



Shelter submission for the Autumn Statement 2023

Summary

- Local housing allowance (LHA) sets the amount of housing benefits that private renters can claim. It is a vital tool in preventing and relieving homelessness, because it allows people who can't access a social rented home to rent privately.
- The severe shortage of social housing means that a large number of households on low incomes rely on the private rented sector. The decision by successive governments to focus on housing tenures other than social rent means that the only option people have to avoid homelessness is to claim housing benefit. So if housing benefit does not cover the cost of renting it is impossible for people to avoid homelessness.
- LHA is supposed to cover the cheapest 30% of local private rents. It was reduced to this level as an austerity measure in 2011, having previously covered the cheapest half. LHA has now been frozen for over three years since March 2020, meaning the amount claimants currently receive is based on data on rent levels collected in 2018 and 2019.
- Since then, private rents for existing tenancies and newly agreed tenancies have risen by 10.6% in England according to the ONS.¹ Asking rents for advertised homes have risen even faster than this according to recent analysis from the Institute for Fiscal Research.²
- Consequently, local housing allowance no longer covers the cheapest 30% of local private rents. In fact, it now barely covers any private rents. IFS analysis found that now just 5% of advertised private rents are within LHA rates.³ Research from London Councils found that in the capital the situation is even worse, with just 2.3% of advertised rents affordable.⁴
- More than half of households claiming LHA now have a shortfall between the local housing allowance and their rent: last year, the average shortfall for over 930,000 private renters was £164 a month.⁵
- **With so few privately rented homes now affordable to people in need of LHA, it is extremely difficult, and in some areas impossible, to prevent homelessness because struggling families can no longer self-serve in the private rental market.**
- **Instead, the LHA freeze is driving record homelessness. There are now over 104,000 households who are homeless and in damaging temporary accommodation.⁶ They are stuck because, even with help from the council, they can't move out into an affordable privately rented home and face waits of years to access social housing.**
- **Councils are therefore forced to spend unsustainable amounts on temporary accommodation - £1.7bn in 2022/23, an increase of 62% in 5 years. This spending is often going to unregulated providers providing shockingly poor-quality accommodation. £340 million went to private providers charging exorbitant nightly rates for accommodation. £565 million was spent on emergency B&Bs and hostels alone, which are often considered the worst accommodation for families with**

¹ ONS, [Index of private rental prices](#), September 2023.

² IFS, [Housing quality and affordability for lower-income households](#), June 2023.

³ IFS, [Housing quality and affordability for lower-income households](#), June 2023.

⁴ London Councils, [Private Rented Sector Supply in London](#), July 2023.

⁵ Figures based on data received from the Department for Work and Pensions in response to a freedom of information request from Shelter. Data relates to households in receipt of universal credit housing element or housing benefit in February 2023.

⁶ DLUHC, [Statutory homelessness in England: January to March 2023](#), July 2023.

children to live in.⁷ It would be far better to invest to support people to stay in their homes rather than allowing them to become homeless and having to spend on poorer quality, insecure temporary accommodation instead.

- The damage caused by life in temporary accommodation also has an impact on state spending and the economy in other ways, through the costs of ill health in reliance on the NHS, decreased participation in the labour force and poorer educational outcomes for children.
- The cost of unfreezing LHA for 2023/24 was estimated at £700m,⁸ less than half the cost of temporary accommodation spending last year. It is not only better for families but also more cost effective for the state to prevent homelessness before it happens by making sure people can afford to stay in their homes.
- The local housing allowance must urgently be restored to cover at least the cheapest 30% of local rents and re-linked to the real cost of renting for future years. If the government is to address now record levels of homelessness, and prevent harm to children, this measure is now vital.
- In the long term, the only way to reduce government spending on housing benefit is to invest in a new generation of social rent homes with truly affordable rents, so that fewer people are forced to rely on the expensive private rented sector.

Rising shortfalls for struggling private renters

A third (36%) of private renters rely on local housing allowance to afford rent. But the freeze to the local housing allowance is leaving struggling private renters with growing gaps between the amount they must pay in rent and the amount they receive through housing benefits.

Recent data released by the DWP in response to a freedom of information request from Shelter has shown that now more than 930,000 private renting households face a shortfall to their rent every month. On average, shortfalls are £164 every month. In England, for those experiencing a shortfall, an average of 20% of their rent is not covered by LHA. There are 47,291 more private renting households with shortfalls than a year ago, and average shortfalls have increased by 8%.

Shortfalls like this are totally unmanageable on limited budgets, and force private renters to make impossible choices between paying rent and keeping up with the cost of other essentials. Our recent YouGov survey for Shelter of private renters⁹ found that those who claim housing benefits are disproportionately likely to be struggling:

- 2 in 5 (44%) private renters receiving housing benefit are constantly struggling or falling behind with paying their rent compared to less than 1 in 3 (32%) of all private renters
- 2 in 5 (41%) private renters receiving housing benefit have had to borrow money to keep up with their rent in the last month, compared to 1 in 3 (33%) of all private renters
- More than half of private renters receiving housing benefit (57%) say that rising living costs have made them more worried about become homeless compared to just over 4 in 10 (43%) of all private renters
- More than 2 in 5 private renters receiving housing benefit (46%) say that worrying about how they will pay their rent is making them sick, compared to just over 1 in 3 (35%) of all private renters

⁷ DLUHC, [Local authority revenue expenditure and financing England: 2022 to 2023 individual local authority data - outturn](#), Table R04, October 2023.

⁸ [Written questions and answers - Written questions, answers and statements - UK Parliament](#).

⁹ Survey undertaken by YouGov for Shelter. Total sample size was 2003 adults. Fieldwork was undertaken between 8th - 30th June 2023. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

Record homelessness

As the cost of renting has grown rapidly, many people who rely on housing benefits are pushed into homelessness due to the LHA freeze. Unsustainable shortfalls mean that private renters are forced to leave homes they can no longer afford, and then search in vain for a new home as advertised rents for new lets have risen even faster than those for sitting tenants.¹⁰

Families and individuals who can no longer afford to self-serve in the private rented market are unable to access a truly affordable social home, because of decades of failure to invest in social housing. The only option is to turn to their local authority for help. Despite their legal duties to prevent and relieve homelessness, the local housing allowance freeze means that many councils are unable to do so for thousands of households in this situation, because of the acute lack of affordable homes within LHA limits. This has led to an inevitable rise in the numbers of households going into temporary accommodation (TA) and then getting stuck there, as there are no suitable and affordable settled homes for them to move into.

There are now 131,000 children and young people growing up in TA: the highest number ever recorded.¹¹ The effects on families of being homeless in temporary accommodation are devastating. They are forced to leave their communities, jobs, extended family and friends. By pushing people further from the labour market, life in TA entrenches poverty. More than one in four (27%) working people in TA have had to reduce their working hours and one in ten (11%) had to stop work completely due to the impact of temporary accommodation.

More than one in four (27%) households are placed more than an hour away from their previous home.¹² This causes huge disruptions to families' lives. 47% of families with school age children have had to move their child into different schools, with 1 in 5 having to move schools multiple times.¹³ Children are missing months of school while they wait for a school place in a new area, only to have to move again. More than half (52%) of parents in TA reported their children have missed days of school. Of these, more than one in three (37%) have missed more than one month. Life in TA is robbing children of their futures, by denying them access to education and damaging their prospects.

With moving on to a settled home almost impossible, people are stuck in accommodation which damages their health and pushes them further from the labour market.¹⁴ Three-quarters (75%) of households homeless in temporary accommodation live in poor conditions, including one in five (21%) with a safety hazard, such as fire risks. 34 children have died suddenly and unexpectedly while homeless with their families in temporary accommodation.¹⁵ Life in TA makes people sick and more likely to need attention from the NHS. Two in three (66%) people report temporary accommodation having a negative impact on physical or mental health.

As more and more families are stuck homeless in temporary accommodation, the LHA freeze means councils are having to resort to using the most costly and damaging forms of TA, including bed and breakfast hotels, where families can live in Victorian conditions: entire families in this type of TA can be living in one room for months, often sharing beds, with either no cooking facilities or sharing kitchens and bathrooms with strangers and with no room for

¹⁰ IFS, [Housing quality and affordability for lower-income households](#), June 2023.

¹¹ DLUHC, [Statutory homelessness in England: January to March 2023](#), July 2023.

¹² [Still Living in Limbo: Why the use of temporary accommodation must end](#), Shelter, March 2023.

¹³ [Still Living in Limbo: Why the use of temporary accommodation must end](#), Shelter, March 2023.

¹⁴ [Still Living in Limbo: Why the use of temporary accommodation must end](#), Shelter, March 2023.

¹⁵ [34 homeless children died unexpectedly in temporary housing since 2019, damning report finds \(inews.co.uk\)](#)

children to play or study. The law is clear that B&Bs shouldn't be used for families other than as a last resort.

The high nightly rates charged for temporary accommodation mean financial strain on families and a spiralling bill for local authorities, some of whom are now reporting TA costs are putting them at risk of bankruptcy.¹⁶ Figures out this week reveal that councils now spend £1.7bn on temporary accommodation, a 62% rise in 5 years.¹⁷

It's now vital that government unfreezes local housing allowance if record homelessness is to be addressed. The cost of the freeze is paid in damage to the health, job prospects and finances of people experiencing homelessness and unsustainable TA spending by local authorities.

The ultimate solution to end homelessness for good is to build a new generation of truly affordable social homes. But while we have a severe shortage of social housing, families need somewhere to live. We urge you to unfreeze local housing allowance so that it again covers at least the cheapest 30% of local rents.

¹⁶ <https://www.insidehousing.co.uk/news/south-east-council-on-brink-of-bankruptcy-over-massive-rise-in-homelessness-costs-82901>; <https://www.insidehousing.co.uk/news/councils-about-to-go-bust-over-temporary-accommodation-costs-cpc23-attendees-told-83377>.

¹⁷ DLUHC, [Local authority revenue expenditure and financing England: 2022 to 2023 individual local authority data – outturn](#), Table R04, October 2023.