

Social Justice and Social Security Committee

Thursday 8 January 2026

1st Meeting, 2026 (Session 6)

Local Housing Allowance

Introduction

This paper provides background information and suggested themes for discussion for the Committee's evidence session on Local Housing Allowance (LHA). The Committee will hear from two panels of witnesses with representatives from:

Panel 1:

- [Chartered Institute of Housing \(Scotland\) \(CIH\)](#)
- [Crisis](#)
- [Resolution Foundation](#)

Panel 2:

- [City of Edinburgh Council](#)
- [Glasgow Health and Social Care Partnership](#)
- [Fife Council](#)

At the time of preparing this paper written submissions had been received from Crisis, CIH, the City of Edinburgh Council and Fife Council. The Resolution Foundation refer to their recent report [Housing Outlook, Q4 2025](#).

Background

LHA rates are used to determine the maximum amount of support for housing costs that private renters in receipt of the housing element of Universal Credit (UC) or Housing Benefit (HB) can receive. Some tenants (those that are state pension age or live in supported, sheltered or temporary housing) will still receive HB instead of the housing element of UC.

LHA policy is set by the UK Government. LHA was rolled out nationally from April 2008. [It was designed to control public spending on housing support and prevent rises in unregulated rents from being fully covered by HB](#), and discourage benefit claimants from living in more expensive properties than they need. Other reasons for its introduction included making the level of HB more consistent and fairer within localities and improving transparency about the level of support available.

LHA rates

The LHA rates are set annually, applying from April 1st each year. In Scotland, rent officers at Rent Service Scotland (RSS), part of the Scottish Government, collects rental data to calculate LHA rates. Data is collected over a 12-month period ending on September 30th before the rates are published to apply from the following April.

LHA rates are based on data on private market rents in "Broad Rental Market Areas" (BRMAs). There are 18 BRMAs in Scotland. Within each BRMA LHA rates are set for different property sizes up to a 4 bed-property. In Scotland, the responsibility for setting BRMAs lies with RSS [taking into account statutory requirements](#).

The LHA rate a household is entitled to depends on the location with bedroom entitlement based on family size and characteristics (if the actual rent is below the LHA rate then actual rent will be the entitlement). If the household contains only a single person aged under 35 years old the shared room rate may apply. There is an online LHA bedroom entitlement calculator on Directgov.

How the LHA rates are set has varied over the years. Before April 2011, LHA rates were based on median (the middle) rents of properties by different sizes in BRMA and were uprated in line with rental inflation.

From April 2011, the LHA was lowered to the 30th percentile of rents so LHA would cover the lowest 30% of rents in each area. [These reforms were framed in terms of ensuring fairness between working and non-working households](#) (i.e. ensuring households on benefits could not live in accommodation that would be unaffordable to similar, working families).

Since April 2012, there has been no automatic link between LHA rates and changing local rental prices. Instead, different uprating decisions have been made periodically. As the [Resolution Foundation notes](#), the LHA rates have been frozen in eight of the last 13 years.

LHA rates were last increased to the 30th percentile of rents in 2024-25. The [cost of this was around £1.2 billion in 2024–25](#) (across GB). LHA rates for 2025-26 were frozen.

[In October 2025, a coalition of 40 organisations called for the LHA rates to be unfrozen in 2026-27](#). However, the UK Government has maintained the freeze on LHA in 2026-27, with this decision [taking into account a range of factors, such as rental levels and impacts across Great Britain, including in Scotland, the wider fiscal context and UK government social security priorities](#). The Resolution Foundation also note that the Government's spending forecast assumes LHA will remain frozen in cash terms until at least 2029-30.

The Scottish Government has also called on the UK Government to unfreeze the LHA and restore to the 30th percentile of rents. For example, on 31 January 2025, the [previous Minister for Housing wrote to the UK Government expressing concern about the decision to freeze the LHA in 2025-26](#).

LHA and rents in Scotland

[The current LHA rates \(which will be the same as 2026-27\) are published on the Scottish Government website](#). The rates range from £75 a week in Scottish Borders and Aberdeen and Shire for a shared property to £502 a week for a 4-bed property in the Lothian BRMA.

[At August 2025, almost 88,000 households](#) in private rented housing received HB or the UC housing element. Around 330,000 households in Scotland live in private rented housing, meaning almost one quarter of these households receive benefit assistance with their rent. City areas tend to have the greatest proportion of private rented stock in their area.

[Over the longer term, Scotland wide rental price inflation has been higher than inflation. Between 2010 to 2025](#), the rent for a 2-bedroom property (the most common property size) increased by 66% between 2010 and 2025 to reach £921 in 2025. This was above the cumulative increase in CPI over the same period of 55%. However, there are **wide geographical variations** with particularly high increases in Lothian (104%) and Greater Glasgow (94%) while in some areas cumulative rental price changes were below CPI inflation e.g. in Aberdeen and Shire (22.6%) and Dumfries and Galloway (30.7%).

[Recent data shows that in the year to end September 2025](#), average 2-bedroom rents increased by 3.1%. Again, there are geographical variations. Changes in rents ranged from -5 % (or -£43 per month) in Dundee and Angus up to 13% (or £64 per month) in Dumfries and Galloway.

Given the pattern of rent increases and the freezes to the **LHA rate the gap between LHA and actual rental prices in many areas has increased. For many households the LHA will not cover the rent.**

Table 1 shows that **LHA covers the rent for 58% of recipients receiving LHA through UC, while 42% of recipients do not have their rent covered by LHA.**

Table 1: LHA covers /does not cover rent, August 2025 (number of recipients)

	Universal Credit	%
LHA covers rent	43,614	58%
LHA does not cover rent	31,347	42%
Total	75,496	

Source: [DWP StatXplore](#)

As Crisis's submission points out there is considerable variation between local authorities. In East Lothian area, the housing element of UC element does not cover the rent for 21% of recipients, rising to 63% in South Ayrshire.

CIH cites research published in 2023 (based on data before the LHA freeze was lifted in 2024-25). This found that the average shortfall in rent for a two-bedroom home was £108 per month. The smallest difference was found in Aberdeen and Shire at £7 per month, in Greater Glasgow the shortfall was £202 per month. As LHA rates were increased in 2024-25 these figures may be slightly different now.

Annex 1 shows the LHA rate in 2025-26 for a 2-bed property in each of the BRMAs and how this compares to the 30th percentile figure (as at September 2024). The table shows the differences ranging from a high in the Lothian area of £229 a month to no difference in Greater Glasgow and Dumfries and Galloway)

It is not possible to compare how the 2026-27 LHA rates (which will be the same as the 2025-26 rates) compares with the 30th percentile rents in September 2025 as the Scottish Government have not yet published those figures.

Crisis's submission, based on an analysis of Zoopla property listings, states that those seeking housing in the private rented sector 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.

The Resolution Foundation assumes that rents at the 30th percentile increase at the same rate as the average, and estimates that 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.

Themes for discussion

The following suggests potential themes and questions to discuss with the witnesses. The themes are the same for each panel, although where appropriate specific questions that might be more relevant for one panel are highlighted.

Impact of LHA system

The submissions suggest that the effect of the gap between LHA and the 30th percentile rents is to:

- **limit the number of potential homes available to renters on low income**, increasing pressure on the social housing sector. CIH Scotland [2023 research](#) (based on data before the LHA freeze was lifted for 2024-25) showed that at the time just one in 12 advertised properties in the PRS (eight per cent) across Scotland were covered by LHA.

- contribute to **increased poverty levels**. The CIH Scotland submission notes that 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 Resolution Foundation argues that freezing the LHA lowers living standards for low-income private renters. It estimates the real terms change in after income housing costs of a working single parent with a child living in an area of England. Assuming the LHA rates remain frozen to 2029-30 it estimates that the family's net monthly income will have fallen by £129 in today's money.
- increase the **potential for homelessness** as a result of lack of affordable accommodation or rent increases during tenancies that are not covered by LHA.

Some councils in Scotland are experiencing acute pressures on the homelessness system in Scotland. [The Scottish Housing Regulator has identified systemic failure in homelessness services in three councils with another eight at risk of systemic failure](#). Pressures on temporary accommodation are particularly high in some council areas including, Glasgow, Edinburgh and Fife. Many factors influence someone becoming homeless and it's not possible to identify from the published housing statistics the extent to which benefit support for private housing costs contributes to homelessness numbers.

The City of Edinburgh Council refers to temporary accommodation in its submission:

“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.”

The Resolution Foundation notes that:

“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. 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 Temporary Accommodation.”

Fife Council states that in this financial year to date, there were 1740 presentations in total with 606 presenting from the private sector. 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. 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. The council also notes that it is becoming nearly impossible to discharge its homeless duty by suggesting the homeless person consider a private tenancy due to the growing gap between rents charged to benefit.

Members may wish to discuss:

For both panels:

- 1. What impact is LHA having on private tenants in Scotland in relation to poverty levels?**
- 2. What impact is LHA having on the availability of affordable private rented accommodation for private renters and how does this vary geographically?**
- 3. What evidence is there about how LHA impacts on levels of homelessness and the use of temporary accommodation in Scotland?**
- 4. For Panel 2: How does the benefit subsidy system affect the cost of providing temporary accommodation?**

Discretionary Housing Payments

If a tenant has difficulty paying their rent (for example, if the LHA does not fully cover the rent) they could apply to their local council for a discretionary housing payment (DHP). DHPs are devolved to the Scottish Government with councils administering and assessing applications.

In 2025-26, the Scottish Government has provided £97m of DHP funding to councils. This assumes full mitigation of the bedroom tax for social rented tenants and the benefit cap.

In September 2025, as part of the Scottish Government's response to the housing emergency an [additional £2m for DHPs was allocated to support households currently in temporary accommodation to find settled homes in the private rented sector.](#)

Councils can supplement the Scottish Government funding with their own resources if they wish.

Fife Council notes that it has spent £6.6m on DHPs this year for a variety of reasons, although it is not clear how much of this was to cover gaps between LHA and actual rent.

The CIH Scotland submission notes that only a small proportion of DHPs is used to support private tenants. [Statistics](#) show that in 2024/25 £89.3 million was awarded through DHPs with £3.1 million (3.5 per cent) spent on LHA shortfalls.

CIH Scotland recommends that the Scottish Government increase the DHP funding available to support tenants in the PRS.

Crisis recommends that the 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 DHPs or adjustments to LHAs.

Members may wish to discuss:

For both panels

- 5. How councils are using DHPs to help support tenants where the LHA does not cover the full rent?**
- 6. Is there enough awareness amongst tenants of the availability of DHPs to cover shortfalls in the LHA?**
- 7. CIH suggest that the Scottish Government increase the DHP funding available to support tenants. Can CIH provide any estimate of what this might cost the Scottish Government and whether other panel members agree this would be appropriate or whether the level of subsidy for bedroom tax mitigation should be reduced?**
- 8. For Panel 2 - What difference will the additional £2m the Scottish Government has allocated to councils to reduce pressure on temporary accommodation by moves to the private rented sector make?**
- 9. For Panel 2: To what extent do councils use their own resources to supplement DHP funding from the Scottish Government?**

Suggestions for reform

CIH Scotland, Fife Council and Crisis argue for the LHA rates to **be reset at the 30th percentile of rents**. The Resolution Foundation also argues that:

“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.”

The submissions also raise some issues about the detail of the calculation of the LHA which could be considered. For example, points were made about the **size and coverage of the BRMAs**. The CIH Scottish submission notes that BRMAs are relatively large and states that “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.”

Crisis believes that “there may be a case for reviewing BRMAs in Scotland, given the size and variable geography in some of them.” CIH recommendations that the “Scottish Government should consider how revised BRMA boundaries could create a more accurate reflection of local rent rates” and that the UK Government “should respond constructively to Scottish Government recommendations on BRMA reform.” As CIH states:

“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”.

The CIH submission refers to **data collection issues in determining the LHA rates**. Its research identified that small sample sizes of rental data were being used to set LHAs 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. Additionally, Rent Service Scotland is heavily reliant on advertised rental data rather than actual rents paid. Furthermore, 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. Where rents are increasing quickly this can further exacerbate the LHA shortfall.

Both Crisis and CIH Scotland are both critical of the **shared accommodation rate**. The previous UK Government has argued that this reflects the longstanding principle that young, single people in the private rented sector should have their housing benefit limited to the rate appropriate for shared accommodation as the taxpayer should not be expected to pay rents that ordinary working people not on benefits could not afford.

The CIH argues that this is unfair and impractical with a major problem being the lack of suitable shared properties. It argues that 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. It points to its research which showed that the SAR affects a relatively small number of claimants, under 700 in Scotland, but has a disproportionate effect on those individuals. It argues that the

low numbers involved mean that intervention from the Scottish Government should be relatively affordable.

Scottish Government powers in relation to Local Housing Allowance

Section 28 of the Scotland Act 2016 gives Scottish Ministers 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).

Crisis’s submission states that,

“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.”

Crisis argues that:

“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.”

The issue of how the Scottish Government could potentially use its devolved social security powers was raised in the previous [Social Security Committee’s inquiry into social security and housing in 2019](#).

The [Committee’s report asked the Scottish Government](#) to provide details on the powers it has over the LHA, including to alter the housing-cost element of Universal Credit. The Committee also asked the Scottish Government to set out the barriers it faces in exercising these powers and any budgetary or administrative challenges it sees associated with their use.

The Scottish Government's response to the report highlighted that using these powers may be costly and challenging.

"The Scotland Act powers do allow us some flexibility in how the Universal Credit housing costs element is calculated. Using these powers and laying regulations to change the way in which the housing element of Universal Credit is calculated for tenants in the private sector subject to LHA rates in Scotland is an area in which we have looked at. Any changes would be costly and most likely time consuming.

Furthermore, costs and impacts could fluctuate depending on changes made by UK Government, to the rates that they set, to the Broad Rental Market Areas, or to the criteria that are used to calculate entitlements. Any further analysis would also need to take account of behavioural responses. Using these powers in practice to change the means by which the UC housing costs element is calculated to include the recalculation of LHA rates would be very challenging and as we have no power over Housing Benefit this would create a three-tier system, with some tenants receiving Universal Credit, some working age tenants still receiving Housing Benefit until UC is fully rolled out, and pension age tenants receiving Housing Benefit indefinitely.

Any change would have to be delivered by the DWP, and as we are currently working with DWP to abolish the bedroom tax at source, and are committed to introducing split payments in UC, changes to support for Private Rented Sector (PRS) will not be feasible in the short term. We still continue to consider whether, in the long term, there will be any steps we can take, but we are clear that the focus has to be on pressing the UK Government to take a more sustainable approach overall."

Members may wish to discuss:

- 10. Witnesses have argued for the LHA freeze to be lifted and to be reset at the 30th percentile of local rents. What would the benefits of this be?**
- 11. What might be the potential cost of resetting the LHA rates to the 30th percentile in Scotland and how can any additional cost be reconciled with need for constraint on public spending?**
- 12. If LHA rates were increased to 30th percentile of local rents could there be any unintended consequences, for example, behavioural changes such as some landlords increasing the rent?**
- 13. Apart from uprating LHA rates, what other reforms could be made to the operation of LHA, for example, changes to BRMAs, or the shared room rate?**
- 14. Much of the focus of the evidence has been on restoring the LHA rates to the 30th percentile of rents. Have witnesses considered any more fundamental changes to the calculation of LHA such as a different uprating method, a different percentile or a completely different method?**

- 15. What scope is there for Scottish Government to use its social security powers to change the operation of, or mitigate the impact of, LHA?**
- 16. What other ways could the Scottish Government and councils address affordability barriers to entering the PRS for low-income households?**

Kate Berry, Senior Researcher

SPICe

Date: 30/12/2025

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot

Annex 1: LHA rate and 30th percentile rents, weekly

BRMA	30th percentile Sept 24	LHA 25-26	Weekly Difference	Monthly Difference
Aberdeen and Shire	£155.34	£149.59	-£5.75	-£24.92
Argyll and Bute	£149.59	£138.08	-£11.51	-£49.88
Ayrshires	£115.07	£109.32	-£5.75	-£24.92
Dumfries and Galloway	£103.56	£103.56	£0.00	£0.00
Dundee and Angus	£161.10	£141.53	-£19.57	-£84.80
East Dunbartonshire	£182.96	£172.60	-£10.36	-£44.89
Fife	£136.93	£135.78	-£1.15	-£4.98
Forth Valley	£159.95	£149.59	-£10.36	-£44.89
Greater Glasgow	£195.62	£195.62	£0.00	£0.00
Highland and Islands	£143.84	£136.93	-£6.91	-£29.94
Lothian	£276.16	£223.23	-£52.93	-£229.36
North Lanarkshire	£138.08	£126.58	-£11.50	-£49.83
Perth and Kinross	£132.33	£128.88	-£3.45	-£14.95
Renfrewshire/ Inverclyde	£132.33	£120.82	-£11.51	-£49.88
Scottish Borders	£117.34	£115.07	-£2.27	-£9.84
South Lanarkshire	£143.84	£132.33	-£11.51	-£49.88
West Dunbartonshire	£149.59	£136.93	-£12.66	-£54.86
West Lothian	£159.95	£143.84	-£16.11	-£69.81

Source: [Scottish Government](#), with SPICe calculations added