

**Foundational Economy Research**

**A foundational approach  
to affordability in Welsh  
social housing**

**Submission by Foundational Economy Research (FERL)**

August 2025

# A foundational approach to affordability in Welsh social housing

Overview .....	2
1. Framework: foundational liveability and business sustainability.....	3
2. Affordable rents as a wicked problem.....	4
3. Measurement vs cause for concern .....	8
4. Rent setting metrics .....	11
Conclusion .....	14
Appendix 1: Social renting households in arrears .....	16
Appendix 2: Expenditure on FE4 essentials as share of disposable income .....	17

## Overview

Foundational Economy Research Ltd is responding to Question 2 in the Welsh Government’s consultation on social housing rents:

“Should WG adopt the principle of affordability which involves “balancing the needs of social landlords and their tenants, ensuring rents remain affordable for both new and existing tenants while enabling social landlords to meet tenants housing need”?

Our answer to this question is *no*. The principle of affordability assumes it is possible to find a fair rent that can reconcile the interests of tenants and social landlords. But that assumption is now increasingly problematic after the cost of living crisis for tenants and the rising costs of doing business for landlords. For tenants, the cost of living crisis pushes up the cost of all the on-market essentials (utilities, food and transport) as well as rent. For landlords, maintenance expense and costs of borrowing have increased, and Welsh Government adds expensive asks for upgrade and new build.

To meet the ambition behind Question 2, Welsh Government needs two new principles for new times. Tenant affordability should be understood in a foundational liveability framework where the issue is not just the level of rents but how the combined costs of the four on market essentials (the foundational economy (FE) 4 of rent, utility bills, food and transport) squeeze income and increasingly leave little or no residual to spend on anything else. Landlord sustainability should be understood in a business model framework where the issue is whether and how they can recover their costs and sustain their activities.

From this point of view there is cause for concern about an *affordability gap*, not an overlap in which rents could be set. In short, rents which are too low to allow landlord sustainability can still be too high for tenant liveability. There is then a need for more research into how this plays out for households at various income levels, and for a foundational rethink about how financial hardship can be addressed. As part of this we need to discard the old metrics which are still being used in the sector to guide rent increases and to judge the fairness of

rents. More broadly we need distributed thinking and recognition that the affordability problem for tenants is about energy charging and access to quality food as well as rents.

## 1. Framework: foundational liveability and business sustainability

The underlying issue is that the one word “affordability” means different things to tenants and landlords.

**Affordability for tenants means ability to pay or liveable rents.** *Liveable* means rents that low enough to have some residual income left over after paying for the four on-market foundational essentials (rent, utility bills, food and transport). Since 2022, with cost of living crisis and the increase in prices of the utilities, food and transport all tenants have squeezed residual incomes. Some have no residual income because their income cannot be stretched to cover the four essentials, which leads to “heating versus eating” choices, trips to the food bank, increasing debt and other expedients.

This pressure on household budgets requires a fundamental rethink of measurements and metrics. After the cost of living crisis, the key measure is not household disposable income after tax and benefits, or residual income after rent. What matters is household residual income after FE 4. How this plays out for each household, or the extent of the squeeze on residual income, depends on income levels, household size and composition, as well as relation to the benefit system and its rules such as the two child benefit limit. The extent of the squeeze is variable, a point that gets lost if we focus on average household incomes not distribution around the mean or median.

**Affordability for landlords means ability to recover costs or economically sustainable rents.** Nearly two-thirds of the Welsh social housing stock is held by 30 or so housing associations, with the remainder held by 11 councils. The housing associations and the local authorities are differently placed. The housing associations depend on the financial markets, while the local authorities rely on grants from higher level government to supplement the revenue they can raise. But neither can afford to neglect cost recovery through sustainable rents.

*Sustainable* for housing associations means rents which cover their own rising costs for maintenance and upgrading of their housing stock plus the costs of new borrowing and refinance at higher interest rates now the cheap money decade is over. The financial markets are crucial because housing association business models depend on “lender confidence” about borrowing levels and ability to meet interest charges. Loss of confidence would result in credit rating downgrade which increases the cost of borrowing and refinance.

As for local authorities, they are highly constrained by the rising cost of adult and child statutory services which is squeezing their spend on everything else. This means that they are not in a revenue position to cross-subsidise social housing. Moreover, major capital expenditure for new build or retrofit depends on some combination of grants from higher levels or access to the financial markets.

The tenant interest in liveability and the landlord interest in sustainability are not opposed. Tenants have a long term interest in sustainable rents which will allow landlords to provide quality housing. Sustainable rents pay for effective action on damp and mould, new bathrooms and warmer homes from thermal efficiency. Equally, liveable rents help tenants to manage their finances, support their wellbeing and contribute to strong communities. But, with tenants and landlords both now squeezed by rising costs here and now, there is the possibility of an affordability gap where the landlord's sustainable rent may be higher than the tenants liveable rent. Rents that are too high for tenants can still be too low for landlords to maintain and upgrade properties.

## 2. Affordable rents as a wicked problem

Since the cost of living crisis, affordable rents have become what is sometimes called a wicked problem. A wicked problem is a problem whose boundaries are blurred, and which does not have one simple solution. Affordable rents are now a classic wicked problem. There is no simple way of reconciling liveability and sustainability by pulling one or two housing policy levers. And, insofar as the problem of liveability is caused not just by rents but by the combined escalating cost of the FE 4 essentials, we must look for solutions outside as well as inside the housing sector. We need new kinds of joined up policy for tenant liveability and social landlord sustainability, not just a fix for rents.

**To begin with, there are no simple solutions.** If there is an affordability gap, the gap cannot be plugged by raising rents, on the assumption it is the UK Treasury (not tenants) who will pay via Universal Credit subvention of rents. A significant number of social housing tenants are not on Universal Credit or Housing Benefit and these tenants would directly feel the pain of higher rents. In 2024, there were 242,000 social housing units in Wales and from the UK Housing Review 192,000 tenants drawing UC or Housing Benefit.<sup>1</sup> Raising the “eligible rent” for UC claimants is in any case complicated by earnings rules, the two child benefit limit and spare room allowances.<sup>2</sup>

The consultation exercise floats the possibility of “Warm Homes rents”, that is, higher rents for tenants in houses whose thermal efficiency has been improved. But, if there is an affordability gap, such policies help landlords caught up in the problem but do nothing for tenant liveability. Warm homes rents would allow the landlord to claim back the costs of thermal upgrade over time but do not improve liveability because the tenant's saving in lower energy bills would be partially or wholly offset by the cost of higher rents.

**More fundamentally, the solution to rents which are too high for tenant liveability and too low for landlord sustainability may not depend on rent policy.** As we will argue below, the cost of living crisis has produced new problems about unaffordable energy and food. In this new context Welsh Government and social landlords need to recognise the importance of: (a)

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<sup>1</sup> [Social housing vacancies, lettings and rent arrears: quality report | GOV.WALES](#)

<sup>2</sup> [Housing Benefit: What you'll get - GOV.UK](#)

tackling FE 4 prices where they are controllable, as with energy, and (b) changing access and quality where that can make a difference, as with food. This involves a very large shift in thinking. So, first we need to explain how the cost of living crisis makes this shift relevant and necessary because energy prices have spiked and remain high, while food prices continue to rise.

**The background to current liveability problems is that for households in the bottom quintile group (Q1), measured by total expenditure, at least half of their spending was on the FE4 (rent, food, utilities and transport) even before the cost of living crisis,** and there was limited scope for adjusting to price rises without going cold in winter. In the UK, for example, the diet of this poorest 20% of households was already compromised before food price inflation. For example, it is estimated that in 2020-21, households in this bottom quintile would have had to spend 43% of their disposable income on food to meet the cost of the Government's recommended healthy diet.<sup>3</sup> The situation for the bottom 10% (decile D1) , who are largely economically inactive and dependent on benefits and state pensions, are more dire still.

**The bottom quintile with the lowest budgets were therefore ill-placed to cope with the increase in the price of on-market essentials, especially energy and food.** The start of the Ukraine War in February 2022 led to a near doubling of energy prices in a spike which, as Exhibit 1 shows, has only been partly reversed<sup>4</sup> According to the DESNZ the average household combined gas and electricity bill was £2,270 in 2023, an increase of £1090 in just two years<sup>5</sup> This problem was aggravated by the long term trend of food price inflation and the spike between Spring 2021 and Spring 2023 when food prices went up by 28% .

The compounded effects of sustained increases in food prices have now produced chronic problems for all low income households. As exhibit 2 shows the long run up wards trend in prices has turned Britain from a cheap food country in the late 1980s to an expensive food country in the mid-2020s, This basic point has not been registered in current discussion because, as exhibit shows, food prices were flat or falling from 2014 -2020 in the second half of the austerity decade of the 2010s, Then came the food price spike when the annual rate of food price inflation peaked at 18%. Afterwards, what we see is a reversion to the long term trend of 3% or higher rates of inflation so that in June 2025 food price inflation is running at an annual rate of 4.5%<sup>6</sup>. Cheapflation aggravates the problem because the cost of basic items and budget lines has increased faster than prices overall<sup>7</sup>.

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<sup>3</sup> [TFF The Broken Plate 2023 Digital FINAL..pdf](#) p.8

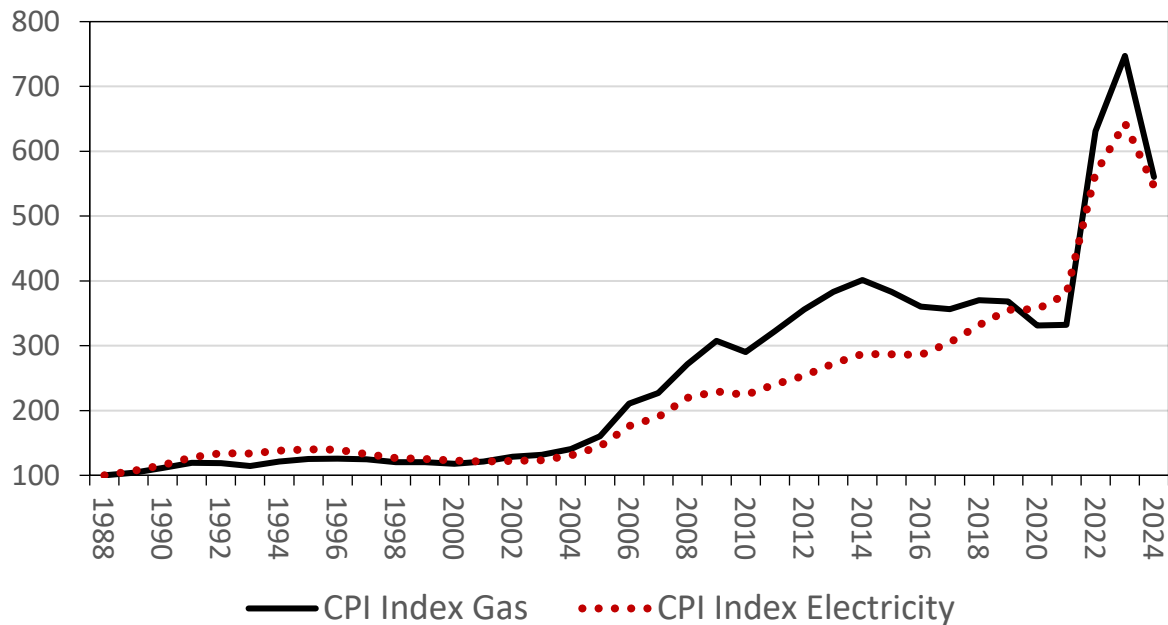
<sup>4</sup> [Domestic energy prices - House of Commons Library](#)

<sup>5</sup> [CBP-9491.pdf](#). p 19

<sup>6</sup> [United Kingdom Food Inflation](#)

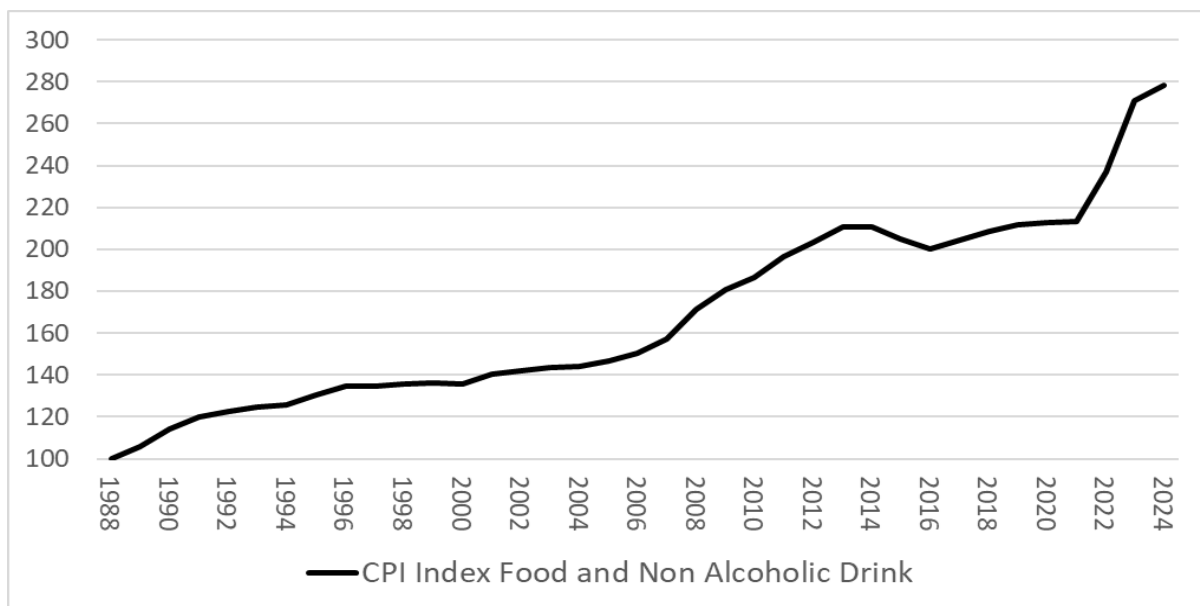
<sup>7</sup> [Cheapflation-and-the-rise-of-inflation-inequality\\_1.pdf](#)

**Exhibit 1: Index of electricity and gas prices, 1988 to 2024, measured by the consumer price index (CPI) (1988 = 100)**



Source: CPI for gas [Search - Office for National Statistics](#); CPI for electricity [Search - Office for National Statistics](#)

**Exhibit 2: Consumer price index (CPI) for food 1988 to 2024 (1988 = 100 base year)**



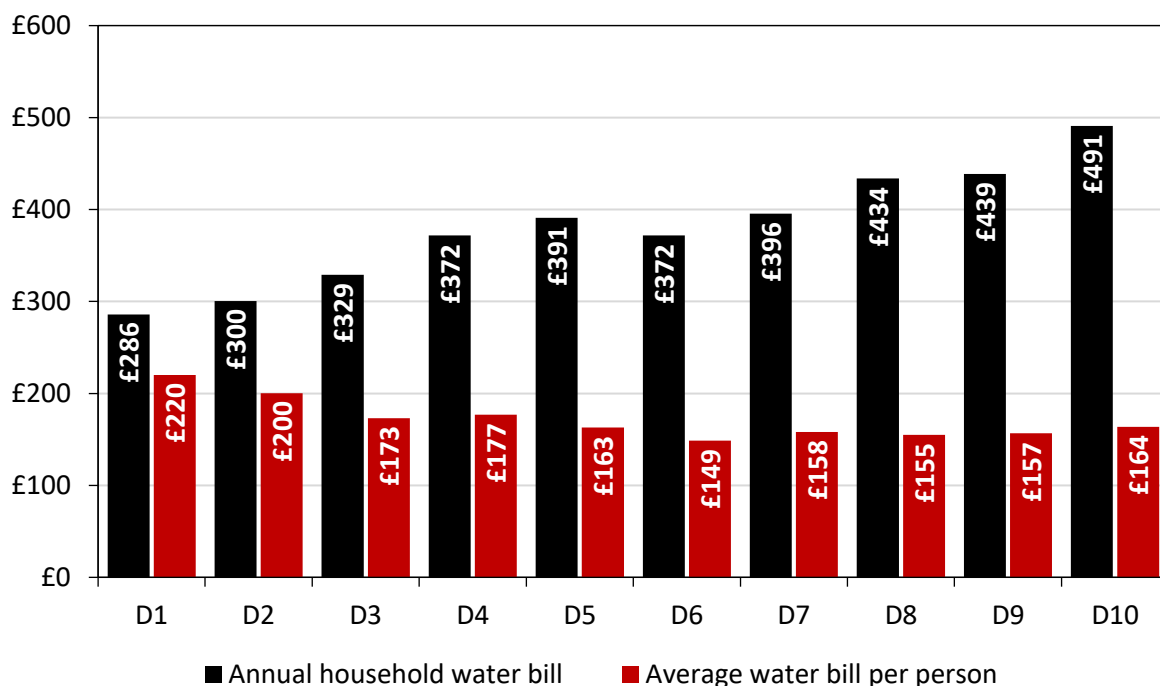
Source: Consumer Price Index (CPI) for food and non-alcoholic drink

<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bu/mm23>

All this raises the question of what can be done to control utility bills and manage food expenditure. Energy bills after the price spike are costing £30 per week or more for all Q1 households and increased water bills will now be adding approaching £10 per week for the many tenants who are not on a social tariff scheme. In addition, what can do to help low income households manage their expenditure on food. The bill for food is generally greater than the bill for energy in the poorest households so that by 2023 even decile 1 households are typically spending £35 per week on food.

**If we consider the on-market FE 4 essentials, utility prices are the most controllable, but they are not being controlled.** The fundamental problem here is that the three major utilities (electricity, gas and water) all charge household consumption in a highly regressive way. In our forthcoming book on water, we rank households into decile groups by their total expenditure. Households in the bottom deciles pay relatively more than households in the top deciles for their water and sewerage services: decile 1 spends 1.93% of all expenditure on water while decile 10 spends only 0.46%. As Exhibit 3 shows, because low income and expenditure households are smaller, the poorest household in deciles 1 and 2 actually pay significantly more per person for water in absolute terms than the affluent in the top four deciles.<sup>8</sup>

**Exhibit 3: Average water bill per household and per person, by household decile expenditure in England and Wales 2023**



Source: Calafati et al *Murky Water. Challenging an Unsustainable System*

<sup>8</sup> Luca Calafati et al. *Murky Water. Challenging an Unsustainable System*, Manchester University Press.

**Electricity and gas bills are larger and just as regressive as water bills. Overall, utility charges are similar to a flat rate poll tax levied on all households regardless of ability their to pay.** This is not just about utility poverty, with poor households in the bottom quintile of the income distribution paying a larger proportion of their total expenditure or income for electricity, gas and water. It is about utility justice because the affluent in the top quintile of the income distribution are not paying their fair share. Tenants and landlords have a common interest in utility charging justice. They could and should unite in making regressive utility charging a public issue because if utility charging could be progressively reformed so that the poorest paid much less for utilities, it would be much easier to reconcile liveable rents for tenants and sustainable rents for landlords.

**There is a separate issue of managing food expenditure in low income households, which intersects with the larger issue of reforming access to quality food** which is producing public health issues about obesity, heart disease and diabetes, as well as poor nutrition. A handful of progressive housing associations have already developed creative initiatives around food availability and diet. For example, the Well Fed initiative, where Clwyd Alyn in partnership with Flintshire County Council and the Can Cook social enterprise offers a mobile corner shop and “cook at home” meal boxes.<sup>9</sup> There is scope here for connecting with food reformers like Simon Wright who is working on healthy, low cost cooking from scratch through the food banks and schools of Carmarthenshire.<sup>10</sup>

**The opportunity here is to remove silo thinking that sees the affordable rents issue narrowly as an issue about rent setting.** Of course, rent setting matters, but policy makers and housing associations are failing to make the connection with other FE4 interventions around energy, food and transport. Addressing these other issues would improve liveability for tenants, taking the pressure of rents as the main means of affordability controls for tenants. All stakeholders around the affordability puzzle should engage in dialogue and campaigning for utility charging reform and in actively supporting households to eat more healthily and economically (with large public health benefits). In the foundational economy approach to addressing problems, we call this distributed thinking and action.

### 3. Measurement vs cause for concern

**Affordability gaps matter because in the long run the whole future of the sector is threatened if there is a large and persistent affordability gap between liveable and sustainable rents.** If that happens, social landlords will try to manage the gap by cutting back on repair and upgrade work to reduce their own costs; in the short term this can also help to limit rent increases. But if this affordability gap persists for any length of time the sector will end up with a maintenance and upgrade backlog as happened with many local authorities in the 1990s before stock transfer.

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<sup>9</sup> [About Well Fed - Can Cook](#)

<sup>10</sup> [People's Kitchen: Cooks hope to change Wales' food relationship - BBC News](#)

**The problem for policy makers is that it is difficult to measure the affordability gap by relating liveable rents to sustainable rents.** The immediate problem is that there is not one affordability gap but many different affordability gaps, given that tenants and social landlords find themselves very differently placed in financial terms. We would need to calculate and relate: (a) economically sustainable rents for a sample of landlords with varying repair and maintenance requirements and with different gearing and interest cover in the housing association sector and (b) model liveable rents for households of different sizes at various income levels to understand their residual income after paying for the FE 4 essentials, in both absolute terms and in relation to their disposable income.

**From a variety of indicators, we do have cause for concern about both the sustainability of landlord business models and liveability in tenant households.** The visible causes for concern certainly justify further research. But at present affordability gap calculations cannot be done from publicly available data: there is a need for focused research and analysis.

**If we look across the social housing sector, there must be short and medium term questions about whether landlords can recover expensive extra obligations and rising costs.** Welsh Government wants new build of social housing<sup>11</sup> and improved energy efficiency from landlords. This is in addition to keeping up routine maintenance at a time when repair and building costs have increased markedly. The building repair and maintenance price index rose slowly from a base of 100 in 2015 to around 110 by 2021 but then accelerated to 125 by 2024 (with new build construction prices rising faster).<sup>12</sup>

**The current merger trend in Welsh housing associations can be seen as a defensive response to hard times.** We do not have obvious signs of housing association distress in the form of large scale credit downgrades although interest rates are certainly higher (and debt refinancing is more costly). However, as the Altair consultancy observes:

Welsh RSLs now face many similar macro-economic challenges as their English counterparts, as well as policy challenges specific to Wales. Higher interest rates are the 'new normal', inflation continues to remain stubbornly high, and costs of energy, materials and human resources are rising at rates that generally outpace rent increases. There are also challenges of building safety compliance, delivery of net zero homes, carbon reduction targets, and the costs of the new Welsh Housing Quality Standard.<sup>13</sup>

Against this background, Linc Cymru has merged with Pobl, Melin is merging with Newport City Homes, Newydd with Cadwyn and RHA with Coastal. This will certainly help defensively where a landlord with a weak balance sheet merges with another which has a stronger balance sheet. But the limited experience of English housing association mergers in the 2010s suggests that cost reductions through scale are limited. Altair consultants estimate that "most mergers will expect to yield 2 per cent-4 per cent efficiencies in Year 2 and 3 per cent-5 per

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<sup>11</sup> [20,000 social homes target will not be met without significant additional spending | Audit Wales](#)

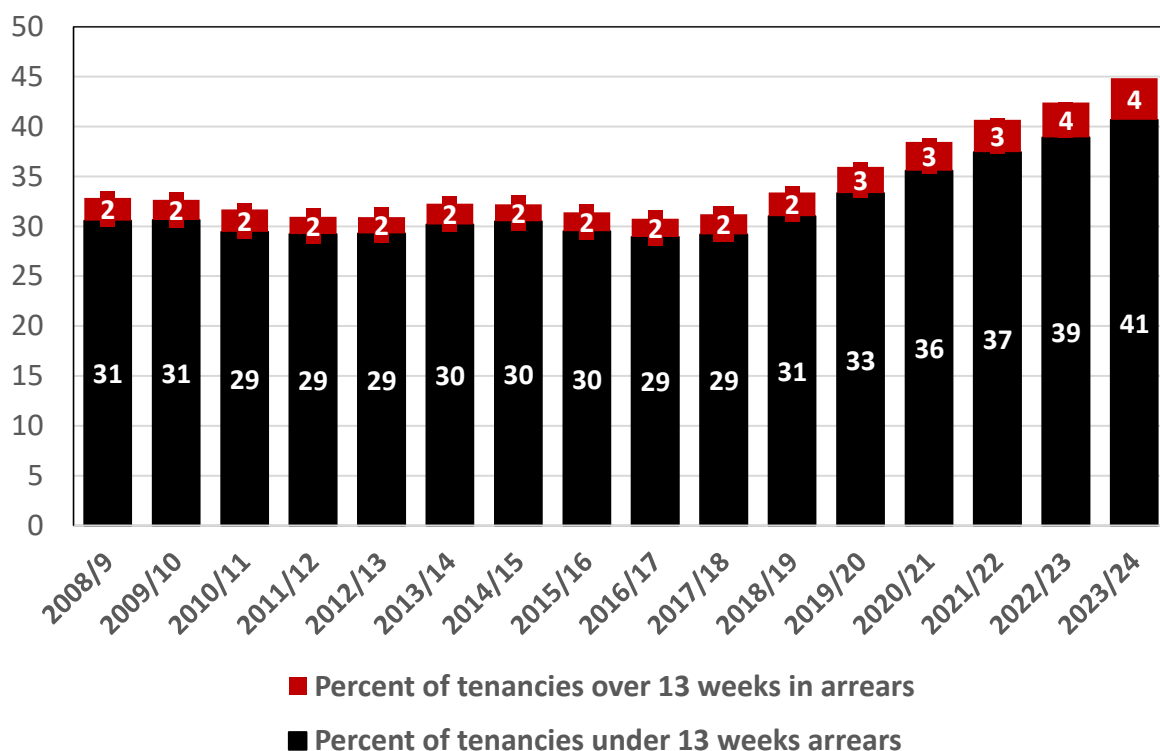
<sup>12</sup> Statista, study\_id116925\_construction-costs-in-the-united-kingdom-uk%20(1).pdfm p.9.

<sup>13</sup> [www.statista.com/statistics/382695/uk-foodbank-users/](https://www.statista.com/statistics/382695/uk-foodbank-users/)

cent in the following two years”. If so, mergers create a bit of headroom but only postpone the effects of rising costs.

**Tenant liveability problems are inescapable and there are obvious signs of stress as many in low income households are struggling to manage week by week.** A good simple time series indicator of stress in low income Welsh households is the increased number of emergency food parcels distributed by the Trussell Trust from an increased number of branches<sup>14</sup>. This brings out the point that the post-2022 cost of living crisis has a prehistory because between 2014-15 and 2019-20 the number of emergency parcels distributed increased from 88,000 to 142,000 as Welsh food banks increased from 98 to 137. By 2024-5 Trussell was distributing 172,00 parcels from 146 sites. Whatever one’s view of food banks these trends indicate increasing stress.

**Exhibit 4: Percentage of social rented tenancies in Wales with rent arrears, 2008/9 to 2023/4**



Source: Wales rent arrears [Tenancies in arrears at 31 March by year, provider and duration](#); Wales total social renting housing stock [Total social housing stock by local authority area and provider type](#)

**If we focus more narrowly on Welsh social housing tenants, increasing arrears are an obvious sign of tenant stress** and increasing distress as Exhibit 4 and appendix 1 show. The problem of tenant arrears is a long standing one and all through the austerity affected 2010s 31-33% of Welsh social housing tenants were in arrears. But from 2019-20 onwards, the percentage of tenants in arrears increases slowly and steadily year-by-year so that, by Spring

<sup>14</sup> Trussell Trust, t [EYS factsheet Wales 2025.pdf](#)

2024, 45% of social housing tenants were in rent arrears.<sup>15</sup> In 2024, only 4% of all tenants were in rent arrears for more than 13 weeks because landlord's work with tenants and deductions at source from UC benefit are controlling long term indebtedness. But nearly half of social housing tenants are now using their landlord rather like a payday loan when they cannot stretch income to cover expense.

#### 4. Rent setting metrics

**When circumstances change, so policy makers are often left with the metrics of an earlier period which may no longer be relevant.** This is the case with Welsh Government and the metrics used to determine rent increases and to assess whether rents are affordable, which are no longer good guides to action. Joseph Rowntree Foundation and Sheffield Hallam University researchers are separately engaged in reviewing social rents in Wales, so other researchers will no doubt raise the issue of out of date metrics. Here we can underline the issue in a foundational way.

The two metrics which concern us are:

- the rent setting formula of CPI +1%, which puts rent rises on to auto pilot with ministerial intervention and action only required at higher rates of inflation when the annual rate of price increase exceeds 3%.
- The affordability/ tenant hardship formula, which relates rents to local income levels and sets a standard of 28% of local household "net earnings", taking a single observation of income after housing costs as the measure of affordability.

**CPI + 1% licenses semi-automatic upwards rent creep, which was perfectly sensible in the good times before the great financial crisis but much less so afterwards.** In the austerity decade after 2010, earnings for many workers stagnated. After the cost of living crisis, rent creep on auto pilot can be unfair to tenants struggling with liveability issues while also not safeguarding the interests of landlords via economically sustainable rents. This also encourages a non-interventionist approach amongst officers and politicians in Welsh Government.

What we need is a new evidence-based approach by Welsh Government that focuses on the needs of tenants and landlords. This approach is also less siloed in recognising that the financial hardship of low income tenants is not simply about rents but about the combined cost of FE4 essentials (rent, food, utilities and transport). Welsh Government has the convening power to promote distributed thinking by campaigning for reform of utility charging, further developing affordable public transport and promoting experiment and innovation on issues like food where, as we have argued elsewhere, social innovation is chronically precarious.<sup>16</sup>

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<sup>15</sup> Note that this is not so different from the situation in England. On average, 41% of social housing units are currently in rental arrears. [New report indicates 'surging' rental arrears - Housing Executive](#)

<sup>16</sup> *The Precarity of Community-Benefitting Innovation* <https://foundationaleconomyresearch.com/wp-content/uploads/2025/04/Precarity-report-final-16-April-2025.pdf>

**The Living Rent framework, which relates rents to local income levels and sets a standard of 28% of local household “net earnings”, dates back to a Joseph Rowntree Foundation (JRF) study in 2015.**<sup>17</sup> In this report, JRF proposed a measure of residual income after housing costs. Most Welsh social landlords use this model but some, such as Swansea Council, use a less exacting ONS definition of affordability as 30% of gross earnings. The JRF and ONS models should both be discarded because they now produce false positives about affordability as they do not consider the price inflation of non-rent essentials since the cost of living crisis.

This point can be demonstrated by considering the case of Swansea Council’s modelling of the effect of a CPI + 1% rent increase of 2.7% for 2025-6.<sup>18</sup> Officers applied the ONS 30% of gross earnings standard to official survey data on median weekly household earnings in Swansea in November 2024. They found the percentage spent on rent would be below 30% of “the average Swansea weekly wage” for all dwelling types. Breaking this down into household types, they found that couples and single parents would again be paying less than 30%, as would single persons unless they were renting two or three bedroom flats.

What Swansea Council’s analysis shows is that if you relax the metric standard of affordability almost any rent for any type of social renting household can appear to be “affordable”. To get a better and more relevant understanding of the situation of different kinds of households in the 2020s cost of living crisis, we need to tighten the old JRF standard of affordability measured as residual income after rent/ housing cost. First, a new foundational standard of affordability can be measured as residual income after the FE 4 essentials of rent, utilities, food and transport. Second, that standard can be applied not just to an average earner at the mean or median but to households ranged by their total expenditure into quintile and decile groups, which provides a reasonable approximation to income.

**The immediate problem is that we do not have the information to answer the basic question about how spending on the FE 4 essentials varies for Welsh social housing tenants by income.** As appendix two shows we can make a convolute multi-step calculation by patching together evidence from English and UK sources. The imprecise bottom line results of this calculation are still relevant to the Welsh case. But, what we need is much better hard information so that all stakeholders can take evidence-based positions. Two key points emerge from our calculation, and these establish the need for more information which would almost certainly confirm our approximate results.

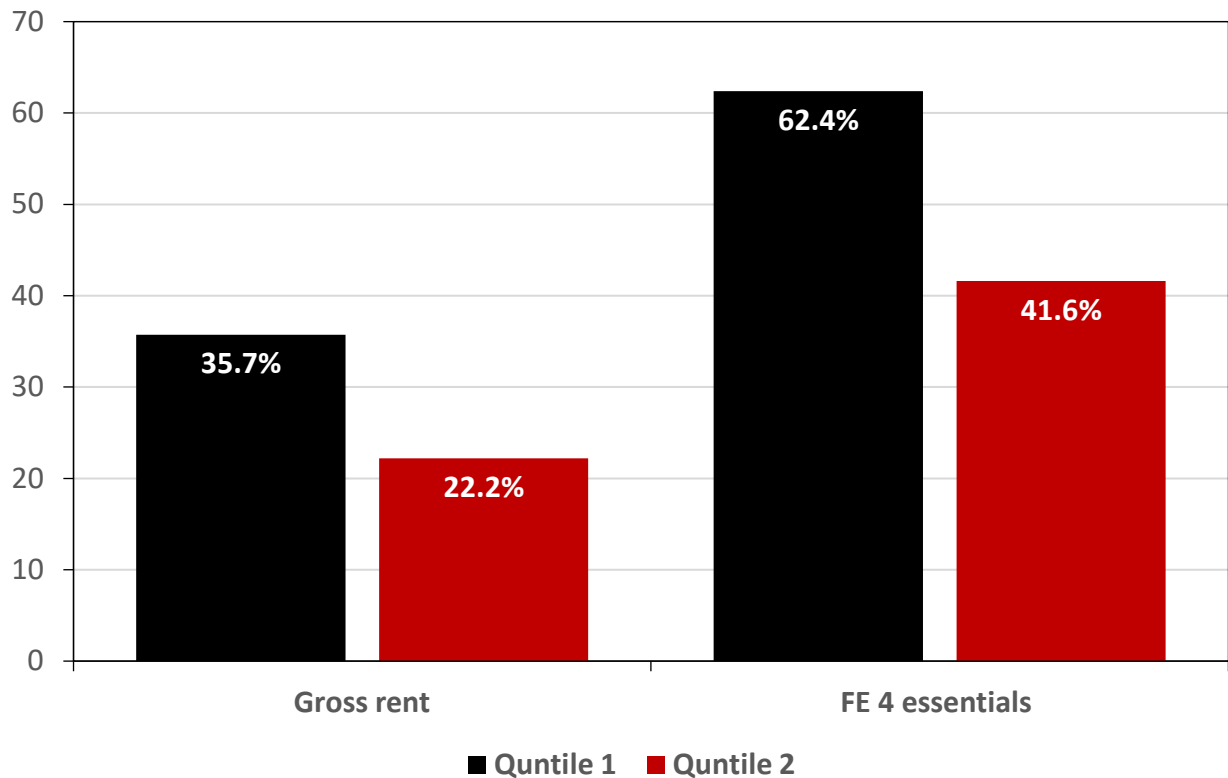
**If we shift from residual income after rent to residual income after FE 4, the unaffordability problem is predictably much more serious.** In the bottom quintile (Q1) of English social renters (i.e. the poorest 20%), spending on rent takes 36% of disposable income but spending on FE4 essentials takes 62% of disposable income. Moving up to the next quintile (Q2), rent takes a modest 22% of disposable income but FE 4 essentials take 42% of residual income, as shown in Exhibit 5.

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<sup>17</sup> [April 2015](#) pp.20-21

<sup>18</sup> [Item no](#)

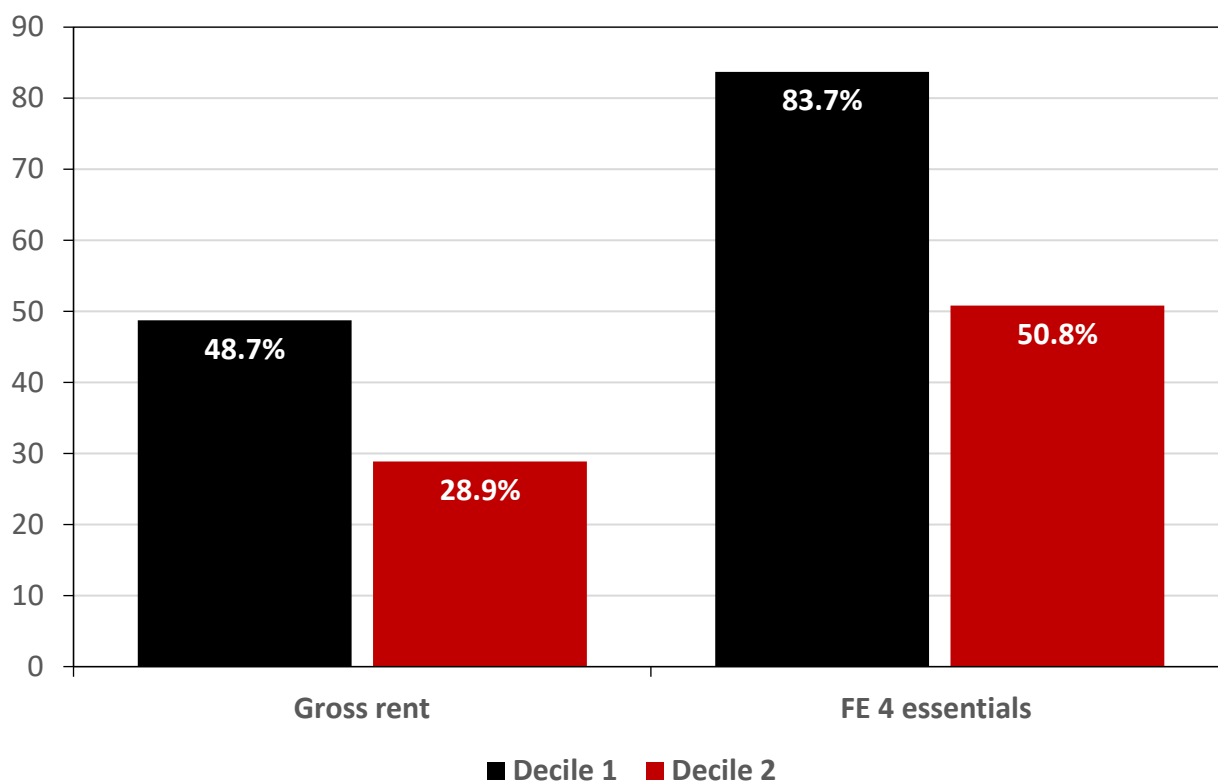
**Exhibit 5: Social renting households in England gross rent and FE4 essentials as a share of disposable income for quintiles 1 and 2 for the financial year end 2023 (percent)**



Sources: As in appendix 2

**A single observation taken at one income level (or a single observation of one household type) does not capture the diversity of hardship experiences,** which are directly related to differences in income level *and* household composition. This point emerges clearly if we subdivide quintile 1 of English social housing tenants into decile 1 and decile 2 groups (i.e. the bottom 10% of households and the next 10% respectively), as shown in Exhibit 6. In decile 2, the FE 4 essentials take 51% of disposable income and leave households with a residual income of £199; in the lowest decile 1, FE 4 essentials take 84% of disposable income and leave a residual income of just £35 per week to cover all other expenses including mobile phone, broadband, clothing, household goods, leisure and debt repayment. The striking difference between D1 and D2 partly reflects on average a smaller household size which limits the ability to pool incomes (from work and benefits) and share expenses.

**Exhibit 6: Social renting households in England gross rent and FE4 essentials as a share of disposable income for deciles 1 and 2 for the financial year end 2023 (percent)**



Sources: As in exhibit 2

## Conclusion

Several points emerge from our analysis.

- It is important for policy makers and stakeholders to distinguish between liveable rents for tenants and sustainable rents for landlords without assuming there is a “fair rent” meeting point in the middle. After the cost of living crisis, the relevant consideration for tenant liveability is not rent as a share of disposable income but FE 4 spending on the essentials of rent, food, utilities and transport as a share of disposable income. Similarly, landlord sustainability needs to be related to the pressures on housing association business models including from inflation and regulatory requirements.
- Welsh Government policy is not evidence based and rent settlements are being made without a full understanding of tenant liveability and landlord sustainability. As we have shown, policy makers do not have the basic information they need on how FE 4 spend by Welsh housing tenants varies with income. Equally, there are no doubt major

issues about how business model pressures vary for different social landlords. In both cases averages provide useful but only limited information.

- We must also register concern about the political balance of forces and understanding around these issues. Social landlords have the advantage of organisation through a trade association plus their professional management capabilities. Their tenants are only beginning to organise with support from Foundational Alliances Wales and do not as yet have an independent place in the room (and an ability to commission their own evidence) when rents are being settled. There is potential for Welsh Government to be a constructive actor here, though this does require a break with silo thinking. There is not a single point solution or intervention for problems like setting social rents and, from a foundational point of view, much depends on a broader understanding of interventions for improved liveability.

The FERL team which researched and drafted this submission was Julie Froud, Colin Haslam, Sukhdev Johal and Karel Williams

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## Appendix 1: Social renting households in arrears<sup>19</sup>

Table 1: Welsh social housing stock tenancies in arrears at 31 March by year and duration

	Social housing stock (000 units)	All Tenancies in arrears (000's)	Less than 3 months (000's)	Over 3 months (000's)	Percent of tenancies under 13 weeks arrears	Percent of tenancies over 13 weeks in arrears
2008/9	223.5	73.4	68.3	5.1	30.6	2.3
2009/10	224.5	73.3	68.8	4.5	30.6	2.0
2010/11	225.6	71.5	66.4	5.1	29.4	2.3
2011/12	225.6	69.8	65.9	3.9	29.2	1.7
2012/13	225.7	69.8	66.1	3.7	29.3	1.6
2013/14	226.2	73.0	68.3	4.7	30.2	2.1
2014/15	226.9	73.1	69.2	3.9	30.5	1.7
2015/16	227.4	71.4	67.1	4.3	29.5	1.9
2016/17	228.8	70.4	66.2	4.2	28.9	1.8
2017/18	230.0	71.8	67.1	4.7	29.2	2.0
2018/19	231.4	77.3	71.8	5.5	31.0	2.4
2019/20	233.4	83.9	77.8	6.2	33.3	2.6
2020/21	235.3	90.5	83.7	6.8	35.6	2.9
2021/22	237.3	96.5	88.8	7.7	37.4	3.2
2022/23	239.0	101.4	93.0	8.4	38.9	3.5
2023/24	241.7	108.4	98.3	10.1	40.7	4.2

Sources: Wales: Tenancies in arrears at 31 March by year, provider and duration

[Tenancies in arrears at 31 March by year, provider and duration](#)

Wales: Total social housing stock by local authority area and provider type

[Total social housing stock by local authority area and provider type](#)

<sup>19</sup> <https://statswales.gov.wales/Catalogue/Housing/Social-Housing-Rent-Arrears/tenanciesinarrearsat31march-by-year-provider-duration>

## Appendix 2: Expenditure on FE 4 essentials as share of disposable income

As researchers what we need to calculate is weekly expenditure on rent and FE4 as a share of disposable income. As foundational researchers, what interests us is how these shares vary with household income if we rank households by income in quintiles from Q1 the lowest and in deciles from D1 the lowest. Because the household margin of comfort depends on residual household income which is disposable income minus spending on FE4 (rent, food, utilities and transport).

This can only be done in an illustrative way as below by patching together evidence on England and the UK from different data sources, making interpolations and adding a few assumptions. The difficulty of doing this and the imprecision of the results together make a powerful case for more and better information. The convolute multi-step calculation below is illustrative and represents the best that can be done by an experienced research team which understands the different sources.

Significantly, we do not know (and cannot know from available sources) how spend on the FE 4 foundational essentials varies with the disposable household income of social housing tenants. The implication is that stakeholders are taking positions and Welsh Government is formulating policy without access to the relevant hard evidence on affordability for tenants. With this point made, let us turn to what we can do from available sources.

The English have better housing expenditure survey data than the Celtic nations and the UK has data on (non-equivalised) household expenditure and income in different data sets from two different survey sources. However, linking the two data sets (with expenditure as numerator and income as denominator) cannot be legitimately done for the upper deciles because these households save a substantial part of their income. So that we cannot be sure the same households are, for example, in income decile 7 and expenditure decile 7.

Linkage is less of a problem in the lower deciles which typically have no savings. The English Housing survey for the financial year 2023/4 discloses that 72% of social renters do not have any savings<sup>20</sup>. And we can do a workaround calculation of social tenant disposable income from the English Housing Survey. That gives a rent share of disposable income by quintile, from which we can calculate that weekly disposable income for quintiles 1 and 2 as £310.40 and £537.6 respectively.

When these weekly figures from the English Housing Survey are annualised, they are broadly in line with the direct survey evidence on UK (non- equivalised) household income in the relevant ONS income dataset. Effects of taxes and benefits on UK household income (financial year ending 2023, Table 13). The English Housing Survey does not give a breakdown of households by decile groups. But, on the basis of the corroboration about income levels for quintiles 1 and 2, we took decile 1 and 2 figures for disposable income from the ONS income data set and interpolated these disposable income figures.

Household expenditure for rent is taken from the English Housing Survey. The figure taken is for gross social rent which is appropriate because household disposable income includes the

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<sup>20</sup> [EHS 23-24 Rented Sectors Chapter 1 Annex Tables.ods](#)

cash benefit from housing benefit and/or universal credit. The English Housing survey presents data on households grouped into quintiles not deciles. As gross social rents do not vary dramatically with income, at this point we made an assumption that decile 1 rents were 5% below the Q1 level and decile 2 rents were 5 % above the Q1 level.

Household expenditure on other foundational essentials is taken from the UK Living Costs and Food Survey which presents data for decile groups from which we can construct quintile groups by averaging household spending in deciles 1 and 2 or 3 and 4. The average weekly spend on food, gas and electricity and transportation services is sourced from Family Spending workbook 1 table A6 and the spend on water from Family Spending workbook 5 Table 2.3.

Table 1: Social renting households in England: 2022/23.

	£ week	
	Quintile 1	Quintile 2
Disposable Income	310.4	537.6
Gross rent	110.9	119.4
Food	40.35	53.95
Electricity and Gas	29.4	33.65
Transport Services	6.9	9.6
Water	6	7.15
<b>Income after rent £</b>	<b>199.5</b>	<b>418.2</b>
<b>Rent share of disposable income %</b>	<b>35.7</b>	<b>22.2</b>
<b>Residual income after FE essentials per week £</b>	<b>116.9</b>	<b>313.9</b>
<b>FE4 essentials share of disposable income %</b>	<b>62.4</b>	<b>41.6</b>
	Decile 1	Decile 2
Disposable Income	215.4	405.3
Gross rent	105.0	117.0
Food	35.4	45.3
Electricity and Gas	29.2	29.6
Transport Services	6.0	7.8
Water	4.6	6.3
<b>Income after rent £</b>	<b>110.4</b>	<b>288.3</b>
<b>Rent share of disposable income %</b>	<b>48.7</b>	<b>28.9</b>
<b>Residual income after FE essentials per week £</b>	<b>35.2</b>	<b>199.3</b>
<b>FE4 essentials share of disposable income %</b>	<b>83.7</b>	<b>50.8</b>

Sources: Quintile disposable income: Table 1.7 and 1.8 from English Housing Survey annex tables [EHS 23-24 Rented Sectors Chapter 1 Annex Tables.ods](#). Disposable income by decile: interpolated with figures taken from ONS Effects of taxes and benefits on UK household income. [Effects of taxes and benefits on UK household income - Office for National Statistics](#). Household rent by social tenants Quintile 1 and 2 gross rent from English Housing Survey annex tables AT 1.7 and AT 1.8 [EHS 23-24 Rented Sectors Chapter 1 Annex Tables.ods](#) Decile 1 gross rent assumed to be 5 percent below quintile 1 and decile 2 household assumed to be 5 percent above quintile 1 average from the English Housing Survey. Food, energy, and transportation expenditure by household income decile taken from Table A6 [Family spending workbook 1: detailed expenditure and trends -](#)

[Office for National Statistics. Water expenditure by household income decile taken from Table 2.3 Family spending workbook 5: expenditure on housing - Office for National Statistics](#)