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Local Housing Allowance (LHA): help with rent for private tenants

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Summary

What is Local Housing Allowance (LHA)

LHA is not a benefit in its own right. It sets maximum amounts claimants of Universal Credit and Housing Benefit can usually get in housing support for private rented properties of different sizes within specified areas. Maximum support is determined by:

- The size of property a household is entitled to, with bedroom entitlement based on family size and characteristics.
- The 30^{th} percentile rent for properties of different sizes within each "Broad Rental Market Area" (BRMA) based on rents surveyed in 2019/20, up to national maximum amounts.

LHA rates and information about BRMAs can be found on the Directgov website. Households renting privately can get housing support at the lower of the LHA that applies to them or the actual rent they are liable to pay.

Why was LHA introduced?

The LHA was rolled out nationally for new claimants in the deregulated private rented sector (those tenancies to which rent controls do not apply) from 7 April 2008. The reasons for its introduction included:

- Fairness: two households in similar circumstances in the same area would be entitled to a similar level of help through benefits.
- Choice: initially, claimants could keep up to £15 per week if they chose to rent a property cheaper than their LHA rate. The aim was to enable claimants to choose whether to rent a larger property or spend less on housing and increase their available income. Keeping the excess ended in April 2011.
- Transparency: LHA rates are published so claimants and landlords know the maximum amount of benefit payable.
- Personal responsibility: LHA was introduced with a default position of being paid directly to claimants. The aim was to empower people to budget for and to pay their rent themselves, rather than having it paid direct to landlords on their behalf. This is now the standard position with receipt of Universal Credit.

- Improved administration and reduced barriers to work: For working-age tenants, LHA was to provide greater certainty about what help is available in and out of work. Simplicity was aimed at speeding up administration. More transparency was aimed at improving the ability of individuals to move between areas and take advantage of employment opportunities.

LHA reforms

Several changes have been introduced since 2008, including:

- The removal of 'keeping the difference' of up to £15 per week in April 2011.
- Reducing the size of property a household would be eligible to claim LHA for to a maximum of five bedrooms from April 2009.
- Reducing the size of property a household would be eligible to claim LHA for to a maximum of four bedrooms from April 2011.
- Before April 2011 the LHA was based on median rents in each local BRMA. From April 2011, LHA rates within BRMAs were based on the 30th percentile of local market rents. In addition, LHAs for different sizes of properties become subject to national caps.
- LHA rates within BMRAs were, up to April 2012, subject to monthly review by Rent Officers based on movements (both up and down) in private sector rent levels. In April 2013 LHA rates were uprated by the Consumer Price Index (CPI) and then by a maximum of 1% in 2014 and 2015 (with an exemption from the 1% cap for areas with the highest rent increases). LHA rates were subsequently frozen for four years from April 2016 (again with "targeted affordability funding (PDF))" in some high rent growth areas. LHA rates were raised to 30th percentile rent levels in April 2020 but have subsequently been frozen in cash terms.

Current issues and debate

Freezing LHA rates

On 17 October 2022, it was announced that the current freeze on LHA rates would continue into 2023/24. Rental prices paid by private tenants in the UK rose by 4.4% over the 12 months to January 2023 according to the Index of Private Housing Rental Prices.

Numerous bodies, including homeless charities, the representative bodies of local authorities and private landlords, are making the case for LHA rates to be uprated to cover at least the 30th percentile of local rents, alongside relinking rates to the real cost of renting for future years.

The Levelling Up, Housing and Communities Committee "received a huge amount of evidence on the impact of current local housing allowance (LHA) rates" during its inquiry into reforming the private rented sector (published on 9 February 2023). The Committee said those expressing concerns were "unanimous in calling on the Government to restore the link between LHA rates and the 30th percentile." The Committee said the Government should:

> …increase LHA rates to realign them with the 30th percentile in each broad rental market area, and commit to conducting a review as soon as possible into whether they should once more be aligned with the 50th percentile.

The size of BRMAs

The size of BRMAs means they can incorporate some wealthy and less wealthy regions. This has led to concern over the degree to which wealthy areas with high private sector rents can inflate LHA rates within a BRMA. In other BRMAs, concern focuses on the impact of less wealthy areas which decrease LHA rates, making the private rented sector less accessible for those who rely on benefits to help with rent payments.

Rent officers are required to review BRMA boundaries as often as it is thought appropriate with suggested changes subject to the agreement of the Secretary of State.

1 Background

1.1 Housing Benefit pre-Local Housing Allowance

Before The Housing Act 1988 and the de-regulation of private rents in 1989, Housing Benefit was calculated in the same basic way for renters in the social and private rented sectors.

Households in receipt of Income Support[1] or income-based Jobseeker's Allowance, or who had an assessed net income at or below the Income Support threshold,[2] received maximum assistance. This could be equal to 100% of eligible rent, less any deductions for non-dependents living in the household. Housing Benefit would then be tapered away with net earnings above this level.

With de-regulation, the Government was concerned that unregulated rents might increase sharply if financed by Housing Benefit, and that private tenants might choose to live in more expensive accommodation than they could otherwise afford.

Local authorities already had discretion to restrict some Housing Benefit payments where they considered rents to be unreasonably high,[3] but did not have to do so.

Section 121 of the Housing Act 1988 introduced new duties for Rent Officers to assess rent levels for the purposes of Housing Benefit subsidy. Local authorities had to refer claims to Rent Officers who were empowered[4] to set limits so Housing Benefit subsidy would only be payable up to a certain amount deemed reasonable for the local areal. Rent Officers also assessed whether a claimant was over-accommodated. Local authorities could pay Housing Benefit above levels determined by a Rent Officer but would not usually receive full subsidy for those payments.[5]

1 Or Supplementary Benefit prior to April 1988.

2 Consisting of a "personal allowance" plus "premiums" for groups such as parents and disabled people.

3 Regulation 11 of The Housing Benefit (General) Regulations 1987, SI 1987/1971

4 Through a series of Rent Officer (Additional Functions) Orders, made under section 121 of the Act.

5 See Commons Library Background Paper 267, The private rented sector, 7 March 1991, pp32-44

1.2 Introducing the Local Housing Allowance

On 17 October 2002 the Secretary of State for Work and Pensions, Andrew Smith, announced plans for a new form of "standard local housing allowance for private rentals" which would no longer be directly linked to rent levels. Instead, the allowance would be "flat rate and based on area and family size."[6]

LHA aims and objectives

The DWP described the aims and objectives of the LHA on its website. It was described as the "cornerstone of the Government's Housing Benefit reform programme" which aimed to simplify Housing Benefit and ensure it supported wider objectives for welfare reform. The aim of the LHA was to promote:

> **Fairness** - LHA bases the maximum amount paid to tenants on the size, composition and location of the household. Benefit will no longer be based on actual rents but on median levels of rent within localities. Therefore, two households in similar circumstances in the same area will be entitled to similar amount of benefits.
>
> **Choice** - tenants are able to take on greater responsibility and choose how to spend their income in a similar way to tenants who are not in receipt of benefits. Like other tenants they are able to choose whether to rent a larger property, or spend less on housing and increase their available income. The claimants will be able to keep the excess (to a maximum £15 per week) if they choose whether to rent accommodation cheaper than their LHA rate or rent a more expensive property and pay the additional rent from their own income.[7]
>
> **Transparency** - LHA rates will be published in advance so customers will know the maximum amount of benefit payable. The current link between Housing Benefit and individual rents is complex and does not set out clearly what level of state support is available for people on low incomes. A clear and transparent set of allowance rates helps tenants (and landlords) know how much financial help is available from the state. Tenants are able to compare how much support is available towards their housing costs in different areas and for different property sizes.
>
> **Personal responsibility** - Empowering people to budget for and to pay their rent themselves, rather than having it paid for them, helps develop the skills unemployed tenants will need as they move back into work. Currently around 40% of Housing Benefit payments in the private rented sector are made to tenants, with the remainder paid straight to landlords. The Government believes that, where possible, local housing allowance should be paid to tenants, as are most other benefits and tax credits. Safeguards will be put in place for those customers that are unable to manage their financial affairs or who fall into rent arrears.
>
> **Financial inclusion** - Ideally, we want people to have their housing payments paid into a bank account and to set up a standing order to pay the rent to their

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[6] HC Deb 17 October 2002 c478

[7] See section 3.2 on changes to 'keeping the difference'

landlord. This has the advantage of being a safe and secure method of payment and provides certainty for landlords that rent will be paid.

Improved administration and reduced barriers to work - For working age tenants, LHA provides a greater certainty about what help is available in and out of work. A simpler system also helps speed up administration of housing payments, giving tenants more confidence when starting a job that any in-work benefit will be paid quickly. A more transparent system may also improve the ability of individuals to move between areas and to take advantage of employment opportunities.[8]

LHA roll-out 2008

The LHA was piloted in nine pathfinder areas from November 2003 and was extended to a further nine areas in April 2005.

As the pathfinders progressed, the DWP published research findings on its website. A full evaluation of progress in the pathfinder areas was carried out by a consortium of leading research universities with experience in the field.

The experience of the pathfinder areas led the Government to legislate for a national roll-out of the LHA. The Welfare Reform Act 2007 and associated regulations form the legislative basis for the LHA. It was rolled out nationally for new claimants in the deregulated private sector from 7 April 2008.

8 DWP website (now updated and original wording removed).

2 What is the Local Housing Allowance?

Local Housing Allowance (LHA) is not a benefit in its own right. It is an allowance setting maximum amounts claimants of Universal Credit and Housing Benefit renting in the private sector can usually get in housing support for properties of different sizes in local areas.

This maximum support is determined by:

- The size of property a household is entitled to, with bedrooms calculated on the basis of family size and characteristics.
- The 30th percentile rent for properties of different sizes within each local "Broad Rental Market Area" (BRMA), based on rents surveyed in 2019/20[9], up to national maximum amounts.

LHA rates and information about BRMAs can be found on the Directgov website. Households renting privately can get housing support at the lower of the LHA that applies to them or the actual rent they are liable to pay.[10]

If rent is lower than the applicable LHA, housing support is limited to the eligible rent. If rent is higher, there will be a shortfall which the claimant must meet from other resources.

The Valuation Office Agency (VOA) published Understanding Local Housing Allowances rates and broad rental market areas (updated 2016).

2.1 When does LHA not apply?

Private sector only

LHA only applies to private tenants. It is not used to calculate housing support for households renting in social sector - council or housing association - properties.

The former Chancellor, George Osborne, said, as part of the Spending Review and Autumn Statement 2015, that housing support in the social rented sector would also be capped at LHA rates. These plans were later abandoned by Theresa May's Government, citing "concerns raised by the social housing

9 LHA was set at 30th percentile rents in April 2020 but has been frozen in cash terms in the years since – see section 3.

10 Under both Housing Benefit and Universal Credit this amount will be reduced if claimants have enough income.

sector and other key stakeholders about the issues that this measure would present."[11]

Supported exempt housing

It is also not used to set Housing Benefit entitlement for "specified accommodation" such as supported housing, even where provided in the private sector. Instead of receiving a housing costs element in their Universal Credit, tenants continue to receive Housing Benefit.

2.2 Number of bedrooms

Within each BRMA, there are five different LHA rates depending on the number of bedrooms a household is entitled to. A household can be entitled to any number of bedrooms up to four or may be limited to the shared accommodation rate.[12]

The number of bedrooms a household is allowed to claim benefit for depends on household composition. There is an online LHA bedroom entitlement calculator.

2.3 Broad Rental Market Areas (BRMAs)

Rent Officers determine BRMAs. In England they are based within the Valuation Office Agency (VOA). In Wales, they are based with Rent Officers Wales and within the Housing Executive in Northern Ireland. In Scotland, they work for Rent Service Scotland.

A BRMA comprises two or more distinct but adjoining areas of residential accommodation within which a person could reasonably be expected to live having regard to facilities and services for the purposes of health, education, recreation, personal banking and shopping. When determining a BRMA Rent Officers take account of the distance of travel, by public and private transport, to and from facilities and services of the same type and similar standard.

BRMAs are different geographical units from local authorities.

11 MHCLG and DWP, Funding supported housing: policy statement and consultations, 31 October 2017, p5

12 The shared accommodation rate applies to single people aged under 35 years. See Library paper: Housing Benefit: Shared Accommodation Rate.

2.4 National maximum LHA rates

For each size of property (based on the number of bedrooms) the LHA will cover, national caps apply to the amount of weekly LHA payable.

Local Housing Allowance national maximum rates
From April 2023

	£ per week	£ per month
One bedroom shared accommodation	£295.49	£1,283.96
One bedroom exclusive use	£295.49	£1,283.96
Two bedrooms	£365.92	£1,589.99
Three bedrooms	£441.86	£1,920.00
Four bedrooms	£593.74	£2,579.98

Sources: Schedule 3B(2) of The Rent Officers (Housing Benefit Functions) Order 1997, SI 1997/1984 (as amended) and Schedule 1(2) of The Rent Officers (Universal Credit Functions) Order 2013, SI 2013/382 (as amended).

The caps 'bite' in areas with higher private sector rent levels.

3 Reforms to LHA since 2008

3.1 Uprating changes

Prior to April 2011 the LHA was based on median rents in each local BRMA, determined by the Valuation Office Agency (VOA). The median rent is the rent that is halfway up the ordered distribution of rents for properties of the same size in a BRMA. For each category of property, Rent Officers compiled a list of rents representing the market within each BRMA and calculated the median rent from this information.

As part of the June 2010 Budget the Coalition Government announced an intention to reduce expenditure on Housing Benefit.[13] This involved changing the basis on which LHA rates were calculated.

From April 2011, LHA rates within BRMAs were based on the 30th percentile of local market rents (rather than the median). In addition, LHAs for different sizes of properties were made subject to national caps. It was proposed that LHA would be uprated with inflation (Consumer Price Index, CPI) from 2013/14.

This latter policy was enacted through section 69 of the Welfare Reform Act 2012, which allowed the Secretary of State to set LHA rates without reference to Rent Officer determinations, thus removing the ongoing link to measured rental prices from April 2013 onwards. At that time, the intention was to uprate along with CPI for the subsequent two years, but no statutory or customary default has been set since.

LHA rates were increased by CPI in 2013/14 before being uprated by 1% in 2014/15 and 2015/16 as a cost saving measure – see the November 2013 equality impact analysis of the policy (PDF)for more detail.[14]

Along with most other working-age benefits, LHA rates were subsequently frozen for four years from April 2016. Although “targeted affordability funding” allowed LHA rates to increase in some high rent growth areas. These policies led to concerns of shortfalls between LHA rates and 30th percentile rents in most areas of Great Britain – see section 4.1 of the Library’s briefing The rent safety net: changes since 2010 for more detail.

13 HM Treasury, June Budget 2010, paras 2.50-2.57

14 Equality Analysis for Housing Benefit: Uprating Local Housing Allowance by 1 per cent and the Targeted Affordability Funding (PDF), November 2013

In March 2020, the Chancellor announced a series measures to support household finances in the context of the coronavirus pandemic.[15] An existing plan to uprate 2020/21 LHA rates by September 2019 CPI inflation of 1.7% was altered. Instead, LHA rates were raised to 30th percentile rent levels with effect from April 2020. National caps were significantly increased.

This did not establish an ongoing link to rental prices as existed before April 2013. Levels set in April 2020 have been maintained in cash terms (frozen) since that date. It was announced on 17 October 2022 that the freeze would continue into the next financial year.[16]

Asked about the ongoing freeze at a 30 November 2022 evidence session with the Work and Pensions Committee, the Secretary of State for Work and Pensions referred to the growing expense of housing support to the exchequer (Q26):

> **Mel Stride:** The local housing allowance—the LHA—was not uprated, as we know, but as you pointed out, in 2020 it was. It brought it at that point up to the 30th decile in terms of rental costs in the various areas that are assessed under that arrangement. It came with huge cost. That alone cost about £1 billion to do that.
>
> The total cost of housing support at the moment is about £30 billion and the projected cost to 2050 is that that will rise to £50 billion. That is an eye-wateringly large sum, even for a Department like DWP, which is spending AME spend of about £250 billion a year, which is 22% of all Government expenditure. That would represent about a fifth of all that spending by 2050. We cannot get away from the cost of it. That is unfortunately an immoveable object in this consideration.
>
> We are in a challenging fiscal environment and, of course, a lot of other benefits were uprated by inflation that those who live in particularly affected housing would benefit from. There is the discretionary housing payments that local authorities can use. I think it was an additional £100 million, or £100 million is being put into that, whereby local authorities can use that as funding to help to assist those who are struggling as a consequence.
>
> In terms of whether the amounts are adequate, another measure that people often point to is the cap that operates within that scheme. I think I am right in saying that it is only a small percentage that meet the cap in that arrangement. That really is the overall picture. It is hugely expensive. We have done things in the past. I am not saying it is not difficult but that is where we are at the moment.[17]

It is unclear whether the freeze will remain in place in 2024/25. There has been no reference to re-establishing an ongoing link to rental prices.

15 Treasury Press Release, 20 March 2020

16 HCWS364

17 Work and Pensions Committee, Oral evidence: The Work of the Secretary of State for Work and Pensions, HC 549, 30 November 2022, Q26

3.2 The end of "keeping the difference"

Part of the original incentive for households to choose less expensive accommodation was a provision to allow those with rents below LHA to keep some of the difference, up to a set cap.

In theory, tenants had a choice of paying more (out of their own income) for larger/higher quality accommodation or living in smaller accommodation and retaining a percentage of the LHA. The Labour Government argued this would give tenants more choice. It was also hoped tenants would have a downward influence on rents, resisting increases affecting their income.

The amount of LHA a tenant could keep was capped at £15 a week. If their rent was more than £15 below the level of LHA then their benefit payment was reduced.

As part of the 2009 Budget the Labour Government announced the provision would be removed from April 2010, citing a need to bring LHA "into line with what is affordable."[18]

The change was criticised during consultation on regulations.[19] Liberal Democrat member Sarah Teather introduced an Early Day Motion opposing the change on the basis that it would remove incentives and make affected households worse off. This was supported by MPs from all three major UK parties, including several Labour backbenchers.[20] Later in 2009, the Labour Government delayed implementation to April 2011, saying "there are disadvantages to withdrawing the excess" and promising further consultation.[21]

Following the delay, the Work and Pensions Committee published a report on LHA, in which it "was not convinced by the Government's arguments in favour of scrapping the £15 excess entitlement". The Committee welcomed the delay and commitment to review the proposal.[22]

Following the 2010 General Election, the incoming Coalition Government announced it would stick with existing plans and remove the provision from April 2011. They argued it was necessary to make LHA "sustainable in the current fiscal climate", and questioned the extent of the policy's incentive effect:

> The Government agrees that entitlement to the £15 excess has provided a limited incentive to tenants to shop around for properties below their Local Housing Allowance rate. At this time, however, the priority must be to reduce

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18 HM Treasury, Budget 2009: Building Britain's Future, HC 407, p97, para 5.33

19 DWP, Housing Benefit Amendment (No 2) Regulations 2009: Changes to the Local Housing Allowance Consultation on draft regulations (PDF), June 2009

20 EDM 2069, 16 October 2009

21 HM Treasury, Pre-budget report December 2009, 9 December 2009, Cm 7747, para 5.17

22 Work and Pensions Committee, Local Housing Allowance, March 2010, HC 235 2009-10, para 145

> Housing Benefit expenditure and for this reason the excess is being withdrawn from April 2011 for new customers, and on the anniversary of their claim for customers currently receiving an excess.[23]

The Two Year Review of the Local Housing Allowance was published by the DWP in February 2011 – the Review concluded “the excess did not motivate tenants’ decisions about accommodation due to a lack of understanding of benefit entitlement and because other factors were considered more important when making decisions about where to live.”[24]

3.3 Large properties – reducing maximum room allocations

When LHA was first introduced there was no upper limit on the size of property (in terms of the number of bedrooms) claimants might be entitled to claim support for if the size of their household justified it. In practice, this would often be constrained by scarcity of large properties to rent.[25]

In 2008, in response to press reports noting a small number of families were receiving high levels of housing support on large properties, the Labour Government acted to limit the maximum bedroom entitlement to five from April 2009. As part of wider cost cutting measures, and to make Housing Benefit “fairer and more sustainable” the incoming Coalition Government limited support to four bedrooms from April 2011.

The five-bedroom cap

Towards the end of 2008 the case of a family of Afghani refugees who were renting a seven-bedroom house in Ealing was widely reported in the press. The family was receiving LHA to cover rent payments of £2,875 per week. In light of these critical reports the DWP carried out an inquiry into LHA rates for homes with more than five bedrooms. The inquiry reportedly found 16 similar cases, all in London, which were collectively costing the taxpayer around £2.5 million per year.[26]

In response, on 20 October 2008 the then-Secretary of State for Work and Pensions, James Purnell, announced “LHA rates will be capped at the five-bedroom rate for all new customers.”[27]

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23 Work and Pensions Committee, Local Housing Allowance: Government Response to the Committee's Fifth Report of Session 2009–10, (PDF) 21 October 2010, HC 509 2010-11, p7

24 DWP and HMCLG, Evaluation of the Local Housing Allowance, 10 February 2011

25 See Social Security Advisory Committee, Housing Benefit Amendment Regulations 2009 (S.I. 2009 no. 614), 16 March 2009, Cm 7517, para 24

26 Inside Housing, Families pushed to downsize to save cash, 21 November 2008 [login required]

27 HC Deb 20 October 2008 c15

New regulations were introduced, coming into effect in April 2009.[28] These were reviewed by the Social Security Advisory Committee (SSAC), which recommended the policy not be implemented on grounds that "impacts will not only be felt by households with a number of children, but also extended family members living with them including disabled members." They argued the change would "also disproportionately affect families from minority ethnic groups."[29] The Government went ahead with the changes but accepted a recommendation that certain families should receive transitional protection of up to 26 weeks.

The four-bedroom cap

As part of the June 2010 "emergency" Budget the incoming Coalition Government announced it would cap the LHA at a four-bedroom rate of £400 per week from April 2011:

> The Government has decided that it must take decisive action to put a limit on the amount of rent to be met through Housing Benefit under the Local Housing Allowance scheme. From April 2011, Housing Benefit will only be paid at the up to the four bedroom rate and caps for all property sizes will be introduced so that the highest amount of benefit a family could receive would be £400 a week. This, coupled with the October 2011 change will reduce all Local Housing Allowance rates to the 30th percentile. The result will be Housing Benefit levels which are fairer and more sustainable, and in all but the most central areas of London between 30 and 40% of properties will still be affordable to Housing Benefit customers.
>
> In the longer term greater control will need to exercised over the growth of Housing Benefit in the private rented sector. To do this the Department will fundamentally reform the way rates are set to ensure that, in future, support for customers living in the private rented sector are kept at more reasonable and realistic levels.[30]

The Child Poverty Action Group (CPAG) was granted leave to seek judicial review of the Government's decision to place a national cap on the LHA and the prevention of payments to meet the cost of renting a house with more than four bedrooms irrespective of household size. The case was heard in the High Court on 21 July 2011 and the judgment, in favour of the Government, was handed down on 13 October 2011.

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28 The Housing Benefit (Amendment) Regulations 2009, SI 2009/614

29 Social Security Advisory Committee, Housing Benefit Amendment Regulations 2009 (S.I. 2009 no. 614), 16 March 2009, Cm 7517

30 Work and Pensions Committee, Local Housing Allowance: Government Response to the Committee's Fifth Report of Session 2009–10, (PDF) 21 October 2010, HC 509 2010-11, p8

4 Current issues and debate

4.1 Post April 2020 LHA freeze

Since LHA rates were increased to the 30th percentile of local rents in April 2020 they have been frozen in cash terms. It was announced on 17 October 2022 that the freeze would continue into the next financial year.[31] In effect, the ongoing link between LHA rates and rental prices which existed before April 2013 has not been re-established.

The current freeze in LHA rates has coincided with a rise in private sector rents. Rental prices paid by private tenants in the UK rose by 4.4% over the 12 months to January 2023 according to the Index of Private Housing Rental Prices published by the Office for National Statistics.

Numerous bodies, including homeless charities, the representative bodies of local authorities and private landlords, are making the case for LHA rates to be uprated to cover at least the 30th percentile of local rents, alongside relinking rates to the real cost of renting for future years.

The Northern Housing Consortium (NHC) made changes to the LHA the central focus of its submission on the 2023 spring budget, arguing it is "the most pressing priority for the Chancellor":

> The NHC and our members believe that a continued freeze on LHA would make it even harder for existing private renters to make ends meet, risking homelessness and making it increasingly difficult for local authorities to discharge their homelessness duties effectively.[32]

The NHC's press notice refers to rent increases over the last two years which resulted in 2022's Northern Housing Monitor recording only 7% of rental adverts as affordable to those reliant on LHA in the north.[33]

The National Residential Landlords Association (NRLA) argues the LHA rate freeze "led to the proportion of landlords letting to tenants in receipt of benefits falling over the past decade."[34] Evidence of landlords being reluctant to let to tenants on benefits is discussed in the Library paper: Can private landlords refuse to let to Housing Benefit claimants? The NRLA is asking for, amongst other welfare reforms, a minimum commitment to permanently

31 HCWS364
32 NHC Spring Budget representation calls for boost to Local Housing Allowance, 28 February 2023
33 As above.
34 England - Welfare Reform | NRLA [accessed 8 March 2023]

align LHA rates to the 30th percentile of market rents, and for realignment to median market rents (50th percentile).[35]

The Levelling Up, Housing and Communities Committee published the report of its inquiry into the private rented sector on 9 February 2023. The Committee "received a huge amount of evidence on the impact of current local housing allowance (LHA) rates."[36]

Freezing LHA rates "was repeatedly cited as a cause of particular concern" with those expressing concerns "unanimous in calling on the Government to restore the link between LHA rates and the 30th percentile."[37] For example Z2K, a charity which works with Londoners experiencing complex benefits or housing issues, gave evidence on the impact of LHA rates:

> ...the freeze had driven many into poverty, forced some to accept properties in a state of disrepair and left others unable to find anywhere to live at all. It said if the Government wanted the PRS to continue to house lower-income tenants it should accept the price tag that came with it.[38]

The Committee concluded the failure to ensure LHA rates keep pace with market rents "is quite obviously making the private rented sector even less affordable for many people who are only there because the social housing sector has been cut back and can no longer accommodate them."[39] The Committee recommended:

> If the Government believes the PRS is the right place for those on the lowest incomes, it should at least make sure housing benefit does what it was designed to do and covers benefit recipients' housing costs. For this reason, it should increase LHA rates to realign them with the 30th percentile in each broad rental market area, and commit to conducting a review as soon as possible into whether they should once more be aligned with the 50th percentile.[40]

The Government has been questioned about the impact of frozen LHA rates on local authority expenditure on temporary accommodation for households who have not been able to sustain a private rented tenancy. The Minster, Baroness Scott of Bybrook replied on 7 March 2023:

> The causes of homelessness are complex, and it is driven by a range of factors including changes to household income. The Government is committed to preventing homelessness where possible. We have announced the allocation of £654 million in funding through the Homelessness Prevention Grant that will be made available to local authorities in 2023/24 and 2024/25. This investment

35 As above.
36 Levelling Up, Housing and Communities Committee, Reforming the Private Rented Sector (PDF), HC 624 2022-23, para 113
37 As above, para 115
38 As above, para 115
39 As above, para 117
40 As above, para 117

> builds on the £366 million in funding already available to local authorities through the Homelessness Prevention Grant for 2022/23.[41]

In January 2023, the Minister, Felicity Buchan, answered a PQ on trends in LHA rates and affordability of the private rented sector:

> In April 2020 we boosted investment in the Local Housing Allowance by nearly £1 billion and rates have been maintained at their increased level in 2021/22 and 2022/23. This increase was worth over an extra £600 on average in 2020-21 for 1.5 million claimants.
>
> Government recognises that some private renters may need additional support. For those who face a shortfall in meeting their housing costs, Discretionary Housing Payments (DHP) are available from local authorities. Since 2011 the Government has provided almost £1.6 billion in DHP funding to local authorities.[42]

The Minister gave oral evidence to the Committee's inquiry before the autumn statement. When asked about LHA rates she said it was a matter for the Treasury and DWP and could not comment ahead of the statement. She was pressed on whether she thought LHA rates were a problem and said: "the Department was talking to the Treasury and the DWP but that she was not in a position to say anything publicly."[43]

A briefing published by the homelessness charity Shelter in February 2023, Homelessness and the Cost of Living Crisis, said Government data on Discretionary Housing Payments (DHPs) indicates "councils are already struggling to keep up with demand" particularly in more traditionally affordable areas:

> Data published in December 2022 indicated that in the first six months of the financial year, local authorities in England had spent 55% of their DHP budget allocation. This shows an increase in pressure on DHP budgets: at the same point in the previous financial year, councils had spent 45% of their allocation.[44]

Shelter's analysis found "Some were on the brink of running out of funding - 31 English councils had spent three quarters or more of their allocation before the winter started."[45] This is in the context of a reduction in DHP funding over 2022/23 of £40 million. Authorities in England and Wales will receive £100 million for DHP allocations compared to £140 million in 2021/22.[46]

Crisis and Zoopla published Falling short: Housing benefit and the rising cost of renting in England in August 2022 which concluded "the government is

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41 PQ HL5797 [Local Housing Allowance], 7 March 2023

42 PQ 117908 [Local Housing Allowance], 16 January 2023

43 Levelling Up, Housing and Communities Committee, Reforming the Private Rented Sector (PDF), HC 624 2022-23, para 116

44 Alert Briefing: Homelessness and the Cost of Living Crisis - Shelter England, February 2023

45 As above

46 S1/2022: Discretionary Housing Payment government contribution for English and Welsh local authorities for financial year ending March 2023 - GOV.UK, 18 November 2022

drastically underestimating the shortfall between housing benefit and the cost of rents."[47]

Crisis also published A tale of two crises: housing and the cost of living in February 2023 which "summarises research and analysis from across the homelessness sector" and "outlines the impact of successive freezes in housing benefit (Local Housing Allowance) on low income renters, people experiencing homelessness, and services."[48]

Data: the impact of freezing LHA rates

The gap between average LHA rates and 30th percentile rents increased year on year on year from April 2013 to April 2020.

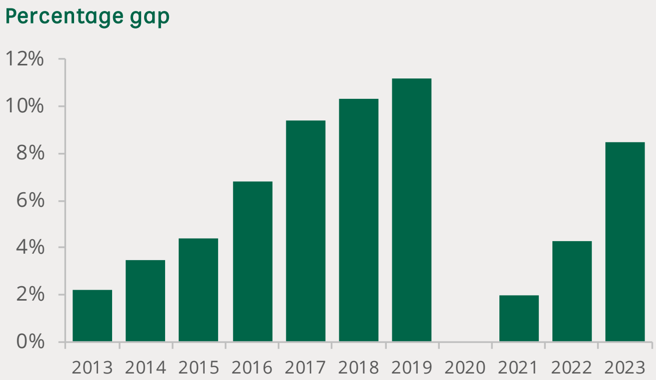
When the first freeze in rates was introduced in April 2016, the gap across all rates was around 6.8% of the 30th percentile rent, or £9.70 per week. By April 2020, the gap had increased to 11.2 % (£17.20 per week).

In April 2020 LHA rates were raised to 30th percentile rent levels but have remained frozen at this level since. Consequently, the gap between LHA rates and 30th percentile rates has increased.

From April 2023, the gap across all rates will be around 8.5% of the 30th percentile rent. This means that on average, households will need to fund an additional £14.30 in rent each week, just under £750 per year.

Gap between average LHA rates and 30th percentile rents

Great Britain: average weekly rates and rents from April in each year shown



Monetary gap	
2013/14	£3.00
2014/15	£5.00
2015/16	£6.40
2016/17	£9.70
2017/18	£13.80
2018/19	£15.30
2019/20	£17.20
2020/21	£0.00
2021/22	£3.20
2022/23	£6.90
2023/24	£14.30

Note: This is a simple average of differences between LHA rate and 30th percentile across all BRMAs and LHA rates, including those with no gap. Figures are rounded to the nearest 10p.

Sources: LHA rates in England, Scotland, Wales: VOA and devolved administrations

47 Crisis and Zoopla, Falling short: Housing benefit and the rising cost of renting in England, 25 August 2022 [corrected on 10 March 2023 as originally attributed to Shelter]

48 Crisis, A tale of two crises: housing and the cost of living, 27 February 2023 [reference added on 10 March 2023]

Over the current period of frozen rates, change in the size of the gap between 30th percentile rents and LHA rates is uneven across countries of Great Britain and the regions of England.

Gaps were three percentage points lower for 2023/24 in England and Scotland compared with 2019/20, but the gap in Wales increased by one percentage point.

Most regions of England saw a reduction in the size of the gap, but the gap increased in the North West (up 2 percentage points) and Yorkshire and the Humber (up 1 percentage point).

London, which had the largest proportional gap between 30th percentile rents and LHA rates in 2019/20 was broadly in line with the national average gap in 2023/24.

LHA rates and 30th percentile rents in 2019/20 and 2023/24

Average across Great Britain for all LHA rates and 30th percentile rents

	2019/20			2023/24		
	Average weekly		Gap as % of 30th percentile rent	Average weekly		Gap as % of 30th percentile rent
	30th percentile rent	LHA		30th percentile rent	LHA	
London	£323.30	£263.10	19%	£338.90	£308.10	9%
East of England	£171.10	£148.40	13%	£189.50	£173.00	9%
South East	£192.60	£170.70	11%	£210.70	£195.00	7%
East Midlands	£119.60	£106.50	11%	£135.60	£123.00	9%
Scotland	£129.00	£115.50	10%	£142.60	£131.90	7%
West Midlands	£134.30	£120.60	10%	£149.10	£136.70	8%
South West	£150.30	£135.60	10%	£170.50	£153.50	10%
North West	£117.90	£108.80	8%	£132.10	£119.30	10%
Yorkshire & the Humber	£111.40	£103.90	7%	£123.70	£113.60	8%
North East	£102.60	£97.50	5%	£109.40	£103.60	5%
England	£162.40	£143.30	12%	£163.00	£178.50	9%
Wales	£105.10	£98.10	7%	£117.00	£107.20	8%
Scotland	£129.00	£115.50	10%	£142.60	£131.90	7%
Great Britain	£152.30	£135.30	11%	£167.80	£153.50	9%

Notes: 30th percentile rent and LHA rates for GB regions and nations are LHA are simple averages across all BRMAs and LHA rates.
The gap is a simple average of differences between LHA rate and 30th percentile across all BRMAs and LHA rates, including those with no gap.
Average rates and rents are rounded to the nearest 10p
Sources: LHA rates in England, Scotland, Wales: VOA and devolved administrations.

4.2 Size of BRMAs

BRMAs can cover large geographical areas and incorporate some wealthy and less wealthy regions. Concerns have been raised about the degree to which wealthy areas with high private sector rents can inflate LHA rates within a BRMA. In other BRMAs concern focuses on the impact of less wealthy areas which decrease LHA rates, making the private rented sector less accessible for those who rely on benefits to help with rent payments.

For example, the Communities and Local Government Select Committee's 2013-14 inquiry into The Private Rented Sector (PDF) took evidence from representatives of Blackpool Borough Council and York Council on their BRMAs:

> Blackpool's BRMA included wealthier surrounding areas with higher rents, creating an "artificially high" level of LHA and making it "very profitable for landlords to buy and let out accommodation to benefits claimants in Blackpool, demonstrated by the doubling in HB claimants in the private rented sector seen in the last 10 years". It was feared that this had a destabilising effect and prompted the Council to have discussions with the Department for Work and Pensions about a change to the way LHA was calculated. York's, by contrast, included surrounding areas with lower rents, making it difficult for Housing Benefit recipients to find housing within LHA limits inside the city.[49]

The Committee recommended the "Government take immediate steps to allow councils to apply for a variation of broad rental market area boundaries where anomalies occur."[50]

The Government response said there were no plans to change BRMA boundaries at that time:

> Broad rental market areas and Local Housing Allowance rates are set such that, with the exception of the most expensive areas of London, benefit claimants can afford to access key services and employment services. Therefore by design they do not always coincide with local authority boundaries.
>
> The Government accepts that in some local authorities a greater or lesser proportion of properties are affordable within local housing allowance rates but the Rent Officers - who administer the rates - have taken a number of steps to ensure that they base their determinations on accurate representations of the private rented market.
>
> Whilst we also accept that there will be boundary issues with any system, we believe that the broad rental market areas reflect the choices people not claiming Housing Benefit have to make about their accommodation. Therefore,

[49] Communities and Local Government Committee, The Private Rented Sector (PDF), 18 July 2013, HC 50 2013-14, pp48-49

[50] As above, para 125

> whilst we will continue to monitor the situation, government has no plans to change the boundaries of broad rental market areas at this time. [51]

The former MP for Stroud, Dr David Drew, raised the impact of Stroud sharing a BRMA with Gloucester during a Westminster Hall debate on 24 July 2019. He said Gloucester is an area with lower rents, meaning households with lower incomes reliant on housing support through benefits are “forced towards Gloucester”:

> The Minister will not be surprised to hear my usual plea for a redesign of the local housing areas. Stroud was put in the same local housing area as Gloucester. That had nothing to do with this Government—a previous Government did it—but because Gloucester’s rents are traditionally much lower than Stroud’s, it has affected us particularly badly. I hope that the Minister will be able to tell us some good things, because it has had two effects.
>
> First, people on lower incomes in my constituency are now being forced towards Gloucester, because it is the only place where they can pick up private renting. Secondly and more particularly, there is a huge shortfall. Private landlords are increasingly refusing to take anyone on benefits in the Stroud area, because they know that there is a shortfall. It has undoubtedly pushed rents up—it is difficult to prove, but that is the word on the street—which has put my local authority, Stroud District Council, under even more pressure as a result of homelessness, even though it is trying to build more houses and bring more social housing into play.
>
> The best illustration is the horrifying figures that I and other hon. Members received from Shelter when preparing for our debate. In the Gloucester-Stroud local housing area—I suspect the figures for Stroud alone are much worse—only 9% of four-bedroom properties are within the local housing allowance.[52]

Will Quince, then-Minister for Welfare Delivery, noted the concerns, but pointed to the complexity and inevitable trade-offs of any changes:

> The hon. Member for Stroud (Dr Drew) has raised the point about broad rental market areas a few times; I note his concerns about the broad rental market area boundaries in Stroud and the wider area. As with all policies, we keep that under review, and I am looking at this very closely. I hope the hon. Gentleman will appreciate that any reform of the policy would be a significant and complex undertaking, given that there are 192 broad market rental areas across England, Scotland and Wales. We should be aware that any changes to the BMRAs and their boundaries are likely to create both winners and losers, so I have to give very careful consideration to the potential impact.[53]

A report published by the Centre of Housing Policy at the University of York in 2018, The Evolving Private Rented Sector – its contribution and potential, commented on changes in BRMAs:

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51 Government Response to the Communities and Local Government Select Committee Report: The Private Rented Sector (PDF), Cm 8730, October 2013, recommendation 35

52 HC Deb 24 July 2019 c589

53 HC Deb 24 July 2019 c602

> LHA payments are based on Broad Rental Market Area (BRMAs) boundaries that are not routinely reviewed: since its introduction, there has been new house building and tenure shift, transport development, and alteration in the geography of the labour market, suggesting that BRMAs are unlikely still to be an accurate reflection of local housing markets.[54]

The LHA Guidance Manual (last updated 30 June 2014) explains:

> Rent officers are required to review the BRMA as often as it is thought appropriate, but all suggested changes to BRMA boundaries are subject to the agreement of the Secretary of State.[55]

Although Rent Officers sit in different organisations in the four parts of the UK, in practice the process of determining and reviewing BRMAs is the same. The VOA publishes its Review Protocol. Reviews can be part of a “rolling programme of regular monitoring” or may be requested by a local authority for a specified set of ‘relevant’ reasons:

> What constitutes a relevant reason for requesting a BRMA review?
>
> - Significant change to the provision of facilities and services for health, education, recreation, personal banking and shopping
> - Significant change to the transport infrastructure
> - Significant change to the variety of housing types and tenures
> - Significant change to the size of the private rented sector[56]

54 Rugg J: Rhodes D, The Evolving Private Rented Sector – its contribution and potential, 2018, p140
55 LHA Guidance Manual, updated 30 June 2014, para 1.057
56 Broad Rental Market Area (BRMA) Review Protocol, VOA, 29 January 2016

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