Social Justice and Social Security Committee
Thursday 8 January 2026
1st Meeting, 2026 (Session 6)

Local Housing Allowance

Note by the Clerk

Introduction

1. At its meeting on 27 November 2025, the Committee agreed to schedule two evidence sessions on the Local Housing Allowance.

Witnesses

2. The Committee will hear from two panels of witnesses at its meeting of 8 January.

3. The first panel will be representatives from the Chartered Institute of Housing (Scotland), Crisis and the Resolution Foundation.

4. The Committee will then hear from representatives from the City of Edinburgh Council, Fife Council and Glasgow Health and Social Care Partnership.

Written evidence

5. Written submissions were received from the Chartered Institute of Housing Scotland, Crisis, the Resolution Foundation, the City of Edinburgh Council, Fife Council and Glasgow Health and Social Care Partnership. These can be accessed at Annex A.

Clerks to the Committee
January 2026

Annex A

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:
    - Developing a new PRS strategy working with private landlords, tenants and key stakeholders across the housing sector.
    - Provide resources for local authorities to proactively support better standards and practices in the PRS to make it an attractive and viable option.
    - 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.

Scottish Parliament Social Justice and Social Security Committee

Local Housing Allowance

Written submission by Crisis, December 2025

Key points

- With significant pressure on social housing and delays in the Affordable Housing Supply Programme, the private rented sector (PRS) provides an essential housing option for a significant proportion of the population, including people at risk of homelessness for a variety of reasons, and people moving on from homelessness.
- The proportion of homeless households being rehoused in the PRS has more than halved in ten years. At the same time the numbers of households in temporary accommodation and the duration of stay have reached record levels.
- Over 90% of private rental properties are unavailable to people who have been assessed as needing financial assistance to cover their rent (LHA).
- 88,400 households receive support through Local Housing Allowance (LHA) in Scotland. This is very roughly 3.5% of all Scottish households[1].
- 42% of Scottish households face a gap between their LHA and actual rent, which they often have to make up from other benefits or cuts in essential spending.
- Crisis analysis of Zoopla listings found that there was an average shortfall between rents and LHA rates of£100 and £200 a month.
- The renewed freeze of LHA rates is deeply disappointing and will have negative and wide-reaching impacts on homelessness. Crisis continues to call on the Westminster Government to uprate LHA back to the 30th percentile of the market to make the PRS more accessible and affordable.
- The Scottish Government should explore using its social security powers to top up support for those subject to LHA shortfalls in the PRS who are homeless or at risk. In particular they should consider support for young people.
- Scottish Government should consider whether it can work with social housing providers over time to reduce the level of subsidy mitigating the spare room subsidy and repurpose any savings towards Discretionary Housing Payments or adjustments to Local Housing Allowance
- Scottish Government should work with Westminster Government to consider whether reviewing Broad Market Rental Areas would make them more reflective of local PRS markets and target support more appropriately
- Scottish Government should ensure a coherent approach towards the role of the PRS within Scotland's housing strategy, including a sustainable and strategic approach towards those on low incomes who need to make use of the PRS, to ensure it is affordable, accessible and there is appropriate to support to sustain these tenancies and prevent homelessness.

Homelessness, housing security and the private rented sector

The Scottish Parliament has sought to increase security within the private rented sector (PRS) through a range of measures including the introduction of the Private Residential Tenancy and

[1] Using 2024 National Records of Scotland household numbers

more recently various rent control measures. The PRS represents a consistent proportion of housing tenure, at around 13%. It provides an essential housing option, including for people at risk of homelessness for a variety of reasons, and people moving on from homelessness. The rate of homelessness from the PRS is around 13%, proportionate to the population living in the sector.

Nevertheless, in the last ten years **the proportion of homeless households finding settled accommodation in the private rented sector has reduced from 8% to just 3%.** At the same time the numbers of households in temporary accommodation and the duration of stay have reached record levels.

In some areas of Scotland, the majority of social housing lets are going to homelessness households, meaning that other people in housing need, and possibly at risk of homelessness struggle to access social housing. With such pressure on social housing, the private housing market is for some the only option.

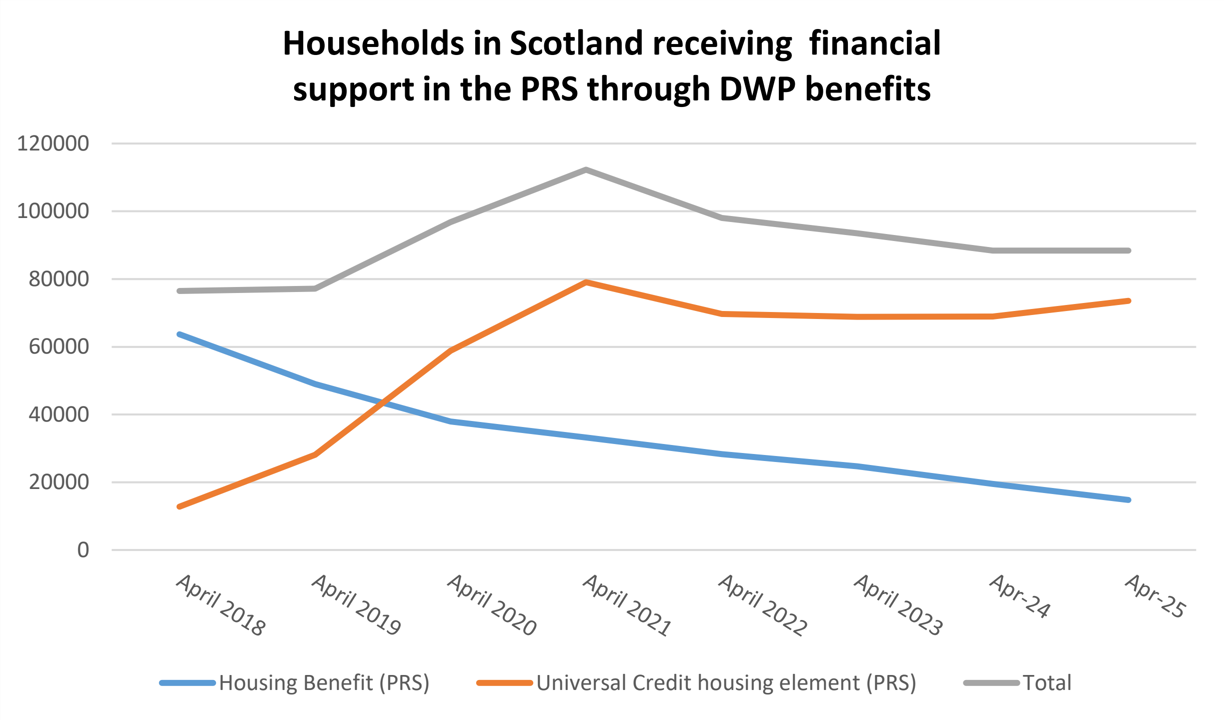
Furthermore, in Edinburgh council home allocations have been frozen for all households except newly homeless families since April 2025. This has been extended several times, now until February 2026. This means that private housing is the only option for many, or for already homeless households remaining in temporary accommodation.

In coming years, the homelessness prevention measures set out in the Housing (Scotland) Act 2025 will mean that public bodies will have to act to prevent homelessness, including from the private rented sector. The PRS will also be an important housing option for some households at risk of homelessness. In this context, the affordability of the PRS, including through LHA support, will be vital.

Households on LHA in Scotland

88,400 households in Scotland were living in the private rented sector and receiving Local Housing Allowance in April 2025, across Universal Credit housing element and housing benefit. Of these, 73,600 are receiving this through Universal Credit[2], 4.4% of all recipients across Great Britain. The numbers are around 12,000 higher pre-pandemic levels, with a significant increase during the pandemic as emergency measures entitled more people to support.

[2] The numbers receiving housing benefit are tailing off significantly as people are moved over to the Universal Credit.



Source: DWP stat-explore

Inadequacy of LHA

Accessing properties within LHA levels

In April 2025 Crisis worked with Zoopla to analyse the affordability of the private rented sector across Great Britain and compare them to LHA rates. It found that around 8% of PRS properties listed on Zoopla were available within LHA rates in Scotland. This is a greater percentage of properties than in other parts of Great Britain, possibly reflecting the greater use of social housing in Scotland. Nevertheless, this means that **over 90% of private rental properties are unavailable to people who have been assessed as needing financial assistance to cover their rent**.

Nation	Percentage of affordable private rented property (Zoopla listings based on LHA rates)			
	1 bed	2 bed	3 bed	Average
England	3.5%	1.8%	2.0%	2.4%
Scotland	5.9%	7.8%	10.8%	7.7%
Wales	1.7%	1.0%	0.4%	1.0%
GB average	3.6%	2.2%	2.3%	2.7%

There were fewer smaller properties available within these rates compared to other parts of Great Britain. Of the properties that are available, there is often significant competition at the bottom end of the market from people on low incomes, people wanting to save to buy a home and students.

The above analysis does not include the Shared Accommodation Rate, a lower rate of LHA for people under 35, who are expected by the DWP to share accommodation. DWP does not publish data on the numbers on the Shared Accommodation Rate, but an extrapolation from several years of housing benefit data suggests that around 3% of LHA recipients may be on the Shared Accommodation Rate, about half the GB rate[3]. Although we do not know the reason for the lower proportion in Scotland, it may be that there is less of a culture of sharing properties with other households in Scotland outside of the student population.

Over half of homeless applicants are under 35. Given that anecdotally there is much less shared accommodation available, young people are at much greater risk of homelessness, and the effects of homelessness at a young age can be enduring, there is a **strong argument for scrapping, or at least reforming, the Shared Accommodation rate** to make private properties a more viable option for young people at risk of homelessness.

Shortfalls in LHA

Based on Crisis analysis of Zoopla property listings[4], those seeking housing in the PRS market face a gap between LHA and the lowest 30th percentile of the private rented market rents of **between £100 and £200 a month** depending on the size of the property. A full breakdown by local authority is contained at the end of this submission. If households took up these properties, they would have to make up this shortfall by cutting back on essentials such as food or utilities, or by topping it up through other benefits such as disability payments.

	Weighted average monthly shortfall on 30th percentile of Zoopla rents		
	1 bed	2 bed	3 bed
Scotland	£129	£175	£194

This year DWP have started publishing data on the number of households who face a shortfall in their LHA. Overall **42% of Scottish households receiving LHA through Universal Credit face a shortfall** (as of August 2025)**.** There is considerable variation between local authorities, and while 42% is an average, even greater proportions face shortfalls in some areas.

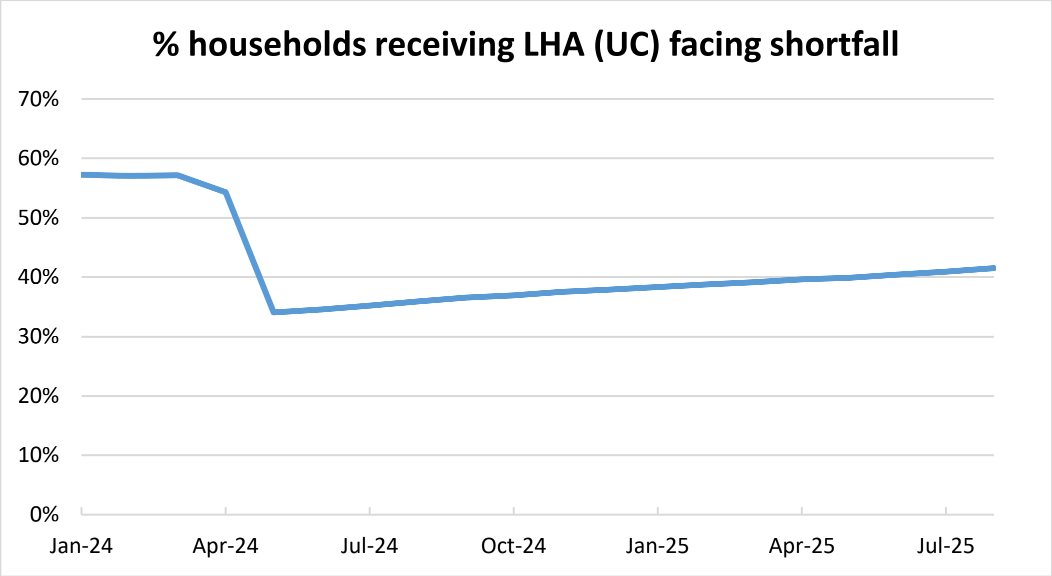
Local authority	% of recipients where LHA (UC) does not cover rent
Aberdeen City	50%
Aberdeenshire	40%
Angus	38%
Argyll and Bute	37%
City of Edinburgh	34%
Clackmannanshire	37%
Dumfries and Galloway	62%
Dundee City	45%
East Ayrshire	57%

[3] However an FOI by Citizens Advice (England and Wales) in 2024 suggests that the numbers on the SAR through Universal Credit are lower than would be expected extrapolating from housing benefit projections.
[4] This analysis is based on listings on Zoopla's website, rather than existing in-tenancy rents.

East Dunbartonshire	38%
East Lothian	21%
East Renfrewshire	41%
Falkirk	37%
Fife	39%
Glasgow City	24%
Highland	55%
Inverclyde	42%
Midlothian	22%
Moray	42%
Na h-Eileanan Siar	32%
North Ayrshire	56%
North Lanarkshire	44%
Orkney Islands	34%
Perth and Kinross	49%
Renfrewshire	61%
Scottish Borders	52%
Shetland Islands	39%
South Ayrshire	63%
South Lanarkshire	45%
Stirling	49%
West Dunbartonshire	38%
West Lothian	52%
Scotland	**42%**

Source: DWP Stat-explore, data for August 2025

This is a lower proportion than in previous years because during April 2024 DWP increased the rate of LHA to the 30th percentile. As a result between April and May 2024 the proportion of Scottish households facing a shortfall fell from 54% to 34%. However, this proportion has been gradually rising since then to the current level.



Source: DWP Stat-explore

Crisis has been calling on the Westminster Government to continue to update LHA to prevent this continued rise. Yet, following the Westminster Autumn 2025 Budget, LHA will remain frozen. This is deeply disappointing and will have **very negative and wide-reaching impacts on homelessness**, particularly as DWP data shows uprating LHA is helpful to prevent homelessness risk, as many more people can afford their rent.

There has been no statement on when the freeze may end – only the Secretary of State's confirmation that it will be maintained for 2026/27. The UK Government's spending forecasts assume that LHA will remain frozen in cash terms until at least 2029/30, meaning that the proportion of households facing a shortfall is likely to continue to grow - although we welcome the commitment to keep rates under review under the new English national plan to end homelessness.

Crisis continues to call for the uprating LHA to ensure that it continues to cover at least the bottom 30% of rents in a local area. Alongside this, the Shared Accommodation Rate needs to be scrapped, or at a minimum lowered back to the 25s and under, to enable people under 35 to access the private rented sector.

The freeze on Local Housing Allowance undermines the security of people's tenancies within the private sector, putting households under significant financial strain, while at the same time risking their ability to enter and sustain work. This is both raising the risk of homelessness and making it harder to end people's homelessness because the PRS is not a viable option, and yet social housing is under extreme pressure. This means more people are trapped in temporary accommodation for longer periods of time, with the associated negative impacts on health and wellbeing for households, and financial stresses for local authorities.

Scottish powers in relation to Local Housing Allowance

A key discussion in the lead up to the Scotland Act 2016 was to give Scotland greater powers over housing benefits. This was achieved by giving Scottish Ministers (concurrently with the Secretary of State) powers in relation to the "determination and calculation" of the housing costs element of Universal Credit, "so far as relating to any liability of a claimant in respect of accommodation which the claimant rents" (s28). This includes support for housing costs for private renters. Powers were also devolved regarding Discretionary Housing Payments (DHPs). These have been used, but none of the powers relating to housing costs have been used.

As they currently stand, the regulations give Scottish Ministers powers in regard to:

- The structure and exemptions for Local Housing Allowance, which may include
  - the Shared Accommodation Rate and its exemptions
  - Criteria regarding the number of bedrooms
  - non-dependant deductions
  - Other areas including payments where people are having to move due to violence or waiting for disability adaptations to be made

It may also be possible for Scottish Ministers to work with the Secretary of State to develop their own regulations in this regard.

Depending on the role Scottish Government see the PRS having as a housing option for low income households in Scotland (see below), **they should explore using its social security powers to top up support for those subject to LHA shortfalls in the PRS who are homeless or at risk**, aiming towards greater equalisation of welfare support with social tenants. In particular they should consider support for young people, specifically **scrapping the Shared Accommodation Rate**.

Discretionary Housing Payments

Recent guidance from Scottish Government[5] states that "at their discretion, LAs may award DHPs to provide support with Earned Income Taper deductions, Non-Dependent deductions, the Shared Accommodation Rate, and where Local Housing Allowance rates do not meet an individual's housing costs."… They may also "award DHPs for non-welfare reform reasons, such as for rent in advance, deposits, and removals costs. However, it should be noted that the LA may provide these types of support through other mechanisms. They may also "award DHPs to eligible individuals who can show financial hardship."

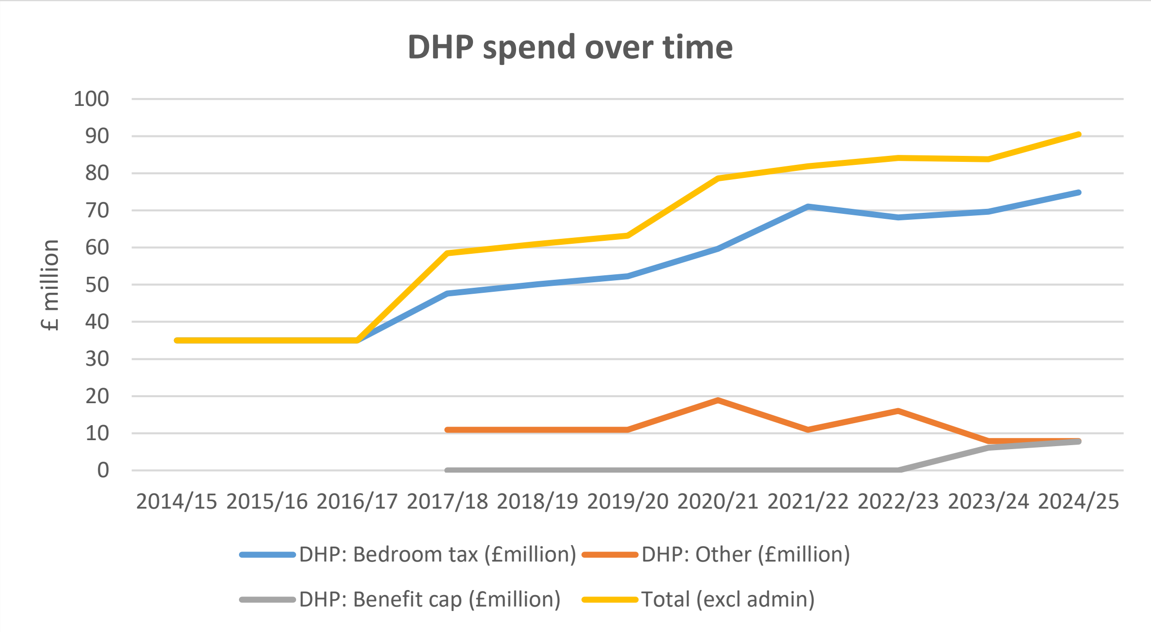
Of the £97.1million allocation towards Discretionary Housing Payments, just £7.9 million (8%) is for the above purposes. Around three-quarters of DHPs are spent on the mitigation of the bedroom tax for social tenants, and the rest is for mitigating the benefit cap.

Bedroom tax mitigation is demand-led and has almost doubled in the past 10 years from an initial amount of £35 million a year, to £72 million in the last year. 28% of social tenants are subject to bedroom tax in Scotland (compared to 19% across Great Britain), including 4% considered to have two or more spare bedrooms.

DHPs are temporary, often have to be reapplied for, and are discretionary for each applicant. Some of these areas that DHPs are designed to mitigate are areas that Scottish Government has powers to address in other ways, specifically under the social security powers delegated

[5] https://www.gov.scot/publications/scottish-discretionary-housing-payments-guidance-manual/

by the Scotland Act 2016. Using these would mean a more consistent and dependable approach both for recipients and for landlords than reliance of ongoing DHPs applications.



1. Bedroom tax mitigation funding is demand-led to ensure all affected individuals can receive support equal to the amount taken away by this deduction.
2. Benefit cap mitigation funding has also been demand-led since 1st January 2023. Prior to 2023/24, benefit cap funding was included in DHP "Other" funding.
3. DHP "Other" funding is a set amount and can be awarded to mitigate against Earned Income Taper deductions, Non-Dependent deductions, the Shared Accommodation Rate and where Local Housing Allowance rates do not meet an individual's housing costs. At their discretion, Local Authorities may also award DHPs from this funding stream for non-welfare reform reasons, such as for rent in advance, deposits, and removals costs.

Source: https://www.gov.scot/publications/foi-202400427360/

While Crisis does not advocate for ceasing to mitigate the bedroom tax, the Scottish Government should consider whether it can work with social housing providers over time to reduce the level of subsidy mitigating this. This might be particularly appropriate for the 4% (12,600) households with multiple spare rooms, where Scottish Government has to mitigate a 25% cut in housing benefit[6]. Crisis does not support the "stick" approach of the bedroom tax, but there may be an appropriate incentive approach to support households where a move to a smaller property is appropriate, such as supporting with moving costs or even rent subsidy. This could be helpful given the lack of properties available for larger homeless households. Any money saved should be redirected to support tenants in the private sector either through DHPs or by taking a Scottish approach to LHA.

BRMAs in Scotland

Scotland is divided into 18 Broad Rental Market Areas[7], which are the geographical housing market areas covered by a set of LHA rates.

[6] DWP stat-explore
[7] Rent Officers (Housing Benefit Functions) (Amendment) Order 2008

Crisis believes there may be a case for reviewing BRMAs in Scotland, given the size and variable geography in some of them (see map in annex). For example the Highlands and Islands BRMA covers five local authority areas, from Shetland in the north to beyond Fort William in the south, Western Isles in the west to east of Elgin. This is not a reasonable area for someone to live and travel across. For comparison, Wales is the size of just Highland Council region alone, yet contains 23 BRMAs.

There is anecdotal evidence to suggest that landlords may raise rents to LHA levels particularly in BRMAs where there are very variable rents, for example between the outskirts of Midlothian compared to the centre of Edinburgh, or in Thurso compared to Inverness.

Making BRMAs more reflective of local PRS markets may mean that people are better able to access PRS properties in high demand areas, while avoiding artificially inflating and publicly subsidising rents in lower demand areas.

The last change was in 2015 which moved Oban from the Highland and Islands BRMA into the Argyll and Bute BRMA.

It may require action from Westminster to achieve significant change.

Considering the PRS as part of a wider housing strategy

In developing long-term solutions to tackle affordability and pressurised housing markets, the Scottish Government must ensure that people on low incomes are able to access affordable housing.

Crisis welcomes the commitment to building of affordable and social housing supply, but this is a long-term aim which will require sustained commitment over many years. In the meantime, any depletion of private rented supply could result in people on lower incomes being locked out of the private market altogether, and in some cases trapped in temporary accommodation for even more extended periods.

Scottish Government and local authorities should consider what support there needs to be in order to prevent people becoming homeless from the PRS and for it to be an accessible option for people on low income households. **PRS access schemes have a valuable role to play in this**, and can help build confidence for both prospective tenants and landlords as part of a tenancy sustainment package.

While rent controls may have a role to play in preventing existing rents increasing, they do not tackle the issue of rents already being at unaffordable levels for people on low incomes.

A coherent approach towards the role of the PRS within Scotland's housing strategy is needed**. The Scottish Government must set out a clear vision for the role it sees the PRS playing in meeting immediate housing need, and the size and role the sector should play in the future tenure composition of housing in Scotland**, and then ensure a strategy to support this vision either to grow or shrink the size of the private sector in Scotland. If the PRS is to play a sustained role in housing, this will require **a sustainable and strategic approach towards those on low incomes who need to make use of the PRS, to ensure it is affordable, accessible and there is appropriate to support to sustain these tenancies and prevent homelessness**.

Annex 1: Crisis and Zoopla analysis of affordability of private rented sector for LHA recipients

	30th percentile of monthly rent			LHA rate (monthly)			Monthly shortfall			Listings count		
BRMA	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed	1 bed	2 bed	3 bed
Aberdeen and Shire	£525.00	£700.00	£925.00	£475.00	£650.00	£860.00	£50.00	£50.00	£65.00	1401	385	1663
Argyll and Bute	£525.00	£750.00	£950.00	£450.00	£600.00	£695.00	£75.00	£150.00	£255.00	28	9	43
Ayrshires	£425.00	£550.00	£676.50	£375.00	£475.00	£564.88	£50.00	£75.00	£111.62	86	50	139
Dumfries and Galloway	£450.00	£567.50	£650.00	£380.00	£450.00	£500.00	£70.00	£117.50	£150.00	27	16	28
Dundee and Angus	£550.00	£775.00	£975.00	£400.00	£615.00	£795.00	£150.00	£160.00	£180.00	622	335	1160
East Dunbartonshire	£700.00	£930.00	£1,334.60	£550.00	£750.00	£1,000.00	£150.00	£180.00	£334.60	16	27	63
Fife	£550.00	£695.00	£900.00	£450.00	£590.00	£715.00	£100.00	£105.00	£185.00	146	133	433
Forth Valley	£595.00	£795.00	£995.00	£460.00	£650.00	£800.00	£135.00	£145.00	£195.00	145	130	444
Greater Glasgow	£800.00	£1,050.00	£1,250.00	£695.00	£850.00	£970.00	£105.00	£200.00	£280.00	1291	533	2330
Highland and Islands	£540.00	£650.00	£787.00	£475.00	£595.00	£695.00	£65.00	£55.00	£92.00	71	101	172
Lothian	£950.00	£1,275.00	£1,600.00	£750.00	£970.00	£1,375.00	£200.00	£305.00	£225.00	1988	791	3103
North Lanarkshire	£500.00	£675.00	£795.00	£440.00	£550.00	£675.00	£60.00	£125.00	£120.00	70	92	224
Perth and Kinross	£500.00	£675.00	£927.50	£425.00	£560.00	£750.00	£75.00	£115.00	£177.50	149	76	225
Renfrewshire/ Inverclyde	£525.00	£750.00	£883.00	£400.00	£525.00	£600.00	£125.00	£225.00	£283.00	182	77	314
Scottish Borders	£450.00	£550.00	£795.00	£375.00	£500.00	£615.00	£75.00	£50.00	£180.00	36	43	56
South Lanarkshire	£537.00	£675.00	£899.50	£450.00	£575.00	£715.84	£87.00	£100.00	£183.66	177	152	344
West Dunbartonshire	£525.00	£700.00	£790.50	£475.00	£595.00	£675.00	£50.00	£105.00	£115.50	21	16	56
West Lothian	£670.00	£800.00	£995.00	£500.00	£625.00	£750.00	£170.00	£175.00	£245.00	35	69	178

Figures rounded to nearest £5

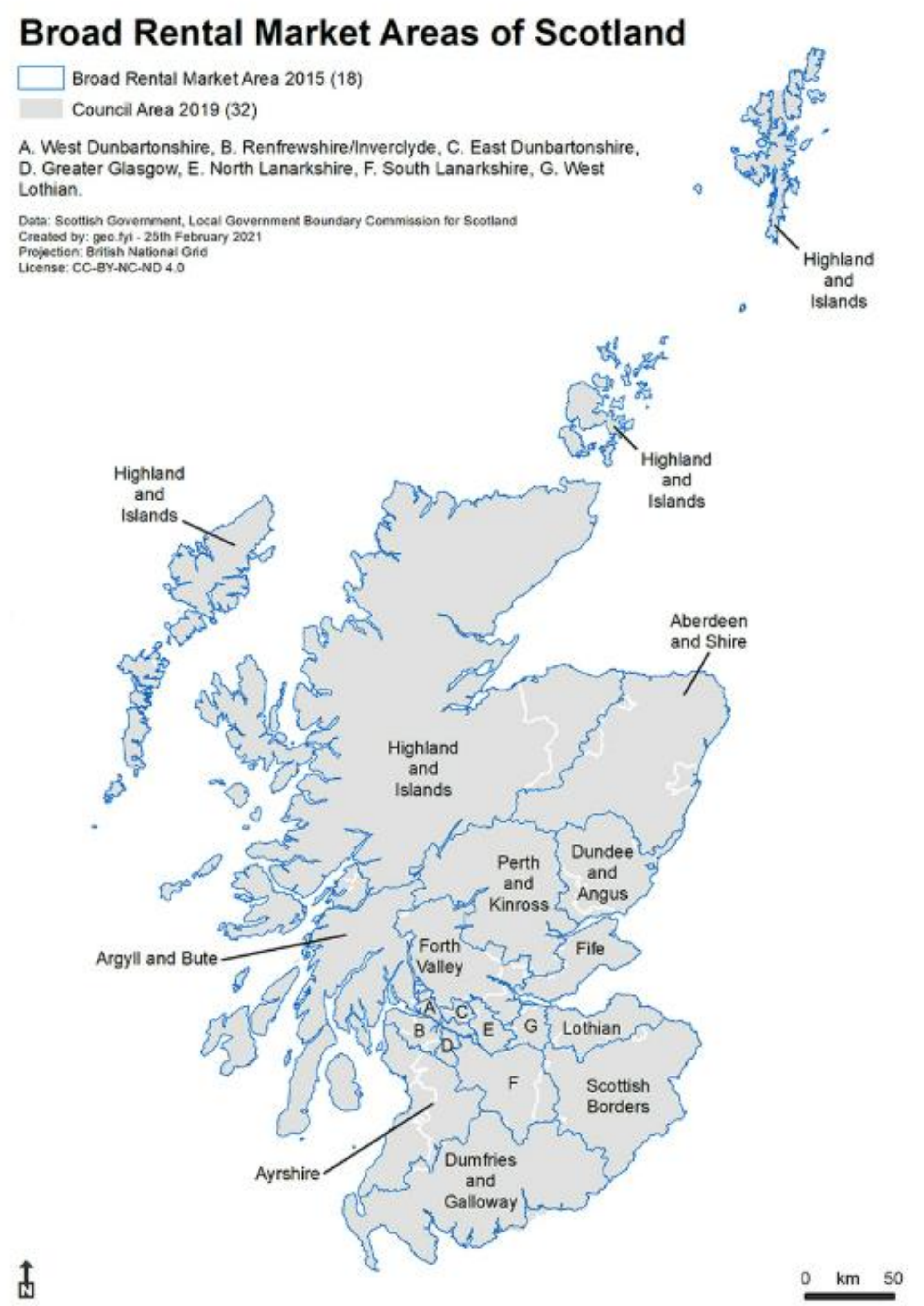
Methodology

Analysis of Zoopla listings and LHA rate affordability Zoopla listings data was used for one to three bedroom properties in England, Scotland and Wales listed on Zoopla between the 1st April 2024 and 31st March 2025. This set includes 777,282 listings. This analysis utilised a lookup of postcodes to Broad Rental Market Areas developed by the Urban Big Data Centre, and DWP published Universal Credit Local Housing Allowance Rates 2024-25.

Local Housing Allowance shortfalls

As LHA rates are calculated based on an estimate of the 30th percentile of rents by the Valuation Office Agency (VOA), the 30th percentile in the Zoopla dataset has been calculated and used to calculate what the ‘shortfall’ would be between LHA rates in a BRMA and this value. That is, the amount a person would need to ‘top up’ of their own accord if they wanted to rent the 30th percentile property in an area. National estimates of this shortfall are calculated using a weighted average, weighted by the number of listings in each BRMA.

Annex 2: Map of Scottish BRMA and LA boundaries



Scottish Parliament Social Justice and Social Security Committee

Local Housing Allowance

Written submission by The Resolution Foundation

The Resolution Foundation Housing Outlook, Q4 2025

Hannah Aldridge[1]

In 2012, Local Housing Allowance (LHA) levels were linked to the 30th percentile of local rents and automatically revised to reflect market changes. However, since the systematic link with market rents was broken 13 years ago, the Government has frozen LHA rates eight times, and repegged to the market level just twice (in 2020 and 2024). Looking ahead, the Government's spending forecast assumes LHA will remain frozen in cash terms until at least 2029-30.

But this position looks untenable. Private rents have been rising fast since 2024 and on average, LHA rates are already 14 per cent lower than actual rents at the 30th percentile level – larger than the shortfall when the previous government repegged LHA in 2020. Next year, we forecast the LHA gap to be the largest it has ever been. Even with slower projected rent inflation in the future, we estimate LHA rates will be 25 per cent below the 30th percentile level by the end of the forecast period in 2029-30, amounting to a typical shortfall of £180 a month.

And the impact of the LHA freeze is felt unevenly across the country. With its eye-watering housing costs, London experiences the largest cash shortfalls between LHA rates and actual rents, but every region in England contains at least one local authority where the gap already exceeds £100 per month. This can create unsurmountable affordability challenges which in turn increases the financial burden on local councils who spent £2.8 billion on temporary accommodation in 2024-25.

And the LHA freeze looks set to wipe out income gains from other recent policy decisions. For example, a working single parent in a typical area would see their real disposable income fall by £129 per month by 2029-30, despite a real-terms increase in Universal Credit from next year.

Although indefinitely freezing LHA has a desirable effect on the Government's balance sheet (we estimate that relinking LHA would cost £2.5 billion by the end of the Parliament), it is not a sustainable forecast given the impact it will have on the living standards of tenants and cash-strapped local councils. It is time to end this fiscal fiction and make LHA uprating in line with local rents annually the rule, rather than the exception.

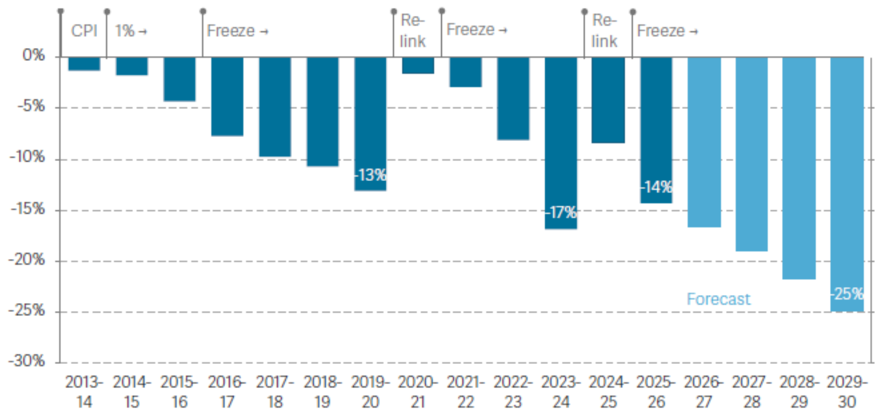
Private renters are truly at the sharp end of the housing affordability crisis: they pay more per square metre for their homes than those living in any other tenure and have experienced especially high levels of rent inflation in the wake of the pandemic. But as well as putting downward pressure on private renters' living standards, rapidly rising rents also pose a challenge for any government intent on controlling public spending. Ahead of the 2025 Budget, we reflect on the Government's default position to freeze Local Housing Allowance (LHA) until 2029-30 and consider the implications this will have for households and the public purse.

Rents have increased by 14 per cent since LHA was last pegged to local rents

LHA determines the maximum amount of help lower-income renters – including the 1.7 million privately-renting households on Universal Credit (UC) - can receive from the state with their housing costs.[2] When the LHA system was first rolled out nationwide in 2008, the level of support a household could get was revised monthly to keep pace with the local rental market, with rates pegged to the median rent level in each Broad Rental Market Area (BRMA).[3] In April 2011, LHA was lowered to the 30th percentile (meaning that 30 per cent of privately rented properties in the BRMA are charged rent at or below the LHA rate) and a year later, the process of automatically linking LHA to market rents ended. Since then, LHA rates have been frozen in eight of the last 13 years and current Government policy, reflected in the official forecasts, is for them to remain frozen for another four years (see Figure 1).

FIGURE 1: LHA rates have been realigned to market rents in just two of the last 13 years

Percentage gap between LHA rates and the estimated 30th percentile rent level since April 2012: Great Britain



NOTES: The chart shows the gap between LHA rates and estimated 30th percentile rent level in September of the year shown (mirroring the relinking approach in 2020 and 2024). We assume that the 30th percentile moves in line with average rent inflation. From 2026 onwards, we assume that rents increase in line with the OBR's earnings forecast for the 12 months to September.

SOURCE: RF analysis of ONS, Price Index of Private Rents, UK: historical series; ONS, Price Index of Private Rents; OBR, Economic and Fiscal Outlook – March 2025.

When LHA rates are held down, gaps open up between the amount of support families can get towards their housing costs and prevailing market rents. During the 2010s, rent inflation was relatively modest but, by April 2020, the point at which LHA rates were repegged to local market rents, they were 13 per cent below the estimated 30th percentile level. But rents grew rapidly in the wake of the pandemic and the gap between LHA rates and local rents became larger in a shorter time. By the time LHA rates were again relinked in April 2024, the LHA gap had reached 17 per cent. And worse was to come. A considerable gap has opened up in the short time since LHA was last pegged to actual rents, for two reasons. First, when LHA was increased in April 2024, it was pegged to rents measured in the 12 months to September 2023 when rent inflation was rising rapidly.

Second, rent inflation then continued to increase quickly after this point and remained above 8 per cent until March 2025.

Assuming that rents at the 30th percentile increase at the same rate as the average, we estimate that LHA rates are now 14 per cent below the 30th percentile – amounting to a shortfall of £104 a month for a household renting a two-bedroom property at the median LHA rate. This gap is already bigger than when the

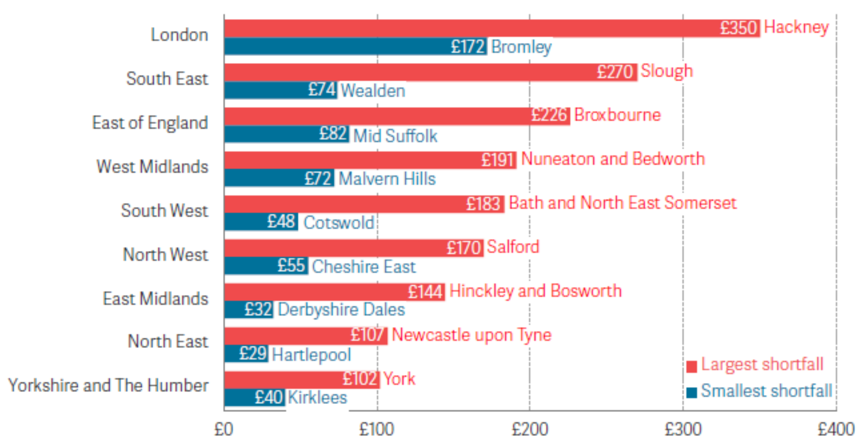
Conservative government chose to repeg LHA in 2020. Next year, we estimate the typical gap will be the largest it has ever been. Even with slower projected rent inflation in the future, LHA rates will be 25 per cent below the 30th percentile level by the end of the forecast period, amounting to a typical shortfall of £180 a month in 2029-30 prices.

The impact of freezing LHA varies widely across the country

As is often the case, however, the average obscures a breadth of experience. The difference between LHA rates and local rents varies widely by place as increases in the cost of renting since September 2023 have been far from uniform. Today, the largest cash gaps are in London where private rents tend to be highest, and even a small percentage increase in rents can lead to a significant cash shortfall. As Figure 2 shows, in just two years, average local rents for two-bedroom property have outpaced the prevailing LHA rate by an eye-watering £350 a month in the Inner London borough of Hackney.[4] Even in the London borough with the lowest rent inflation over this period - Bromley in Outer London – that shortfall amounts to £172 a month.

FIGURE 2: London has some of the largest gaps between LHA and market rents, but shortfalls of at least £100 a month appear in every region

Local authority with the largest and smallest gap between LHA and the estimated 30th percentile for a two-bedroom property, by region: England, September 2025



NOTES: We estimate the LHA level for a two-bedroom property in each local authority using a weighted average of the BRMA coverage. Wales and Scotland are excluded as we do not have data on the BRMA and local authority intersections. We assume that rents at the 30th percentile level increase in line with the average rent level for a two-bedroom property in each local authority. Local authorities where the national LHA rate already applies (Camden, Islington, Kensington & Chelsea and Westminster) have been excluded.
SOURCE: RF analysis of ONS, Price Index of Private Rents; Valuation Office Agency, Local Housing Allowance (LHA) rates applicable from April 2025 to March 2026.

However, significant affordability gaps are not just a London phenomenon. As Figure 2 shows, every region in England contains at least one local authority where there is a £100-plus shortfall between the LHA rate for a two-bedroom property and the estimated 30th percentile rent level. Even in regions not renowned for high rents and low housing affordability, significant gaps have emerged, such as £170 a month in Salford in the North West; £144 a month in Hinckley and Bosworth in the East Midlands; and £107 a month in Newcastle Upon Tyne. And if we compare the real-terms cash shortfalls now with the shortfalls observed before the April 2024 relinking, we find that the gaps are bigger today than they were when LHA was last relinked in 57 per cent of local authorities in England.

The LHA freeze increases the cost burden on councils through the provision of temporary accommodation

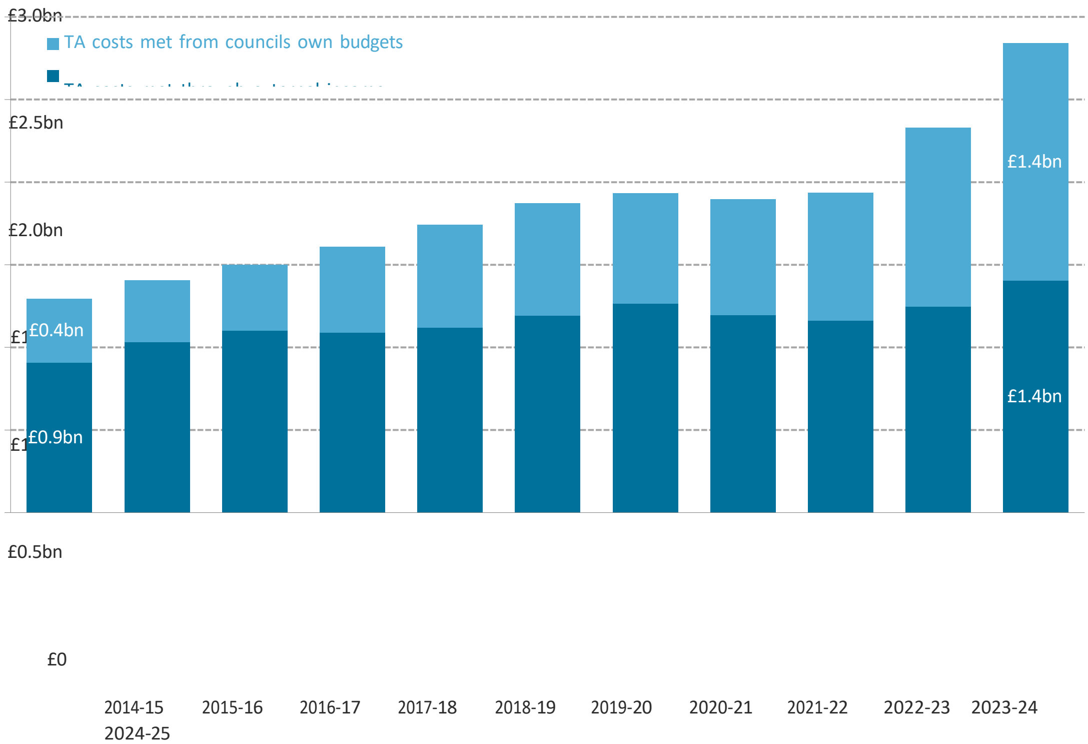
But it is not just households who feel the squeeze as LHA shortfalls grow. When lower-income households are unable to make up the gap between the actual rent they pay and the support they receive from the state with their housing costs, they are at a higher risk of becoming homeless and being placed in temporary accommodation (TA). LHA shortfalls also make it harder for local councils to find alternative housing for those in TA: to discharge their duty to homeless households, councils have to offer families a suitable home they can afford. In areas where there is a large gap between market rents and LHA, it will be much harder for councils to find accommodation that meets this requirement, meaning that households stay in TA for longer.

While use of TA will depend on a range of local factors, such as employment levels and the availability of social housing, the amount of help private renters get towards their housing costs has often been identified as playing a role. In 2017, for example, the National Audit Office reported that local authority staff widely attributed rising homelessness to “increases in rents in the private sector, and a decline in people’s ability to pay these rents”.

The number of households in TA in England is now at a record high of 132,000. Alongside the devastating impact this can have on individual households, it poses a significant cost burden on local councils. Councils in England spent £2.8 billion on TA in 2024-25, more than double the £1.3 billion spent ten years earlier (in 2024-25 prices) (see Figure 3). While local councils receive a subsidy from the DWP towards the Housing Benefit of each household in TA, this subsidy has also been frozen without any adjustments since 2011. The maximum subsidy councils can receive is set at 90 per cent of LHA rates in 2011 despite average rents increasing by 60 per cent since then. As a result, councils have overwhelmingly carried the cost burden of rising levels of TA. In the decade to 2024-25, councils net TA cost rose by 370 per cent from £0.4 billion to £1.4 billion.

FIGURE 3: Councils' net temporary accommodation costs have increased more than three-fold in the last decade

Annual real spending on temporary accommodation provision by local authorities (2024-25 prices): England



NOTES: We calculate spending on TA by adding all local authority spending within the service category "homelessness" minus non-TA spending (Homeless Reduction Act costs and other administration and support costs). Costs have been adjusted to 2024-25 prices using September's CPI.

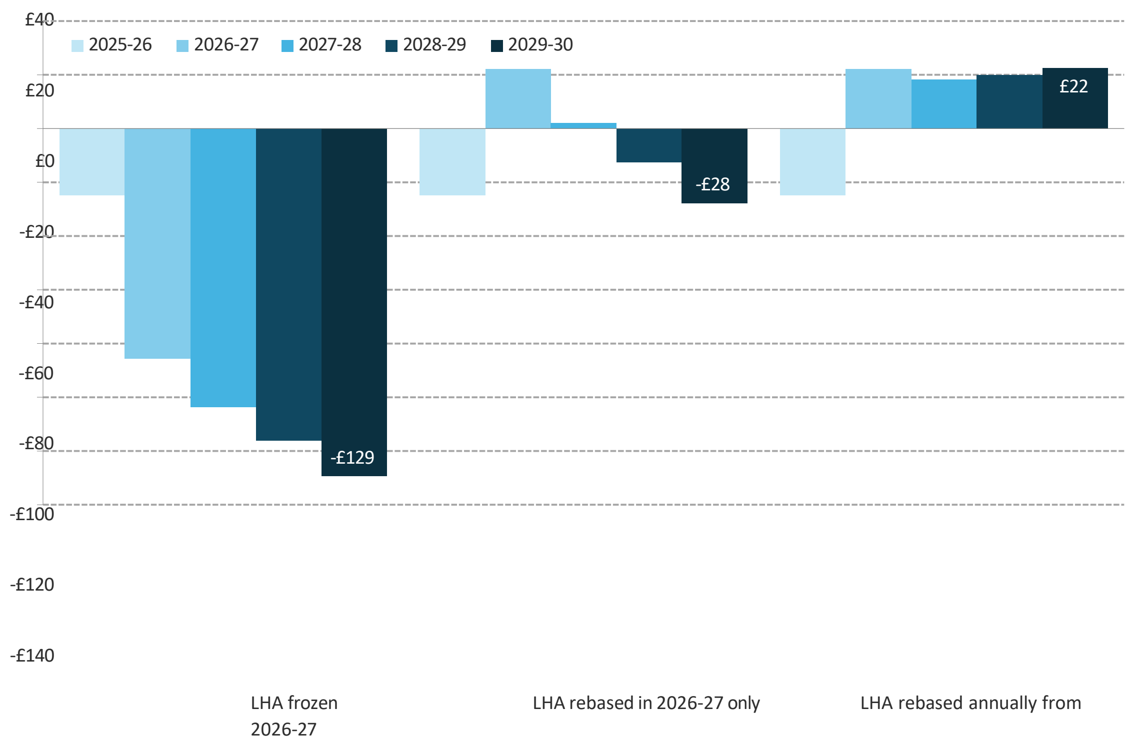
SOURCE: RF analysis of MHCLG, Local authority revenue expenditure and financing England individual local authority data, Revenue outturn housing services (RO4).

Freezing LHA creates a drag on living standards for private renters

Freezing LHA ultimately lowers living standards for lower-income private renters, as illustrated by Figure 4. This shows the real-terms change in after housing costs income of a working single parent with one child living in Gloucester between 2024-

25 and 2029-30 if
LHA remains frozen as assumed in the Government's spending forecast.[5] During this period, their earnings and income from the 'standard allowance' component of UC will increase in real terms.[6] But these income boosts cannot compensate for the loss experienced from LHA failing to keep up with rents. By 2029-30, we estimate the family's net monthly income will have fallen by £129 in today's money.

FIGURE 4: When LHA is frozen, rent rises soon wipe out increases in other income Change in real after housing cost income from 2024-25 of a working single parent in receipt of UC, in different LHA uprating scenarios (2025-26 prices): Gloucester



NOTES: This chart looks at the after housing costs income of a single parent with one child in Gloucester (where the LHA level is the median for England). The parent works 30 hours a week at minimum wage and is in a council tax band B property. The rent for the property matches the LHA level in April 2024 and increases annually in line with average local rents until 2025-26 when it increases in line with the OBRs earnings forecast.

SOURCE: RF analysis of ONS, Price Index of Private Rents; Valuation Office Agency, LHA rates applicable from April 2025 to March 2026; OBR, Economic and Fiscal Outlook – March 2025.

But Figure 4 also shows the impact of alternative LHA scenarios. If LHA were repegged to market rents in April 2026, which we estimate to cost £1.7 billion, it would neutralise the impact that rent inflation has had on household incomes.[7] The example family, which benefited from a real terms increase in the National Living Wage, is now better off. But this gain is soon lost if LHA rates are not relinked annually as rent rises once again erode income gains. The only way of preventing rent increases from acting as a significant drag on living standards for families in receipt of housing support is to permanently link LHA to market rents. In this scenario, a real-terms increase in earnings and the UC standard allowance mean that the family's income is higher at the end of the forecast period. Although the cost to the Government of annual relinking rises with rent inflation is significant (reaching £2.5 billion by the end of the forecast period), freezing LHA is fiscally short-sighted as this only achieves short-term, in-year savings until another crisis point is reached.

Unlike other key benefits, the LHA freeze is the default position in the public finances

Given the impact it will have on private renters, freezing LHA until at least 2029-30 runs counter to the Government's mission to "raise living standards in every part of the UK" and will push many renters far beyond the point where previous governments have responded. Alongside this, financial pressures will continue to build on local authorities through the provision of temporary accommodation to private renters in the most acute need. In practice, it is implausible that the Government can avoid relinking LHA to local rents at some point over the next four years. But the way LHA is treated in the public finances means this presents a real problem for a government as fiscally constrained as ours today.

Unlike the State Pension which the law requires must be uprated by at least earnings every year, UC and LHA rates are uprated on a discretionary basis subject to annual review by the Secretary of State.[8] However, despite the fact there is usually no statutory requirement for UC levels to change, the convention is for the benefit to increase in line with CPI and this default is reflected in the Government's spending forecasts.[9] As a result, should the Secretary of State decide in their annual review to maintain the value of UC by uprating it with CPI, this would not count as additional spending. Similar defaults are used for many parts of the tax system – such as a 'baseline' assumption that the personal tax allowance will rise in line with inflation. In contrast, although LHA rates are also subject to an annual review, the Government's spending forecasts assume that LHA rates remain frozen until at least April 2030. As a result, any decision to relink and maintain the real value of LHA would count as additional spending for the Department.

Conclusion

With four more years of the forecast period to go, the gap between LHA and actual rents is already very large. Next year we expect the gap between LHA and the 30th percentile to be the largest it's ever been, amounting to a monthly shortfall of £120 for a typical LHA recipient needing a two-bedroom property, with many losing much more. Continuing to freeze LHA will yield only short-term savings for the DWP while shunting costs to local councils who have a duty to support families with the most severe affordability challenges through the provision of TA.

In the long term, the most sustainable way to drive down the benefits bill when it comes to housing support is to reduce housing costs overall. In light of this, the Government's ambition to build 1.5 million more homes by the end of the Parliament is very welcome, although as our last Housing Outlook showed, this is unlikely to shift the dial in terms of housing affordability in the short term. Similarly, the commitment to build 300,000 more affordable homes in the next ten years will benefit many but could only accommodate a fifth of the 1.5 million UC-recipient households in the private rented sector in England.[10] In the long term, the private rented sector will continue to house a large share of the lower-income population.

While indefinitely freezing LHA has a desirable effect on the Government's balance sheet, it is not a sustainable forecast assumption given the impact it will have on living standards of tenants and cash-strapped local councils. Currently, forecasting a freeze to 2029-30 ultimately hides a £2.5 billion hole in the public finances. The Government should decide what level of rent should be compensated for and plan to meet that through the forecast. Annual LHA relinking should be the rule, rather than an exceptional move when pressures simply get too great.

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1 With thanks to colleagues Lindsay Judge and Alex Clegg for their insight and expertise.

2 A further 230,000 Housing Benefit claimants are also subject to LHA rates.

3 A BRMA comprises two or more distinct but adjoining areas of residential accommodation within which a person could reasonably be expected to live considering their need for facilities and services

4 Although, the national LHA ceiling would have to be unfrozen for LHA levels in Hackney to realign with the 30th percen-tile of local rents. The national LHA ceiling currently applies the four most expensive London boroughs (Camden, Islington, Kensington & Chelsea and Westminster). If LHA rates were relinked to the 30th percentile and the national LHA ceiling remained frozen, 11 London boroughs including Hackney would hit the national ceiling.

5 We have selected Gloucester because LHA is the median level in this area and rent inflation aligns with the GB average.

6 Under the Universal Credit Act 2025, the standard allowance will increase above inflation over four financial years from 2026-27. By 2029-30, it will be 4.8% higher than it would have been under the normal practice of annual inflation-related increases.

[7] RF analysis of DWP, Family Resources Survey using the IPPR tax-benefit model; ONS, Price Index of Private Rents; OBR, Economic and Fiscal Outlook - March 2025; VOA, Local Housing Allowance rates, 2025-26. The counter-factual is Local Housing Allowance frozen at its 2025-26 level. Assumes private rents grow in line with the OBR's forecast for average weekly earnings growth, lagged by 12 months.

[8] The triple lock whereby the State Pension increases each year by prices, earnings or 2.5 per cent whichever is the largest is a political commitment and not one set in legislation.

[9] Although, since the Universal Credit Act 2025 was passed in September 2025 the standard allowance will increase above inflation over four financial years from 2026-27.

[10] But enabling lower income tenants to move from the private rented sector into social rented homes would reduce the costs of relinking LHA in the longer-term.

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 shortall in the amount of grant needed to deliver the homes identified in the SHIP with no funding confirmed or indicated beyond this financial year.

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 50^{th} Percentile (reduced in 2011 to 30^{th} 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.

Scottish Parliament Social Justice and Social Security Committee

Local Housing Allowance

Written submission by Glasgow City Health and Social Care Partnership, January 2026

1. Background

1.1 Glasgow City Council declared a Housing Emergency in November 2023. This was driven by a convergence of factors including the cost-of-living crisis impacting affordability across all tenures, insufficient housing supply, particularly in social housing, and an increase in homelessness applications, especially from refugee households following the Home Office's streamlined asylum decision-making process in July 2023.

1.2 As at December 2025, there are 6,985 live homelessness applications in Glasgow, and 4,728 living in local authority provided temporary accommodation, including 1,398 families with children, of which 698 families have 3 or more children. 2,100 households are now residing in hotel and bed breakfast accommodation across 56 different sites, which compares with 220 pre-Covid. These factors have resulted in additional unfunded financial pressures on Glasgow City of £27m in 2024/25, and £38m in 2025/26. This will deplete available reserves by 31 March 2026. The projected unfunded homelessness pressures for 2026/27 are £56m and £73m in 2027/28. These pressures are unprecedented and unsustainable without additional central government funding.

1.3 While the private rented sector (PRS) may be accessible to some of those presenting as homeless, competition for limited numbers of PRS tenancies, requirements to pay rent deposits and rent in advance, and affordability of monthly rents mean that PRS is an unsustainable option for most homeless households.

1.4 That said, the PRS is an important component of Glasgow's broader housing system. The Glasgow and Clyde Valley Housing Need and Demand Assessment (2024) recognises that the PRS is an important tenure for new households seeking to settle in the region and responds to factors such as varying demand for the student population.

1.5 In Glasgow, 55% of homes are rented (either social or private rented) compared to around 39% for Scotland as a whole. There are circa 60,000 properties legally entitled to be let by private landlords at any one time in Glasgow, approximately 19% of all homes. There are around 108,500 social rented homes provided in Glasgow by Registered Social Landlords (RSLs), which is approximately 36% of all homes.

1.6 Data on the PRS Glasgow is provided by CityLets and includes monthly statistics on the number of listings and the monthly rent depending on property size. It is not an exhaustive list of all private rental properties available in Glasgow City. The average rent is calculated as a mean.

No. bed rooms	No. listed	Percentage of listings	Change no. listings from Q3 2024	Average listed monthly rent	Change rent from Q2 2024	Lowest listed rent	Highest listed rent
1	287	27.8%	-29.3%	£906	-0.48%	£500	£1,750
2	567	54.9%	-22.0%	£1,216	2.31%	£600	£2,495
3	132	12.8%	-12.0%	£1,725	7.39%	£795	£3,250
4	30	2.9%	-21.1%	£2,705	8.39%	£1,695	£3,570
5+	23	2.2%	27.8%	£3,415	0.88%	£700	£4,500

Source: CityLets Rents Data Q3 2025

1.7 Sector Analysis indicates that rents continue to rise, reflecting high demand and limited stock. The average private sector rent for the city is £1,229 per month and has risen by 2.2% in one year, 46.1% over 5 years and 79.7% over 10 years. Rents have increased more for larger properties.

1.8 At the same time, the average number of listings has decreased, indicating that there is pressure in the city's private rented sector in relation to the supply, demand and affordability of properties.

1.9 An analysis of CityLets data for Q3 2025 shows that there was limited availability of properties to let at, or below LHA rate, with 10.8% of one-bedroom listings, dropping for larger property sizes to 3.8% for 4+ bedroom properties.

No. bedrooms	Monthly (UC)	Av. PRS monthly rent	No. total listings	No. listings below LHA	% total listings below LHA
1 bed shared	£450.00	£906.06		0	0.0%
1	£695.00	£906.06	287	31	10.8%
2	£850.00	£1,215.62	567	42	7.4%
3	£970.00	£1,724.61	132	7	5.3%
4+	£1,800.00	£2,705.00	53	2	3.8%

Source: CityLets

2. Impact of LHA freeze

2.1 LHA is set at the 30th percentile of your Broad Rental Market Area (BRMA). That means that 70% of available properties are at a rent level higher than the LHA rate. This makes it very difficult for customers who require financial assistance with their rent via Universal Credit (UC) or Housing Benefit (HB) to find affordable accommodation. This pool of properties will shrink as rents increase and the LHA rate remains frozen; it also becomes less appealing for landlords to rent to benefit claimants

2.2 There are only 18 Broad Rental Market Areas [BRMA] for the whole of Scotland and Glasgow City is entirely covered by the Greater Glasgow BRMA, which also covers some parts of our neighbouring LA's. This limits localities in the city where customers can reasonably look to rent due to the fluctuating rents across the city.

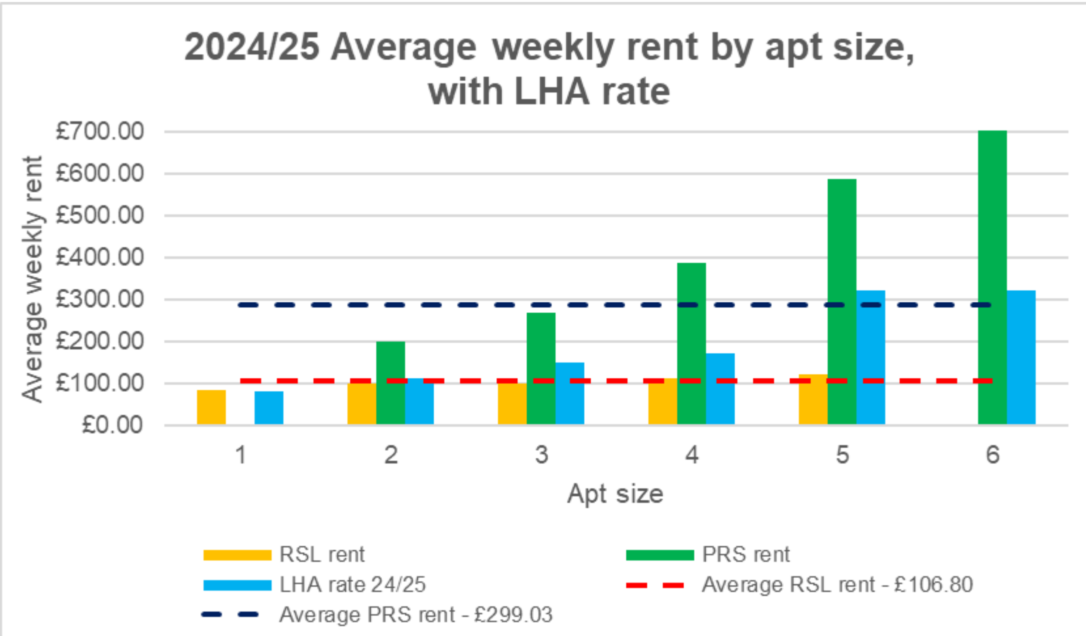
2.3 The weekly LHA rates for the Greater Glasgow BRMA from April 2019 onwards are:

	Shared rm	1 Bed	2 Bed	3 Bed	4+ Bed
19/20	£68.28	£94.82	£120.03	£137.31	£212.21
20/21	£80.55	£113.92	£149.59	£172.60	£322.19
21/22	£80.55	£113.92	£149.59	£172.60	£322.19
22/23	£80.55	£113.92	£149.59	£172.60	£322.19
23/24	£80.55	£113.92	£149.59	£172.60	£322.19
24/25	£103.56	£159.95	£195.62	£223.23	£414.25
25/26	£103.56	£159.95	£195.62	£223.23	£414.25
26/27	£103.56	£159.95	£195.62	£223.23	£414.25

2.4 These can be compared to the 30th percentile rate for Greater Glasgow as follows:

Greater Glasgow BRMA	**LHA rates for April 2025 - March 2026**	**30th percentile market rents September 2024**
1 Bedroom Shared	£103.56	£109.32
1 Bedroom	£159.95	£159.95
2 Bedroom	£195.62	£195.62
3 Bedroom	£223.23	£230.14
4 Bedroom	£414.25	£425.75

2.5 As would be expected, average weekly rents are higher in the PRS compared with social rented sector. PRS rents are also proportionally higher for larger homes that in the social rented sector. Higher private sector average rents, and the rate of increase in rents for larger properties impact on availability of affordable housing options for families with children, with fewer larger homes available within the LHA rate.



Source: Scottish Housing Regulator/Scotland's Housing Network/CityLets

2.6 The 2024 Child Poverty in Glasgow report revealed that while the number of children in Glasgow is decreasing, the rate of relative poverty increased by 1% to 25%. The rate of relative poverty appears to be consistently between 24% and 26% since 2020. The LHA rate freeze disproportionally affects single parents and families with children who require larger homes.

2.7 Data provided by the Glasgow Private Rented Sector Housing and Welfare Hub based in the Council's Neighbourhoods, Regeneration and Sustainability Service, outlines a range of complex challenges relating to these trends. These challenges are contributing towards increasing the risk of households becoming homeless, experiencing poverty and poor health and wellbeing. As a result, there is likely to be an increase in the number of families who are living in the private rented sector that will require either further financial support to sustain their tenancy, or access to housing in the social rented sector.

3. Use of Discretionary Housing Payments to support tenants with shortfalls

3.1 Discretionary Housing Payments (DHP) can provide financial assistance towards housing costs. A qualifying individual is someone with entitlement to Housing Benefit or Universal Credit with a housing costs element and appears to need additional financial assistance to meet housing costs.

3.2 As outlined above, average rents in Glasgow are typically above the LHA rate, and DHP is available to those eligible to make up the difference between the LHA rate and the rent charged. For prospective private sector tenants, it can help to secure a tenancy, for example to pay rent in advance, or a deposit if other schemes are unavailable, or cover other costs associated with a housing need, such as removal costs.

3.3 DHPs are also awarded to meet a shortfall where we believe the tenancy is sustainable. For example, there is likely to be a change in the household circumstances that will make the rent unaffordable without the assistance of DHP. This could be where the household composition will change or where the household is likely to have a change in income. We may also support households in the short term where we believe the tenancy is not sustainable to allow them time to find other accommodation and avoid the prospect of homelessness. Special consideration will be given to individuals and households fleeing violence and similar situations.

3.4 The majority of DHP spend in the City is on the removal of the Spare Room Subsidy, which has also resulted in a significant increase in unfunded administration burdens on local authorities.

3.5 The non-SRS DHP funding for 2025/25 was £1.331m (a 1.9% increase on 2024/25). It should be noted that in 2024/25 Scottish Government stopped redistributing any underspend from the previous year.

3.6 Additional funding was awarded in 2025/26 to support Councils in moving clients from homeless to Private Rented accommodation as part of the Scottish Government's Housing Emergency Action Plan. Glasgow received £169,000 to be spent by 31/3/2026, and £620,000 to be spent by 31/3/2027. A working group has been set-up to tackle the challenge of moving households with children out of homeless accommodation into the Private Rented Sector.

4. Proposed reform of LHA

4.1 The Housing Emergency in Glasgow, and the unprecedented pressures on homelessness services and budgets, is likely to be further exacerbated by any ongoing restriction to the supply of private sector rented housing to those in receipt of LHA and DHP. This is likely to be particularly relevant to larger households.

4.2 Fundamentally, the freezing of the LHA rates by the UK Government from 2024/25 is increasing the differential with private rents in many areas of the City. Restoring LHA to 30th percentile applied on an annual basis in line with the private sector market would improve the affordability of the PRS.

4.3 The BRMAs have not been reviewed since the introduction of the scheme and this limits the availability of properties in more expensive rental areas. BRMA is defined as “where a person could reasonably be expected to live taking into account access to facilities and services”. Changing BRMA boundaries might assist in areas where higher rents are prevalent. However, that would need to be balanced with the potential impacts on LHA rates to less expensive areas across the City.

4.4 Currently any single individual aged 35 or under is only entitled to the shared room rate. This excludes many individuals from finding affordable rental opportunities. Removing or reducing the shared room rate cap that currently applies to single households aged 35 or under would make the PRS a more sustainable option for those aged 35 or under currently unable to afford any advertised properties.

4.5 The costs associated with DHP administration are increasingly a concern for local authorities. One of the main reasons for this is the significant increase in the assessment requirements and overall workload relates to the Spare Room Subsidy elements of the DHP. There is an increasing disparity between the Scottish Government’s administrative funding for DHP and actual local authority spend. This is impacting the ability of Glasgow City Council to adequately resource the administration of DHP administration.