

# Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales, Winter 2023

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March 2023



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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



## Introduction

Wales is facing a housing crisis. There is a shortage of properties that people in Wales can purchase or rent at affordable prices. This shortage leaves many low-income households in an impossible position with some forced to move into a property that is unaffordable, risking financial hardship, some forced into poor quality accommodation, whilst others are forced to seek assistance from local authority homelessness services. These challenges are especially pronounced for low-income households living in the private rental sector.

Over the course of 2022 the Bevan Foundation published a series of reports looking at the challenges faced by low-income private renters. Our work found that the support provided by the Local Housing Allowance (LHA) is nowhere near sufficient to cover the costs of renting in the private rental sector in Wales.<sup>1</sup> This both creates and perpetuates homelessness and housing insecurity.

As the cost-of-living crisis deepens and more families in Wales have found themselves facing housing insecurity and rising costs, the Bevan Foundation has decided to update our work on LHA. This decision coincides with greater UK-wide attention to the role LHA has played in the ongoing crises, and concerns about the impact of the Chancellor's decision to freeze LHA rates again for 2023/24. This briefing sets out our findings.

This briefing builds upon our previous work and includes data from all 22 Welsh local authorities. The method of data collection and analysis remains consistent with the methods used in our previous publications. More information on this can be found in the annex at the end of this briefing.

Our findings paint an incredibly concerning picture of the challenges faced by low-income private renters in Wales. During the first two weeks of February, only 32 properties in Wales were available at or below LHA rates, just 1.2 per cent of properties advertised on the formal rental market.

## The LHA – an overview

The Local Housing Allowance (LHA) is the mechanism used to calculate the amount of Housing Benefit or housing element of Universal Credit that someone renting in the private rental sector is entitled to claim. There are a number of determining factors in deciding a household's entitlement:

- The LHA is designed to allow a tenant to rent a property in the cheapest 30<sup>th</sup> percentile of properties available within a market area.
- The LHA rate is dependent on the location of the property. Wales is divided up into 23 Broad Rental Market Areas (BRMAs). The LHA is set with reference to the rents of properties within each BRMA.
- The LHA also depends on the number of bedrooms a household is entitled to. There is also a separate rate for shared accommodation – designed for people under 35 with no dependants.
- LHA rates have been frozen since 2020 and have not been updated to reflect increases in rent since then.

## Properties on the market

Between February 3<sup>rd</sup> and February 17<sup>th</sup> we collected data on the 2,638 properties advertised for let in Wales. Of these only 32 (1.2 per cent) were advertised at rents that were at or below LHA rates. This is the lowest rate of available properties found by the Bevan Foundation, compared to 1.4 per cent in May 2022 and 5.9 per cent in August 2022.<sup>2</sup> Caution should be taken when comparing our most recent data against the data we have previously collected given that seasonality is known to impact the property market. This briefing will therefore primarily concentrate on providing a snapshot of the state of the rental market in Wales in February 2023 rather than providing a comparison over time.

Of the 22 local authorities in Wales only 6 have any properties available at or below LHA rates, Cardiff, Ceredigion, Conwy, Gwynedd, Powys and Rhondda Cynon Taf. In two of the six local authorities, (Ceredigion and Conwy) there was only a single property available at LHA rates. The lack of available properties at LHA rates is therefore a problem that is not isolated to any specific geographic region of Wales, with significant challenges for low-income renters in all communities.

**Table 1 – Number of properties advertised in each local authority compared to number that are covered by their respective Local Housing Allowance rates**

Local Authority	Number of properties advertised in February 2023	Number of properties fully covered by LHA rate
Blaenau Gwent	35	0
Bridgend	48	0
Caerphilly	72	0
Cardiff	660	14
Carmarthenshire	43	0
Ceredigion	19	1
Conwy	47	1
Denbighshire	32	0
Flintshire	59	0
Gwynedd	187	10
Merthyr Tydfil	44	0
Monmouthshire	49	0
Neath Port Talbot	51	0
Newport	91	0
Pembrokeshire	50	0
Powys	56	2
Rhondda Cynon Taf	308	4
Swansea	556	0
The Vale of Glamorgan	130	0
Torfaen	25	0
Wrexham	42	0
Ynys Môn	34	0
<b>Wales</b>	<b>2,638</b>	<b>32</b>

## The gap between LHA and asking rents

Not only are there very few properties available at or below LHA rates across Wales, but the gap between LHA and market rents can be significant. Table 2 displays the gap between the cheapest property we could find in each local authority, by bedroom size, and the LHA rate.

There is significant variation in the size of the gap by property type and between local authorities. In all local authorities bar two (Blaenau Gwent and the Vale of Glamorgan) the largest shortfalls between rents and LHA rates are found in four-bedroom properties. The largest gap between LHA and the cheapest property on the market we found was in Ynys Môn where the gap stood at £851.78 a month for four-bedroom properties.

The smallest gaps tend to be found for one-bedroom properties. The smallest gap in Wales between LHA and the cheapest property on the market was for one-bedroom properties in Swansea, with only a £1.24 shortfall between LHA rates and the asking rent. Torfaen has the highest gap across properties, with no gap being smaller than £371.05 (one-bedroom properties) and the largest being £636.78 for a four-bedroom property. A household letting the cheapest available one-bedroom property in Torfaen as of February would see a gap of £4,452.60 between their rent and LHA over the course of a year.

**Table 2 – The gap between cheapest monthly rent and LHA rate in each local authority by bedroom size**

Local Authority	One	Two	Three	Four
Blaenau Gwent	£85.79	£300.95	£156.10	£226.57
Bridgend	£61.08	£26.28	£96.36	£721.86
Caerphilly	£105.93	£101.24	£156.31	£251.65
Cardiff	14 properties fully covered	£101.78	£227.11	£252.60
Carmarthenshire	£78.26	£150.95	£201.16	£271.30
Ceredigion	1 property fully covered	£171.30	£96.46	£401.65
Conwy	£103.33	1 property fully covered	£101.57	£526.98
Denbighshire	£53.33	£181.35	£26.57	£376.98
Flintshire	£194.55	£151.12	£251.45	£506.64
Gwynedd	£17.91	£7.05	4 properties fully covered	6 properties fully covered
Merthyr Tydfil	£60.90	£76.03	£151.16	£451.78
Monmouthshire	£71.12	£135.32	£251.78	£477.11
Neath Port Talbot	£95.93	£113.33	£146.24	£251.45
Newport	£26.10	£101.35	£246.49	£452.07
Pembrokeshire	£10.92	£121.17	£126.45	£276.69
Powys	1 property fully covered	1 property fully covered	£1.36	£156.64
Rhondda Cynon Taf	4 properties fully covered	£76.03	£96.17	£256.64
Swansea	£1.24	£156.35	£271.45	£276.97

Torfaen	£371.05	£436.27	£426.45	£636.78
Vale of Glamorgan	£116.67	£76.49	£296.65	£102.31
Wrexham	£76.12	£81.35	£166.52	£526.98
Ynys Môn	£145.95	£101.24	£61.45	£851.78

## Landlord Requirements

The Bevan Foundation's *Wales' Housing Crisis: Making the LHA work for Wales* report highlighted the barriers low-income tenants may face when looking for properties in the private rental sector, beyond the barriers presented by the gap between LHA and rents.<sup>3</sup> We found that many properties advertised on the private rental market required tenants to satisfy certain criteria before they would be permitted to lease a property. Many of these additional requirements can prove difficult for low-income tenants to satisfy, such as:

- Deposits equivalent to more than one month's rent
- Guarantors
- Credit checks
- Minimum income checks
- 'Professional Only' requirements

Of the 32 properties we found advertised at or below the LHA rate, 23 had one or more of these requirements that could prove difficult for low-income tenants to satisfy. This means that there were only nine properties (0.34 per cent) advertised on the formal rental market in Wales that were fully covered by LHA rates and had no additional requirements that would be difficult for a low-income tenant to satisfy. These properties were available in just three local authorities, with seven being available in Cardiff, one in Ceredigion and one in Rhondda Cynon Taf.

## Conclusion

There is an acute shortage of properties available for rent for low-income households in the private rental sector in Wales. Across Wales, as of February 2023, just over 1 in 100 properties were advertised for rents that were at or below LHA. Nearly 75 per cent of Welsh local authorities did not have a single property available at LHA rates.

The current position leaves many low-income tenants with little choice but to move into properties that are not fully covered by LHA, putting further pressure on costs such as food and heating. Others are being forced into poor quality accommodation or are having to seek support from the homelessness system.

Against this backdrop there is an urgent need to ensure that LHA rates reflect actual rents within the private rental sector in Wales and across the UK more broadly. The swiftest way to at least in part address this problem would be to uplift LHA rates to the contemporary 30<sup>th</sup> percentile at the next UK Government budget. Doing so would not only provide low-income tenants with much needed housing security, but also have a positive impact on the mental and physical wellbeing of low-income households and relieve pressure on homelessness support services.

In the longer term, the need for further reforms to the housing system are greater than ever. Measures such as scrapping the shared accommodation rate, reforming the current BRMAs and improving the way that data is collected to set LHA rates could all make a difference. You can read some of our broader ideas for reform in full in our *Wales' Housing Crisis: Making the LHA work for Wales* report.<sup>4</sup>

## Annex 1 – Methodology

The findings in this report are based on research that was conducted between February 3<sup>rd</sup> and February 17<sup>th</sup>, 2023. This section provides a short summary of the research methods adopted.

To remain consistent with our previous reports on the private rental sector and LHA, the Bevan Foundation has adopted a similar methodology to our previous work in collecting and analysing data on advertised rents. This was done by scraping data from online letting agents Rightmove, Zoopla and Spareroom. Data gathered included the advertised rent, number of bedrooms, postcode and any additional information that the property may have had, such as landlord requirements noted in the advert. Care was taken to cross reference the data we gathered to eliminate possible duplicates that were being advertised, as well as eliminating properties that would not be available to tenants in the private rental sector such as student properties. In total, we collected data from 2,638 rental adverts.

For the purpose of this report, and to retain consistency with our previous work, we present data at a local authority level rather than for each BRMA. We are doing so given that BRMAs are not a geographic entity used in other policy areas and for ease of access and reading given local authorities are a more easily legible reference point for our data. When analysing data, LHA rates were assigned to individual properties based on the BRMA they are a part of by using the gathered postcode data, and these properties were then sorted by local authority to ensure that the correct LHA rates are assigned to each property where a local authority is covered by multiple BRMAs.

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 supposed to be based upon agreed rents rather than advertised rents.

## References

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<sup>1</sup> The Bevan Foundation (2022a), Wales' Housing Crisis: An update on the private rental market in Wales. Read more here: <https://www.bevanfoundation.org/resources/wales-housing-crisis-an-update-on-the-private-rental-market-in-wales/>;

The Bevan Foundation (2022b), Wales' Housing Crisis: Making the LHA work for Wales. Read more here: <https://www.bevanfoundation.org/resources/wales-housing-crisis-making-the-lha-work-for-wales/>

<sup>2</sup> The Bevan Foundation (2022a); The Bevan Foundation (2022b)

<sup>3</sup> The Bevan Foundation (2022b)

<sup>4</sup> The Bevan Foundation (2022b)