

Shelter Briefing: Westminster Hall Debate on Local Housing Allowance (LHA) rates for homeless young people

Summary

Shelter is the UK's largest housing and homelessness charity. Last year we gave information, support and advice to millions of people experiencing bad housing and homelessness. We support people who have experienced multiple problems with housing benefit for private rents. They are regularly being forced to make up shortfalls, where their housing benefit (or Local Housing Allowance) does not cover their private rents.

The government has announced that from April 2020, Local Housing Allowance will be unfrozen and raised in line with the Consumer Price Index (1.7%). While any increase is welcome, Shelter research shows that the proposed increase will not come close to covering the vast shortfalls people face, which continue to push more and more people towards homelessness. Local Housing Allowance is no longer fit for purpose and the rates must be raised to reflect the true cost of renting.

Key recommendations:

- The rates must be restored to reflect at least the bottom 30th percentile (i.e. the cheapest 30%) of local market rents.
- There needs to be a robust mechanism going forward that ensures LHA rates continue to cover at least the 30th percentile of local rents.

Local Housing Allowance (LHA)

LHA is the way housing benefit is calculated for people who are privately renting. LHA rates have been subject to a range of cuts and changes since 2011. Initially set to cover the bottom half of the local market (50th percentile), LHA was cut in 2011 to cover the bottom 30% (30th percentile). In April 2016, a four-year benefit freeze was implemented and LHA rates have remained stagnant since then. In the same period, rents have increased by 15% in England. This has meant people can face huge shortfalls between their rent and what they can receive for LHA. These shortfalls have to be made up through other limited means.

Earlier this month, the government announced that once the freeze comes to an end in April 2020, LHA will rise in line with inflation for one year. **This increase is simply not enough to cover the vast shortfalls that households in receipt of LHA currently face.** Government estimates that the inflation increase will benefit LHA claimants by around £10 a month on average; however, the **average shortfall for no or low-income households is currently £113.** This increase will also potentially mean less for some areas in the long run as there will no longer be any new increases under the Targeted Affordability Fund (TAF), which has provided a 3% increase to the least affordable areas. **Even with TAF topping up LHA rates in these areas, the rates still failed to cover the cheapest 30% of rents in these areas.** To fix the housing crisis and meet the government's commitment to end rough sleeping by the end of this parliament, LHA must be raised to reflect at least the cheapest 30% of market rents, which is required while we build the social houses needed.

The impact of the LHA cuts and freeze

As a result of the LHA rate freeze, and previous reforms, Shelter research found that **there is a shortfall between LHA rates and rents at the 30th percentile in 97% of areas in England.** In fact, the rates have fallen so far below rents across England that in **a third of areas, they do not even cover the cheapest 10% of the rental market** for a two-bedroom home. With such small proportions of the market

affordable, it makes it incredibly difficult for families to find suitable accommodation without having to take on a shortfall.

The table below shows some of the highest shortfalls in England outside of London:

Broad Market Rental Area in England	Difference between monthly rent at 30th percentile and LHA rate for two-bedroom home	Broad Market Rental Area in England	Difference between monthly rent at 30th percentile and LHA rate for two-bedroom home
Cambridge	£156.74	Rugby and East	£87.86
Central Greater Manchester	£113.02	South West Essex	£131.62
Milton Keynes	£108.24	Stevenage and North Herts	£108.76

With hundreds of thousands of families having to make up large differences between their rent and LHA rate, it pushes people towards having to make difficult decisions about budgeting and impossible trade-offs.

- Shelter research found that **more than 1 in 3 (36%) private renters in receipt of LHA cut back on food and a further 1 in 3 (32%) have sold their possessions just to keep up with rental payments.**
- Our research also found that **nearly half (48%) of private renters in receipt of LHA had to borrow money in some way in order to pay their rent**, pushing many into debt. This included taking out overdrafts, credit cards, payday loans or relying on money from friends and family members.

This precarious situation leads many to accrue rent arrears; edging them closer towards eviction and homelessness.

Inadequate LHA rates are causing homelessness across England

At Shelter, we see more and more people forced into homelessness after going into debt while claiming LHA, or because they are unable to find a suitable, affordable privately rented home as LHA rates are so low. **All available evidence points to LHA reforms as a major driver of homelessness.**

- Since the first changes to LHA were introduced in 2011/12, **homelessness acceptances by local authorities in England from the private rented sector has increased by 66%**. In London, this number has more than doubled.
- Because the LHA rates have failed to keep up with rents, tenants in receipt of LHA struggle to find a new place to rent if they are evicted. 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'**.
- The inability to find anywhere affordable on LHA means people remain homeless and are forced to live in local authority temporary accommodation. In 2018-19, **councils spent £1.1 billion on**

temporary accommodation for homeless households. This has increased by 78% in the last five years.

The solution

Now that the government has ended the LHA freeze, **the rates must be restored to cover at least the bottom 30th percentile of local market rents**. There needs to be a robust mechanism going forward to ensure that LHA rates cover at least the cheapest 30% of market rents in perpetuity.

If you have any questions, or would like data specific to your area, please contact Reshima_Sharma@shelter.org.uk or 03445 151 804.