

# **LHA Impact Assessment**

The effects of the reforms  
since 2011

February 2020

# LHA Impact Assessment: The effects of the reforms since 2011

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# Executive Summary

Local Housing Allowance (LHA) is the way in which housing benefit is calculated for those renting privately and was designed as a means to control how housing benefit is paid.

Due to a series of welfare reforms since 2011, including the most recent and damaging four-year freeze (2016-2020), LHA is no longer fit for purpose in the majority of the country. The rates no longer cover adequate levels of rent, leaving people with incredibly high shortfalls between their housing benefit and the rent they have to pay. For those on passported benefits<sup>1</sup>, these shortfalls are on average £113 per month<sup>2</sup>; a staggering amount to have to make up out of other limited means of income. This can leave families with no option but to cut back on essentials such as food, heating or school uniforms as well as having to borrow money, use credit cards or sell possessions just to cover the cost of their rent.<sup>3</sup> This unsustainable lifestyle can ultimately put people at risk of accruing rent arrears and homelessness. Homelessness from the private sector has risen sharply since the reforms to LHA started. Since 2011/12 homelessness triggered by the ending of an Assured Shorthold Tenancy (AST) has risen by 66% and more than doubled in London.<sup>4</sup> In 2012/13, the ending of an AST became the most common trigger of homelessness and remains the second most common cause of homelessness, after 'family and friends no longer willing or able to accommodate'.<sup>5</sup>

There's no doubt that LHA is impacting on homelessness and local authorities' ability to relieve homelessness. Not only is it pushing people towards eviction and homelessness in the first place, but it is then difficult for local authorities to help families into safe, suitable and affordable homes. In 2017, almost 9 in 10 local authorities in England (89%) reported difficulty in preventing or resolving homelessness through accessing the private rental sector as a result of the inadequate LHA rates.<sup>5</sup>

Partly as a consequence of low LHA rates, and the ensuing difficulties faced by councils to fulfil their homeless duties, in 2018-19 councils spent almost £1.6 billion on homelessness, including £1.1 billion on temporary accommodation (TA). The total amount spent on homelessness by councils in England has increased by 77% since 2012-13, when the changes to LHA rates were rolled out. The amount spent on TA has increased by 86% over the same period.<sup>6</sup>

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<sup>1</sup> <https://www.entitledto.co.uk/help/Passported-benefits>

<sup>2</sup> Butler, P., [Benefit-rent gap for poorest tenants widens to £113 a month](#), The Guardian [online], 2 December 2019

<sup>3</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

<sup>4</sup> The ending of an AST as reason for loss of last settled home increased by 105% in London between 2011/12 and 2017/18. MHCLG Acceptances and decisions live tables: January to March 2018 (revised) 2019

<sup>5</sup> Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B., Wood, J., [The homelessness monitor: England 2018](#), Crisis, Heriot-Watt University and University of New South Wales, 2018

<sup>6</sup> MHCLG, [Local authority revenue expenditure and financing England](#), Revenue outturn housing services (RO4)

LHA rates are therefore pushing people onto local homelessness services and making it very difficult for local authorities to fulfil their duties to prevent and relieve homelessness under the Homelessness Reduction Act (HRA), increasing the need for TA.

The impact of the reforms to LHA and the four-year benefit freeze has been disastrous for so many individuals, families and their children. Despite this, there was little due regard for the impact these policies were going to have when they were being designed and implemented. Reasons were provided for the original changes made to LHA in 2011 and various impact assessments have been carried out for this and subsequent reforms. However, when it came to the four-year benefit freeze in 2016, an impact assessment of the overall policy was carried out, but this did not include a specific assessment of the freeze on the LHA rates.

This January, the government announced it would be ending the LHA rate freeze by lifting the rates by the Consumer Price Index (CPI), or 1.7%. This is by no means adequate. As part of these regulations, there was an explicit statement that the Department for Work and Pensions (DWP) will not be undertaking a full impact assessment. This is because they foresee 'no, or no significant, impact on the private, voluntary or public sector'.

We have therefore conducted our own impact assessment, which explores the reforms to LHA in more detail. The following document will look at what impact assessments have been carried out by the government in relation to these reforms before undertaking our own assessment of the impact to individuals, families and local authorities of having such low LHA rates. It will address some of the stated reasons the government enacted these reforms and why these have not been achieved.

**This is not something we feel has been fully addressed by the government in some time.**

Our assessment shows that, although a nationwide problem, the inadequacy of the LHA rates appears to be impacting differently upon women and men, and upon different groups i.e. those with children and those with disabilities. The Public Sector Equality Duty (PSED) requires public bodies to have 'due regard' to equality in all aspects of their work. Equality Impact Assessments are a way to ensure public bodies have met their legal obligations under the PSED and also to ensure that different impacts are taken into account when developing and deciding policy. Meaningful Equality Impact Assessments are evidence-based and consider cumulative impact, intersectional impact, the impact on individuals as well as households both now and over the lifetime.

**We call upon the government to carry out a full, comprehensive and evidence based equality impact assessment of the decision not to rebase the LHA rates to the 30<sup>th</sup> percentile and to instead lift them by just 1.7% across the whole country.**

## What is Local Housing Allowance (LHA)?

Local Housing Allowance is the way housing benefit is calculated for those renting in the private sector. It was introduced in 2008 and localised to reflect different housing costs in different areas, based on 152 Broad Rental Market Areas (BRMAs) in England.<sup>7</sup> Originally, the rates were set so they would cover the lowest half of local rents, or the 50th percentile, and have different maximum rates for different sized property (e.g. one-bedroom home, two-bedroom home etc) up to a five-bedroom home. To maintain the rates at the 50th percentile, they were regularly updated to reflect fluctuating rents.

Currently nearly 1.4 million households claim LHA which comprises nearly 1.7 million adults. This includes nearly 470,000 single parent households and over 235,000 couples with children<sup>8</sup>.

In 2011, a number of reforms to the LHA rates were implemented, intended to restrict the amount people could claim even further. These changes saw LHA rates dropped to cover roughly the bottom third of rents, or the 30th percentile. At the same time, national caps were introduced for different sized properties and the age at which someone is eligible for a housing allowance at the one-bedroom rate (instead of the shared accommodation rate) was raised from 25 to 35 years old. The maximum household entitlement was also reduced from five bedrooms to four bedrooms.

Further restrictions to LHA rates followed in subsequent years:

- April 2012 saw the first one-year freeze on LHA rates. This ended the link between LHA and actual rent levels
- In 2013, the rates were updated by the Consumer Price Index measure of inflation (CPI), which doesn't consider rents
- In 2014 and 2015 the rates rose by just 1%, which was lower than the rate of rental inflation in England<sup>9</sup>
- In 2016, a four-year freeze to LHA rates was implemented, due to end April 2020.

The very basic consequence of this series of changes is that LHA has not kept pace with rising private rents. LHA has seen small uplifts, followed by four years of no overall uplift. However,

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<sup>7</sup> Valuation Office Agency (VOA), [Understanding Local Housing Allowance and broad rental market areas](#), VOA, 1 June 2013

<sup>8</sup> DWP StatXplore: Family type for households on Universal Credit by housing entitlement Private rented sector and Family type for housing benefit claimants by detailed housing type Private deregulated tenant (LHA) (PRS) August 2019.

<sup>9</sup> Between April 2013 and March 2014, the rate of rental inflation across England was 1.5%. Between April 2014 and March 2015, the rate was 2%. [Index of Private Housing Rental Prices, Monthly Estimates](#)

rents in England as a whole have increased by 15% since 2012 leaving the LHA rates trailing behind.<sup>10</sup> In some markets, rents have risen far faster than this<sup>11</sup>. The rates now do not cover the 30<sup>th</sup> percentile, as they were intended, in 97% of England.<sup>12</sup> This is why so many people are facing rising shortfalls between their LHA and their rents which is pushing them towards debt and eviction.

In January, the government announced they were to lift LHA rates by CPI, or 1.7%, as of April 2020. After years of varying cuts and freezes made to the LHA rates, the 1.7% rise will not make a significant difference to the inadequate levels of LHA. After this rise was applied to LHA rates, the proportion of the country now affordable<sup>13</sup> to LHA claimants in need of a two bedroom home increased to just 4% (from 3%). 96% of the country is still unaffordable to LHA claimants. The proportion of the country now 'affordable' to LHA claimants in need of a three-bedroom home is unchanged (98%). Worryingly, for three-bedroom homes the proportion of areas where the shortfall is over £50 a month and over £100 a month, has actually increased.

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<sup>10</sup> [Index of Private Housing Rental Prices, Monthly Estimates](#)

<sup>11</sup> Kleynhans, S. Weekes, T. [From the Frontline: Universal Credit and the broken housing safety net](#), Shelter, 2019

<sup>12</sup> Ibid.

<sup>13</sup> Affordable is defined as an area where LHA rates cover the cost of renting a home at the 30th percentile of the local private rented market. In 2011, LHA rates were set to cover the bottom 30% of rents in all local rental markets. This level was thought to allow people claiming LHA just enough money to find an available home in the private rental market. Areas are Broad Rental Market Areas (BRMAs).

## The impact assessments undertaken on LHA reform

There have been a number of assessments undertaken on the various reforms to LHA made since 2011. The below table will take a look at some of the broader findings from those assessments.

Assessment title	Date published	Main findings
<a href="#">Equality Impact Assessment – Housing Benefit</a>	July 2010	<p>This equality impact assessment on the reforms implemented in 2011 looked at the impact on particular groups. The conclusion was that <i>“the cumulative impacts of these measures do not appear to disadvantage one group more disproportionately than another”</i>.</p> <p>In terms of individual reforms, they stated that the overall caps in LHA rates and the removal of the five-bedroom rate was more likely to disproportionately affect families. Additionally, they found that <i>“as some ethnic minority groups tend to have a higher proportion of large families, these measures may impact on them disproportionately”</i>.<sup>14</sup></p>
<a href="#">Housing Benefit: Changes to the Local Housing Allowance arrangements</a>	November 2010	This impact assessment was broader than the equality impact assessment above but did find that:

<sup>14</sup> Department for Work and Pensions, [Equality Impact Assessment Housing Benefit](#), DWP, July 2010

		<p><i>“The overall caps, restriction to the four bedroom rate and setting rates at the 30<sup>th</sup> percentile would all <b>increase the number of tenants facing shortfalls</b> between their benefit and contractual rent, if current rent levels and accommodation choices did not change”<sup>15</sup></i></p> <p>They judged that the average loss per week would be £12. This hid large variations, as in London the average loss was estimated to be £22 per week and the average loss for those entitled to a four-bedroom rate was also £22 per week.<sup>16</sup></p>
<a href="#">Housing Benefit equality impact assessment: Increasing the Shared Accommodation Rate age threshold to 35</a>	August 2011	The government undertook a separate impact assessment for the raising of the Shared Accommodation Rate age from 25 to 35 years. This assessment determined that this policy was likely to impact more men than women as <i>“most younger women claiming Housing Benefit are lone parents, while few single men have caring responsibilities for dependent children”</i> . <sup>17</sup>
<a href="#">Housing Benefit – uprating local housing allowance rates by CPI from April 2013</a>	October 2011	In 2011, the government carried out an impact assessment for the changes it proposed on lifting LHA rates by just CPI from April 2013. The impact on individuals was seen to be that they would <i>“notionally lose out as they would see increases in their LHA awards that are likely to be less under the current scheme”</i> . <sup>18</sup>

<sup>15</sup> Department for Work and Pensions, [Housing Benefit: Changes to the Local Housing Allowance Arrangements](#), DWP, November 2010

<sup>16</sup> Ibid.

<sup>17</sup> Department for Work and Pensions, [Housing Benefit equality impact assessment: Increasing the Shared Accommodation Rate age threshold to 35](#), DWP, Revised August 2011

<sup>18</sup> Department for Work and Pensions, [Housing Benefit – uprating local housing allowance rates by CPI from April 2013](#), DWP, October 2011



<a href="#">Equality Analysis for Housing Benefit: Uprating Local Housing Allowance by 1 per cent and the Targeted Affordability Funding</a>	November 2013	<p>Ahead of the decision to uprate LHA rates by just 1% in 2014-15 and 2015-16, an equality analysis was carried out in 2013. This also introduced the Targeted Affordability Funding which was used to mitigate some of the worst affected areas. This assessment concluded that <i>“restricting the uprating...to 1 per cent will affect many private rented sector...claimants’ and that ‘if landlords increase rents by more than this, claimants who are currently renting at the LHA rate or higher could face notional losses”</i>. However, they also viewed that the <i>“level of impact...depends on whether private landlords will restrict rent increases in line with LHA rates”</i> and <i>“how they [claimants] are able to manage to meet shortfall between”</i> their LHA and their rent.<sup>19</sup></p>
<a href="#">Welfare Reform and Work Bill: Impact Assessment of the Benefit rate freeze</a>	July 2015	<p>When the overall benefit freeze was announced, an impact assessment was carried out in July 2015. This stated that <i>“the majority of working-age households in receipt of state support will be affected by this policy”</i> and that <i>“households towards the bottom of the income distribution are more likely to be affected”</i>. Throughout the report, it is regularly stated that people have a choice to accept their frozen benefit rates or to move into work. The findings under the Equality Act was that young people, women, and <i>“households where the head reports themselves as Black / African / Caribbean / Black British are most likely to be affected by this benefit rate freeze”</i>. They also note that <i>“Asian / British Asian people and Other Ethnic Groups are likely to see the highest notional losses”</i>.<sup>20</sup></p>

<sup>19</sup> Department for Work and Pensions, [Equality Analysis for Housing Benefit: Uprating Local Housing Allowance by 1 per cent and the Targeted Affordability Funding](#), DWP, November 2013

<sup>20</sup> Department for Work and Pensions, [Welfare Reform and Work Bill: Impact Assessment of the Benefit rate freeze](#), DWP, July 2015

		However, this assessment explicitly did not consider the impact of the freeze on LHA rates, as explained below.
<a href="#">Explanatory Memorandum to the rent officers</a>	2015	In a separate explanatory memorandum on the LHA rate freeze, the government outlines that “ <i>an impact assessment has not been prepared</i> ”. <sup>21</sup> This is because they deemed there was “ <i>no direct impact on business, charities or voluntary bodies</i> ” and they stated that “ <i>claimants whose rent is below the applicable LHA rate will not be affected unless their rent increases to the LHA level or above during this period</i> ”. <sup>22</sup> Therefore, the above impact assessment was only in reference to the other working age benefits.

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<sup>21</sup> Department for Work and Pensions, [Explanatory Memorandum to the rent officers](#), DWP, 2015

<sup>22</sup> Ibid.

On 13 January 2020, the Government announced it would be ending the benefit freeze by lifting the rates as per the Consumer Price Index (CPI) of 1.7% or inflation. The [regulations](#) for LHA being lifted by this amount were laid as a negative statutory instrument on the same day, meaning they were not debated or voted on. The regulations also stated:

*“A full impact assessment has not been produced for this instrument as no, or no significant, impact on the private, voluntary or public sector is foreseen”*

Shelter regularly witnesses the true impact of the freeze to LHA. While the LHA rates have been frozen, private rents have continued to increase, rendering much of the country unaffordable for those receiving help in paying their housing costs. Households are left with unmanageable shortfalls between their housing support and rent, driving them into debt and homelessness.

Within the context of rising levels of homelessness, the government’s decision to not undertake an impact assessment on lifting the rates by just 1.7%, or CPI, is irresponsible. Our evidence and research demonstrate that this rise will be completely inadequate and will maintain, and even increase, levels of poverty. The next section will look at this evidence. It indicates that the impact of continuing the restriction of LHA rates to below the 30<sup>th</sup> percentile will continue to erode people’s ability to keep or find a stable, affordable and suitable home for themselves and their families, leaving them at risk of homelessness.

## The Impact of LHA changes

We know both from our own analysis of the data available, and the daily plight of our service users, that the impact of the changes to the LHA rate since 2011 has caused considerable hardship. Hundreds of thousands of people now face unmanageably large shortfalls and a consequence of this has been rising homelessness from the private rental sector. This next section will assess the impact of the changes made to LHA in relation to the reasons why the reforms were made.

### Impact on rent levels

The reforms to LHA were in part driven by a belief that increases in rental subsidies, such as LHA, would drive rental inflation. For example, in evidence to a Work and Pensions Inquiry on the 2010 Budget reforms, the Welfare Reform Minister, Lord Freud, stated: “We took the view that we have to break this feedback loop of us pumping in money that pumps up the amount of money we have to pay”.<sup>23</sup> Going further than merely suppressing growth in rents, successive impact assessments have stated that the purpose of the policy is to bring rents down. For example, in the impact assessment on changes introduced in 2011, the government stated that ‘the purpose of reform is to influence rent levels and housing choices’.<sup>24</sup>

The impact assessment on uprating rates by CPI from April 2013 reiterated that ‘This change is intended to build on the measures being introduced in 2011 to bring the cost of Housing Benefit under control and exert downward pressure on rents’.<sup>25</sup> An equality impact assessment in 2013 on limited uprating of LHA rates by 1 per cent in 2014/15 and 2015/16 also stated that ‘policy objectives for this change are to build on the measures that were introduced to LHA from 2011 to control the cost of Housing Benefit and to continue to exert a downward pressure on rents’.<sup>26</sup>

The anticipated ‘downward pressure’ on rents has not, however, materialised. Research carried out on behalf of the DWP assessed the impact on rent levels of changes to LHA from January 2010 to November 2013. The analysis concluded that when the maximum LHA entitlements were reduced, 89% of the effect of the reforms was felt by tenants, while just 11%

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<sup>23</sup> HC(2010) Oral Evidence, [Changes to Housing Benefit announced in the June 2010 Budget](#) - Work and Pensions Committee, Q131

<sup>24</sup> It is implied in this document that the impact is to influence rents so that they come down. For example, ‘The reduction in Housing Benefit expenditure will reduce the amount customers receive from the Government towards their rent. But the purpose of reform is to influence rent levels and housing choices, which is likely at least in part to mitigate the impact of these measures on poverty’. Department for Work and Pensions, [Housing Benefit: Changes to the Local Housing Allowance Arrangements](#), DWP, November 2010

<sup>25</sup> Department for Work and Pensions, [Housing Benefit – uprating local housing allowance rates by CPI from April 2013](#), DWP, October 2011

<sup>26</sup> Department for Work and Pensions, [Equality Analysis for Housing Benefit: Uprating Local Housing Allowance by 1 per cent and the Targeted Affordability Funding](#), DWP, November 2013

was on landlords.<sup>27</sup> **In other words, for every pound reduction in entitlement, landlords lost out on just eleven pence by reducing rents. Tenants had to make up 89 pence.**

Evidence suggests that renters have struggled to renegotiate their rents to avoid shortfalls between the LHA they receive and their rent.

Research carried out for the DWP suggests that tenants lack negotiating power to lower rents and are frequently unable to find more affordable options. The DWP's 2014 evaluation of the LHA reforms showed that in 2013, the majority of claimants were unable to find long-term ways to reduce their rent. Just 16% of tenants had spoken to their landlord about lowering the rent charged and only 12% of movers and 6% of non-movers had managed to persuade their landlord to lower the rent.<sup>28</sup> Shelter's research shows that just one in five (19%) private renters in receipt of LHA have ever successfully reduced or stopped an increase in rent or negotiated a lower rent across the last five years.<sup>29</sup>

Further compelling evidence of the limited effect of the LHA changes on rent levels comes from research carried out by University of Sheffield Hallam. Their analysis used multi-level modelling techniques applied to a longitudinal survey of 788 private sector landlords who had LHA tenants in 19 local authorities across Great Britain. They used this to assess the relative importance of different factors on the degree to which private sector landlords were affected by changes to LHA in the UK (including how LHA reforms affected the area). They found that landlords were 'equally affected regardless of where they operated' suggesting that tenants in the most affected areas have absorbed increases in their rent shortfall. It also implies that income (or the lack of it) has not been 'the overriding determinant of demand' for housing. This illustrates how the LHA changes have failed to create pressure on landlords to lower their rents.<sup>30</sup>

The evidence is clear that for the most part, the impact of the freeze to the rates has fallen on renters' pockets rather than their rent levels.

This is also in line with wider evidence on rent setting. Shelter's research with private landlords<sup>31</sup> who rent to claimant households shows that their rent setting behaviour is mainly impacted by changes to their own costs, rather than external factors. One in four (23%) say that the main reason they plan to increase the rent is because of increases to their general costs, 15% say it is to cover the costs of renovation / redecoration, and 12% say it is to offset changes to mortgage interest relief changes. Just one in five (19%) say that it is because the

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<sup>27</sup> Brewer, M., Emmerson, C., Hood, A., Joyce, R., [Econometric analysis of the impacts of Local Housing Allowance reforms on existing claimants](#), Institute for Fiscal Studies for DWP, 2014

<sup>28</sup> University of Oxford, Sheffield Hallam University, Ipsos MORI, [The impact of changes to the Local Housing Allowance in the private rented sector: The response of tenants](#), DWP, 2014

<sup>29</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

<sup>30</sup> Sanderson, E., Wilson, I., [Does Locality make a difference? The impact of housing allowance reforms on private landlords](#) (2017). *Housing Studies*, 32(7)

<sup>31</sup> YouGov, survey of 1137 private landlords in the UK, online, July - August 2017

'market is going that way in the area'. There also appears to be no significant relationship between the proportion of households claiming housing support in an area and rent inflation. Research from CIH found that 'at best only 2.1% of the variation in rent inflation is due to the proportion of the market that is let to housing benefit claimants'.<sup>32</sup>

### **Impact on tenants' ability to find an affordable private rented home**

Our analysis shows that, as a result of changes to LHA, there are now very few areas in England that are affordable to claimants.

In 2011, LHA rates were set to cover the bottom third (30%) of rents in all local markets. This level was thought to allow people claiming LHA just enough money to find an available home in the private rental market. According to Steve Webb MP, the Minister responsible for housing benefit at the time, the 30<sup>th</sup> percentile was thought to match 'the typical rent for a low-income working household'<sup>33</sup>.

Most LHA rates are now nowhere near this benchmark of the 30<sup>th</sup> percentile. As a cumulative result of reforms:

- In 97% of areas in England LHA rates for a two-bedroom home no longer cover the cost of renting a two-bedroom home at the bottom 30% of the rental market.
- In 78% of areas in England, they do not cover rents at the bottom 20% of the market.
- In a third of areas in England, they do not even cover the cost of rents of 10% of homes in the market.<sup>34</sup>

This means that the odds of a home in the area being within the LHA rates can already be lower than one in five, or even as low as one in ten. Crucially, this is before claimants even start to look for a two-bedroom home that is actually available to rent.

After lifting the rates by 1.7% in April 2020, the rates still do not cover the bottom 30% of the market in 96% of areas for a two-bedroom home. Despite closing the shortfall completely in 3% of areas, the 1.7% increase also opened up shortfalls, where there had not been one before, in 2% of areas.

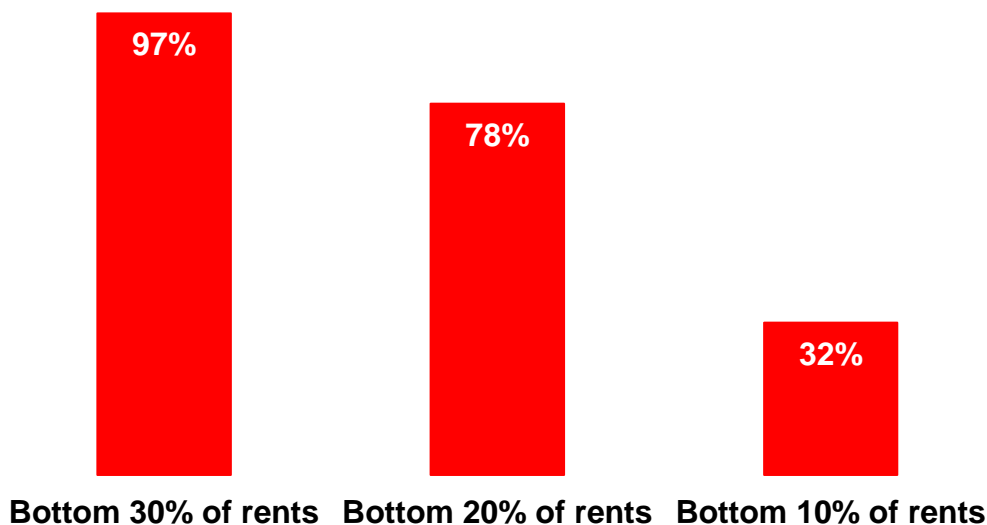
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<sup>32</sup> Chartered Institute of Housing and British Property Federation [Leading the market? A research report into whether Local Housing Allowance \(LHA\) lettings are feeding rent inflation](#), 2011

<sup>33</sup> Webb, S., [Housing Benefit \(West Ham\) Debate in House of Commons](#), 22 November 2010

<sup>34</sup> Shelter Analysis of Local Housing Allowance rates applicable from April 2019 to March 2020 and the Local Housing Allowance List of Rents used for Local Housing Allowance rates April 2019 to March 2020.

**Figure 1:** Percentage of BRMAs in England where the LHA rate for a two-bedroom property does not cover the lowest proportions of the local rental market



When looking at homes that are actually available to rent, the pool of available homes narrows further. Research carried out by the Bureau of Investigative Journalism looked at two-bedroom homes advertised on a single day across England, Scotland and Wales (more than 62,000 two-bedroom homes). **This found that just 5.6% of two-bedroom properties across the whole country were both available and affordable to LHA rate claimants.** In York there were only seven available two-bedroom homes to rent, in Bristol there were just three and in Ipswich there was nothing available.<sup>35</sup>

Following the recent government announcement that the rates were to rise by CPI, or 1.7%, in April 2020, the Bureau of Investigative Journalism reviewed this analysis again. They found when they applied the new rate to the list of more than 62,000 two-bedroom homes across England, Scotland and Wales, just 900 more properties became available. **The percentage of two-bedroom homes available and affordable to LHA rate claimants rose from 5.6% to 7% across the whole country.**<sup>36</sup>

The chance of one of these homes being suitable for individual claimant households, have a landlord willing to let to a family claiming LHA and them being able to secure the letting ahead of non-claimant households is incredibly slim. Our local services staff report that that the few homes that are available to rent within LHA rates are often in a state of disrepair or are in undesirable locations, such as those poorly serviced by public transport with few employment prospects.

<sup>35</sup> McClenaghan, M., Boutand, C., Blount, T., Maher C., [Locked Out: How Britain keeps people homeless](#), The Bureau of Investigative Journalism, 4 October 2019

<sup>36</sup> Boutland, C., McClenaghan, M., [Locked out: why the housing benefit rise won't make much difference](#), The Bureau of Investigative Journalism, 24 January 2020

It must also be borne in mind that LHA claimants often face additional barriers to renting, which could further reduce the pool of available homes. Renters in receipt of LHA can find it difficult to access the market because of “No DSS” discrimination. Our own survey of private landlords found that 43% of private landlords operate an outright bar on those claiming benefits, and a further 18% say they prefer not to let to this group.<sup>37</sup>

These restrictions have a practical impact on households finding somewhere to live. Our survey of private renters<sup>38</sup> tells us that one in three (32%) of private renters in receipt of housing benefit have been unable to rent a home in the last five years because they were told that the landlord / letting agent operated a “No DSS / housing benefit” policy.

Taking all of these factors together, it is no surprise then that two-thirds of private renters (65%)<sup>39</sup> in receipt of housing benefit find it difficult to find a choice of homes they could afford in the area they needed to live. As we will go on to discuss, the lack of suitable homes available to low-income households looking for a private rental is also driving the rise in homelessness.

### **Impact on tenant’s finances - paying shortfalls**

In order to remain in their existing homes, or to find somewhere new to live, most LHA claimants have to accept significant and increasing shortfalls between their LHA and the rent they pay<sup>40</sup>.

Initially, the government did not foresee that the changes to be made to LHA in 2011 would make much impact on the level of shortfalls. They stated that “in around 80 per cent of cases the shortfall between benefit and rent will be less than £10 per week and in 32 per cent of cases there would be no shortfall at all”.<sup>41</sup> They suggested that those affected could “start work or increase working hours” to escape the shortfalls or they could also “renegotiate their rent with their landlord”.<sup>42</sup>

However, there is evidence that the cumulative impact of the reforms and benefit freeze since 2011 have significantly increased claimants’ shortfalls. Analysis by the Institute for Fiscal Studies found that as a result of the cuts to housing benefit made since 2011, an extra 600,000 low-income renters have a shortfall between their rent and their LHA entitlement.<sup>43</sup>

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<sup>37</sup> YouGov, survey of 1137 private landlords in the UK, online, July - August 2017

<sup>38</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

<sup>39</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

<sup>40</sup> Our analysis of a subset of claimants (detailed in this section) found that 70% had a shortfall between their rent and housing benefit, that was not explained by tapering.

<sup>41</sup> Department for Work and Pensions, [Housing Benefit: Changes to the Local Housing Allowance Arrangements](#), DWP, November 2010

<sup>42</sup> Ibid.

<sup>43</sup> Joyce, R., Mitchell, M., Norris Keiller, A., [The cost of housing for low-income renters](#), Institute for Fiscal Studies, 2017



In order to understand the size of shortfalls between rent and LHA, Shelter requested and analysed data from the Single Housing Benefit Extract (SHBE). We requested information on households in receipt of passported benefits. This is because clear shortfall data was captured for these households. Understanding the shortfalls faced by these households illuminates the shortfalls faced by all households on LHA.

In February 2018 there were 529,997 households living in the private rented sector who are claiming LHA through the legacy system<sup>44</sup>, on passported benefits. Households in receipt of passported benefits are mainly reliant on income through benefits and have low levels of savings. These are mainly single people with no children (301,257) and families (186,109)<sup>45</sup>. However, this is only a portion of all households claiming housing benefit for their private rents. Many households on passported benefits have already migrated to Universal Credit, and as a result, shortfall data is no longer available for them. Therefore, the numbers above are an underestimation. The impact detailed in this report is likely affecting many more households.

**Table 1:** Number of households in the PRS claiming LHA as part of legacy benefits on passported benefits

<b>All</b>	<b>Single no children</b>	<b>Couple no children</b>	<b>Single with children</b>	<b>Couple with children</b>	<b>Families (Single or couple with children)</b>
529,997	301,257	42,631	145,913	40,196	186,109

### Households facing shortfalls

Of these households, the majority (70%) have a shortfall between their rents and the LHA they receive. This equates to 370,286 households on passported benefits alone, who have shortfalls. Any gap between their rents and their allowance will have to be made up through borrowing money, using their subsistence benefits which are not designed to be used for rent or digging into already limited saving pots.<sup>46</sup>

Two-thirds of families (67%) with children have shortfalls, putting a significant number of children at risk of homelessness. Close to 125,000 (124,544) families with children on passported benefits alone have shortfalls.

<sup>44</sup> Six benefits that were part of the old benefit system, or the legacy system, are changing to Universal Credit.

<sup>45</sup> Shelter analysis of data provided from a Freedom of Information Request to the Department for Work and Pensions

<sup>46</sup> In order to qualify for passported benefits claimants have to prove that they have low levels of savings and earned income. For example, those in receipt of income support will get lower amounts of benefit or none at all if they have savings of more than £5,999.

**Table 2:** Number of households in the PRS claiming LHA on passported benefits with shortfalls between their rent and LHA (2017/18)

All	Single no children	Couple no children	Single with children	Couple with children	All Families (Single couple or with children)
370,286	210,363	35,379	98,668	25,876	124,544

As table 3 shows, the proportion of households with shortfalls has increased across the three years that data is available.

**Table 3:** Proportion of households in the PRS claiming LHA on passported benefits with shortfalls between their rent and LHA

	All	Single no children	Couple no children	Single with children	Couple with children	All Families (Single couple or with children)
2015-16	67%	67%	80%	63%	62%	63%
2016-17	69%	69%	82%	66%	64%	65%
2017-18	70%	70%	83%	68%	64%	67%

### Size of shortfalls

The size of the shortfalls is shocking, with households having to find on average **an additional £113.19 a month** to cover the cost of their rent. For households already living on very low incomes these can be catastrophic amounts, forcing many into impossible choices about budgeting, and ultimately putting them at risk of homelessness.

The size of the shortfalls have increased over the last three years. Between 2015/16 and 2017/18, they increased by 8%. Families have been hit harder, with families with children facing an average increase of 13%.

**Table 4:** Average monthly shortfall for those in the PRS claiming LHA on passported benefits with shortfalls between their rent and LHA – all with shortfalls

	All	Single no children	Couple no children	Single with children	Couple with children	All Families (Single or couple with children)
2015-16	£105.26	£107.16	£137.32	£91.09	£105.00	£93.99
2016-17	£109.29	£109.37	£144.69	£96.98	£109.81	£99.66
2017-18	£113.19	£111.28	£150.28	£103.39	£115.14	£105.83
% change from 2015-16 to 2017-18	8%	4%	9%	14%	10%	13%

Shortfalls are highest on average in London (£211.94), the East of England (£139.66) and the South East (£138.23). The East of England (15%) and the South East (14%) have seen the highest increases since the introduction of the freeze to LHA.

**Table 5:** Average monthly shortfall for those in the PRS claiming LHA on passported benefits with shortfalls between their rent and LHA – regional average shortfall over time

	2015-16	2016-17	2017-18	% change from 2015-16 to 2017-18
All	£105.26	£109.29	£113.19	8%
North East	£77.70	£78.65	£78.95	2%
North West	£84.41	£86.28	£88.27	5%
Yorkshire	£97.07	£100.53	£94.60	-3%
East Midlands	£96.03	£100.62	£105.86	10%
West Midlands	£97.59	£101.14	£102.05	5%
East of England	£121.46	£132.34	£139.66	15%
London	£196.47	£203.84	£211.94	8%
South East	£120.94	£130.43	£138.23	14%
South West	£107.34	£109.55	£114.92	7%
Wales	£86.88	£89.87	£94.03	8%
Scotland	£81.12	£77.70	£81.51	0%

Finally, households who are missing from this data (primarily households who work), may be more likely to be living in areas where housing costs are higher (as higher income households would be more likely to qualify for LHA in areas with high housing costs). These are areas where shortfalls tend to be higher also. Therefore, the average shortfall faced by all LHA claimants may be even higher than these shortfalls.

If LHA rates continue to be uprated in line with general prices, as is currently the case, the number of households facing a shortfall, and the size of those shortfalls is predicted to worsen. The Institute for Fiscal Studies estimate that by 2025, a further 200,000 low-income private renters will develop a shortfall between LHA entitlement and rent, and an extra 100,000 people will face an especially large shortfall, of at least 50% of their non-LHA income.<sup>47</sup>

### **Impact on tenants' ability to meet basic needs**

There are shortfalls between LHA and rents all over the country. These have a significant impact on claimants' day-to-day lives. In many instances, shortfalls put households at high risk of homelessness.

<sup>47</sup> Joyce, R., Mitchell, M., Norris Keiller, A., [The cost of housing for low-income renters](#), Institute for Fiscal Studies, 2017

The majority of LHA claimants say they are struggling with housing costs. Most individuals (75%) in receipt of LHA say that they struggle to pay their rent. One in three (30%) renters in receipt of LHA state that they are either falling behind with payments, or it is a constant struggle.<sup>48</sup>

The most common way claimants are coping with the shortfalls is by using subsistence benefits to make up the difference.<sup>49</sup> Half (50%) of those with shortfalls between their housing benefit and their rent make it up by using their other benefits.<sup>50</sup>

**Table 6:** Proportion of all LHA claimants making up shortfalls by taking the following actions.<sup>51</sup>

<b>You said that the housing benefits you receive do not cover all of your rent. In which, if any, of the following ways do you tend to pay the rest of your rent?</b>	
From my other benefits	50%
Money, I get from my job (s)	37%
Money I / We get from my partner's job	13%
Money that I borrow from friends or family	8%
From my savings	7%
Money that I borrow from a bank or building society	3%
Credit card	3%
Payday loan	2%

Subsistence benefits are already at a level which supports only a minimum standard of living and they should not be used to cover housing costs. By being forced to use this income to cover housing costs, renters face impossible choices to keep a roof over their heads. Renters in receipt of LHA are having to cut back on necessities in order to afford their rent and avoid homelessness. One in three (36%) of renters in receipt of LHA have cut back on food for themselves or their partner in the last year in order to keep up with their rental payments.<sup>52</sup>

A clear indicator of being unable to cover essential costs of living is the extent of fuel poverty among a group. The rate of fuel poverty is dramatically higher for LHA claimants compared with other housing benefit claimants. One in three (35%) households in receipt of LHA are

<sup>48</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019

<sup>49</sup> The survey is carried out around every three years and this year it was carried out online with YouGov between 12 August and 3 September 2019. For this year's survey a separately weighted sample of LHA recipients was generated allowing us to look more closely at this group. 828 private renters identified themselves as receiving housing benefit.

<sup>50</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019

<sup>51</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019

<sup>52</sup> Ibid.

classed as living in fuel poverty.<sup>53</sup>This represents over 375,000 households. In contrast, just 12% of households in receipt of housing benefit in the social rented sector are in fuel poverty.<sup>54</sup>

Even more concerning is the unsustainable debt being built up - nearly a quarter of LHA claimants (23%) had to use a credit card to pay rent and 18% borrowed from an overdraft. A worrying amount of people are also borrowing from parents (18%), other family and/or friends (16%) or falling behind on other payments (17%) such as council tax or utilities. People are also finding themselves in a position where they need to sell their possessions in order to pay their rent. One in three (32%) have had to do this in the last year. If low-income families are having to both cut back on food, heating and essential items, and sell their belongings just to keep a roof over their head now, it is difficult to see how they can provide a stable environment for their family to thrive and stay housed in a way that is sustainable.<sup>55</sup>

**Table 7:** Proportion of all LHA claimants taking the following actions to keep up with rental payments

<b>Which, if any, of the following have you sacrificed / done in order to enable you to keep up with any rental payments over the last year (i.e. since August 2018)?</b>	
Gone without a holiday	47%
Cut back on leisure activities for myself / my partner	46%
I / my partner have cut back on clothing / new clothing for my / ourselves	40%
Used benefits other than housing benefit	37%
Cut back on food for myself / partner	36%
Raised money by selling possessions	32%
Cut back on leisure activities for my children (e.g. swimming, day trips)	31%
I / we have cut back on heating my / our home	28%
Cut back on the amount I was saving	26%
Borrowed from credit card	23%
I / my partner have skipped meals	21%
Cut back on clothing / school uniform / toys for my children	18%
Borrowed money from my parents	18%
Borrowed from overdraft	18%
Used my savings to pay rent	17%
Went behind on other payments (i.e. council tax, utilities, TV license etc)	17%
Borrowed money from friends / other family	16%
Received money from parents, which I didn't have to pay back to them	14%
Taken on extra hours at work, or got an additional job	11%

<sup>53</sup> [Fuel poverty](#) is measured using the Low Income High Costs (LIHC) indicator. Under the LIHC indicator, a household is considered to be fuel poor if they have required fuel costs that are above average (the national median level) or if they were to spend that amount, they would be left with a residual income below the official poverty line.

<sup>54</sup> English Housing Survey 2017- Fuel Poverty Dataset

<sup>55</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

Received money from friends / relative other than parents, which I didn't have to pay back to them	9%
Been to a foodbank	5%
Borrowed from payday loan	4%
Borrowed from bank or building society	3%
Cut back on food for my children	2%
<b>Net: all borrowing</b>	<b>48%</b>

When comparing LHA recipients to others renting privately, those on LHA are in a worse financial situation. Those on LHA are over three times more likely to say they can't afford to keep up with their bills compared with private renters not claiming LHA. One in four (25%) LHA claimants say they cannot afford to keep up with their bills compared with just (7%) of private renters not on LHA.<sup>56</sup> The proportion of claimants saying this has increased by 32% since the beginning of the reforms to LHA rates.<sup>57</sup>

The precariousness of their situation is shown by the capacity of LHA claimants to cover an unexpected cost. One in five (20%) say they have no money with which to pay an unexpected expense, a rate over three times higher than others in the private rented sector (6%).<sup>58</sup>

In addition to this, renters in receipt of LHA are twice as likely to say they would have to cut back on essentials (24% vs. 13%), or to use a form of credit (15% vs. 7%) in order to pay an unexpected expense than those not receiving LHA. They are over three times more likely to have to use money from family or friends.

**Table 8:** Proportion of households who say they would have to take the following steps to cover an unexpected expense

How they would pay an unexpected expense	LHA	Non-LHA
<b>Cutting back on essentials</b>	24%	13%
<b>Use a form of credit</b>	15%	7%
<b>Money from family or friends</b>	5%	1%

## Impact on households living conditions

Not only are frozen LHA rates edging people into poverty, debt and homelessness but they also appear to be pushing people into homes that are too small or unsuitable for their needs.

<sup>56</sup> Understanding Society Wave 8 2016-2018 Individual cross-sectional sample

<sup>57</sup> In 2012, only one in five (19%) private renters in receipt of LHA say they could not afford to keep up with bills  
Understanding Society Wave 4 2012-2014 Individual cross-sectional sample

<sup>58</sup> Understanding Society Wave 8 2016-2018 Individual cross-sectional sample

## Growth in overcrowding

Some LHA claimants are choosing to rent a smaller property than they need and are entitled to, based on their family size and make-up. This is an unacceptable situation, but one that it appears LHA claimants are being forced to do to cope with the shortfalls.

**Our analysis shows that the overcrowding rate<sup>59</sup> amongst LHA claimants is almost twice as high as that of others renting privately.** In 2017/18 14% of LHA claiming households were overcrowded, compared to just 8% of those in the private rented sector overall.<sup>60</sup>

London Council's analysis of its members' data estimates that the overcrowding rate is even higher in London, with one in five (19%) of claimants across the capital living in properties with fewer bedrooms than they are entitled to. This is as high as a third in some areas<sup>61</sup>. They link this directly to the shortfalls in LHA, stating that:

*“Boroughs believe this overcrowding is due to the lack of affordable accommodation at an appropriate size.”*

The overcrowding rate amongst claimant households has increased significantly since the beginning of the reforms. In 2010/11, 10% of recipient households were overcrowded, representing around 75,000 households<sup>62</sup>. By 2017/18, this had increased by 45%, to 14% of households, representing 108,572 recipient households<sup>63</sup>. Research by the Institute for Fiscal Studies on behalf of the DWP linked the growth in overcrowding directly to the impact of LHA reforms. They found there was “evidence that the reforms have reduced the number of bedrooms that claimants choose to rent”.<sup>64</sup>

The impact of overcrowding on families is well documented. Living in overcrowded accommodation puts residents at far greater risk of infectious diseases and respiratory problems.<sup>65</sup> A large cohort study undertaken in Avon found that six-month-old infants were

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<sup>59</sup> The ‘bedroom standard’ is used by government as an indicator of occupation density. A standard number of bedrooms is calculated for each household in accordance with its age/sex/marital status composition and the relationship of the members to one another. Households are said to be overcrowded if they have fewer bedrooms available than the notional number needed. Households are said to be under-occupying if they have two or more bedrooms more than the notional needed.

[https://england.shelter.org.uk/legal/housing\\_conditions/overcrowding/what\\_is\\_overcrowding](https://england.shelter.org.uk/legal/housing_conditions/overcrowding/what_is_overcrowding)

<sup>60</sup> Shelter analysis of English Housing Survey. 2017/18

<sup>61</sup> Graves, J., [Local Housing Allowance freeze is fuelling homelessness, warns London Councils](#), London Councils, 8 July 2019

<sup>62</sup> Shelter analysis of English Housing Survey. 2010/11

<sup>63</sup> Shelter analysis of English Housing Survey. 2017/18

<sup>64</sup> Brewer, M., Emmerson, C., Hood, A., Joyce, R., [Econometric analysis of the impacts of Local Housing Allowance reforms on existing claimants](#), Institute for Fiscal Studies for DWP, 2014

<sup>65</sup> Harker, L., [Chance of a lifetime – The impact of bad housing on children's lives](#), Shelter, 2006

26% more likely to have symptoms of wheezing if they were living in overcrowded housing conditions.<sup>66</sup>

Impacts on mental as well as physical health are seen for those living in overcrowded conditions. There is evidence of a significant association between overcrowded housing and poor psychological health in children<sup>67</sup>, including very young children<sup>68</sup>. If young children do not have room to play it can harm their development and older children may not have the space to do their homework or study for vital exams.

While a main driver of the LHA reforms was to promote fairness in the private rental market, this analysis indicates that the cumulative impact of the cuts and the freeze is not assisting people into 'the right level of home', as intended, but actually pushing them towards unsuitable accommodation; too small for their needs. This is also contributing towards homelessness as, in some cases, overcrowding can constitute homelessness. Where a home is severely overcrowded, a household is categorised as 'homeless at home' because their home is 'unreasonable to continue to occupy'.

### Poor quality homes

There is also evidence that LHA claimants are being forced to rent lower quality properties. This could be because this is all they can afford, or it's more likely to be let by landlords willing to let to claimants.

LHA claimants are much more likely to rent a home that is classed as 'non-decent'. Our analysis of the English Housing Survey 2016/17 shows that a third (33%) of renters in receipt of LHA live in non-decent accommodation compared to just over one in five (22%) private renters who do not receive LHA.

Research using the National Child Development Study found that<sup>69</sup>, after controlling for a range of other factors, experience of multiple housing deprivation increased the risk of severe ill-health or disability – having a physical disability or long-standing illness – during childhood and early adulthood by an average of 25%.<sup>70</sup> The report found that bad housing has also been linked to an increased risk of meningitis, asthma and slow growth, a greater chance of suffering mental health problems and behavioural issues. Poor housing conditions also lead to lower educational attainment, greater likelihood of unemployment and poverty.<sup>71</sup>

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<sup>66</sup> Baker M., McNicholas A., Garrett N., Jones N., Stewart J., Koberstein V., Lennon D., [Inequality in infant mortality, causes and consequences in England in the 1990s](#), Journal of Epidemiology and Community Health, 52, 451-458, 1998

<sup>67</sup> Evans G.W., Saegert S., Harris R., [Residential density and psychological health among children in low income families](#), *Environment and Behaviour*, 33, 2, 165-180, 2001.

<sup>68</sup> Chaudhuri N, [Interventions to improve children's health by improving the housing environment](#), *Reviews on Environmental Health*, 19, 3-4, 197-222, 2004.v

<sup>69</sup> Harker, L., [Chance of a lifetime – The impact of bad housing on children's lives](#), Shelter, 2006

<sup>70</sup> Marsh A., Gordon D., Pantazis C., Heslop P., *Home Sweet Home? The impact of poor housing on health*, Policy Press, 1999 as referenced in Harker, L., [Chance of a lifetime – The impact of bad housing on children's lives](#), Shelter, 2006

<sup>71</sup> Harker, L., [Chance of a lifetime – The impact of bad housing on children's lives](#), Shelter, 2006



## Impact on health and mental health

Having to cut back on living expenses, living with the threat of homelessness, and in poor housing conditions is not a sustainable way to live. There is evidence that it is having an impact on claimant's mental and physical health.

Two in five (38%) renters in receipt of LHA say that housing problems or worries have made them feel physically sick in the last year. This is twice as high as those who have not received LHA in the last five years (18%). Almost three in five (57%) have reported that their housing conditions or worries have made them feel stressed or anxious in the last year. Nearly half (48%) of this group say that housing problems have kept them up at night during the last year.<sup>72</sup>

People on LHA are more likely to say they have to cut back on food in order to pay their rent and four in ten (39%) of renters in receipt of LHA say housing problems or worries have negatively affected their diet in the last year. This is twice the level (18%) of those who have not received LHA in the last five years.

Households in receipt of LHA are more likely to report poor wellbeing. Understanding Society, a large-scale social survey records information on people's mental wellbeing. Private renters in receipt of LHA have a lower level of mental wellbeing than the England average for private renters who do not receive it<sup>73</sup>.

A common feeling, emphasised by Shelter service users in receipt of LHA or the housing element of Universal Credit, is the humiliation they feel having to borrow money to pay bills and cutting back on essential items:

*"It is humiliating being on UC. I used to work and now I owe money to friends and family and often don't have enough money for food, electricity and sanitary products. It's affecting my self-worth"*

*"It's humiliating asking for money all the time. Has UC helped manage the finances? No! Bailiffs are here, expenditure is high and rising but the benefit isn't enough at all."*<sup>74</sup>

Research with GPs across England on their experiences with patients, children and adults found that GPs spontaneously identified housing issues when discussing factors involved in their patients' mental health presentations – both as a sole cause and an exacerbating factor of existing mental health conditions. Where housing was seen as the sole cause, the most

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<sup>72</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

<sup>73</sup> Assessment using the Short form Warwick Edinburgh Mental Wellbeing Scale, Private renters in receipt of housing benefit had a derived wellbeing score of 21.33 compared to private renters who do not receive housing benefit who had a derived score of 24.04 Understanding Society Wave 7 2015-16

<sup>74</sup> Kleyhans, S. Weekes, T. [From the Frontline: Universal Credit and the broken housing safety net](#), Shelter, 2019

commonly cited mental health conditions were anxiety and depression. Conditions of properties were one of the main housing problems referenced by GPs in the context of their patients' presentation of mental health problems. Affordability of rented housing and insecurity of tenancies was another key issue highlighted by GPs. They also highlighted the physical consequences of bad housing, such as respiratory conditions due to damp and mould.<sup>75</sup>

### **Impact on homelessness**

Homelessness occurs when a household a) loses their home and b) is unable to find a decent and affordable alternative. LHA cuts have a 'double whammy'<sup>76</sup> effect on homelessness rates as they make households both more vulnerable to losing their home, and less able to find a suitable alternative.

They make it harder for households to maintain a tenancy - managing shortfalls and having to cut back on essential and necessary living costs just to pay the rent is putting many at risk of rent arrears, that cause them to lose their home.

They also make it harder for households to find a new tenancy if they lose their home (for whatever reason, e.g. losing a private tenancy, or fleeing partner abuse) – there are now very few homes with rents that are low enough to be covered by LHA rates across the country. This means that households find it exceptionally difficult to find suitable alternative accommodation.

### **Homelessness levels**

Homelessness in all its forms has increased since 2010/11:

- The number of statutory homeless acceptances in England increased by 28%<sup>77</sup>
- The number of households living in temporary accommodation (TA) has increased by 62%<sup>78</sup>
- Since 2010, rough sleeping in England increased by 165%.<sup>79</sup>

### **Reasons for rise in homelessness**

Most of the recent growth in homelessness has been due to an increase in households made homeless from the private rented sector. The number of households accepted as homeless in

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<sup>75</sup> Shelter and ComRes, [The impact of housing problems on mental health](#), Shelter and ComRes, 2017

<sup>76</sup> O'Leary, C., O'Shea, S., Albertson, K., [Homelessness and the Private Rented Sector](#), Manchester Metropolitan University, 2018

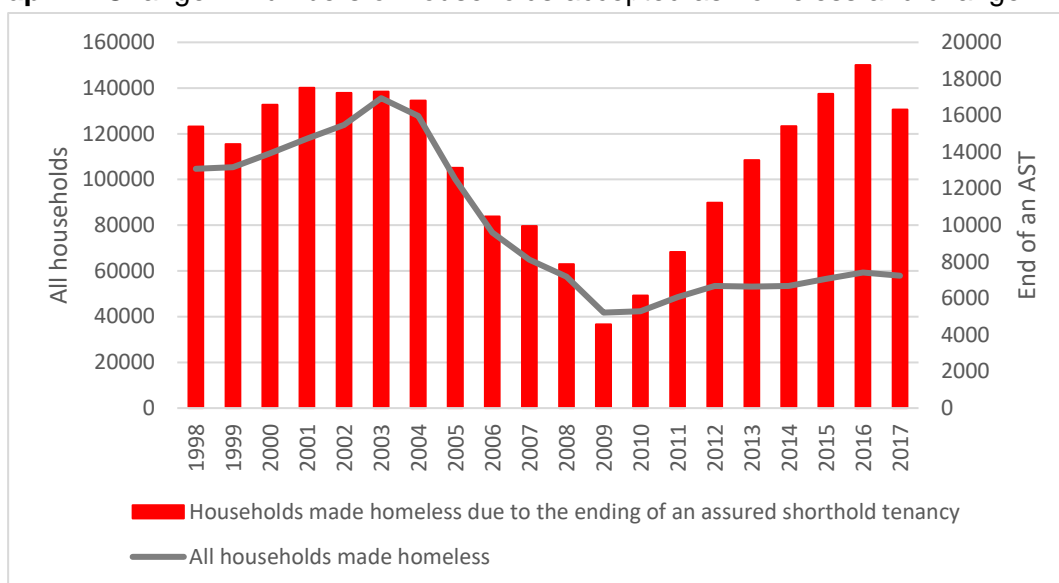
<sup>77</sup> Growth between 2010/11 and 2017/18. MHCLG Acceptances and decisions live tables: January to March 2018 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>78</sup> Growth between 2010/11 and 2017/18. MHCLG Temporary Accommodation live tables: January to march 2018 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>79</sup> Growth between Autumn 2010 and Autumn 2018 <https://www.gov.uk/government/statistics/rough-sleeping-in-england-autumn-2018>

England grew by 22% between 2011 and 2016. Eviction from a private tenancy accounted for 78% of this rise.<sup>80</sup>

**Graph 1:** Change in numbers of households accepted as homeless and change in numbers



of households accepted as homeless who lost their last settled home due to the ending of an AST (1998 – 2017)<sup>81</sup>

The private rented sector has also grown in this time, however the sharp growth in the number of households becoming homeless as their private tenancy ended is massively disproportionate to the growth in the number of households living in the private sector. From 2011/12, when the changes to LHA were introduced, to 2017/18, the number of households becoming homeless as their private tenancy ended increased by 66% (and more than doubled in London).<sup>82</sup> In the same time period, the number of households in the private rented sector only grew by 17%. This suggests other factors are at play.

<sup>80</sup> Department for Communities and Local Government (DCLG) Data from January 2016 to December 2016 compared to data from January – December 2011. The number of households made homeless by reason for loss of last settled home is from the Department for Communities and Local Government (DCLG) Live homelessness table 774. Overall, the number of households accepted as homeless has increased by 10,750 since 2011. Breaking this down by the reason a household lost their last settled home shows that some categories have seen an increase in the number of households becoming homeless over this time, and some a decrease. The categories that have contributed an increase since 2011 are relationship breakdown, family and friends (other than parents) no longer being willing or able to accommodate a household, the ending of an assured shorthold tenancy, rent arrears and loss of other renting or tied housing. The number of households made homeless for these reasons has increased by 13,010 since 2011. Of this increase, 78% is from an increase in the number of households reporting that the reason for the loss of their last settled home is the end of an assured shorthold tenancy.

<sup>81</sup> MHCLG Acceptances and decisions live tables: January to March 2018 (revised) 2019. A version of this graph appeared in O’Leary, C., O’Shea, S., Albertson, K., [Homelessness and the Private Rented Sector](#), Manchester Metropolitan University, 2018

<sup>82</sup> The ending of an AST as reason for loss of last settled home increased by 105% in London between 2011/12 and 2017/18. MHCLG Acceptances and decisions live tables: January to March 2018 (revised) 2019

There is also a mismatch between how the two changed over time. The PRS grew steadily in size between 1998 and 2015, whereas (as Graph 1 shows) homelessness from the private rented sector peaked in 2001, fell for six years to 2009, and then rose steadily through to 2015.<sup>83</sup> The growth of homelessness from the private rented sector at the same time as the introduction of LHA reforms suggests that it has had an impact on this trend.

A number of government publications have linked cuts to LHA with rising homelessness. Research by the National Audit Office (NAO) found that:

*“changes to LHA are likely to have contributed to the affordability of tenancies for those on benefits and are an element of the increase in homelessness.”*

The impact of affordability in the private rented sector on homelessness has been recognised in a range of other government reports. The Government’s Housing White Paper acknowledged that ‘high and increasing costs in the private rented sector can impact upon tenants who struggle to pay, and these households are more likely to be at risk of becoming homeless’.<sup>84</sup>

Analysis of government homelessness data by government statisticians found that the rise in homelessness acceptances because of the end of an assured shorthold tenancy “indicates that affordability is an increasingly significant issue, as more households facing the end of a private tenancy are unable to find an alternative without assistance”.<sup>85</sup>

Other research exploring the rise in homelessness has also identified that LHA changes have played a crucial role driving this trend.

Research by Manchester Metropolitan University evaluated the reasons for the growth in homelessness due to the ending of an AST. The research dismissed other factors such as security of tenure and the growth of the sector as having less of an impact and concluded that it is ‘Local Housing Allowance (LHA) as a means of calculating Housing Benefit payments, and subsequent changes to LHA rates, that is driving the increase in homelessness from the private rented sector’.<sup>86</sup>

The researchers found that tenants in receipt of Housing Benefit are more likely than other tenants to have their tenancy ended by their landlord; In 2017, tenants in receipt of Housing Benefit are more likely to have their tenancies ended by their landlords than other tenants. Although it was unclear how this figure had changed over time, previous research has identified that a decade ago the churn rate for households in receipt of Housing Benefit was

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<sup>83</sup> O’Leary, C., O’Shea, S., Albertson, K., [Homelessness and the Private Rented Sector](#), Manchester Metropolitan University, 2018

<sup>84</sup> Department for Communities and Local Government, [Fixing our broken housing market](#), DCLG, 2017

<sup>85</sup> DCLG, Statutory homelessness and prevention and relief, 2016, July to September 2016: England, <https://www.gov.uk/government/statistics/statutory-homelessness-and-homelessness-prevention-and-relief-england-july-to-september-2016>

<sup>86</sup> O’Leary, C., O’Shea, S., Albertson, K., [Homelessness and the Private Rented Sector](#), Manchester Metropolitan University, 2018

typically much lower than in the wider private rented sector.<sup>87</sup> They also identified that a key reason for the growth in homelessness is that these households are finding it increasingly difficult to find suitable, affordable accommodation in the private rented sector.

Shelter conducted qualitative research with 25 households who were made homeless from the private sector. The research found that the inability for households to find somewhere else suitable and affordable to live after their tenancy ended was a key reason that households became homeless – a direct impact of LHA cuts. The research documented how most of the households had relatively secure housing histories and were not falling into arrears, or otherwise at risk of homelessness until the moment at which their landlord ended their tenancy (most commonly as the landlord wished to sell or change the use of the property). However, rising rent costs along with insufficient LHA, left them unable to find somewhere new to live leading to them being homeless and having to approach the council for help.<sup>88</sup> This shows that many low income households might be put at risk of homelessness due to LHA cuts.

Research by Policy in Practice identified ‘a robust correlation between both numbers and proportions of households with an LHA-rent gap and homelessness’ in an area. They found that ‘increases in the number of households with an LHA-rent gap is positively associated with a higher number of households in temporary accommodation’<sup>89</sup>

Finally, even reviews of the early impact of LHA changes on tenants and landlords showed how LHA cuts lead to households being much more vulnerable to becoming homeless. By 2013, forty-seven per cent of landlords who rented to households on LHA surveyed said they had witnessed an increase in rent arrears among their tenants since the reforms started.<sup>90</sup>

### **Impact of LHA on council's ability to prevent or relieve homelessness**

Analysis suggests that LHA cuts are also inhibiting councils from preventing people becoming homeless.<sup>91</sup> A survey of 162 English local authorities, found that 82% said it was ‘somewhat’ or ‘very difficult’ to help people who come to the council at risk of homelessness to access a new home in the private rental market.<sup>92</sup> This accords with government data that shows that the number of households at risk of homelessness assisted to access a new home by incentivising a private landlord halved between 2015/16 and 2009/10.<sup>93</sup>

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<sup>87</sup> Ibid.

<sup>88</sup> Shelter, Green Book: 50 years on. The reality of homelessness for families today, 2016

<sup>89</sup> Charlesworth, Z, Fell, B, Macor, F, (2020) ‘Evidencing the link between the Local Housing Allowance freeze and homelessness’ Policy in Practice  
<https://www.local.gov.uk/sites/default/files/documents/Evidencing%20the%20link%20between%20the%20LHA%20freeze%20and%20homelessness-Full%20report-pub5Feb20.pdf>

<sup>90</sup> University of Oxford, Sheffield Hallam University, Ipsos MORI, [The impact of recent reforms to the Local Housing Allowance: Summary of key findings](#), DWP, 2014

<sup>91</sup> Spurr, H., [Shut out: the barriers low-income households face in private renting](#), Shelter, 2017

<sup>92</sup> Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B, [The homelessness monitor: England 2017](#), Crisis, Heriot-Watt University and University of New South Wales, 2017

<sup>93</sup> Spurr, H., [Shut out: the barriers low-income households face in private renting](#), Shelter, 2017

Analysis of support provided to homeless households by councils show how the inadequacy of the LHA rates are a real barrier to people at risk of homelessness, from preventing their homelessness. Shelter analysed 36 personal housing plans (PHPs). These are the plans provided to people who have sought homelessness assistance from their local authority. They are meant to set out personalised housing advice based on the circumstances of the individual or family. We found that many of these PHPs refer to LHA as a barrier to accessing a private rented home. Several PHPs explicitly compare average private rents with LHA rates to illustrate to claimants the unaffordability of their local rental market. Effectively, the homelessness advice provided is “you can’t afford to find a suitable home in this area”. Several PHPs told applicants that their LHA rate would not cover private rents in the local authority:

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*“It is really difficult – almost impossible – to find accommodation in [local authority] that can be covered by Housing Benefit; the rents are too high.”*

#### *London PHP*

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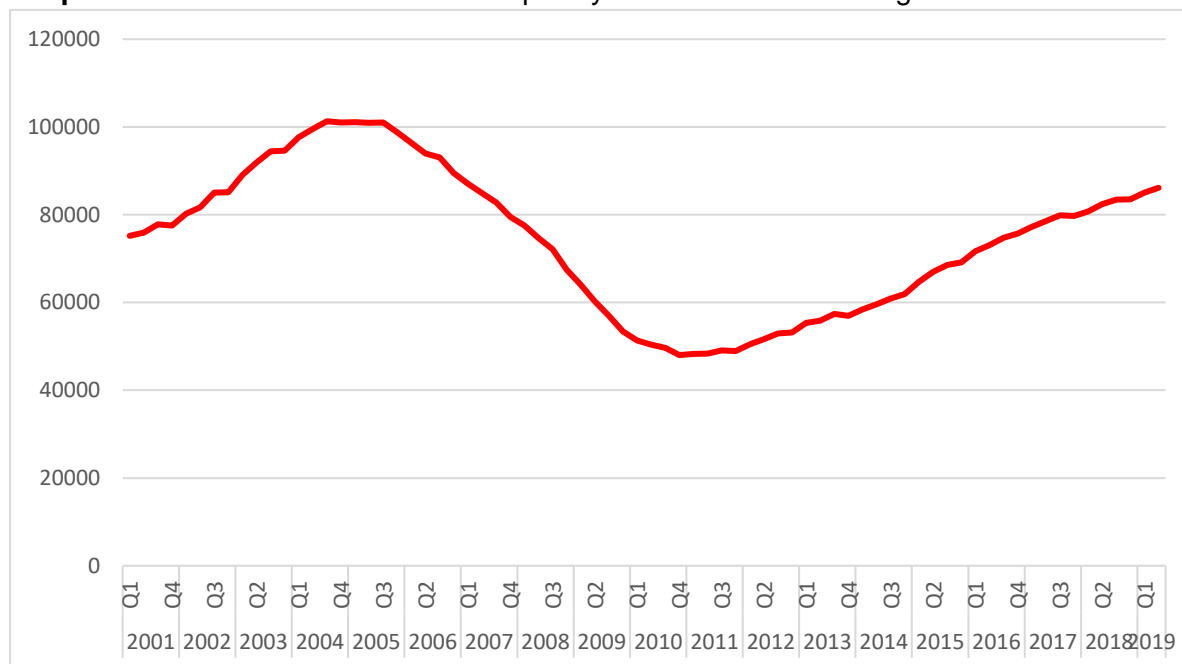
There is also evidence that LHA shortfalls mean that councils are struggling to help people to resolve their homelessness.

A growing number of households are homeless and living in temporary accommodation, unable to move into a settled home. In June 2019, 86,130 households were living in temporary accommodation, of which 61,800 were families with children. This is 5% more than the year previously, and 78% more than the same time in 2011 when just 48,330 households were living in temporary accommodation<sup>94</sup>. As graph 2 shows, the number of households who are homeless and in temporary accommodation fell dramatically between 2005 and the end of 2010. Numbers continued to fall and stabilise through the recession caused by the global financial crisis. The number of households in temporary accommodation began to climb, steeply in 2011, coinciding with the introduction of cuts to local housing allowance.

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<sup>94</sup> MHCLG ‘Statutory Homelessness live tables: Table TA1 - Number of households in temporary accommodation at end of quarter4 England, 1998 Q1 to 2019 Q2’: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

**Graph 2:** Number of households in temporary accommodation in England<sup>95</sup>



Households are also staying homeless for longer. At the start of 2012, 65% of those who left TA had been accommodated there for under 6 months. This had fallen to 55% in March 2018.<sup>96</sup>

One of the main factors explaining rising temporary accommodation reliance by councils is that the LHA rate has made it harder for councils to use their powers to make private rented sector offers (combined with the lack of social housing or other affordable housing options). Not only has the freeze made councils less able to find accommodation at the LHA rate, it has made landlords less willing to let to homeless households. Half of landlords surveyed by Sheffield Hallam University reported that changes in LHA rates and the four-year freeze on HB had made them less willing to rent to homeless people and/or benefit claimants.<sup>97</sup>

Further research clearly demonstrates that it is affordability of housing, rather than the lack of income from paid work that is a key driver for why homeless households cannot find a permanent home. This also negates the government's suggestion that people could move into work to avoid the worst effects of the changes to LHA. Over half of homeless families (55%) are in work<sup>98</sup>, yet cannot find a settled home and remain in housing difficulty.

<sup>95</sup> MHCLG 'Statutory Homelessness live tables: Table TA1 - Number of households in temporary accommodation at end of quarter4 England, 1998 Q1 to 2019 Q2': <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>96</sup> MHCLG [Temporary accommodation live tables: January to March 2018](#)

<sup>97</sup> Reeve, K., Cole, I., Batty, E., Foden, M., Green, S., Pattison, B., [Home: no less will do – homeless people's access to the private rented sector](#), Sheffield Hallam University, 2016

<sup>98</sup> Shelter, [Shelter research – In work but out of a home](#), Shelter 2018



## Future impacts on homelessness

There is also evidence that LHA rates will continue to impact on levels of homelessness. Research carried out by Heriot Watt university has identified that there is still considerable concern amongst local authority officers of the ongoing expected impact of welfare reform on homelessness in their area. Nine out of 10 (91%) of councils anticipate that homelessness will increase in their area due to the freeze on Local Housing Allowance (LHA), with more than half (59%) anticipating that it will cause homelessness to increase “significantly”.<sup>99</sup> Although the freeze is ending in April 2020 with an inflationary rise of 1.7%, this is nowhere near good enough to make any significant improvements to a council’s ability to relieve homelessness.

Many LHA claimants report that they feel that homelessness is a real threat for them. Almost half of LHA claimants (44%) say they worry about becoming homeless. This is almost twice as high as private renters not in receipt of LHA (24%).<sup>100</sup>

Research has also identified that landlords who currently rent to Housing Benefit tenants are looking to move out of the sector.<sup>101</sup> Over two thirds, (69%) of landlords surveyed by Manchester metropolitan University said that future benefit changes would make it less likely that they would let to tenants in receipt of housing benefit.<sup>102</sup>

## Impact on fairness

The 2011 changes to the LHA arrangements were intended to ‘mean that people on benefit cannot choose to live in properties that would be out of the reach of most people in work’.<sup>103</sup> At the time, then Secretary of State Iain Duncan-Smith regularly referred to this in the House of Commons and, on one occasion, gave the example of “a small number of people” who could theoretically “get more than £100,000 a year” if they were living “in a five-bedroom house in an expensive area such as Westminster”.<sup>104</sup> In the same debate, Duncan-Smith stated that

*Changes to housing benefit will assist people into the right level of home. At the moment, through local housing allowance, we are paying vast sums of money to people who would not be able to get the same money if they were in employment*<sup>105</sup>

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<sup>99</sup> Fitzpatrick, S., Pawson, H., Bramley, G., Wood, J., Watts, B., Stephens, M., Blenkinsopp, J., [The homelessness monitor: England 2019](#), Heriot-Watt University and University of New South Wales, 2019

<sup>100</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

<sup>101</sup> O’Leary, C., O’Shea, S., Albertson, K., [Homelessness and the Private Rented Sector](#), Manchester Metropolitan University, 2018

<sup>102</sup> Ibid.

<sup>103</sup> Department for Work and Pensions, [Housing Benefit: Changes to the Local Housing Allowance Arrangements](#), DWP, November 2010

<sup>104</sup> Duncan-Smith, I., [Capital Gains Tax \(Rates\) Debate in House of Commons](#), 28 June 2010

<sup>105</sup> Duncan-Smith, I., [Capital Gains Tax \(Rates\) Debate in House of Commons](#), 28 June 2010



In raising the Shared Accommodation Rate from 25 to 35 years old, the DWP reiterated that this was introduced to 'ensure greater fairness' and 'ensure that Housing Benefit rules reflect the housing expectations of people of a similar age not on benefits'.<sup>106</sup>

This is division between households who are 'in work' and households who are 'on LHA' is highly problematic as a high proportion of LHA claimants are in work, as will be discussed in the next section.

However, research also shows that even before the changes were made, there were not many examples of there being discernible differences between the rent paid by LHA claimants and other low-income, working households (LIWH), and, where there were differences, they were not necessarily significant. A piece of research carried out on behalf of the Department for Work and Pensions (DWP) by the Centre for Urban and Regional Studies, University of Birmingham<sup>107</sup> in November 2010, before the announcements were made took a detailed look at the interaction between those who are not working and are claiming LHA and those who are on low incomes but are not entitled to LHA, and the sort of homes they were renting.

This research looked at the rent each group were paying in relation to the 50<sup>th</sup> percentile, (where LHA was set at in 2010). This study found that 'the difference [paid in rent by the two groups]...is usually not great' because 'low earners generally pay 90% or more of those on LHA'. In addition, the gap was not that clear cut because 'LIWH are, by definition, among the lowest income groups' and therefore 'would occupy a property where the rent is less than the median rent [50<sup>th</sup> percentile].' There are other interactions at play as they found it was also possible 'that the difference between rents and LHA rates is, in part at least, the consequence of landlord decisions based on their preference for working tenants rather than HB claimants'.<sup>108</sup>

It is important to note, when thinking about fairness, that a number of households would move between the two groups – being an LHA claimant and a LIWH throughout their lives. LHA claimants out of work would move into work and may become part of the LIWH group. Equally, the LIWH group may end up out of work for a variety of reasons or qualify for LHA while in work and become LHA claimants. These are not solid entities that remain fixed. Therefore, it does not appear that there was ever an issue with a lack of fairness between LHA recipients and those on low incomes and not claiming LHA.

## **Impact on working households**

A key stated reason why the reforms to LHA were introduced was to 'address disincentives to work in the current system created by high rates of benefit'.<sup>109</sup> This is also shown by the ways

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<sup>106</sup> Department for Work and Pensions, [Housing Benefit equality impact assessment: Increasing the Shared Accommodation Rate age threshold to 35](#), DWP, Revised August 2011

<sup>107</sup> Walker, B., Niner, P., [Low income working households in the private rented sector](#), DWP, 2010

<sup>108</sup> Walker, B., Niner, P., [Low income working households in the private rented sector](#), DWP, 2010

<sup>109</sup> Department for Work and Pensions, [Housing Benefit: Changes to the Local Housing Allowance Arrangements](#), DWP, November 2010

in which government suggested families could avoid being hit by these changes<sup>110</sup> and in the changes made to the Shared Accommodation Rate age entitlement (billed as intended to 'remove a potential work disincentive'<sup>111</sup>). The aims of the overall benefit freeze, as set out in their impact assessment, included to 'gradually build the incentive for people to make the choice to move into work'.<sup>112</sup>

However, a large proportion of households on LHA are in work. Therefore, it is not a clear cut route away from claiming LHA. Over one-third (38%) of households claiming LHA are in work.

It is likely that around half a million working households claim LHA. In total, 293,337 households claim LHA on legacy benefits while working. We do not have access to data on the number of households subject to the LHA rates on Universal Credit who are in work. However, we know that there are 588,710 private renting households claiming the housing element of UC, and if a similar proportion of this group are in work as are on legacy benefits (as would be a reasonable assumption), there are likely to be a further 200,000 households in this situation.<sup>113</sup> This would bring the total likely number of working households claiming LHA up to around half a million households.

There are even more working households affected by the freeze, but currently 'missing' from this data. The housing benefit means test assesses a household's income and how much of it they can afford to put towards their housing costs. It then looks at whether their rent is higher or lower than this amount. If the rent is higher than this amount, the household qualifies for their income to be 'topped up' by housing benefit by the difference between the amounts. However, under LHA the 'rent' that the household's income is assessed against is their actual rent, or the LHA rate (whichever is lowest). As shown above, for many households the LHA rate for an area will be well below what they pay in rent. This means there will be many working households who are currently assessed as having 'enough' income to cover their housing costs, and therefore not qualifying for housing benefit (and missing from statistics), who actually would qualify for housing benefit if LHA rates reflected the true cost of renting a modest home.

Not only are there a large number of working households affected by the freeze, working households experience the same shortfalls between what they need and what they get. To illustrate this, we can look at two households, one out of work, and one in employment:

- A household is out of work and renting one of the cheaper homes in their area. They are assessed as needing housing benefit that covers the full cost of their rent. The rent on their home is £1000. Therefore, if LHA rates reflected the true cost of renting a modest home, they would qualify for £1000 in housing benefit. However, LHA rates

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<sup>110</sup> Ibid.

<sup>111</sup> Department for Work and Pensions, [Housing Benefit equality impact assessment: Increasing the Shared Accommodation Rate age threshold to 35](#), DWP, Revised August 2011

<sup>112</sup> Department for Work and Pensions, [Welfare Reform and Work Bill: Impact Assessment of the Benefit rate freeze](#), DWP, July 2015

<sup>113</sup> 38% of 588,710 is 223,710

are just £800, leaving them with a shortfall of £200 a month between what they need and what they receive.

- A similar household is in work and renting one of the cheaper homes in their area. They are assessed as earning enough to be able to afford to pay £600 a month in rent. The rent on their home is £1000. Therefore, if LHA rates reflected the true cost of renting a modest home, they would qualify for £400 in housing benefit. However, LHA rates are just £800, meaning that they qualify for just £200 a month in housing benefit, and leaving them with a shortfall of £200 a month between what they need and what they receive.

In areas where the shortfalls are the largest (see above), a greater proportion of the households affected are in work. In the North East and Wales, just over a fifth of households work. Whereas, in London, almost two thirds (63%) of households on LHA are in employment. In the South East and East of England, more than two fifth of claimants are in work.

**Table 9:** Employment status of LHA claimants by location<sup>114</sup>

	<b>Working</b>	<b>Not working</b>
<b>North East</b>	22%	78%
<b>North West</b>	26%	74%
<b>Yorkshire and The Humber</b>	27%	73%
<b>East Midlands</b>	31%	69%
<b>West Midlands</b>	35%	65%
<b>East of England</b>	41%	59%
<b>London</b>	63%	37%
<b>South East</b>	42%	58%
<b>South West</b>	33%	67%
<b>Wales</b>	21%	79%
<b>Scotland</b>	25%	75%
<b>England</b>	40%	60%
<b>Total</b>	38%	62%

This is also interesting as the areas of England usually considered to have the larger concentrations of employment opportunities, such as London and the South East, are areas with higher rates of LHA claimants. This indicates that even if people were to move to access greater working opportunities, they may still have to claim LHA as the rates are so inadequate. Work is not a clear cut route to ending an LHA claim and being able to afford housing cost, despite the government's view that moving into work could help people avoid the impacts of the changes to LHA.

<sup>114</sup> DWP Statxplora, Employment status of Private deregulated tenants (LHA) (PRS) as of August 2019

LHA rates are currently so inadequate they do not cover appropriate levels of rent anywhere in the country, meaning there are very few options available for those families who wish to move to avoid the shortfalls. Crucially, this can actually hinder people's ability to move freely for employment opportunities or, for the approximately half a million LHA claimants who are already in work, keep them trapped in low paid work.

As discussed in the previous section, the LHA rate changes were introduced to create a fairer system between people on LHA and those in-work. With such high proportions of people on LHA currently in work, the divide between the two is not that clear cut. For the near half a million who are working and claiming LHA, these decisions have not been fair.

Research with LHA claimants suggests that working claimants are also struggling as a result of the freeze. Four in five (79%) of LHA working claimants say they struggle to afford to pay their rent. Over a third, (35%) of working LHA claimants have cut back on food for themselves or their partner to keep up with rental payments in the last year, and over half (51%) of working LHA claimants have borrowed money.<sup>115</sup>

Housing is causing stress and anxiety for the majority of working claimants. Over half (52%) say that housing problems or worries (e.g. affording the rent, poor conditions, losing my tenancy etc.) have kept me awake at night during the last year. Working claimants are also concerned about homelessness. Two in five (40%) worry about becoming homeless.<sup>116</sup>

Almost two thirds also feel that they would struggle to cope with further rent rises: 62% report that if their landlord/ agent increased their rent by 10% they would not be able to afford to live there.<sup>117</sup>

## **Impact on families and children**

Families with children are disproportionately affected by changes to LHA rates. Over half of LHA claimants (51%) are families with children (701,500 households, including HB and UC housing element claimants)<sup>118</sup> However families with children comprise just 29% of all households<sup>119</sup>. This also suggests children are disproportionately likely to be affected by changes to LHA.

There are at least 781,986 children in households that claim LHA through housing benefit. There are not corresponding data for the number of children in families claiming LHA as part of the housing element of Universal Credit. However, if families claiming UC were similar to families claiming HB (a reasonable assumption), there would be approximately 650,000

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<sup>115</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

<sup>116</sup> Ibid.

<sup>117</sup> Ibid.

<sup>118</sup> Department for Work and Pensions, StatXplore Family type for households on Universal Credit by housing entitlement Private rented sector and Family type for housing benefit claimants by detailed housing type Private deregulated tenant (LHA) (PRS) August 2019

<sup>119</sup> Office for National Statistics, [Families and households](#)

additional children in these households.<sup>120</sup> Therefore, it is likely that there are currently around 1.4 million children in a household claiming LHA.

A greater proportion of LHA claimants with children are in work. Almost two thirds (65%) of families on LHA work. Families make up 83% of all working households claiming LHA.<sup>121</sup>

Families with children face particular difficulties in meeting a shortfall between their rent and benefits. The government's equality impact assessment published in 2013 on the impact of limiting the uprating of LHA also acknowledged these greater difficulties. This includes that they 'may find it difficult to relocate to a cheaper property as they are potentially less mobile' and that 'some children may be required to change schools if a family moves a significant distance away'.<sup>122</sup> Families may also struggle to increase their income through paid work due to the need to balance work with caring responsibilities.

### Single parents

Single parent families are disproportionately affected by changes to LHA rates. One third (34%) of all claimant households, and two thirds of claimant families (66%) are single parent families<sup>123</sup>. However, single person families comprise just 6% of households, and just 20% of families in general in the wider population<sup>124</sup>. Single parents are much more likely to claim housing benefit than other household types.

As detailed above, single parent households have seen the largest percentage increases in their shortfalls since the introduction of the freeze in 2016. Between February 2016 and February 2018 across all households the shortfalls increased by 8%. For single parents with children in this period they increased by 14%.

There is also some evidence that single parents on LHA are struggling more than LHA claimants as a whole. Single parents on LHA are more likely to report that they are currently struggling to cover their rent: More than eight in ten (83%) report this compared to three quarters (75%) of all LHA claimants. 42% (compared to 36% of all LHA claimants) have had

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<sup>120</sup> Department for Work and Pensions, StatXplore, Number of Child-Dependants in households claiming housing benefit who are a 'Private deregulated tenant (LHA) (PRS)' August 2019. We have calculated this figure on the basis that there are 5 families in family with '5 or more' children. Therefore this figure is the minimum number of children in a household claiming LHA. Figure assuming that the same proportion of families have 1,2,3,4 and 5 or more children in UC as HB: 678,664 children

<sup>121</sup> Employment status by household type for housing benefit claimants by detailed housing type Private deregulated tenant (LHA) (PRS) August 2019. Data on working status for LHA claimants is only available for households on housing benefit.

<sup>122</sup> Department for Work and Pensions, [Equality Analysis for Housing Benefit: Uprating Local Housing Allowance by 1 per cent and the Targeted Affordability Funding](#), DWP, November 2013

<sup>123</sup> Department for Work and Pensions, StatXplore Family type for households on Universal Credit by housing entitlement Private rented sector and Family type for housing benefit claimants by detailed housing type Private deregulated tenant (LHA) (PRS) August 2019

<sup>124</sup> Office for National Statistics, [Families and households](#)

to cut back on food expenditure for themselves, and three in five (59%) have had to borrow money (compared to almost half of all LHA claimants).<sup>125</sup>

Single parents are also more likely to feel concerned about the potential impact of rent rises. Three quarters (75%) agree that if my landlord/ agent increased my rent by 10% I would not be able to afford to live here, compared to just under two thirds (63%) of all LHA claimants. This is also seen in a greater proportion reporting that they have been kept awake at night due to housing problems or worries during the last year (62% versus 48% of all LHA claimants), and in a greater proportion not asking for repairs to be carried out and/or conditions improved in their current home because of fear of eviction (27% versus 19% of all LHA claimants).<sup>126</sup>

Single parents face particular difficulties coping with a shortfall in rent. In particular, they face particular difficulties accessing paid work. As the government's 2013 equality impact assessment on the impact of limiting the uprating of LHA acknowledged:

*Lone parents with children under school age may find it more difficult to find work because of childcare responsibilities and the cost of childcare may be prohibitive in some cases*<sup>127</sup>

## **Impact on equality**

Certain groups are far more likely to claim LHA than others. This may mean that the reforms and subsequent freeze to the rates has an indirectly discriminatory impact on these individuals.

### **Disability**

Disabled adults are disproportionately affected by LHA rate changes. According to analysis undertaken in 2013<sup>128</sup>, 41% of households in Great Britain have at least one disabled adult. However, 51% of households claiming housing benefit in the private rented sector have at least one disabled adult.

Private renters receiving a disability related benefit are three times more likely to be claiming housing benefit (45%) than private renters not receiving a disability related benefit (15%)<sup>129</sup>.

In addition to being more likely to be affected, disabled people may also be more negatively impacted by LHA shortfalls. As acknowledged by the government's 2013 equality impact assessment, failing to uprate LHA rates in line with rents 'may impact some disabled claimants

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<sup>125</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

<sup>126</sup> Ibid.

<sup>127</sup> Department for Work and Pensions, [Equality Analysis for Housing Benefit: Uprating Local Housing Allowance by 1 per cent and the Targeted Affordability Funding](#), DWP, November 2013

<sup>128</sup> Department for Work and Pensions, [Equality Analysis for Housing Benefit: Uprating Local Housing Allowance by 1 per cent and the Targeted Affordability Funding](#), DWP, November 2013

<sup>129</sup> As recorded in Understanding Society as receiving Disability Living Allowance or Severe Disablement Allowance Understanding Society Wave 8 2016-2018 Individual cross-sectional sample

or claimants with disabled children more than those who are not disabled, because of the difficulties they may face securing an alternative tenancy in the private rented sector. This could be due to specific needs for a suitable, adapted property, with ground floor accommodation, wheelchair access etc. They may also be less able to increase their income either by working or increasing their hours or to try and improve their circumstances compared to someone who is not disabled'.<sup>130</sup>

## Gender

Women are disproportionately impacted by reforms to LHA. Women comprise half of the population, and half (49%) of private renters. However, women comprise two thirds (67%) of LHA claimants.

**Table 10:** Proportion of private renters and LHA claimants who are male or female<sup>131</sup>

Gender	All private renters (Household reference person)	LHA claimants (single claimants)
Male	51%	33%
Female	49%	67%

Women are much more likely to be single parents than men. Almost all (95%) of single parent households claiming LHA are women.<sup>132</sup> As discussed above, single parent households face particular challenges coping with shortfalls, and have seen the largest percentage increases in their shortfalls across all household types since the introduction of the freeze in 2016.

There is also some evidence that suggests that women on LHA may be struggling more than men. 78% of women on LHA report that they are currently struggling to cover their rent compared to 70% of men. 38% (compared to 32% of men) have had to cut back on food expenditure for themselves, and three in five (56%) have had to borrow money (compared 41% of men).<sup>133</sup>

## Race and ethnicity

Households who are BAME, and households from certain ethnic groups are more likely to be affected by reforms to LHA. Households who are BAME are more likely to live in the private sector than households on the whole, and households who are white. Households who are from the following ethnic groupings: Asian (all); Black (all); Mixed (all) and other (all) and from the following ethnic groups: Bangladeshi, Chinese, Indian, Pakistani, Asian other, Black

<sup>130</sup> Department for Work and Pensions, [Equality Analysis for Housing Benefit: Uprating Local Housing Allowance by 1 per cent and the Targeted Affordability Funding](#), DWP, November 2013

<sup>131</sup> ONS, Census 2011, 'Tenure by sex by age DC 3409EW', DWP Statxplora, Gender (single claimants only) by Month and Family Type Private deregulated tenant (LHA) (PRS), Housing Benefit - Data from April 2018

<sup>132</sup> DWP, StatXplora Housing Benefit, August 2019

<sup>133</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019



African, Black other, Mixed White/Black African, Mixed White/Black Caribbean, Mixed other, White other, White Irish, Arab and Any Other are more likely to live in the private sector than households on the whole.<sup>134</sup>

**Table 11:** Proportion of BAME and white households who are private renters.<sup>135</sup>

	<b>Rent from a private landlord</b>
BAME	30%
White	19%
All households	20%

BAME private renters are significantly more likely to claim housing benefit than non-BAME private renters: 33% of private renters who receive housing benefit are BAME. However, only 18% of all private renters are BAME, and only 16% of private renters who do not receive housing benefit are BAME.

**Table 12:** Proportion of private renters, and housing benefit claimants in the PRS who are BAME.<sup>136</sup>

	<b>BAME</b>	<b>White</b>
All renters	18%	82%
Claim housing benefit in the PRS	33%	67%
Do not claim housing benefit in the PRS	16%	84%

Black and minority ethnic (BAME) households appear to also be more likely to be in need of a functioning LHA system to help them to avoid or get relief from homelessness. BAME households are over-represented among households looking for new accommodation as they are homeless in England. BAME households make up 11 per cent of England's population, but accounted for 32 per cent of households accepted as homeless by local authorities.<sup>137</sup>

<sup>134</sup> UK Government [Percentage and number of households \(in thousands\) privately renting their home, by ethnicity England](#), English Housing Survey 2015/16 and 2016/17 (combined), on UK Government *Renting from a private landlord*, Published 10 October 2018

<sup>135</sup> Ibid.

<sup>136</sup> Housing benefit: Shelter analysis, English Housing Survey raw data 2015-16, MHCLG, All renters: UK Government 'Percentage and number of households (in thousands) privately renting their home, by ethnicity' England, English Housing Survey 2015/16 and 2016/17 (combined), on 'Renting from a private landlord', <https://www.ethnicity-facts-figures.service.gov.uk/housing/owning-and-renting/renting-from-a-private-landlord/latest#by-ethnicity> Published 10 October 2018

<sup>137</sup> Source: Office of National Statistics: Census 2011 DC1201EW - Household composition by ethnic group of Household Reference Person (HRP); and Percentage of homeless households that are from each ethnic group, England, 2017/18, Source: Ministry of Housing, Communities and Local Government, Live tables on homelessness (table 784) Numbers accepted as being homeless and in priority need. Updated figures to take into account revisions made by MHCLG based on figures and methodology published on UK Government, 'Statutory homelessness', <https://www.ethnicity-facts-figures.service.gov.uk/housing/homelessness/statutory-homelessness/latest> Published 1 October 2018. Use of the 2011 census modelled on methodology used by UK



Black or Black British households are most severely overrepresented. They make up 14 per cent of homelessness acceptances despite accounting for only 3 per cent of households in England. They also represent just under half (45 per cent) of all BAME homeless households. Mixed, Asian or Asian British and Other ethnicities are also over-represented among households looking for new accommodation as they are homeless in England.<sup>138</sup>

**Table 13:** Population and households accepted as homeless, by BME group<sup>139</sup>

Ethnic Group	All households (2011)		Homeless households (2017/18)	
	Total	Percentage	Total	Percentage
White	19,641,836	89%	35,030	62%
Mixed	292,338	1%	2,110	4%
Asian or Asian British	1,208,125	5%	5,300	9%
Black or Black British	723,442	3%	8,020	14%
Other	197,627	1%	2,450	4%
Unknown	(n/a)	-	3,700	6%
All BAME	2,421,532	11%	17,880	32%

(category descriptions as per those published in MHCLG homelessness statistics)

## Age

Young people aged under 35 may be disproportionately affected by LHA policy, as they are much more likely to be living in the private rented sector than other age groups. Households aged under 35 account for only 17% of households in England, however account for 44% of private renting households. Even if they are not currently claimants, households in this age group are more likely to be affected by LHA policy, as if their circumstances change this is the type of housing benefit these households will be more likely to qualify for. Households in this age group are also slightly disproportionately represented in the LHA population (17% of households, versus 20% of LHA claimants).

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Government 'Population of England and Wales' <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/national-and-regional-populations/population-of-england-and-wales/latest> Published 1 August 2018

<sup>138</sup> Ibid

<sup>139</sup> Ibid

**Table 14:** Proportion of private renters, all households and LHA claimants that are in the following age groups<sup>140</sup>

Age <sup>141</sup>	Private Renters	All Households	LHA Claimants
Under 25	12%	3%	2%
25-34	32%	14%	18%
35-44	24%	17%	26%
45-54	16%	20%	21%
55-64	8%	17%	12%
65 or over	8%	29%	21%

Young people claiming LHA face particular challenges accessing housing. Single claimants who are under 35-year-old qualify for the Shared Accommodation Rate (SAR), which is based on the cost of renting a room in a shared house.

Firstly, there are significant shortfalls between the SAR and the cost of renting a room in a shared home<sup>142</sup>. This is a key barrier to ensuring young private renters on a low income avoid homelessness: for example, 99% of local authorities say the level of housing benefit that young people qualify for is not enough for a young person to afford a private rented tenancy<sup>143</sup>. The level of the SAR has been identified as a barrier to helping young people move on from homelessness.<sup>144</sup>

In addition, as young people only qualify for ‘enough’ to cover the cost of a room in a shared home, they do not even have the terrible option of overcrowding into smaller accommodation in order to cope with shortfalls. This is a “choice” that may be theoretically available to other households, although it is highly damaging to these households, and should not be viewed as a real choice at all. A further barrier for young people is that in some areas of the country, there is very little shared accommodation.

The proportion of LHA claimants who are aged 65 and over is smaller than the proportion of households who are aged 65 and over in the wider population. However, private renters aged 65 and over are much more likely to be claiming housing benefit than renters of other age

<sup>140</sup> MHCLG: English Housing Survey Headline Report, Annex Table 1.3: Demographic and economic characteristics, 2017-18, Age of Claimant (bands only), August 2019, Private deregulated tenant (LHA) (PRS)

<sup>141</sup> Age of household reference person or lead claimant

<sup>142</sup> Valuation Office Agency, ‘Local Housing Allowance (LHA) rates applicable from April 2020 to March 2021’ <https://www.gov.uk/government/publications/local-housing-allowance-lha-rates-applicable-from-april-2020-to-march-2021>

<sup>143</sup> Centrepoint, (2018) The Homelessness Reduction Act: Will it work for young people? <https://centrepoint.org.uk/media/2511/the-homelessness-reduction-act-will-it-work-for-young-people.pdf>

<sup>144</sup> Centrepoint, (2018) ‘Ready to Move On: Barriers to homeless young people accessing longer-term accommodation’ <https://centrepoint.org.uk/media/3048/ready-to-move-on.pdf>

groups. One in five (21%) of LHA claimants are over 65. However just 8% of private renters in England are aged 65 or over<sup>145</sup>.

As the Government's 2013 impact assessment shows, renters who are over working age may be disproportionately disadvantaged by insufficient LHA than households of working age. They are much less likely to be able to increase their household income, either through working or increasing hours of work. Households above working age are more likely to be disabled or have a health condition. Moving may be more of a challenge if they rely on local support systems or have specific accommodation needs (for example an accessible property or one with adaptations).<sup>146</sup> Older people may also be more negatively affected by having to cut back on other areas of spending to accommodate shortfalls than some groups. Cutting down on food or fuel may be particularly dangerous for this age group. Research by Age UK reported older renters saying that they had had to cut down on social activities, such as going out and meeting up with friends, because of rent rises – which has implications for loneliness and wider health outcomes.<sup>147</sup>

Research with older renters on LHA suggests that they appear to be even less able to challenge rent rises or negotiate a lower rent than other groups. Only 7% of renters aged over 55 say they have been able to do this in their current home, less than half of the proportion of LHA claimants on the whole (15%).<sup>148</sup>

### **Impact on public spending**

One of the initial aims of the government in enacting some of these changes was to save money. In the government's impact assessment on the reforms proposed in 2011, they judged that the 'package of measures will achieve cash-terms savings of around £1 billion by 2014/15'.<sup>149</sup>

However, these reforms also included the additional investment into Discretionary Housing Payments (DHP) of £10 million in 2011/12 and then by £40 million a year from 2012/13. This was intended to provide local authorities more flexibility to help those most in need. There was also provision for those claiming LHA to include an additional bedroom where 'a disabled person, or someone with a long term health condition' had need for overnight care provided by a non-resident carer. This was estimated to cost £15 million per year from 2012/13.<sup>150</sup>

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<sup>145</sup> MHCLG: English Housing Survey Headline Report, Annex Table 1.3: Demographic and economic characteristics, 2017-18, Age of Claimant (bands only), August 2019, Private deregulated tenant (LHA) (PRS)

<sup>146</sup> Department for Work and Pensions, [Equality Analysis for Housing Benefit: Uprating Local Housing Allowance by 1 per cent and the Targeted Affordability Funding](#), DWP, November 2013

<sup>147</sup> Age UK, ["Living in Fear" Experiences of older private-renters in London](#), Age UK, 2017

<sup>148</sup> YouGov, survey of 828 private renters in receipt of housing benefit in England, online, August - September 2019 Survey results are from a YouGov survey of 3,995 private renters in England, online, weighted according to official statistics provided by Shelter, Aug-Sept 2019

<sup>149</sup> Department for Work and Pensions, [Housing Benefit: Changes to the Local Housing Allowance Arrangements](#), DWP, November 2010

<sup>150</sup> Ibid.

When it came to the overall benefit freeze in 2016, it had the primary objective of delivering ‘savings to Government that contribute to a reduction in spending on welfare to tackle the deficit’.<sup>151</sup> They estimated that the freeze was ‘expected to save £3.5bn in 2019/20.

However, these calculations ‘exclude the savings from the freeze of LHA rates’. In a separate explanatory memorandum on the LHA rate freeze, the government outlines the intended savings of the LHA rate freeze specifically. This included a calculation that there would be £655 million savings total over the course of the freeze. This document stated ‘an impact assessment has not been prepared’ on LHA; therefore, the impact assessment on the benefit freeze was only in reference to the other working age benefits.<sup>152</sup> It is therefore hard to know how much the LHA rate freeze was intended to save the government.

As detailed above, the cost of rising homelessness in recent years has reduced the impact of any savings the government set out. In 2018-19 councils spent almost £1.6 billion on homelessness, including £1.1 billion on TA and the total amount spent on homelessness by councils in England has increased by 77% since 2012-13, when the changes to LHA rates were rolled out. The amount spent on TA has increased by 86% over the same period.<sup>153</sup> The funding for DHPs have also risen since the benefit freeze was enacted with the government committing £800 million over the five years up to 2020/21. In the last two years of the freeze alone, they spent £125 million on a separate pot of money, Targeted Affordability Funding (TAF), to ease the impact to the worst affected areas.

On top of this, because of increasing homelessness, nearly 7 in 10 council homelessness services in England are having to spend more than they budgeted for on homelessness support. The total overspend was £140 million for 2018/19 alone; increasing from just over £50 million in 2015/16, the year before the LHA rate freeze started.<sup>154</sup>

This unplanned and high level of spending on those reaching crisis point is not sustainable for the future. It also starts to erode and negate the savings government had set out to make quite significantly.

## Conclusion

The cumulative impact of the reforms to LHA since 2011 have been incredibly damaging to people’s ability to maintain a stable, affordable and suitable home. It is impacting on people’s finances as well as their ability to afford basic costs, their physical and mental health and their ability to find a property that is big enough and in good condition. This ultimately is also impacting on homelessness levels. People are losing their homes after being unable to sustain a lifestyle of cutting back, borrowing and substandard housing impacting their health. If their

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<sup>151</sup> Department for Work and Pensions, [Welfare Reform and Work Bill: Impact Assessment of the Benefit rate freeze](#), DWP, July 2015

<sup>152</sup> Department for Work and Pensions, [Explanatory Memorandum to the rent officers](#), DWP, 2015

<sup>153</sup> MHCLG, [Local authority revenue expenditure and financing England](#), Revenue outturn housing services (RO4)

<sup>154</sup> Mills, D., [Over two-thirds of council homelessness services pushed into the red](#), Local Government Association, 29 January 2020

home is subsequently lost, the extremely restricted rates are then also preventing families from being able to find an alternative. Even local authorities are struggling with this, limiting their ability to fulfil their duties to prevent and relieve homelessness under the Homelessness Reduction Act (HRA).

We have also assessed that the LHA rates appear to be impacting differently upon women and men, and upon different groups i.e. those with children and those with disabilities.

The decision taken in January 2020 to raise the LHA rates by just 1.7%, or CPI, will make very little difference to the hundreds of thousands of people already in an extremely precarious situation as a result of the LHA reforms since 2011. The government's decision to not undertake an impact assessment on lifting the rates by just 1.7%, or CPI, is, therefore, irresponsible. Our evidence and research demonstrate that this rise will be completely inadequate and will maintain, and even increase, the levels of poverty we already see.

As stated, the Public Sector Equality Duty (PSED) requires public bodies to have 'due regard' to equality in all aspects of their work. Equality Impact Assessments are a way to ensure public bodies have met their legal obligations under the PSED and also to ensure that different impacts are taken into account when developing and deciding policy.

**This is why we call upon the government to carry out a full, comprehensive and evidence based equality impact assessment of the decision not to rebase the LHA rates to the 30<sup>th</sup> percentile and just to lift them by just 1.7% upon claimants across the whole country.**