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# EXECUTIVE SUMMARY: RENT, SERVICE CHARGES AND AFFORDABILITY

## THE NEED FOR MORE TRANSPARENCY

SEPTEMBER 2024  
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Ariennir yn Rhannol gan  
Lywodraeth Cymru  
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# ABOUT THIS RESEARCH:

At the request of the Welsh Government, we have undertaken our 3rd dedicated Tenant Pulse focused on rent setting. Whilst we are now seeing inflation and energy prices coming down, the cost-of-living crisis remains.

Rent setting is a challenging subject. Landlords need certain levels of rent settlement to continue services as they have seen an increase in the costs of building materials, repair contractors and staff wages. However, tenants must be able to afford these increases.

## RESEARCH METHODS

- The survey was live in July 2024 over a short window. This length of time allowed TPAS Cymru to consult with member and third-sector organisations to give the opportunity for tenants to share their voices.
- We delivered Tenant Pulse via the QuestionPro online survey platform.
- TPAS Cymru posed 19 questions to Pulse database members and members of the public.
- We used a variety of social media platforms to increase impact including advertising on Meta.

## DEMOGRAPHICS

- It must be noted that the response level is lower this year as we had a short window to ask for responses. Last year with a longer window, we reached over 800 responses.
- We saw a reduction in responses from tenants living in Local Authority housing.
- Our highest responding areas was South East Wales (34%). Our youngest respondents (under 45y/o) live in South West Wales.
- Our highest responding age range for all responses was 46-65 (44%).
- 38% of all respondents identified as d/Deaf or disabled.
- 3.5% of all respondents identified as Black, Asian Minority Ethnic, an increase of 1% from 2023.

# KEY FINDINGS - LANDLORD AND TENANT COMMUNICATION

- The number of tenants who have received communication from their landlord regarding rent increases (89%) has improved.
- Satisfaction levels regarding landlord communication has improved (35%).
- An increased number of tenants (57%) expressed a desire to know how their rent is spent. (42% in 2023)
- We have seen improvement in tenants' understanding of the financial support available from their landlord, although almost half of tenants are still unaware of this support.
- 66% of tenants whose main income is generated through work have not seen any information about financial support, compared to 46% of retired tenants.



## We discovered three drivers of those dissatisfied with rent communications:

- 1) Tenants expressed significant frustration over rent increases, concerned about affordability and justification in terms of service improvement.
- 2) There were complaints about high service charges, inadequate communication and poor maintenance and perceived unfairness in rent across different areas and properties.
- 3) Tenants identifying as disabled and those not in receipt of benefits were particularly concerned about the impact of rent and service charges.

# RECOMMENDATIONS - LANDLORD AND TENANT COMMUNICATION

## We recommend the following:

- 1) Enhance and target communications with specific demographic groups - particularly older tenants and those in SWW, to ensure all tenants are informed about rent increases and support.
- 2) Landlords should provide improved transparent explanations for rent increases and how additional rent is spent.
- 3) Given the growing interest in how rent is spent, landlords should offer clear and transparent information on financial expenditure.
- 4) Landlords should address concerns about service charges and maintenance by enhancing the quality and timeliness of repairs and ensure charges are reflective of the service provided.
- 5) Special attention should be given to vulnerable tenants, ensuring they are informed and supported, particularly in light on the financial challenges posed by rent increases.



# KEY FINDINGS - RENT FORMULA OPTIONS

- 60% of tenants agree with charging higher social rents for properties in desirable areas or with better energy efficiency.
- 56% of tenants oppose charging extra rent for new-build, energy efficient homes. This resistance was stronger in the North and South-West regions.
- There was resistance to rent increases for energy efficiency. 71% of tenants felt rents should not increase for homes with improved energy efficiency. This reflected a strong consensus that lower energy bills should not equal higher rent.
- There was opposition to rent variation based on access to public services. 67% of tenants opposed varying rents based on access to public services. Housing Association tenants were more open to this idea.



There was a strong rejection for Market-Linked Rents.

- Tenants don't want social rents to be linked to discounted market rents, they want to be protected from market fluctuations.
- 88% of tenants responded that they oppose linking social rents to private rental prices, with a preference for rents to be based on the property itself rather than the area.
- BAME tenants were particularly concerned about the complexity and feasibility of this system.






# RECOMMENDATIONS - CHANGING RENT FORMULA

## We recommend the following:

- 1) Consider tenant preferences in rent policies. Landlords should prioritise rent policy focused on affordability. There is currently little appetite for rent variances based on community, EPC ratings etc.
- 2) Landlords should tailor communication and engagement provided to tenants. Landlords need to address the diverse opinions among different regions and underrepresented groups through targeted engagement and communication.
- 3) There is a need to avoid complex rent structures. Given the widespread concerns about the complexity of varied rent systems, landlords should avoid an overly-complicated rent setting model that could confuse or alienate tenants.



# KEY FINDINGS - SERVICE CHARGES

- There has been a growing awareness of the breakdown of service charges since 2023, with the % of tenants knowing what their service charges are for increases from 41% to 58%. 
- Despite this improvement, 42% of tenants who pay service charges do not fully understand what they are paying for. 13% are unaware, but want to know more. 
- There is a split perception of unreasonable increases. 37% of tenants said their service charge increase was reasonable and 39% felt their service charge increase this year was unreasonable. 
- There are big differences between service charge awareness of Housing Association tenants (67% awareness) and Local Authority tenants (37% awareness). This suggests a disparity of how well different types of landlords communicate and justify charges. 
- Tenants are frustrated with the quality and frequency of services they are paying for, and feel they are being charged for sub-standard or non-existent services. This indicates concerns about poor contractor performance and a lack of accountability. 

## There is a feeling of a lack of transparency and value for money.

- Many tenants expressed strong concern about a lack of transparency in how service charges are calculated and a wide-spread belief in how these charges are not reflecting the value of services provided.

# RECOMMENDATIONS - SERVICE CHARGES

## We recommend the following:

- 1) Landlords should improve transparency by clearly communicating what service charges are covering and how they are calculated. This will address a significant awareness gap.
- 2) Landlords need to enhance service quality and ensure that the services for which tenants are charged are delivered consistently and to a high standard.
- 3) There is a need to address tenant concerns. Regular feedback from tenants should be used to adjust service charges and service delivery. This will ensure that charges are fair and reflect the quality and frequency of services provided.
- 4) There is a need to review contractor performance. There should be stricter oversight and accountability for contractors to ensure a reliable and high-quality service delivery.





# KEY FINDINGS - AFFORDABILITY

- There is a changed perception of rent affordability. 62% of tenants believe their rent is affordable, a decrease from 78% in 2023.
- Housing Association tenants are slightly more likely to find their rent affordable (65%) compared to Local Authority tenants (57%).



## Of the tenants who found rent unaffordable, the key reasons were:

- A high rent cost relative to income, particularly those on fixed incomes (pensions, welfare benefits etc). These high rents are forcing tenants to sacrifice essential needs which is leading to financial distress.
- There is an impact of the welfare and benefits system exacerbating financial strain. There are concerns about moving to Universal Credit from legacy benefits due to potential financial losses.
- Tenants report dissatisfaction with maintenance and repairs, feeling that the quality of housing does not justify the higher rent.
- Tenants report that energy efficiency issues increase utility bills and contribute to poor living conditions, which affects affordability.
- Affordability is causing emotional and psychological strain on tenants. Tenants report that the financial pressure combined with poor housing conditions and issues navigating the benefits system is causing stress and an impact on mental health.
- Tenants from vulnerable groups, such as the elderly or disabled, feel unsupported. This is in particular with accessing housing and financial support.

# KEY FINDINGS - AFFORDABILITY



## Key reasons (continued):

- Tenants report a perceived feeling of unfairness and lack of control. With continuous rent increases and a lack of improvement in housing quality, tenants report feeling frustrated.
- Tenants report feeling powerless with no input on rent or property decisions.
- Tenants report that repairs and maintenance to existing homes is the biggest priority for rent spending. Improving energy efficiency and building new homes are also high priorities to tenants.

## Opinions on the Social Housing rent settlement:



- The current support indicates that 39% of tenants support maintaining the rent settlement at CPI+1%.
- The majority opposition is that 62% of tenants believe that the rent settlement should change, with 30% of tenants favouring an adjustment based on affordability and inflation data.

# RECOMMENDATIONS - AFFORDABILITY

## We recommend the following:

- 1) Landlords must address affordability concerns. This could be by exploring rent formulas that consider tenants' incomes and affordability, particularly for vulnerable and BAME tenants.
- 2) There needs to be enhanced support for vulnerable tenants. Landlords should provide targeted financial assistance and improved access to housing for vulnerable groups.
- 3) Work must be undertaken to improve housing conditions. Landlords should prioritise repairs, maintenance and energy efficiency improvements to ensure that tenants feel their rent is reflected in the quality of their housing.
- 4) Landlords should consider more flexible, affordability based rent-setting models that respond to inflation and tenants' financial situations.
- 5) Tenants must be engaged in decision-making processes to ensure their needs and preferences are reflected in rent adjustments.
- 6) Communication with tenants should be improved regarding how rent increases are determined, and tenants should be involved in discussions about rent and service charge spending.



TO DISCUSS FURTHER, PLEASE CONTACT:  
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