BRIEFING HOUSING

How rent controls reduce the cost of Local Housing Allowance uprating

Repeated freezes have left Local Housing Allowance rates trailing far behind real rents. Rent controls would cut the cost of restoring the link by slowing rent growth.

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Executive summary

The Autumn Budget should mark the beginning of a permanent return to annual uplifts of Local Housing Allowance (LHA). This uprating should be paired with a rent control that would slow rental growth directly within this Parliament. Applied together, these measures would tackle the poverty and precarity that people on low-incomes experience when they live in privately rented homes. Introducing a rent control would significantly reduce the cost of future LHA uprating overtime and protect government finances from large jumps in rents, as well as improve affordability for renters who are outside of the benefit system.

The LHA uprating process was designed to ensure that the support provided to people on low incomes who need help with their private rental costs keeps pace with rising housing costs. However, in 2012 the decision was taken, as part of Osborne's austerity agenda, to break this automatic link. Successive governments have continued this approach and over the past decade LHA rates have only twice been set in line with the legislative benchmark of the 30th percentile of local rents.

This decoupling of rates from real-world rents has harmed renters who rely on these payments. In some cases, it has meant people can no longer afford to stay living in their homes, and with nowhere else to live that they can afford, they become homeless, relying on their local council to provide temporary accommodation, if they are eligible. Temporary accommodation is often poor quality and wholly inadequate, as well as being costly for councils.

The ongoing freeze on LHA is naïve: it gives the false appearance of creating savings in Treasury forecasts while failing to account for the costs that show up elsewhere in the system, most visibly in the temporary accommodation bills now straining council finances, a pressure that the Prime Minister himself acknowledged in the first major policy speech of his leadership campaign, and recently at Prime Ministers Questions. A far better solution would be that LHA is uprated to allow people to stay living in their homes, as it was originally designed to do.

The mechanism for prudently managing the cost of LHA is to curtail rent rises, as holding down LHA simply pushes the costs onto low-income renters and drives poverty and destitution.

The Autumn Budget should mark the beginning of a permanent return to annual uplifts, which would cost £1.7 billion upfront from 2027/28 but can generate substantial savings, with some studies showing it could pay for itself. This uprating should be paired with a rent control, both within and between tenancies, that would slow rental growth directly within this Parliament. This would significantly reduce the cost of future LHA uprating over time and protect government finances from large jumps in rents, as well as improve affordability for renters who are outside of the benefit system.

Introducing inflation-linked rent controls in 2027/28 would reduce the cost of relinking LHA to local rents by 40% (£1.1 billion) in 2030/31 and leave low-income renters[1] outside of the benefits system 10% better off overall in that year.

There is already a precedent of constraining rental growth to control the housing benefit bill and protect tenants from cost of living pressures. In the social housing sector, rent increases are capped at CPI+1%, with the government explicitly weighing tenant affordability, landlord viability and the impact on the public purse when setting that limit. With the private rented sector now the largest renter tenure type, and accounting for 36% of the housing benefit bill, equivalent controls are needed in this tenure. Rather than chasing rents in the private rented sector, the Government should be bringing rent setting under public control.

Recommendations

- Restore LHA rates to the 30th percentile of local rents at the Autumn Budget and commit to uprating them annually thereafter.
- Introduce within and between tenancy rent controls to curb rent growth, thereby reducing the cost of future LHA uplifts and improving affordability for renters outside the benefits system.
- Smooth the introduction of a rent control, and its potential impact on the small minority of financially exposed landlords, by reinstating mortgage interest relief to protect mortgaged landlords. This should be paid for by charging landlords National Insurance Contributions (NICs) on their rental income, primarily affecting landlords who own their properties outright and have been making above normal profits due to this favourable tax treatment.

1. Local Housing Allowance rates are decoupled from real-world rents

LHA rates are intended to reflect the bottom 30% of private rented sector rents, yet they have been regularly delinked from local rent levels or frozen altogether for multiple years since the decision was taken as part of Osborne's austerity agenda to break this automatic link. This is increasingly out of step with the wider benefits system, where rates are routinely adjusted. As a result, housing support now consistently falls short of actual rental costs. Analysis published by Crisis in September 2025 found that only 1.9% of properties listed to rent across Great Britain were affordable at current LHA rates (Crisis, 2025a).

Impact of the LHA freeze on incomes

DWP statistics show that over 4 in 10 (44%) of all private renters that receive housing benefits (including Universal Credit housing entitlement) are in after-housing costs poverty, compared to 20% of everyone in the UK. However, over half (58%) of all private renters receiving housing benefits are only in poverty due to their housing costs, much higher than the 25% of social renters on housing benefits (DWP, 2026a).

Research conducted by Manchester Metropolitan University and commissioned by JRF shows that the last 14 years of changes to the LHA (2011 to 2025) have made private renters £684 per year on average worse off. The shortfall rises to £887 per

year for a working-age couple with children, and £957 per year where the adults in the household are Black (Earwaker, 2024).

If LHA remains frozen over the course of this parliament, on average, private renters on housing benefits will be around £700 worse off per year by 2029, 50,000 renters will be pulled into poverty, 60,000 into deep poverty and 80,000 (including 30,000 children) will be pulled into very deep poverty. For some households, such as a family with a working-age couple and children, the impact is greater, with them being £340 worse off in 2025/26 alone and rising to £882 by the end of the parliament (Earwaker, 2024).[2]

These shortfalls matter because growing gaps between rents and housing benefits mean that private renters need to dig into money intended for other bills to try to cover the essential expense of rent. Around 8 in 10 (78%) of low-income private renters on housing benefits are currently going without essentials, and 56% are in arrears with their household bills (Belfield and Percival, 2026).

Impact on homelessness and rough sleeping

Figures from Crisis's homelessness monitor have shown that 83% of Local Authorities have described the freeze on LHA rates as 'very unhelpful' in preventing or minimising homelessness in their area, with one London local authority commenting that it 'significantly contributes to homelessness and risk of homelessness as well as financial distress for low-income households' (Watts-Cobbe at al., 2025).

New data shows that in Spring 2026 135,580 households, including 177,530 children, were living in temporary accommodation, the highest numbers on record. This includes 1,900 families with children living in bed and breakfast hotels, with more than half of these households with children (1,000) living there for more than 6 weeks (MHCLG, 2026a).

The latest annual rough sleeping count estimates that 4,793 people were sleeping rough on a single night in autumn 2025. Recent statistics also estimate there were 4,793 people sleeping rough on a single night in autumn 2025 — the highest figure on record. When Labour left government in 2010 there were an estimated 1,768 people sleeping rough in England (MHCLG, 2026b).

As well as pushing low-income families and individuals into homelessness, the freeze then traps them in temporary accommodation and rough sleeping services, with nowhere to move on to: there are too few social homes, whilst the private rented sector is unaffordable because the Government has let LHA fall behind actual rents. Unfreezing and permanently uplifting LHA rates would give people access to a privately rented home they can afford – a home that can be the foundation they need to rebuild their lives.

The cost of the freeze

Beyond their profound human consequences, rising levels of poverty and homelessness also impose a substantial financial burden on the state. In 2024/25, local councils spent £2.8 billion on temporary accommodation for homeless

households (MHCLG, 2025). This figure does not include the additional costs of supporting single adults who are not owed temporary accommodation[3] and instead access local authority commissioned rough-sleeping services.

Poverty and homelessness also suppress economic participation by undermining people's ability to work and contribute fully to the economy. They place significant pressure on already overstretched public services and have a devastating impact on children's health, education, and long-term life chances — driving wider social and economic costs for years to come.

The ongoing freeze on LHA is naïve: it gives the false appearance of creating savings in Treasury forecasts while failing to account for the costs that show up elsewhere in the system, most visibly in the temporary accommodation bills now straining council finances.

The Prime Minister has recognised that the country is in a housing trap, either chasing rents in the private rented sector or trying to control these costs by freezing LHA, with the ruinous impact this has on wider public finances (Manchester Evening News, 2026).

A far better solution would be that LHA is uprated to allow people to stay living in their homes, as it was originally designed to do. The mechanism for prudently managing the cost of LHA is to curtail rent rises, as holding down LHA simply pushes the costs onto low-income renters and drives poverty and destitution.

High and rising rents are driving the cost of LHA uprating

Based on the assumption that LHA rates remain frozen, DWP outturn and forecast tables project PRS housing support expenditure to rise by an average of 1.6% a year from 2026 to the end of the decade. The forecast nominal increase in expenditure is driven both by rents increasing up towards frozen LHA levels and a relatively small increase in the numbers receiving these benefits (DWP, 2026b).

This trajectory of fairly flat spending only holds if LHA rates stay frozen. If the Government instead uprated LHA in line with the 30th percentile of local rents each year — restoring the link to the actual cost of rent levels — the housing bill would grow more steeply, reflecting the level at which private rents now sit. This points to the real driver behind the cost of LHA uprating: high rents that have been baked into the system and a decline in 'bricks in mortar' investment in social housing supply.

As JRF's 2023 analysis of housing affordability since 1979 argues, there has been a 40-year shift in the form of housing subsidy, from 'bricks and mortar' investment in social housing supply towards personal subsidies paid through housing benefit. The value of housing subsidies fell from 16.5% from total housing costs in 1979 to 11.5% in 2019-20, which is equivalent to £45 billion rather then £31 billion actually spent, had subsidies held their 1979 share (Mulheirn, Browne and Tsoukalis, 2023). The practical implication is that the housing benefit bill isn't rising because the system is being too generous — it's rising (or would rise, absent the freeze) because rents have settled at a structurally higher level and fewer social rented homes are being built which would have subsidised rents at source.

2. Breaking the freeze-and-restore cycle

A catch-up of LHA rates does not undo the distress, harm and cost inflicted by a previous freeze. The Autumn Budget should mark the beginning of a permanent return to annual uplifts, which would cost £1.7 billion upfront from 2027/28 but can generate substantial savings, with some studies showing it could pay for itself (Alma Economics, 2019).

This uprating should be paired with a within and between tenancy rent control that would slow rental growth directly within this Parliament. This would significantly reduce the cost of future LHA uprating over time and protect government finances from large jumps in rents, as well as improve affordability for renters who are outside of the benefit system.

In the social housing sector, there is a precedent of constraining rental growth to control the housing benefit bill and protect tenants from cost of living pressures. Rent increases are capped at CPI+1%, with the government explicitly weighing tenant affordability, landlord viability and the impact on the public purse when setting that limit. With the private rented sector now the largest renter tenure type, and accounting for 36% of the housing benefit bill (DWP, 2026b), equivalent controls are needed in this tenure.

3. Rent controls reduce the cost of LHA uprating

By slowing the growth of rents, a rent control makes annual LHA uprating markedly cheaper, because LHA is itself pegged to local market rents. JRF modelling shows that introducing within and between tenancy rent controls in 2027/28 would reduce the cost of relinking LHA to local rents by £1.1 billion in 2030/31, reducing the cost of uprating by 40%.[4]

Table 1: Modelled cost of uprating LHA saving by scenario, 2030/31

Scenario	Annual LHA cost
Baseline — cost of uprating Local Housing Allowance in 2030/31 without a rent control	£2.7 billion
Cost of uprating Local Housing Allowance in 2030/31 if a rent control is introduced in 2027/28	£1.6 billion
Saving	**£1.1 billion**

Note on methodology: this is an in-year comparison for 2030/31. It uses a modelling method in which rents are capped at CPI within tenancies and CPI+2% between tenancies at 2030/31 prices.

4. Rent controls help low-income renters the most

Housing support through the social security system provides an essential safety net for people on low incomes, but it does not extend to everyone who needs it. Therefore, rent controls insert an addition layer of protection for people experiencing financial precarity. Families on low incomes may not be in receipt of these benefits because they have not applied (despite being eligible); because they are ineligible due to their immigration status; or because they fall just outside the means test (Worsdale and Elliot, 2026).

JRF modelling has shown that rent controls lead to most significant income change for people on low incomes, amounting to a 10% increase under a rent control scenario. Because housing costs make up a much greater share of expenditure for low-income households relative to their income, the relative income gain is greater for lower-income households.

Table 2 shows the in-year change in how much better off people not in receipt of housing benefit would be under a rent control scenario, where rents are capped within and between tenancies, compared with a non-rent-control baseline.

Table 2: Rent controls deliver the largest relative increases in income to low-income households not receiving housing benefits

Income quintile, after housing costs	Average income change for private renters not in receipt of Housing Benefit by 2030/31 against baseline of no rent control
Bottom	10%
Second	2%
Third	2%
Fourth	2%
Top	1%

Note on methodology: this is an in-year comparison for 2030/31 only. It uses a modelling method in which rents are capped at CPI within tenancies and CPI+2% between tenancies.

A rent control would, in and of itself, also improve affordability for people who are receiving benefits because a large proportion of people on Universal Credit pay rents that exceed the 30th percentile. Even after the 2024 LHA uprating, 44% of claimants receiving the Universal Credit Housing Element had a shortfall between LHA and the cost of their rent (Citizens Advice, 2024).

5. Combining tax reform with rent controls protects landlords exposed to unprofitability

JRF modelling shows that reinstating mortgage interest relief can improve the financial position of mortgaged landlords who have become more exposed to unprofitability since the abolition of this relief in 2017. This should be paid for by charging landlords National Insurance Contributions (NICs) on their rental income, primarily affecting landlords who own their properties outright and have been making above normal profits due to this favourable tax treatment. This would rebalance the tax burden, taking it away from landlords making slimmer profits and towards those making larger ones (Worsdale et al., 2026), putting landlords on a better financial footing to absorb a rent control and preventing the risk of a sharp sell off.

JRF modelling has shown that under a moderate rent control scenario (CPI within tenancies and CPI+2% between tenancies) combined with tax reform, fewer landlords would be making a negative return on their rental income by 2030 than is projected to be the case under current tax arrangements and no controls on rents (Worsdale et al., 2026). JRF modelling has shown that in this scenario, renters would be £760 better off a year on average by 2030/31, if a rent control was introduced in 2027/28.

6. Conclusion

LHA rates should be restored to the 30th percentile at the Autumn Budget and uplifted every year, and a rent control should be introduced to reduce the cost of these future uplifts. A rent control would also significantly improve affordability for people on low incomes not in receipt of housing benefit.

The introduction of a rent control could be smoothed by combining it with reforms that shift the tax burden away from landlords making slimmer profits, protecting those who would be more exposed to unprofitability under a rent control, and preventing the risk of a sharp sell-off in properties.

By uplifting LHA rates and bringing rent setting under public control, the Government can give low-income renters in the private rented sector greater financial security.

This approach would bring political reward, with 65% of the public backing rent controls, and with majority support across all major parties (More in Common, 2026).

Notes

1. Renters in the bottom 20% of after-housing-costs incomes, and not in receipt of Universal Credit Housing Element or Housing Benefit.
2. Our definition of poverty considers a household to be in poverty when their income falls below 60% of the median household income after housing costs, adjusting for family size. Deep poverty is when income falls below 50% of the median income, and very deep poverty is below 40% of the median income.
3. Local authorities have a duty to provide temporary accommodation where a household is legally homeless, eligible for assistance based on their immigration status, are not intentionally homeless, and have priority need, for example because they are pregnant or have children, are homeless as a result of domestic abuse, are a recent care leaver or have an illness, disability or serious health condition that would make them more vulnerable if homeless.
4. The previous analysis we did for our rent control report compared in-year savings achieved from a rent control with LHA uprating in 2030/31 against a baseline scenario in which the Government uprated LHA in 2028/29 only. This briefing presents an in-year comparison of how much a rent control would reduce the cost of LHA uprating in 2030/31, contrasting a scenario with rent controls introduced in 2027/28 against one without.

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