

Scottish Parliament Social Justice and Social Security Committee

Local Housing Allowance

Written submission by Fife Council, January 2026

1.0 Background

- 1.1 Since inception in April 2008, there have been frequent freezes on the LHA in Fife area as well as the reduction from the original 50th percentile to 30th percentile in 2011.
- 1.2 In 2012 the age limited for the shared room rate was increased for all single claimants from 25 years old to 35 years old.
- 1.3 Between 2012 to 2024 rates have been frozen 7 out of the 12 years meaning that LHA and thus Housing Benefit did not even cover the 30th Percentile of rents charged in the Fife Area. Even when increased the LHA rates were capped at a 1% increase.

Year	Shared Room	1 Bedroom	2 bedrooms	3 bedrooms	4 Bedrooms
2024/25	86.30	103.56	135.78	164.55	287.67
21/22 to 23/24	70.19	86.30	109.32	132.33	195.62
19/20 to 20/21	61.75	81.58	102.56	120.29	174.81
15/16 to 18/19	59.95	81.58	102.56	120.29	174.81

- 1.4 At the same time as LHA rises were frozen or limited, rent increases in Fife have increased as follows:
 - 1 Bedroom properties have increased by 38.1% from 2010 to 2023
 - 2 Bedroom properties have increased by 50.8% from 2010 to 2023
 - 4-bedroom properties have increased by 90.9% from 2010 to 2023
- 1.5 Overall average rents in the private sector in Fife have increased from £715 in 2016 to £1053 in 2025 (47.4% increase).

2.0 Impact of LHA freezes on private tenants in Fife

2.1 Tenants:

The freeze on Local Housing Allowance (LHA) means housing benefit no longer reflects real rental costs. As rents rise, tenants face growing shortfalls between their rent and the support they receive. This forces many into debt, poverty, or difficult choices between essentials like heating and food.

2.2 Landlords:

Landlords are also affected. Rising costs (mortgages, insurance, maintenance) combined with stagnant LHA rates make renting to low-income

tenants financially unsustainable. Many landlords are leaving the sector, reducing supply and worsening affordability.

2.3 Fife Context:

So far, this financial year, we have spent £6.6m on Discretionary Housing Payments (DHP) to keep people in their homes. This covers rent gaps between LHA and actual rent, deposits, removal costs, and mitigation for the benefit cap and spare room subsidy.

2.4 Suggestions for Reform:

One option might be to link LHA to at least the 30th percentile of local rents to restore affordability, alongside new strategies under Scotland's housing bill.

3.0 Effect of LHA Freeze on Homelessness in Fife

3.1 In this financial year to date, there were 1740 presentations in total with 606 presenting from the private sector.

3.2 Out of the 606 presentations from the private sector 183 (30%) were due to rent arrears or other actions taken by the landlord to terminate the tenancy.

3.3 A further 33 cases from the private sector presentations stated the main reason for the presentation was severe financial difficulty resulting in the tenant failing to maintain their tenancy.

3.4 It is also noted that it is becoming nearly impossible for Fife Council to discharge its homeless duty by suggesting the homeless person consider a private tenancy due to the growing gap between rents charged to benefit payable (now mostly through Universal Credit Housing Costs).

4.0 Conclusions

4.1 LHA rates were originally introduced to allow tenants on low income to access the private rented market and covered 50th Percentile (reduced in 2011 to 30th percentile) of the rent charged. This meant that tenants on low income could rent at the bottom 30% of private rented properties.

4.2 Contant freezes on LHA rates have meant that tenants need to rely on Discretionary Housing Payments (DHP) to meet their rent charged. This is a cash limited fund, and awards are usually limited to a maximum award of 1 year.

4.3 Fife has seen a marked shrinking of the Private Rented Sector properties available for low income households as landlords are removing themselves from the market due to the limited support available and rising costs including the way HMRC deals with income from rented properties.

5.0 Recommendations

5.1 It is recommended that LHA rates are set annually to the prevailing 30th Percentile of Market Rent.