

**Welfare and Wellbeing
Group**

Equality Impact Assessment
Housing Benefit subsidy reform for customers
living in temporary accommodation

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Purpose and aims of the changes

1. The Income-related Benefits (Subsidy to Authorities) (Temporary Accommodation) Amendment Order 2009¹, will introduce, from 1 April 2010, a new means of calculating local authorities' subsidy in respect of Housing Benefit (HB) payments made to customers living in temporary accommodation.
2. In summary, a new set of formulae will be in place from April 2010 (using Local Housing Allowance rates as a starting point) to calculate the maximum levels of HB subsidy the Department makes available to local authorities for these customers. The formulae are based on the size, location and type of the properties in which customers (usually accepted under a homelessness duty) have been placed by local authorities. The new subsidy scheme will replace the current one known as 'thresholds and caps' which is out-of-date and does not reflect the actual costs to local authorities of providing this type of accommodation.
3. This Document explores the potential impact of the changes on equality to meet the requirements of the:
 - Race Equality Duty.
 - Disability Equality Duty.
 - Gender Equality Duty.
4. It should be noted that the proposed changes do not alter the way HB is calculated or awarded by local authorities to HB customers. Instead they change the proportion of HB that is refunded to local authorities by DWP. As in the current scheme, any shortfall in HB subsidy would have to be covered by the local authority and not the HB customer.
5. In that respect HB customers would not be affected directly. However indirect benefits to HB customers may arise as detailed below, which is the focus of this impact assessment.
6. The Department's key objectives for these reforms 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

¹ Referred to as the Subsidy Order from here on.

- control the overall level of Housing Benefit expenditure on customers living in temporary accommodation.

Who will benefit mainly from this change?

7. It is expected that these changes will lead to an overall reduction in HB expenditure on customers living in temporary accommodation (from April 2010), which will benefit the taxpayer.
8. Although the direct impact of these changes will be on the amounts individual local authorities receive in HB subsidy, a key policy intention is that many households living in temporary accommodation, notably in London, will see their rents reduced to more reasonable levels. Most customers living in temporary accommodation outside of London will see little or no change to rent levels because the impact on the amount of HB subsidy available to authorities in many other areas will be relatively small.
9. The subsidy arrangements covered by these reforms only apply to HB customers living in certain types of temporary accommodation – private sector leased (PSL), accommodation held under license agreement by the local authority and bed and breakfast accommodation. Rent levels for customers living in PSL accommodation, in particular, tend to be driven by the amount of HB subsidy available to local authorities in respect of such cases. This is because most customers living in temporary accommodation are entitled to full Housing Benefit so local authorities rely on HB subsidy to cover the associated costs of running PSL schemes (leasing and management costs). As such, even customers not on HB are likely to be affected in some areas as local authorities adjust rent levels across their temporary accommodation portfolios to reflect the changes to HB subsidy.

Households in temporary accommodation

10. As a whole, households living in temporary accommodation may be seen as a relatively disadvantaged group when compared with the general population, regardless of other factors such as race, disability, age or gender. Research carried out in 2005 looking at the experiences of families living in temporary accommodation found: ‘there was a substantial (net) negative impact on these families’ and young peoples’ economic position (since leaving their last settled accommodation), and in children’s participation in clubs/activities.’ (p. 25, *Please, N., Fitzpatrick, S., Johnsen, S. et al*, March 2008²). Families living in temporary accommodation for more than one year (most of which are in London) were: ‘more likely to report that they were struggling financially; and were very often frustrated at the length of wait for settled housing’. (*ibid.*)
11. In total, there were (at the end of March 2009) around 76,000 households living in temporary accommodation across Great Britain³, of which a majority are likely to be in receipt of Housing Benefit. Most of the temporary accommodation

² [Statutory Homelessness in England: the experience of families and 16-17 year olds \(published by CLG March 2008\)](#)

³ Based on latest quarterly homelessness statistics (for March 2009 – England and Wales – and December 2008 – Scotland) available from [CLG](#), [Scottish Government](#) and [Welsh Assembly](#) websites.

caseload is based in England (64,000 households in March 2009) and we estimate that around 56 per cent of these are living in properties (PSL, licensed or B&B) where the new subsidy arrangements for HB customers would apply. On that basis, the total number of households living in temporary accommodation subject to these reforms is an estimated 42,000, across Great Britain.

12. The type of data collected and published regarding the make-up and characteristics of households living in temporary accommodation vary between England (Communities and Local Government (CLG) data), Wales (Welsh Assembly data) and Scotland (Scottish Government data). Given that English authorities account for 85 per cent of the overall caseload, it is useful to build an indicative profile of households living in temporary accommodation using figures from CLG⁴.

Potential indirect Impact on HB customers

13. A key objective for reform in this area was to encourage more local authorities to charge customers in temporary accommodation rents that better reflected private rented sector (PRS) rates for the size and location of the properties occupied. It is currently the case that many of these households, notably in London, are being charged rents well above what would be considered to be a reasonable rent. This is because many temporary accommodation rents in London merely reflect local authorities' subsidy caps⁵, and are not varied according to property size or location.
14. In London, the average subsidy cap for local authorities in 2007/08 was £350 per week. During this time, at least 40 per cent⁶ of London-based authorities with PSL schemes were charging average rents to customers within 5 per cent of their respective subsidy caps. Using the same data (from the 2007 DWP questionnaire) those authorities who reported charging cap-level rents were responsible for a total of around 16,000 households in PSL accommodation. Given that 67 per cent of those households were placed into properties with two bedrooms or less and that the average rent for a two-bedroom property in London was around £250pw⁷, it is reasonable to conclude that charging an average rent of around £350 per week was, in most cases, an excessively high rent.
15. These statistics give some indication of the extent to which local authorities in London have been charging very high rents to households living in temporary accommodation. There is currently no evidence to suggest that unnecessarily high rents are commonly being charged to households in temporary accommodation outside of London.

4 [Communities and Local Government: quarterly breakdown of homelessness statistics \(January to March 2009\)](#)

5 The subsidy 'cap' is currently the maximum amount of subsidy a local authority can receive in respect of HB payments made to customers living in short-term leased (or PSL) accommodation or licensed accommodation.

6 Based on responses to a DWP questionnaire returned by London-based local authorities in 2007. Of those who responded with data on PSL schemes, 14 out of the 22 authorities were charging average rents within 5 per cent of their respective subsidy caps. This represents 42 per cent of the 33 London-based local authorities.

7 Average rent for a two-bed property is based on average LHA rates (the 2-bedroom rate) across all London BRMAs using earliest available figures, for April 2008. Available from [LHA-Direct](#)

16. 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.

Employment levels among households living in temporary accommodation

17. It is not possible to provide precise figures on the level of worklessness among households living in temporary accommodation. In the report published by CLG in March 2008, researchers found the level of worklessness among families accepted as homeless (with no adult in work) to be 64 per cent⁸. This was compared with a figure of 14 per cent for all families with children in the general population. There are of course many reasons why people in temporary accommodation may not be in work. Given that most households living in temporary accommodation are lone parent families with young children, it may not be surprising that the main barriers to work cited in the research were for reasons relating to childcare, or not wanting to be apart from the children. However, among families living in temporary accommodation for more than one year, a total of 19 per cent felt they would either not be able to afford the rent or would be better off not working⁹. Most of those families would have been concentrated in London.
18. It is evident that some households in temporary accommodation (up to 19 per cent) would be more likely to consider working if their rents were lower. The Department intends to monitor the impact of these subsidy reforms on the level of employment among households living in temporary accommodation. A question around this was put to local authorities in the Local Authority Omnibus Survey, Wave 17, in 2008. It found that almost a quarter of local authorities reported that between 1 and 10 per cent of households contained someone in employment and only 5 per cent authorities thought there were 40 per cent or more households containing someone in employment¹⁰.
19. As there may also be some cases where rents could be increased by local authorities as an indirect result of these changes, it is possible that a small number of households could be further discouraged from working. We do not know the exact number where this is likely to happen but it is believed that any increases to local authorities' subsidy will in most parts be marginal. In some areas where LHA rates are particularly high (such as in central London), households placed there could attract much higher levels of subsidy than they do currently. However, we do not expect local authorities to charge up to the new caps in such cases, but instead charge rents that reflect their genuine costs.

⁸ [Statutory Homelessness in England: the experience of families and 16-17 year olds \(CLG, March 2008\)](#)

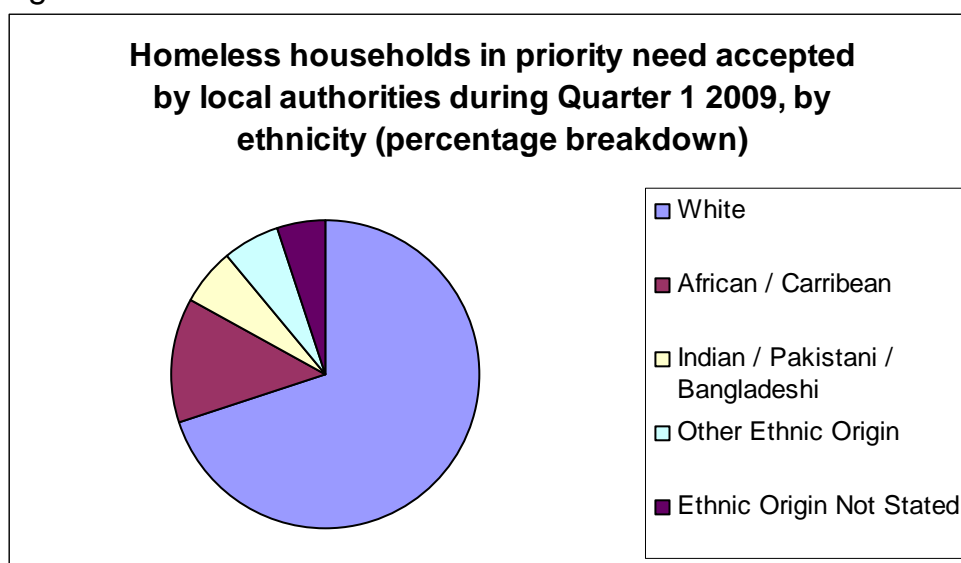
⁹ [ibid.](#)

¹⁰ [Local Authority Omnibus Survey – Wave 17 \(Durrant, C., Winter, E., Yaxley, D.\) Research Report 556, carried out by GfK-NOP and published by the Department for Work and Pensions](#)

Race Equality

20. Of the total number of households living in temporary accommodation in England (64,000) in March 2009, 54 per cent were from a minority ethnic background. Most of those households were concentrated in London, where the greatest impact on HB subsidy will be felt by local authorities as a result of these reforms.
21. The number of households in priority need accepted¹¹ by local authorities in England in the first quarter of 2009 was 11,350. Figure 1 provides a breakdown of homeless applicants by ethnicity. The proportions for each ethnic group accepted by local authorities, as shown below, have not varied at all significantly in the data showing acceptances going back to 1998. These figures show that 70 per cent of homeless applicants accepted by local authorities were white.
22. In London, 57 per cent of applicants accepted by local authorities in the same period stated they were from an ethnic minority background. The higher concentration of ethnic minority applicants accepted in London would help to explain the higher proportion of minority ethnic households in the overall total across England. Households placed into temporary accommodation in London will usually remain there for several years before being placed into permanent housing. This is because of a lack of social housing in London.

Figure 1



Source: CLG: quarterly homelessness statistics (Quarter 1 2009)

23. Given the high proportion of ethnic minority households living in temporary accommodation, particularly in London, any changes will lead to a greater impact on this group, as they are over-represented among homeless households.

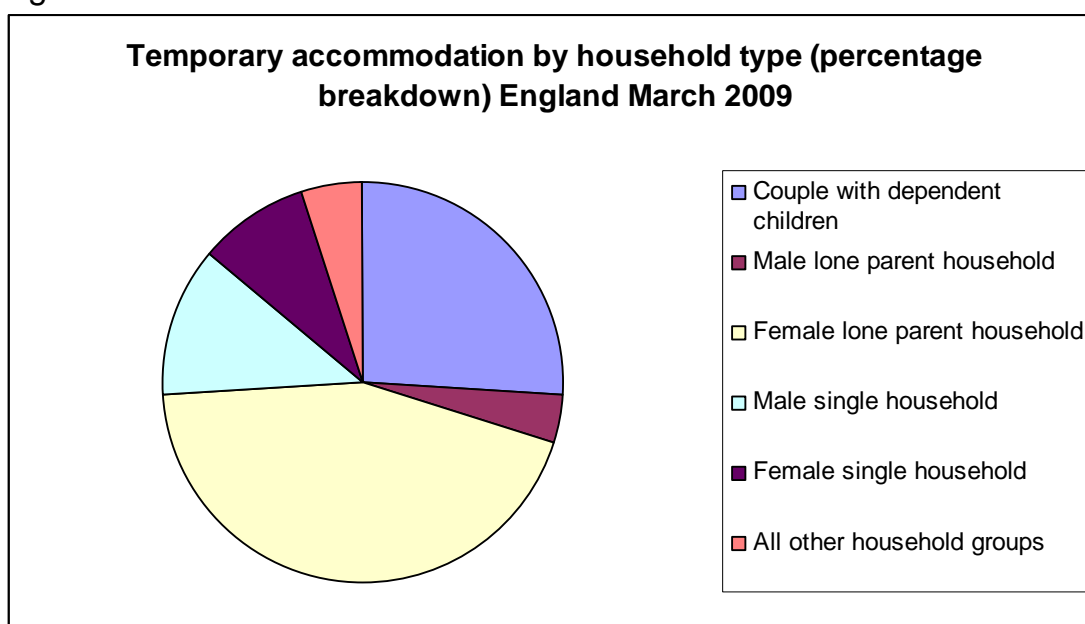
¹¹ Households found to be eligible for assistance, unintentionally homeless and falling within a priority need group, and consequently owed a main homelessness duty by a local housing authority. Figures reflect decisions under the 1996 Housing Act, and any residual 1985 Housing Act cases.

24. However, as stated above, it is anticipated that these changes will have an overall positive impact on customers living in temporary accommodation, as rent levels are generally expected to come down as a result of the changes.

Gender Equality

25. Any potential impact is also likely to have a larger effect on female lone parent households, who also have a higher representation among households living in temporary accommodation compared with the general population. In England, 44 per cent of the total number of households in temporary accommodation is headed by a female lone parent with dependent children¹². Figure 2 provides a breakdown of households living in temporary accommodation by household characteristics.

Figure 2



Source: CLG: quarterly homelessness statistics (Quarter 1 2009)

Note: lone parent households relate only to those containing dependent children.

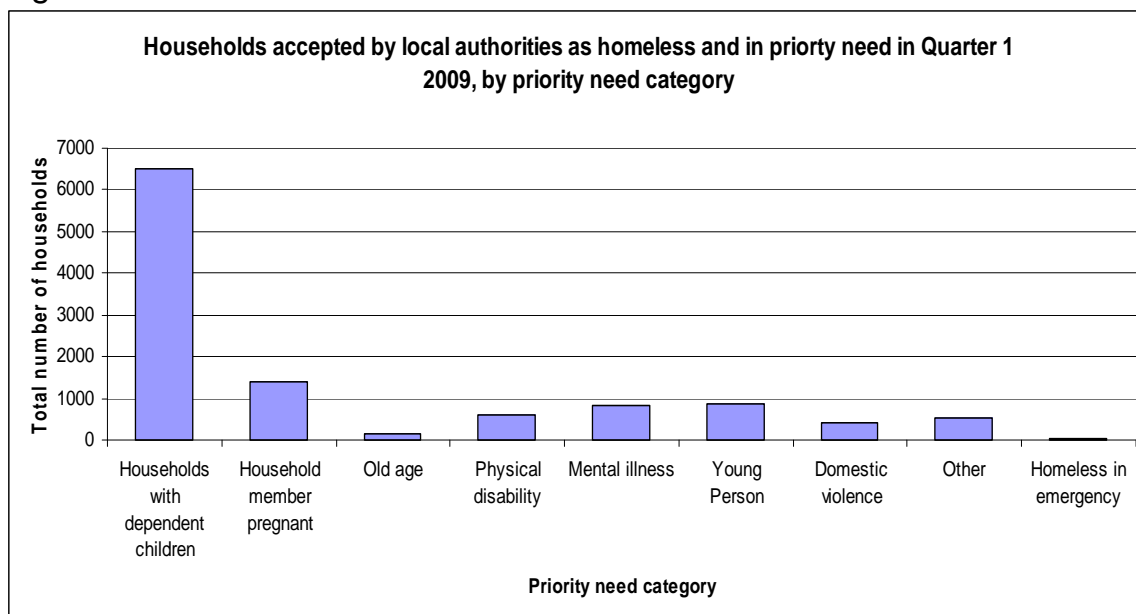
Disability Equality

26. The data available for people living in temporary accommodation do not directly measure disability. Instead, CLG data provide a breakdown of households accepted by local authorities each quarter by priority need category. Although the number of applicants accepted on the basis of a physical disability or mental illness within that household is reported, other households including a member with a disability may have been accepted on the basis of another reason, such as having dependent children.

27. The following table shows the number of households accepted by local authorities in England in Quarter 1 2009, by priority need category.

¹² CLG: quarterly homelessness statistics (figures correct at end of March 2009)

Figure 3



Source: CLG: quarterly homelessness statistics (Quarter 1 2009)

28. The vast majority of households accepted as homeless by local authorities were accepted on the basis of there being dependent children or someone who is pregnant within that household (69 per cent of the total in Quarter 1). Just 5 per cent of cases were accepted on the grounds of a member of that household having a physical disability, whilst 7 per cent were on the grounds of mental illness.

29. The proportion of households within each priority need category accepted in each quarter shows little variation over previous years going back to 1998.

Consultation and involvement

30. The design of the new subsidy scheme was developed with the help of a temporary accommodation working group set up in January 2008. This group included representatives from CLG, the devolved administrations, the four main local authority associations¹³ and some leading housing associations.

31. A draft amendment to the Subsidy Order was circulated as part of a six-week consultation among the four local authority associations, the devolved administrations, CLG and a number of other stakeholders with an interest in homelessness and temporary accommodation.

32. The Department received a total of twelve separate responses from organisations including the LGA, WLGA, London Councils, the Welsh Assembly, Shelter, a property management company involved in running Private Sector Leasing (PSL) schemes and six individual local authorities, five of which were London-based. The LGA and London Councils confirmed they were in favour of

¹³ The four main local authority associations are: the Local Government Association, the Welsh Local Government Association, the Convention of Scottish Local Authorities and London Councils.

these reforms, in principle. The recurring theme from most respondents (including the LGA and London Councils) was to seek increases to the level of subsidy available by making the formulae more generous. From the customer's perspective, Shelter highlighted the need to ensure that the supply of temporary accommodation would not be diminished by these changes and that, to avoid any arrears in the payment of HB, it was important to ensure the implementation of the changes was complete in time for 1 April when the changes come into force.

33. Although the Department does not intend to increase the amount of subsidy available at this time, we do not expect the supply of temporary accommodation to be reduced by these reforms and we are working closely with local authorities to ensure a suitable level of preparedness (as a minimum that customers will continue to be paid the correct benefit) in time for April 2010. Should an individual local authority find it can no longer afford to run its own leasing scheme there are alternative housing options available including the use of Housing Association Leasing schemes (HALs) which are not subject to the same subsidy restrictions. HALs were deliberately left out of these reforms to provide a viable alternative to local authority-run leasing schemes whilst the Department monitors the impact of these changes.

Next steps

34. The new Housing Benefit subsidy arrangements will commence from 1 April 2010.
35. The direct impact on HB expenditure will be monitored through local authorities' annual subsidy claims. The impact on rent levels, particularly in London, will also be monitored through Departmental data.
36. A broader monitoring of employment rates among households living in temporary accommodation will be carried out by the Department through the Local Authority Omnibus Survey, which began a series of questions relating to Housing Benefit subsidy reform in temporary accommodation, including one on employment, in Wave 17¹⁴ in 2008 (published in 2009). The next wave featuring questions on temporary accommodation is Wave 19, the key findings of which are due to be published in January 2010.

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¹⁴ [Local Authority Omnibus Survey \(Wave 17\)](#)