

Shelter briefing: Ending the freeze on Local Housing Allowance

Summary:

Shelter helps millions of people every year struggling with bad housing or homelessness – and we campaign to prevent it in the first place. We're here so no one has to fight bad housing or homelessness on their own.

Shelter advisors spend an increasing amount of time helping people to access private rented housing to avoid homelessness and they report that **low-income families are running out of options**. Even at a time of significant growth for the private rented market, it has become harder for people on low-incomes to access housing. As Local Housing Allowance (LHA) has been frozen since 2016, LHA has failed to keep pace with even the lowest local rents. Families have seen the shortfall between their eligible LHA rate and local rents to levels grow year-on-year, putting them at increased risk of homelessness.

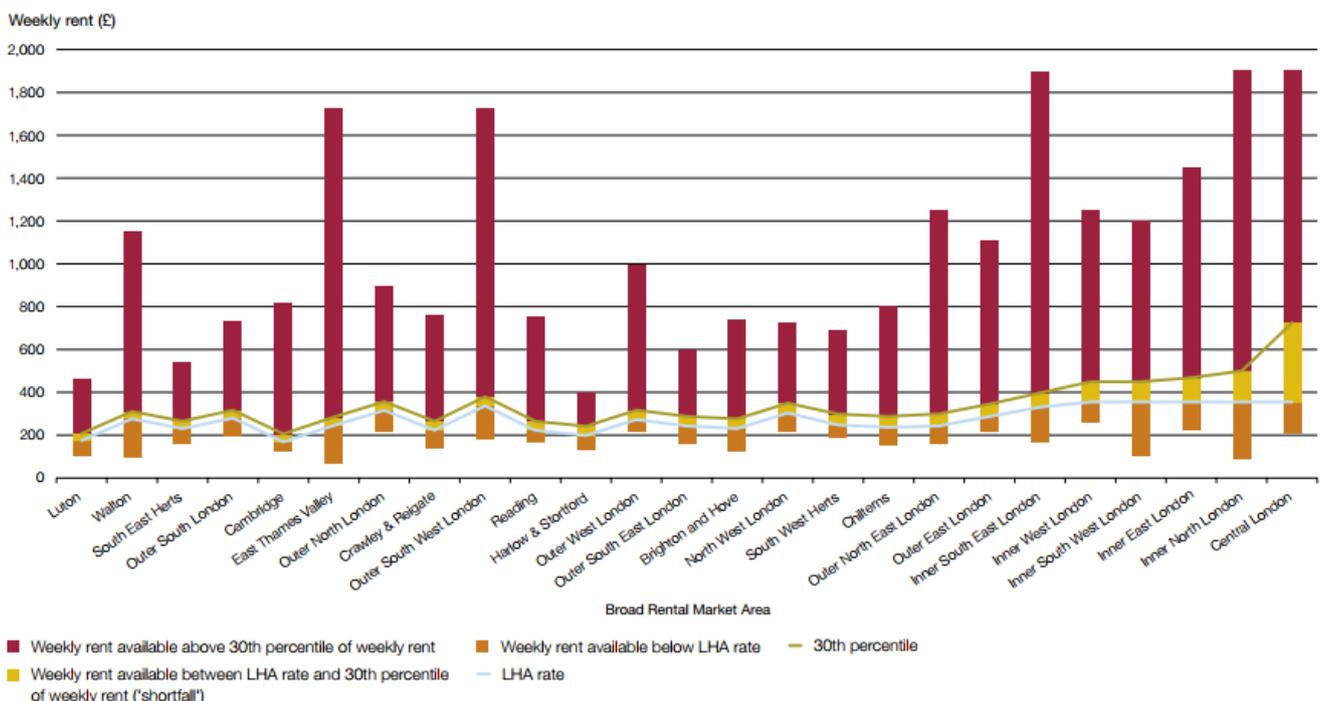
Building genuinely affordable housing is vital for solving the housing crisis in the long-term. However, due to the shortage in social housing and the fact that increasing supply will take time, the private rented sector (PRS) and the welfare safety net are **central to our fight against homelessness**. This is why we, along with other charities, landlord groups, councils, Lords, MPs and former DWP ministers, say **the government must end the freeze on Local Housing Allowance (LHA)**. Re-aligning LHA rates to match the 30th percentile of the local market is essential if low income households are to be able to access private tenancies.

The issue

In April 2016, the government instigated a four-year freeze on the rates of LHA (housing benefit paid to low-income families). Subsequently, as rents continue to climb, LHA rates have failed to keep pace with even the cheapest local rents. Families have seen the gap between what they receive in LHA and what they need to pay in rent grow year-on-year, **putting them at risk of falling into debt or homelessness**.

Weekly shortfall on a three bedroom house

There is a shortfall of £371 a week in Central London between the Local Housing Allowance rate and the 30th percentile of weekly rent

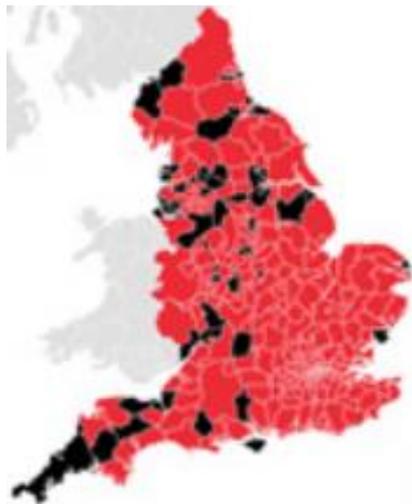


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Shelter research suggests that by 2019/20 if the freeze is not undone, **83% of areas in England will be unaffordable those receiving LHA**. Families try their best to manage, but with few options available to them, they are at **increasing risk of rent arrears and eviction**.

Families living in London - including in the outskirts - face the greatest shortfalls in the country, but this problem is not limited to the capital. In **Cambridge**, the same family would be expected to pay an additional **£531.17** a month to top up their LHA to pay the rent for one of the cheapest homes in the area.

Areas in England where by 2019/20 there will be a shortfall between two-bedroom LHA level and lowest quartile rents (in red)



Blackspot areas:

Major towns and cities where shortfalls already exist for a small family living in a two bedroom property

| Local authority | Shortfall between LHA rate and rent (monthly) |
|-------------------|---|
| Basingstoke | £103.45 |
| Cambridge | £531.17 |
| Bristol | £217.51 |
| Luton UA | £120.10 |
| Milton Keynes | £148.71 |
| Oxford | £126.41 |
| Stevenage | £107.25 |
| York | £107.02 |
| Brighton and Hove | £203.76 |

The problem

- **Low-income families are not coping**

In 2015, the Institute for Fiscal Studies found that 90% of the losses due to the LHA freeze were **absorbed by tenants** rather than landlords (i.e. tenants cutting back rather than landlords lowering rents). Analysis by Policy in Practice suggests that households affected by LHA reforms have lost **an average of £50 a week**.

Shelter evidence shows that households use a range of strategies to cope, including **cutting back on essentials like food and heating**, borrowing from family and friends, getting extra financial help from the council, or in some cases by **negotiating worse conditions in exchange for lower rent**. These strategies are unsustainable and we're seeing the number of households in arrears climb. **Four in ten private renters on housing benefit** report that they are **constantly struggling or falling behind with their rent**.

- **There is a link between LHA rate freezes and the risk of homelessness**

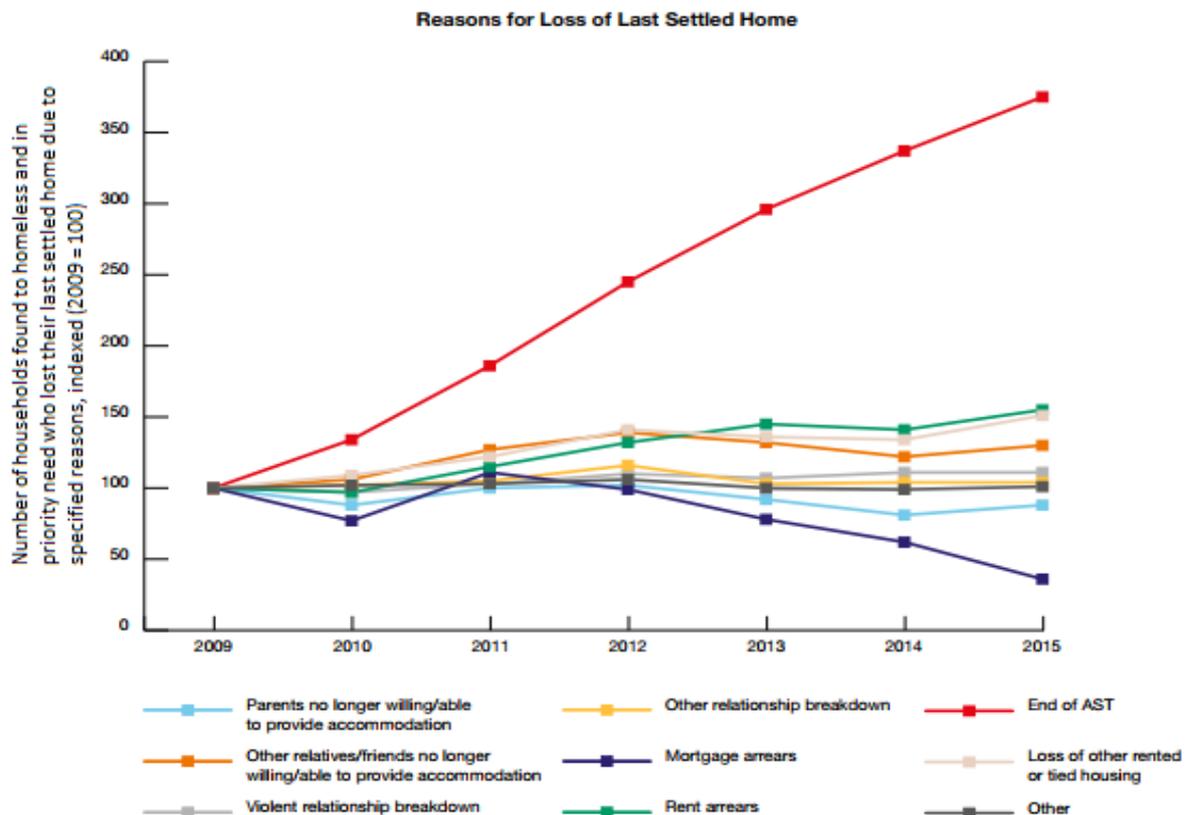
Shelter's analysis suggests that **over a million households in Britain (1,069,517) could be put at risk of homelessness by 2020**, unless the freeze ends. This is because they are in areas where there will be a shortfall between LHA and the cost of renting one of the cheapest local homes. Of current claimants, 586,368 are families with dependent children, 374,543 are in work and 211,070 claim a disability benefit.

Since 2011, the level of LHA has been capped or frozen by government. Meanwhile, the proportion of households accepted as homeless because of the ending of an assured shorthold tenancy has **trebled from 11% during 2009-10 to 32% during 2016-17**.

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The National Audit Office (NAO) states: “**The ending of private sector tenancies has overtaken all other causes to become the biggest single driver of statutory homelessness in England.**”

The NAO’s evidence shows a **clear link between welfare cuts and homelessness**. Frontline local authority staff they interviewed identified the end of tenancies in the private rented sector as the key driver of increased homelessness. This was attributed to increased rents, and crucially, a decline in people’s ability to pay them, due to welfare reforms (including the freeze).



- **Landlords are unwilling to rent to LHA recipients because of the cuts to benefits**

Shelter’s survey of 1,071 UK private landlords finds over four in ten (42%) have a policy of not letting to people on LHA and a further 21% say they prefer not to. Of the landlords who had problems when renting to LHA tenants previously, rent not being paid (23%) and delays in the council paying LHA to the tenant which then affected their ability to pay rent on time (21%) were the most commonly cited issues.

For families in receipt of LHA who struggle to pay their rent, the Department for Work and Pensions’ evaluation of LHA found evidence that landlords are responding to arrears by not renewing tenancies.

Research from the Local Government Association suggests rental yields with LHA rents are not high enough for landlords to meet their costs in a majority of cases. The number of properties let at LHA rates with a gross yield of more than 4%, is very limited within 20 miles of London.

All of this evidence shows landlords are increasingly likely to not rent homes or renew contracts for families in receipt of LHA. This could mean even less options for housing low-income families.

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- **LHA rate freezes are increasing reliance on temporary accommodation (TA)**

In lieu of low-income families being able to secure stable homes, many are increasingly forced to rely on temporary housing provision. The number of households **trapped in TA rose by nearly 60% to 76,000 households in December 2016**. The National Audit Office suggests LHA has likely contributed to this.

- **The freeze to LHA undermines the aims of the Homelessness Reduction Act**

The government has supported and funded the **Homelessness Reduction Act**. The Act has the potential to transform the way services are delivered but legislation alone will not be enough. Councils need national housing and welfare policy to work with them. We are concerned the **LHA freeze undermines the intentions of the Act**. While effort is being put into ambitious targets to reduce and prevent homelessness through the Act, an existing LHA policy is increasing families' risk of arrears and losing their homes.

The government made a manifesto pledge to **halve rough sleeping** over the course of this parliament and to eliminate it altogether by 2027. But there is **emerging evidence of the link between the rise in homelessness and the freeze to LHA**. Single people often face significant shortfalls. For example, in **Oxford**, an under-35 would have to find an extra **£219.28** a month, on top of LHA, to pay for a room.

Councils, homelessness organisations, landlords, politicians and former ministers such as Lord Freud have also made this case. The LHA freeze is a government intervention that has failed in its policy intention to bring downward pressure on rents. Ending the freeze early would increase the scope of properties available to tenants claiming LHA and allow homelessness to be prevented in more cases.

The solution: End the freeze

Shelter is calling for the government to end the LHA freeze two years early and rebase rates to the 30th percentile of local rents. Momentum around ending the freeze is building. Charities, landlord groups, councils, Lords, MPs and former ministers agree families are being put at needless risk of homelessness.

In the longer-term, LHA rates should continue to track the bottom 30th percentile of the market. The decision to decouple rates from actual rent inflation in 2013 and link LHA rates to CPI increased the risk that affordability would decline over the long-term, as historically rents have increased faster than headline inflation. This is vital in ensuring that LHA tenants can access a portion of the local rented market.

- **Benefits to ending the LHA freeze**

Unfreezing LHA would **reduce the risk of homelessness** for some of the most vulnerable families in England. This should be considered a **homelessness prevention measure**: if more of the PRS market were available to families receiving LHA, there would be less reliance on temporary accommodation to house families. Landlords would be more likely to rent to those paying for their rent with LHA.

Ending the LHA freeze would also help government meet its ambitious targets to tackle homelessness over this parliament, including **implementing the Homelessness Reduction Act**. It would allow them to have a more cross-departmental approach to tackling the barriers for low-income families to secure homes.

If you have any questions or would like any further details, please feel free to contact charlotte_gerada@shelter.org.uk or call 0344 515 1279.