## Introduction and key points

The Bevan Foundation is Wales’ leading think tank. We work to gain insights into poverty and inequality in Wales and seek to create lasting policy solutions. As part of our wider work, we are currently undertaking a project focusing on the Local Housing Allowance (LHA), and the role it plays in causing and perpetuating homelessness.

In March 2022 we published a new report, *Wales’ Housing Crisis: making the LHA work for Wales.*[[1]](#footnote-1)Whilst the report focuses on the position in Wales, many of our policy recommendations are directed at the UK Government given that powers over LHA have not been devolved to Wales.

Given the significant impact that LHA has on homelessness in Wales, we believe that it is important that Welsh voices are heard in broader discussions on homelessness in England, especially where the discussion relate to the social security system. With this in mind, the purpose of our response is to share some of our most pertinent findings on the impact of the LHA on homelessness.

A summary of the key points made in this response are set out below.

* Rents are often higher than LHA. Research undertaken by the Bevan Foundation in ten Welsh local authorities found that only 3.8 per cent of properties advertised on the market were at or below LHA.
* Many landlords require tenants to satisfy requirements, such as large deposits or guarantors before they can rent a property. These requirements can often be difficult for low-income renters to satisfy. Only 2.1 per cent of properties advertised for rent in the ten Welsh local authorities analysed by the Bevan Foundation were available at rents that were fully covered by the LHA and had no additional requirements that would be difficult for low-income tenants to satisfy.
* With so few properties available on the market at or below LHA rates low-income tenants often face an impossible decision; move into a property where rents are higher than LHA and risk financial hardship, move into poor quality accommodation, or seek assistance through the homelessness system.
* We have developed several recommendations to address the problems created by the LHA gap. In particular, the UK Government should uprate the LHA annually and scrap the shared accommodation rate. In addition, the collection of rent data should be reviewed and improved to maximise LHA rates.

## Limitations of the LHA

The Local Housing Allowance is the means of calculating a person’s benefit entitlement if they live in the private rental sector. It should allow someone to rent in the bottom 30th percentile of a given housing market.

Our research indicates that the LHA is not currently set at a level that provides low-income renters with adequate financial support to cover rent. Research undertaken by the Bevan Foundation in ten Welsh local authorities between May and December 2021 found that the LHA only fully covered the rent of 3.8 per cent of properties advertised on the market.

In cash terms, the gap between the LHA and the 30th percentile varies from £42.29 per month for shared accommodation, up to £265.43 per month for a four-bedroom property.

The UK Government’s decision to freeze LHA rates is one reason for the emergence of this significant gap. LHA has been frozen since 2020. In the interim rents have increased significantly, limiting how far the support provided through LHA goes. There are other factors that have contributed to the emergence of the gap between rents and LHA. One of these is limitations of the data used to set the LHA rate.

The LHA is calculated using data on rent collected from landlords. Landlords are under no legal obligation to share data on how much they charge for rent, meaning that many landlords decide against doing so. Our research established concerns that this is especially true for many landlords at the upper end of the rental market as LHA does not affect them directly. Further still, properties where there is already someone in receipt of benefits are not included in the calculations. There is a real risk therefore, that the LHA is not set at the 30th percentile of the rental market, but at a 30th percentile of a subset of the rental market that may or may not be truly representative.

## Landlord requirements

This issue is exacerbated by private sector landlords requiring tenants to satisfy certain criteria before they are permitted to rent their property. These requirements include, but are not limited to, large deposits, guarantor checks, credit checks, rent in advance, and minimum income requirements. Many of these requirements are difficult for low-income tenants to meet.

Over the course of 2021 the Bevan Foundation engaged with housing support officers at eleven Welsh local authorities. There was a consensus such requirements have increased in prevalence following the ban on ‘no DSS’ in 2020. Landlords frequently seek to avoid letting to people on benefits due to a perception that they may not pay their rent, or that they are more likely to engage in anti-social behaviour. As they are unable to advertise using discriminatory language, they instead utilise these requirements as barriers.

Of the property adverts we surveyed across ten Welsh local authorities, only 2.1 per cent had advertised rent at or below LHA and did not have a requirement that would exclude a low-income tenant.

As such, for someone facing eviction, or trying to leave temporary accommodation, their options are limited to just 1 in 50 homes. The challenge can be even worse in some areas. We could not find any properties that were advertised at or below LHA and that that did not have a requirement that would exclude a low-income tenant in Conwy, Merthyr Tydfil or Pembrokeshire local authorities. Such variation is likely to be present in England.

Creating homelessness

The combined impact of the LHA gap and landlord requirements undermines the Welsh and UK Government’s efforts to solve homelessness.

First, the LHA shortfall puts tenants under significant financial pressure. Tenants must cover any gap between their LHA allowance and rent using funds from other pots. This places tenants at greater risk of falling into arrears on other bills or having to cut back on essentials. It also puts tenants at greater risk of falling into arrears on their rent, increasing their risk of eviction and homelessness.

Second, the shortage in available accommodation puts pressure on the homelessness system. With so few properties available it is difficult for someone looking to move home to find appropriate accommodation. This increases the risk of a household being forced into temporary accommodation. Not only can the LHA gap and landlord requirements push households into temporary accommodation it can also see households trapped within the system. With so few homes available households in temporary accommodation can face a long wait to find a long-term property within the private rented sector.

Third, even if households can find accommodation in the private rented sector, we heard concerns during our research from tenants and local authority staff that it is often poor quality. This can have an impact on tenants’ mental wellbeing or can result in larger utility bill costs, due to homes not being energy efficient. Inappropriate landlord behaviour further amplifies these challenges with some tenants choosing to put up with poor quality accommodation rather than complain due to fear that they may be evicted and becoming homeless.

Recommendations

Our report also features a number of policy and practise recommendations that we believe would alleviate and address the problems created by the LHA gap. The following recommendations are actions that should be taken by the UK Government to improve the situation in Wales, and the wider United Kingdom.

* The UK Government should uprate the LHA annually so that it keeps place with rising rents.
* The UK Government should scrap the shared accommodation LHA rate with single tenants under 35 years old being entitled to the one-bedroom LHA rate. This is due to a lack of shared accommodation available, forcing people to rent one-bedroom housing with an even greater LHA shortfall.
* In addition to these reforms, we note that the data used to calculate the LHA is insufficient for an accurate LHA. We believe a review of the current suitability of the data is needed, to ensure that the LHA is accurately representative of market areas. Doing so would maximise the assistance provided by the LHA.
* To complement this, we additional recommend far better data collection on Universal Credit in Wales. A recent written question revealed that there is no clear data for the amount that is spent on the housing element of Universal Credit in Wales.[[2]](#footnote-2) Robust policy making relies on accurate and clear data. We recommend that the data collected is improved.

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1. https://www.bevanfoundation.org/current-projects/preventing-homelessness-through-improving-the-local-housing-allowance/ [↑](#footnote-ref-1)
2. https://questions-statements.parliament.uk/written-questions/detail/2022-02-21/126858 [↑](#footnote-ref-2)