

Appendix A – Policy briefing: Preventing and Ending Homelessness; Making the Private Rented Sector Affordable

To help end homelessness and rough sleeping the Government must:

- raise Local Housing Allowance rates in the upcoming Spending Review to at least the true 30th percentile (e.g. the bottom third) of local rents, so that Universal Credit covers the cost of renting;
- lift the freeze on Local Housing Allowance by 2020 and introduce a robust mechanism to ensure that rates keep pace with at least the 30th percentile over the coming years; and
- invest in further Targeted Affordability Funding for Local Housing Allowance rates prior to 2020 to ensure rents are affordable and homelessness is prevented.

1. Ending homelessness in all its forms remains a top social policy agenda for the UK and Local Housing Allowance (LHA) is the main tool available to government to address rates of homelessness in the short-term.

1.1 Since 2010 rough sleeping in England has significantly increased by 165 percent despite a small drop of 2 per cent in the last 12 months¹.

1.2 In Scotland, statutory homelessness increased from April 2017 to March 2018², and long stays in unsuitable temporary accommodation³ have meant the Government are increasingly looking to the private rented sector as a solution to homelessness.

1.3 In Wales, official data shows there were 2,124 households in temporary accommodation in September 2018⁴.

2. People lose their homes when the rising pressure from high rents and low incomes becomes too much. Without government support, a sudden increase in pressure like losing a job or becoming ill, can quickly force someone into homelessness.

3. In England, the lead cause of homelessness is the end of an Assured Shorthold Tenancy (AST) in the private rental market⁵.

¹ The government's rough sleeping count is based on estimates and counts of the number rough sleepers in England, carried out by local authorities between 1 October and 30 November 2018. The 2018 figures are a decrease of 2 per cent since 2017, and a 94 per cent increase from five years ago and 165 per cent since 2010. <https://www.gov.uk/government/statistics/rough-sleeping-in-england-autumn-2018>

² National Statistics, Homelessness in Scotland 17 – 18 <https://www.gov.scot/publications/homelessness-scotland-2017-18/pages/8/>

³ Sanders, B. and Reid, B (2018). *'I won't last long in here': Experiences of unsuitable temporary accommodation in Scotland*. Edinburgh: Crisis.

⁴ Welsh Government, Homelessness statistics <https://gov.wales/statistics-and-research/homelessness/?lang=en>

⁵ National Audit Office (2017). *Homelessness*. London: National Audit Office.

4. Once families have lost a private tenancy, a combination of being unable to find a home within the LHA rate and finding a landlord willing to let to claimants makes finding an alternative home very difficult, if not impossible. This is leading to increased homelessness and government data shows that homelessness acceptances by local authorities in England due to the ending of an Assured Shorthold Tenancy has increased by 66 per cent (more than doubled in London) since 2011/12 when the changes to LHA were introduced⁶. This has also led to a dramatic increase in the number of households living in temporary accommodation; up by 67 per cent across England since April 2011.⁷
5. As leading organisations dealing with housing and homelessness, we welcomed the Government's commitment to eradicate rough sleeping by 2027 and the steps taken to tackle homelessness, including the aims of the Homelessness Reduction Act 2017 and the Rough Sleeping Strategy 2018.
6. The upcoming 2019 Spending Review presents an opportunity for Government to progress its commitment to reduce homelessness and end rough sleeping by investing in housing support under Universal Credit. This would ensure that housing benefit is an effective tool in preventing homelessness. A key component to its effectiveness is the immediate financial support for housing costs when people urgently need help. LHA rates are a key component of affordable housing policy and must be properly resourced.

Investing in LHA helps people to stabilise their housing situation and prevents homelessness

7. To end homelessness, housing policy must provide people on low incomes with security, decent living conditions, and affordable rents⁸. To achieve this over the long term, in the most economical way, there needs to be a considerable expansion in the supply of social rented housing⁹. However, until social housing can meet demand, people on low incomes must be able to access secure, affordable and decent housing in the private rented sector.
8. Continued under investment and freezes to LHA rates, which determine the maximum amount of financial support people on low incomes receive to assist with paying rent, has made the private rented sector unaffordable for many people experiencing or at risk of homelessness. The rates were first intended to cover just under the bottom half of market rents (the 50th percentile) but this was reduced to the 30th percentile in 2011. In 2012, the like between LHA rates and actual rent levels was broken by freezing the rates for one

⁶ Ministry for Housing Communities and Local Government (2019) *'Acceptances and decisions live tables: January to March 2018 (revised)'*. London: MHCLG.

⁷ Ministry for Housing Communities and Local Government (2019) *'Temporary accommodation live tables: January to March 2018 (revised)'*. London: MHCLG

⁸ Downie, M., Gousy, H., Basran, J., Jacob, R., Rowe, S., Hancock, C., Albanese, F., Pritchard, R., Nightingale, K., and Davies, T. (2018). *Everybody In: How to end homelessness in Great Britain*. London: Crisis.

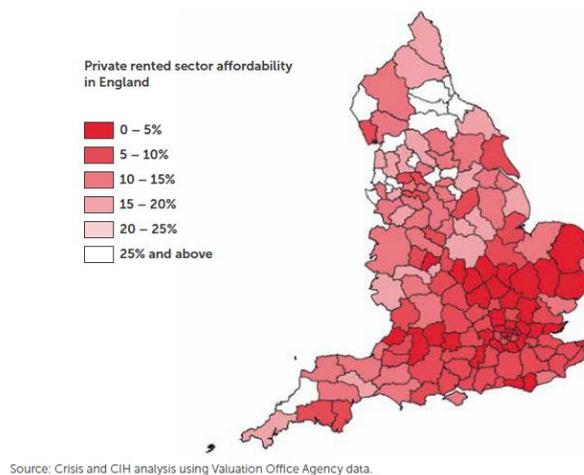
⁹ Capital Economics (2019) *Saving through Social Rents: an assessment of the implications of building 100,000 social rent homes annually between 1997 and 2017*. London: Capital Economics.

year and in 2013 they were updated by the Consumer Price Index (CPI), which does not take rents into account. This was then followed by a two year 1 per cent rise. There has been a four year freeze from April 2016.

- Recent research by the Manchester Metropolitan University on behalf of the Residential Landlord's Association found that the LHA freeze is driving the current increase in homelessness from the private rented sector. The research found that the freeze not only threatens renters with potential eviction as they struggle to cover the shortfalls in their rent, but it also limits what people can afford when they are looking for accommodation once evicted, resulting in homelessness¹⁰. Restoring LHA rates to at least the 30th percentile will ensure landlords are more willing to let to claimants.

Few affordable housing options for claimants

- The result of these LHA policy changes is that in many parts of the country they now fall significantly short of helping people to afford even the cheapest rents available to them.
- Research by Crisis and the Chartered Institute of Housing has shown that reductions to LHA rates mean that 91 per cent of areas in Britain are unaffordable to single people or a couple or a small family¹¹. By nation, 97 per cent of areas in England, 82 per cent in Wales, and 67 per cent in Scotland are unaffordable within current LHA rates. The map below shows how many areas are unaffordable for a small family needing to live in accommodation with two bedrooms across England:



- There are often large shortfalls between rents and the amount of support people receive. For example, in 2019-20 for one in five areas of England (21 per cent), a family with one or two children living in a two-bedroom home will need £100pcm, on top of their LHA, to cover their rent.

¹⁰ O'Leary, C., O'Shea, and S., Albertson, A. (2018) *Homelessness and the Private Rented Sector*. Manchester: Manchester Metropolitan University

¹¹ Downie, M., Gousy, H., Basran, J., Jacob, R., Rowe, S., Hancock, C., Albanese, F., Pritchard, R., Nightingale, K., and Davies, T. (2018). *Everybody In: How to end homelessness in Great Britain*. London: Crisis.

13. Such shortfalls are impossible to budget around, particularly for households living on subsistence benefits, which aren't designed to cover rents.
14. People are having to find ways to cut back on essential spending or are getting into debt and rent arrears. The impact of shortfalls is compounded by delays in Universal Credit payments and deductions from benefit payments. This significantly increases the risk of homelessness for many individuals and families. It also makes it difficult for people who are experiencing homelessness to access a settled home as social housing is in very short supply and the private rental market is unaffordable.

Solution

15. Investing in LHA rates to bring them back in line with at least the 30th percentile of the local housing market will provide a dramatic life line to struggling families and others on low incomes.
16. In addition, it will increase the chances for homeless households in temporary accommodation to find and access a stable and affordable place to live, reducing the huge costs of temporary accommodation to councils and households.

Investing in LHA allows Universal Credit to act as a robust and effective homelessness prevention tool

17. The introduction of Universal Credit creates an opportunity to ensure that the welfare system operates effectively to incentivise work but it must also prevent homelessness.
18. We welcome the renewed commitment by the Secretary of State to review Universal Credit. Now that LHA is part of Universal Credit, a fundamental element to making Universal Credit work is to ensure that it makes housing affordable and prevents homelessness.
19. Investment in LHA rates in the upcoming Spending Review will significantly bolster Universal Credit to work as an effective housing policy and homelessness prevention tool, dramatically reducing current and future levels of homelessness across the country, particularly if combined with improvements to the design and functionality of Universal Credit which are also causing arrears. In addition to welcome recent improvements for accessible direct payments, the five weeks wait at the beginning of applications and high deduction rates should be addressed.

Ensuring LHA covers the cost of rent helps councils fulfil their duties under the Homelessness Reduction Act (2017)

20. Homelessness generates a financial, social and economic burden for society. Local authorities spend around £1.1 billion each year on homelessness, including nearly £1 billion on temporary accommodation alone¹². Research commissioned by London

¹² National Audit Office (2017) Homelessness: A Report by the Comptroller and Auditor General. London: National Audit Office

Councils, estimated that the provision of temporary accommodation cost in London boroughs alone is in excess of £663 million in 2014/15.¹³

21. This increased demand, in part attributed to reduced investment to LHA, represents a transferral of the funding burden from national to local government and has made prevention activity more challenging for councils. The social and financial costs to households who become homeless are devastating, with children forced to travel long distances to school or frequently move schools and people moving away from the support of extended family and their community.
22. Without sufficient social housing in many parts of the country, councils rely on the private rented sector to fulfil their statutory duties under the Homelessness Reduction Act (2017) to prevent or relieve homelessness.
23. In most places, due to shortfalls in LHA, privately rented accommodation is less of an option for councils that are struggling to deliver on their housing duties. Councils face multiple competing priorities for use of Discretionary Housing Payments (DHPs). This means that usually they cannot make up the on-going monthly shortfalls in people's rent because a lot of councils implement a time limit for DHPs – resulting in people still being at high risk of becoming homeless. Bringing LHA rates back to at least the 30th percentile of market rents will provide councils with much needed settled housing options to fulfil their duties under the Homelessness Reduction Act (2017), and significantly reduce the current spend on temporary accommodation.

London Councils Case Study

A man (47) receives Employment Support Allowance due to his severe heart condition. He previously worked for many years, but his condition means he is now unable to do so. He does not receive enough from Local Housing Allowance to cover his rent and is left with £36 weekly shortfall which he tries to pay from his Employment and Support Allowance – money which is supposed to cover the extra costs arising from his health condition. This leaves him with barely enough to meet his essential costs. He has approached his local council as his landlord has served him with a section 21 eviction notice and he is unable to find alternative accommodation. His council are attempting to prevent him becoming homeless but are currently unable to find him affordable accommodation.

¹³ Rugg, J. (2016) *Temporary Accommodation in London: Local Authorities under Pressure*. Centre for Housing Policy