

LOCAL HOUSING ALLOWANCE: A safety net unravelling

November 2025



**The report was written by Mark Eaton-Lees of Shelter Cymru.
The research was conducted by Mark Eaton-Lees and Katey-Jo Pilling, Peer Researchers at Shelter Cymru.**

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EXECUTIVE SUMMARY

“The Welsh Government continues to call for the restoration of Local Housing Allowance (LHA) rates to the 50th percentile (rather than the 30th percentile) and that rates are uplifted annually. I have also written to the UK Government on this issue, outlining the need for revised rental data to be used.”¹

Jayne Bryant,
Cabinet Secretary for Housing and Local Government,
28th March 2025

Local Housing Allowance (LHA) is no longer fit for purpose in Wales. Its introduction was designed to provide affordable homes in the private rented sector for those on low incomes due to the significant growth within the sector at the time. Today the private rented sector is larger than ever but this safety net has unraveled, after a decade of cuts, freezes and a wider lack of political prioritisation.

Our analysis of the most recent data, combined with Shelter Cymru casework, and conversations with renters shows:

1. Local Housing Allowance rates are too low

Across Wales, households searching for a private rented home within LHA rates are currently finding little to nothing available. This review by the Peer Research team at Shelter Cymru has found that in 70% of areas in Wales there were no homes available to rent within LHA rates. Rents have risen faster in Wales than anywhere else in Great Britain – an average increase of almost 9% in the past year, with some areas seeing rises of more than 20%.¹ LHA has not kept pace, leaving many individuals and families facing impossible shortfalls.

2. People eligible for disability and health-related benefits are facing pressure to use this money towards their renting costs.

Shelter Cymru’s caseworkers regularly see Personal Independence Payment (PIP) funds being used to plug rent gaps. This diverts vital support away from disability-related costs such as transport, heating, and care, pushing disabled households and people with long-term health conditions closer to poverty and homelessness.

¹ See: [Office for National Statistics, Private Rent and House Prices, UK: August 2025](#)

3. Local Housing Allowance policy contributes to the imbalance of power between tenants and landlords

Shelter Cymru clients who are privately renting have told us that, when rent is just about affordable, they feel unable to challenge poor conditions. Our casework includes examples of tenants living with broken locks, damp, mould and other hazards, who have been afraid to push for repairs in case their landlord increases the rent. LHA shortfalls weaken tenants' ability to advocate for their rights and have the potential to keep people trapped in unsafe homes.

4. Local Housing Allowance shortfalls put additional strain on already stretched local authority funds.

£1 in every £4 of Discretionary Housing Payment (DHP) spending in 2024/25 was used to cover LHA shortfalls. This leaves less room for councils to fund much-needed homelessness prevention because funds are diverted to crisis response. The knock-on effect is rising costs of temporary accommodation – nearly £100 million in 2023/24 – for local authorities and fewer options to move people out of homelessness.

5. Devolved housing policy is undermined by reserved welfare policy

The Welsh Government has committed to a preventative approach to homelessness and supports LHA being raised to the median rate – to cover rents up to the 50th percentile. But decisions on LHA sit with Westminster. Decisions in recent years to freeze LHA have undermined Welsh strategies and limit the tools available to reduce homelessness in Wales.

Recommendations

In the immediate term, the UK Government must:

1. Deliver an annual uplift to the LHA in line with the current data collected on rents across the UK, with an immediate announcement at the November Autumn Budget.
2. Review and amend the advice for local authorities across the UK regarding Discretionary Housing Payments and Personal Independence Payments, ensuring that disability related benefits are not taken into account as income that is available for rent.

These steps will help to relieve some of the pressure currently created by LHA rates, but again, more will need to be done to ensure that LHA and associated non-devolved welfare policies are fit for purpose. Included in this are the wider welfare reforms that are currently responsible for the drive in rent shortfalls and contribute to the rising levels of poverty and homelessness. Namely:

3. Restoring policy on LHA to the median rent level, so that it is aiming to cover the lowest 50% of private rents in every local area – in line with the Welsh Government's position.
4. Pursuing conversations between the Welsh and UK Governments around the devolution of welfare policy that directly impacts housing and homelessness in Wales.

These steps would:

- **Support homelessness prevention ambitions in Wales:** With more people able to afford private renting and DHPs better used to prevent homelessness before it occurs, not just to cover shortfalls.
- **Help to tackle inequality:** Recognising the unequal impact of low LHA rates on disabled households as well as the wider impact for low-income households.
- **Rebalance power:** By strengthening tenants' ability to enforce their existing rights to safe homes.

FOREWORD

STEVE WITHERDEN, MP

Everybody in Wales deserves a safe, warm, and affordable place to call home.

I am the Member of Parliament for Montgomeryshire and Glyndŵr. In my constituency, housing-related issues have made up 14% of all the casework my office has dealt with, only a percentage point behind those relating to local government.



Of all households threatened with homelessness in Wales last year, it was only successfully prevented, for at least 6 months, in 57% of cases. Homeless deaths in the UK increased by nearly a tenth in 2024, an average of four a day.

I stood for office because I believe we are a fundamentally compassionate and generous society. We must, and can, do better.

It is in the government's gift to make a real difference. It needs to unfreeze Local Housing Allowance (LHA).

Shelter Cymru's excellent report shows this is just another welfare policy that intentionally allows people to fall through the cracks.

It tracks how an opportunity that could have prevented many thousands of cases of homelessness was wasted.

Introduced in 2008 and covering the bottom 50% of rents in an area, it only took three years for LHA to be reduced to cover the bottom 30% under the Conservatives.

Since then, LHA has been undermined by years of freezes, cuts, and skyrocketing rents. It now covers only 1% of private rental costs in Wales (2.4% in England).

Rents in Wales are rising faster than anywhere else in Great Britain. Gaps in LHA are being filled with alternative funding streams, causing further financial headaches for local authorities. Conditions are worsening as tenants don't feel able to demand a home without mould while rents remain barely affordable.

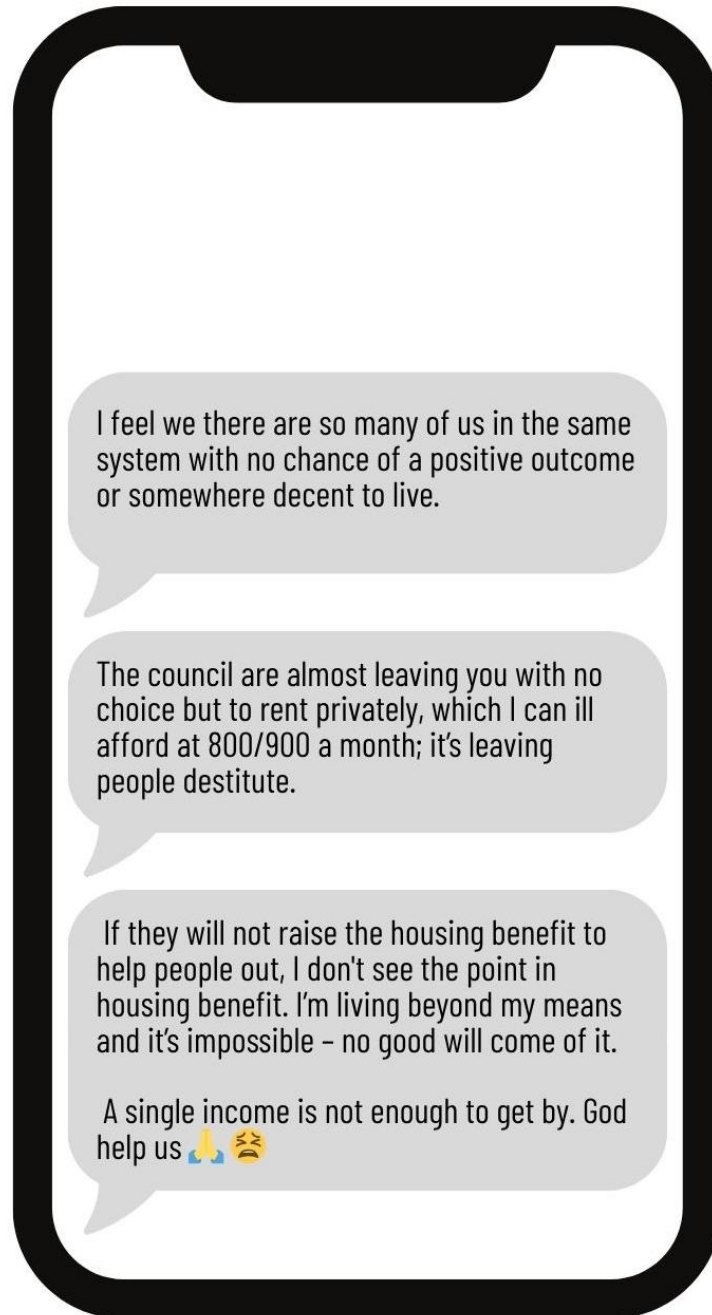
Ahead of the November Budget, I am supporting Shelter Cymru's calls to reconnect LHA uprating with current rental data, to stop disability related benefits being classed as income available for rent, and to restore LHA to the 50th percentile – the latter already the position of the Welsh Government.

Beyond that, the Welsh Government needs more power over its own welfare budget to make the most radical, substantive changes a reality.

With those tools, we could prevent homelessness at the source, ensure that those on low incomes have safer homes, and make big strides in reducing inequality.

The power to do so rests here in Westminster. We just need to find the political courage.

Steve Witherden
MP for Montgomeryshire and Glyndŵr



Although not a foreword in any formal sense, it only felt right to front this report with one of the many conversations that provided the motivation for this work.

In my role as Policy and Public Affairs Manager for Shelter Cymru I was reaching out to members of our Take Notice project ahead of a consultation response. One of the many passionate and committed volunteers involved with the project was clear that she didn't have capacity to read the documents and she didn't have time for a

phone call with me – her family were facing their second no-fault, no-reason eviction in recent years and she was rightly consumed by trying to secure an alternative home for her and her children.

The gap between what she, as a single mother reliant on housing benefit, could afford and what she was finding online was one that felt impossible to solve. But she felt under pressure to pursue private renting again, despite the stress it has brought her in recent years, as the only alternative would likely be a stay in temporary accommodation that could be weeks, months or even years while waiting for a suitable social home.

Meanwhile, Katey, one of the Peer Researchers I work with at Shelter Cymru, could tell me about a very different experience she had when she was the single mother of a small child reliant on housing benefit in the days before Local Housing Allowance was introduced. She knew that the team in her local council would only pay housing benefit for a 2-bed home, as it was her and her daughter, but outside of that she had the freedom to look for a rental that they could make a home. A home that was near her daughter's school and that was in the community they were already a part of. A home that would meet her needs as a disabled adult caring for a small child.

Local Housing Allowance policy is unravelling the safety net that we should be expecting from housing benefit. Housing benefit should be protecting households from homelessness and poverty, but right now it's forcing people to make decisions that don't work for them or their family.



A big thank you from me to Mark and Katey who have taken this work forward and provided a renewed evidence base for the impact that LHA is having for people across Wales. And another to Steve Witherden MP and his team who are taking this evidence base forward to the places where it needs to be heard.

Lauren Caley
Policy and Public Affairs Manager, Shelter Cymru

CONTENTS

INTRODUCTION.....	1
ROADMAP OF LOCAL HOUSING ALLOWANCE POLICY DECISIONS	3
FINDINGS.....	4
1. There is a persistent shortfall between Local Housing Allowance and available advertised rents	4
AFFORDABILITY SNAPSHOT	7
IMPACT FOR RENTERS	8
2. LHA shortfalls disproportionately impact disabled people and people with long- term health conditions.....	9
3. LHA shortfalls increase the financial pressures faced by local authorities.....	10
DISCRETIONARY HOUSING PAYMENTS.....	10
TEMPORARY ACCOMMODATION	12
4. LHA policy continues to undermine devolved decisions about housing and homes in Wales	13
RECOMMENDATIONS	15
CONCLUSION.....	17

INTRODUCTION

Local Housing Allowance (LHA) sets the maximum amount that private renters can receive in benefits to help cover their rent. It is not a benefit in its own right but determines the upper limit of support available through Universal Credit's housing element or Housing Benefit. These benefits were designed as a safety net to prevent poverty and homelessness. However, repeated policy changes and freezes to the LHA have eroded that safety net – and for people in Wales today, it is no longer fit for purpose.

LHA was introduced in 2008 as a new method for calculating housing benefit entitlement, with a stated aim of making support fairer and more transparent. When it was first introduced it was intended to cover private rents up to the 50th percentile, the lowest 50% of rents in a local area. Over time, however, policy changes and freezes have diminished its value.

The Role of the Private Rented Sector in Wales

Changes to the approach in Wales have shifted the role that the private rented sector plays in Wales's housing system. Since the introduction of the 2014 Housing (Wales) Act, local authorities have been able to discharge their homelessness duties if a household secures a suitable privately rented home.

Currently over 30% of households who are supported to prevent or relieve homelessness by moving into a new home are moving into privately rented homes.⁵ This reliance on the private market shows the broader impact of Local Housing Allowance policy on devolved attempts to end homelessness in Wales.

Private renting is the only option for many households who cannot afford home-ownership and are unable to access a social home due to their low income. Stagnant LHA rates coupled by rising rents has made this option more and more difficult to sustain: see Shelter Cymru's [Waiting for a Home](#) report for more on this.

Meanwhile, rents in Wales are rising faster than any other Great British nation. Over the past year, average private rents in Wales rose by almost 9%, with some local

markets seeing rates much higher than this, such as Newport where average increases have exceeded 20%.²

Consequently, in August 2025, our snapshot indicates that in almost 70% of areas in Wales there were zero properties listed for rent, on popular rental listing websites, within LHA rates.

This report has been produced by Shelter Cymru peer researchers. The analysis is based on rental listings on Zoopla and RightMove for homes available in August 2025, comparing these with Local Housing Allowance rates across Wales. This dataset was considered alongside publicly available sources, including ONS rental statistics, Rent Officers Wales data Welsh Government homelessness statistics, and local authority returns on Discretionary Housing Payment (DHP) spending.

The lived experience of those searching for homes whilst reliant on LHA is evident in the analysis because even though people are looking through the listings that are updated daily, they often find that the affordable options are removed within hours and some may not even appear at all. The findings are supported by evidence from Shelter Cymru's casework, illustrating the lived experiences behind this data.

This report builds on the work of partners such as the Bevan Foundation⁴ and Crisis,⁵ who have highlighted how LHA policy isn't serving communities across the UK. It offers a new snapshot for Wales in 2025, based on Shelter Cymru's own casework and the latest rental listings. The evidence is clear: LHA is not currently fit for purpose in Wales, and without urgent reform, it will continue to undermine the Welsh Government's aim of making homelessness rare, brief, and unrepeatable.

² See: [Office for National Statistics, Private Rent and House Prices, UK: August 2025](#)

³ See: [All cases where positive action succeeded in preventing/relieving homelessness](#)

⁴ See: [Bevan Foundation, A Wales Housing Crisis: How to Solve It \(2021\)](#)

⁵ See: [Crisis, The Local Housing Allowance: Why it matters and what needs to change \(2024\)](#)

ROADMAP OF LOCAL HOUSING ALLOWANCE POLICY DECISIONS

2008: Local Housing Allowance Introduced

Broad Rental Market Areas were introduced which cover larger rental areas than before. The LHA rate was set at the 50th percentile and updated monthly.

2011: LHA rate reduced to the 30th percentile

Housing benefit now covers only the lowest 30% of rents.

2012: LHA frozen annually

LHA rates are now only reviewed and updated once a year.

2013: LHA increase capped at CPI

LHA is severed from rental data for the first time.

2014/2015: LHA increases capped at 1%

Localised increases in private rents are not accounted for in this period.

2016-2019: LHA rates frozen for 4 consecutive years

The level of housing benefit support available to households is frozen while private rents in Wales increase by nearly 9% over this period.

2020: LHA rates reset to the 30th percentile

LHA is once again linked with rental data.

2021-2023: LHA rates frozen for another 3 consecutive years

The level of housing benefit that households can access is again frozen despite rapidly increasing private rents. Monthly rents in Wales increased by 23% during this LHA freeze.

2024: LHA rates reset to the 30th percentile

LHA is once again linked with rental data.

2025: LHA rates frozen again.

Rents in Wales are increasing faster than anywhere else in Great Britain, with average rents jumping up by 9% and some areas seeing double-digit increase in the space of a year. But the new UK-Government makes the decision to again freeze LHA.

FINDINGS



**70% OF WALES
HAS ZERO HOMES
FOR RENT THAT ARE
AFFORDABLE ON
HOUSING BENEFIT***

*The other areas each have 5 or less.

1

There is a persistent shortfall between Local Housing Allowance and available advertised rents

The lack of homes available to those on low-incomes in the private rented sector in Wales is a significant challenge. And while this is not a new problem, and other organisations have exposed the gap between supply and demand in the past, it is still a problem that merits attention. Especially given the reliance of local authorities and the Welsh Government on the private rented sector due to a lack of homes for social rent.

Recognising this ongoing problem the results of our analysis of rental listings in August 2025 makes for difficult reading.

We recognise that newly listed rents are likely to be higher than rents for pre-existing contracts and that LHA rates aren't based on data solely for newly listed rents. However, Wales is in the middle of a housing emergency that sees thousands of households every year facing homelessness and we know that a significant proportion are looking to the private rented sector for hope.

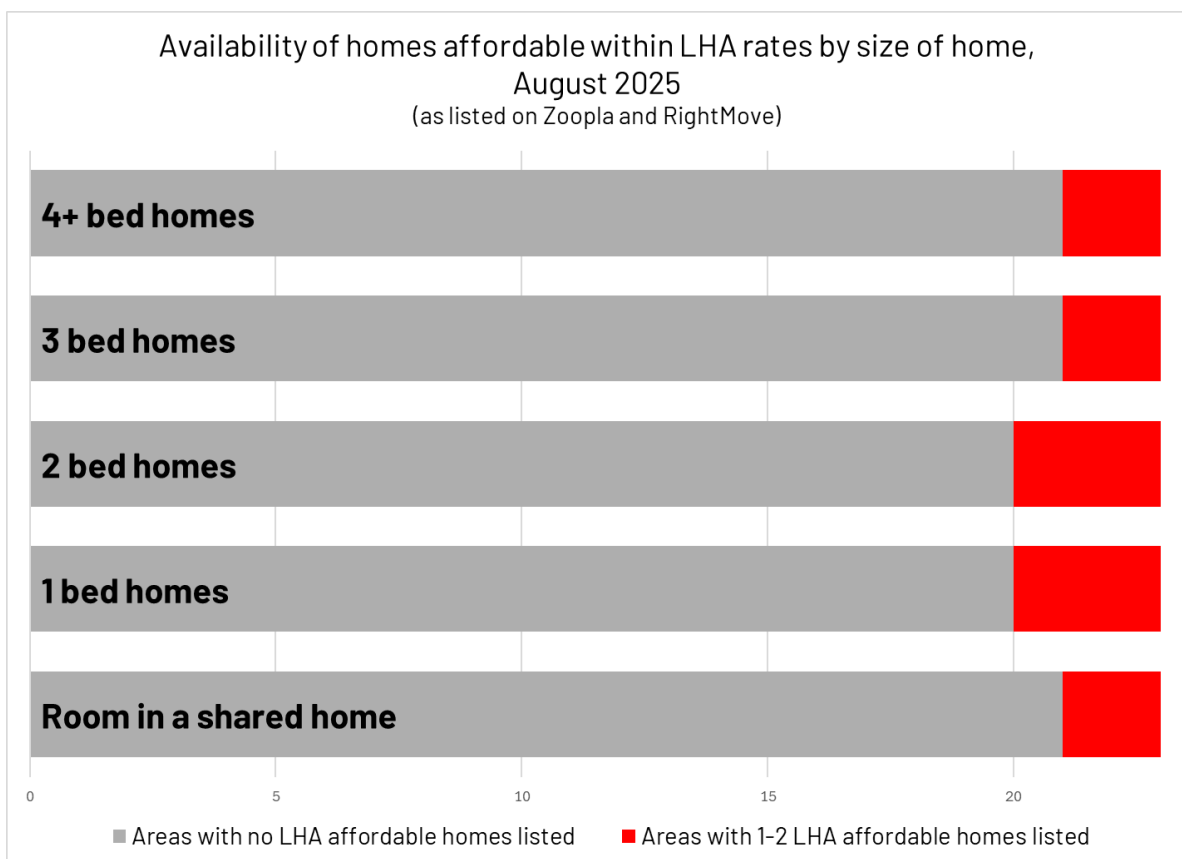
The research we have conducted reinforces the experience of people searching for homes throughout Wales. Property listings on sites such as Zoopla and Rightmove are a central part of the map of where people look for homes, showing the reality of what those facing eviction or rent shortfalls have to face in order to secure new accommodation.

This new data set, gathered by the peer research team at Shelter Cymru, clearly shows how stark the lack of available homes within LHA rates is. This will continue to put financial strain and emotional strain on households looking to prevent or resolve homelessness.

AVAILABILITY SNAPSHOT

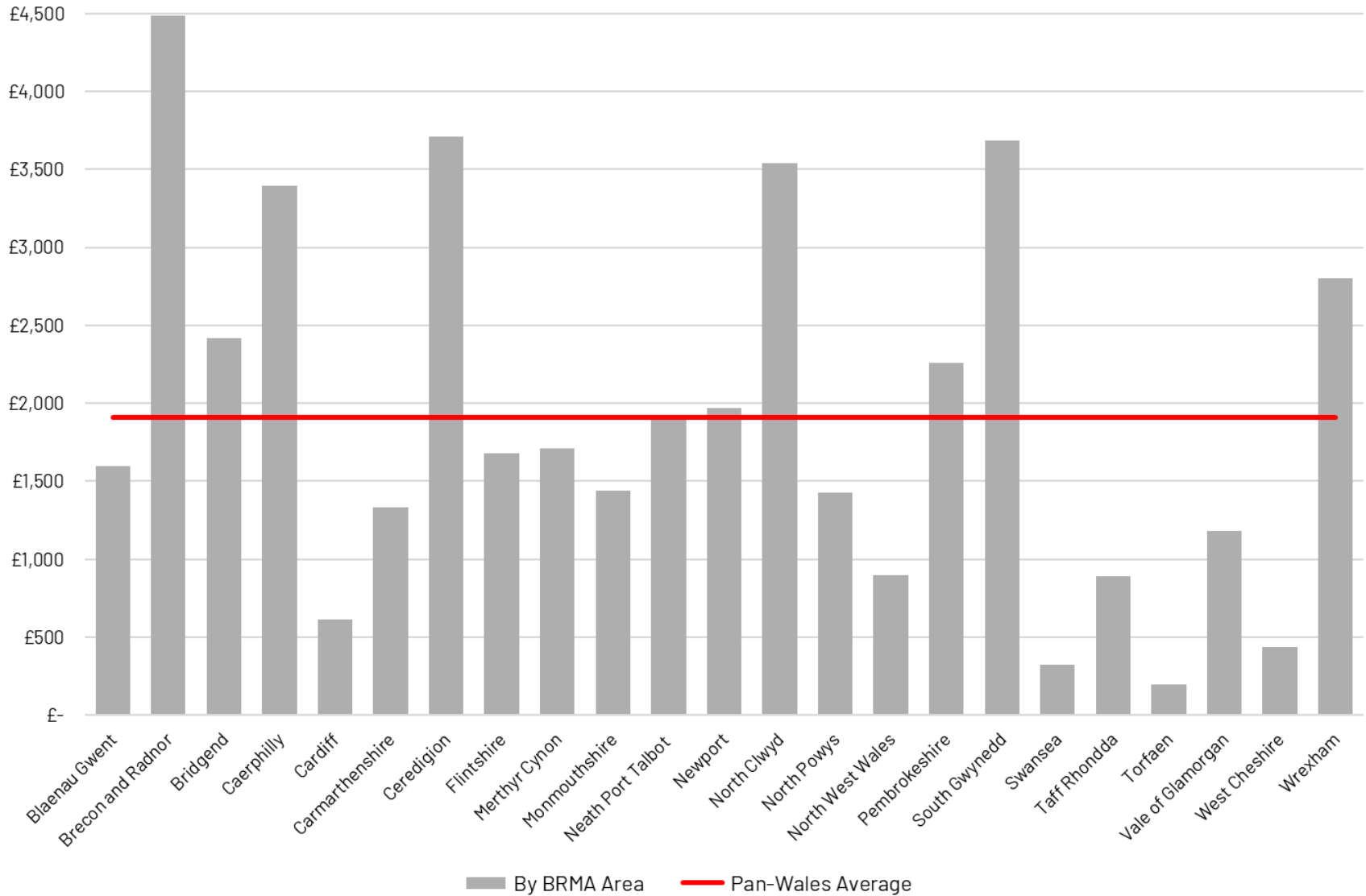
Out of 23 Broad Rental Market Areas (BRMAs) in Wales, 70% had no homes listed for rent on popular search websites that were within LHA rates.

When homes were listed within LHA rates, there were only 1 or 2 homes for each property size.



Across Wales, a total of only 22 listed options were affordable within LHA in this snapshot – and 7 of these were rooms in shared houses (HMOs) in Swansea.

Average annual shortfall: lowest listed rental prices and LHA, August 2025
(RightMove and Zoopla)



AFFORDABILITY SNAPSHOT

Given the lack of homes that were listed within LHA rates, we wanted to understand the level of shortfall that households receiving housing benefit would be facing based on these available options and across all property sizes.⁶

The average annual shortfall between Local Housing Allowance and rents advertised is more than £1,900 across the whole of Wales. In Cardiff, the cheapest 3-bedroom home advertised in this period was charging £1100 a month while the housing benefit support available to the family potentially renting it would be a little over £920 each month. This would leave a family struggling to find funds to meet a shortfall of over £2,000 each year.

At its sharpest end, this shortfall between the most affordable property in an area and the level of housing benefits a household could receive would see a single person looking to find top-up funds for their rent of over £3,500 a year (1 bed, Pembrokeshire) and a large family facing a shortfall of £9,000 each year (4 bed, Brecon and Radnor).

Kathy* is a single mother renting a two-bedroom home in Cardiff. **Her landlord increased the rent from £900 to £1,500 per month** – a 67% rise. She appealed to the Rent Assessment Committee, but the increase was judged “fair and reasonable” based on local market levels. Kathy earns around £800 a month from part-time work, topped up by Universal Credit. **With the two-bed LHA rate at £823, she faced an impossible shortfall.** With no affordable homes available within LHA rates, Kathy and her family had to present to the local authority as homeless.

- Case Study from Shelter Cymru casework

Unsurprisingly, the bigger the property the larger the potential shortfall between rents and LHA. This is true when comparing LHA rates with real-world available rents but also when considering the impact of LHA freezes. Each year, the Rent Officers Wales routinely collect data on private rents in Wales which informs the LHA rate review. This data is published even when the UK Government takes the decision to freeze LHA, giving us some understanding of the shortfall households face when LHA is frozen.⁷

⁶ Note: The figures used in the shortfall chart in this report take averages of averages so this visual should be considered as for illustrative purposes only. Our intention is to highlight the scale of the real-world impact for people looking to rent from a private landlord while relying on housing benefit.

⁷ See: [Shelter Cymru warns of increased risk of homelessness following UK Government freeze on Housing Benefit: A Growing Crisis for Families in Wales - Shelter Cymru](#)

Once again, we recognise that this data is focused solely on newly listed properties and that can't be a direct proxy for all private rents. During the research phase of this report, we spoke to debt and benefit advisors to understand the impact that LHA rates and freezes to the uplift have had for their clients. Across the board it was felt that LHA rates are putting additional financial pressures on people and that they are increasingly not reflective of the rents people are having to manage. One advisor said: "All my clients that privately rent, the LHA doesn't cover their rent"

Across Wales, thousands of households are resorting to borrowing, minimizing essentials, and applying for DHPs resulting in a constant cycle of debt and pushing them closer to homelessness.

IMPACT FOR RENTERS

Private renters have told us that, when rent is just about affordable, they feel unable to challenge poor conditions. Shelter Cymru casework and our interviews with renters include examples of tenants living with broken locks, damp or mould, and other hazards, who have been afraid to push for repairs in case their landlord increases the rent.

"My front door doesn't lock it hasn't locked for over 2 months now.

When I've looked at what landlords are supposed to do, sort of the regular checks, I feel like [the landlord] doesn't want to know, and so she doesn't do the steps that she's supposed to do, because as soon as she becomes aware, she becomes liable for the things."

"She's happy to have me because I don't get in touch with her. But at the same time, I know that that might be the only reason that the rent doesn't go up as well."

"If she looked at how much the house next door was being rented for, yeah, she'd see. I think there are places around here now that are more expensive and I don't want her to think about that."

- Private Renter in Wales, speaking to Shelter Cymru

LHA shortfalls weaken tenants' ability to advocate for themselves and have the potential to keep people trapped in unsafe homes.

2

LHA shortfalls disproportionately impact disabled people and people with long-term health conditions

People with disabilities are among those most impacted by the failure of Local Housing Allowance (LHA) to keep pace with rising rents. Our review of Shelter Cymru casework and conversations with benefit advisors shows that Personal Independence Payment (PIP) – intended to help cover the extra costs of living with a disability or health condition – is routinely diverted to cover rent shortfalls.

This compromises the main goal of disability and health-related benefits. PIP is intended to help people meet the increased costs that come alongside living with a disability or health condition.⁸ Costs such as higher heating costs, travel to medical appointments, mobility aids, specialist diets, and other essentials. When it is instead used to pay rent, tenants are forced to reduce the support they need to live independently.

The extra costs of disability are substantial. Research by Scope shows that households with disabilities face additional expenses averaging over £1,000 a month compared to households without disabilities. Even with PIP, many people only partly cover these costs. Relying on it to also cover rent shortfalls leaves disabled tenants facing unmanageable financial pressures.

Chloe is a disabled tenant who applied for a Discretionary Housing Payment (DHP) after struggling with her rent and building arrears. As part of her application, she was required to undergo a two-hour assessment where she had to justify every detail of her Personal Independence Payment (PIP).

“It felt humiliating. I had to explain private things about my illness and daily life – all to prove that I couldn’t use my disability benefit to pay my rent. PIP is meant to help people live with their disability; it’s not there to pay for housing”

“I had to forgo my dignity to prove that I deserved help.”

– Interview with Chloe*

Shelter Cymru casework also shows that people receiving PIP are regularly denied Discretionary Housing Payments (DHPs) and told to use their PIP funds towards their rent. Currently, the burden of proof is on the tenants to evidence that every penny of their PIP

⁸ See: [Disability Price Tag 2025 | Disability charity Scope UK](#)

funds are being used every month to meet costs related to their disability or health condition.⁹

We would encourage a shift in this thinking to instead look to decision makers to clarify in what way the additional costs of that home are related to someone's disability or health needs. Routinely, unaffordable rents are the result of our broken housing market with rapidly rising rents across Wales, not because people have secured an adapted home that might come at an additional cost.

Current practice not only undermines the intentions of PIP, it exacerbates inequality and leaves disabled households potentially more vulnerable to accruing debt or arrears.



I HAD TO FORGO MY DIGNITY TO PROVE THAT I DESERVED HELP.

3

LHA shortfalls increase the financial pressures faced by local authorities

DISCRETIONARY HOUSING PAYMENTS

Alongside private renters, local authorities also routinely bear the financial impact of the shortfall between Local Housing Allowance (LHA) rates and real-world private rents. When households cannot cover rent shortfalls, local authorities can offer short-term financial support to help prevent homelessness. One of the key mechanisms for this is through issuing a Discretionary Housing Payment (DHP).

The Senedd's *Benefits in Wales: Options for Better Delivery* report highlighted the importance of DHPs as a locally administered tool to prevent homelessness, but also raised concerns about the limitations imposed by UK-level welfare decisions.¹⁰

There is a clear link between welfare policy decisions made at Westminster and the financial pressure faced by local authorities in Wales. Welfare policies set out at Westminster directly affect how much local authorities in Wales must spend to prevent homelessness.

In 2024/25, three-quarters of all DHP spending in Wales was directly related to welfare

⁹ See: [Discretionary Housing Payments guidance manual - GOV.UK](#)

¹⁰ See: [Senedd Cymru, Benefits in Wales: Options for Better Delivery \(2021\)](#)

reform decisions made at Westminster. Of this welfare-related spend, about one-third was used specifically to cover the shortfalls caused by low LHA rates – equivalent to roughly 25% of total DHP expenditure. A fund that should be used to prevent homelessness before it occurs, is instead being used to plug the gaps in our welfare system.

The cost of changes to UK welfare policy is being passed down to local authorities. These funds were intended to offer flexible, targeted financial intervention to prevent homelessness but are rarely able to do so outside of addressing the challenges households face because of welfare policy decisions.

DHPs are also only ever a short-term solution and rely on something changing in the circumstances of the household applying for support to ensure homelessness is prevented in the long-term.

This is one way in which the LHA policy weakens efforts to prioritise prevention of homelessness in Wales. Instead of funding support to help individuals stay in their homes or transition into more secure accommodation, they are forced to use these limited resources to repair a flawed system. This approach treats the symptoms of the problem rather than its cause.

David* is a single adult renting privately at £475 per month. The local LHA rate is £360, leaving him with **a £115 monthly shortfall**.

He was homeless and living in temporary accommodation before he found the private flat he now lives in. **The local authority completed affordability assessments and acknowledged that he would struggle to afford the rent**, so they agreed to fund deposit, first month's rent in advance, and maintain a monthly Discretionary Housing Payment to meet the shortfall for the first 12 months that David was in the flat.

When the payments from the local authority ended, he still could not afford the monthly rent – nothing had changed. He reapplied but was refused further financial assistance because he “had already received a significant amount of discretionary support.”

Without ongoing assistance, his tenancy is no longer sustainable, and he is concerned that he will once again be stuck in temporary accommodation.

– *Case Study from Shelter Cymru casework*

TEMPORARY ACCOMMODATION

David's story illustrates a bigger pattern across Wales and the choices local councils face: paying rent shortfalls through DHPs and similar schemes or taking on the costs of temporary accommodation (TA).

£172 MILLION
**ANNUAL COST OF
TEMPORARY
ACCOMMODATION IN
WALES**
(Audit Wales, 2025)

In 2023/24, the net cost of temporary accommodation for Welsh Local authorities was nearly £100 million – a huge sum that could otherwise have supported homelessness prevention or specialist support services¹¹. Audit Wales reported that the gross cost of temporary accommodation across Wales had reached £172 million in the same year,¹² giving us an idea of the scale of the wider cost to the public purse of providing emergency housing to people experiencing homelessness. This rising spend illustrates how local budgets are being increasingly diverted from prevention to crisis response as pressures in the housing system grow.

The high and rising costs of temporary accommodation are unsustainable. Local authorities across Wales are spending millions each year to meet immediate needs, diverting funds that could instead be used to provide homelessness prevention.

Unless LHA rates are adjusted to reflect actual rents, councils will continue to face unsustainable costs—while people in Wales remain trapped in unsuitable, temporary, and insecure housing. Addressing this imbalance will require coordinated action between the Welsh and UK Governments to align housing and welfare policy, so that local authorities can focus their resources strategically to prevent homelessness before it occurs.

Crisis' recent Homelessness Monitor for Wales includes modelling, by Heriot-Watt University, of the impact that different policy decisions would have on homelessness levels in Wales. Of all the policy changes modelled, uprating LHA was shown to have the most significant long-term impact on levels of core homelessness. The modelling suggests that restoring LHA to the 30th percentile (and uprating it with CPI annually) would reduce the use of unsuitable temporary accommodation by 20% by 2041. While restoring LHA back to the median rate would reduce the use of unsuitable TA by a huge 75% by 2041.¹³

¹¹ See: [The Cost of Crisis: The Impact of Wales' Reliance on Temporary Accommodation - Shelter Cymru](#)

¹² See: Audit Wales, [Temporary accommodation, long-term crisis?](#)

¹³ [See: Crisis & Heriot-Watt "Homelessness Monitor: Wales 2025](#)

4

LHA policy continues to undermine devolved decisions about housing and homes in Wales

Housing is a devolved matter in Wales, but authority over the welfare system – including the LHA – remains with Westminster. This division creates tensions between Welsh housing policy and UK welfare decisions and undermines the devolved aim to make homelessness rare, brief, and unrepeatable.

The Welsh Government has committed to a preventative approach to homelessness which they intend to strengthen with the upcoming Homelessness and Social Housing Allocations Bill.

Successive housing ministers in Wales and the First Minister have called for LHA rates to be restored to the median rate, the 50th percentile, of local rents¹⁴. This would significantly increase the number of homes that are affordable for people on low incomes, with the additional benefit of providing councils with more options to prevent homelessness and reduce the use of temporary accommodation.

Last year, the previous minister responsible for housing in Wales set out the clear link between LHA rates and the effectiveness of schemes such as Leasing Scheme Wales. The scheme sees local authorities take out long-term leases on PRS homes with the landlord being offered a guaranteed income in line with LHA. In April 2024, she noted that while the recent uplift was welcome “one of the biggest barriers we’ve got is not understanding whether LHA will continue to rise with inflation, which would make it a lot more attractive, or whether it’s going to get frozen again”¹⁵

This uncertainty makes it harder for local authorities to build sustainable long-term partnerships with landlords. The potential of Welsh schemes like this to increase the supply of affordable homes is constrained by national welfare decisions that remain outside the Welsh Governments' control.

The impact of current policy around LHA rates is felt across the UK, both by low-income private renters and all local authorities who are having to use funds that could be diverted for wider homelessness prevention efforts to either cover LHA shortfalls or cover the skyrocketing temporary accommodation bills.

¹⁴ See: [Written Question - W095808 - Welsh Parliament](#)

¹⁵ See: [Welsh Parliament \(Plenary\), 17 January 2024 – Minister for Climate Change](#)

This report has set out the impact for people and local authorities in Wales, but a broader question around governance and devolved responsibility remains. Westminster policy decisions around welfare will undoubtedly have some intersection and effect on devolved areas of responsibility. This is felt most starkly when it comes to LHA and the “bedroom tax” as these measures affect the ability of local and national governments in Wales to make best use of the housing stock here, in line with devolved political aims and ambitions.

The Homelessness and Social Housing Allocation Bill

The Welsh Government are currently seeking to amend Wales’ approach to homelessness through the Homelessness and Social Housing Allocations Bill.

A primary aim of this bill is to improve homelessness prevention – both so that fewer people experience the stress and difficulty of homelessness and to reduce financial pressures for the public sector. This focus on prevention is also central to the Welsh Government’s wider ambitions to make homelessness rare, brief and unrepeated, as seen through their commitment to a Rapid Rehousing Approach.

However, so long as the welfare elements that relate directly to housing are not within the remit of devolved powers, the Welsh Government will continue to face additional challenges in fully delivering the aims of this bill and their wider approach to homelessness.

Unless LHA is reviewed and made fit for purpose, the disconnect between devolved housing policy and reserved welfare policy will continue, hindering progress in reducing homelessness in Wales.

RECOMMENDATIONS

The policy and decision making around Local Housing Allowance needs urgent review to ensure that housing benefit is serving its purpose of supporting households on low incomes to be adequately and securely housed.

In the immediate term, the UK Government must:

1. **Commit to annually uprating LHA in line with the data collected on rents across the UK.**¹⁶ The routine freezing of LHA over the last decade has grossly undermined the effectiveness of housing benefit and placed an unmanageable financial burden on people and local governments. We would expect to see this commitment made in the 2026/2027 UK budget announcement.
LHA freezes are reflective of short-term thinking. The cost to the public purse of uprating LHA annually is returned in reduced homelessness and reduced costs to local authorities and other public sector teams. As Shelter Cymru have shown, a policy that fails to prevent homelessness is both socially and economically unsustainable.
2. **Review and amend the advice for local authorities across the UK regarding Discretionary Housing Payments and Personal Independence Payments.**¹⁷ The PIP process determines the level of financial support that someone is owed through PIP, it should not then be within the remit of local authorities to undermine this allocation of funds and encourage tenants to use this money towards rent by withholding additional financial support through DHPs.

This will help to relieve some of the pressure currently created by LHA rates but more again will need to be done to ensure that LHA and associated non-devolved welfare policies are fit for purpose. Including:

3. **Returning LHA to the median rate**, so that it is aiming to cover the lowest 50% of private rents in every area. This aligns with the Welsh Government's position and there is a clear evidence base that this review and uprating will protect significant numbers of people from homelessness in Wales.¹⁸
4. **Pursuing conversations between the Welsh and UK Governments around the potential to devolve welfare policy decisions** that directly impact housing and homelessness **in Wales**¹⁹, as is the case in Scotland with DHP. To enable local and national government in Wales to work collaboratively to end homelessness.

¹⁶ See: [Office for National Statistics, Private rental price index, UK: monthly price statistics](#)

¹⁷ See: [Senedd Cymru, Benefits in Wales: Options for Better Delivery \(2021\)](#)

¹⁸ See: [Crisis, The Homelessness Monitor: Wales 2025](#)

¹⁹ See: [Senedd Cymru, Benefits in Wales: Options for Better Delivery \(2021\)](#)

Despite recent legislative changes, private renters in Wales already face a huge amount of insecurity within their tenancies. Uprating LHA to sufficient levels is one way in which the UK Government can help to redress the power imbalance in the tenant-landlord relationship. No tenant should feel that they are unable to enforce their existing legal rights to a safe and healthy home, but Shelter Cymru casework highlights that tenants in every part of Wales are afraid to push for essential repairs in case their landlord increases their rent.

CONCLUSION

For individuals and families across Wales, searching for affordable homes within the boundary that Local Housing Allowance sets is futile and an all too familiar experience. Every day, they approach with new hope, but the widening geographical areas and limited availability soon bring people crashing back down to the same old result: nothing here for you today.

This discussion should not be centred on the parameters of devolved authority or whether or not a government saving in one department is reason enough to accept an increase in another department; it is about people's lives, their health, and their future.

Fundamentally, the Local Housing Allowance is not currently fit for purpose and is negatively affecting people throughout Wales. This peer research-led investigation found that in 70% of Wales, there are no homes being advertised on popular rental listing websites that are within LHA rates.

The most affordable homes, that were available in the course of this data collection, would result in an average shortfall of over £1,900 a year, forcing households to cut back on essentials, incur debt, or fall behind on rent and risk eviction. Disabled households and people with long-term health conditions are particularly affected, with PIP routinely being used to cover rent gaps, diverting these funds away from their intended purpose - to improve people's quality of life.

Local authorities in Wales are also facing increased financial pressure due to current LHA policy and decisions made about LHA in Westminster in recent years. A quarter of all DHP spending in Wales is used to cover LHA shortfalls and they spend nearly £100 million each year in providing temporary accommodation to people experiencing homelessness. This is despite the position of the Welsh Government being to restore LHA to the median rate.

The human cost of LHA policy decisions is evident in Shelter Cymru casework: families pushed into homelessness due to unaffordable rent increases; disabled tenants forced to choose between heating and rent; households living in unsafe homes but afraid to request repairs because of the fear of rent hikes.

Acting on the recommendations of this report will protect renters here in Wales and across the UK.

