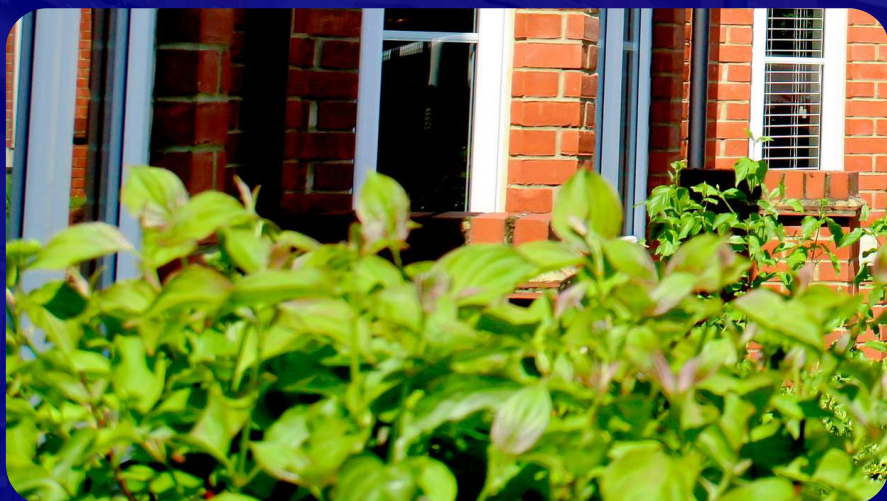




**NORTHERN
HOUSING
CONSORTIUM**
VOICE OF THE NORTH



NORTHERN HOUSING CONSORTIUM

BUDGET REPRESENTATION 2023

Introduction

The Northern Housing Consortium is a not-for-profit membership organisation whose members own or manage over 9 out of 10 socially rented homes in the North. Our members are councils, housing associations, ALMOs and combined authorities, who we bring together to develop insight, influence and solutions. We are the collective voice of housing in the North.

At this budget, we are focusing our representation on the need to uprate Local Housing Allowance so that it reflects the real cost of renting in the private sector. The NHC has long-term asks on investment in energy efficiency of existing homes, on brownfield land remediation and local authority capacity, which we set out in our [2021 Spending Review Representation](#). We stand by those asks, but believe at this fiscal event, the most pressing priority for the Chancellor is to take urgent action to tackle the cost-of-living crisis by uprating the Local Housing Allowance (LHA).

The NHC and our members welcomed the Government's decision at Autumn Statement 2022 to protect the most vulnerable in society by increasing benefits in line with inflation, measured by September CPI (10.1%). LHA has traditionally been considered separately, as the original policy intention was that it should be uprated in-line with local rents rather than CPI. Therefore, it was not covered by the decision taken at the Autumn Statement to uprate other benefits. Papers published alongside the Autumn Statement suggested an intention to continue to freeze LHA in cash terms¹.

The NHC and our members believe that a continued freeze on LHA would have made it even harder for existing private renters to make ends meet, risking homelessness and making it increasingly difficult for local authorities to discharge their homelessness duties effectively - thereby increasing use of expensive and unsuitable temporary accommodation, including bed and breakfast accommodation.

Recommendation

At the Budget on 15th March, the Chancellor must re-set the Local Housing Allowance to cover at least the 30th centile of local rents, and then relink the benefit to the real cost of renting for future years.

Policy rationale

Local Housing Allowance is the eligible rate of support available to private renters. The amount of support available varies from place to place, according to the prevailing level of local rents. The maximum support a renter can access is equivalent to their rent or the Local Housing Allowance, whichever is lower.

Local Housing Allowance rates are set by the Valuation Office Agency's Rent Officers, based on rents being paid by renters in the area concerned. However, the Allowance has been subject to significant change in recent years, as the table below shows.

¹ HM Treasury (2022) *Autumn Statement 2022: Policy Costings*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118364/Autumn_Statement_2022_Policy_Costings_.pdf

Table 1: Evolution of the approach to Local Housing Allowance uprating

Year(s)	Approach to LHA setting and uprating
2008/09 onwards	LHA is established, and set at the 50 th centile (e.g. covers the bottom half of local rents). It is uprated in line with local rents each year.
2011/12 onwards	LHA is reduced to the 30 th centile (e.g. less than the bottom third) of local rents.
2013/4	Increases to LHA are restricted to the level of CPI (or to the 30 th centile, whichever is lower) rather than in line with changes in local rents
2014/15 and 2015/16	Increases to LHA are limited to 1%. 30% of the savings from this measure are used to provide Targeted Affordability Funding to those places worst affected by this measure.
2016/17 onwards	LHA is frozen in cash terms for four years.
2020/21	LHA rates were due to be increased by CPI in April 2020 (a 1.7% increase). However, in light of the Covid-19 Pandemic, the then-Chancellor Rishi Sunak MP reset LHA rates to the 30 th centile.
2021/22	LHA rates are frozen at the 2020/21 level
2022/23	LHA rates are frozen at the 2020/21 level

As the Prime Minister recognised during the pandemic, LHA plays an important role in preventing homelessness:

*“As well as keeping people in work and supporting those who lose their jobs or work for themselves, our Plan for Jobs and Incomes will help **keep a roof over your head.**”*

*I’m announcing today nearly £1bn of support for renters, **by increasing the generosity of housing benefit and Universal Credit, so that the Local Housing Allowance will cover at least 30% of market rents in your area.**”*

Rishi Sunak MP, 20th March, 2020

The impact assessment conducted by Government at the time showed that the increase to the 30th centile particularly benefitted women, disabled people and ethnic minority households².

While Local Housing Allowance has been frozen for the last two years, rents have continued to rise in the North. We are particularly concerned about the rise in asking rents, which – as discussed below – has particular consequences for the ability of local authorities to discharge their homelessness duties.

The table below shows the year-on-year change in average rents per calendar month for the three Northern regions and selected cities.

² DWP (2022) *Equality Analysis for uprating Local Housing Allowance rates to the 30th percentile of local rents*

Published 6 October 2020 Available at: <https://www.gov.uk/government/publications/local-housing-allowance-uprating-equality-analysis-april-2020/equality-analysis-for-uprating-local-housing-allowance-rates-to-the-30th-percentile-of-local-rents>

Table 2: Year-on-year change in average rents per calendar month

Geography	YOY Change in rents to Q1 2021	YOY Change in rents to Q1 2022	%YOY Change in rents to Oct 2022 (latest data)
North East	5.5%	6.9%	9.1%
North West	2.3%	10.9%	12.2%
Yorkshire & Humber	3.2%	10.0%	10.2%
Newcastle	5.0%	7.7%	10.5%
Manchester	-1.0%	14.3%	15.6%
Leeds	-0.7%	11.5%	11.0%
UK	-1.1%	11.0%	12.1%

(Source: Zoopla Rental Market Reports, Q1 2021, Q1 2022, October 2022. The Zoopla rental market index is a repeat transaction index, based on asking rents and adjusted to reflect achieved rents. The index is designed to accurately track the change in rental pricing for UK housing.)

Key points on these statistics:

- While rents fell marginally across the UK to Q1 2021, they increased across all three Northern regions, with the highest increase in the country in the North East
- Rents have risen across all three Northern regions since LHA was frozen, and these increases have accelerated over time.

The [Northern Housing Monitor 2023](#) identified a number of factors driving up private rents. These included:

- Rising house prices and interest rates
- A continued slow decline in smaller long-standing landlords reducing supply
- New legislative requirements increasing landlords' costs and reducing supply

The independent Joseph Rowntree Foundation estimates that of the 1million private rented households across the North, over half are on low incomes. 133,000 of these households face unaffordable rents (that is, the household is in the bottom 40% of incomes and they face rents that consume over 30% of their income after housing benefit), and further 113,000 face affordability pressures which are eased by housing benefit. The Foundation concludes that rental affordability is a problem that *'affects all of England'* and that *'The Government will not fulfil its promise to improve the lives of people on the lowest incomes and 'level up' the country without a long-term plan to tackle this problem'*³.

Shelter analysis shows that the private renters across the country are affected by the freeze. They found that the North East is the region with the highest proportion of renters claiming housing benefit (41%), and discovered particular hotspots in some of the North's coastal areas, such as Blackpool (83%) and Hartlepool (65%). They concluded that rising rents in the North meant that the LHA freeze *'is already having a much greater impact on households in these areas'*.⁴

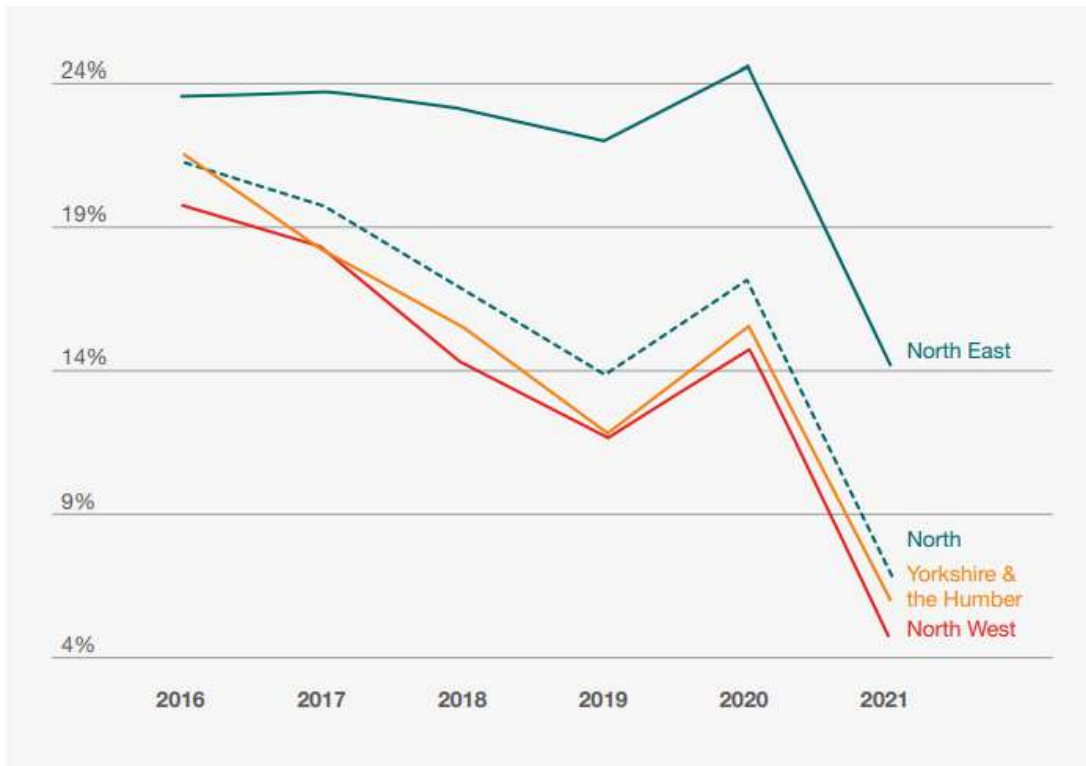
Analysis conducted for the [NHC's Northern Housing Monitor 2022](#) shows that, with the exception of the 2020 decision to reset LHA to the 30th centile, there has been a distinct

³ Elliot, J. & Earwaker, R. (2021) *Renters on low incomes face a policy black hole: homes for social rent are the answer*. York: JRF. Available at: <https://www.jrf.org.uk/report/renters-low-incomes-face-policy-black-hole-homes-social-rent-are-answer>

⁴ Shelter (2022) *Cover the Cost: Preventing homelessness for renters in the cost of living crisis*. London: Shelter. Available at: https://assets.ctfassets.net/6sxvmdnnpn0s/4bvllhCSSmben6ISkcw6mX/a6be0f4d11a5f079a368f014fcb80c6f/20220916_LHA_2022_report_publication_version.pdf

downward trend in the percentage of homes being brought to market below the prevailing local housing allowance rate: across the North, just 7% of private rentals advertised are affordable for someone reliant on Local Housing Allowance to pay their rent. In the North West, the figure is as low as 4.9%.

Fig 1 : share of private rented homes brought to market below relevant LHA rate



(Source: Northern Housing Monitor 2023: Zoopla data compared with LHA rates for April of the calendar year. ARC4 calculation for Northern Housing Consortium).

Fig 1 also illustrates that – even when the LHA is set at the 30th centile of local rents, as it was in 2020 – the share of property currently available and affordable to a household reliant on LHA can be much smaller. This is because the LHA is set by the Valuation Office Agency Rent Officers based on a sample of private market rents *being paid* in the area, including in existing tenancies. Data is collected by the Rent Officers from letting agents, landlords, tenants and other sources.

This ability to access property that is currently available for let is particularly important to local authorities, who since the Localism Act of 2011, have been able to discharge homelessness duties with a private rented sector offer of accommodation.

A long-standing shortfall in the delivery of social housing (average annual completions across the north are 45.5% below independently assessed needs, with an 81.3% shortfall of the most affordable social rented homes⁵) means that local authorities are increasingly reliant on the private rented sector to discharge their homelessness duty.

One in six households in the North owed a statutory Homelessness Relief Duty were secured accommodation in the PRS in 2021/22. More than one in four households owed a Prevention Duty were accommodated the same way. It is concerning that at the end of 2021/22, there were 8,810 households across the North in temporary accommodation, almost

⁵ Long, D. (2021) *The Northern Housing Monitor 2021*; Commissioned by the Northern Housing Consortium. Available at: <https://www.northern-consortium.org.uk/northern-housing-monitor/>

2,000 of them (more than one in five) living in bed and breakfast⁶. **Aside from the precarity households in temporary accommodation face, this is also very costly for the public purse: with the cost of temporary accommodation for homeless households in 2021/22 totalling £1.6bn; up 61% in the last five years⁷.**

NHC members tell us that it is an inability to secure suitable social or private rented sector accommodation that is driving these numbers. This is consistent with the findings of the charity Crisis' *Homelessness Monitor 2022*, which found that 78% of local authority survey respondents reported that access to private rented sector accommodation had become more difficult⁸. Whilst the long-term solution is to build more social housing, a more adequate level of local housing allowance would immediately enable local authorities to reduce use of temporary accommodation, especially bed and breakfast.

Benefits of this policy change

- This change will primarily benefit private renters who are struggling with the cost of living crisis. It will particularly benefit the 246,000 renters across the North facing unaffordable rents and affordability pressures.
- As outlined above, this change will aid local authorities in the discharge of their homelessness duty, enabling them to secure private rented homes rather than using temporary accommodation or bed and breakfast.
- This policy contributes to the Government's desire to create a better-functioning private rented sector, and aligns with the Renter Reform agenda : while abolition of Section 21 will provide long-term stability for renters, security begins with being able to pay the rent.
- This change will support the Government's mission to level-up housing quality by halving the number of non-decent rented homes by 2030; together with an enhanced minimum energy efficiency standard for the private rented sector. A higher local housing allowance will enable landlords to recoup some of the costs of these investments. This is particularly important in the North, where almost 1 in 3 private rented properties are non-decent.
- A more generous LHA will aid labour market mobility by enabling those seeking work to consider jobs in areas with higher rents, and potentially also more buoyant labour markets
- By enabling renters to remain in existing homes, an increased LHA will reduce forced moves, preventing disruption to education and employment
- Homes for Ukraine hosts have also suggested that an increased LHA would widen move-on options for Ukrainian refugees looking to move on from host accommodation⁹
- The impact assessment produced by Government when LHA was reset to the 30th centile in 2020 suggested that the change would particularly help women, disabled people, and ethnic minority households¹⁰.

⁶ NHC analysis of DLUHC Statutory Homelessness in England Statistics; Table TA4, Number of households by type of temporary accommodation provided and length of time, England 31/3/22

⁷ Eicheler, D. (2022) *Councils spend £1.6bn on temporary accommodation*. Localgov.co.uk, available at: <https://www.localgov.co.uk/Councils-spend-1.6bn-on-temporary-accommodation-/55026>

⁸ Watts. B. et al (2022) *The Homelessness Monitor: England 2022*. London: Crisis. Available at: https://www.crisis.org.uk/media/246994/the-homelessness-monitor-england-2022_report.pdf

⁹ Crew, J. (2022) 'No simple way' for Ukrainian refugees to find permanent homes, UK hosts warn'. London: The Independent. Available at: <https://www.independent.co.uk/news/uk/government-people-universal-credit-local-government-association-b2146876.html>

¹⁰ DWP (2022) *Equality Analysis for uprating Local Housing Allowance rates to the 30th percentile of local rents*

Published 6 October 2020 Available at: <https://www.gov.uk/government/publications/local-housing-allowance-uprating-equality-analysis-april-2020/equality-analysis-for-uprating-local-housing-allowance-rates-to-the-30th-percentile-of-local-rents>

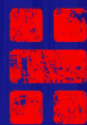


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