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NRLA
Research
Observatory

Rent Smart Wales: The Accountability Gap



About the NRLA

The NRLA represents the interests of landlords in the private rented sector (PRS) across England and Wales. In April 2020, the merger between the two largest communities of landlords, the National Landlords Association and the Residential Landlords Association, was officially completed.

With both organisations combining, the NRLA has over 85,000 members, ensuring landlords have a unified voice in Whitehall and Cardiff.

We represent a growing community of landlords who trust and rely on us to deliver day-to-day support, expert advice, and government campaigning. They participate in our learning activities which makes them better landlords. We offer a range of high-quality services relevant to their needs.

Now, and in the future, we campaign to improve the private rented sector for both landlords and tenants, engaging with policymakers at all levels of Government. Our vision is to make the renting experience better for everyone involved in the private rented sector.

We continually campaign using evidence-backed positions to achieve this vision, we hope we can create an increasingly positive public perception around landlords. In doing so we reinforce the vital role landlords have in supplying homes across Great Britain.

The NRLA Research Observatory

The NRLA aims to provide high-quality research and analysis on the economic, social, and political issues facing the private rented sector.

This will be achieved through the NRLA in-house research team and through various projects commissioned to external research providers. Our activities seek to influence decision makers and translate into an improved renting experience for all stakeholders.

About this report

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This paper has also benefitted from comments on previous drafts, especially from John Stewart at the NRLA & Tim Thomas at NRLA-Wales. Everyone who reads this report can thank Sarah Waddleton and her editing skills for making it more readable.

Disclaimer

This research report has been written to inform and stimulate policy debate. While effort has been made to ensure that the data and other information are accurate, some errors may remain. As discussed at greater length in the report, we have never been certain the data provided by Rent Smart Wales is complete. It is however the best data available in the public domain.

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Executive Summary

In Wales, there is an objective to raise standards within the Private Rented Sector (PRS). Rent Smart Wales (RSW) oversees a national property registration and licensing scheme covering landlords and agents in the PRS. As the first cycle of activities completes, it is apposite to examine its performance and impact on landlords. Understanding the model and its successes will also inform the applicability of the model to other parts of the UK.

Using the most recent annual data, almost 52,000 licences had been issued and 98,000+ landlords and agents were registered with Rent Smart Wales. Over 190,000 properties are estimated to be covered by the scheme, although there is no formal property-based count of coverage.

This report has been produced in the absence of a recent formal, independent evaluation of Rent Smart Wales activities and the impact on the PRS.

Introducing Rent Smart Wales

The motivation for introducing Rent Smart Wales was part of a series of wider reforms and improvements to the PRS which would be encompassed by a wider strategy for the sector. To date this strategy has not been published, the NRLA strongly feel that Rent Smart Wales is not able to deliver fully on its remit to contribute to a “better PRS” until such a strategy has been presented and agreed by all stakeholders.

Rent Smart Wales evaluation activity

The Welsh Government may be able to claim Rent Smart Wales has been subject to both an initial and a final evaluation. But the contents of these reports do not provide a full assessment of Rent Smart Wales at appropriate stages of the scheme’s business cycle.

More importantly, previous evaluation activity provided evidence of diminishing levels of satisfaction among landlords with RSW’s customer service. Evaluation would assess how this declining satisfaction has been addressed.

Project targets and achievements

Rent Smart Wales sent NRLA data on its achievements and progress as a result of a Freedom of Information request. From that data, registrations and licences have been ahead of expectations. Landlords were quick to register and get themselves a licence.

In addition, there has been a clear preference among landlords for lower cost internet-based, rather than class-based training.

As a result, Rent Smart Wales has generated a substantial surplus, according to its own data. Since its inception, it has received just over £12.75m in grant and fee income, whilst spending £8.95m on wages, salaries and administration.

The data also shows limited numbers of prosecutions, civil penalties and other forms of enforcement activity.

Landlord survey

A survey of NRLA members who own and/or manage property covered by RSW was undertaken as part of this research. The majority of the landlords and agents who took the time to complete the survey accept having to place their rental property on some kind of register. The concerns are about whether RSW is the best vehicle to deliver improvements in the PRS. These concerns are based on value for money, demonstrable impact on addressing criminal landlords, customer service and support for landlords.

Conclusions

The report highlights several issues which require addressing by the Welsh Government to ensure RSW has the continued support of all stakeholder groups.

In the short term the NRLA looks to RSW/WG to help landlords through fee discounts in recognition of the unanticipated surplus Rent Smart Wales has generated.

There are serious concerns about the transparency and accountability of RSW. With clearer separation between political, strategic and operational objectives, issues such as customer dissatisfaction, enforcement and surplus income could have been identified and

addressed. Greater transparency could be delivered via an annual public performance report. In the longer term, an encompassing PRS strategy is needed. Such a strategy could set out a potentially *wider* role for RSW in improving the PRS experience for all in the sector, tenants and landlords alike. If this is the case, greater accountability for RSW – along with greater control over its budget - is essential.

1. Introduction

1.1 Introduction to Rent Smart Wales

Rent Smart Wales (RSW) is a national service run by Cardiff City Council created to administer the requirements for landlord registration and landlord and agent licensing laid out in Part 1 of the 2014 Housing (Wales) Act.

In Wales, there is an objective to raise standards within the PRS. Rent Smart Wales oversees a national licensing scheme covering both landlords and agents.

As the first cycle of activities completes, it is apposite to examine its performance and impact on landlords. Further to this, it is possible RSW could become a model for future regulation in other parts of the UK. Understanding how RSW has influenced the sector in Wales is therefore of wider importance.

1.2 About this report

The NRLA has noted that there is no formal evaluation programme for Rent Smart Wales in place. There is, at the time of drafting this report, no plan for a formal evaluation of Rent Smart Wales¹.

Presently, Rent Smart Wales has just completed its “first cycle” of licensing². The first cohort of landlords are now required to go through a process of licence renewals.

This is therefore an ideal opportunity to learn from stakeholders in the context of the programme’s past performance and how it can be improved in future.

By going through an evaluation process, RSW can try to ensure all stakeholders are on-board in respect to how best to continue with the initiative.

¹ This has been communicated to the NRLA via written correspondence and FOI responses.

² In fact, the draft of this report was completed in March – as the first cycle was nearing completion.

1.3 About this research

This research note uses many of the conventions of project level evaluations, though it is not an evaluation per se:

- Firstly, it considers the benefits and disbenefits to only one group of stakeholders – landlords.
- It is not independent.
- It has not to date, undertaken consultations with stakeholders, other than landlords who are members of the NRLA.
- It does not consider how best to measure specific impacts, nor does it attempt to link the influence of organisation structure and management on measures of performance.

This lack of formality feeds into the information collected and reported on. For example, the data used in this research has been provided by RSW partners in response to Freedom of Information (FOI) requests.

The data provided in response to the initial FOI request was clearly inaccurate in parts and acknowledged as such when queried. The NRLA also raised queries about the data provided subsequently. The data reported on here is still not a complete picture of activity³.

This highlights the limitations of holding the public sector to account via FOI requests rather than a thorough audit which an evaluation process provides, or without clear political oversight.

³ This should not be read as inferring those who provided information were unhelpful.

1.4 Structure of this report

The remainder of this report is organised as follows:

- Section 2 reflects on the policy context within which the Rent Smart Wales model was developed.
- Section 3 sets out the core delivery model of Rent Smart Wales.

Then follows a presentation on the performance of Rent Smart Wales based on the evidence collected by the NRLA:

- An approach to evaluating Rent Smart Wales can be found in Section 4, alongside a review of previous evaluation studies.
- Sections 5 & 6 examine the performance of Rent Smart Wales. The first of these sections uses data provided by the initiative's management to assess performance. The latter section then reports on an NRLA-member survey to assess how landlords view the Rent Smart Wales initiative.
- The final component of this work, Section 7, sets out some conclusions and thoughts on how Rent Smart Wales can move forward with the continued support of landlords.

2. Policy context

2.1 Introduction

A healthy PRS is essential for maintaining a dynamic and strong housing market. The PRS provides a space in the market for individuals desiring flexibility of tenure and supports economic mobility⁴.

The number of households living in the PRS has grown significantly in recent times, the proportion of households in the PRS increased by 63% from 2007 to 2017 in the UK⁵.

There has been an increase in demand for housing in the PRS across all groups in society, including many vulnerable groups⁶, who are now relying on the PRS in increasing numbers.

As another example, the proportion of households in the PRS with dependent children in 2017 was recorded at 38%, higher than the proportion in the social rented sector (35%).

The PRS is therefore important not only to provide flexibility for renters, but as a remedy for the high demand for housing and as a mechanism to provide a roof over the heads of those most in need.

2.2 The PRS in Wales

The PRS is increasingly satisfying the housing needs of those who cannot enter social housing or afford to buy their own property across all parts of England and Wales. The PRS makes up 14% of tenures in Wales⁷. This is slightly lower than that the UK level (20%) but still a figure that has grown in recent decades⁸.

⁴ Welsh Government. (2013). Housing Bill Wales: Explanatory Memorandum. p.11

⁵ Office for National Statistics. (2019, January 18). UK Private Rented Sector 2018

⁶ A grouping often defined by a combination of economic status, age, health, and household demographic characteristics.

⁷ Welsh Government. (2013). Housing Bill Wales: Explanatory Memorandum. p.11

⁸ Office for National Statistics. (2019, January 18). UK Private Rented Sector 2018

It is estimated that on average, between 6,700 and 9,700 additional housing units will be required annually in Wales between the period 2018-19 and 2022-23 (with a central estimate of 8,300)⁹.

The creation of new homes continues to lag demand – the same source stated just 5,777 dwellings were completed in 2018-19. In Wales, as elsewhere in the UK, it is the PRS which fills this gap between demand and supply.

2.2.1 Quality of the housing stock in Wales

The persistence of non-decent housing however is generally not due to deliberate negligence:

- Research has shown many complaints in the PRS are due to landlords being unaware of their responsibilities¹⁰.
- Further, evidence collected by the NRLA suggests few local authorities across both England AND Wales fully meet their statutory obligations set out in previous regulations¹¹.

Thus, there is a clear role for local authorities in educating both landlords and tenants of their responsibilities and enforcing the necessary regulations.

In response, the Welsh Government identified a need to promote a positive public image of the private rented sector at the same time as working to improve standards.

2.2.2 Regulation prior to the creation of Rent Smart Wales

In Wales, the PRS was regulated in much the same way as the rest of the UK – at least until Rent Smart Wales was introduced. Prior to the introduction of Rent Smart Wales, the powers contained in the Housing Act 2004 - the Housing Health and Safety Rating System

⁹ Figures quoted in StatsWales (2019, June 2019). Statistical First Release: New House Building in Wales, 2018-19

¹⁰ Davies, B., & Turley, A. (2014) *ibid*

¹¹ See *The Postcode Lottery of Local Authority Enforcement in the Private Rented Sector*, RLA, Nov 2018

(HHSRS) and the mandatory licensing of Houses in Multiple Occupation (HMO) - were the most pertinent components¹² of regulation.

Landlords previously had the option to voluntarily register themselves through Landlord Accreditation Wales (LAW). As with the eventual creation of RSW, this scheme had been operated by Cardiff Council on behalf of all local authorities in Wales.

Research on the perspectives of landlords and agents on landlord accreditation in Wales found that the LAW scheme had positive effects on the standards and practices of several landlords and agents¹³. The near-4,500 members of LAW were transferred over to the RSW system to assist those that had sought a licence prior to a mandatory scheme.

2.3 Development of the Rent Smart Wales approach

Over the course of several years, Welsh Government officials produced a series of collaborative policy documents addressing housing in Wales and potential methods of regulation for the private rented sector.

Faced with (i) the need for housing expansion and (ii) the private sector diversifying in its tenant base, several key policy documents were produced with the goal of improving the PRS.

These documents included several consultations that considered the practicalities of delivering a “better” PRS.

2.3.1 Making the Most of the Private Sector in Wales, February 2011

In October 2010, the National Assembly for Wales’s Communities and Culture Committee undertook an inquiry into standards in the sector. The Committee published its report – *Making the Most of the Private Sector in Wales* - in February 2011.

¹² Welsh Government. (2013). Housing Bill Wales: Explanatory Memorandum. p.11

¹³ See *Evaluation of Rent Smart Wales Implementation and Delivery Final Evaluation Report* for more details.

The report highlighted areas where improvements were needed in order to deliver better housing and better management standards. The committee made 10 recommendations, many of which are integral to the objectives of Rent Smart Wales.

These included for example:

- The Welsh Government should actively seek to promote a positive image of the private rented sector as a tenure of choice in Wales (recommendation 1).
- The effectiveness and feasibility of mandatory licensing or registration for all managers of private rented sector accommodation should be investigated (recommendation 5).
- The Welsh Government should work with local authorities to develop ways of increasing tenants' knowledge of their legal rights (recommendation 8).

Other recommendations included:

- The Welsh Government should produce a specific strategy for making the most of the private rented sector in Wales (recommendation 3).
- Local Authorities [should] continue to improve the strategic co-ordination of their different departments' engagement with the private rented sector (recommendation 7).

This report provided a key component of the evidence base for the 2014 Housing (Wales) Act.

2.3.2 The Housing (Wales) Act 2014: the creation of Rent Smart Wales

Rent Smart Wales came into effect in accordance with Part 1 of the 2014 Housing (Wales) Act. Regulations were introduced in November 2015, giving landlords one year to comply before enforcement provisions were introduced in November 2016.

The Act “aims to improve the supply, quality and standards of housing in Wales... [through the introduction of] significant improvements across the housing sector to ensure that people have access to a decent, affordable home, and better housing-related service.”

The decision to implement the Rent Smart Wales scheme was based upon three core objectives outlined in the 2013 Housing Bill’s explanatory memoranda:

- To improve standards in the private rented sector.
- Provide more information on landlords for local authorities and tenants.
- Increase awareness among landlords and tenants of their respective rights and responsibilities.

Prior to introducing the Housing (Wales) Act 2014 there were numerous consultations on housing issues with landlords, letting agents, tenant representative groups and various individuals not involved in the sector. The consultation on “Proposals for a Better Private Sector in Wales”, in 2012 was particularly important in informing the creation of Rent Smart Wales.

Opinions on introducing certain aspects of the eventual scheme, specifically the mandatory registration and licensing of landlords, typically divided between tenants and landlords¹⁴:

- Tenant groups were largely supportive of the measures to ensure that vulnerable people who are often the victims of criminal practices were protected.

¹⁴ Welsh Government. (2013). Housing Bill Wales: Explanatory Memorandum. p.33

- Individuals with experience of living in the private rented sector, particularly students, were among the most supportive.
- Local authorities and local government were also supportive of the scheme and stated it would save time and resources in the belief that enforcement would become more efficient.

However, landlords were generally less supportive, and reductions in the supply of property in the PRS were predicted. Landlords also raised concerns over several other issues inherent in the approach - including protecting the privacy of the landlord.

2.4 Summary

Evidence suggests the need for PRS reform in Wales has been a product of the growth of the sector and a diversification of the PRS tenant base.

Although the proportion of housing adjudged to be below defined quality standards has been falling, it remains high in the private rented sector compared to other tenures.

There are three reasons why this is so:

1. The age of the housing stock being typically older in the PRS.
2. Landlords' lack of awareness of their rights and responsibilities.
3. A mixed record (at best) among local authorities meeting their obligations to enforce standards within the PRS.

The motivation for introducing Rent Smart Wales was thus *part* of a series of wider reforms and improvements to the PRS which would be encompassed by a wider strategy for the sector.

At the time of writing this report, any kind of sector-wide strategy – let alone one which satisfies all stakeholder perspectives on the future of the PRS - had yet to emerge.

3. The Rent Smart Wales model

3.1 The Rent Smart Wales approach

3.1.1 Registration

Rent Smart Wales requires landlords with domestic tenants to register their personal or business details and the details pertaining to their properties. This first step is at a financial cost borne by the landlord.

The reasons for a database were given as follows:

- A mandatory register for all landlords in Wales ensures more information will be readily available to local authorities.
- This information creates greater capacity for enforcement, thus improving standards in the sector - as non-compliance could be addressed more swiftly.

3.1.2 Licensing

In the initial set-up of RSW, there was what was in effect a two-year period¹⁵ in which self-managing landlords were required to obtain a licence. It is now seen as a continuous process. Obtaining a licence is a separate process from registration. To gain a licence – which is valid for five years¹⁶ – applicants must:

- Undergo training completed through the RSW website or administered through an official training provider.
- Complete a ‘fit and proper person’ declaration, ensuring they have no relevant convictions against them.

¹⁵ In effect a grace period for existing landlords.

¹⁶ Rent Smart Wales. (2015). *Landlord Licensing*.

Those managing property may undertake the necessary training to become licensed through several mechanisms - RSW provide listings of various external training providers, both online and in-person.

The reasons for a separate licensing system are to:

- Use mandatory training on landlords' rights and responsibilities as a mechanism to raise awareness amongst a wider group of landlords.
- Address the lack of awareness landlords have had in respect of their responsibilities.

In both instances, more landlords undergoing training courses is seen as a mechanism to improve standards in the sector.

3.1.3 Enforcement

Cardiff Council are the Licensing Authority responsible for implementing RSW across the whole of Wales on a mandatory basis for landlords and agents.

A centralised national register in Cardiff is seen as ensuring an easier service for those involved in property letting. Those who self-manage their property need only register each business arrangement once and acquire one licence per arrangement to cover them across Wales¹⁷.

As the Licensing Authority, Cardiff Council may rely on local authorities to carry out their functions under the Housing Act. Local authorities are often responsible for punitive measures against non-compliant landlords and letting agents.

Local housing authorities, with the consent of the relevant local authorities, are also permitted to bring criminal proceedings when breaches to the conditions laid out in the Housing Act are committed¹⁸.

¹⁷ In reality different ownership structures mean some landlords are registered multiple times.

¹⁸ Housing (Wales) Act, (2014), *Section 28*.

Enforcement measures include:

- Undertaking appropriate interventions at local and national level when landlord or agents are not appropriately registered or licensed.
- Investigating complaints regarding landlord, agents or properties and undertaking proactive activity to ensure compliance.
- To determine licence applications, and revoke where necessary, in accordance with Welsh Government Guidance on the “fit and proper person test”.
- To collaborate across all 22 local authorities to ensure complete and accurate information is employed.
- To provide advice to all in respect of matters relating to Part 1 of the Housing (Wales) Act 2014 and other associated legislation¹⁹.

3.1.4 Guides, documentation and support

The Rent Smart Wales website has several pages of documents and guides for landlords and agents outlining the Rent Smart Wales aims, objectives and approach.

The website lays out the essential features of the RSW scheme, detailing the criteria individuals need to fulfil before registering or seeking a licence. There is also a signposting service to training opportunities delivered in a variety of formats. Note that the NRLA - and before that both the RLA and the NLA – delivers training for Rent Smart Wales.

Where individuals have more in-depth queries regarding RSW that cannot be helped through the information on the main page or the frequently asked questions tabs, RSW operate a call centre open during regular working hours.

Note that a full evaluation would consider call volumes as part of a wider assessment of service – something which is not done in this report.

¹⁹ Rent Smart Wales, (2017). *Enforcement Policy*.

3.2 Tenants under Rent Smart Wales

The introduction of Rent Smart Wales was also intended to help make tenants more aware of their rights and responsibilities. These are outlined in the guide *A Home in the Private Rented Sector a Guide for Tenants in Wales*²⁰.

The guide outlines the following commitments tenants “*must*²¹” adhere to:

- Pay their rent on time.
- Look after the property. The advice specifically details the following:
 - Get permission before decorating or undertaking repairs.
 - Maintain gardens.
 - Use recycling and refuse facilities.
- Be considerate to their neighbours to avoid eviction for anti-social behaviour.
- Not take in a lodger or sub-let without seeking permission from their landlord.

3.3 Rent Smart Wales Stakeholder Group

Each quarter there is a meeting of RSW stakeholders, these meetings are comprised of Welsh Government officials, representatives of landlord and tenant groups and private rented sector agencies such as the Tenancy Deposit Scheme (TDS)²².

These meetings give representatives of those directly involved with Rent Smart Wales a chance to scrutinise various aspects of the scheme.

²⁰ This is the title of the current version of the guide.

²¹ Emphasis added, but the document does use the word “must”.

²² Again, the RLA and now the NRLA are in this Stakeholder Group.

Aspects of the scheme which have been scrutinised by this group have included:

- Enforcement.
- RSW communications.
- Residential Property Tribunals.
- Agent audits.

Stakeholders are invited to offer insights on how elements of the scheme, for example licence conditions, can be developed in the future.

These meetings also provide an opportunity for RSW to liaise with stakeholders to discuss the services they provide. For example, the training modules provided by landlord organisations.

The Stakeholder Group is advisory, providing only guidance and perspective. There is no mechanism for stakeholders to guide day-to-day delivery activities or to develop the role of Rent Smart Wales beyond its present remit.

Again, a full evaluation would consider the benefits of this chosen consultation model as seen through the eyes of key stakeholders. Such an evaluation would also make a comparison between current RSW arrangements and alternative governance models.

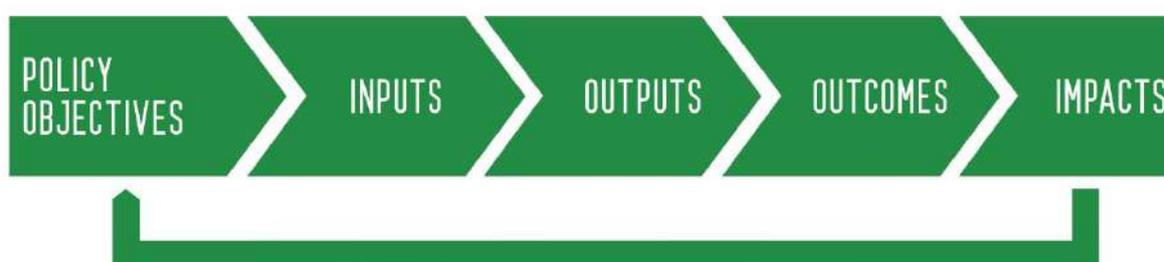
4. Rent Smart Wales – evaluating performance

4.1 The logic model

The logic model is a key tool of evaluation. It sets out the relationship between what a programme sets out to achieve and the actions through which those objectives will be achieved.

The logic model emphasises the need to identify what measurable change a project or programme of activities delivers. Finally, it helps stakeholders decide whether that change, in the context of the initial ambition, represents “value for money”.

Figure 4.1: A simple logic model



The logic model sets out the programme’s “story” and captures the expectations of all stakeholders. The process of developing the logic model also facilitates critical thinking and embeds the need for consultation and understanding when delivering activity.

On the basis of our contact with RSW and Welsh Government, no overarching logic model for Rent Smart Wales exists. Given the project’s complexity, its cost and the importance it has in delivering change to the PRS this is somewhat disappointing.

4.2 Rent Smart Wales – evaluation activity

Evaluation can be used to examine:

- How a policy was delivered.
- What difference a policy had made.
- Whether the benefits of the policy have justified the costs.

Evaluation is a tool which is fundamental to improve efficiency and effectiveness. The risk of not evaluating is that policy makers, (here the Welsh Government), are not aware whether policies are effective.

Nor can it be certain that taxpayers' money is being spent in the most effective manner. Finally, it becomes difficult to improve the programme without an evaluation providing a way for stakeholders to provide feedback on their experience.

There *has* been research into Rent Smart Wales which has been called evaluation. This activity has been in the form of two reports:

4.2.1 Evaluation of Rent Smart Wales, November 2016

This report is subtitled “Baseline Evaluation Report”, the research was conducted between four and nine months following the launch of the programme²³. It is a composite of several pieces of fieldwork:

- Firstly, 750+ landlords & lettings agents who were already on the RSW database. The survey was undertaken in March 2016.
- Secondly, 164 tenants were surveyed in August 2016.
- These two surveys were supplemented by 50 face-to-face interviews with landlords and agents.
- The evaluators also undertook 50 in-depth interviews with tenants.

²³ As such it is neither a “baseline” nor an “evaluation” study.

These ‘beneficiary’ surveys were in-turn supplemented with:

- A small number of face-to-face interviews with Rent Smart Wales staff.
- Telephone interviews with key stakeholders (including landlord organisations).
- Finally, 15 interviews with local authority representatives.

Observations of the 2016 Baseline/Evaluation

The report focuses on awareness and volume of interest in/take-up of the RSW roll-out. It contains analysis of the volume of take-up of the scheme to date. Whilst the report is somewhat confused as to whether it is a baseline or a “one-year after” evaluation, it does highlight the following:

- Increasing levels of awareness of the programme along with an increasing rate of take up among the target group.
- Demonstrable progress in partnership working between RSW and local authorities.

However, the report identified:

- A lack of planning & engagement with local authorities to promote RSW.
- Local authorities still did not fully understand their role in supporting RSW.

These observations were detrimental to the landlord experience. As the report itself highlights:

- There was a lack of information for landlords on RSW available from local authorities.
- There was a lack of incentive for landlords to sign up early.
- Despite the aims of RSW, local authorities were not co-ordinating intelligence to identify non-compliant landlords.

4.2.2 Evaluation of Rent Smart Wales, June 2018

This report is subtitled “Final Evaluation Report”. Note however:

- The data collection – June to November 2017 was within a year of the initial RSW registration window closing²⁴:
 - This is long before the completion of the first full “wave” of licences.
- The fieldwork for this “Final Report” was just over a year after the fieldwork for the so-called “Baseline Report”.

The fieldwork for this report consisted of:

- Approximately 1,200 landlords and letting agents who took time to complete an on-line survey conducted in July and August 2017.
- Twenty-two follow up interviews with landlords and agents; (the research had targeted 25 repeat interviews from the baseline report).
- Telephone interviews with 100 tenants – as with the landlord survey (but for different reasons), the attempt to introduce a longitudinal element to the research via repeat contact was not wholly successful.
- Again, there were supplementary interviews with a range of stakeholders including local authorities and representatives of PRS organisations, including landlord groups.

²⁴ Following launch of the scheme in November 2015 there was a twelve-month window or grace period for registration and licensing. From November 2016, non-compliance became punishable.

Observations of the 2017-18 evaluation

Comparisons between the two surveys are difficult by way of the report presentation.

However, the researchers who undertook the research did conclude there was a *fall* in the proportion of landlords who found it “easy” or “quite easy” to either find out information about, or register with, RSW:

- The researchers concluded the fall across the two reports in customer satisfaction was “slightly lower”. In fact, the reduction in satisfaction was more noticeable than the report indicates:
 - From 63% to 51% finding it easy/very easy to register and a fall on the same scale-points from 67% to 54% for “finding out information”.²⁵
- In both surveys approximately 50% of landlords found it “difficult” to meet their new responsibilities.

Note that in the second report, it is not made entirely clear how (or whether), the recommendations of the first report to improve the licensing scheme have been acted upon. In addition, the second report also contains recommendations to develop Rent Smart Wales.

However, in the absence of ongoing evaluation there is no way of verifying how successful these suggested improvements have been.

4.3 Summary

The Welsh Government may be able to claim Rent Smart Wales has been subject to both an initial and a final evaluation. The reality however is more opaque: the timing and content of these reports do not provide a full assessment of Rent Smart Wales at an appropriate stage of the scheme’s business cycle.

The second report identifies strengths and weaknesses of the RSW model. This latter report also highlights specific aspects of the initiative where stakeholders feel

²⁵ The fall for letting agents is also noticeable – though from a smaller sample base.

performance has either not improved, or fallen away, even in the short time between the two reports.

There is no subsequent report which follows up on the recommendations made in this report, or on how Rent Smart Wales has responded to the wider challenges of falling satisfaction levels.

Nor do the evaluation reports consider topics such as:

- How other aspects of delivery and accountability of RSW could be improved.
- How the data RSW has collected could be leveraged to meet the wider objectives of creating a better Private Rented Sector for all stakeholders.

This makes further evaluation even more important, and also highlights the need to identify a body responsible for political and strategic oversight, to agree recommendations and direct next steps arising from such reports.

5. Rent Smart Wales: Project Outputs & Achievements

5.1 Introduction

As is typical for funded programmes and activities, Rent Smart Wales has a series of targets – outputs – it must meet to demonstrate performance and value for money.

Identifying what these targets should be, and then setting an appropriate level of achievement is a fundamental part of public policy, which when properly and appropriately set:

- Reflect the direction and priorities for an organisation.
- Motivate staff to achieve the goals of the business.
- Act as a bridge between monitoring/audit data and qualitative assessment of efficacy.
- Demonstrate achievement and progress towards the wider objectives policy makers have set out to achieve.

However, targets can have their drawbacks:

- Given a set of targets and the incentive to meet them, those delivering projects may give less attention and resources to other areas of the project.
- The project, whilst hitting its targets and appearing successful, may not maximise its true potential in the policy space it operates within.
- Targets that are too demanding can demoralise and demotivate delivery staff. Where targets are too easily achievable, complacency may be the result.
- When targets are defined in terms of a preferred process rather than a desired outcome, flexibility and efficiency gains can be lost.

5.2 Approach

Through written correspondence via Freedom of Information (FOI) requests and subsequent direct requests, the NRLA has tried to identify the main performance targets against which the performance of Rent Smart Wales is measured by the Welsh Government.

This section uses the data sent by RSW management, via these FOI requests²⁶, to examine progress and achievements. This data is information used in good faith – the NRLA has had no way of validating its authenticity. The data is always subject to errors beyond our control and understanding.

The table below sets out the targets for Rent Smart Wales as identified via FOI requests.

Table 5.1: Rent Smart Wales outputs

Output label	Description
Output 1²⁷: Online training	The number of landlords and agents completing Rent Smart Wales online training modules.
Output 2: Classroom courses	The number of delegates attending classroom-based Rent Smart Wales courses for landlords and agents.
Output 3: Landlords licensed	The number of landlords and agents licensed by Rent Smart Wales.
Output 4: Landlords registered	Number of landlords in Wales registered with Rent Smart Wales.
Output 5: Agents licensed	Percentage of Commercial Agents licensed with Rent Smart Wales.
Output 6: Registration/licensing fees	Details of total contributions of landlords and lettings agents through licensing/registration fees to Rent Smart Wales.
Output 7: RSW expenditure	Expenditure incurred by Rent Smart Wales on wages and salaries, administration and call centre function.
Output 8: Prosecutions	Number of landlords and agents that have been prosecuted as a result of RSW enforcement.

²⁶ FOI requests were sent in January and September 2020

²⁷ This labelling system is the NRLAs own for convenience.

Output label	Description
Output 9: Licences revoked	Number of landlords and agents (separately) that have had their licence revoked for each 12-month period since enforcement has been in place.
Output 10: FPNs issued	Number of Fixed Penalty Notices (FPNs) issued for each 12-month period since enforcement has been in place.
Output 11: FPN values	Value of FPNs issued for each 12-month period since enforcement has been in place.
Output 12: RROs issued	Number of RROs (Rent Repayment Orders) issued for each 12-month period since enforcement has been in place.
Output 13: RRO values	Value of rent repayment orders issued for each 12-month period since enforcement has been in place.

Source: Rent Smart Wales

While drafting this piece the NRLA did reach out to RSW for further data validation. RSW were very accommodating in our requests and went well beyond the necessity of an FOI request. The experience does however highlight the weaknesses of the FOI system.

It also highlights the difficulty an organisation like Rent Smart Wales can have in communicating with its stakeholders.

It is perfectly reasonable for a project like RSW to see surges in activity at key times in its business cycle. Thus, apparent underperformance in any one year may simply be due to underestimating volumes during these peak periods of activity.

5.3 The reporting of progress

In the absence of an evaluation plan, there is no timetabled analysis of outputs, no contextualisation of achievement and no planned review of their ongoing relevance.

This section does not provide any of these things, but at least sets out to an audience which is wider than would otherwise be, an agenda for future discussion.

The data presented is cumulative rather than annual – this is the standard way of presenting figures but can be confusing. We have continued to include an overall ‘Total’ column.

5.3.1 Outputs 1 & 2: training volumes

Increasing landlord’s knowledge of their rights and responsibilities was one of the core objectives laid out in RSW’s explanatory memoranda. This would be achieved through linking licensing to training modules, delivered both online and through classroom-based courses.

Table 5.2: Cumulative training volumes delivered by Rent Smart Wales²⁸

	2016/2017	2017/2018	2018/2019	2019/2020	TOTAL
Output 1: Landlords and agents completing Rent Smart Wales online training modules					
Number Completing	19,181	25,702	31,377	40,553	40,553
Target	N/A	23,000	27,000	32,000	32,000
Difference	--	2,702	4,377	8,553	8,553
% Difference	--	11.7%	16.2%	26.7%	26.7%
Output 2: The number of delegates attending classroom-based Rent Smart Wales training					
Number Completing	4,995	6,909	7,259	7,783	7,783
Target	N/A	7,500	7,500	7,500	7,500
Difference	--	-591	-241	283	283
% Difference	--	-7.9%	-3.2%	3.8%	3.8%

Source: Rent Smart Wales

²⁸ Rent Smart Wales sent us this data in response to our FOI requests, then informed us that it covered only training delivered by Rent Smart Wales. No additional data on externally delivered volumes has been provided

The table above shows the cumulative targets and participation in training activity, firstly online and then via classroom-based training activity.

Online activity has comfortably exceeded target across the lifespan of RSW:

- The lifetime (to date) target has been exceeded by over 25% (26.7%).
- Over 40,000 landlords and agents have now completed the online training module.

Classroom-based courses however have not been as popular but have still achieved the target for participation. Note that as the initiative was rolled out, the target for in-class activity was reduced - reflecting landlord preferences for online delivery. It was subsequently revised back to its initial target²⁹.

- In the last two years, just over 800 (874) landlords and agents have completed a classroom-based course – although these figures do exclude numbers who participated in courses run by the NRLA/RLA/NLA.

5.3.2 Outputs 3, 4 & 5: registrations & licences issued

Mandatory registration and licensing were central to the drive to raise standards in the PRS when Rent Smart Wales was developed.

It was seen as a method which ensured landlords had the necessary knowledge to let safe and secure property. Registration & licensing was also intended to create a database of information which could be used to address, for example, anti-social and illegal behaviours by targeting initiatives.

RSW has to meet a set of targets on registration and licensing. The progress in issuing registrations and licences over the lifetime of the initiative is set out below:

²⁹ We have used the initial and final target only

Table 5.3: Licensing & registration: Cumulative targets and achievements of Rent Smart Wales

	2016/2017	2017/2018	2018/2019	2019/2020	TOTAL
Output 3: The number of landlords and agents licensed by Rent Smart Wales					
Number Completing	8,708	27,990	39,950	51,871	51,871
Target	N/A	20,000	30,000	53,000	53,000
Difference	--	7,990	9,950	-1,129	-1,129
% Difference	--	40.0%	33.2%	-2.1%	-2.1%
Output 4: Number of landlords in Wales registered with Rent Smart Wales					
Number Completing	74,168	89,243	98,281	108,611	108,611
Target	26,000	80,000	90,000	99,000	99,000
Difference	48,168	9,243	8,281	9,611	9,611
% Difference	185.3%	11.6%	9.2%	9.7%	9.7%
Output 5: Percentage of Commercial Agents Licensed with Rent Smart Wales					
Number Completing	54.6%	87.0%	98.5%	99.1%	99.1%
Target	30.0%	75.0%	95.0%	98.5%	98.5%
Difference (Percentage pts)	+24.6	+12	+3.5	+0.6	+0.6
% Difference	82%	16%	3.7%	0.6%	0.6%

Source: Rent Smart Wales

Further detail on this table is set out below:

Licensing

In order to raise the understanding of the roles and responsibilities of those managing buy-to-let property, acquiring a licence became mandatory under the Rent Smart Wales

initiative. Rent Smart Wales have targets based on the number of landlords and letting agents with licences.

- Over 50,000 landlords and agents have now been licensed by Rent Smart Wales.
- The pattern of licences issued indicates that landlords obtained licences at an earlier stage of the project's lifecycle than anticipated.
- The total number of licences issued was slightly below target by the end of 2019/20, although this should not be of concern.

Note that there were approximately 48,000 courses undertaken (Output 1 & 2 combined) and 52,000 licences issued. Some landlords will have multiple licences because of property company holdings.

Registration

Landlords must register both themselves and their properties with Rent Smart Wales irrespective of whether or not they manage the properties on a day-to-day basis.

One effect of licensing in general, has been that those landlords with fewer properties have opted to contract with letting agencies to manage compliance.

It is therefore not surprising to see such a differential between the number of landlords registered and the number of licences issued. Output 4 looks at registrations:

- The first year of Rent Smart Wales saw a much higher level of registration than was expected, exceeding its first-year target by almost 50,000 registrations.
- The following years have seen the gap between targets and delivery narrow. This is due to the surge in initial registrations rather than being indicative of performance.
 - There were over 100,000 (108,611) landlords registered by the end of 2019/20.

Letting agents licensed

Finally, RSW track the licensing of commercial agents. This is done as a percentage rather than as a volume-based indicator.

The estimate is the number of approved agent licences marked as commercial divided by the total number of agent licences marked as commercial on the system, including those that have yet to have a licence granted:

- Uptake in Year 1 greatly exceeded expectations – by the end of Year 1 more than half of letting agents (54.6%) had been issued a licence.
- The latest data shows that almost all letting agents are now licensed with RSW (99.1%)³⁰.

5.3.3 Output 6 & 7: Fee income & expenditure

Rent Smart Wales does not have a target for fee income. It is not unreasonable to link expected fee income to expected registrations and licensing activity.

As volumes of licences issued and registrations combined are exceeding target, it is not unreasonable to anticipate income being ahead of initial business plan expectations.

In addition to fee income, Rent Smart Wales has received direct grant income from the Welsh Government. This is perfectly usual and reflects start-up costs including the need to recruit staff and develop marketing and awareness, as well as contracting external providers for support services and consumables³¹.

In addition, the project has received income from “peripheral project work”³². This is not defined in detail, but the sums are relatively small.

³⁰ If this is a percentage of the number of agents when the programme started and if there has been limited consolidation in the sector, it is not unrealistic to say **all** letting agents are now licensed.

³¹ E.g. courses, marketing materials and expenditure incurred in developing links with local authorities.

³² As stated in FOI 15311, September 2020.

The table below sets out income & expenditure across the lifespan of the project as provided by Rent Smart Wales under FOI requests:

Table 5.4: Profile of Income & Expenditure of Rent Smart Wales³³

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	TOTAL
Fee, grant & project income from Welsh Government						
Income	£87,672	£60,000	--	£35,936	£51,010	£234,618
Output 6: Fee income from registration & licensing						
Income	£453,459	£7,551,547	£1,578,160	£1,243,541	£1,689,904	£12,516,611
Output 7: Expenditure incurred by Rent Smart Wales on wages and salaries, administration, and call centre function						
Expenditure	£557,153	£1,489,952	£1,999,356	£2,254,677	£2,650,594	£8,951,732

Source: Rent Smart Wales

From the above table:

- Whilst Rent Smart Wales has received over £12.75m (£12,751,229) in fee and grant income over its lifespan, expenditure was £8.95m over the same period.
- The bulk of fee income was the £7.5m+ received in 2016/17. This accounts for 60% of all RSW income. Looking at the pattern of activity:
 - There were over 75,000 registrations that year – about 70% of the total. Only 17% of licences were issued in 2016/17.
 - This underlines the importance between *registrations* and RSW income.

³³ Note that this data was supplied directly by Rent Smart Wales. On sight of a draft version of this report RSW management queried the figures. However, no revised data has been provided.

5.3.4 Outputs 8-13: policing landlords

The final set of management information collects data on the oversight and enforcement of standards. There are no targets set for these outputs. This is a sensible approach as it avoids accusations of pursuing unreasonable prosecutions.

Note all the enforcement activities under the remit of Rent Smart Wales focus on the supply (landlord and agent) side of the PRS and not the tenant side.

Table 5.5: Policing & enforcement activity

	2016/2017	2017/2018	2018/2019	2019/2020	TOTAL
Output 8: No. of prosecutions					
No. of prosecutions	No annual breakdown provided			32	105
Output 9: No. of Licences revoked					
No. of licences revoked	--	10	42	70	122
Output 10: Fixed Penalty notices (FPNs) issued					
No. of FPNs issued	172	280	118	204	774
Output 11: Value of FPNs issued					
FPNs issued (by £value)	£36,700	£59,200	£23,800	£42,900	£162,600
Output 12: No. of Rent Repayment Orders (RROs) issued					
No. of RROs issued	--	2	1	2	5
Output 13: Value of RROs issued					
RROs issued (by £value)	--	£26,341	£4,160	Data not provided	£30,501*

Source: Rent Smart Wales
*This does not include 2019/20

Further details are set out below:

Prosecutions

There have been a total of 105 prosecutions since RSW has been introduced. No further details on the prosecutions which took place in in 2019/20 has been provided, but from earlier data:

- Of the 73 prosecutions to the end of 2018/19, 62 were landlords and 11 were letting agents.
- The most common reason for a prosecution was a landlord or letting agent not having a licence. The next most common reason for prosecution was the failure to register.
 - There were seven prosecutions for offences under the terms and conditions of the licence scheme – the failure to provide accurate information³⁴.

Licences revoked

There have been over 120 licences revoked. There were more licences revoked in 2019/20 than in all other years of the project. Again, there are no further details on the 2019/20 data. Looking at the earlier revocations - a total of 52 licences having been revoked in 2017/18 and 2018/19:

- Of these, 42 were letting agents and just 10 were landlords.

The most common revocation to this point was a mutual agreement between licensing authority and licensee.

- The second most common reason was a breach of licence conditions.
 - Note there were no recorded cases of landlords breaching licence conditions.

³⁴ Be that false information or inaccurate information, or a failure to provide information at all

Fixed penalty notices (FPNs)

Once enforcement measures were introduced in November 2016, the Welsh Government were able to issue Fixed Penalty Notices via Rent Smart Wales for those landlords and letting agents that were not compliant with the legislation.

- There has been a total of 774 FPNs administered since 2016, totalling £162,600.
- The largest volume of activity was in 2017/18, with 280 FPNs issued, totalling £59,200.

Rent repayment orders (RROs)

Rent Smart Wales have the power to take non-compliant landlords and letting agents to a Residential Property Tribunal and, in some cases, secure the repayment of rent to tenants.

There have so far been only 5 recorded cases where a landlord or agent has been court ordered to repay rent. These include the following examples:

1. Neath Port Talbot, 2018: unregistered landlord made to repay the **£3,983** paid in housing benefit for operating without a licence.
2. Pembrokeshire, 2018: landlord operating as commercial agent order to repay **£22,357** in housing benefit for the time spent operating illegally.
3. Conwy, 2019: unregistered landlord ordered to repay the **£4,160** paid in housing benefit for operating without a licence.

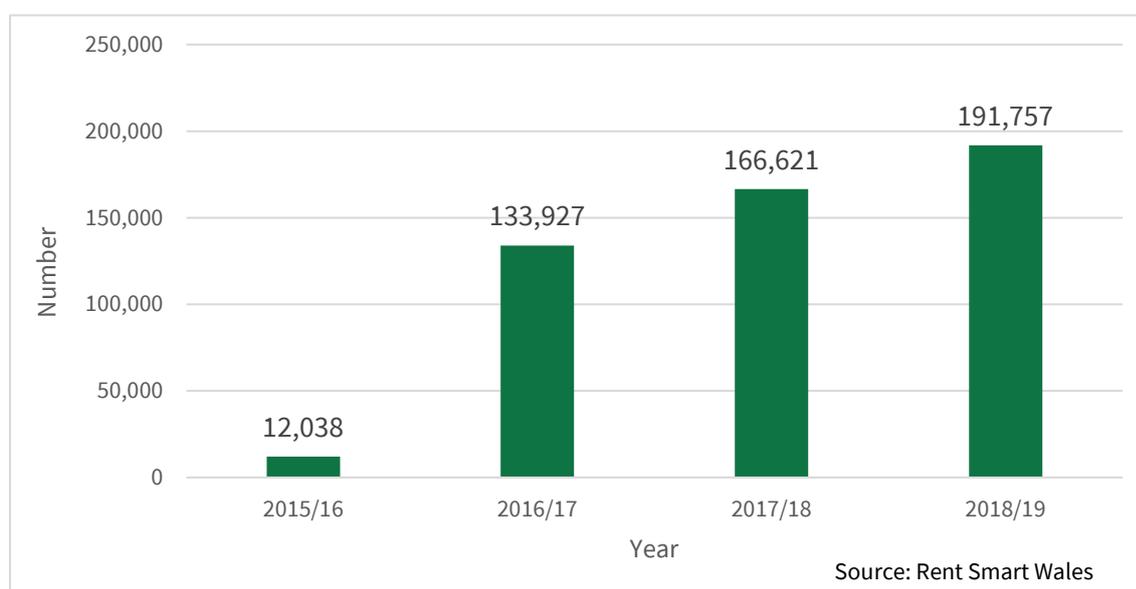
Note that these examples – three of five cases –in fact return housing benefit to local authorities and may not compensate the tenant at all.

5.4 Additional data

As part of the data collection, Rent Smart Wales sent additional information on the number of properties registered through the Rent Smart Wales initiative. Note that HMO are registered as separate dwellings so “properties registered” is slightly misleading.

The graph below shows the growth in the number of properties registered under Rent Smart Wales up to the end of 2018/19.

Chart 5.1: Growth in properties registered



- Thus, by the end of 2018/19 there were just under 192,000 properties registered through the RSW scheme.
- E-mailed, unverified information from RSW indicates that, as of February 2020, this figure had risen to 208,500.

Note that this data does not form part of the performance monitoring information. It is however powerful information – as it can be mapped and plotted according to address.

It is thus a powerful strategic tool. It could be used for example to better target support for landlords and the public sector in addressing geographic areas blighted by anti-social behaviour, or energy efficiency of properties.

5.5 Summary of performance data

This section has presented the data on a “best information [made] available” basis. From this data the following conclusions can be made:

- RSW has been given a clear focus from its funder (Welsh Government) to meet targets on registrations and licensing.
- From this perspective, RSW has been a success: registrations and licences have been at or ahead of profile.
- Registrations and licensing would seem to make up the bulk of the income of RSW, rather than through the necessary training courses required to obtain a licence.
- In the five years since RSW launched, RSW has made a surplus of over £3.8m.
- By the end of 2019 only £150,000 of fines had been paid through its enforcement powers. By this point prosecutions had largely been for failing to register or obtain a licence with RSW, and not the enforcement of higher standards.
- RSW could improve transparency and accountability by publishing key performance and financial data in a public annual report.
- Finally, the lack of certainty we had in compiling and interpreting this data highlights the weakness of FOI requests and emphasises the need for proper oversight and evaluation.

6. Landlord Survey

6.1 Aims & objectives of survey

The NRLA undertook a survey of its members who let property in Wales. The survey took place in December 2019 and January 2020 and sought to understand:

- The reach and awareness of Rent Smart Wales.
- How landlords have engaged with the scheme.
- The experience of landlords as customers.
- How landlords perceive the intended benefits of the scheme.
- What landlords' views on registration and licensing are in light of their experience and understanding of RSW.

Note the purpose of this survey was not to replicate the evaluation reports commissioned by the Welsh Government. There was a focus on the issues and concerns which were raised by members of the then-RLA over the lifetime of Rent Smart Wales.

The survey therefore aimed to collect views on RSW's actions and activities relevant to landlords and their interaction with RSW. The survey also sought landlord views on how they perceived progress towards the scheme's intended outcomes and impacts.

6.2 Profile of responses

The survey received 240 responses. Of these, 224 (94.3%) were current landlords whilst 12 responses (5%) were from representatives of letting agencies.

- Among those 224 landlords, 181 are landlords who let more than one property, whilst just 43 (19.2%) let just one property³⁵.

³⁵ Note this distribution of single and multiple property owners reflects a long-established pattern of responses to the RLAs quarterly surveys.

- Over half (59.7%) of landlords and letting agencies had their property portfolio based in South East Wales³⁶.
- Around 80% (79.7%) of landlords & agencies let houses for single families; almost 40% (39.8%) let flats or apartments. Less than 10% (7.6%) let short-term or holiday property.
- Finally, around a quarter (26%) of landlords and agencies reported they let some form of HMO.

6.3 Key survey findings

6.3.1 Communication between landlords and RSW

Around two thirds of landlords and letting agents (63.1%) in our survey reported they had contacted RSW directly to acquire information:

Most of these individuals used the telephone on at least one occasion – mostly to get advice about licensing or registration.

- About twice as many people reported it was “easy” to get through by telephone than reported it was “not easy”.
- Over 50% (54%) stated the call centre offered a “Good” or “Very Good” service – around one-in-five (22.1%) stated the service was “Poor” or “Very poor”.

For those who used email, the website or social media to contact RSW:

- Exactly half stated they had received a prompt response, more than twice the proportion (22.9%) who stated the response had not been prompt.

³⁶ Which covers 11 local authorities from Monmouthshire to Neath-Port Talbot

Finally Rent Smart Wales produces a newsletter which is emailed to each registered landlord and agent:

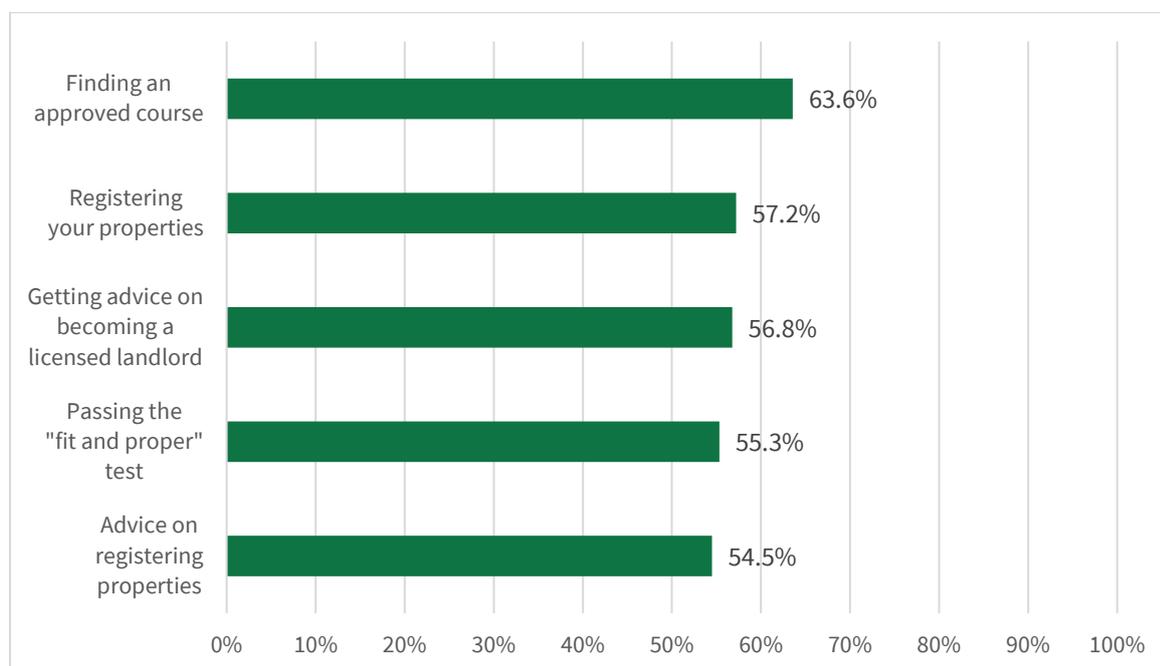
- Only 35% of survey participants stated they received the newsletter³⁷.
 - Of those who did receive the newsletter, most found it useful to some degree - but the numbers are small.

6.3.2 Registering & licensing

Landlords and agents were asked to comment on the processes associated with registering and licensing.

The proportion of respondents finding the various elements either “Straightforward” or “Very straightforward” are shown in the chart below:

Chart 6.1: Proportion of landlords and letting agents finding elements of the RSW licensing and registration process straightforward



³⁷ RSW in comments on a draft claimed this level of readership was a success because of the need to “opt-in” to receive the email.

The results are broadly similar across the different process elements:

- Just over half of respondents typically found each of the key elements of the RSW licensing/registration process straightforward.
 - Note that given the small sample, the differences above mean very little – although it fair to say a higher proportion found finding an approved course straightforward.

A proportion of respondents found each of the above to be *not* straightforward:

- Typically, the proportion of respondents finding the process *not* straightforward for each of the above is around 20%.
- Notable exceptions were the “fit and proper” test and finding an approved course.
 - In each of these cases only around 5% of survey participants stated the process was not straightforward.

6.3.3 Training Activity

The NRLA and previously the RLA, delivered training modules which assist landlords to get licensed. Thus, a lot of the survey focused on training and the benefits of that training.

This section focuses on issues of relevance to this report. In that vein, survey participants tended to agree with the following statements/points:

- The training was easy to complete.
- It was also customer friendly through the way in which it could be delivered (online or classroom-based) and was relatively straightforward.
- Over two thirds of respondents also stated the training succeeded in explaining the rights and responsibilities of tenants and landlords to participants.

However, those who had undertaken the training had doubts about the benefits of such training:

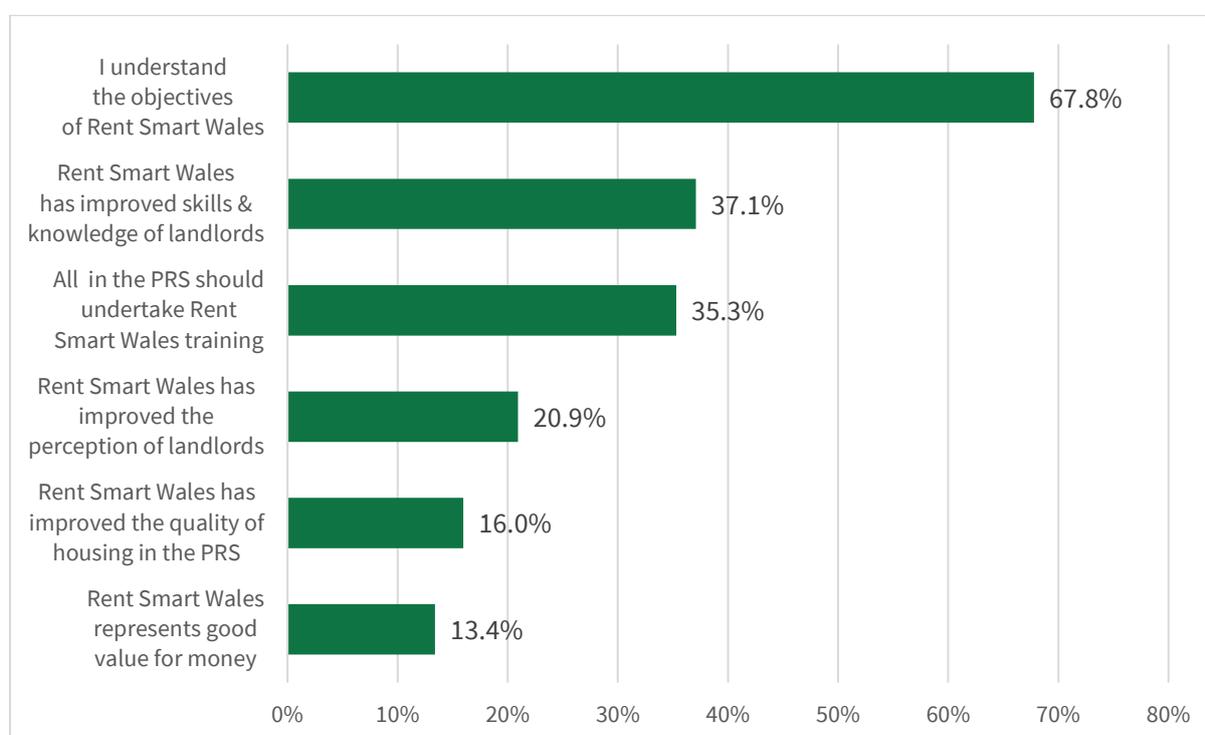
- Only one-third of participants agreed the training was of a high standard.
- Few agreed the training had, or would, make them a better landlord. Neither did many agree the training would improve their own skill set.
- More than half of those asked also stated they believe the training had been ineffective in addressing the problem of rogue or criminal landlords.

6.3.4 Outcomes & impact

Those who participated in the survey were asked about the intended outcomes and impacts of RSW and whether they agreed they were being achieved.

The responses are set out in the chart below:

Chart 6.2: Level of agreement with outcome-based statements about RSW



So, whilst over two thirds at least claimed to understand the objectives of RSW:

- Only around one-third felt RSW had improved the skills and knowledge of landlords in the sector.
- An even smaller proportion – about 20% - feel RSW has raised the perception of landlords and renting in the PRS.
 - This is a similar proportion who stated they agreed with the statement the RSW initiative had improved the quality of housing in the PRS.
- Just over 10% of all respondents felt RSW had offered a value for money service.

In addition:

- Just 14% of landlords and agents felt the initiative was being successful in rooting out rogue or criminal landlord activities.
- Fewer than one-third of survey respondents felt RSW was raising or modernising standards in either management skills or the rental stock.
- A higher proportion – but still less than half - stated RSW was being successful in keeping landlords up to date with changes in the sector.

6.3.5 Final comments: the need for licensing

Finally, landlords and agents were asked about whether they agreed landlords should have to go through some form of licensing process:

- Two-thirds of landlords and agents stated that there was a need to register property.
- A similar (but smaller) proportion also agreed landlords should be licensed.
- Just under half (40% of a fairly small sample), wished to see a link between property registration and high property standards.
- Despite the recognised need for a licensing scheme, less than half agreed the current Rent Smart Wales scheme should continue.

6.4 Summary

The majority of landlords and agents who took the time to complete the survey accept the need for rented property to be placed on some kind of register.

The survey data reveal a consistent pattern: landlords and agents have some concerns towards Rent Smart Wales as the vehicle to achieve the wider objectives for the PRS.

Customer service is seen as good, but not outstanding³⁸: though this sample of landlords is smaller than those of the two Welsh Government-funded evaluations, our findings are consistent with those larger pieces of work.

The performance of the call centre function in respect of customer service as well as efficiency-based measures, should be incorporated into any value for money assessment of Rent Smart Wales.

Whilst the survey indicates that landlords support the objective of a better PRS, there is less confidence in Rent Smart Wales as the model which can best deliver that objective.

Key landlord concerns – in no particular order – are as follows:

1. The value for money of Rent Smart Wales and the benefits received.
2. The thought that RSW is not addressing criminal landlord behaviour.
3. The lack of support for landlords in addressing problem tenants.
4. Individual customer service issues and grievances with the RSW registering/licensing process.

³⁸ This is subjective given the lack of comparative data, but with just 54% of customers stating the service was “Good” or “Very Good”, there is indication there that headroom to increase performance exists.

7. Summary & conclusions

This section attempts to draw together the strands of the research contained in this report.

This has not been an attempt to accuse RSW of poor performance. Nor does the NRLA wish to question the need for standards across the PRS. On the landlord side, many participants in the research recognise the need for some form of quality assurance system.

The analysis however does lead to the following conclusions:

7.1 Aims and objectives

Rent Smart Wales was envisaged as being one contributory mechanism to an improved PRS. The PRS in Wales faces particular challenges because of the nature of its housing stock, as well as the changing needs of the population who rent.

To date, Rent Smart Wales is the only intervention which has emerged from that broader ambition.

In the so-called final evaluation of Rent Smart Wales, the evaluators draw comparisons between Rent Smart Wales and licensing schemes in other parts of the UK. The evaluation report specifically states:

“Some schemes have a dual function; they seek to both improve the standards within the private rented sector (management and/or living standards), as well as addressing wider societal problems (e.g. anti-social behaviour), Rent Smart Wales currently does not have this wider focus.”

However, the objectives of Rent Smart Wales are to contribute towards improving standards across the sector: Rent Smart Wales training is supposed to raise awareness not just of landlord responsibilities, but also their rights.

The NRLA believes that RSW could play a much wider role in furthering the PRS beyond its present remit. However, to date the potential of developing a wider role has only been given scant attention at the strategic level – in so far as stakeholders with an interest in the Wales PRS are aware.

The production of the *Guide for Tenants* is recognition of a potentially wider role across the sector, but it has simply not been given sufficient priority. There is no KPI linked to any form of tenant engagement – a clear indication of the lack of importance attached to this element of raising the bar in the PRS.

7.2 Need to finalise a PRS strategy for Wales

To date no definitive Private Rented Sector Strategy – a key recommendation of the 2011 committee report which underpins the creation of Rent Smart Wales – has been produced.

In its absence, RSW has emerged as possibly the nationwide vehicle best placed to drive forward any wider remit to raise standards in the PRS. It has two advantages:

1. It now has – or at least should have - a network across Welsh local authorities which allow RSW to coordinate activities.
2. It possesses the best data on the PRS in Wales and so can provide intelligence and evidence across a range of intervention options³⁹.

Landlords and the public sector can better collaborate to produce enhanced outcomes – RSW is the natural conduit for that partnership: it could for example, provide the data for the public sector to support landlords in areas where there are specific problems dealing with anti-social and illegal behaviour by tenants. It can also support increasing energy efficiency of privately rented properties.

However, whilst RSW could be a key player in delivering the wider ambition of Wales's housing partners, a clear, evidence-based strategy for the PRS is needed as a first step.

³⁹ This assumes the skills in developing the potential of the data exist within the organisation.

7.3 The role of proper evaluation

The performance of Rent Smart Wales has not been subject to a proper, independent evaluation programme. A wider evaluation is needed to assess whether RSW is making a positive contribution to the Welsh PRS and how this can be best sustained.

The absence of such evaluation makes it difficult to assess whether Rent Smart Wales represents value for money or can be judged a success. Attaching appropriate measures of “success” – recognised by different stakeholder groups - is one reason for subjecting public sector initiatives to evaluation⁴⁰.

The two evaluation reports on RSW have been thorough pieces of work, but poorly timed in the project life-cycle⁴¹. The insights they produced have been limited by this timing, but did show:

1. Increasing levels of dissatisfaction among landlords with RSW service levels.
2. An on-going lack of clarity among local authority interviewees about RSW’s role in delivering an improved PRS through partnership working.

The evaluators did make a number of suggestions and insights on improving performance. How these were taken forward (or rejected) should be reviewed. Progress in addressing (1) and (2) above are also important aspects of maintaining stakeholder confidence.

We would urge RSW to have its impact on the Welsh PRS assessed by independent evaluation. This would be a clear opportunity for RSW to present itself as the vehicle which could deliver an improved PRS to the benefit of all participants in the sector.

⁴⁰ In the private sector evaluation can, at one level be done by reference to the Profit & Loss account. If nothing else, this report shows this is not the only criteria when talking about policy.

⁴¹ The existence of these reports highlights there is no reason RSW should be exempt from evaluation on the grounds of its legal status or function.

7.4 Performance of Rent Smart Wales

How should Rent Smart Wales be judged now it has completed one full business cycle?

At one level RSW has been hugely successful, it has:

- Registered over 100,000 landlords and agents.
- Identified 190,000 dwellings/properties as being in the PRS.
- Issued training and licences to approximately 48,000 landlords and agents.
- Coverage across 98% of all letting agency businesses.

In delivering all this activity it has generated, in four years of operation, a surplus of £3.8m against a turnover of over £12.7m.

In reality, this surplus has probably flowed back to the Welsh Government. There is no indication through the work or reports of RSW that this surplus is being used to advance the wider objectives of the Welsh Government – to develop a “better Private Rented Sector”.

RSW generates a considerable income and surplus through *law abiding* landlords. By the end of 2019-20, only £200,000 of fines had been paid through its enforcement powers^{42,43}. Even though the final total may be higher, it will almost certainly be in line with this.

By the end of 2018/19, most of the limited number of prosecutions RSW had completed were for failing to register or obtain a licence rather than addressing poor management or property standards⁴⁴. In addition, in at least three of the five cases in which a Rent Repayment Order had been awarded, the bulk of money was returned not to tenants but to local authorities in the form of repaid housing benefit.

⁴² This does not include the value of the two RROs issued during 2019/20 – it is doubtful either of these would distort the overall view expressed here.

⁴³ Fines are not returned to RSW and are not a source of revenue. The low levels of fines demonstrate not landlords are law abiding.

⁴⁴ In this respect RSW has suffered from Welsh housing policy being not joined up. Delays in introducing new standards through the Renting Homes Act has left RSW with no role in enforcement other than enforcing adherence to registering and licensing with RSW!

It is sensible to not have penalty or prosecution-based targets in place – meeting those targets could mean losing the confidence of landlords. However, landlords DO want criminal landlords prosecuted and punished.

There are a range of other possible reasons why the enforcement function of RSW has been thus far limited.

1. The PRS is broadly functioning properly and the need for prosecutions is low, in which case the construction of the Rent Smart Wales infrastructure has been unnecessary.
2. During its first business cycle, RSW has not been sufficiently focused on enforcement, and too much on the bureaucracy of registering and licensing.
3. A lack of willingness from Welsh Government to use powers to their full extent.
4. Evidence from previous evaluations indicated a confused relationship between Rent Smart Wales and Welsh local authorities⁴⁵.
5. Enforcement measures are themselves acting as good deterrent for non-compliance.
6. Settlements outside of Residential Property Tribunal may explain the low numbers of RROs awarded. It may also be that tenants (as opposed to local authorities), are unaware of their rights to be awarded the repayment of rent.
7. A lack of capacity to inspect and enforce means the available enforcement measures cannot be fully deployed.

In reality, it will be a combination of some or all of these factors which explain the difficulties RSW has experienced in raising the PRS experience for all.

⁴⁵ This is not something examined here as it is outside our scope. It is however a reason for a fuller evaluation

This furthers evidence from elsewhere, including that of a previous study undertaken by the RLA, which found that three out of four local authorities had failed to commence a single prosecution against a private landlord in 2017/18⁴⁶.

It would seem that despite the investment in the project's infrastructure, levels of prosecution remain unchanged.

Landlord organisations are keen to root out criminal landlord activity, and imaginative use of the surplus resources RSW has at its disposal could address this deficiency.

Thus, there is certainly a case to suggest the surplus revenue RSW has generated could be deployed to support enhanced enforcement measures – if the regulatory environment so permitted.

7.5 Taking Rent Smart Wales forward

Of course, we recognise RSW as an entity has no authority on what happens to surpluses. Nor does it have any say in developing wider improvements to the PRS beyond its present remit, which is restricted to a registration and licensing role.

Previous studies - which have canvassed the opinion of a greater number of stakeholders than this one - indicate confusion about Rent Smart Wales role in two key areas. The first area of confusion being enforcement, the second being the wider role of Rent Smart Wales in improving the PRS.

There is a case for RSW becoming more central to improving the PRS in Wales. It has knowledge of the supply side, and also generates a surplus which could be ploughed into meaningful neighbourhood or data-evidenced initiatives.

⁴⁶ Simcock, T. & Mykkanen, N. (2018) The Postcode Lottery of Local Authority Enforcement in the Private Rented Sector, RLA, Manchester

Finally, and perhaps most significantly, it has generated significant intelligence and data on both landlords and property. This can be leveraged to produce meaningful change in the Private Rented Sector.

A more independent RSW seems a natural progression. This role could be thought of as being a “Regulator+” model. In addition to licensing the supply side of the PRS, it could take on responsibility for developing a PRS strategy and play a stronger strategic role in enforcement. Intelligence and surpluses could be used to work in partnership with local authorities and landlords to address nuisance tenancies more effectively.

With such independence must come enhanced governance structures. RSW needs to become accountable across all stakeholder groups. One option is an agency accountable to the Welsh Government with a board-led governance structure (it could retain the wider consultative forum), beneath which sits a delivery team. This approach would give Rent Smart Wales clear direction within a wider role.

At present Rent Smart Wales is failing to secure the confidence of landlords and current accountability structures lack confidence and clarity.

7.6 Final comments

In the meantime, it seems unfair to the NRLA that landlords have funded Rent Smart Wales but have received little in exchange.

The business model for RSW has underestimated volumes and revenues and there is a significant surplus⁴⁷.

The bulk of this report was written before the global pandemic reached the UK. The impact of Covid-19 could transform the PRS in Wales.

⁴⁷ Our proposal for a more independent agency-structure for Rent Smart Wales would enable the organisation to retain and reinvest these surpluses to the benefit of PRS stakeholders

The next round of licensing and registration may no longer reflect the costs and revenues landlords have previously anticipated. The NRLA hope that pricing is aligned to the new realities the PRS faces.

The NRLA call for imaginative uses of current surplus revenues in line with the development of a complete PRS Strategy being developed which has the support of all stakeholders.

In the meantime, there is no reason why existing RSW licence holders should not directly benefit from this excess income. This could be done through the provision of free courses for licence renewals, or simply through a rebate scheme.

In light of Covid-19, a waiver of fees for those who registered early would also acknowledge the support of landlords whose prompt action in registering helped RSW become established.

Alternatively, landlords who hold lighter touch Property MOTs could receive discounts on future, forthcoming licensing fees. The use of Unique Property Registration Numbers – which are now publicly available, could also be used as the basis of registration and the wider data RSW hold on property in the PRS.

A choice for landlords, while maintaining standards, is advantageous when seeking to maximise the buy-in to a scheme such as Rent Smart Wales.

We would welcome future discussion on developing and enhancing the role of Rent Smart Wales and the wider PRS in Wales.



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