landlords and tenants should expect.

Recommendations from the report are yet to be published, but are expected to include a review of the definition, and purpose, of social lettings agencies in Wales and the drafting of a Welsh code of conduct.

**Welsh Government Action**

In the Renting Homes White Paper (detailed above) Welsh Government stated its intention to see much closer partnership working with the private rented sector through the development of social lettings agencies.

Tenant involvement and financial inclusion

What is financial inclusion?

Financial inclusion is about having the ability to effectively manage money and being well-informed about basic financial skills and products. It is particularly important that vulnerable tenants are financially aware. Being financially excluded is likely to cause hardship amongst those who are already disadvantaged, so that those who can least afford to do so will end up paying more for their basic needs, which can leave tenants struggling to meet expenses, including their housing-related costs.

Tackling homelessness through Financial Inclusion Project

Tenants in receipt of Local Housing Allowance (LHA) in the private rented sector usually receive their benefit payment directly. Vulnerable tenants may have no bank account or lack effective budgeting skills, which can put them at risk of arrears and eviction.

The Wales Co-operative Centre has a project to prevent homelessness by supporting tenants to manage their money through Credit Union rent accounts, to assist tenants to maintain their tenancies. This helps tenants to set aside money for their rent, and promotes other financial inclusion opportunities. An on-line toolkit is available for use.

Tenant participation

Modern tenant participation frameworks have been concentrated and developed within the social housing sector. Citizen engagement has a crucial role to play in service improvement and because the private rented sector is now so significant to the housing industry in Wales, it is increasingly important to begin developing engagement and participation opportunities across all rented housing tenures.

Consumer Focus Wales (now Consumer Futures) undertook research in 2012 to try to ensure that the voices of those directly involved in the private rented sector were heard, to help inform the development of legislative proposals. Recently Shelter Cymru reported that people living in the private rented sector are over-represented in their casework and called for the need to support tenants in the private rented sector to establish a strong tenants movement.

There is little evidence of tenant engagement and involvement in the sector to date; however established tenant involvement and representative bodies are developing their services to try to respond to the changing demographic.

13 Shelter Cymru (2013). Policy briefing: A consumer approach to tenure reform in the private rented sector
Welfare reform changes and the private rented sector

Welfare reform will result in significant changes to tenants in receipt of benefits who live in the private rented sector in Wales. A separate CIH Cymru factsheet on welfare reform is available.

Changes affecting tenants in the private rented sector include:

- Local Housing Allowance uprate allowances are now linked to the Consumer Price Index (CPI) figure and the 30th percentile of local market rents
- The shared-room rate age restriction was raised from 25 years to 35 years
- The introduction of a total household benefit cap of £26,000
- There will be an expectation that applications for benefit will be made on-line

About this factsheet

This private rented sector factsheet has been written by Julie Nicholas, Policy and Public Affairs Manager at CIH Cymru and Joshua Parry. CIH Cymru would like to thank Joshua for his contribution to this publication, the latest in our series of Housing in Wales Factsheets, which was completed as part of his work experience with the Chartered Institute of Housing Cymru in September 2013.

The CIH Cymru Housing in Wales factsheet series aims to provide members with updates on current developments in policy, legislation and research on a variety of housing-related topics.

Find out more: www.cih.org/cymru

This factsheet has been written following CIH Cymru’s private rented sector (PRS) summit 2013 and relates directly to content from this event.

Find out more about the next PRS summit: www.cih.org/eventsfinder

For the latest information on training and development on the private rented sector, email Dysgu CIH: dysgucih@cih.org

Further information and reading

Further information and support

Landlord Accreditation Wales (Cardiff): www.welshlandlords.org.uk/ Tel: 029 2087 1815
Shelter Cymru: www.sheltercymru.org.uk/ Tel: 01792 469400
Welsh Tenants: www.welshtenants.org.uk/ Tel: 01685 723922
Welsh Local Government Association: www.wlga.gov.uk/ Tel: 029 2046 8600
Wales co-operative Centre: www.walescooperative.org/thfitoolkit Tel: 0300 111 5050
Your Benefits are Changing: www.yourbenefitsarechanging.co.uk/ Tel: 0300 3031073

A webinar on proposals for the new renting homes bill is available to access to the general public on the CIH website: www.cih.org/webinars

Representative and trade bodies for private landlords and agents

National Landlord Association: www.landlords.org.uk/ Tel: 020 7840 8900
Residential Landlord’s Association: www.rla.org.uk/ Tel: 0161 962 0010
Association of Residential Lettings Agents: www.arla.co.uk/ Tel: 01494 524 316

Legislation

Homes for Wales white paper: www.wales.gov.uk/consultations/housingcommunity/housewhitepaper/?lang=en
Housing (Wales) Bill: www.senedd.assemblywales.org/mglIssueHistoryHome.aspx?IId=8220
A better private rented sector: www.wales.gov.uk/consultations/housingcommunity/proposalprivaterentsector/?status=closed&lang=en
Meeting the housing challenge: www.wales.gov.uk/consultations/housingcommunity/housingchallenge/?lang=en