

Scottish Parliament Social Justice and Social Security Committee

Local Housing Allowance

Written submission by City of Edinburgh Council, December 2025

Background

Local Housing Allowance (LHA) was introduced on 7 April 2008 by the then UK government. It was stated at that time that it was designed to control public spending on housing support and prevent rises in unregulated rents from being covered by Housing Benefit (HB). The Government at that time further stated that it was to discourage benefit claimants from living in more expensive properties than they needed.

From April 2011 further reform took place wherein LHA moved from being determined on a 50 percentile of the Broad Rental Market Area (BRMA) to a 30% one where it has remained since.

From April 2012 there has been no automatic link between LHA levels and changing local rental markets. The freezing of LHA levels between 2020 and 2024 meant support for those claiming housing costs either by HB or Universal Credit Housing Element (UCHE) decreased.

Issues

In April 2024 there was a re-evaluation of LHA to bring this back the 30% percentile. Although this was broadly welcomed this did not fully benefit some claimants, particularly those with families who remained affected by the Benefit Cap. However this is fully mitigated by Scottish Government through Discretionary Housing Payments (DHP) at considerable additional cost.

Local housing allowance provides key restrictions on HB/UCHE. This is based on the number of bedrooms, the Council area and the makeup of the household.

There are further restrictions in that the maximum number of bedrooms that can be considered in the LHA rate is 4 and those under 35 are restricted to a shared room in a home.

All of this is in a backdrop of restricted availability of private sector properties due to the competitive nature of the market in Edinburgh and the availability of size appropriate properties, particularly shared and one bedroom accommodation.

BRMA are a debateable matter. Views will differ from area to area due to the makeup of the rental market. Whilst Lothian has the highest levels of LHA rates in Scotland, the ability to source reasonable accommodation continues to be difficult as rent growth in the City continues.

Temporary Accommodation

Particular to Edinburgh is the current position with temporary accommodation. Edinburgh currently has in excess of 5000 households living in temporary accommodation. The restriction of Housing Benefit subsidy to LHA levels established in 2011 along with the removal of the management fee, is effectively a year on year funding cut, effectively reducing the 2011 figure, makes the cost of provision of statutory homeless services excessive for the local authority.

Whilst Edinburgh has developed a Strategic Housing Investment Plan (SHIP), it is in an environment that continues to pose challenges to the delivery of affordable housing at scale.

The Housing Emergency, declared in November 2023, remains in place and significant pressures remain on the ability to provide permanent homes essential to alleviating temporary accommodation pressures. Although the Affordable Housing Supply Programme (AHSP) budget has returned to 2023/24 levels, there remains a significant shortfall in the amount of grant needed to deliver the homes identified in the SHIP with no funding confirmed or indicated beyond this financial year.