

A temporary thaw

An analysis of Local Housing Allowance uprating over time

9 December 2023

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In the 2023 Autumn Statement, the Chancellor announced that the Local Housing Allowance (LHA) will be re-pegged to the 30th percentile of local rents in April 2024. This will be the first increase to the LHA in four years, good news for the 1.3 million private renter households in receipt of Universal Credit or Housing Benefit with housing costs that are higher than current rates. Many will see a substantial boost to their income as a result. Three-bedroom households renting in Central London could be as much as £82 a week better off, for example. But the potential gains are material for those living elsewhere too, especially in other large cities. Similar households living in Bristol could gain by as much as £69 a week; in Glasgow by £48 a week; and in Leeds by £38 a week.

However, there are two reasons to temper our positivity about the Chancellor's announcement. First, when LHA rates are increased next April, thousands more households will run up against the benefit cap, which will not be uprated next year. We estimate that a couple with two children in receipt of the full UC award will hit the benefit cap in more than four-in-five (83 per cent) local areas come next April, up from just over half (53 per cent) today.

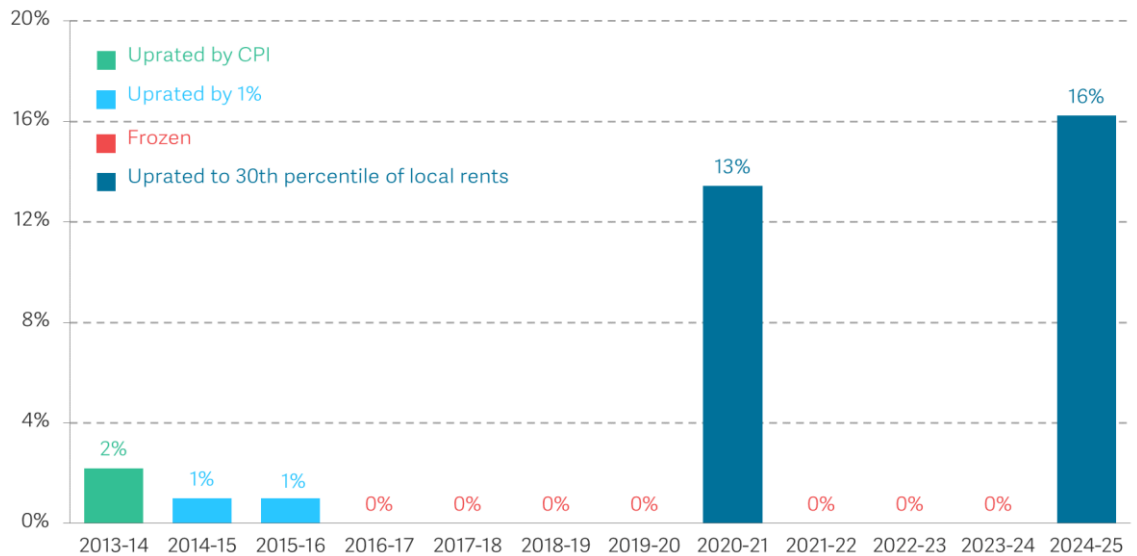
Second, the Chancellor confirmed his intention to freeze LHA rates once again from 2024 onwards. This sporadic thawing then freezing of the LHA is a sub-optimal way to support low-income renters with housing costs, creating arbitrary shortfalls between rents and housing support that differ drastically by area and over time. This puts intense pressure on low-income households – and cash-strapped local authorities who are often relied upon to provide emergency support – until the next reset occurs.

Re-pegging Local Housing Allowance to the 30th percentile of local rents in April 2024 is good news for low-income private renters

In the 2023 Autumn Statement, the Chancellor announced that the Local Housing Allowance (LHA) will be re-pegged to the 30th percentile of local rents in April 2024, at a cost of [£1.3 billion next year](#). The LHA, which sets limits on the level of housing support for private

renters based on rents in broad rental market areas (BRMAs) and property size, has been frozen since April 2020. This is very good news for the 1.3 million private renter households in receipt of Universal Credit (UC) or Housing Benefit (HB) with higher housing costs than the LHA, relieving significant pressure built up by recent rent increases. As Figure 1 shows, LHA rates have been uprated only five times in the last 12 years, and twice by just one per cent.¹

Figure 1 **LHA uprating policy has been highly inconsistent over time**
Average nominal change in LHA rates: Great Britain



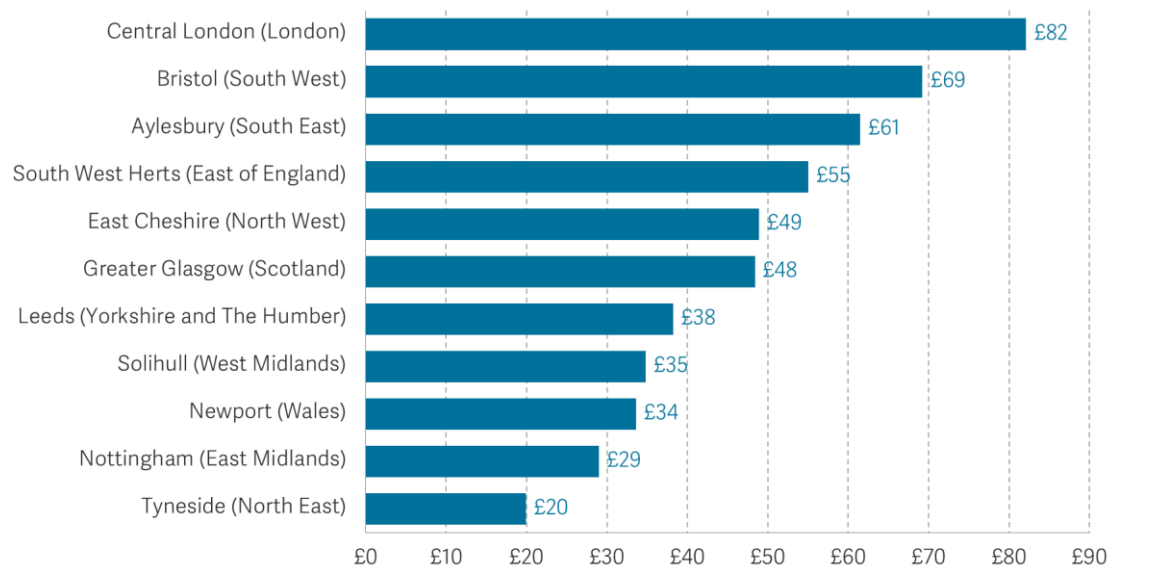
Notes: 2020-21 shows the average change in LHA rates across all BRMAs compared to 2019-20. The 2024-25 value assumes that 30th percentile rents have grown in line with BRMA averages in the 12 months up to September 2023. Excludes Targeted Affordability Fund.

Source: RF analysis of Local Housing Allowance rates applicable from April 2023 to March 2024; ONS, Price Index of Private Rents; F Hobson, Local Housing Allowance: Help with rent for private tenants, House of Commons Library.

The final LHA rates for next year will not be published until January, but using the new [ONS Price Index of Private Rents](#) suggests that a low-income household renting a 3-bedroom property in Central London (covering boroughs such as Camden and Kensington and Chelsea) could receive up to £82 a week extra support from April 2024 (see Figure 2).² However, it is not just renters in the capital that could potentially see a large boost to their incomes. Families renting a 3-bedroom property in Bristol with housing costs above the current LHA rate could be up to £69 per week better off, for example; the equivalent household in Glasgow could gain by as much as £48 per week; and that figure stands at £38 a week in Leeds. Even areas where rents have increased more slowly, such as Darlington or Grimsby, could see support for a 3-bedroom property rise by £10 per week, or £520 per year.

Figure 2 **LHA increases will differ by local area, with many cities seeing especially substantial rises next April**

Estimated average weekly increase in Local Housing Allowance for a 3-bed property in April 2024, top BRMA in each region: Great Britain



Notes: Assumes that 30th percentile rents have grown in line with BRMA averages in the 12 months up to September 2023. The figure for Greater Glasgow may be an overestimation, as Scotland rents data in the Price Index of Private Rents are mainly for advertised new lets, which are not subject to the price cap in Scotland that has capped in-tenancy increases since late 2022.

Source: RF analysis of Local Housing Allowance rates applicable from April 2023 to March 2024; ONS, Price Index of Private Rents.

Thousands of households that look set to gain from LHA uprating will fall foul of the benefit cap

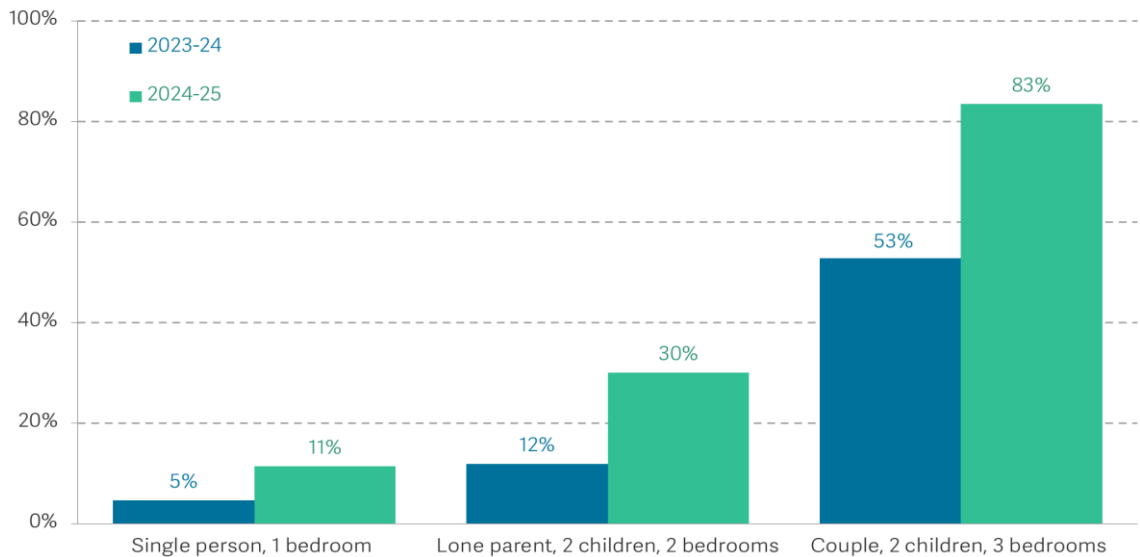
This good news is tempered, however, by the operation of the benefit cap, which limits the total benefit support that out-of-work households can receive.³ In contrast to LHA rates and overall benefit levels, the Chancellor did not uprate the benefit cap at Autumn Statement this year - indeed, it has only been uprated once since its introduction in 2013. As a result, in April 2024 the benefit cap will be worth £10,000 less in real terms in London, and nearly £14,000 less outside of London, than when it was introduced in 2013.⁴ Consequently, thousands more households who look set to receive higher housing support in the first instance when LHA rates increase next April will run up against the benefit cap, and receive limited or no extra income.⁵

As Figure 3 shows, this effect will be particularly pronounced for privately-renting families with children, who are more likely to fall foul of the cap given their greater needs and thus higher total benefit support. We estimate that a couple with two children where neither adult works that is in receipt of the full UC entitlement and renting at or above the LHA rate will be capped in 83 per cent of local areas in April 2024, up from 53 per cent currently.⁶ Likewise, the proportion of BRMAs where single people and lone parents with two children will not

enjoy the full benefit of the LHA uplift will more than double, to 11 per cent and 30 per cent respectively.

Figure 3 **Out-of-work two-child families in receipt of a full UC award will be benefit capped in 83 per cent of local areas next year**

Estimated proportion of Broad Rental Market Areas where full UC entitlement for private renters breaches the benefit cap: 2023-24 & 2024-25, Great Britain



Notes: UC entitlement is for a main claimant over 25, any first child born prior to April 2017, and the housing element at the relevant LHA rate. No disability or childcare elements included. Assumes that 30th percentile rents have grown in line with BRMA averages in the 12 months up to September 2023.

Source: RF analysis of Local Housing Allowance rates applicable from April 2023 to March 2024; ONS, Price Index of Private Rents.

The stop-start practice of LHA uprating causes serious problems for low-income renters

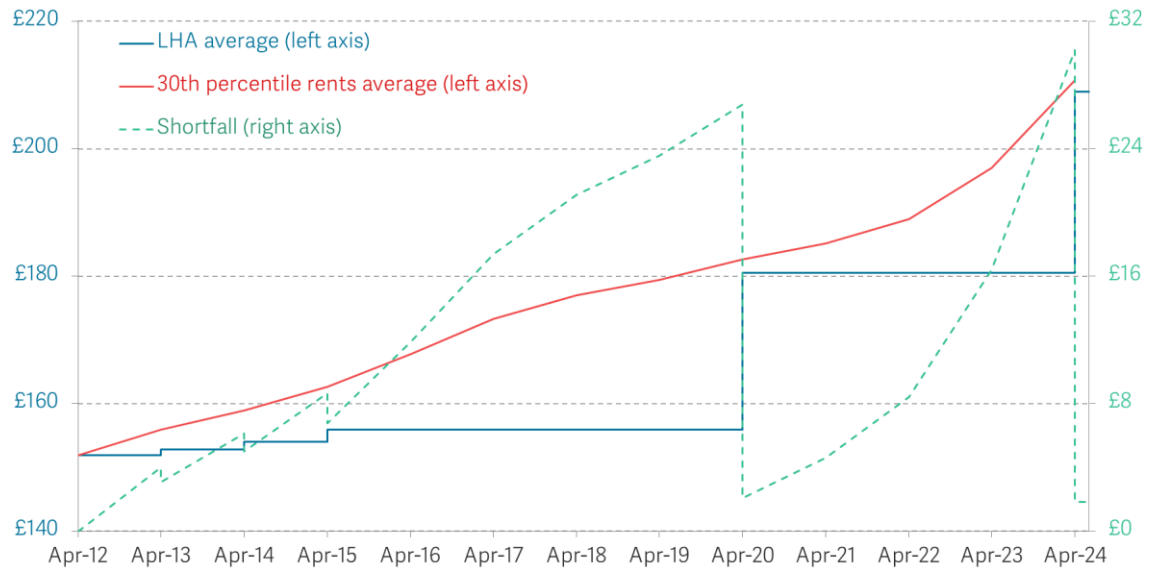
Alongside the positive news that housing support will be re-pegged to local rents come April next year, the Chancellor also announced at the Autumn Statement that LHA rates would be frozen again thereafter. This decision brings to attention the longer-term issues caused by inconsistent uprating and freezing of support. For example, the proportion of privately-renting households on UC that do not have their full rent covered by their housing support stood at 53 per cent in April 2020; as rents rose rapidly, by August 2023 that figure was 63 per cent.⁷ Likewise, [recent research](#) has found that the proportion of new private rents advertised on Zoopla that are affordable at the LHA fell from 23 per cent in 2020, to just 5 per cent this year.

Figure 4 brings this point home, illustrating how average housing affordability has evolved over time for low-income private renters since 2012. As housing support has been increased in stops and starts, the average shortfalls between rents and LHA rates have fluctuated. In April 2016, for example, after a period of sub-inflation uprating (see Figure 1), the average weekly shortfall between 30th percentile rents and the LHA was £12; by April 2020 after a four-year freeze, the gap stood at £27. But in the four-year period between April 2020 and

April 2024, we estimate the average shortfall between rents at the 30th percentile and LHA rates grew to £30 as private rents accelerated at pace.

Figure 4 **Uprating LHA rates on a stop-start basis causes significant shortfalls between rents and housing support**

30th percentile weekly rents and weekly Local Housing Allowance rates for 2 bed properties (left axis), and weekly cash shortfall (right axis), BRMA average: Great Britain



Notes: Excludes Targeted Affordability Funding. 30th percentile rents show the previous September figure. Assumes that 30th percentile rents have grown in line with BRMA averages in the 12 months up to September 2023. Source: RF analysis of Local Housing Allowance rates applicable from April 2012 to March 2024; ONS, Price Index of Private Rents.

This inconsistent approach to LHA uprating creates adverse outcomes that can vary arbitrarily by place as well as over time. Geographical differences in rent increases can be very stark indeed: North Yorkshire saw average rents increase by 28 per cent between September 2019 and September 2023, for example, compared to Ceredigion, where rents grew by just 7 per cent over the same period. Between 2016 and 2020, the Government tried to moderate differential spatial effects of the LHA freeze with the Targeted Affordability Fund, which slightly boosted LHA rates in BRMAs where rents had risen the most. However, no such measures have been in place since 2020.⁸

Shortfalls between rent and housing support put families and local authorities under huge pressure

Whether a shortfall between housing support and rent arises from the benefit cap or the dwindling in the LHA's value over time, the gap has to be made up somehow if serious consequences are not to ensue. For many families, this means using other sources of income to make up their rent, putting pressure on budgets for essentials such as food and

fuel. Some also turn to their local authority to bridge the gap, through Discretionary Housing Payments ([the budget for which has declined from £180 million in 2013-14, to £100 million in 2023-24](#)) and other forms of crisis support. This adds another layer to the geographical inequality of the experience, as [levels and types of available support](#) depend on local council budgets, policies and often the discretion of individual council decision makers.

In the worst-case scenario, local authorities must also pick up the pieces in the event of homelessness. [Councils spent £1.7 billion on temporary accommodation last year](#), up by 9 per cent on the previous year. This has been made worse by a much longer freeze than those experienced by renters claiming housing support: the Housing Benefit subsidy councils receive when they house a family in temporary accommodation [was set at 90 per cent of the applicable LHA rate in 2011 and has remained frozen since](#). This can cost councils hundreds of pounds per resident per week, making it more difficult to provide quality accommodation.

Private rental housing is frequently the only option available to low-income households given a chronic under-supply of social rental housing, and the near-impossibility of saving for a deposit to purchase a property while claiming benefits. The increase to LHA rates in April 2024 will be felt materially by many households that currently have their housing support capped. But in the long run, the Government should commit to re-connecting housing support to the 30th percentile of local rents each year, as well as at a minimum uprating the benefit cap, to provide stability for low-income private renters in the medium- to long-term.

¹ See: F Hobson, [Local Housing Allowance: Help with rent for private tenants](#), House of Commons Library, March 2023 for an excellent overview.

² These figures are an update on those published in our [Autumn Statement response](#) and use new ONS Price Index of Private Rents data, which shows rent inflation at a local authority rather than a regional level. This data was not published at the time of the Autumn Statement.

³ The annual benefit cap thresholds for a couple or a household with children are £25,323 in London and £22,020 outside of London. For a single person, the annual thresholds are £16,967 in London and £14,753 outside of London. See: S Kennedy, [Benefit Cap](#), House of Commons Library, June 2023.

⁴ The £26,000 national cap in 2013 is worth £35,774 in April 2024 prices (deflated by CPI). This is £10,451 more than the current London cap of £25,323 and £13,754 more than the outside London cap of £20,020 for a couple or a household with children.

⁵ Data is not available to estimate this figure accurately. However, there are currently around 240,000 privately renting families with children on UC living in a Broad Market Rental Area where we estimate that full UC entitlement will breach the benefit cap threshold next year. Around one-third of these households are likely to be out-of-work and without a disability or health condition, so will not be exempt from the benefit cap.

⁶ This is for households where the first child was born prior to April 2017. Households receive a slightly lower child element for first children born after April 2017. We estimate that couples with two children where the first child was born after April 2017 will be benefit capped in 77% of BRMAs and lone parents with two children where the first child was born after April 2017 will be benefit capped in 25% of BRMAs.

⁷ Source: DWP Stat-Xplore.

⁸ The Targeted Affordability Fund recycled some of the savings from the LHA freeze to boost LHA rates by 3 per cent for some property sizes in about half of BRMAs where rents had risen the most. See: H Cromarty, [Local housing allowance and homelessness](#), House of Commons Library, July 2019.