Office for Budget Responsibility

21 August 2014

Supplementary forecast information release: Eligible Rent Assumptions

The OBR are releasing the information below following interest in the detail underlying our March 2014 *Economic and fiscal outlook (EFO)*. The OBR will where possible meet requests to release supplementary forecast information, where this will improve the quality of public debate on the public finances. Our full release policy can be found on our website.

The interest centred on the growth in housing rents that feed into the forecast for Housing Benefit expenditure – specifically for Local Housing Allowance (LHA).

The assumptions provided in this release cover growth in the element of rent eligible for Housing Benefit only and not overall market rents. The eligible rent is typically the amount paid by the tenant to occupy the property not including bills and some service charges. In many cases (mainly Private Rented Sector tenants), the amount of eligible rent is also influenced by the amount of maximum rent that has been determined by LHA regulations, or by the Rent Officer.

Table 1 shows the baseline assumptions that were used for each element of Housing Benefit. The forecast for overall Housing Benefit makes adjustments on top of these baseline assumptions to take account of policies and changes in the mix of claimants.

Table 1: Eligible rent growth assumptions used for Housing Benefit forecasts

	2014/15	2015/16	2016/17	2017/18	2018/19
Private Sector					
Local Housing Allowance	1.8%	1.7%	2.1%	2.1%	2.1%
Non-LHA Regulated	4.0%	3.3%	4.1%	4.5%	4.6%
Non-LHA Deregulated	1.2%	1.2%	1.2%	1.2%	1.2%
Social Sector					
Local Authorities	5.4%	3.0%	3.3%	3.3%	3.4%
Registered Social Landlords	4.0%	2.9%	3.2%	3.2%	3.3%

In 2014-15 and 2015-16, LHA rates are uprated by the lower of 1 per cent or the 30th percentile of market rents, with additional growth assumed due to the Targeted Affordability Fund, which allowed higher uprating in areas most affected by limits to LHA uprating. From 2016-17 to 2018-19, LHA is assumed to be uprated by the lower of CPI inflation or the 30th percentile of market rents. Rent officer data are used to estimate the resulting average uprating given some LHA rates will be uprated to the 30th percentile rather than by the cap. There is also extra rent growth due to some Housing Benefit recipients having rents below the LHA rates, which are therefore not restricted by the uprating policy – the forecast assumes rent growth of 4 per cent for these cases until they catch up to the LHA rates. This explains why the LHA rent assumption is fractionally higher than our CPI inflation forecast of 2.0 per cent from 2016-17. Non-LHA regulated rates are uprated by RPI inflation plus 0.8 per cent and de-regulated non-LHA assumptions are based on the growth rate of historical outturns.

Social sector rents are uprated using assumptions that are informed by guideline rent policies for individual countries of Great Britain or, in the absence of such guidelines, the historical average growth rate. These forecasts are aggregated using the proportional split of the Housing Benefit caseload by country as weights.