

<b>Title:</b> The Housing Benefit (Amendment) Regulations (Northern Ireland) 2016  <b>Lead department or agency:</b> Department for Work and Pensions  <b>Other departments or agencies:</b>  Northern Ireland Office	<b>Impact Assessment (IA)</b>
	<b>Date:</b> 30/06/16
	<b>Stage:</b> Final
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Secondary legislation
	<b>Contact for enquiries:</b> devolution.commsandbriefing@dwp.gsi.gov.uk
<b>Summary: Intervention and Options</b>	<b>RPC Opinion:</b> Not Applicable

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out?	Measure qualifies as
	N/A	N/A	No	N/A

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

Housing Benefit (HB) claimants living in the social rented sector in Northern Ireland 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 the size of the claimant's household, in contrast to the rules that apply in the private rented sector where HB is paid relative to accommodation based on household needs. 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 in line with that of GB. As part of the recent Fresh Start Agreement we agreed with the Northern Ireland Assembly that the current position on welfare was financially unsustainable and parity across the UK on social security must be restored.

**What are the policy objectives and the intended effects?**

The policy is intended to contain Housing Benefit expenditure in the social rented sector. Claimants will receive HB relevant to the accommodation needs of their household; where rent exceeds this due to the household living in accommodation which is considered too large for their needs they will not receive HB to cover the costs of this extra bedroom space. The Housing Benefit restriction will provide a financial incentive to move to more suitably sized accommodation. This would 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. It also creates improved work incentives as this lower HB entitlement is for working age claimants and does not affect the rent paid for those who are in employment and pay their own rental costs in the social sector.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

A variety of options were considered prior to implementing this policy in GB. These included reduction of rent to a fixed level; by an absolute amount; or a proportionate reduction. DWP considered the evidence and data sources that any reduction could be based upon.

The do nothing option was considered and rejected as this does not:

- provide incentives to match household size to accommodation size in the social sector or for movement into work and accompanying wider benefits;
- Contain HB expenditure in the social sector in Northern Ireland extend parity on social security across the UK.

Furthermore the Fresh Start Agreement set out that welfare reform would be implemented in Northern Ireland equivalent to those introduced in GB by the Welfare Reform Act 2012, as well as other measures these regulations would be passed through Westminster.

**Will the policy be reviewed?** It will not be reviewed. **If applicable, set review date:**

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> No	<b>&lt; 20</b> No	<b>Small</b> No	<b>Medium</b> No	<b>Large</b> No
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A	<b>Non-traded:</b> N/A	

*I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.*

Signed by the responsible Minister:

.....  ..... Date: 30/06/16

# Summary: Analysis & Evidence

# Policy Option 1

## Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

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

#### Description and scale of key monetised costs by 'main affected groups'

Working age Housing Benefit claimants will face a reduction in HB where they are occupying accommodation larger than determined by their household needs; and they do not move to smaller accommodation or work sufficient hours and so move off Housing Benefit. The scale of the reduction will be determined by the degree of under-occupation.

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

One-off administration costs of implementation and on-going admin costs have not been estimated here. Cost to social landlords for additional rent collection or actions taken against tenants in arrears are not estimated. Neither are costs of enabling tenants to be more mobile or those of the individuals of moving to new accommodation.

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

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

The exchequer and taxpayers benefit as a result of containing increases in Housing Benefit expenditure in the social rented sector in Northern Ireland.

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

There may be lower administrative costs where households make the choice to increase hours in work and no longer claim or for those who 'float off' Housing Benefit.

There is also potential 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 in the social rented sector will benefit from the freeing-up of larger accommodation for currently overcrowded households and those potential tenants in larger households on the waiting list for social housing.

<b>Key assumptions/sensitivities/risks</b>	<b>Discount rate (%)</b>
<p>Housing Benefit savings are based on the reduction in HB paid to households in accommodation that is larger than their household determines. Reductions in eligible rent of 14% and 25% are assumed for under occupation by one and two or more bedrooms, respectively, broadly based upon rent differentials for new lettings in a typical local authority area.</p>	

### BUSINESS ASSESSMENT (Option 1)

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>In scope of OITO?</b>	<b>Measure qualifies as</b>
<b>Costs:</b>	<b>Benefits:</b>	<b>Net:</b>	No	N/A

## Introduction

This suite of policy changes are designed to improve work incentives and enhance fairness, whilst ensuring support for the most vulnerable. These were implemented in Great Britain in 2012 and the package of reforms has proved to be successful in increasing moves into employment by those affected.

Welfare Reform and Social Security remain devolved in Northern Ireland; however the Northern Ireland (Welfare Reform) Act 2015 enables the UK Government to legislate for welfare reform in NI for a specified period of time. The subsequent Order in Council broadly mirrored the policies in the Welfare Reform Act 2012, with NI specific flexibilities agreed in the Fresh Start Agreement<sup>1</sup>. Both the Northern Ireland (Welfare Reform) Bill and the Order in Council were consented to by the NI Assembly.

Alongside this, mitigations have been assessed and will be put in place by the NI Assembly following the Evason report<sup>2</sup>, published in January 2016.

## The current policy

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) in Northern Ireland, 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 require, but is related to the accommodation that they actually occupy.

When tenants are placed into accommodation in the social rented sector, the housing needs of the household are considered by the housing provider. However, these needs may change over time and there is no incentive for tenants to move into more suitable smaller accommodation when needs change. There is also no systematic review to consider whether the accommodation that the tenant has been allocated remains the most appropriate. As a consequence, eligible rent levels for claimants in the social rented sector are not determined by reference to the size of the claimant's household in a large number of cases.

By comparison, in the private rented sector claimants only receive Housing Benefit for accommodation based upon the reasonable accommodation needs of their household.

## Policy objective

The policy objective is to contain Housing Benefit expenditure in the social rented sector. Housing Benefit in Northern Ireland has increased from £170m in 2003/04, to £211m in 2014/15 in the social sector and the restraint seen in the private sector has not been seen in the social sector. This policy also aims to encourage greater mobility within the sector to make better and more efficient use of available social housing stock. Alongside this it will improve financial work incentives amongst working age social housing tenants occupying properties that are larger than their household size and composition requires.

This policy aims to achieve these aims by replicating the size criteria applied to Housing Benefit claimants in the private sector under the Local Housing Allowance rules. Claimants will receive HB relevant to the accommodation needs of their household; where rent exceeds this due to the household living in accommodation which is considered too large for their needs, they will not receive HB to cover the costs of this extra bedroom space. The applicable maximum rent will be reduced by a national percentage rate depending on the number of spare bedrooms in the household.

The rules that will be applied provide one bedroom for each person or couple living as part of the household, with the following exceptions:

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<sup>1</sup> [https://www.northernireland.gov.uk/sites/default/files/publications/nigov/a-fresh-start-stormont-agreement\\_0.pdf](https://www.northernireland.gov.uk/sites/default/files/publications/nigov/a-fresh-start-stormont-agreement_0.pdf)

<sup>2</sup> <https://www.executiveoffice-ni.gov.uk/sites/default/files/publications/ofmdfm/welfare-reform-mitigations-working-group-report.pdf>

- 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.
- the addition to household size to allow for a bedroom for a non-resident carer, where they provide overnight care for the claimant or their partner

Unlike the operation of the LHA 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 to a fixed level.

A percentage reduction 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.

The reduction rates will be:

- where under occupying by one bedroom – 14%
- where under occupying by two or more bedrooms – 25%.

The Housing Benefit restriction will provide a financial incentive to move to more suitably sized accommodation rather than households paying the rent shortfall. Moving to a smaller property would have less expensive rent which would be covered by HB entitlement and contribute to an overall reduction in the Housing Benefit bill. Furthermore it provides a better use of the social housing stock and reductions in housing benefit payments, including those made in relation to temporary accommodation as it frees-up accommodation for households living in overcrowded accommodation, or enables accommodation to be offered to other people on the waiting list for social housing.

In addition it creates improved work incentives for the affected claimant as this lower HB entitlement is for working age claimants and does not affect the rent paid for those in the social sector who are in employment and pay their own rental costs or those of pensionable age<sup>3</sup>.

Application of the size criteria in the social rented sector will apply to all claimants in receipt of Universal Credit until both the claimant and any partner have reached the Pension Credit qualifying age.

The Evason report published 18<sup>th</sup> January 2016 included recommendations of £91m over five year to support for claimants affected by this change.

## **Behavioural change**

The policy aims to influence matching of households to the right sized property, through both household decisions and those by allocating authorities. In the longer term the stock of social properties developed will then be a better reflection of the needs of households.

This policy could result in behavioural change from tenants, LAs and developers, but these are difficult to estimate, as there is currently very little mobility in the social rented sector. There will also be mitigations for households affected which will remove the financial incentive to respond to the policy, at least in the short term. Any movement of tenants 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 landlords to facilitate such moves.

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<sup>3</sup> The application of this policy will be in line with the proposed changes to the working age definition as determined by the forthcoming increases in state pension age. Where one partner is working age and the other is pension age this will apply until both partners are pension age

The evaluation of the Removal of the Spare Room Subsidy found that 20% of affected claimants say they have sought to increase their earnings from employment as a result of the policy; rising to 63% of those who said they were unemployed and seeking work<sup>4</sup>. In England there was also a substantial increase in demand for downsizing, compared to previous rates as a result. There was a substantial increase in working-age tenants moving within social housing via transfer lists because of under occupation from 2,755 per year in 2009–10 (less than 0.5 per cent of all tenants) to 14,755 in 2013–14. Households coped with the new level of Housing Benefit by making budgeting changes. There has been some reported impact on the speed of larger homeless households seeking to move on from temporary accommodation as larger properties are being freed up by downsizers. However increased competition for the smaller properties had made finding single bedroom properties to move from temporary accommodation harder.

By autumn 2014, most landlords gave top priority to downsizers, with 57% reporting that they had increased the priority to those households downsizing in response to the policy and around half of developing landlords said they have altered their build plans as result, up from a third in 2013; building more one bedroom homes and fewer larger ones. Most landlords said they now considered the affordability of the rent for prospective tenants before letting<sup>5</sup>.

### **Exchequer Impact**

As a result of not mirroring the measures contained in the Welfare Reform Act 2012, in Northern Ireland the Executive has had to provide 'savings forgone' to HM Treasury. In 2015/16 and prior to the Fresh Start Agreement, these welfare related deductions (of which RSRS is a part) were estimated to be £114 million and to significantly increase on an annual basis. As a result the non-implementation of welfare reform was putting significant and growing pressure on the Executive's budget.

### **Impact on Households**

The Northern Ireland Housing Executive (NIHE) estimate that 33,720 of the 97,100 households in receipt of Housing Benefit in social housing in Northern Ireland may be affected by this policy as they are working age and reside in a house that is too large for the needs defined by their household size. This represents over one third (34%) of Housing Benefit claimants in social housing in Northern Ireland.

Approximately three quarters (76%) of households affected by the change are affected by the one bedroom rate of 14% reduction if they do not take action and move to a smaller property, the average reduction in HB being £10.56 per week in 2015/16 prices. Those claimants who have a greater number of excess bedrooms will experience larger average deductions from their Housing benefit entitlement, until they make this move. It is not possible to reliably estimate the average weekly impact on those households given small sample sizes in the source data<sup>6</sup>. However, the average reduction across all households is estimated to be £12.80 per week (2015/16 prices).

The vast majority of those claimants affected (approximately 99%), will have a reduction in Housing Benefit but continue to be entitled. A small number of claimants, because they are in receipt of partial Housing Benefit only, are likely to find that their entitlement ceases, and they float off Housing Benefit completely.

These householders will be faced with a choice to either 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, from moving into work, increasing working hours, or from letting out a spare room to a lodger, a boarder, or a family member; or move to accommodation which better reflects the size and composition of their household.

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<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/506407/rsrs-evaluation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/506407/rsrs-evaluation.pdf)

<sup>5</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/506407/rsrs-evaluation.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/506407/rsrs-evaluation.pdf)

<sup>6</sup> Average award changes are estimated using the Policy Simulation model for Northern Ireland which is based on the Family Resources Survey

## Household Type

Of those affected almost two thirds have no dependent children. Again due to the data source estimates of which family type for the remaining households affected is not available. It is likely that these remaining households are smaller and have had requirements change over time.

## Methodology

The Northern Ireland Housing Executive (NIHE) have identified the number of HB claimants potentially affected by the introduction of size criteria through the Business Object reporting tool in conjunction with the live Housing Benefit system and property records held by NIHE and the Housing Associations (30% of social housing in NI is owned by Housing Associations). These systems are the main tools available to the NIHE for analysing Housing Benefit data and identify the number of potentially affected households as at October 2014. Characteristics of these claimants are not available due to system limitations.

In order to provide breakdowns by equality groups (were possible) the Department's Policy Simulation Model (PSM) has been used. This is a model of the Tax and Benefit system based on Family Resource Survey data (2012/13) and uses 2015/16 prices. The PSM overestimates the impact of the Social Rented Sector Size Criteria policy when compared to the Housing Executive data so the results have been calibrated to align with the NIHE stock data to improve accuracy. Any impacts that are grossed up to less than 10,000 cases are suppressed due to small underlying sample size. This data has been supplied by the Department for Social Development's Analytical Services Unit<sup>7</sup>.

## Impact on Income for Protected Groups

Households that include someone with a protected characteristic (as defined by the Equality Act) will be affected by this policy if they reside in social housing that is larger than their household size requires and claim Housing Benefit. Overall, those groups who are more likely to be in receipt of affected benefits are more likely to be affected by this policy change, though these groups will not see a change in benefit income in cash terms. The protected groups according to the Equality Act 2010 are:

- Age
- Disability
- Gender
- Ethnicity
- Gender reassignment
- Pregnancy and maternity
- Sexual orientation
- Religion or belief
- Marriage and civil partnership

## Age

Households affected by this change have a slightly older age profile than the overall social rented sector Housing Benefit claimants. Overall around half of the SRS HB claimants in Northern Ireland are over 45 (51%) whereas those affected by this policy account for 57%, which may be the result of this age group being more likely to no longer have dependent children living at home. This change affects working age households and pensioners are exempt from changes.

## Disability

Those affected by the policy are broadly in line with the profile of Housing Benefit claimants in the social rented sector in Northern Ireland. 61% of this population overall are disabled, with 66% of those affected

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<sup>7</sup> This is now part of the Department for Communities in Northern Ireland

by the policy change are disabled as measured by a self-defined question in the Family Resources Survey.

### **Gender**

Around half of those affected are single female households (53%), in line with the wider population of social rented sector tenants who claim Housing Benefit (52%).

Analysis can only be provided for some of the equality groups. We do not, as a matter of course monitor religious belief, political opinion, racial background or sexual orientation for the purpose of administering the social security system in Northern Ireland. However we would not expect claimants to be adversely affected on these grounds.

### **Life Chances**

The new Life Chances legislation (incorporated into the Welfare Reform and Work Act 2016) proposes to remove a number of the legal duties and measures set out in the Child Poverty Act 2010 and to place a new duty on the Secretary of State to report annually on children in workless households and the educational attainment of children. This is because evidence shows these to be the two main factors leading to child poverty now and in the future (respectively).

This change will support life chances as it aims to efficiently use the housing available, providing larger homes to those who are over-crowded as they becomes available when under-occupiers move to more suitable accommodation. It increases incentives to move into work for those affected therefore proving positive role models for children in their households or extended families.