

**Welfare and Wellbeing
Group**

Housing Benefit subsidy in temporary accommodation

An equality impact assessment for extending the Local
Housing Allowance-based subsidy scheme from April
2011

Equality impact assessment for extending the Local Housing Allowance-based subsidy scheme for people living in temporary accommodation

Introduction

The Department for Work and Pensions has carried out an equality impact assessment on the proposal to extend the Local Housing Allowance-based subsidy scheme to meet the requirements of the Equality Act 2010.

This process will help to ensure:

- the Department's strategies, policies and services are free from discrimination;
- due regard is given to equality in decision making and subsequent processes; and
- opportunities for promoting equality are identified.

The equality impact assessment considers the impact of the proposed policies in terms of disability, race, age, gender, gender reassignment, religion or belief and sexual orientation. These are referred to in this paper collectively as 'protected characteristics'.

What are the changes?

1. The proposed changes affect Housing Benefit subsidy, which is claimed from the Department by local authorities as reimbursement for Housing Benefit they have paid out to customers. These particular changes are concerned only with the level of subsidy payable in respect of customers living in temporary accommodation. A new Housing Benefit subsidy scheme, based on Local Housing Allowance rates, was introduced in April 2010 which affects customers living in local authority-run temporary accommodation. This set of changes will extend the scope of this subsidy scheme to include customers living in temporary accommodation run by housing associations. It will also widen the coverage of these subsidy rules for leased accommodation run by local authorities in Scotland and Wales, where there are currently some gaps.
2. In the literal sense, there will not be a direct impact on Housing Benefit customers, whose benefit entitlement will not be affected whatsoever. There may, however, be indirect impacts on households living in temporary accommodation as a consequence of these changes. This is because local authorities rely on Housing Benefit subsidy to cover the costs of providing this type of accommodation (most households in temporary accommodation claim Housing Benefit), which is often procured by way of a lease arrangement with private landlords.

Changes to subsidy levels do therefore affect the affordability of leasing and managing temporary accommodation in different areas. Subsidy levels can also influence the amount of rent a local authority decides to charge the household living in temporary accommodation.

3. This equality impact assessment explores the potential for indirect impacts of the changes on customers living in temporary accommodation (either positive or negative) and considers whether any particular group is disproportionately affected.

Purpose and aims of extending the subsidy scheme

4. The new Housing Benefit subsidy scheme was first introduced in April 2010¹. These changes came in response to unsustainable increases in Housing Benefit expenditure in this area, with evidence showing that, in some cases, excessive rents were being set by local authorities. The Department found evidence that some local authorities were attracting surplus Housing Benefit subsidy revenues through customers in temporary accommodation by charging higher rents than were necessary.
5. The Department's original objectives for reform were to:
 - encourage more local authorities to charge customers a fair market rent for the type and location of the property occupied;
 - make a reasonable contribution to local authorities' costs of leasing and managing temporary accommodation; and
 - control the overall level of Housing Benefit expenditure on customers living in temporary accommodation.
6. Initial findings (explored in more detail below) suggest that, since the new scheme was introduced in April 2010, these objectives are broadly being met.
7. This next set of changes², coming into force from April 2011, will extend the Local Housing Allowance-based subsidy scheme to include:
 - cases in temporary and short term accommodation where a registered housing association is the landlord (Housing Association Leasing schemes);
 - leased accommodation held within the Housing Revenue Account by Scottish local authorities; and

¹ [The Income-related Benefits \(Subsidy to Authorities\) \(Temporary Accommodation\) Amendment Order 2009](#)

² [The Income-related Benefits \(Subsidy to Authorities\) \(Temporary Accommodation\) Amendment Order 2010](#)

- temporary accommodation leased for a period of more than 10 years in Scotland and Wales.
8. We believe that extending the subsidy scheme to cover all similar types of temporary and short term accommodation will:
- create a more level playing field among local authorities and providers competing to lease properties for similar purposes, which should help drive down costs and improve value for money;
 - encourage housing associations and local authorities to agree more reasonable rents in many cases; and
 - further reduce Housing Benefit expenditure on customers living in temporary accommodation.
9. The Department will also fix subsidy levels, based on January 2011 Local Housing Allowance rates, until the end of March 2013. This measure should:
- remove mid-term funding uncertainties among providers of temporary accommodation, raising financial confidence in these schemes and therefore helping to maintain a healthy and competitive supply of temporary accommodation; and
 - help to mitigate the impact of proposed reductions to Local Housing Allowance on local authorities (the impact assessment for those changes has been published separately).
10. These changes to Housing Benefit subsidy have a direct impact on local authorities only, who are also responsible for ensuring the correct level of subsidy is claimed from the Department.
11. There is likely to be an indirect impact on:
- other providers of temporary accommodation, such as housing associations who may have to renegotiate the terms of leasing schemes; and
 - those living in temporary accommodation who may see changes to their weekly rent liability and, in some cases, be found alternative accommodation by the local authority (these reforms will not affect an individual's entitlement to Housing Benefit).

Consultation and involvement

12. The Department consulted widely during the development phase of the Local Housing Allowance-based subsidy scheme in 2008 and in 2009,

ahead of the scheme's introduction in April 2010. Since then, various informal discussions have taken place with stakeholders, including local authority association representatives, Communities and Local Government, the devolved administrations and members of leading housing associations, around the subject of extending the subsidy scheme. During those discussions, one London borough with a particularly high proportion of residents from an ethnic minority background did raise concerns about a disproportionate impact on this group. This is because the borough, which uses a lot of housing association-leased accommodation, would be impacted upon financially and may therefore need to move some households, particularly large families, to alternative accommodation outside the borough. It was evident in those discussions, however, that the local authority was taking actions to minimise the number of households affected by these changes. The impact of these changes on households living in temporary accommodation will be monitored, as set out below.

13. The Department sent a questionnaire out to 72 local authorities in May 2010 to gain feedback on the effect that the new scheme's introduction has had so far and to learn more about the usage and costs of cases that will be affected by the scheme's extension from April 2011. A total of 31 local authorities responded. A formal six-week consultation involving the four main local authority association representatives (London Councils, Local Government Association, Welsh Local Government Association and COSLA³) was also carried out, ending on 29 September 2010. Four responses were received, from London Councils, the National Housing Federation Leased Accommodation Practitioners' Group and two individual local authorities (one based in London and one in Scotland).

14. There were no specific concerns raised in terms of the impact of these changes on those falling within the range of protected characteristics in either the questionnaire or consultation responses.

Direct impact on Housing Benefit subsidy and local authorities

15. As part of carrying out their duties under homelessness legislation, local authorities often place households into temporary accommodation that is leased or held on licence from a private landlord. This is then sub-let by the local authority or housing association to the household, who is then required to pay them (not the private owner) rent. The costs involved (i.e. leasing and management costs) are usually factored into the rents set by the local authority or housing association running the scheme. The majority of households living in this type of accommodation receive Housing Benefit up to the eligible rent, which means the level of Housing Benefit subsidy that local authorities receive from the Department in respect of these cases is crucial to ensuring the sustainability of the scheme. By controlling the amount of Housing Benefit subsidy payable

³ Convention of Scottish Local Authorities

to local authorities, the Department has the potential to influence rent levels and control Housing Benefit expenditure.

16. Where Housing Benefit subsidy is reduced for those cases affected from April 2011, it will encourage local authorities or housing associations to look at ways of reducing costs in line with the new subsidy rates, which may lead to reduced rents for the household. If costs remain above the maximum level of Housing Benefit subsidy, local authorities would have to meet the shortfall, or consider relocating the household. Overall the Department expects there to be a reduction in Housing Benefit expenditure on cases affected by the extension of the Local Housing Allowance-based scheme from April 2011. It is not possible to provide an estimate of the savings due to a lack of data currently available.

Indirect impact on rent levels and those living in temporary accommodation, particularly in relation to the protected characteristics

17. The equality impact assessment that accompanied the Local Housing Allowance-based subsidy scheme's first introduction⁴, published in September 2009, found there to be a disproportionately high number of people from an ethnic minority group as well as female lone parents living in temporary accommodation. An updated profile of those living in temporary accommodation is set out below. In the previous equality impact assessment, the Department said:

18. 'It is hoped that this piece of legislation will help to reduce the burden of high rents felt by many, which can be seen as a barrier to work, and will therefore lead to a broadly positive impact on this group of people, particularly among those based in London.'⁵

19. There is some evidence that rent reductions have already started happening across temporary accommodation in London, where some local authorities used to charge cap-level rents across all property sizes. However, there is no evidence that this practice of pooling rents is a common feature of leased accommodation where a housing association is the landlord – rents tend to reflect different property sizes. This means there are likely to be fewer cases in April 2011 where rents are found to be significantly above the new subsidy limits. However, housing association leasing schemes are sometimes used by local authorities to house larger families or place people in more expensive areas due to the currently more flexible subsidy rules. These cases may well be affected as housing associations seek to renegotiate leasing costs in line with the new subsidy rates. If reductions in leasing costs cannot be achieved, these households are likely to be moved to a cheaper location.

⁴ The Income-related Benefits (Subsidy to Authorities) (Temporary Accommodation) Amendment Order 2009 - <http://www.legislation.gov.uk/uksi/2009/2580/contents/made>

⁵ <http://www.dwp.gov.uk/docs/ia-hb-subsidy-reform-customers-temp-acc.pdf> (paragraph 16)

20. There is evidence of rent reductions having already taken place since the new subsidy scheme was introduced for local authorities in April 2010. The questionnaire sent to local authorities earlier this year (May 2010) is comparable to an earlier questionnaire issued in July 2007.
21. The sample from the 2010 questionnaire suggested that, in outer London areas, rents in housing association-leased accommodation tended to be higher than in local authority-leased accommodation in larger properties (4 or 5 bedrooms). However, among smaller properties (1-2 bedrooms) rents were found to be generally lower among housing association-leased accommodation. In inner London areas, rent levels for housing association leasing schemes tended to be consistently higher across almost all property sizes (except one bedroom properties).
22. The 2010 questionnaire attracted responses from 14 local authorities who had also responded to comparable questions in 2007. Both questionnaires included information on rent levels. Of these 14 local authorities, 9 reported lower rent levels in 2010 than in 2007. In most cases, rents had come down for 1 and 2 bedroom properties.
23. This snapshot from a small number of local authorities, although not conclusive, provides encouraging signs that recent changes to Housing Benefit subsidy in this area are leading to lower rents. The majority of those living in temporary accommodation are placed in smaller 1 or 2 bedroom properties, in London, and it is among these properties that rent reductions were most likely. Therefore, the overall impact of the new subsidy scheme, including its extension to more cases from April 2011, should in most cases lead to positive changes for tenants, as costs and therefore rents move downwards.
24. Conversely, there was some evidence in the questionnaires of rent increases, particularly outside of London where the old subsidy caps were less generous. In London, there have been rent increases on some larger properties in local authority-leased accommodation. This is because the new subsidy scheme, which is based on property size, can be more generous for certain properties. The upper cap limits that feature in this scheme, however, serve to ensure that Housing Benefit for the very highest rents in inner London will not be subsidised by the Department.

Profile and number of households living in temporary accommodation

25. At the end of March 2010, there were just over 64,600 households living in temporary accommodation in Great Britain. This compares with over 76,800 households in March 2009. The table below provides a breakdown of cases in leased accommodation in England and London.

Number of households living in temporary accommodation on 31 March 2010

	England not including London	London	Great Britain (includes London and rest of England)
Private sector leased by local authority	2,880	18,640	not available
Private sector leased by registered social landlord (RSL)	880	8,520	not available
All temporary accommodation	12,280	39,030	64,615

(Sources: Communities and Local Government, Scottish Government, Welsh Assembly)

26. The table shows that the vast majority of leased temporary accommodation is London-based and around a third of the total leased accommodation caseload is leased by a registered housing association (i.e. Registered Social Landlord). It is this latter group that will form the majority of those cases potentially affected by the extension of the subsidy scheme in April 2011.

27. This subsidy scheme will, from April 2011, also affect homelessness prevention cases placed into leased accommodation on assured shorthold tenancies. As these cases are not recorded as 'temporary accommodation', the total number of households potentially impacted by these subsidy changes will be higher than indicated in the table.

The characteristics of households living in temporary accommodation

28. The following analysis is based on Communities and Local Government data for households living in temporary accommodation in England only. This accounts for 79 per cent of the total caseload in Great Britain. The data available on temporary accommodation in Scotland and Wales are not all comparable with England's and not always as detailed in terms of household characteristics.

Disability

29. Communities and Local Government data provide a breakdown only of those accepted as homeless by priority need category, which includes a physical disability category and one for mental illness. There is no figure for those currently living in temporary accommodation where a member of the household has some form of disability. Of the 40,020 cases accepted by local authorities in England as homeless in 2009/10, 7 per cent of households were found to have a member vulnerable through having a physical disability and 8 per cent through having some form of mental illness. It should be noted that, where the household contains dependent children or a pregnant woman, that will always take precedence over the other priority need groups when the data are recorded. The figures for those vulnerable through having a physical disability or some form of mental illness are likely to be an

underestimate of the total because they do not include households with children or pregnant women.

30. For comparison, approximately 26 per cent of all Housing Benefit claimants have a disability, based on figures for Great Britain for November 2009⁶. This figure includes claimants:

- with the disability premium or the severe disability premium included in their applicable amount;
- passported to full Housing Benefit by an award of Employment and Support Allowance; or
- awarded Income Support as a result of their disability.

31. The different definitions of disability mean that it is difficult to draw any conclusions about whether claimants living in temporary accommodation are more or less likely to be disabled than other Housing Benefit recipients. The lower proportion of disabled people accepted into temporary accommodation, compared with the Housing Benefit caseload, is likely to be due to their younger age profile. The difference may also be explained by disabled claimants spending longer periods of time on Housing Benefit than their non-disabled counterparts, increasing the proportion of Housing Benefit claimants that are counted as disabled at any point in time.

32. There is no evidence to suggest that these reforms will disproportionately impact (directly or indirectly) on households containing someone with a disability.

Age

33. Communities and Local Government data also give a breakdown of those accepted as homeless by the age of the applicant. The table below shows this for 2009/10.

Homeless households in priority need accepted by local authorities, by age of applicant, England, 2009/10

Total accepted in period	16-24	25-44	45-59	60-64	65-74	75 & over
40,020	15,510	19,300	4,040	450	520	200
100%	39%	48%	10%	1%	1%	1%

Source: CLG P1E Homelessness returns (quarterly)⁷

34. For comparison, a breakdown of the ages for all Housing Benefit recipients is shown below.

⁶ Single Housing Benefit Extract, November 2009.

⁷

Housing Benefit recipients by age group, March 2010, Great Britain

Total at March 2010	16-24	25-44	45-59	60-64	65 & over
4,718,940	382,960	1,706,420	1,027,110	324,820	1,277,450
100%	8%	36%	22%	7%	27%

Source: National Statistics on Housing Benefit caseload, March 2010.

35. Whilst the over 60s made up just 3 per cent of homelessness acceptances during 2009/10, the same age group made up over 30 per cent of Housing Benefit recipients in Great Britain in March 2010. Conversely, approximately 40 per cent of people accepted as homeless in 2009/10 were aged under 25. This age group made up only 8 per cent of all Housing Benefit recipients. This would suggest there is the potential for younger people aged 25 or under to be disproportionately affected by these changes. The nature of the impact of these changes on this group and on those sharing any of the other protected characteristics is explored further below.

Religion or belief

36. There are no data available for households living in temporary accommodation according to religion or belief. The potential impact of these changes on individuals with any of this protected characteristic.

Sexual orientation

37. There are no data available for households living in temporary accommodation according to sexual orientation. The potential impact of these changes on individuals with this protected characteristic is explored below.

Gender

38. Of the 51,300 households living in temporary accommodation, in England, in March 2010, 41 per cent were female lone parent households with dependent children. At March 2010, 21 per cent of the 4.7m claimants in receipt of Housing Benefit in Great Britain were female lone parents. Both the proportion of female lone parents living in temporary accommodation and the proportion claiming Housing Benefit are higher than in the general population. Therefore any risks or positive impacts associated with the changes could have a disproportionate effect on this group. The potential impact of the changes on these groups is explored below.

Gender reassignment

39. There is no information on numbers of people having undergone gender reassignment, who are living in temporary accommodation. The potential impact of the changes on these groups is explored below.

Race

40. Of the total number of households living in temporary accommodation in England in March 2010, 54 per cent of applicants (the individuals making the homeless application on behalf of their household) were from an ethnic minority group. The vast majority (93 per cent) of ethnic minority households living in temporary accommodation, in March 2010, were based in London. Outside of London, ethnic minority applicants accounted for only 15 per cent of households in temporary accommodation. Family Resources Survey data for Great Britain over 3 years (2006/07 to 2008/09) suggests that 11 per cent of all Housing Benefit claimants are from an ethnic minority group.

41. The much higher proportion of ethnic minority households living in temporary accommodation in London is most likely due to there being a) a higher proportion of ethnic minority households in the general population in London than elsewhere, combined with b) the average length of stay in temporary accommodation in London is much greater than elsewhere. Of those households leaving temporary accommodation in London between January and March 2010, 51 per cent had been living in temporary arrangements for two years or more.

Indirect impact on groups in relation to the protected characteristics, including in particular, female lone parents, people from an ethnic minority group and young people

42. Although there is a relatively high proportion of people from ethnic minority groups, female lone parents and people aged under 25 living in temporary accommodation, compared with the overall Housing Benefit caseload and the general population, extending the subsidy scheme should lead, in most cases, to an indirect but positive impact by encouraging lower or more reasonable rent levels, as explored above.

43. Where in some cases it is not financially viable for the local authority or housing association to continue an existing lease arrangement it may be necessary to move a household to alternative accommodation. These circumstances could apply to a disproportionate number of applicants who are from an ethnic minority group, a female lone parent, or aged under 25, particularly who are based in London, where the upper cap limits of £375 and £500 are most likely to reduce current subsidy levels for people in housing association-leased accommodation.

44. However, the characteristics of the household play no part in determining the likelihood of their rent changing or being required to move to alternative accommodation. These reforms affect Housing Benefit subsidy only and have no bearing on a customer's entitlement to Housing Benefit.

Mitigations

45. Where a local authority finds it is necessary to move a household into alternative accommodation as a result of these changes, their individual circumstances, including for example, local connection, will be taken into account. This forms part of a local authority's duty to provide households accepted as homeless with suitable accommodation.

46. In terms of notifying local authorities of these changes, the Department published, in April 2010, a clear intention to extend the Local Housing Allowance-based subsidy scheme to include housing association leasing scheme cases from April 2011. Then in May 2010, the Department issued guidance to local authorities to use the Local Housing Allowance-based formula and upper cap limits as a benchmark for considering the reasonableness of existing housing association leasing scheme rent levels.

47. These communications mean that action is already being taken by local authorities and housing associations, with many housing association leasing scheme rents converging towards the new subsidy levels. It also means that housing associations have had time to work with local authorities on plans to ensure any disruption for households living in temporary accommodation is kept to a minimum. In most cases, the Local Housing Allowance-based subsidy scheme will enable existing leases to be sustained and therefore tenancies will be maintained.

Monitoring and evaluation

48. The impact of change will be monitored by:

- collecting expenditure information on modified local authority subsidy claim forms. This will enable the Department to monitor expenditure across all temporary and short-term accommodation used to accommodate homeless households, or to prevent homelessness, regardless of whether the landlord is the local authority or a registered housing association;
- collecting additional information via the Single Housing Benefit Extract. This will enable anonymised case level information to be monitored to ensure that the Local Housing Allowance-based subsidy regime is achieving its specified objectives. The Single Housing Benefit Extract will also begin to provide details of cases brought into the new subsidy regime in terms of age, gender, disability and (less

reliably) ethnicity;

- working with Communities and Local Government and colleagues in the devolved administrations to consider any impact on or changes to the provision of temporary and short-term accommodation with regard to those sharing any of the protected characteristics;
- working with local authority associations, housing association representatives and other interested parties, through informal discussions and further questionnaires, to build a more complete picture of the impact of these reforms on those with the protected characteristics. This includes monitoring, where available, trends in customer feedback and complaints to local authorities.

Next steps

49. The impact of these reforms and the general usage and costs associated with temporary accommodation will be monitored throughout 2011/12. The Local Housing Allowance-based subsidy formula and upper cap limits will be reviewed in 2012 ahead of deciding future subsidy levels from April 2013 onwards.

Contact details

Joe Stacey
Policy adviser
Department for Work and Pensions
joseph.stacey@dwp.gsi.gov.uk
020 7449 5346