



Impact assessment of statutory guidance on social housing allocations for local authorities in England



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Summary: Intervention and options

Department/Agency: Communities and Local Government	Title: Impact assessment of statutory guidance on social housing allocations for local authorities in England	
Stage: Implementation	Version: Final	Date: 24 November 2009
Related Publications: <i>Fair and Flexible: statutory guidance on social housing allocations for local authorities in England</i>		

Available to view or download at:

<http://www.communities.gov.uk/housing/publications/impact-assessments/>

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

Many people know nothing or only a little about the way social housing is allocated, and many perceive the system as being unfair. Local authorities need flexibility to design allocation policies which best meet different local needs and circumstances. Intervention is necessary to improve awareness of allocation schemes, tackle misconceptions about fairness and to encourage local authorities to make full use of available flexibilities within the legislative framework.

What are the policy objectives and the intended effects?

There are two main policy objectives and intended effects. Firstly, to increase involvement of local people in discussions about allocations policies, so as to increase awareness and understanding of allocations and to tackle misconceptions. Secondly, to increase local authorities' use of flexibilities so that their allocation policies best meet local needs and circumstances.

What policy options have been considered? Please justify any preferred option.

Issuing new statutory guidance is the Government's preferred option because it offers the most effective way of achieving the Government's policy objectives, whilst protecting the core principle that overall priority for social housing should go to those in greatest housing need. Other options were considered including 'leave the guidance unrevised'. Given the Ahmad¹ judgement and its potential impact on allocation schemes, revision of guidance is felt necessary.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

Government will monitor local authorities' responses to new guidance, undertake further surveys on attitudes to allocations and changes to the characteristics of people entering social housing.

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister:



Date: 4 December 2009

¹ <http://www.publications.parliament.uk/pa/ld200809/ldjudgmt/jd090304/newh-1.htm>

Summary: Analysis and evidence

Policy Option: 1	Description: Issue new statutory guidance to local authorities on social housing allocation policies under s.169 of the Housing Act 1996
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Local authorities will incur costs (staff time and overheads) from familiarising themselves with the new guidance and considering whether to act on it.
	One-off (Transition)	Yrs	
	£300k – 600k		
	Average Annual Cost (excluding one-off)		
	£ Unquantified		Total Cost (PV) £300k – 600k
Other key non-monetised costs by 'main affected groups' Local authorities may incur additional costs if they modify allocation policies and if they undertake greater community engagement and monitoring of impacts of allocation policies. The types of households accessing social housing could change in some localities, which might reduce the priority given to some groups.			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' It has not been possible to quantify the main benefits of issuing new statutory allocations guidance: improved community awareness and support for social housing allocations. Benefits will vary across different areas according to how local authorities respond to the guidance.
	One-off	Yrs	
	£0		
	Average Annual Benefit (excluding one-off)		
	£ Unquantified		Total Benefit (PV) £ Unquantified
Other key non-monetised benefits by 'main affected groups' Revising allocation policies and practices could lead to improved public understanding and support. Changes in priorities given to different types of households could benefit some groups. Allocating more lets for management reasons could make more efficient use of the stock of social housing.			

Key Assumptions/Sensitivities/Risks The scale of national impacts will depend on the number of local authorities that revise their allocation policies and the changes that they make. At local levels there could be significant impacts, including on local authority costs and types of households accessing social housing.

Price Base Year 2009	Time Period Years 10	Net Benefit Range (NPV) £ Unquantified	NET BENEFIT (NPV Best estimate) £ Unquantified
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What is the geographic coverage of the policy/option?	England			
On what date will the policy be implemented?	After 30/11/2009			
Which organisation(s) will enforce the policy?	Local authorities			
What is the total annual cost of enforcement for these organisations?	£0			
Does enforcement comply with Hampton principles?	Yes			
Will implementation go beyond minimum EU requirements?	No			
What is the value of the proposed offsetting measure per year?	£0			
What is the value of changes in greenhouse gas emissions?	£0			
Will the proposal have a significant impact on competition?	No			
Annual cost (£–£) per organisation (excluding one-off)	Micro £1,000– £2000	Small £1,000– £2000	Medium £1,000– £2000	Large £1,000– £2000
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)		(Increase – Decrease)	
Increase of	£ 0	Decrease of	£ 0
		Net Impact	£ 0

Key: **Annual costs and benefits: Constant Prices**

(Net) Present Value

Evidence Base (for summary sheets)

Introduction

This is a revised version of the draft impact assessment (IA) published in July 2009². It takes account of the responses received to our consultation draft statutory guidance on social housing allocations for local authorities in England (a full summary of consultation responses can be viewed at www.communities.gov.uk/housing/housingmanagementcare/housingallocation/); reflects views expressed at a round of regional seminars with local authority housing practitioners and tenant representatives; and expands on relevant research and data.

Communities and Local Government (CLG) also commissioned its Housing Analysis and Surveys Expert Panel to consider the draft guidance and to highlight further evidence and likely outcomes. Its findings can be viewed at www.york.ac.uk/inst/chp/HAS/commissions.htm. This additional information and comment is reflected below.

Scope

This IA analyses the potential costs and benefits from revising the statutory guidance on social housing allocations for local authorities in England.

All local authorities have a statutory responsibility under the Housing Act 1996 to have an allocation scheme to determine priorities and set out the procedures for allocating social housing. Revising the statutory guidance is expected to affect a wide range of parties including all local authorities, households and individuals on local authority waiting lists for social housing, tenants and residents associations, registered social landlords, and private sector landlords.

Issue

Many people know nothing or only a very little about the way social housing is allocated, and many perceive the system as being unfair. *The Public Affairs Monitor Omnibus survey of public attitudes to social housing*, conducted by Ipsos/ MORI in July and August 2008 (<http://www.communities.gov.uk/housing/housingmanagementcare/housingallocation/>) on behalf of the department, found that in answer to the question “*Is the way social housing is allocated to people is generally fair?*”

- thirty-two per cent disagreed
- twenty-three per cent neither agreed nor disagreed
- twenty-two per cent agreed

² www.communities.gov.uk/documents/housing/pdf/1301296.pdf

The same survey also asked what people's understanding was of the allocation system. In response to the question "How much, if anything, do you feel you know about how council and housing association homes are allocated to people?"

- forty-one per cent knew nothing
- forty-eight per cent knew a little
- eight per cent knew a lot

The 8 per cent who said they knew a lot about the system proportionately expressed more negative views (64 per cent compared to 32 per cent overall).

Focus group discussions held as part of recent research from the Equality and Human Rights Commission (EHRC) on social housing and immigration indicated a strong public perception that new migrants get priority for social housing over UK-born residents, although the EHRC research (www.equalityhumanrights.com/uploaded_files/ehrc_report_-_social_housing_allocation_and_immigrant_communities.pdf) found no evidence to support this perception. The EHRC's findings are supported by evidence collected through CORE (Continuous Recording of Lettings) which shows that new migrants are not disproportionately accessing social housing. The CORE data shows that about 6 per cent of new social lettings went to foreign nationals in 2007–08. This is about the same as the proportion of households in England which are headed by a foreign national (7 per cent).

In light of the strong views which allocation policies can provoke, one of the commitments in *Building Britain's Future* (<http://www.hmg.gov.uk/buildingbritainsfuture.aspx>) was therefore to make housing allocation systems more transparent, easier to understand and fairer.

The Government believes it is right that social housing should continue to provide a safety net for those whose needs are not met by the private market, and that overall priority for social housing should go to those in greatest housing need. The priority groups are defined by the current statutory reasonable preference (RP) categories. These are set out in the Housing Act 1996 and were rationalised in the Homelessness Act 2002 and further refined by the Housing Act 2004, to ensure that they are based on housing need.

However, within the parameters of housing demand and supply and the existing legislative framework, local authorities have the flexibility to design allocation policies which best meet different local needs and circumstances. Many authorities are already making use of flexibilities such as local lettings policies, local connection and local preferences. Others have been more cautious about what the law enables them to do.

The recent House of Lords judgment in the case of *R (on application of Ahmad) v. Newham L.B.C* ("*Ahmad*") (<http://www.publications.parliament.uk/pa/ld200809/ldjudgmt/jd090304/newh-1.htm>) has had significant implications in this respect. The House of Lords found that:

- there is no requirement for housing authorities to frame their allocation scheme to provide for cumulative preference, i.e. affording greater priority to applicants who fall into more than one reasonable preference category
- an allocation scheme which allows for priority to be determined between applicants in the reasonable preference categories on the basis of waiting time (alone) is not unlawful or irrational
- an allocation scheme is not unlawful if it allows for a small percentage of lets to be allocated to existing social housing tenants who wish to transfer and who do not fall within any of the reasonable preference categories
- where a housing authority's allocation scheme complies with the requirements of section 167 and any other statutory requirements, the courts should be very slow to interfere on the ground that it is irrational

Rationale for government intervention

In light of the *Ahmad* ruling, there is a need for the Government to revise the statutory guidance to encourage those authorities which have been cautious so far in their use of flexibilities to make greater use of them. This will enable them to better meet local needs and circumstances and make more efficient use of their social rented stock, for example by tackling under-occupation and supporting a wider range of vulnerable groups.

We also know that local publicity about allocation schemes is limited and that, partly as a result of this, there is a strong public perception that housing allocation systems are unfair. To challenge this, the revised guidance promotes the role of local authorities in raising awareness of allocation policies and engaging local communities in developing them.

Policy objectives and options

The first main policy objective is to increase involvement of local people in discussions about allocation policies, so as to improve awareness and understanding of allocations and to address misconceptions. The second is to encourage local authorities to increase their use of flexibilities so that their allocation policies best meet local needs and circumstances within the existing statutory framework. Examples of the flexibilities local authorities might make use of include:

- the adoption of local priorities alongside the statutory reasonable preference (RP) categories
- the use of particular factors as a means of prioritising applicants with RP, including waiting time and local connection and
- the operation of local lettings policies

During the policy development process, ministers considered several options for making the allocation system more transparent, easier to understand and fairer, including:

- *amending the RP categories* for example by adding further categories (e.g. to cover households in low-paid employment, with a local connection or with the necessary skills for the local economy), or by reducing the number of categories (e.g. to a single category to capture households in chronic need). The Government did not favour this option, as the current RP categories are considered to appropriately reflect the overarching priority that social housing should go to those in greatest housing need
- *replacing the RP categories with a more strategic framework*. This would allow local authorities greater flexibility and freedom to set their own priorities, subject to a broad duty to address housing need and strengthened accountability. The Government did not favour this option, as it would undermine the core principle that overall priority for social housing should go towards those in greatest housing need. The existing legislative framework, with RP categories and some degree of local flexibility, as set out in revised statutory guidance, was considered to strike the appropriate balance

The option of taking no action was also considered. This was rejected, as it would not deliver the Government's objective of encouraging local authorities to engage local people in the allocation process, in order to raise awareness and understanding of the system and help tackle myths and misconceptions. Neither would it encourage local authorities to consider introducing greater flexibility to best meet local needs and circumstances and make the best use of available housing stock.

The Government's preferred option was to issue new statutory guidance to local authorities on social housing allocations under s.169 of the Housing Act 1996, setting out the importance of engaging and communicating with local people and encouraging the use of flexibilities, especially in the light of Ahmad, which removes the requirement for local authorities to provide for cumulative preference to be taken into account in prioritising applicants.

This was considered to offer the most effective way of achieving the Government's policy objectives, while protecting the core principle that overall priority for social housing should go to those in greatest housing need. It is the role of central Government to set out in legislation the boundaries within which local authorities should operate and make clear, through statutory guidance, the outcomes which it believes local policies should seek to achieve.

Analysis of costs and benefits

Summary of key contents of the new guidance

The new statutory guidance reaffirms the Government's commitment to giving priority to those in the greatest housing need. It does not change the RP criteria, which prioritise, among others, those with serious medical conditions, those who are overcrowded and those who have experienced homelessness. Rather it sets out, in broad terms, the objectives and outcomes which local authorities must, and those they should, seek to achieve in their allocation policies. The most important of these are providing support for those in greatest housing need, including those who have experienced homelessness, and ensuring that allocation policies promote equality.

The guidance also sets out the Government's support for giving tenants more choice over matters that affect them, increasing opportunities for mobility, making better use of the housing stock, promoting policies that are fair and seen to be fair, and assisting people in work or those seeking work. In addition, the guidance promotes the use of flexibilities, which local authorities (LAs) already enjoy within the allocation legislation.

These flexibilities do not represent new powers for local authorities, but a clarification of the role that these types of variation can play in allocation policies which reflect local circumstances well.

The guidance also highlights the fact that local authorities, where they consider it appropriate, have a duty to involve, inform and consult with local people in the exercise of their functions. The guidance emphasises the importance of communicating facts about allocations (including regular updates on how properties have been allocated) and tackling false perceptions which may arise about the way social housing is allocated.

The following sections describe the key costs and benefits that are likely to arise from the new guidance. However, the guidance is not prescriptive, and different circumstances exist in individual authorities. For instance, many local authorities have already moved to choice based lettings (CBL) systems: 47 per cent of LAs in England operated CBL as of 1 April 2008 (*Housing Strategy Statistical Appendix (HSSA) 2007–08*). This makes it difficult to predict exactly how local authorities will respond to the guidance or quantify all the knock-on effects of its implementation across different localities. Although it is not possible to assess the impacts of this policy with absolute certainty, we are committed to monitoring the implementation of the policy and local authorities' response to it.

One-off familiarisation costs

Local authorities are required by s.169 of the Housing Act 1996 to have regard to government guidance in exercising their functions under Part 6 of the Act and, under s.168, to communicate any major change of policy made to their allocation scheme.

It is clear that local authorities will need to familiarise themselves with the new guidance, in order to then consider whether to revise their scheme. We estimate the total cost of this across the 326 LAs to be between £300,000 and £600,000 (or £1,000 – £2,000 per authority). This is based on estimates of staffing costs per hour from the *Annual Survey of Hours and Earnings* (ONS, 2008), taking account of input likely to be required from lawyers, senior officials, public service professionals and other associates and administrative staff.

The total costs will, of course, be dependent on number of local authorities that choose to familiarise and review their policies, and their individual timescales for doing so. The Government will assist local authorities in meeting some of the costs associated with familiarisation.

The upper end of the range has increased slightly on the estimate presented in the draft impact assessment and consultation paper. Local authority consultees were asked for their views on that figure. The majority of those who commented agreed that it was a reasonable estimate, although some pointed out that the costs to larger councils would be higher – some suggesting that £5,000 would be a more realistic sum (although this cost referred to more than just familiarisation). The estimate has now been revised to take account of more recent evidence on wage costs and activities involved in familiarisation.

Extra administrative costs to local authorities

Our original broad assessment was that there will be no on-going additional costs, as all local authorities already operate an allocation scheme. While we remain of the view that extra administrative costs are likely to be minimal, this will partly depend on the way in which local authorities decide to respond to the new guidance and the extent of any action they intend to take as a result.

The Government expects local authorities to review their allocation policies in light of the new statutory guidance, and to make any changes necessary to bring their policies in line with the guidance as soon as possible. However, periodic reviews of allocation policies in light of new guidance forms a part of local authorities' existing functions and does not in itself represent a new burden. Indeed, the majority of consultation responses from local authorities confirm they are regularly reviewing their allocation policies, with many having recently reviewed their schemes as part of a move to choice based lettings (CBL).

Local authorities will inevitably carry out such reviews at different times. As a result, some are likely to come in line with the guidance sooner than others. In their responses to the consultation, some local authorities reported they will review allocation policies immediately after the new guidance is published. In these cases

the new guidance is likely to bring about changes in allocation policies sooner than would otherwise have been the case.

Around half of the local authorities that responded to the consultation said that a review/revision of their allocation scheme was ongoing, and that this would take account of the final guidance, or that they would definitely undertake a review as part of planned work – typically in a few months to few years time. Around a quarter said they did not know whether they would review their scheme, and would await the final guidance before making a decision. Around a quarter said that they would definitely not be undertaking a review, either because they had already reviewed and revised their scheme very recently, or considered that their existing policy was in line with the draft guidance. Others might perceive costs of making alterations to be too high.

This is supported by past research into how local authorities reacted to new guidance on homelessness (which suggests that most authorities will review their policies and practices but that there may be a significant proportion which do not proceed to revise their policies (Mullins et al, 1996)).

The same research found that only around half of authorities that reviewed their policies actually amended them. We might expect a similar reaction to new statutory allocations guidance, since local authorities are not bound by law to follow it when designing and implementing allocation policies, only to 'have regard to it'. Many local authorities are expected to engage fully with the terms of the guidance but, even where local authorities do carry out reviews in light of new guidance, it is not certain that these will lead to allocation policies being revised in the way envisaged.

There is also much scope for local variation in how the guidance is interpreted and applied, for example to address differing priorities. So, changes that follow from the guidance will greatly depend on local circumstances.

Those authorities who commented via the consultation thought that the most likely outcome might be to replace their points based system with simpler banding. If this were the case, then significant IT and other administrative costs might be incurred, for instance from reassessing housing applicants, retraining staff and republishing information on allocation policies. These would be more likely if a CBL system was not already in place, as CBL authorities have typically already switched from the traditional points system to needs-related bands so would already have necessitated an upgrade of IT (*Exploring local authority policy and practice on allocations* Hal Pawson and Anwen Jones, July 2009).

The majority of local authorities now operate CBL schemes (47 per cent had these on 1 April 2008, HSSA 2007–08) and more are in the process of introducing them. A significant number of authorities who responded to our consultation on the draft indicated that they would also be moving to a CBL system. Data from the *Housing Strategy Statistical Appendix* indicates that 95 per cent of local authorities are or intend to operate CBL. This is likely to prevent overall costs from this source being great. In addition, CBL is much more widespread among (generally larger) metropolitan and unitary authorities than among (generally smaller) district councils. 85 per cent of LAs in London participate in CBL schemes, compared to 26 per cent in

the North East (HSSA 2007–08). This suggests that system changes resulting from the guidance are likely to occur in smaller authorities, which could be less costly.

The capability of existing IT systems is a crucial factor. If local authorities make other extensive changes to allocation policies, then these may require costly amendments to IT systems (software and databases) used to hold and assess the information of applicants. There may also be a need to train staff in the use of the new systems and new code.

There could also be some costs in publicising a new allocation scheme, or from undertaking more activities to publicise existing schemes. Such costs could come from the use of promotional materials, holding events, publishing and circulating information, or making changes to literature and websites. In addition to these costs, there may be resource implications in terms of the staff time required to undertake publicity tasks. One respondent suggested the costs of reprinting information and posting to residents would amount to over £2000, and that officer time would be incurred on top of this.

The extent of publicity costs will depend on whether allocation publicity is incorporated into an existing, wider corporate publicity and/or engagement strategy, for instance, on housing policies as a whole, or as part of a local engagement programme for which a degree of central support is provided, such as the Government's new Connecting Communities programme. Not all such costs would be additional, as local authorities incur publicity costs periodically anyway – for instance following reviews.

Research carried out by Pawson et al (2009) found that most authorities who had CBL schemes believe the 'increased transparency' objective has been achieved in the sense of both staff and applicants finding the system easier to understand than the traditional model previously operated.

Other benefits could derive from a simpler more transparent allocation scheme. For instance, local people would be less likely to require detailed advice about the allocation scheme, or might be less likely to have cause to query or complain about the policy. This could lead to savings in the amount of staff time devoted to allocations queries or complaints in future, assuming that a reasonable level of local publicity was given to the new scheme.

Wider costs and benefits

The new guidance is not expected or intended to promote a radical change in the allocation policies of local authorities – either regarding engagement activities or in their use of flexibilities to meet local needs and circumstances. Most outcomes in terms of wider costs and benefits are expected to be muted.

However, as the new guidance encourages local authorities to involve and engage with their communities about allocation policies and outcomes, we do expect that there will be overall benefits in terms of improving awareness and understanding of allocations, and in tackling misconceptions, which could, in turn, bring modest

improvements in relation to community cohesion. Some local authorities are being supported through the CLG's Connecting Communities programme. Tackling perceptions about the unfairness in delivery of public services – including the allocation of social housing – is a key aim of this programme. We do not, though, expect the new guidance to eliminate all dissatisfaction with the allocation of social housing whilst housing pressures remain, since there will continue to be households that would like to access social housing but find this difficult.

Local authorities and registered social landlords who responded to our consultation were broadly supportive of the draft guidance, although emphasising the difficult balance to be struck between competing needs and priorities within the context of a limited amount and variety of housing stock.

New allocation schemes resulting from the new guidance could generate positive net impacts, if local authorities are better able to meet the needs and circumstances of their communities through the flexibilities available. In each local authority, there will be different costs and benefits to the changes being made, which we would expect local authorities to identify and balance in light of overall objectives they are asked to achieve:

- providing support for those in greatest housing need, including people who have experienced homelessness
- ensuring allocation policies comply with equality legislation
- promoting greater choice for prospective and existing tenants
- creating more mixed and sustainable communities
- promoting greater mobility for existing tenants
- making better use of the housing stock
- supporting people in work or seeking work and
- delivering policies which are fair and considered to be fair by local residents

It is not possible to assess in detail what the aggregate non-financial costs and benefits of changes to the housing allocation mix arising from this guidance will be (for example, in relation to labour market mobility or worklessness), as this will depend on how local authorities respond and on prevailing local circumstances – for example, who is currently getting access to social housing and who is on the waiting list. It will also depend on other local factors such as the local job market and the willingness of households to move for job-related reasons; and on the interaction between allocation schemes and other policies, such as CBL.

Housing mix

The flexibilities available to local authorities will also be limited by pressures on the housing system. There are high levels of unmet housing need and these are likely to persist into the future (Shelter, 2008, *Homes for the Future*). These may be greater in some areas than others. Some London boroughs rightly pointed to the different circumstances prevailing in the capital, which our initial assessment had not explicitly

addressed. We recognise the particular factors which London boroughs deal with, for example significantly greater pressures in terms of applicants who are homeless or placed in temporary accommodation under homelessness legislation, and who thus are entitled to RP for social housing set out in section 167(2) of the Housing Act 1996.

In 2007–08, 42 per cent of LA lettings in London were to homeless applicants, compared to a national average of 28 per cent of lettings to homeless applicants (HSSA 2007–08, CLG Live Table 601). However, as this means, in practice, that London boroughs have a relatively narrow degree of flexibility in the allocation of social housing, any wider impacts resulting from new guidance are likely to be minimal. Similar benefits will, though, accrue nationally, as a result of London boroughs bringing greater transparency, local engagement and publicity to their allocation schemes.

In assessing what impact the new guidance could have on the mix of households accessing social housing, it is useful to consider the current situation. At present 19 per cent of all social lettings to new and existing tenants go to a household where someone is disabled; 51 per cent go to females; 15 per cent go to ethnic minority groups (CORE figures for 2007–08, CLG). More detail on the profile of current lettings is given in Annex C.

The guidance is not expected to disproportionately affect persons with disabilities (RP groups remain the same and an emphasis on need is maintained) or to have a particular impact on women, black and minority ethnic communities or migrants. Local authorities' duties towards these groups are likely to be reinforced by the Equality Bill, which will act as a safeguard against any adverse impacts on minority groups from allocation policies. While this implies that the interests of minority groups will be protected, it could also mean that some of the other intended impacts of the guidance will be limited.

Some housing advisory bodies and equality groups who responded to our consultation exercise were concerned that revised schemes which afforded a greater degree of priority to people with local connections or to assist local employment strategies, might have the unintended consequence of disadvantaging particular vulnerable groups. For example, disabled people might be less likely to be in position to secure employment locally, and others may have taken a positive decision to move away from the locality, due to difficult personal circumstances or otherwise being at risk.

Other concerns were that vulnerable (disabled and older) groups may be affected by a move to a CBL approach because they are likely to be less IT literate and less able to participate in the bidding process. Our equality impact assessment looks at these points in greater detail but, in short, we consider that local authorities' wider equality duties will counterbalance them. And the potential to make better use of existing stock might have benefits, for example in terms of freeing up suitable housing for disabled people. Distribution issues are also considered in an equality impact assessment of choice based lettings (at www.communities.gov.uk/housing/publications/impact-assessments/).

Of new general needs lettings, 93 per cent of new and 96 per cent of existing lettings were to UK nationals in 2007–08 (CORE; Live Table 754). However, this varies

across regions, particularly in some boroughs of London. There is no evidence that the allocation systems favour or disadvantage migrants. The Equality and Human Rights Commission report (2009) found that the proportion of people living in social housing is similar in both UK-born and foreign-born communities (around one in six). In some localities, where it is judged to fit the particular circumstances of the area, the guidance could result in households with local connections receiving greater priority in the allocation process. This might increase the number of lettings to UK nationals and decrease those going to migrants. Any such change is likely to be small though, because local authorities will continue to prioritise households in the greatest need regardless of their nationality.

Other potentially negative, albeit minimal, impacts from the revised policy might be that, for example if waiting time is prioritised, then the numbers of households registered on lists could rise. However, if the guidance leads to more information on the size of waiting lists and the size of stock being published, then the number of applicants may fall as potential applicants will be better able to undertake a realistic assessment of their housing options and opportunities.

Mobility

Statistics show that social tenants are relatively immobile; in 2007–08 only 1 per cent of moves within the sector were for job related reasons (Survey of English Housing). Academic research tends to confirm lower mobility and find evidence of lower incentives to move in the social rented sector (SRS) (Hughes and McCormick, 1981; 1987; Henley, 1998). This could explain why unemployed social tenants are less likely to find jobs by moving areas than private renters or owner occupiers (Battu, Ma and Phimister, 2008; Barcelo, 2006) and are 32 per cent less likely to exit unemployment at any given time than private renters and 59 per cent less than households buying their property with a mortgage (ELMR, October 2009).

A number of reasons have been advanced for low mobility in the SRS, particularly lock-in effects. The design of the waiting list system is thought to discourage out of area moves because households have to join new waiting lists upon moving and may be given less priority for housing as a result. There is some evidence that the way the SRS is managed – particularly the propensity for locals to receive greater priority in allocations – discourages mobility (Boheim and Taylor, 2005).

This is not universally accepted though; other studies find the SRS can assist labour mobility in certain circumstances (Cole, 2007). Significantly, immobility in the SRS may result not from the rigidity of the allocation system but from households' rational response to the benefits of social networks that must often be forgone when moving. Tenants are not prevented from moving to areas with greater job opportunities, but rather choose not to sever family and other social ties just to improve their access to jobs (Fletcher, 2008). This is particularly the case where jobs are, or are perceived to be, low paid and insecure. When surveyed, social tenants do not feel their chances are impaired by their tenure (DWP, 2008). This implies allocation policies are not the main barriers to mobility in the social sector and consequently that the new guidance is unlikely to bring about much greater levels of mobility.

At present 24 per cent of all social lettings go to households that are employed in either full or part time work, 18 per cent go to unemployed households, with the remainder of lettings going to retired, student, or economically inactive households (CORE 2007–08, CLG – Annex C Table 5). The new allocations guidance could have several beneficial labour market impacts if local authorities respond to the recommendation that allocation policies are used to support those who are in work and those who are seeking to move for job related reasons by giving greater priority to such households. This could both enhance the rewards from work that accrue to social renters – making employment a more attractive option – and remove a potential barrier to labour market participation, namely lack of access to employment opportunities (immobility). Conversely, if local authorities react to the new guidance by doing little to support greater mobility amongst social tenants and instead place added emphasis on waiting times or local connection in allocation processes then the guidance could have a detrimental impact on labour markets.

The priorities applied in determining allocations will differ across localities according to prevailing circumstances. On balance we expect the new guidance is likely to lead to more rather than less mobility amongst social tenants and therefore have overall slight positive impacts for labour markets. If this increases employment amongst social tenants, then there may be wider benefits including reduced government expenditure on benefits and increased tax revenues.

Better use of the housing stock

Recent data shows that around 0.8 per cent of all social housing was vacant for management reasons (HSSA and BPSA 2007–08; CLG Live Table 613). Larger numbers of vacant properties and longer void times imply more lost rent for local authorities and a greater expense to government if households on waiting lists (who could be accommodated in these voids) are living in the private rented sector or in temporary accommodation.

The recent study on allocation policies in two regions suggests that most existing local lettings policies are motivated by a desire to reduce turnover rates in certain areas (Pawson et al, 2009). Eight per cent of LAs with local lettings policies reported that they influenced tenant selection by prioritising applicants in employment. We expect that many local authorities will continue to give – and others will increase – priority to households that are in work for stock management purposes: promoting mixed communities and actively seeking to avoid concentrations of deprivation. In some localities this might provide some additional incentive for households to enter employment and remain employed. Acting to prevent areas from becoming undesirable could also reduce numbers of hard-to-let properties, although scope for reducing the number of properties vacant for management reasons is likely to be limited.

If the new guidance leads local authorities to make more lettings for stock management purposes – more efficiently matching household and property characteristics – then this could help tackle housing needs such as overcrowding. Shelter (2008) estimates a backlog of unmet need in the social sector of 505,000 households so it is particularly important that the stock in the social sector is used

effectively. Overcrowding is higher in the SRS than other tenures – at 6 per cent of households. It also affects certain groups more than others: 11 per cent of black and minority ethnic households are overcrowded, compared with only 2 per cent of white households (Survey of English Housing, 2005–06 to 2007–08). The figure rises to 16 per cent of households in the SRS. Through targeting under-occupying households, encouraging them to downsize, or through reducing voids, more households can be housed in dwellings that meet their needs without incurring the costs of building new stock.

There could be significant benefits to facilitating more downsize moves by under-occupiers. An estimated 12 per cent of households in the SRS in England are under-occupying (Survey of English Housing, 2007–08). This implies that 460,000 households could potentially downsize, freeing up properties for larger households on housing registers. In practice the number of downsize moves is likely to continue to be relatively small as, for example, the properties that can be obtained will not always be perceived as desirable and the housing benefit system does not provide much incentive to downsize. The benefits of each downsize move would be greater if lettings chains are enacted, however, since by re-housing just one under-occupying household, several overcrowded households could be helped out of housing need. For example a household under-occupying a five-bedroom house moves to a two-bedroom house currently occupied by an overcrowded household; an overcrowded household in a four-bedroom house moves to the five-bedroom house; an overcrowded household in a three-bedroom house moves to the four-bedroom house; and the overcrowded household from the two-bedroom house moves to the three-bedroom house.

Freeing up homes may reduce numbers in need on housing registers and in some cases reduce numbers in temporary accommodation, resulting in cost savings to government. Also, reducing the number of larger properties with higher rents would likely reduce the housing benefit bill. Managing voids will also benefit councils through rents paid by the new tenants.

Summary

Our overall assessment is that the national impact of the new guidance will be marginally positive. This is supported by consultation responses and advice from CLG's Expert Panel. However the guidance is designed to encourage local authorities to make best use of flexibilities available to them when determining allocation policies. As a result the guidance could result in significant impacts at local levels, depending on how local authorities decide to respond in light of circumstances prevailing in their areas.

Given the uncertainties we have not assessed outcomes at a local level in detail. However CLG is committed to monitoring the impact of the new guidance.

In aggregate, there are likely to be slight changes to the costs incurred by local authorities in administering their allocation policies, particularly relating to greater engagement and monitoring activities. At a local level such impacts are likely to vary considerably depending on whether an authority has recently reviewed its allocation

policy, and the capability of individual IT systems to accommodate new policies and administrative changes. We expect any additional costs to local authorities to lead to corresponding benefits in terms of improved community understanding and support for allocation practices.

Should local authorities make greater use of local lettings policies then there may be alterations in the types of households accessing social housing in different localities. The guidance might also facilitate more efficient use of the housing stock: reducing void times by acting to overcome problems of low demand areas or encouraging management policies that target under-occupation and over-crowding. To the extent that local connections or waiting times are prioritised, changes to local allocation policies could also affect the mobility of social tenants, with consequent impacts on labour market participation.

Post implementation delivery and review arrangements

Following consultation, new guidance has been issued to all local authorities in England on social housing allocations in December 2009. This can be viewed at www.communities.gov.uk/housing/housingmanagementcare/housingallocation/

The Audit Commission will assess local authorities' response to the new guidance through their agreed programmes of monitoring and inspection, and this will be reflected in the comprehensive area assessment.

CLG will also commission further survey work on public understanding and attitudes to allocations and will monitor whether there are changes to the characteristics of people entering social housing.

The Chartered Institute of Housing is also publishing a good practice toolkit to assist local authorities considering the scope for broadening local flexibilities and local consultation. To augment this work, CLG intends to establish a group of local authorities to further develop and disseminate good practice in engaging local people about their allocation policies and exploring the flexibilities within the legislation to address local needs and circumstances. In some cases, this will form part of an authority's wider corporate strategies to improve local engagement and cohesion.

Specific Impact Tests: Checklist

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	Yes	Yes
Disability Equality	Yes	Yes
Gender Equality	Yes	Yes
Human Rights	No	No
Rural Proofing	No	No

Annexes

Annex A

Legislative background

The new guidance is statutory and is provided for under s.169 of the Housing Act 1996. It applies to all housing authorities in England. They are required to have regard to this guidance in exercising their functions under Part 6 of the 1996 Act.

The guidance, in so far as it comments on the law, can only reflect the Department's understanding of the law at the time of issue. Housing authorities are required to keep up to date on any legal developments in these areas.

On request from a housing authority, registered social landlords have a duty under s.170 of the 1996 Act to co-operate with housing authorities to such extent as is reasonable in the circumstances in offering accommodation to people with priority under the authority's allocation scheme.

For housing authorities, developing their allocation scheme and carrying out their allocation functions often requires joint planning and operational co-operation between housing authorities and other bodies. These are likely to include social services departments, health authorities, other referral agencies and voluntary sector organisations, although this list is not exhaustive.

Local authorities are responsible under the Local Government Act 1999 (as amended by the Local Government and Public Involvement in Health Act 2007) to involve, inform and consult with local people, where they consider this appropriate. This draws attention to the main legislative provisions governing the allocation of social housing, including the requirements to provide for 'reasonable preference'.

Under the Housing Act 1996, local authorities are obliged, if they make an alteration to their allocation scheme which reflects a major change of policy, to take steps to bring the effect of the alteration to the attention of those likely to be affected by it.

Annex B

Specific impact tests

Competition assessment

The issuing of new guidance to local authorities is not expected to have any negative or positive impact on competition.

Small firms' impact analysis

No specific impact envisaged.

Legal aid

This is guidance to local housing authorities to which they are to have regard in exercising their functions under Part 6 of the Housing Act 1996 *allocation of social housing*. It does not impact on the legal aid bill.

Sustainable development

One of the aims of this policy is to encourage local authorities to make use of flexibilities so that their allocation policies better meet different local needs and circumstances. They might use such flexibilities to for example prioritise those with a local connection, those with the skills needed for the local area or to create a local lettings plan to influence the income and household mix of a particular area. Authorities will need to identify and balance the impacts of such a change, which might include:

- improved labour market mobility and commuter patterns, if more priority is given to existing tenants seeking to move for work
- reduced labour market mobility and commuter patterns, if more priority is given to those with a local connection or who have waited longest
- improved income mix, if more priority is given to those in work

Carbon assessment

No specific impact envisaged.

Other environment

No specific impact envisaged.

Health impact assessment

There may localised positive health impacts arising from allocation policies which more efficiently match household and property characteristics, for instance, by tackling overcrowding.

Equality impact assessment

An equality impact assessment has been undertaken in addition to this impact assessment, taking account of consultation responses, comments made at a series of regional seminars during September and October, the findings of the Expert Panel on Housing Analysis and Surveys and relevant research and data. This can be viewed at www.communities.gov.uk/housing/publications/impact-assessments/

However, details of the race, disability and gender equality assessment, which formed part of the original impact assessment, are summarised below:

Race equality assessment

The Continuous Recording of Lettings (CORE) figures for 2007–08 showed that 15 per cent of all lettings to new and existing social tenants were to ethnic minority groups (i.e. mixed, Asian/ Asian British, black/black British, Chinese or other) and

6 per cent of all new general needs lettings were to non-UK nationals. More detailed data and charts showing the proportions of lettings by ethnicity and nationality are at Annex C Tables 1 and 2.

The new guidance will provide local authorities with the information to enable greater flexibilities in their allocation policies. How this affects lettings going to different ethnic groups and nationalities will depend on how local authorities respond to these flexibilities, as well as the nature of the demand and need for social housing in each area. Local authorities will need to consider these themselves as part of their strategic housing role, including the potential impact on different ethnic groups.

Disability equality

The CORE figures for 2007–08 showed that 19 per cent of all letting to new and existing tenants were to a household where someone is disabled. More detailed data and charts showing the current proportions of lettings by disability are at Annex C Table 3.

Gender equality

The CORE figures for 2007–08 show that 52 per cent of all new lets were to females. More detailed data and charts showing the current proportions of lettings by gender are shown in Annex C Table 4. We do not anticipate that women will be disproportionately affected by any changes to local authority allocation policies as a result of revised guidance.

CLG will monitor impact of the changes on lettings nationally, and would expect local authorities to do the same locally. While there may be some minor local impacts, we do not expect there to be any significant change nationally, given that we are not making any changes to the RP categories.

Local authorities are subject to equality duties. Any changes to local policies which had the effect of disadvantaging any particular group of people would need to be justified by the authority on the basis of clear evidence. Furthermore, under the Equality Bill, subject to Parliamentary approval, local authorities will come under a duty, in the exercise of its functions (including in relation to housing allocations), to have due regard to the desirability of tackling socio-economic inequality.

Human rights

The draft guidance is compatible with the European Convention on Human Rights and does not impact on individual's human rights.

Rural proofing

There are potential benefits for rural areas as the guidance will encourage local authorities to make full use of available flexibilities within the legislative framework, for example, by promoting the use of local lettings policies.

Annex C

Evidence from Continuous Recording of Lettings (CORE)

The figures referred to in the specific impact tests and in the following annexes give information about the characteristics of households receiving social lettings in 2007–08. This presents estimates across the whole social housing sector, covering both general needs and supported housing (except table 1 which gives only general needs) and both housing associations and local authorities. The figures are based on lettings information reported through the Continuous Recordings of Lettings (CORE) system for 2007–08, collected by the Centre of Housing Research at St Andrews University on behalf of the Tenant Services Authority and CLG.

Participation in CORE by local authorities is not yet complete, and some local authorities do not yet provide CORE data, so the local authority figures have been adjusted to take account of missing data. This adjustment uses a method developed by the University of Cambridge, imputing figures for local authorities that did not fully participate in CORE in 2007–08.

Characteristics by region have not been provided. While it would be useful to provide differences between London and the regions, the level of participation in some areas (London in particular) means that the quality of data for 2007–08 is not yet sufficiently robust enough to give comparative figures. However, when participation levels rise above 90 per cent, regional analysis will be available for future years. This impact assessment does, though, take account of comments and information received from London boroughs on the consultation draft guidance.

Lettings by ethnicity

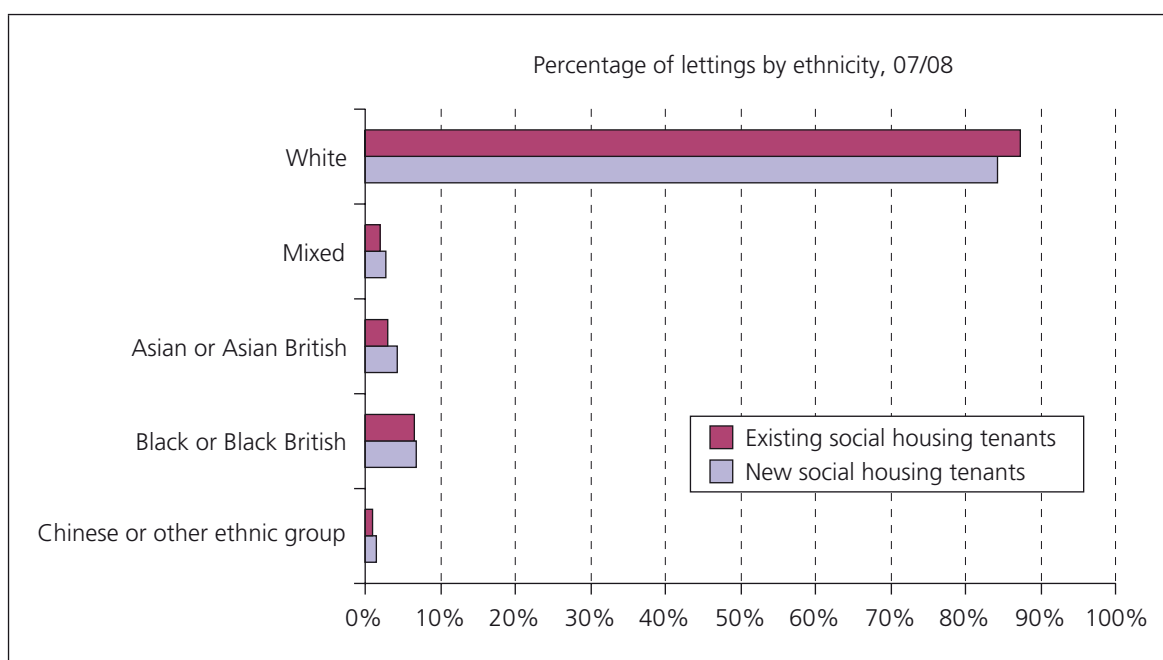
Table 1: Percentage of lettings to social housing tenants by ethnicity, England, 2007/08

	RSL		LA		Total		Total
	New	Existing	New	Existing	New	Existing	
White	85.8%	87.2%	82.0%	87.4%	84.4%	87.2%	85.4%
Mixed	2.8%	2.5%	2.8%	1.6%	2.8%	2.1%	2.6%
Asian or Asian British	3.7%	2.6%	5.3%	3.9%	4.3%	3.1%	3.9%
Black or Black British	6.9%	7.0%	7.0%	5.9%	6.9%	6.6%	6.8%
Chinese or other ethnic group	0.8%	0.7%	2.8%	1.2%	1.6%	0.9%	1.3%
Total lets	141,900	73,400	83,900	44,400	225,800	117,800	343,600

Source: *Continuous Recording of Lettings 2007/08 (Cambridge weighted)*

Notes:

Figures include general needs and supported housing.
Ethnicity is the ethnicity of the household reference person.



Lettings by nationality (as published – see Live Table 754)

Table 2: Percentage of lettings to social housing tenants by nationality, England, 2007/08 (general needs only)

	RSL		LA (adjusted) ¹		Total (adjusted)		Total %	
	New tenants	Existing tenants	New tenants	Existing tenants	New tenants	Existing tenants	New tenants	Existing tenants
UK national	74,283	44,204	64,289	21,961	138,572	66,165	93.4	96.4
A8 countries ²	1,264	164	1,412	237	2,676	401	1.8	0.6
Other EEA countries ³	796	321	912	161	1,708	482	1.2	0.7
All other countries	2,020	832	3,453	755	5,473	1,587	3.7	2.3
TOTAL	78,363	45,521	70,067	23,115	148,430	68,636		
Refused or missing ⁴	2,170	1,236	25,420	4,430	27,590	5,666		

Source: Continuous Recording of Lettings 2007/08 (Cambridge weighted), Housing Strategy Statistical Appendix

Notes:

¹ Adjusted local authority figures refer to estimates, based on the University of Cambridge method of imputing data for missing local authorities. The breakdown by new and existing tenants to social housing has been constrained to the totals reported to the Housing Strategy Statistical Appendix (HSSA).

² The 8 accession countries (A8) joined the EU on 1st May 2004. They are Czech Republic, Estonia, Latvia, Lithuania, Slovenia, Slovakia, Poland, and Hungary.

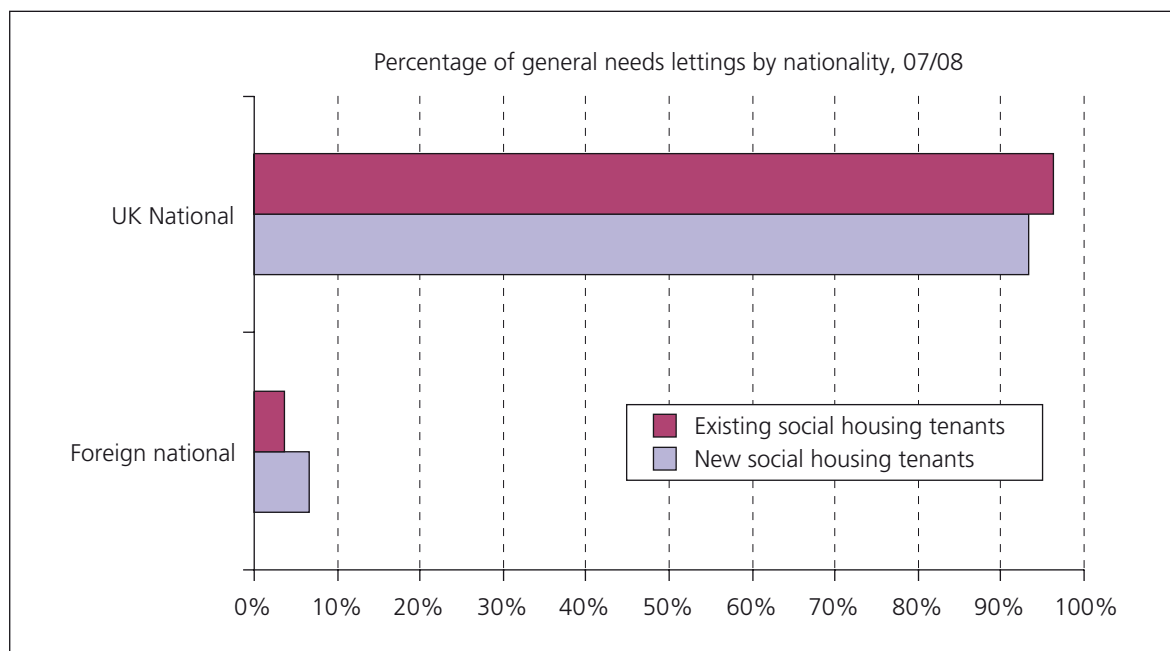
³ Other European Economic Area (EEA) countries are Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, Sweden, and Switzerland.

⁴ Refused or missing represents cases where this question was not answered.

Nationality is the nationality of the household reference person.

Notes:

- quoting percentages for nationality figures is strongly preferred due to the large number of missing and refused logs for this question on CORE
- in order to produce a more robust estimate for foreign nationals these figures were produced using a slightly more complex method and therefore only apply to general needs accommodation

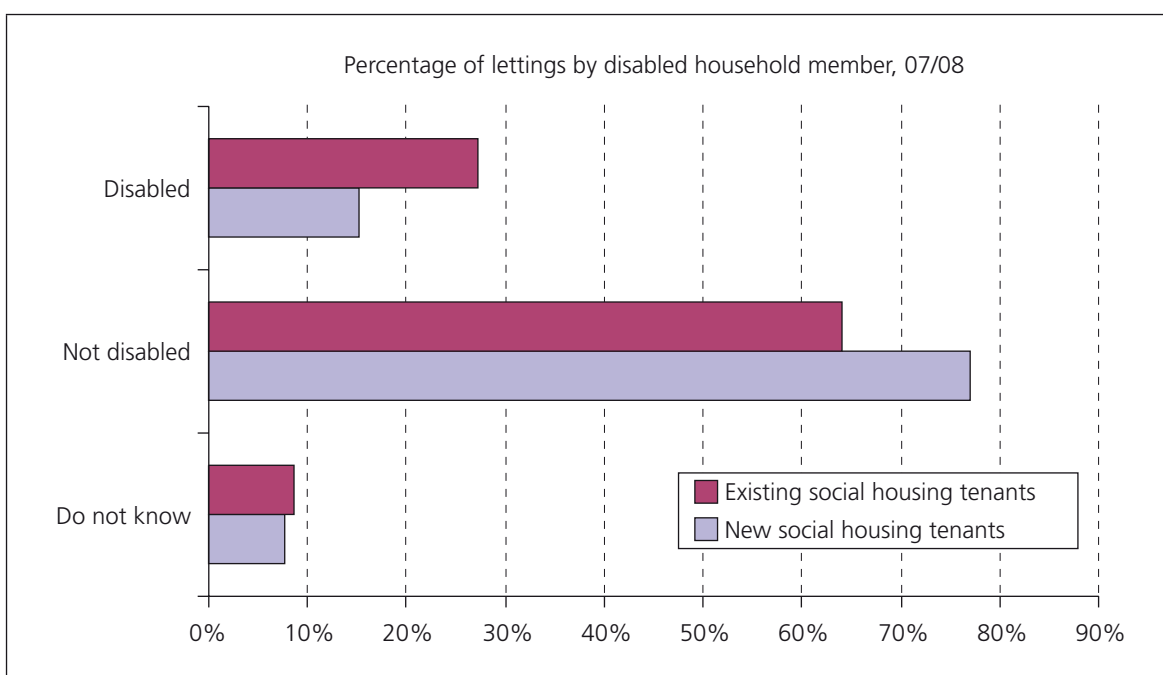


Lets by disability

Table 3: Percentage of lettings to social housing tenants by disability, England, 2007/08							
	RSL		LA		Total		Total
	New	Existing	New	Existing	New	Existing	
Disabled	14.9%	26.8%	15.8%	27.7%	15.2%	27.2%	19.3%
Not disabled	80.2%	67.4%	71.7%	58.8%	77.1%	64.1%	72.6%
Do not know	4.9%	5.8%	12.4%	13.4%	7.7%	8.7%	8.1%
Total lets	142,700	74,100	85,100	44,800	227,900	118,900	346,800

Source: Continuous Recording of Lettings 2007/08 (Cambridge weighted)

Notes:
 Figures include general needs and supported housing.
 Disability refers to any disabled member of the household.



Lets by household type and gender

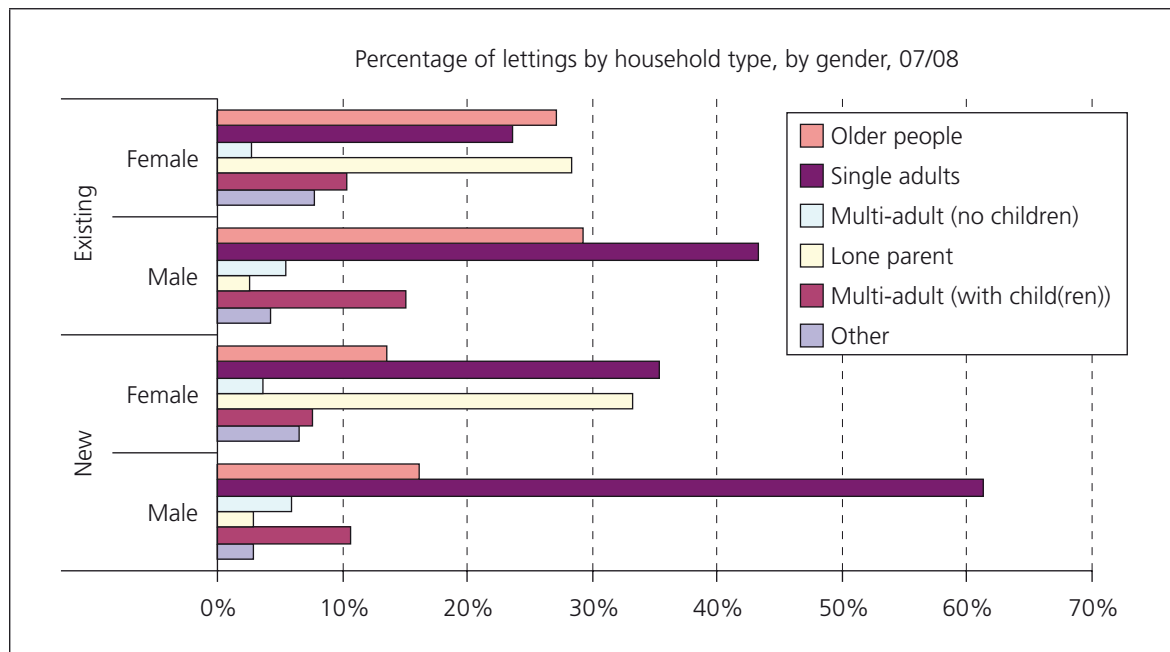
Table 4: Percentage of lettings to social housing tenants by household type and gender, England, 2007/08

	New		Existing		Total		Total ¹
	Male	Female	Male	Female	Male	Female	
Older people	16.2%	13.5%	29.3%	27.2%	20.4%	18.5%	19.4%
Single adults	61.4%	35.4%	43.3%	23.6%	55.6%	31.1%	42.4%
Multi-adult (no children)	5.9%	3.6%	5.5%	2.7%	5.8%	3.3%	4.4%
Lone parent	2.8%	33.3%	2.5%	28.4%	2.7%	31.5%	18.2%
Multi-adult (with child(ren))	10.7%	7.6%	15.1%	10.4%	12.1%	8.6%	10.2%
Other	2.9%	6.5%	4.3%	7.7%	3.3%	6.9%	5.3%
Total lets	109,900	119,100	51,000	68,700	160,900	187,800	364,700

Source: Continuous Recording of Lettings 2007/08 (Cambridge weighted)

Notes:

¹ Total is greater than the sum of male and female as it includes missing logs on gender. Figures include general needs and supported housing. Gender is the gender of the household reference person.



Lettings by economic status

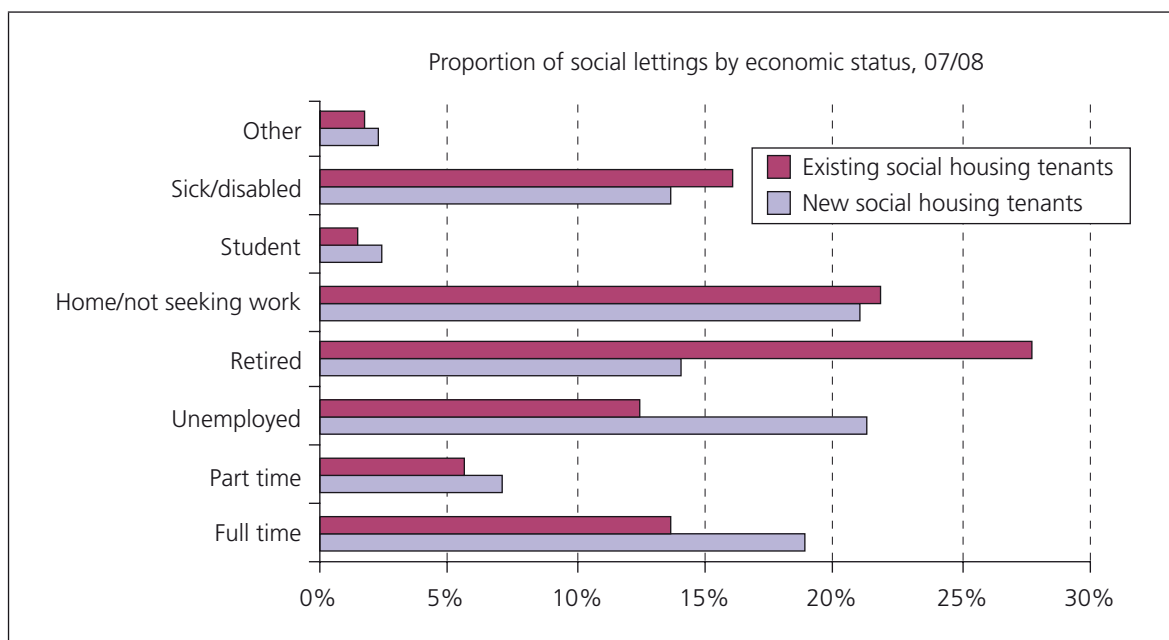
Table 5: Percentage of lettings to social housing tenants by economic status, England, 2007/08

	RSL		LA		Total		Total
	New	Existing	New	Existing	New	Existing	
Full time	17.6%	13.1%	21.0%	14.5%	18.8%	13.6%	17.0%
Part time	6.7%	5.4%	7.6%	5.8%	7.0%	5.6%	6.5%
Unemployed	23.8%	13.4%	16.4%	10.5%	21.3%	12.3%	18.1%
Retired	12.8%	26.4%	16.2%	29.9%	14.0%	27.7%	18.8%
Home/not seeking work	19.9%	21.6%	22.8%	22.0%	20.9%	21.7%	21.2%
Student	2.9%	1.6%	1.4%	1.0%	2.4%	1.4%	2.0%
Sick/disabled	14.3%	17.0%	12.1%	14.2%	13.6%	16.0%	14.4%
Other	2.0%	1.5%	2.5%	2.1%	2.2%	1.7%	2.0%
Total lets	142,100	73,900	72,500	42,200	214,500	116,000	330,500

Source: *Continuous Recording of Lettings 2007/08 (Cambridge weighted)*

Notes:

Figures include general needs and supported housing.
Economic status is the economic status of the household reference person.



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