

# Local Government Association briefing Debate on street homelessness

House of Commons  
24 April 2018



## 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. Local government wants to end homelessness by preventing it happening in the first place. We support the Government's ambition to halve rough sleeping.
- Councils are providing temporary housing for over 70,000 households, including over 120,000 children. The net cost has tripled in the last three years. In this time, on average, councils have been housing an extra secondary school's worth of homeless children every month.<sup>1</sup>
- Local government fully supports the Homelessness Reduction Act, and we want to make a success of the new legislation. We are, however, concerned that the new burdens funding for councils is likely to fall short of the total costs of delivering the duties in the Act.
- We welcome the £30 million fund announced by the Government to help councils tackle rough sleeping. Beyond this investment, we look forward to the launch of the Government's strategy and investment plans this summer. A longer-term approach to eradicating rough sleeping is needed.
- We are pleased that the Government has responded to our calls to extend the Local Housing Allowance (LHA) rate cap for private housing. The 3 per cent rise in the Targeted Affordability Fund (TAF) is good news, but we would like the Government to go further and lift the cap entirely.
- If homes are to be more secure, councils must be allowed to invest in affordable housing. To reach the national target of 300,000 homes a year, the Government should listen to the call of the cross-party Treasury Committee and remove the cap on councils' borrowing to build homes.

# Briefing

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## **Background information**

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

Homelessness is increasing. Loss of tenancy now triggers a third of all new homelessness cases, as rents rise and reduced welfare assistance limits landlords' capacity to provide for low-income households. The last six years have seen a 44 per cent increase in the number of homeless households and a 102 per cent increase in rough sleeping.<sup>ii</sup>

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Despite growing rates of homelessness, local government is increasingly successful in preventing it. In 2015/16 more than 90 per cent of households at risk of being made homeless who approached councils for support, were prevented from becoming homeless.<sup>iv</sup> However councils cannot tackle rising homelessness on their own, particularly as people most vulnerable to homelessness often need access to other public services.

### ***The impact of welfare reforms***

The Local Housing Allowance (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.<sup>v</sup>

We are pleased that the Government has responded to our calls to extend the LHA rate cap through increases in the Targeted Affordability Fund (TAF).<sup>vi</sup> The Government has confirmed it will lift the LHA rate cap by 3 per cent from April 2018, and also that the rates themselves will increase in a number of Broad Rental Market Areas.<sup>vii</sup> This is a positive recognition of the pressures many tenants are facing due to rent increases and changes to welfare provision.

Despite this welcome measure, there are still many parts of the country where the number of people entitled to full housing benefit is far greater than the supply of affordable rented accommodation. This is why we are calling on the Government to lift the LHA freeze in the private rented sector entirely, and work with landlords to provide more affordable private housing. To ensure vulnerable people are protected against rising rents, the LHA rate should be linked to rent levels.

A recent survey of councils by the LGA found that 96 per cent of responding councils are concerned that 'homelessness would increase', and 94 per cent said it would be 'more difficult to meet the requirements' of the new Homelessness Reduction Act, if the freeze on the LHA were not lifted up until 2020.<sup>viii</sup> It is vital that the Department for Work and Pensions engages with the LGA, councils and landlords about the design of Housing Benefit and the LHA post-2020.

As rents go up, the freeze on the level of Housing Benefit makes private renting less affordable for many families at risk of homelessness. Nine in 10 councils say private landlords in their area are renting fewer homes to low-income households due to Housing Benefit changes.<sup>ix</sup>

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

The Homelessness Reduction Act introduces new duties for councils' homelessness services, with a stronger focus on prevention. In particular, councils will have a duty to work with all people threatened with homelessness at an earlier point in time. Councils will also be tasked with providing greater support for people not classified as 'priority need'.

The introduction of the Act, which came into force on 3 April 2018, and the associated funding announced for councils to carry out their duties, is positive. It will drive councils to intervene earlier to prevent homelessness and is likely to result in people getting more help than previously.

Councils have concerns that the new burdens funding is likely to fall short of the costs in delivering the duties in the Homelessness Reduction Act. The Government's review of the funding provided before the third year of implementation should contain a commitment to address any shortfalls. This will help to ensure the legislation succeeds across all areas of the country.

The legislation will on its own do little to reduce the root causes of increasing homelessness. With local government facing a funding gap, any new homelessness duties for councils must be accompanied by appropriate funding, and a wider strategy including action to tackle the nation's housing crisis.

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

The Housing Revenue Account (HRA) borrowing cap prevents councils from borrowing to invest in building new homes, including desperately needed homes for social rent. The Autumn Budget 2017 has taken a step forward by lifting the housing borrowing cap for some councils in 'areas of high affordability pressure', enabling them to bid for up to £1 billion in funding by 2021/22.<sup>x</sup>

This is an important recognition of the vital role that councils must play to provide desperately-needed homes, but does not go far enough. The HRA cap should be lifted for all councils and HRA borrowing removed entirely from contributing to the national public debt. Our call has been backed by the House of Commons Treasury Select Committee.<sup>xi</sup>

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.

Recent LGA analysis reveals almost £3.5 billion in Right to Buy discounts have been handed out to council tenants over the past six years, at an average of £60,000 in 2016/17.<sup>xii</sup> Councils have been unable to keep up with and replace these homes. This loss of social rented housing risks pushing more families into the private rented sector, driving up housing benefit spending, and exacerbating our homelessness crisis.<sup>xiii</sup>

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<sup>i</sup> LGA report, [Council Innovation and Learning in Housing our Homeless Households, July 2017](#)

<sup>ii</sup> Live tables on homelessness, DCLG, 2017 (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>)

<sup>iii</sup> LGA report, [Council Innovation and Learning in Housing our Homeless Households, July 2017](#)

<sup>iv</sup> Live tables on homelessness, DCLG, 2017 (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>)

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[sets/live-tables-on-homelessness\)](#)

<sup>v</sup> Office for National Statistics, Index of Private Housing Rental Prices

(<https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/indexofprivatehousingrentalpricesreferencetables>)

<sup>vi</sup> HM Government, The Rent Officers (Housing Benefit and Universal Credit Functions)

(Amendment) Order 2017 (<http://www.legislation.gov.uk/uksi/2017/1323/contents/made>)

<sup>vii</sup> HM Treasury, Autumn Budget 2017

([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/661480/autumn\\_budget\\_2017\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661480/autumn_budget_2017_web.pdf))

<sup>viii</sup> LGA survey, 2017. The full survey is available upon request. 76 councils responded to the survey.

<sup>ix</sup> LGA survey, 2017. The full survey is available upon request. 76 councils responded to the survey.

<sup>x</sup> HM Treasury, Autumn Budget 2017

<sup>xi</sup> House of Commons Treasury Committee, Autumn Budget 2017, January 2018

(<https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/600/600.pdf>)

<sup>xiii</sup> MHCLG, Right to Buy statistics by local authority area