

Fairer Housing Support

**Policy
Exchange** 
Project 2029
A Plan to Reshape Britain

Rewiring our social housing and housing
benefit systems to restore fairness,
contribution and mobility

Jean-André Prager



Fairer Housing Support

Rewiring our social housing and housing
benefit systems to restore fairness,
contribution and mobility

Jean-André Prager



Policy Exchange is the UK's leading think tank. We are an independent, non-partisan educational charity whose mission is to develop and promote new policy ideas that will deliver better public services, a stronger society and a more dynamic economy.

Policy Exchange is committed to an evidence-based approach to policy development and retains copyright and full editorial control over all its written research. We work in partnership with academics and other experts and commission major studies involving thorough empirical research of alternative policy outcomes. We believe that the policy experience of other countries offers important lessons for government in the UK. We also believe that government has much to learn from business and the voluntary sector.

Registered charity no: 1096300.

Trustees

Karan Bilimoria, Alexander Downer, Andrew Feldman, David Harding, Patricia Hodgson, Greta Jones, David Ord, Daniel Posen, Andrew Roberts, William Salomon, Salma Shah, Simon Wolfson.

About the Author

Jean-André Prager is a Senior Fellow at Policy Exchange, specialising in welfare reform. He was previously a Special Adviser to the Prime Minister for the Department for Work and Pensions and the Department for Culture, Media and Sport.

Acknowledgements

The author is grateful to all the interviewees who kindly gave their time and shared insights which helped to inform this report. He is also thankful for the contribution of Ben Sweetman and Keir Haldane who supported data analysis for this report.

© Policy Exchange 2026

Published by
Policy Exchange, 1 Old Queen Street, Westminster, London SW1H 9JA

www.policyexchange.org.uk

ISBN: 978-1-918832-23-5

Contents

About the Author	2
Acknowledgements	3
Work and Welfare at Policy Exchange	5
Endorsements	7
Glossary of Terms	8
Executive Summary	12
Summary of Recommendations	15
Section 1 – The Past	18
1.1 How has the purpose of social housing changed?	18
1.2 How have perceptions of the housing system changed?	21
Section 2 – The Present	24
2.1 Social Housing	25
2.2 Housing Element of Universal Credit and Housing Benefit	39
2.3 Temporary Accommodation & Homelessness	44
Section 3 – Recommendations	47
Conclusion	62

Work and Welfare at Policy Exchange

Policy Exchange tackles the most pressing questions relating to work and welfare in Britain today. Our recent output includes:

- [Not Fit for Purpose](#) - Called for reform of the 'fit note' through the creation of two new categories 'Further' and 'Ongoing' Assessment to improve return-to-work rates.
- [None of Our Business?](#) - Considers the role that workplaces can play in supporting the health of the nation, advocating fifteen measures to boost the provision of occupational health and vocational rehabilitation.
- [For Whose Benefit?](#) - Argues that Britain's health and disability benefit system for working-age adults isn't working fiscally, technically or morally, and sets out proposals including making Personal Independence Payment conditional for younger claimants, simplifying assessments into a single process and strengthening parliamentary scrutiny to create a more dynamic and sustainable welfare system.
- [Lapse of Judgement](#) - Examines the flaws in the benefit appeals system for Personal Independence Payment and Work Capability Assessments, calling for a "reset" of Mandatory Reconsideration, stronger democratic accountability and better decision-making to ensure support is sustainable and appropriately targeted.
- [Sickfluencers and AI](#) - Investigates how online influencers and artificial intelligence can coach claimants through the welfare system, calling for stronger medical evidence, more face to face assessments and redesigned application processes to protect the integrity of health and disability benefits.
- [Welfare, Work and Young People](#) - Suggests the Government should do more to differentiate welfare support for people under 25, trialling Youth Employment Centres which would operate separately from the rest of the jobcentre, and provide specialist advice to young people.
- [Joined Up Welfare: The next steps for personalisation](#) – Calls for major reforms to Jobcentres through a new structure centred around the specific needs of the individual.
- [Poundbury not Peterborough](#) - Examines the Government's proposed new towns programme and sets out reforms to

ensure new settlements deliver sufficient housing, high-quality design, appropriate density, social and affordable homes and the infrastructure needed to create successful communities.

- [S.M.A.R.T Density](#) - Sets out a new approach to increasing housing density, arguing that mid-rise development, mansion blocks, traditional streets and well-designed public spaces can deliver significantly more homes while creating attractive and popular neighbourhoods.
- [Building Beautiful Council Houses](#) - Sets out a blueprint for a new generation of social housing, arguing that better design and placemaking can improve neighbourhoods, support social mobility and help address Britain's housing shortage.
- [The UK's Broken Housing Market](#) - Examines the causes and consequences of Britain's housing shortage and proposes major reforms to planning, public land, taxation and development to increase housing supply and improve affordability.
- [Homes for Growth](#) - Examines the economic consequences of Britain's housing shortage and argues for planning reform, increased housebuilding and a significant expansion of social housing to improve affordability, labour mobility and economic growth

Endorsements

“Social housing should be a safety net for families in difficult times and a springboard to help them get back on their feet. But our social housing provision is failing on both counts. There’s a shortage for families who desperately need it and no incentive for people to move on from state-subsidised accommodation. The potential for social housing to help people who need to move for work is totally overlooked.

This timely report by Policy Exchange adeptly analyses the failings of our current social housing system. The solutions it proposes are bold, and its ambition is spot on – to free up homes for those who desperately need them and deploy valuable state-funded housing to help people get on. At a time when taxpayers are being made to stump up for ever more welfare spending, a substantial policy paper which shows a different way to support people is welcome.”

Helen Whately MP, Shadow Secretary of State for Work and Pensions

Glossary of Terms

Affordable Rent

A form of social housing rent introduced in 2011. It can be set at up to 80 per cent of the local market rent and can therefore be considerably higher than Social Rent.

Allocation scheme

The rules used by a local authority to determine who can join its housing register and how applicants are prioritised for available social homes.

Broad Rental Market Area (BRMA)

A geographical area used to set Local Housing Allowance rates. Different LHA rates apply within each area according to the size of property for which a household is eligible.

Fixed-term tenancy

A social housing tenancy granted for a specified period rather than indefinitely. Under the report's proposed Opportunity Route, tenancies would normally last between one and two years.

Formula Rent

The rent produced by the national formula used to calculate Social Rent. The formula currently uses historic local earnings and property values from 1999 and 2000, alongside property size and subsequent annual uprating.

General-needs social housing

Mainstream social housing intended for households that do not require specialist accommodation or support. It is distinct from supported, sheltered and extra-care housing.

Housing Benefit (HB)

A means-tested benefit that helps eligible households meet their rent. Most working-age claimants have moved onto Universal Credit, but Housing Benefit continues to cover groups including many pensioners and people living in temporary, supported or sheltered accommodation.

Housing Element of Universal Credit

The part of Universal Credit that helps eligible claimants meet housing costs. For private renters, entitlement is generally limited by Local Housing Allowance. For social renters, it is normally based on their actual eligible

rent.

Housing Pressure and Mobility Compact

A proposal in this report to support greater movement between local authority areas. It would combine stronger mobility rights with reciprocal nominations, subregional cooperation and financial support for councils experiencing additional housing pressure.

Housing register

The list maintained by a local authority of households who are eligible and qualified for social housing. It is commonly referred to as the social housing waiting list.

Housing Revenue Account (HRA)

The ring-fenced account through which a local authority records income and expenditure associated with its council housing stock, including rental income, management, maintenance and investment.

Indefinite Leave to Remain (ILR)

An immigration status allowing a person to live in the UK without a time limit. Under the current system, some people with ILR are eligible for social housing, subject to the wider eligibility and qualification rules.

Lifetime tenancy

A social tenancy without a fixed end date, providing the tenant with long-term security subject to the conditions of the tenancy. Lifetime tenancies currently account for the large majority of new social lettings.

Local Connection

A link with a local authority area, commonly established through residence, family or employment. Many councils use local connection as a condition for joining their housing register, although national rules prevent it being applied to certain groups.

Local Housing Allowance (LHA)

The system used to determine the maximum amount of rent support generally available to eligible private renters through Housing Benefit or the Housing Element of Universal Credit. Rates vary by household size and Broad Rental Market Area.

Lower Local Rent Cap

The report's proposed replacement for the current cycle of freezing and periodically resetting Local Housing Allowance. LHA would initially be set at the 10th percentile of local rents and then uprated annually using current local rent data.

Mutual exchange

An arrangement under which social tenants exchange homes with one

another, subject to the relevant landlord requirements. It can allow tenants to move without waiting for a conventional new allocation.

Opportunity Route

A proposed route into social housing designed to use time-limited tenancies to support employment, training, apprenticeships, caring responsibilities, mobility and better use of the existing housing stock.

Pay to Stay

A policy under which higher-income social tenants are required to pay a higher rent. This report proposes a graduated system under which additional rent begins once household income exceeds the national gross mean household income and rises progressively until full market rent is charged at £88,000.

Priority

The relative position given to an applicant once they have qualified for the housing register. Priority determines their prospects of receiving an available social home and is commonly expressed through bands or points.

Priority need

A statutory homelessness concept identifying certain households to whom councils may owe additional accommodation duties. It is distinct from the separate rules governing priority for an allocation of social housing.

Qualification

The rules set by a local authority determining whether an otherwise eligible person can join its housing register. Qualification criteria can include factors such as local connection, income, savings or housing need.

Reasonable preference

The statutory requirement for local authority allocation schemes to give preference to specified categories of applicant, including certain homeless households and people with medical or welfare needs. It does not necessarily require absolute priority over every other applicant.

Reciprocal nomination

An arrangement under which local authorities agree to make social housing available to eligible households from another authority, helping facilitate movement across council boundaries..

Right to Move

Rules protecting existing social tenants who need to move to another local authority area for work. Councils cannot exclude qualifying applicants simply because they lack the normal local connection, although the policy does not guarantee that they will receive a home quickly.

Social housing

Affordable rented housing provided principally by local authorities and not-for-profit housing associations at rents below those normally charged in the private market.

Social Rent

The principal regulated rent regime for social housing. Rents are calculated through a national formula based on property size, historic local earnings and historic property values and are subject to national rent caps.

Supported housing

Accommodation provided alongside care, support or supervision for people who may struggle to sustain an ordinary tenancy, including some people with disabilities, mental health conditions, substance dependency or other complex needs.

Sheltered and extra-care housing

Specialist housing primarily designed to allow older people to live independently while receiving varying levels of support or care. The report distinguishes it from general-needs social housing.

Temporary accommodation (TA)

Accommodation arranged by a local authority for some households who are homeless. It can include council or housing association homes, privately rented properties, hostels, hotels and bed and breakfast accommodation. A household in temporary accommodation remains legally homeless until the relevant duty ends or suitable settled accommodation is secured.

Under-occupation

Where a social-renting household is considered to have more bedrooms than it requires under benefit rules. For working-age tenants receiving housing support, this can result in a reduction in their Housing Benefit or Universal Credit Housing Element, sometimes referred to as removal of the “spare room subsidy”.

Universal Credit (UC)

The principal means-tested working-age benefit, incorporating support for living costs and, where applicable, housing costs through the Housing Element.

Work requirements

Requirements within the welfare system for certain claimants to undertake specified work-related activity. This report proposes treating claimants subject to work requirements differently from those with no work requirements when determining the duration and level of housing support.

Executive Summary

England's housing support system is failing.

It is failing those who depend on it. It does not provide adequate support when people need it most. There are 1.34 million households on social housing waiting lists, but only 263,000 households received a new social letting in 2024/25.¹ A further 134,210 households were in temporary accommodation on 31 December 2025, including 176,130 dependent children.² For some existing tenants, the system also fails to provide the standard of service they should expect, with problems such as damp and mould too often left unresolved. Too many households are often left stranded on waiting lists, stuck in temporary accommodation or trapped in homes that no longer fit their lives. The system promises security, but too often delivers stagnation.

It is failing the State. Costs are rising relentlessly. Expenditure on Housing Benefit and the Housing Element of Universal Credit is estimated at £37.2 billion in 2025/26 and is forecast to reach £43.5 billion by 2030/31.³ To put that in perspective, the current annual bill is already larger than the combined day-to-day budgets of the Home Office and Ministry of Justice.⁴ Councils in England spent £2.84 billion on temporary accommodation in 2024/25, with net costs of £1.43 billion, even after accounting for subsidies and household contributions.⁵ In London alone, over £5 million is spent on temporary accommodation each day.⁶ What began as housing support has evolved into an open-ended subsidy for a broken market, with no clear measure of success.

It is failing the public. The system is increasingly seen as unfair and, in too many cases, is unfair. The public accepts that homelessness, disability, domestic abuse, and severe hardship should take priority in our housing system. However, consent diminishes when social homes remain occupied by people whose circumstances no longer justify continued access to them. Our social housing system is inflexible. Southwark recently repossessed a council flat rented by the First Lady of Sierra Leone after a year-long investigation, in a borough with over 18,000 households on its waiting list.⁷ The same concern arises when high earners retain social tenancies, or when serious anti-social behaviour and terrorism-related offences do not face clear and consistent consequences in the allocation system. Public confidence is also weakened by a perception that recent arrivals, including those recently granted refugee status, can sometimes move ahead of people with a longer-standing connection to an area. That perception is often overstated, but it is not entirely without foundation: homelessness carries statutory priority in the allocation system, while length of residence and

1. <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2024-to-march-2025/social-housing-lettings-in-england-tenants-april-2024-to-march-2025>
2. <https://www.gov.uk/government/statistics/statutory-homelessness-in-england-october-to-december-2025/statutory-homelessness-in-england-october-to-december-2025#temporary-accommodation>
3. <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2026>
4. <https://www.gov.uk/government/publications/spending-review-2025-document/spending-review-2025-html>
5. <https://researchbriefings.files.parliament.uk/documents/CBP-10421/CBP-10421.pdf>
6. <https://www.londoncouncils.gov.uk/news-and-press-releases/2025/borough-homelessness-costs-soar-ps55-million-day>
7. <https://www.bbc.com/news/articles/clyx-keny8x6o>

local connection do not necessarily do so.

There has been much recent discussion about the need for more social housing. Andy Burnham has made this a key part of his policy agenda, and as a nation we need to build more homes. Burnham has stressed that he will oversee “the biggest council house building programme since the post-war period” and that public land would be used to reduce the cost of building council homes.⁸ A supply-side answer is not enough, and this paper seeks to address the other half of the equation: demand, and how a scarce supply of social housing should be allocated and used. Even with a major building programme, housing pressures will persist for years, not least because rebuilding local authority development capacity and delivering new homes at scale will take time. A reform agenda must therefore combine increased supply with a more robust discussion about who should be allocated homes, on what terms and for what purpose.

What needs to change

We need to return the housing support system to its original purpose. In the post-war years, social housing had a far stronger link to work and community. A reformed system must protect people in acute hardship, but it should aim to alleviate hardship rather than merely manage it. It should not simply ask how vulnerable someone is, but how they can be helped to move forward. A social tenancy should not automatically become a home for life simply because it was allocated at a moment of crisis or need. In practice, that means recognising two distinct tasks. Some households need a clearer Safety Net Route out of crisis and into stability. Others need an Opportunity Route that uses housing to support work, training, mobility and greater independence.

The same principle should apply to Housing Benefit and the Housing Element of Universal Credit. Support with rent must remain a core part of the safety net, but it should be more coherent, more predictable and more honest about what the taxpayer can reasonably be expected to fund. The current freeze should be maintained until expenditure on Housing Benefit and the Universal Credit housing element has fallen in real terms from its 2025/26 baseline, and the Government should replace the current cycle of Local Housing Allowance freezes and sudden resets with a Lower local Rent Cap set at the 10th percentile of local rents and thereafter uprated in line with local rent data.

A clear demarcation should be made between households that need long-term support and working-age claimants who should move towards greater financial independence. Those subject to work requirements should receive their full entitlement to Housing Benefit or the Universal Credit housing element for the first two years, after which support would taper. Claimants with no work requirements would remain protected⁹, while 10 per cent of the gross savings would be reserved for claimants facing exceptional circumstances.

These reforms are intended to produce measurable results. The modelling produces £14.3 billion in savings and additional revenue over

8. <https://www.housingtoday.co.uk/news/burnham-pledges-biggest-council-house-building-programme-since-the-post-war-period/5142949.article>

9. This paper does not consider whether the current categories of claimants subject to no work requirements are themselves appropriately drawn. That is a separate question which should be reviewed as part of wider welfare reform.

the five years to 2031/32, with the annual fiscal effect reaching £4.8 billion in 2031/32. Over a decade, the reforms would create over a million additional social housing opportunities, including 793,000 through the Opportunity Route, 155,000 through Pay to Stay, and 54,000 additional housing association homes. Graduated Pay to Stay would also generate £1.1 billion in additional rental income for councils and a further £1.95 billion for housing associations over five years. A further, 220,000 homes would be reserved for British citizens. The result would be a housing support system that costs less, turns over its scarce stock more quickly and provides substantially more opportunities for households currently locked out of social housing.

Headline impact

Savings and additional revenue over the five years to 2031/32	£14.3 billion
Graduated taper for long-term housing support	£6.1 billion
Increased housing stock turnover from the Opportunity Route and Pay to Stay	£3.7 billion
Graduated Pay to Stay	£1.1 billion
Annual fiscal effect by 2031/32	£4.8 billion
Additional social housing opportunities over ten years	1.002 million
Opportunity Route	793,000
Graduated Pay to Stay	155,000

Summary of Recommendations

1. Reserve new social homes for British citizens and put contribution at the heart of allocation.
 - New social housing allocations should be reserved for British citizens, but citizenship should not be the only test. Councils should replace narrow local connection rules with a broader Local Contribution Criterion that recognises work, training, caring, volunteering and moves that release or make better use of existing social housing stock. This would place contribution at the centre of a stronger civic compact, under which access to social housing reflects both need and, wherever possible, a commitment to the community. **Applied prospectively, the reform is modelled to redirect 220,000 social housing lettings to British citizens.**
2. End lifelong tenancies through the Safety Net and Opportunity Routes.
 - No new social tenancy should automatically become a home for life. Instead, councils should create two clear routes. A Safety Net Route would provide stability and protection for households facing crisis or enduring need. An Opportunity Route would use time-limited tenancies to support work, training, caring responsibilities, mobility and greater independence. The latter would generate a rolling stock of properties rather than lifelong tenancies, dramatically increasing housing stock turnover, generating billions in savings, and decreasing waitlists. **The Opportunity Route alone would create 793,000 additional letting opportunities over a decade. Together with the stock released through Graduated Pay to Stay, increased turnover is modelled to generate £3.7 billion in fiscal savings over the five years to 2031/32.**
3. Create a Housing Pressure and Mobility Compact.
 - The Opportunity Route will only work if high-pressure councils are supported. The Government should strengthen the Right to Move and require councils to make a meaningful share of lettings available for moves linked to work, training or caring responsibilities. Reciprocal nominations, subregional agreements and financial support should help councils manage

the additional demand and ensure that those already facing the greatest housing pressures are properly supported. The Government should provide dedicated funding for the scheme's administrative and transitional costs, including coordinating cross-boundary moves and reciprocal nominations. **The Compact would be the mechanism needed to unlock the Opportunity Route, which is modelled to create 793,000 additional letting opportunities over a decade.**

4. Make conduct and income tests central to restoring fairness in social housing.
 - People responsible for repeated serious anti-social behaviour or convicted of terrorism-related offences should not qualify for social housing. Households earning above the national gross mean household income should face a Graduated Pay to Stay regime, under which their contribution rises progressively with income until they pay full market rent at £88,000, with the threshold uprated annually by CPI. **The policy is modelled to raise £1.1 billion in additional local authority rental income over the five years to 2031/32, release 155,000 council homes over a decade and support the construction of 54,000 additional housing association homes.**
5. Rebase Social Rent and restrain its short-term growth.
 - The Social Rent formula should reflect current local earnings, property values and housing markets rather than 1999 and 2000 data. Reform should begin with new tenancies and relets, with existing tenants protected from sudden rent shocks. As a short-term measure, annual social rent growth should also be limited to inflation. **The temporary CPI cap is modelled to save £2.6 billion over the five years to 2031/32, including £0.9 billion in 2031/32 alone.**
6. Replace the Local Housing Allowance reset-and-freeze cycle.
 - The current freeze in Local Housing Allowance should remain in place until expenditure on Housing Benefit and the Universal Credit Housing Element has fallen in real terms from its 2025/26 baseline. Once that point has been reached, LHA should be reset to the 10th percentile of local rents and thereafter uprated annually in line with changes in local rents. This would replace repeated freezes and sudden resets with a clearer and more predictable settlement, while ensuring that housing support expenditure is first brought under greater control before LHA is re-linked to movements in local rental markets.

7. Reduce long-term housing support for claimants who can work.
 - Working age claimants subject to work requirements should receive their full Housing Benefit or Universal Credit Housing Element entitlement for the first two years. Support should then be reduced by 20 per cent after two years and by a further 20 per cent after four years. Claimants with no work requirements would remain protected, while 10 per cent of the gross savings should be reserved for exceptional circumstances and targeted safeguards. **After allowing for this 10 per cent discretionary pot, the reform is modelled to save £6.1 billion over to 2031/32, including £2.5 billion in 2031/32 alone.**
8. **Invest more in Housing Benefit fraud detection.**
 - DWP should invest an additional £25 million a year in targeted data matching, higher risk award reviews and local investigation capacity. With around £460 million of Housing Benefit estimated to have been overpaid because of fraud in 2025/26, reducing fraud by 20 per cent could prevent around **£92 million of overpayments a year and generate net savings of approximately £67 million in the first year.**

Section 1 – The Past

1.1 How has the purpose of social housing changed?

Before World War II

The origins of social housing can be traced back to the late 19th and early 20th centuries, when not-for-profit landlords started to build clean, affordable housing for Britain's working classes. Charitable organisations, including the Peabody and Guinness Trusts, constructed housing estates to replace overcrowded slums or the horrors of the workhouses. At the same time, realising the benefit of having healthy, well-housed workers, philanthropic factory owners started to build higher-quality dwellings near centres of employment.

However, by the start of the First World War, many Britons continued to live in overcrowded, dangerous slum conditions. The conflict brought home the scale of this problem as many recruits were deemed too unfit to fight. In 1918, faced with both a need to house returning soldiers and an ambition to improve the living conditions of the working classes, Lloyd George famously pledged to build “homes fit for heroes”. The subsequent Housing, Town Planning, &c. Act 1919 marked the start of large-scale government plans to provide social housing.¹⁰

Post-WWII provision

In the wake of the Second World War, as the government once again embarked on a massive project of national reconstruction, housing policy was focused on rebuilding Britain as a whole. The provision of social housing was integrated into the government's wider ambitions to rejuvenate industry and help families improve their lives. The 1946 New Towns Act gave effect to plans for new communities built at relatively low density, with everyday services such as schools, shops and pubs close to homes and employment planned alongside them.¹¹ Providing housing was fundamentally linked to providing opportunity.

Social housing was intended to house people from a broad cross-section of society, rather than just the poorest. In 1949, Nye Bevan as Minister of Health spoke of his vision for modern housing estates to include “the lovely feature of the English and Welsh village, where the doctor, the grocer, the butcher and the farm labourer all lived in the same street”. Social housing was, in Bevan's words, to be “the living tapestry of the mixed community.”¹² Bevan even advocated for social housing to be for all.

10. https://www.instituteforgovernment.org.uk/sites/default/files/2024-08/How-government-can-build-more-homes_0.pdf

11. <https://publications.parliament.uk/pa/cm200102/cmselect/cmtlgr/603/60304.htm#note2>

12. Aneurin Bevan, 1949, quoted in M. Foot (1973), Aneurin Bevan, Volume Two: 1945-1960, London: Paladin, p.78.

Whilst Bevan’s ambitions may appear far-fetched, post-war social housing policy was clearly designed to house people on a range of incomes, acting as a catalyst for opportunity and community, rather than just as a safety net for the most immediately vulnerable.

The shift to a needs-based system

However, over the past half-century, there has been a fundamental shift in the purpose of housing policy. The proportion of the UK population living in social housing has declined, and the makeup of social tenants has changed.¹³ Whilst around 30% of English households lived in social housing in 1981, only 16% do today; similarly, whilst 47% of social tenants were in paid employment in 1981, only 40% were by the end of 2025.¹⁴

During the 1980s, as supply became increasingly squeezed, councils began to allocate available homes primarily based on acute need. The Housing Act 1996 placed this needs-based approach on a new statutory footing and created a legal framework that underpins most allocation policies today. As originally enacted, the Act required councils to give “reasonable preference” to groups, including families with dependent children, families expecting a baby, people living in unsatisfactory or insecure housing, and households requiring settled accommodation on medical or welfare grounds.¹⁵

During the passage of the Act, there was debate about whether these reasonable preference categories should explicitly include people who were homeless. David Curry distinguished between those who became homeless because of a “deep-seated, long-term need” and those who were temporarily overwhelmed by a particular circumstance.¹⁶ The Homelessness Act 2002 subsequently altered this settlement by expressly including homeless people and those owed specified homelessness duties within the reasonable preference categories.¹⁷ Although framed more narrowly in the mid-1990s, the distinction between immediate assistance during a crisis and longer-term access to social housing lies at the heart of the questions examined in this paper.

The Homelessness Reduction Act 2017 placed additional duties on local authorities to take reasonable steps to prevent and relieve homelessness and to develop personalised housing plans. This widened the group of households with whom councils were required to engage, including many single adults who would previously have received more limited assistance.¹⁸ These duties operate alongside, rather than replace, the separate statutory framework governing the allocation of social housing.

13. https://assets.publishing.service.gov.uk/media/5a81fa8ced915d74e623521f/EHS_50th_Anniversary_Report.pdf (p.11)

14. https://assets.publishing.service.gov.uk/media/6930595d4bedc0e762303ffa/2024-25_EHS_Headline_Report.pdf John Hills, Ends and Means, p.3; <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/workingandworklesshouseholdstabled-householdsbyhousingtenureandcombinedeconomicactivitystatusofhouseholdmembers>

15. https://www.legislation.gov.uk/ukpga/1996/52/pdfs/ukpga_19960052_en.pdf (p.106)

16. <https://hansard.parliament.uk/Commons/1996-04-30/debates/1aada7df-e03b-4928-bb21-95157cf1779c/AbsolutePriorityInHousingAllocationForCertainCategoriesOfPersons>

17. <https://www.legislation.gov.uk/ukpga/2002/7/section/16>

18. <https://www.legislation.gov.uk/ukpga/2017/13/contents>

How Homelessness Law Has Evolved

The Housing Act 1996 established the modern framework for social housing allocation and homelessness duties, requiring councils to give reasonable preference to specified groups in housing need. **The Homelessness Act 2002** strengthened this by explicitly adding homeless households and those owed specified homelessness duties to the reasonable preference categories. **The Homelessness Reduction Act 2017** went further, expanding councils' duties to prevent and relieve homelessness, including through a 56-day prevention period and personalised housing plans. Together, these reforms progressively strengthened the position of homelessness within the housing system

Today, local authorities face a system increasingly focused on helping those who can demonstrate the greatest vulnerability under statutory criteria. The description “temporary accommodation” increasingly obscures the reality of the system. Temporary accommodation can include council or housing association homes, privately rented properties, hostels, hotels and bed and breakfast accommodation arranged by a local authority while a household awaits a settled housing outcome. For many families, temporary accommodation is not a short emergency intervention but a form of housing in which they remain for years. By March 2026, 135,580 households were living in temporary accommodation.¹⁹ Among households with children, the most common length of stay was between two and five years,²⁰ while significant numbers had remained there for more than five years. This blurs the distinction between emergency support and long-term housing provision. This temporary accommodation is both very costly for councils. In 2024-25, £2.2 billion or 68.8% of local councils' housing expenditure, was spent on homelessness services, even after accounting for contributions such as housing benefit.²¹ There is also a serious lack of mobility within the social housing sector. Most homes are leased on lifetime tenancies, while existing social tenants seeking to move are required to rejoin waiting lists along with new applicants.

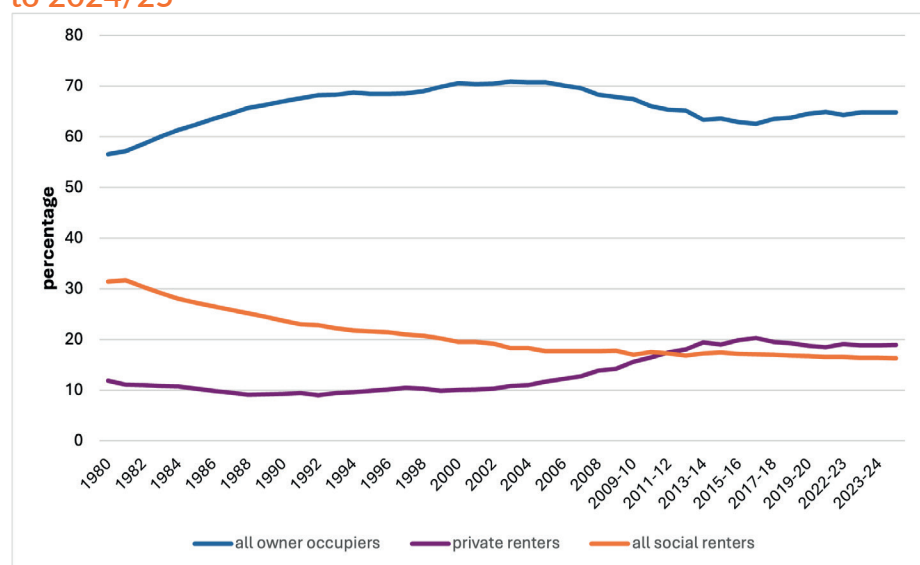
The post-war vision of social housing as a facilitator of opportunity has been replaced by a system increasingly focused on managing statutory need. A safety net for acute hardship remains essential, but low turnover, long waiting lists and reliance on temporary accommodation suggest a system that has lost sight of its wider civic and economic purpose.

19. <https://www.gov.uk/government/statistics/statutory-homelessness-in-england-january-to-march-2026/statutory-homelessness-in-england-january-to-march-2026>

20. <https://www.gov.uk/government/statistics/statutory-homelessness-in-england-october-to-december-2025/statutory-homelessness-in-england-october-to-december-2025>

21. <https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2024-to-2025-first-release/local-authority-revenue-expenditure-and-financing-england-2024-to-2025-first-release#local-authority-expenditure>

Figure 1 – Trends in tenure by percentage of the population, 1980 to 2024/25²²



Housing benefits

In addition to social housing, during the second half of the twentieth century, the UK government has since increasingly provided financial support for low-income private or social tenants struggling to pay rent. The modern Housing Benefit was first legislated for in 1982 and has since operated in the form of both rent rebates and rent allowances.²³ Since then, as rent prices have risen and the availability of social housing stock has been squeezed, the government's expenditure on housing benefits has soared. A series of policy changes throughout the 21st century have attempted to alleviate this problem but combined spending on Housing Benefit and the Housing Element of Universal Credit is forecast to reach £37.2 billion in 2025/26.

The modern Housing Benefit system

The **Social Security and Housing Benefits Act 1982** created the modern Housing Benefit system by bringing together the previous rent rebate and rent allowance schemes. For most working-age claimants, it has since been replaced by the **Housing Element of Universal Credit**.

1.2 How have perceptions of the housing system changed?

Just as the purpose of social housing has changed since the post-war period, so too has the UK's housing market. As a result, there has been a fundamental shift in how our society perceives both the cost of housing and the role of social housing.

22. https://assets.publishing.service.gov.uk/media/6930595d4bedc0e762303ffa/2024-25_EHS_Headline_Report.pdf

23. <https://www.theguardian.com/society/2001/mar/14/housingpolicy>

Over the past half-century, the cost of both purchasing a house and renting privately has increased drastically, particularly as a proportion of household income. In 1968, both private and social renters across the UK spent an average of 7% of their household income on housing; by 2024, this figure had risen to roughly one third for private renters.²⁴ In recent years, rents have continued to rise much faster than incomes, while the increasing difficulty of buying property and getting onto the housing ladder has been widely reported.

As housing affordability has become a growing pressure, attitudes towards housing support have become more charged. Among families who work but still struggle with housing costs, social rents or housing support can appear unfairly distributed. Survey evidence supports this. In 2018, 34% of respondents thought social housing allocation was unfair, rising to 40% among private renters. Whether or not these perceptions reflect claimants' full circumstances, they matter politically. A system seen to reward need without recognising contribution is vulnerable to resentment.²⁵

Despite concentrations of deprivation and unemployment in social housing, private renters, on average, struggle more with housing costs. In 2024 to 2025, rent constituted 28% of income for social renters, yet 34% for private renters. Moreover, 32% of private renters reported finding it difficult to pay rent, compared with 26% of social renters.²⁶ The gulf between private rents and social rents is widening and perceptions of housing are becoming more polarised. Housing shortages are not just an issue in the social sector, and housing stress is not just a problem for the most vulnerable.

In more recent years, social norms surrounding the composition of households and shared dwellings have also shifted. As private rent has become increasingly unaffordable, the proportion of adults living with their parents until later in life has increased. There were 4.9 million adult children living with their parents in 2021, and, between 2006 and 2024, the proportion of UK adults aged 25 to 34 living with their parents rose by over a third from 13% to 18%.²⁷ There has also been a reported rise in people living in shared housing into their late thirties, forties, and even sixties.²⁸ As these living arrangements become more common, public expectations around what housing people should reasonably be entitled to under the welfare system are likely to change.

The Interim report of the Milburn Review, makes a similar point about young people and work. Previous generations could expect employment to lead to independence and a rented flat, but that expectation has weakened. High housing costs now restrict labour mobility, especially for young people without family wealth, who may be unable to live near major employment centres.²⁹

24. [Housing costs and income inequality in the UK](#) [accessed 7 May 2026], p.12. This data does not include Northern Ireland; [Private rental affordability, England, Wales and Northern Ireland - Office for National Statistics](#), [accessed 7 May 2026]. The numbers were 36.3% in England, 25.9% in Wales, and 25.4% in Northern Ireland. This data does not include Scotland.

25. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818535/Public_attitudes_towards_social_housing.pdf

26. <https://www.gov.uk/government/statistics/chapters-for-english-housing-survey-2024-to-2025-headline-findings-on-demographics-and-household-resilience/chapter-2-housing-costs-and-affordability#housing-costs>

27. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/moreadultslivingwiththeirparents/2023-05-10>; <https://ifs.org.uk/publications/hotel-mum-and-dad-co-residence-parents-among-those-aged-25-34>

28. <https://www.spareroom.co.uk/content/info-statistics/flatsharers-getting-older> [accessed 7 May 2026].

29. <https://assets.publishing.service.gov.uk/media/6a16f4f0c7335e2ca6daabf3/young-people-and-work-interim-report-large-print.pdf>, p.67

The Milburn Review

The **Milburn Review**, led by former Health Secretary Alan Milburn, was commissioned by the Government to examine why nearly **one million 16 to 24-year-olds are not in education, employment or training (NEET)**. Its terms of reference focus particularly on the rise in economic inactivity among young disabled people and those with health conditions, and on developing policy responses to increase opportunities for young people. Following an interim report in May 2026, the Review is due to publish its final recommendations in **Autumn 2026**.

Evidence suggests that people broadly agree with prioritising those most in need when allocating social housing. In a 2023 government survey, when asked which factor should be treated as a priority, the most common answer by far was ‘being homeless’ (31.4%). This points to an important distinction in public attitudes. Voters may be uneasy about how housing support is distributed, but they do not necessarily reject need as a principle. However, public attitudes may also be shaped by a gap between the popular and legal meanings of homelessness. Many people may understand homelessness primarily as rough sleeping or having no roof at all, whereas the legal definition can include households whose current accommodation is unavailable, unsafe, unsuitable or unreasonable to continue occupying. There may also be limited public understanding of how the social housing system operates, particularly the prevalence of lifetime tenancies. People may support providing a home to someone who is homeless at a moment of crisis without necessarily believing that this should create an entitlement to a social home for life. These gaps may help explain why people support prioritising homelessness in principle, while still feeling uneasy about how housing support is allocated in practice.

Section 2 – The Present

Basic outline

The housing welfare system in the UK currently operates through several overlapping forms of support.

1. **Social housing:** This refers to affordable homes provided by local councils or not-for-profit housing associations at below-market rents, primarily for individuals who cannot afford or access suitable housing in the private market. They are often referred to as council houses.
2. **The Housing Element of Universal Credit:** Recipients of Universal Credit can receive extra money to help with housing costs. This can be used to help pay rent to private landlords, cover rent and eligible service charges in social housing, or, in rare cases, meet eligible service charges on properties they own and live in. 4.4 million households had a housing element in November 2025. Some people, including those of state pension age or in supported, sheltered or temporary housing, remain on legacy Housing Benefit, which is allocated differently to UC.³⁰

There is also a third part of the UK housing welfare system that is growing in both size and cost: temporary accommodation provided by councils. This is accommodation arranged for households facing homelessness while the council fulfils its legal duties or a longer-term housing solution is found.

A further part of the housing support system is supported and specialist housing. Supported housing provides accommodation alongside care, support or supervision for people who may struggle to sustain an ordinary tenancy, including some people with disabilities, mental health conditions, substance dependency or other complex needs.³¹ Older people's housing, including sheltered and extra-care housing, performs a different but equally important role by allowing people to live independently with varying levels of support.³² These forms of housing should be distinguished from general-needs social housing because for many residents long-term security is the objective rather than progression into another tenure.

30. This paper focuses primarily on social housing allocation in England. Housing Benefit and Universal Credit operate across Great Britain, although some aspects of housing policy are devolved. Examples from Wales are included for comparison where relevant.

31. <https://lordslibrary.parliament.uk/supported-housing/>

32. <https://www.gov.uk/guidance/housing-for-older-and-disabled-people>

2.1 Social Housing

2.1.a) How does it work?

What is it?

- Social housing consists of affordable homes provided by either **local councils** or not-for-profit **housing associations**. Social housing tenants pay rent at significantly below market rates. In 2024/25 in England, the mean weekly rent paid by social renters was £129, compared with £250 for private renters. That is a difference of £121 a week. Put another way, for every £1,000 paid by a private renter, a social renter paid about £516. That is a difference of £484. Charging below-market rent means forgoing income that could otherwise be received from the property, while allocating the home to one household means it cannot be offered to another.³³

Overview

- In 2023, 4.2 million homes, or 16% of the total, in England were socially rented.³⁴ This means roughly one in six homes in England in 2023 was social housing.
- The vast majority of social housing is offered on a lifetime tenancy basis. In 2024/2025, lifetime tenancies accounted for 78% of new social lettings, whilst only 10% of tenancies had a fixed end date.³⁵ Turnover is correspondingly low. The average social renter has occupied their present home for about 12 years, whereas the equivalent figure in the private rented sector is around 5 years.³⁶ Social housing tenants stay in their homes for more than twice as long.
- Demand for social housing far exceeds the number of homes becoming available. There were 1.34 million households on local authority registers, but only 263,000 households received a new social letting in 2024/25.³⁷ Nationally, there were around five households on the waiting list for every new social letting.

Eligibility

- Eligibility for social housing is set in law, but councils decide who qualifies to join their housing register. Eligibility determines whether someone can apply, qualification determines whether they can join the register, and priority determines their prospects of being allocated a home. Applicants who are both eligible and qualified are placed on the register until a suitable property becomes available.
- Eligibility for an allocation of social housing in England depends

33. <https://www.gov.uk/government/statistics/chapters-for-english-housing-survey-2024-to-2025-headline-findings-on-demographics-and-household-resilience/chapter-2-housing-costs-and-affordability>

34. <https://www.ons.gov.uk/peoplepopulationandcommunity/housing/articles/researchoutputsubnationaldwellingstockby-tenureestimatesengland2012to2015/2023>

35. <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2024-to-march-2025/social-housing-lettings-in-england-tenancies-april-2024-to-march-2025#tenancy-types-of-new-lettings>

36. <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2023-to-march-2024/social-housing-lettings-in-england-tenants-april-2023-to-march-2024#fn:12>

37. <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2024-to-march-2025/social-housing-lettings-in-england-tenants-april-2024-to-march-2025> [accessed 1 May 2026]

principally on immigration and residence status, while most councils also apply local income and savings limits as qualification criteria. British and Irish citizens and certain Commonwealth citizens with a right of abode are generally eligible, although habitual residence requirements may apply. Certain people subject to immigration control are also eligible, including those with refugee status, humanitarian protection, Indefinite Leave to Remain or settled status under the EU Settlement Scheme, as well as some people with specified forms of limited leave and recourse to public funds. People without lawful immigration status, asylum seekers awaiting a decision, and most people on student or work visas are generally ineligible.³⁸

- Since the 2011 Localism Act, which expanded the freedoms of local authorities, many councils have required some local connection, such as having been resident in the local area for a certain length of time. However, councils must still operate within national rules and cannot apply local connection requirements in every case. For example, certain groups, including some members of the Armed Forces and people moving for work under the Right to Move rules, receive protection from local connection restrictions.³⁹
- Local connection rules vary considerably between councils, but most operate as a qualifying test rather than a priority mechanism. In practice, applicants often have to show residence in the area for a set period before they can join the housing register (as shown below). Family connection and employment can sometimes count, but they are usually defined narrowly and rarely appear to provide strong priority once an applicant is on the list. This means that local connection rules tend to protect access for existing local residents, rather than actively supporting broader forms of local contribution.
- Many councils also require applicants to be part of a priority group simply to qualify to join a waiting list such as being homeless; being at risk of harm; being linked to the Armed Forces; having medical needs; or living in an unsafe or overcrowded home.⁴⁰

38. <https://www.gov.uk/guidance/allocation-of-accommodation-guidance-for-local-authorities/chapter-3-eligibility-and-qualification>

39. https://england.shelter.org.uk/professional_resources/legal/housing_options/housing_options_for_veterans/social_housing_allocations_for_veterans; <https://www.gov.uk/government/publications/right-to-move-statutory-guidance-on-social-housing-allocations-for-local-housing-authorities-in-england/right-to-move-and-social-housing-allocations--2>

40. <https://www.westminster.gov.uk/housing-policy-and-strategy/allocations-scheme>

How local connection requirements vary between local authorities

	Local Connection Qualifying vs Priority?	Residency	Family connection	Employment
London Borough of Newham (Sep 2025 Allocation Policy)	Qualifying	Last 3 years continuously		
Birmingham City Council (Housing Allocation Scheme Revised Dec 2025)	Qualifying	2 years continuously	Close relatives; 5 years	2 years continuously
Leeds City Council (Lettings Policy)	Qualifying	2 years	Family member; 5 years	Employed in Leeds
Ealing Council (Housing Policy)	Qualifying	5 years continuously		
Cornwall Council (Housing Policy)	Depends on the property	Last 3 years continuously OR 5 years continuously in the past	Close family needing care; 5 years	Permanent Employment
Brighton & Hove Council (Housing Allocation Policy)	Qualifying	5 of the last 7 years		

North Yorkshire Council (Home Choice Common Allocation Policy)	Qualifying	6 of the past 12 months OR 3 of the past 5 years	Close family; 5 years OR Essential need to care/support someone who has lived locally for 5 years	Full or part-time employment for at least 6 months
Gwynedd Council (Common Housing Allocations Policy)	Applicants must either be in housing need or have a local connection. Those with a local connection are given priority.	5 years at any time	Close family; 10 years OR Supporting/caring for someone	Employed for at least 5 years OR Have a job offer and disability that requires them to move for it
Cardiff Council (Housing Scheme)	Important priority factor	2 years continuously	Close family under exceptional circumstances	Employed in Cardiff and live unsuitably far away
Medway Council (Housing Allocations Policy)	Qualifying	Last 3 years		
Hampshire Home Choice - combines East Hampshire, Eastleigh, Havant, Test Valley and Winchester councils. (Home Choice Allocation Policy)	Qualifying	12 continuous months OR 3 of the previous 5 years	Close family; 5 years	Substantial employment for at least 12 continuous months

- Allocation policies vary between local councils, but are shaped by national legislation and guidance. The most important legislation is the Housing Act 1996. The Housing Act 1996 originally required councils to give reasonable preference to groups including families with dependent children, pregnant women, people living in insecure or unsatisfactory housing, and those needing settled accommodation on medical or welfare grounds.⁴¹ The statutory framework has expanded over time to give greater weight to homelessness and acute vulnerability. The Homelessness Act 2002 expressly added people who were homeless and those owed specified homelessness duties to the reasonable preference categories.⁴² Separately, the Domestic Abuse Act 2021 made people homeless as a result of domestic abuse automatically entitled to priority need under the homelessness duties.
- Domestic abuse also creates an important exception to the increasingly local character of social housing allocation. Since July 2025, councils using residency or local connection requirements cannot apply those requirements to victims who need to move for reasons connected with domestic abuse.⁴³ This is an important protection, but it also illustrates the tension between locally based allocation systems and national statutory responsibilities, particularly for authorities in areas to which households may need to move for safety.
- Councils have different ways of ranking applicants, but most use either a band system (where applicants are assigned to a priority level according to their need) or a points system (where applicants are awarded points for each criterion they meet).
- Current social tenants looking to move to another social home often face the same constrained allocation system as new applicants, unless they can arrange a mutual exchange or qualify for a transfer priority. Some councils may give existing social tenants additional priority if they are looking to downsize or move for employment. In practice, however, mobility remains a secondary consideration within a system dominated by acute housing need. In England in 2024, 20% of private renters had been in their home for less than one year, compared with 6% of social renters.⁴⁴
- Existing mutual-exchange platforms demonstrate that some mobility can be tenant-led; reform should make these mechanisms easier to use and integrate them more systematically into councils' mobility and downsizing strategies.⁴⁵

Nationality

- There has been much debate about the allocation of social housing over recent months, especially around nationality, immigration status and contribution. This debate sits within a wider political shift towards treating long-term residence and access to public

41. https://www.legislation.gov.uk/ukpga/1996/52/pdfs/ukpga_19960052_en.pdf

42. <https://www.legislation.gov.uk/ukpga/2002/7/crossheading/allocations-under-part-6-of-the-housing-act-1996/2002-12-05>

43. <https://www.gov.uk/government/publications/improving-access-to-social-housing-for-victims-of-domestic-abuse/improving-access-to-social-housing-for-victims-of-domestic-abuse>

44. <https://www.gov.uk/government/statistics/english-housing-survey-2023-to-2024-rented-sectors/english-housing-survey-2023-24-rented-sectors>

45. <https://www.homeswapper.co.uk>

resources as something that should be earned, rather than automatic. The Labour Government's earned settlement reforms are not a social housing policy, but they are relevant to this wider context. Under the proposals, the default qualifying period for settlement would rise from five to ten years for most migrants, with possible reductions for those who make a stronger economic or civic contribution.⁴⁶ The Government has also begun requiring those who want to settle in the UK to have a higher standard of English.⁴⁷ This reflects an effort to link long-term rights in the UK to contribution and integration.

- In 2024/25, 89% of lead tenants in new social lettings in England were UK nationals, meaning that around one in nine were not.⁴⁸ In London, census-based analysis has found that just below 48% of household reference persons in social rented households were born outside the UK (obviously you can have been born in a foreign country and be a UK national).⁴⁹ The Conservatives have outlined that they would stop giving social tenancies to non-UK nationals, saving £3.9bn.⁵⁰
- Reform's position goes further than the Conservative proposal. The party has suggested that foreign-national tenants in council housing would be required to find private accommodation within three months or potentially face deportation (Operation "Restoring Justice"). It has also indicated that the ban would apply retrospectively, regardless of how long the tenant had lived in the UK.⁵¹ The proposal should be understood alongside Reform's wider immigration policy, including its commitment to abolish Indefinite Leave to Remain. Reform has also said that European citizens would lose access to social housing, and that it would seek to renegotiate post-Brexit citizens' rights arrangements with the EU where it regards those rights as "non-reciprocal".⁵²
- The underlying question is not only who is legally entitled to social housing, but what principles should guide access. Arguments for prioritising British citizens rest on the view that social housing should first serve those with the strongest claim on the national community. However, citizenship alone does not resolve wider questions about contribution and civic responsibility. These questions matter because allocation rules must command public consent while remaining fair to people whose circumstances limit their ability to work or participate in other ways.
- There are practical risks in making contribution a central allocation principle. Contribution can be difficult to define, measure and monitor. Councils would need clear rules to avoid arbitrary decisions and excessive bureaucracy. Any system based on contribution would therefore need to be broad, evidence-based and flexible. It should reward genuine civic participation without creating unrealistic compliance requirements or turning social housing officers into permanent monitors of tenants' behaviour.

46. <https://www.gov.uk/government/news/biggest-overhaul-of-legal-migration-model-in-50-years-announced>

47. <https://www.gov.uk/government/news/higher-standard-of-english-now-required-to-settle-in-the-uk>

48. <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2024-to-march-2025/social-housing-lettings-in-england-tenants-april-2024-to-march-2025>

49. <https://www.london.gov.uk/who-we-are/what-london-assembly-does/questions-mayor/find-an-answer/social-housing-provision-immigrants>

50. <https://www.conservatives.com/our-plan-for-britain>

51. <https://nigelfarage.substack.com/p/britain-is-a-two-tier-state-against>

52. <https://www.bbc.com/news/articles/cdjkd-4mp93zo>

How much rent do social tenants pay?

- Most new social housing lettings are let at **Social Rent** rates, which are calculated according to a national formula that considers relative local earnings, number of bedrooms, and the value of the home.⁵³ In 2024/2025, social rent comprised 80% of new social housing lettings.⁵⁴
- Since 2011, some tenancies have instead been let at Affordable Rent. Despite the name, Affordable Rent can be significantly more expensive than Social Rent, because it can be set at up to 80% of the local market rent. This means that two homes within the social housing sector can have very different rent levels depending on which rent regime applies.⁵⁵

2.1.b) How is social rent calculated?

Social Rent is calculated as a weekly formula rent, then uprated annually under government rules (CPI + 1 per cent). The basic calculation for the weekly formula rent is:

Figure 2: Complete formula for calculating weekly formula rent, 2026⁵⁶

$$\left(0.70 \times \text{National Average Rent}_{\text{Apr 2000}} \times \frac{\text{County Average Manual Earnings}_{1999}}{\text{National Average Manual Earnings}_{1999}} \times \text{Bedroom Weighting} \right) + \left(0.30 \times \text{National Average Rent}_{\text{Apr 2000}} \times \frac{\text{Individual Property Value}_{\text{Jan 1999}}}{\text{National Average Property Value}_{\text{Jan 1999}}} \right)$$

Figure 3: Simplified formula for calculating weekly formula rent, 2026⁵⁷

$$\left(0.70 \times \text{National Average Rent} \times \text{Relative County Earnings} \times \text{Bedroom Weighting} \right) + \left(0.30 \times \text{National Average Rent} \times \text{Relative Property Value} \right)$$

National Average Rent means the average rent in England in April 2000.

Relative County Earnings means the average manual earnings for the county divided by the national average manual earnings, both at 1999 levels.

Relative property value means an individual property's value divided by the average property value in England, both at January 1999 levels.

The formula rent is then adjusted according to set inflation figures plus 1%.

Example calculation of weekly formula rent:

Social Rent is calculated as a weekly formula rent, then adjusted through annual uprating. For example, a three-bedroom property in Leicestershire with a January 1999 capital value of £55,000 would have a formula rent of

53. <https://www.gov.uk/government/publications/direction-on-the-rent-standard-2026/policy-state-ment-on-rents-for-social-housing#appendixb>

54. <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2024-to-march-2025/social-housing-lettings-in-england-tenancies-april-2024-to-march-2025#tenancy-types-of-new-lettings>

55. <https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector>

56. <https://www.gov.uk/government/publications/direction-on-the-rent-standard-2026/policy-state-ment-on-rents-for-social-housing#chapter2>

57. <https://www.gov.uk/government/publications/direction-on-the-rent-standard-2026/policy-state-ment-on-rents-for-social-housing#chapter2>

£130.61 per week in 2026/2027, or around **£566 per month**. This is the result of a formula originally based on average rents, local manual earnings and property values from 1999/2000.

Necessary information:

Average rent at April 2000	£54.62
Average earnings in Leicestershire in 1999	£303.10
National average earnings in 1999	£316.40
Bedroom weight	1.1
National average property value in January 1999	£49,750

Formula:

70% of the average rent	$70\% \times £54.62$	£38.23
Multiplied by relative county earnings	$\times £303.10 / £316.40$	£36.62
Multiplied by bedroom weight	$\times 1.10$	£40.29 subtotal
30% of the average rent	$30\% \times £54.62$	£16.39
Multiplied by relative property value	$\times £55,000 / £49,750$	£18.12 subtotal
Adding together the sub-totals	£40.29 + £18.12	£58.41 total

This method appears flawed and from a bygone era. The Social Rent formula considers local conditions because it includes local earnings and relative property values. However, those local inputs are not current; they are fixed at 1999/2000 levels and then adjusted for inflation based on national trends. In other words, the formula reflects the state of the local labour and property markets more than 25 years ago, rather than how those areas have evolved since.

This creates a tension in the current rent-setting system. Property values and earnings have changed unevenly across the country since 2000, yet the Social Rent formula still relies on historic relative earnings and property values. As a result, Social Rent reflects local variation only as it existed when the formula was created. The current system recognises

local differences but freezes them in time. Social Rent is anchored to an old economic geography while Britain's local economies have changed around it.

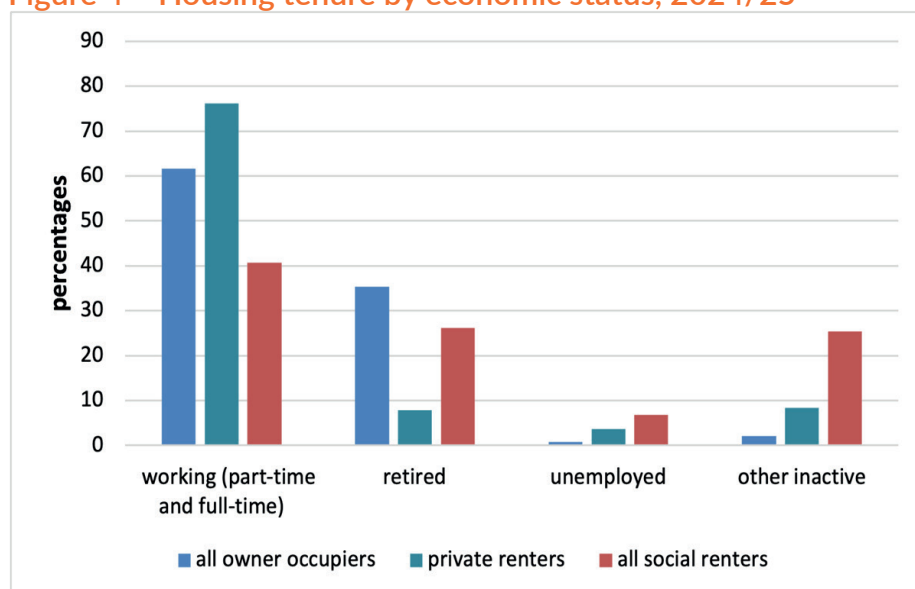
The final Social Rent, however, must not exceed national Social Rent caps. The weekly Social Rent caps for 2026 to 2027 are:

Number of bedrooms	Rent cap
1 and bedsits	£204.35
2	£216.35
3	£228.36
4	£240.37
5	£252.39
6 or more	£264.41

2.1.c) Employment and mobility in allocation policies

The original purpose of social housing included a stronger emphasis on economic opportunity and mobility. Over the past 50 years, however, that emphasis has weakened, while social housing has become increasingly concentrated among households experiencing unemployment and economic inactivity.

Figure 4 – Housing tenure by economic status, 2024/25⁵⁸



58. https://assets.publishing.service.gov.uk/media/6930595d4bedc0e762303ffa/2024-25_EHS_Hheadline_Report.pdf Annex Table 1.3

Figure 5– Economic status of social renters vs all households, 2024/25⁵⁹

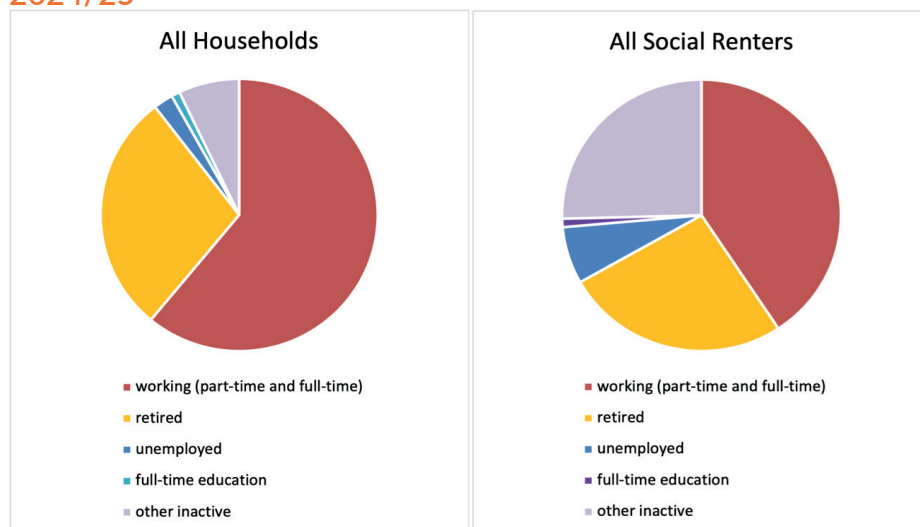
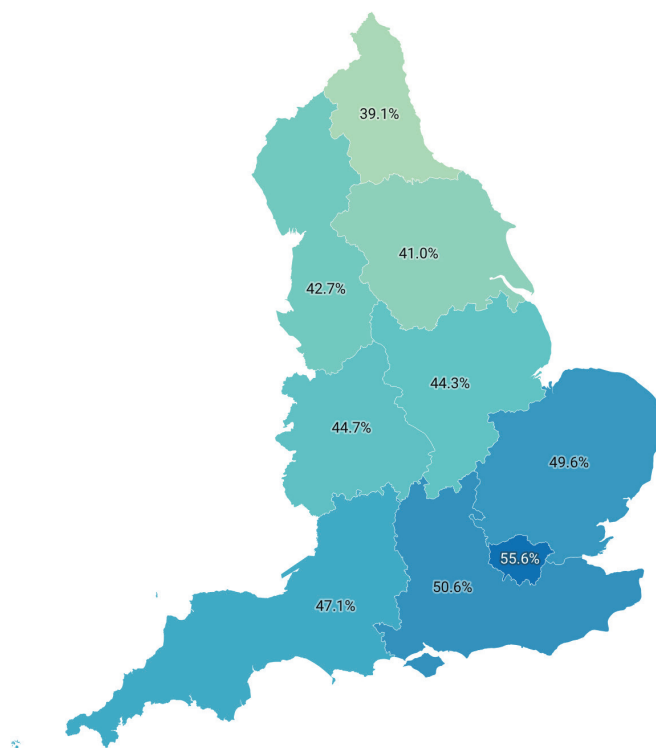


Figure 6– Percentage of socially renting households where at least one member is in employment, by English region, Census 2021

Percentage of socially renting households where at least one member is in employment by region of England

35% 60%



Source: Census 2021 • Map data: © Crown copyright and database right 2018 • Created with Datawrapper

- National guidance encourages councils to use allocation policies and flexible tenancies to support employment and wider community contribution. However, this is discretionary guidance, while the

59. https://assets.publishing.service.gov.uk/media/6930595d4bedc0e762303ffa/2024-25_EHS_Headline_Report.pdf Annex Table 1.3

duties attached to homelessness and acute housing need are legally binding. The system permits councils to recognise contribution but provides a much clearer obligation to prioritise need.⁶⁰

- The 2007 Hills Review identified employment and mobility as long-standing weaknesses of social housing. Even after accounting for tenants' personal characteristics, social renters were significantly less likely to be in work than people in other tenures. Hills linked this partly to the concentration of social housing in deprived areas, concerns about losing benefits when entering work, and the difficulty tenants faced in moving home to take up employment. Although around one in eight moves nationally was linked to work, only a few thousand social tenants each year moved within the sector for employment reasons. This suggests that, in practice, the social housing system has struggled to support geographical mobility and labour market progression.⁶¹

The Hills Review

The **Hills Review**, led by Professor John Hills and commissioned by Ruth Kelly when she was Secretary of State for Communities and Local Government, examined the role and aims of social housing in the 21st century. While it highlighted strengths including the affordability and improving condition of the social housing stock, it also identified persistent problems of **high worklessness, low mobility and weak links between housing and employment**. Many of these problems, as this report shows, remain today.

- Attempts to give greater priority to employment can also create legal risks. In 2013, Ealing Council reserved 20% of available lettings for working households and model tenants. The High Court found the schemes unlawful and quashed them in 2016.⁶² The Court of Appeal agreed that the working-household scheme was indirectly discriminatory but overturned the finding that the discrimination was unjustified. It held that justification had to be assessed in the context of the allocation scheme as a whole, including the protections it provided to disadvantaged groups. The Court nevertheless upheld the finding that Ealing had breached the public sector equality duty when introducing the working-household scheme.⁶³ This may help explain why councils tend to recognise employment through lower priority bands rather than fixed quotas. Ealing's current scheme places both working households and Right to Move applicants in Band C.⁶⁴ The case studies below show that work is often recognised in principle but rarely given enough priority to determine who receives a home.
- This sits within a wider context of judicial scrutiny of housing allocation schemes. This wider question of the proper limits of

60. <https://www.gov.uk/guidance/allocation-of-accommodation-guidance-for-local-authorities/chapter-4-framing-an-allocation-scheme>

61. https://researchonline.lse.ac.uk/id/eprint/5568/1/Ends_and_Means_The_future_roles_of_social_housing_in_England_1.pdf

62. <https://www.monckton.com/key-element-ealings-housing-allocations-policy-held-discriminatory-unlawful/>

63. <https://www.bailii.org/ew/cases/EWCA/Civ/2017/1127.html>

64. https://www.ealing.gov.uk/download/downloads/id/19170/housing_allocations_policy.pdf

judicial review, and the space that should remain for political and administrative discretion, which has been a longstanding focus of Policy Exchange’s Judicial Power Project. Councils are under intense pressure to allocate scarce social housing in a way that is both fair and legally defensible. Because the statutory framework is centred on homelessness and other forms of acute vulnerability, these categories provide the safest basis for decision-making. By contrast, criteria linked to work, contribution or mobility are harder to define and more vulnerable to challenge if they indirectly disadvantage protected groups. The risk of judicial review reinforces the needs-based focus of the current system, even where policymakers also want social housing to support employment, contribution and mobility.

Case Studies of Allocation Policies

Council	Allocation Policy: Work & Mobility	Why these case studies matter
Newham Council	Website states that, as of 2022, the additional preference for employment had ended. Applicants who met employment criteria were no longer awarded any additional priority.⁶⁵ The 2025 allocation scheme includes no mentions of work, employment, or jobs.⁶⁶ Existing social tenants looking to down-size or move out of adapted properties are ranked in the 4th priority category (below armed forces, those seeking emergency re-housing, and emergency decants).	There is a very high demand for social housing and long waiting lists. As of February 2022, there were 34,000 households on the waiting list but only around 600 properties became available each year.⁶⁷

65. <https://www.newham.gov.uk/housing-homes-homelessness/apply-council-housing/13>

66. <https://www.newham.gov.uk/downloads/file/9713/housing-allocation-policy-04-09-2025-v3-0-1>

67. <https://www.newham.gov.uk/housing-homes-homelessness/apply-council-housing/13>

Havering Council	The allocation policy does emphasise employment as a priority criterion and acknowledges the Right to Move. However, social tenants looking to move for work are awarded only 10 points, which is the lowest of any criterion. In practice, they are very unlikely to receive housing, let alone within a reasonable timeframe to take up any prospective job offer.⁶⁸	Havering shows the limits of recognising work in a points-based system. Although the council acknowledges employment and the Right to Move, the points awarded for moving for work are very low. This means employment is formally recognised, but unlikely to change outcomes unless the applicant also has other, higher-scoring housing needs.
Hampshire Home Choice (combines five local authority areas within the county)	The use of a subregional scheme in theory gives tenants more opportunity for mobility. Residency qualification operates on a sub-regional basis. The 2025 allocation policy articulates that its core aims include “assisting social and economic mobility and access to employment where possible”. However, existing social housing tenants looking to move for work are only placed in band 3.⁶⁹	This scheme shows how a larger regional scheme does not necessarily produce stronger work mobility. The structure helps, but the priority level remains modest.

- The Government sought to address these barriers (that still persist) in 2015 by introducing the Right to Move for existing social tenants who need to relocate for work. Councils cannot use local connection rules to exclude tenants moving across local authority boundaries to be closer to existing employment or take up a firm job offer, provided that failing to move would cause hardship (such as an inaccessible commute). To ascertain the “genuine” nature of the work, local authorities can interview the tenant or ask for verification from their employer.⁷⁰
- Whilst the Right to Move legislation protects existing social tenants from being excluded from social housing registers, it does not guarantee them a high place on those registers, even when their move would lead to no net change in the national social housing stock. The guidance requires councils to give

70. <https://www.gov.uk/government/publications/right-to-move-statutory-guidance-on-social-housing-allocation-for-local-housing-authorities-in-england/right-to-move-and-social-housing-allocation-2>

68. <https://www.havering.gov.uk/downloads/file/2591/housing-allocation-scheme>

69. <https://www.hampshirehomechoice.org.uk/Data/Pub/PublicWebsite/ImageLibrary/Version%2027%20-%20HHC%20Allocation%20Framework%20master%20%2026.06.2025%20CURRENT.pdf>

applicants “appropriate priority” but leaves their actual ranking to local allocation schemes. It also “strongly encourages”, rather than requires, councils to reserve at least 1% of annual lettings. For many, the choice may be between declining the job offer or risking the security of their existing social tenancy for unaffordable private rent costs and a place on a long waiting list.⁷¹

- Given this reality, the Right to Move policy is superficial. It removes a formal barrier rather than creating a realistic opportunity of relocation. If the government wanted social housing to play a serious role in supporting labour mobility, qualifying applicants would need to receive stronger priority within allocation schemes, particularly where the move would create no net loss of social housing stock because the tenant’s existing home could be re-let. Without that stronger priority, the right exists largely on paper. It prevents local authorities from excluding applicants at the qualification stage, but does not require them to house people quickly enough for employment-related moves to be viable.

2.1.d) The last Conservative Government’s consultation on social housing and the Labour Government’s response 2024

- In January 2024, the Conservative Government launched a consultation on reforms to social housing allocations in England. The proposals would have introduced a new UK connection test, requiring most non-UK nationals to show 10 years’ lawful residence before becoming eligible for social housing. There would have been income tests, new eviction grounds for terrorism offences, and a “three strikes and you’re out” approach to anti-social behaviour. These tests were to apply to households on the waiting list. The stated aim was to ensure that social housing was allocated to those with the closest connection to their local area, those in financial need, and those who had not undermined their communities.⁷²
- Following the 2024 General Election, the Labour Government issued its formal response to the consultation and decided against moving forward with the proposed reforms. The response contended that the reforms would not significantly improve allocations, would be expensive to implement, might increase homelessness and pressures on temporary accommodation, and could pose risks to equality and public safety.⁷³ Labour subsequently moved to exempt certain domestic abuse victims and young care leavers from local connection tests, with Angela Rayner arguing that these groups should not face barriers to social housing when they need to move for safety or support.⁷⁴
- This episode exposes a wider weakness in the social housing debate. The January 2024 consultation treated pressure on the system primarily as a question of allocation, proposing tighter eligibility

71. <https://www.gov.uk/government/publications/right-to-move-statutory-guidance-on-social-housing-allocations-for-local-housing-authorities-in-england/right-to-move-and-social-housing-allocations--2>

72. <https://www.gov.uk/government/consultations/consultation-on-reforms-to-social-housing-allocations/consultation-on-reforms-to-social-housing-allocations>

73. <https://www.gov.uk/government/consultations/consultation-on-reforms-to-social-housing-allocations/outcome/government-response-to-the-consultation-on-changes-to-social-housing-allocation-tests>

74. <https://www.gov.uk/government/news/vulnerable-people-given-greater-access-to-social-housing>

and qualification rules. Labour’s response treated it principally as a question of supply. Both matter. Building more social homes is essential, but supply cannot expand quickly enough to remove pressure in the near term. Councils must still decide who should receive the homes available today. The previous Government focused more heavily on allocation towards the end of its time in office, while the current Government has tended to emphasise supply. A serious reform agenda must address both.

2.2 Housing Element of Universal Credit and Housing Benefit

2.2.a) How does the housing element of Universal Credit work?

What is it / Overview

- Recipients of Universal Credit can receive extra money to help with housing costs. This can be used to pay rent to a private landlord, meet rent and eligible service charges in social housing or, in some cases, meet eligible service charges on a property they own and occupy. There were 7.1 million households on Universal Credit in November 2025.⁷⁵ Of these, 4.4 million had a housing element included in their assessment, with 4.2 million receiving a payment.⁷⁶

Eligibility

- To be eligible for Universal Credit, claimants must generally be aged 18 or over, be below State Pension age, live in the UK and have no more than £16,000 in money, savings and investments. There are exceptions for some 16 and 17-year-olds.⁷⁷ Individuals are not eligible for the housing element if they live rent-free with family or in most forms of student accommodation. Pensioners and those in temporary, sheltered or supported housing are not eligible for housing payments as part of Universal Credit. Instead, they must apply for Housing Benefit for their housing payments.⁷⁸ Housing Benefit recipients are mainly pensioners. In November 2025, around three-quarters of claims were from pension-age households.⁷⁹
- The number of bedrooms households are deemed eligible for depends on the number of people and other needs. Adult couples, 2 children under 16 of the same sex, and 2 children under 10 of any sex are normally expected to share.⁸⁰

75. <https://www.gov.uk/government/statistics/universal-credit-statistics-29-april-2013-to-8-january-2026/universal-credit-statistics-29-april-2013-to-8-january-2026>;

76. <https://www.gov.uk/government/statistics/dwp-benefit-statistics-february-2026/dwp-benefit-statistics-february-2026>

77. <https://www.gov.uk/universal-credit/eligibility>

78. <https://www.gov.uk/housing-benefit>

79. <https://www.gov.uk/government/statistics/dwp-benefit-statistics-february-2026/dwp-benefit-statistics-february-2026>

80. https://england.shelter.org.uk/housing_advice/benefits/how_many_bedrooms_you_can_claim_benefits_for

How much is the housing element?

- For **private renters**, the housing element of Universal Credit is set at **local housing allowance (LHA)** rates. The amount varies according to the area and the number of bedrooms for which the household is eligible. Support is generally limited to the lower of the household's eligible rent and the relevant LHA rate.
- Some households still receive legacy Housing Benefit rather than Universal Credit. For private renters receiving Housing Benefit, support is generally limited to either the relevant LHA rate or their actual rent, whichever is lower.⁸¹
- For **social tenants**, the housing element is based on their actual rent. If tenants are of working age and classified as having a spare bedroom, the amount they receive is reduced. The aim of removing the "spare room subsidy" was both to try to reduce benefit spend and to tackle the issue of under-occupancy.
- Housing Benefit for social tenants is also usually paid directly into the tenant's rent account, rather than to the tenant themselves. This differs from Universal Credit, which is generally paid to the claimant unless alternative payment arrangements are made.⁸²
- If people still cannot pay their rent, they can apply for help from their council's Crisis and Resilience fund (in England) or a Discretionary Housing Payment (in Scotland or Wales).⁸³
- Many councillors and local authorities across all major parties⁸⁴ are critical of Universal Credit housing support and frozen LHA rates for this reason. Where LHA does not meet actual rents, households can face shortfalls that increase pressure on councils, either through discretionary housing support, homelessness prevention duties, or the cost of temporary accommodation. In this sense, housing support does not eliminate the cost of rent shortfalls; it can instead shift part of that cost onto local governments.

Local Housing Allowance (Rates)

- LHA rates were last reset to the 30th percentile of local rents in April 2024. The rates for 2025/26 and 2026/27 were then frozen at those cash levels rather than recalculated using current rents.⁸⁵ There are around 150 designated areas in the UK, with five rate levels within each, ranging from a single bedroom in shared housing to a four-bedroom dwelling. LHA rates are calculated based on weekly rent.
 - In 2026/27 the highest weekly LHA rate is £704.22 for a four-bedroom dwelling in Central London or Inner North London. The lowest is £66.50 for a single bedroom in a shared dwelling in Teesside or Darlington.⁸⁶
 - Single people under 35 who rent privately are normally only eligible for the LHA rate for a room in shared housing, even

81. <https://www.gov.uk/housing-benefit/what-youll-get>

82. <https://www.gov.uk/housing-benefit/what-youll-get>

83. [Applying for a Discretionary Housing Payment - GOV.UK](#)

84. <https://www.londoncouncils.gov.uk/news-room/2023/boroughs-make-cross-party-call-chancellor-local-housing-allowance>

85. [2026-27_LHA_TABLES.xlsx](#) [accessed 5 May 2026]

86. [Local Housing Allowance \(LHA\) rates - GOV.UK](#) [accessed 5 May 2026]

if they live alone.

2.2.b) A recent history of housing benefit policy changes

- In 2008, the then Labour Government introduced Local Housing Allowance (LHA) as a new way of calculating Housing Benefit entitlement for private renters. LHA had first been piloted in several Pathfinder areas before being rolled out nationally for new private rented sector claimants from April 2008.⁸⁷ Unlike the previous system, which assessed rents more individually, LHA set standard rates according to household size and Broad Rental Market Area.
- The original aim was to make Housing Benefit promote fairness, transparency, choice, personal responsibility, financial inclusion and reduced barriers to work. Rates were published in advance, so claimants could see the maximum support available before choosing a property. At rollout, LHA rates were set at the median local rent, meaning that around half of suitable properties in an area should theoretically have been affordable. Claimants who rented below their LHA rate could also keep up to £15 per week of the difference, creating an incentive to find cheaper accommodation or negotiate lower rents.⁸⁸ The design created tensions. Because LHA was based on Broad Rental Market Areas (BRMA) rather than individual rents, entitlement depended heavily on how those areas were drawn. The 2011 DWP review noted that BRMA boundaries had been controversial because they were not always transparent and because large areas could create local affordability problems. A single rate could therefore be broadly representative of an area while still leaving claimants in higher-rent neighbourhoods with shortfalls. The same review described the £15 excess as a “shopping incentive”, intended to encourage claimants to search for accommodation that suited them “in terms of quality and price” within the applicable LHA budget.⁸⁹
- From 2011, the Coalition Government made LHA more restrictive. Rates were reduced from the median to the 30th percentile of local rents, national caps were introduced, the five-bedroom rate was removed, and the £15 excess was abolished. The Government argued that Housing Benefit had to be made fairer, stressing that “it is essential that the overall cost of Housing Benefit is controlled and therefore the Government is taking these first steps in 2011 towards maintaining a more sustainable Housing Benefit system in future.”⁹⁰
- After 2011, LHA moved further away from directly tracking current local rents. From 2013, rates were generally uprated by national inflation measures rather than automatically recalculated from local rent data. Since then, they have repeatedly been frozen and occasionally reset to the 30th percentile, including in April

87. <https://researchbriefings.files.parliament.uk/documents/SN04957/SN04957.pdf>

88. <https://researchbriefings.files.parliament.uk/documents/SN04957/SN04957.pdf>

89. <https://assets.publishing.service.gov.uk/media/5a7b9e8440f0b645ba3c57d3/lha-review-feb-2011.pdf>

90. <https://assets.publishing.service.gov.uk/media/5a7c9cd8e5274a29d-8363b8f/9780108509551.pdf.pdf>

2020 and April 2024. The 2025/26 and 2026/27 rates have then been carried forward from the 2024 baseline rather than recalculated from current rents.

- As a result, LHA still appears localised because rates vary by household size and Broad Rental Market Area. In practice, however, it is increasingly shaped by national decisions about uprating, freezes and fiscal control. When rates are reset to the 30th percentile, the system is temporarily relinked to local rents; when they are frozen, that link weakens as market rents continue to rise and as those rents rise unevenly across different parts of the country.

Figure 7 – Total government housing benefits expenditure in nominal terms (including both legacy Housing Benefit and Universal Credit Housing Element)⁹¹

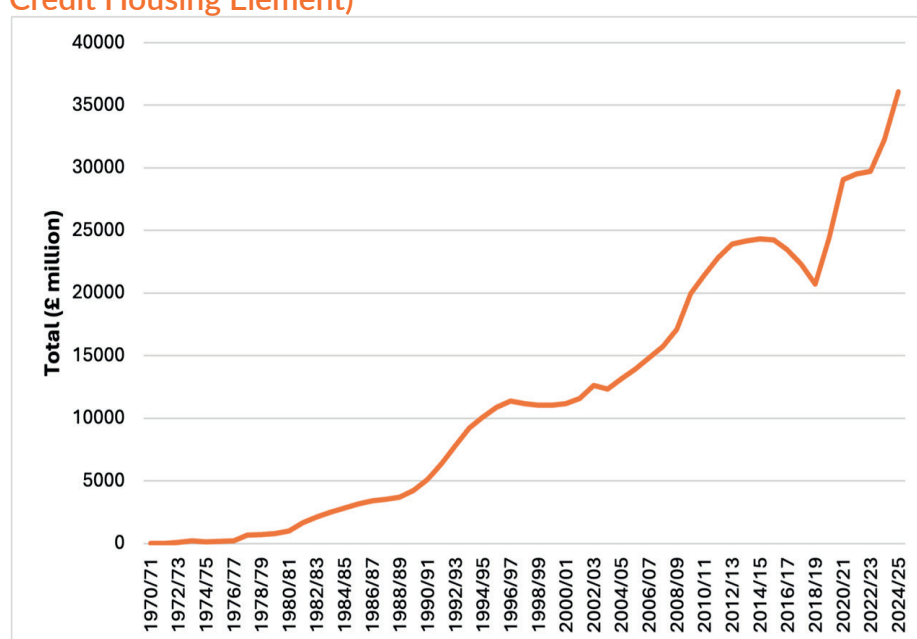


Figure 7 shows that Government spending on housing benefits has risen substantially in nominal terms since the 1970s, with particularly sharp increases from the late 1980s to the early 2010s and again after 2019/20.

91. [outturn-and-forecast-tables-autumn-budget-2025.xlsx](#) Housing Benefits.

Figure 8 – Total government housing benefits expenditure in real terms, 2025/26 prices (including both legacy Housing Benefit and Universal Credit Housing Element)⁹²

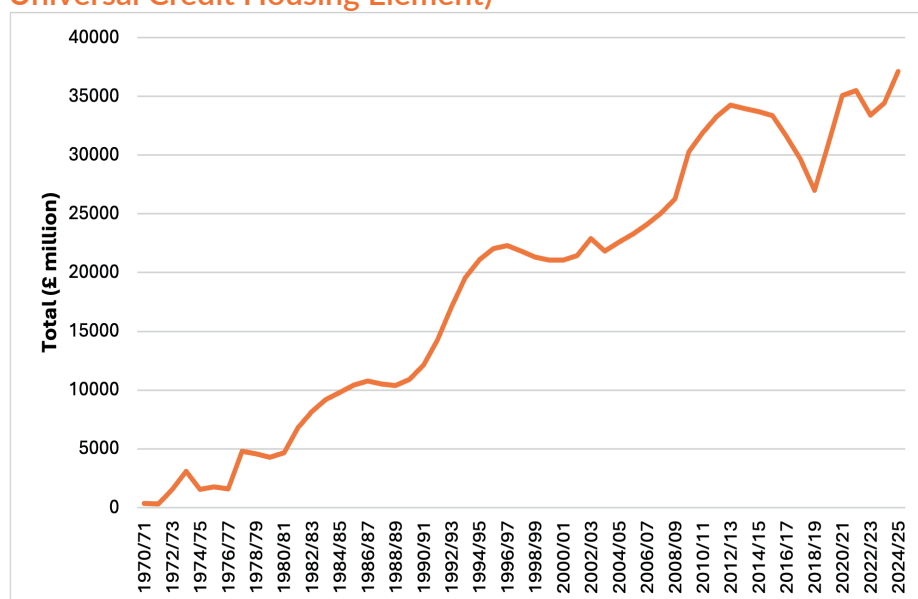
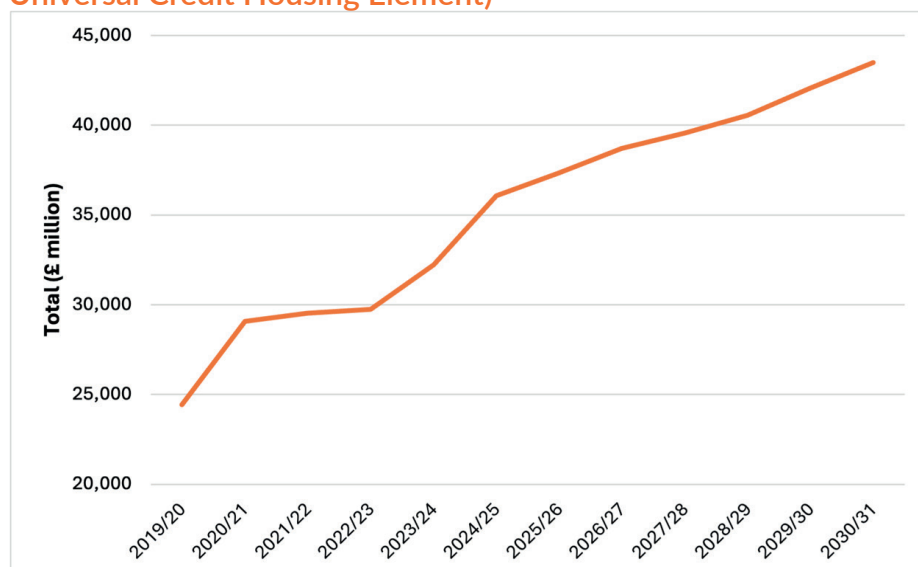


Figure 8 shows that in real terms, housing benefits expenditure increased from very low levels in the early 1970s to over £36 billion by 2024/25, reflecting both policy changes and broader increases in housing costs.

Figure 9 – Forecast total government housing benefits expenditure in nominal terms (including both legacy Housing Benefit and Universal Credit Housing Element)⁹³

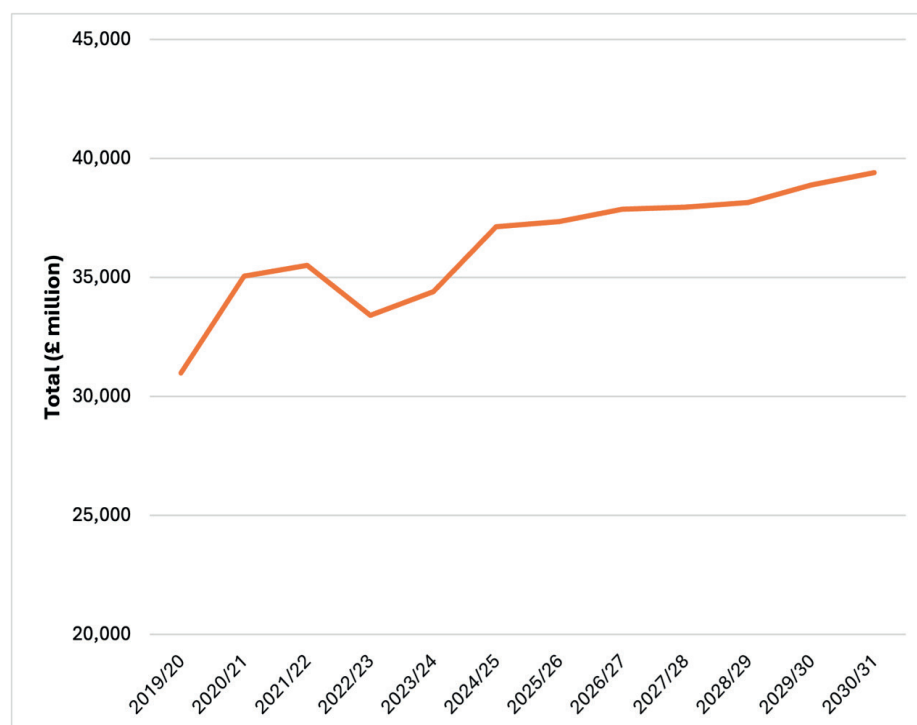


Housing benefits expenditure in nominal terms is forecast to continue rising steadily through 2030/31, reaching £43.5 billion.

92. [outturn-and-forecast-tables-autumn-budget-2025.xlsx](#) Housing Benefits.

93. [outturn-and-forecast-tables-autumn-budget-2025.xlsx](#) Housing Benefits.

Figure 10 – Forecast total government housing benefits expenditure in real terms, 2025/26 prices (including both legacy Housing Benefit and Universal Credit Housing Element)⁹⁴



Real-terms housing benefits expenditure is projected to increase each year to 2030/31, reaching just under £40bn by the end of the forecast period.

2.3 Temporary Accommodation & Homelessness

The two primary mechanisms of the government housing support system are intended to be housing benefits payments and social housing. However, in recent years, a third area of support has been growing in both size and cost: temporary accommodation.

How does it work?

- Temporary accommodation is arranged by councils to meet duties towards some households who are homeless. It can include council or housing association homes, private rented properties, hostels, hotels and bed and breakfast accommodation. Households placed there remain legally homeless until the council's duty ends or suitable settled accommodation is secured.⁹⁵
- Under section 188 of the Housing Act 1996, councils must provide interim accommodation where they have reason to believe that an applicant may be homeless, eligible for assistance and in priority need.⁹⁶

94. [outturn-and-forecast-tables-autumn-budget-2025.xlsx](#) Housing Benefits.

95. <https://researchbriefings.files.parliament.uk/documents/CBP-10414/CBP-10414.pdf> p.5.

96. <https://www.legislation.gov.uk/ukpga/1996/52/section/188>

- Where an applicant is eligible, unintentionally homeless and in priority need, the council may owe a longer-term duty to secure suitable accommodation. Applicants found intentionally homeless but in priority need must still be accommodated for long enough to give them a reasonable opportunity to find somewhere else to live.⁹⁷

Cost

- Whilst applicants may be expected to contribute a little, in most cases, councils are responsible for funding temporary accommodation. Many people in temporary accommodation are eligible for Housing Benefit, which is administered by local authorities and paid directly to landlords. This differs from the housing element of Universal Credit.
- Local authorities can reclaim some of the costs from the Department for Work and Pensions, with the amount linked to the 2011 Local Housing Allowance rates. However, the gap between the subsidy from the DWP and the actual cost of temporary accommodation has been growing. Most of the costs of Temporary Accommodation now come directly from the councils' budgets.⁹⁸
- Councils in England spent £2.84 billion on temporary accommodation in 2024/25. Net expenditure reached £1.43 billion after subsidies and household contributions, up 35% on the previous year.⁹⁹
- The growth of temporary accommodation also interacts politically with the asylum accommodation system. Asylum seekers are generally housed through Home Office arrangements and not through local-authority homelessness duties; but both systems increasingly rely on hotels and other emergency accommodation. This has made the distinction between them harder to sustain in public debate. Where councils are struggling to house homeless families, and the Home Office is also using hotels for asylum seekers, public concern can quickly focus on who is being accommodated, at whose expense, and according to what priorities. Even where the legal systems are separate, the perception of competition for accommodation can undermine confidence in the fairness and competence of the housing support system.

Taken together, these features suggest a system that provides essential protection at moments of crisis, but does not always distinguish clearly between temporary hardship and enduring need. Allocation rules tend to give greater weight to vulnerability than to contribution or mobility, while the prevalence of lifetime tenancies can limit the number of homes becoming available. Housing support has also become increasingly expensive, without always drawing a clear distinction between households requiring long-term protection and those who could move towards greater

97. <https://www.gov.uk/guidance/homeless-ness-code-of-guidance-for-local-authorities/chapter-15-accommodation-duties-and-powers>

98. <https://researchbriefings.files.parliament.uk/documents/CBP-10421/CBP-10421.pdf> p.24.

99. <https://researchbriefings.files.parliament.uk/documents/CBP-10421/CBP-10421.pdf> p.25

independence. Reform should therefore preserve the safety net while making better use of existing homes, supporting mobility and providing clearer expectations within the system.

Section 3 – Recommendations

Sections 1 and 2 provided an overview of the system. This section aims to define the challenges that become apparent from that overview and lay out practical solutions to those challenges.

This paper primarily discusses trade-offs. In a world with limited social housing, the government cannot avoid deciding who should be prioritised and why. To prioritise one group is also to decide, implicitly or explicitly, who is deprioritised. Yet current statutory rules do not fully confront this reality. Instead, they list and create additional groups who must be given preference, without clearly addressing either what this means for households who fall outside those categories, or how competing priority groups should be weighed against each other.

Recent political debates often focus on successive governments' failure to make tough choices. Housing allocation makes this problem concrete. If reforms can boost turnover, reduce dependency, or free up more homes, these trade-offs become easier to manage. However, policies must clearly explain how they intend to achieve this, rather than assuming that all objectives can be met simultaneously.

The first task is therefore to establish who should qualify for a new social home and what principles should determine priority among those who do.

Recommendation One: Reserve new social housing allocations for British citizens and replace narrow local connection tests focused on residency with a broader Local Contribution Criterion.

- The Government should legislate so that new social housing tenancies are reserved for British citizens. Citizenship should determine eligibility for a new tenancy, but it should not by itself determine priority between eligible applicants.
- Councils should replace narrow, residence-based local connection tests with a broader Local Contribution Criterion. Connection should be capable of being earned through contribution, rather than simply inherited through residence. The criterion should recognise work, training, apprenticeships, caring responsibilities, volunteering, public service and moves that make better use of existing housing, including downsizing or releasing an adapted home. For applicants above State Pension age, the criterion

should recognise contribution over a working life, including employment, caring and community service, rather than requiring current labour-market participation. Because contribution takes different forms and local needs vary, councils should define the detailed criteria locally within a national framework.

- The Local Contribution Criterion would operate through councils' qualification and allocation schemes, but reform would also need to address the statutory reasonable preference rules. Under the current framework, councils can take factors such as employment, local connection and contribution into account, but they must still ensure that, overall, reasonable preference is given to statutory groups including homeless households and those with medical or welfare needs. If contribution is to carry meaningful weight rather than simply operate at the margins of the existing system, the Government should amend the statutory framework so that councils have greater freedom to balance acute need against contribution when determining priority.
- This would be a flow measure intended to ensure that there were no retrospective evictions. There is also a need in limited circumstances to protect those in urgent need, but the overall objective is to create greater reciprocity in our social housing system. The wider principle is a renewed civic settlement. Social housing should not be treated simply as a lifetime entitlement allocated at a moment of crisis. It should be part of a reciprocal settlement: the state provides security and support, but tenants and applicants are expected, where they can, to contribute to the communities in which they live.
- The Government would need to address the interaction of this reform with existing legal and reciprocal obligations. Restricting new allocations to British citizens would increase the value of citizenship and may encourage eligible settled migrants to naturalise. Consideration would also need to be given to the longstanding reciprocal rights of Irish citizens under the Common Travel Area. The reform should also be implemented alongside changes to the homelessness system so that restricting access to social housing does not simply transfer households, including refugees with an entitlement to homelessness assistance, into more expensive temporary accommodation. These implementation questions do not alter the underlying principle that access to a scarce and heavily subsidised social home should be more closely linked to citizenship and contribution.
- Because the policy would apply only to new allocations, its effect would build gradually as homes become available for reletting rather than through retrospective removal of existing tenants. The modelling estimates that reserving new allocations for

British citizens would redirect 220,000 social homes to British households.

The first recommendation establishes citizenship and contribution as the bedrock of the social housing system. But that principle cannot hold if the system continues to make acute vulnerability the strongest claim to a home for life. As set out earlier in this paper, successive legislative changes since the Housing Act 1996 have progressively concentrated the allocation system around statutory need and homelessness. A household fleeing domestic abuse, a family displaced by a flood, a care leaver, someone leaving rough sleeping, and a household facing eviction after a temporary income shock may all need urgent help. But they do not all need the same intervention, and they should not all be placed on the same assumed path towards a permanent social tenancy.

The present system is also too reactive. It generally allocates housing only once a household can demonstrate acute need, rather than using housing earlier to prevent dependency and support opportunity.

Recommendation Two: End lifelong tenancies through the Safety Net and Opportunity Routes.

- The Government should require councils to create two distinct routes into social housing: The Safety Net and Opportunity Routes. Councils should initially allocate at least 10 per cent of their annual general needs lettings through the Opportunity Route, rising to 20 per cent from year three. This would apply to the homes that become available for letting in each year. Performance should be averaged over three years to avoid distorting allocations in smaller authorities or in years when unusually few suitable homes become available.
- The Safety Net Route should apply to households entering the system through a statutory priority. Acute need should trigger immediate protection and should not be subject to the Local Contribution Criterion. However, a household entering the Safety Net Route should receive a Housing Progression Plan setting out the cause of its housing need, the support required and the most appropriate long-term outcome. For households facing a temporary crisis, the expectation should be that they move into a suitable longer-term tenure within two years. Where a household remains in the route beyond that point, the council should demonstrate that this reflects enduring need or a justified delay, including where no suitable and affordable longer-term housing is reasonably available despite active efforts to secure it, rather than drift or a failure to provide support.
- Households with enduring needs, including severe lifelong

disabilities or long-term health conditions, should receive long-term protection.¹⁰⁰ Reviews should be proportionate and focused on whether the home remains safe, suitable and appropriately adapted, rather than repeatedly reassessing conditions that are unlikely to change.

- The Opportunity Route should be open where the allocation of a social home would produce a clear wider benefit. This could include enabling someone to take up or sustain employment, complete training or an apprenticeship, fulfil significant caring responsibilities, move closer to work or release a home that is better suited to another household. Councils should also be able to take account of the need for stability for children where a time-limited allocation would prevent repeated disruptive moves, particularly where schooling or safeguarding would otherwise be affected.
- Within the initial 10 per cent Opportunity Route allocation, at least 5 per cent of all general needs lettings should be reserved for mobility and stock releasing cases. These should include existing social tenants whose move would release another social home or adapted property, and applicants undertaking a verified move connected to work, training, an apprenticeship or caring responsibilities. Councils should determine the use of the remaining Opportunity Route lettings according to local labour market and housing pressures. As the Opportunity Route rises to 20 per cent, the Government should review whether the protected mobility allocation should also increase.
- Opportunity route tenancies should normally last between one and two years and be linked to clear objectives agreed at the outset. They should be capable of extension where the purpose of the tenancy remains valid, progress is being made or ending the tenancy would create renewed housing need. Extensions should follow a formal review and should normally be granted for a further fixed period.
- Both routes should recognise that contribution takes different forms. Once a household in the Safety Net Route is stable, its Housing Progression Plan should consider how it can rebuild independence where possible. This may include work, training, caring responsibilities, volunteering or engagement with support services.
- The Opportunity Route would increase the turnover of social housing stock and reduce waiting lists. The modelling assumes that 40 per cent of Opportunity Route homes return to the system within 12 months, a further 40 per cent within 24 months and 20 per cent transition into longer-term lettings. Together, the Opportunity Route and the additional homes released through Graduated Pay to Stay are modelled to generate **£3.7 billion**

100. The criteria used to determine enduring need should themselves be kept under regular review. Experience from disability and health-related benefits shows the risk that categories intended to protect a relatively defined group can expand over time. The Government should therefore periodically review the criteria for long-term housing protection to ensure that they remain focused on households with genuinely enduring housing needs and do not become an ever-expanding route to permanent social housing.

in stock-related fiscal savings over the five years to 2031/32. The Opportunity Route itself is modelled to create **793,000 additional social housing** letting opportunities over a decade.

This reform involves a deliberate trade-off. Reserving a proportion of lettings for the Opportunity Route necessarily means that some households whose claim rests principally on statutory housing need may wait longer than they would under the present system. This paper argues that allocating every available home principally according to immediate vulnerability is itself a policy choice, and one that has contributed to a reactive system with too little mobility or capacity to prevent future need.

The Opportunity Route will only work if councils facing the greatest housing pressures are supported and households can move more easily between areas. Waiting times, temporary accommodation use and the availability of social homes vary sharply between councils, yet the current system largely treats each authority as a closed housing market. This leaves some households facing exceptionally long waits while suitable homes may become available more quickly elsewhere. It is both unfair and an inefficient use of the national housing stock.

In practice, housing pressures already spill across administrative boundaries. In March 2026, 43,180 households in temporary accommodation were placed outside the local authority responsible for them, including 35,460 placements by London boroughs.¹⁰¹ Although most out-of-area placements remain within the same region, this demonstrates that housing pressures and homelessness cannot be managed as entirely self-contained local systems. Receiving authorities can face additional pressures on local services despite having had no control over the original placement decision.

“o respond to these cross-boundary pressures, the Government should establish a Housing Pressure and Mobility Compact: a framework through which councils and housing associations can share nomination rights, costs and housing opportunities across local authority boundaries.

The places with the strongest labour markets, apprenticeships and training opportunities are also often those facing the greatest pressure on social housing. Greater mobility cannot by itself solve a shortage of social housing in high-demand areas, nor can it substitute for increased supply. Its purpose is narrower: to ensure that the existing stock is used more effectively, that households are not unnecessarily prevented from moving for work or training, and that the costs and benefits of those moves are shared across local authority boundaries. The Compact that follows should therefore be understood as the infrastructure needed to make the Opportunity Route work across local authority boundaries, rather than as a separate source of savings. The fiscal effects associated with greater mobility and turnover are captured within the modelling of the Opportunity Route itself. These reforms should operate alongside increased housing supply (something the Prime Minister has promised), particularly in areas where strong labour markets and acute housing shortages coincide.

101. <https://www.gov.uk/government/statistics/statutory-homelessness-in-england-january-to-march-2026/statutory-homelessness-in-england-january-to-march-2026>

Recommendation Three: Create a Housing Pressure and Mobility Compact.

- The Government should create a Housing Pressure and Mobility Compact to support councils with the highest levels of acute housing demand while making the Opportunity Route workable in high-opportunity areas. The Compact should combine additional funding, an Enhanced Right to Move and formal arrangements for sharing homes, nomination rights and costs across local authority boundaries.

There should be five elements to the Housing Pressure and Mobility Compact.

1. **Funding should follow housing pressure.** Councils with the highest levels of homelessness, temporary accommodation use and statutory priority demand should receive additional ring-fenced funding for Safety Net provision and move-on support. Funding should reflect the pressures councils face rather than simply the size of their population. It should also meet the additional administrative costs of the Compact, including verifying qualifying moves, coordinating cross-boundary nominations and maintaining shared allocation arrangements, so that the Enhanced Right to Move does not become an unfunded pressure on councils already facing acute housing demand.
2. **The Government should introduce an Enhanced Right to Move as an immediate step towards the Opportunity Route.** Ahead of the full implementation of the Opportunity Route, councils should make at least 5 per cent of annual general needs lettings available for Enhanced Right to Move and other mobility or stock releasing cases. Once the Opportunity Route is established, this 5 per cent should form part of, rather than sit in addition to, its initial 10 per cent allocation. Existing social tenants with a verified job offer, apprenticeship, training place or significant caring responsibility in another area should receive statutory additional preference. In banding systems, this should mean placement in a high priority mobility band. In points based systems, applicants should receive sufficient points to make a move achievable within months rather than years.
3. The immediate 5 per cent allocation would represent a fivefold increase on the current guidance encouraging councils to make around 1 per cent of lettings available for Right to Move cases. As the Opportunity Route rises from 10 per cent to 20 per cent from year three, the Government should review the protected mobility allocation in light of demand, waiting times and the

number of successful moves. The savings modelling assumes the Opportunity Route as a whole begins at 10 per cent of annual lettings and rises to 20 per cent from year three.

- 4. Moves should be treated as stock neutral wherever possible.** Where an existing social tenant moves to another area and releases a social home or adapted property, the receiving authority should receive a reciprocal nomination right elsewhere in the Compact or an equivalent financial payment. These cases should be fast tracked through reciprocal nominations, direct exchanges or shared allocation pools.
- 5. Councils should actively support moves that release stock.** A strengthened mobility offer should include dedicated support for tenants willing to downsize. Councils should be able to offer practical assistance with finding a suitable home, moving costs and the physical process of moving, with priority given to moves that release larger family homes or adapted properties. The objective should be to make moving worthwhile and straightforward, rather than simply expecting tenants to navigate the allocation system themselves.
- 6. The Government should require subregional allocation agreements between councils and housing associations** These agreements should allow lettings, nomination rights and costs to be shared across wider housing and labour markets, rather than placing the full burden on individual urban authorities. The Local Contribution Criterion should also allow applicants to earn a connection to a new area through work, training, caring responsibilities, volunteering or public service, including where they are willing to move to an area with shorter waiting times.

The first three recommendations would change who enters social housing, the purpose for which a home is provided and how the available stock is shared. But a stronger civic settlement must also respond when a household's conduct or financial circumstances change. It is difficult to sustain public support for the system if people who have seriously undermined their communities retain the same claim as those who have abided by the rules, or if households able to secure housing for themselves continue indefinitely to receive deeply subsidised rents. In contrast, others remain on waiting lists or in temporary accommodation. We need a housing support system that is able to respond in a far nimbler way. Our housing support system is static, unable to adapt to changing circumstances or address obvious issues of fairness, like much of our welfare state.

Recommendation Four. Make conduct and income tests central to restoring fairness in social housing.

- **Applicants should be disqualified from receiving a social tenancy where an adult member of the household has been responsible for repeated serious anti-social behaviour.** Relevant conduct should include an unspent conviction or civil sanction for serious anti-social behaviour, or a previous eviction on anti-social behaviour grounds.
- The same principle should apply where the applicant, or an adult member of their household, has an unspent conviction for a terrorism offence or an offence with a terrorist connection.
- **The Government should introduce a Graduated Pay to Stay regime.** Additional rent should begin once household income exceeds the national gross mean household income and should rise progressively with income until £88,000, at which point the household should pay the full local market rent. The £88,000 threshold should be uprated annually by CPI. The modelling implies an average additional contribution of approximately £130 for every £1,000 of household income above the national mean. This would avoid a cliff edge that penalises work while ensuring that the value of the social rent subsidy declines as a household becomes better able to meet its own housing cost
- New applicants whose household income is at or above the £88,000 full-market-rent threshold should not qualify for a new social tenancy. Below that level, income should be considered alongside the wider qualification and allocation criteria rather than operating as an absolute bar.
- The modelling estimates that 446,300 council households have incomes above the national gross household mean. As the rent discount narrows, some higher-income tenants are expected to move into other tenures. Graduated Pay to Stay is modelled to release 149,000 council homes over a decade, increasing the number of properties available for reletting.
- The policy is modelled to generate £1.1 billion in additional rental income for local authorities over the five years to 2031/32. Housing associations would receive a further £1.95 billion over the same period. This additional housing association income is not counted as a fiscal saving, but the modelling assumes that it would support the construction of 54,000 additional housing association homes over a decade.

Fairness in social housing is not only about who gets a home but also about the price charged. The failure of Social Rent calculations to reflect the UK's economic and spatial realities in the 21st century damages the link between social housing and the labour market and unfairly distributes costs among tenants. Tenants in areas that experienced stagnation now

pay disproportionately more, while those in regions of growth and opportunity have less incentive to maximise those prospects. Originally, Social Rent took into account relative earnings and property values because, like the private sector, it recognised that people in different areas have varying access to opportunities affecting their ability to pay rent. The initial formula also acknowledged that those in more desirable areas or properties should pay more: a social tenancy in Central London was not intended to be priced the same as one in a lower-value area like Blackpool. Had this original purpose been maintained, areas with significant economic growth since 2000—such as Manchester—would have seen social rents rise substantially, while regions like Grimsby, which experienced economic stagnation, would have seen rents increase more gradually. Instead, a freeze on the base formula for 26 years has led to Manchester tenants paying relatively less and tenants in Grimsby paying relatively more than the market mechanism would suggest.

Crucially, the longer the government continues without adjusting the relativity calculations, the more misrepresentative of Britain's economic makeup social rents will become. Over time, Social Rents will increasingly shift from being relative to the area and property to being the same across the UK. At the very least, this should be recognised as a substantive policy choice. The system is no longer fully recalibrating social rents according to current local earnings, property values or economic opportunity, but is instead uprating a historic distribution through national inflation-based mechanisms.

The Government has sought to provide landlords with greater certainty through a ten-year rent settlement permitting annual increases of CPI plus one per cent. It has also reintroduced rent convergence, allowing homes below formula rent to rise by an additional £1 per week from 2027/28 and £2 per week from 2028/29. This provides greater certainty to Housing Revenue Accounts and is intended to support investment in existing and new stock. Any decision to restrain rent increases more tightly therefore involves a direct trade-off between reducing costs to tenants and the Exchequer and reducing landlords' future rental income.¹⁰²

Rebasing the formula is the necessary long-term reform, but designing and implementing it will take time. In the meantime, allowing rents to continue rising by CPI plus one percentage point would compound the distortions created by the historic formula and increase expenditure on housing support. The Government should therefore combine structural reform with a temporary cap on rent growth.

102. <https://www.gov.uk/government/consultations/how-to-implement-social-rent-convergence/how-to-implement-social-rent-convergence>

Recommendation Five: Rebase the Social Rent formula around current local conditions and restrain its short-term growth.

- The Government should update the Social Rent formula so that it reflects current local earnings, property values and housing markets, rather than continuing to uprate a historic distribution based on 1999/2000 data.
- The new formula should apply first to new tenancies and relets. Existing tenants should be protected from sudden rent shocks. Where an existing rent differs from the level implied by the new formula, it should converge gradually towards that level over time.
- While the new formula is developed and introduced, the Government should cap annual increases in social rents at CPI rather than CPI plus one percentage point. The CPI cap should begin in 2027/28 and operate as a temporary measure until the new formula is implemented and its effects can be assessed.
- The cap would provide immediate control over housing support expenditure. The savings modelling estimates reductions of £0.2 billion in 2027/28, £0.3 billion in 2028/29, £0.5 billion in 2029/30, £0.7 billion in 2030/31 and £0.9 billion in 2031/32, producing £2.6 billion in savings over the five years to 2031/32. The model counts the reduction in housing support paid in respect of Housing Association properties as the Exchequer saving. Lower council rents would principally reduce income to council Housing Revenue Accounts and therefore operate largely as a transfer within the public sector rather than an equivalent Exchequer saving. The fiscal benefit therefore comes with a direct cost to social landlords, as both housing associations and council Housing Revenue Accounts would receive less rental income than under the existing CPI plus one settlement.
- The CPI cap should not become a permanent substitute for reform. It should expire automatically when the new Social Rent formula comes into force, unless Parliament explicitly decides to renew it. Lower rental income would likely reduce the resources available to housing associations for maintenance and new development. This is another genuine trade-off. The case for a temporary CPI cap is that it restrains rapidly rising housing support expenditure while the underlying rent formula is reformed, rather than permanently suppressing landlords' rental income. Its purpose should be to restrain expenditure while the Government replaces the outdated formula with a system that distributes rents more rationally and sustainably.

Reforming Social Rent would make the price of subsidised homes better reflect modern Britain. But, as evidenced in this paper, social housing is

only one part of the housing support system. The state also spends tens of billions each year helping low-income households meet private rents through Housing Benefit and the Housing Element of Universal Credit. That support is governed by Local Housing Allowance, and it suffers from a different but related problem. Namely, the system is meant to be local, but in practice, it is driven by periodic political resets and freezes. Where the gap between LHA and actual rents becomes too large, the cost does not disappear. This transfers costs to other parts of the welfare system.

The current system provides neither a stable safety net nor effective control of public expenditure. Rates are occasionally reset to the 30th percentile of local rents and then frozen in cash terms. Immediately after a reset, expenditure rises sharply. As rents continue to change, the value of support then falls unevenly across the country until political pressure produces another reset. This is an unstable cycle in which neither claimants nor taxpayers know what long-term commitment the Government has made.

The answer is not to freeze LHA indefinitely. That gradually severs the relationship between support and local housing markets and creates arbitrary differences between otherwise similar households. Nor should the Government commit permanently to funding rents at the 30th percentile, which would expose the Exchequer to a growing share of private rental inflation.

The Government should instead make an explicit policy choice about the proportion of each local rental market that taxpayers can reasonably be expected to fund. A lower starting point, combined with guaranteed annual uprating, would provide a clearer and more sustainable settlement. It would reduce the level of support compared with a system permanently maintained at the 30th percentile, but end the repeated use of unpredictable freezes to control expenditure.

Recommendation Six: Replace LHA's reset-and-freeze cycle with a Lower Local Rent Cap.

- The current freeze in Local Housing Allowance should remain in place until expenditure on Housing Benefit and the Universal Credit Housing Element has fallen in real terms from its 2025/26 baseline. Only once that point has been reached should the Government move to a new long-term settlement for LHA. This would ensure that the immediate priority remains bringing the housing support bill under control rather than increasing entitlements while expenditure is still rising.
- At that point, LHA should be reset to the 10th percentile of rents in each local rental market, continuing to vary according to household size. Thereafter, the Lower Local Rent Cap should be recalculated annually using current local rent data. This would replace the existing cycle in which LHA is periodically reset to

the 30th percentile and then frozen until the gap between entitlement and rents becomes politically unsustainable.

- Once the new system is operating, LHA should normally rise each year with local rents. If a future Government wishes to freeze it, Ministers should have to make an explicit decision to do so.
- The move from the existing frozen rates to the new 10th-percentile settlement should be phased where necessary to avoid sudden losses of support. Existing claimants should receive transitional protection, with temporary discretionary assistance available where an immediate reduction would create a serious risk of homelessness or where suitable lower-cost accommodation is not reasonably available.
- Analysis by the IFS suggests that setting LHA at around the 10th percentile could match the average level of support provided by the current frozen system without creating a significant saving. The purpose of the reform is therefore not to claim an additional fiscal saving, but to replace an unstable system of freezes and periodic resets with an explicit and predictable rule once the wider housing support bill is on a downward path. It would require the Government to make a clear decision about the proportion of each local rental market it is prepared to support, while giving claimants greater certainty about how their entitlement will change from year to year.

A central theme of this paper is that housing support should respond more effectively to changing circumstances and place greater obligations on individuals as their ability to support themselves increases. We should not accept that households just remain in stasis. The Housing Element of Universal Credit and Housing Benefit should provide security when a household loses work, suffers an income shock or needs time to rebuild its finances. Claimants should therefore receive their full entitlement at the beginning of a claim. However, for working-age claimants whom the benefit system considers capable of work, full housing support should not become an indefinite commitment without any expectation that the household will gradually meet more of its own housing costs.

The Universal Credit Standard Allowance is intended to provide a minimum floor for basic living costs for as long as a claimant remains eligible. Housing is plainly also a basic living cost, but it differs from many other necessities in important respects. Its cost depends heavily on the particular property, location and tenure a household occupies, and in some cases can be reduced over time through moving, downsizing, sharing, increasing earnings or changing tenure. Housing support also interacts directly with a scarce supply of homes, meaning that decisions about what level of rent the state will support have consequences for how effectively the wider housing stock is used. No household should be expected to make immediate changes to its housing following a loss

of work or income shock. But after a reasonable period of full support, it is legitimate to expect working-age claimants who can work to consider how they can meet a greater share of their housing costs, whether through higher earnings or, where realistic, changes to their housing arrangements.

Recommendation Seven: Reduce long-term housing support for claimants who can work.

- The Government should introduce a Housing Support Reducer for working-age claimants who are subject to work-related requirements. Claimants should receive the full amount of Housing Benefit or Universal Credit housing support otherwise due under the normal rules for the first two years of a claim. **After two years, housing support should be reduced by 20 per cent. After four years, it should be reduced by a further 20 per cent.** A claimant remaining on support for more than four years would therefore receive 60 per cent of the amount otherwise due, with the household expected to meet the remaining share. Where a claimant has moved into sustained employment but remains entitled to housing support because of low earnings or high local rents, DWP should be able to defer the next stage of the Reducer for up to twelve months. This would give claimants time to consolidate their employment and increase their earnings without creating a permanent exemption from the policy.
- The Reducer should not apply to Universal Credit claimants in the no work requirements group (claimants required to look for work or prepare for work). Equivalent protection should apply to Housing Benefit claimants who are not reasonably expected to work because of disability, ill health, caring responsibilities or another recognised circumstance. The Government should keep the criteria for the no work requirements group under regular review so that exemption from the Reducer does not itself create an increasingly broad gateway to avoid the Reducer. Policy Exchange have produced several reports on the Health and Disability Benefits including *For Whose Benefit?*
- Claimants should receive clear notice well before each reduction takes effect. They should also receive a review of their circumstances and an offer of employment, skills, financial and housing support. The policy should create a clear route towards greater independence rather than an unexpected loss of income.
- **Ten per cent of the Reducer's gross savings should be placed in a protected discretionary fund.** This should provide temporary relief where applying the Reducer would create an immediate risk of homelessness or where a claimant has experienced exceptional circumstances such as a major accident, family breakdown or another serious disruption. The fund should also

provide protection where a household has limited realistic scope to reduce its housing costs, including larger families whose household composition means that moving to substantially smaller accommodation would not be appropriate under existing bedroom entitlement rules. Similar protection should be available where a claimant has moved into sustained employment, but exceptionally high local housing costs would otherwise make remaining in work difficult. These protections should be targeted and periodically reviewed rather than creating permanent exemptions from the Reducer.

- Where a claimant moves from the work requirements group into the no work requirements group, the Reducer should be suspended and their full housing support entitlement restored for as long as they remain in that group. The Government should monitor whether this creates incentives for claimants to seek reassignment into the no work requirements group, and review the rules if evidence of significant behavioural effects emerges. The Government should also establish clear rules for short breaks in entitlement so that claimants are not discouraged from entering work by the risk that a brief return to support would immediately trigger the higher reduction.
- The modelling estimates gross savings of £0.7 billion in 2028/29, £0.7 billion in 2029/30, £2.7 billion in 2030/31 and £2.8 billion in 2031/32. After allocating 10 per cent of the gross savings to the discretionary fund, net savings are estimated at £0.6 billion, £0.6 billion, £2.4 billion and £2.5 billion respectively, producing **£6.1 billion** in net savings over the four years to 2031/32.

Fraud and error remain a high cost within Housing Benefit. DWP estimates that £800 million of Housing Benefit was overpaid in 2025/26, equivalent to 6.2 per cent of expenditure. Of this, around £460 million was attributable to fraud, equivalent to 3.6 per cent of Housing Benefit expenditure. Around 15 in every 100 Housing Benefit claims were overpaid for some reason.¹⁰³

It is difficult to justify reducing housing support for those who are legitimate claimants without further tackling fraudulent activity. Fraud is also a scourge on the wider benefit system and diverts resources from households with a genuine entitlement.

103. <https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2026-estimates/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2026-estimates>

Recommendation Eight: DWP should invest more in Housing Benefit fraud detection.

- DWP should invest an additional £25 million a year in Housing Benefit fraud detection. Funding should be ring-fenced for targeted data matching, more frequent reviews of higher-risk awards and additional local authority investigation capacity.
- Data matching should focus on undeclared earnings, unreported changes in household composition, changes of address and other discrepancies that materially affect entitlement. The objective should be to identify higher-risk cases more accurately, rather than subjecting all claimants to repeated checks.
- DWP should set a target of reducing Housing Benefit fraud by 20 per cent. Based on estimated fraudulent overpayments of £460 million in 2025/26, this could prevent around £92 million of overpayments and generate net savings of approximately £67 million in the first year.

Below, we present the estimated total sum of savings from these policies over the forecast period.¹⁰⁴

£ billion, nominal	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Graduated taper for long-term housing support	-	-	0.6	0.6	2.4	2.5
Capping the growth of social rents to CPI	-	0.2	0.3	0.5	0.7	0.9
Opportunity Route and Pay to Stay Stock Savings	-	0.4	0.5	0.7	1.0	1.1
Pay to Stay	-	0.3	0.2	0.2	0.2	0.2
Fraud	-	0.1	0.1	0.1	0.1	0.1
Total savings	-	1	1.7	2.4	4.4	4.8

Council houses released	10-year net
Pay to Stay	155,000
Opportunity route	793,000
New housing association homes	54,000
Total	1,002,000

104. These savings estimates are presented on a policy-by-policy basis and are therefore not strictly additive. In practice, these measures would interact, for example savings generated by one reform may reduce the expenditure base which applies to another. Also, dynamic behavioural changes could further impact the fiscal impact. These figures must therefore only be taken as estimates and in reality, the total savings may be higher or lower than the sum of its parts.

Conclusion

England's housing support system needs a clearer purpose. Too often it intervenes only once a crisis has become acute, spends heavily to contain it, and then leaves households and councils with no clear route forward.

Building more social housing is necessary, but it will not end pressure quickly. New social homes should therefore be reserved for British citizens, with priority shaped by contribution as well as need.

Allocation should distinguish more clearly between crisis and opportunity. The Safety Net Route would provide immediate support, but entry at a moment of crisis should not automatically create a home for life. The Opportunity Route would use housing more deliberately to support work, training, caring responsibilities, mobility and better use of the existing stock. This requires councils to work across boundaries rather than treating each area as a closed housing market. Stronger mobility rights, reciprocal nominations and funding that follows housing pressure would help households move towards opportunity and make better use of homes that are currently locked into the wrong places or occupied by households whose circumstances have changed.

Fairness also requires limits. Sustained high income and serious misconduct should carry consequences, while households that can afford to do so should pay progressively closer to a market rent or move into another tenure. Social housing should remain secure for those with enduring needs, but it should not be an automatic lifetime entitlement regardless of conduct, income or changing circumstances.

Rent and benefit policy need the same clarity. Social Rent should no longer be based on the economic geography of 1999 and 2000. Local Housing Allowance should move from repeated freezes and sudden resets to a lower local cap that is uprated annually. For claimants who can work, full housing support should provide protection at the start of a claim, but should not remain unchanged indefinitely without greater personal responsibility.

The aim is not to weaken the safety net. It is to make it more purposeful, more responsive and more trusted. A better system would protect people in crisis, use the existing stock more effectively, support movement towards independence and set clearer limits on what taxpayers can reasonably be expected to fund. The central question is not only how many homes England builds, but who those homes are for and what the housing support system is intended to achieve.



£10.00
ISBN: 978-1-918832-23-5
Policy Exchange
1 Old Queen Street
Westminster
London SW1H 9JA

www.policyexchange.org.uk