



Cover the Cost:

How gaps in Local Housing Allowance are impacting homelessness

May 2019

Together we will end homelessness

About us

**Crisis is the national charity for homeless people.
We are committed to ending homelessness.**

Every day we see the devastating impact homelessness has on people's lives. Every year we work side by side with thousands of homeless people, to help them rebuild their lives and leave homelessness behind for good.

Through our pioneering research into the causes and consequences of homelessness and the solutions to it, we know what it will take to end it.

Together with others who share our resolve, we bring our knowledge, experience and determination to campaign for the changes that will solve the homelessness crisis once and for all.

We bring together a unique volunteer effort each Christmas, to bring warmth, companionship and vital services to people at one of the hardest times of the year, and offer a starting point out of homelessness.

We know that homelessness is not inevitable. We know that together we can end it.

Acknowledgments

With special thanks to Crisis clients for sharing their stories and experiences, and colleagues at Crisis for their help in developing this report, in particular Maeve McGoldrick, Hannah Gousy, Francesca Albanese, Sorana Vieru, Beth Reid, Nick Morris, and Ruth Jacob. Thanks also goes to Solace Women's Aid and their client for sharing their story.

A special thanks also goes to Sam Lister at the Chartered Institute of Housing and Tom Wagstaff for the joint research to inform this report.

Contents

Foreword	4	
Executive Summary	6	
Introduction	10	
Policy Context	12	
Changes in the availability of affordable housing	12	
The use of the private rented sector	13	
Changes to financial support to pay rent in the private rental market	14	
Universal Credit must be a tool to prevent homelessness	18	
Local Housing Allowance rates should help stabilise people's housing and prevent homelessness	19	
Increasing the number of private landlords willing to let to tenants receiving Universal Credit	29	
Providing councils with the tools to better prevent homelessness	32	
Ensuring that Universal Credit rapidly responds to homelessness	36	
Enabling councils to rapidly respond to homelessness by opening up the private rental market and increasing landlord confidence in Universal Credit	39	
Additional pressures on tenants that interact with Local Housing Allowance rates	43	
Conclusion	44	
Appendix A	46	

Foreword

Homelessness is not inevitable. We know that in most cases it is preventable, and in every case, it can be ended. Countries and cities around the world have worked successfully to reduce and end all forms of homelessness. This is possible in Great Britain too.

Crisis research shows that unless there is a significant shift in current government policy, homelessness will more than double across Great Britain by 2041. The opportunity and time for change is now.

Last year, Crisis published our plan to end homelessness, *Everybody In: How to end homelessness in Great Britain*, setting out the policy changes needed to achieve this. We used evidence and research from both home and abroad, and the voices of people with experience of homelessness, to understand how to end homelessness for good. The report found that a robust welfare safety net that prevents and rapidly responds to homelessness is key to achieving this ambition.

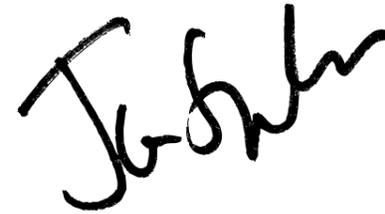
The introduction of Universal Credit presents a significant opportunity to ensure the welfare system operates to effectively prevent and respond rapidly to homelessness. Critical to this is ensuring that people on low incomes can access the financial support they need to secure their privately rented home and prevent homelessness from occurring in the first place. Our research shows that continued underinvestment in Local Housing Allowance rates is putting more people at risk of homelessness and hampering the ability of councils and Jobcentres to end homelessness for good. The end of a privately rented

tenancy has been the leading cause of homelessness in England for the past eight years.

With the current freeze on Local Housing Allowance rates coming to an end in 2020, the Westminster Government has a unique opportunity to restore these rates in line with the real cost of renting. This will have an immediate impact. It will provide the housing security that families and people at risk of homelessness who are living on the lowest incomes urgently need. Restoring rates to a level where they cover the cost of renting will enable Universal Credit to be a much more effective tool for preventing people's homelessness. It will also increase the success of the Homelessness Reduction Act (2017) in England, which places a much stronger emphasis on stabilising housing and preventing homelessness from occurring in the first place.

Investing sufficiently in Local Housing Allowance rates, so they cover the cost of rent, has the support of a wide range of organisations working in housing and homelessness. The Local Government Association, London Councils, the Residential Landlords Association, Shelter and the Chartered Institute of Housing, amongst others, support this call for investment. Investing in Universal Credit in this way, so that it covers

the cost of renting, should be a top priority for the government in the upcoming Spending Review. In doing so, significant progress will be made towards the Westminster Government's commitment to end rough sleeping by 2027. It will help to prevent many thousands of people from losing their homes and experiencing homelessness, the most acute form of poverty in Britain.



Jon Sparkes
Chief Executive, Crisis

Executive Summary

Ending homelessness in all its forms must be a top policy priority for government. Since 2010, rough sleeping in England has increased by 165 per cent despite a small drop of two per cent in the last 12 months.¹ In Scotland, statutory homelessness increased from April 2017 to March 2018,² and there is evidence of people having to stay for longer in unsuitable temporary accommodation.³ In Wales, official data shows there were 2,142 households in temporary accommodation in June 2018 – the highest number to date.⁴

To reverse these trends, and ultimately end homelessness, there must be a focus on tackling its root causes. Research and evidence show that the supply and availability of affordable homes for people on low incomes is essential to achieving this.⁵ A robust

welfare safety net must therefore be designed to be responsive to homelessness and housing insecurity, so that people on low incomes can afford and stabilise their housing.

The most economically viable way to provide enough affordable housing is to considerably expand the supply of social housing.⁶ However, until social housing can meet demand, people on low incomes must be able to find secure and stable housing in the private rented sector.

Yet the private rented sector is increasingly becoming an unviable option for resolving homelessness. In England, the lead cause of homelessness is the ending of an Assured Shorthold Tenancy in the private rental market, as tenants struggle to maintain or secure

accommodation.⁷ These are short tenancies, usually six to 12 months, and after this period tenants can be evicted even if they have fulfilled the agreements in their contract. In Wales, the ending of an Assured Shorthold Tenancy is also a growing cause of homelessness.⁸ The recent welcome announcement⁹ to end section 21 evictions¹⁰ in England and Wales is a significant step to help the private rented sector prevent and resolve homelessness.

Local Housing Allowance rates determine the maximum amount of financial support people on low incomes receive to assist with paying rent. They are now part of Universal Credit and should help

people to stabilise their homes and prevent homelessness when needed. Continued underinvestment in these rates is a factor in explaining homelessness from the private rented sector.¹¹

A series of changes to these rates since 2011 has meant support was reduced from covering 50 per cent of local rents to just under the cheapest third of local rents (30 per cent of rents). This support was then further eroded to cover an even smaller percentage of local market rents, finally culminating in an overall freeze from 2016 to 2020. As a result, in many parts of the country, Universal Credit is failing to support people to afford even the cheapest rents.

1 The government's rough sleeping count is based on estimates and counts of the number rough sleepers in England, carried out by councils between 1 October and 30 November 2018. The 2018 figures are a decrease of two 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. with Reid, B. (2018) *I won't last long in here: Experiences of unsuitable temporary accommodation in Scotland*. London: Crisis.

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

5 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.

6 Capital Economics (2018) *Saving through Social Rents: An assessment of the implications of building 100,000 social rent homes annually between 1997 and 2017*. London: Capital Economics

7 National statistics on homelessness in England <https://www.gov.uk/government/statistics/rough-sleeping-in-england-autumn-2018>

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

9 The Guardian (2019) 'Short-notice evictions face axe in tenant rights victory' <https://www.theguardian.com/society/2019/apr/15/short-notice-evictions-face-axe-in-tenant-rights-victory>

10 A section 21 eviction enables landlords to evict tenants without reason from an assured shorthold tenancy once the tenancy period has expired.

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



Research carried out by Crisis and the Chartered Institute of Housing in 2018 has shown that underinvestment in Local Housing Allowance rates mean that 92 per cent of areas in Great Britain were unaffordable to single people or a couple or a small family in 2018/19.¹² By nation, 97 per cent of areas in England, 82 per cent in Wales, and 67 per cent in Scotland were unaffordable within 2018/19 Local Housing Allowance rates.

The diminishing financial support for private renters on low incomes has meant there are often large shortfalls between Local Housing Allowance rates and people's rents. These shortfalls exist in many parts of the country, and often mean people are forced to find ways to cut back on essentials, or get into debt or rent arrears, in order to pay their rent. This significantly increases the risk of homelessness for many individuals and families.

Underinvestment in Local Housing Allowance rates also means that people who are already homeless have very limited housing options, placing them at risk of a prolonged or repeat experience of homelessness. This in turn places increased pressure on councils across Britain. Without sufficient social housing in many parts of the country, councils rely on the private rented sector to fulfil their statutory duties to prevent and relieve homelessness; to stabilise someone's housing if they are at risk of homelessness and either to provide help with rehousing, or accommodation where required.

However, in many places, due to reduced expenditure on Local Housing Allowance rates, councils struggle

to prevent people from becoming homeless from the private rented sector, or to rehouse people in a privately rented home. This results in increased expenditure on temporary accommodation. Government data for England shows that homelessness acceptances by local authorities in England have increased by 41 per cent (64 per cent in London) since April 2011, when Local Housing Allowance rates were first reduced.¹³ This has also led to a dramatic increase in the number of households living in temporary accommodation; up by 99 per cent across England since April 2011.¹⁴

Investing in Local Housing Allowance rates will provide a dramatic life line to struggling families and people on a low income. Levels of debt and rent arrears for people needing support from Universal Credit will reduce and, crucially, homelessness will be successfully prevented or relieved by councils and Jobcentres for significantly more people under Universal Credit.

The upcoming 2019 Spending Review presents a significant opportunity for government to end different forms of homelessness by investing in Universal Credit housing support (Local Housing Allowance). This would ensure that, when needed, the welfare system is an effective tool for preventing homelessness. Local Housing Allowance rates are an important part of housing and welfare policy and ought to be properly resourced so that, when needed, they sufficiently cover the costs of renting and successfully secure people's homes.

¹² Unaffordable is defined as 20 per cent or less of the private rented sector being affordable within Local Housing Allowance rates.

¹³ Ministry for Housing Communities and Local Government (2019) 'Acceptances and decisions live tables: January to March 2018 (revised)'. London: MHCLG.

¹⁴ Ministry for Housing Communities and Local Government (2019) 'Temporary accommodation live tables: January to March 2018 (revised)'. London: MHCLG

Introduction

There are more than 170,000 families and individuals across Great Britain experiencing the worst forms of homelessness.¹⁵ This includes people sleeping rough, in cars, tents, and public transport, or staying for extended periods of time in unsuitable temporary accommodation.

Crisis research shows that if there is no significant change to current homelessness, housing and welfare policy this number will more than double to 392,000 by 2041.¹⁶ But homelessness is not inevitable. With the right policies in place, we can reverse this trend and ultimately end homelessness in Great Britain altogether.

The Westminster Government has already taken important steps towards tackling homelessness. The introduction of the Homelessness Reduction Act (2017) in England has placed a sharper focus on prevention activity. In August last year, the Homelessness and Rough Sleeping Implementation Taskforce published the Rough Sleeping Strategy 2018 setting out its plan to halve rough sleeping in England by 2022 and end it altogether by 2027.¹⁷ The Scottish Government and Convention of

Scottish Local Authorities (COSLA) have gone further and have committed to ending homelessness and published a high-level action plan to achieve this, based on the recommendations of the Homelessness and Rough Sleeping Action Group (HARSAG).¹⁸ The Welsh Government has committed to ending youth homelessness by 2027, and has set up a Ministerial Taskforce to take this work forward.¹⁹

To deliver on these commitments and ensure the success of the Homelessness Reduction Act (2017) in England, it is essential that the Westminster Government takes steps to address wider issues that hamper efforts to prevent homelessness, including the supply and availability of affordable housing.

Crisis modelling on the future trends of the worst forms of homelessness has found that availability and affordability of housing are key drivers of homelessness. The modelling found that increasing the supply of affordable housing (including social housing) would reduce the expected increase in homelessness in 2041 by 35 per cent. Reversing cuts to financial support in the welfare system from

2015 onwards would have an even larger impact – reducing the expected increase by 47 per cent.²⁰

Simply put, housing and welfare policies have a significant impact on levels of homelessness in Great Britain. Securing a stable home provides people the best chance of moving on from homelessness or preventing it altogether, so they can focus on aspirations such as progressing in, or getting into, work.

A National Audit Office report found that cuts to the support people receive from the welfare system to cover rent in the private rented sector, have likely contributed to levels of homelessness in England.²¹ The leading cause of homelessness in England for the last eight years has been the ending of an Assured Shorthold Tenancy in the private rented sector.²² These are short tenancies, usually six to 12 months, and after this period tenants can be evicted even if they have fulfilled the agreements in their contract.

Government data shows that homelessness acceptances by councils in England due to the ending of an Assured Shorthold Tenancy has increased by 66 per cent (and have more than doubled in London) since 2011/12. This trend has coincided with reductions in financial support from the welfare system for low income private renters.²³ The ending of an Assured Shorthold Tenancy is also a growing cause of homelessness in Wales for people assessed by their local council.²⁴

This report will focus on how the welfare system, principally Universal Credit, can be an effective tool to prevent and rapidly respond to homelessness through providing sufficient support to cover the cost of renting to stabilise housing. As welfare policy is still largely the responsibility of the Westminster Government, this report will highlight the policy change and investment needed by the Department for Work and Pensions and HM Treasury to ensure the financial support to pay rent provided under Universal Credit is a truly effective tool for preventing homelessness.

15 Albanese, F. (2018) Crisis blog: 'What is the scale of homelessness on any given night?' <https://www.crisis.org.uk/about-us/the-crisis-blog/what-is-the-scale-of-homelessness-on-any-given-night/>

16 Bramley, G. (2017) *Homelessness Projections: Core homelessness in Great Britain summary report*. London: Crisis.

17 Ministry of Housing, Communities and Local Government Rough Sleeping Strategy 2018: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733421/Rough-Sleeping-Strategy_WEB.pdf

18 Scottish Government (2018) 'Ending homelessness and rough sleeping: action plan'. <https://www.gov.scot/publications/ending-homelessness-together-high-level-action-plan/>

19 Welsh Government Press Release 'New projects to prevent youth homelessness announced by First Minister' <https://gov.wales/new-projects-prevent-youth-homelessness-announced-first-minister>

20 Bramley, G. (2017) *Homelessness Projections: Core homelessness in Great Britain summary report*. London: Crisis.

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

22 Ministry of Housing, Communities and Local Government (2018) 'Live tables on homelessness: Initial decision tables' <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

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

24 Welsh Government (2018) *Post-implementation evaluation of Part 2 of the Housing Act (Wales) 2014: Final Report*. Cardiff: Welsh Government.

Policy context

Changes in the availability of affordable housing

Across Great Britain, there is a lack of decent, affordable homes for people on low incomes. While the scale of the problem varies across England, Scotland and Wales due to differing housing policies and market conditions, the supply of affordable housing falls short of current demand in all three nations.²⁵

Social housing has historically played a key role in providing stable and secure homes for people on the lowest incomes, who would otherwise struggle to rent privately or become homeowners. Yet the availability of social housing for low-income families and individuals has been declining significantly.²⁶

In England, limited investment into new homes for 'social rent'²⁷ has been a key driver of the reduction in supply. This has been further exacerbated by the conversion of some social rent homes to affordable rents. Affordable rents in England are priced at 80 per cent of market rents, which is often significantly higher than social rents. In areas of high housing costs, these rents remain out of reach for people on low incomes who are often reliant on financial support from the government to cover the cost of rent.

Between 2012 and 2018, just over 111,000 housing units at social rents were converted into affordable rents.²⁸ The stock of homes at social rents has also been eroded by the Right to Buy policy,²⁹ as there has not been sufficient replacement of homes sold with new stock at social rent levels.³⁰

25 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.

26 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.

27 The term 'social rent' refers to social housing subject to guideline target rents originally set with reference to manual earnings as well as other factors.

28 Regulator of Social Housing (2018) Private registered provider social housing stock in England 2017-18. Leeds: Regulator of Social Housing.

29 The Right to Buy scheme is a policy which gives secure tenants of councils and some housing associations the legal right to buy, at a discount, the council home they are living in.

30 Chartered Institute of Housing (2018) 'CIH calls on government to suspend right to buy as new figures reveal less than a third of homes sold since 2012 have been replaced' http://www.cih.org/news-article/display/vpathDCR/templatedata/cih/news-article/data/CIH_calls_on_government_to_suspend_right_to_buy_as_new_figures_reveal_less_than_a_third_of_homes_sold_since_2012_have_been_replaced

The overall effect of these changes has meant that the social housing sector in many parts of England is no longer able to provide a long-term housing safety net for low income households. Rather it acts as what has been termed an 'ambulance service' – helping those in most acute need for shorter periods of time.³¹ Crisis and the National Housing Federation jointly commissioned Heriot Watt to conduct an analysis of the scale of house building required to address the undersupply and end homelessness. The research found that over the next 15 years, around 90,000 homes at social rent are needed per year in England. This level of housebuilding could significantly reduce the worst forms of homelessness by the mid-2020s.³²

Housing policy has been devolved to Scotland since 1998. The Scottish Government has taken a number of measures to ensure the availability of affordable homes for people on low incomes, including the abolition of the Right to Buy policy and commitments to increase the stock of affordable homes. This has included committing to building 35,000 social rented homes between 2016 and 2021, which an independent review found the Scottish Government is on target to meet.³³ As a result there is a greater supply of affordable housing for people on low incomes, but there remain challenges with access to affordable housing in areas where demand still outstrips supply.

Housing policy is also the responsibility of the Welsh Government, which has committed to deliver 20,000 new affordable homes between 2016 and 2021, of which 2,600 homes a year will be assigned for social rent. This doubles the Welsh Government's previous target.³⁴ The government has also abolished Right to Buy. However, the pace of delivery of social rented homes is still raising questions as to whether supply can meet the level of need.³⁵ The Welsh Government is due to report on their review of affordable housing imminently.³⁶

The use of the private rented sector

The undersupply of affordable homes, particularly at social rent levels, has meant that people on low incomes are increasingly reliant on the private rented sector in all three nations. Furthermore, councils now have the power in England and Wales to discharge their statutory homelessness duty by providing a suitable offer of private rented sector accommodation.

Over the last decade in England, the private rented sector has doubled in size to 4.5 million households.³⁷ The same trend has been seen in Wales, with the private rented sector doubling from 2007 to 2017,³⁸ prompting new regulation in the Housing (Wales) Act (2014).³⁹ Similarly, in Scotland the

31 Stephens, M. Perry, J., Wilcox, S. Williams, P. & Young, G. (2018) *2018 UK Housing Review*. Coventry: Chartered Institute of Housing.

32 Bramley, G. (2018) *Housing supply requirements across Great Britain for low income households and homeless people*. London: Crisis and the National Housing Federation.

33 Young, G. and Donohoe, T. (2018) *Review of Strategic Investment Plans for Affordable Housing*. Edinburgh: SFHA/Equality & Human Rights Commission/Shelter Scotland.

34 Smith, B. (2018) *Social housing in Wales*. Cardiff: UK Collaborative Centre for Housing Evidence.

35 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.

36 Welsh Government (2018) 'Review of affordable housing supply in Wales announced by Minister' <https://gov.wales/review-affordable-housing-supply-wales-announced-minister>

37 Ministry of Housing, Communities, and Local Government (2018) 'English Housing Survey 2017 to 2018: headline report' <https://www.gov.uk/government/statistics/english-housing-survey-2017-to-2018-headline-report>

38 Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B. and Wood, J. (2017) *The Homelessness Monitor: Wales 2017*. London: Crisis.

39 Chartered Institute of Housing Cymru (2014) 'Fact sheet: the private rented sector in Wales'. http://www.cih.org/resources/PDF/Wales%20Policy/prs_factsheet_english_language.pdf

private rented sector now houses 15 per cent of households compared to just five per cent in 1999.⁴⁰ The Scottish Government has introduced a series of reforms through the Private Housing (Tenancies) (Scotland) Act (2016), including increased security of tenure and a framework for rent regulation.⁴¹ Given that current need and demand is outstripping supply across all tenures, there is likely to be a continuing role for the private rented sector to bridge the supply gap in Scotland.⁴²

Growing reliance on the private rented sector across all three nations has resulted in increased demand for a limited supply of properties in many areas. A higher proportion of working age private renters spend more than a third of their income on housing, compared to people of working age living in other housing tenures,⁴³ and a growing proportion of people on the lowest incomes spend more than a third of their income on housing.⁴⁴

Despite people spending more on their rent, across all three nations homes in the private rented sector are also of poorer quality than other tenures.⁴⁵ As poor conditions tend to be concentrated at the lower-cost end of the private rented sector, people on low incomes, including people experiencing homelessness, are disproportionately impacted.⁴⁶

Paying rent is a non-negotiable expense. When faced with an unexpected increase in financial outgoings, low incomes households have to make difficult decisions about how to manage their money. This means sometimes being forced to borrow from expensive lenders or cut back on essential spending for food and other basics to reduce outgoings. Failing to pay rent puts households at significant risk of losing their home and becoming homeless.

When needed, the welfare system provides people on low incomes with financial support for housing costs. Under Universal Credit, this support is set at the same level as it was under the Housing Benefit system through Local Housing Allowance rates. Financial support for housing costs provides a vital lifeline for around 1.1 million households renting privately.⁴⁷

Changes to financial support to pay rent in the private rental market

Under Universal Credit, Local Housing Allowance rates set the maximum amount of financial support someone can receive towards covering the cost of their rent in the private rented sector, based on the size of the property. The rates have been carried over from the previous Housing Benefit system and incorporated into

40 Fitzpatrick, S., Pawson, H., Bramley, G., Watts, B., Wood, J., Stephens, M., and Blenkinsopp, J. (2019) *The homelessness monitor: Scotland 2019*. London: Crisis.

41 Fitzpatrick, S., Pawson, H., Bramley, G., Watts, B., Wood, J., Stephens, M., and Blenkinsopp, J. (2019) *The homelessness monitor: Scotland 2019*. London: Crisis.

42 Trevillion, E. and Cookson, D. (2016) *Demand patterns in the private rented sector in Scotland: time to commit to residential investment?* Edinburgh: Homes for Scotland.

43 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

44 Joseph Rowntree Foundation (2017) 'Housing costs': <https://www.jrf.org.uk/data/housing-costs>

45 Ministry of Housing, Communities, and Local Government (2018) 'English Housing Survey 2017 to 2018: headline report' <https://www.gov.uk/government/statistics/english-housing-survey-2017-to-2018-headline-report>; Scottish Government (2017) *Scottish Housing Conditions Survey Key Findings*. Edinburgh: Scottish Government; Welsh Government (2018) *Welsh Housing Conditions Survey* (headline results: April 2017 to March 2018). Wales: Welsh Government

46 Smith, M., Albanese, F., Truder, J. (2014) *A roof over my head. The final report of the sustain project*. London: Crisis/Shelter Cymru (2016) *Assessing and sustaining social tenancies*. Swansea: Shelter Cymru.

47 Housing Benefit caseload statistics: <https://www.gov.uk/government/statistics/housing-benefit-caseload-statistics>

Universal Credit. The rates were first put in place in the UK in 2008.

A series of national government policy changes to Local Housing Allowance rates has eroded the level of support people on low incomes receive to help cover the cost of their rent. The rates were originally calculated to cover local rents within an area⁴⁸ at up to 50 per cent of the market, and a household size of up to five-bedrooms. This included having a lower rate for people under 25, called the Shared Accommodation Rate, which assumed that most young people would live in a shared property.⁴⁹

In 2011, the rates were changed so that they were calculated to cover local rents up to 30 per cent (the 30th percentile) of the market and a household size of up to four-bedrooms. This meant that people receiving Local Housing Allowance rates could afford just under a third of the cheapest rents in an area. At the same time, national weekly caps were put in place so that in areas of very high housing costs, such as London, the rates could not go above a certain limit, even if this resulted in less than 30 per cent of the market being covered by the rates.

From 2013, the Local Housing Allowance rates were no longer calculated to cover up to 30 per cent of local rents in an area but were instead increased by the Consumer Price Index (CPI). This index is a much poorer indicator of changing rental prices, meaning the Local Housing Allowance rates were detached from local private rents.⁵⁰ In 2014 and 2015, the rates were then only increased by one per cent.

48 Local Housing Allowance rates are set by specific areas known as Broad Rental Market Areas (BRMA). How BRMAs are defined are set by the Westminster Government, and it must take into account reasonable access to facilities and health, education, personal banking and shopping services. It should also consider the travel and public transport available in terms of accessing these services. There are 152 BRMAs in England, 22 in Wales, and 18 in Scotland.

49 Housing Benefit: Shared Accommodation Rate Standard Note SN/SP/5889 <https://researchbriefings.files.parliament.uk/documents/SN05889/SN05889.pdf>

50 Chartered Institute of Housing (2018) *Missing the target: Is Targeted Affordability Funding doing its job?* Coventry: Chartered Institute of Housing.

51 Wilson, W., Barton, C. (2017) *Local Housing Allowance caps and the social rented sector*. London: House of Commons Library.

This resulted in the rates becoming further detached from local private rents. In areas where private rents were rising, Local Housing Allowance rates were increasingly leaving people with a large gap between the financial support they received and their monthly rent. In 2015, the Shared Accommodation Rate was extended from under 25s to under 35s. In 2016, the Local Housing Allowance rates were frozen completely for four years until 2020. The cumulative effect of policy changes to Local Housing Allowance rates since 2011 has resulted in a significant erosion of the support people can receive from the government to help with the cost of their rent.

To mitigate some of the impact of these changes on the ability of low-income renters to afford the private rented sector, the Westminster Government put in place Targeted Affordability Funding to allocate additional funding to areas of high housing costs in 2014. Targeted Affordability Funding is generated from the savings that have been made by the changes to Local Housing Allowance rates since 2013.

The funding is used to uplift Local Housing Allowance rates by around three per cent. The overall amount of funding is limited and so it is allocated to areas where housing costs are high. This is calculated by looking at which areas the Local Housing Allowance rates cover less than five per cent of the private rented market.⁵¹ In recent years, the government has taken welcome steps to increase the amount of Targeted Affordability Funding so it



can be provided in more areas across the UK.⁵²

However, research shows that despite investment from Targeted Affordability Funding, underinvestment in Local Housing Allowance rates continues to negatively impact the ability of private renters to cover the cost of their rent and secure their home.⁵³ This is because allocating the funding where the private rented sector is least affordable means it tends to go to areas where rents have been growing fastest. As the funding only increases Local Housing Allowance rates by a limited amount, it cannot entirely make up the gap between the rates

and market rents, and so the impact depends on how much rents in an area have increased.

Analysis by Crisis and the Chartered Institute of Housing of the Local Housing Allowance rates for shared, one-bedroom, and two-bedroom properties showed that in three-quarters (74%) of the areas where Targeted Affordability Funding was allocated last year, only five per cent or less of the private rented sector was priced within Local Housing Allowance rates.⁵⁴

⁵² HM Treasury Budget 2018: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752202/Budget_2018_red_web.pdf

⁵³ Chartered Institute of Housing (2018) *Missing the target: Is Targeted Affordability Funding doing its job?* Coventry: Chartered Institute of Housing.

⁵⁴ See Appendix A for full methodology.



Universal Credit must be a key tool to prevent homelessness

The best way to tackle homelessness is to stop it happening in the first place. There is a significant human cost to homelessness. Repeat and entrenched homelessness damages people's physical and mental health, family relationships, employment prospects and life chances.

Research commissioned by Crisis found that the failure to deal with homelessness early is significantly impacting on the severity of people's support needs.⁵⁵ Fifty-six per cent of people who had faced five or more periods of homelessness also reported having five or more life experiences likely to result in a support need.⁵⁶ This also makes it harder for people to move on from homelessness when it does happen.

This has significant cost implications for homelessness services, physical and mental health services, and the criminal justice system.⁵⁷

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. The welfare system should be a robust safety net that prevents homelessness from happening in the first place and rapidly provides financial support for people if they do become homeless, so that they can quickly secure housing.

⁵⁵ Mackie, P. and Thomas, I. (2014) *Nations Apart? Experiences of single homeless people across Great Britain*. London: Crisis.

⁵⁶ Mackie, P. and Thomas, I. (2014) *Nations Apart? Experiences of single homeless people across Great Britain*. London: Crisis.

⁵⁷ Pleace, N. and Culhane, D.P. (2016) *Better than Cure? Testing the case for Enhancing Prevention of Single Homelessness in England*. London: Crisis.

The introduction of Universal Credit creates an opportunity to ensure that the welfare system operates effectively to prevent homelessness by providing timely and sufficient financial support for people to be able to pay rent and secure stable housing. Much of the focus on Universal Credit to date has been on how the system functions, including errors and delays. Under Universal Credit housing costs are no longer received separately and so it will be harder to understand the impact of underinvestment in Local Housing Allowance rates.

However, the underinvestment in Local Housing Allowance rates is seriously impeding the ability of Universal Credit to operate effectively to prevent and respond to homelessness. There is an urgent need to review Local Housing Allowance levels to ensure they are not undermining the ability and ultimate success of Universal Credit to stabilise people's housing situation and prevent homelessness. Urgent investment in Local Housing Allowance rates will ensure Universal Credit can stabilise housing and therefore operate effectively as a robust homelessness prevention tool.

Local Housing Allowance rates should help stabilise people's housing and prevent homelessness

In 2018, Crisis and the Chartered Institute of Housing carried out joint research on the continued underinvestment in Local Housing Allowance rates. The research examined the impact on the ability of people receiving Universal Credit to afford somewhere to live in the private rented sector up to April 2019. We looked at what single people, couples, and small families could afford within Local Housing Allowance rates for

2018/19 if they need to live in shared accommodation, a one-bedroom property, and a two-bedroom property respectively.⁵⁸

Looking at affordability within Local Housing Allowance rates for 2018/19 reveals the challenge these households face when living in private rented accommodation if they experience a drop in income, for example from loss of employment, illness or caring responsibilities. This would mean they would require support from Universal Credit to pay their rent while they are unable to work.

The research found that across Great Britain, 61 per cent of areas were unaffordable⁵⁹ within Local Housing Allowance rates for 2018/19 to single people, couples, and small families, and 92 per cent were unaffordable to at least one of these household types. This is despite £40 million of Targeted Affordability Funding in 2018/19. This reveals the extremely limited choices people receiving Universal Credit have in finding and keeping secure and stable housing in the private rented sector.

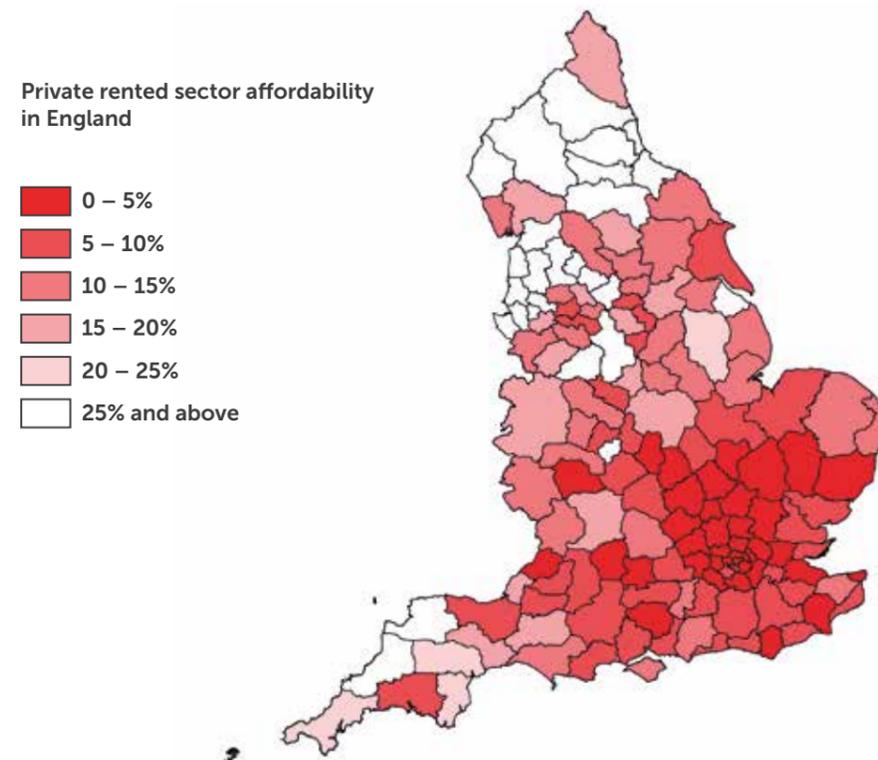
When broken down by nation, households in England face the biggest challenge with 97 per cent of areas unaffordable for at least one household type. This means that across most of England, households are left with impossible decisions about how to address the gap between the cost of their rent and the amount of financial support available to them from Universal Credit.

Figures 1.1 and 1.2 show the difficulties of finding affordable accommodation within Local Housing Allowance rates for couples needing a one-bedroom property and small families needing a two-bedroom property.

⁵⁸ Small families are defined as a couple with two children of school age, or a single parent with one child of school age. Please see Appendix A for more details on the research methodology.

⁵⁹ Unaffordable is defined here as 20 per cent or less of the private rented market available within the Local Housing Allowance rate.

Figure 1.1 Percentage of the private rented sector that couples needing a one-bedroom property can afford in England within Local Housing Allowance rates for 2018/19



Source: Crisis and CIH analysis using Valuation Office Agency data.

The maps show that stabilising housing in the private rented sector is most challenging in the regions of London and the South East. In places like Hackney, Islington, and Tower Hamlets, small families could find housing within the Local Housing Allowance rate for a two-bedroom property in just two per cent of the market. Couples needing a one-bedroom property don't fare much better, with just four per cent of the market affordable within the rates.

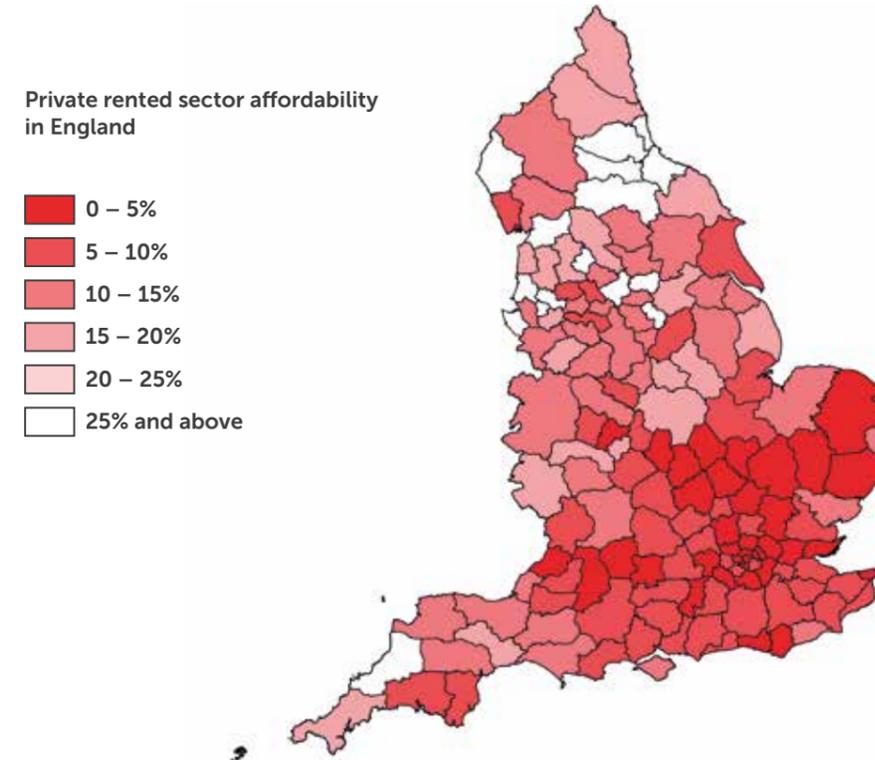
But even further out in the South East where housing is typically more affordable, households face serious challenges to find housing within Local Housing Allowances rates. In Hastings, 2018/19 Local Housing Allowance rates only covered 13 per cent of the market for small families needing a two-bedroom property, and just seven

per cent for couples needing a one-bedroom property. In Portsmouth, couples could afford just eight per cent of the market, and small families could afford just seven per cent.

However, the problem is not just concentrated in London and the South East. As the maps show, in most regions, the Local Housing Allowance rates fail to cover at least 20 per cent of the private rented sector, and in some places, particularly in and around larger cities, affordability is as challenging as in London and the South East.

In many of these places, households have to cover significant shortfalls in their rent to be able to afford just under the cheapest third of rents in the private rented sector. With almost two-thirds of low-income private

Figure 1.2 Percentage of the private rented sector that small families needing a two-bedroom property could afford in England within Local Housing Allowance rates for 2018/19



Source: Crisis and CIH analysis using Valuation Office Agency data.

renters having no savings at all⁶⁰ this leaves people facing impossible choices about whether to pay rent or fall into rent arrears in order to pay for food and essential bills. An early evaluation from the Department for Work and Pensions on the impact of underinvestment into Local Housing Allowance rates found that tenants were already being forced to cut back on household essentials or borrow money from family and friends.⁶¹

Table 1.1 provides a comparison of some of the largest gaps between Local Housing Allowance rates in 2018/19 and the 30th

percentile of rents for small families in different regions.

These gaps have a significant impact on individuals and families' ability to retain their home. A small family living in York and receiving Local Housing Allowance faced a gap of £53.40 a month to be able to afford rent in just under the cheapest third of the market. With the average household in the Yorkshire region spending £52.90 a week on food⁶², this is more than a week's worth of food to make up from other income to be able to secure their housing.

⁶⁰ Shelter (2017) *General Election 2017: The case for living rent homes*. London: Shelter England.

⁶¹ Department for Work and Pensions (2015) *The impact of recent reforms to Local Housing Allowances: Summary of key findings*. London: Department for Work and Pensions.

⁶² Office for National Statistics, Average family spend in the UK tables: <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/bulletins/familyspendingintheuk/financialyearending2018>

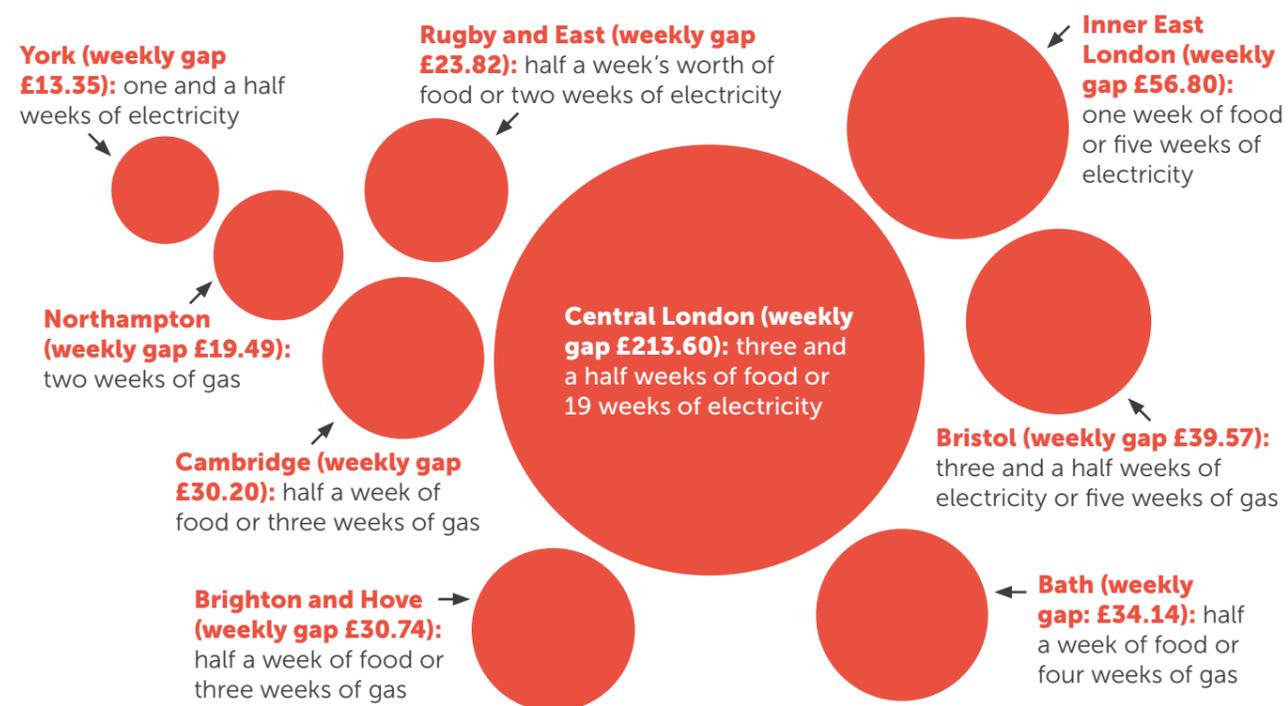
Table 1.1 Low affordability areas with large shortfalls for small families in a two-bedroom property by region

Region	Low affordability areas (Broad Rental Market Area) for small families		Amount needed per week to afford 30 per cent of the market
North East	Northumberland	17%	£3.45
	Tyneside	18%	£3.45
North West	Southern Greater Manchester	7%	£15.67
	Central Greater Manchester	11%	£16.95
Yorkshire and the Humber	York	12%	£13.35
	Harrogate	12%	£12.66
East Midlands	Northants Central	3%	£17.46
	Northampton	5%	£19.49
West Midlands	Rugby and East	1%	£23.82
	Warwickshire South	6%	£17.74
East of England	South West Herts	1%	£38.77
	Cambridge	2%	£30.20
London	Central London	0%	£213.60
	Inner East London	2%	£56.80
South East	Brighton and Hove	5%	£30.74
	Guildford	9%	£30.19
South West	Bristol	1%	£39.57
	Bath	7%	£34.14

In some regions, the gap between rents at the 30th percentile and Local Housing Allowance rates are typically lower. However, this still places unsustainable financial pressures on low income households as they have to budget to make up the gap. For example, in areas in the North East like Newcastle and Gateshead, a small family receiving Local Housing Allowance would have to pay £13.80 a month to afford rent in just under the cheapest third of the market.

While this is significantly less than the gap faced by families living in York,

this is still more than the amount that households in the North East on average spend per week on bills for gas or electricity, which is £11.50. This can mean families with children having to cut back on a week's worth of heating to be able to make rent payments. For households unable to work, this is also made more difficult as all working-age benefits have been frozen since 2016. These choices put families and individuals at risk of homelessness as they struggle to manage due to inadequate financial support from Universal Credit to pay their rent.

What is the weekly gap between rents and 2018/19 Local Housing Allowance rates worth to small families?

Source: Crisis analysis of Valuation Office Agency data and Office of National Statistics data of average weekly household expenditure data by region in 2018. Calculations rounded.

The shortfalls households face each month between the cost of their rent and the amount they receive to cover their rent via Universal Credit substantially increases the likelihood of them falling into rent arrears. These households are also likely to face additional pressures on their finances as they may be paying back loans, debts, or money owed to the Department for Work and Pensions. Research by Shelter has found that one in six of private renters on the lowest 20 per cent of incomes are or have been in rent arrears.⁶³

Low income households are also more likely to be in debt at the start of

their Universal Credit claim because there is an initial minimum five week wait before people receive their first payment. People receiving Universal Credit can take out an advance from the Department of Work and Pensions, which is paid back each month. Last year, the National Audit Office found that take up of advance payments was at 60 per cent of claimants.⁶⁴ Deductions for advances, or for other loans and debts, leave households with even less money available to make up shortfalls in their rent.⁶⁵ This leaves people very vulnerable to rent arrears and homelessness.

⁶³ Shelter (2017) *General Election 2017: The case for living rent homes*. London: Shelter England.

⁶⁴ National Audit Office (2018) *Report by the Comptroller and Auditor General: Rolling Out Universal Credit*. London: National Audit Office.

⁶⁵ 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

David*, 25, Croydon

"I was sofa surfing – staying with my mum and with friends. Before coming to Crisis, I tried to look for a place myself, I looked on sites like Gumtree and a few others, but they never come back to you. They said they would phone back but they never do, so I couldn't find anywhere.

A lot of places I looked at was made impossible because of the Local Housing Allowance – it would mean I'd have to pay too much money out of other money available in Universal Credit. On top of that, the places were awful... one of the first places I looked at was in Peckham, it was tiny, like a prison cell...it was really small. The first few viewings were all like that, I thought it was all I could get. They were all tiny with furniture in really bad condition.

I'm relentless though... if you've got my energy you'll probably find somewhere but I imagine people would get really disheartened. Even with me it got to the point where I was going to accept anything...to be honest I

accepted something of bad quality like all those I had seen. But the flat I accepted on the ground floor had to be given to someone else, so they moved me upstairs and it's a much better place – bigger and cleaner. I got lucky.

I'm still paying about £30 to £40 a month to cover my rent that isn't covered by Local Housing Allowance rates though. I make it work but it is tight. You have to shop smart, like with food. I can get a product of higher quality or get more of something with lower quality. I have to freeze a lot of things!

It would be really hard if I got a big bill. The electricity is a killer... I have the meter door open all the time so I can see the meter. The first time I showered I saw it took £1 off! I never used to understand why when I was younger my mum would go around turning off lights and shutting down my playstation... but now I get it".

*This is a pseudonym to protect their identity.

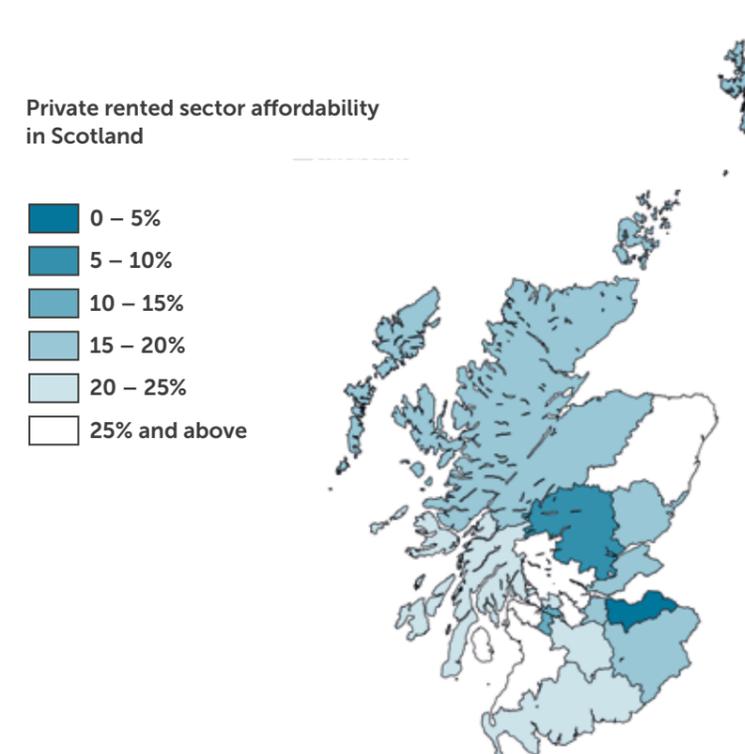
In Scotland and Wales, the impact of underinvestment in Local Housing Allowance rates varies more widely than in England. However, it is still a barrier to preventing homelessness. Crisis' joint research with the Chartered Institute of Housing shows that in Scotland, 67 per cent of the private rented sector is unaffordable for at least one household type considered in the research.

For both couples and small families, finding rents that are affordable within 2018/19 Local Housing Allowance rates was difficult in just under half of the country (eight of 18 areas). As shown in figure 1.3, couples needing a one-bedroom property would struggle most to secure housing in Lothian and Greater Glasgow. In these areas, just three and 13 per cent of the private rented sector is affordable within Local Housing Allowance rates respectively.

In the Lothian area, a couple receiving Universal Credit and living in a one-bedroom property would have to budget for an extra £20.22 a week to be able to afford just under the cheapest third of rents. In Greater Glasgow, they would have to find an extra £11.50 a week.

Small families face an even greater challenge as they are forced to budget for much larger gaps. Table 1.2 shows the proportion of the market that small families could afford within Local Housing Allowance rates for 2018/19 in the most expensive areas in Scotland, and how much they would have to find per week to be able to afford just under the third cheapest rents.

Figure 1.3 Percentage of the private rented sector that couples needing a one-bedroom property can afford in Scotland within Local Housing Allowance rates for 2018/19



Source: Crisis and CIH analysis using Rent Service Scotland data.

This is significant as in Scotland over the last decade there has been a shift in the types of households now renting privately. Almost one-quarter of households in the private rented sector have children. Lone parents are now almost as likely to live in the private rented sector as single adults (24 per cent compared to 25 per cent) and are more likely than working age couples without children (20 per cent) to live in the private rented sector. Couples with one or two children are also now more likely to live in the private rented sector, up from three per cent in 1999 to 14 per cent now.⁶⁶

These households will need at least a two-bedroom property in the private rented sector. This puts pressure on the private rental market as there is more demand for the same properties. As Local Housing Allowance rates are falling so far short of providing the support needed, this makes it less likely that small families needing support from Universal Credit will be able to rent somewhere they can afford.

⁶⁶ Fitzpatrick, S., Pawson, H., Bramley, G., Watts, B., Wood, J., Stephens, M., and Blenkinsopp, J. (2019) *The homelessness monitor: Scotland 2019*. London: Crisis.

Mike*, 34, Crisis client

"I used to have a private tenancy of my own that I managed fine, but I went to prison and I lost it. I just didn't realise how hard it would be to find somewhere to live when I came out.

When I came out of prison I wasn't able to work, and eventually I was awarded Employment and Support Allowance (ESA). I'm 34 and wanted to live in Sunderland, and so I was only entitled to the Shared Accommodation Rate of Local Housing Allowance of £207 a month.

I couldn't find a property for that and so I had to use my ESA to top up my Local Housing Allowance, even though that isn't what it is for. I found a property where the rent was £345 and I was just about able to afford it.

I then moved from ESA to Universal Credit, and my benefits went down even though I still wasn't able to work. I was just getting the standard Universal Credit allowance of £317 and the Local Housing Allowance rate of £207, and I just couldn't afford the rent any more.

I tried to sort it out with the Jobcentre but it was so difficult. There were times when it drove me to the edge, and I often had to make a decision to eat, heat

my flat, or pay my rent. I went into rent arrears of £900 and I didn't know where to turn.

I got advice from Crisis and my local council. I got a Discretionary Housing Payment which was a huge help. If that hadn't happened I would have eventually been homeless and I dread to think how I would have coped.

I had a Housing Coach at Crisis and I get help with my mental wellbeing. The support I received from Crisis has been phenomenal and without it I am not sure that I would still be here.

My benefits have now been sorted out and I receive a limited work capacity payment so I can afford the rent. I still think it's wrong that I have to use this to top up my Local Housing Allowance.

I think the government should invest more in Local Housing Allowance because it just isn't possible in lots of areas to find a property without having to top up the rent.

I am now volunteering in the Café at Crisis and it is my ambition to become a pastry chef."

*This is a pseudonym to protect their identity.

Table 1.2 Low affordability areas in Scotland and the amount needed for small families to afford 30 per cent of the market

Low affordability areas (Broad Rental Market Areas) for small families	Percentage of the local private rental market affordable within Local Housing Allowance rates	Amount needed per week to afford 30 per cent of the market
Lothian	7%	£28.57
East Dunbartonshire	8%	£10.05
West Lothian	8%	£14.64
Greater Glasgow	9%	£21.55
Perth and Kinross	12%	£9.13
Forth Valley	15%	£5.76
Highlands and Islands	17%	£4.35
Fife	18%	£3.30

In Wales, the impact of underinvestment in Local Housing Allowance rates has meant that 82 per cent of the private rented sector was unaffordable to at least one type of household among single people, couples, and small families. Areas of high demand for housing present the biggest challenges to these households.

For example, couples needing a one-bedroom property could afford just 11 per cent of private rents within Cardiff, and face having to budget for an extra £11.51 a week to be able to find somewhere to live in just under the third cheapest rents. Overall, a one-bedroom property was unaffordable in just under a third (seven of 22) of areas in Wales as shown in figure 1.4.

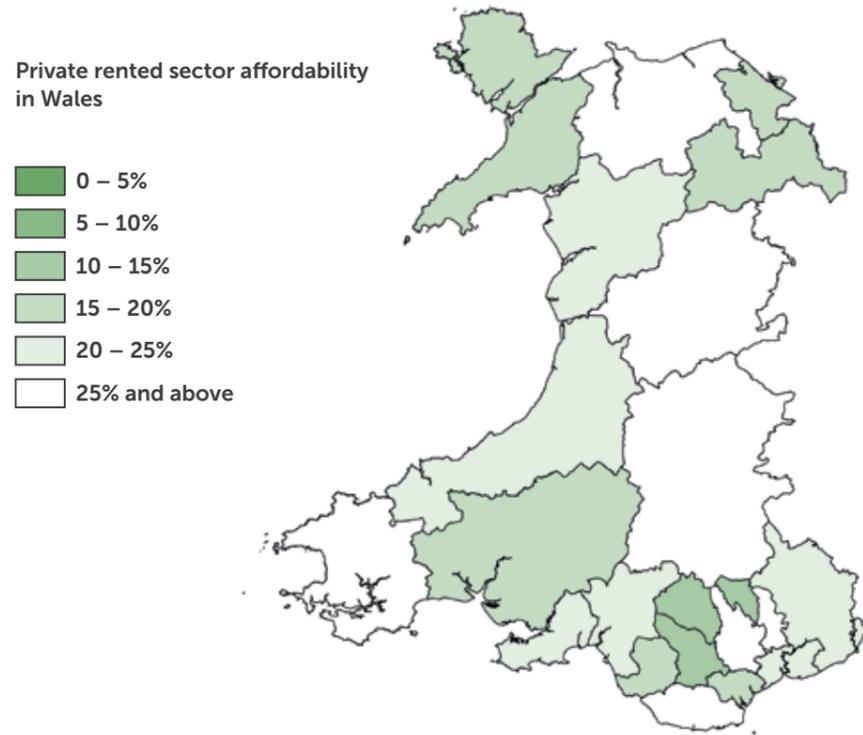
Similarly, for small families there are areas in Wales where they will particularly struggle to find housing unless they top up the support from Universal Credit to pay their rent by dipping into other benefits or incurring debt. Small families needing a two-bedroom property face the largest gaps between their actual rents and Local Housing Allowance rates. In Cardiff, small families could afford just ten per cent of the private rented market within Local Housing

Allowance rates and face a gap of £16.92 per week to afford just under the cheapest third of rents. Similarly, just 16 per cent of rents in the Vale of Glamorgan and 17 per cent in North West Wales are affordable within the rates, with families having to budget to find an extra £11.51 and £8.68 per week respectively to afford 30 per cent of the market.

However, the most significant problem in Wales from Local Housing Allowance rates is from the Shared Accommodation Rate for single people under the age of 35. In fact, the Shared Accommodation Rate presents a particular challenge across all three nations as shown in figure 1.5.

In England, shared accommodation was unaffordable within the Shared Accommodation Rate in 123 out of 182 areas (81% of the country). This includes more than a quarter of the country (27%) where less than five per cent of rents were affordable within the rates, and 12 areas (8%) where there is no shared accommodation affordable within the rates. In Scotland and Wales, accommodation was unaffordable within the Shared Accommodation Rate in 55 and 50 per cent of the countries respectively.

Figure 1.4 Percentage of the private rented sector that couples needing a one-bedroom property could afford in Wales within Local Housing Allowance rates for 2018/19



Source: Crisis and CIH analysis using Rent Officers Wales data.

In Wales this means that there was no shared accommodation that is affordable within the rates in Caerphilly and the Vale of Glamorgan.

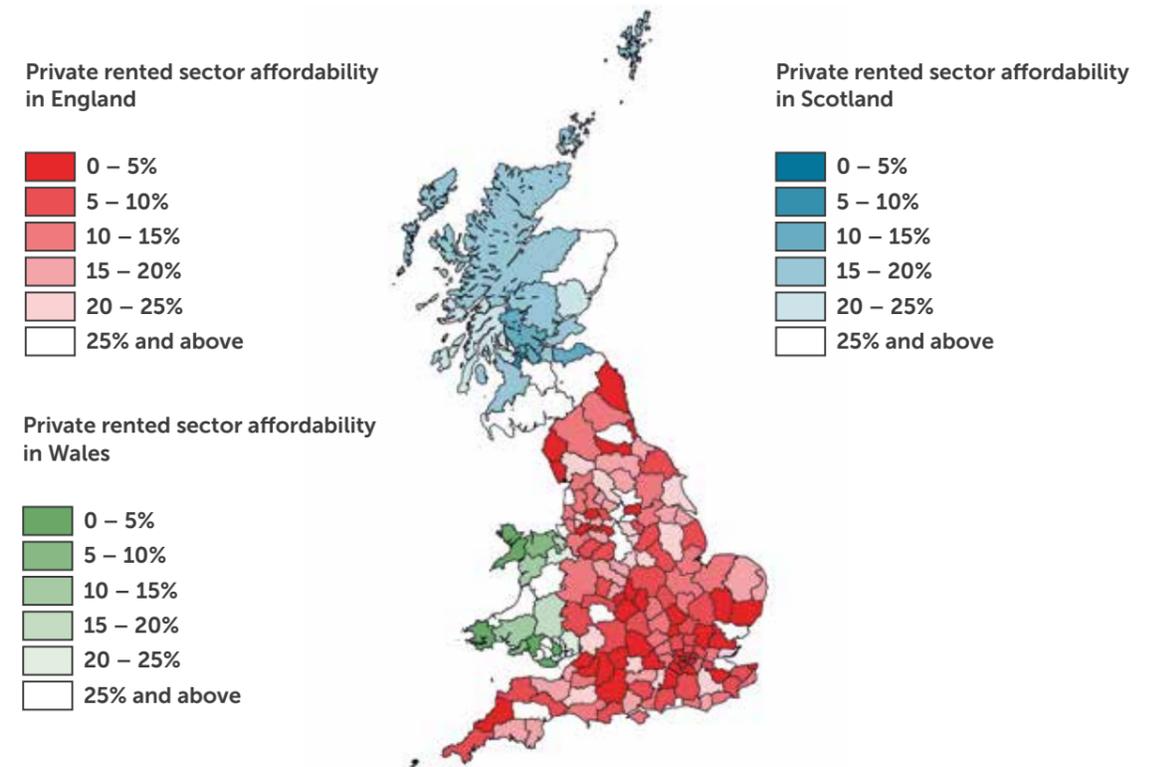
Young people tend to need to budget for smaller amounts to cover the costs of rent, as the gaps between the Shared Accommodation Rate and the cheapest rents tend to be less than the gaps faced by couples and small families. However, this does not mean young people are at less risk of homelessness than couples and small families, as they receive less financial support overall from Universal Credit.

For example, in York, the gap between the Shared Accommodation Rate and the 30th percentile of market rents is £23.40 a month. For couples needing a one-bedroom property it is £59.84 a

month, and for small families needing a two-bedroom property it is £53.40 a month. However, young people aged under 25 have a standard monthly allowance from Universal Credit of £251.77 to live off, whereas someone aged over 25 has a standard monthly allowance of £317.82 and joint claims for over 25-year olds receive £498.89 per month.

This means that younger people have less income from which to both live off and try to make up any gaps between their rent and Local Housing Allowance rates. For example, a young person aged under 25 living in the North West Wales area and needing support from Universal Credit can receive up to £251.77 a month to pay for bills, food and other basic living essentials. With £37 a month needed

Figure 1.5. Percentage of the private rented sector that under 35s could afford in Great Britain within Shared Accommodation Rates for 2018/19



Source: Crisis and CIH analysis using Valuation Office Agency data, Rent Service Scotland data, and Rent Officers Wales data.

to cover the shortfall in rent, this would leave them with just £214.77 a month to live off, or £53.62 a week. Particularly given the likelihood of additional payments towards debt recovery being taken out of this monthly amount, this leaves young people with very little to live off.

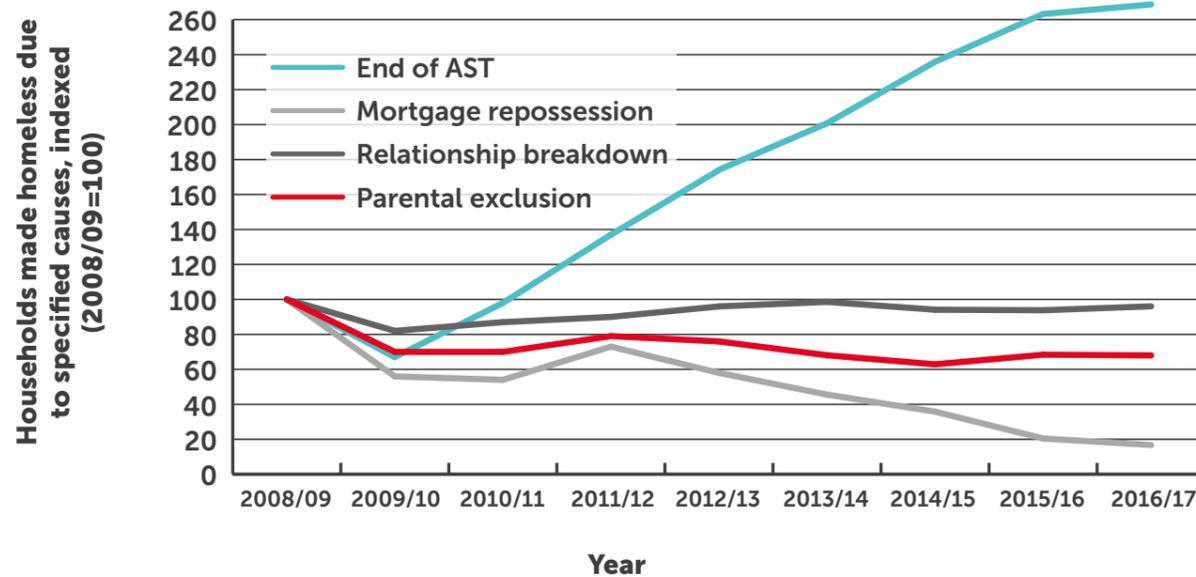
Investing in Local Housing Allowance would have a significant positive impact on the stability of housing for people on low incomes living in the private rented sector. This additional investment would substantially reduce the severe financial shortfalls households experience; helping thousands of families and young people and giving them a lifeline from

Universal Credit when they need urgent financial support to secure their homes and avoid homelessness.

Increasing the number of private landlords willing to let to tenants receiving Universal Credit.

The research outlined has shown that the gaps between 2018/19 Local Housing Allowance rates and the cost of the cheapest rents makes it extremely difficult for people on low incomes to afford their rents. This means households are falling into rent arrears, which inevitably results in increased pressure on private landlords.

Figure 1.6 Change in number of households in England made homeless due to selected immediate causes, 2008/09 – 2016/17 – indexed



Source: The homelessness monitor England 2018

“More people on low incomes are living in the private rented sector – numbers living in poverty in the private rented sector doubled in a decade. This means there are more marginal/precarious tenancies, households who are at risk of homelessness due to income shocks, welfare reforms, etc.”⁶⁷
Participant in Manchester Metropolitan University research.

As discussed, in many areas the gaps are large and extremely challenging to overcome. This means that to avoid creating severe financial pressure on tenants, private landlords would need to substantially lower their rents to meet Local Housing Allowance rates. This pressure on tenants and landlords is particularly acute in England, where

the ending of an Assured Shorthold Tenancy in the private rented sector is the single biggest cause of homelessness.⁶⁸ It has accounted for 78 per cent of the rise in homelessness from 2011 to 2017,⁶⁹ as shown in figure 1.6.

Research carried out by Manchester Metropolitan University in England between June 2017 and July 2018, on behalf of the Residential Landlords’ Association, found that the underinvestment in Local Housing Allowance rates is a key driver of the increase in homelessness from the private rented sector as people struggle to cover their full rent.⁷⁰

This is also reflected in early research by the Department for Work and

67 O’Leary, C., O’Shea, S., and Albertson, K. (2018) *Homelessness and the Private Rented Sector*. Manchester: Manchester Metropolitan University.

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

69 Shelter (2017) ‘Eviction from a private tenancy accounts for 78% of the rise in homelessness since 2011’: https://england.shelter.org.uk/media/press_releases/articles/eviction_from_private_tenancy_accounts_for_78_of_the_rise_in_homelessness_since_2011

70 O’Leary, C., O’Shea, S., and Albertson, K. (2018) *Homelessness and the Private Rented Sector*. Manchester: Manchester Metropolitan University.

Pensions on landlords. The research found that 37 per cent of landlords had evicted, not renewed, or ended tenancies of tenants in receipt of Local Housing Allowance since April 2011. In comparison, 27 per cent of landlords had taken no action against non-Local Housing Allowance tenants.⁷¹ This means landlords were more likely to take action increasing the risk of homelessness for tenants receiving Local Housing Allowance than those that were not.

This reaction from private landlords is particularly noticeable in areas where the gaps between Local Housing Allowance rates and market rents are impossible for households on low incomes to overcome through budgeting. This means their tenants are more likely to fall into rent arrears, which is unsustainable particularly for smaller landlords. As the private rented sector is characterised by small landlords, with just three per cent of residential stock accounted for by mainstream commercial property investors,⁷² this puts tenants at risk of homelessness.

“We have sadly moved away from letting to Housing Benefit tenants as they have struggled to make any top-up payments (and the gap is now over £500/month for a three-bedroom house).”
Participant in Manchester Metropolitan University research.

71 Department for Work and Pensions (2015) *The impact of recent reforms to Local Housing Allowances: Summary of key findings*. London: Department for Work and Pensions.

72 Rugg, J., and Rhodes, D. (2018) *The Evolving Private Rented Sector: Its Contribution and Potential*. York: University of York/Centre for Housing Policy.

73 O’Leary, C., O’Shea, S., and Albertson, K. (2018) *Homelessness and the Private Rented Sector*. Manchester: Manchester Metropolitan University.

74 Welsh Government (2018) *Post-implementation evaluation of Part 2 of the Housing Act (Wales) 2014: Final Report*. Cardiff: Welsh Government.

75 Fitzpatrick, S., Pawson, H., Bramley, G., Watts, B., Wood, J., Stephens, M., and Blenkinsopp, J. (2019) *The homelessness monitor: Scotland 2019*. London: Crisis.

“You can’t reduce Local Housing Allowance from 50th to 30th percentile, then uprate it beneath rents, then freeze it altogether, without this having some impact on tenants’ ability to afford accommodation – existing or alternative”.
Participant in Manchester Metropolitan University research.

Underinvestment in Local Housing Allowance rates not only increases a tenant’s likelihood of becoming homeless from the private rented sector, but also means that they have limited affordable options available in terms of securing new accommodation.⁷³

Similar problems also exist in Scotland and Wales. In Wales, the ending of an Assured Shorthold Tenancy is a growing cause of homelessness as the affordability and accessibility of the private rented sector is diminishing, as the sector comes under increased pressure due to the decline in the availability of affordable housing for people on low income.⁷⁴

This is also reflected in research with councils in Scotland. Unlike in England and Wales, the ending of tenancies in the private rented sector does not appear in national statistics as a growing cause of homelessness. However, in the Scotland Homelessness Monitor 2019, ten out of 27 local authorities (37% of respondents) felt this has had greater significance as a cause of homelessness in recent years as a result of serious rent arrears, caused by welfare changes.⁷⁵

Investing in Local Housing Allowance rates would relieve financial pressure on tenants on low incomes, increasing the number of landlords willing to let to people in receipt of Universal Credit.

Providing councils with the tools to better prevent homelessness

The impact of underinvestment into Local Housing Allowance rates has also meant councils across England, Scotland, and Wales are struggling to carry out duties to prevent homelessness under their respective homelessness legislation.

In England, the introduction of the Homelessness Reduction Act (2017) has marked a significant shift in focus towards homelessness prevention, making it a central part of the statutory framework. The Act introduced a duty on councils to take reasonable steps to prevent homelessness if someone is at risk of becoming homeless within the next 56 days. This includes people not considered priority need and people likely to be found intentionally homeless.⁷⁶

A year into implementation of the Act, councils are struggling to fulfil their prevention and relief duties due to problems with housing affordability. Without sufficient social housing in many parts of the country, councils are having to rely on the private rented sector to fulfil statutory prevention duties. However, as evidenced above it is increasingly difficult, and in some areas impossible, to prevent homelessness as Local Housing Allowance rates fail to cover the cost of even the cheapest rents.

A survey conducted by the Local Government Association has highlighted that 86 per cent of responding councils (151) identified the affordability of the private rented sector as a great or moderate factor that is making it more difficult to house people experiencing homelessness.

⁷⁷ Affordability concerns are also reflected in the council survey for the England Homelessness Monitor 2018, which found that 86 per cent of responding councils (185) felt the freeze on Local Housing Allowance rates would significantly or slightly increase homelessness in their area.⁷⁸

As councils struggle to use both the social and private rented sector to prevent homelessness under the Homelessness Reduction Act (2017), they are forced into using temporary accommodation as a route into housing. In the same survey by the Local Government Association, 61 per cent of responding councils had seen increases in the number of people in temporary accommodation. In 21 per cent of areas these increases were significant. The length of time people are spending in temporary accommodation also increased for 60 per cent of responding councils.⁷⁹

In Wales, councils are similarly required to take reasonable steps to prevent an applicant's homelessness following changes introduced by the Housing (Wales) Act (2014). A recent evaluation of the Act found that prevention activity has been largely successful – 65 per cent of people threatened with homelessness in 2015/16 had their homelessness prevented.⁸⁰ However, in some parts of the country councils cannot successfully prevent homelessness using the private rented

⁷⁶ Jacob, R. (2018) *Preventing homelessness: It's everybody's business*. London: Crisis.

⁷⁷ Local Government Association (2019) *Homelessness Reduction Act Survey 2018 – Survey Report*. London: Local Government Association.

⁷⁸ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B., and Wood, J. (2018) *The homelessness monitor: England 2018*. London: Crisis.

⁷⁹ Local Government Association (2019) *Homelessness Reduction Act Survey 2018 – Survey Report*. London: Local Government Association.

⁸⁰ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S. and Watts, B. (2017) *The Homelessness Monitor: Wales 2017*. London: Crisis.

London Councils Case Study

A man (age 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 a £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 living with a severe 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. He has been unable to find alternative accommodation. His council are attempting to prevent him becoming homeless but are currently unable to find him alternative affordable accommodation.

sector, citing gaps between Local Housing Allowance rates and market rents as a significant factor.

‘The Local Housing Allowance for a shared room is just about £60, you’d be lucky to get a shared room in [Y] for £75-80. A one-bed rate is £90, it’s probably £450 – £500 is the lowest end of rents for a one-bed flat in [Y], you’re looking at £650 or more... that is the main problem we’ve had, always had’.
Wales, statutory sector key informant.⁸¹

In Scotland, councils also report difficulties with using the private rented sector to prevent homelessness. For the Scotland Homelessness Monitor 2019, councils were asked about accessibility of the private rented sector in relation to preventing and resolving homelessness. Of the 28 responding local authorities, almost half make use of the private rented sector. However, of these areas just five considered it easy to access the private rented sector for these purposes, whereas 23 reported it

being difficult or very difficult and that Local Housing Allowance rates were a reason why.⁸²

“The Local Housing Allowance in [name of authority] is far too low in comparison to the cost of private lets so they are unaffordable”
Council respondent, Rest of Scotland.⁸³

The underinvestment in Local Housing Allowance rates has effectively transferred the funding burden from national to local government, and councils are struggling under this financial pressure. The limited tools that councils do have at their disposal, such as Discretionary Housing Payments, are not generous enough to enable councils to successfully prevent homelessness for every household who needs this support.

Discretionary Housing Payments can be paid by councils to people receiving support from Universal Credit to pay their rent to assist with

⁸¹ Welsh Government (2018) *Post-implementation evaluation of Part 2 of the Housing Act (Wales) 2014: Final Report*. Cardiff: Welsh Government.

⁸² Fitzpatrick, S., Pawson, H., Bramley, G., Watts, B., Wood, J., Stephens, M., and Blenkinsopp, J. (2019) *The homelessness monitor: Scotland 2019*. London: Crisis.

⁸³ Fitzpatrick, S., Pawson, H., Bramley, G., Watts, B., Wood, J., Stephens, M., and Blenkinsopp, J. (2019) *The homelessness monitor: Scotland 2019*. London: Crisis.

shortfalls that arise as a result of welfare changes. The Westminster Government funds Discretionary Housing Payments for England and Wales, but the Scottish Government is responsible for the payments.

Given the wide range of welfare changes in the last decade, there are multiple competing priorities for these payments. Last year, 13 per cent of the total amount for Discretionary Housing Payments for England and Wales was spent on the impact of underinvestment in Local Housing Allowance rates, compared to 28 per cent on the benefit cap. In Scotland, the government has prioritised using Discretionary Housing Payments to mitigate the impact of the Spare Room Subsidy, commonly known as the Bedroom Tax.⁸⁴

Councils in England and Wales report that Discretionary Housing Payments do not meet demand.⁸⁵ This has also been raised by the National Audit Office in their report into the changes to Local Housing Allowance rates. The National Audit Office found that from 2011/12 to 2014/15 it was unclear whether funding for Discretionary Housing Payments would be sufficient to tackle the reforms, and the total amount represented six per cent of the total savings expected from the changes to Local Housing Allowance rates.⁸⁶

The amount of funding made available fluctuates and has been impacted by Targeted Affordability Funding.

Previously, as increased Targeted Affordability Funding has been made available the funding for Discretionary Housing Payments that is allocated for Local Housing Allowance rates has been reduced.⁸⁷ However, as outlined, Targeted Affordability Funding has largely been insufficient in making up the gaps between the cheapest rents and the Local Housing Allowance rates.

Therefore, reductions in the amount of funding available through Discretionary Housing Payments further impedes the ability of councils to prevent and respond to homelessness. The limited funding and local discretion about how councils can award the payments has raised concerns about a 'postcode lottery' of support, and strict criteria being applied to access the payments.⁸⁸

Discretionary Housing Payments cannot therefore be used to prevent homelessness to the extent to which they were intended to.

**"...we've got discretionary housing payments at the moment but they are discretionary. It's not guaranteed funding year on year, and even people who've got secured tenancies now are facing severe financial problems and it's not going to be easy."
Wales, statutory sector key informant.⁸⁹**

This means they are a particularly unsuitable solution for individuals

and families that will not be able to increase their income through work in the short term, due to circumstances such as illness or caring duties. Eventually, without the support from Discretionary Housing Payments, these households will again be at risk of homelessness, but they are limited in the ways they can try to make up the income themselves or find more affordable housing.

Investment in Local Housing Allowance rates will provide councils with much needed housing options to secure stable housing and fulfil prevention duties as required by statutory homelessness legislation. In England, this will help secure the success of the recently implemented Homelessness Reduction Act (2017). Making sure Local Housing Allowance rates meet the cost of actual rents will increase the affordability of the private rented sector for people on the lowest incomes and ensure that rent payments can be maintained and housing secured.

84 Fitzpatrick, S., Pawson, H., Bramley, G., Watts, B., Wood, J., Stephens, M., and Blenkinsopp, J. (2019) *The homelessness monitor: Scotland 2019*. London: Crisis

85 Work and Pensions Select Committee (2017) 'Benefit cap "starting to bite" across Britain' <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2015/benefit-cap-evidence-16-17/>

86 National Audit Office (2012), *Report by the Comptroller and Auditor General: Managing the impact of Housing Benefit reform*. London: National Audit Office.

87 S1/2019: 2019-20 Discretionary Housing Payments government contribution for English and Welsh local authorities (Revised) <https://www.gov.uk/government/publications/housing-benefit-subsidy-circulars-2019/s12019-2019-20-discretionary-housing-payments-government-contribution-for-english-and-welsh-local-authorities>

88 House of Commons (2014) *Support for housing costs in the reformed welfare system: Fourth report of session 2013-14*. London: House of Commons Work and Pensions Committee.

89 Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B., and Wood, J. (2017) *The homelessness monitor: Wales 2017*. London: Crisis.

Ensuring that Universal Credit rapidly responds to homelessness

Wherever possible, homelessness should be prevented. When it does occur it should be rare, brief, and non-recurrent.⁹⁰ A critical way to achieve this is for Universal Credit to help people rapidly access support with housing costs to find and secure available housing. For people in hostels or temporary accommodation, Universal Credit is the lifeline to support them to move on from homelessness and into stable housing, giving them the best chance of fulfilling their aspirations, such as entering, or progressing in, work.

Investment in Local Housing Allowance rates will significantly improve the ability of Universal Credit to act as an effective tool for councils and Jobcentres. This includes increasing their ability to work with private landlords and rapidly support people into stable housing. It should also be an essential component of any homelessness strategy and a properly funded housing support system. This will be critical in ensuring the success of the Westminster Government's commitment to end rough sleeping in England by 2027, and the Scottish Government's Action Plan for Ending Homelessness.

⁹⁰ 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



Solace Women's Aid Case Study

The Amari Project is a housing project provided by Solace Women's Aid with Commonweal Housing and support from London Councils. It supports women who have been sexually exploited through trafficking or prostitution to become independent and make sustainable positive change in their lives free from exploitation, hardship, and vulnerability. It does so by providing temporary second stage accommodation following their departure from refuges or other emergency accommodation, helping them to build resilience and recover from trauma through a staged approach. The accommodation is provided to women for up to 18 months. The main aim of the project is to help women develop independent living skills and to provide the space and time to focus on their recovery. It is a stepping stone to independent living.

Mia is a survivor of sexual exploitation through prostitution. On fleeing the violence she spent time in first stage emergency accommodation, subsequently referred to the Amari Project in November 2016. In refuge Mia had access to a high level of support and welcomed the stepping stone to independent living by moving into a fully furnished flat with support when needed. Mia was assisted to access other support services in her local area including engaging with a mental health team and taking part in community skills workshops. Mia was making excellent progress and her expected move out date was scheduled for 18 months after she moved in to give her enough time to build resilience and find suitable housing.

In April 2018 Mia was referred to the Privately Rented Scheme in her local area. This scheme was designed to offer reasonable private rented accommodation to service users, however the properties offered to Mia were unsuitable – with very little availability given one-bedroom Local Housing Allowance rates in London. Through this scheme Mia was only offered

properties on the ground floor of apartment buildings, and those outside her local area. These were unsuitable as Mia needed to stay in the locality to continue engaging with services. She also suffers from Agoraphobia, a type of anxiety disorder that means Mia is terrified of someone being able to gain access to the flat if it is on the ground floor and hurt her. In addition, the properties were single bed studios, 18 square metres or so, causing Mia anxiety and exacerbating her mental health issues.

'By moving into a shoebox I feel like they want my mental health to decline. When I moved in to Amari I bought a double bed. It meant so much to me, because I have never owned anything, not a piece of furniture, nothing. I am worried I'll lose it now'. – Mia, Survivor

There is currently no one-bedroom property available to Mia in London, within the Local Housing Allowance rates available for single women. From November 2018 until present, Mia has not been offered any viewings. The council Housing Options Department, have stated that they find it difficult to find any property in her local area within the rate of the current Local Housing Allowance. Mia has, as a result of this, been overstaying in The Amari Project – living in second stage accommodation for over two years because there is at this time simply no other suitable accommodation available to her.

Other Amari Project service users have experienced similar issues, receiving inappropriate offers to share communal facilities with men or to be housed in unsafe areas, such as areas associated with past trauma. The housing crisis in London, exacerbated by low Local Housing Allowance rates, along with the limited availability of accommodation suitable for women survivors of sexual exploitation, is impacting on the successful long-term resettlement of Amari service users.

Enabling councils to rapidly respond to homelessness by opening up the private rental market and increasing landlord confidence in Universal Credit

When homelessness happens, the underinvestment in Local Housing Allowance rates prevents people from being able to move on from different types of homelessness such as rough sleeping, sofa surfing, living in a hostel, or being in unsuitable temporary accommodation such as a B&B. It also creates a significant barrier for people trying to secure stable housing such as domestic abuse survivors, care leavers, or people leaving prison. These groups are already over-represented in homelessness cases.

The human cost of entrenched and repeated homelessness is significant. There is also an economic cost of sustaining homelessness as councils are forced to spend on expensive temporary accommodation. A key factor is that councils increasingly struggle to use the private rented sector to discharge homelessness duties.

In England, homeless placements in temporary accommodation have risen sharply since 2010/11. In the year to March 2018, the placements rose to over 82,000 – up by 71 per cent from its low point seven years earlier.⁹¹ A continuation of this trend would see homeless placements topping 100,000 by 2020.⁹² This is having a huge impact on council budgets, straining existing financial pressure on councils given the cuts in general funding to councils

since 2010.⁹³ Analysis by the National Audit Office found that in 2015/16, councils spent around £1.1 billion on homelessness, with two-thirds (£845 million) of this spent on crisis responses by sustaining people in temporary accommodation.⁹⁴ Recent research by Inside Housing suggests that this amount has increased. Their analysis of Freedom of Information requests shows that 290 of 326 councils in England spent almost £1 billion on temporary accommodation in 2017/18.⁹⁵

As council respondents stated in the Local Government Association's research on the Homelessness Reduction Act (2017):

"...[it is] very rare to have anything within current Local Housing Allowance rates, means we have less options to relieve homelessness.... We currently have approximately 1500 placements in temporary accommodation with majority out of borough as far away as [area name]. Unable to provide a local service to local people anymore."

"We have particular problems in securing affordable accommodation with the required security and welcome... Local Housing Allowance rates that would help make tenancies more affordable".

"We currently have limited options for housing. Our private rented has a top up. Our two-bedroom private rented is now over £50 a week above the Local Housing Allowance. There is a lack of affordable house shares for under 35's".⁹⁶

91 Ministry of Housing, Communities, and Local Government (2018) 'Statutory Homelessness Live Tables: Temporary accommodation tables' <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

92 Fitzpatrick S., Pawson, H., Bramley, G., Wilcox, S., Watts, B., and Wood, J. (2018) *The Homelessness Monitor: England 2018*. London: Crisis.

93 London Councils (2018) *London's local services: investing in the future*. London: London Councils.

94 National Audit Office (2012), *Report by the Comptroller and Auditor General: Managing the impact of Housing Benefit reform*. London: National Audit Office.

95 Inside Housing (2018) 'Councils' temporary accommodation spend nears £1 billion' <https://www.insidehousing.co.uk/news/news/councils-temporary-accommodation-spend-nears-1bn-57695>

96 Local Government Association (2019) *Homelessness Reduction Act Survey 2018 – Supplementary Report*. London: Local Government Association.

The pressure is felt most in London, with councils making the majority of all temporary accommodation placements. Research commissioned by London Councils estimated that the cost of provision for temporary accommodation in London boroughs was in excess of £663 million in 2014/15.⁹⁷ However, as the affordability of the private rented sector is increasingly a problem across England, temporary accommodation placements are rising faster elsewhere in England and eroding this London dominance.⁹⁸

In Wales, there is a similar trend with official data showing there were 2,142 households in temporary accommodation in June 2018 – the highest number to date.⁹⁹ This follows increases in the number of households in temporary accommodation from 2016 to 2017.¹⁰⁰

In Scotland, the lack of affordable housing options for people experiencing homelessness has led to an increasing number of people staying in temporary accommodation for long periods, while they wait for a settled home to become available. Figure 1.7 shows the increase in the use of temporary accommodation in Scotland. While part of the increase is attributable to more people being eligible for support for homelessness as a result of the removal of priority need, there has also been an increase in the use of unsuitable temporary accommodation.

This includes councils having to rely on the use of emergency accommodation for extended periods, sometimes up to two years. Emergency accommodation includes hostels with no support or basic B&B accommodation, with either shared or no basic living facilities, such as kitchens or laundry. This is particularly the case in areas of high housing demand such as Edinburgh,¹⁰¹ where the Local Housing Allowance rates cover less than ten per cent of the market.

Research by Crisis looking at people's experience of living in unsuitable temporary accommodation found that temporary accommodation can be unsuitable for the needs of people placed there, and the environment can significantly impact mental health and well-being.¹⁰² This increases the risk of people being forced to sleep rough if they don't feel that they can stay in temporary accommodation and there are no other affordable housing options available to them.

"I was robbed a few times – didn't feel safe."

"...it was like a big smack den, but on a street level rather than house level. There must be 30 people in temp.... 50 per cent are using drugs. In fact, the staff were using cocaine in the kitchen with residents so what can you do. I started using drugs there as well – due to my mental state and my environment I went downhill."¹⁰³

97 Rugg, J. (2016) *Temporary Accommodation in London: Local Authorities under Pressure*. Centre for Housing Policy. York: Centre for Housing Policy/University of York.

98 Fitzpatrick S., Pawson, H., Bramley, G., Wilcox, S., Watts, B., and Wood, J. (2018) *The Homelessness Monitor: England 2018*. London: Crisis.

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

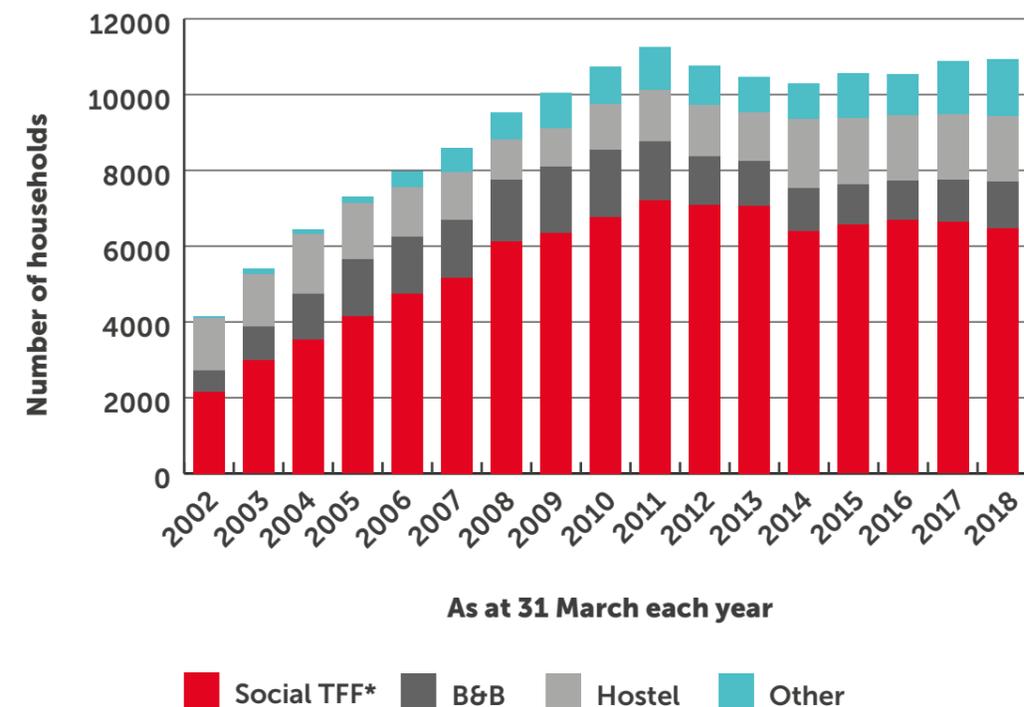
100 Welsh Government (2018) *Post-implementation evaluation of Part 2 of the Housing Act (Wales) 2014: Final Report*. Cardiff: Welsh Government.

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

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

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

Figure 1.7 Homeless households in temporary accommodation in Scotland at end of financial year 2018



Source: The Homelessness Monitor Scotland 2019

*TFF = Temporary furnished flat

The rising pressure to provide temporary housing for people experiencing homelessness has created opportunities for exploitation. Analysis by Julie Rugg and Peter Rhodes of the private rented sector in England concluded that temporary accommodation can put people at risk of "very high levels of insecurity, inflated rents, acute overcrowding and often extremely poor property conditions".¹⁰⁴

This leaves people experiencing homelessness vulnerable to poor quality, unsafe, or overcrowded homes, which jeopardises their health

and well-being. Crisis' own Skylight services are finding it increasingly difficult to secure decent private rented housing for single homeless people.

The increasing gaps between Local Housing Allowance rates and market rents have also meant landlords are less likely to rent to people receiving support from the welfare system.¹⁰⁵ These genuine affordability concerns have then been exacerbated by issues with administrative delays and errors of Universal Credit, which is leading to an overall lack of trust in the system from private landlords.¹⁰⁶

104 Rugg, J and Rhodes, D. (2018) *Vulnerability amongst low income households in the private rented sector*. York: University of York/Centre for Housing Policy.

105 Fitzpatrick S., Pawson, H., Bramley, G., Wilcox, S., Watts, B., and Wood, J. (2018) *The Homelessness Monitor: England 2018*. London: Crisis.

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

Chris*, 32, Crisis client

"I became homeless when I left prison, as I had nowhere to stay. I moved into a hostel but I was told that I could only stay there for three months.

I just wanted a place of my own in Sunderland so I signed up for Crisis's tenancy training course, Renting Ready while I was in the hostel. On the course I did work on budgeting for a tenancy and I also found out how much Local Housing Allowance I would get.

I also had a Housing Coach at Crisis and he helped with property searching, but because I am 32 I was only entitled to about £47 a week Local Housing Allowance. I just couldn't find a private rented property that I could afford.

When I was told by the hostel that I had to leave, they helped me by referring me for supported housing. I was given a flat in a shared property and it stopped me from becoming homeless and so I took it. If I'm honest I don't need supported housing – I just need a place of my own.

Because I am in supported housing, the support to pay rent that I get is about £275 a week. It seems daft that I am in a supported housing tenancy that I don't need, and its costing the government more to keep me there than if I was able to afford a property on Local Housing Allowance.

Without Crisis and the hostel I would have been sleeping rough. All I want for the future is to get back into work, and to move into a flat of my own so that someone who really needs my supported tenancy can have it.

It would make a massive difference if the government invested more into Local Housing Allowance because in my case it would actually save them money, and it would free up supported housing for someone that really needs it."

*This is a pseudonym to protect their identity.

Centrepont services in England find that young people leaving supported accommodation struggle to find accommodation to move on to that is affordable. In their recent research, almost three in ten private landlords (29%) surveyed said they would not rent to a young person moving on from homelessness accommodation because Local Housing Allowance rates in their area were too low.¹⁰⁷

These affordability concerns from landlords, impacting whether they can rent to people on low incomes, are also seen in Scotland. In the Highlands and Islands area of Scotland, just 17 per cent of the private rented sector was affordable for young single people receiving the 2018/10 Shared Accommodation Rate, and

just 18 and 17 per cent for couples needing a one-bed property and small families needing a two-bed property respectively.

Crisis conducted an online survey from February to March 2019 on behalf of Highland Council in Scotland with private landlords. The preliminary findings of the research have found that one of the key reasons landlords are unwilling to rent to people receiving benefits is concerns around rent arrears. Of the 127 landlords who responded saying they were unwilling to rent to people on benefits, 55 per cent stated it was because of concerns over rent arrears. Forty-seven landlords also indicated that they have had bad experiences renting to people on benefits, with 55 per cent of these

¹⁰⁷ Centrepont (2018) *Ready to Move On: Barriers to homeless young people accessing longer-term accommodation*. London: Centrepont.

stating this is because tenants struggled to keep up with paying the rent and 23 per cent saying this is because tenants could not pay full rent.

Investing in Local Housing Allowance rates will provide councils with much needed housing options to secure safe, stable and sustainable housing to fulfil prevention and relief duties. It will also address the affordability concerns from landlords and mean they are able to rent to people on low incomes in receipt of Universal Credit. As the system continues to roll out and improvements are continuously made to the functioning of the system, including around delays in rent payments, it is essential that the underlying concerns with affordability are also addressed to restore landlord confidence and trust in the system.

Additional pressures on tenants that interact with Local Housing Allowance rates

As discussed, the underinvestment in Local Housing Allowance rates are a key driver of affordability concerns, impacting people on low incomes, councils, and landlords. However, there are also other areas of welfare policy that, when interacting with Local Housing Allowance rates, exacerbate these issues.

This is especially seen by the impact of the benefit cap. The benefit cap was introduced in 2013. The current level of the cap means that families receiving support from Universal Credit cannot receive more than £23,000 a year in London (£15,410 for single people), and £20,000 a year in the rest of Great Britain (£13,400 for single people). There is evidence to show that the cap puts households at risk of homelessness, and particularly affects families with children.¹⁰⁸

¹⁰⁸ 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

¹⁰⁹ Welsh Government (2018) *Post-implementation evaluation of Part 2 of the Housing Act (Wales) 2014: Final Report*. Cardiff: Welsh Government.

For councils, it means that a household hit by the cap in the private rented sector will likely end up at risk of (repeat) homelessness.

"You'd settle a family into private rented accommodation and then the benefit cap came in and different things, they can't meet that rent anymore... you think – oh the family, you're just about to finish supporting them than all of a sudden there's such a big change to their income, they're in flux for quite a long time then... which has an effect on housing".
Key informant statutory sector, Wales.¹⁰⁹

For increased investment into Local Housing Allowance rates to have a positive impact on homelessness, it is important that this investment is not undermined by the impact of the benefit cap policy. Any investment into Universal Credit through Local Housing Allowance cannot result in more households being subject to the benefit cap as this would simply limit the positive impact of Local Housing Allowance on housing stability. Increasing the numbers of individuals and families impacted by the benefit cap will result in these households facing impossible choices around whether to pay rent or for essentials like bills and food.

As well as investing in Local Housing Allowance rates, the Westminster Government must review the benefit cap and include greater flexibility so that it does not increase the risk of homelessness or prevent Universal Credit from rapidly responding to homelessness.

Conclusion

Being able to secure a stable home gives people the best chance of moving on from homelessness or preventing it altogether. Having both housing and welfare policies designed together around a shared goal of ending homelessness is the most effective way to deliver meaningful sustained outcomes.

In the long-term, national governments must ensure that there is a sufficient supply of housing that is genuinely affordable for people on the lowest incomes. In England, this involves significantly increasing the supply of social housing. However, building the necessary supply of social homes needed across Britain will take time. The need to address affordable housing for homelessness right now is critical.

Since 2010 rough sleeping in England has increased by 165 per cent despite a small drop of two per cent in the last 12 months.¹¹⁰ In Scotland, statutory homelessness increased from April 2017 to March 2018,¹¹¹ and long stays in unsuitable temporary accommodation¹¹² have meant the Government are increasingly looking to the private rented sector as a solution to homelessness. In Wales, official data

shows there were 2,124 households in temporary accommodation in September 2018.¹¹³

Unless immediate measures are put in place to help people secure homes and make the private rental market a more affordable option for people on the lowest income, the numbers of people experiencing homelessness will continue to rise. Investing in Local Housing Allowance rates would have the most immediate impact in improving affordability and therefore reducing homelessness.

Currently, Local Housing Allowance rates under Universal Credit are frozen until 2020. There is an important opportunity in the upcoming Spending Review for the Westminster Government to invest sufficiently in these rates to bring them back in line with a larger proportion of the private rental market. This would help to ensure Universal Credit is adequately resourced and sufficiently equipped to stabilise housing and support the Westminster Government's manifesto commitments on reducing homelessness and ending rough sleeping in England.

Such an investment would be strongly welcomed by a broad range of housing and homelessness organisations working on the front line; including councils, private landlords, homeless charities, and most importantly people experiencing or at risk of homelessness.

With adequate investment and the right policies in place, Universal Credit can be one of the best homelessness prevention tools at the government's disposal in order to end homelessness and rough sleeping in Britain for good.

¹¹⁰ 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% since 2017, and a 94% increase from five years ago and 165% since 2010. <https://www.gov.uk/government/statistics/rough-sleeping-in-england-autumn-2018>

¹¹¹ National Statistics, Homelessness in Scotland 17 – 18 <https://www.gov.scot/publications/homelessness-scotland-2017-18/pages/8/>

¹¹² Sanders, B. and Reid, B (2018). *'I won't last long in here': Experiences of unsuitable temporary accommodation in Scotland*. Edinburgh: Crisis.

¹¹³ Welsh Government, Homelessness statistics <https://gov.wales/statistics-and-research/homelessness/?lang=en>

Appendix A:

Research methodology

In 2018, Crisis and the Chartered Institute of Housing jointly undertook research to understand the impact of cumulative underinvestment into Local Housing Allowance rates. The research considered the impact on the affordability of the private rented sector to single people, couples and small families on low incomes. This included households in work and not in work.

This report focuses on households not in work and therefore at highest risk of homelessness where Universal Credit does not adequately cover the cost of rent. The methodology outlined therefore refers to the research conducted for households not in work. The full research, including the impact on households in work, is outlined in Chapter 10, 'Making Welfare Work' in Crisis' report *Everybody In: How to end homelessness in Great Britain*.¹¹⁴

To conduct the research, Crisis and the Chartered Institute of Housing used rental data of local rents from the 0 to 100 percentiles by Broad Rental Market Area from the Valuation Office Agency (VOA), Rent Service Scotland, and Rent Officers Wales. The data for Scotland and Wales was provided directly from Rent Service Scotland and Rent

Officers Wales and was the 2018/19 rental data collected for determining the 30th percentile of market rents in Broad Rental Market Areas.

For the data from England, Crisis used the graphs published on the Valuation Office Agency website for each Local Housing Allowance rate for 2018/19. Using an algorithm, data for rents was scraped from these graphs. A margin of error was then determined against the published 30th percentile rates.

This data was then used to understand what percentage of local market rents were covered by Local Housing Allowance rates for shared accommodation, one-bedroom accommodation and two-bedroom accommodation. As we were considered people unable to work, they would be entitled to the full Local Housing Allowance rates, up to the national caps or the benefit cap. We applied the maximum Local Housing Allowance rates to the rental data in each Broad Rental Market Area to give us the maximum rental percentile that the rents covered.

We assumed shared accommodation would house single people up

to the age of 35, one-bedroom accommodation would house couples or single people over the age of 35, and two-bedroom accommodation would house small families which included a couple with two children of school age or a lone parent of one child of school age.

As the published Local Housing Allowance rates for 2018/19 included the rates that were lifted by Targeted Affordability Funding, we looked at the rates that received Targeted Affordability Funding and the percentage of the market that was affordable within these rates. This highlighted the inadequacy of Targeted Affordability Funding in many areas. The impact of Targeted Affordability Funding has also been further analysed by the Chartered Institute of Housing following this research in their report *Missing the target: Is Targeted Affordability Funding doing its job?*.

The full set of results from the joint Crisis and Chartered Institute of Housing research into Local Housing Allowance rates by each country and Broad Rental Market area is set out in the following tables.

¹¹⁴ 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

Table for England

Region	Broad Rental Market Area	% affordable within 2018/19 Shared Accommodation rates for young single people under 35	% affordable within 2018/19 Local Housing Allowance one bedroom rates for couples and single people 35 and over	% affordable within 2018/19 Local Housing Allowance two bedroom rates for small families
North East	Darlington	2	30	31
	Durham	30	34	30
	Northumberland	0	17	16
	Sunderland	1	30	30
	Teesside	19	32	30
	Tyneside	13	34	17
North West	Barrow-in-Furness	2	11	10
	Bolton and Bury	1	13	7
	Central Greater Manchester	17	10	11
	Central Lancs	11	30	16
	East Cheshire	16	15	13
	East Lancs	11	35	17
	Fylde Coast	30	31	18
	Greater Liverpool	15	30	14
	Kendal	24	19	14
	Lancaster	13	30	31
	North Cheshire	0	19	17
	North Cumbria	14	33	15
	Oldham & Rochdale	8	18	10
	South Cheshire	6	19	19
	Southern Greater Manchester	1	7	6
	Southport	14	32	33
	St Helens	22	30	35
	Tameside & Glossop	21	12	12
	West Cheshire	12	15	15
	West Cumbria	1	35	33
	West Pennine	16	34	30
	Wigan	21	34	36
	Wirral	32	36	42
Yorkshire Humber	Barnsley	29	10	14
	Bradford & South Dales	22	13	18
	Doncaster	15	18	19
	Grimsby	19	31	11

Yorkshire Humber continued	Halifax	18	30	15
	Harrogate	20	17	12
	Hull & East Riding	24	7	9
	Kirklees	30	31	30
	Leeds	35	13	12
	Richmond & Hambleton	19	35	31
	Rotherham	8	9	36
	Scarborough	6	14	17
	Scunthorpe	19	11	12
	Sheffield	24	16	15
	Wakefield	1	12	32
York	12	15	12	
East Midlands	Chesterfield	21	10	11
	Derby	21	17	13
	Grantham & Newark	8	13	16
	Leicester	9	16	18
	Lincoln	23	23	15
	Lincolnshire Fens	12	11	6
	North Nottingham	9	15	9
	Northampton	14	3	5
	Northants Central	7	7	3
	Nottingham	24	12	17
	Peaks & Dales	26	36	12
Wolds and Coast	6	12	16	
West Midlands	Birmingham	20	6	5
	Black Country	9	14	9
	Coventry	3	8	6
	Eastern Staffordshire	18	9	9
	Herefordshire	8	14	19
	Mid Staffs	16	14	11
	Rugby & East	0	5	1
	Shropshire	13	16	14
	Solihull	3	26	17
	Staffordshire North	7	31	12
	Warwickshire South	3	6	6
	Worcester North	9	15	16
	Worcester South	27	4	14
	East of England	Bedford	3	2
Bury St Edmunds		0	5	5
Cambridge		7	4	2
Central Norfolk & Norwich		17	11	5

East of England continued	Chelmsford	0	9	6
	Colchester	26	10	11
	Harlow & Stortford	1	4	3
	Huntingdon	12	5	5
	Ipswich	0	5	5
	Kings Lynn	12	10	11
	Lowestoft & Great Yarmouth	19	13	14
	Luton	4	3	7
	Peterborough	13	7	8
	South East Herts	7	4	9
	South West Essex	11	3	2
	South West Herts	6	3	1
	Southend	22	6	5
	Stevenage & North Herts	8	5	2
	London	Central London	0	0
Inner East London		7	4	2
Inner North London		1	5	2
Inner South East London		0	4	7
Inner South West London		5	7	1
Inner West London		5	4	5
North West London		0	5	4
Outer East London		1	1	1
Outer North East London		8	1	1
Outer North London		6	5	2
Outer South East London		15	4	3
Outer South London		2	2	3
Outer South West London		0	6	6
Outer West London		1	2	6
South East		Ashford	6	4
	Aylesbury	14	4	7
	Basingstoke	16	7	7
	Blackwater Valley	24	12	5

South East continued	Brighton and Hove	14	6	5
	Canterbury	6	15	9
	Cherwell Valley	8	6	8
	Chichester	10	13	10
	Chilterns	13	1	6
	Crawley & Reigate	6	6	6
	Dover-Shepway	15	8	10
	East Thames Valley	15	5	5
	Eastbourne	20	4	5
	Guildford	0	7	9
	High Weald	22	6	7
	Isle of Wight	12	12	13
	Maidstone	1	7	7
	Medway & Swale	44	5	7
	Milton Keynes	12	5	3
	Newbury	24	4	4
	North West Kent	10	6	6
	Oxford	2	12	10
	Portsmouth	11	8	7
	Reading	4	8	6
South West	Southampton	16	6	6
	Sussex East	13	7	11
	Thanet	0	1	4
	Walton	3	4	3
	Winchester	7	5	8
	Worthing	26	10	9
	Bath	5	7	7
	Bournemouth	9	8	9
	Bristol	5	3	1
	Cheltenham	8	16	15
	Exeter	26	21	15
	Gloucester	21	12	8
	Kernow West	8	21	18
	Mendip	11	9	8
	Mid & East Devon	7	18	16
	Mid & West Dorset	12	13	14
	North Cornwall & Devon Borders	4	26	30
	North Devon	9	34	14
	Plymouth	18	8	9
	Salisbury	5	9	10
South Devon	18	21	9	
Swindon	1	4	3	

South West continued	Taunton & West Somerset	17	10	11
	West Wiltshire	5	6	5
	Weston-S-Mare	17	17	14
	Yeovil	22	17	13

Table for Scotland

Broad Rental Market Area	% affordable within 2018/19 Shared Accommodation rates for single people under 35	% affordable within 2018/19 Local Housing Allowance rates for one-bed accommodation for couples and single people 35 and over	% affordable within 2018/19 Local Housing Allowance rates for two-bed accommodation for small families
Aberdeen and Shire	33	28	30
Argyll and Bute	23	21	27
Ayrshires	18	46	36
Dumfries and Galloway	27	25	34
Dundee and Angus	24	19	20
East Dunbartonshire	14	25	8
Fife	19	17	18
Forth Valley	13	30	15
Greater Glasgow	10	13	9
Highlands and Islands	19	18	17
Lothian	11	3	7
North Lanarkshire	14	30	28
Perth and Kinross	19	10	12
Renfrewshire/ Inverclyde	24	33	22
Scottish Borders	28	19	30
South Lanarkshire	29	22	30
West Dunbartonshire	29	27	39
West Lothian	17	17	8

Table for Wales

Broad Rental Market Areas	% affordable within 2018/19 Shared Accommodation Rates for young single people under 35	% affordable within 2018/19 Local Housing Allowance rates for one-bedroom accommodation for couples and single people 35 and over	% affordable within 2018/19 Local Housing Allowance rates for two-bedroom accommodation for small families
Caerphilly	0	29	29
Vale of Glamorgan	0	32	16
Neath Port Talbot	1	24	28
North West Wales	2	17	17
Pembrokeshire	5	30	30
Swansea	8	24	23
North Clwyd	9	35	25
Carmarthenshire	11	18	29
South Gwynedd	11	22	23
Flintshire	17	17	20
Brecon and Radnor	18	30	36
Cardiff	21	17	10
Torfaen	21	30	23
Wrexham	23	20	20
Monmouthshire	24	24	28
Blaenau Gwent	27	14	22
Merthyr Cynon	27	15	33
Taff Rhondda	28	13	24
North Powys	42	27	21
Newport	63	21	25
Bridgend	64	20	25
Ceredigion	71	22	17

