



Department  
for Work &  
Pensions

# Impact of Private Rent Growth on Housing Benefit Expenditure

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# 1 Analysis

This analysis is being released due to high levels of interest in this area. The figures contained in this release are estimates only and should not be treated as official statistics.

Table 1 below shows that the average eligible Private Sector<sup>1</sup> rent for Housing Benefit (HB) increased by 45% between 2000/01 and 2010/11. This means that around £3 billion of HB expenditure in 2010/11 can be attributed to real private rent growth over the previous ten years.

From April 2011, Local Housing Allowance (LHA) reforms were introduced and are expected to save around £2 billion a year in HB expenditure by 2015/16. These reforms restrict eligible rent, causing growth to be below inflation (a real terms decrease) in 2011/12 and 2012/13. However, the increasing caseload causes the rent growth from previous years to have a larger impact.

**Table 1: Housing Benefit eligible private rent growth**

Financial Year	Private sector Caseload (000's)	Average Private Sector Eligible Rent (£ per week)	Real terms growth since 2000/01	Impact on Expenditure (£ billion)
2000/01	771	68.28	0%	0.0
2001/02	727	71.95	3%	0.1
2002/03	711	76.03	7%	0.2
2003/04	722	78.73	8%	0.2
2004/05	777	85.17	13%	0.4
2005/06	817	92.48	20%	0.7
2006/07	868	98.64	25%	0.9
2007/08	934	104.00	29%	1.1
2008/09	1,049	112.50	36%	1.6
2009/10	1,320	122.00	45%	2.5
2010/11	1,492	125.88	45%	2.9
2011/12	1,586	127.33	44%	3.1
2012/13 <sup>1</sup>	1,667	125.83	40%	3.0

Notes:

1. 2012/13 is estimated based on Budget 2013 Housing Benefit Forecasts:  
<https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2013>

<sup>1</sup> This covers all Housing Benefit recipients who do not live in social sector housing – i.e. owned by local authorities or Registered Social Landlords – or who are in temporary accommodation under homelessness legislation.

## 2 Methodology

This is based on analysis of the Single Housing Benefit Extract (SHBE) administrative data, as well as earlier administrative sources of data, which contain information on the eligible rent of Housing Benefit recipients.

From 2010/11 onwards the impact of private rent growth on HB expenditure is calculated by modelling at an individual level an alternative case where eligible private rents on SHBE have grown in line with the GDP deflator since 2000/01. This is done for all recipients on the caseload in September, representing mid-financial year. This assumption is used to obtain what each recipient's eligible rent would have been if Private Rents had remained stable in real terms since 2000/01; the resulting impact on their Housing Benefit award is then used to get the total impact on Housing Benefit Expenditure. This modelling takes account of the impact that real growth in rents relative to incomes and other parameters of the HB calculation has on caseload, as greater numbers of people become entitled to HB.

Prior to 2010/11 it is not possible to use SHBE data to calculate the impact at recipient level. Instead we model an alternative at an aggregate level, with eligible rents rising in line with the GDP deflator. This method doesn't account for cases that would not have entitlement if private sector rents had not risen in real terms. Therefore, estimates for years prior to 2010/11 will be slightly high, by an expected maximum of around 3% for 2009/10 (based on the 2010/11 individual-level modelling), and the impact will be smaller for earlier years.

### Caveats

This analysis is at a Great Britain level, using Great Britain averages in each year. These will be affected by a number of different factors, including changes in the mix of claimants, and changes in the distribution of claimants across the country. In particular, private rents are significantly higher in London than elsewhere, and as the caseload in London has increased by more than elsewhere over the period covered, this will contribute towards some of the observed growth in rents. If the analysis was produced at a more disaggregated geographical or claimant type level, then the results would be different.

This method assumes the eligible rent variable on SHBE reflects actual eligible rents; however this variable is sometimes too high due to it not taking into account LHA restrictions correctly. This is expected to have a small impact on the analysis.