

Government must boost Local Housing Allowance for South East

A decent home is a basic need for everyone, so rising homelessness is a problem that councillors and MPs from all parties need to address urgently. Local authorities are on the front line in dealing with homelessness and Local Government Association (LGA) research shows that nationally, councils are spending £2m per day on temporary accommodation. As Britain prepares for a future outside the EU, we should encourage Government to look at whether there is a better way of using that £2m a day to keep people in their homes.

There is an opportunity for targeted increases in Local Housing Allowance (LHA) in high cost areas, such as the South East. This would help keep rents affordable for those on the lowest incomes and reduce the number falling into homelessness. The additional costs of this would be offset by spending less on homelessness. The South East has seen a rapid rise in homelessness in recent years. In Surrey for example, households accepted as homeless by councils rose four-fold between 2009-10 and 2016-17 from 154 to 622.

Homelessness has multiple causes, but of particular concern in the South East is the impact of a freeze on LHA rates in combination with high costs, rising rents and a shortage of affordable properties. Research by the Chartered Institute of Housing found that rents across the South East increased an average of 15% from May 2011 to May 2017, while wages increased just 7% over the same period.

LHA rates were introduced as a way of promoting fairness and transparency over the maximum level of housing benefit available to private renters. The LHA caps housing benefit at the cost of renting a home in the lowest 30% of the private rented market in an area. However, since 2016 LHA rates have been frozen and – particularly in areas like the South East – rapidly rising rents mean it can be almost impossible to find a home within this budget. For example, in my own area, Tonbridge, the weekly gap between LHA rate and market rent for an average 3 bedroom family home is approximately £80.

Many South East England Councils (SEEC) members have also voiced concerns about further increases in homelessness if proposals to apply LHA rates to social tenants go ahead in 2019. Social rents can be as high as 80% of the market rate – a level that is still unaffordable for many in high cost areas like the South East. Again, targeted increases in LHA could help stop those most at risk from falling into homelessness.

Using public money better to prevent homelessness is vital and councils can advise on targeted changes to LHA for high cost areas. In the long-term however, the solution to homelessness is to increase the supply of genuinely affordable homes. The Housing White Paper acknowledged that there is little prospect of market forces alone delivering the number of homes required to build our way out of the affordability crisis. It recognises the role councils could play in increasing the supply of affordable housing and we should urge Government not to miss the opportunity to put in place three simple steps to support this.

- Relaxing the cap on borrowing under Housing Revenue Account (HRA) rules would allow councils to build more affordable homes themselves.
- Reviewing Right to Buy (RtB) to enable local authorities to sustain stocks of affordable homes by ensuring 1 for 1 replacement. While supporting RtB, some SEEC members argue it kicks in too soon and that the discounts are too high to adequately fund replacements.
- Active Government encouragement for councils building through new models such as local housing companies and joint ventures to deliver affordable housing. We want an open dialogue with Government to inform how they can support and encourage these types of delivery vehicles. Here in the South East, SEEC has set up a network for councils using new delivery models, to share advice and best practice and help identify specific ways Government can support councils using these delivery vehicles to build new homes.

Homelessness is a real and growing problem and local authorities naturally have a role in supporting those at risk, but we must be more than simply a safety net – we can also be part of the solution.

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