

# Local Housing Allowance and Homelessness

## House of Commons

24 July 2019



### KEY MESSAGES

- Homelessness is a tragedy for all those it affects and is one of the most visible signs of the nation's housing crisis. Councils are providing temporary housing for over 83,000 households, including over 123,000 children.<sup>i</sup>
- Our latest analysis demonstrates that local authority homelessness support (including temporary accommodation) faces a funding gap of £110 million in 2019/20.<sup>ii</sup> Councils spend around £1.1 billion each year on homelessness.
- The Local Housing Allowance (LHA) is paid to low-income families in the private rented sector to help with high housing costs, but is often not sufficient. Termination of a private rented sector tenancy is now the single biggest cause of homelessness.
- The LHA rate has been frozen by the Government since 2016, with the freeze due to end in 2020. An urgent decision is needed on the level of LHA beyond the next financial year, to give tenants some certainty.
- It is vital that councils' role in local welfare support is bolstered by greater funding and flexibilities. Councils have received almost £800 million in Discretionary Housing Payments since 2015, but there is no guarantee this funding will continue beyond 2020.<sup>iii</sup>
- Councils want to prevent homelessness from happening in the first place. This means allowing councils to build more homes for people on low incomes. The Government should allow councils to retain 100 per cent of the proceeds from Right to Buy sales to invest in new social housing.
- Local authorities face an overall funding gap of £3 billion next year, and £8 billion by 2024/25. Our *#CouncilsCan* campaign is calling on the Government to provide the funding, freedoms and legislative reform to enable councils to build healthy, prosperous, secure communities.

# Briefing

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## **FURTHER INFORMATION**

### ***The scale of homelessness***

Our latest analysis demonstrates that homelessness support (including temporary accommodation) faces a funding gap of £110 million in 2019/20, and £421 million in 2024/25.

There are currently 83,700 homeless households in need of temporary accommodation and other forms of support from local authorities. This number includes over 123,000 children, which represents the highest number of children without a permanent home since 2007.<sup>iv</sup> The rising number of people across the country needing support to secure temporary accommodation, or to remain in their homes, is putting a strain on council homelessness budgets which are already facing substantial financial pressures.

The leading cause of statutory homelessness is now the termination of assured shorthold tenancies in the private rented sector. Short-term and uncertain tenancies are resulting in more people turning to local authorities for support. This accounted for 27 per cent of the total number of statutory homelessness in 2017/18.<sup>v</sup>

The private rented sector has more than doubled in size since 2002, with more young people, families and lone parent families renting privately than before. The decline in available social housing is likely to have added to the number of homeless households. This is because more secure, affordable housing would have left some households better able to deal with welfare reforms, and prevented them from becoming homeless in the first place.<sup>vi</sup>

### ***The Local Housing Allowance***

Reforms to housing welfare in recent years have made private rented housing both unaffordable and unattainable for many people. The failure to deliver enough social homes, which are truly affordable for people in all communities, has exacerbated the negative consequences of these welfare changes.

There has been a 65 per cent increase in the number of children in temporary accommodation since the first quarter of 2010. This is likely to be at least partly as a result of housing benefit reforms, including the freeze to the Local Housing Allowance (LHA) rate. The LHA is paid to low-income families in the private rented sector to help them cope with high housing costs. The rate is currently frozen despite private rented sector rents in England having risen by nearly 11 per cent in the five years to 2017.

Research by Crisis and the Chartered Institute of Housing (CIH) has also shown that reductions to LHA rates mean that in 92 per cent of areas in Great Britain, four-fifths or more of the private rented sector is unaffordable to either single people, couples or small families.<sup>vii</sup>

We are calling on the Government to lift the LHA freeze in the private rented sector entirely. To ensure vulnerable people are protected against rising rents, the LHA rate should be linked to rent levels. Along with several prominent national housing charities and associations, we are calling for rates to be lifted back up to at least the 30th percentile of local rental markets (the cheapest third of rents). Until there are enough truly affordable social homes built, Local Housing Allowance will help keep people in their homes

Despite the funding constraints that councils face, they remain committed to

providing help and support for households in financial difficulty as part of their wider place-shaping ambitions. Our *Reshaping Financial Support* report looks at how 10 councils have been reviewing their approaches to better target their resources on those in greatest need, as well as to support people to become more financially resilient in the longer term.<sup>viii</sup>

### ***The Homelessness Reduction Act***

The Homelessness Reduction Act introduced new duties for councils' homelessness services, with a stronger focus on prevention. In particular, councils now have a duty to work with all people threatened with homelessness at an earlier point in time. Councils are also tasked with providing greater support for people not classified as 'priority need'. We welcomed the legislation and its strengthened approach to homelessness prevention.

In November 2018 the LGA conducted a survey of councils to gather information on their experience of the Homelessness Reduction Act (HRA) since its implementation.<sup>ix</sup> Responses were received from 151 councils and the key findings were:

- Homelessness presentations are increasing. Almost all of the councils that responded said they had seen an increase in homelessness presentations since the Act came into force.
- The use of temporary accommodation is increasing. For most councils, the number of people in both temporary and emergency accommodation has increased as a result of the Act.
- The Act has required councils to invest in more staff and other resources, such as emergency accommodation.

It is clear the initial funding provided to councils to cover the new burdens falls short of what is needed. The Government's review of the funding provided before the third year of implementation should contain a commitment to address any shortfalls.

### ***Building more affordable homes***

It is positive that the Government has listened to the LGA and removed the Housing Revenue Account borrowing cap. The Government has estimated this will lead up to 10,000 new homes a year, and is a significant contribution to the estimated 100,000 social homes a year needed. Councils will need to build the capacity in their housing teams, and we will be working to ensure the sector is well equipped to build houses, and the necessary infrastructure to support them, at scale.

Councils want to encourage home ownership without a corresponding decline in the number of social rented homes. It is therefore essential that the Government enables councils to keep 100 per cent of receipts from Right to Buy (RTB) sales to invest in new housing. Under current arrangements councils are only able to retain a third of receipts from the sale of homes. The loss of social rented housing which results risks pushing more families into the private rented sector, driving up housing benefit spending, and exacerbating our homelessness crisis.

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- <sup>i</sup> [MHCLG, temporary accommodation statistics, December 2018](#)
- <sup>ii</sup> <https://www.local.gov.uk/about/news/lga-responds-rough-sleeping-figures>
- <sup>iii</sup> <https://www.local.gov.uk/reshaping-financial-support-how-local-authorities-can-help-support-low-income-households-financial>
- <sup>iv</sup> [MHCLG, temporary accommodation statistics, April to June 2018](#)
- <sup>v</sup> <http://researchbriefings.files.parliament.uk/documents/SN06856/SN06856.pdf>
- <sup>vi</sup> <https://www.nao.org.uk/report/tackling-problem-debt/>
- <sup>vii</sup> [Crisis, Everybody In: How to end homelessness in Great Britain \(2018\)](#)
- <sup>viii</sup> <https://www.local.gov.uk/reshaping-financial-support-how-local-authorities-can-help-support-low-income-households-financial>
- <sup>ix</sup> <https://www.local.gov.uk/sites/default/files/documents/Homelessness%20Reduction%20Act%20Survey%20Report%202018%20-%20Supplementary%20Report%20WEB.pdf>