

Title: Under-occupation of social housing Lead department or agency: Department for Work and Pensions Other departments or agencies: Jobcentre Plus	Impact Assessment (IA)
	IA No:
	Date: 16 February 2011
	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 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 deduction should reduce the rent to a fixed level, reduce the rent by an absolute amount, or whether any deduction should be proportionate to the rent (a percentage takes account of the variation in rent);
- whether it would be appropriate to vary deductions locally, or have a single national deduction (a single deduction is simpler and creates fewer claimants who experience very small or very large deductions);

We have also considered the evidence and data sources that the any deduction should be based upon (given that different sources give different answers, we have suggested deductions which are simpler and that fall within the range of the estimates from these various sources).

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 2014/15
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 10/11	PV Base Year 10/11	Time Period Years 2	Net Benefit (Present Value (PV)) (£m)		
			Low: -	High: -	Best Estimate: 0

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	-		-	-
High	-		-	-
Best Estimate	-		-	£770m

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 deduction.
- 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. We have estimated some potential costs and will work with local authorities to consider other impacts of the change.

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

- 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)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	-		-	-
High	-		-	-
Best Estimate	-		-	£770m

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

- The exchequer and taxpayers benefit as a result of benefit reductions to individuals.
- 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 at approximately £1.5m.

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

- 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, with little tenant mobility assumed. If a significant number of tenants wished to move, this would reduce direct 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. No account is taken of any possible exemptions from the size criteria in the above estimate. Rent differentials are based on the differences in rent for new lettings in a typical local authority.

Impact on admin burden (AB) (£m):		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 it is intended 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	Large Nil
Are any of these organisations exempt?	N/A	N/A	N/A	N/A	N/A

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 will be expanded 2011, once the Equality Bill comes into force. Statutory equality duties part of the Equality Bill apply to GB only. The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base - References

No.	Legislation or publication
1	English Housing Survey Household Report 2008-09 http://www.communities.gov.uk/documents/statistics/pdf/1750765.pdf
2	Housing in England 2007-08 http://www.communities.gov.uk/publications/corporate/statistics/housingengland200708
3	Housing Benefit Caseload Statistics, October 2010 http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_jan11.xls
4	

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				440	430
Total annual costs				440	430
Transition benefits				0	0
Annual recurring				440	430
Total annual benefits				440	430

* 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. From 1 April 2013 it is intended to introduce size criteria for new and existing Housing Benefit claimants living in the social rented sector.
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 65 (in line with changes in the state pension age for women, and entitlement to the guarantee element of state pension credit). New and existing Housing Benefit claims from those claimants who have reached the qualifying age for State Pension Credit will be unaffected by the measure.
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. 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 local housing allowance 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.

Reason for change in policy?

11. 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.
12. 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

13. Expenditure on Housing Benefit has increased significantly from £11 billion in 2000/01 (£15 billion in today's prices) to about £21.5 billion this year.
14. At October 2010, there were 3.3m Housing Benefit claimants living in the social rented sector. Claimants in the social rented sector made up approximately 69% 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.
15. 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 tenants in the social rented sector to enjoy more spacious accommodation than they could justify if they were on Housing Benefit 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.
16. Based on the findings of the English Housing Survey from 2008/09, approximately 59% of tenants in the social rented sector were in receipt of Housing Benefit. This figure is now likely to be higher given increases in the Housing Benefit caseload as a

consequence of the recession.

17. The high proportion of tenants in receipt of Housing Benefit means that it has the potential to influence the behaviour and actions of many tenants and landlords. It is this role that the introduction of the size criteria intends to capitalise on, providing support where accommodation is suitable for the needs of the tenant; and providing an economic incentive for tenants to move to smaller properties where their accommodation is considered larger than necessary to meet their needs and those of their household.
18. 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, the lower rent will help to provide an additional work incentive, and enable claimants to 'float off' Housing Benefit at lower income levels.

Estimating Costs and Benefits

19. Although Housing Benefit places restrictions on the size of accommodation for claimants living in the private rented sector, there is little research that provides any 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 local housing allowance (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.
20. 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 sweeteners), 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 currently over 1.75m households on local authority waiting lists for social housing.
22. The Department for Communities and Local Government (DCLG) has recently consulted on the Government's plans for radical reform of the social housing system. One element of this aims to improve mobility within the sector. This Housing Benefit measure supports DCLG's future agenda for social housing, and helps provide incentives to encourage greater movement of tenants to make best use of the available social housing stock.

23. 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. 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 20 should share with others of the same gender. We intend 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.
24. According to estimates from DCLG there is a surplus of 3 bedroom properties, based on the profile of existing working-age tenants in receipt of Housing Benefit, and a lack of 1 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 afield for appropriately sized accommodation or move to the private 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.

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.

Estimated Costs

Householder costs

25. The introduction of the size criteria is likely to affect an estimated 670,000¹ Housing Benefit claimants living in the social rented sector at the time of its introduction in 2013/14. This is approximately 32% of all working-age Housing Benefit claimants living in social housing. At the time of its introduction each claimant will see an average reduction in Housing Benefit of approximately £13 per week, taking into account forecast increases in social sector rents.
26. As the qualifying age for State Pension Credit increases, the number of claimants affected is likely to increase to about 760,000 by 2020, assuming no other changes to the caseload.

¹ Estimates of the impacts have been derived from the Department's Policy Simulation Model using reference data from the Family Resource Survey for 2008/09. Because estimates are based upon survey data, the results will be subject to sampling error.

27. 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; or
- Move to accommodation which better reflects the size and composition of their household.

28. The size of the deduction 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

29. The majority of affected householders (approximately 78%) are under-occupying their accommodation by just one bedroom. On average, these claimants will lose about £11 per week in 2013/14. Those householders who have a greater number of excess bedrooms, will experience larger average deductions from their Housing Benefit entitlement.

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	530,000	78%	£11
2 or more bedrooms	150,000	22%	£20
ALL BEDROOMS	670,000*	100%	£13

Source: Policy Simulation Model, using 2008/09 reference data from the Family Resource Survey. *Total numbers do not sum because of independent rounding.

Size of Housing Benefit reductions

30. The distribution of benefit reductions amongst affected claimants is shown below. The majority of claimants (over 70%) are likely to experience reductions of less than £15 per week, based upon 2013/14 prices. A small number of claimants will experience larger deductions, depending upon their rent and the extent to which they are under occupying their accommodation.

Amount of Weekly Deduction	Estimated Number of Claimants affected	Percentage of affected Claimants	Average Weekly Housing Benefit loss per affected Claimant (2013/14)
Less than £5	10,000	1%	£3
£5 up to £10	200,000	30%	£9
£10 up to £15	270,000	40%	£12
£15 up to £20	120,000	18%	£17
£20 up to £25	40,000	6%	£21
£25 and over	30,000	5%	£34
ALL DEDUCTIONS	670,000	100%	£13

Source: Policy Simulation Model, using 2008/09 reference data from the Family Resource Survey

31. The majority of those claimants affected, approximately 97%, 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 £7 per week.

Amount of Weekly Deduction	Estimated Number of Claimants affected	Percentage of affected Claimants	Average Weekly Housing Benefit loss per affected Claimant (2013/14)
Reductions in HB	650,000	97%	£14
Float off HB	20,000	3%	£7
ALL DEDUCTIONS	670,000	100%	£13

Source: Policy Simulation Model, using 2008/09 reference data from the Family Resource Survey

Impact on different types of Social Landlord

32. The impacts on local authority and Housing Association (HA) tenants are similar. Our estimates are that a slightly higher number of local authority tenants are likely to be affected by the measure, but that the deduction will, on average, be slightly smaller (about £13 per week in 2013/14, compared to £14 per week for Housing Association tenants). This reflects the fact that rents for local authority tenants are typically lower than the rents charged by Housing Association 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	370,000	33%	£13
HA tenants	300,000	32%	£14
ALL DEDUCTIONS	670,000	32%	£13

Source: Policy Simulation Model, using 2008/09 reference data from the Family Resource Survey

Regional Impacts

33. Across Great Britain, it is estimated that approximately 32% of working-age Housing Benefit tenants 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. We estimate that only around 19% of the relevant group are likely to be affected in London (although those with a deduction will experience larger losses, reflecting higher rent levels). Fewer claimants in southern England are also likely to be affected by the measure than in areas of northern England. In North East England it is estimated that approximately 46% of Social Housing tenants are likely to be affected: The size of the deduction that they experience, however, will be smaller on average than in London and areas in southern England.

Government Office 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	46%	£12
North West	120,000	43%	£12
Yorkshire & Humberside	70,000	36%	£11
East Midlands	50,000	37%	£11
West Midlands	60,000	33%	£14
Eastern	60,000	36%	£14
London	70,000	19%	£21
South East	50,000	26%	£15
South West	30,000	28%	£13
Wales	40,000	42%	£11
Scotland	70,000	32%	£11
GREAT BRITAIN	670,000	32%	£13

Source: Policy Simulation Model, using 2008/09 reference data from the Family Resource Survey

34. 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 because of little suitable available accommodation in the area; the tenant considering moving further distances in order to secure accommodation of the appropriate size; or in some cases the tenant could consider moving into the private rented sector.

Types of claimant affected

35. 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	Average Weekly Housing Benefit loss per affected Claimant (2013/14)
Age 60 and over, but under state retirement age	50,000	47%	£15
Under 60, Couples with children	60,000	18%	£14
Under 60, Lone parents	160,000	22%	£13
Under 60, Couples without children	80,000	62%	£13
Under 60, Single people	320,000	42%	£13
ALL FAMILY CIRCUMSTANCES	670,000	32%	£13

Source: Policy Simulation Model, using 2008/09 reference data from the Family Resource Survey

Behavioural Change

36. The change in tenant and landlord behaviour resulting from this measure is difficult to estimate. However, there is currently very little movement of tenants in the social rented sector. Estimates from the English Housing Survey for 2008/09 indicate that only 8% of 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 nearly 37%. Over 40% of tenants in the social rented sector had lived at their current address for 10 years or more.
37. Figures from the English Housing Survey for 2008/09 suggest that approximately 137,000 tenants in continuing households² left the social rented sector and moved into the private rented sector or became owner-occupiers. Approximately 181,000 households moved within the social rented sector (less than 5%). 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).
38. 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.

² 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.

Claimants moving within or out of the Social Rented Sector

39. 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.
40. Some claimants may decide to relinquish their tenancy in the social rented sector and move into the private rented sector. The numbers are likely to be small, given that most tenants attach considerable value to their social sector tenancy. The Housing Benefit entitlement for such claimants may increase, but their movement from the social rented sector will free up social sector accommodation for others who may themselves be living in the private rented sector or in Temporary Accommodation.

Social Landlord Costs

41. 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.

Local Authority Costs

42. 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.
43. As an illustration, it is estimated that if 20,000 of the householders that experienced a deduction of £25 or more 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 £0.5m. This is the estimated cost of administration, regardless of whether the outcome of the application for a Discretionary Housing Payment is successful or not.

44. Similarly, as an illustration, if this same group of claimants chose to appeal the decision made on their Housing Benefit entitlement, we estimate the additional administration cost associated with these appeals would be approximately £4m.
45. The impact on Local Authorities is likely to be greatest in 2013/14. The measure will affect existing Housing Benefit claimants in the social rented sector from April 2013, as well as new claims made on or after this date. Existing claimants will have no transitional protection and will be impacted by the measure from April 2013. This 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.

Estimated Benefits

Exchequer Benefits

46. 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.
47. The overall savings will be dependent upon the deductions that are applied to individual Housing Benefit claims. Figures in this Impact Assessment are based on rent differentials for new social sector lettings in a typical local authority.
48. 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 deduction, 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.
49. If a significant number of claimants chose to move address in the social rented sector, this could have an impact on these direct savings. For example, if 50% to 85% of affected claimants choose to remain in their existing accommodation, this would reduce the direct savings achieved by the deduction to somewhere in the range, £235m to £400m.
50. 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 who would otherwise have been 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.
51. The effects of these indirect impacts on savings are dependent upon assumptions made about the likelihood of these prospective tenants being entitled or in receipt of Housing Benefit, the approach of landlords to allocating freed up accommodation to new or existing tenants, the movement of tenants into the private rented sector and the relative levels of eligible rent for the old and the new accommodation.

Other Potential Social Rented Sector Tenant Benefits

52. 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.
53. 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	6.7%	52.9%	40.4%
Private Rented Sector	5.4%	42.9%	51.7%
Owner Occupiers	1.6%	14.5%	83.9%
ALL TENURES	3.0%	25.4%	71.5%

Source: 2008/09 English Housing Survey/Labour Force Survey combined dataset

54. Overcrowding is more common in the social rented sector. Different regions also have different rates of over-crowding 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 eight households living in overcrowded accommodation in the social rented sector.

Region	Overcrowded	At Standard	Under-occupied
North East	3.4%	45.1%	51.5%
North West	4.0%	49.0%	47.0%
Yorkshire & the Humber	4.6%	50.9%	44.4%
East Midlands	4.2%	50.9%	44.9%
West Midlands	6.1%	50.0%	44.0%
East	5.9%	53.9%	40.2%
London	13.5%	57.2%	29.2%
South East	6.2%	58.4%	35.5%
South West	5.3%	54.9%	39.8%
ENGLAND	6.7%	52.9%	40.4%

Source: 2008/09 English Housing Survey/Labour Force Survey combined dataset

55. 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 over-crowded 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

56. 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

57. Approximately 3% 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.

58. Most of these claimants will already have floated off Council Tax Benefit because of their income levels, and just have a small residual entitlement to Housing Benefit.

59. Where there is entitlement to neither Housing Benefit nor Council Tax Benefit, the reduction in the number of claimants is likely to lead to administrative savings across all Local Authorities of approximately £1.5m per annum. This is because it is anticipated there would be slight reductions in the number of claims Local Authorities would need to manage, review, make payment on and process changes of circumstances in relation to.

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.

<p>Basis of the review:</p> <p>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.</p>
<p>Review objective:</p> <p>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.</p>
<p>Review approach and rationale:</p> <p>A mixture of approaches will be used including:</p> <ol style="list-style-type: none">1) Analysis of internal administrative datasets,2) Analysis of survey data such as Family Resources Survey3) Work with external organisations,4) Where practical, bespoke analysis to cover questions not addressed by the other approaches, <p>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.</p>
<p>Baseline:</p> <p>Projected trends in caseload, expenditure, rents and other key variables under the benefit and tax credit system in the absence of the change.</p>
<p>Success criteria:</p> <p>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.</p>
<p>Monitoring information arrangements:</p> <p>Single Housing Benefit Extract (SHBE) is the Department's main source of real time data on Housing Benefit and is collected on a monthly basis. This will contain information on caseloads, expenditure and rents. The review will assess impacts on work incentives 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.</p>

Reasons for not planning a PIR:

Not applicable