

Title: Housing Benefit: Under occupation of social housing	Impact Assessment (IA)
Lead department or agency: Department for Work and Pensions	IA No:
Other departments or agencies:	Date: Updated 28 June 2012
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Primary Legislation

Summary: Intervention and Options

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

Housing Benefit claimants living in the social rented sector generally have no restrictions placed on the size of accommodation that they occupy, and the amount of Housing Benefit to which they are entitled. Eligible rent levels for claimants in the social rented sector are not currently determined by reference to the size of the claimant's household, in contrast to the rules that apply in the private rented sector. In the private rented sector claimants only receive Housing Benefit for accommodation based upon the needs of their household. In order to contain growing Housing Benefit expenditure; encourage mobility within the social rented sector; strengthen work-incentives and make better use of available social housing, the Government intends to introduce size criteria for working age Housing Benefit claimants living in the social rented sector.

What are the policy objectives and the intended effects?

The policy is intended to contain Housing Benefit expenditure in the social rented sector. Where claimants are currently living in accommodation which is considered too large for their needs, the Housing Benefit restriction will provide an incentive to move to more suitably sized accommodation. This will free-up accommodation for households living in overcrowded accommodation, or enable accommodation to be offered to other people on the waiting list for social housing. Housing Benefit claimants living in accommodation which is considered to be too large will need to make up any shortfall between the rent and their Housing Benefit entitlement. Whether claimants in the social rented sector choose to move to smaller, and more inexpensive accommodation or remain and meet the shortfall, the measure will also create improved work incentives for working age claimants.

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

A variety of options have been considered in making a decision about the preferred policy design for the size criteria. This has included deciding whether:

- the reduction should reduce the rent to a fixed level, reduce the rent by an absolute amount, or whether any reduction should be proportionate to the rent (a percentage takes account of the variation in rent);
- it would be appropriate to vary reduction rates locally, or have a single national reduction rate (a single reduction is simpler and creates fewer claimants who experience very small or very large reductions);
- it would be appropriate to apply the size criteria to claimants under a fixed age threshold; or mirror changes in the qualifying age for State Pension Credit.

DWP has also considered the evidence and data sources that any reduction should be based upon.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	It will be reviewed 2013/14 - 2014/15, following implementation
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes – See Annex 1

Summary: Analysis and Evidence

Price Base Year 12/13	PV Base Year 12/13	Time Period Years 2	Net Benefit (Present Value (PV)) (£m)		
			Low: -	High: -	Best Estimate: 0

COSTS (£m)		Total Transition (Constant Price)	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	-	Years	-	-
High	-		-	-
Best Estimate	-		-	£930m

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

- Reduction in benefit for Housing Benefit claimants – ie a cost to individuals. The scale of these losses will be determined by the size of the reduction.

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

- One-off costs for Housing Benefit-administering Local Authorities due to the introduction of the size criteria, alongside ongoing additional costs associated with its administration. DWP has illustrated some potential costs and will work with local authorities to consider other impacts of the change.
- Cost to social landlords (local authorities, registered social landlords and registered providers of social housing). Additional cost of rent collection to make up Housing Benefit shortfall, action taken against tenants in arrears and the cost of enabling tenants to be more mobile. Landlords may consider the cost-effectiveness of collection, or decide not to pursue certain rent shortfalls and arrears.
- Possible cost to individuals of moving to new accommodation.

BENEFITS (£m)	Total Transition (Constant Price)	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	-	Years	-
High	-		-
Best Estimate	-		£930m

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

The exchequer and taxpayers benefit as a result of benefit reductions to individuals.

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

- There may be lower administrative costs for Local Authorities in relation to a reduced caseload for claimants who 'float off' Housing Benefit. Annual savings are estimated to be in the order of £5m. DWP will work with local authorities to consider other impacts of the change.
- Benefit to social landlords who will be able to make better use of their available housing stock, better matching the size of accommodation to the needs of tenants in the social rented sector.
- Other tenants and potential tenants in the social rented sector who will benefit from the freeing-up of larger accommodation for currently overcrowded households or potential tenants on the waiting list for social housing.

Key assumptions/sensitivities/risks	Discount rate	3.5%
Estimates of Housing Benefit savings are based upon the current profile of tenants in the social rented sector. If a significant number of tenants wished to move, this could alter the pattern of savings and place extra demands on social landlords. Landlords may start to offer accommodation to new tenants on the basis of the size criteria in advance of its introduction, altering current patterns of under and over occupation. If all existing social sector tenants wished to move to accommodation of an appropriate size, there would be a mismatch between available accommodation and the needs of tenants. Reductions in eligible rent of 14% and 25% are assumed for under occupation by one and two or more bedrooms, respectively, broadly based upon rent differentials for new lettings in a typical local authority area.		

Impact on admin burden (AB) (£m): N/A	Impact on policy cost savings In
New AB: AB savings:	Net: Policy cost savings:

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	Great Britain				
From what date will the policy be implemented?	1 April 2013				
Which organisation(s) will enforce the policy?	Local Authorities, and later to be incorporated into the Universal Credit.				
What is the annual change in enforcement cost (£m)?					
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	No				
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:		Benefits:		
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	Micro Nil	< 20 Nil	Small Nil	Medium Nil	Large Nil
Are any of these organisations exempt?	No	No	No	No	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 ¹	YES	Separate Publication
Economic impacts		
Competition	NO	
Small firms	NO	
Environmental impacts		
Greenhouse gas assessment	NO	
Wider environmental issues	NO	
Social impacts		
Health and well-being	NO	
Human rights	NO	
Justice system	NO	
Rural proofing	NO	
Sustainable development	NO	

¹ Race, disability and gender Impact assessments are statutory requirements for relevant policies. Equality statutory requirements have been expanded, since the Equality Act 2011 came 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 – References

No.	Legislation or publication
1	English Housing Survey Household Report 2009-10 http://www.communities.gov.uk/documents/statistics/pdf/1937206.pdf
2	English Housing Survey Headline Report 2010-11 http://www.communities.gov.uk/documents/statistics/pdf/2084179.pdf
3	Family Resources Survey 2009-10 http://statistics.dwp.gov.uk/asd/frs/2009_10/frs_2009_10_report.pdf
4	Table 600 Rents, lettings and tenancies: numbers of households on local authorities' housing waiting lists http://www.communities.gov.uk/documents/housing/xls/2039614.xls
5	Housing Benefit Caseload Statistics, December 2011 http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_mar12.xls
6	Housing Futures Network: The impact of cutting housing benefit on underoccupiers in social housing http://www.affinitysutton.com/pdf/20111010%20AS%20Housing%20Futures%20report%20-%20final.pdf
7	Impact Assessment for Affordable Rent http://www.communities.gov.uk/documents/housing/pdf/1918816.pdf

Evidence Base – Annual profile of monetised costs and benefits* - (£m) constant prices

	2010/11	2011/12	2012/13	2013/14	2014/15
Transition costs				0	0
Annual recurring cost				480	500
Total annual costs				480	500
Transition benefits				0	0
Annual recurring				480	500
Total annual benefits				480	500

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

Evidence Base

Policy Rationale

What is the current policy?

1. Housing Benefit claimants living in the social rented sector (which includes local authority tenants, tenants of registered providers of social housing and registered social landlords), generally have no restrictions placed on the size of accommodation that they occupy. The amount of Housing Benefit to which they are entitled, and the eligible rent part of the Housing Benefit calculation, is unrelated to the size of accommodation that claimants actually require - simply the accommodation that they actually occupy.
2. When tenants are placed into accommodation in the social rented sector, the housing needs of the household will be considered by the housing provider. However, these needs may change over time. There is no systematic review to consider whether the accommodation that the tenant has been allocated remains the most appropriate.
3. In a small number of cases, local authority Housing Benefit teams may refer individual cases to the Rent Officer where the accommodation is considered too expensive or too large for the needs of the claimant and their household. In practice, however, this happens rarely.
4. As a consequence, eligible rent levels for claimants in the social rented sector are not currently determined by reference to the size of the claimant's household. This is in contrast to the rules that apply in the private rented sector. In the private rented sector, claimants only receive Housing Benefit for accommodation based upon the reasonable accommodation needs of their household.

What is the change in policy?

5. On 1 April 2013 it is intended to introduce size criteria for new and existing Housing Benefit claimants living in the social rented sector. The size criteria will replicate the size criteria that apply to Housing Benefit claimants in the private rented sector and whose claims are assessed using the local housing allowance rules. The applicable maximum rent will be reduced by a national percentage rate depending on the number of spare bedrooms in the household. Legislation to allow this is contained in the Welfare Reform Act 2012.
6. The change will only apply to working age Housing Benefit claimants: Until April 2010, working age included claims where both the claimant (and any partner) were under the age of 60. By 2020, legislation currently provides that the relevant age threshold will be 66 (in line with changes in the state pension age for women, and entitlement to the guarantee element of State Pension Credit). The Autumn Statement on 29 November 2011 announced the intention to increase this to 67 by 2028. From October 2013 Universal Credit will start to be introduced and housing support will be provided through Universal Credit until both the claimant and any partner have reached the Pension Credit qualifying age. Application of the size criteria in the social rented sector will apply to all claimants in receipt of Universal Credit.
7. The size criteria in the social rented sector will replicate the size criteria that applies to Housing Benefit claimants in the private rented sector and whose claims are assessed in accordance with the local housing allowance (LHA). In summary, this allows one

bedroom for each person or couple living as part of the household, with the following exceptions:

- a child aged 15 or under would be expected to share with one other child of the same gender; and
- a child age 9 or under would be expected to share with one other child aged 9 or under, regardless of gender.

8. A bedroom for a non-resident carer will also be taken into account in determining the relevant size criteria where they provide overnight care for the claimant or their partner. It is intended that this would also apply in the social rented sector.
9. Unlike the operation of the LHA in the private rented sector, where the eligible rent is capped based on a published rate in different areas, the size criteria will:
 - only apply to households that are under occupying accommodation, regardless of the level of rent being charged; and
 - reduce the eligible rent by a percentage, rather than reduce it down to a fixed level.
10. The use of a percentage takes account of different rent levels in different parts of the country, and helps to reflect the additional rent associated with additional numbers of bedrooms. The reduction rates will be:
 - Where under occupying by one bedroom – 14%
 - Where under occupying by two or more bedrooms – 25%.
11. From 2013/14, an extra £30 million per year has also been added to the Discretionary Housing Payment fund. This allows local authorities to give extra discretionary help to those facing difficulties meeting their housing costs. The extra funding is intended to provide additional help to disabled claimants living in properties where significant adaptations have been made; as well as additional help to foster carers, including those between fostering placements. This Equality Impact Assessment does not include the effect of this extra funding, although this is expected to mitigate some of the impacts of the measure, in particular the effects on disabled people and those with foster caring responsibilities.

Reason for change in policy?

12. This measure is being introduced in order to:
 - contain growing Housing Benefit expenditure;
 - encourage greater mobility within the social rented sector;
 - make better use of available social housing stock; and
 - improve work-incentives for working age claimants.
13. The change will provide a mechanism through which there is greater incentive to make the most efficient use of available social housing. Both social landlords and social tenants will have greater incentive to ensure that there is a better match between housing need and the accommodation provided to a tenant.

Rationale for Intervention

14. Expenditure on Housing Benefit has increased significantly from £11 billion in 2000/01 (£15 billion in 2010/11 prices) to about £21 billion in 2010/11.

15. At December 2011, there were approximately 3.3m Housing Benefit claimants living in the social rented sector. Claimants in the social rented sector made up approximately 68% of all Housing Benefit claimants. The overall cost of Housing Benefit needs to be controlled, and reduced in order to tackle the budget deficit. This measure is part of the effort to contain Housing Benefit expenditure.
16. There is currently little reason for Housing Benefit claimants in the social rented sector to move from accommodation which is too large for their needs. The match between the size of accommodation and the household is irrelevant for calculating Housing Benefit entitlement for the vast majority of these Housing Benefit claimants. This could be seen as inequitable when compared with the operation of Housing Benefit in the private rented sector. It is unfair to allow Housing Benefit to pay for more rooms for claimants in the social rented sector than it would pay for if claimants were in the private rented sector. In these circumstances it would be reasonable for under occupying claimants in the social rented sector to make some contribution towards the more generously-sized accommodation.
17. Based on the findings of the English Housing Survey from 2010/11, approximately 63% of all tenants in the social rented sector were in receipt of Housing Benefit. The corresponding figure from the Family Resources Survey for 2009/10 was 64%¹.
18. Because of the high proportion of tenants in receipt of Housing Benefit in the social rented sector, changes to Housing Benefit may have a sizeable influence on the behaviour of tenants and landlords. Housing Benefit will continue to provide support where accommodation is suitable for the needs of the tenant; and will provide an economic incentive for working age tenants to move to smaller properties where their accommodation is considered larger than necessary.
19. As a result, working age Housing Benefit claimants in the social rented sector will face similar choices to their counterparts in the private rented sector: Tenants will be able to choose whether to occupy appropriately sized accommodation, or pay towards accommodation which is larger than the needs of their household. Where the choice is to move, a lower rent will help to provide an additional work incentive, and enable claimants to 'float off' Housing Benefit at lower income levels than would currently be the case.
20. The size criteria dovetail with the radical reforms to social housing that the Department for Communities and Local Government (DCLG) is taking forward. Previous attempts to encourage mobility in the social rented sector, by providing tenants with financial incentives to move to smaller accommodation (for example, by covering removal costs or to provide other financial assistance), have so far been on a small scale.
21. Any increased movement of tenants from larger accommodation which they no longer need would have additional benefits: It would free up accommodation into which tenants living in overcrowded conditions could move, or enable accommodation to be offered to people on the local authority's waiting list, who may currently be living in more expensive temporary accommodation - or living and claiming Housing Benefit in the private rented sector. In England alone there are around 1.8m households on local authority waiting lists for social housing.

¹ Both the English Housing Survey and the Family Resources Survey rely upon respondents declaring whether they receive Housing Benefit, and suffer from under-reporting. Because of under-reporting of Housing Benefit receipt, along with an increase in the caseload, the percentage of all tenants in the social rented sector in receipt of Housing Benefit is now likely to be higher.

22. One aim of DCLG's reforms is to improve mobility within the sector. Changes to the allocation rules will make it easier for tenants to move in order to take up employment, or to move for other reasons. These moves are being supported through the introduction of the national home swap scheme, *HomeSwap Direct*. This Housing Benefit measure supports DCLG's social housing agenda, and helps provide incentives to encourage greater movement of tenants to make best use of the available social housing stock.

Estimating Costs and Benefits

Estimated Costs

Householder costs

23. The introduction of the size criteria is likely to affect an estimated 660,000² Housing Benefit claimants living in the social rented sector at the time of its introduction in 2013/14. This is approximately 31% of all working age Housing Benefit claimants living in social housing. At the time of its introduction each claimant will see an estimated average reduction in Housing Benefit of approximately £14 per week, taking into account forecast increases in social sector rents.

24. As the qualifying age for State Pension Credit increases, the number of claimants affected is also likely to increase, assuming no other changes to the caseload.

25. Affected householders will be faced with a choice:

- Continue to live in accommodation which is assessed as larger than their household needs, and make up any shortfall from their other income, or from savings, from moving into work, increasing working hours, or from letting out a spare room to a lodger, a boarder, or a family member; or
- Move to accommodation which better reflects the size and composition of their household.

26. The size of the reduction will vary, depending upon the circumstances of the claimant. This includes the number of rooms by which they are under occupying accommodation, and the level of their rent.

Degree of Under occupation

27. The majority of affected householders (approximately 81% are under occupying their accommodation by just one bedroom. On average, these claimants will lose about £12 per week in 2013/14. Those claimants who are under occupying to a greater degree will experience larger average reductions from their Housing Benefit entitlement.

² Updated estimates of the impact have been derived from the latest tested version (at the time of production) of the Department's static micro simulation model, the Policy Simulation Model. This update now makes use of more up-to-date information than used in the previous Impact Assessment published in February 2011, and is based upon information collected as part of the 2009/10 Family Resources Survey. Because estimated impacts are based upon survey data rather than based on comprehensive information about all households in Great Britain, survey results are likely to vary from year-to-year due to sampling a different selection of households as part of the survey.

Under occupation of accommodation by	Estimated Number of affected Claimants	Percentage of affected Claimants	Average Weekly Housing Benefit loss per affected Claimant (2013/14)
1 bedroom	540,000	81%	£12
2 or more bedrooms	120,000	19%	£22
All bedrooms	660,000	100%	£14

Source: Policy Simulation Model, using 2009/10 reference data from the Family Resources Survey.

Totals may not sum due to rounding

Size of Housing Benefit reductions

28. The distribution of benefit reductions amongst affected claimants is shown below. The majority of claimants (over 65%) are likely to experience reductions of less than £15 per week, based upon 2013/14 prices. A small number of claimants will experience larger reductions, depending upon their rent and the extent to which they are under occupying their accommodation.

Amount of Weekly Reduction	Estimated Number of Claimants affected	Percentage of affected Claimants	Average Weekly Housing Benefit loss per affected Claimant (2013/14)
Less than £5	10,000	2%	£4
£5 up to £10	90,000	14%	£9
£10 up to £15	330,000	50%	£12
£15 up to £20	130,000	19%	£16
£20 up to £25	50,000	8%	£21
£25 and over	50,000	7%	£31
All reductions	660,000	100%	£14

Source: Policy Simulation Model, using 2009/10 reference data from the Family Resources Survey

Totals may not sum due to rounding

29. The majority of those claimants affected, approximately 93% are likely to experience a reduction in Housing Benefit, but continue to be entitled. A small number of claimants, because they are in receipt of partial Housing Benefit are likely to find that their entitlement ceases, and they float off Housing Benefit completely. On average, those claimants that float off Housing Benefit will lose approximately £8 per week.

Outcome	Estimated Number of Claimants affected	Percentage of affected Claimants	Average Weekly Housing Benefit loss per affected Claimant (2013/14)
Reductions in HB	620,000	93%	£15
Float off HB	40,000	7%	£8
All	660,000	100%	£14

Source: Policy Simulation Model, using 2009/10 reference data from the Family Resources Survey

Totals may not sum due to rounding

Impact on different types of Social Landlord

30. This change in Housing Benefit affects both local authority (LA) and housing association (HA) tenants. Our estimates are that a higher proportion of working age LA tenants are likely to be affected by the measure, but that the reduction will, on average, be smaller (about £13 per week in 2013/14, compared to £16 per week for HA tenants). This reflects the fact that rents for LA tenants are typically lower than the rents charged by HA landlords.

Tenure Type	Estimated Number of Claimants affected	Affected Claimants as % of working age SRS HB claimants in each tenure type	Average Weekly Housing Benefit loss per affected Claimant (2013/14)
LA tenants	390,000	34%	£13
HA tenants	270,000	29%	£16
All	660,000	31%	£14

Source: Policy Simulation Model, using 2009/10 reference data from the Family Resources Survey

Totals may not sum due to rounding

Regional Impacts

31. Across Great Britain, it is estimated that approximately 31% of working age Housing Benefit claimants living in the social rented sector are likely to be affected by the measure. Different regions will be differently affected, depending upon the level of under occupation and average rent levels. DWP estimates that only around 20% of the relevant group are likely to be affected in London and the south of England (although those with a reduction will experience larger losses, reflecting higher rent levels). Conversely areas in the north of England and in Wales are more likely to have a higher proportion of working age social sector tenants affected by the measure than areas in the south, together with lower than average reductions in Housing Benefit.

Region	Estimated Number of Claimants affected	Affected Claimants as % of working age SRS HB claimants in each region	Average Weekly HB loss per affected Claimant (2013/14)
North East	50,000	37%	£13
North West	110,000	43%	£14
Yorkshire & Humberside	80,000	43%	£13
East Midlands	40,000	27%	£12
West Midlands	60,000	31%	£13
Eastern	50,000	30%	£15
London	80,000	22%	£21
South East	40,000	22%	£15
South West	30,000	20%	£15
Wales	40,000	46%	£12
Scotland	80,000	33%	£12
Great Britain	660,000	31%	£14

Source: Policy Simulation Model, using 2009/10 reference data from the Family Resources Survey

Totals may not sum due to rounding

32. There is also the potential for the measure to have a greater impact in:

- rural areas; and
- areas with lower concentrations of social rented housing.

This would be due to less alternative accommodation of the appropriate size being available locally. This could result in: the restriction being applied to the claimant's rent even though there is little suitable accommodation available in the area; the tenant considering moving further distances in order to secure accommodation of the appropriate size; in some cases the tenant could consider moving into the private rented sector; moving into work; increasing working hours or renting out a room.

Types of claimant affected

33. Different types of households will be more, or less, likely to be affected by the measure. Claimants (both couples and lone parents) with children are much less likely to be affected by the measure, as the children will be taken into account in determining the size of accommodation which is considered reasonable. Conversely, those without children are much more likely to be affected, with more than 40% of claimants likely to be affected. This is illustrated in the table below:

Family Circumstances	Estimated Number of Claimants affected	Affected Claimants as percentage of working age SRS HB claimants (within each family circumstance)	Average Weekly Housing Benefit loss per affected Claimant (2013/14)
Age 60 and over, but under the qualifying age for State Pension Credit	50,000	53%	£15
Under 60, Couples with children	70,000	20%	£15
Under 60, Lone parents	150,000	21%	£13
Under 60, Couples without children	80,000	68%	£16
Under 60, Single people	320,000	38%	£14
All family circumstances	660,000	31%	£14

Source: Policy Simulation Model, using 2009/10 reference data from the Family Resources Survey
Totals may not sum due to rounding

Behavioural Change

34. Although Housing Benefit places restrictions on the size of accommodation for claimants living in the private rented sector, there is little research that provides an indication about the possible behavioural impacts on claimants in the social rented sector following the introduction of the size criteria. This is because:

- Existing claimants have been given transitional protection in the past, and new, more restrictive, rules have only applied to new claimants. The size criteria will apply to both existing and new tenants from 2013;
- There is more potential for claimants to move in the private rented sector, and greater real and perceived barriers to movement of tenants in the social rented sector;
- The research that was undertaken prior to the introduction of the LHA in the private rented sector was based upon the more generous pathfinder LHA, which was arguably more generous than the scheme that it replaced; and
- The profile of rents and tenants in the social and private rented sectors are very different. Knowledge of the behaviour of one group need not be relevant for the behaviour and responses of the other.

35. Despite this, recent research from the Housing Futures Network reported the sorts of actions that under occupying tenants thought that they may take, if faced with a reduction in Housing Benefit. The results suggested that::

- Around 25% were quite or very likely to downsize to smaller accommodation;
- Nearly 30% would be quite or very likely to move into work or increase their hours; and
- 10-15% would offer out their spare room to a lodger or a family member.

36. The research also suggested that around 35%³ of claimants would be quite or very likely to fall into arrears if their Housing Benefit were to be reduced.

37. Estimated figures from DCLG for working age HB claimants in social housing in England indicate a mismatch between the accommodation required by tenants and the actual availability of accommodation, shown in the table below. The accommodation needs of tenants are based on the ‘bedroom standard’ rather than the size criteria applied in Housing Benefit. The ‘bedroom standard’ is less generous as it assumes that young people up to and including the age of twenty should share with others of the same gender. DWP intends that the size criteria in the social rented sector should mirror the slightly more generous rules that apply to Housing Benefit claimants living in the private rented sector.

38. According to estimates from DCLG there is a surplus of three bedroom properties, based on the profile of existing working age tenants in receipt of Housing Benefit, and a lack of one bedroom accommodation in the social sector. In many areas this mismatch could mean that there are insufficient properties to enable tenants to move to accommodation of an appropriate size even if tenants wished to move and landlords were able to facilitate this movement. In these circumstances individuals may have to look further a field for appropriately sized accommodation or move to the private rented sector, otherwise they shall need to meet the shortfall through other means such as employment, using savings or by taking in a lodger or sub-tenant. People facing a rent shortfall can be considered for extra help from the Discretionary Housing Payment scheme. This allows local authorities to give extra help to those facing difficulties meeting their housing costs on a case by case basis.

³ Figures do not sum to 100%. Some respondents did not indicate that they were likely to choose any of these options, whilst some indicated they were likely to make more than one choice.

Actual Accommodation Size	Needs of working age HB Tenants (as measured by the Bedroom Standard)	Size of Accommodation currently occupied by working age HB Tenants*
1 bedroom	600,000	360,000
2 bedrooms	520,000	510,000
3 bedrooms	300,000	560,000
4 bedrooms	70,000	60,000
5+ bedrooms	10,000	10,000
TOTAL	1.5m	1.5m

Source: Estimates from DCLG data on under and over occupation amongst working age claimants in the social rented sector. England 2008/09. *Survey figures are likely to under estimate the number of tenants in receipt of Housing Benefit.

39. In addition, there is currently very little movement of tenants in the social rented sector. Estimates from the English Housing Survey for 2010/11 indicate that only 8% of all social sector tenants had been living at their current address for less than a year. In contrast, the figure in the private rented sector was around 35%. Over 40% of tenants in the social rented sector had lived at their current address for ten years or more.
40. Figures from the English Housing Survey for 2010/11 suggest that approximately 65,000 tenants in continuing households⁴ left the social rented sector and moved into the private rented sector or became owner-occupiers. Approximately 134,000 households moved within the social rented sector (less than 4%). This includes all reasons for moving (for example, tenants moving to larger accommodation because of the birth of a child, or tenants moving into sheltered accommodation as a consequence of deteriorating health).
41. The movement of tenants within the social rented sector as a result of this measure will be determined not just from their own willingness to move, but on the availability of suitably sized accommodation in the area, and the approach taken by their landlord to enable such moves to happen. At the current time it is unclear how this will affect the choices of claimants that are likely to be affected by the measure.
42. This uncertainty about likely claimant and landlord responses to the introduction of the social sector size criteria creates uncertainty about the benefit savings likely to be realised. Where claimants continue living in their existing accommodation, and experience a reduction in Housing Benefit as a result of under occupying that accommodation, it is straightforward to identify those reductions as having been generated as a result of the introduction of the size criteria. However, Housing Benefit savings could also be generated if under occupying households downsize into smaller, and cheaper, accommodation in the social rented sector.
43. Where a claimant affected by the size criteria moves to smaller accommodation, it is important to consider a wider perspective than just this one household. Where a claimant moves, even if it is into the private rented sector, this frees up accommodation in the social rented sector that can be re-let to other families needing this accommodation.
44. Depending upon who this freed-up accommodation is let to, the *re-let* may also generate Housing Benefit savings. However, this is likely to depend upon whether the tenant moving in:
- Is in receipt of Housing Benefit, or not;

⁴ A “continuing household” is defined as a household in which the head of the household in the new accommodation is the same as in the previous household.

- Is moving from elsewhere in the social rented sector (for example, because they are overcrowded in their current accommodation);
- Would otherwise be renting in the private rented sector, or living in Temporary Accommodation.

The level of Housing Benefit savings will also depend upon whether there are differences in the rent between the old and new properties, and if there are differences, how large they are.

45. Whilst the decisions likely to be made by individuals affected by the size criteria in the future are unknown, a number of factors likely to influence Housing Benefit savings have been systematically varied. This is to enable DWP to estimate what the impact might be under a variety of different scenarios. DWP has tried to use existing sources of information (such as the evidence from English Housing Survey discussed above) where possible, and had discussions with other government departments to verify assumptions and arrive at plausible ranges for each of these variables. However, as the future reaction of claimants and landlords to the size criteria is unknown, the actual response could be outside these ranges. The factors that were varied and the ranges of variation are given in the table below.

Factor	Explanation	Range of variation
Proportion of those moving who move into the private rented sector	Despite downsizing into smaller accommodation in the private rented sector, in many cases Housing Benefit entitlement will be higher than that previously paid whilst they were living in the social rented sector. Some claimants may decide to relinquish their tenancy in the social rented sector and move into the private rented sector. However, the numbers are likely to be small, given that most tenants attach considerable value to their social sector tenancy.	15%-30%
Proportion of those under occupying their current accommodation by two or more bedrooms who decide to move	Because a higher reduction rate applies to those most under occupying their accommodation, a higher proportion of these claimants may be likely to move compared with one bedroom under occupiers. It is possible that greater benefit savings could be generated if claimants who most under occupy their accommodation are disproportionately more likely to move.	10%-30%
Proportion of under occupied accommodation that is re-let to existing households already living in social housing	Housing Benefit savings may be reduced if under occupying and overcrowded households simply arrange to swap. Despite this being mutually beneficial, benefit savings could still be generated if the tenants in the previously overcrowded household who move into larger accommodation are not in receipt of Housing Benefit.	25%-40%
Proportion of tenants in receipt of Housing Benefit	A higher proportion of overcrowded tenants on Housing Benefit is likely to lead to reduced savings where overcrowded and under occupying households living in social housing simply swap. However, it is likely to increase savings where new tenants who are accepted into social housing for the first time, would have otherwise been renting accommodation in the private rented sector.	65% - 80%

46. This analysis also included assumptions about national rent differentials for accommodation of different sizes and across different tenures, and took no account of regional or local differences. DWP also made assumptions about future rent growth in the private and social rented sectors.
47. According to our modelling, some individual scenarios generate lower than anticipated savings, whilst others generate higher levels of savings. The number of affected claimants who may decide to move is unknown, as is the profile of the tenants who may then move into these freed-up properties. Overall, however, DWP estimates that the impact of claimants moving to smaller accommodation, (as opposed to remaining in their current accommodation), is likely to be broadly neutral in terms of the impact on benefit savings. Of the nearly 200 behavioural response scenarios tested using the range of assumptions set out in paragraph 45, about 60% resulted in savings within £10m either

side of the central estimate of savings and all scenarios had savings within £30m either side of the central estimate.

48. The behavioural responses of claimants and landlords affected by the size criteria will be included in the planned independent monitoring and evaluation to assess the impact of the introduction of size criteria in the social rented sector.

49. In the future, a growing number of social sector lets in England are likely to be made on an Affordable Rent basis. Although these rents are likely to be higher than other letting arrangements in the social rented sector, the number of conversions of existing properties to Affordable Rents will be strictly controlled. Although some accommodation vacated by households downsizing because of the size criteria is likely to be re-let on an Affordable Rent basis, the conversion of an individual property to an Affordable Rent will mean that others are not. As a result, there should be no significant additional interaction between the introduction of size criteria in the social rented sector and the introduction of Affordable Rents, other than the effects already acknowledged in DCLG's Impact Assessment.

Non-Monetised Costs

Claimants moving within or out of the Social Rented Sector

50. Claimants moving home within the social rented sector are likely to incur removal costs for moving from one property to another. The number of claimants affected would be determined by the behavioural impact of tenants and landlords to the measure. In some cases it is possible that social landlords will help facilitate the movement of tenants, or help to offset some of the costs associated with moving.

Social Landlord Costs

51. Social landlords may incur various costs as a result of the introduction of the size criteria, including additional:

- costs to run schemes to enable affected tenants in the social rented sector to move home within the sector;
- void periods if more tenants are moved within the sector, rather than moving directly in to accommodation from outside of the social rented sector;
- costs involved in collecting the rent from tenants where there is a shortfall between the rent charged and Housing Benefit entitlement that the claimant is expected to make up;
- action taken in relation to tenants that fail to make up the shortfall between the rent and their Housing Benefit entitlement;
- rent arrears, if some tenants do not make up the shortfall,

Local Authority Costs

52. Local Authorities administering Housing Benefit are likely to incur additional costs as a result of the introduction of the size criteria. These costs are likely to include:

- Modifications to Housing Benefit IT Assessment and associated IT systems to enable information on bedroom number to be captured for claimants living in the social rented sector, and to enable the correct calculation of Housing Benefit entitlement;

- Changes to publicity material and claim forms, and delivery of training on the change to assessment officers;
- Increased numbers of applications for Discretionary Housing Payments to help make up the shortfall between rent and Housing Benefit;
- Housing Benefit overpayments being recovered at a lower rate for some claimants from ongoing Housing Benefit entitlement;
- An additional number of queries and appeals from affected claimants.

53. As an illustration, it is estimated that if 40,000 of the householders that experienced a reduction at the point of transition were to make an application for a Discretionary Housing Payment, the total cost across all Local Authorities of administering these additional applications would be approximately £1m. This is the estimated cost of administration, regardless of whether the outcome of the application for a Discretionary Housing Payment is successful or not.

54. Similarly, as an illustration, if 20,000 claimants chose to appeal the decision made on their Housing Benefit entitlement, DWP estimates the additional administration cost associated with these appeals would be approximately £4m.

55. The impact on Local Authorities is likely to be greatest in 2013/14. The measure will affect existing working age Housing Benefit claimants in the social rented sector in April 2013, as well as new working age claims made on or after this date. Existing claimants will have no transitional protection and will be impacted by the measure in April 2013. Introduction of the size criteria is likely to lead to higher than normal demand for Discretionary Housing Payments, a large number of queries received by Local Authorities in relation to annual uprating letters, and a higher number of claimants lodging an appeal. DWP is working with DCLG and local authorities to estimate impacts of the policy.

Estimated Benefits

Exchequer Benefits

56. The reduction in Housing Benefit entitlement for claimants in under occupied accommodation in the social rented sector will result in significant savings to the exchequer.

57. The above estimate assumes no behavioural impact on tenants: If an under occupying tenant chooses to move to more suitably sized accommodation, then the individual claimant will not experience a reduction, and receives Housing Benefit on the more suitably sized accommodation. This movement frees up accommodation which could then be occupied by existing tenants in the social rented sector for whom the larger accommodation may be more appropriate, or offered to other potential tenants waiting to be placed in social housing.

58. However, the impact of the freed up accommodation could in itself generate benefits, not just in terms of reductions in overcrowded households and more effective use of social housing. It could also generate additional savings if:

- the accommodation freed up by the claimant is offered to other tenants in receipt of Housing Benefit; and
- these tenants would have been claiming in relation to more expensive accommodation in the private rented sector, or living in Temporary Accommodation.

59. Whilst the overall effect on savings is uncertain, as discussed in the earlier section on behavioural change, DWP's central estimate is that similar levels of savings are likely to be realised, regardless of whether the tenant moves, or not.

Non-Monetised Benefits

Other Potential Social Rented Sector Tenant Benefits

60. The accommodation freed up by the movement of some Housing Benefit claimants affected by the size criteria to smaller accommodation will be offered to other potential tenants. These households may be living in less suitable accommodation (eg households living in overcrowded conditions, or in bed & breakfast), and would benefit from the increased availability of larger size accommodation.

61. Estimates from the English Housing Survey on overcrowding and under occupation produce the estimates in the table shown below. These figures are based upon the 'bedroom standard' rather than the size criteria applied in Housing Benefit.

	Overcrowded	At Standard	Under occupied
Social Rented Sector	7.3%	52.6%	40.1%
Private Rented Sector	5.6%	41.6%	52.8%
Owner Occupiers	1.3%	13.6%	85.0%
ALL TENURES	3.0%	24.8%	72.3%

Source: Three-year average based on 2008-09, 2009-10 and 2010-11 English Housing Survey full household samples. Households are counted as under occupying accommodation if they are one or more above the 'bedroom standard'.

62. Overcrowding is more common in the social rented sector. Different regions also have different rates of overcrowding and under occupation. This is illustrated in the table below. London stands out as the region where there is the greatest issue with overcrowding – with approximately one in six households living in overcrowded accommodation in the social rented sector.

Region	Overcrowded	At Standard	Under occupied
North East	4.3%	46.7%	48.9%
North West	4.2%	49.8%	46.0%
Yorkshire & the Humber	4.1%	49.7%	46.2%
East Midlands	5.2%	49.4%	45.3%
West Midlands	6.0%	49.3%	44.7%
East	5.7%	51.6%	42.6%
London	16.1%	55.9%	28.0%
South East	5.5%	58.2%	36.3%
South West	4.2%	57.4%	38.4%
ENGLAND	7.1%	52.4%	40.5%

Source: 3 year average based on 2007-08 SEH data and 2008-09 & 2009-10 EHS data

63. Whilst there are many households that would potentially benefit by moving from overcrowded conditions into larger accommodation within the social rented sector, the highest rates of overcrowding are also associated with the regions where the lowest proportion of households are under occupying accommodation. This relationship means that in areas, such as London, where there are the largest number of overcrowded households, there is also the lowest number of under occupiers who would be affected by the size criteria. The decisions made by claimants who are under occupying accommodation will mean that this mechanism for encouraging the more efficient use of

social housing may make less of an impact addressing overcrowding in those regions most affected.

Social Rented Sector Landlord Benefits

64. Social landlords will experience some non-monetised benefits. The size criteria will provide an incentive for under occupying households to move to more suitably sized accommodation, and enable social landlords to more proactively manage their housing stock. Over time this should result in a better match between the accommodation needs of tenants and the accommodation into which a household is placed in the social rented sector.

Local Authority Benefits

65. Approximately 7% of Housing Benefit claimants affected by the size criteria are likely to 'float off' Housing Benefit entitlement completely. Typically, these will be claimants who are on the Housing Benefit taper and receive small amounts in benefit because their income is above the applicable amount used in the calculation of Housing Benefit.

66. Where there is no longer entitlement to Housing Benefit, the reduction in the number of claimants is likely to lead to administrative savings across all Local Authorities in the order of approximately £5m per annum. This is because it is anticipated there would be small reductions in the number of claims Local Authorities would need to manage, review, make payment on and process changes of circumstances in relation to. DWP is working with DCLG and local authorities to estimate further impacts of the policy.

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. All analysis in the review will be subject to the ongoing availability of the underlying datasets.

Review objective:

To assess whether the size criteria meets the broad objectives set out in the Impact Assessment, and also the scale of the potential knock on impacts e.g. the level of homelessness.

Review approach and rationale:

A mixture of approaches will be used including:

- 1) Analysis of internal administrative datasets,
- 2) Analysis of survey data such as Family Resources Survey
- 3) Work with external organisations,
- 4) Where practical, bespoke analysis to cover questions not addressed by the other approaches,

The review will use an eclectic approach, reflecting the fact that a range of datasets and methodologies are required to assess all of potential impacts of the policy.

Baseline:

Projected trends in caseload, expenditure, rents and other key variables under the benefit and tax credit system in the absence of the change.

Success criteria:

Criteria will include indicators such as Housing Benefit expenditure, caseload trends, work incentives, duration of unemployment, homelessness, shortfalls in rent, as well as some of the wider economic impacts outlined in this document.

Monitoring information arrangements:

The Single Housing Benefit Extract (SHBE) is currently the Department's main source of data on Housing Benefit and is collected on a monthly basis. This will contain information on caseloads, expenditure and rents. The review will assess impacts on employment from survey data such as the Family Resources Survey, and will collect other information through existing stakeholder engagement arrangements; these networks will be used to gather qualitative evidence on the impact on work incentives

and employment, benefit receipt, and landlords.

DWP intend to undertake independent monitoring and evaluation to assess the impact of the introduction of size criteria in the social rented sector as outlined during the passage of the Welfare Reform Act. DWP expect the research to be undertaken over a two year period from 2013/14, with preparatory work starting in 2012/13 with initial findings being available in early 2013

The research methodology and scope will be finalised in consultation with contractors once the initial commissioning work has been completed.

DWP currently envisage that the evaluation will include a range of social landlords and local authorities across England, Scotland and Wales. Different types of authorities including a range of urban, rural and county district local authorities will be included and these will be selected to cover a range of different housing market demands, to ensure DWP can explore the effects of the introduction of size criteria effectively, and gain sound insight into the experiences of tenants of various age groups, those with a disability, their gender and ethnicity.

Reasons for not planning a PIR:

Not applicable