



Department  
for Work &  
Pensions

# Impact of 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.

This looks at the expenditure impact of the growth in the average eligible rents of Housing Benefit (HB) recipients in Great Britain since 2000/01 for private sector and social sector tenants.

## Private Sector<sup>1</sup>

- Table 1 shows that the average eligible private sector rent for Housing Benefit (HB) increased by 45% in real terms between 2000/01 and 2010/11. An estimated £2.9 billion (33%) of private sector HB expenditure in 2010/11 can be attributed to real terms 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 average growth to be below inflation (a real terms decrease) in 2011/12 to 2013/14, this causes HB expenditure in these years to be lower due to rent growth.

## Social Sector<sup>1</sup>

- Table 2 shows that the average eligible social sector rent for Housing Benefit (HB) increased by 23% in real terms between 2000/01 and 2010/11. An estimated £2.5 billion (20%) of social sector HB expenditure in 2010/11 can be attributed to real terms rent growth over the previous ten years.
- From 2013/14 the social sector size criteria policy was introduced which was expected to save around £0.6 billion a year in HB expenditure by 2015/16. This policy reduces the eligible rents of those in the social sector with a spare room causing a real terms decrease in average eligible rent in 2013/14 and HB expenditure to be lower in this year due to rent growth.

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

## Impact of Rent Growth on Housing Benefit Expenditure

**Table 1: Impact of Private Sector Rent growth on Housing Benefit Expenditure**

Year	Private Sector Caseload (000's)	Private Sector Expenditure (£ billion)	Average Private Sector Eligible Rent (£ per week)		Real terms growth in average Private Sector Eligible Rent <sup>2</sup>		Impact on Housing Benefit expenditure (£ billion)	
			Nominal Terms	Real Terms (2013/14 prices)	Since 2000/01	Since Previous year	Since 2000/01 <sup>3</sup>	Since Previous year <sup>4</sup>
2000/01	771	2.85	68.28	91.70	0%	-	0.0	-
2001/02	727	2.82	71.95	94.82	3%	3%	0.1	0.1
2002/03	711	3.03	76.03	97.75	7%	3%	0.2	0.1
2003/04	722	3.03	78.73	99.03	8%	1%	0.2	0.0
2004/05	777	3.35	85.17	104.06	13%	5%	0.4	0.2
2005/06	817	3.72	92.48	110.47	20%	6%	0.7	0.2
2006/07	868	4.28	98.64	114.75	25%	4%	0.9	0.2
2007/08	934	4.70	104.00	118.04	29%	3%	1.1	0.1
2008/09	1,049	5.62	112.50	124.30	36%	5%	1.6	0.3
2009/10	1,320	7.57	122.00	132.80	45%	7%	2.5	0.5
2010/11	1,492	8.67	125.88	133.23	45%	0%	2.9	0.0
2011/12	1,586	9.22	127.33	131.95	44%	-1%	3.1	-0.1
2012/13 <sup>1</sup>	1,667	9.27	125.83	128.73	40%	-2%	3.0	-0.3
2013/14 <sup>1</sup>	1,704	9.32	127.40	127.40	39%	-1%	3.2	-0.1

Notes:

1. Impacts for 2012/13 and 2013/14 are estimated based on Budget 2013 Housing Benefit Forecasts as full outturn isn't available for these years: <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2013>
2. Real terms is calculated as rent growth above the growth in the Gross Domestic Product deflators updated on 20th March 2013.
3. Prior to 2010/11 and for 2013/14 impacts since 2000/01 may be slightly high which should be considered when comparing to 2010/11 - 2012/13 estimates. See methodology for more details.
4. The impacts since the previous year are independent of each other as they do not account for average eligible rents being higher due to growth in earlier years (and therefore do not sum to the impact since 2000/01).

## Impact of Rent Growth on Housing Benefit Expenditure

**Table 2: Impact of Social Sector Rent Growth on Housing Benefit Expenditure**

Year	Social Sector Caseload (000's)	Social Sector Expenditure (£ billion)	Average Social Sector Eligible Rent (£ per week)		Real terms growth in average Social Sector Eligible Rent <sup>2</sup>		Impact on Housing Benefit expenditure (£ billion)	
			Nominal Terms	Real Terms (2013/14 prices)	Since 2000/01	Since Previous year	Since 2000/01 <sup>3</sup>	Since Previous year <sup>4</sup>
2000/01	3,175	8.31	50.34	67.61	0%	-	0.0	-
2001/02	3,119	8.76	53.16	70.06	4%	4%	0.3	0.3
2002/03	3,096	9.60	57.69	74.18	10%	6%	0.8	0.5
2003/04	3,090	9.32	56.68	71.30	5%	-4%	0.5	-0.4
2004/05	3,163	9.80	60.15	73.49	9%	3%	0.8	0.3
2005/06	3,169	10.21	63.45	75.79	12%	3%	1.1	0.3
2006/07	3,153	10.56	66.79	77.69	15%	3%	1.4	0.3
2007/08	3,102	11.03	70.24	79.72	18%	3%	1.7	0.3
2008/09	3,117	11.48	73.58	81.30	20%	2%	2.0	0.2
2009/10	3,227	12.42	77.66	84.53	25%	4%	2.6	0.5
2010/11	3,306	12.76	78.48	83.06	23%	-2%	2.5	-0.2
2011/12	3,346	13.60	82.72	85.73	27%	3%	3.0	0.4
2012/13 <sup>1</sup>	3,378	14.53	88.56	90.60	34%	6%	3.9	0.8
2013/14 <sup>1</sup>	3,349	14.45	89.76	89.76	33%	-1%	3.9	-0.1

Notes:

1. Impacts for 2012/13 and 2013/14 are estimated based on Budget 2013 Housing Benefit Forecasts as full outturn isn't available for these years: <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2013>
2. Real terms is calculated as rent growth above the growth in the Gross Domestic Product deflators updated on 20th March 2013.
3. Prior to 2010/11 and for 2013/14 impacts since 2000/01 may be slightly high which should be considered when comparing to 2010/11 - 2012/13 estimates. See methodology for more details.
4. The impacts since the previous year are independent of each other as they do not account for average eligible rents being higher due to growth in earlier years (and therefore do not sum to the impact since 2000/01).

## 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 rent growth on HB expenditure is calculated by modelling at an individual level an alternative case where eligible 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 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 and for the 2013/14 estimate 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 rents had not risen in real terms. Therefore, estimates for years prior to 2010/11 and the 2013/14 estimate may be slightly high. For 2009/10 this error is expected to be a maximum of around 3% for the private sector and 1% for the social sector (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, 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 reported incorrectly and doesn't always take into account LHA restrictions correctly. This is expected to have a small impact on the analysis.