Cover the Cost:
Restoring Local Housing Allowance rates to prevent homelessness

August 2019
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.

Author
Jasmine Basran works in the Policy and External Affairs directorate at Crisis. With special thanks to Ruth Jacob and Sarah Rowe in the policy team for contributing to the section on quality in the private rented sector.

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The following leading organisations in housing and homelessness support Crisis' Cover the Cost campaign, which is calling on the Government to restore Local Housing Allowance rates to cover the cheapest third of private rents (the 30th percentile):
Foreword

Ensuring everyone has safe, stable housing creates a stronger society that benefits us all. But currently in Great Britain, too many people face the inhumanity of unsafe, temporary, or no housing. Crisis’ research shows that unless there is a significant shift in current government policy, homelessness will more than double across Great Britain.

With currently around 170,000 individuals and families trapped in the worst forms of homelessness, this simply cannot continue. We know that homelessness is not inevitable, and that ending it for good is possible.

In England, the introduction of the Homelessness Reduction Act (2017) introduced a significant shift towards homelessness prevention, and the publication of the Rough Sleeping Strategy in 2018 signalled action to fulfil the Westminster Government’s commitment to end rough sleeping in England by 2027. In Scotland, the Scottish Government produced a high-level action plan to end all forms of homelessness, and is already implementing key elements of the plan. The Welsh Government has set up a new homelessness action group to develop recommendations on how to end all forms of homelessness in Wales, building on the implementation of the Housing (Wales) Act (2014) which focused on homelessness prevention. But all of this progress towards ending homelessness is in danger of being undermined if we do not tackle its root causes.

This report builds on our previous report, Cover the Cost: How gaps in Local Housing Allowance rates are impacting homelessness, where we outlined the problem of underinvestment in Local Housing Allowance rates on rising levels of homelessness. In this second report, we set out the inarguable case for restoring Local Housing Allowance rates to cover the cost of the cheapest third of rents. This report is based on research by Alma Economics showing that restoring the rates over a three-year period will prevent thousands of individuals and families from becoming homeless and lift many thousands more out of poverty. The research also shows the benefits of investment far outweigh the costs by reducing the need for expensive temporary accommodation and services relating to homelessness, meaning it prevents the significant economic, as well as human, cost of homelessness.

We have a moral duty to act now. Upcoming spending decisions will be critical to making homelessness prevention a top domestic priority for Government. In the long-term, we know the answer lies in building enough affordable social housing. But with significant investment into housing needed over the next 15 years to address the current shortage, we cannot ignore the essential role that Local Housing Allowance rates play in preventing and ending homelessness now. By restoring Local Housing Allowance rates to cover the cost of the cheapest third of rents, we can make sure everyone has the support they need to keep their existing home or move off the streets or out of temporary housing and into a home that they can afford – so that in our society, homelessness has no place.

Jon Sparkes
Chief Executive, Crisis
Foreword

I left the job I loved at John Lewis to run to be the Mayor of the West Midlands because I believed I could help restore pride in the region. That meant expanding the economy, and two years later, business growth is strong. However, alongside the cranes and new offices, rough sleepers are to be found in doorways and at mobile soup kitchens. Behind closed doors, there are thousands of people sleeping on sofas at the homes of friends or family, families in B&Bs and vulnerable people living in some of the worst-quality shared housing.

No one can take pride in that. We have made some progress in tackling homelessness, securing around £10m from the Government to roll out Housing First, a model of homeless support developed in Helsinki, Finland. Over seventy homeless people have been given accommodation and support through the scheme since it was launched in the autumn. It’s a good start, but we need to go much further.

To tackle the wider issue, we need to “design out” homelessness from society, for example, through businesses willing to hire people experiencing homelessness and offering employee hardship funds for when their workers go through tough times, and banks making accounts open to people experiencing homelessness. It also means building thousands of high-quality, truly affordable homes and tackling the rogue landlords taking advantage of vulnerable people.

But the Government also has to act to tackle welfare-related poverty. Local Housing Allowance is the element of Universal Credit paid to those who need it to rent a safe place to live. With the rates frozen since 2016, while rents are rising, it’s no wonder that many people fall behind on their payments and end up being evicted. Losing a private tenancy as a result of getting into arrears is the most common reason for becoming homeless. The freeze of Local Housing Allowance rates has undoubtedly contributed to an increase in homelessness in the West Midlands.

And these low Local Housing Allowance rates have led many landlords to skimp on the upkeep of properties, leaving tenants in poor-quality housing, or to move into the supported housing sector to reap the higher rates of Housing Benefit available, often without providing the high-quality support services that are also needed.

There is an urgent need for the Government to act, and it cannot wait until Brexit is sorted out. The Government should increase Local Housing Allowance to a level where 30% of rented homes in any area are affordable to everyone. Not only would this help people in need, but there is a clear return to the Treasury: there will be less need for costly temporary accommodation and fewer people getting into a spiral of health issues that burden the NHS and public services.

We have a moral duty to tackle homelessness and these changes would make an immediate and significant difference.

Andy Street
Mayor of the West Midlands
Homelessness is an indignity that no one in our society should have to face. Access to a safe, stable, and affordable home is a moral right that many of us take for granted. But currently in Great Britain, too many of us suffer the inhumanity of unsafe, temporary, or no housing.

Crisis research shows there are around 170,000 individuals and families across Great Britain trapped in the worst forms of homelessness. This includes people sleeping rough, sofa-surfing, and living in temporary accommodation that is unequipped to provide for necessities such as cooking and washing clothes. But we know that homelessness is not inevitable, and that ending it for good is possible. To do so, we must focus on tackling the root causes of homelessness and prevent it from happening in the first place.

Evidence shows that ensuring there are enough affordable homes is the best way to relieve this pressure and prevent homelessness. The most cost-effective way to provide enough affordable housing is to considerably increase the supply of social housing. However, with 100,000 social homes needing to be built across Great Britain every year for the next 15 years, addressing the backlog of need for people trapped in homelessness and people living in unsafe or unsuitable conditions will take time.

This means that more than ever, it is essential that our welfare system prevents people from being locked in a struggle to pay private rents and still have enough left over to feed their family and pay bills. Crisis’ Cover the Cost campaign, supported by several housing and homelessness organisations, is calling for investment in Local Housing Allowance rates to cover at least the cheapest third of private rents (the 30th percentile). Local Housing Allowance rates are commonly known as Housing Benefit and are now part of Universal Credit.

In the last decade, there has been a series of cuts to the rates, including a four-year freeze from 2016. This has meant that last year, in 92 per cent of areas in Great Britain, one in five or less privately rented homes were affordable within Local Housing Allowance rates to single people, couples, or families with one or two children. This has increased to 94 per cent of areas in Great Britain this year. In one in five (19%) of areas, ten per cent or less of privately rented homes are affordable within the rates to these individuals and families.

This means most individuals and families receiving Local Housing Allowance rates face a gap between the rates and their rent. This increases the risk of homelessness as it becomes more and more difficult for people to keep up with paying rent on top of covering essentials such as food and bills. In the worst cases, this causes homelessness. It is also hampering the ability of councils to carry out statutory duties to prevent and end homelessness as there are fewer and fewer affordable housing options available to support people.

Research by Alma Economics, commissioned by Crisis, shows that restoring Local Housing Allowance rates to cover the cheapest third of private rents (the 30th percentile) will prevent homelessness for thousands of people. It will also lift thousands of individuals and families out of poverty.

A three-year investment to restore the rates to the 30th percentile will
lift more than 32,000 households out of relative poverty, including 35,000 children. This will mean wider benefits of £5.5 billion, including from reduced need for homelessness services and services related to homelessness like health. It will also lead to financial savings of £124 million from reducing the need for temporary accommodation, which currently leaves far too many people without stable and secure homes.

These benefits offset the cost to the Government of £3.3 billion to invest in Local Housing Allowance rates over three years. This means there is an overall benefit of £2.1 billion to restoring Local Housing Allowance rates to cover the cheapest third of private rents to prevent and end homelessness. For a one year investment into the rates over 2020/21, the cost to the Government will be £820 million.

With the new Westminster Government in place, and an upcoming Spending Review to set out the priorities for new public services and investment for the next year, ending homelessness in all its forms must be a top domestic policy priority. There have been notable steps taken by all national governments to tackling homelessness.

This includes the introduction of the Homelessness Reduction Act (2017) in England, and the publication of the Rough Sleeping Strategy in 2018 to achieve the Westminster Government’s commitment to ending rough sleeping in England by 2027. In Scotland, the Government has 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). This has been followed by the launch of a homelessness action group by the Welsh Government, which will recommend how to end all forms of homelessness, building on its commitment to end youth homelessness by 2027.

Ensuring everyone has safe, stable housing creates a stronger society where homelessness has no place. The time to build on current progress and ultimately end homelessness in Great Britain is now. Ending the freeze on Local Housing Allowance rates, with investment so the rates cover at least the cheapest third of private rents, should be a fiscal priority to help tackle homelessness across Great Britain.

To achieve this, we need cross government support for this level of investment in Local Housing Allowance rates as a key measure to support people to find and keep privately rented homes. It is also critical to delivering the Westminster Government’s commitment to end rough sleeping in England by 2027 and reduce homelessness.
Introduction

This report is the second in a series for Crisis’ Cover the Cost campaign. The campaign is aimed at securing investment into Local Housing Allowance rates (commonly known as Housing Benefit). The first report, Cover the Cost: How gaps in Local Housing Allowance are impacting homelessness, set out how current levels of Local Housing Allowance rates are contributing to homelessness across Great Britain at significant human and economic cost. This report sets out the investment needed to ensure the rates cover the cost of the cheapest third of local private rents, to have immediate and significant impact on preventing homelessness across Great Britain.

Local Housing Allowance rates have been frozen since 2016, following years of underinvestment into the rates. Since 2011, the rates were set to cover the cheapest third of local private rents, but the current levels of the rates mean they are falling short of doing so in most of Great Britain. Research in the first Cover the Cost report found that last year, in 92 per cent of areas across Great Britain, one in five or less privately rented homes were affordable within Local Housing Allowance rates to single people, couples, or families with one or two children. This has increased to 94 per cent of areas in Great Britain this year. In one in five (19%) of areas, ten per cent or less of private rented homes are affordable within the rates to these individuals and families.

The Cover the Cost campaign has the backing of thousands of supporters, including people who have experienced homelessness or who have been at risk of homelessness because of Local Housing Allowance rates. Through our services, Crisis has seen time and again how the current levels of Local Housing Allowance rates are leaving individuals and families locked in a struggle to pay their rent and still have enough left over to feed their family and pay bills. In the worst cases, it is causing homelessness. And when homelessness does happen, Local Housing Allowance rates also prevent people from finding a home again as there are so few homes that are affordable within the rates. Through the campaign, Crisis is hearing from too many people across the country facing the same desperate situation.

The freeze on Local Housing Allowance rates has also resulted in councils across Great Britain being unable to fulfil their statutory homelessness duties due to a lack of affordable housing options. This means the rates are a significant barrier to preventing and ending homelessness, and to achieving the Westminster Government’s commitments to end rough sleeping in England by 2027 and reduce homelessness. With such widespread impact of the current freeze on the rates, Crisis’ Cover the Cost campaign has the support of several housing and homelessness organisations, including the Local Government Association, Homeless Link, London Councils, Centrepoint, the Residential Landlords Association, Shelter, the District Councils’ Network, St. Mungo’s, the Joseph Rowntree Foundation, and the Chartered Institute of Housing, amongst others.

To loosen the grip of poverty and avoid the indignity and human cost of homelessness, Local Housing Allowance rates must cover the cost of at least the cheapest third of private rents. In the long-term, national governments must invest in ensuring there is enough social housing to meet the needs of people trapped in homelessness or on the brink, living in unsafe or unstable conditions. This should involve departments across government working together with councils and housing associations to ensure enough genuinely affordable social housing is built. But building enough social homes to meet demand will take time. In the meantime, we cannot allow people to continue to be locked in a struggle to pay their rent or trapped in homelessness because Local Housing Allowance rates are insufficiently resourced.

This report presents the recommended level of investment in Local Housing Allowance rates that will have a significant and immediate impact on homelessness prevention and the overall benefits, both financial and human. The report outlines a detailed cost benefit analysis, carried out by Alma Economics for Crisis, of the impact on preventing homelessness and reducing poverty by investing in the rates to cover at least the cheapest third (the 30th percentile) of the private rental market. Finally, it will illustrate how investing in Local Housing Allowance rates will provide a lifeline to people to prevent and end homelessness, from the testimonies people have given to Crisis as part of the Cover the Cost campaign.

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Cover the Cost: restoring Local Housing Allowance rates to prevent homelessness

Policy context

Policy changes to Local Housing Allowance rates

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. Research shows that ensuring there are enough affordable homes is the best way to relieve this pressure and prevent homelessness.10

An essential part of achieving this is making sure our welfare system helps people who need support to cover the cost of rent to secure a stable home. Local Housing Allowance rates, commonly known as Housing Benefit, and which are now part of Universal Credit, were originally designed to offer this support for people living in privately rented homes. A significant minority (27%) of private renters receive Local Housing Allowance rates to help with paying their rent, which is around 1,280,000 families and individuals. More than a third (37%) are in paid work.12

The rates were initially set to help people to afford a place to live in the cheapest third (the 30th percentile) of the private rental market in their local area,14 and covered 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.15

Yet a series of policy changes to the way the rates have been calculated in the last decade have significantly eroded the support they provide. Local Housing Allowance rates were reduced from the 50th percentile in 2011 to cover the cheapest third of rents (the 30th percentile) in an area, and household sizes of up to four bedrooms instead of five. At the same time, national weekly caps were put in place so that in areas of very high housing costs, such as parts of London, the rates could not go above the caps even if this meant people would be able to afford less than the 30th percentile.

From 2013, there were further cuts to the rates. The rates were no longer only linked to market rents but were instead increased by the Consumer Price Index (CPI), if this was lower than increasing the rates to cover the cheapest third of rents. This index does not reflect changing rental prices, putting many Local Housing Allowance rates out of line with market rents.14 In 2014 and 2015, the rates were increased by one per cent across the country instead of by the CPI. In comparison, rents grew on average by 6.6 per cent across Great Britain in 2015.15 In 2012, the Shared Accommodation Rate was also extended to apply to single people under the age of 35 instead of 25. Finally, the rates were frozen completely from 2016.

This means that Local Housing Allowance rates are now completely detached from private rents. To mitigate the impact of these changes to the rates, the Westminster Government has made Targeted Affordability Funding available since 2014. This is additional investment for selected Local Housing Allowance rates to increase them usually by three per cent, in areas where there are large gaps between the rates and rents.16 However, research from the Chartered Institute of Housing has shown that over the years, the funding has become increasingly ineffective in reducing the amounts individuals and families have to pay to afford the cheapest third of rents.17

The impact of Local Housing Allowance rates on homelessness

The cumulative impact of these policy changes has been significant. Research in Crisis’ report Cover the Cost: How gaps in Local Housing Allowance rates are impacting homelessness shows that last year, in 92 per cent of areas across Great Britain, one in five or less privately rented homes were affordable within Local Housing Allowance rates to single people, couples, or families with one or two children.18 This has increased to 94 per cent of areas in Great Britain this year. In one in five (19%) of areas, ten per cent or less of private rented homes are affordable within the rates to these individuals and families.

With Local Housing Allowance rates covering such a small proportion of rents in most of Great Britain, individuals and families needing this support are having to find income from elsewhere to be able to cover the cost of rent. This is putting substantial pressure on these families. In many places, the amounts needed are large, and impossible to overcome by budgeting. Figure 1.1 shows some of the larger gaps between Local Housing Allowance rates and the cheapest third of rents for families with one or two children last year across Great Britain.

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12 Local Housing Allowance rates are calculated by specific areas known as Broad Rental Market Areas (BRMAs). BRMAs are set by the Valuation Office Agency in England, Rent Services Scotland, and Rent Officers Wales. To do so, these agencies must take into account reasonable access to facilities and health, education, personal banking and shopping services, and 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.
When people are locked in a situation where they have to find the money needed month after month to make up these gaps, they can fall behind with paying their rent, putting them at risk of homelessness. Research for Shelter found that among the fifth of private renters in England with the lowest incomes, one in every six (17%) are in rent arrears or have been in rent arrears at some point in the last year.19

This is also reflected by the fact that the ending of an Assured Shorthold Tenancy20 is one of the most common reasons people become homeless today. It has been the leading cause of homelessness in England for the past six years. Whilst this pattern has slightly changed since the introduction of the Homelessness Reduction Act (2017), it remains a major cause of homelessness.21 Research among private landlords shows that the cuts to Local Housing Allowance rates have been one of the key factors behind this.22

When people are at risk of homelessness, the low rates also mean they have little to no chance of finding anywhere else to live within Local Housing Allowance rates.

“My daughter’s landlord wants possession as he’s selling. She can’t find anything for the Local Housing Allowance of £350 a month. She is long-term sick, and this is exacerbating her severe anxiety”. Cover the Cost campaign supporter.

“I’m on a low income, single parent, self-employed and had to drop my prices to keep working and so I need [Local] Housing Allowance to help with my private rent... I have relocated... to help with finances but now I can no longer afford the new rent prices in my area”. Cover the Cost campaign supporter.

This also means that when homelessness happens, people are trapped and unable to move on. In 2017, the Homeless Link annual review of support services for single people experiencing homelessness in England found that 66 per cent of people were trapped in hostels because they could not find anywhere to live within Local Housing Allowance rates.23 Similarly, a survey from St. Martin’s Frontline Network found that, of 723 frontline staff supporting people trapped in homelessness, eight in ten (80%) said it was difficult or very difficult to find accommodation within Local Housing Allowance rates.24

The impact of Local Housing Allowance rates on councils

The freeze on Local Housing Allowance rates is also hampering the ability of councils to successfully fulfil statutory homelessness duties in all three nations. Over the last few decades, there has been a decline in social rent housing across Great Britain. With a lack of social housing as an option to house people, councils are increasingly turning to the private rented sector to find homes.

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20 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.
The decline in social housing has meant that last year in England, 6,463 social homes were delivered in comparison to a peak of around 126,000 social homes built a year in England from 1945 to 1980. In the last decade, investment has also increasingly gone into ‘affordable rent’ homes, set at 80 per cent of market rents. Often, these rent levels are too high for people with the lowest incomes. The stock of homes at social rents has also been eroded by the Right to Buy, as there has not been sufficient replacement of homes sold with new stock at social rent levels. Research by Crisis and the National Housing Federation has shown we need to build 90,000 homes a year for 15 years to fill the backlog of need for social homes.

In Scotland and Wales, there has also been a significant erosion of the stock of homes at social rent levels including through Right to Buy. The Scottish Government has since abolished the Right to Buy and has committed to building 35,000 social rented homes between 2016 and 2021. An independent review has found the government is on target to meet this. Similarly, the Welsh Government has also abolished the Right to Buy, and has committed to building 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.

These positive steps are helping to address the gap between the supply and need for social housing in these countries. However, achieving the scale needed in Scotland and Wales will still take time. In Scotland in high demand housing markets such as Edinburgh, there is a shortage of social housing. Similarly, in Wales further steps are still needed. The recent review into affordable housing found that there were considerable weaknesses in the current system of housebuilding that needed addressing. This included ensuring resources were being used effectively, and that social homes were affordable for people with the lowest incomes.

These trends have meant that councils are increasingly having to discharge their homelessness duties in the private rented sector across Great Britain. In Wales and England, the introduction of the Housing (Wales) Act (2014) and the Homelessness Reduction Act (2017) marked a
The impact of the freeze on Local Housing Allowance rates on homelessness is clear. Investment into the rates would prevent individuals and families from being trapped in a situation where they are unable to pay their rent and essentials like food and bills. This puts people at risk of homelessness and causes homelessness in the worst cases. The investment would also ensure that Universal Credit covers the cost of rent so that it can be one of the most effective tools to prevent homelessness. Further, councils would have the option of finding suitable, stable privately rented homes where needed. This would increase the resources councils have to prevent homelessness, instead of being forced to focus resources on crisis responses to homelessness.

Providing people with stable, secure, and affordable homes must come from building enough social housing to meet current demand and prevent homelessness in the first place. Over the long-term, this is also more cost effective for the Government. Analysis by Capital Economics looked at the cost of average social rents and average Local Housing Allowance awards. The analysis found that as a result of increasing numbers of people receiving Local Housing Allowance rather than social housing, the Government will have to pay out at least £24 billion more over the next 30 years.

But until there is enough social housing to meet demand, people will continue to be trapped in situations where they are struggling to cover the cost of their rent, leading to a risk of homelessness, unless we invest in Local Housing Allowance rates. The rates need to be an effective tool to prevent and resolve homelessness now, to significantly reduce current levels of homelessness across Great Britain. Short-to-medium term investment into Local Housing Allowance rates will provide secure and sustainable housing in the private rental market to prevent thousands of individuals and families from becoming homeless.

Context to the Cover the Cost campaign

Cover the Cost: restoring Local Housing Allowance rates to prevent homelessness

Restoring Local Housing Allowance rates: the case for change

The Homelessness Monitor England 2019 is a longitudinal study commissioned by Crisis providing an independent analysis of homelessness. Research for the Monitor found that 91 percent of responding councils (152) expect the freeze on Local Housing Allowance rates to increase homelessness in their area.37 Similarly, a survey conducted by the Local Government Association found that 86 per cent of responding councils in England (151) identified affordability of the private rented sector as a great or moderate factor that is making it more difficult to house people trapped in homelessness.38 This means that the cuts to Local Housing Allowance rates are undermining the intention and potential of the Homelessness Reduction Act (2017). This also means the rates are a barrier to the Westminster Government achieving its commitment to end rough sleeping in England by 2027 and reduce homelessness.

In Scotland, half of 28 responding local authorities for the Scotland Homelessness Monitor 2019 make use of the private rented sector. However, just five considered it easy to access the private rented sector for these purposes, whereas 23 reported it was difficult or very difficult and that the inadequacy of Local Housing Allowance rates were a reason why.39 This has meant in many parts of Great Britain, councils are forced into supporting people into temporary, and sometimes unsuitable, accommodation. This means the accommodation can be unequipped to provide for necessities, such as having a place to cook and clean, or providing enough space for a growing family to live. The rising pressure to provide temporary housing has also created opportunities for exploitation. Analysis by Julie Rugg and Peter Rhodes 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”.40 This has a significant cost to the public purse. In England alone in 2017/18, 280 (of 326) councils spent almost £1 billion on temporary accommodation.41

This means that the cuts to Local Housing Allowance rates are a barrier to doing so.36

And in England, councils are struggling to prevent homelessness as intended by the new Act. The Homelessness Monitor England 2019 is a longitudinal study commissioned by Crisis providing an independent analysis of homelessness. Research for the Monitor found that 91 percent of responding councils (152) expect the freeze on Local Housing Allowance rates to increase homelessness in their area.37 Similarly, a survey conducted by the Local Government Association found that 86 per cent of responding councils in England (151) identified affordability of the private rented sector as a great or moderate factor that is making it more difficult to house people trapped in homelessness.38

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The solution

Research commissioned by Crisis and carried out by Alma Economics modelled several scenarios of investing in Local Housing Allowance rates and the costs and benefits relating to homelessness. The scenarios ranged from lower levels of investment, such as increasing the rates by the CPI, to higher levels including restoring some rates to the 50th percentile. A summary of the research methodology, including all scenarios, is on pages 23-25. The full research and findings are detailed in the Alma Economics report Local Housing Allowance: Options for reform.

Based on evidence from this research, Crisis is calling for investment to restore and maintain Local Housing Allowance rates to cover at least the cheapest third (the 30th percentile) of private rents. This is supported by several leading organisations in housing and homelessness. The research shows that this level of investment will result in significant benefits, both human and financial, and prevent homelessness for thousands of individuals and families. It will also lift thousands of people out of poverty, reducing their risk of homelessness.

This section of the report will outline the research approach and findings, and the case for investment to restore Local Housing Allowance rates to cover at least the cheapest third of private rents.

Figure 1.3 gives the costs and benefits by each scenario over a six-year period as modelled by Alma Economics.

Summary of findings from the research

Summary of Alma Economics research

Crisis commissioned Alma Economics to model the total costs and benefits relating to homelessness from 2019/20 to 2024/25 of different scenarios to restore Local Housing Allowance rates.

The approach to the cost benefit analysis was consistent with HM Treasury Green Book principles on economic evaluation and appraisal, which includes considering who will benefit most from the policy, and whether there are any health and social effects (i.e. 'welfare gains'). This approach is used by HM Treasury for spending proposals, such as those that will be put forward in a government Spending Review.

For this research, the costs and benefits of the scenarios are calculated in comparison to a 'do nothing' situation, where the freeze continues. The analysis was applied to each of the below five scenarios, with the benefit cap in place and with the benefit cap removed. This meant a total of ten scenarios to restore the rates were considered:

1. Increasing Local Housing Allowance rates annually by CPI.
2. Restoring the Shared Accommodation Rate to the 30th percentile and the remaining Local Housing Allowance rates in areas where the rates fall behind rents most.
3. Restoring all Local Housing Allowance rates to the 30th percentile.
4. Restoring the Shared Accommodation Rate and one-bedroom Local Housing Allowance rates to the 50th percentile, and the two, three, and four-bedroom rates to the 30th percentile.
5. Restoring all Local Housing Allowance rates to the 50th percentile in areas where the rates fall behind rents the most, and to the 30th percentile everywhere else.

Why were these scenarios chosen?

The scenarios were informed by the joint research carried out by Crisis and the Chartered Institute of Housing set out in Cover the Cost: How gaps in Local Housing Allowance are impacting homelessness, and by previous changes to Local Housing Allowance rates.

As the Department for Work and Pensions has committed to ending the freeze on Local Housing Allowance rates in 2020, the first scenario modelled increasing the rates by CPI. This was chosen as the rates were increased by CPI before the freeze came into place. The scenarios were then chosen to be progressively more generous, up to restoring some rates to the 50th percentile, based on the findings of the joint research showing where investment is most needed. This includes the middle scenario of restoring all rates to the 30th percentile as was the case in 2011.

Removing the benefit cap was also considered for all scenarios to understand the impact this would have on homelessness and poverty, given the interaction between the benefit cap and Local Housing Allowance rates. This is summarised in Cover the Cost: How gaps in Local Housing Allowance are impacting homelessness.

Methodology

The research used a micro-simulation model to measure the impact of investment in Local Housing Allowance rates. Figure 1.2 outlines the model used.

How were costs calculated?

The research used a sample of financial data of households in the private rented sector receiving Local Housing Allowance rates to calculate the cost of investing in the rates in each scenario. The data used were from Understanding Society – the UK Households Longitudinal Survey (UK-HLS).
The solution

cent decrease in the likelihood of applying household income results in a 0.48 per cent decrease in the likelihood of applying.

This dataset was used to calculate awards of Local Housing Allowance rates based on incomes, rents, and location data.

How was the impact of investment on homelessness and poverty calculated?
The impact of investment into Local Housing Allowance rates was calculated by taking into account the impact on people's well-being, and the wider impact on society, if someone is prevented from becoming homeless or lifted out of poverty. This is in line with the Treasury’s Green Book approach.

The probability of someone becoming homeless was based on research by the then Department for Communities and Local Government. The research estimates that a one per cent increase in household income results in a 0.48 per cent decrease in the likelihood of applying to local authority homelessness services.

The financial savings from preventing homelessness were calculated based on statistics from the Ministry of Housing, Communities and Local Government of the cost to councils of placing individuals and families in temporary accommodation or providing a homeless prevention service. It is assumed in the model that all households prevented from becoming homeless would have turned to their council for support if they had become homeless.

Wider benefits, termed welfare gains, were also calculated by looking at other related services to homelessness. People experiencing homelessness are more likely to need health services and interact with the criminal justice system as detailed in the Alma Economics report.

How were the benefits and savings from investment determined?
The financial savings from preventing homelessness were calculated based on statistics from the Ministry of Housing, Communities and Local Government of the cost to councils of placing individuals and families in temporary accommodation or providing a homeless prevention service. It is assumed in the model that all households prevented from becoming homeless would have turned to their council for support if they had become homeless.

Wider benefits, termed welfare gains, were also calculated by looking at other related services to homelessness. People experiencing homelessness are more likely to need health services and interact with the criminal justice system as detailed in the Alma Economics report.

The additional income to households as a result of investment in Local Housing Allowance rates is therefore used to model how many households are lifted above this measure of relative poverty.

This is in line with the Treasury’s Green Book approach that any investment that benefits people with the lowest incomes will create higher levels of wellbeing than it does for people with higher incomes. This is because additional money for people with the lowest incomes will go towards helping cover necessities, whereas for people with higher incomes, their existing income can cover necessities.

The costs of these services being used by homeless households has been calculated by Pricewaterhouse Cooper (PwC) for Crisis’s report Everybody In: How to end homelessness in Great Britain. This research was used to calculate the cost savings from individuals and families prevented from becoming homeless, and therefore reducing the need for some public services.

Welfare gains also includes benefits using the assumptions in the Treasury’s Green Book approach that any investment that benefits people with the lowest incomes will create higher levels of wellbeing than it does for people with higher incomes. This is because additional money for people with the lowest incomes will go towards helping cover necessities, whereas for people with higher incomes, their existing income can cover necessities.
Figure 1.3 shows that for all scenarios, removing the benefit cap is costlier but results in higher benefits. The benefit cap sets a maximum amount of benefits that individuals and families not in work can receive. Since 2017, the cap has been £23,000 a year in London for families (£15,410 for single people), and £20,000 across the rest of Great Britain (£13,400 for single people). This means that any investment in Local Housing Allowance rates that raises income from benefits above the level of the benefit cap would still limit the support individuals and families receive to cover the cost of rent and essentials such as food and bills. Lifting the benefit cap ensures the investment into Local Housing Allowance rates covers the cost of rent for families and individuals, preventing more people from becoming homeless.

Crisis recognises this interaction between the benefit cap and Local Housing Allowance rates, as detailed in our report Everybody In: How to end homelessness in Great Britain. The cap is applied to a wider range of benefits than Local Housing Allowance rates, including Jobseekers Allowance and Child Benefit. Further analysis is needed to understand the impact of completely removing the cap in terms of wider costs and benefits, which is beyond the scope of this report.

However, the Government must ensure that the benefit cap is not restricting people’s options by locking them in situations where they cannot cover the cost of their rent, increasing the risk of homelessness. The Government should review the full impact of the benefit cap, including the interaction with Local Housing Allowance rates, and at a minimum introduce flexibility to applying the cap for people experiencing homelessness or at risk. This should include people surviving domestic abuse and people who are unable to work due to disability, health conditions or caring responsibilities.

For the modelling without the benefit cap in place, figure 1.3 shows there is a notable increase in benefits relative to cost of restoring Local Housing Allowance rates to cover the cheapest third of rents, compared to investment to increase the rates by CPI, or only restoring some rates to the 30th percentile. The higher levels of investment to restore some or all of the rates to the cheapest half (the 50th percentile) of rents brings the highest overall benefits.

For the Cover the Cost campaign, the investment into Local Housing Allowance rates is being considered within the context of both ensuring our welfare system prevents and ends homelessness, and the supply of affordable housing meets demand. Long-term investment in social housing is needed. The National Housing Federation, with the Greater London Authority (GLA) and G15 group of housing associations, have calculated that investment of £12.8 billion a year for ten years (at today’s prices) is needed to deliver sufficient social rent and other affordable housing.43

Until there is enough social housing to meet demand, the private rented sector will continue to be critical to preventing further homelessness. But with Local Housing Allowance rates currently having the opposite impact, locking people into situations where they struggle to pay rent and cover essentials, the ending of a private tenancy is one of the most common causes of homelessness today. Investment into the rates will have the most immediate impact on levels of homelessness by helping people find and secure privately rented homes, and support councils to end people’s homelessness.

Therefore, Crisis is calling for investment to restore Local Housing Allowance rates to the 30th percentile, in recognition of the additional investment that will also be needed to build the social homes that people with low incomes need. With enough social housing, it is also expected that public spending on Local Housing Allowance will be lower than it would otherwise have been, as people with low incomes who would struggle to rent privately will be able to access social housing.

Without sufficient investment into social housing to address the backlog of need for homelessness and wider housing need, there will continue to be a critical role for preventing and ending homelessness by supporting a significant number of people to find affordable private rent homes. In this case, the levels of investment into Local Housing Allowance rates would need to be reviewed further, to understand what levels of investment would provide a long-term solution to preventing and ending homelessness.

Overview of the costs and benefits of restoring Local Housing Allowance rates to cover the cheapest third of rents

The Alma Economics research shows that the benefits related to homelessness from restoring Local Housing Allowance rates to the 30th percentile far outweigh the costs. Figure 1.4 sets out the costs and benefits of restoring the rates over a three-year period from 2020/21 to 2022/23. While the modelling was carried out for investment from 2019/20 to 2024/25, this report will focus on the costs and benefits over a three-year period, in line with a full three-year Spending Review expected from the Government in the near future. The additional costs and benefits of further investment are outlined in the Alma Economics report.

The total cost to the Government over a three-year investment to restore Local Housing Allowance rates to cover the cheapest third of private rents is £3.3 billion. Per year, this is £820 million in 2020/21; £1.1 billion in 2021/22; and £1.4 billion in 2022/23. The cost benefit case for this investment is overwhelming. The modelling shows that the benefits from preventing homelessness and reducing the need for temporary accommodation not only covers the cost of investment but brings additional benefits of £2.1 billion. The following section of this report will go through a detailed breakdown of the costs and benefits of this investment. It will also illustrate the significant impact this will have on the lives of people who are struggling to get by and are at risk of homelessness, or cannot move on from homelessness, because Local Housing Allowance rates are inadequately resourced.

Preventing homelessness from the private rented sector

Wherever possible, homelessness should be prevented. Restoring Local Housing Allowance rates to cover at least the cheapest third (the 30th percentile) of private rents will give people who need this support the option of finding secure and stable housing. The Alma Economics modelling shows that over a three-year period, more than 6,000 individuals and families will be prevented from becoming homeless.

“I had to move due to my landlord selling the house I was in...i work part time and the support [from Local Housing Allowance rates] I get is leaving me so short each month. I’m a single parent with two teens trying to work but they make it so hard.”

Cover the Cost campaign supporter.

“I rent from a private landlord, my rent has gone up...but my Housing Benefit has not changed. I’ve worked since I was 16 until I was made redundant four years ago at 58, and I’ve not been able to get another job. I am lucky to have two brothers that help towards my rent otherwise I would find myself homeless.”

Cover the Cost campaign supporter.

“I had to resign from work last year due to stress...and my finances suffered and I am still struggling to pay rent/bills. Most of what I receive goes on rent and I am having to apply for Discretionary Housing Payments44 as well as exceptional hardship funding to keep my head above water. The government have gone too far the other way. It just feels like you are being kicked when you’re at your lowest.”

Cover the Cost campaign supporter.

44 Discretionary Housing Payments are payments administered through councils to mitigate the impact of some of the cuts to housing support in the welfare system.
Nicole’s story

“I was working in a well-paid job when I first moved into my one bedroom flat in Brighton, and so was able to afford the rent of £850 a month - which three years on is now £922. At the time I began that job I was also awarded the Personal Independent Payment. After a year or so I was no longer able to work because of my mental health and was able to then claim the higher rate of Employment Support Allowance as well as the disability premium. With the Personal Independent Payment I was able to afford my rent - even though that isn’t what it is for - and I would much rather use it for therapy to help me manage my condition better and get back to work.

My Personal Independent Payment was reviewed a few months ago and following reassessment it was stopped. My circumstances and conditions have only changed for the worse since my original claim, and also have some new health issues. Having the Personal Independent Payment revoked means I have lost about £600 a month. I am incredibly stressed and anxious about this but am appealing the decision, though this is likely to take a year to reach tribunal.

I am in rent arrears. I currently receive the maximum Local Housing Allowance of £650 a month and the now lower rate Employment Support Allowance of £127 a week (half what I received before). My rent is £922, so I have under £300 left for bills and food, let alone the arrears. I have done what I can to cut back on my spending, by doing things like switching energy suppliers, but am really struggling to make ends meet. I have been turned down for various grants. I feel less able than ever to get into work - the stress of the Personal Independent Payment withdrawal and trying to sort things out is consuming all of my energy.

The Government should make sure that Local Housing Allowance is enough to meet actual housing costs in each area. If they did, it would be helpful for people like me to use Personal Independent Payment for treatment to help manage our conditions better. If this was the case, I think I would have a much better chance of getting back into work and enjoying life.”

Further, this is a conservative estimate of the number of people that will be prevented from becoming homeless from this investment. As discussed on page 24, the probability of becoming homeless in the modelling is based on research by the then Department of Communities and Local Government, which is the most robust official data publicly available. The research relies on past data from councils in England, before the introduction of the Homelessness Reduction Act (2017), on the number of individuals and families that received support because they were accepted as being homeless by the council. It is widely recognised that these homelessness statistics do not reflect the true scale of homelessness.

This is because these statistics do not capture people who are experiencing homelessness and do not turn to the council for support, including people considered ‘hidden homeless’ such as people who are sofa surfing. This means that the figures from councils on the numbers of people accepted as homeless are very likely to significantly underestimate the scale of homelessness across Great Britain. Crisis’ own research shows that there are currently around 170,000 individuals and families trapped in the worst forms of homelessness and a significant proportion are having to sleep on sofas. For example, of at least 38,000 young adults under the age of 25 trapped in the worst forms of homelessness, 18,000 are sofa-surfing.

It is expected that the Homelessness Reduction Act (2017), which focuses on prevention, will provide better

45 Personal Independent payment is a benefit to help people with the extra costs of living with a disability or long-term health condition.
46 Employment Support Allowance is a benefit to help people who need support to find work because of a disability or long-term health condition.
data. Early indications through the experimental data show that the Act has substantially increased the number of people eligible for support. Whilst this will be useful to examine in future analysis, as these statistics are still experimental data this means that they are not robust enough to use for modelling at this time.

This means it is likely that the investment will prevent homelessness for a higher number of individuals and families than modelled. Ensuring Local Housing Allowance rates meet the cost of at least the cheapest third of rents will provide councils with much needed housing options in the immediate future to secure stable housing and prevent homelessness by making more private rents affordable. It will also support councils to relieve homelessness so that people are no longer trapped in temporary accommodation, hostels, or rough sleeping, particularly where the main barrier to resolving homelessness is the lack of an affordable home.

**Preventing the human cost of homelessness**

Making sure everyone has a safe and secure home benefits our society. There is a significant human cost to homelessness. 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 significantly impacts on the severity of people’s support needs. 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. This also has significant cost implications for homelessness services, physical and mental health services, and the criminal justice system. Preventing homelessness would reduce the need for these services compared to if someone is trapped in homelessness, and therefore result in significant benefits to individuals and families. These benefits are termed ‘welfare gains’ under the Treasury’s Green Book approach, as described on page 25. The Alma Economics modelling found that preventing homelessness by restoring Local Housing Allowance rates over three years would mean overall welfare gains of £5.5 billion, and net benefits of £2.1 billion. Table 1.5 shows that restoring Local Housing Allowance rates to cover the cheapest third of rents (the 30th percentile) will bring substantial benefits to Scotland, Wales, and all regions across England over the three years from 2020/21 to 2022/23.

The higher benefits seen in London and the South East of England reflect the fact that more people are receiving support from Local Housing Allowance rates in these areas. This is unsurprising given that these regions have some of the highest housing costs, meaning there is more need for this support when people are unable to work or are stuck in low-paid, insecure work. These are also areas where the gap between the demand for and the supply of social housing is most acute, meaning more people with low incomes rent privately. Significant benefits are also seen in other regions in England, and also in Scotland and Wales. The West Midlands region would receive benefits of £252 million as Local Housing Allowance rates are increasingly falling short of covering rents, and the Yorkshire and Humber region, which is typically considered to have lower housing costs, would still see benefits of £150 million.

This means that investment in Local Housing Allowance rates will result in a positive impact on local services. By preventing people from becoming homeless in the first place, fewer people will need to access services associated with homelessness, meaning these services will be better resourced to provide more intensive support when needed.

**Reducing the need for temporary accommodation**

The research also shows the direct cost savings to councils from the reduced need for temporary accommodation as people are prevented from becoming homeless. Since 2010/11, when the cuts to Local Housing Allowance rates first came in, the use of temporary accommodation by councils in England to fulfil their statutory homelessness duties has risen sharply. In the year to March 2018, the placements of individuals and families in temporary accommodation rose to over 82,000 – up by 71 per cent from its low point seven years earlier. Research by the Local Government Association found that 61 per cent of responding councils in England (151) report an increase in the use of temporary accommodation, with one in five (21%) reporting a significant increase.

In Wales, official data show the use of temporary accommodation increased between 2016 and 2017, and in December 2018, there were 2,139 individuals and families living in temporary accommodation. In Scotland, there has also been an increase in the use of temporary accommodation.

### Table 1.5 Net benefit by country and English region of restoring Local Housing Allowance to the 30th percentile from 2020/21 to 2022/23

<table>
<thead>
<tr>
<th>Country or English region</th>
<th>Total benefit (financial savings and welfare gain) to the area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scotland</td>
<td>£110 million</td>
</tr>
<tr>
<td>Wales</td>
<td>£70 million</td>
</tr>
<tr>
<td>North East</td>
<td>£59 million</td>
</tr>
<tr>
<td>East of England</td>
<td>£141 million</td>
</tr>
<tr>
<td>South West</td>
<td>£180 million</td>
</tr>
<tr>
<td>East Midlands</td>
<td>£171 million</td>
</tr>
<tr>
<td>Yorkshire and the Humber</td>
<td>£150 million</td>
</tr>
<tr>
<td>West Midlands</td>
<td>£252 million</td>
</tr>
<tr>
<td>North West</td>
<td>£256 million</td>
</tr>
<tr>
<td>South East</td>
<td>£435 million</td>
</tr>
<tr>
<td>London</td>
<td>£640 million</td>
</tr>
</tbody>
</table>

St. Basil’s front-line experience with Local Housing Allowance rates

St. Basil’s is a charity based in the West Midlands that works with young people aged 16 to 25 who are trapped in homelessness or at risk. Each year, we support over 1,500 young people in supported accommodation schemes and provide advice and support to around 5,000 young people. Where possible and safe, we support young people to remain in the family home. If this is not possible nor safe, we assist them to find alternative housing, including private renting, social housing, or supported accommodation.

Our frontline staff have increasingly struggled to find private rented homes for young people trapped in homelessness since the freeze on the Local Housing Allowance rates. Young people under 35 are only entitled to the Shared Accommodation Rate. In Birmingham this is currently £57.34 per week. There are no other affordable housing options available to them.

The modelling from Alma Economics suggests that over three years, £124 million will be saved by preventing homelessness and therefore reducing the need for temporary accommodation. These savings would give councils much-needed resources that can be better spent on homelessness prevention services, instead of focusing investment on crisis responses to homelessness as many councils are currently forced to do. This will also support councils to fulfil their statutory duties to prevent homelessness in Wales under the Housing (Wales) Act (2014), and in England under the Homelessness Reduction Act (2017).

“I am 68 years old and about to be evicted from my home…while I was waiting for my application for Discretionary Housing Payment to be processed, arrears accrued and my landlord started legal proceedings to evict me. Even if I could find a private landlord willing to accept Local Housing Allowance I cannot find a property at such low rent. The council will provide me with bed and breakfast accommodation after I am evicted at a cost greater than my current rent – it makes no sense.”

Cover the Cost campaign supporter.

However, due to a lack of data, it is not possible to model the number of households that would be able to move out of temporary accommodation and into private rented accommodation as a result of restoring Local Housing Allowance rates to the cheapest third (the 30th percentile) of private rents. This also means that overall, the savings from the reduced need for temporary accommodation in the modelling are an underestimate of the savings that the Government will see from investing in the rates.

Research by the Local Government Association on the Homelessness Reduction Act (2017) found that councils identified increasing use of temporary accommodation as a problem, including due to a lack of options to move people on into stable housing.
“[T]he lack of move on options from temporary accommodation [have] significantly increased the length of time in temporary accommodation from 13 weeks on average to 32 weeks on average.”

“[I]t is very rare to find anything within current Local Housing Allowance rates, means we have less options to relieve homelessness… We currently have approximately 1,500 placements in temporary accommodation.”

This is often associated with higher costs, as most forms of temporary accommodation are more expensive. For example, Newport City Council reported having to spend almost £567,000 last year for the use of nine bed and breakfast accommodation, including spending £196,713 for the use of rooms in one bed and breakfast.63

Similarly, analysis by an inner east London council found that the council are currently spending approximately £175 per week for each bed space. This means placing a family with two children in temporary accommodation costs the council £700 a week, whereas paying Local Housing Allowance rates at the 30th percentile for a two-bed property would cost £380 a week. These initial figures suggest the cost savings to councils would be significant if they were better able to move people on from temporary accommodation and into privately rented homes where suitable.

For people trapped in temporary accommodation, adequately resourced Local Housing Allowance rates are therefore a lifeline to support them to move on from homelessness and into stable housing. This gives people the best chance of being freed from impossible situations where they cannot cover the cost of rent and necessities like food, and instead enable them to fulfil their aspirations like entering into, or progressing at, work. This strengthens our society and means everyone can live a dignified life.

The impact of restoring Local Housing Allowance rates on poverty

Local Housing Allowance rates and poverty

Poverty is the main driver of homelessness in all its forms, and homelessness is the most acute form of poverty. Poverty puts constant pressure on individuals and families. When the pressure becomes too much, people can struggle to keep up with essentials like paying rent, and they can be pushed into homelessness. Lifting individuals and families out of poverty significantly reduces their risk of future or repeat homelessness and has a positive impact on their life chances and overall wellbeing.64

Analysis by the Joseph Rowntree Foundation has shown that the cuts to Local Housing Allowance rates are a key driver of poverty. Across the UK, housing costs for families with children with low incomes have grown faster than housing costs for families with children with low incomes every month, after paying rent, to cover the cost of essentials and has contributed to the trends in poverty across the UK. Poverty overall has been rising since 2010/11, with increases in child poverty driving this trend. From 2004/05 to 2011/12, child poverty fell to its lowest point at 27 per cent. Since then, rates have been rising, and the levels reached 30 per cent in 2016/17. This means more than four million children were trapped in poverty from 1994/95-1996/97 to 2009/10-2011/12.65

The cost of suitable housing for those that need it most.

Cover the Cost campaign supporter.

This has left families forced to find income from elsewhere, including by taking on debt, to keep a roof over their head. Since 2009/10-2010/11, when the cuts to Local Housing Allowance rates first came into place, the proportion of single parents unable to work who have had to use other forms of income other than Local Housing Allowance to help pay their rent has increased from 25 per cent to 43 per cent. This compares to an increase from 17 per cent to 25 per...
Figure 1.6 Financial benefit by income of restoring Local Housing Allowance rates to the 30th percentile from 2020/21 to 2022/23 (£billion)

Source: Analysis by Alma Economics

in poverty; an increase of 500,000 children over the last five years.⁶⁶

Poverty has a damaging effect on the life chances of children, including poorer physical and mental health and reduced earnings potential over their lifetime. Research by the London School of Economics has found there is a causal link between low income and worse child outcomes, meaning poverty itself damages children’s opportunities.⁶⁷

**Restoring Local Housing Allowance rates lifts thousands of individuals and families out of poverty**

Our welfare system, including Universal Credit, should help individuals and families to stay afloat when they struggle, so that they are not pulled into poverty and put at risk of homelessness. This gives people the best chance of fulfilling their aspirations, including of securing stable employment at a decent wage and being protected against poverty and homelessness. The Alma Economics modelling shows that restoring Local Housing Allowance rates to cover the cheapest third (the 30th percentile) of private rents will benefit people with the lowest incomes the most. Living with a low income makes it harder to cover the cost of essentials and avoid homelessness. Figure 1.6 shows the benefits by income of this investment.

The Alma Economics modelling also shows that restoring the Local Housing Allowance rates to the 30th percentile will lift thousands of individuals and families out of poverty. The model suggests that a three-year investment from 2020/21 to 2022/23 would lift more than 32,000 families and individuals out of poverty. Further investment beyond the three years, up to 2024/25, would see more than 55,000 individuals and families lifted out of relative poverty.

The modelling also shows that the most significant impact will be on families with children. Of the individuals and families lifted out of poverty in the three years, around 22,000 are households with children. This means around 35,000 children would no longer be trapped in poverty. The most significant impact will be for single parent families, with 59 per cent of families lifted out of poverty being single parents with one or more children.

Investing in Local Housing Allowance rates to cover at least the cheapest third of rents will help reverse the trend of rising child poverty. The investment will provide a lifeline for families trapped in poverty and struggling to cover the cost of their rent, and lift children out of poverty with long-term benefits to their life opportunities. This will help provide a secure and stable foundation that will make it easier for people to find and sustain employment, if they are able to. And it will significantly reduce the risk of homelessness, or repeat homelessness, for the thousands of families that will be lifted out of poverty altogether by receiving support to cover the cost of their rent.

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A private rented sector that works for all

The private rented sector is currently playing a crucial role to provide homes for people who are unable to access social housing or own a home. Crisis services work with private landlords across Great Britain to support people trapped in homelessness to secure homes in the private rental market. But the cumulative cuts, including the freeze, to Local Housing Allowance rates has made it increasingly difficult to find landlords that are able or willing to charge rents within the rates. Even where landlords wish to keep tenants, and tenants wish to stay in their properties, the financial pressure means the situation is too often unsustainable, leading to the risk of homelessness for the individual and the landlord having to find another tenant.

"I have been struggling on Local Housing Allowance... The difference in my private rent and what I get is substantial. I believe I would have been back on my feet quicker if it hadn't been for the financial stress as well as the impact on my physical and mental not being able to eat properly because I needed to always make sure I juggle to pay my rent." Lead on the Cost campaign supporter.

Evidence suggests that landlords set rent levels based on their own costs, rather than looking at trends in the market or other external factors, such as Local Housing Allowance rates. Research by Shelter among landlords with tenants receiving Local Housing Allowance rates found that one in four (23%) landlords say that the main reason they plan to increase their rent is because of increases to their general costs; 15 per cent say it is to cover the cost of redecoration or renovation; and 12 per cent say it is to offset changes to mortgage relief interest rates.

The research also found that landlords do not look to specifically rent properties to people receiving Local Housing Allowance rates. Just one per cent of landlords prefer letting to these tenants and over four in ten (43%) will not let to these tenants at all.

This has meant that few landlords have lowered their rents so that they are within Local Housing Allowance rates. Therefore, it is also reasonable to assume that restoring Local Housing Allowance rates to the cheapest third of private rents will provide extra financial support for tenants, without unintentionally driving up rents in most areas, given the majority of landlords do not set rents by the rates.

This has also been supported by analysis from the Chartered Institute of Housing in 2011, which found no evidence for a relationship between Local Housing Allowance rates and the proportion of the market let to people receiving housing benefit. Local Housing Allowance rates are also set using rent data that excludes rents from landlords renting to people receiving the rates. This means it is very difficult for landlords to manipulate the rates and therefore to cause an inflationary impact on rents in the wider rental market.

Restoring Local Housing Allowance rates to at least the cheapest third of private rents will provide genuine options to people needing support from Local Housing Allowance rates to find an affordable home in the private rental market. Until social housing meets demand, people must be able to access and afford privately rented homes.

This is putting Liam under unsustainable pressure to cover the cost of both his rent and essentials. His landlord has already lowered the rent as he wishes to keep Liam as a tenant, but the landlord is unable to sustain an even lower rent that would be covered by Local Housing Allowance rates. Crisis is supporting Liam to keep his home and prevent him from being forced into homelessness because of the low Local Housing Allowance he receives. We are currently working with Liam and Brent council as he cannot sustain this situation. However, Brent council are also struggling to find anywhere affordable for Liam to live due to the current levels of Local Housing Allowance rates and the lack of social rent homes.

"This is a pseudonym to protect their identity."
A private rented sector that works for all

Ensuring good quality housing in the private rented sector

Investment in Local Housing Allowance rates will support the stability and affordability of privately rented homes, but it is essential that these homes are of decent quality too. Homes in the private rented sector tend to be of poorer quality than homes in other tenures,70 and poor conditions are concentrated at the lower-cost end of the private rental market. This means people with low incomes, including people experiencing or at risk of homelessness, are disproportionately impacted by poor quality.71 Crisis services report that in London in particular, properties within Local Housing Allowance rates are often of very poor quality.

Although there have been some improvements over the last decade and an increasing proportion of homes are meeting minimum government standards, poor conditions remain a significant issue for many private renters. A recent survey of private renters in England found that more than half (53%) had experienced at least one problem with the condition of their home in the last year, with issues including mould, damp, excess cold, electrical hazards and pest infestations.72 In Scotland, almost half of properties (48%) do not meet the Scottish Housing Quality Standard.73 This includes serious disrepair, energy efficiency and whether the property is safe and secure. In Wales, around a quarter (24%) of privately rented homes have a category one hazard,74 which means they pose an immediate risk to a person’s health or safety.75 These problems must be addressed. No one should have to live in damaged or dangerous accommodation. Alongside restoring Local Housing Allowance rates to cover at least the cheapest third of local rents, national governments should act to improve conditions in the private rented sector so that everyone can access a good quality, affordable home.

Responsibility for the regulation of the private rented sector is devolved so measures to protect renters and tackle poor conditions vary across England, Scotland and Wales. It is clear that in all three nations action is needed to improve conditions in the private rented sector. The precise nature of the reforms needed will vary to account for the local context, but the key elements remain the same. A comprehensive set of minimum standards is needed that clearly sets out what makes a property suitable to let out, and tenants and local authorities must be able to effectively challenge any instances where these standards are not being met.

In both England and Scotland there is already a requirement that rented homes must be fit for human habitation. This was very recently introduced in England through the Homes (Fitness for Human Habitation) Act (2018). In Wales a similar requirement was introduced by the Renting Homes (Wales) Act (2016), and this is expected to come into force in 2020.

For these measures to be successful, councils need access to information about the private landlords operating locally to ensure the required standards are being met. As a first step, this could be achieved through the introduction of a national register, which all private landlords and letting agents would be required to join. This would allow councils to make more informed and strategic decisions to tackle poor conditions and effectively target enforcement when it is needed, including for landlords that are letting to people receiving Local Housing Allowance rates.

This will help ensure that investment in Local Housing Allowance rates is supporting people to find homes of decent quality. Both Scotland and Wales already have landlord registration schemes, which all landlords are required to join. The Government should introduce a similar national landlord register for England, learning from the experience of Scotland and Wales to ensure it is as effective as possible.

A national register would be a positive step forward to help improve quality of privately rented homes. However, there is still a risk that this would rely too heavily on councils to inspect and enforce. To balance this out and ensure better oversight, a recent comprehensive review of the private rented sector in England, carried out by Dr Julie Rugg and David Rhodes, recommends introducing a new MOT-style licensing system so that local authorities can focus on the most serious infractions.76

This would require all rented properties to have a valid certificate confirming that they have been inspected and are fit to let. This would need to be updated annually, similar to the way cars are required to pass an annual MOT test. This information would be

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Access to a safe, stable, and affordable home is a moral right that many of us take for granted. But currently in Great Britain, too many of us suffer the inhumanity of unsafe, temporary, or no housing. Crisis research shows there are around 170,000 individuals and families trapped in the worst forms of homelessness. 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 end homelessness for good.

Crisis modelling shows that if there are no significant changes to policy in homelessness, housing, and welfare, the current level of the worst forms of homelessness will more than double to 392,000 individuals and families by 2041. This isn’t inevitable, and we know there are solutions to change this. The modelling also found that increasing the supply of affordable housing (including social rent housing) would reduce this expected increase by 35 per cent. Reversing the cuts to financial support in the welfare system, including Local Housing Allowance rates, from 2015 onwards would have an even larger impact — reducing the expected increase by 47 per cent.

This is also supported by a National Audit Office report which found that the cuts to Local Housing Allowance rates have likely contributed to homelessness in England.

Over the long-term, national governments across England, Scotland, and Wales must ensure there is enough social housing to meet current and future demand. Crisis research with the National Housing Federation shows that to significantly reduce the worst forms of homelessness, 100,000 social homes a year must be built across Great Britain over the next 15 years, with 90,000 a year of these built in England. This will provide the most cost-effective way of maintaining secure and affordable housing. Until this level of social housing can be achieved however, people will continue to be trapped in situations where they are struggling to cover the cost of their rent, leading to a risk of homelessness, unless we invest in Local Housing Allowance rates. The rates need to be an effective tool to prevent and resolve homelessness now. Local Housing Allowance rates must cover the cost of at least the cheapest third of private rents.

With a new Westminster Government in place, there is a significant

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opportunity to ensure that no-one faces the indignity of becoming homeless by investing £3.3 billion to restore Local Housing Allowance rates in a three-year Spending Review. For a one-year Spending Review for 2020/2021, the Westminster Government must invest £820 million to restore the rates to cover the cheapest third of rents. This will ensure our welfare system, including Universal Credit, can effectively prevent homelessness.

A cost benefit analysis by Alma Economics of this investment, commissioned by Crisis, shows that over a three-year period this investment will bring net benefits of £2.1 billion and prevent more than 6,000 families and individuals from becoming homeless. It will also lift more than 32,000 households out of poverty, including 35,000 children currently trapped in poverty.

Unless this investment is put in place to help people secure privately rented homes, the numbers of people trapped in homelessness will rise. The risk of homelessness for families locked in poverty will also increase as they struggle to manage the rising pressure of covering the cost of their rent and buying essentials for their children.

This investment will not only significantly improve the lives of the individuals and families currently trapped in poverty and homelessness, but it will also support councils with their statutory homelessness duties by helping them to work with private landlords and rapidly support people into stable housing. This will be critical to ensuring the success of the Westminster Government’s commitments to end rough sleeping in England by 2027, and the Scottish Government’s Ending Homelessness Together: High Level Action Plan. It will also support the work of the ending homelessness action group in Wales and the Welsh Government’s response to the actions group’s recommendations.

Making sure that everyone has a safe and stable home benefits us all. There is an urgent need for the freeze on Local Housing Allowance rates to come to an end, and for sufficient investment so the rates cover at least the cheapest third of private rents, as was the case in 2011. Ensuring everyone has safe, stable housing creates a stronger society where homelessness has no place. The time to build on current progress and ultimately end homelessness in Great Britain is now, and restoring Local Housing Allowance rates must be a domestic policy priority for the upcoming Spending Review.