

Briefing: Cost of Living Crisis and the Housing Emergency

The housing emergency is inextricably linked with the cost-of-living crisis. Hundreds of thousands are struggling to afford to keep a roof over their heads, and we now face a perfect storm of spiralling rents and rising bills that threatens to push many towards the brink of homelessness. To avoid this the government must:

1. Restore and relink Local Housing Allowance (LHA) rates to cover at least the cheapest 30% of local rents.
2. Abolish the benefit cap or, at the least, urgently review the level.
3. Review the data used to determine LHA particularly whether it is an accurate reflection of the cost of modest homes.
4. In the long term, invest in a new generation of social housing with rents pegged to local income.

1. Restore and relink Local Housing Allowance (LHA)

The housing safety net which ought to prevent homelessness is failing private renters and leaving them short to the tune of £1,812 a year. LHA which determines the amount of housing benefit private renters receive has been frozen since March 2020 while private rents have risen 5% in England – and even more in some parts of the country.

The freeze has left low-income private renters in an incredibly precarious position. **54% of private renters claiming housing benefit have a shortfall to their rent.**

The consequences for renters are severe. People are struggling right now because their housing benefit simply isn't enough to afford a home in their local area. Private renters whose LHA falls short of their rent face terrible choices. **1 in 4 private rented households were already living in fuel poverty in 2020 and the proportion is projected to hit 42%, equivalent to more than 2.3 million private rented households,** due to soaring energy bills.

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.

LHA should be restored and relinked to cover at least the cheapest 30% (ie 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. Abolish the benefit cap

The issues with LHA 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 and was last set in 2016. The 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.** As private rents across the country increase, the benefit cap is affecting 52% more households than before the pandemic.

The household benefit cap must be abolished or, at the very least, its level should be urgently reviewed as recommended by the Work & Pensions Select Committee.

3. Review the data used to determine LHA

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 50th to the 30th percentile of local markets.

The present level of LHA bears very little relation to the private rental market. **Low-income private renters are simply being squeezed out of the private rental market, with just 1 in 8 newly advertised lets being affordable within local housing allowance rates.** A review of whether the 30th 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 white paper '[A fairer private rented sector](#)' 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.

The government must review the data used to determine LHA, particularly in regard to whether the current determination of the 30th percentile is an accurate reflection of the cost of modest homes.

4. Invest in 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.

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. 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.

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.

