EXPLANATORY MEMORANDUM TO

THE HOUSING BENEFIT (AMENDMENT) REGULATIONS 2010

2010 No. 2835

THE RENT OFFICERS (HOUSING BENEFIT FUNCTIONS) AMENDMENT ORDER 2010

2010 No. 2836

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

2. Purpose of the Instrument

2.1 These instruments make changes to the Housing Benefit regulations[1], the Rent Officers (Housing Benefit Functions) Order 1997 and the Scottish equivalent [2].

2.2 They have the effect of limiting the amount of Housing Benefit that can be awarded under the Local Housing Allowance arrangements from 1 April 2011 by:

- removing the five bedroom Local Housing Allowance rate so that the maximum level is for a four bedroom property;
- introducing absolute caps so that Local Housing Allowance weekly rates cannot exceed £250 for a one bedroom property, £290 for a two bedroom property, £340 for a three bedroom property and £400 for a four bedroom property;
- providing for Local Housing Allowance rates to be set at the 30th percentile of rents in each Broad Rental Market Area[3] rather than the median; and
- removing the up to £15 per week excess benefit which some claimants can receive.

2.3 The amendment regulations also provide up to nine months of transitional protection from the changes to Local Housing Allowance rates to claimants who claim Housing Benefit before 1 April 2011.

2.4 The instruments also provide for an additional bedroom within the size criteria used to assess Housing Benefit claims in the private rented sector where a disabled person, or someone with a long term health condition, has a

[1] The Housing Benefit Regulations 2006 and the Housing Benefit (Persons who have attained the qualifying age for state pension credit) Regulations 2006.
[2] Rent Officers (Housing Benefit Functions) (Scotland) Order 1997.
[3] Broad Rental Market Areas are determined by rent officers and are intended to reflect the areas in which people live and access services and the rental values within those areas.

proven need for overnight care and it is provided by a non-resident carer who requires a bedroom.

2.5 Finally, the amendment regulations make a change to the payment provisions for cases assessed under the Local Housing Allowance arrangements. This is to allow local authorities to consider paying Housing Benefit directly to the landlord if it would enable the claimant to secure or retain a tenancy.

3. Matters of special interest to the Joint Committee on Statutory Instruments

None

4. Legislative Background

4.1 In cash terms, expenditure on Housing Benefit has increased significantly from £11 billion in 1999/2000 to £20 billion in 2009/10. Some of this growth can be attributed to increasing caseloads and, particularly for pensioners and parents, higher levels of benefit over the last decade. But most of the increase in expenditure is due to growth in rents. In particular, over £3 billion of spending in 2009/10 can be attributed to growth in private sector rents since 1999. The Government considers it a priority to control and reduce the overall cost of Housing Benefit. These instruments give effect to savings measures which were announced as part of the Budget process and are intended to achieve savings of around £1 billion by 2014/15.

4.2 Announcement of the removal of the £15 excess was included in the March 2010 Budget. See Budget 2010 Redbook HC451, page 141 paragraph A.187 http://webarchive.nationalarchives.gov.uk/20100407010852/http:/www.hm-treasury.gov.uk/budget2010_documents.htm

4.3 The changes to Local Housing Allowance rates and the provision of an additional bedroom in the Housing Benefit size criteria for people who require a carer to stay overnight were announced by the by the Chancellor as part of the Government's Emergency Budget.
Hansard 22 June 2010 Column 174
http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm100622/debtext/100622-0006.htm
Budget 2010 Redbook HC61, Chapter 1, page 33, paragraph 1.102
http://www.hm-treasury.gov.uk/d/junebudget_complete.pdf

4.4 The inclusion of transitional protection for existing claimants and the change to the direct payment rules are being introduced to respond to concerns about the impact of these changes raised by Members of Parliament, the Social Security Advisory Committee, local government and other stakeholders following the Emergency Budget announcement.

5. Territorial Extent and Application

This instrument applies to Great Britain.

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

What is being done and why

Restrictions to Local Housing Allowance rates

7.1 The Local Housing Allowance arrangements were introduced from 7 April 2008 and apply to Housing Benefit claimants living in the private rented sector[4]. Local Housing Allowance rates are determined by rent officers each month for each property size up to a maximum of five bedrooms. To do this rent officers gather evidence of achieved rents for each property size in each Broad Rental Market area (an area in which people live and access services). The median rent on the list of rents is used for the Local Housing Allowance rate. This means that at least 50 per cent of the market is affordable to Housing Benefit tenants. The local authority uses the appropriate Local Housing Allowance rate to determine the maximum amount of Housing Benefit payable before any deduction[5].

7.2 Currently, if the Local Housing Allowance rate is higher than the contractual rent, claimants are able to keep the excess benefit up to a maximum of £15 per week. If the rent is higher than their Local Housing Allowance rate they must make up the difference from other sources of income.

7.3 One of the policy objectives of the Local Housing Allowance arrangements was to improve control over Housing Benefit costs. However the average Housing Benefit award for Local Housing Allowance cases is over £9 per week more than for claimants still on the previous scheme for the private rented sector. This has contributed to the costs of the scheme being significantly higher than originally intended. Additionally some Local Housing Allowance rates are excessively high. Rates for five bedroom properties in central London have risen as high as £2000 per week and even rates for two-bedroom properties can exceed £300 per week in some London areas.

7.4 In addition to achieving savings of £1 billion the changes to which these instruments give effect will make the Housing Benefit scheme fairer and

[4] Specifically tenants who have an assured or an assured shorthold tenancy agreement with a private landlord.

[5] The maximum Housing Benefit payable can be reduced, for example, if the claimant has income or non-dependants living with them.

more sustainable by ensuring that people on benefit do not have access to accommodation that would be out of reach of most people in work. This will also begin to address the disincentives to work in the current system created by high rates of benefit. Housing Benefit is intended to help people in work however, supporting people to live in very high cost rented accommodation means that they will not see any advantage to working as their earnings are unlikely to ever be sufficient to take them off benefit.

7.5 From April 2011, the overall caps on Local Housing Allowance rates will address excessively high rates paid to some claimants. At the same time the removal of the five bedroom rate will bring the housing choices of larger families more in line with those who manage without Housing Benefit. Changing the way rent officers determine Local Housing Allowance rates will bear down generally on rental values being met through Housing Benefit. Local Housing Allowance rates will be set at the 30th percentile rather than the median point of the rental evidence ensuring that, except in some London areas affected by the caps, at least a third of properties rather than 50 per cent are affordable to Housing Benefit tenants. The £15 excess which allows tenants to receive more benefit than they need is not justifiable in the current fiscal climate and its withdrawal will take effect from April 2011. Although the excess may have given some tenants an incentive to shop around for properties below the Local Housing Allowance rate the reduction in rates overall means there is no longer a case to retain it.

7.6 The Department published detailed analysis of the impacts of these changes on 23 July 2010 http://www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance/impact-of-changes.shtml. The analysis includes data at local authority level of the numbers of claimants seeing reductions in their benefit and average losses. Nationally, the majority of claimants whose Housing Benefit is assessed under the Local Housing Allowance arrangements will see an average weekly loss of £12. Losses in London, where the overall caps will have an impact, could be much higher with some in excess of £100 per week.

7.7 Options open to people who see a reduction in their Housing Benefit might be to negotiate a lower rent with their landlord, take up employment, or make up the rent from other sources of income. However some people will move and may need advice and assistance from local authority housing departments to do so. For people who decide to move, apart from central London where the proportion could be as low as seven per cent, at least 30 per cent of the private rented sector market should be affordable to Housing Benefit tenants.

7.8 The changes to Local Housing Allowance rates and the removal of the £15 excess will affect people making new claims for Housing Benefit for private rented sector tenancies from 1 April 2011.

7.9 The removal of the up to £15 excess will apply to existing claimants on the anniversary of their claim or sooner if there is a change in the size of their household that affects the size of dwelling to which they are entitled or they

move. For example, someone with an excess who first claimed Housing Benefit on 21 March 2009 will lose the excess from 21 March 2012.

7.10 The reductions in Local Housing Allowance rates for existing claimants will normally apply from the anniversary of their claim but they will be protected for a further nine months from that date. If the claimant has a change in the composition of their household that affects their Local Housing Allowance rate before their anniversary they will be assessed under the new provisions from that date. In these cases they will only be transitionally protected for a further nine months if the change in their household means they are entitled to the Local Housing Allowance rate for a larger property and they would be better off if their previous Local Housing Allowance rate were used.

7.11 Where appropriate, the nine months transitional protection period will continue, providing that the claimant continues to claim at the same address and there are no changes in their household that result in a Local Housing Allowance rate for a smaller property applying to their claim. If a member of the household dies during this period the existing 12 month protection following a death will apply.

7.12 In addition to transitionally protecting existing claimants the Government is increasing its contribution to local authorities Discretionary Housing Payment[6] budgets from £20 million yearly to £30 million in 2011/12, and £60 million thereafter. This will give local authorities additional flexibility to help claimants who need time to move or provide longer term support to people who are unable to move.

Additional room for a non-resident carer

7.13 The Government is also responding to concerns that the criteria used to determine the size of property a claimant requires only take account of people who live in the claimant's dwelling as their home. Currently a paid carer who resides with the claimant is taken into account but no allowance is made for carers who provide overnight care but normally live elsewhere. While the Department has in the past taken the position that the need should be considered as part of the care package, it has become apparent that treatment varies between different local authorities. In some areas the additional cost of a sleepover room has been met by social services, elsewhere the local authority has met the cost through a Discretionary Housing Payment but on other occasions the claimant has had to meet the shortfall through other income.

7.14 The change will allow funding for an additional bedroom where the claimant or their partner: already occupies accommodation that has an extra

[6] Discretionary Housing Payments are only available to people who are entitled to Housing Benefit or Council Tax Benefit and are intended to make up shortfalls in entitlement to benefit where the local authority considers that the person concerned is in need of further help with their housing costs.

room; has an established need for overnight care; and that care is provided by someone who lives elsewhere but who stays overnight. The presence of an overnight carer allows these individuals to live independently and the change simplifies and clarifies the funding arrangement.

7.15 The change will apply to all Housing Benefit claimants who satisfy the qualifying criteria from 1 April 2011. For existing claimants there is no time limit on the period for which arrears can be awarded provided that the qualifying conditions are met, but the changes are not retrospective so cannot be applied before 1 April 2011. This means that claimants who are in receipt of benefit as of 1 April 2011 and who are subsequently identified as being entitled to the extra room rate for an overnight carer, will be entitled to arrears from that date even if their award is not revised until a later date.

Direct payment provisions

7.16 The changes to the direct payment provisions extend the circumstances in which local authorities can pay Housing Benefit directly to the landlord. Currently, under the Local Housing Allowance arrangements benefit is normally paid to the claimant to ensure they take responsibility for budgeting for, and paying, their rent. However, payment of benefit must be made to the landlord if payments are already being made to them from other income-related benefits to clear rent arrears or the claimant is in arrears equivalent to 8 weeks' rent. Additionally, a local authority has discretion to make payment to the landlord where:

- it considers the claimant is likely to have difficulty in relation to the management of their financial affairs. For example, due to drug dependency or because of a serious medical condition such as Alzheimer's disease;
- it considers it is improbable that the claimant will pay their rent. For example the local authority knows from past experience that the tenant is likely to abscond with the rent payment; or
- the claimant has previously had payments made to their landlord because they were in arrears.

7.17 We are broadening these safeguards to extend the discretion to cases where direct payments to the landlord may help secure a new tenancy or maintain an existing tenancy. This addition will strengthen the tools available to local authorities in their homelessness prevention work and provide landlords with an incentive to accept a lower rent from a Housing Benefit tenant (there is anecdotal evidence that some landlords charge higher rents to mitigate the risk of non-payment of rent). Although the Department's guidance to local authorities[7] already suggests that direct payment to the landlord is likely to be appropriate under the existing safeguards when they assist someone into a tenancy the amendment puts this beyond doubt. The amendment also broadens the local authority's discretion to include cases

[7] Local Housing Allowance guidance manual paragraph 5.61

where the tenant has obtained the tenancy independently of the local authority. The Government intends to keep this provision under review.

Consolidation

7.18 Informal consolidation of this instrument will be included in due course in the Department's "the law relating to Social Security" (the Blue Volumes) which are available at no cost to the public on the internet at: http://www.dwp.gov.uk/publications/specialist-guides/law-volumes/the-law-relating-to-social-security/

8. Consultation outcome

8.1 The Department has not held a public consultation on drafts of these instruments having held an earlier consultation on Housing Benefit reform which commenced on 15 December 2009 and concluded on 22 February 2010. That consultation received 381 responses. Most respondents, when asked about ways in which benefit rates could be set at more affordable levels, felt that there should be some form of upper level beyond which Housing Benefit would not be paid. Typically, this was felt to be at a level which a low income working family could afford to pay in rent. The consultation asked whether excluding the most expensive rents when setting Local Housing Allowance rates would result in fairer levels of benefit. There were 174 responses to this question of which 66 per cent agreed with the proposal. In response to a question on whether an additional bedroom for a non-resident carer should be included in the size criteria used to determine the property size appropriate to the claimant we received 234 responses with 84 per cent supporting the proposal.

8.2 The Department held a six week consultation with the local authority associations on draft regulations ending on 6 September 2010. The associations expressed particular concerns about the numbers of families that could be made homeless if they are unable to pay their rent and the risk that landlords would withdraw from the Housing Benefit market. London Councils in particular were concerned about the impact of the caps on central London and the likelihood that families moving to cheaper outer London areas would increase pressures on local services and, because of a shortage of properties, force an increase in rents in those areas. These concerns have been considered in the Department's assessment of the impact of these measures (see 10 below).

8.3 The Department also referred the draft instruments to the Social Security Advisory Committee. The Committee consulted widely on the proposals between 10 August and 10 September 2010 and received 61 responses. In its report to the Secretary of State, the Committee broadly supported the inclusion of a bedroom for non-resident carers but it recommended that the Department considers extending this provision to other clearly prescribed categories, including households accommodating children subject to shared residence arrangements. The Committee reluctantly

accepted that the £15 excess should be withdrawn but recommended that the other proposed changes should not go ahead.

8.4 The Committee also made twelve recommendations should the Government proceed with the measures. These recommendations included deferring the introduction of the overall caps on Local Housing Allowance rates until October 2011; allowing three months transitional protection to existing claimants to give them time to find alternative accommodation; bringing forward £10 million of the additional Discretionary Housing Payments funding to 2011/12; running an early proactive national campaign to raise awareness and ensure all those likely to be affected have an opportunity to investigate how they will be affected by the changes and make the necessary preparations. Furthermore, the Committee recommended that the Department works with the Department for Communities and Local Government (DCLG) to explore measures to encourage landlords to stay in or enter the Local Housing Allowance market, including wider availability of direct payment.

8.5 The Government has considered the recommendations put forward by the Committee and recognises that the Committee has significant concerns about its approach to reforming Housing Benefit. However, the Government believes that reform of Housing Benefit is essential and overdue; both to repair an increasingly ineffective and expensive system of support and to contribute to the wider commitment it has made to control the cost of welfare benefits. It believes that capping excessive rents in London and reducing Local Housing Allowance rates generally so that they enable claimants to access the lower third of the rental market provides the right balance between paying a reasonable level of support and a fair deal to the tax payer.

8.6 However, the Government does accept that the implementation of these measures needs to be carefully managed, and that it is essential that existing claimants are given sufficient notice to adapt to the new rates of benefit. The Government is not prepared to delay implementation but has decided to provide up to nine months transitional protection to existing claimants to give them more time to adjust or find alternative accommodation. To meet the additional cost of the transitional protection and to respond to concerns that implementing the measures in two stages will cause confusion, the Government has brought forward the measure to set rents at the 30th percentile to 1 April 2011 instead of 1 October 2011 as originally proposed.

8.7 The Government has also responded positively to the Committee's recommendation that the direct payment provisions should be changed to provide more incentives to landlords to let to Housing Benefit tenants.

8.8 An Act paper with the Government's response to the Social Security Advisory Committee's report and recommendations is being published alongside the statutory instruments. This will be available on the official documents website.
http://www.official-documents.gov.uk/menu/other2010.htm

9. Guidance

9.1 The Department is working closely with the Department for Communities and Local Government and the devolved administrations to develop comprehensive guidance and a communications tool-kit for local authorities to support the implementation. The products include suggested actions and interventions that will assist Housing Services to deliver proactive advice and assistance.

9.2 The Department is developing a range of communication products aimed at raising awareness, including online information resources for ordering and downloading locally, or printed material where appropriate. Together these products, along with the period of transitional protection will help ensure that existing claimants who will be affected by these measures are notified well in advance of any change in benefit levels.

10. Impact

10.1 This legislation has no direct impact on business or civil society organisations. The indirect impact of the measures cannot be quantified with any degree of certainty as it is not possible to predict the behavioural effects of tenants or their landlords.

10.2 The impact on the public sector is difficult to quantify as costs are dependent on behaviours. Some specific costs to local authority housing benefit and housing departments have been identified. Up to an additional £15 million per year will be provided to local authorities to enable housing teams to take a more proactive approach in helping people affected by the Housing Benefit changes, including helping with some of the costs they might incur if they have to move. DCLG has also announced that £10 million from the existing homelessness funding for 2010/11 is to go to London local authorities to help support the transition.

10.3 The Department for Work and Pensions is discussing the administrative impacts with local authority representatives with a view to providing additional funding to meet increased levels of activity on Discretionary Housing Payment requests. There are also likely to be indirect consequences for education authorities, social services departments, landlords, courts and the voluntary sector.

10.4 A full impact assessment is attached to this memorandum and will be published alongside the Explanatory Memorandum on the OPSI website: http://www.opsi.gov.uk/si/si-2010-index

11. Regulating small business

The legislation does not apply to small business.

12. Monitoring and review

12.1 The Department will work very closely with other government departments, the devolved administrations, local authorities and external organisations to regularly review and monitor the impact of the changes and to inform policy development over time. Data which the Department collects as a matter of routine will be invaluable in providing real time information on caseload and average awards by local authority area.

12.2 The Department will also be considering the scope for commissioning primary research into the impacts of the changes on particular groups, such as large families and Black Minority Ethnic households and in particular areas, such as London.

13. Contact

Clare Mitton at the Department for Work and Pensions Tel: 020 7449 5336 or email: clare.mitton@dwp.gsi.gov.uk can answer any queries regarding the instrument.

Title: Housing Benefit: Changes to the Local Housing Allowance Arrangements **Lead department or agency:** **Department for Work and Pensions** **Other departments or agencies:**	Impact Assessment (IA) **IA No:** **Date: 24th November 2010** **Stage:** Final **Source of intervention:** Domestic **Type of measure:** Secondary legislation **Contacts for enquiries:** clare.mitton@dwp.gsi.gov.uk efstratios.rappos@dwp.gsi.gov.uk

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

Expenditure on Housing Benefit in cash terms has increased significantly from £11 billion in 1999/2000 (£14bn in today's prices) to £22 billion this year**.** In particular, under the Local Housing Allowance arrangements which were introduced in April 2008, the average Housing Benefit award is over £9 per week more than for customers on previous schemes. Some Local Housing Allowance rates are excessively high (£2000 per week for a five bedroom property in central London). High rates of Housing Benefit create disincentives to work and are not sustainable. The overall cost of Housing Benefit must be controlled and reduced, particularly given the budget deficit and the reductions in public expenditure that the Government is making to tackle it

What are the policy objectives and the intended effects?

The 2011 changes to the Local Housing Allowance arrangements will both significantly reduce the levels of rent met by Housing Benefit in expensive areas and apply downward pressure on expenditure more generally. Currently, people can pay high rents in some areas because of the availability of Housing Benefit. These changes will mean that people on benefit cannot choose to live in properties that would be out of the reach of most people in work and will result in a fairer and more sustainable Housing Benefit scheme. They will also begin to address disincentives to work in the current system created by high rates of benefit. The measures will achieve cash-terms benefit savings of around £1 billion by 2014/15. To provide additional support for disabled people the changes also allow for an additional room for non-resident carers.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)

The Department held a public consultation at the end of 2009 on Housing Benefit reform which included proposals to restrict excessive rents and reduce benefit levels more generally. Impact assessments were published alongside the consultation and this work helped inform decisions made by Ministers on the Housing Benefit Reform measures included in the June 2010 Budget. The measures to be introduced in 2011/12 include the removal of the £15 excess (announced in the pre-Budget Report 2009), overall caps on Local Housing Allowance rates, the restriction to the four bedroom rate and reducing the level at which Local Housing Allowance rates are set to the 30th percentile of market rents rather than the median. These measures can be delivered in 2011/12 and will achieve the desired reductions in Housing Benefit expenditure. They are also relatively straightforward for local authorities to administer and can be delivered within the next year.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	The policy will be monitored and reviewed at regular intervals.
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

Ministerial Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister: ***Freud*** **Date:** ***24th November 2010***

Summary: Analysis and Evidence

Policy Option 1

Description: The costs reported are indicative estimates of the increase or decrease in benefit expenditure associated with the changes to the LHA arrangements. This only covers the fiscal aspect of the changes not the wider economic and social costs/benefits.

Price Base Year 2010	PV Base Year 2010	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate: £2,900m

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			Average benefit expenditure per year over	Five year costs
High			first five years:	total (2010 value):
Best Estimate	NIL		£ 40 million	£ 170 million

Description and scale of key monetised costs by 'main affected groups'

The costs relate to the measures for the additional room for carers and the increased budget for Discretionary Housing Payments.

Other key non-monetised costs by 'main affected groups'

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			Average benefit expenditure per year over	Five year savings
High			first five years:	total (2010 value):
Best Estimate	Nil		£ 670 million	£ 3,000 million

Description and scale of key monetised benefits by 'main affected groups'

Benefits relate to savings in benefit expenditure due to reduced spend.

Other key non-monetised benefits by 'main affected groups'

Increased employment and the productive potential of the economy.

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5%

Present values were considered over a 5-year period. Impacts were based on notional losses calculated on current rent levels and projected forward in line with Departmental forecasts.

Impact on admin burden (AB) (£m): £30 million			Impact on policy cost savings (£m):	In scope
New AB:	AB savings:	Net:	Policy cost savings: N/A	No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			Great Britain		
From what date will the policy be implemented?			April 2011		
Which organisation(s) will enforce the policy?			N/A		
What is the annual change in enforcement cost (£m)?			N/A		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			N/A		
What is the CO_2 equivalent change in greenhouse gas emissions? **(Million tonnes CO_2 equivalent)**			**Traded:**	**Non-traded:**	
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: n/a	Benefits: n/a	
Annual cost (£m) per organisation **(excl. Transition) (Constant Price)**	**Micro**	**< 20**	**Small**	**Medium**	**Large**
Are any of these organisations exempt?	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on…?	**Impact**	**Page ref within IA**
Statutory equality duties[8]	**Yes**	**Published separately**
Economic impacts		
Competition	No	
Small firms	No	
Environmental impacts		
Greenhouse gas assessment	No	
Wider environmental issues	No	
Social impacts		
Health and well-being	Yes	13
Human rights	No	
Justice system	Yes	13
Rural proofing	Yes	13
Sustainable development	**No**	

[8] Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No.	Legislation or publication
1	Supporting People into work :the next stage of Housing Benefit Reform
2	Supporting people into work: Impact assessment
3	Equality Impact Assessment Housing Benefit
4	Impact of changes to Local Housing Allowance from 2011 - DWP

Evidence Base

Housing Benefit costs / savings - (£m) constant prices

	2010/11	2011/12	2012/13	2013/14	2014/15
Annual recurring costs (cash terms):					
Extra room for carer	0	15	15	15	15
Increase Discretionary Housing Payments	0	10	40	40	40
Annual recurring benefits (cash terms):					
Removal of £15 excess	0	280	490	520	550
Set LHA at the 30th percentile	0	115	350	415	425
Cap LHA rates	0	25	50	70	65

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Problem under consideration

1. The Local Housing Allowance is a way of calculating Housing Benefit for tenants in the deregulated private-rented sector that ensures that tenants in similar circumstances in the same area receive the same amount of financial support for their housing costs. (See **Annex A** for further detail.)These arrangements were introduced from April 2008 for people making new claims for Housing Benefit and for existing customers if they have a change of address or a break in their claim.
2. One of the policy objectives of the Local Housing Allowance arrangements was to improve control over Housing Benefit costs. However the average Housing Benefit award for Local Housing Allowance cases is over £9 per week more than for customers still on the previous scheme for the private rented sector. This has contributed to the costs of the scheme being significantly higher than originally intended. More specifically, in London some rates are excessively high. For example, Local Housing Allowance rates for five-bedroom properties in central London have risen as high as £2000 per week. However, even rates for two-bedroom properties can exceed £300 per week in some London areas.

Rationale for intervention and Policy Objective

3. The background to the changes to the Local Housing Allowance arrangements is the budget deficit and the reductions in public expenditure that the Government is making to tackle it. A key part of the Government's strategy is a programme of reforms that shifts the focus of state support away from cash transfers to the services that deliver opportunities for social mobility in the longer-term. The welfare reforms announced in the June 2010 Budget and the 2010 Spending review will enable a greater proportion of expenditure to be spent on services and ensure that the poorest families are not trapped in a cycle of dependency.
4. Expenditure on Housing Benefit in cash terms has increased significantly from £11 billion in 1999/2000 (£14bn in today's prices) to £22 billion this year**.** It is clear that the overall cost of Housing Benefit must be controlled and reduced. This package of measures will achieve cash-terms savings of around £1 billion by 2014/15.
5. Importantly, the measures announced will provide a fairer and more sustainable Housing Benefit scheme by taking steps to ensure that people on benefit are not living in accommodation that would be out of reach of most people in work. This will also begin to address the disincentives to work in the current system created by high rates of benefit.
6. From April 2011 the overall caps on Local Housing Allowance rates will address excessively high rates of benefit paid to some customers. At the same time the removal of the five bedroom rate will bring the housing choices of larger families more in line with those who do not claim Housing Benefit. Reducing all rates to the 30th percentile rather than the median will bear down generally on the rental values being met through Housing Benefit.
7. The up to £15 excess which can be paid to customers who rent a property with a rent less than the Local Housing Allowance rate and allows them to receive more benefit than they need is not justifiable in the current fiscal climate and its withdrawal will take effect from April 2011. Although the excess may have given some tenants an incentive to shop around for properties below the Local Housing Allowance rate the reduction in rates overall means there is no longer a case to retain it.

Options considered

8. A number of options were considered as part of the budget process. The overall objective was to reduce and suppress growth in Housing Benefit expenditure. The package of measures announced on 22 June 2010 and covered by this impact assessment would achieve savings of just under £1 billion.

9. The Government announced on 22 June 2010 that the following changes would be made in 2011/12.

   From April 2011:

   - the removal of the five bedroom Local Housing Allowance rate so that the maximum level is for a four bedroom property
   - the introduction of absolute caps so that Local Housing Allowance weekly rates cannot exceed:
     - £250 for a one bedroom property
     - £290 for a two bedroom property
     - £340 for a three bedroom property
     - £400 for a four bedroom property

   From October 2011:

   - Local Housing Allowance rates would be set at the 30th percentile of rents in each Broad Rental Market Area rather than the median.

10. Additionally, from April 2011, the £15 weekly Housing Benefit excess that some customers can receive under the Local Housing Allowance arrangements will be removed. This change was first announced in the Budget report on 22 April 2009 but subsequently deferred until April 2011.

11. The changes would apply to new customers from the date they come into effect and to existing customers from the anniversary of their claim unless they have a change of circumstances which requires the local authority to re-determine the maximum rent.

12. The Government also announced that it would increase its contribution to local authorities' funding for Discretionary Housing Payments by £10 million in 2011/12 and by £40 million a year from 2012/13, tripling the current funding of £20 million. This will give local authorities more flexibility to provide additional support where it is most needed, for example, to act as a safety net for customers who need to find alternative accommodation, or longer term support for customers with exceptional circumstances who are less able to move.

13. The Government also announced that, from April 2011, it would include an additional bedroom within the size criteria used to assess Housing Benefit claims in the private rented sector where a disabled person, or someone with a long term health condition, has a proven need for overnight care and it is provided by a non-resident carer.[9]

14. Since the June Budget announcement the Government has made some modifications to its original proposals in response to concerns raised Members of Parliament, the Social Security Advisory Committee, local government and other stakeholders. All the measures will now take effect from April 2011 and nine months transitional protection will be afforded to existing customers from the anniversary of their claim. This means that some customers will not feel the full impact of these changes until December 2012.

15. The Government is also make an amendment to the payment provisions for cases assessed under the Local Housing Allowance arrangements to allow local authorities to consider paying Housing Benefit directly to the landlord if it would enable the customer to secure or retain a tenancy. This addition will strengthen the tools available to local authorities in their homelessness prevention work and provide landlords with an incentive to accept a lower rent from a Housing Benefit tenant (there is anecdotal evidence that some landlords charge higher rents to mitigate the risk of non-payment of rent).

Impact of the measures

Documents already published

16. Following the Budget announcement in June, the Department published on 23 July 2010:

[9] The current rules already provide for an additional bedroom for resident carers.

a. An equality impact assessment[10]

b. An impact document with detailed analysis of the numbers of customers affected and resulting reductions in benefit entitlement[11]

17. A revised version of the equality impact assessment is being published alongside this document.

Impact on Housing Benefit customers

18. This section presents a summary of the impacts of the measures on benefit recipients. The published impact document presents more detailed analysis including the impacts of each individual measure in isolation and a breakdown at local authority level.

19. The loss of the up to £15 excess whilst resulting in a drop in disposable income should not affect a tenant's ability to pay their rent as it increases their benefit entitlement above their rental commitment.

20. On the other hand, the overall caps, restriction to the four bedroom rate and setting rates at the 30th percentile would all increase the number of tenants facing shortfalls between their benefit and contractual rent, if current rent levels and accommodation choices did not change. However the purpose of reform is to influence rent levels and housing choices, which is likely to mitigate the impact of these measures.

21. Due to the relatively minor impact, this document does not provide any additional assessment of the measure to allow for an additional bedroom for non-resident carers, beyond what was provided in the published Equality Impact Assessment. The same applies to the increase in Discretionary Housing Payments funding as these payments are made entirely at the local authority's discretion on a case-by-case basis.

22. The extension of the direct payment provisions does not impact on customers' entitlement but plays a part in mitigating the impacts of the changes.

23. Tables 1 and 2 present the high-level impacts of the measures which reduce Local Housing Allowance rates and remove the £15 excess and the estimated number of losers or notional losers that this would create. The average loss per customer losing is also presented.

[10] http://www.dwp.gov.uk/docs/lha-and-carers-eia.pdf

[11] http://www.dwp.gov.uk/local-authority-staff/housing-benefit/claims-processing/local-housing-allowance/impact-of-changes.shtml

Table 1: High-level impact of LHA measures

	Analysis based on an LHA caseload of:	Average maximum HB (March 2010), £/week	Estimate of number of losers	Estimate of percent of losers	Average loss per loser, £/week
	households	£ / week	households	percent	£ / week
National	939,220	126	936,960	100	-12
Shared Room	74,690	69	73,610	99	-7
1-bedroom	387,740	107	386,560	100	-11
2-bedroom	328,250	139	328,250	100	-12
3-bedroom	112,550	164	112,550	100	-15
4-bedroom	27,900	201	27,900	100	-22
5-bedroom	8,100	260	8,100	100	-57
East Midlands	59,100	99	58,680	99	-10
East of England	71,010	124	70,970	100	-10
London	159,370	204	159,370	100	-22
North East	45,160	96	45,160	100	-9
North West	131,180	102	130,900	100	-10
Scotland	51,060	106	49,730	97	-10
South East	123,000	138	123,000	100	-12
South West	83,180	117	83,180	100	-10
Wales	48,710	95	48,530	100	-9
West Midlands	80,140	107	80,140	100	-10
Yorkshire and the Humber	87,310	93	87,310	100	-9

Based on March 2010 caseload and awards

Table 2: Distribution of losses

	Not losing	Losses of £0-£5	Losses of £5-£10	Losses of £10-£15	Losses of £15-£20	Losses of £20-£30	Losses of £30-£40	Losses of over £40
National								
LHA caseload (households)	2260	84820	329260	454780	23780	23700	9910	10720
Average maximum HB (March 2010), £/week	71	86	107	129	172	238	290	416
Percent of caseload (%)	0	9	35	48	3	3	1	1
Average loss per loser, £/week	0	-4	-7	-13	-16	-25	-36	-127
Percentage (%) of LHA recipients by region:								
East Midlands	1	18	33	41	6	0	0	0
East of England	0	12	36	48	2	2	0	0
London	0	2	19	53	4	11	6	6
North East	0	9	53	37	0	0	0	0
North West	0	13	33	50	2	0	0	0
Scotland	3	8	41	44	2	2	0	0
South East	0	3	30	60	5	1	0	0
South West	0	7	46	45	1	1	0	0
Wales	0	20	39	39	1	0	0	0
West Midlands	0	9	37	52	1	0	0	0
Yorkshire and the Humber	0	13	46	39	1	0	0	0

Based on 2010 caseload and awards

24. The Department's assessment is that overall if housing choices or rent levels are unaffected the changes could mean that:

- households would lose on average £12 per week including any loss of excess;
- 17,400 households in London could be affected by the caps, the majority currently living in central or inner London boroughs;

- Around 3,600 families nationally could be affected by the restriction to the four bedroom rate (including 200 in Wales and 110 in Scotland);and
- 770,000 households nationally could be affected by the reduction to the 30th percentile (including around 40,000 in Wales and a similar number in Scotland).

25. A number of external organisations have made assessments of the numbers of households that may need to move. For example, the Greater London Authority estimates that over 9,000 households may need to move in London as a consequence of the caps on Local Housing Allowance rates and that 6,800 of those will be families. Shelter has published research which suggests that between 68,000 and 134,000 households may have to move nationally. These organisations have made certain assumptions about the level of shortfall between benefit and rent that may result in the loss of a tenancy.

26. As it is not possible to assess behavioural effects the Department has not been able to provide estimates of the number of households that may move. Table 3 gives an indication of the number of households that would face various shortfall levels. Table 4 presents the average rent shortfall (or increase of an existing shortfall) that would result after the measures take effect, assuming current rent levels and accommodation choices. These tables exclude the removal of the £15 excess as this does not impact on the customer's ability to pay their rent.

Table 3: Impact of measures – excluding the removal of the £15 per week excess

	Analysis based on an LHA caseload of:	Average maximum HB (March 2010), £/week	Estimate of number of losers	Estimate of percent of losers	Average loss per loser, £/week
	households	£ / week	households	percent	£ / week
National	939,220	121	642,160	68	-10
0.Shared Room	74,690	67	58,760	79	-6
1-bedroom	387,740	101	243,090	63	-8
2-bedroom	328,250	134	248,530	76	-10
3-bedroom	112,550	158	76,580	68	-13
4-bedroom	27,900	190	10,340	37	-28
5-bedroom	8,100	248	4,870	60	-74
East Midlands	59,100	95	42,260	71	-7
East of England	71,010	119	50,520	71	-7
London	159,370	197	103,570	65	-23
North East	45,160	92	32,640	72	-7
North West	131,180	97	89,620	68	-7
Scotland	51,060	101	28,620	56	-7
South East	123,000	132	81,520	66	-9
South West	83,180	112	58,910	71	-7
Wales	48,710	91	35,220	72	-7
West Midlands	80,140	102	55,370	69	-7
Yorkshire and the Humber	87,310	88	63,910	73	-6

Based on March 2010 caseload and awards

Table 4: Distribution of losses – excluding the removal of the £15 excess

	Not losing	Losses of £0-£5	Losses of £5-£10	Losses of £10-£15	Losses of £15-£20	Losses of £20-£30	Losses of £30-£40	Losses of over £40
National								
LHA caseload (households)	297050	155960	292710	143590	12890	19440	7800	9760
Average maximum HB (March 2010), £/week	104	102	111	144	178	243	292	422
Percent of caseload (%)	32	17	31	15	1	2	1	1
Average loss per loser, £/week		-3	-7	-11	-17	-24	-36	-130
Percentage (%) of LHA recipients by region:								
East Midlands	29	26	30	11	4	0	0	0
East of England	29	19	33	17	1	1	0	0
London	35	7	20	17	2	10	4	5
North East	28	19	43	10	0	0	0	0
North West	32	23	28	16	1	0	0	0
Scotland	44	13	33	8	1	1	0	0
South East	34	10	29	22	3	1	0	0
South West	29	15	40	14	1	1	0	0
Wales	28	24	34	14	0	0	0	0
West Midlands	31	19	33	16	0	0	0	0
Yorkshire and the Humber	27	21	39	12	0	0	0	0

Based on March 2010 caseload and awards

27. This information cannot be readily translated into conclusions on whether households would move or where they would move to. However, it is worth noting that in around 80 per cent of cases the shortfall between benefit and rent will be less than £10 per week and in 32 per cent of cases there would be no shortfall at all, for example cases where the customer previously had an excess Additionally only four per cent of cases will have a shortfall of over £20 a week as a result of these measures and they will be overwhelmingly in London.

28. Customers affected by the changes have a number of options. Some may start work or increase working hours to be able to meet rents above the new benefit level. Some with smaller shortfalls may be able to renegotiate their rent with their landlord and others may have resources such as savings that they can fall back on. Households which are at risk or where there are exceptional grounds may be able to stay in their accommodation if the local authority makes a Discretionary Housing Payment. However, some households may need to seek alternative accommodation either in the area or further afield if the supply of affordable rented accommodation is limited, for example, in central London.

29. Any resulting population movement could have wider impacts. People who move may need to rearrange their children's schooling, healthcare arrangements or, where relevant, social services support; they may also need assistance with finding accommodation. There is also a risk of households falling into rent arrears leading to eviction and an increase in the numbers of households that present themselves as homeless.

30. The Department has been working with the Department for Communities and Local Government (CLG), The Greater London Authority (GLA), the Departments for Education (DFE) and Health (DH), Ministry of Justice and equivalents in Scotland and Wales to assess these wider impacts and take mitigating action. The Scottish Government is preparing a separate impact assessment for these changes in conjunction with stakeholders, which will be ready shortly.

Impacts on local authority Housing Benefit departments

31. The Department for Work and Pensions is responsible for the policy and design of Housing Benefit and Council Tax Benefit. Local authorities in England, Scotland and Wales have a statutory duty to administer these benefits. The Department pays a subsidy, calculated by formula, to local authorities to meet around half the costs of administration. Any expenditure in excess of subsidy has to be met from authorities' general funds, which are partially financed through local taxation.

32. Local authorities are normally expected to absorb the costs of regulation changes within their normal administration subsidy unless the changes involve major revisions to Housing Benefit software or the way local authorities are required to adminster the scheme.

33. The implementation of the revised Local Housing Allowance rates do not represent a significant departure from the existing arrangements in terms of processes. Housing Benefit software systems may need some amendment and planning around communicating the changes and advice provision with the local housing department and other advice agencies will be necessary. The Department is providing local authorities with guidance and model communications to assist with these activities.

34. Local authorities will see an increase in the level of Discretionary Housing Payment requests which will impact on their administration costs.

35. The Department is discussing the administrative impacts with local authority representatives with a view to agreeing additional funding to meet increased levels of activity on Discretionary Housing Payment requests and other additional work associated with the reforms.

Impacts on local authority housing departments

36. Local authorities have a statutory duty to secure accommodation for applicants who are homeless through no fault of their own and are eligible for assistance and fall within a priority need group. The priority need groups include, among others, families with dependent children (or which include a pregnant woman) and people who are vulnerable for some reason. Some people from abroad are ineligible for assistance.

37. The provision of transitional protection will give customers affected by these changes time to plan for a reduction in their benefit entitlement. It is possible that without advice and support some households might fail to plan ahead or be unable to find accommodation. These households could present themselves as homeless to local authority housing departments if, following the reduction in their Housing Benefit entitlement, they cannot meet their rental commitment and fall into arrears. The Department is working closely with CLG and the devolved administrations to minimise the risk of households becoming homeless as result of these changes, through additional funding for Discretionary Housing Payments; awareness raising measures so households can take early action to avoid falling into arrears; work with the homelessness and advice sector; and support to local authorities.

38. The guidance and a communications tool kit for local authorities will promote early intervention and the provision of assistance to existing customers by :

    - helping customers negotiate down the rent to a level covered by the Local Housing Allowance rate where possible;
    - helping the tenant to move to an affordable property if they need help to do this;
    - providing a temporary top up of the rent using a Discretionary Housing Payment to allow a breathing space in which a move can be arranged without the household getting into debt;
    - proactively contacting tenants who might be at risk, including home visits where necessary, for example where the tenant has previously been assisted into a tenancy, or where the tenant is already receiving support of some kind or is in receipt of a disability benefit; and
    - working with partners within and outside the local authority such as money advice groups to provide support to tenants affected.

Mitigation

39. The nine month period of transitional protection will give customers time in which to plan for the reduction in their Housing Benefit and to look for alternative accommodation.

40. To help ensure that local authorities take a pro-active approach, in providing advice to customers the Department will allocate additional administration funding of up to £15 million a year. It is estimated that this will enable housing teams to take a more proactive approach in a variety of ways to help people affected by the Housing Benefit changes, including helping with some of the costs they might incur if they have to move. The allocation of these resources between authorities would depend on the pressures identified in each area through the Department's assessment of the impact of the Budget measures. We will work with authorities to identify how best to adopt a proactive, preventative approach which would minimise the likelihood of increases in homelessness as a result of the changes to Local Housing Allowance.

41. The funding will act as a catalyst to ensure more authorities adopt this kind of approach, and could provide help towards additional staff who would be able to play a co-ordinating approach across the authority and its partners as well as doing direct work with landlords and tenants. Beyond this broad expectation, the details of the work would be decided locally.

42. CLG has also announced £10 million from the existing homelessness funding for 2010/11 to go to London local authorities to give them more leeway to help support the transition.

43. The new provision allowing direct payment to landlords where to would assist the customer with securing a new or existing tenancy could facilitate negotiations with landlords who are more likely to accept a lower rent if the Housing Benefit is paid directly to them

Impacts on Education

44. Local authorities have a duty to find school places for all children of compulsory school age moving into their area. Under Fair Access Protocols (as set out in the School Admissions Code) this can mean that schools accept certain children even if they have reached their capacity if their parents have been unable to find them a place after moving to the area because of a shortage of places. Education funding follows the child although with some lag, so additional burdens being placed on education authorities will eventually be mitigated to some degree. However, there may be an overall increase in costs, or a disproportionate cost for individual local authorities where families move away from areas with sufficient school places and into an area without any surplus places. The receiving local authority may need to build temporary classrooms in the short term, or consider capital project in the long term, or to relocate children to a school further away in order to provide a school place, while the 'home' local authority would be left with a number of surplus places which may be costly to maintain.

45. Children who experience disruption to their schooling, particularly in the run up to examinations may do less well than pupils who are otherwise similar[12]. It is possible that some families may not wish to move their child from their school of choice, particularly if they are approaching exams or are in a school which has facilities for children with disabilities. There may be scope for local authorities to assist with transport costs to allow children to stay in a school if it is considered in their best interests. However there is an associated financial cost, either to the family or to the local authority, plus the added disruption involved with travelling some distance increased and/or dropping children off at school.

46. The Welsh Assembly Government produces statistics on young people not in education, employment or training (NEET). A critical factor contributing to a young person becoming NEET was associated with the family's circumstances and if families moved home frequently, as a result of their tenancy agreement coming to an end. Changes to housing policy could increase the frequency of moves and as such lead to disruption in education leading to NEET issues.

Mitigation

47. Education departments within local authorities are working with other departments to consider the impact of these changes and are building them into their place planning and school organisation functions.

48. The period of transitional protection gives parents time to consider options for their children.

Impacts on health services and social services

49. We have considered the impacts on a number of areas including GP practice provision, people with disabilities who are housed in the private rented sector and the provision of care and support packages.

50. There is not likely to be any significant impact on GP practices. Nationally, average turnover of patients in registering with a new practice is some nine per cent but in London the average is 13 per cent (and in parts of inner city London even higher). With a London registered population of around

[12] Internal DfE analysis of The Longitudinal Study of Young People in England (LSYPE) dataset suggested that secondary pupils moving school between years 7 and 9 saw a 16 point decrease in the average GCSE point score, while for pupils in year 10 and 11 this increase to 61 points. However this analysis was unable to control for factors such as family breakdown, which means these figures may be overstated.

8.7 million that means over 1.1 million patients registering or re-registering with GPs in London every year. Any additional population movement resulting from the Housing Benefit changes is unlikely to destabilise any practices. Additionally, from April 12 2010 it is the intention that patients should be able to choose to register with a practice (or remain with a practice) away from where they live.

51. Families and individuals who are receiving help and support from social and children's service departments may need to move which could involve social service departments losing contact with families where children are at risk It will also mean an additional burden for the new local authority who will need to reassess care and support packages.

Mitigation

52. The statutory guidance to local authorities Working Together to Safeguard Children: A Guide to Inter-agency Working to Safeguard and Promote the Welfare of Children states that each local authority must designate a manager, normally an experienced social worker, who has responsibility for managing notifications of movements of children into or out of the local authority area, such as children who have a child protection plan and looked after children.

Impact on disabled people

53. Additional impacts on people with disabilities have been identified. Tenancies in the private rented sector are increasingly an option for people with learning and other disabilities who are able to make the step towards living independently. These properties will often have been adapted for their needs or there will be a support package in place to help them stay. The changes to Local Housing Allowance rates may have the effect of reducing the options for this group. Whilst Discretionary Housing Payments could help sustain tenancies, some individuals may have to move out of the local authority area.

54. Moving neighbourhood could mean loss of nearby transport and contact with informal carers and support networks. As care and support packages do not move with the disabled person it will be incumbent on their new local authority to assess their needs. This could lead to gaps and delays in new arrangements being put in place and consequential distress for the individual.

Mitigation

55. The trebling of the Discretionary Housing Payment funds for local authorities is intended to give them flexibility to sustain some tenancies where it would not be cost effective to move the tenant because there existing accommodation has been adapted to their needs or moving would be detrimental to the tenant.

56. Some disabled people will benefit from the measure included in this package which will allow them an additional bedroom for a non-resident overnight carer.

Justice Impacts

57. There are a number of possible impacts on services provided by the Ministry of Justice as follows:

    - Her Majesty's Court Service Enforcement Impacts – an increased numbers of private rental evictions, increase in debt recovery, homelessness and insolvency applications as a result of this policy. Possibly an increase in general non-compliance with civil judgment orders (utilities, rents, consumer credit and other debts) as a result of the increased pressure on household incomes resulting from reductions in benefits.
    - Legal aid costs.
    - Offender Management Impacts - homelessness is a risk factor for crime.
    - Civil Justice Concerns -There could be increases in possession type claims for rent arrears.

58. However it is very difficult to ascertain these potential impacts. Although any reduction in Housing Benefit could arguably lead to an increase in the overall number of civil court cases and evictions if no action is taken, the extent to which this will happen and the potential numbers caused as a result

of reductions in Housing Benefit is very difficult to assess / predict. We are working with the Ministry of Justice to asses and monitor the impact and agree how these impacts will be managed.

Rural impacts

59. Reductions in Local Housing Allowance rates could limit the number properties in an area that are affordable to households on Housing Benefit. Tenants in some rural areas might find it difficult to access alternative affordable accommodation and may be forced to move considerable distances with the consequence of their community support networks, schooling and access to employment being disrupted.

60. Table 5 below shows a breakdown of the impacts according to the urban/rural classification of each local authority in England, both for all measures together and when excluding the removal of the £15 excess, which does not per se create a shortfall in the rent. With the exception of the higher average losses in Major Urban areas, we note a relatively uniform pattern with an average reduction in benefit (excluding any excess) of £7 per week.

Table 5: Rural Impacts

		All LHA measures			All LHA measures, excluding removal of £15 excess		
DEFRA classification	total LHA caseload	losing out	losing out	average loss per loser	losing out	losing out	average loss per loser
	households	households	percent	£ / week	households	percent	£ / week
Major Urban	334,190	333,940	100	-16	222,430	67	-15
Large Urban	153,980	153,980	100	-11	104,330	68	-8
Other Urban	129,170	129,170	100	-10	91,730	71	-7
Significant Rural	86,400	86,060	100	-10	61,960	72	-7
Rural-50	72,450	72,300	100	-10	52,410	72	-7
Rural-80	63,240	63,240	100	-10	45,450	72	-7

Notes: Table relates to England only and is based on a classification at local authority level. Rural-80 denotes local authorities with at least 80% of their population in rural settlements, while Rural-50 denotes local authorities with between 50-80% of their population in rural settlements.

Impact on families, child poverty and wellbeing

61. The Department estimates that of the households affected by these changes 450,000 (48 per cent) will include children. We are currently modelling the child poverty impacts of the Housing Benefit measures announced in the June Budget alongside all of the other benefit changes. Initial estimates suggest that the Housing Benefit policies announced in the June 2010 Budget will not have a significant impact on the overall number of children in poverty. We are currently working to refine this estimate.

62. The Department's view is that the impact of the Housing Benefit measures should not be considered in isolation of the wider package of measures that have been announced. Reforming the welfare system in an effective manner is necessary to not only improve the fiscal position but also to ensure that expenditure is available to allow us to invest in children and young people (for example through tax credits) to break the cycle of disadvantage that impacts too many children in this country.

63. There are over one million children in families with three or more children who are living in low income poverty.[13] Families with four or more children account for less than five percent of all families, but more than twenty percent of all poor children**.** These families have a higher risk of worklessness and low pay[14] (based on 2006 data). The removal of the five bedroom Local Housing Allowance rate will affect small numbers of families but they are families with reduced employment outcomes who have a much increased risk of being in poverty. This cap could affect their risk of overcrowding and the associated health and educational effects.

[13] HBAI 2008/09
[14] Ibid.

64. This impact assessment recognises that there could be wider impacts on the wellbeing of families and children which it is not possible to quantify. Families could be affected by overcrowding particularly where they downsize to find affordable accommodation. This could have an adverse affect on health and mental well being. For children, particularly those of school age, overcrowded conditions could hamper their ability to do homework and affect educational attainment Extended familes may need to set up separate households, this could increase elderly care burdens on social services departments or affect the ability of non-dependant children to stay at home and attend further education.

65. Families that require additional support, for example those with a history of anti-social behaviour who require rehabilitation through social services intervention could be forced to move. This would not only affect the wellbeing and stability of the family but could also have knock on impacts for their new neighbourhoods.

66. Teenage mothers represent another group that are at risk of losing contact with services like Connexions and teenage parent support services. This type of support tends to less well resourced in outer London boroughs and adjoining counties (as they generally have fewer teenage mothers than Inner London boroughs and an influx would have a real impact on them in terms of providing services). Even if their re-housing is managed so they do not become homeless, teenage mothers affected are at risk of mental problems as a result of their isolation in their new location and poorer outcomes for their children. If they are taking a course of education or training, they will need help to find a college place and childcare in their new location.

67. The Welsh Assembly Government is concerned that the changes to the Local Housing Allowance Arrangements will impact on the most vulnerable in society – and cause significant financial hardship. In particular, the changes have the potential to have an adverse effect on children living in low income families, as parents reprioritise their household expenditure. The Welsh Assembly Government has recently issued a new Child Poverty Strategy and Delivery Plan for Wales (for consultation). This new Strategy is underpinned by the 13 Broad Aims of the Children and Families (Wales) Measure 2010 – which provides the statutory framework for tackling child poverty in Wales. One of the Broad Aims of the 2010 Measure is “to ensure that all children grow up in decent housing”. The changes to Local Housing Allowance arrangements will significantly impact on its ability to deliver this aim.

Mitigation

68. Overall the Government has protected spending on services for children, the Spending Review protects schools spending and increases support for the poorest by introducing a new fairness premium.

69. The reduction in Housing Benefit expenditure will reduce the amount customers receive from the Government towards their rent. But the purpose of reform is to influence rent levels and housing choices, which is likely at least in part to mitigate the impact of these measures on poverty.

70. The number of households currently receiving benefit at the five bedroom rate is a very small proportion of the caseload at 7,338 out of over one million and additionally the size criteria on which the bedroom allowance is based are more generous than the statutory definition of overcrowding.

71. The increase in Discretionary Housing Payments funding should give local authorities some flexibility around the tenancies of families who would be experience particular difficulties in the event of having to move.

Working households

72. There could also be negative impacts for Housing Benefit customers who are working if they have to move to an area where they need to extend their commute to their place of work. This impact may be more pronounced in inner London than elsewhere. The Department does not currently have robust data that would allow it to determine the extent of an impact on working households by area.

Mitigation

73. Overall, the package of reforms is expected to significantly improve financial work incentives, although there are some limited circumstances in which this may not be the case for individual customers.

74. Some of the additional £15 million a year to be allocated to local authorities to provide practical assistance to households might help people meet the increased costs of travelling to work if they have to move.

Impact on landlords

75. The changes to the Local Housing Allowance arrangements place no direct burdens on landlords. Indirectly, they could experience greater numbers of tenants with arrears and therefore incur additional costs in chasing debts or taking eviction proceedings. Some landlords may choose not to continue renting to Housing Benefit tenants if the rate of return is not sufficiently advantageous. This is most likely in the case of small-scale landlords who are less able to absorb reductions in income. In those areas where landlords let predominantly to Housing Benefit tenants and other demand is not high, landlords may accept lower rents but as a consequence they may do less to maintain properties. If there is a general withdrawal of landlords from the Housing Benefit market this would reduce the supply of tenancies available to people who are dependent on benefit and narrow the options for housing authorities who are increasingly reliant on private rented sector tenancies in their efforts to reduce homelessness.

Mitigation

76. The change to the direct payment provisions is likely to provide an incentive to landlords to provide accommodation at the level of the Local Housing Allowance rate to Housing Benefit tenants.

77. There is evidence collected for the most recent wave (Wave 20) of the Local Authority Omnibus survey http://statistics.dwp.gov.uk/asd/asd5/rports2009-2010/rrep671.pdf%20 that Housing Benefit managers say that some landlords are using the transparency of the arrangements to raise rents to the Local Housing Allowance level. Awards of Housing Benefit for tenants assessed under the Local Housing Allowance arrangements bear this out as they are, on average, over £9 per week higher than awards made under the previous scheme for private rented sector tenants.

78. A DWP study, Low Income Working Households In The Private Rented Sector, found that, on average, private landlords charge higher rents to housing benefit customers than working adults in equivalent accommodation, but provide worse conditions. http://research.dwp.gov.uk/asd/asd5/rports2009-2010/rrep698.pdf

Impact on the voluntary sector

79. The changes place no direct burdens on civil society organisations but advice organisations are likely to see increases in the number of people seeking advice on benefits, housing and debts. The Department is working with a number of organisations to provide them with communications and literature to assist them with this work.

Summary and Implementation plan

80. The Government is proceeding with a package of changes to the Local Housing Allowance arrangements to address excessively high rates of Housing Benefit paid to some customers and to control the rise in expenditure more generally.

81. Some specific costs to local authority Housing Benefit and housing departments have been identified. In some areas there may also be additional burdens on education authorities, social service departments, landlords and the voluntary sector.

82. The overall economic impact of the measures cannot be quantified with any degree of certainty as it is not possible to predict the behavioural effects of tenants or their landlords. However the impact assessment recognises that there are a number or risks as follows:

- increases in the number of households with rent arrears, eviction and households presenting themselves as homeless;
- disruption to children's education and reduced attainment;
- disruption to support services for people with disabilities and other households with care and support needs;
- an increase in the number of households living in overcrowded conditions; and
- a decrease in the number of and quality of private rented sector properties available to Housing Benefit tenants.

83. In mitigation it should be recognised that although the reductions in Local Housing Allowance rates will affect the Housing Benefit received by a significant number of tenants, in most cases this will lead to shortfalls of less than £10 per week. Some 32 per cent of customers will not experience a shortfall as a consequence of these changes. With an active response from local authority housing options services, in the large majority of cases tenants should be able to remain in their current home or move to a more affordable property. Landlords are likely to be more willing to negotiate on rent levels in return for the guarantee of benefit payments being made directly to them rather than the tenant. The period of transitional protection will provide customers and housing departments time to find alternative accommodation. Local authority Discretionary Housing Payments funding is being tripled to £60m per year in order to ensure that households who need more time to find alternative accommodation or who are less able to move are protected. If early action is taken, and practical help and good information made available to both tenants and landlords, then problems can be minimised.

84. The Department will work closely with other agencies and external organisations to monitor the impact of the changes and to inform policy development over time. For example this will include examining the behavioural responses of landlords as well as issues relating to money management. Housing Benefit data collected by the Department will be invaluable in providing real time information on caseload and average awards by local authority area. With this information the Department will be able to examine the impacts of these changes including the impact on shortfalls in rent, direct payments and breaks in claims due to customers moving home. In addition, the Department will continue to work closely with Communities and Local Government and the devolved administrations to monitor trends in evictions and homelessness.

85. The Department will also be considering the scope for commissioning primary research into the impacts of the changes on particular groups, such as large families and Black Minority Ethnic households and in particular areas, such as London.

Annexes

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: The impact of the policy changes will be reviewed and monitored regularly as roll out takes place.
Review objective: To look at the impacts of the policy changes in relation to their objectives. There will also be a wider look at some of the potential knock on impacts e.g. homelessness.
Review approach and rationale: A mixture of approaches will be used including a range internal data analysis and work with external organisations.
Baseline: Trends as they are under the current structure of the benefit.
Success criteria: Criteria will include indicators such as Housing Benefit expenditure, shortfalls in rent, caseload trends, work incentives, homelessness as well as some of the wider economic impacts outlined in this document.
Monitoring information arrangements: Single Housing Benefit Extract (SHBE) is the Department's main source of real time data on Housing Benefit and is collected on a monthly basis. Other material will be collected through existing stakeholder engagement arrangements.
Reasons for not planning a PIR:

THE LOCAL HOUSING ALLOWANCE - BACKGROUND

The Local Housing Allowance is a way of calculating Housing Benefit for tenants in the deregulated private-rented sector that ensures that tenants in similar circumstances in the same area receive the same amount of financial support for their housing costs. These arrangements were introduced from April 2008 for people making new claims for Housing Benefit and for existing customers if they have a change of address or a break in their claim.

Local Housing Allowance rates are set within Broad Rental Market Areas which are determined by rent officers and which are intended to reflect the areas in which people live and access services. Rent officers collect rental evidence in these areas and then set rates for properties ranging from a room in a shared property up to a property with five bedrooms. Currently rates are set at the median level so that tenants are able to afford at least 50 per cent of privately rented properties within their area.

The local authority uses the appropriate rate, based on the area where the person lives and the size of their household, to determine the maximum amount to be included in the Housing Benefit calculation. Size criteria are used to determine the number of bedrooms a household requires. Since April 2009 Local Housing Allowance rates have been capped at the five-bedroom level regardless of household size. The size criteria do not include an allowance for an additional room for customers who require overnight care.

Local Housing Allowance rates are published each month so that prospective tenants know in advance of entering into a tenancy agreement the maximum level of Housing Benefit they could receive. To give customers an incentive to shop around they can currently keep an excess of up to £15 per week if their contractual rent is less than the Local Housing Allowance rate that applies to them.

If customers have a contractual rent which is above the Local Housing Allowance rate they need to meet the shortfall from other resources. Local authorities can also consider awarding a Discretionary Housing Payment in these circumstances. The Government currently contributes £20 million a year towards these payments. Local authorities can spend in total up to 2.5 times their government allocation (nationally £50m). In practice local authorities tend to spend up to or just over the government allocation.

Under the Local Housing Allowance arrangements benefit is normally paid to the customer to ensure they take responsibility for budgeting for, and paying, their rent. However, payment of benefit must be made to the landlord if the customer is in arrears equivalent to 8 weeks rent. Additionally, a local authority has discretion to make payment to the landlord where:

- it considers the customer is likely to have difficulty in relation to the management of their financial affairs. For example, due to drug dependency or because of a serious medical condition such as Alzheimer's disease;
- it considers it is improbable that the customer will pay their rent. For example the local authority knows from past experience that the tenant is likely to abscond with the rent payment;