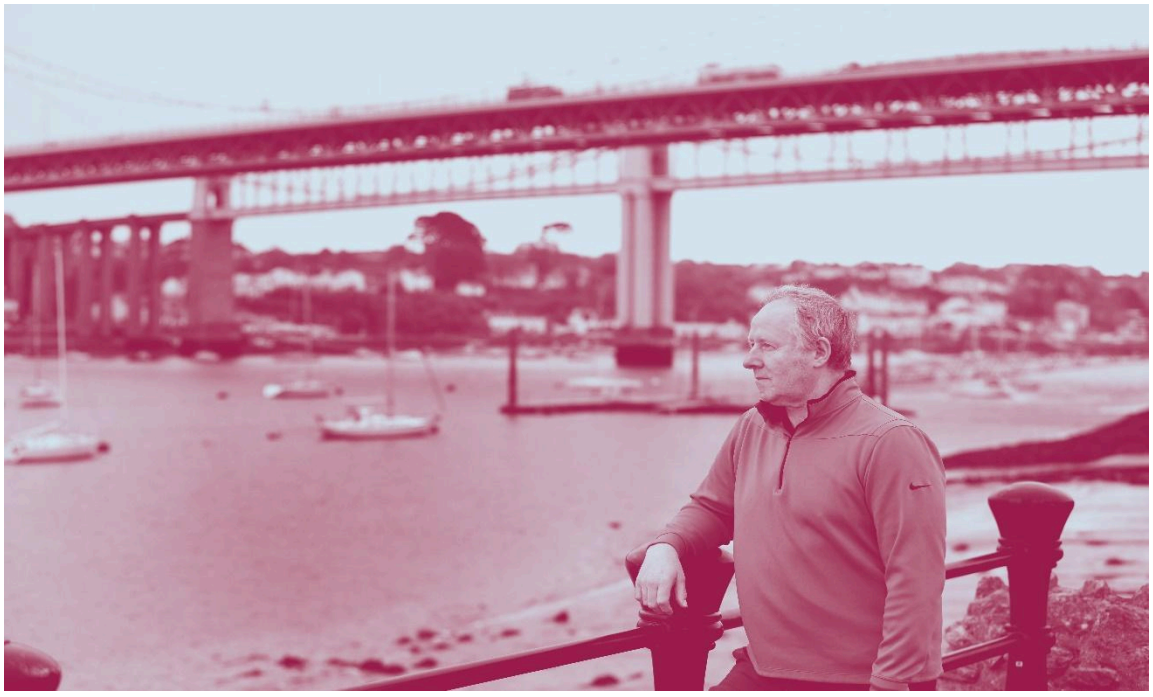
“I sit there on my sofa and cry…”

The human impact of the Local Housing Allowance freeze



A report from local Citizens Advice in partnership with the University of Plymouth

citizens advice Cornwall, Plymouth and South Hams

UNIVERSITY OF PLYMOUTH

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Foreword

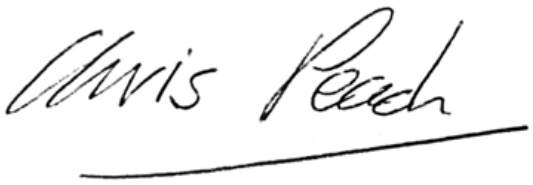
Since the Covid outbreak, housing has become one of the biggest and most intractable problems facing our communities in Devon and Cornwall.

As this report points out, the cumulative effects of lack of decent, affordable housing to rent privately and buy, combined with competition from the second home and holiday market, the freeze on housing benefits, soaring rents and damaging effects of the cost-of-living crisis on household budgets have combined to create a perfect storm for renters.

This research tells the story of the real toll on people facing hikes in rents and Section 21, also known as "No Fault" evictions, but unable to find anywhere else to live. It's a story of people living on the edge, never sure if they'll be homeless in a couple of months while struggling to pay bills and confronting the heat or eat dilemma.

Lifting the freeze on housing benefits would be a step in the right direction, but, as the report highlights, there needs to be a much more ambitious programme of house building and rental reform which needs to start as a matter of urgency.

I hope this report will act as a catalyst for action and alert policymakers at a local and national level to the true housing situation and its terrible effects on people's lives.



Chair of Trustees
Citizens Advice South Hams

Introduction

Since the end of the Covid lockdowns in 2020, Citizens Advice has seen a steady increase in housing inquiries from people in the private rented sector as more and more people find they can no longer pay increasing levels of rent.

In January 2020 (before the Covid lockdown), we helped 200 people with housing issues in the Plymouth, South Hams and Cornwall areas. In September, 2023, this figure had risen to 373 people, an 86% increase and a record over the last three years.

Inflation, big increases in interest rates and competition from the second home and holiday rental markets combined with an existing shortage of social and affordable housing has created a crisis situation in the private rental market across Devon and Cornwall.

According to OECD (2020), private renters in the UK spend more of their income on rent (40%) than any other advanced economy, compared with 9% in France and 5% in Germany.

Compounding the situation for many people desperate to keep a roof over their heads, has been the freezing for the last three years of Local Housing Allowance (LHA), a government payment to help tenants with the costs of renting from private landlords[1].

In this report, we examine what the freeze of LHA levels mean for people in the Plymouth Broad Rental Market Area covering parts of the South Hams, Plymouth and South East Cornwall, (see Appendix for map.)

[1] For tenants in receipt of Universal Credit it forms part of their monthly payment; for other tenants the payment is made as Housing Benefit.

Our Research

Citizens Advice Case Studies

Multiple factors are at play which reduce the supply of rental houses in Devon and Cornwall. This includes competition from the holiday home/holiday rental market; an increase in people with higher incomes moving into the area for lifestyle reasons; and the rise in mortgage interest rates, leading to more landlords selling up (Cornwall Live, 2021). Combined with the severe long-term shortage of social housing and lack of affordable housing to buy, tenants are being priced out of the market and unable to find an affordable place to rent.

Advisers from Citizens Advice in Cornwall, South Hams and Plymouth share examples how this has affected some of our clients in the last six months:

- Sally receives Universal Credit of £770 per month, which includes the LHA element. Her rent is £750 per month, leaving her £20 to live on. She can't start work as a nurse due to being a witness in a pending court case.

- Ashton is a single man renting a two-bedroom property. His monthly rent is £430 of which the LHA covers £350. His only source of income is Universal Credit and he is struggling to fund his regular journeys to hospital for treatment. He is aware he can claim back his transport costs but can't afford the upfront costs.
- A new landlord offered Deb a six-month Assured Shorthold Tenancy but increased the rent by 100%, from £580 to £1,260 per month. Deb cannot afford this increase and is advised to not sign the new AST. There is a risk however, that this could lead to the landlord evicting her by issuing a Section 21 notice.
- Maurice received notification that his landlord wants to increase the rent from £675 to £1,000 per month, a 37.5% increase, saying it will bring it in line with other properties in the area. Maurice has responded stating this is unreasonable, unfair and unaffordable. He is prepared to accept a rent increase, but only up to 15%. He is also at risk of eviction now.
- Serena has been advised by the letting agent that 'owing to market forces' her rent will be increased from £1,000 per month to £1,800. She is an assured shorthold tenant who is disabled and has 12-year-old twins.

Rising Rents

Across the UK the average rent for a new let in September 2023 is up 11.7% compared with September 2022[2]. This represents an average rise from £1,186pcm to £1,325pcm.

The changes have been very rapid. According to the Joseph Rowntree Foundation (2023), housing benefits in September 2022 only covered 18% of the private rentals in England, compared to 30% in 2020.

Our research considered the Plymouth Broad Rental Market Area and found the level of private sector rent has increased by 28% since 2013.

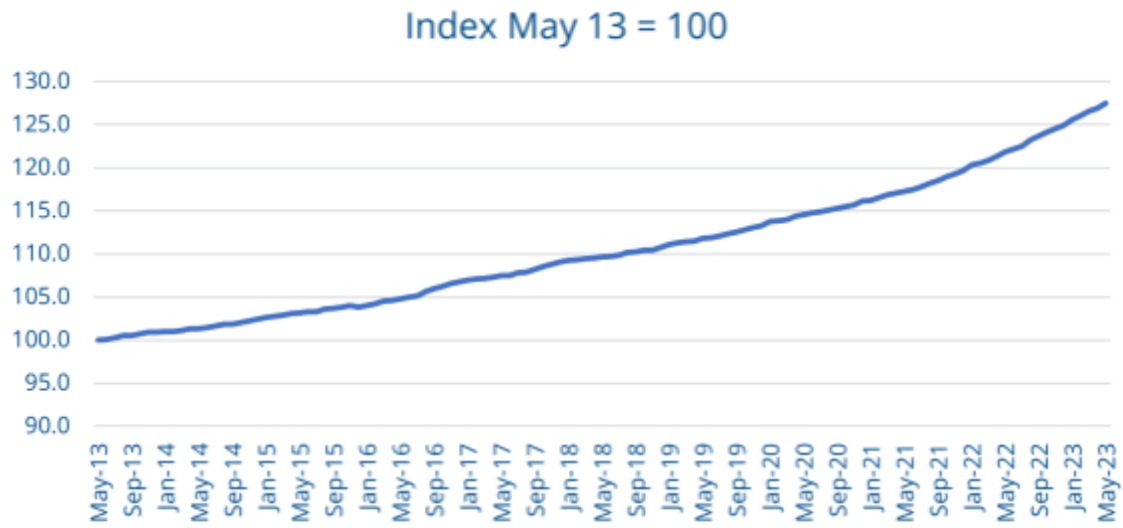


Figure 1: Increase in private sector rent in the Plymouth BRMA since 2013

LHA Freeze

Local Housing Allowance (LHA) rates are decided every year by the Secretary of State for Work and Pensions using information from the Valuation Office Agency (VOA). The VOA divides the country into areas called the Broad Rental Market Area and looks at the average private market rents in each one.

The VOA observes the range of properties with different numbers of bedrooms to make its calculations. It then uses the 30th percentile of these rents for each

[2] Letting Today, October, 2023

type of property in its recommendations to the Secretary of State, who will make the final decision.

The LHA rate is then used to determine Housing Benefit and the housing element of Universal Credit.

Since 2014, private rents have outstripped LHA levels and this trend has accelerated since LHA was frozen by the government in 2020. The graph below shows how LHA has fallen behind average private rents in each Broad Rental Market Area covering Devon and Cornwall.

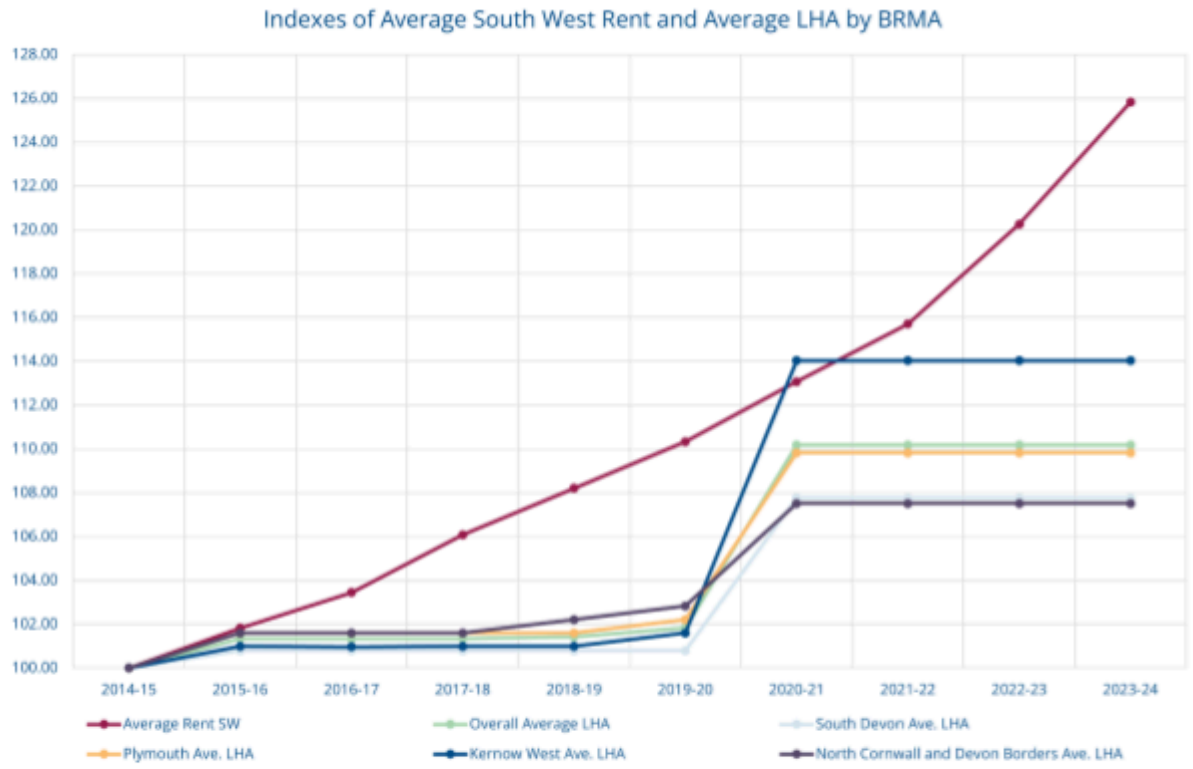


Figure 2: Index of average rent in South West vs. average LHA by the Broad Rental Market Area

The gap between LHA and actual rents has also been highlighted by the House of Commons Levelling-up, Housing and Communities Committee in a report from February 2023.

> *"The freezing of LHA rates was repeatedly cited as a cause of particular concern, since it affects those most vulnerable to rising rents in the Private Rental Sector (PRS).* ***Those who expressed this concern were unanimous in calling on the Government to restore the link between LHA rates and the 30th percentile****. (Anti-poverty charity) Z2K said the freeze had driven many into poverty, forced some to accept properties in a state of disrepair and left*

others unable to find anywhere to live at all. It said if the Government wanted the PRS to continue to house lower-income tenants it should accept the price tag that came with it."

Local Housing Shortage

An observational analysis of local estate agents in the South Hams, conducted in July 2023 found a severe shortage of housing for rent across all house sizes:

One-bedroom properties for let LHA Universal Credit rate £450

Rent per month	No. of properties
Below £600	3 (cheapest £475)
£600 - £700	16
£700 - £800	10
Over £800	2

There were no one-bedroom properties in Salcombe, only three in Kingsbridge and five in Dartmouth, reducing availability for local people in their community.

Two-bedroom properties for let LHA Universal Credit rate £585

Rent per month	No. of properties
Below £700	9
£700 - £799	16
£800 - £899	33
£900 - £999	22
Over £1000	18

Three-bedroom properties for let LHA Universal Credit rate £695

Rent per month	No. of properties
Below £1000	7
£1000 - £1199	6

£1200 - £1299	9
£300 - £1399	6
£1400 - £1499	6
Over £1500	15

Our analysis of houses to rent in Plymouth and Cornwall revealed the same trends.

BRMA Analysis

The Broad Rental Market Area (BRMA) is used by the Valuation Office Agency to determine average rents. As highly desirable rural areas, rents in the South Hams and Southeast Cornwall are significantly higher than in Plymouth because of competition from holiday lets and second homes in the housing market.

We compared the average monthly rent for a two-bedroom property across the three districts and examined what proportion of it would be met by the 2023 levels of LHA.

District	2-bed average rent pcm	% covered by LHA
Plymouth	£807	66%
South Hams	£901	60%
Cornwall	£1,044	52%

District	3-bed average rent pcm	% covered by LHA
Plymouth	£1,032	62%
South Hams	£1,285	53%
Cornwall	£1,244	54%

Similar levels of rural disadvantage are found in all categories of housing up to four-bedroom properties, where Plymouth renters get 56% of their rent paid by benefits, compared to just 39% in the South Hams and 43% in Cornwall.

(Cornwall statistics for Kernow West BRMA)

What Tenants are Saying

Researchers from the University of Plymouth carried out six in-depth interviews with Citizens Advice clients about their situation and their feelings. Three of their stories are documented here, and you can find more in the Appendix.

Ken's story

"Not a day goes by where you don't think, what's happened to my life? Sometimes I just sit there on my sofa and cry."

Ken is a pensioner in his 60s living in a one-bedroom flat and has recently lost his part-time job. His rent is £475-a-month and he receives around £200 in Housing Benefit. His neighbour recently had her rent increased to £575 for an identical flat and he fears his rent will also rise.

"So all in all, my life's gone from being a happy-go-lucky guy, starting a new life, saying "goodbye old world, this is me" to someone now that, not a day goes by where you don't think, what's happened to my life?

"That, in a nutshell, is where I've come, where I've gone, and how that's dragged me right down now to. I don't have enough coming in to pay what's going out.

"Rising bills, food - is one that's hit me even harder. I mean I've been lucky, I managed to get some Asda vouchers (from the Household Support Fund) which I'm using.

"I allow myself £40-a-month for social, that's my £10 every Saturday. You know, that's not being extravagant. Alright, some people would say, "well, don't go for a drink," but I say I'm a single pensioner living on my own, I need to, to get out. I go out for walks even if it's raining because it saves electric at home. I've lost a lot of friends because I'm not out socialising.

"I've been using food banks...I wouldn't go in a food bank until my friend dragged me in there. . . Oh it was, I'm not going in a food bank. I've worked all my life, I've catered for myself all my life, through ups and downs, and big hits and bad ones, but I've always bounced back. But then all of a sudden, I'm finding myself, I'm walking past and I'm looking and looking, and then my friend said "come on

we're going in". I said ah it's alright, you go, and you can come up mine and have a cup of tea afterwards. She said "no, you're coming". She dragged me in. And once I got over that initial hurdle through Citizens Advice I got a foodbank voucher to use.

"I find it embarrassing. I only go when I'm really desperate now because I always feel that someone is worse off than me, which a lot of people are. I never feel that I'm in that position where I need it, when I do need it, if that makes sense.

"My self-respect has gone out the window. You know, yes I've had ups and downs, the way I feel about myself and that, you know, I lost my son to cancer, so, I've gone up and down like that. You know but, I just sit there, and I sit on my sofa and cry. How have I got into this state?"

Mark's story

"I don't leave the house, got no social life, don't see no-one. You just think, my life isn't even worth living really. It's miserable."

Mark is recently divorced and has been made redundant. He lives with his son in a rented house having sold his own house following his divorce. His rent is £900 per month and he receives £585 per month towards housing costs through UC. He suffers physical and mental health issues. His initial £15,000 of savings have now been used-up.

"Well, my £15,000 of savings is now zero. I've carried on trying to pay all my various debts like a responsible adult and now all my money's gone. Basically, I'm just at the point now where I won't be able to pay my debts, my bank loan, my rent, I don't know what I'm going to do.

"I don't leave the house, got no social life, don't see no-one. You just think, my life isn't even worth living really. It's miserable. I haven't left the house for probably three or four days, this is the first time I've been out.

"It's a very bitter pill to swallow when you've worked all of your life. And when you need the help you can't get it. So... that adds to the misery, and anger, and frustration.

"I know I should lose weight and I just think, what the point? Why prolong this misery? Why? It's just, well, it's just horrible. It just really is horrible."

Ben and Hannah's story

> "You're kind of limiting their childhood really. They're going to the cinema or shopping and she's limited by our means, she can't do the full experience."

Ben and Hannah are a married couple, in their thirties, with two teenage children, aged 15 and 19. Hannah has disabilities and Ben is receiving Employment Support Allowance. Rent is now £708 and they receive £668 LHA but fear the possible sale of property by their landlord and eviction.

"We had a property in our street become vacant. It was a two-bedroom property, and we were waiting for it to be rented out, and when we looked it'd come up for £1,100 which we thought was a crazy amount of money.

"We're terrified of being kicked out of the house we're in, because the landlord is getting older… so, we'd be on the street, homeless probably…"

The couple also worry about the effects of their situation on their daughter:

"You're kind of limiting their childhood really. They're going to the cinema or catching the train up to town to go shopping and she's limited by us, by our means, to say, no, you can't do that or, you can't do the full experience that we want to give you.

"You don't want to be the one that turns up to a lunch saying "I'm not gonna have nothing because I can't afford it," because it kind of puts pressure then on the group to say: oh, we can cover it. Then you feel embarrassed and awkward so, essentially, you end up making excuses like, I can't do that day sorry. When really you can, you just can't afford to go.

"You'd think there would be something available for me because I have to buy such expensive food … I need certain vitamins because my bones are not very good and stuff. And that's another expense that we have to buy because if we don't I've already got osteoarthritis, so, I'm trying to stop it from getting any worse. So I have to take medicine if I want to help myself. But they don't give you any money towards that…

"Another thing is, because we don't work, because of my health, they (landlords) say they're not working, we don't want them as tenants. But we're actually really good tenants. We look after our home. Every landlord we've had has said, you're

the best tenant we've got. But, because of that we're even more limited to what we can choose when it comes to properties.

"They're just landlords, they're property people who are jumping on the bandwagon... They're thinking, this is a better option to invest in at the moment, and once the rents start flattening out, and they start thinking, oh where's the next opportunity? They'll sell up and move to the next opportunity just following the money. And in that wake of just making money, you have tenants like ourselves who, it impacts on us personally. It's okay for them to sell up and move on, and then get their millions out.

"You're kicking a family out who have nowhere to go which then puts pressure on other services and, it just needs better regulation in a way."

A Letting Agent's View

"High rents are quite often unaffordable and most people on Housing Benefit or Universal Credit have very little chance of finding a home."

As part of our research, we interviewed letting agents in the area. One agent based in Liskeard, gave his view of the current rental market:

"The rental market is very different to 5-10 years ago or even the last 2-3 years. The lack of availability has been crucial in both affordable homes and rental for most renters.

"This is due to the Government not building affordable homes, selling off council property or the planning rules not being tough enough on the type of property being built.

"This has left us with high rents which are quite often unaffordable and most people on Housing Benefit or Universal Credit having very little chance of finding a home.

"Also the lack of help for landlords in the private sector and increasing legislation has resulted in landlords selling and the better-off first-time buyers buying due to help by family and friends or inheritance.

"The changes are a two class system developing and so many people with little, or no, hope of finding a home.

"To sum up, we need to encourage landlords to buy property not sell them and for government to build more affordable houses and bring down rents.

"I am not surprised we spend so much money on mental health in this country."

The Impact

People Face Losing their Homes

The lack of housing with affordable levels of rent means more and more people are facing the prospect of losing their homes. They have few options open to them:

- **Putting themselves on the council's housing register**. As demand far outstrips supply, this is often only a realistic option for families with children and the most vulnerable in the community. We know councils also face a huge shortage of temporary accommodation and families may be housed in hotels or bed and breakfasts miles away from their friends, relations, workplace and schools. Cornwall Council says at current levels it will take 20 years to clear the list of households signed-up to its Homechoice housing register. (Cornwall Council presentation - Housing and Homelessness Alliance Conference - Oct 2023).

- **Moving out of the South West** to another, relatively cheaper part of the country.

- **Moving in with friends and relatives** (sofa-surfing). This is often a 'hidden problem' with people not registering as homeless but experiencing the challenges it brings which include overcrowded accommodation and strains on relationships.

- **Living on the street or in cars and vans**. We have seen more clients in this situation. Not having a permanent address brings with it a wide range of other problems such as not being able to open a bank account, missing out on important postal correspondence and even getting a job.

The Public Cost of Temporary Accommodation

When tenants lose their homes, families and vulnerable people are placed in temporary emergency accommodation, sometimes for many months.

The increase in rents and failure of support from LHA means the numbers of people housed in temporary accommodation, such as hotels and bed and breakfasts, is increasing.

In addition to the lack of suitable temporary accommodation, this is also an added drain on hard-pressed council budgets. A report by The Guardian newspaper (30 Oct 2023) found that some councils were spending up to half their annual financial resources "to cope with a surge in homelessness and the cost of temporary accommodation". According to a letter to the Chancellor of the Exchequer, from a cross-party group of council leaders, this is causing "a critical risk to the financial sustainability of many local authorities" (The Guardian 1 Nov 2023).

Following a Freedom of Information (FOI) request, the councils in our study area provided the following statistics.

	Cost to the council of temporary accommodation		
Year	**Cornwall**	**South Hams**	**Plymouth**
2020/1	£9,486,185	£114,542	-
2021/2	£12,982,257	£237,445	-
2022/3	£18,401,941	£475,831	-
Increase over 3 years	Nearly 100%	300%	-

(No information provided by Plymouth City Council)

	Number of households in temporary accommodation		
Year	**Cornwall**	**South Hams**	**Plymouth**
2020/1	631	50	201
2021/2	735	61	311
2022/3	770	70	388
Increase over 3 years	22%	40%	93%

Recommendations

This study has shown without doubt that urgent action needs to be taken to provide much needed financial support for local people. We are calling on the national government, local authorities and local community groups to come together, raise awareness of the issues and to take action where they can:

Unfreeze Local Housing Allowance

Our report demonstrates the need for more realistic levels of LHA to keep-up with soaring rents. Far too many people, like the tenants we spoke to, are suffering financially and emotionally as the level of support they could once rely on has slipped away, putting them at real risk of homelessness and deteriorating mental health. **We are calling on the national government to restore LHA to the 30% percentile of average rents for 2024/25.**

Redraw the BRMA boundaries

Locally, we would like to see the South Hams and South East Cornwall taken out of the Plymouth Broad Rental Market Area to take account of widening differences in the average rent. This would help people who live in popular holiday destinations such as Salcombe, Dartmouth, Kingsbridge and Looe, which have most suffered from rocketing rents as new, more affluent people move in. The same methodology could be adopted across England. **We are calling on the Valuation Office Agency to redraw the Broad Rental Market Area boundaries to take account of the urban/rural mix in the housing market.**

Create “Really Affordable” Housing

Local authorities and housing associations have a part to play in addressing the high costs of housing. They can bring together partners to help tackle housing needs across all tenures. They may have surplus or redundant assets or land that might support new housing developments. They can implement affordable rent schemes and local authorities can hold developers to account when they build new homes under an affordable homes programme. **We are asking local authorities, local housing associations and community groups to support our report and come together to discuss these issues and find meaningful solutions.**

Conclusion

There is no dispute that levels of government support for private renters has put many people at greater risk of homelessness. Harder to quantify is the level of stress (mental and financial) this has placed people in.

Citizens Advice advisers hear the same distressing stories every week from people who have been managing to keep their head above water for years but are now being tipped over the edge.

Rising rents and less generous housing benefits should be seen together with rising food, energy and fuel prices creating a very uncertain future for people in Devon and Cornwall.

Furthermore the widely variant rents being levied across the rural and urban areas of the Plymouth broad market creates disadvantage. The system unfairly penalises people living in rural areas because the average is skewed by relatively cheaper rents in inner city areas such as Plymouth, compared to areas in high demand as holiday lets and second homes, such as Salcombe, Kingsbridge, Looe and Dartmouth.

While some variations are inevitable whichever area is chosen to determine rental support, recent rent rises in desirable rural areas, particularly on the coast, disadvantage these households compared to those in built-up urban areas where there is a wider range of rental accommodation.

The increasing use of temporary accommodation, (with consequences for increased pressure on council spending), increased likelihood of homelessness and more people seeking help from Citizens Advice for housing and debt issues are all symptoms of the housing crisis.

Unless action is taken soon, Citizens Advice can expect to see even more cases like those above in Devon and Cornwall over the next few years with no solution in sight.

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And particular our thanks to all the tenants and lettings agents who took part in the survey and let us share their stories and personal feelings. The full transcripts are available separately in the Appendix.

Citizens Advice helps

people find a way forward

We provide free, confidential and independent advice to help people overcome their problems.

We are a voice for our clients and consumers on the issues that matter to them

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