

LGA briefing

Debate on the effect of Universal Credit on the private rented sector

House of Commons

9 January 2017



Key messages

- Local authorities continue to play an important role in managing the impacts of welfare reform in their communities, including the rollout of the Universal Credit (UC) Full Service. It is therefore crucial that councils' concerns about the effect of the rollout of UC on residents and services are listened to by the Government.
- The reforms to housing-related benefits, including through UC, are contributing to a growing gap between living costs and affordability. Independent research for the LGA found that private rent price growth to 2020 will have had a substantial effect on households' average income.ⁱ
- Recent evidence suggests that people in receipt of UC are less likely to be offered privately-rented accommodation. The National Landlords Association found that only one in five landlords are willing to let their property to UC recipients.ⁱⁱ This places further pressure on the social housing sector and makes it difficult for councils to discharge their statutory housing responsibilities.
- Rising private sector rents and changes to the Local Housing Allowance (LHA) rate, without a corresponding increase in housing support, means that the number of households that turn to local government for support will increase. An example of this is the marked increase in homelessness acceptances in recent years.ⁱⁱⁱ
- The £40 million uplift in the Targeted Affordability Fund announced in the 2017 Autumn Budget to support claimants in areas where private rents are rising fastest, is a welcome recognition of our call for lifting the LHA freeze.^{iv} However, it does not fully address the chronic and growing crisis of housing affordability in the private rented sector.
- Claimants will be more likely to sustain a tenancy if they have access to good financial support, and effective alternatives to high-cost credit. The LGA is working with the Centre for Responsible Credit to look at how the Government, councils, housing providers, voluntary organisations and the financial services sector might work together more effectively to 'reshape financial support'.

Briefing

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Further information

The impact of UC and wider welfare reforms

The introduction of Universal Credit (UC) is taking place in the context of wider reforms to housing-related welfare support. It is therefore having a significant impact on access to, and affordability of, accommodation in the private rented sector. Independent research for the LGA found that private rent price growth to 2020 will have had a substantial effect on households' average income, contributing to the gap between living costs and affordability.^v

There is evidence to suggest that people in receipt of UC are less likely to be offered privately-rented accommodation. The National Landlords Association found that only one in five landlords are willing to let their property to UC recipients.^{vi} This places further pressure on the social housing sector and makes it difficult for councils to discharge their statutory housing responsibilities.

Recent studies have shown that tenants in the private rented sector are facing among the largest real losses in income as a result of welfare changes.^{vii} This is driven in particular by the freezing of the LHA rate, alongside the rise in private rents. It is estimated that private rents in 2020 will be 5 per cent higher than in 2016.^{viii}

Many councils have recognised that the freeze to the LHA rate is exacerbating the pressures facing both local authorities and some recipients of UC. Councils' ability to support homeless households is already severely stretched. The combined impact of these changes risks undermining the objectives of the Government's welfare reform programme.^{ix}

To support Housing Benefit and UC claimants in areas where private rents are rising fastest, the Government announced in the 2017 Autumn Budget that it will increase some LHA rates by boosting Targeted Affordability Funding by £40 million in 2018/19 and £85 million in 2019/20. These measures are a welcome recognition of our call for lifting the LHA freeze. However, it does not address the chronic and growing crisis of housing affordability in the private rented sector.

Claimants will be more likely to sustain a private rented tenancy if they have access to good financial advice and support, fair and affordable financial products and effective alternatives to high-cost credit. Moving into and furnishing a new home, for example, can present particular costs and challenges to low income households. The LGA is working with the Centre for Responsible Credit and others to look at how the Government, local authorities, housing providers, voluntary organisations and the financial services sector might work together more effectively to 'reshape financial support'.

Housing affordability and homelessness

Councils are currently housing more than 77,000 homeless families in temporary accommodation, including more than 120,000 children, and the net cost has tripled in the last three years.^x In this time, councils have been housing an extra secondary school's worth of homeless children every month on average. This is disruptive for families and unsustainable for councils.

The ending of an assured shorthold tenancy by private landlords is now the leading reason for families presenting themselves as homeless to a local authority. In responding to an LGA survey, nine in ten councils said that private landlords – and four in ten housing associations - were housing fewer in receipt of Housing Benefit, as a result of the LHA freeze.

The Government has said that it is listening to concerns that UC is not currently suitable for most homeless households, which is positive. The proposed removal of temporary accommodation from UC is welcome, and should be implemented as soon as possible to relieve the burden on homeless families.

The measures announced in the Autumn Budget, such as a homelessness taskforce, are welcome, but do not go far enough in tackling the underlying issues. It is crucial that the Government continues to adapt the implementation of welfare reforms to reduce the risk of homelessness. This should include lifting the Local Housing Allowance (LHA) freeze in the private rented sector, increasing it to re-align with rents.

Only an increase of all types of housing – including those for affordable or social rent – will solve our housing shortage and help to make housing affordable for future generations. This is the best way to reduce waiting lists, keep rents low and help more people get on the housing ladder. Councils want the Government to commit to building a new wave of different affordable housing options linked to a new definition of affordable housing as being of a cost that is 30 per cent of household income or less.

ⁱ Learning and Work Institute report for the LGA, [The local impacts of welfare reform](#), October 2017

ⁱⁱ National Landlords Association, *Two in ten landlords willing to house Universal Credit tenants*, October 2017 (<https://www.landlords.org.uk/news-campaigns/news/two-in-ten-landlords-willing-house-universal-credit-tenants>)

ⁱⁱⁱ Learning and Work Institute report for the LGA, [The local impacts of welfare reform](#), October 2017

^{iv} HM Treasury, Autumn Budget 2017 (<https://www.gov.uk/government/publications/autumn-budget-2017-documents>)

^v Ibid.

^{vi} National Landlords Association, *Two in ten landlords willing to house Universal Credit tenants*, October 2017 (<https://www.landlords.org.uk/news-campaigns/news/two-in-ten-landlords-willing-house-universal-credit-tenants>)

^{vii} Learning and Work Institute report for the LGA, [The local impacts of welfare reform](#), October 2017

^{viii} Policy in Practice report, [The Cumulative Impacts of Welfare Reform: a national picture](#)

^{ix} Ibid.

^x DCLG Homelessness and Temporary Accommodation Live Tables (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>)