

**Work, Welfare and Equality
group**

Local Housing Allowance – Larger Properties

Equality Impact Assessment - Local Housing Allowance – Larger Properties

Name of strategy/project/policy/process/function:

1. Amendments to Housing Benefit (HB) regulations which legislated for the national rollout of the Local Housing Allowance (LHA), introduced from 7 April 2008.

Purpose and aim(s) of the proposal or change:

2. The Department proposes to cap benefit levels at the five bedroom LHA rate for all new claims and those who change dwelling, irrespective of bedroom entitlement. LHA customers already in receipt of HB for a property with 6 or more bedrooms will continue at the same rate until the first anniversary of their claim when they will have their case reviewed.

Background to the proposal/change:

3. The LHA was introduced for HB customers in the de-regulated private rented sector who make a new claim or move address from 7 April 2008. Essentially, the LHA is a new way of calculating HB based on the area in which a customer lives and household size and composition. LHA is designed to be fairer than HB, as it is based on set rates of benefit and ensures that tenants in similar circumstances in the same area receive the same amount of financial support for their housing costs.
4. There is no upper limit to the size of property that a customer may be entitled to under the current LHA design. The criteria used to determine the appropriate size of property is based on the number of bedrooms with the entitlement worked out as follows:

One bedroom for:

- Every adult couple.
 - Any other adult aged 16 or over.
 - Any two children of the same sex.
 - Any two children regardless of sex, under the age of 10.
 - Any other child.
5. The number of living rooms, kitchen and bathrooms is ignored for the purpose of this calculation.
 6. LHA rates are set by rent officers in the national rent services in England, Scotland and Wales. Rates are set within a series of Broad Rental Market Areas (BRMAs) which are also determined by rent officers and are intended to reflect the areas in which people live and enjoy services and the rental values within those areas. Rent officers gather a range of lettings information for each BRMA and set LHA rates at the median rent level for each property size, which should enable customers to afford the rent in around 50% of the properties within a given area. Where rent officers are unable to collect sufficient lettings data within a BRMA to arrive at a reliable median, they can extrapolate information from other, similar, areas.

7. Rent officers automatically provide monthly LHA rates to local authorities for different sizes of properties up to and including 5 bedrooms. Rates for properties of 6 bedrooms or more are requested on an individual basis by local authorities. However, the national rent services have reported that there is far less rental data available for larger properties and that, even allowing for extrapolation, rent officers have had real difficulties in arriving at LHA rates for larger sized properties.
8. The key issue for rent officers is that there is little reliable lettings evidence available for properties of this size, and where properties do exist they will often be in the top end of the property market. The degree of variance in rents is considerable for larger properties in London. This has led to exceptionally high LHA rates in some London BRMAs for the small number of cases entitled to larger properties.
9. The Department identified fairly early on in operation of the LHA scheme that there was an emerging issue with rates for properties with 6 or more bedrooms. The need for change was highlighted because of sudden media attention in the specific case in Ealing where an excessively high rent (around £12,000 pcm) was being paid for a 7 bedroom property. However, it is important to note that the availability of data for these types of property is limited nationally and the difficulties of arriving at median rates for these larger properties are not just restricted to London.
10. However, given that in a handful of cases the level of rents payable had reached proportions that the vast majority of people, even in well paid jobs, would not be able to afford, the Department recognised that urgent action was needed.

Who will benefit mainly from this proposal or change?

11. This proposal aims to ensure that benefit rates are paid at a level that provides a fair deal to both customers and to the taxpayer by ensuring that excessively high rates of benefit cease for new claims and gradually phase out for existing claims. In keeping with a key objective of the LHA to promote fairness, it is not sustainable that some of our customers on benefits are able to live in properties at the luxury end of the market, which would not be affordable for the majority of people in work.
12. The changes may ultimately benefit HB customers living in the private rented sector as they may keep rents at more realistic and affordable levels thus easing the transition into work where applicable.
13. The changes should also go some way to preventing private landlords from charging excessive rents to larger families regardless of the size of the accommodation they are renting.

Impact of the proposal or change

14. Analysis of the possible impact of this proposed change on HB customers in the private rented sector and particular subgroups has been carried out using Family Resources Survey (FRS) data.

15. It should be noted that it has not been possible to isolate certain groups, such as households in receipt of HB in the private rented sector so that the estimates are necessarily only indicative. Please refer to annex one for further information about the data sources and methods used.

General Impact

16. Households entitled to properties of six or more bedrooms form a very small subgroup of all households. It can be expected that households entitled to 6 or more bedroom properties will be large households (minimum household size 6 for single adults) which often comprise large, extended families with children.

17. According to the FRS, the proportion of households entitled to different sized properties decreases as the number of bedrooms increase. Only a very small proportion (under 1%) are likely to be entitled to properties with 6 or more bedrooms and this is estimated to correspond to **an LHA caseload of fewer than c.5,000 at the end of 2009/10.**

Impact on equality legislation population subgroups

18. In this section, analysis has been carried out to assess the possible impact of this proposed change on vulnerable groups with emphasis on those related to the components of the Equality Duties. Mitigation factors are included in one separate section (from paragraph 30 below) as many of the mitigation steps apply to all of the equality components rather than specific areas.

Disability equality duty

19. The following components of the Disability Equality Duty are not considered to be impacted, either positively or negatively, by this proposed change:

- Eliminate harassment.
- Promote equality of opportunity for disabled people.
- Promote participation in public life.

20. However, there is a possibility that the following component could be impacted:

- Eliminate unlawful disability discrimination.

21. Under the current system of calculating HB according to LHA rules, customers with a disability who may require an additional room to house specialist medical equipment or a live-in carer are not entitled to additional bedrooms as a result of their disability. In these cases, local authorities may choose to use discretionary housing payments (DHPs) to ensure that these customers can find decent accommodation that meets their needs.

22. Although very uncommon, capping LHA rates at the five bedroom rates, may mean that a household with a severely disabled family member **and** a bedroom entitlement over 5 bedrooms may feel they are further restricted to the type of property they can rent. They could regard this as discrimination on disability grounds.

23. Overall, the data showed that 14% of HB households had at least one person with severe disability (claiming the highest components of self care or mobility DLA). (Table A) But in general, there does not appear to be any significant association between bedroom size entitlement and severe disability to suggest that households with severe disability will be disproportionately impacted by the policy change.

24. Table A: Bedroom entitlement for housing benefit households by severe disability status of the household, Great Britain

Bedroom size entitlement	Severe disability		
	None with severe disability	Someone with severe disability	All (=100%)
	%	%	%
1	84	16	100
2	90	10	100
3	88	12	100
4	85	15	100
5+	89	11	100
All (%)	86	14	100

Notes:

- (1) three years FRS data (2004/05 to 2006/07) and weighted counts used to derive percentages
- (2) Table relates to all households where at least one member is claiming housing benefit, whether they are renting in the private or the social sector.
- (3) Severe disability relates to any member of the household

25. In the Housing Benefit subgroup, the sample of households entitled to 6 or more bedrooms is too small to analyse. Therefore, we have looked at the percentage of households with entitlement to five or more bedroom properties to then estimate the characteristics of households with entitlement to 6 or more bedrooms. Under this assumption, it is broadly estimated that of the fewer than 5,000 LHA caseload entitled to larger properties at the end of 2009/10, only a few hundred (around 11%) households at most will be entitled to a property of this size and have someone with severe disability living with them. Of these, a smaller number still will have a disability that requires them to need either specialist medical equipment or a full time carer. Of those customers who do rely on a full time carer, the carer may already be a member of the household and accounted for within the bedroom entitlement calculation. Although specific data is not available on the exact number of customers who are likely to be affected, given the customers affected will need to be currently entitled to more than five bedrooms; *plus* be severely disabled, *plus* require either specialist equipment or a full time carer that does not actually live in the household, we consider the risk to be very small.

Gender equality duty

26. The following components of the Gender Equality Duty are not considered to be impacted, either positively or negatively, by this proposed change:

- Eliminate unlawful discrimination.
- Eliminate harassment.
- Promote equality of opportunity between men and women.

27. This finding is supported by the evidence from the FRS data. Overall, around three-fifths of households were male and two-fifths female (head of household male or female) but for HB households, around three-fifths had female heads of household, apparently due to the relatively large number of lone parents on HB. A similar proportion of HB households entitled to more than five bedrooms were headed by females. (Table B). There is a larger percentage of female-headed households than male-headed households so that the impact will be greater on females, however, compared to the HB population as a whole there is not a disproportionate percentage of female-headed households entitled to larger properties.

28. Table B: Bedroom entitlement for housing benefit households by sex of head of household, Great Britain

Bedroom entitlement	Sex		
	Male	Female	All (=100%)
	%	%	%
1	50	50	100
2	23	77	100
3	25	75	100
4	25	75	100
5+	34	66	100
All (%)	39	61	100

Notes:

- (1) three years FRS data (2004/05 to 2006/07) and weighted counts used to derive percentages
- (2) Table relates to all households where at least one member is claiming housing benefit, whether they are renting in the private or the social sector.
- (3) Gender relates to the head of the household.

29. Taking the percentage of households with entitlement to five or more bedrooms headed by females as a guide to the characteristics of households with 6 or more bedrooms, it is roughly estimated that of the fewer than 5,000 LHA caseload entitled to larger properties at the end of 2009/10, fewer than 3,000 affected households will be headed by females. These figures are broadly indicative due to data limitations.

Race Equality Duty

30. The following components of the Race Equality Duty are not considered to be impacted, either positively or negatively, by this proposed change:

- Promote equality of opportunity.
- Promote good relations between persons of different racial groups.

31. However, there is potentially a possibility that the following component could be impacted:

- Eliminate unlawful discrimination.

32. Overall, of all HB households (at least one member of the household claiming HB) around 10% can be classified as non-white households, which is broadly consistent with the ethnic composition of the general population (Table C). However, the proportion of non-white HB households entitled to different sized properties increases progressively as the number of bedrooms increases, varying from around 7% for 1-bed property entitlement to around 37% for entitlements to 5 or more bedrooms.

33. Table C: Bedroom entitlement for HB households by ethnic group of head of household, Great Britain

Bedroom entitlement	Ethnic group		
	White	Non-white	All
	%	%	%
1	93	7	100
2	87	13	100
3	84	16	100
4	80	20	100
5+	63	37	100
All (%)	90	10	100

Notes:

- (1) three years FRS data (2004/05 to 2006/07) and weighted counts used to derive percentages
- (2) Table relates to all households where at least one member is claiming housing benefit, whether they are renting in the private or the social sector.
- (3) Ethnicity relates to the head of household.

34. These figures demonstrate there is likely to be a disproportionate percentage of customers from minority ethnic groups entitled to six or more bedroom properties, raising concerns of indirect discrimination although the proportion of non-white households entitled to larger properties is still smaller than the proportion of white households. Taking 5 or more bedroom characteristics as a guide to 6 or more bedroom characteristics, it is roughly estimated that of the fewer than c.5,000 larger properties LHA caseload under about 2,000 will be non-white customers at the end of

2009/10. The Department recognises this disproportionate impact on ethnic minority groups, but considers this to be justified and proportionate due to the mitigation factors that are set out in the following section, including the small number of customers that will be affected and the size of properties that most families currently occupy.

Mitigation

35. Analysis in the preceding section has highlighted the potential customers that might be impacted by the policy change to cap LHA rates at 5 bedrooms. But in practice this will be alleviated by a number of factors and the number of customers actually affected by the change may be substantially lower than the maximum figures noted above.

36. In some areas there is little difference between the rates for 5 bedroom properties and larger sized properties. An analysis of The Rent Service database of market rents for 2007/08 showed that in England overall, around 20% of the 6 or more bedroom properties were accessible at the 5 bedroom LHA rate. This compares with the 50% of 6 or more bedroom properties that should be affordable at the current LHA rate set at the median market rent level. Most of the BRMAs on the dataset, however, had fewer than 10 tenancies on properties with 6 or more bedrooms suggesting that a wider issue may be the general lack of availability of larger properties. This leads to the national rent services to calculate LHA rates for larger properties by extrapolating from other BRMAs. However, anecdotal evidence suggests that some landlords are converting smaller properties into 6 or more bedroom dwellings by use of partitioning to take advantage of LHA rates.

37. Most households entitled to larger properties are therefore unlikely to be able to find suitably sized accommodation and are likely to live in smaller sized properties due to the scarcity and unavailability of larger sized properties. Others may simply choose to live in a smaller sized property. An analysis of the present property size living conditions of all households (regardless of benefit entitlement) suggests that **of those entitled to 6 or more bedroom properties, around 70 per cent may live in property sizes of less than 6 bedrooms** (Table D). This could imply that the cap at five bedroom rates may have little impact on the present property size living conditions of LHA households entitled to 6 or more bedrooms because of availability issues.

38. Table D: Distribution of bedroom entitlement by bedrooms occupied, Great Britain

Bedroom entitlement	Bedrooms occupied						All (=100%)
	1	2	3	4	5	6+	
	%	%	%	%	%	%	%
1	17	32	39	9	2	0	100
2	2	28	51	16	3	1	100
3	0	7	61	25	5	1	100
4	0	3	47	38	9	2	100
5	0	2	37	31	25	6	100
6+	1	2	22	30	16	29	100
All	11	27	45	14	3	1	100

Notes:

(1) three years FRS data, 2004/05 to 2006/07, combined to derive percentages

(2) All tenures combined and both HB and non-HB households included

(3) Some anomalous results such as households entitled to 6 or more bedrooms living in only 1 bedroom may possibly occur due to survey recording error.

39. Furthermore, many 5 bed properties will have more than one reception/living area, which may open up the potential for the use of additional rooms as bedrooms. An analysis of The Rent Service database of market rents shows that nearly 60% of 5 bedroom properties have more than one living room e.g. 7 or more bedrooms plus living rooms. (Table E) So although a family may be entitled to 6 or more bedrooms and have their LHA rate capped at the 5 bedroom rate, most of the 5 bedroom properties on the market will have six or more rooms available, possibly to be used as bedrooms even after allowing for one living room. It is possible that the properties with more living rooms may be the more expensive 5 bedroom properties, but this will not always be the case and some should be in reach of LHA customers.

40. Table E: Comparison of number of bedrooms to number of bedrooms plus living rooms in 4 and 5 bed properties

Bedrooms plus living rooms	Number of bedrooms	
	4	5
	%	%
4 or fewer	0	0
5	43	1
6	45	40
7	10	35
8	1	19
9 or more	0	5
All (=100%)	100	100

Source: Market evidence data

Notes: Column percentages may not add to 100 due to rounding

41. Generally, the LHA bedroom allocation criteria are more generous than the room standard part of the statutory overcrowding criteria. An indicative simulation suggested that the vast majority of 6 or more bedroom entitlements may have 5 or fewer rooms allocated under statutory overcrowding criteria so that the proposal to cap rates at five bedroom levels could have almost nil impact on statutory overcrowding.

42. Many of the households entitled to 6 or more bedroom properties have non-dependants living with them and the current LHA policy partially subsidises accommodation for the non-dependants as non-dependant deductions, if any, are generally smaller than the value of the additional bedrooms. Again the analysis of the FRS data shows that of HB households entitled to 5 or more bed properties, about four

fifths have one or more non-dependants living with them. (Table F) It must be noted that this result relates both to HB tenants in the social sector and HB tenants in the private sector and there may be a slightly higher proportion of households with non-dependants in the social sector than in the private sector. However, it can be expected that the policy change overall may affect even fewer households than estimated if some non-dependants are able to play a greater role in paying for their accommodation.

43. Table F: Bedroom entitlement for HB households by non-dependant status of the household, Great Britain

Bedroom entitlement	Non-dependants in household		
	No Non-dependant	Non-dependant	All (=100%)
	%	%	%
1	100	0	100
2	75	25	100
3	70	30	100
4	43	57	100
5+	18	82	100
All	87	13	100

Notes:

- (1) three years FRS data, 2004/05 to 2006/07, combined to derive percentages
- (2) Table relates to all households where at least one member is claiming housing benefit, whether they are renting in the private or the social sector
- (3) Non-dependents refer to adult household members not related to head of household through 'spouse' or 'cohabitee' relationships. Note that this definition may differ slightly from the legal definition for the purposes of housing benefit claims

44. Existing customers will receive 13 weeks transitional protection to remain on their current rate of LHA, following the anniversary point of their claim. LAs will write out to customers prior to the implementation of the policy change to advise those in receipt of LHA rates for properties over 5 bedrooms and that transitional protection will apply for a fixed period.

45. To minimise these risks further local authorities may, in certain circumstances, choose to make a Discretionary Housing Payment (DHP) to customers, which are intended to provide extra financial assistance when help with housing costs is needed. They can be made where there is a shortfall between the customer's HB and their eligible rent. (Payments are made entirely at the discretion of the Local Authority concerned, and are subject to an annual cash limit).

Consultation and involvement

46. The Department is currently consulting with local authority associations, the devolved administrations and key voluntary sector groups. This consultation will conclude on 30 January 2009.

Changes made

47. No changes have been made to the policy since the initial assessment.

Next steps

48. The LHA scheme is currently being monitored as part of the commitment to a review of the scheme after 2 years of operation. Diversity issues will be included in the current monitoring arrangements for the whole scheme and findings will be reported in the 2 year review subject to limitations of the available data.

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Annex One - Data sources and methods

Although the FRS is a very large survey in general terms, the current sample sizes do not allow detailed analysis of very small subgroups such as households entitled to 6 or more bedroom properties, along with further breakdowns by disability and minority ethnic group. Consistent with the FRS publication practice for small subgroups, three years' FRS data (2004/05, 2005/06, 2006/07) were combined to attempt to address the issue of small sample sizes and the detailed FRS categories had to be aggregated into broader categories.

Specifically, instead of being able to focus on households renting in the private sector and claiming HB, we have had to consider the characteristics of reported HB customers in both the social and private rented sectors and use these to approximate what the impact of the policy might be on private sector HB customers alone. Given that housing benefit claimants in the social rented sector are more numerous than claimants in the private rented sector, their characteristics are likely to dominate the analysis. This will be particularly important where the characteristics of social and private tenants differ. We do know that social tenants tend to have larger proportions of those with disadvantages and those with overlapping disadvantages. Where this is the case, there is the possibility that conclusions from the analysis may be affected to some extent. In addition, we have had to group together households entitled to 5 bedrooms with those entitled to 6 or more bedrooms to approximate the characteristics of households entitled to the largest properties.

Further definitions of the variables used and the terminology adopted were:

- Ethnic group - two categories, white and non-white
- Household with severe disability– households where at least one member was receiving the highest care or mobility components of disability living allowance
- Bedroom entitlement – 5 categories, 1,2 ,3 ,4 ,5 and higher (as 6 or more bedroom entitlement sample sizes too small)
- HB household – households where at least one member receives HB, whether they are renting in the private or social sector.

The unit of analysis used was household and household classification by ethnic group and sex was defined according to the status of the head of the household. This contrasts with disability where we considered whether any member of the household may have a severe disability.