

**SHELTER**

# Cover the Cost

PREVENTING HOMELESSNESS FOR  
RENTERS IN THE COST OF LIVING  
CRISIS

**September 2022**



## Executive summary

The housing emergency in England has left hundreds of thousands struggling to afford to keep a roof over their heads. We now face a perfect storm of spiralling rents and out of control bills which threatens to push many towards the brink of homelessness.

Private renters are disproportionately exposed to the cost of living crisis. New research by Shelter<sup>1</sup> has found that almost a third (32%) of private renters are **spending half their monthly household income or more on their monthly rent**. Nearly one in seven (13%) private renters have **seen their rent increase in the last month**, of whom almost a quarter (24%) have seen it **increase by more than £100** a month

Private renters are also the most likely tenure to already be in fuel poverty. But low-income renters are finding that they're falling short on their rent – to the tune of £1,812 a year, because the safety net is failing them.

Renters are struggling because the amount they can claim in housing benefits (by which we mean legacy housing benefit or universal credit housing allowance) has been frozen since March 2020 – while rents have shot up by over 5% in England and in some areas by more than 8%. Newly listed rents have gone up even more, pushing new homes further out of reach. The local housing allowance (LHA) freeze is leaving people with massive shortfalls each month.

As this report shows, the freeze has left low-income private renters in an incredibly precarious position. **54% of private renters claiming housing benefit have to make up a shortfall to cover their rent, with an average shortfall of £151 a month.**

Low-income private renters are simply being squeezed out of the private rental market and pushed towards homelessness. Many may end up in the expensive, largely unregulated temporary accommodation market – where councils must procure accommodation to offer under homelessness duties.

The consequences for renters are severe – in Shelter hubs up and down the country, our teams are working with people who are struggling right now because their housing benefit simply isn't enough to afford a home in their local area. This report includes the experiences of Rachel\*, a single parent and full-time carer for her disabled daughter, who was served an eviction notice this year. She described her search for a new home as 'horrific' and was facing homelessness because she simply could not find a new private tenancy in her local area that was affordable within LHA.

Private renters whose LHA falls short of their rent face terrible choices. For a family to avoid falling into rent arrears, they have to use money from their limited income meant for feeding their children and keeping the lights on just to keep a roof over their heads. And with other costs rising, their budgets are being squeezed beyond breaking point. Ultimately, inadequate LHA risks a tidal wave of homelessness.

The severe shortage of social rented homes means that, if private rents are unaffordable to homeless households, they are likely to end up in temporary accommodation.

The most recent statistics showed a record number of households were found to be threatened with homelessness due to the end of a private tenancy in the first three months of this year, and the number of families becoming homeless and ending up in temporary accommodation is rising. **To stem the tide now we must see urgent action to restore the housing benefit safety net.**

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<sup>1</sup> Results from a survey by YouGov for Shelter, funded by Nationwide.

## Recommendations

1. Local Housing Allowance (LHA) should be **restored to cover at least the cheapest 30% (i.e. bottom third)** of local rents. The government should make this a priority measure for tackling the cost of living crisis to avoid a wave of homelessness
2. LHA rates should be **re-linked to the cost of renting** in future years to keep them in line with at least the 30<sup>th</sup> percentile as the private rental market fluctuates
3. The **household benefit cap must be abolished** or, at the least, its level should be **urgently reviewed before the end of 2022** as recommended by the Work and Pensions Select Committee
4. The data used to determine LHA should be reviewed, particularly in regard to whether the current determination of the 30<sup>th</sup> percentile is an **accurate reflection of the cost of modest homes**
5. In the longer term, there must be **investment in a new generation of social housing**, with rents pegged to local income. This is the only truly affordable tenure and is the key to **insulating households from future price shocks**

## The scale of the problem<sup>2</sup>

Since the start of the pandemic the number of households claiming housing benefits housing benefits (**by which we mean legacy housing benefit or universal credit housing allowance**) has risen by 16%. Most of this increase - an additional 422,000 households - is made up of private renters. 1.8 million or **1 in 3 private renters now receive housing benefit to pay the rent**.

With private rents soaring, the cost of living crisis is both being driven by, and further compounding the housing crisis, which traps renters into paying on average more than a third of their income on housing: more than any other tenure.<sup>3</sup> Private renters are now trying to keep up with the rising cost of energy bills, food and household essentials. And many are finding that, after rent, they don't have enough left in the bank to pay skyrocketing bills.

For low-income private renters claiming housing benefit, they will face impossible choices this winter due to the freeze on the local housing allowance (LHA) which determines how much housing benefit private renters receive.

LHA has been frozen at March 2020 levels until at least 2023 at a time of rapidly increasing rent, leaving low-income private renters with shortfalls they must make up from income that would otherwise be available for feeding their family or heating their homes.

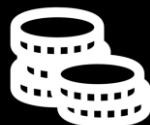
## HOUSING BENEFIT IN NUMBERS



**1.8 million (1 in 3)** private renters claim housing benefits



**48%** are families with children



**54%** have a shortfall between housing benefit and their rent



Rents are **up 5.3%** since housing benefit was frozen


<sup>2</sup> Shortfall data: Data shared by DWP with Shelter in response to a Freedom of Information Request. Latest data available is from February 2022. All other data DWP, Statxplorer, 'Households on UC' and 'Households claiming housing benefit', filtered by housing element (UC) and filtered by tenure (both). Data compared between the start of the pandemic (February 2020) and the latest data available (May 2022)

<sup>3</sup> DLUHC, English Housing Survey 2020-21, Table AT1.12.

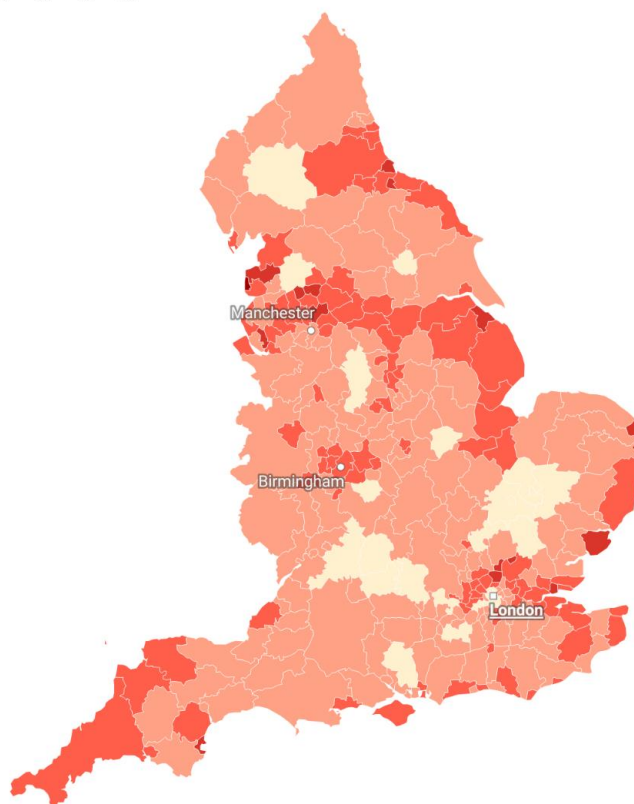
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## Private renters claiming housing benefit by local authority, June 2022

Estimated % private renters



20 40 60 80



Map: Shelter • Source: Department for Work and Pensions Stat-Xplore • Map data: © Crown copyright and database right 2021 • Created with Datawrapper

*An interactive version of this map is available [here](#).*

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Private renters right across the country are affected by the freeze:

- The North East is the region with the highest proportion claiming housing benefit (41%).
- There are also hotspots in coastal areas such as Blackpool (83%), Hartlepool (65%) and Great Yarmouth (72%).<sup>4</sup>
- In parts of the South West like Torbay (60%), the conversion of private rented family homes into holiday flats means there are even fewer options that low-income renters can afford.

These issues are compounded by the benefit cap, which limits the amount of income that households can receive from benefits.

120,000 households are affected by the cap, which limits their benefits income to £20,000 per year/£23,000 in London or £13,400/£15,410 in London for single adults without children. The

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<sup>4</sup> The proportion of private renters claiming housing benefit is an estimate derived from combining administrative data from the DWP with population estimates published by DLUHC (the English Housing Survey), and by the Office for National Statistics (ONS). Population estimates for local authorities are derived from ONS, [Subnational households by tenure estimates](#), Table 1a Count of households by tenure by local authority district, England, 2012- 2020, published January 2022. We have adjusted the total number of households in each local authority area using the regional proportion of households where multiple welfare claims could potentially be made and the regional average number of adults living in such households using data from the English Housing Survey 2016-18.

cap is absolute and pays no regard to the size of home a family needs to avoid severe overcrowding and homelessness.

As a result, households who are capped see dramatic shortfalls in their benefits, often leaving them with very little to afford food and bills after rent is paid. Almost all capped households with children now live in deep poverty.<sup>5</sup>

As private rents across the country increase, the benefit cap is affecting 52% more households than before the pandemic. Recent research by London Councils has found that less than 1% of privately rented homes in London are affordable to benefit capped single parents with 2 children.<sup>6</sup>

Housing benefit was introduced as part of the Thatcher government's deregulation of the private rented sector and reduction of investment in social housing. It was originally designed to ensure low income households could access affordable housing as bricks and mortar investment in social homes was reduced.

However, welfare reforms have **broken the link between housing benefit and the real cost of renting.**

**1988** – Introduction of modern housing benefit and deregulation of private rents. Environment minister Nicholas Ridley: **“any government support will focus on tenants, rather than on property, through the housing benefit system”**

**1991** – Housing minister Sir George Young: **“if people cannot afford to pay that market rent, housing benefit will take the strain”**

**2008** – Local Housing Allowance introduced, reforming housing benefit to cover only the cheapest 50% of local rents

**2011** – LHA rates reduced to cover the bottom 30% of local rents

**2013** – Introduction of the household benefit cap restricting benefits income in line with median earnings regardless of entitlement for affected households

**2016** – Lowering of benefit cap, breaking link to median earnings

<sup>5</sup> 90% of benefit-capped families with children are in deep poverty. Deep poverty is defined as 50% of the equivalised median income for a household. Child Poverty Action Group, [Pushed deeper into poverty: the impact of the benefit cap](#), March 2022.

<sup>6</sup> London Councils, Briefing: Affordability of Private Rented Sector accommodation for London Households in receipt of Housing Support, August 2022 (supplied to Shelter under embargo).

## The LHA freeze and shortfalls

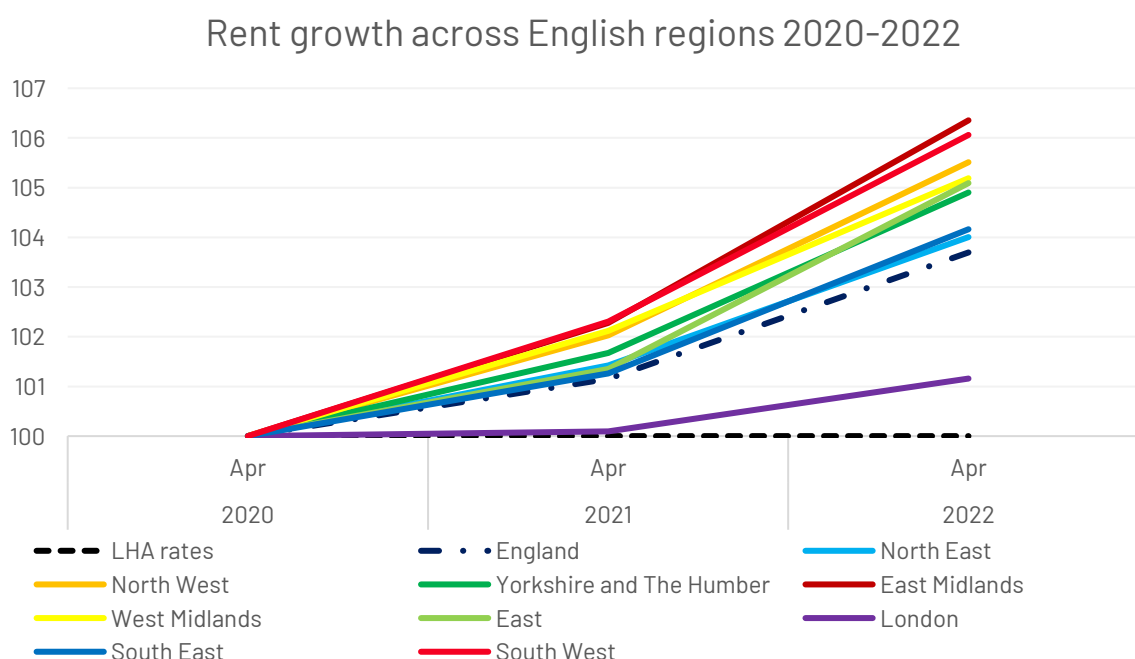
Local Housing Allowance (LHA) determines the amount of housing benefit private renters can get. LHA is supposed to be adequate to cover the lowest 30% of rents in each area. It is currently frozen at rates set in March 2020.

LHA was previously frozen from 2016 to 2020, and prior to that from 2013 to 2016 was updated below the level of rental price inflation. As a result, by 2020, LHA rates covered the cost of the cheapest 30% of rents in just 3% of England. In a third (32%) of areas,<sup>7</sup> LHA did not even cover the cheapest 10% of local rents. Because housing benefit failed to keep pace with rising rents, private renters were left making up shortfalls between the housing benefit they received and their rent.

By February 2020, 80% of households had a shortfall between their rent and their housing benefit, with households making up an average shortfall of £145.22, each month.<sup>8</sup> The restoration of LHA to cover the lowest 30% of local rents in March 2020 had a vital impact in preventing homelessness during the pandemic.<sup>9</sup> As we enter another crisis period it is once again urgently required.

### Rising rents

The most recent rates are based on data gathered by the Valuation Office Agency in the year to September 2019. Since then, rents have risen 5.3% in England, and more than 8% in the East Midlands and South West.



*Rents are indexed so that April 2020=100. Data drawn from the ONS Index of Private Rents.*

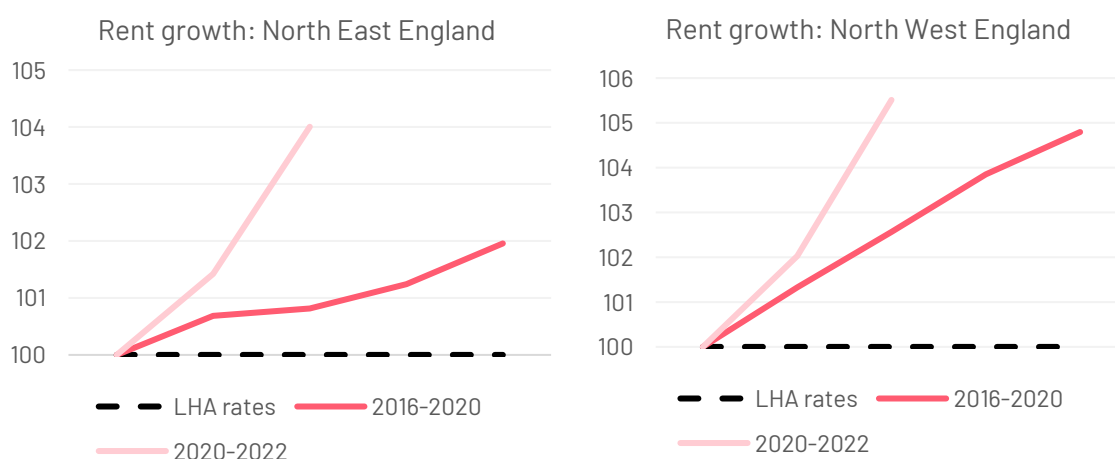
<sup>7</sup> Shelter, [Briefing: LHA Impact Assessment](#), March 2020.

<sup>8</sup> Data shared by DWP with Shelter in response to a Freedom of Information Request. Data is from February 2020 and February 2022

<sup>9</sup> Crisis, [Homelessness Monitor 2021](#), March 2021.

As a result, LHA has become detached from real rents and falls short of the cost of the modest homes it was intended to cover'.<sup>10</sup> Most of the increase has occurred since Spring 2021, as demand for privately rented homes has bounced back following the pandemic lockdowns. In some regions, rents have risen even faster.<sup>11</sup>

Rents are showing much faster growth during this current freeze on housing benefit than during the previous freeze. The current freeze on LHA has lasted just half as long than the one from 2016 to 2020. However, as the graphs below show, rents have already overtaken growth seen across the whole of the 2016-2020 freeze in the North East and North West. This means that this freeze is already having a much greater impact on households in these areas, despite its shorter duration.



*Rent growth during the previous (2016-2020) and current (2020-22) LHA freezes in North East and North West England. Rents are indexed so that April 2020/April 2022=100. Data drawn from the ONS Index of Private Rents.*

### Falling short

This sustained rent growth has meant that low-income private renters once again face having to make up shortfalls in their rent. New Shelter analysis of government data<sup>12</sup> shows that shortfalls are again the norm: as of February 2022, over half (54%) of households (887,186 households) claiming LHA have a shortfall between their rent and their LHA payment<sup>13</sup>. Over half (55%) of families with children have a shortfall. Households will have to find this from their other income every month, just in order to keep up with their rent each month.

Shortfalls are high and, in many cases, unmanageable: the average shortfall is £151 a month. This is already 4% higher than before LHA was restored to the 30<sup>th</sup> percentile of rents in 2020.

<sup>10</sup> Valuation Office Agency, 'Local Housing Allowance (LHA) rates applicable from April 2022 to March 2023' 2022: <https://www.gov.uk/government/publications/local-housing-allowance-lha-rates-applicable-from-april-2022-to-march-2023>

<sup>11</sup> All rent data and graphs: indexed data from Index of Private Housing Rental Prices, UK : April 2022 <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/indexofprivatehousingrentalprices/april2022>

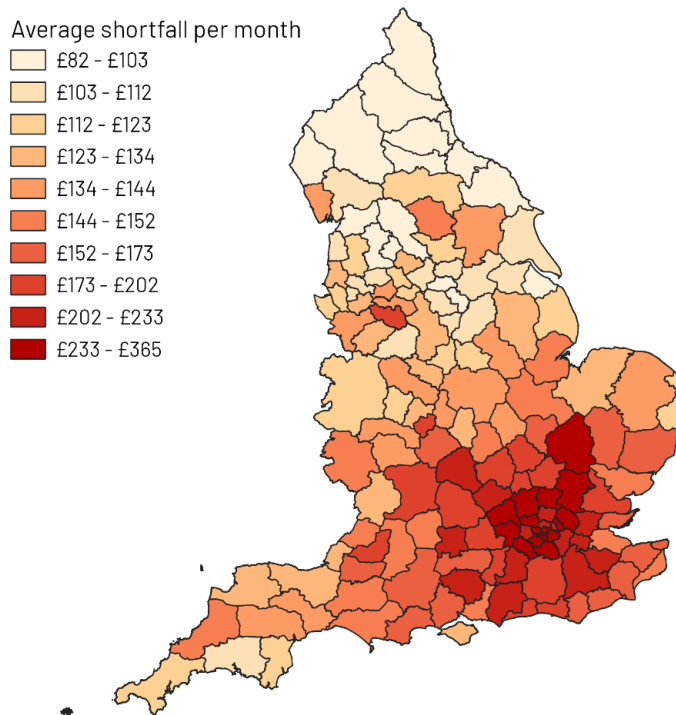
<sup>12</sup> Data shared by DWP with Shelter in response to a Freedom of Information Request. Data is from February 2020 and February 2022

<sup>13</sup> These are shortfalls between the amount households qualify for on the basis of their rent and income, and what they are receiving. It does not include shortfalls that are part of the design of the system, for example due to households receiving only 'top up' payments alongside other income.



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**Shortfalls between rent and Local Housing Allowance  
for universal credit and housing benefit claimants  
February 2022**



*Map derived from data shared with Shelter under a freedom of information request by DWP. Broad rental market area boundary data is sourced from the Valuation Office Agency, [Broad Rental Market Area boundary layer for Geographical Information System \(GIS\) applicable May 2020](#).*

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For many households, shortfalls are even higher. In Bournemouth average shortfalls are £167 a month, in Harlow £234 and in Maidstone, £200 a month. They are £173 in Cheltenham, £211 in Aylesbury, £243 in Cambridge and £365 in central London.

And these extra-large shortfalls are shockingly widespread: over 170,000 housing benefit or universal credit housing element-claiming households (one in ten) live in an area where shortfalls are over £200 a month on average.<sup>14</sup> These are devastatingly large shortfalls that households cannot be realistically expected to cover the money from savings elsewhere in their budgets.

#### *Single adults*

Single people are stretched particularly hard. The mean shortfall that is having to be made up by a lone adult is higher than for other households – at £225 a month. Since most people under 35 can only claim local housing allowance at the ‘shared accommodation rate’, they have no choice but to take on these high shortfalls.

For a household who is out of work, covering this would take the vast majority of the remainder of their universal credit payment (£265.31, or £334.91 for claimants over 25).<sup>15</sup>

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<sup>14</sup> 173,654 households.

<sup>15</sup> <https://www.gov.uk/universal-credit/what-youll-get>

Claimants aged under 25 would be left with less than £10 a week to cover all other costs food, utilities, transport and other bills. This is clearly impossible, so likely to cause homelessness.

#### *Families with children*

Families with children claiming the housing element of universal credit also face impossible choices about their budgets:

- Families face average shortfalls of £144.18 a month.
- Single parents face shortfalls of £136 a month<sup>16</sup>.

This represents close to half of an average family's food budget, and almost 50% more than a typical family spends on clothes and shoes.<sup>17</sup>

Again, in many areas the average shortfalls faced by families are higher than this. For example, single parents face shortfalls of £200 on average in the Harlow and Stortford area, £150 in Guildford and £150 in Brighton and Hove.

#### **Is the correct data being used?**

In areas like these with very high affordability pressures, even restoring LHA to the 30<sup>th</sup> percentile may not be enough to keep up with an overheating rental market.

The data used to determine LHA rates reflects a mixture of existing tenancies and new lets, collected by the Valuation Office Agency. Recent research by the Bevan Foundation has highlighted serious concerns about this data: in particular, they found that there was little incentive for landlords at the top end of the market to report information about the cost of their tenancies, so that more expensive lets are under-represented in the sample.<sup>18</sup>

This may have serious consequences for people on housing benefit, particularly those newly claiming or moving home for whom the cheapest third of rents as determined by the DWP does not reflect the market they have to try to compete in.

**54%** of households claiming housing benefits have a shortfall to their rent

The average shortfall is **£151 per month**

**Over 170,000 (1 in 10)** households live in areas where average shortfalls are **£200+ per month**

**Single adults** in shared accommodation face higher average shortfalls - **£225 per month**

Out of work adults would have to use the **majority of their Universal Credit standard allowance** to cover the average shortfall

<sup>16</sup> Data shared by DWP with Shelter in response to a Freedom of Information Request. Data is from February 2020 and February 2022 combined with data from DWP, Statxplora 'Households claiming Universal Credit' filtered by family type, tenure and whether LHA covers rent. Comparable data is not available for families claiming legacy HB.

<sup>17</sup> Middle income families spent £332.80 on average on food and £103.60 on clothes and footwear in 2020/21. Family spending in the UK: April 2020 to March 2021 Family spending workbook 4: expenditure by household characteristic; Table A56 Expenditure of households with children by gross income quintile group, financial year ending 2019 to financial year ending 2021 Third quintile group

<sup>18</sup> Bevan Foundation, [Wales' Housing Crisis: making the LHA work for Wales](#), March 2022.

## The impact of the LHA freeze

The housing affordability crisis has driven the cost of living crisis. Now, with inflation at the highest level for 40 years and the cost of food, fuel and essentials spiralling, it's unsustainable for families with these shocking shortfall levels to make them up via earnings or benefits meant to cover food or bills.

New polling by YouGov undertaken for Shelter in August 2022<sup>19</sup> paints a stark picture of the impact of the cost of living crisis on private renters.

- Almost a third (32%) of private renters are **spending half their monthly household income or more on their monthly rent**
- Nearly one in seven (13%) private renters have **seen their rent increase in the last month**, of whom almost a quarter (24%) have seen it **increase by more than £100** a month
- More than a third (37%) of private renting families are already **behind or are constantly struggling to pay their rent**, up 28% since April this year

Low-income households claiming housing benefit are at the very sharpest end of the crisis and will be facing impossible choices to avoid rent arrears and homelessness. Research from 2020 shows the severe impact cuts and freezes have on private renters. In a survey of private renters claiming housing benefit for our 2019 report *From the Frontline*, we found that:

- 1 in 3 (31%) private renters claiming housing benefit had **cut back on food** for themselves or their partner to afford their rent
- 2 in 5 (37%) private renters claiming benefit had been **forced to borrow money** to cover their rent
- Households claiming benefit were **twice as likely to be overcrowded** as other private renters
- Homelessness among private tenants exploded during this period<sup>20</sup>, which a study by Manchester Metropolitan University found was driven by changes to LHA<sup>21</sup>

The size of LHA shortfalls in many areas are equivalent to families losing more than their budget for food and bills every month.

Unless local housing allowance shortfalls are addressed, it will be impossible for families to avoid racking up rent arrears, putting them at severe risk of homelessness.

### Renters looking for an affordable home

Shortfalls are stark for many of those currently renting, but can be even more of a problem for those entering the rental market or in need of a new home. By putting most local private rented homes out of reach, LHA shortfalls trap families in homelessness.

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<sup>19</sup> YouGov survey for Shelter, funded by Nationwide. It was conducted online between 29<sup>th</sup> July and 17<sup>th</sup> August 2022 and the sample was 2,031 private renters in England aged 16+. It weighted to be representative of the private renting population.

<sup>20</sup> Homelessness due to the end of a private tenancy increased by 66% between 2011 and 2018, DLUHC, 'Live Tables on Homelessness' <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>21</sup> O'Leary, C., O'Shea, S., Albertson, K., Homelessness and the Private Rented Sector, Manchester Metropolitan University, 2018.

## CASE STUDY

Rachel\*, 51, lives in Shropshire. She lives with her three children aged 29, 27, and 13 who have health needs. Rachel is a full-time carer for her middle daughter who has disabilities as a result of a stroke. She has lived in her current privately rented home for 8 years and receives housing benefit to pay the rent of £750 a month. In March 2022 the landlord told her he intended to sell the property and served Rachel with a section 21 'no fault' eviction notice. Rachel contacted her council and made a homeless application.

The council homelessness officer advised her to look for a new privately rented home, but Rachel found the search impossible. Her family need a 4 bedroom home which is suitable for her daughter, who has restricted mobility, but the Local Housing Allowance in Shropshire is limited to £793 a month. Most of the properties she saw advertised were over £1000 a month, and the handful that were within LHA rates were in disrepair or were wholly unsuitable for her family's needs.

To make things worse, Rachel found that when she mentioned being in receipt of housing benefit, letting agents seemed unwilling to let to her, telling her the property already had a number of offers. As a full-time carer, she is considered to be unemployed so was excluded by lettings advertised as 'professionals only'.

She is currently waiting to hear whether the council can secure her an affordable housing association tenancy.

\*Not her real name

Homelessness is not simply caused by a family losing the place where they live – crucially, it happens when they can't afford a suitable alternative.

Recent research has demonstrated the impossible market private renters claiming housing benefit now face.

Analysis from Crisis and Zoopla in the year to April 2022 found that just 1 in 8 (12%) of lettings advertised in the UK were affordable within the local housing allowance rate.<sup>22</sup>

In some areas the situation is even worse. In London, asking rents have risen by more than 15% in a year and supply of new lets has fallen by as much as 35% – as a result, research for London Councils found that just 8.8% of privately rented homes advertised in the year to March 2022 were affordable within LHA.<sup>23</sup> In Wales, just 1.4% of advertised properties in May were affordable to those claiming housing benefit, and fifteen local authority areas in the country did not have a single affordable home advertised.<sup>24</sup>

### Impact on homelessness prevention

Right now we know that unaffordable rents for new homes are driving households to approach their local authorities as homeless.

In January to March this year, the most common trigger causing households to approach their local council because they were threatened with homelessness was due to the end of a private rental contract, with the majority being due to landlords wishing to sell or re-let.

The inability for households to 'self-serve', and to find a new home they can afford when a tenancy comes to an end this way is clear evidence of the inadequacy of the safety net currently provided by LHA.

Rather than using the help provided by local housing allowance to find their own accommodation, making their own trade-offs, inadequate LHA is pushing families and individuals onto state homelessness services, where they have no choice or autonomy over the accommodation offered.

If low-income families cannot themselves find a suitable new home within LHA, then (for the same reason) it's very unlikely that the local authority housing

<sup>22</sup> Crisis and Zoopla, [Falling short: Housing benefit and the rising cost of renting in England](#), August 2022.

<sup>23</sup> London Councils, [London's housing affordability crisis set to cause homelessness spike | London Councils](#), August 2022.

<sup>24</sup> Bevan Foundation, [Wales' Housing Crisis: an update on the private rental market in Wales - Bevan Foundation](#), June 2022.

options service will be able to help prevent their homelessness either.

Recent research with frontline workers with homeless people found that more than 8 in 10 frontline staff found it 'difficult' or 'very difficult' to obtain accommodation for their clients within the LHA rate.<sup>25</sup> Those working in coastal areas, the South West and the South East of England reported the greatest difficulty, reflecting the high rates of rent inflation there.

### **Impact on numbers in temporary accommodation**

Thousands of households will inevitably end up homeless and, where entitled, being accommodated in temporary accommodation. Temporary accommodation (TA) is not only very expensive for councils, it is also harmful for families and children placed there, with research identifying scarring effects on health, children's wellbeing and on employment.

Families living in temporary accommodation face months or even years of instability, moving from place to place, and in some cases the entire family is crammed into one room.

Following the action taken by the government in March 2020 to rebase LHA to cover the cost of local homes, the number of families in TA started to fall steadily each quarter as local authorities had more scope to help them into a settled home, and move people out of temporary accommodation.

However, this trend is already starting to reverse. The number of families in temporary accommodation has risen steadily for the last three quarters that data is available. Shelter's local hubs across England report they are starting to see sustained growth in the use of TA, including in areas with previously very low numbers of households in TA.

The use of budget hotels and other expensive, 'nightly rate' forms of accommodation also appears to be increasing. We will be monitoring the homelessness data returns by local authorities to investigate this further as data becomes available. But in the meantime, these reports are concerning.

### **Who is most affected?**

We know that the inadequacy of the LHA rates is more likely to affect people with protected characteristics under the Equality Act 2010:

- Half (51%) of private renting households claiming housing benefit include someone with a **disability**, compared to 29% of all private renting households.<sup>26</sup>
- **Black and Bangladeshi households** are almost twice (1.8 times) as likely to claim housing benefit as White households.<sup>27</sup>
- **Women** are disproportionately affected: last time full data on LHA claimants' gender was available from DWP, women comprised half (49%) of private renters but more than two thirds (67%) of LHA claimants<sup>28</sup>.
- Much of the impact on women is because **lone parents** (more than 9 in 10 of whom are women) are particularly hard hit: more than a third (36%) of private renting households claiming Universal Credit housing element are lone parents, but they make up less than a quarter (24%) of all households.<sup>29</sup>

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<sup>25</sup> St Martin in the Fields Frontline Network, Annual Frontline Worker Survey 2021: Full Report, forthcoming.

<sup>26</sup> DWP, Stat-Xplore, DWP, Households below average income 2019-20.

<sup>27</sup> DWP, [Family Resources Survey 2020-21](#).

<sup>28</sup> DWP Stat-Xplore, Housing Benefit statistics for March 2019 and DLUHC, English Housing Survey 2020-21. Data on claimants gender is not available for Universal Credit housing element and March 2019 is the last date that all claims were made through legacy housing benefit for which this data is available.

<sup>29</sup> DWP Stat-Xplore, Households on Universal Credit data and DLUHC, English Housing Survey 2020-21.

The burden of cuts and freezes to LHA is thus disproportionately borne by those with protected characteristics under equalities legislation.

People with disabilities like Rachel's family can face particular barriers to finding an appropriate and affordable new home, due to needing a property with adaptations or in locations close to key services and transport links.

# What has the government done and why do they need to do more?

## Help so far

Low-income private renters have been prevented from facing homelessness by the government's financial support measures in response to the pandemic and the cost of living crisis.

In response to the pandemic:

- The £20 uplift to Universal Credit was a welcome boost to subsistence benefits, but this ended in September 2021<sup>30</sup>
- The £65m COVID arrears fund<sup>31</sup>, allocated to councils via Homelessness Prevention Grant in 2021-22 and evictions ban<sup>32</sup> were a recognition from government that private renters faced particular difficulties affording their homes as a result of lockdowns.

More recently, the government made additional (£650) cost of living payments<sup>33</sup> to most households claiming benefits to help with the rising cost of energy bills and food. These payments are welcome help for millions of people struggling with rising inflation across the country.

We strongly welcome the targeting of help through the benefits system, which is the swiftest, most efficient and fairest way to target vital financial help to those most affected. This is a more effective, universal means of homelessness prevention than discretionary crisis support and homelessness prevention funding allocated to local authorities, which is only available to people who are already facing a crisis. This is often too late to prevent homelessness. It's also more difficult for people to claim discretionary crisis funds, with every local authority operating different criteria and systems for allocating a fixed pot.

## Why housing-focussed, help is needed

However, the government response has so far failed to address the fact that the largest element of household expenditure and the largest portion of claimants benefits entitlement – rent – has been rising rapidly in the past year while local housing allowance has been frozen.

The housing affordability crisis is fuelling the cost of living crisis, so it must urgently be tackled if a tidal wave of homelessness is to be averted over the coming year.

Private renting households will see the value of the additional £650 support payments eroded, as they already need to use income from subsistence benefits to cover shortfalls in the housing benefit they receive.

Therefore, to avoid homelessness, they are likely to have to use the payments to make up these shortfalls over the coming year (or pay off rent arrears) rather than to cover rising energy and food bills.

For example, families are currently having to make up a housing benefit shortfall of £1,730.16 a year on average (£1820 a year for all households).

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<sup>30</sup> [Universal credit: an end to the uplift - House of Lords Library \(parliament.uk\)](#)

<sup>31</sup> <https://www.gov.uk/government/news/65-million-support-package-for-vulnerable-renters>

<sup>32</sup> [\[Withdrawn\] Guidance for landlords and tenants - GOV.UK \(www.gov.uk\)](#)

<sup>33</sup> [Cost of Living Payment - GOV.UK \(www.gov.uk\)](#)

For a family with such a shortfall, their whole £650 Cost of Living Payment would be taken up making up the existing shortfall to their rent rather than helping them cope with the rising cost of other essentials, such as energy bills.

These shortfalls are especially hard to bear because low-income private renters are more exposed to rising energy costs:

- Households in the lowest income quartiles spend the highest share of their budget on housing fuel and power, more than 20% for the poorest 40% of households.<sup>34</sup>
- Private renters are far more likely than other tenures to already live in fuel poverty: 1 in 4 private rented households were living in fuel poverty in 2020<sup>35</sup> and the proportion is projected to hit 42%, equivalent to more than 2.3 million private rented households, due to the present increases in energy prices.<sup>36</sup>

With the 2020 rebasing of LHA, evictions moratorium and 2021 COVID arrears fund, the government recognised during the pandemic that private renters are a group in need of particular protections. In the present crisis, low-income private renters are once again bearing the brunt.

Another welcome aspect of the £650 cost of living payments was that they were exempt from the household benefit cap, meaning this year has seen the first increase to the cap level since it was introduced in 2013.

However, if the cap remains frozen, capped households will see their income fall in 2023-24 while other households will experience an uprating of their benefits. The Work & Pensions select committee inquiry into the cost of living identified the benefit cap as a priority issue which the government needs to address, urging the government to review the cap's level by the end of 2022 and uprate it appropriately.<sup>37</sup>

The inadequacy of local housing allowance has serious implications for some of the government's key policies:

**Refugee resettlement:** an open letter signed by hundreds of Homes for Ukraine hosts in August 2022 highlighted the extreme difficulties for Ukrainian refugees moving on from hosting placements while LHA is inadequate for securing a new privately rented home.<sup>38</sup>

**Ending rough sleeping:** the government's manifesto commitment to end rough sleeping by 2024 is being jeopardised by an inadequate homelessness safety net. Recent CHAIN data on rough sleeping in London shows that 48% of people recorded as sleeping rough were new to the streets.<sup>39</sup> If the government fails to prevent homelessness via adequate housing benefit, more people will end up on the streets, as fast as others are being helped into accommodation.

**Supporting survivors of domestic abuse:** our research with Women's Aid shows that women and children can be plunged into homelessness by the household benefit cap if they flee an abusive partner.<sup>40</sup>

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<sup>34</sup> ONS,

<https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/familyspendingworkbook1detailedexpenditureandtrends>, July 2022.

<sup>35</sup> BEIS, <https://www.gov.uk/government/statistics/annual-fuel-poverty-statistics-report-2022>

<sup>36</sup> <https://www.kammadata.com/press/2022/05/over-2-3-million-prs-households-could-be-in-fuel-poverty-by-the-end-of-the-year/>

<sup>37</sup> Work and Pensions Select Committee, [Second report: The cost of living](#), July 2022.

<sup>38</sup> ['No simple way' for Ukrainian refugees to find permanent homes, UK hosts warn | The Independent](#).

<sup>39</sup> Based on data for Q1 (April to June) 2022. [Rough sleeping in London \(CHAIN reports\) - London Datastore](#).

<sup>40</sup> Shelter and Women's Aid, [Joint Briefing with Women's Aid: The Benefit Cap and Domestic Abuse](#), May 2021.



## The solutions

The government urgently needs to make housing benefit fit for purpose to tackle the cost of living crisis.

### **Local Housing Allowance (LHA)**

LHA should be restored to cover at least the cheapest 30% (i.e. bottom third) of local rents. The government should make this a priority measure for tackling the cost of living crisis to avoid a wave of homelessness

By ending the LHA freeze and re-linking support to local rents, the government would instantly give breathing space for the 1.8 million low-income private renters who rely on housing benefit.

The housing emergency has left thousands of families on a cliff edge, just about managing to keep up with the cost of their home. Now that other costs of rising sharply, they're left with nothing to cut back, at risk of being pushed over the edge into homelessness.

Restoring LHA to cover at least the cheapest third of local rents is a vital intervention to prevent a wave of homelessness.

### **Household benefit cap**

At the same time, the benefit cap must be scrapped, or at the very least urgently reviewed, to ensure that uprating LHA does not lead to more of the hardest hit households being capped.

Raising the cap alongside uprating LHA would be an investment in the welfare safety net which will help to keep thousands of households in their homes. It would also assist households already in homeless accommodation to move on, such as former rough sleepers from hostels and survivors of domestic abuse from refuges who often find the benefit cap limits their ability to find a new stable home.<sup>41</sup> This would be beneficial in freeing up much-needed bedspaces in hostels and refuges, as well as helping some of the most vulnerable homeless households get back on their feet.

### **Review data sources and policy impacts**

It is also high time that we saw a review of the data used to determine the local housing allowance. Over a decade has now passed since the introduction of welfare reform measures, including lowering LHA from the 50<sup>th</sup> to the 30<sup>th</sup> percentile of local markets.

The evidence presented in this report on asking rents for new lets has shown how the present level of LHA bears very little relation to the private rental market. A review of whether the 30<sup>th</sup> percentile provides adequate support for low-income private renters could also identify ways of modernising how LHA is determined through improved data gathering.

The proposed landlord portal in the *A fairer private rented sector* white paper<sup>42</sup> offers the opportunity to find new ways to collect data on private rents which could more accurately reflect the market. A review of Broad Rental Market Area boundaries to reflect economic change across the country would empower local authorities to better support communities facing homelessness.

### **Invest in genuinely affordable social housing**

In the longer term, the only sustainable solution is to address the causes of the housing emergency by investing in truly affordable social homes.

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<sup>41</sup> Shelter and Women's Aid, [Joint Briefing: The Benefit Cap and Domestic Abuse - Shelter England](#), May 2021; Shelter, [Everyone In: Where Are They Now?](#), August 2021.

<sup>42</sup> [A fairer private rented sector - GOV.UK \(www.gov.uk\)](#)

Due to a severe shortage of social rent housing, low-income households including those at risk of homelessness have no choice but to turn to the private rented sector and then, inevitably, need LHA to afford increasing market rents.

The cost of housing benefit to the government was £29bn in 2021-22, and is forecast to increase by a further £4.4bn by 2026-27.<sup>43</sup> While the housing benefit bill has grown, investment in social housing has dwindled. Since 1991, there has been an average annual net loss of 21,000 social rent homes and the social housing waiting list now stands at more than a million households.<sup>44</sup>

Social rent is the only truly affordable tenure, as rents are linked to local incomes. To insulate low-income households from future price shocks the government urgently needs to invest in a new generation of genuinely affordable social rent homes.

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<sup>43</sup> DWP, [Benefit expenditure and caseload tables 2021](#). November 2021.

<sup>44</sup> Shelter, [Briefing: Levelling Up and Regeneration Bill: Second Reading](#). May 2022.

**We exist to defend the right to a safe home and fight the devastating impact the housing emergency has on people and society.**

We do this with campaigns, advice and support – and we never give up. We believe that home is everything.

**Shelter**  
88 Old Street  
London EC1V 9HU

**0300 339 1234**  
**shelter.org.uk**

