

Rent Officer Wales

Market Rental Evidence Methodology

Background

Under the Rent Officers (Housing Benefit Functions) Order 1997, rent officers are tasked with determining the Local Housing Allowance (LHA) rates for every Broad Rental Market Area (BRMA) covering Wales. They derive 30th percentile net rental figures from transactional lettings information.

The information provided to Rent Officers Wales by private landlords and letting agents across Wales is on a voluntary basis. The rent officers will ensure the information is the transactional or confirmed lettings, the rent agreed between the landlord and tenant – not the advertised figure listed on many property websites.

This definition corresponds very closely with the Royal Institute of Chartered Surveyors definition of Market Value:

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing. Where in the parties had each acted knowledgeably, prudently and without compulsion."

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The data collected includes address / property type / number of bedrooms / number of living rooms / furnished or unfurnished / central heating / rent /date let.

The Private Rented Sector (PRS) is de-regulated, meaning that landlords are free to charge an open market rent for their property. There is currently no legal obligation for landlords or agents to provide Welsh Government, or any other organisations, with details of the rents achieved on their lettings. Thus rent officers have to actively seek, collect, validate and maintain a suitable dataset.

LHA Publication

Every year the LHA rates are calculated from all the relevant data in each LHA category in each BRMA during the preceding 12 month period. As of April 2015 this equates to a database of over 36000 items of lettings information across Wales.

As a result the quantity of data and sources used to calculate the LHA rates each year varies. As more recent data is added, records over 12 months old are removed from the list as they are no longer eligible. This process ensures the list of rents is continuously updated with recent data and tracks trends in the levels of rent that occur over time. Rent Officer Wales sources data from as many Private Landlords and Agents as possible, who are willing to contribute in order to reflect the lettings market.

To ensure consistency of the data sample, rent officers follow regular collection cycles to balance the range of information added to the 12 month list of rents. Collection activities focus on face to face contact with sources and where practical we aim replenishing data before it reaches the end of its 12 month life span. This process maintains a list whose composition changes as properties move into and out of the rental market as well as monitoring the changes in rental value of a core sample of properties that we are able to track over time.

Data Collection and Sample Size

There is no requirement for rent officers to collect 100% of rents that are agreed between landlord and tenant. Neither is it realistic to assume that all landlords and letting agents would be happy to co-operate. Statistically, a representative sample of the whole PRS within each BRMA and LHA category will produce the same level of LHA as a complete dataset. The Department of Work and Pensions (DWP) established that a 10% sample of the PRS was statistically sufficient to determine representative LHA rates. This provides the underlying logic which is used to produce our sample.

Rent Officers Wales aim to collect between 15 and 20 per cent of the private rental market across Wales as a whole, excluding lettings known to be subject to housing benefit and those with incomplete information. There is no definitive data giving the size or composition of the PRS. The most accurate data currently available is the Census 2011 so this is taken as the baseline for establishing the required sample.

Data collection is monitored against the private rental market identified by the 2011 Census in an attempt to ensure that the sample is a representative of the market as possible, however it is dependant upon the goodwill of agents and landlords for its provision. Landlords who only let one or two properties are contacted once or twice a year to obtain details, whereas agents and those landlords that have large portfolios are contacted frequently for new additions or changes to their letting portfolio. Rent officers also monitor websites and follow up contacts with agents to obtain details as properties are let or removed from the sites.

As rent officers do not have access to every letting that takes place in the market the use of a random sample is not feasible nor given the variations in the size of the markets in each BRMA simple quota based sample would be unlikely to produce accurate LHA rates either. To produce LHA rates that are considered accurate the sample should, as best as possible, reflect the profile of the market in terms of the type of property, its distribution, and the letting sources within each BRMA. There are no definitive measures for these so rent officers monitor local market activity and take every opportunity to acquire feedback from landlords, agents and tenants. A monthly Gap Analysis report is run to identify any gaps in evidence in any of the BRMAs. This enables the Rent Officer to target a specific type of property within the BRMA and divert resources from their regular programme of data collection to address any perceived weakness in the data. This combined approach of regular and targeted collection based on market intelligence results in a best representative sample across each BRMA.

This approach in turn reflects the structure of the legislation which allows for rent officer judgement on a number of these factors.

Estimates of the total number of dwellings are based on data from the population censuses. The breakdown of dwellings stock estimates by tenure is estimated from 2011 census information

The current target is to collect 20% of the Census 2011 levels as we estimate this equates to 10% of the estimated current PRS.

We aim to collect information from every source we identify. Each source is encouraged to provide details of their whole portfolio and to update the data on a regular basis. The information is captured electronically in the Rent Officers Wales Lettings information database. Checks are carried out at the point of entry to ensure that any Housing Benefit funded tenancies are identified.

Geography

Within Wales there are 22 Broad Rental Market Areas and the rent officers are responsible for the sourcing and collection of the data within the BRMAs. The BRMA for Local Housing Allowance purposes is an area within which a person (or in the context of Local Reference Rents, a tenant of the dwelling) could be expected to live having regard to facilities and services, taking account of the distance of travel to and from those facilities and services. The BRMA contains residential premises of a variety of types to ensure representativeness of the rents that a landlord might reasonably be expected to obtain in that area.

BRMAs are determined by rent officers and define the areas within which each LHA rate applies. To ensure that we maintain a representative sample of data we analyse the lettings data collected against the Census 2011 PRS figures. These figures are broken down into individual LHA category, BRMA and the neighbourhoods therein to provide the framework for collection and monitoring.

The PRS is very complex and is continually changing as it reacts to market forces. The overall target therefore only represents a guide figure at BRMA level. Local knowledge, confidence testing and interpretation of other available PRS data may be applied to refine the guide level. This contributes towards achieving a representative sample at a BRMA level.

Non Agent Data sample

Rent Officer Wales aim to collect data directly from sources other than letting agents with the aim of maintaining a diversity of sources to reflect the complexity of the PRS and ensure the integrity of our data. This complexity was made clear in the 2008 Rugg Review which indicated that in 2006 37%* of market lettings in the PRS were advertised and managed by landlords not using a letting agent. In 1993 this figure was much higher at 64%¹ indicating that the prevailing trend in this behaviour is downward.

¹ Source Rugg Review 2008

Rent officer experience with previous Housing Benefit schemes suggests that there is a higher likelihood of benefit claims in this sector of the market. We therefore feel that a 15% sample represents an achievable aim for our data collection activities

Furnished / Unfurnished Tenancies

Our database provides the ability to record any tenancy as either furnished or unfurnished. As a result the data used for LHA purposes comprises of both furnished and unfurnished lettings. However there is no consistent definition of what either a "furnished" or "unfurnished" letting may consist of. Feedback from our sources suggests that the majority of lettings are advertised on a furnished or unfurnished basis with most agreeing that furniture does not impact on the price of a letting. There are markets where furnished lettings command a premium but these do not make up the majority of the market. As a result we do not apply furniture as a variable when defining our sample.

Length of Tenancy

The data used to determine LHA rates comprises of rents achieved over a 12 month period. This timeframe ensures that any seasonal fluctuations are balanced out it also reflects current findings on the length of an average tenancy. Given the way the market operates our methodology ensures that the data we collect represents the prevailing level of rents achieved within the PRS with a sample including new tenancies, renewals and ongoing statutory periodic tenancies. It tracks significant market trends, smoothing very short term fluctuations and most importantly provides the size and diversity of sample required for LHA purposes.

Data Collection

There are currently 5 rent officers in the Market Rental Evidence Team and 1 line manager responsible for data collection within the 22 BRMAs throughout Wales. There are 7 main collection methods used by rent officers:

- Visits
- Letting lists
- Telephone
- Mail Merge
- Via e mail
- Web sites
- Forums and Surveys

• Visits to Letting Agents

At a visit the rent officer would explain who they are and what they collect and use the data for. We would then agree both the method and frequency of contact. At the visit the rent officer would hold a short structured interview with the source confirming rents for properties that have recently been let. Generally the rent officer will use recent lettings lists, or information sourced from websites, as a prompt for the agent and where appropriate details of records currently on our database which need to be

updated. This process allows the rent officer to query any unusually high or low rents and to confirm additional details such as the tenancy start date as part of the dialogue. Many larger businesses use one of a number of standard property management software which can be used to generate a report which details all lettings made within a defined period. Many agents see the benefits of providing information in this fashion as it saves them time. The frequency of collection will be agreed with the agent dependant on the size of the portfolio.

- **Lettings Lists**

The rent officer will ask to be placed on the agent's rental lettings list. Usually the list will include a photograph of the property, which makes it easy to recognise a property when cross referencing with updated lettings list.

- **Telephone**

This can often be useful for first introductions to explain the role of Rent Officer Wales and how the data is used. Establish a contact within the agent's office, and agree both frequency and method of contact. Lettings lists can be cross referenced and updated via the telephone.

- **Mail Merge**

We have an established list of landlord contacts who we write to. The frequency is dependant on the size of the portfolio, all are contacted within 12 months. For private landlords with portfolios of 5 or more properties we would contact every 6 months. The Rent Officer Wales database is able to produce a template containing the landlord's portfolio. This enables the landlord to update their portfolio easily and return via a Freepost envelope. Rent Officer Wales has letter templates for first contact and regular follow up.

- **Via e-mail**

Rent Officer Wales has encouraged private landlords in particular to provide market rental evidence via e-mail. Their portfolio can be e-mailed to be updated. This method of collection has proven both efficient and cost effective.

- **Web Sites**

The rent officers use web sites to capture new rental property it is recorded onto our database and monitored. Once the property has been let the rent officer contacts the Agent to confirm the details, transactional rent and date let.

- **Forums and Surveys**

Rent officers attend a range of landlord and letting agent trade events these range from local authority meetings landlord forums to large exhibitions and conferences. The emphasis here is to proactively engage with as many landlords as possible with the aim of generating new contacts and maintaining our profile within the community.

Rent Officer Wales uses surveys to capture information and new Private Landlord details. It is an excellent means to engage in a discussion with Private Landlords.

- **Cold Calling**

Using online or newspaper advertisements rent officers call the landlord and confirm the agreed rent and details of the property. As a general rule this type of activity tends to focus on room lettings, which reflects the fragmented nature of this market.

Updating existing records

Given the date range of the sample, in order to maintain a regular supply of data, the rent officer will enter the agreed contact period onto the bespoke database. The database will then produce a report as the data becomes due for renewal. The rent officers use this information to identify the data they need to recapture as part of their regular contact with sources. This varies dependent on the size, level of activity in local markets and the relationship with the source.

A report is run every month to identify any data that is approaching 12 months old. The market rental evidence (MRE) manager circulates the report to the rent officers within the MRE team. The rent officers will check the data within their allocations with the source, once updated the data will be re entered. A Gap Analysis is also run on a monthly basis and the MRE manager will ask the rent officers to target specific types of property within their allocations. The MRE manager monitors the monthly changes in the report to ensure continual improvement. As a result rent officers tend to focus their efforts where data yields are at risk.

Data excluded from the Rent Officer Wales database (ROCAS)

Where ever possible all data collected by Rent Officers is added to the database of rents. As long as data relates to an agreed letting that is representative of the market and matches the definitions used for each LHA category it is used in the calculation of the LHA rates. The only exceptions to this rule are Studios and properties with five bedrooms or more. In both cases these records are held on our database but they are not used in the calculation of the LHA rates.

There are a number of tenancies which are excluded from our database:

- **Social housing**

Tenancies provided by a Registered Social Landlord (RSL) or Housing Association (HA) are frequently priced below the market value of the tenancy, or the population of potential tenants is limited to certain groups. There are a number of products such as 80% of market rents and key worker lettings that fall into this category. As these lettings are not subject to open market pricing mechanisms or supply and demand they are excluded from the rent officer lettings database. There are properties

which are let and managed by RSLs or HAs on open market terms these can be included in our database.

- **Halls of Residence**

Similarly lettings of purpose built student accommodation are also excluded on the basis these tenancies are not accessible to the general tenant population. If a private landlord has taken the decision to let his property to tenants who are exclusively students we record the property on the database but exclude from the LHA figure. If the same property is then advertised and the student restriction is removed we would include in the LHA.

- **Tenancies subject to Housing Benefit**

When they make their decisions under the housing benefit (HB) scheme, rent officers are directed by law to “*assume that no-one who would have been entitled to housing benefit had sought or is seeking the tenancy*”.

Therefore if in the expert opinion of a rent officer, a tenancy agreement has been made and there was no effect on the agreement by the possibility of the receipt of housing benefit then this figure must constitute a confirmed rent. This decision is hard-wired into data entry protocols as our database checks each new record being added to the system against a table of current and historic housing benefit awards.

In practice this results in the exclusion of a variety of records as they are matched against ongoing HB claims and therefore likely to be subsidised by a local authority. However there may be records added to our database where a HB is subsequently made some time after the commencement of the tenancy.

- **Regulated Tenancies**

Tenancies with a commencement date prior to the 15th January 1989, known as regulated tenancies are also excluded from the rent officer lettings database. Rent officers are able to cross check lettings information as it is entered and exclude these records.

Quality Assurance and Validation

There are a range of quality assurance and data validation processes that take place either as the data is entered onto the system or as a part of the LHA publication process each month:

- **Cross checks against HB and Fair Rent records**

As data is entered onto the rent officer database the creation or update of an address triggers a cross referencing with HB and Fair Rent records which allows the rent officer to make a judgement about the nature of the tenancy and exclude lettings fitting the criteria listed above.

- **Removal of Duplicates**

This is a two part process; initially rent officers are able to view a list of possible duplicate entries when entering their data.

Secondly a further check takes place as part of the LHA production process to remove any remaining records added to the system in error. The list of possible duplicates is produced from the data extract used for LHA production. A data matching query compares address, date of collection and rental value fields, these are then checked by rent officers, confirmed as correct or deleted from the database. This exercise is conducted on a monthly basis. As the LHA dataset uses a 12 month date range there are a number of duplicate items that relate to the re-let of a property at the same rental value within the 12 month period both records are acceptable for inclusion in the list of rents used for LHA purposes

- **Descriptive Errors**

The following parameters are applied to each month's data extract as a part of the LHA production process, records are checked against source data and either amended, deleted or confirmed as a correct entry.

Zero bedrooms

Non Self-contained properties that are not "rooms"

Number of living rooms exceeds number of bedrooms

Property Type "Studio" with more than one room

Self-Contained "Room" lettings

Number of bedrooms exceeds seven

High or Low rent would be checked against the original source. If the rent had been entered in error it would be amended if found to be correct a note would be made in the comments box within the data base.

Rents listed as including gas and or electricity costs but without a value deducted from the rent for this component.

Audit

- **Data Checking**

A monthly printout is produced and the MRE manager carries out a 10% check of all data that has been entered. This involves each record being checked against the relevant original source. This process identifies error, omission accuracy of filing as well as being a chance to talk to rent officers about collection habits. Rent Officer Wales uses a virtual filing system (I share), paper copies of data are scanned onto the system and anything received via e mail is placed onto the virtual filing system. The MRE manager meets with the team at least quarterly to discuss training requirements and share best practice.

- **Accompanied Visits**

During the course of the year the MRE manager spends a day accompanying each rent officer on visits to sources, this provides the manager with a chance to monitor their staff in the field, pick up areas that

require development or indeed record best practice that can be shared with other members of the MRE Team.

Data Monitoring

Rent officers use two main tools to monitor changes in the data used for LHA production.

- BRMA analysis: a monthly breakdown of data against the established PRS figures by BRMA and neighbourhood, this concentrates on data counts against the guideline PRS figures by property size and against standard property types. Again both these figures are derived from the 2011 Census.
- Market Monitoring: as part of their collection activities rent officers take the time to speak to sources about market conditions in the local area. Feedback from these conversations is included in short monthly report from each rent officer. These provide details of changes in supply and demand and or pressure on rent levels which help to explain changes in LHA rates over time and provide rent officers with a sound basis to judge the quality of the data they collect from sources.