Renting in the Private Sector: An investigation by the Lancashire Citizens Advice Research & Campaigns Cluster Group into the Local Housing Allowance and Discretionary Housing Payment

Report authored by Conal Land and Helen Gwilliam (Citizens Advice Blackpool) and Joanna Young (Citizens Advice North Lancashire)

With contributions by Citizens Advice Blackpool, Citizens Advice East Lancashire, Citizens Advice North Lancashire, Citizens Advice Preston, Citizens Advice Fylde, & Citizens Advice Lancashire West

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What is a BRMA?

Broad Rental Market Areas (BRMAs) differ from local authority areas, they have different boundaries and one BRMA can cover several local authority areas. One local authority might also contain more than one BRMA.

These areas are defined as where one can reasonably be expected to live with access to facilities and services. It is the private market rents within these areas which are used to calculate LHA rates.

Executive Summary

In November 2023, the Chancellor announced as part of the Autumn Statement that the government will raise Local Housing Allowance (LHA) rates to the 30th percentile of local market rents in April 2024.

The LHA rate is the maximum amount of housing benefit or housing element a person can receive. This has been frozen since April 2020, causing a great deal of hardship for clients across Citizens Advice offices in Lancashire. While the raising of the LHA rate in April 2024 is welcome, it may not be enough to alleviate the unavoidable financial strain many face.

This report sets out the impact that the freeze of LHA rates has had on residents. It also considers the impact of inappropriate BRMA boundaries and a frozen discretionary housing payment fund on those privately renting their homes. It is important that the government commit to raising LHA rates in line with inflation so that this situation doesn't happen again. However, as this report will discuss, the system of support available to those privately renting their homes needs wider reconsideration.

As outlined in both the statistics and case studies from this report, many renters are at a financial breaking point and many are living in deep poverty. The cumulative effects of frozen LHA rates, Covid 19, decades of austerity and the cost of living crisis have worsened the financial situations of many across Lancashire. A more long term view is therefore required so that people living on benefits, for any reason, can avoid destitution and the threat of homelessness.

What is the Local Housing Allowance?

The Local Housing Allowance (LHA) rate is the amount of money that the government has said those who live in privately rented properties can claim as a maximum towards their housing costs under Housing Benefit or the housing element of Universal Credit.

The government has a formula which works out how many bedrooms a household is entitled to based on who lives there. Couples, 2 children under 10 of any sex, and 2 children under 16 of the same sex are expected to share a bedroom. The maximum number of bedrooms allowed is four.

The LHA rate is set at the 30th percentile of the market rate in each BRMA. This means people with rents above that percentile need to top-up their rental costs.

What are Discretionary Housing Payments?

The Discretionary Housing Payment (DHP) is, by its nature, a discretionary and undefined amount of money that local authorities can choose to give to people living in their area.

If you get Housing Benefit or the Housing Element of Universal Credi you can apply for a DHP which covers the shortfall between the LHA rate and your rent. How many people apply for DHP payments is therefore dependent on how many people pay more rent than the LHA rate allows for.

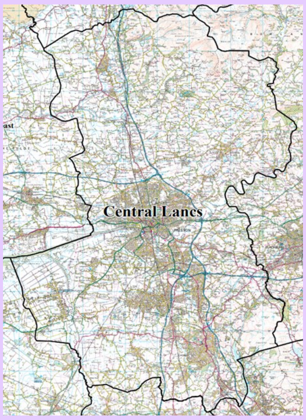
The BRMAs in Lancashire

Lancaster

This includes the city of Lancaster & the town of Morecambe. Ending in the the north around Silverdale, the south Forton & Cockerham and the east Ingleton.

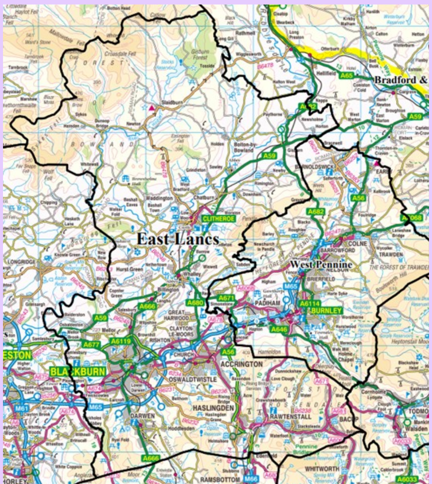
Fylde Coast

Including Blackpool, Fleetwood, Cleveleys and Lytham St Annes. This BRMA also covers the areas of Fylde & Wyre.



Central Lancs

This includes the major towns of Preston and Chorley. Samlesbury sits at the east and West Lancashire and Fylde to the west.



East Lancs and West Pennine

East Lancs includes Blackburn and Accrington. Haslingden, Rawtenstall and Bacup sit at the South and the Forest of Bowland and the Yorkshire border to the north.

West Pennine includes Burnley and Colne. It is bordered by Yorkshire in the north, south and east and Padiham in the west.

Some areas in Lancashire are included in BRMAs which cover areas primarily outside of Lancashire. For example, people living in or around Ormskirk might fall under a BRMA associated with Liverpool or Wigan. This highlights the complexity of the BRMA system and how BRMAs encompass large economically and geographically diverse areas.

How is the 30th percentile calculated?

Size of property

- Each of the BRMA areas has the 30th percentile calculated by the government to reflect the prices for the following type of accommodation:
  - ◊ Shared accommodation where you rent a room and not a whole property
  - ◊ 1, 2, 3, and 4 bedroom properties
- If you someone requires more than 4 bedrooms, they are still capped at the four bedroom rate

LHA rates

In April 2024, the LHA rates are set to rise for the first time since 2020.

LHA rates are calculated by the Valuation Agency Office. The data used is collected from a variety of sources including letting agents and landlords.

Notably, the amounts used to calculate LHA rates are rents being paid, rather than currently advertised properties. Housing benefit supported rents are also removed where possible.

This report will now;

1) **Compare the LHA rates for 2020-2024 to the indicative 2024/25 LHA rate.**
2) **Compare the LHA rates to the 30th centile of properties we found as available to rent on Rightmove in each BRMA.**
3) **Share the stories of our clients who are struggling to afford their rents because of the low LHA rates**

BRMA 1: Lancaster

Some Lancaster residents will see much larger increases in their LHA rate compared to others. Those in shared accommodation will be eligible for an extra £20.50 each week from April 2024. However, those in larger houses might only be eligible for an additional £5.75 each week.

	LHA Rate 2020-2024	LHA Rate 2024-2025	30th percentile based on available rent prices Nov' 2023
Shared Accommodation	£70.25	£90.75	£115
1 bedroom	£96.66	£109.32	£153
2 bedrooms	£120.82	£132.33	£173
3 bedrooms	£138.08	£149.59	£208
4+ bedrooms	£161.10	£166.85	£294

The reality for those living in the Lancaster BRMA is that their rent has been higher than the LHA rate for many years.

Tenants who pay rents inline with those we found as currently available, or whose landlords have increased rents towards this level may still face a significant shortfall following the LHA increase.

The number of properties we saw available for rent at or below the 30th percentile rate in the Lancaster BRMA was minimal, with very view shared accommodation or one bedroom lets available for non-students below £115/£153 per week.

BRMA 2: Fylde Coast

The Fylde Coast is set to see some of the largest increases across all LHA rates across Lancashire. However, disparity still exists with shared accommodation rates rising £15.75 per week whilst one bedroom rates will rise by £7.05 per week.

The Fylde BRMA includes vastly different areas with significantly different average rents.

For example, the 30th percentile we calculated in Blackpool for 2 bedroom properties is £127, whereas in Lytham St Anne's it was £181.

This speaks to a broader question about the suitability of BRMA areas in setting the LHA.

What is clear is that, in all areas, no properties were seen by us in which would be covered by the LHA. In most cases, the difference was significant and a shortfall of at least £12/week will still exist for many.

	LHA Rate 2020-2024	LHA Rate 2024-2025	30th percentile based on available rent prices Nov' 2023
Shared Accommodation	£65.00	£80.75	£92.50
1 bedroom	£85.00	£92.05	£115
2 bedrooms	£114.61	£124.73	£160
3 bedrooms	£132.33	£143.84	£204
4+ bedrooms	£150.00	£170.88	£311

BRMA 3: Central Lancashire

In Central Lancashire, when looking at available properties, we found that if a person managed to secure one of these at the 30th percentile, a shortfall of at least £28-£70 would still exists following the LHA increase.

As with Fylde, significant disparities in 30th percentile rates can be seen across central Lancashire. In the district of Preston for example, the 3-bed home calculation is £185 whereas in the district of Chorley it was £213.50.

Additionally, these areas are geographically distant. So someone might need to move a significant distance to find an area with a lower 30th percentile rate.

Central Lancashire will see some of the lowest rises in LHA rate for 2024/25. Those receiving help with shared accommodation will be eligible for just £1.02 more per week while those with 3 bedrooms might receive just £5.75 more.

	LHA Rate 2020-2024	LHA Rate 2024-2025	30th percentile based on available rent prices Nov' 2023
Shared Accommodation	£68.98	£70.00	£98
1 bedroom	£95.74	£103.56	£130
2 bedrooms	£123.12	£132.33	£165
3 bedrooms	£143.84	£149.59	£199.25
4+ bedrooms	£195.62	£212.88	£283

BRMA 4: East Lancs

The 2024 LHA rate rise will mean an average increase in East Lancs of just £6.79 per week.

The smallest increase will be 58p for the shared accommodation LHA and £10.36 for the 4+ bedroom rate.

	LHA Rate 2020-2024	LHA Rate 2024-2025	30th percentile based on available rent prices Nov' 2023
Shared Accommodation	£66.50	£67.08	£95**
1 bedroom	£90.90	£97.81	£199
2 bedrooms	£103.56	£109.32	£142.50
3 bedrooms	£126.58	£136.93	£187.50
4+ bedrooms	£172.60	£182.96	£269

** average rent—lack of properties available to calculate 30th percentile

The rental prices we found in East Lancs were not comparatively high, yet the proposed LHA increases are among the lowest we saw.

What this means in reality is that renters in East Lancs are not, on average, likely to be paying exceptionally high rents. Yet, they can still expect an average shortfall of £46.58 per week following the LHA increase in 2024.

BRMA 5: West Pennine

Like East Lancs, the indicative LHA rates show a small increase in eligibility for many. For all except those with 4 or more bedrooms, the increase is less than £3.45/ week. For 2 bedrooms, there is no increase.

	LHA Rate 2020-2024	LHA Rate 2024-2025	30th percentile based on available rent prices Nov' 2023
Shared Accommodation	**£70.25**	**£71.50**	**£91**
1 bedroom	**£88.60**	**£92.50**	**£117.50**
2 bedrooms	**£103.56**	**£103.56**	**£133**
3 bedrooms	**£113.92**	**£116.22**	**£163**
4+ bedrooms	**£161.10**	**£175.48**	**£334.50****

** average rent—lack of properties available to calculate 30th percentile

The rental prices we found in West Pennine were again, not disproportionately high, yet the shortfall we calculated is at least £19.95 a week.

For those renting 2 bedroom properties, the outlook is particularly bleak as the revised LHA rates will have no impact at all and any existing shortfall will remain until at least April 2025.

Those who are eligible for the 4 bedroom rate will see a higher rise in the LHA rate of £14.38/week, although for some this will still mean a significant shortfall.

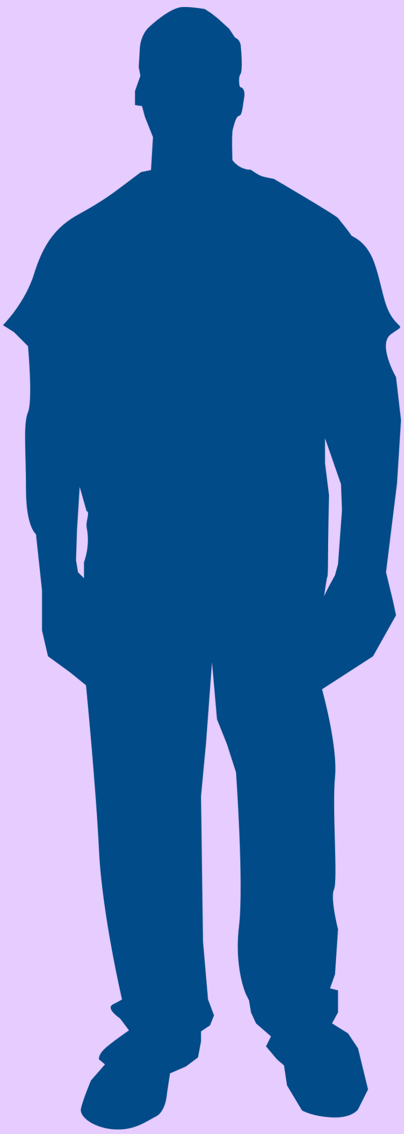
The impact of LHA shortfalls

Case Study 1: Kevin

Kevin is a 56 year old man living in Blackpool. He lives in a one-bedroom privately rented property which costs £433 per month. As his rent is above the LHA rate he must pay £63.65 per month to top up his rent.

Kevin suffers from a number of health conditions including diabetes and he broke his arm during the Covid-19 pandemic. This meant that he had to wait longer to see a consultant and he is now in considerable pain and has reduced mobility. Between this injury, and his other health conditions, Kevin is not currently working. He is however waiting to have an operation which should reduce his pain and increase the mobility in his arm.

Kevin's bills are modest and just £137.50 per month covers his basic bills. He has no debts and no tv as he says he can't afford it. However, despite his efforts, Kevin is struggling, with just £167.32 to pay for everything else he needs each month. He typically spends around £120 of this on food, a budget on which he struggles to manage his diabetes properly. Because of this, his operation has been delayed.



If the LHA rate was appropriate and covered all of Kevin's rent, he would have just under £15 more per week to spend on food. Kevin believes this would really help him manage his diabetes. The operation would then help him be physically fitter and capable of work.

Kevin's case clearly demonstrates how, what could be viewed as a small shortfall in the LHA rate can have a huge impact on someone's life.

Kevin is now receiving help from Citizens Advice to maximise his income and access crisis support. However, had the LHA rate been appropriate and Kevin able to manage his diabetes appropriately, this help may not have been needed.

Case Study 2: Louise

Louise is a 35 year old teacher and single parent to 4 children who lives in Burnley. Unfortunately, Louise recently needed emergency surgery and had to take sick leave. Because Louise works as a substitute teacher and doesn't receive pay during school holidays, the agency she works for have not even paid her SSP for the last 2 weeks.

Louise is in crisis, even before her recent sickness her budget was tight. The LHA rate meant she had to pay £150 per month towards her rent despite living in appropriate accommodation with average rent. Louise is struggling to meet the basic needs of her family and pay for necessities such as school uniforms and beds.

Had Louise not needed to top up her rent by £150 per month for the past several years, her family might have been better prepared for this crisis. Louise may have already bought her son a new bed or her daughter's school uniform for high school. However, partly because of the LHA rate, Louise has not been able to maintain financial stability and now faces a real crisis.

She remains hopeful however, and has a new teaching job starting in a few weeks. Unfortunately, Louise can't currently afford to insure her car, which she needs for her new job. Citizens Advice have helped Louise access crisis support such as food and fuel vouchers so that she can provide for her children and be prepared for beginning her new job when she has recovered from surgery.

However, with the LHA rate remining the same, it is unlikely that Louise's long-term financial stability will improve any time soon. Louise's case again portrays the knock-on effect low LHA rates can have in meaning families have to live with too little income to maintain financial stability.

Case Study 3: Derek

Derek is 63 and came to Citizens Advice for help understanding his benefit eligibility. He has lived in Morecambe with his wife and her sister for several years. Derek is his wife's carer and she receives DLA. His sister-in-law receives ESA. They live in a privately rented 3 bedroom property which costs £736 per month. They are viewed as needing the third bedroom due to Derek's wife's support needs and receive the full LHA amount. This means they must pay nearly £140 per month towards their rent.

Unfortunately, Derek's son recently passed away and their 3 grandchildren now live with them. All 3 children are under 10 years old and there are now 6 people living in this 3 bedroom house. The home is not underoccupied or expensive, yet they must still top up their rent.

At a time of huge personal difficulty, while the family attempt to process their grief Derek is worried that he will not be able to provide his grandchildren with a stable home.

This is of particular concern as, while Derek waits at least 5 weeks for their new benefit claims to be processed, he must provide for his grandchildren and fear falling behind with their rent both during this time, and once payments begin. Shelter is a basic necessity all should have access to, yet at this most difficult time in his life, Derek has reason to legitimately fear he may not be able to provide his family with a stable home because the LHA rate is significantly lower than his rent.

Case Study 4: Michael

Michael and his partner moved to Blackpool just over a year ago when Michael's father moved into a nursing home. Michael and his partner, who is his full-time carer, wanted to be close to his father. They live in a one bedroom privately rented flat which costs £500 per month. This means they must pay £130 per month towards their rent.

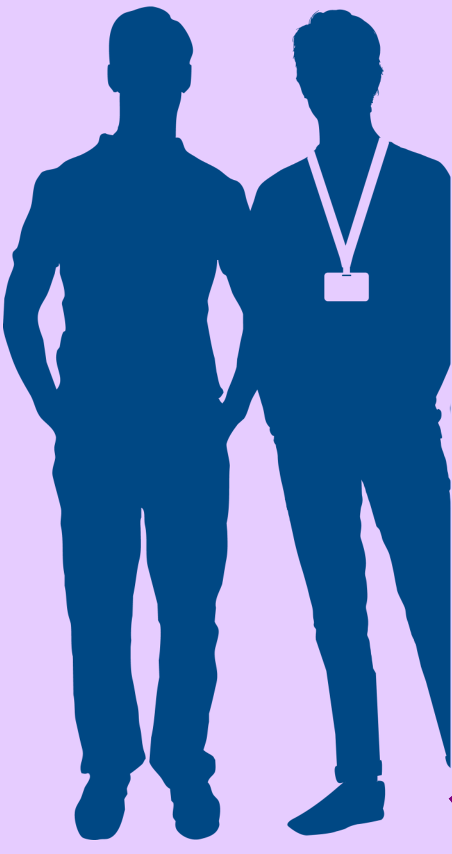
Michael and his partner have applied for social housing but are low priority and therefore unlikely to be offered social housing. The housing association suggested Michael obtain a letter from his GP outlining his health conditions to increase his priority for social housing. The GP advised that they don't write this type of letter and gave him a copy of his medical records. The housing association will only accept a GP letter.

Similarly, because Michael and his partner struggle to make ends meet, they applied for a social budgeting loan, which they are now paying back. This means they can't get another despite current financial hardship. Michael applied for a DHP, which was denied due to a lack of council funds. Additionally, because they pay for their fuel by monthly direct debit, they can't get a fuel voucher.

Michael and his partner have contacted multiple organisations looking for help, but the only option they could find is not viable because they are not homeless. The only things Citizens Advice can do are issue food vouchers/ food bank referrals and try and negotiate a change in priority on the social housing list.

Michael and his partner pay their bills on time, live in appropriate housing and are frugal in their spending. Despite their best efforts however, costs continue to rise and the £130 shortfall in their housing element is a significant contributor to this problem.

£130 would help significantly with meeting their basic needs. Had they had that extra money, this might have meant they wouldn't be near crisis point in an untenable situation they are struggling to find a way out of.



Case Study 5: Julie

Julie is a 41 year old mother of 3 children, 2 of which live with her in Chorley and the 3rd stays every weekend. Julie has a long-term respiratory condition and mental health conditions which have required inpatient treatment twice in the past 2 years. Because of these conditions, Julie is not currently working. When Julie first contacted Citizens Advice, she had £0 in her bank account and over a week to wait until her next benefits payment. It became clear during her appointment that repaying her advance payments at £60/month and having to top up her rent by £130 per month was having a significant impact.

When Julie first moved into her privately rented property, her housing benefit covered all of her rent. However, since then, her rent has continued to rise and she now has a £130 shortfall. These increases have often happened shortly after requests for improvements to be made to the property. For example, windows which moved and leaked were replaced, then her rent increased. Julie has applied for social housing, but is low priority and due to her health conditions, struggles to find privately rented property which will accept her as a tenant. She therefore has little choice but to stay where she is, accept the increased rent and poor housing conditions, or risk a section 21 eviction notice.

Julie has not chosen to live in expensive accommodation. Her daughters share a bedroom and the rent was within the LHA rates when she moved in. Yet Julie faces a shortfall of £130 each month, money which could be used to meet the costs of her families basic needs while costs continue to rise.

What’s the DHP situation?

Background

DHPs are funded by central government and are intended to help prevent homelessness by providing assistance to those with LHA shortfalls.

DHP was introduced in 2001 and the fund grew following welfare reforms in 2011. The largest core DHP grant from central government, to be divided between all local authorities, was £180 million in 2013/14.

Recent years

More recently, the DHP fund has fallen from £169 million in 2020/21 to £140 million in 2021/22. In 2022/23 it fell again to £100 million.

Local authorities may top up this funding but this is capped by central government and must be sourced from council budgets.

As rents have continuously risen between 2020-24 DHP applications, and subsequent rejections have risen while award amounts have reduced

Moving Forward

If shortfalls continue to impact people’s finances, DHP applications will continue to rise. However, the DHP fund is now frozen at £100 million until April 2025, so it is likely rejections will continue to rise while awards reduce.

The DHP is not designed to, or capable of, alleviating all of the financial strain associated with an LHA rate so far below average rent prices. It is therefore crucial that the impact of LHA rates is publicised and the ways in which they are determined reviewed.

Inside Housing - News - Councils refuse emergency housing payments after large government cut to support fund

Risk of growing homelessness as cuts to discretionary housing payments deepen housing costs crisis | Shelter

Recommendations

Following our investigation into the impacts of the LHA rate on renters in Lancashire, we have 3 main recommendations which may alleviate some the financial strain on individual's and their families.

BRMA Boundaries

One BRMA area may include 2 or more counties, geographically distant towns, rural and urban areas, and both affluent and deprived localities.

These variations cause significant variance in the average rents across a BRMA, meaning LHA rates are not consistently appropriate. In addition to this, a condition of many DHP applications is that a person look for a rental property at the 30th percentile rate or lower, which may mean geographically and/or economically distant areas.

Reconsider the 30th percentile

The LHA rate is set at the 30th percentile in an attempt to strike a balance between ensuring LHA only covers affordable rents, while enabling access to affordable housing.

However, a widely recognised lack of affordable housing alongside external financial pressures such as the cost-of-living crisis means many renters struggle to find affordable housing. Raising the LHA rate above the 30th percentile would therefore work towards regaining this balance while reducing pressure on the DHP system.

Increase the DHP fund

The DHP fund is intended to alleviate the financial strain and risk of homelessness associated with unavoidably high rents. As evidenced in this report, affordable housing is not always easy to find, or access, and even small shortfalls can have significant wide-reaching impacts.

While the raising of LHA rates is welcome, this will not be enough to alleviate the strain, or risk, for many and so an appropriately funded DHP is needed to avoid rising homelessness and worsening physical and mental health impacts.

Conclusions

The freezing of LHA rates between 2020-2024 has had a significant impact on the financial, physical and mental health of many. As evidenced in this report, the impacts of managing a shortfall are wide ranging and may impede a person’s ability to improve their financial situation independently.

The 2024 LHA rate rises are welcome, but where rates are rising, this is often by a small amount. Those impacted by concurrent years of shortfalls, may now find their housing benefit or element rises by a very small amount, if at all. These small rises are not enough to alleviate the cumulative strain and people will continue to struggle. When reaching for the DHP safety net, they will find a fund struggling to fulfil its purpose and be obligated to attempt to find cheaper housing. For some this means looking miles away from their current homes, potentially losing their support networks, having to meet the costs of moving, and still facing a shortfall.

LHA should rise to a more appropriate level if people are to be given the ability to improve their health, well-being and financial independence. The DHP should also be properly funded to mitigate the worst of any remaining shortfall impacts. Reconsidering BRMA boundaries may also mean that LHA rates more accurately reflect the rents of an area and remove the necessity to relocate far from home.

Free, confidential advice.
Whoever you are.

We help people find a way forward with their problems and campaign on big issues when their voices need to be heard.

We value diversity, champion equality, and challenge discrimination and harassment. We're here for everyone.

Tracy Hopkins Citizens Advice Blackpool CEO
tracy.hopkins@blackpoolcab.org.uk

Joanna Young Citizens Advice North Lancashire CEO
joannay@northlancashirecab.org.uk

Conal Land Citizens Advice Blackpool Research & Campaigns Officer
conal.land@blackpoolcab.org.uk

Helen Gwilliam Citizens Advice Blackpool Research & Campaigns Assistant
helen.gwilliam@blackpoolcab.org.uk

Caroline Robertson Citizens Advice North Lancashire Research & Campaigns Officer
caroliner@northlancashirecab.org.uk

www.citizensadvice.org.uk