

Housing Benefit: Up-rating Local Housing Allowance by the Consumer Price Index

Determination of Appropriate Maximum Housing
Benefit in the Private Rented Sector

Equality impact assessment

October 2011

Equality impact assessment for restricting any increase in Local Housing Allowance to the Consumer Price Index

Brief outline of the policy or service

1. In the June 2010 Budget the Chancellor of the Exchequer announced that from April 2013 annual increases in Local Housing Allowance rates used to calculate Housing Benefit for customers in the private rented sector¹ would be restricted to equivalent increases in the Consumer Price Index. The measure is part of a wider package of proposed changes to Housing Benefit designed to address affordability, unfairness and poor work incentives in the system. The measure builds on changes being introduced in April 2011 to restrict Local Housing Allowance rates to the 30th percentile of rent levels in each Broad Rental Market Area as well as the introduction of a cap on Local Housing Allowance rates which will be paid for a maximum of four bedrooms rather than five at present.
2. The measure will potentially affect nearly all customers in receipt of Housing Benefit paid under Local Housing Allowance rules including those that will have transferred from older schemes. We estimate that by the time this measure is introduced there will be 1.4 million Housing Benefit recipients assessed under the Local Housing Allowance arrangements
3. Over the last ten years, the cost of Housing Benefit has nearly doubled in cash terms from £11 billion to £22 billion in 2010/11. If left unreformed, the Housing Benefit budget will exceed £24 billion by 2014/15. The growth in the cost of Housing Benefit in the private rental sector has been partly driven by higher rents feeding through to higher Housing Benefit. This measure as well as other reforms of Local Housing Allowance is intended to exert downward pressure on rental growth and change the behaviour of landlords renting to Housing Benefit customers.
4. Provisions currently being taken forward in the Welfare Reform Bill will place beyond doubt our powers to take forward these changes. The detailed rules will be set out through secondary legislation by amendment to the Housing Benefit regulations and the Rent Officers Order.

¹ Specifically tenants who have an assured or an assured shorthold tenancy agreement with a private landlord

5. The measure will include a provision for the Secretary of State to periodically consider re-setting Local Housing Allowance rates without reference to rent officer determinations, if for example rates need to be adjusted to reflect local rents.

Consultation and involvement

6. The DWP conducted a wide ranging consultation on Housing Benefit reform at the end of 2009, and more recently there has been consultation on welfare reform more generally. Since this measure was announced the DWP has been working with other government departments on both the detailed design of the measure and how it might work in practice. We have also met with groups representing local authorities to listen to their concerns. The Work and Pensions Select Committee recently conducted an inquiry into the changes to Housing Benefit announced in the June 2010 Budget which included this measure. This inquiry received responses from many of the same stakeholders that regularly respond to our own consultations. The Committee published their report on 22 December 2010. Detailed measures will be set out in secondary legislation and there will be full consultation with Parliament and stakeholder groups on the content of the regulations.

Impact of the measure to restrict increases in Local Housing Allowance rates to the Consumer Price Index

7. Restricting the uprating of Housing Benefit to the Consumer Price Index will affect many private rental sector Housing Benefit customers whose claims are assessed according to Local Housing Allowance rules. The impact of the measure will be dependent on a number of factors including the reaction of the private rental sector to earlier Housing Benefit reforms in 2011.
8. Some tenants will see Local Housing Allowance rates continue to rise according to rent levels in the local market as the Consumer Price Index is intended to be a measure to limit increases in rates rather than the only defining factor. A small number of cases, for example those in caravans and houseboats, are currently exempt from the Local Housing Allowance and will not be affected by this measure.
9. We expect the vast majority of cases on the pre-Local Housing Allowance schemes to have migrated on to the Local Housing Allowance rules by the time this measure takes effect. The analysis presented below provides breakdowns of the composition of the private rented sector Housing Benefit caseload as a whole. On the basis of this measure alone, no group is more likely to be disadvantaged more than another. We do, nonetheless, include as a comparator the overall Housing Benefit caseload.

Gender

10. As Housing Benefit is assessed on overall household income, rather than distinguishing between male and female recipients of these benefits, the classification at the household level has been made as 'couples', 'male' and 'female', - the latter two describing those without a partner. This breakdown by gender is shown in Table 1.
11. As nearly everyone on Housing Benefit in the private rented sector will be affected, no gender group is more likely to be affected than another. Looking at the last two columns we note that the proportion of Housing Benefit private rented sector customers that are couples (23 per cent); female (51 per cent) and male (26 per cent) is similar to that for Housing Benefit as a whole (21 per cent, 55 per cent and 25 per cent respectively).
12. It is not possible at this stage to ascertain the size of any losses; this will depend on a number of factors including increases in rent levels from 2013 onwards. For example, if local rents increase at a lower level than the Consumer Price Index then customers in those local areas may not be affected by this measure. A full impact assessment will be published when detailed policy design is finalised and regulations are laid.

Table 1: Breakdown of the Housing Benefit caseload by gender

	All HB PRS renters affected by measure	All HB PRS renters	All HB renters
Couple	23%	23%	21%
Female	51%	51%	55%
Male	26%	26%	25%
All	100%	100%	100%

Source: Averages derived from the Family Resources Survey 06/07, 07/08 and 08/09.

Conclusion

13. The measure potentially affects all customers in the private rented sector paid within the Local Housing Allowance scheme. Overall the proportional gender breakdown affected by the change in the private rented sector is broadly equivalent to the proportion of all Housing Benefit renters. There is no evidence that there is an adverse impact on gender equality.

Disability

14. The definition of disability used for the purposes of this equality impact assessment is contained within the Equality Act 2010. This replaced the definition from the Disability Discrimination Act (DDA) that was used previously. The breakdowns for the impact of the Consumer Price Index measure on disabled Housing Benefit customers in the private rented sector are displayed in Table 2. Around half of those on Housing Benefit in the private rented sector have someone in the household who describes themselves as having a disability covered by the DDA. This is lower than the proportion of DDA disabled recipients on Housing Benefit as a whole (66 per cent). The reason for this is that a higher proportion of Housing Benefit recipients are living in the social rented sector, so are unaffected by this measure.

Table 2: Breakdown of the Housing Benefit caseload by disability

	All HB PRS renters affected by measure	All HB PRS renters	All HB renters
DDA Disability	50%	50%	66%
No disability	50%	50%	34%
All	100%	100%	100%

Source: Averages derived from the Family Resources Survey 06/07, 07/08 and 08/09.

Conclusion

15. As the measure potentially affects everyone in the private rented sector on Housing Benefit, disabled people are no more likely to be affected than people without a disability. It should be noted that disabled people are less represented in the private rented sector than in the Housing Benefit population as a whole.

Age

16. Similarly, Table 3 displays the breakdowns for the impact of the Consumer Price Index measure by working age and elderly, with around 80 per cent of those affected being aged under 60. This compares with around 61 per cent for those on Housing Benefit as a whole. For this table, we considered the age of the eldest person in the household.

Table 3: Breakdown of the Housing Benefit caseload by age

	All HB PRS renters affected by measure	All HB PRS renters	All HB renters
Aged under 60	80%	80%	61%
Aged 60 or over	20%	20%	39%
All ages	100%	100%	100%

Averages derived from the Family Resources Survey 06/07, 07/08 and 08/09

Conclusion

17. Overall a higher proportion of people on Housing Benefit aged under 60 rent properties in the private rented sector than those on Housing Benefit as a whole. As the measure potentially affects everyone in the private rented sector on Housing Benefit there is no evidence that any particular age group is more likely to be affected.

Race

18. Table 4 shows the breakdown by ethnicity of the private rental sector Housing Benefit and private rental sector non-Housing Benefit caseload. As the measure potentially affects everyone in the private rented sector on Housing Benefit it is not likely to affect any ethnic group more than another. We also note that the breakdown by ethnicity of those on Housing Benefit is similar to those on Housing Benefit as a whole.

Table 4: Breakdown of the Housing Benefit caseload by tenure and ethnicity

	All HB PRS renters affected by measure	All HB PRS renters	All HB renters
White	87%	87%	89%
Mixed	2%	2%	1%
Asian or Asian British	4%	4%	2%
Black or Black British	4%	4%	5%
Other (including Chinese)	3%	3%	2%
All	100%	100%	100%

Averages derived from the Family Resources Survey 06/07, 07/08 and 08/09

Conclusion

19. The ethnic minority cohort of people as a whole does not appear to be more likely to be affected by this measure. In general, the racial characteristics of customers both in receipt of Housing Benefit in the private rented sector and on Housing Benefit as a whole are very similar.

Gender reassignment

20. The Department does not hold information on its administrative systems on transgender people and it is not likely that this will be available in the future. The Government does not envisage an adverse impact on these grounds.

Sexual orientation

21. The Department does not hold information on its administrative systems on the sexual orientation of claimants. The Government does not envisage an adverse impact on these grounds.

Religion or belief

22. The Department does not hold information on its administrative systems on the religion or beliefs of claimants. The Government does not envisage an adverse impact on these grounds.

Marriage and civil partnership

23. The Department does not hold information on its administrative systems on the civil partnership status of claimants. The Government does not envisage an adverse impact on these grounds.

Pregnancy and maternity

24. The Department only holds information on pregnancy and maternity on its administrative systems where it is the primary reason for incapacity. It cannot therefore be used to accurately assess the equality impacts. The Government does not envisage an adverse impact on these grounds.

Mitigation

25. The Government recognises that many Housing Benefit private rented sector customers paid according to Local Housing Allowance rules may be affected by these changes. However, we already have measures in place to support those who need it most. In particular, Discretionary Housing Payments can be considered by local authorities for those affected households where the type and level of disability places restrictions on the amount of suitable alternative accommodation available. For those that can move additional financial support can be considered to help facilitate including help with removal expenses. The Secretary of State will be able to review rates and, if he considers it necessary,

set them at a different level than the increases in the Consumer Price Index through secondary legislation.

Monitoring and evaluation

26. The material in this Equality Impact Assessment covers the equality groups currently covered by the equality legislation, i.e. age, disability, gender (transgender), ethnicity, religion, sexual orientation, pregnancy/maternity, and civil partnerships. DWP is committed to monitoring the impacts of its policies and we will use evidence from a number of sources on the experiences and outcomes of the protected groups.

- a) We will use administrative datasets, including the Single Housing Benefit Extract (SHBE), to monitor trends in the benefit caseloads for the protected groups and in the level and distribution of benefit entitlements. The administrative data will provide robust material for age and gender although not, as a rule, for the other protected groups. Where it is practical we will endeavour to incorporate information for the other protected groups.
- b) We will use survey data, such as the Family Resources Survey (FRS), to assess trends in the incomes of the protected groups and in their employment outcomes. The FRS collects information on age, disability, gender, ethnicity, sexual orientation, religion and civil partnerships.
- c) We will use qualitative research and feedback from stakeholder groups to assess whether there are unintended consequences for the protected groups, and whether the policy is likely to result in adverse consequences for particular groups.
- d) We will utilise feedback from Departmental employee networks and internal management information. For example we will monitor the level of complaints in order to assess the broader impact of the policy.
- e) We will draw on broader DWP research where appropriate, as well as any research commissioned specifically as part of the evaluation of the measure.

27. As part of our actions in the context of the data requirements under the Equality Act, we are looking across DWP activities to identify and address further gaps in data provision wherever reasonable.

Next steps

28. The measure will be introduced in the Welfare Reform Bill. Regulations will be made to provide for the detailed rules of how Local Housing Allowance rates will be set and reviewed on an annual basis.

29. The Equality Impact Assessment will be regularly reviewed and account will be taken of the responses to consultation on the legislation and operational considerations.

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