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homelessness

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# Locked Out

Local Housing Allowance & affordability in the private rented sector in Scotland

## What you need to know:

- New analysis by Crisis and property website Zoopla has found that, across Scotland, just 7% of 1–3 bedroom private rented sector (PRS) properties listed in 2022-23 were affordable to people who need housing benefit to help pay their rent.
- The problem is being felt right across the country. There are 15 local authorities where fewer than 5% of 1-3 bedroom properties are affordable to people who need housing benefit to pay their rent.
- Low-income renters are having to cover shortfalls of thousands of pounds a year at a time when inflation remains high and household bills continue to put a strain on people's budgets. During 2022-23, households were paying, on average, an extra £629 for a one-bedroom property, £1,119 for a two-bedroom property, and £1,603 for a three-bedroom property over the course of the year.

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# Introduction

**Across Scotland - with rents increasing and housing benefit remaining frozen - more and more low-income households are being forced into ever-more difficult situations.**

The cost-of-living crisis, rising rents and increasing food costs are combining to exert even greater pressure on people struggling to stay afloat.

In partnership with Zoopla, Crisis analysed Zoopla property listings data covering all one, two and three-bedroom properties in Scotland listed on the website over a period of 12 months, from April 2022 to March 2023.<sup>1</sup> Our analysis examined the proportion of properties in Scotland that were affordable for households receiving housing benefit.<sup>2</sup> We also examined how much housing benefit rates fall short of average private rents in each local authority and region, and rents at the bottom third of the market.<sup>3</sup>

Our analysis, outlined in this briefing, underlines the extent to which the freeze on housing benefit is tightening that pressure, by making it ever-more challenging for people on low incomes to access housing in the PRS. It makes clear the almost impossible position that

many renters on low income are forced into, as they are caught in the growing gap between the support available to them through housing benefit and the true cost of housing. It makes clear the urgent need for action from the UK Government, and underlines the need for the Scottish Government to do more to support renters too.

## Policy context

In the social rented sector, social security support with housing costs is unrestricted by age or house size, especially since the Scottish Government's commitment to fully mitigate the 'bedroom tax' and the benefit cap through discretionary funding. In the private sector, however, tenants are only able to receive Housing Benefit – called Local Housing Allowance (LHA) – at certain levels, depending on area and size of the property (one, two or three bedroom).

LHA levels were historically set to meet the lowest 30% of local rents, but were frozen for several years. In 2020 and in response to the pandemic, they were re-set at the 30th percentile of the rental distribution, making more properties available to households at the lower end of the market. However, rates have since been frozen again and have not kept pace with sky-rocketing inflation. New tenancy rents have risen during the

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<sup>1</sup> Some local authorities - Eilean Siar, Orkney Islands and Shetland Islands – have not been included in the analysis because there was insufficient data available.

<sup>2</sup> To calculate this, we determined if each listing is affordable at housing benefit rates, by comparing its listed rent to the housing benefit rate that would apply to it based on 1) the number of bedrooms it contains; and 2) its location, i.e. the Broad Rental Market Area (BRMA) it is located within.

<sup>3</sup> We calculated the gap between housing benefit rates and the amount it would cost to rent a property at the 30<sup>th</sup> percentile of the rental distribution. We also compared housing benefit rates with median market rents (at the 50<sup>th</sup> percentile). It should be borne in mind that housing benefit has not been designed to cover average market rents.

current cost of living crisis, so LHA now falls short of rents in many areas.

Private tenants on low incomes face other barriers too, such as the Shared Accommodation Rate which places a cap on the amount awarded for housing costs for claimants aged between 18 and 35, with only very specific exceptions, meaning young people are forced to look for a room in a shared house or a bedsit at best. This can create an insurmountable barrier for young people who are subject to benefits restrictions and conditionality, often on low pay if in work, and limited state support in paying for housing. Some high-pressure market areas will have little or no options available for people in this position.

In response to the cost-of-living crisis, the Scottish Parliament passed emergency legislation – the Cost of Living (Tenant Protection) (Scotland) Act 2022 – which introduced a pause on the enforcement of evictions, and a cap on rent increases for existing private tenancies which was initially set at 0%, and now at 3%. Importantly, the rent cap does not apply to new tenancies. The legislation has been extended a further 6 months to September 2023 with the possibility of a final extension until the end of March 2024 (subject to parliamentary approval). Social rented tenancies were originally included in the rent cap, however, following a voluntary agreement with social landlords to

implement below inflation rent increases for 2023-24, the rent cap for social housing was removed in February 2023.

In recognition of the affordability challenges that tenants on low incomes face in the private sector, the Scottish Government is also working to introduce a national system of rent controls in its forthcoming Housing Bill.

## Findings

### Proportion of the market accessible to low-income households

Analysis of DWP data shows that there are 53,600 households living in the PRS in Scotland and receiving support to cover housing costs.<sup>4</sup> The most recent data on tenure composition in Scotland shows that, in 2019, there were an estimated 340,000 households living in the PRS.<sup>5</sup> Based on these figures, we **estimate that approximately 15% of households in the PRS are in receipt of support with housing costs.**<sup>6</sup>

**Yet, according to our analysis, across Scotland, just 7% of 1–3-bedroom properties listed on Zoopla in the financial year 2022-23 were affordable to people who need housing benefit to help pay their rent.**

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<sup>4</sup> Housing Benefit caseload in September 2022. Source: DWP [Stat Xplore](#): Housing Benefit Data from April 2018 and Households on Universal Credit.

<sup>5</sup> Scottish Household Survey, 2019 (Table 3.3 Household characteristics by tenure). Available from: [Supporting documents - Scottish household survey 2019: annual report - gov.scot \(www.gov.scot\)](#)

<sup>6</sup> This calculation assumes that the number of households housed in the PRS in Scotland has not changed significantly since 2019

Households in receipt of benefits are not the only people trying to access this lower end of the market. Students, families, people saving a deposit for their own home, are all competing for the same properties.

The problem is being felt right across the country. There are 15 local authorities where fewer than 5% of 1-3 bedroom properties are affordable to people who need housing benefit to pay their rent – including Glasgow, Stirling, and Dumfries

and Galloway. Table 1 presents the findings by region and bedroom size, showing that availability of 1-bedroom properties within LHA rates is particularly low.

**“I really struggled at the time. I knew I couldn’t afford the new private rented flat but I had to get something quick.”**

**- Crisis client**

**Table 1: Proportion of private rental listings affordable on LHA in 2022-23 financial year, broken down by bedroom size and region**

REGION	1- bedroom properties	2- bedroom properties	3- bedroom properties	Average across all 1-3 bed properties
Aberdeen & Aberdeenshire	13%	20%	9%	16%
Ayrshire	9%	3%	3%	5%
Scottish Borders, Dumfries & Galloway	3%	5%	6%	5%
Edinburgh, Lothian and Fife	9%	6%	7%	7%
Glasgow & Clyde Valley	2%	3%	5%	3%
Highlands & Islands*	6%	9%	17%	10%
Stirling, Falkirk and Clackmannanshire	3%	5%	7%	5%
Tayside	9%	5%	6%	7%
SCOTLAND	8%	7%	7%	7%

\*Note: excludes Orkney Islands, Shetland Islands and Eilean Siar due to lack of data

## The average shortfall low-income renters face

With so few properties available to rent at affordable rates, low-income renters are having to cover shortfalls of thousands of pounds a year at a time when inflation remains high and household bills continue to put a strain on people’s budgets.

People receive housing benefit because their income is insufficient to cover housing costs without support. The

analysis below shows the scale of the gap between housing benefit and the real cost of renting.

We calculated the difference between housing benefit rates and rents in the bottom third of the market (at the 30th percentile), and found a substantial gap: during 2022-23, households were paying, on average, an extra £629 for a one-bedroom property, £1,119 for a two-bedroom property, and £1,603 for a three-bedroom property over the course of the year.

Table 2: Annual shortfalls between listed rents at the 30<sup>th</sup> percentile of the rental distribution, and LHA rates in 2022-23 financial year

REGION	1-bedroom properties	2-bedroom properties	3-bedroom properties
Aberdeen & Aberdeenshire	£464	£140	£1,075
Ayrshire	£495	£974	£1,438
Scottish Borders, Dumfries & Galloway	£627	£884	£1,368
Edinburgh Lothian and Fife	£439	£935	£1,110
Glasgow & Clyde Valley	£1,244	£1,591	£2,120
Highlands & Islands*	£913	£837	£1,216
Stirling Falkirk and Clackmannanshire	£1,225	£1,876	£1,901
Tayside	£575	£1,016	£1,801
<b>SCOTLAND</b>	<b>£629</b>	<b>£1,119</b>	<b>£1,602</b>

\*Note: excludes Orkney Islands, Shetland Islands and Eilean Siar due to lack of data

The analysis also found that the annual difference between housing benefit and average (median) private sector market rents was approximately £1,540 for a one-bedroom property, £2,170 for a two-bedroom property and £3,390 for a three-bedroom property a year.

People living in Scotland's urban centres face some of the largest gaps between benefit rates and the real cost of renting, particularly Glasgow, Edinburgh, and Stirling.<sup>7</sup> For example, in 2022-23, Glasgow City had the largest gap between LHA rates and average (median) rents for one-, two- and three-bedroom properties annually, at £3,420, £4,590, and £6,590 respectively. The City of Edinburgh faced an annual gap of £2,500 for one-bedroom properties, £4,390 for two-bedroom, and £5,470 three-bedroom properties. Stirling faces an annual gap of £2,800 for one-bedroom properties, £4,150 for two-bedroom properties and £6,510 for

three-bedroom properties. Other local authorities where the gap was pronounced included East Dumbartonshire and East Renfrewshire.

**"I did ask about housing costs... but the limit of Local Housing Allowance didn't make up the rent. At one point there was a £200 shortfall between LHA and rent that was due."**

**- Crisis client**

<sup>7</sup> The way in which Local Housing Allowance rates are calculated, based on Broad Rental Market Areas (BRMAs), may impact these findings. For example, some BRMAs are very large which can impact on how closely benefit rates match rental markets in a particular locality.

## Policy implications

“I had no idea what to do or where to go. The first thing I thought was that I should find another private flat as I had always privately rented. I was optimistic, but this quickly changed once I had been to a few viewings”

### - Crisis client

High rents and the freeze on housing benefit continues to eat away at the number of genuinely affordable homes available across Scotland, pulling low-income renters deeper into hardship and at increased risk of homelessness. It also means that for people currently facing homelessness, an affordable tenancy is further and further from reach. The shortage of affordable housing across many parts of Scotland puts people at risk of having to rely on unsafe and insecure arrangements, such as sleeping on sofas, in cars or staying in hostels and B&Bs.

The Scottish Government’s Cost of Living (Tenant Protection) (Scotland) Act 2022 has gone some way to protect tenants from rising rents and eviction, but many renters already faced huge shortfalls between their housing benefit and their rents when the legislation came into force. The emergency legislation also only applies to existing tenancies, meaning rents for new tenancies have continued to rise.

Crisis is calling on the UK Government to urgently uprate housing benefit to cover at least the bottom third of rents, making more properties available for struggling renters.

Alongside this, the Scottish Government should explore using its social security powers to top up support for those subject to LHA shortfalls in PRS who are homeless or at risk, aiming towards greater equalisation of welfare support with social tenants.

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 in both the social and private sectors. Any depletion of supply could result in people on lower incomes being locked out of the private market altogether.

The Scottish Government should promote the role it sees the PRS playing in meeting current and future housing need, setting out a clear vision for the size and role the sector should play in the future tenure-composition of housing in Scotland.

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