



Evidence submission: Work and Pensions Committee inquiry into benefit levels in the UK

Summary

- Shelter welcomes the opportunity to respond to this inquiry.
- Shelter exists to defend the right to a safe home and fight the devastating impact the housing emergency has on people and society. In 2021/22, we provided housing and homelessness advice to over 17,000 households through our emergency helpline and 15,500 households through our local hubs. Our online advice and support pages received 5.1 million visits.¹
- 1.8 million private renters in England receive housing benefits (either universal credit housing element or legacy housing benefit) to help them afford a home.
- The three-year freeze to the local housing allowance (LHA), which determines the amount of housing benefit private renters can receive, has come at a time of record increases in private rents.
- As a result, low-income households are pushed towards rent arrears and locked out of finding new private rentals at a time of increasing evictions. We are seeing the impact in increased demand for our services and rising levels of homelessness across the country.
- The long-term impact of LHA cuts and freezes since 2011 has been a dramatic growth in homelessness as the private rental sector has become increasingly unaffordable for people on low incomes.
- There are now almost 100,000 homeless households, most of them families with children, living in temporary accommodation, many for years at a time.
- If we're to prevent homelessness growing still further in 2023/24, local housing allowance must be made fit for purpose. At the very least, local housing allowance should be restored to the level it has been intended to cover since the austerity reforms of 2011: covering the cheapest 30% of local homes.
- In the long term, the government should reduce the reliance of low-income households on housing benefit and the private rental sector by investing in a new generation of truly affordable social homes.

¹ Shelter, [Impact Report 2021/22](#).

Adequacy of benefits

What 'essentials' should working-age benefits in the UK cover? Are current working-age benefit levels sufficient to cover those needs?

1. Working-age benefits should be adequate to allow low-income households to sustainably rent a suitable home. They should also meet the essential needs of their household, including food, utilities, communications, travel, clothing (including school uniforms) and toiletries. These needs will vary depending on household size, the presence of children and the specific needs of people within the household, including people with disabilities or ill health.
2. We support the proposals put forward by Joseph Rowntree Foundation and Trussell Trust that the determination of essentials and their cost should be integrated into the design of Universal Credit standard allowance.²
3. Equally, the standard allowance should not be relied upon to meet deficiencies in other elements. In particular, the housing element for private renters must reflect the real cost of a suitable home. People should not be expected to make up shortfalls in local housing allowance (now averaging £151 per month) from their standard allowance, which is meant to cover other essentials.
4. 1.8 million private renters in England are in receipt of the universal credit housing element or legacy housing benefit.³ This is equivalent to one in three private renters.⁴
5. Since the introduction of modern housing benefit in 1988, it has had a crucial role in preventing homelessness, by enabling low-income households to afford suitable homes. As investment in social housing has dwindled, governments have expected people who can't buy a home to rent privately, with housing benefits taking the strain in helping people on lower incomes to afford private rents. Since 2008 local housing allowance (LHA) rates have determined the amount of housing benefit private renters can claim.
6. As part of the package of austerity welfare reforms in 2011, LHA was cut from covering average (50th percentile) local rents to the bottom 30%. Since then, repeated freezes or below-inflation increases have broken the link between LHA and the real cost of private renting which has risen year on year. Rents are now at their highest levels since records began.⁵
7. Consequently, it's become increasingly difficult for low-income households to afford privately rented homes. With an extreme shortage of genuinely affordable social rented homes, the inevitable consequence has been a rise in homelessness, with the number

² Joseph Rowntree Foundation and Trussell Trust, [Guarantee Our Essentials](#), February 2023.

³ Department for Work and Pensions, Households in receipt of Universal Credit and Households in receipt of Housing Benefit, Statxplare. Latest data available covers November 2022.

⁴ 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.

⁵ Office of National Statistics, [Index of Private Rental Prices: March 2023](#), April 2023.

of households who are homeless and living in temporary accommodation more than doubling since 2010.⁶

8. The most recent freeze to the local housing allowance has lasted over three years, meaning the amount claimants receive is based on data on rent levels collected in 2018 and 2019. Since then, private rents have risen by 9.1% in England according to data collected by the Office of National Statistics.⁷ Recent increases have been the fastest since records on private rents began in 2005.
9. Breaking the link between rents and LHA completely undermines the adequacy of other benefits. People have no choice but to dip into other benefits to pay the rent – they must prioritise rent over food and other bills if they are to avoid homelessness. Almost 6 in 10 (57%) private renting Universal Credit claimants in receipt of the housing element in England now have a shortfall to their actual rent.⁸ Data released by DWP in response to an FOI request from Shelter in 2022 indicated that on average private renters claiming UC or legacy housing benefit with shortfalls are making up £151 a month between LHA and the cost of their rent, and in many parts of London and the South East average shortfalls are above £200 a month.⁹ These are shocking sums which many low-income households can only make up by dipping into their standard allowance and other benefits at a time of surging food prices and energy bills.
10. For people who've been evicted and need to find a new home the picture is even bleaker. The cost of newly advertised private rented homes appears to have grown even faster than official government data (which includes existing tenancies). Data from Rightmove and Zoopla put the latest annual increase in prices for newly advertised lets in the UK at 10.2% and 10.9% respectively.¹⁰ As a result, benefits claimants are effectively locked out of the market when they need to move home. Research from the Bureau of Investigative Journalism has shown that in June 2022, just 1 in 50 advertised privately rented homes were affordable within LHA rates.¹¹
11. This is especially concerning in the context of rising evictions, with the latest data showing that the number of households living in privately rented homes in England who were evicted by bailiffs as a result of 'no fault' Section 21 proceedings had increased by 143% in a year.¹²
12. Consequently, LHA shortfalls push households into rent arrears and, ultimately, homelessness. People who need to move home due to eviction are also pushed towards homelessness by the same shortfalls, which make them unable to afford newly advertised private lets. Once homeless, families spend years in "temporary" accommodation because there is a severe shortage of the social housing which would give them a permanent affordable home.
13. Even once a family has lost their home and is in receipt of homelessness assistance from a local authority, the cost of rent continues to have a severe impact on household finances. Life in temporary accommodation entrenches the poverty and housing

⁶ Shelter, [Still Living in Limbo](#), March 2023.

⁷ Office of National Statistics, [Index of Private Rental Prices: March 2023](#), April 2023.

⁸ Department for Work and Pensions, Households in receipt of Universal Credit, Statxplorer. The latest date for which this data is available is September 2022.

⁹ Shelter, [Cover the Cost](#), September 2022.

¹⁰ Office of National Statistics, [Index of Private Housing Rental Prices from Zoopla, Homelet, Rightmove and the Office for National Statistics](#) (UK), April 2023.

¹¹ Bureau of Investigative Journalism, [Lack of affordable lets leaves families with little left to live on](#), October 2022.

¹² Shelter, [Section 21 no-fault evictions by bailiffs up 143% in a year](#), February 2023.

insecurity which caused families to become homeless in the first place. A major new Shelter study of life in temporary accommodation¹³ found that almost 9 in 10 households struggle to keep up with the cost of their temporary accommodation. The LHA rates used to determine the support for households in temporary accommodation have been frozen for more than a decade, set at the 50th percentile of local rents in January 2011.¹⁴ With homeless households having to pay to top up their housing costs, 26% of households we surveyed report falling behind with payments and 47% have had to borrow money to keep up. But the instability of TA also cuts off families' ability to work and earn more: we found that more than one in four (27%) adults living in TA had to reduce their working hours and one in ten (11%) had to stop work completely due to the impact of living in temporary accommodation.

14. While LHA reforms were intended as a cost saving measure for government, the resulting rise in homelessness is hugely expensive to the Treasury. In 2021/22 the cost of temporary accommodation was £1.6 billion, an increase of 61% in five years.¹⁵

Recommendation: Local housing allowance should be restored to at least the 30th percentile and re-linked to the real cost of renting so that it covers at least the cheapest third of local homes

Recommendation: The local housing allowance rates applicable for temporary accommodation should be reviewed to ensure that they do not entrench poverty and hardship for vulnerable homeless households

Recommendation: The government must commit to building 90,000 truly affordable social homes a year over the course of a decade to end homelessness for good and ensure that low-income households become less reliant on housing benefit and the private rental sector

Are additional components of benefits, such as Personal Independence Payments, sufficient to cover the costs they are intended to cover?

15. The particular housing needs of people with disabilities are not explicitly taken into account in the list of costs associated with Personal Independence Payment (PIP)¹⁶ or reflected in Disability Living Allowance or Carers' Allowance for families with disabled children.
16. Households including people with disabilities are disproportionately likely to need housing benefits but are even more restricted in the number of private rented homes they can access as other households. Half (51%) of private renting households claiming housing benefit or the housing element of universal credit include someone with a disability. This compares with 3 in 10 (29%) of all private renting households.¹⁷
17. The freeze to LHA therefore has a disproportionate impact on people with disabilities. The lack of affordable homes in the private rented sector available to all housing benefit claimants is intensified for families with disabilities who may be even more restricted in terms of the type or location of homes that will fit their requirements.

¹³ Shelter, [Still Living in Limbo](#), March 2023.

¹⁴ Department for Work and Pensions, [Housing Benefit subsidy guidance manual 2021-22: Section 6](#), July 2022.

¹⁵ Shelter, [Still Living in Limbo](#), March 2023.

¹⁶ Department for Work and Pensions, [PIP: What is PIP for?](#).

¹⁷ Shelter, [Cover the Cost](#), September 2022.

18. Shelter works with many clients with disabilities who are facing homelessness due to the acute lack of affordable and appropriate privately rented homes within the LHA rates. In a briefing published this year, we highlighted recent cases of clients with disabilities or who care for people with disabilities in their households who are in this situation. For example, one client in West Sussex who has disabilities and has children with disabilities had seen her rent increase to a level over £1,600 per month above the LHA rate in her area and was facing eviction, but struggling to find a new home that was both affordable and met her children's needs.¹⁸ Such shortfalls mean that people with disabilities inevitably have to use money from disability benefits not intended to cover housing costs just to avoid homelessness.

Recommendation: The government should review the level at which LHA is set with particular regard for whether the thirtieth percentile of local rents is sufficient to allow all households to afford suitable homes which meet their needs.

Designing benefits policy

What should be the purpose of working-age benefits?

19. Since the de-regulation of private rents in the late 1980s, the role of housing benefits within the welfare system has been to make privately rented homes affordable to people on low incomes. De-regulation of rents in the private sector was coupled with disinvestment in social housing, and housing benefit was intended as the remaining safety net against homelessness. In reference to these changes in 1987, a government minister stated that henceforth "any government support will focus on tenants, rather than on property, through the housing benefit system".¹⁹ When questioned in 1991 in a context of rapidly rising private rents, housing minister Sir George Young stated that "if people cannot afford to pay that market rent, housing benefit will take the strain."²⁰
20. There is widespread acceptance across the political spectrum and civil society that a change of course is needed and the government must once again invest in social housing to tackle the housing emergency. This consensus includes the cross-party Levelling Up, Housing and Communities select committee, Affordable Housing Commission (which included representatives of developers), local government and homelessness charities.²¹ There are currently 1.2 million households on waiting lists for social homes²² and almost 100,000 households living in temporary accommodation.²³ To address this huge backlog of need, the government must urgently invest in building at least 90,000 social homes a year for a decade: in the long run, this investment would reduce the reliance of low-income households on housing benefit and the private rented sector.²⁴
21. However, while there remains a severe shortage of social housing, housing benefit must at least do the job it was designed to do. For decades, government housing policy has assumed that low-income households who are unable to buy will rent privately. Previous Shelter research found that the majority of the public agree that the housing

¹⁸ Shelter, [Alert Briefing: Homelessness and the Cost of Living Crisis](#), February 2023.

¹⁹ Contribution by Nicholas Ridley, 30th November 1987, [Hansard](#).

²⁰ Contribution by Sir George Young, 30th January 1991, [Hansard](#).

²¹ Levelling Up, Communities and Housing Select Committee, [Third report - Building More Social Housing](#), July 2020.

²² Shelter, [Building Our Way Out](#), October 2020.

²³ Department for Levelling Up, Communities and Housing, [Statutory homelessness in England: July to September 2022](#), Table TA1, February 2023.

²⁴ Shelter, [Unlocking Social Housing](#), April 2022.

safety net is an essential part of a civilised society.²⁵ Until we have enough truly affordable social homes to meet their needs, local housing allowance must be adequate to allow people to afford their homes without facing the traumatising and damaging experience of homelessness.

What is the role of i) the benefit cap; ii) repayments; iii) sanctions on the adequacy of benefits?

(i) The benefit cap

22. The benefit cap has a particularly severe impact on private renters because housing benefit usually makes up the largest proportion of their benefits entitlement, so it effectively acts as a deduction to housing benefit. The latest figures indicate that 112,000 households are currently affected by the benefit cap.²⁶
23. The cap disproportionately affects families with children: 86% of affected households are families with children.²⁷ In particular, it hits lone parents: 70% are lone parents.²⁸ This is because the cap level takes no account of the size of home a family needs to avoid severe overcrowding and homelessness. Neither does it take into account the need for lone parents to care for children, some of whom are sick, disabled or need additional parental support following relationship breakdown or domestic abuse.
24. The benefit cap was initially introduced to encourage people to move into employment or reduce their outgoings – for example by finding a cheaper home. This means the two main ways that a household could escape the impact of the cap are for families to work more hours or move to a cheaper area. However, the evidence is clear: a recently published evaluation of the lower benefit cap (introduced from 2016) found that there were only small increases in the likelihood of households affected to move into work (5.1% more likely than similar households not affected by the cap) or move home (1.8%).²⁹ The same study found a strong connection between being affected by the benefit cap and being in rent arrears: 35% of those impacted by the lower cap were in rent arrears³⁰. The fact is that there are few private rentals in the whole of England that will bring a family's housing costs below the amount allowed by the cap, and many impacted households face major barriers to work and moving home, such as caring responsibilities. The cap simply pushes families into rent arrears, eviction and serious risk of homelessness.
25. The government's increase to the benefit cap in line with the inflationary uplift to subsistence benefits for 2023/24 was very welcome and long overdue. However, the cap remains set at an arbitrary level divorced from its original policy intention of reflecting median earnings. Analysis from Child Poverty Action Group found, even after the uprating, the benefit cap is still £225 a month lower in real terms than it was in 2016 (and £260 lower for families in London) due to it being frozen in previous years.³¹

²⁵ Shelter, [Winning Support for the Safety Net](#), June 2014.

²⁶ Department for Work and Pensions, [Benefit cap: number of households capped to November 2022](#), March 2023.

²⁷ Ibid.

²⁸ Ibid.

²⁹ Department for Work and Pensions, [Lower benefit cap: quantitative analysis of outcomes of capped households](#), April 2023.

³⁰ Department for Work and Pensions, [Evaluation of the lower benefit cap](#), April 2023.

³¹ Child Poverty Action Group, [FOI data debunks benefit cap 'work incentive'](#), March 2023.

Recommendation: The benefit cap should be scrapped. The cap is an arbitrary and unfair measure which serves only to push families towards rent arrears and, ultimately, homelessness.

(ii) Debt repayments and (iii) sanctions

26. In our response to the committee's previous inquiry into the cost of living we set out the evidence that current repayment practices for debt within the benefit system fail to match best practice for debt collection in the private sector.³²
27. Deductions for debt and benefit sanctions ought to be seen in the context of local housing allowance shortfalls for private renters. The basic adequacy of the standard allowance and other elements of universal credit is already depleted by LHA shortfalls, such that households subject to additional deductions or sanctions are placed into situations of acute hardship. We documented this in research conducted with Shelter services during the previous LHA freeze in 2019. We found that it was not unusual to see Shelter clients with as little as £100 per month to live on after paying their rent, all the deductions and any shortfall they had.³³ The inevitable result was clients living in severe hardship, having to borrow money just to afford essentials and accruing rent arrears.

What is the impact of No Recourse to Public Funds conditionality on benefit provision for affected households?

28. The No Recourse to Public Funds (NRPF) condition affects an estimated 1.2 million adults and 176,000 children in the UK for whom it is a visa condition, exclusive of asylum seekers.³⁴ There are further groups affected due to having an unsettled or undocumented immigration status, though estimates on numbers affected are difficult to produce.³⁵ Since the United Kingdom left the European Union, NRPF affects EEA nationals who have not applied for settled or pre-settled status.
29. Having NRPF denies access to social security, including housing benefit and Universal Credit. Such individuals are also ineligible for homelessness assistance and access to local authority allocation of social housing. As the select committee heard in its previous inquiry into NRPF, British children of parents with NRPF are also adversely affected by the condition; for example, their parents cannot claim child benefit for them.³⁶
30. Since individuals with NRPF are denied access to housing benefit, universal credit and homelessness assistance, circumstances such as a domestic violence, relationship breakdown or loss of a job can leave them incredibly vulnerable without access to the statutory homelessness safety net and facing destitution.
31. Families with children with NRPF who become homeless are eligible for social services support through section 17 of the Children Act 1990. However, since they are ineligible for housing benefit the costs of their temporary accommodation must be borne by local authorities. Based on data from the NRPF Network, LSE estimate the average cost of

³² Shelter, [Response: Work and Pensions committee inquiry into the cost of living](#), July 2022.

³³ Shelter, [From the Frontline](#), August 2019.

³⁴ Migration Observatory, [Between a rock and a hard place: the COVID-19 crisis and migrants with No Recourse to Public Funds \(NRPF\)](#), June 2020.

³⁵ Migration Observatory, [Briefing: Irregular migration in the UK](#), September 2020.

³⁶ Work and Pensions Select Committee, [Seventh Report - Children in poverty: No recourse to public funds](#), April 2022.

support per household for a family with NRPF per year to be £17,871.³⁷ The total cost to 67 councils in the NRPF Network of supporting families in 2020/21 was £26.8 million.³⁸ These high costs to already stretched local authority budgets contribute towards considerable gatekeeping of access to social services support.³⁹ Shelter services see cases of very poor practice, such as incorrectly informing families (in some cases with children present) that only the child will be accommodated (i.e. taken into care).

32. For individuals with NRPF who do not have children or significant care needs, there is extremely limited support available. Shelter hubs frequently support clients with NRPF who are at risk of becoming or who are already street homeless, and our advisors have to advise them that there are very few options for them. Although data on the immigration status of people sleeping rough is not routinely gathered, NRPF has been identified as a main cause of street homelessness for non-UK nationals.⁴⁰ In London more than half of people rough sleeping in October to December 2022 were non-UK nationals, the majority (31.8% of total recorded) being from the EEA.⁴¹
33. Due to being barred from housing benefit, there are virtually no hostels nor settled accommodation open to them. Our analysis of the Everyone In initiative during the first year of the COVID-19 pandemic found that people who were ineligible for homelessness assistance were disproportionately likely to get stuck in the emergency hotel accommodation provided as part of the scheme because there were simply no longer term move on options available without access to housing benefit.⁴²
34. As with section 17 accommodation, people with NRPF also faced significant gatekeeping barriers to accessing local authority support even when there were clear legal powers identified in the judgement of *Ncube vs. Brighton and Hove Council* under which local authorities should have provided accommodation during the pandemic.⁴³
35. Although people with NRPF attached as a condition of their leave to remain can apply to have this condition removed, and thus receive access to mainstream benefits, the application process is complex and often requires specialist support to navigate. Since immigration matters are largely out of scope for legal aid, people who may be entitled to remove the condition and receive benefits currently struggle to find out about or access the change of conditions process.

Recommendation: Everyone who is at risk of the streets should have a right to emergency accommodation, regardless of immigration status. If people cannot access housing benefit to cover the cost, local authorities should be provided with dedicated funding to do so as part of the Rough Sleeping Initiative.

³⁷ E. Benton, J. Karlsson, I. Pinter, B. Provan, K. Scanlon & C. Whitehead, [Social Cost Benefit Analysis of the no recourse to public funds \(NRPF\) policy in London](#), SCBA Model Tables – Option 1: Families, March 2022.

³⁸ NRPF Network, [NRPF Connect Data](#), accessed April 2022.

³⁹ E. Benton, J. Karlsson, I. Pinter, B. Provan, K. Scanlon & C. Whitehead, [Social Cost Benefit Analysis of the no recourse to public funds \(NRPF\) policy in London](#), March 2022.

⁴⁰ All Party Parliamentary Group for Ending Homelessness, [Second Report – Rapidly responding to homelessness – a look at migrant homelessness, youth homelessness and rapid rehousing models](#), July 2018.

⁴¹ Greater London Authority, [Rough sleeping in London: CHAIN Quarter 3 report 2022/23](#), Greater London 2022–23 Q3, January 2023.

⁴² Shelter, [Everyone In: Where Are They Now?](#), September 2021.

⁴³ Shelter, [High Court rules councils can lawfully accommodate street homeless people with 'No Recourse to Public Funds' – will the government now provide proper guidance?](#), March 2021.

Scrutiny

What information should the Government publish to facilitate the effective scrutiny of benefit levels? How frequently should such information be published?

36. The data used to determine LHA rates reflects a mixture of existing tenancies and new lets. This is collected by the Valuation Office Agency (VOA) over the course of twelve months to the September preceding the start of the financial year in which the LHA rates are to apply. Recent research by the Bevan Foundation has highlighted serious concerns about this data: in particular, they found that there was little incentive for landlords letting out more expensive homes to report information about the cost of their tenancies, so that more expensive lets are under-represented in the sample.⁴⁴ 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 are trying to compete in.
37. Additionally, the publication of VOA data on rents has been inconsistent which has limited public and parliamentary scrutiny of the impact of the LHA rate freeze. In response to a request from Shelter in June 2022, the VOA advised that there was no intention to publish the full list of rents gathered in 2020-21 because the LHA rates remained unchanged. However, the VOA had previously published lists of rents for other years in which LHA was frozen (such as 2019-20) on their website.⁴⁵ We welcome the recent publication of the full list of rents gathered in 2021-22.
38. The full list of rents is vital to understanding what proportion of the private rental market the frozen LHA rates actually cover compared to the government's stated policy intention that they should meet the 30th percentile of the market. Government data is currently the only data source on private rents in the UK which includes information on existing tenancies: alternative sources, such as property portal websites, can only record advertised rents for new lettings.

Recommendation: The proposed landlord portal to be legislated as part of the forthcoming Renters Reform Bill should capture information on rents to create a more robust data source on private rent levels in England.

Recommendation: The Valuation Office Agency list of rents should be published annually in order to facilitate public and parliamentary scrutiny of the adequacy of housing benefits for private renters.

Recommendation: The data sources used to determine the local housing allowance must be reviewed to ensure that LHA is based on an accurate reflection of the costs faced by private renters.

⁴⁴ Bevan Foundation, [Wales' Housing Crisis: making the LHA work for Wales](#), March 2022.

⁴⁵ Valuation Office Agency, [Local Housing Allowance List of Rents - GOV.UK \(www.gov.uk\)](#).