

Scottish Parliament Social Justice and Social Security Committee

Local Housing Allowance

Written submission by The Chartered Institute of Housing Scotland, December 2025

Background

The Chartered Institute of Housing (CIH) works across the UK and across housing tenures with a view to improving practice among housing professionals and creating a sector where everyone has a safe, affordable place to call home.

We have raised significant concerns with affordability issues caused by local housing allowance (LHA) rates being repeatedly frozen and therefore not keeping pace with the actual cost of renting in the private rented sector (PRS). This limits the number of potential homes available to renters on low income, increasing pressure on the social housing sector. Rent increases during tenancies that are not covered by LHA will also increase the risk of homelessness.

As well as the affordability, we believe there are more fundamental issues with the way that LHA levels are set which we explore in more detail below.

We acknowledge that LHA is a reserved benefit with rates set by the Department for Work and Pensions (DWP) and as a UK organisation, our colleagues continue to call for change from the UK Government.

In Scotland, we [published research in November 2023](#) assessing the affordability of the PRS for LHA recipients which at the time had been frozen at the 30th percentile rate from 2018/19 and no longer reflected actual rental rates. While rents and LHA rates have changed since publication, the research team also looked at wider issues with the LHA system which we believe are still applicable and should be addressed. These are outlined below.

Issues with LHA and recommendations for change

Shortfall between LHA and the cost of renting

LHA is a reserved benefit with rates set by the Department for Work and Pensions (DWP). The system remains particularly vulnerable to changing political priorities at a UK level, with successive governments seeking to cut welfare costs.

LHA rates were initially set at the 50th percentile of rents in the local area but were reduced to the 30th percentile in 2011 meaning that only the bottom 30 per cent of homes in an area should be affordable to a household claiming benefits.

In theory, while the bottom 30 percent of homes in an area should be available through LHA, prospective tenants are likely to be in competition with other

households and some may face discrimination because of their financial circumstances. A series of LHA freezes has reduced availability even further.

After four years of freezes, the UK Government briefly increased LHA rates in April 2024 but in April 2025, the current UK Government announced that it will freeze LHA rates again until at least 31 March 2027. The freeze on LHA rates while rent levels continue to increase is further exacerbating the shortfall between LHA and the cost of renting, and puts many at risk of homelessness, financial hardship or being forced to rent inadequate or poor quality housing.

Our [2023 research](#) showed that at the time just one in 12 advertised properties in the PRS (eight per cent) across Scotland were covered by LHA. The average shortfall in rent for a two-bedroom home was £108.10 per month which the tenant would be expected to cover from their other income. If tenants are forced to spend more money making up shortfalls in their housing costs, they are less likely to meet the affordability threshold recently recommended by the [housing affordability short life working group](#).

The group suggested three components which must all be met for a home to be considered affordable:

- A maximum of 30 per cent of net income to cover rent and service charges.
- A minimum residual income should be achieved based on 100 per cent of the after housing costs (AHC) minimum income standard set by the Joseph Rowntree Foundation.
- The household should exceed the UK AHC poverty threshold.

The Scottish Government has powers to help tenants to cover housing costs through discretionary housing payments (DHPs) but only a small proportion is used to support private tenants. The [latest statistics](#) show that in 2024/25 £89.3 million was awarded through DHPs with only £3.1 million (3.5 per cent) spent on LHA shortfalls.

The latest PRS [rent statistics for Scotland](#) show that rents are continuing to rise, with monthly Scottish average rents growing for all property sizes in the latest year (2023-24). Six broad rental market areas (BRMAs) saw average rent increases above the rate of inflation between 2010 and 2024 (50.0%) for all property sizes.

Our recommendations for the UK Government

- In October 2025, CIH along with 39 other organisations, called on the UK government to [lift the freeze](#) on housing benefit for private renters in order to tackle homelessness and ease mounting pressure on local councils.

Our recommendations for Scottish Government

- Increase the DHP funding available to support tenants in the PRS.
- Consider LHA in the context of the short life working group on housing affordability's report.

- Address other affordability barriers to entering the PRS including access to tenancy deposit schemes which are not consistent across Scotland.
- Increase the supply of homes across all housing tenures to increase choice and affordability.

Shared accommodation rate

The shared accommodation rate (SAR) which limits single people under the age of 35 to a room in a shared home in the PRS, rather than a one bedroom home, is unfair and impractical.

A major problem with the SAR is the lack of suitable shared properties that are available across Scotland, with demand far outstripping supply. This pushes many tenants into more expensive properties that they can't afford, leading to the risk of financial hardship or homelessness as they struggle to make up the shortfall.

The SAR also creates an unfair assumption that young people want to/will be willing to share accommodation – this could particularly create issues for those with mental health issues/neurodivergence, separated parents who don't have full custody of their children but need to provide a safe family environment, those with refugee status who need to find accommodation quickly, etc.

Our 2023 research showed that the SAR affects a relatively small number of claimants, under 700 in Scotland, but has a disproportionate effect on those individuals. The low numbers involved mean that intervention from the Scottish Government should be relatively affordable.

Recommendations for Scottish Government

- Abolish the SAR by topping up universal credit (UC) through DHPs in the same way that social housing tenants have been supported through the abolition of the "bedroom tax".

Lack of affordable options in the PRS is contributing to the housing emergency

In 2021, CIH Scotland carried out an online survey of local authorities across Scotland asking about progress with implementation of Rapid Rehousing Transition Plans (RRTPs). 70 per cent of respondents said that to tackle homelessness, local authorities need to make better use of the PRS but affordability is one of the main barriers alongside the need to enforce standards and improve security for renters.

As local authority housing and homeless services remain under immense pressure, we need to think about different approaches to housing, and ensure that a full range of housing options are available to people experiencing homelessness or at risk of homelessness – and this includes a renewed focus on the role of the PRS and how private tenants and landlords can be better supported.

The latest [homelessness statistics](#) show that the number of households living in temporary accommodation in Scotland has reached a record high.

The average time spent in temporary accommodation was 238 days. This has been increasing year on year from 176 days in 2017-18. The number of households assessed as homeless last year (34,067) was at the highest level since 2012.

Recommendations for the Scottish Government

- Consider the role of the PRS in tackling the housing emergency covering short term actions and longer-term aspirations for the sector including:
 - o Developing a new PRS strategy working with private landlords, tenants and key stakeholders across the housing sector.
 - o Provide resources for local authorities to proactively support better standards and practices in the PRS to make it an attractive and viable option.
 - o Support local authorities to explore the option of developing social enterprise letting agencies to support low income tenants in the PRS.

Data collection and accuracy

The DWP sets LHA rates in Scotland based on data provided by Rent Service Scotland (RSS) indicating average rents for different sizes of properties across 18 BRMAs. Our 2023 research found that small sample sizes were being used ranging from just eight per cent of the market in one BRMA up to 17 per cent. This may skew the average rent used to determine LHA.

In addition, the RSS is heavily reliant on advertised rental data rather than actual rents paid. While it does use some data provided by landlords through the Scottish Association of Landlords (SAL) and more recently has approached Living Rent for feedback from tenants, the self-selecting nature of these sources and lack of consistency across geographical areas is concerning. Advertised rents can vary considerably from actual rents paid and don't take account of rent increases during tenancies.

The data collection cycle also results in a time lag with rents from previous years being used to determine LHA rates for the following year. With rents continuing to increase quickly in some areas, this further exacerbates the LHA shortfall.

Recommendations for the Scottish Government

- Develop a national system for collating PRS rents which would help to improve accuracy of LHA setting and inform wider policy development in the PRS.

Broad rental market areas

There are a number of methodological and practical concerns regarding the identification of BRMAs and the subsequent identification of LHA rates.

Scottish BRMAs are relatively large, especially when considered in relation to other BRMAs in other parts of the UK. A case in point is Aberdeen, which encompasses around eight per cent of Scotland's overall landmass, and includes both Aberdeen City as well as a number of rural areas. It is difficult to envisage how the broad range of rental markets and submarkets within this boundary can be represented in a single set of rates.

While we believe that having only 18 BRMAs across Scotland cannot reflect an accurate picture of rental costs in local areas, a cautious approach must be taken to reviewing BRMAs or requesting a change in boundaries. Any changes will likely result in winners and losers as some may see LHA rates increase and some may decrease.

Recommendations for the Scottish Government

- Consider how revised BRMA boundaries could create a more accurate reflection of local rent rates.

Recommendations for UK Government

- Respond constructively to Scottish Government recommendations on BRMA reform