



House of Commons
Work and Pensions Committee

**Changes to Housing
Benefit announced in
the June 2010 Budget:
Government Response
to the Committee's
Second Report of
Session 2010–11**

**Fourth Special Report of Session
2010–11**

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The Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Work and Pensions and its associated public bodies.

Current membership

Dame Anne Begg MP (*Labour, Aberdeen South*) (Chair)
Harriett Baldwin MP, (*Conservative, West Worcestershire*)
Andrew Bingham MP, (*Conservative, High Peak*)
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The following Members were also members of the Committee during the Parliament:

Ms Karen Buck MP (*Labour, Westminster North*), Margaret Curran MP (*Labour, Glasgow East*), Richard Graham MP (*Conservative, Gloucester*), Sajid Javid MP (*Conservative, Bromsgrove*) and Shabana Mahmood MP (*Labour, Birmingham, Ladywood*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/workpencom

The Reports of the Committee, the formal minutes relating to that report, oral evidence taken and some or all written evidence are available in a printed volume.

Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Carol Oxborough (Clerk), Andrew Hudson (Second Clerk), Hanna Haas (Committee Specialist), Laura Humble (Committee Media Adviser), James Clarke (Inquiry Manager), Sonia Draper (Senior Committee Assistant) and Hannah Beattie (Committee Assistant)

Contacts

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Fourth Special Report

On 22 December 2010 the Work and Pensions Committee published its Second Report of Session 2010–11, *Changes to Housing Benefit announced in the June 2010 Budget*, HC 469. On 9 March 2011 we received the Government's Response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Committee's conclusions and recommendations are in bold text. The Government's response is in plain text.

Appendix: Government response

Introduction

1. The Government welcomes the Second Report of the Work and Pensions Select Committee on *Changes to Housing Benefit announced in the June 2010 Budget* which was published during the 2010-11 parliamentary session. In particular, the Government welcomes the support of the Committee for its key objective for Housing Benefit reform, to manage the cost and ensure that the cost represents value for money. The wide-ranging reforms the Government will take forward will represent significant challenges in the next few years but also provide opportunities to ensure that the level of support provided is both fair and sustainable.

2. The Government acknowledges the concerns expressed by the Committee regarding the level of funding provided for transition stages of the reform measures over the period of the Spending Review. The Government is providing an additional £190 million over the next four years to support customers during the transitional period, which includes a trebling of the Discretionary Housing Payments fund.

3. The Government welcomes the recognition by the Committee that Housing Benefit has a significant role to play in reducing barriers to work and welfare dependency. These reforms will represent a significant first step to reduce the social and economic costs of benefit dependency for individuals, their families and wider society. In addition, these incentives to employment pave the way for the next step of welfare reform in the introduction of Universal Credit.

Conclusions and Recommendations

Government's objectives for reform

[Paragraph 24] We agree with the Government's objective of managing the costs of Housing Benefit. We also agree that support for low-income families towards housing costs should represent value for money for the taxpayer. We hope that the Government will be able to influence the rent levels of properties in the private rental sector available to Housing Benefit tenants. Further detailed research should be undertaken on this issue as the policy is implemented.

The Government welcomes the Committee's agreement to one of our key objectives of welfare reform, to manage Housing Benefit expenditure. In real terms the total Housing Benefit bill for working age customers has gone from over £10 billion in 2005–6 to over £15 billion in 2010–11 an increase of 50%. Over the last 10 years average earnings have grown by 11% while the average Housing Benefit award has grown by 40%.

The reforms that the Government is introducing will still enable people in receipt of Housing Benefit to rent a reasonable standard of accommodation, but it is essential that the level of support we provide is at a level that is fair and sustainable to the taxpayer.

Housing Benefit reform must deliver a more robust scheme that is fair to families that pay their own rent and ensures that the housing choices people on benefit make are not out of reach to most people in work.

The Government fully accepts the importance of undertaking ongoing evaluation of the changes. To ensure that Housing Benefit reform is achieving the objectives that have been set, the Government is committed to undertaking a comprehensive review of the changes to Housing Benefit that will come into effect from April 2011. This will include independent, comprehensive primary research to look at the effects on different types of households in a range of areas across Great Britain, including London, the rest of England, Scotland and Wales.

Rises in Housing Benefit costs

[Paragraph 30] According to the Valuation Office Agency, claimant rents moved in line with changes in the LHA rates in the first three quarters of the period from November 2008. It is only in the last two quarters that average rents for claimants rose ahead of LHA rates. In a period of rapid market change, and a sharp rise in the numbers of claimants in the sector, it is important to ensure that the Department obtains value for money in the Housing Benefit budget. We recommend that the Department undertake further research into the reasons for the increased rent levels and the methodologies used to measure them.

The Government acknowledges the importance of research into the reasons for increases in rent levels. The Department is continuing to work with the Department for Communities and Local Government and relevant organisations to monitor trends in the housing market which have a potential influence on support for housing costs. The Department will be continuing to explore ways of improving the quality and timeliness of the data available to it, with the aim of widening its understanding of market conditions.

[Paragraph 35] There is some evidence that the introduction of the Local Housing Allowance has led to a convergence of rents around the level of the LHA. This has involved both upward and downward revisions and has varied between areas, but it is clearly a factor in the rising costs of Housing Benefit.

The evidence we presented to the Committee in November 2010 showed a modest tendency for rents to move closer to Local Housing Allowance rates over the period April 2009 to August 2010. Since November last year further analysis of related data has been undertaken as part of the Two Year Review of the Local Housing Allowance. The final

