

**Cambridge** Centre  
for Housing &  
Planning Research

**Feasibility study of the prospect of  
developing a viable housing model  
for those entitled only to access the  
shared accommodation rate**

**For Community Housing Cymru and  
the Welsh Local Government  
Association**

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**Anna Clarke and Andrew Heywood**



**UNIVERSITY OF  
CAMBRIDGE**

Grŵp  
Cartrefi  
Cymunedol  
Cymru



Community  
Housing  
Cymru  
Group



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## Executive Summary

This research was commissioned by Community Housing Cymru and the Welsh Local Government Association in order to establish what Local Authorities and Housing Associations in Wales can do to increase the economically viable provision of affordable accommodation for young single people under 35 in the social housing sector.

Forthcoming cuts to Housing Benefit will reduce payments to social tenants if their rent is currently higher than the amount of Housing Benefit they would receive in the private rented sector. For single people under 35 this means that their housing benefit will be capped at the level deemed necessary to rent a room in a shared house, which may be significantly lower than rents on one bedroom social rented flats. In addition, some 18-21 year olds will lose all entitlement to Housing Benefit.

The research drew on a survey of young people in Wales, focus groups, interviews with key stakeholders and landlords and analysis of data on current living patterns.

## Context

- Of young people (aged 16-35) in Wales who form independent households, 46% are home owners, 39% in the private rented sector and 15% in social housing
- 13% of all young people in Wales are currently living in shared housing, and nearly all of this is provided by private landlords. There is very little shared housing provided by social landlords, except in the supported housing sector.
- Shared housing is more common in urban and rural authorities in Wales, and less common in Valleys and 'other' types of authorities. More than half of young people have lived in shared housing at some point in their lives. Men and women are similarly likely to have lived in shared housing, but men are much more likely to be doing so currently.
- Around 8,700 young single people are currently claiming housing benefit for social rented housing in Wales. At current rates of turnover it can be estimated that by April 2018, around a third of single young social tenants in Wales will be initially unaffected because they have held their tenancies for more than two years.
- In the future most of this group will be restricted in the amount of benefit they can claim, with average shortfalls of around £21 per week between their housing benefit entitlement and their rent (as well as any existing service charges). Young people are very unlikely to be able to make up this level of shortfall from their benefit income or earnings.

- Around 2,900 18-21 year olds without dependent children currently claim housing benefit in Wales. It is not known how many of these will remain eligible for housing benefit from April 2017 as the ways in which vulnerability will be determined remain unclear. Housing providers consider that the large majority of their 18-21 year old tenants are not able to live with their parents, so should remain eligible for housing benefit.

## Key findings

- **Discretionary Housing Payments** may help some young people to afford rents that exceed their housing benefit eligibility, but are unlikely to be sufficient to help most.
- There are different models of how tenancies can be structured within shared housing:
  - **Separate tenancies** involve tenants each renting a room and use of shared facilities direct from a landlord. Rent accounts remain separate but tenants may have no say in who else lives in their home
  - **A joint tenancy** can be used for a group of tenants to rent a home jointly. Tenants are each responsible for paying the rent and can be held responsible for rent owed by housemates.
  - Existing tenants can **sublet** a spare room in their home to a lodger or sub-tenant.
- Regulations around **Houses in Multiple Occupation** can affect shared housing of all tenures with as few as two unrelated adults sharing. There are different definitions of HMOs for the purposes of licencing, planning permission and council tax liability and landlords need to understand these.
- Shared housing is well-established in the **private rented sector** and there is much that social landlords can learn in terms of how to make sharing work.
- A minority of young people have **a preference for living in shared housing**. For most it is a **compromise between what they want and what they can afford**. Young people nevertheless largely agree that shared housing provides a good housing solution for young people in Wales.
- **Features** that make shared housing more attractive to young people include having bills included in the rent; more than one bathroom (or ensuites); being able to choose who to live with and having background checks undertaken on housemates.
- Some **vulnerable tenants** find shared housing more problematic. This includes those with mental health problems, past experience of domestic

violence, drug or alcohol use, learning difficulties or ex-offenders. Some of these groups find it hard to share housing, and some are hard for other people to live with.

- Examples of **successful shared housing schemes** within the social sector includes ones that offer a minimum level of support via a lead tenant or supportive housemate; housing with a room to accommodate visiting non-resident children; schemes to allow tenants to choose housemates but retain separate tenancies; and schemes to promote lodgers or match lodgers to householders.
- There was some interest from stakeholders for building **specialist shared housing** along similar lines to Halls of Residence models, though rents charged to students in Wales are significantly higher than those what would be affordable to young people on housing benefit so grant levels may need to be high to make such schemes affordable.
- **Converting existing stock** is likely to offer a quicker form of shared housing at lower risk.
- **Allocation systems** for shared housing need to balance the need to prioritise housing need with the need of existing tenants to have some say in who they live with. Systems where tenants can choose from a housing-association approved shortlist are one way to do this. Young people's biggest concerns around shared housing relate to whether or not they will get on with their housemates, or be asked to share with people with problematic behaviour.
- **A culture of sharing** does not exist everywhere in Wales, especially in the Valleys areas. Even in student towns and cities, the expectation of those on social housing waiting lists is generally for self-contained housing.
- Some social landlords were prepared to encourage existing tenants to take a **lodger**, but this has had limited success so far.
- The research did not identify any **other existing models of housing**, other than sharing, which could bring rents to within LHA limits without substantial additional subsidy. **Innovative ideas** would be needed to create such a product.
- **Increasing young people's incomes** is not a new idea and unlikely to become viable for all, but may nevertheless be a solution for some young people in Wales.

## Recommendations

This report makes recommendations to the UK government, Welsh Government, Local Authorities and social landlords (both housing associations and local authorities) in Wales. In order to increase the economically viable provision of affordable accommodation for single people under 35, in the light of the forthcoming cuts to housing benefit, it is necessary to focus on:

- Education and promotion of shared housing as the main economically viable option for single young people on low incomes or benefits
- Removing barriers to shared housing, at UK, Welsh and local levels.
- Funding for the development and ongoing management of housing for young single people
- Good practice in developing and managing shared housing

### Education and promotion of shared housing

*The UK Government should:*

- Ensure that the DWP informs all young single people currently in receipt of any kinds of benefits so that they are aware of changes, whether or not they are currently in receipt of Housing Benefit. This may encourage them to find work and also could deter them from leaving their current accommodation in the misapprehension that they could claim Housing Benefit on a flat of their own.

*The Welsh Government should:*

- Undertake or commission research into the levels of demand and need for shared housing from those on social housing waiting lists, considering both people's housing preferences and their ability to pay for the housing they would like. The extent to which young people on waiting lists prefer or need shared housing to be provided by a social (rather than a private) landlord is also an area where further research would be useful.

*Local authorities should:*

- Ensure that young people are fully informed of the forthcoming Housing Benefit changes when they are accepted onto social housing waiting lists
- Engage in wider education of young people explaining about housing options, Housing Benefits and the role of shared housing, eg through PSHE classes in schools, housing or DWP staff visiting schools, work with care leavers, supported housing providers, hostels, etc

*Social landlords should:*

- Alert current tenants to the forthcoming changes, including adult or teenage children of tenants who may be affected in the future.

*All levels of government and social landlords should*

- Do more to promote shared housing as an acceptable and normal style of living for young people – looking to the student and young professional markets for inspiration.

## **Removing barriers**

*The Welsh Government should*

- Address the conflict between reduced housing benefit levels and preserving housing standards (space standards, lifetime homes, etc). There is a need either to accept that standards in the social sector need to fall to those found in the private sector, or to accept that Housing Benefit levels/grant funding need overall to be higher in the social sector. Failing to address this conflict may mean that young people find there is no accommodation at all available to them.
- Remove requirement for planning permission to be obtained for conversion from a dwellinghouse (C3) to a small HMO (C4)

*Local authorities should:*

- (In the absence of the above) Ensure that it is as swift, easy and cheap as possible to apply for planning consent to convert a property to a small HMO unless there are very clear locally-specific reasons not to. Local policies around when permission will and will not be granted should be made clear to landlords.

## **Funding and implementation**

*The UK Government should:*

- Exempt supported housing from the LHA caps, or introduce sufficient funding from other sources to plug the significant gap between LHA levels and current rents in the supported housing sector. No solutions to supported housing costs were identified by this research and it seems clear that supported housing will not be viable unless exempted from LHA or substantial funding made available from other sources.

- Publish clear guidelines around how vulnerability will be defined for 18-21 year olds, ensuring that those who are unable to live with their parents or other family members and not able to support themselves currently are classed as vulnerable.
- Review the situation of care leavers – who are currently given an exemption from the LHA shared accommodation rate but only until they are 22. Care leavers have traditionally sought social housing as a long term option, and are often given high priority, meaning that the short term exemption may be all that was needed. However, from 2018 they will be restricted to the shared accommodation rate even in social housing once they reach the age of 22. Allowing the exemption for care leavers right through to age 35, or alternatively removing it altogether would both be more coherent policies than the current one which allows people to get used to having their own space, and then expects them to move back to shared housing (unless they have a child, partner or reasonably paid job by then
- Consider whether exemptions from the shared accommodation rate should be given for other groups including those with mental health difficulties, experience of domestic violence, ex-offenders who would pose a risk to housemates, including those with a history of drug use, disabled people requiring adapted properties and those moving on from hostels or supported housing projects.
- Allocate substantial funding for the development or conversion of existing housing to use as shared housing in the social sector
- Allocate additional funding for Discretionary Housing Payments to ensure local authorities can mitigate the impact of the Housing Benefit cuts for those who are unable to afford their rent at least until other longer term solutions can be implemented.
- Consider whether guidelines should be amended so that DHP funding can be used for 18-21 year olds who are ineligible for Housing Benefit. Current DHP guidelines stipulate that DHPs may only be used for people who are entitled to Housing Benefit (DWP, 2016).

*The Welsh Government should*

- Consider whether higher grant rates should be made available to promote the development of shared housing by social landlords.

*Local authorities should:*

- Formulate a policy for DHPs to focus on young people most in need of this resource, which could include:
  - Those who cannot work currently and are deemed unsuitable for living in shared housing for reasons that may relate to mental health or other vulnerability
  - Young people with an urgent need for housing but who cannot be found shared housing at the current time, either in the social or private rented sectors
  - Those who are likely to be only temporarily affected by the LHA shared accommodation rate, for instance because of an age change, baby due, a partner due to move (back) in or a job soon to begin.
  - Tenants in shared housing on separate tenancies who would otherwise be eligible for Council Tax Support in situations where the rent is higher than the LHA cap.

## **Good practice in developing and managing housing solutions**

*Local authorities should:*

- Relax nomination requirements for tenants moving into shared housing. Self-contained social housing is in very high demand in most parts of Wales, so there is a need to ration it to those deemed to be most in need. Evidence on the levels of demand for shared housing is sketchy, as there is currently so little of it, but social landlords who have offered it generally report lower levels of demand. This means that the mechanisms needed to allocate it effectively may work differently as applicants can effectively self-select as to whether they need to apply for shared housing or whether they can meet their housing needs by other means. There are several ways in which this may be done effectively:
  - Allowing tenants to apply in groups with friends, and ensuring that those who do so are given reasonable priority for housing as long as they meet basic criteria for being in housing need (such as not owning a house). Working with Leaving Care teams and providers of supported housing or tenancy training courses may help young people to decide who they would like to live with and apply in groups. Those who apply as a group could be given separate tenancies or a joint tenancy as there are some benefits either way. When a tenant in such a house leaves, the other housemates should be given some degree of choice over their new housemate. This could be by allowing them to choose anyone who meets basic criteria for housing need, or by choosing from a landlord-provided shortlist of applicants.



- Operate a separate register of applicants for shared housing, or ask those on the general housing register to very clearly opt in to being considered for shared housing, so that an up to date list of people genuinely seeking shared housing is maintained.
- If existing tenants are to be given some degree of choice over new housemates then consideration needs to be given as to how to help people who are repeatedly not chosen by existing tenants, but are in severe housing need and dependent on Housing Benefit. Possible solutions include:
  - Putting them in first to a void property and allowing them to choose a housemate(s)
  - Allocating them a single tenancy in a property where tenants are not given any choice over new housemates
  - Considering them to be unsuitable for shared housing and look instead to whether they can find a way of affording self-contained housing by finding work or the use of Discretionary Housing Payments.
- Develop ways of delivering shared housing jointly with private sector landlords. This may involve private landlords agreeing to keep rents at LHA rates and allocating homes to young single people on the housing register in return for tenancy management and support by social housing providers. Or it could involve using the private rented sector's experience at managing shared housing using housing sub-let from social landlords in return for offering tenancies to young people from the housing register
- Work closely with social landlords to ensure that they are committed to meeting the needs of young people. Housing associations do not need young people in order to let their stock, so they may need support or incentives to make the changes needed to meet the needs of young people. Those who currently house mainly families in two and three bedroom houses may in fact be better placed to offer shared housing than associations whose stock consists largely of one bedroom flats.
- Work with those offering apprenticeships to consider whether accommodation might be provided for some young people unable to live with their parents, whilst they complete the apprenticeship.

*Social landlords should:*

- Include housing suitable as shared housing in development plans

- Start converting existing stock to shared housing in line with current demands for such housing, anticipating that demand will increase after April 2018.
- Focus on small house shares. Large properties with six or more rooms are unlikely to be easy to manage with a high proportion of benefit dependent tenants who are not in work (and hence at home for many hours of the day), living different lifestyles and with a client group with high levels of vulnerability. Three bedroom homes may, however, be more economically viable than two bedroom homes as the total rent charged could be 50 percent higher whereas build costs are likely to be only slightly higher. Council tax may need to be included in the rent (if separate tenancies are used) and this may make it hard to keep rents for tenants sharing a two bedroom home within LHA limits.
- Ensure that issues around council tax liability are carefully considered when developing business plans for shared housing.
- Consider very carefully before building large scale purpose built shared housing, as this may be high risk – given demand is uncertain in most locations. Letting existing stock to groups of sharers is lower risk and more flexible to meet changing levels of demand. There are also concerns over concentrations of vulnerability with purpose built accommodation; the general view is that pepperpotting is better. The student housing model may offer some ideas, but is unlikely to be reproducible as an affordable option in its current form because rents are typically much higher than LHA limits.
- Include utility bills within rent charged to tenants.
- Ensure that shared housing has:
  - A communal living room, to promote social interaction.
  - Locks on bedroom doors and kitchen cupboards, which can be used if desired
  - More than one bathroom, or at the very least, a separate toilet and bathroom or (if practical) ensuite bathrooms.
- Ensure that shared housing is provided with carpets, curtains, white goods and basic furniture in the communal areas. Further research and good practice guidance may help social landlords estimate the costs of this provision to ensure it is affordable within their business plans and rents are set appropriately.
- Not be too strict about the age limits for sharing housing if tenants are happy to share with each other. Shared housing may be more affordable to over 35s who are in low paid work or students.
- Explore further the possibilities for tenant-led housing cooperatives and self-build schemes to offer housing solutions for young people keeping rents low

by tenants taking on some of the tasks otherwise carried out by landlords or contractors, and finding tenant-led solutions to the challenges of shared living.

- Offer young people in shared housing the option of a self-contained one-bedroom flat once they have been in employment for a period of time (eg a year), to incentivise work and ensure that they can move on from shared housing to enable others to live in it. Evidence from focus groups/survey also suggests shared housing is more desirable when seen as part of a housing career, rather than a permanent destination. Similarly, those wishing to live with a partner or who become pregnant should be enabled to move on from shared housing.

# Feasibility study of the prospect of developing a viable housing model for those entitled only to access the shared accommodation rate

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## 1. Introduction

This research was commissioned by Community Housing Cymru and the Welsh Local Government Association in order to establish what Local Authorities and Housing Associations in Wales can do to increase the economically viable provision of affordable accommodation for young single people under 35 in the social housing sector.

Forthcoming cuts to Housing Benefit will reduce payments to social tenants if their rent is currently higher than the amount of Housing Benefit they would receive in the private rented sector. For single people under 35 this means that their housing benefit will be capped at the level deemed necessary to rent a room in a shared house, which may be significantly lower than rents on one bedroom social rented flats. In addition, some 18-21 year olds will lose all entitlement to Housing Benefit.

These changes occur at a time when new homelessness legislation, introduced in Wales in April 2015, has placed new duties on local authorities to assist all households who are homeless or threatened with homelessness. The full homelessness duties are still owed only to households deemed to be in 'priority need', meaning that young childless people are often excluded, but there is now a legal duty on local authorities to prevent or relieve homelessness where possible, which is owed to all households regardless of priority need status. The accommodation secured for homeless people does not have to be social rented and can include appropriate offers of accommodation in the private rented sector.

To meet these duties, local authorities need to be able to find accommodation that is affordable to single young people, including those who depend on Housing Benefit to pay their rent. This is likely to be more difficult when the Housing Benefit cuts take effect.

This report first sets out the current housing situation of young people in Wales, then considers the likely impact of the welfare reforms on the housing needs of under 35s in Wales without policy change, including numbers likely to be affected and the extent of their Housing Benefit shortfalls.

The report then examines possible solutions, highlighting examples of good practice in meeting the needs of single young people in Wales at rents which will be affordable to them when Housing Benefit levels are cut, and exploring the feasibility of introducing such models in Wales.

### Research methods

The research involved:

#### A. Policy and data analysis

We analysed the impact of forthcoming welfare reforms on the housing needs of under 35s in Wales, drawing on data from the Department for Work and Pensions and the Welsh Government's housing statistics, and also set out the policy context affecting housing for young people in Wales.

## **B. Interviews with national stakeholders and housing providers**

A project inception meeting was held in March 2016 with representatives from Community Housing Cymru, the Welsh Government, the Welsh Local Government Association, Caerphilly local authority and Llamau. A selection of national stakeholders and a range of housing providers were also interviewed during March and April 2016. These comprised:

- Newydd Housing Association
- Grŵp Cynefin
- Llamau
- Powys local authority
- Merthyr Valley Homes
- Charter Housing
- Bron Afon Community Housing
- Valleys to Coast Housing
- Caerphilly local authority
- Flintshire local authority
- The Residential Landlords Association
- Bridgend County Borough Council
- City and County of Swansea

A discussion event was also held in Cardiff in April 2016, which provided further opportunity for discussion of the issues by a range of local authorities and other stakeholders.

## **C. Surveying of a representative sample of young people in Wales**

In order to gather data on the housing needs and preferences of young people, we worked with the market research company, Populus, to undertake a survey of young people aged 18-35 in Wales. A total of 401 replies were received. The data was weighted for age and sex to ensure it was representative of young people in Wales.

The questions asked are given in Annex 1.

## **D. Focus groups with a range of young people**

Three focus groups were arranged in Flint, Bridgend and Swansea. The attendees ranged in age from 18 to 34 and while a number of the younger attendees were currently living in supported housing units, the remainder were from a variety of housing types and tenures. A minority of attendees were in employment. There were 17 attendees in Flint and 16 in Swansea. The Bridgend event was cancelled at the last minute due to illness amongst those invited to participate; instead, four of the invitees were interviewed by telephone. To incentivise respondents, and ensure that they were thanked for their time, the attendees were offered a £20 gift voucher, valid at a range of high street retailers.

## 2. Setting the scene: Where do young single people in Wales live currently?

The 2011 census collected data on the living arrangements for all people in Wales, but unfortunately tables showing the living arrangements of single people aged under 35 and without dependent children have not been published. It does however show that there were 734,298 people aged 16-34 living in Wales in 2011, of whom 97 percent were living in households and just three percent in communal establishments (such as prisons and hospitals).

Analysis of data from the National Survey for Wales however can be used to look at the housing tenure of all 16-35 year olds in Wales:

**Table 1 All people aged 16-35 living in Wales by tenure**

	Owner-occupied	Social rented	Private rented
Proportion of all people aged 16-35	48%	19%	33%

*Source: National Survey for Wales 2014-15, weighted for individuals*

This includes those who are living with their parents or within another household. Table 2 shows the tenure just of those who are head of household, and living in households without dependent children – the key group of interest for this research.

**Table 2 Households in Wales headed by under 35s, no dependent children, by tenure**

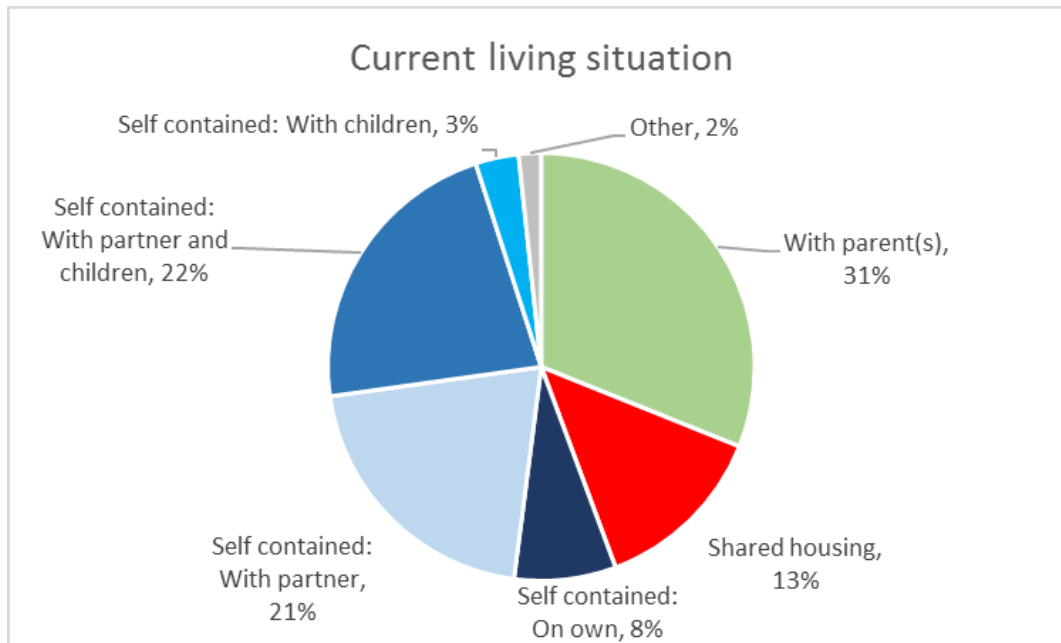
	Owner-occupied	Social housing	Private rented
Proportion of all households	46%	15%	39%
Proportion of renters	-	27%	73%

*Source: National Survey for Wales 2014-15, weighted for households*

As can be seen, the most common tenures for households headed by under 35s without children are owner-occupation and private renting, with just 15 percent of such households renting their home from a social landlord.

A fuller picture of the housing situation of young people can be gleaned from the survey undertaken for this research, as it used people (rather than households) as the sampling frame and included those living with their parents or within another household (Figure 1).

**Figure 1: Current living situation of 18-35 year olds in Wales**



Source: Populus survey of young people (aged 18-34) in Wales, April 2016, n=401

As shared housing is a particular focus of this research, Table 3 shows the differing rates of living in shared housing by location and demographic group:

**Table 3: Experiences of living in shared housing: 18-35 year olds in Wales**

		In shared housing currently	Ever lived in shared housing
Local authority type <sup>1</sup>	Rural	17%	61%
	Valleys	6%	39%
	Urban	19%	65%
	Other	6%	46%
Household income (gross)	Low income (under £28k)	18%	53%
	High income (over £28k)	7%	60%
	Not given	24%	48%
Gender	Male	20%	56%
	Female	7%	54%
Age group	18-19	15%	35%

<sup>1</sup> This is taken from (Welsh Assembly Government, 2008). Rural authorities comprise the Isle of Anglesey, Gwynedd, Conwy, Denbighshire, Powys, Ceredigion, Pembrokeshire, Carmarthenshire and Monmouthshire. Valleys authorities comprise Rhondda Cynon Taff, Merthyr Tydfil, Caerphilly, Blaenau Gwent and Torfaen. Urban authorities comprise Swansea, Cardiff and Newport. 'Other' authorities comprise Flintshire, Wrexham, Neath Port Talbot, Bridgend and Vale of Glamorgan.



20-24	24%	65%
25-29	9%	60%
30-35	5%	49%
<b>All aged 18-35</b>	<b>13%</b>	<b>55%</b>
All aged 18-35 not living with children or partner	25%	59%

Source: Survey of young people (aged 18-34) in Wales, April 2016, n=401 (Populus)

As can be seen, in total 13 percent of young people in Wales were found to be living in shared housing currently, with more than half (55 percent) having some experience of having done so. Shared housing is more common in urban and (perhaps more surprisingly) rural areas, and less common in the Valleys and other areas. Young people on higher incomes were slightly more likely to have lived in shared housing previously, but less likely to be doing so currently, probably reflecting the greater likelihood of those on higher incomes having shared housing as students. Men and women were similarly likely to have lived in shared housing at some point, but men were nearly three times more likely to be living in shared housing currently, which suggests that for men the experience of living in shared housing may be more protracted. This is likely to be related to the younger age at which women typically start to live with a partner, though could also indicate a greater reluctance on the part of women to remain in shared housing for longer periods.

Looking just at social housing, data from the Welsh Government shows the proportion of the one bedroom stock which is self-contained. (Table 4):

**Table 4: Proportion of one bedroom social rented general needs dwellings in Wales, by type**

	Self-contained one bedroom flats/houses	Self-contained bedsits	Non self-contained bedsits	Non self-contained hostels and shared housing
Isle of Anglesey	98%	2%	0%	0%
Gwynedd	99%	1%	0%	0%
Conwy	99%	1%	0%	0%
Denbighshire	98%	2%	0%	0%
Flintshire	96%	4%	0%	0%
Wrexham	98%	2%	0%	0%
Powys	99%	1%	0%	0%
Ceredigion	96%	4%	0%	0%
Pembrokeshire	94%	6%	0%	0%
Carmarthenshire	98%	2%	0%	0%
Swansea	95%	5%	0%	0%
Neath Port Talbot	99%	1%	0%	0%

Bridgend	98%	2%	0%	0%
Vale of Glamorgan	91%	3%	0%	7%
Cardiff	95%	5%	0%	0%
Rhondda Cynon Taf	100%	0%	0%	0%
Merthyr Tydfil	94%	5%	2%	0%
Caerphilly	100%	0%	0%	0%
Blaenau Gwent	100%	0%	0%	0%
Torfaen	87%	12%	0%	0%
Monmouthshire	99%	0%	0%	1%
Newport	98%	2%	0%	0%
<b>Wales</b>	<b>97%</b>	<b>3%</b>	<b>0%</b>	<b>0%</b>

*Source: StatsWales, 2014-15. General needs accommodation does not include supported accommodation or dwellings leased temporarily to house the homeless. For details see <https://statscymru.cymru.gov.uk>*

It is clear that non-self-contained housing is very scarce in the social rented sector, which suggests that the large majority of young people found in our survey to be living in shared housing are likely to be living in the private rented sector.

The stakeholder interviews corroborated the findings from the data that there is currently very little shared housing within the general needs social rented sector in Wales. Most landlords had either none at all, or a very small scheme, often in pilot stages. Some had small numbers of properties that were being shared by groups of friends who had applied as a group, but most either did not have this, or were unaware of whether they did.

Young people attending the focus groups were generally unaware of there being any shared housing within the social housing sector.

One particular form of shared housing within the social sector is tenants letting a spare room to a lodger. There is little data on the numbers of tenants who rent rooms to lodgers within the social sector; the 38 percent of social tenants who let from a local authority do not require permission to do this (so landlords are unlikely to be aware), and no nationwide data is collected from housing associations on this issue. Social landlords whom we interviewed did not have data available on how many of their tenants had lodgers.

### 3. What is changing? The impact of forthcoming welfare reforms in Wales

At present young people who are out of work (for instance claiming Job Seekers Allowance) or in low waged jobs can claim Housing Benefit for up to 100 percent of their rent. Local Housing Allowance (LHA) is the form of Housing Benefit for the private rented sector. In the private rented sector, most single young people aged under 35 are restricted to the shared accommodation rate, which means their Housing Benefit is capped at a level meant to cover the rent on a room in a shared house<sup>2</sup>. LHA rates were initially set to cover the cost of a median priced home (by size) but were reduced in 2011 to cover the cost of the cheapest 30 percent of homes within each Broad Market Rental Area, though these homes may not be available in all parts of what is often quite a wide area. In practice they have also been frozen or allowed to increase minimally in the last few years, meaning that they may not be sufficient to cover the rent in many areas. A decision was announced in the Summer Budget 2015 to freeze LHA rates for four years, which is likely to exacerbate this situation. Tenants must make up any shortfall from their benefits or earnings.

In the social rented sector Housing Benefit would normally cover all of the eligible rent for a one bedroom flat for single people of any age.

There are two key forthcoming cuts to Housing Benefit that will affect young people:

- Capping Housing Benefit payable to social tenants at LHA levels, including the shared accommodation rate for single under 35s
- Removal of automatic entitlement to Housing Benefit for 18-21 year olds without dependent children unless they are shown to be vulnerable.

This chapter explores the potential consequences of these cuts to Housing Benefit on the under 35s in Wales without policy change, including numbers likely to be affected and the extent of their Housing Benefit shortfalls.

#### Capping Housing Benefit payable to social tenants at Local Housing Allowance levels

Housing Benefit for all claimants in social housing is to be restricted to Local Housing Allowance (LHA) levels, which are the maximum levels currently paid to tenants in the private rented sector (PRS). Social housing in Wales is not always cheaper than private rented housing meaning many tenants may face a shortfall<sup>3</sup>. A key group who will be significantly affected are single people aged under 35 who are living in self-contained social

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<sup>2</sup> There are exceptions to the shared accommodation rate for care leavers aged under 22, certain categories of ex-offenders who would pose risks in shared accommodation, people who have spent three or more months in a homeless hostel, and residents of certain categories of supported accommodation. These groups are currently entitled to the one bedroom rate of LHA.

<sup>3</sup> Those most likely to be significantly affected include those in Affordable Rent homes where rents are higher than LHA levels and pensioners who under-occupy their homes, as pensioners in social housing are currently unrestricted in the size of home for which they can claim Housing Benefit.

housing (such as one bedroom flats), because they will only be entitled to the LHA limit for shared housing. The LHA limits for shared housing are considerably lower than social rents for one bedroom flats in most of the UK, including in Wales. Young people on Housing Benefit would have to make up the shortfall in their rent, but are likely to struggle to do so given their low benefit levels and the minimal sum (£5) that they are allowed to earn before losing benefit entitlement. The reforms will affect those who sign tenancies from April 2016, though do not come into effect until 2018.

Data from the DWP can be used to estimate the number of households in Wales who would be affected, if these reforms were to come into effect immediately (

Table 5).

**Table 5 Single under 35s in social housing who are in receipt of Housing Benefit in Wales**

		Number	Proportion
<b>Total number of households</b>		<b>8,712</b>	<b>100%</b>
Age	16-17	196	2%
	18-21	1,532	18%
	22-24	1,390	16%
	25-34	5,591	64%
Gender	Male	5,118	59%
	Female	3,563	41%
Estimated size of home <sup>4</sup>	1 bedroom/bedsit	6,993	80%
	2 bedrooms	1,536	18%
	3+ bedrooms	190	2%
Employment status	In employment	605	7%
	Not in employment	8,105	93%
	Not known	18	0%

Source: DWP November 2015 data <https://stat-xplore.dwp.gov.uk/>

As can be seen, over 8,700 single young people in Wales are currently claiming Housing Benefit for social rented housing. Those in similar circumstances who sign tenancies after 1<sup>st</sup> April this year will become subject to the single room LHA limit when it comes into effect from April 2018. To estimate the number likely to be affected in April 2018, we need to know how long young single people typically stay in social housing tenancies. The National Survey for Wales asks respondents how long they have been resident at their current address.

<sup>4</sup> This has been estimated by using the DWP's spare room indicator. Single person households with one spare room would normally have two bedrooms and those with two or more would have three or more bedrooms. There are a small number of exceptions to this where a spare room may be allowed for an overnight carer, meaning that there may be a slight over-estimation of those with one bedroom (who in fact have two, but none spare).

**Table 6: Length of time lived at current address: Single person households in Wales, renting from social landlords aged under 35**

Length of residence	Number	Proportion	
Less than 12 months	32	44%	67%
12 months but less than 2 years	17	23%	
2 years but less than 3 years	8	11%	33%
3 years but less than 5 years	6	8%	
5 years but less than 10 years	8	11%	
10 years or more	2	3%	
<b>Total</b>	<b>73</b>	<b>100%</b>	

Source: National Survey for Wales 2014-15

The sample size here is small, so there is some degree of error around these figures. Nevertheless, the data suggest that if allocation patterns and turnover rates remain at current levels, around **two thirds** of young single social tenants in April 2018 will have signed tenancies after April 2016 and will therefore be subject to the reduced Housing Benefit limits in line with LHA.

We also need to consider how the rent levels for one bedroom social rented homes compare with LHA levels for shared accommodation, which the singles under 35 will be subject to. This is difficult because data on social rents is only available at local authority level whilst LHA levels are set using Broad Market Rental Areas (BMRAs) which cut across local authority boundaries. Table 7 shows the estimated shortfalls by LA and BMRA for single people aged under 35 living in one bedroom social rented homes who will be restricted to the shared accommodation rate of LHA.

**Table 7: Comparing social rents with LHA shared accommodation rates**

LA	Average one bed social rent <sup>5</sup>	BMRA	LHA shared accommodation rate	Weekly shortfall
Isle of Anglesey	£66.54	North West Wales	£58.11	£8.43
Gwynedd	£64.73	North West Wales	£58.11	£6.62
		South Gwynedd	£56.00	£8.73
Conwy	£70.04	North Clwyd	£55.12	£14.92
Denbighshire	£68.13	North Clwyd	£55.12	£13.01
		Wrexham	£65.65	£2.48
Flintshire	£71.43	Flintshire	£57.50	£13.93

<sup>5</sup> The average weekly rent is the average of the standard rent chargeable, before deduction for rent allowances, and also excludes service charges or other charges for amenities (e.g. central heating, hot water supply or laundries) and water rates.

		North Clwyd	£56.12	£15.31
		West Cheshire	£64.48	£6.95
Wrexham	£63.79	Wrexham	£65.65	£-1.86
		Brecon and Radnor	£45.90	£22.31
Powys	£68.21	Neath Port Talbot	£51.02	£17.19
		North Powys	£50.00	£18.21
Ceredigion	£71.69	Ceredigion	£62.50	£9.19
		Ceredigion	£62.50	£4.32
Pembrokeshire	£66.82	Pembroke	£57.50	£9.32
Carmarthenshire	£69.08	Camarthen	£50.00	£19.08
Swansea	£73.19	Swansea	£57.34	£15.85
Neath Port Talbot	£70.09	Neath Port Talbot	£51.02	£19.07
Bridgend	£69.88	Bridgend	£57.50	£12.38
Vale of Glamorgan	£74.74	Vale of Glamorgan	£52.30	£22.44
Cardiff	£72.20	Cardiff	£55.78	£16.42
		Merthyr Cynon	£48.67	£20.98
Rhondda Cynon Taf	£69.65	Taff Rhondda	£48.67	£20.98
Merthyr Tydfil	£68.49	Merthyr Cynon	£48.67	£19.82
Caerphilly	£68.15	Caerphilly	£53.50	£14.65
Blaenau Gwent	£65.59	Blaenau Gwent	£48.67	£16.92
Torfaen	£75.63	Torfaen	£50.00	£25.63
Monmouthshire	£74.95	Monmouthshire	£54.60	£20.35
Newport	£72.82	Newport	£55.05	£17.77

Sources: Valuation Office Agency, via DirectGov and StatsWales 2015-16

It should be noted that the social rents given here exclude service charges. There is no data published for the size of service charges which are eligible for Housing Benefit in Wales. However, data from social landlords in England suggests that the average weekly service charge eligible for Housing Benefit in England is around £6-£7. If service charges are similar in Wales, this add a significant increase to the size of the shortfall.

Shortfalls – including an estimated £6 a week service charge - range from around £4 a week, to over £28. Where authorities straddle one or more BMRA we do not know what proportion of the social housing falls within each BMRA, which means we cannot establish the average shortfall for Wales, or even for districts where they fall across more than one BMRA. Nevertheless, a rough estimate would suggest that there will be a **typical shortfall of around £21** in total, based on an estimated average service charge of £6 alongside a typical £15 difference between social rents and LHA shared accommodation rates.

The majority of single tenants aged under 35 are likely to find these shortfalls difficult to meet, especially the under 25s who have lower benefit levels. This was confirmed by focus group attendees who all felt that paying this kind of shortfall from benefit payments was not a viable option.

This data is based on current LHA rates and current social rents. The Welsh government recently agreed to maintain the existing policy for social rents for 2016/17, meaning that social landlords can increase rents by up to CPI +1.5% plus £2. For 2016/17, this equates to 1.4% +£2 as the previous September CPI was -0.1%. LHA levels, in contrast, have been frozen for four years. This means that (unlike in England where social rents are being cut by one percent per year) the shortfall facing Welsh Housing Benefit claimants is likely to increase year on year as rents increase.

The housing association and local authority staff interviewed generally had a good understanding of the scale of the shortfall that would face young people as a result of the Housing Benefit cuts. One bedroom flats were typically reported to rent for around £80 a week, as compared with around £50-£55 for LHA shared accommodation rates. Housing providers all recognised that their tenants were very unlikely to be able to make up this kind of shortfall from their benefits or low earnings:

*The LHA is way below our rents ... it is a massive risk for us. There is no way any of our customers could make up the shortfall.*

*Yes, our rates are around £30 per week more. We do not know what we will do when the benefit changes come in.*

The issue was not necessarily urgent, because most providers reported high turnover rates for young single people; one large association had analysed their figures and calculated that 90 percent of their young single tenants moved on within two years, meaning that most of those signing tenancies currently would not be affected by the capping of Housing Benefit at LHA levels, or at least not within their current tenancy. Other landlords were still at the early stages of establishing how they might be affected and were in the process of gathering together figures to tell them how many single under 35s they were currently housing and how many they normally housed in a year.

Some associations felt they would be relatively unaffected because they focussed mainly on family housing as their stock contained mainly three bedroom homes. Most, however, did see housing young single people as a key part of their activities and were very concerned about how they would house young people who could no longer afford the rent for a one bedroom flat.

The research also explored whether ceasing to let to young single people was likely to result in hard to let properties. In relation to general needs stock, landlords generally felt that they had no difficulties letting properties and that this was not their main concern. Rather, they were concerned about where the young people would live, if not in their one bedroom stock.

The timescale of these reforms do give social landlords some time to consider their options. However, the large majority of single young people currently living in social housing are in self-contained housing, as bedsits and shared housing are rare in the social sector. This means that a major change in housing type or rent levels would be required if social

landlords are to continue to offer accommodation to young single people who depend on Housing Benefit to pay their rent.

Attendees at the focus groups were (prior to attending the discussion) largely unaware of the forthcoming reductions to Housing Benefit. Most were dependent on Housing Benefit, but were also expecting to move to self-contained social rented housing when they left the supported housing scheme, something unlikely to be affordable from April 2018. They all felt that more should be done to ensure young people such as themselves were aware of what was happening and how it would affect them.

## Supported housing

Much of the supported housing sector already offers shared accommodation, but not at rents which are even close to the LHA shared accommodation rate.

Data from StatWales 2015-16 on rents for supported housing (excluding sheltered housing) shows that average weekly rents range from £62 to £145, with a median of around £80-£90 a week. This leaves a very large shortfall between LHA caps and current rates of Housing Benefit.

Landlords who offered shared housing provision were very concerned about the implications of the cuts to Housing Benefit to LHA levels. The large majority of supported housing tenants were single under 35s dependent on Housing Benefit. It was clear that supported housing schemes will not be viable if the LHA limits are applied to tenants of supported housing, unless some substantial additional funding is made available.

## Removing Housing Benefit entitlement of 18 to 21 year olds

In the summer budget of 2015 the Chancellor announced that the housing element of Universal Credit will be removed from young people aged 18-21 from April 2017. Exceptions are to be made for certain 'vulnerable' young people including those who are not able to live with their parents, those who have children themselves and those who have been in work for six months prior to making a claim. The ways in which vulnerability will be defined and proven are not yet defined. Research by Shelter has suggested that across the UK, 61 percent of 18-21 year olds who claim Housing Benefit live in social housing (Shelter, 2015).

As people transition onto Universal Credit, there are transitional protections offered to those who would face a reduction in entitlement (DWP, 2012), which means that the cut is likely principally to affect those who start a new benefits claim, or whose circumstances change after April 2017.

Data from the DWP's StatXplore website suggests that there are currently just under 3,000 18 to 21 year olds in receipt of Housing Benefit who do not have dependent children living with them. (

Table 8).

**Table 8: 18-21 year olds in receipt of Housing Benefit in Wales, no dependent children**

Number	Proportion
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<b>Total number of claimants</b>		<b>2,909</b>	<b>100%</b>
Age	18	578	20%
	19	704	24%
	20	766	26%
	21	862	30%
Household type	Single male	1,368	47%
	Single female	1,299	45%
	Single, gender unknown	19	1%
	Couple	219	8%
Tenure	Social rented	1,624	56%
	Private rented	1,286	44%
Employment status	In employment	257	9%
	Not in employment	2,636	91%
	Not known	13	0%

Source: DWP November 2015 data <https://stat-xplore.dwp.gov.uk/>

As can be seen the large majority of 18-21 year olds without dependent children in receipt of Housing Benefit are single people, with roughly similar numbers of men and women. Just over half of them live in private rented housing. The large majority are not in employment.

This data does not show the extent to which these young people are likely to be classed as vulnerable, and still eligible for Housing Benefit, because it is not yet known how vulnerability will be defined.

Landlords and local authorities interviewed for this research were still waiting for the details regarding which 18-21 year olds would be eligible for Housing Benefit, due to being classed as vulnerable. They were hopeful that many of their tenants would be, as single tenants in this age group were often care leavers or moving out of supported housing schemes.

The only options deemed viable for those not deemed vulnerable were for them to find stable employment, return to live with their parents (possibly with the help of mediation provided by the local authority), or possibly have their rent paid with the use of Discretionary Housing Payments, a source that was recognised as likely to be insufficient for more than a small proportion of young people.

Attendees at the focus groups did have some awareness of the fact that Housing Benefit may not be available to under 21s in the future as cutting benefits for the young (with the under 25s initially suggested) has been announced publically much more than the reductions to Housing Benefit for social tenants aged under 35. Nevertheless, the people most likely to be affected are those who are currently in their late teens who have not yet left home, so may not be as aware of changes to Housing Benefit eligibility.

## 4. Towards solutions

This section explores possible ways of meeting the housing needs of young people within the forthcoming benefit cuts and the feasibility of different models for meeting those needs.

### Discretionary housing payments

One possible way to mitigate the impact of the cuts would be to use Discretionary Housing Payments (DHP) to top up benefits of affected tenants. When the policy comes into effect in 2018 initially it will only affect those who have signed tenancies since April. If allocations practice remains unchanged, this would be expected to rise towards 8,700 over time (the number of single under 35s currently in receipt of Housing Benefit, see Table 5). A top up of £21 per claimant for 8,700 would cost approximately £180,000 per week, or **£9.5m per year**. Initial costs would be lower as only tenants who have signed tenancies in the last two years will be affected, but if turnover rates and Housing Benefit dependency remain at current levels (see Table 6), around 5,800 tenants will be affected initially with a total rental shortfall of around **£6.4m in the first year**. The Welsh Government has topped up the funding for DHP to help it meet the shortfalls of those affected by the cuts to Housing Benefit for under-occupiers, but substantial further funding would be required to enable the funds to mitigate the impact of these forthcoming Housing Benefit cuts for young people.

### Providing shared housing: the legal framework

There are several distinct ways of structuring tenancies in shared housing to allow two or more unrelated adults to rent a home together:

#### Separate tenancies

One model – in common use in the PRS - is for separate tenancies to be issued on each room within the property – often referred to as bedsits. It is also the usual model of offering tenancies within the supported housing sector, including hostels and smaller supported shared housing provision. A sum to cover utility bills would often be included in the rent under this model.

The main advantage to tenants of this model is that they are each separately responsible for their own rent – if one tenant does not pay their rent, or breaches their tenancy, this does not affect their housemates' rent accounts or tenancies. The disadvantage is that tenants have no rights over who moves in to their home, unless their landlord decides to consult them, as that is a matter for the landlord to decide with prospective tenants.

From a landlord's perspective this model offers a clear and direct relationship with each tenant separately. If a tenant does not pay their rent or breaches their tenancy, they can be evicted without any direct impact on the other tenants. Landlords also retain complete control over who lives in their properties. The disadvantage is that there will be loss of rental income during any void periods, which may be frequent with a young and mobile tenant group. Responsibility for liaising with the landlord and reporting repairs to communal areas is shared between the tenants, which can make reliable communication more problematic.

## Joint tenancies

Joint tenancies are in common use in both the PRS and social sector for couples. Private landlords also use them commonly (and social landlords, less commonly) for groups of friends who want to share a home together. The tenants sign a single tenancy agreement with the landlord, which means they are all jointly responsible for paying the rent ('joint and several liability'). The tenancy can be terminated at the end of a fixed term or (in the case of periodic tenancies) by any one of the tenants giving notice. A sum to cover utility bills can be added to the rent by the landlord, or alternatively the tenants can share responsibility for these costs, which will mean that one tenant will need to take the lead to be named on utility bills.

The advantage for tenants is that they retain some control over who lives in their home. A landlord cannot replace a tenant with another one without them all signing a new joint tenancy agreement. In practice landlords will generally allow tenants to recommend a friend to replace a housemate who leaves, and a new tenancy will then be signed between the landlord and the new group of tenants.

Landlords benefit from the joint liability for paying rent, meaning that if one tenant does not pay, the loss can legally be recouped from the other tenants. There will normally be no loss of rent in situations where one tenant is replaced by another. Landlords retain control over who lives in their homes under this model, as both they and the other tenants need to sign the joint tenancy agreement. The disadvantage is that the model relies on tenants being able to get together in groups to sign a joint tenancy, and also that responsibility for liaising with the landlord and reporting repairs is shared between the tenants, which can make communication more problematic. Some landlords will nominate a 'lead tenant' (often in practice chosen by the tenants) with whom they expect to communicate, and from whose bank account the rent is taken, which may lessen these difficulties, though legally the landlord lets the home to all the tenants equally.

## Sole tenant and subletting

Under this model, the landlord lets the entire home to just one tenant (the 'sole tenant'), and they then sublet a spare room, or rooms, in their homes to lodgers or subtenants<sup>6</sup>. The sole tenant pays rent to the landlord, and each lodger pays rent to the sole tenant, who is legally their landlord.

Council tenants in Wales generally have the right to take a lodger, and do not need their landlord's permission. Housing association and private tenants may or may not be allowed to take lodgers, depending on what is stated in their tenancy agreement, and would often need the permission of their landlord first, though guidance for social landlords suggests that this should not be unreasonably withheld<sup>7</sup>. Research conducted with social landlords across

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<sup>6</sup> The main difference between a subtenant and a lodger is that subtenants have exclusive possession of at least one room in the property. No-one can access this accommodation without their consent, whereas the landlord (the sole tenant in this case) can access a lodger's room, for instance to clean the room or change bedding.

<sup>7</sup> See [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/284440/oft356.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/284440/oft356.pdf)

Britain exploring landlord practice in this area in relation to the Housing Benefit cuts for under-occupiers found that the large majority of social landlords would allow tenants to sublet, as long as they had a spare room (Cambridge Centre for Housing and Planning Research and Ipsos MORI, 2014). The sole tenant remains entirely responsible for paying rent to the landlord, and is responsible in turn for setting the rent level and collecting the rent from their lodgers. This may appeal to some social tenants who end up with a spare bedroom, but it is not a model of shared housing that social landlords would normally look to establish at the outset.

The advantage for the sole tenant is that they retain control over who lives in their home and can choose their lodger(s). The lodgers, however, may not have any say in who else lodges within the same property. Lodgers also enjoy very limited security and can be asked to leave with little notice. Lodgers are dependent on the sole tenant paying their own rent and if they fail to do so the lodgers are likely also to lose their home. A sole tenant who is unable to afford to pay the rent for the entire property would also be reliant on the lodger(s) paying rent reliably. If a lodger left, which they can do with little notice, the sole tenant would then need to find a replacement themselves.

For landlords, the advantage of this model is that their relationship is clear and just with the one tenant. Responsibility for things such as reporting repairs lies clearly with the sole tenant. However, they have little control over who their tenants decide to sublet to.

Stakeholder interviews found that many landlords had given some thought to the issue of tenants taking lodgers in response to the 'bedroom tax'. All stated that tenants were usually allowed to take a lodger, but most felt that this was not something they wished to get too involved in. There was no interest in schemes to match single tenants to people looking for lodgers because landlords did not wish to assume responsibility for ensuring that neither lodgers nor receiving households were put at risk by inappropriate placements.

## Regulations around Houses in Multiple Occupation (HMOs)

An HMO is a technical term for specific categories of shared housing where a house or flat is occupied by unrelated adults who share facilities. There are significantly different definitions in use relating to licencing, planning and council tax legislation:

***In licencing terms***, an HMO is defined as a building or part of a building (such as a flat) where facilities such as bathrooms or kitchens are shared by *three or more people* forming *two or more households*<sup>8</sup>. People who are related or living as a couple are considered to form one household, but unrelated adults are considered to form separate households.

Some HMOs require a licence from the local authority:

- HMOs require a *mandatory licence* from the local authority if they have three or more storeys and are occupied by five or more people belonging to two or more households.

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<sup>8</sup> Buildings that have been converted into flats where some flats use facilities outside the main front door, or are self-contained but do not meet 1991 Building Regulations and more than one third of the flats are occupied under short term tenancies, are also classed as HMOs.

- Local authorities can choose to impose *additional licencing* on other categories of HMOs that do not require mandatory licences. The National Assembly has granted a general approval to all Welsh authorities to allow them to do this.

HMOs managed by registered social landlords, however, are exempt from licencing, but do remain HMOs for the purpose of the Housing Health and Rating System dealing with hazards.

***In planning terms***, a small HMO with three to six persons that falls within the definition of an HMO in the Housing Act is classed as Class C4, with larger HMOs being a different planning category. Whilst larger HMOs have always required planning permission, since February 2016, the smaller HMOs (class C4) have also required permission in Wales. Since homes owned by social landlords are exempt from being considered HMOs, they are also exempt from requiring planning permission. For private landlords, however, the new rules have led to concerns that it may become harder for landlords to offer this kind of accommodation<sup>9</sup> Properties occupied by only two unrelated tenants (not a couple) are exempt from being an HMO but would however fall within scope if one of the tenants had a baby, causing the number of people in the property to rise to three. A landlord who was unwilling or unable to gain planning permission retrospectively in such a situation may have no option but to evict one of the tenants. In England, by contrast, local authorities have the power whether or not to require permission for converting a property's use to a small HMO (Class C4).

***For council tax purposes***, an HMO is generally defined as a property where separate tenancies are held by the separate households within the property. Two tenants sharing a two bedroom flat holding separate tenancies would therefore be classed as an HMO for council tax purposes, even though the property does not meet the criteria for being an HMO for any other purposes. In these circumstances the landlord is liable for the council tax.

The interviews with key stakeholders found that many were unaware of the HMO legislation and its possible implications for them in developing shared housing. Those who had developed further their plans for shared housing had a better understanding of the issues and felt that the new planning legislation was a serious hindrance to developing shared housing:

*The change of use requirement and new class for HMOs is a disaster. It discriminates against young people in spite of good intentions. (Stakeholder)*

Some were deterred from developing at scale until they had a better understanding of the HMO licencing legislation that would affect them, and the costs of complying:

*We have difficulties around fire safety so we will start with one property and do it properly.*

*Putting in sprinklers is an additional cost which we think is a bit of a sledgehammer to crack a walnut. These things increase costs.*

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<sup>9</sup> See for instance [www.rla.wales/policies-news/new-hmo-rules-in-wales](http://www.rla.wales/policies-news/new-hmo-rules-in-wales)

*We would need to ensure that there is a good means of escape – would need to invest substantial sums of money to achieve these standards. Or it could be simple, possibly. (Stakeholders)*

Others wanted to keep their shared housing to only two tenants sharing, in order to avoid HMO legislation:

*We have kept houses at two people to keep below HMO rules. Even if that meant we had to knock a wall down to keep them at two bedrooms. (Stakeholder)*

## **Council tax liability and Council Tax Support**

Most tenants are responsible for their own council tax bill, and for claiming any Council Tax Support to which they are entitled, and this includes sharers who have a joint tenancy. However shared housing where the tenants hold separate tenancy agreements is classed as an HMO for council tax purposes and the landlord is responsible for paying the council tax. The tenants in these circumstances cannot claim Council Tax Support, though the landlord can include the costs of council tax in the rent, which may then be covered by Housing Benefit. Crisis has produced a factsheet aimed at schemes working with private landlords which explains the situation<sup>10</sup>.

An average band D council tax for Wales in 2015-16 is £1,328<sup>11</sup>. If this was split between three tenants sharing a house it would add £8.51 to the weekly rent a landlord would need to charge to each tenant. This can potentially be covered by Housing Benefit, but the total Housing Benefit paid (including any element to cover council tax charges) will be subject to the forthcoming LHA caps.

Council Tax Support schemes are locally designed, but there are some overall restrictions on eligibility, one of which states that people can only receive Council Tax Support for a property in which they live. A local authority cannot therefore pay Council Tax Support to a landlord who is liable for council tax on behalf of any of their tenants. Nor can these tenants receive Council Tax Support, because they are not themselves liable for paying council tax. Discretionary Housing Payments could, however, be used in these circumstances to top up Housing Benefit payments which are insufficient to cover the rent.

The problem does not arise with all-student houses as they – as dwellings – are exempt from council tax, irrespective of whether the students hold a joint or single tenancies.

Most of the housing association and local authority staff interviewed did not appear fully informed around council tax liability for shared housing. Some were considering converting two bedroom homes to house two sharers on separate tenancies and that this would mean the house was not a HMO, and therefore believed (incorrectly) the liability for council tax would remain with the tenants. Homes let to two tenants on separate tenancies are not

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<sup>10</sup>

[www.crisis.org.uk/data/files/Private\\_Rented\\_Sector/Council\\_Tax\\_Factsheet\\_24.02.2016.pdf?utm\\_source=Adestra&utm\\_medium=email&utm\\_term=&utm\\_content=factsheet%C2%A0explaining%20liability&utm\\_campaign=Sharers%27%20update%20March%202016](http://www.crisis.org.uk/data/files/Private_Rented_Sector/Council_Tax_Factsheet_24.02.2016.pdf?utm_source=Adestra&utm_medium=email&utm_term=&utm_content=factsheet%C2%A0explaining%20liability&utm_campaign=Sharers%27%20update%20March%202016)

<sup>11</sup> <http://gov.wales/statistics-and-research/council-tax-levels/?lang=en>

HMOs in planning terms, nor in terms of licencing, but *are* classed as HMOs in terms of council tax liability.

The only way to avoid council tax liability falling on a landlord, and to allow low income tenants to claim Council Tax Support is to let an entire dwelling on a joint tenancy, but this did not appear to be well understood.

These issues were only discovered by one scheme, established by Merthyr Valley Homes, after arrears of over £5,000 council tax had built up, due to the landlord not realising that they were liable for it. Incorporating council tax within the rent was not something that had been budgeted for in this scheme, and it is hard to raise rents at a later date within social housing as rent increases are regulated<sup>12</sup>.

### **Building regulations and space standards**

Some stakeholders raised the issue of quality requirements and space standards, and felt that these raised the costs of developing new housing suitable for shared housing. Issues such as ensuring a staircase did not go round a bend were raised as examples of legislation that may be inappropriate to developing shared housing for young people, rather than 'homes for life' for families.

## **Shared housing across all tenures: Learning from the private rented sector**

There is relatively little known about good practice in managing shared housing in the social sector because there has been little interest in recent decades. There is however some experience available from the private sector (PRS), especially schemes that aim to increase access to groups who might otherwise hope to access social housing. Facilitating access to the PRS may itself form part of the solution for young single people restricted to the shared accommodation rate of LHA.

The PRS has grown substantially in Wales in recent years, as in the rest of the UK. According to the National Survey for Wales, nearly three in four households without children who rent their home live in the private rented sector, with only a quarter in social rented housing<sup>13</sup>. There has been increasing reliance on the PRS to accommodate low income households not able to access social housing and the LHA rules limiting under 35s to the single room rate have been in place since 1996 for under 25s and since 2012 for the 25-35 age group (Wilson, 2014). This means that the PRS has considerable experience at housing young people, including those who are restricted to the LHA shared accommodation rate. DWP data on single under 35s in receipt of Housing Benefit shows that 38 percent of such claimants are living in the PRS of whom three quarters were restricted to the shared accommodation rate of LHA (November 2015, via Statxplora).

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<sup>12</sup> <http://gov.wales/docs/desh/publications/150216-policy-for-social-housing-rents-en.pdf>

<sup>13</sup> 73 percent of renting households headed by someone aged under 35 with no children aged under 16 in the household were renting from a private landlord, as compared with 27 percent who rented from a social landlord.

A recent report by Crisis (Batty, et al., 2015) makes several recommendations for schemes aiming to assist tenants to access the PRS which are likely to be of use to social landlords:

- Extend the use of training flats, with detailed prior client assessment, compulsory training and regular contact with a support worker. Promote pre-tenancy training and ensure that courses consider issues around shared accommodation.
- Provide worked examples of possible financial gains to landlords letting at the shared accommodation rate, as opposed to self-contained accommodation.
- Develop ‘lead tenant’ schemes with appropriate incentives, especially in areas where there is little culture of sharing.
- Establish sharing between small numbers of tenants, avoiding large hostel-like environments.
- Encourage lodgings in social housing, coupled with vigorous host recruitment and training and written lodgings agreements.
- Include bills in one rent payment, making it easier for tenants to manage their finances.
- Supporting tenants in their own homes, where necessary, rather than expecting them to attend an office location, and develop peer mentor schemes such as that piloted by The Crisis Housing Coach Service.
- Undertake a ‘health check’ of tenancies in shared accommodation at least every two months.
- Employ a cleaner for communal areas to help prevent conflict over cleaning responsibilities and to keep the property in good repair.

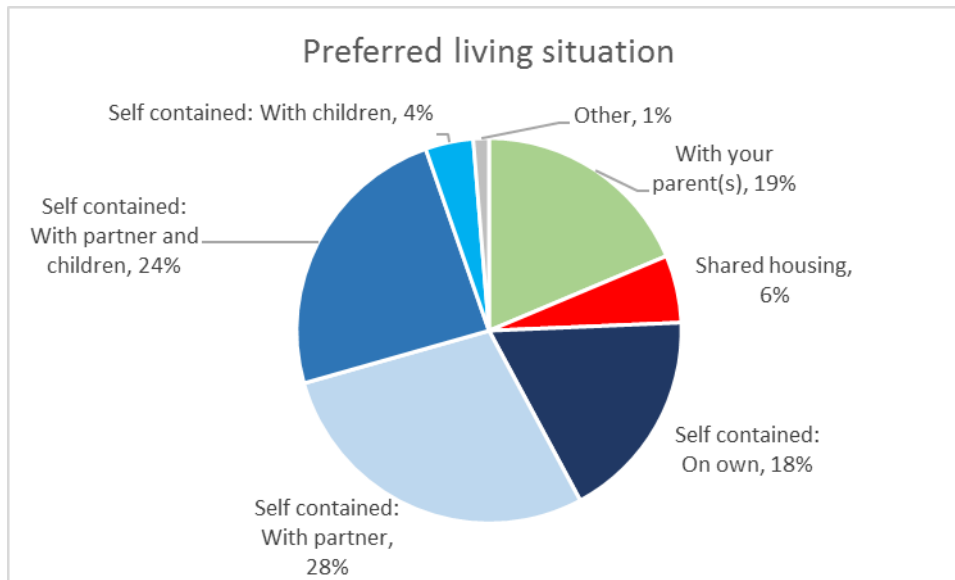
## Young people’s views on shared housing

The survey sought to explore what young people in Wales wanted from their housing and in particular how shared housing could meet their needs and preferences. Young people were asked about their preferred living situation (



Figure 2):

**Figure 2: Preferred living situation of 18-35 year olds in Wales**



Source: Survey of young people (aged 18-34) in Wales, April 2016, n=401 (Populus)

As can be seen, shared housing was the preferred housing solution of only six percent of young people. The current and preferred living situations of young people is shown in Table 9.

**Table 9: Current and preferred living situation of young people in Wales**

Current living situation	Proportion of these for whom this is their preferred living situation	Preferred living situation of those who are not in preferred living situation
With your parent(s) (31%)	50%	<ul style="list-style-type: none"> <li>Self-contained with partner (38%)</li> <li>Self-contained on own (33%)</li> <li>Shared housing (21%)</li> </ul>
In shared housing (13%)	19%	<ul style="list-style-type: none"> <li>Self-contained on own (56%)</li> <li>Self-contained with partner (19%)</li> <li>With parents (19%)</li> </ul>
In self-contained housing: On your own (8%)	74%	*
In self-contained housing: With your partner (no children) (21%)	89%	*
In self-contained housing: With your partner and children (22%)	94%	*
In self-contained housing: With your children (no other adults) (3%)	92%	*
In some other type of household (2%)	29%	*

Source: Survey of young people (aged 18-34) in Wales, April 2016, n=401 (Populus) \*Small cell count, fewer than 5 responses.

Those not living in their preferred living situation were asked why not and the responses are shown in Table 10. Actual numbers of responses have been shown here (weighted) because the numbers are quite low for some options.

**Table 10: Preferred living situation of young people in Wales and reasons they are not in their preferred living situation**

Preferred living situation	Reason not in preferred living situation						
	Lack of suitable housing in area	Unable to live with parents - lack of space	Unable to live with parents - family conflict	Lack of income	Benefits will not cover the rent	A combination of the above	Other
With your parent(s)	0	3	0	*	*	4	6
In shared housing	0	*	*	9	0	0	4
In self-contained housing: On your own	2	*	*	28	1	15	3
In self-contained housing: With your partner (no children)	0	*	*	20	0	9	9
In self-contained housing: With your partner and children	2	*	*	4	0	1	5
In self-contained housing: With your children (no other adults)	0	*	*	1	0	1	1
In some other type of household	0	*	*	2	1	0	1

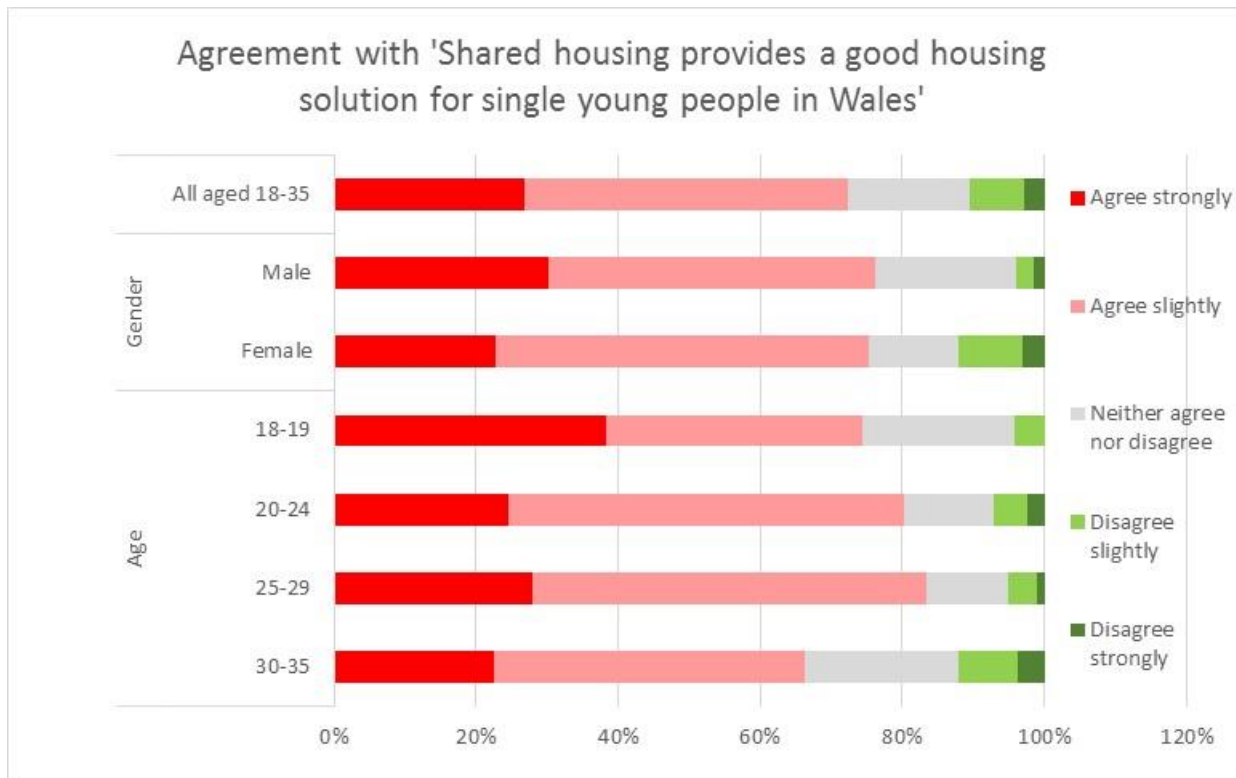
Source: Survey of young people (aged 18-34) in Wales, April 2016. Base = all those not in their preferred living situation. n=131 (Populus)

Of those living in shared housing who would prefer other options, most cited a lack of disposable income as the main reason why they were unable to live independently. Those living with their parents who would prefer to be living in shared housing also cited the same reason. Other reasons given included being in a situation seen as temporary – such as being a student or saving up for a move - as well as factors that were not housing related, such as not having a partner to live with or being infertile and unable to have children.

Respondents were then asked whether they agreed or disagreed with the statement that ‘shared housing provides a good housing solution for single young people in Wales’. Overall, the large majority either agreed strongly (27 percent) or agreed slightly (46 percent). Only 11 percent of young people disagreed with this statement (

Figure 3).

**Figure 3: Agreement with 'Shared housing provides a good housing solution for single young people in Wales'**



Source: Survey of young people (aged 18-34) in Wales, April 2016, n=401 (Populus)

Respondents were similarly positive in areas where shared housing is less common, such as the Valleys. Men were, however, significantly more likely to be positive about shared housing than women, and younger people were more positive than older people with the 30-35 age group least positive.

The survey responses and focus groups offered some further insight into why this might be. Some of the younger respondents felt that shared housing was a positive and exciting step out of the parental home:

*It teaches you about living on your own – to deal with the future. (Focus group attendee)*

In contrast, those in the older age groups were less positive, and felt it was no longer suitable for their stage in life:

*I have turned thirty and have lived independently since I was 18 ... by that age you are not a teenager anymore. (Focus group attendee)*

*I felt I "grew out of it". What I consider to be an adequate level of cleanliness is different to all people I ever shared with. (Survey respondent)*

*I think shared living is better for people in their teens/early twenties. More mature people need their own space. (Survey respondent)*

There was not a statistically significant link between views on shared housing and whether or not people were living in shared housing, whether they had ever lived in shared housing, income or receipt of Housing Benefit.

They were also asked whether they had any other comments about shared housing for single young people aged under 35 in Wales. The main answers are shown below (Table 11):

**Table 11: Other comments about shared housing**

Issue raised	Number raising issue
<b>Neutral comments</b>	
Depends on who you live with/ fine with good housemates/ poor with bad housemates	10
Suitable at a certain point in life/ under certain circumstances/ suited to younger people	6
Other types of housing are too expensive/ too expensive to buy/ rent too high	5
It should be easier to find shared housing/ it should be better advertised	5
There is a lack of shared housing/ not enough available	3
Depends/ could be an option/ could work depending on circumstances/ the person/ should be carefully considered	3
The house needs to be suitable/ the right size/ appropriate facilities	3
Checks need to be carried out/ meetings with existing housemates/ background checks/ evidence of communications	2
Other neutral comments	5
<b>Negative comments</b>	
It's a bad thing/ a bad idea/ people should not have to do it	6
There should be more choice/ other options/ should not be the only choice for people	5
Issues with landlords/ do not maintain/ look after properties	5
Poor quality housing/ shared housing/ properties often in a poor condition	4
I did not like it/ I would not want to have to do it	3
Unsuitable for many people/ difficult environment/ a lot of people would not like it	3
Issues with safety/ do not know who you are living with/ potentially people with criminal backgrounds, drug users etc.	3
Poor/ unsuitable housemates/ differing priorities/ habits/ personalities/ values	3
More affordable accommodation is needed	3
It's expensive/ overpriced/ poor value for money	2
Unsuitable for people with mental health problems/ depression/ anxiety	2
Other negative comments	6

No comment

328

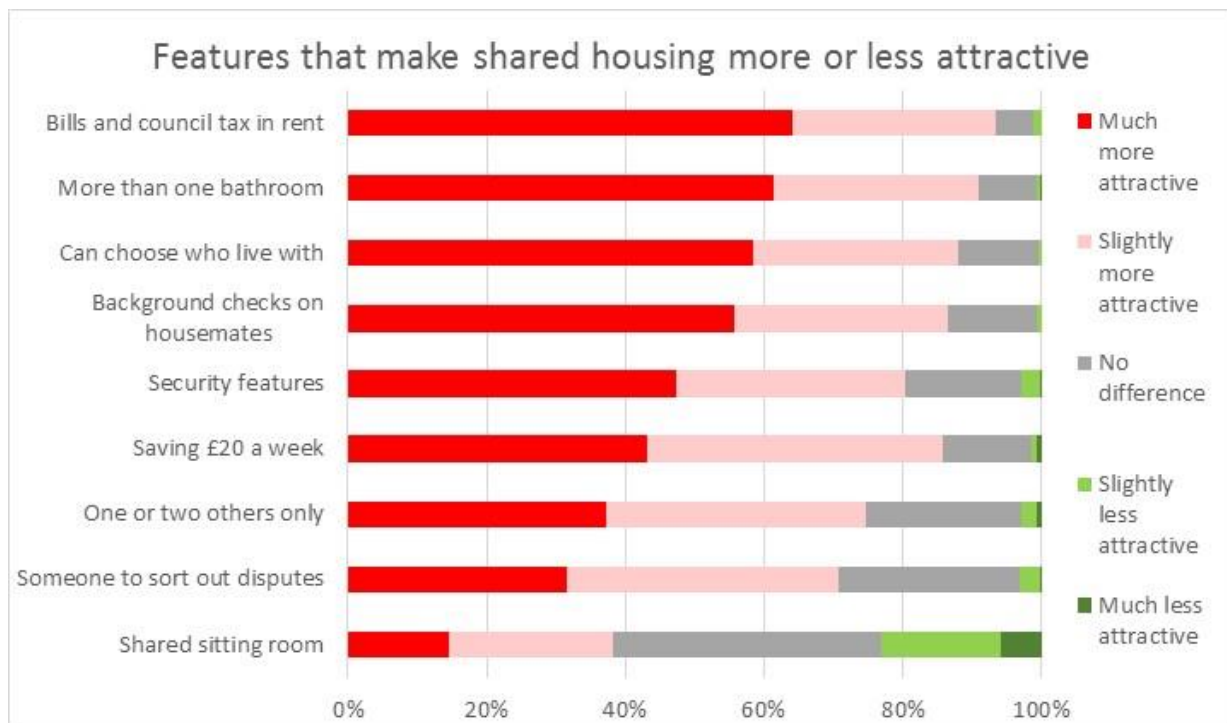
Source: Survey of young people (aged 18-34) in Wales, April 2016, n=401 (Populus)

Some young people expressed negative views about shared housing, chiefly that people should not be forced to share, and that they associated it with poor quality or poorly managed housing. Others were more mixed in their views and said that they felt it could work with the right housemates at the right time in life.

## What makes shared housing attractive?

Respondents to the survey were asked a series of questions about what factors would make shared housing more or less attractive to them, or would have done when they were single and without children (Figure 4).

Figure 4: Features that make shared housing more or less attractive



Source: Survey of young people (aged 18-34) in Wales, April 2016, n=401 (Populus)

The factors most important to making shared housing attractive to young people were having bills and council tax included in the rent, having more than one bathroom, and being able to choose who to live with.

The focus groups confirmed this conflicting set of tenant priorities – they liked separate tenancies and bills included in the rent, but they also wanted a say in who they lived with. The issues around allocations and choosing housemates are discussed later in this report.

Young people surveyed were generally positive about sharing with only one or two others, and this view was largely supported by those in the focus groups and by social landlords.

There was very little appetite among the social housing sector representatives interviewed for this research for offering large HMOs with four or more tenants, as it was believed to be more difficult to manage. The size of the social housing stock also rarely lends itself to such provision. Instead, those who were considering shared housing were looking either at two people sharing, or a maximum of three, and there was no interest in buying or building large properties suitable for larger groups of sharers. Landlords were, on occasions, influenced by the availability of two and three bedroom properties which were in some cases relatively hard to let due to the impact on demand of the cuts to Housing Benefit for under-occupiers (the 'bedroom tax').

Young people were also more positive about shared housing if there was more than one bathroom, if there were security features such as bedroom and kitchen cupboard locks (Figure 4). A few interviewees were considering whether shared housing could incorporate en-suite bathrooms, as much student housing does. Those with experience of managing shared housing generally cited the kitchens as the source of more conflict between tenants than bathrooms, and focus group attendees generally agreed with this view, with some stating that having some kitchen equipment (such as a fridge) in their own rooms could help reduce the potential for disputes.

There was also strong support for background checks being undertaken on housemates. Young people were less sure that they would like a shared sitting room, though it is unclear whether they had in mind an alternative of their own sitting room, or no sitting room at all. Focus group attendees were generally very positive about having a shared sitting room, saying that it provided an opportunity for tenants to socialise and had the potential to make shared living a positive experience.

Survey respondents were asked an open question about whether there were any other features that would make shared housing more attractive to them (Table 12).

**Table 12: Other features that would make shared housing more attractive**

Issue raised	Number raising issue
En-suite/ personal bathroom	24
The cost of the rent/ affordable/ cheaper	13
Good location/ area	11
Communal areas large enough for the number of tenants/ kitchen/ living room/ bath	6
Living with people you already know	6
Good landlord/ fair/ friendly/ easy to contact/ acts upon requests	6
Housemates similar to you/ interests/ values/ personality/ lifestyle/ work life	6
Same gender housemates	5
Free amenities/ internet/ TV licence	5
Good quality housing/ ensuring it is up to a good standard	4
Locks on bedroom doors	4



Be in charge of who takes the other rooms/ be able to choose your housemates	4
A garden	4
Bigger properties/ more rooms	3
Parking facilities	3
Bills included/ energy bills	3
Have a cleaner	3
Your own personal living room	2
Friendship/ the company of others	2
Background/ credit checks on housemates	2
Plenty of space to keep food and drink/ big fridge/ cupboard	2
Short term contracts/ not locked into long term	2
Having a mix of tenants/ age/ gender	2
Meet housemates before you/ they move in	2
Bigger bedrooms/ double rooms	2
Good security system in place	2
Locks on other storage space	2
Decorate/ customise/ refurbish to your taste	2
Ensuring all bills are paid/ paid fairly/ equally/ nobody is left paying other person's bills	2
Other answers	17

Source: Survey of young people (aged 18-34) in Wales, April 2016, n=401 (Populus)

Having an en-suite or at least a personal bathroom was the feature most often mentioned, with price and location also key issues that might make young people choose shared housing.

### Issues for vulnerable tenants

One issue that has been raised frequently in this research was the greater difficulties experienced by vulnerable tenants living in shared housing. Existing research has also shown that tenants can suffer if their housemate's behaviour is difficult, with problems of crime, theft and violence reported (Rugg, 2008; Shelter Scotland, 2009; Rugg, et al., 2011). People suffering from mental ill health are potentially prone to greater difficulties in living successfully in shared housing (Barratt, et al., 2012).

Stakeholders interviewed for this research raised concerns about a variety of groups they thought likely to experience particular difficulties in shared housing. These included:

- Women fleeing domestic violence, and young people experiencing violence within the parental home who are particularly fearful of strangers and concerned about security within the home
- Those who use drugs and legal highs, which was known to be an issue in some supported housing projects, and those with alcohol problems. Tenants may share

drugs, causing other tenants to start taking drugs, and drug users may also experience a lot of anger during come down, leading to violence towards other tenants.

- Those with mental health issues – a recent study suggested by one supported housing provider interviewed suggested that 86 percent of their tenants had a diagnosable mental health problem, including post-traumatic stress disorder often from childhood trauma, though most were not diagnosed or engaged with suitable support services.
- People with learning difficulties and autism
- Very young tenants in their late teens who lack skills to cope with shared housing
- Schedule 1 offenders, and offenders more generally who pose a risk to adults.

Some of these groups are likely to find shared housing particularly difficult whilst others may pose a risk to other housemates. Some may both pose risks to others and be at risk themselves. Support may help some vulnerable tenants to cope in shared housing, but for others the levels of support they require may be higher if they are in shared housing.

These issues were also raised by tenants in the focus groups, many of whom had experiences of supported housing schemes where other tenants had a range of vulnerabilities and issues. Young people were concerned about the possibility of living with people they were frightened of. A smaller number of young people mentioned the positive side of sharing accommodation in terms of having informal support from housemates.

## Shared housing in the social sector

There is relatively little shared housing in the social sector, but examples do exist of innovative schemes that combine the duties of a social landlord with the specific management requirements of this style of housing.

Some landlords who own stock suitable for use as shared housing may lack the management skills or capacity to manage such housing. Arrangements where the tenancy management is outsourced from other providers, or the housing is leased from a different landlord also offer potential for shared housing within the social housing sector.

Developing shared housing in the social rented sector has not been a strong theme in Wales as yet, nor across most of the UK. It is, however, an area of growing interest and a recent funding initiative by DCLG in England explored models in use mainly in the PRS, but including some within social housing (Batty, et al., 2015). There are several variants on the core tenancy models (single versus joint tenancies), or which aim to combine elements from more than one model (such as allowing tenants to have separate rent accounts, but also have some choice over new housemates).

## Innovative examples

There are examples of good practice across the UK of ways in which social housing providers have managed to provide shared housing for young single people. These include:

- **A lead tenant scheme** – where a housing association issues separate tenancies but nominates one tenant to be the lead tenant, meaning they are responsible for liaising with the landlord over repairs and any other issues in the house. The lead tenant may get a reduction in their rent in recognition of this role. For example see the [Commonwealth peer landlord scheme](#). Such schemes have been shown to enable better communication between sharers and landlords (Batty, et al., 2015).
- **A supportive lead tenant scheme** – where the lead tenant also offers some degree of support as well as ensuring the smooth running of the house and liaising with the landlord. This could be to meet the needs of vulnerable young people such as care leavers. The lead tenant in these circumstances may be paid, or offered free accommodation in recognition of their role. For example, see the [Rock Trust](#). The Crisis report highlights the value of this type of scheme, but notes the importance of recruiting the right people with the right skills and knowledge for it to be successful, especially when volunteers moved from the role of ‘client’ to ‘advice provider’ (Batty, et al., 2015).
- **A house share established to meet the needs of non-resident parents** - where the accommodation is configured to allow space for children visiting. For an example see CAB and WHABAC in Worcester. The Crisis report (Batty, et al., 2015) notes the shortage of such accommodation, despite its value in allowing non-resident parents (often fathers) to maintain contact with their children over a difficult period.
- **Schemes to allow tenants some choice over housemates** – where a housing association offers separate tenancies within shared houses, but allows tenants some degree of choice over their new housemate by allowing them to choose from a (HA-approved) shortlist. For an example see [Argyle Street Housing Cooperative](#)
- **Information provided to help tenants who want to take a lodger** – information on social landlords’ websites often cautions tenants against taking a lodger, but some provides a more balanced overview of the pros and cons and helps explain the financial implications. See for instance [Tai Wales and West Housing](#).
- **Schemes to match young tenants with older householders** – although not primarily aimed at social housing tenants, there are schemes which aim to match together young single people in need of accommodation with older householders in need of help around the house. See for instance the [Homeshare scheme](#). Research has however found limited impact of schemes which aimed to link up prospective tenants with social tenants with spare rooms, despite the introduction of the Removal of the Spare Room Subsidy (‘bedroom tax’) (Batty, et al., 2015). This was attributed in part to the unwillingness of social landlords to get involved and concluded that ‘the evidence suggests that owner occupiers are often better placed and more willing to take a lodger’. To develop successfully in the social sector, the research concluded that lodger schemes required:
  - o Partnerships with social housing providers and local authorities
  - o Support for both the lodger *and* the host
  - o A lodging agreement that was fair to both parties
  - o Hosts who fully understood the financial connotations of collecting rent, and its impact on their own Housing Benefit claims.

## Building new housing, or converting current stock?

Some landlords were considering building housing suitable for sharers – often looking to student halls of residence and private sector student provision for inspiration. One advantage of building is that the new stock could be designed around the needs of sharers, with some stakeholders looking to student housing models for inspiration:

*I think we've got to go down the Halls of Residence sort of model. A building with 20 very small self-contained units – very limited staffing and cheap but self-contained.*  
(Stakeholder)

Data on the costs of student housing, however, suggest that this may not as cheap a model as perhaps hoped: the average cost of university-provided housing in Wales was £94 a week in 2012-13, rising to £104 for private sector provision (Unipol and NUS, 2012). These rents were charged over 41-44 weeks a year on average, but the yearly total is still much higher than LHA levels for private sector shared accommodation, even in Cardiff (Table 7).

At the roundtable discussion housing associations didn't rule out building purpose built accommodation for sharers, but felt that doing so would require considerably higher grant rates than those currently available.

Having similarly sized bedrooms was cited as a useful feature for shared housing, as it made it simpler to set rents and fairer for tenants, though the lack of evenly sized rooms did not seem to pose any problems to private landlords.

However, there were two major concerns raised with development as a solution to the need for shared housing. One was that the timescales for development were slow, and housing would not be built on the scale needed soon enough. The other was that it may be difficult to ensure shared housing is financially viable, especially in parts of Wales where the LHA shared accommodation rates are very low (under £50 a week in some locations).

When looking to convert existing stock, some landlords stated that they would likely focus on two bedroom flats (rather than houses) as they were harder to let to families with children.

## Allocations

Private landlords can let their housing to whoever they choose (as long as they avoid unlawful discrimination, for instance on grounds of race). In practice some allocate tenants themselves, but many allow groups of tenants to choose to rent a home together with a joint tenancy.

The situation is different for social landlords. They retain some discretion, but are also bound by allocation policies and nomination agreements with local authorities. This is likely to put pressure on them to ensure that they house those with the greatest housing need, including people who have been homeless. In shared housing there are challenges in trying to balance these obligations with the needs of other housemates.

Stakeholders recognised that the social housing allocations system in Wales was not geared to promoting shared housing, identifying potential sharers or balancing the requirement to meet housing needs with the needs of other sharers:

*The current process of application for social housing is an issue – there is not an expectation that young people will have to share. The processes aren't set up for*

*this. There is a facility for people to say they'd be prepared to share but we don't really then match them up well. The focus is on housing need. (Stakeholder)*

Some social landlords had operated shared housing where they simply put the person from the top of the list into any vacant room, but reported that this had not worked well:

*There are eight flats... which are two bedrooms and a shared living/kitchen area..... It has not worked very well. One problem is the way people apply for it. They apply separately and we just put them in there without any notice of whether they are compatible. (Stakeholder)*

Social landlords were generally at a relatively early stage in deciding how best to balance the conflicting pressures. One possibility being explored involved working with organisations who worked with young people likely to be near the top of the housing register (such as supported housing providers, Leaving Care teams or tenancy training courses) to see whether young people could be encouraged to apply with a friend or two. Local authorities were reported to be generally sympathetic to the need to consider relaxing nomination rights to allow associations to make shared housing work.

Other landlords were considering whether they might be able to successfully match people together, on characteristics such as age and sex, but there were no examples found of this system operating in practice.

Young people attending the focus groups were nearly unanimous in their view that being able to choose housemates was a critical issue for them in feeling that shared housing might be an option. They were positive about the idea of holding housing interviews for choosing a new housemate:

*I would prefer to choose. And I would not mind being interviewed.*

*Just bring them along to the house. If they get on, they get on. (Focus group attendees)*

Those who were familiar with social housing allocations were, however, doubtful as to how this would happen:

*I would like to [choose] but I do not see it happening.*

*Who is going to do the matching process? (Focus group attendees)*

This highlights the need for social landlords to make the allocation systems for shared housing clear and well advertised, to help prospective tenants understand how this differs from conventional social housing.

It was clear that for tenants, one of the biggest fears was having to share with strangers or people they might find difficult to get along with:

*People have very different ideas about what is and is not acceptable. They also have different priorities, which can make sharing hard when you're not friends prior to living together. You can end up resenting a lot. (Survey respondent)*

*What if they are a slob and you are OCD? (Focus group attendee)*

There was a strong feeling amongst both focus group attendees and support staff that the successes of a shared home as a social entity and as a positive living experience for individual participants would depend on the element of choice being present.

### **Separate or joint tenancies?**

The issue over who chooses a tenant is related to what type of tenancy is offered. If a landlord is offering separate tenancies, then the landlord can choose who to let the room to, though may choose to allow housemates some say in the decision. Most landlords felt that it would be unfair to expect tenants to be responsible for each other's rent arrears, and that there were clearer lines of responsibility if separate tenancies were used.

*We use individual tenancies and we pay the bills and give them a fixed price for them including council tax. (Stakeholder)*

Others, however, felt that a joint tenancy might promote a more functional household:

*The arrangement is a single tenancy per room, rather than a shared tenancy for the whole property. And I think that reemphasises the separateness, rather than them having joint responsibility. (Stakeholder)*

One concern over offering joint tenancies was over what would happen if a tenant left. The remaining tenants would become liable for the rent, but could decide to retain a spare bedroom and pay for it, or find a new housemate. Landlords were aware that it would not be feasible to impose a new tenant in such circumstances and that tenants would need to be allowed to choose a new housemate, but were unsure how to balance this with their other obligations as social landlords:

*We have been talking about what we would do if some of the sharers move out. The other joint tenants would become liable for the rent. I think shared housing works best if the people living there find their own fellow tenant rather than having someone foisted on them. We're haven't worked out how to do this yet. (Stakeholder)*

### **Promoting shared housing and managing expectations**

The Crisis report notes the significance of a culture of sharing, which exists much more strongly in some locations than others. In towns and cities with large numbers of students there is more typically a culture of sharing which often extends to recent graduates and other young people. In other areas, expectations are strongly of living in self-contained housing and this is often true of those applying for social housing (Batty, et al., 2015). The importance of managing expectations is therefore key to establishing shared housing schemes within social housing.

This was a theme that was picked up on a great deal by the stakeholders interviewed. The issue was particularly pertinent in areas without universities and where rents were relatively low, meaning there was no tradition of young people sharing housing.

Even in university towns and cities, however, it was felt that people applying for social housing typically had no experience of living in shared housing as a student, expected to have self-contained housing, and may hold out for this rather than willingly accept shared housing. Expectations may of course change when the Housing Benefit cuts take effect, but

for now it was hard for social landlords to feel confident in the demand for shared housing that was not yet evident:

*Until now customers have been very anti-shared accommodation.... They will not be happy. They will be badgering us to move them on.*

*It's not what people are used to in Valleys communities.*

*Shared accommodation has never really been seen here as the thing to do. There's a lot of work for us to change the hearts and minds. It's something that we need to think our way through, how to promote and sell the benefits to people. (Stakeholders)*

A few stakeholders were aware that the shared housing 'offer' needed to be something different from the general needs, unfurnished family home. They recognised that tenancies are likely to be shorter term and that tenants may expect furniture, at least in communal areas, and possibly for the entire property. This was something social landlords were not always experienced at providing and some were concerned about the unknown costs of this provision.

## Managing shared housing

The higher management requirements of shared housing were mentioned by almost all stakeholders as a major concern. They were unsure how much they would be required to get involved in arbitrating in disputes between tenants.

Social landlords were concerned that their tenants were particularly likely to be both vulnerable and to exhibit antisocial behaviour. Social housing is typically allocated on the basis of need and, despite recent changes to the homelessness legislation, it is still the main destination of previously-statutory homeless households in Wales, as well as housing people moving on from supported housing or out of local authority care. In contrast private housing is allocated to by market forces to those who can afford to pay for it. These differences mean that the profile of tenants accessing the two sectors does differ. A higher proportion of tenants with a history of anti-social behaviour and a higher proportion of vulnerable tenants with a lack of skills for coping with such behaviour may be a difficult mix.

It was also clear that many of these concerns related at least in part to fears caused by a lack of experience at managing shared housing:

*[Housing associations] are reticent about shared accommodation – it's the fear of the unknown. (Stakeholder)*

Local authorities were aware of the need to look at shared housing as an option, because of the duties they had to homeless households and others on the waiting list. Housing associations were more often wholly negative about the prospect of offering shared housing with management difficulties the biggest issues raised.

Managing anti-social behaviour in shared housing was, however, also reported by the Residential Landlords Association as one of the biggest challenges for private landlords in managing shared housing.

There were several possible ways suggested of reducing the likelihood of management difficulties. These included:

- Allowing tenants to choose who they lived with so that they were sharing with people they got on with.
- Ensuring that properties were generally let to people living similar lifestyles – such as students, working people or unemployed people who may keep different hours to one another and therefore cause conflict if sharing, though the young people interviewed were less sure about this and some favoured more of a mixture of working and non-working. The means by which landlords could ensure such things were also unclear.
- Requiring new tenants to take part in a tenancy training course, which could cover issues relevant to shared living, though again the young people were less positive about this, especially if it were compulsory.
- Putting in support particularly at the start of new house shares, to help establish a smooth running home, possibly with the use of Supporting People funds.
- Ensuring that vulnerable tenants were well supported by other agencies, such as mental health services.
- Using licences rather than tenancies to ensure that house rules are kept and occupants evicted swiftly if they break them
- Having a hands off approach to involvement in tenant disputes, encouraging tenants to sort out problems themselves.
- Using a lead tenant model where the lead tenant could help sort out more minor disputes.

There may be higher expectations placed on social landlords with respect to safeguarding and ensuring tenants are not exposed to housemates who would pose a risk to them. As publicly funded bodies, both local authorities and housing associations may be held accountable in ways that private landlords are not. Some landlords felt that they would need to undertake checks on new tenants before offering them a shared tenancy, though they were not specific about what these checks would be.

Local communities and neighbours can also have higher expectations of social landlords and may expect to be consulted if a property is to change in usage. Landlords who had simply let a property to a group of sharers reported no issues, but those who had had to apply for planning permission (as will generally be the case in the future) reported that local residents had opposed the property being allocated to young people, and that this had made it difficult for the young tenants as neighbours were already hostile towards them and quick to look out for any problems.

## Options other than shared housing

No local authorities or housing associations interviewed were able to come up with any examples from current practice of housing that would be affordable to young single people within the LHA limits, except private rented housing. There were no examples found of self-contained housing which would be affordable to those on Housing Benefit and limited to the shared accommodation rate. The only other option for young people who did not want to share was for them to get a job so that they could afford their rent without needing Housing Benefit.



There were a few other possible options suggested however, though any solution needs to be affordable to young people with their reduced benefit entitlement.

## Increasing incomes

Broadly speaking under 35s who are not on low incomes have no special housing needs and are able to rent the same housing stock as the rest of the population. One possible way forward for some young people is therefore for them to increase incomes so that they can afford self-contained housing without recourse to Housing Benefit. Many landlords already provide help getting tenants into work or training, and some of these schemes were set to be expanded or targeted at singles under 35 who would be affected by the Housing Benefit cuts.

One social landlord interviewed for this research, who was relatively advanced in their preparation for the forthcoming Housing Benefit cuts, was offering new tenants a 'menu' of options comprising:

- A one bedroom flat if they were in work and able to afford it
- A one bedroom flat if they were willing to look for work, with conditions placed on the tenancy requiring them to participate in an employability programme
- A tenancy in a shared house for those not able or willing to work.

These three options work for now, because tenants have nearly two years to find work before April 2018 when the reforms come into effect. The option of signing up to look for work will obviously be more problematic after April 2018 when the Housing Benefit will be insufficient to cover a one bedroom flat from the start. Nevertheless, this approach offers the potential to ensure young people understand the options available to them and the value of increasing their incomes in terms of improving their housing.

A recent High Court ruling, however, is significant to the development of these kinds of schemes; in April 2016, the High Court ruled that Ealing Council's policy of ring-fencing 20 percent of its lettings for people in work was discriminatory and unlawful<sup>14</sup>. The situation in this case was somewhat different as there was no suggestion that the non-working households discriminated against were unable to afford the accommodation (with Housing Benefit), but nevertheless suggests that local authorities and social landlords should be careful to ensure that applicants are not barred from accommodation for unlawful reasons.

Young people in the focus groups were positive about the possibility of getting into work, but also said that this was not necessarily straightforward as many of them were living in areas where there were few jobs around:

*We live in a Jeremy Kyle culture where people say 'get a job' ... but it is not easy when you're battling against 50 to 60 other candidates.*

*If there are enough jobs available then yes, but there are no jobs around. (Focus group attendees)*

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<sup>14</sup> [www.bailii.org/ew/cases/EWHC/Admin/2016/841.html](http://www.bailii.org/ew/cases/EWHC/Admin/2016/841.html)

## Innovative models of building new housing

New innovative models of housing delivery, such as ‘Ycube’ or ‘pocket flats’ aim to make self-contained housing affordable by using offsite construction methods, and/or building very small units<sup>15</sup>. However, these schemes generally run in areas where land is extremely high value and by making clever use of space densities can be increased, thus making housing slightly more affordable. They target a gap in these very high priced markets between market housing and social rents, a gap in the market which is not as apparent in the Welsh context. A recently opened Ycube scheme in Merton, London, for instance, is able to offer rents at £150 a week – a reasonable rate within a high priced London context but around three times the LHA limit for under 35s on Housing Benefit in Wales. This scheme also looks to be unsuitable for young people who rely on Housing Benefit from April 2018, as the shared accommodation rates of LHA in Merton are between £82 and £94 per week, well short of the £150 rent charged<sup>16</sup>.

There was relatively little interest from stakeholders in these kinds of schemes. One stakeholder said that they were currently investigating options and another that they had done so but concluded that they would not be affordable to their tenants. Using shipping containers as accommodation had been explored and considered potentially affordable but mortgage lenders were not prepared to lend on this type of housing. There were also conflicts between some of the more innovative new housing products and social housing space and build standards, making it hard to innovate.

## Lower rent self-contained housing

There has been some interest shown by social housing providers in setting rents differently in order to ensure that they are affordable to all. Systems which set them as a proportion of income have been suggested, though such schemes are hard to operate in practice as rental income is unpredictable, making it hard to secure finance for development. Some were considering whether they could, however, set rents differently for young people:

*There is a bit of flexibility in Wales – so we could set rents a bit differently. But we don’t want to lock a property into being only for young people. So we’d rather set rents according to who is in the property at any one time – would generally rather have flexibility to let young people live in the same housing stock as other people.  
(Stakeholder)*

Such plans were, however, relatively early in development. Others felt that it would be inequitable and impractical to treat young people differently, and not feasible from a financial point of view to bring one bedroom rents down to LHA levels.

There was some interest from stakeholders in exploring whether housing could be provided more cheaply by reducing service costs. This was part of a wider issue relating to service charges eligibility under Universal Credit, causing landlords to review what services they provide and to consider whether they could cut some elements or provide them more cheaply. Options being considered included expecting tenants to take on more responsibility

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<sup>15</sup> See [www.ymcalsw.org/ycube](http://www.ymcalsw.org/ycube) or [www.pocketliving.com](http://www.pocketliving.com) for details

<sup>16</sup> LHA rates from <https://lha-direct.voa.gov.uk/>

for things such as cleaning of communal windows, reducing the use of spare flats as community rooms and ceasing running the tenants' newsletter, sometimes looking to private sector examples or student housing schemes for inspiration:

*I think we need to get the rent level down...a bit more like a private landlord... We need to revisit what we're offering and offer something with less staffing levels and more suitable for young people. We tend to look at how we can help them sustain their tenancy with loads of support and advice, and then we wonder why the rent's £110 a week, and really what they need is a rent that's £35 a week. (Stakeholder)*

It was also suggested that the security of tenure in social housing meant that costs of evicting were high, and that this therefore impacted on landlords' ability to offer low rents. A new tenure with lower security but low rents might therefore be preferable, and it was generally felt that young people were often mobile and did not necessarily need or seek the long term security that social housing currently offered. This view would seem to be supported by the survey and focus groups as security of tenure was rarely mentioned as a priority – access to housing, low rent and a landlord they could trust were higher priorities for young people.

In reality, however, reducing service charges may need to be part of a solution, but is unlikely to be sufficient to bring rents on one bedroom flats to LHA levels in most parts of Wales, and stakeholders were generally aware of this.

Some landlords operate a hardship fund which allows them to top up the rents of specific tenants who are in difficulties, after having exhausted other solutions such as finding work, or in tandem with an agreement to engage in support finding work. Providers with relatively small numbers of young people saw this as a possible solution. As with DHP, this may help a few tenants who are particularly badly hit but is unlikely to form the main solution for very many, simply because it would not be affordable.

## Other options

Encouraging young people to stay at home for longer, possibly with the use of mediation, was suggested by some stakeholders. This, along with gaining employment or DHP, was the only solution deemed feasible for the 18-21 year olds who become ineligible for Housing Benefit.

Encouraging and facilitating other households – either social tenants or owner-occupiers – to take in a lodger was also suggested. There are examples of schemes such as the Rock Trust's *Nightstop* scheme in Edinburgh where volunteers offer short stays in their homes to young people at risk of homelessness to give them time to repair relationships with their families or find other solutions, though such schemes need to find ways of assessing and managing safety risks to host families in very quick timescales needed for young people homeless after a crisis.

Self build was also suggested by one stakeholder, as were projects where tenant-led housing schemes, such as cooperatives, help keep rents low and/or find solutions to the challenges of shared living. Encouraging those offering apprenticeships to consider whether they could provide some low cost housing to apprentices unable to live at home was also suggested.

Holiday lets or static caravan lets were also suggested by stakeholders as possible options in some areas by stakeholders, though they were aware that the potential of these is largely confined to the winter months.

## 5. Conclusions

Housing options for young single people under 35 who will be affected by the forthcoming Housing Benefit cuts appear limited.

Unless social landlords start to offer shared housing at rents within the new limits, the main option for young people is likely to be the private rented sector. This sector already meets the needs of many young single people, and has grown considerably in recent years, though it remains unclear as to how much further potential there is for expansion into the shared housing sector, especially given the recent regulations around HMO conversions. Landlords entering the sector are more likely to seek tenants who are older, better off, and can rent an entire property.

Helping young people into work, or into better paid work increases the housing options affordable to them considerably, and therefore presents a way for some young people to afford self-contained housing. However, much of this work already happens and in practice it is unlikely that anything could be done to remove the need for all young people to ever claim Housing Benefit. Discretionary Housing Payments might help a few, but will be insufficient to make up the rental shortfalls of the large majority of young people likely to be affected, meaning that the only solution for this group is rents that fall within the LHA limits.

Shared housing has the potential to offer cheaper housing to young single people as more than one person is contributing to the total rent on the property. Shared housing can also bring lower utility bills and council tax bills to tenants, thus helping them afford their rent whether or not they are in receipt of Housing Benefit and/or in work. It may offer one possible solution for the under 35s who depend on Housing Benefit but will be affected by the cuts from April 2018, though is not a sufficient solution for the 18-21s who become ineligible for any Housing Benefit, unless they can earn sufficiently to pay their rent.

The current policy framework for providing shared housing is disjointed. On the one hand, young people are entitled to Housing Benefit levels that only cover shared accommodation, and an overall shortage of housing means that shared housing is the only form available to many young people. On the other hand, the Welsh government has increased regulations around HMOs, giving local authorities the power to prevent housing meeting the needs of young people who need shared housing. It is clear from this research that stigma against house sharing, and young people more generally, may mean that these powers are used to limit the supply of shared housing at the time when it is needed most.

For a significant minority of single young people, shared housing is their preferred housing solution with benefits including saving money and companionship. For most others, it is not their preferred long term option, but is something they consider acceptable for the current time. These broadly positive views appear largely not shared by social landlords, who for a variety of reasons are nervous of managing such accommodation. These include past experiences with a very vulnerable client group, a lack of skills and experience in managing shared housing in a non-supported context, a lack of financial incentive, and concerns around allocations. Nevertheless, there is reason to be encouraged by the largely positive views of young people themselves who were surveyed.

For shared housing to work within the social sector there are considerable challenges that need to be addressed. Overall, social landlords need to consider shared housing as a new

and different housing product. It is not ‘supported housing on a budget’ where vulnerable tenants are housed in hostel-like environments but without the resources to provide adequate support. And neither is it conventional social housing with shared facilities. The allocation systems need to be carefully devised; turnover rates are likely to be higher and there is likely therefore to be demand for at least part-furnished accommodation. This all entails a different set of management skills and practices.

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## Annex 1: Questions asked to young people in Wales

We've been asked by the Cambridge Centre for Housing and Planning Research to find out more about young people's views on housing options in Wales. This is to inform research commissioned by the Welsh Local Government Association and Community Housing Cymru about young people's housing options. One option that may be realistic for many young people is shared housing. By shared housing we mean houses or flats where you have your own bedroom but share facilities such as a kitchen or bathroom with unrelated people other than a partner. So it could include groups of friends renting a house together or bedsits rented separately. By 'self-contained housing' we mean housing that is not shared with anyone other than your immediate family.

### ASK ALL

1. Which of the following best describes your current living situation:

#### SINGLE CODE

1. With your parent(s)
2. In shared housing
3. In self-contained housing: On your own
4. In self-contained housing: With your partner (no children)
5. In self-contained housing: With your partner and children
6. In self-contained housing: With your children (no other adults)
7. In some other type of household (please specify\_\_\_\_\_)

### ASK ALL

2. Which of the following best describes what would be your **preferred** living situation at present:

#### SINGLE CODE

1. With your parent(s)
2. In shared housing
3. In self-contained housing: On your own
4. In self-contained housing: With your partner (no children)
5. In self-contained housing: With your partner and children
6. In self-contained housing: With your children (no other adults)
7. In some other type of household (please specify\_\_\_\_\_)

### ASK ALL WHOSE ANSWER AT Q2 DIFFERS FROM ANSWER AT Q1

3. What is the main reason why are you unable to live in your preferred situation?

#### SINGLE CODE

1. Lack of suitable housing in the area available (display only if Q2 answer ≠ a)
2. Unable to live with parents because of lack of space (display only if preferred option to Q2 is a.)
3. Unable to live with parents because of family conflict (display only if preferred option to Q2 is a.)
4. Lack of disposable income to afford to live how I want (display only if Q2 answer ≠ a)



5. My benefits will not cover the rent required to live how I want (display only if Q2 answer ≠ a)
6. A combination of the above
7. Other (please specify) \_\_\_\_\_

ASK ALL

4. Have you ever lived in shared housing?  
SINGLE CODE
  1. Yes
  2. No
  3. Don't know

ASK ALL

5. To what extent do you agree or disagree with the following statement: 'Shared housing provides a good housing solution for single young people in Wales'?  
SINGLE CODE
  1. Agree strongly
  2. Agree slightly
  3. Neither agree nor disagree
  4. Disagree slightly
  5. Disagree strongly

ASK ALL

6. To what extent would each of the following features of shared housing make shared housing more or less attractive to you? If you are not single and without children, please imagine what features of shared housing would be attractive to you if you were single and without children.

RANDOMISE ORDER OF OPTIONS

	Much more attractive	Slightly more attractive	No difference	Slightly less attractive	Much less attractive
Being able to choose who you live with					
Security features – eg bedroom and kitchen cupboard locks					
Having a shared sitting room					
Having more than one bathroom					
Sharing only with one to two others					
Having someone impartial available to help sort out disputes with housemates					
Saving at least £20 a week in rent					
Knowing that background checks have been carried out on housemates					
Having utility bills and council tax covered in the rent					

ASK ALL

7. Thinking about the features of shared housing listed in the previous question, are there any other features of shared housing that would make it more attractive to you?  
(Open text box)  
No comment

ASK ALL

8. Do you have any other comments on shared housing for single people aged under 35 in Wales?  
(Open text box)  
No comment

ASK ALL

9. How old are you?

ASK ALL

10. Are you...?  
1. Male  
2. Female

ASK ALL

11. Where in Wales do you live?
1. Blaenau Gwent
  2. Bridgend
  3. Caerphilly
  4. Cardiff
  5. Carmarthenshire
  6. Ceredigion
  7. Conwy
  8. Denbighshire
  9. Flintshire
  10. Gwynedd
  11. Isle of Anglesey
  12. Merthyr Tydfil
  13. Monmouthshire
  14. Neath Port Talbot
  15. Newport
  16. Pembrokeshire
  17. Powys
  18. Rhondda Cynon Taf
  19. Swansea
  20. Torfaen
  21. Vale of Glamorgan
  22. Wrexham

ASK ALL

12. What is the combined annual income of your household, prior to tax being deducted?
1. Up to £7,000
  2. £7,001 to £14,000
  3. £14,001 to £21,000
  4. £21,001 to £28,000
  5. £28,001 to £34,000
  6. £34,001 to £41,000
  7. £41,001 to £48,000
  8. £48,001 or more
  9. Prefer not to answer
  10. Don't know

ASK ALL

13. Do you (or your partner, if applicable) currently claim any Housing Benefit to help pay your rent?
1. Yes
  2. No
  3. Prefer not to say
  4. Not applicable (do not pay any rent)