

Analysis: Local Housing Allowance freeze

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Introduction

Who is affected by the Local Housing Allowance Freeze?

Hundreds of thousands of private renters in England have to claim housing benefit in order to help cover the cost of their rent. Many of these renters will be working, but their income won't be sufficient to afford private rents in their local area. Private rents have been rising consistently for several years, between 2011/12 and 2015 they rose in 79% of the country.

Local Housing Allowance (LHA) is the name given to housing benefit for private renters. LHA rates are calculated for every local area based on local rents. The maximum amount of support a household can claim will depend on where they live, the minimum number of bedrooms they need and their income.

Anyone who claims housing benefit is also expected to find a home to rent which is cheaper than average for their local area. Housing benefit levels are already set at, or below, the cost of renting a home in the bottom third of the private rental market. Since 2010 housing benefit levels have not risen in line with rising private rents, and current freeze means that they will remain frozen at their 2016 levels until 2020, regardless of how much private rents have gone up by in each local area.

This means that most private renters who need their income topped up by housing benefit will face a monthly shortfall between the actual cost of their rent, and the support available. Our analysis reveals just how dramatic those shortfalls can be for three different household types: families with 1 or 2 children, couples and single people.

We have also identified 'blackspots' across the country where these different household types will be most affected. Interestingly, these 'blackspots' aren't just limited to London or well-known expensive postcodes they also include places like Milton Keynes, Luton, Warrington and Bristol.

How are different households affected?

All working age benefits, including Local Housing Allowance (LHA) rates, have been frozen since April 2016. The freeze is due to last for four years. This means LHA rates will stay the same until April 2020. We are worried that freezing support for private renters both increases the risk of homelessness, and does nothing to tackle the country's chronic shortage of affordable homes. The lack of affordable homes is a fundamental reason why more and more people are having to make housing benefit claims in the first place.

Many people who rely on housing benefit are being forced down unsustainable and risky routes in order to try and make up the growing shortfall in their rent, including raiding other benefits such as their child tax credit, or getting into debt to keep a roof over their head. Unfortunately, homelessness can all too often be the outcome for those who cannot keep up with their rent, or those who cannot find somewhere to live on their limited budget. The loss of private tenancy is now the [leading cause of homelessness in England](#).

What has the freeze got to do with the new Homelessness Reduction Bill?

The Homelessness Reduction Bill, which is currently in its final stage of review in the House of Lords before it passes into law, will place new legal duties on local councils to assess, prevent and relieve homelessness for anyone who comes to them for help. The government backs the bill and has promised £61m in extra funding for councils to help them with implementation.

However, because of dwindling amount of social housing available, one of the key ways that councils try to prevent and relieve homelessness is by helping people into private renting, or by helping them to stay in their existing privately rented home.

The freeze on LHA rates makes this a much more difficult task for local councils as they struggle to find rented properties that are affordable for anyone needing housing benefit. Councils may find it increasingly difficult to persuade private landlords to house people as the gap between housing benefit and market rents grows wider every year. We know from our own conversations with local councils that the freeze is making landlords even more wary to let to people because they are worried they'll be unable to afford future rent rises.

Research results

The impact on small families living in a two-bedroom home: Our research shows that in one in four areas of the country (25%), a small family with one or two children living in a modest two-bedroom home must stump up an extra £100 a month or more to make up the shortfall in their rent.

Families living in London face the greatest shortfalls in the country, but this problem is not limited to the capital. In Cambridge, for example, a family will be expected to find a staggering £531 a month to top up their housing benefit in order to pay the rent for one of the cheapest homes in the area. In Bristol, a family would face a shortfall of nearly £217 a month.

The impact on single people and couples living in a one-bedroom home: Couples and single people aged above 35 are assessed as needing a one-bedroom home. In more than a fifth of the country (21%), they would face a shortfall of £100 a month or more between the maximum amount they could receive in housing benefit, and the actual cost of renting a modest one-bedroom home. For example, in Luton, these households would face a shortfall of £120 per month and in Watford, a shortfall of more than £184 a month.

The impact on single people living in a room in a shared property: Most single people under the age of 35 are only able to claim enough housing benefit to cover the rent for a room in a cheap shared house. In many areas of the country, the amount a person is eligible to receive would not stretch anywhere near far enough. For example, in Warrington, a single person living in a shared house would be expected to top up £233 a month to cover the shortfall between their housing benefit and the rent. In Oxford, a young person would have to find an extra £219 a month to pay for a room.

‘Blackspot’ tables

We have put together some tables of ‘blackspot’ areas across the country where private renters are worst affected by the freeze. These show that this freeze isn’t just about people living in exclusive post-codes where you might expect rents to be more expensive, but the much wider problem of the sky-high cost of housing and a private rental market that is not fit for purpose.

Many of the ‘blackspots’ that we have highlighted are key job creating cities, central to employment growth. Many of the households affected need to live in the vicinity of these places because this is where their current job is based, or where they are most likely to find work.

Small families living in a two-bedroom home:

Table 1. Major towns and cities

Local authority	Shortfall between LHA rate and rent (monthly)
Basingstoke	£103.45
Cambridge	£531.17
Bristol	£217.51
Luton UA	£120.10
Milton Keynes	£148.71
Oxford	£126.41
Stevenage	£107.25
York	£107.02
Brighton and Hove	£203.76

Table 2. Top ten biggest shortfalls in London

Local authority	Shortfall between LHA rate and rent (monthly)
Kensington and Chelsea	£1,252.83
Westminster	£914.86
Camden	£612.86
Islington	£460.66
Hounslow	£437.59
Brent	£412.87
Lambeth	£409.32
Tower Hamlets	£398.20
Greenwich	£389.84
Hackney	£383.51

Table 3. Top ten biggest shortfalls outside of London

Local authority	Shortfall between LHA rate and rent (monthly)
Cambridge	£531.17
Epsom and Ewell	£397.12
Three Rivers	£350.23
Brentwood	£336.36
Hertsmere	£315.67
Mole Valley	£252.58
Spelthorne	£234.94
Epping Forest	£228.45
East Hertfordshire	£218.66
Bristol, City of UA	£217.51

Couples without children and single people living in a one-bedroom home:

Table 4. Major towns and cities

Local authority	Shortfall between LHA rate and rent (monthly)
Windsor and Maidenhead	£112.72
Cambridge	346.59
Bristol	142.93
Luton UA	120.41
York	£107.52
Oxford	139.09
Watford	£184.17
Reading	£117.38
Brighton and Hove	£129.43

Table 5. Top ten biggest shortfalls in London

Local authority	Shortfall between LHA rate and rent (monthly)
Kensington and Chelsea	£695.56
Westminster	£588.70
City of London	£506.26
Lambeth	£444.07

Haringey	£381.76
Camden	£341.01
Brent	£325.41
Hackney	£320.52
Hounslow	£311.33

Table 6. Top ten biggest shortfalls outside of London

Local authority	Shortfall between LHA rate and rent (monthly)
Cambridge	£346.59
Brentwood	£274.73
Epsom and Ewell	£212.44
Mole Valley	£203.73
Epping Forest	£190.20
Watford	£184.17
Hertsmere	£178.64
East Hertfordshire	£172.26
Dartford	£153.30
Spelthorne	£152.56

*Areas with sample of less than 50 excluded.

Single people living in shared accommodation:

Table 7. Major towns and cities

Local authority	Shortfall between LHA rate and rent (monthly)
Boston	£101.84
Burnley	£167.76
Cambridge	£ 119.11
Chelmsford	£172.61
Eastbourne	£106.77
Ipswich	£146.32
Liverpool	£100.05
Norwich	£184.40
Poole	£111.85
Warrington	£233.05

*Sample sizes are not large enough to accurately calculate the biggest shortfalls between LHA rates and private rents in London.

Appendix 1

Research method

Our analysis estimates the shortfall between the amount of housing benefit support that small families, older people and couples and young single people could get to help with their housing costs, and the amount they would need to privately rent a modest home in their area.

The analysis involves two calculations:

- What is the maximum amount of housing benefit (LHA) that these households would be eligible for in 2017/18?
- What would it cost to privately rent a room in a shared house, a one-bedroom and a two-bedroom home in 2017/18?

What is the maximum amount of housing benefit (LHA) that these households would be eligible for in 2017/18?

- We calculated this by looking at the LHA rates for 2017/18 published by the Valuation Office Agency. LHA is administered by broad market rental areas (BRMAs). We aligned these as closely as possible with local authority boundaries.

What would it cost to privately rent a room in a shared house, a one-bedroom and a two-bedroom home in 2017/18?

- We calculated this by taking data on the rent of a room in a shared house, a one-bedroom home and a two-bedroom home in 2015/16. It is expected that people receiving housing benefit will live in properties at the bottom end of the rental market. Therefore, we looked at rents at the lower quartile of the private market.
- We uprated this data to 2017/18 by calculating a cautious rent inflation indicator for each property type in each local authority. In order to smooth out uncharacteristic annual rent increases or decreases, we used data on lower quartile rents collected from 2011/12 and 2015/16 and calculated an average annual rent increase across this period. We then reduced this by 20% in order to take a cautious approach and reflect the possibility that rents may not rise as quickly as in the past in all areas. We then applied this to the 2015/16 data.

Analysis notes

- These assumptions do not account for longer-term socioeconomic changes that may create uplift in specific local markets. This may mean that unusual long-term growth in some areas slows down over the coming years, while other gentrifying areas may grow faster than they have in the past. However, continued restrictions in supply mean that it is likely that the cost of renting will continue to rise nationally, despite the current low rate of inflation. This means that at least for some areas, our estimates will be conservative.
- Local authorities were excluded if the published rental data was based on a sample of less than fifty. For this reason, we have done less analysis of rooms shared accommodation.
- All data is from the Valuation Office Agency (VOA). All analysis is Shelter's.

Appendix 2

About housing benefit and the LHA freeze

- A family with either one child, two young children, or two older children of the same gender would be entitled to LHA for a two-bedroom home.
- A couple or a single person aged over 35 would be eligible to claim LHA for a one-bedroom home.
- Most single people aged under 35 would be eligible to claim LHA for a room in a shared house.
- Housing benefit eligibility is determined by broad market rental area (BRMA). This is the local area that the government determines that a person could reasonably be expected to live within, taking into account access to facilities and services. There are 152 BRMAs in England. We have aligned the BRMAs with 326 local authority areas in England.
- Working households who do not receive full housing benefit still experience the same shortfall in support as households who do receive full housing benefit. Housing benefit is means-tested, and households that are working on a low income may be expected to contribute something towards the cost of their rent. The means test looks at a household's income and their rent costs. However, when rents are higher than LHA, a household's 'rent costs' are based on the LHA level. This means that the shortfall between LHA level and actual rent is baked in to the means test. The shortfall between support needed and support received is the same for households who do not receive full housing benefit.