Housing benefit reform
next steps

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Background

It is widely accepted that housing benefit needs major reform. It is poorly structured in relation to the Government's social security and housing policy objectives. It is also highly complex, poorly administered and confusing to claimants. In 2000/01, more than a third of applications were not processed on time.

The Housing Policy Green Paper, published in 2000, acknowledged that housing benefit has serious deficiencies. Since then a number of modest but important modifications have been introduced or are planned. However, New Labour included a commitment to more radical reform of housing benefit for *private tenants* in its 2001 election manifesto. Meanwhile, proposals for a second generation of tax credits to be introduced in 2003 have renewed concerns about their relationship with housing benefit for people in low paid employment.

In this context, the study explored options for reforms to restructure and simplify the current scheme. It focused upon two key issues:

- the rules which restrict the amount of rent that is taken into account when assessing housing benefit entitlement (referred to as 'rent restrictions') and how they might be reformed; and
- the relationship between housing benefit and the new generation of tax credits.

Housing benefit rent restrictions

When *private* tenants apply for housing benefit, part of their rent may be ignored if it is deemed to be too high. On deregulated tenancies, the local authority refers the claimant's rent to the rent officer, who decides what amount of rent should be used to calculate housing benefit in that particular case.

Prior to 1996, the rent could be restricted if it was above the market level for that dwelling, if the accommodation was too large, or if the dwelling was exceptionally expensive. In 1996, two *additional* rent restrictions were introduced: the local reference rent (LRR) and the single room rent (SRR). The LRR is the average market rent for dwellings of a particular size in the locality, and acts as a ceiling on the amount of rent that is taken into account for housing benefit purposes. The SRR is similar to the LRR but relates to shared accommodation and applies only to single people under 25 years.

These rent restrictions apply to different households depending on their age, the date their tenancy began, and when they first claimed housing benefit on the accommodation in question. Usually it is only once tenants' applications have been processed that they find out whether – and if so by how much – their rent has been restricted for housing benefit purposes.

Impact of the rent restrictions

The study analysed all cases referred to the rent officer by local authority housing benefit officials in England and Wales in 1999. It was found that, under the rules now in place, 70 per cent of cases referred to the rent officer were subject to at least one form of restriction to the rent that is taken into account in calculating housing benefit entitlement. The average restriction was £19 per week. It was especially large in London and on cases subject to the single room rent.

Although critics have focused on the local reference rent and the single room rent, the pre-1996 restrictions remain important. It was found that 39 per cent of the rents eligible for housing benefit were reduced under the pre-1996 restrictions, and a further 37 per cent under both sets of restrictions.

Restrictions in rents referred to the rent officer under the post 1996 rules*

	Number of referrals	% of referrals	% of restrictions
No restriction	180,606	30	
Restriction under:			
- pre-1996 restrictions only	161,165	27	39
- post 1996 restrictions only	98,412	17	24
- both pre-1996 and post 1996 restrictions	154,233	26	37
Total	**594,416**	**100**	**100**

* *England and Wales, 1999*

Only 24 per cent were reduced solely under the post 1996 restrictions (i.e., the LRR and SRR).

Because of these restrictions, most new claimants with deregulated tenancies face a shortfall between their contractual rent and the amount used to calculate their housing benefit. As a result, tenants may experience financial hardship or end up with rent arrears and face possible eviction. This makes housing benefit recipients a more risky client group for private landlords letting accommodation.

Since the 1996 rent restrictions were introduced, the number of private tenants receiving housing benefit has fallen. Over the same period, there has also been a fall in unemployment, the introduction of the Working Families Tax Credit, and renewed efforts to reduce housing benefit fraud. The numbers of young single people in deregulated private tenancies dropped particularly sharply, from 114,000 in November 1996 to just 31,000 in May 2000. This tends to support claims that the single room rent has contributed to the reduced supply of private lettings to young single people.

Shopping incentives

The purpose of the rent restrictions is to prevent private tenants living in unreasonably expensive or overlarge accommodation, or paying 'over the odds' for the property. But because they are not very transparent, they as act as hidden 'trip wires' for housing benefit claimants. An alternative would be to design the housing benefit scheme in such a way that tenants have an incentive to shop around for reasonably priced accommodation without the need for rent restrictions.

There are various ways in which a 'shopping incentive' could be incorporated into housing benefit for *private* tenants. One approach could be to increase social security benefit rates by, say, 25 per cent of the average rent in the area and calculate housing benefit on 80 per cent of the claimant's actual rent (instead of 100 per cent of the referred or restricted rent as at present). This type of arrangement would make housing benefit for private tenants more like the schemes that operate in other advanced welfare states.

To test the feasibility of this idea, three illustrative schemes were modelled and the results compared with the present system of rent restrictions. It was found that all three shopping incentive schemes would result in far fewer shortfalls than the current system of rent restrictions. Hence most private tenant claimants would have their housing benefit calculated on a higher level of rent than is currently the case. They would also be more transparent and simpler to administer, though the extent of these gains would depend upon exactly which of the rent restrictions could safely be removed once a shopping incentive is in place. All three schemes would cost more than the existing one because they would generate far fewer and much smaller shortfalls.

Tax credits

While the Working Families Tax Credit (WFTC), introduced in 1999, reduced the number of low paid working families dependent on housing benefit, there remains a confusing overlap between the two schemes. This could undermine the Government's 'work pays' message, especially in areas with high rents relative to wages.

The Government's proposals to introduce a second generation of tax credit schemes in 2003 provides the opportunity to make more coherent the relationship between tax credits and housing benefit. These new tax credits are the Child Tax Credit (CTC) and the Working Tax Credit (WTC) – which replace the WFTC and other tax credits introduced since 1999 – and the Pension Credit (PC).

The latest proposals for the Pension Credit acknowledge the importance of integration with housing benefit and of ensuring that entitlement to the new credit does not result in an offsetting reduction in housing benefit. It also proposes to ease significantly the means testing of modest savings, while retaining the administrative simplicity of the 'tariff' used to calculate notional income from savings. However, there are important unresolved details of the new scheme, particularly with respect to the treatment of earned incomes.

In contrast, the initial proposals for the Child Tax Credit and Working Tax Credit reflect a concern to integrate them with the wider income tax system. This leaves only limited scope for considering how they might be better integrated with housing benefit than the WFTC scheme that they will replace. Yet the tax credit proposals have important implications for housing benefit. Differences in the treatment of income and changes of circumstance are likely to be problematic for households receiving both tax credits and housing benefit, especially for working age families with children. This makes all the more urgent the need for close integration of the two types of scheme, with an approach that maximises certainty and minimises the need for retrospective adjustment of tax credit entitlement.

A housing tax credit

There are two broad approaches that could be taken in attempting to improve the relationship between the tax credits and housing benefit schemes. The first would be to fully integrate them by creating a housing tax credit, akin to the childcare tax credit in WFTC. As pre-tax credit incomes rise, the housing tax credit would taper out first, followed in turn by the parent tax credit (CTC or WTC).

This would be relatively simple and substantially reduce the maximum rates of marginal benefit deductions as incomes rise. However, it would extend the tax credit taper further up the income scale. In consequence, the 'poverty trap' would be shallower but wider, affecting a larger number of households, especially working families with children. This problem could be offset somewhat by raising the tax credit taper from the current 55 per cent to, say, 70 per cent. This would still be considerably lower than the maximum marginal deduction rate of 95 per cent that currently affects working families on WFTC, housing benefit and council tax benefit.

A partial housing tax credit

The second approach would be to introduce a smaller housing tax credit designed to complement, rather than replace, the current housing benefit scheme for people in low paid work. A flat-rate contribution to housing costs would be added to the tax credit, and households with higher costs would be able to apply for housing benefit to help them with the remainder. This would reduce the number of households receiving both tax credits and housing benefit.

A similar 'flat rate' amount could also be added to social security benefits, in parallel with reforms to the treatment of eligible rents under the housing benefit scheme. At its simplest, a flat rate amount equal to 25 per cent of the average rent could be added to social security benefits

and tax credits; and housing benefit could then be assessed on 80 per cent of the rent.
In practice, a rather more complex structure is inevitable, in order to respond to the wide variations in rent levels across the country, as well as the different housing requirements of households of different sizes. There are a number of ways in which those issues could be approached. For example, with a relatively generous flat rate credit for each size of household, it would be necessary to supplement it with housing benefit only in areas with high housing costs.

Low-income home buyers

Owner-occupation has grown to such an extent that half of the poorest households now live in this tenure. Compared to low-income tenants, they are more likely to be in low paid work or retired, and less likely to be out of work.

Because low-income owner-occupiers are not eligible for housing benefit, they can be worse off in work than unemployed, despite the introduction of WFTC. This is clearly at odds with the Government's welfare-to-work and 'making work pay' policies.

The inclusion of owner-occupiers in a reformed housing benefit, or a partial housing tax credit, would end the current tenure divide in housing support for low-income households. The net cost of including low-income owner-occupiers in a housing credit scheme has been estimated at around £500 million per annum. Any such scheme would need to include prudential measures to limit the levels of mortgage costs eligible for assistance. One approach would be to extend the proposed shopping incentive scheme for private tenants to owner-occupiers' mortgage costs.

1 Introduction

It is widely accepted that the housing benefit scheme suffers from major and widespread problems. These difficulties encompass not only the structural design of this social security benefit, but also the way in which it is being administered. Although some local authorities do a reasonably good job in implementing this complex scheme, many others struggle to achieve anything like an acceptable service. Indeed, 'chaos' and 'crisis' are words that are frequently used to sum up the current state of the scheme.

Moreover, the evidence suggests the standard of service delivery is getting worse. Statistics produced by the Department for Work and Pensions show that the percentage of new housing benefit claims taking more than 14 days to determine has doubled in recent years. This was despite a sharp fall in the total number of new claims to be determined. Thus, in 1995/96, local authorities in Britain failed to process one in six claims (18%) within the 14 day target time; by 2000/01 the figure was over one in three (37%). Over the same period, the number of new claims fell from 2.9 to 2.1 million, a drop of 28 per cent in six years (cited in *Roof*, 2001).

Given this state of affairs, it is hardly surprising that a succession of reports have been published detailing the various deficiencies of housing benefit and outlining suggestions for reform (e.g. Hills, 2000; Kemp, 1998, 2000; NACAB, 1999; Pivot, 2001; Social Security Committee, 2000; Wilcox, 1998). Among other things, proposals have been put forward to improve administration, tackle work disincentives, provide incentives for claimants in the private rented sector to shop around for accommodation, and introduce a housing tax credit for home owners and tenants in work. While some of these proposals involve relatively small changes, others – such as the introduction of a 'shopping incentive' – involve structural reform of the scheme.

The Government is known to have considered the possibility of introducing structural reform of housing benefit, but appears to have backed away from the idea. The Housing Green Paper, which included a chapter on housing benefit, came down firmly in favour of relatively incremental changes that, it is hoped, could bring real improvements in service delivery (DETR/DSS, 2000).

Although the focus of housing benefit reform is currently on short-term improvements in administration, this emphasis does not necessarily rule out structural reforms altogether. Two areas where there may be scope to introduce more radical changes include:

- the introduction of a modest shopping incentive; and
- taking housing costs into account in the emerging system of tax credits.

Shopping incentives

The Housing Green Paper did consider the case for introducing a shopping incentive into housing benefit, although most of the discussion centred around one of the more radical and arguably least feasible ideas for such reform (see King, 1999). The Green Paper argued that it would not be possible to introduce a shopping incentive in the short-term because of plans to reform the structure of social housing rents. Social housing rents needed to be made more coherent before reform of housing benefit would be feasible for tenants in this sector and that process could take a decade to complete. It might also be added that reform of the way social housing is allocated would also be required before a shopping incentive would be feasible for housing benefit recipients in social rented housing (Kemp, 1998).

However, this argument leaves open the possibility of introducing shopping incentives for *private* tenants, in respect of whom the case for reform is in any case far more pressing. In this respect it is worth noting that New Labour's 2001 election manifesto included a pledge to reform housing benefit for private tenants.

The case for introducing a shopping incentive into housing benefit for claimants in the private rental market has been explored at considerable length in a previous report commissioned by the Joseph Rowntree Foundation and the Chartered Institute of Housing (Kemp, 2000). In brief summary, the 'in principle' case for this reform is based on the notion that claimants should have some responsibility for the decisions they make when they take on a tenancy.

Under the present arrangements, marginal changes (up or down) in rent are matched pound for pound by changes in housing benefit. If a claimant's rent goes up by £1, so too does their housing benefit; and if their rent goes down by £1, so also does their housing benefit entitlement. Consequently, this creates a potential moral hazard problem: housing benefit claimants in the private rental market have little direct financial incentive to shop around when looking for accommodation.

As well as this 'in principle' argument for reform, there is also a more pragmatic, but related, argument for introducing a shopping incentive into the housing benefit scheme for private tenants. In order to tackle the potential moral hazard problem, a variety of rent restrictions have been introduced which place limits on the maximum amount of rent that is taken into account for housing benefit purposes.

These rent restrictions further complicate the administration of an already highly complex scheme. In doing so, they act to reduce its transparency to claimants. Few claimants have any real idea about how the local authority decides what level of rent to take into account when calculating housing benefit entitlement (Kemp & Rhodes, 1994; Kemp & McLaverty, 1995; Kemp & Rugg, 1998).

This lack of transparency helps to prevent claimants from taking advantage of the scheme. But it also contributes to the fact that hundreds of thousands of private tenants on housing benefit experience a restriction in the amount of their rent that is taken into account for housing benefit purposes. In effect, the present system of rent restrictions act as hidden 'trip wires' for housing benefit claimants taking up accommodation in the private rental market.

The pragmatic case for reform is that, if a shopping incentive could be introduced to tackle the potential moral hazard problem, many of the existing rent restrictions could be removed. This would help to increase the transparency of the scheme and could help to reduce the number of claimants who experience financial hardship. The one restriction that would probably need to stay even with a shopping incentive in place is the 'significantly high' restriction. This seeks to prevent tenants from paying above a reasonable market value for a property.

In order to evaluate this more pragmatic case for reform, it is important to have a clear idea of the impact that the present rent restrictions have on claimants in the private rental market. Most of the recent debate and research on rent restrictions has focused up the local reference rent and the single room rent, which were introduced for the first time in 1996 (Kemp and Rugg, 1998; London Research Centre, 1999). However, what is not always realised is that the pre-1996 rent restrictions also result in significant numbers of tenants experiencing shortfalls and hence hardship (Kemp and McLaverty, 1995; Kemp, 2000).

One of the aims of the research reported here was to ascertain, for the first time, how many claimants are affected by both the 1996 rent restrictions and those in place before that date. The report also attempts to quantify the size of the shortfalls resulting from each of the main types of rent restriction. These estimates are based on the Rent Officer Statistics for England and Wales in 1999, kindly made available to the research team by the Department for Transport, Local Government and the Regions.

Having examined the number and level of shortfalls created by the present array of rent restrictions, the report then goes on to look at the outcomes that might result if these restrictions were replaced by a shopping incentive incorporated into the scheme. Of course, the impact that a shopping incentive might have will depend on how it is designed and there are naturally a variety ways of doing that. The impact of several different 'moderate' shopping incentives (Hills, 2000) were modelled for this report. This illustrative modelling exercise was also based on the Rent Officer Statistics, thereby allowing the research team to make a like-for-like comparison with the existing rent restrictions.

Housing benefit: making work pay?

Since 1997, the New Labour Government has placed 'making work pay' at the heart of its welfare reform agenda (DSS, 1998). One novel and important part of this strategy has been the introduction of tax credits for families and disabled people in paid employment. The Working Families Tax Credit (WFTC) and the Disabled Persons Tax Credit were introduced in October 1999, a Child Tax Credit was introduced in April 2001, and a Baby Tax Credit is scheduled for April 2002. The main objectives behind these various tax credits were to improve work incentives and tackle child poverty.

One of the issues not fully resolved by these new tax credits is their relationship with housing costs and with the housing benefit scheme. This is a critical weakness, not the least because it could help undermine the effectiveness of the Government's wider welfare reform objectives, particularly in areas with relatively high housing costs such as London and the south-east of England (Better Regulation Task Force, 2000).

Housing costs are a key concern for unemployed households considering whether or not to move into work (Shaw *et al*, 1996). Some claimants appear not to realise that low-income tenants in work are eligible to claim housing benefit (Third, 1995). The delays in processing claims and other problems in the administration of housing benefit create considerable difficulties for tenants in considering whether to take up a job opportunity. These difficulties include uncertainty about their potential entitlement to benefit and the risk of rent arrears while their housing benefit claim is being reprocessed (Ford and Kempson, 1996).

The Government has introduced a number of measures aimed at helping housing benefit claimants move into work. These include improvements in the benefit 'run-on' for unemployed claimants who obtain a job. Although helpful, these relatively modest initiatives have not addressed the more fundamental failure of housing benefit to deliver the Government's 'work pays' message. Taking up a low paid job remains a risky venture for those reliant on housing benefit, especially given the deteriorating administrative performance of many local authorities. In addition, the interaction between WFTC and housing benefit continues to play an important role in the 'poverty trap' for tenants who are in work.

A benefit run-on has also been introduced for unemployed owner-occupiers receiving benefit help with mortgage interest who take up paid employment. Again, although this facility is useful, it does not tackle the more fundamental problem that low-income owner-occupiers are not eligible to claim housing benefit (Wilcox, 1998). This is despite the fact that many owner-occupiers have an income that is as low as tenants receiving housing benefit, and can consequently be worse off in work than unemployed (Burrows and Wilcox, 2000).

Second generation tax credits

A second generation of tax credits is now planned for introduction in April 2003. The WFTC is to be replaced by a Child Tax Credit (CTC) and a Working Tax Credit (WTC). A new Pension Credit is also to be introduced, the aim of which is to encourage elderly people to save for their retirement and ensure that those who do save gain from doing so.

In part this approach reflects the origins of the ideas behind the tax credit reforms. The plans for a Child Tax Credit, paying a seamless stream of income to families with children whether in or out of work, have drawn on evidence from schemes in Australia, Canada and the USA (Battle et al, 2001). However, none of these countries has an entitlement-based national housing benefit scheme for people in work and, consequently, concerns about the interaction between child credits and housing benefit do not arise.

But there is a clear interaction in Britain between tax credits and housing benefit – the plan to calculate entitlement to the CTC and WTC on the basis of annual gross income in the previous tax year will create knock-on problems for people in work who also claim housing benefit. Yet little consideration appears to have been given to this in determining the shape and potential of the new tax credit arrangements.

A further important issue in the British context is whether there is scope to introduce a housing tax credit to go along with the tax credits that are already planned. This offers the potential to resolve the thorny issue of the relationship between the tax credits and housing benefit and could help also to improve work incentives for owner-occupiers (see Wilcox, 1998).

This report therefore examines the implications of the second generation of tax credits and considers the scope for introducing either a housing tax credit or a housing element within the planned tax credits.

Structure of the report

The structure of the remainder of this report is as follows:

Section Two
Examines the impact of the present system of rent restrictions on private tenants claiming housing benefit.

Section Three
Models the impact on housing benefit of three alternative shopping incentive schemes for private tenants.

Section Four
Discusses the housing implications of the second generation of tax credits and considers the scope for incorporating housing costs into them.

2 Private sector rent restrictions in the housing benefit scheme

This section sets out a detailed statistical analysis of the operation of restrictions on private rents eligible for housing benefit under the various sets of regulations that have been introduced since January 1996. The analysis is based on the full set of rent officer determinations in private landlord housing benefit cases in England and Wales in 1999.

The analysis is prefaced by a short history of the recent development of the rent restriction rules, and a summary of the evidence available from the published statistics on the rent officer determinations, and other published analyses of the operation and impact of the various rent limits.

Recent developments in rent restriction rules

Pre 1996 restrictions

There have always been arrangements restricting the maximum levels of private rents eligible for housing benefit, and these have been amended several times over the years, with the most significant new restrictions being introduced in 1996 and 1997. Because the new restrictions have only applied to tenants newly claiming benefit, authorities have to operate a number of rent restriction rules in parallel, applying them to individual cases depending on the date of the benefit claim, and the type of private tenancy, and according to other detailed regulations.

For pre January 1996 claimants local authorities are required to refer all private landlord assured tenancy rents to the rent officer to make a number of rent determinations. Those determinations restrict the level of rent upon which benefit payments are supported by government subsidy. However, it is for the authority to determine the maximum level of rent to take into account for the purposes of making benefit payments, though in practice authorities have tended to follow rent officer decisions in the great majority of cases, and have made only very limited use of the discretion afforded to them by the regulations.

The various rent officer rent determinations indicate whether the rent is 'significantly high' compared to a reasonable market rent for the dwelling in question, whether the dwelling has an 'exceptionally high' rent relative to other rents in the same locality, or is 'over large' for the household in question. If the dwelling is deemed to be over large the rent officer will determine a notional 'size related rent' for the dwelling based on the size of dwelling the household is deemed to require under the regulations.

During the last year (1995) in which these were the only set of rent limits that were applied to private assured tenancies, almost three in five cases were the subject of one or other of those determinations. Some 36 per cent of all rents were considered to be in excess of the reasonable market rent for the dwelling in question, without being either over large or exceptionally high. A further 22 per cent were considered to be 'over large', while just 1 per cent were considered to be 'exceptionally high'. In London a rather higher percentage were considered to be in excess of market rents; but fewer were considered to be 'over large'.

However, not all dwellings determined to be 'over large' are considered to have an excessive rent against a reasonable market rent for a dwelling of the size deemed to be required. Overall 44 per cent of all cases in England were subject to reduced rent determinations, with an average deduction of £16.80 per week, or 20 per cent of the average 'referred' rent. In London 54 per cent of all cases were subject to reduced determinations, and the average deduction was £26.60, or 22 per cent of the average referred rent.

Post 1996 restrictions

In January 1996 a number of new rent restriction rules were introduced. In part these changes further limited the formal discretion of local authorities. Under the new regulations the rent officer decisions became the direct basis for housing benefit rent restrictions, with a far narrower measure of discretion for authorities to make payments in respect of rents above the level of rent officer determinations. The new rent restrictions introduced in October 1996 and October 1997 are also directly based on rent officer determinations, with very limited discretion for authorities.

The other key feature of the January 1996 regulations was the introduction of the ‘local reference rent’ (LRR) restrictions. Local reference rents are defined as average market rents for dwellings of the same size (or the size required if ‘over large’) and in the same locality as the referred dwelling. This regulation, in effect, represented a tightening of the existing ‘exceptionally high’ rent limit. Only 50 per cent of rents above the local reference rent, but below the reasonable market rent for the dwelling in question, are eligible for housing benefit under these regulations.

In October 1996 a new rent limit was introduced for new claims by most single people aged under 25 – the ‘single room rent’ (SRR). This tightened the space standards for young single people, from the already closely defined size limits that rent officers must follow in determining whether or not accommodation is ‘over large’ for the requirements of the claimant household. The single room rent is based on a single room, with shared use of a kitchen and a toilet.

In October 1997 the regulations were further varied to remove the entitlement to have 50 per cent of the rent above local reference rents taken into account for dwellings where the reasonable market rent for the dwelling was above the local reference rent level.

A glossary giving short definitions of the various rent restrictions applied in housing benefit cases is set out in Figure 1. This covers both the current terminology for the pre 1996 rent restrictions, and newer post 1996 rent restrictions.

Housing associations

All of the above rent restrictions, except the single room rent limits, may also apply in the case of housing association tenants. However, local authorities are not required to automatically

Figure 1 Glossary of rent restrictions

The pre 1996 restrictions

Exceptionally high rent	The highest rent that is not exceptionally high for dwellings of the same size (or of the deemed size) in the locality
Size related rent	A reasonable market rent for the dwelling, adjusted to reflect the size of dwelling the household is deemed to require
Significantly high rent	A reasonable market rent for the particular dwelling

The post 1996 restrictions

Local reference rent	Average rent in the locality for dwellings of the required size
Single room rent	Average rent in the locality for a single room, shared kitchen and WC only

Pre 1996 cases, and continuing and other defined claimants afforded transitional protection, may be subject to exceptionally high, over large or significantly high rents. These are referred to throughout as the pre 1996 rules. Post 1996 cases, other than those afforded transitional protection, may be subject to any of the pre 1996 restrictions, and in addition to either local reference rent or single room rent restrictions. These are referred to throughout as the post 1996 rules.

Table 2.1 *Form of rent restriction rules to private deregulated tenants in receipt of housing benefit*

Rent restriction rules	May 96	May 97	May 98	May 99	May 00	May 01
	%	%	%	%	%	%
Pre 1996 rules	75.6	38.9	28.4	22.6	18.8	16.3
LRR (Jan 96) rules	24.4	57.7	51.3	38.4	22.3	15.5
LRR (Oct 97) rules	-	-	16.2	35.8	56.8	65.8
SRR (Oct 96) rules	-	3.3	4.1	3.1	2.2	2.4
All schemes	100.0	100.0	100.0	100.0	100.0	100.0
Total number of cases *(thousands)*	930	868	803	748	687	632

Source : Housing Benefit and Council Tax Statistics, Department of Work and Pensions

refer all housing association rents to the rent officer; rather they should do so if, in their view, the accommodation is over large or the rent is excessive. In practice authorities refer relatively few housing association cases to rent officers (Rugg & Wilcox, 1997). Moreover, housing association lettings where an element of 'care' is provided are excluded from the application of the local reference rent limits.

The impact of the rent restriction rules

The application of rent restrictions for deregulated private lettings under the housing benefit rules thus depends on whether the initial claim was made before January 1996, October 1996, October 1997, or at a later date, and whether the claimant was a young person subject to the 'single room rent' rules. Over the years since 1996 the proportion of cases dealt with under each set of rules has varied, and by August 2001 just 16 per cent of all deregulated private tenants in receipt of housing benefit had their rents assessed under the pre 1996 regulations, 15 per cent were assessed under the January 1996 local reference rent regulations, 67 per cent were assessed under the October 1997 local reference rent regulations, and 2 per cent were assessed under the single room rent regulations introduced in October 1996 (Department of Work and Pensions, 2001). The trend in the proportion of cases dealt with under each set of rules is shown in Table 2.1.

The average rent eligible for housing benefit at August 2001 under the pre 1996 rules was £79.10, the average rent under the January 1996 rules was £72.10, and the average rent under the October 1997 rules was £72.90. The average eligible rent for the small number of cases subject to the single room rent limits (the October 1996 rules) was £44.20.

However, it cannot be simply concluded from these figures that the introduction of the local reference rent rules have led to a reduction in either the rents charged by private landlords to claimants, or that they have led to new claimants confining themselves to cheaper properties within the wider private rented sector. The Department of Work and Pensions statistics do not distinguish between the size of dwellings subject to the different sets of rent restrictions, and there is some evidence that there is a more rapid turnover of smaller lettings.

For example, a local survey of housing benefit cases in Brent found that larger (ie 2(+) bedroom) dwellings accounted for 58 per cent of the cases subject to the pre 1996 rules, but just 50 per cent of the cases subject to the post 1996 rules. Therefore it is likely that the average rent figures under each form of restriction reflect, at least in part, a different size mix of dwellings. Unfortunately this cannot be confirmed by the standard administrative statistics collected by the Department of Work and Pensions, as they do not include data on the size of dwellings. However, the same Brent survey found no consistent relationship between the eligible rents of pre and post 1996 cases when they were analyzed by size of dwellings (Elsmore, 1998).

The post 1996 rent limit rules have also been followed by a significant decline in the numbers of private tenants in receipt of housing benefit. While in February 1996 there were 1,167,000 private lettings to claimant tenants; by August 2001 the numbers had fallen (by 38 per cent) to just 727,000. However, it should be noted that overall unemployed claimant numbers also fell over that period, and this will also have contributed to the fall in the numbers of private tenants in receipt of housing benefit. Similarly the introduction of the more generous working families tax credit scheme in October 1999 will have ‘floated’ a number of households off of housing benefit. Further, the more rigorous approach to housing benefit fraud over the period is likely to have contributed to the declining caseload.

Nonetheless, survey evidence suggests that the decline in claimant numbers is greater than can be attributed to those other factors, and that the new rent limit rules have also contributed to the decline. The decline has been particularly sharp in respect of young single people aged under 25, with the numbers of cases in the private rented sector falling from 116,000 in November 1996 to just 31,000 in May 2001, of which 15,000 were assessed under the single room rent (SRR) rules. This chimes with claims that a number of landlords have withdrawn from letting to young single people since the advent of the SRR rules (Social Security Committee, 2000).

Moreover, the post 1996 reduction in case numbers was largely unanticipated and, as a result, housing benefit expenditure on private landlord cases fell by far more than estimated at the time that the LRR and SRR restrictions were introduced. In the four years to 1999/00 the overall outturn expenditure on rent allowances came in some £3.5 billion lower than the estimated provision made in the 1997 expenditure plans that the New Labour government inherited from their predecessors (see Table 2.2 below).

Rent restrictions and housing benefit shortfalls

It has already been indicated that even under the pre 1996 rent restriction rules nearly a half of all private assured tenancies cases were subject to rent determinations below the level of the referred rent, on the grounds that the accommodation was ‘over large’, the rent was ‘significantly high’ relative to reasonable market rents, or ‘exceptionally high’ relative to market rents in the locality.

It should also be noted that rent restrictions are not the only reason why tenants might face a shortfall between the level of housing benefit received, and the level of the rent. Shortfalls can also arise because the rent includes service charges which are ineligible for housing benefit (ie heating), because of non-dependant deductions, or because tenants in low paid work nonetheless have incomes above the levels of the personal allowances for their household, plus any appropriate earnings disregards.

The most detailed published analysis of the post 1996 rent restriction rules has been undertaken by the London Research Centre (LRC) (Department of Environment Transport and the

Table 2.2 Estimated and outturn expenditure on rent allowances

£ million

	1996/97	1997/98	1998/99	1999/00
Cm 3613	5,887	6,005	6,550	7,200
Outturn	5,810	5,681	5,665	5,815
Difference	-143	-471	-1,180	-1,730

Source : Department of Social Security Expenditure Plans

Regions, 1999). However, that research focused solely on cases where the newer rent limits – the local reference rent (LRR) and single room rent (SRR) – had led to a restriction on the levels of rent eligible for housing benefit, and disregarded the substantial numbers of cases subject to the post 1996 rules where rent restrictions continued to be made based on the pre 1996 limits, without any additional restrictions resulting from the new LRR or SRR rules.

In order to clearly understand the impact of the post 1996 rent restriction rules it is important to distinguish between rent shortfalls that have arisen solely as a result of the new restrictions, those shortfalls that have arisen because of the continuing operation of the pre 1996 restrictions, and those shortfalls that have arisen for other reasons, as outlined above.

Rent officer statistics show that the pre 1996 rent limits have continued to have a significant impact. In 1999 53 per cent of all cases in England and Wales had determined rents below the level of the 'referred rents', with an average reduction of some £15.70 per week representing 18 per cent of the average referred rent. In addition, Department of Work and Penions statistics show that in May 2000 30 per cent of all the cases subject to the post 1996 rules had their eligible rents restricted by the new limits. However, in some of these cases the new limits applied to cases that would, in any event, have had the rent restricted, albeit to a lesser degree, by one or other of the pre 1996 limits.

In this context the LRC research concentrated on a sample of cases *all of which had been affected by a Single Room Rent or Local Reference Rent limits.* The LRC research found that some 40 per cent of all such cases resulted in a shortfall of over £20 per week, although in just over two fifths of those cases some part of that shortfall could also be attributed to other restrictions, or other factors (ie excess income, non dependant deductions, ineligible service charges). In cases where the shortfalls were solely attributable to SRR and LRR limits the LRC found that 34 per cent of the sample experienced shortfalls of over £20 per week.

LHU Brent research

More recent LHU research, based on a very large survey of just over a third of all Brent private sector housing benefit cases (at May 1999), examined all aspects of the new rent limit regime, and this brought out the continuing importance of the over large, significantly high and exceptionally high rent limits, even in cases subject to the LRR and SRR rent limit rules (Elsmore, 2000).

The LHU report also showed the impact of the various rent limits in creating shortfalls, without including shortfalls arising because of non-dependant deductions, or of households with incomes above the levels of housing benefit allowances. For cases subject to the post 1996 rules the LHU Brent research found that 74 per cent of all cases faced a shortfall as a result of housing benefit rent limits, and of those cases:

- 6% were affected by a Single Room Rent limit
- 17% were affected by a Local Reference Rent limit
- 62% were affected by a Significantly High Rent limit
- 5% were affected by a Size Related Rent limit
- 10% were restricted for other reasons (mainly ineligible service charges).

This more recent Brent study provides a useful reminder of the continuing importance and impact of the pre 1996 rent limits. The more recent LRR and SRR limits are shown to add a further layer to the existing restrictions, but in practice they only result in a (further) rent reduction in just under a quarter of all the cases.

Detailed operation of rent restrictions in 1999

The new analysis undertaken for this report seeks to provide a much fuller picture of the interaction and combined impact of pre and post 1996 rent limits in private landlord housing benefit cases. The analysis is based on 1999 data, and relates solely to the operation of the post 1996 rules. While at August 1999 78 per cent of all deregulated tenancies came under those rules, by August 2001 the proportion had increased to 84 per cent, and over time the proportion of private tenancies that fall under the pre 1996 rules will inevitably continue to decline. By the time any significant reforms might be introduced it is likely that only some 5 per cent of all cases will fall under the pre 1996 rules.

The analysis is based on rent officer returns. Consequently it automatically excludes any benefit deductions made by local authority housing benefit sections to reflect households with incomes above the threshold levels, or non dependant members of the household. There are, however, two constraints on the rent officer data that must be recognised. The data cannot distinguish between cases subject to the pre and post 1996 rules, other than where a SRR determination is made. Nor can it distinguish between those cases subject to the January 1996 rules (ie with a 50 per cent allowance for rents over LRR limits) and the October 1997 rules (without any allowance for rents over LRR limits). The data covers the calendar year 1999.

The most serious limitation of the data is the inability to distinguish pre and post 1996 cases, other than those where a SRR determination has been made. This is because, since the introduction of the LRR and SRR rules, when cases are referred to rent officers they automatically set a LRR, unless instructed by the local authority to set an SRR. When the determinations are fed back to the local council they then either apply or disregard any LRR limit depending on which set of rules apply to the particular case.

The analysis of the data in effect treats all cases as if they fall under either the October 1996 rules (for young single people where the single room rent limits apply) or the October 1997 rules (for all other households where the local reference rent limits apply). The data does not therefore take into account any impact the LRR restrictions may have had in reducing the levels of referred rents for claimant cases, when compared to referred rents subject only to the pre 1996 limits.

That said there is no clear evidence that the LRR limits have had any marked effect on referred rents. While, as seen above, the routine Department of Work and Pensions quarterly statistics do show a higher average level of eligible rent for pre 1996 cases, in part that is because the pre 1996 eligible rents are not subject to LRR restrictions, and in part is likely to reflect the different size mix of lettings found within the cases subject to the pre and post 1996 rules.

Nor does the available data suggest any significant difference between the rental levels under the January 1996 and October 1997 LRR schemes, and as at August 2001 some two thirds of all deregulated tenancies were dealt with under the October 1997 scheme, as opposed to just 15 per cent falling under the January 1996 scheme. Once again by the time any significant reforms might be introduced it is likely that only some 5 per cent of all cases will fall under the January 1996 rules, and the vast majority of private tenancies will be dealt with under the October 1997 rules.

The full results of the new analysis are set out in Tables A.1 to A.14 in Appendix 1 to this paper. While based on all deregulated tenancies referred to rent officers in 1999, the results illustrate only the impact of the October 1996 rules (for young single people where the single room rent limits apply) and the October 1997 rules (for all other households where the local reference rent rules apply). The key points arising from this analysis are set out below.

Table A.1

This disaggregated analysis shows the interaction between the full range of rent restrictions that can be applied under the prevailing rules. It shows the effect of the restriction on ineligible service charges in a limited number of cases, cases where only one rent officer determination effectively limits the eligible rent, and cases where there are a range of determinations below the level of the ‘referred rent’. Although in these cases it is the lowest determination that is effective, the table draws out the extent to which the LRR and SRR rules have led to greater restrictions than would have been the case had only the pre 1996 rules applied.

Moreover, the analysis also shows the continuing impact of the pre 1996 restrictions in cases where the LRR and SRR limits are above the level of other determinations. In aggregate the figures show that just over 30 per cent of all cases are not subject to any restriction. It also shows that only just over 2 per cent of all cases involve any restrictions related to ineligible service charges.

Of the 70 per cent of cases subject to some form of rent restriction the average restriction was 22 per cent of the referred rent, equivalent to £18.80 per week. For those cases where the restriction did not involve the application of either LRR or SRR limits the average restriction was 19 per cent of the referred rent, equivalent to £15.57 per week. For cases where the LRR was the lowest determination the average reduction was just under 19 per cent, but because the average referred rents in these cases was a little higher this was equivalent to £16.70 per week.

The introduction of the LRR and SRR rules has thus led to a significant increase in the total proportion of private rents that are restricted for the purposes of housing benefit and over time, as an increasing proportion of cases are dealt with under the post 1996 rules, the percentage of all cases subject to rent restrictions is likely to increase towards the 70 per cent level found to apply under the post 1996 rules. This contrasts with the 44 per cent of cases subject to restrictions in 1995.

Altogether the LRR determinations were the lowest rent restriction for a third of all cases. However, in two thirds of those cases the rent would, in any event, have been restricted by one of the pre 1996 limits, albeit to a lesser degree. Only in a third of the LRR cases would the rent have been allowed in full were it not for the LRR restriction. In those cases the average amount of excluded rent was £6.90 per week, or just some 9 per cent of the referred rent. Greater restrictions applied in cases that would have otherwise been restricted to a lesser degree by one or other of the pre 1996 limits, but even in those cases the pre 1996 limits tended to account for the greater part of the total restriction on the eligible rent.

In overall terms the LRR rent restrictions were thus more significant in terms of increasing the proportion of cases subject to some degree of restriction for housing benefit, than for their impact in increasing the average severity of the shortfalls arising in those cases subject to some form of restriction.

In contrast the extent of the restrictions in the cases subject to SRR limits were far more severe, amounting to an average of 45 per cent of the referred rent, equivalent to a cash reduction of £34.32 per week. As seen above there has been a particularly sharp decline in the number of young single people able to secure accommodation in the private sector since the introduction of the SRR rules, and the severity of the rent restrictions in SRR cases is consistent with the other evidence suggesting that the restrictions were a contributory factor to that decline.

Table A.2
This table analysis shows that of the cases shown in Table A.1 as being subject only to exceptionally high rent and service charge restrictions, there was also an LRR / SRR determined below the level of the referred rent, but in these cases above the level of the exceptionally high rent limit. In these cases the SRR / LRR determinations are effectively redundant. The same principle applies to a proportion of the cases shown as being subject solely to over large or significantly high rent restrictions.

Table A.3
This table provides a simplified version of the data in Table A.1 in that it does not separate out the small number of cases where there is an initial restriction based on ineligible service charges. The format adopted in Table A.3 is

Summary derived from Table A.5

Distribution of shortfalls

Case type	£0 - £9.99	£10 - £19.99	£20 - £29.99	£30 +	Total	Numbers
	%	%	%	%	%	%
Pre 1996 limits	34.9	38.1	15.2	11.7	100.0	161,165
All LRR limits	41.0	31.5	14.4	13.1	100.0	192,445
All SRR limits	19.6	21.2	19.2	40.0	100.0	60,200

then used for all the subsequent analyses in Tables A.4 – A.14.

Tables A.4 & A.5
These tables show the distribution of rent shortfalls against each category of single or multiple rent restriction. Table A.4 shows the percentage distribution of deduction for each category of restriction, while Table A.5 shows the number of cases involved.

Table A.4 shows that almost three fifths of all cases subject to SRR limits face a shortfall of over £20 per week, while two fifths face a shortfall of over £30 per week. Given the very limited level of allowances for single people (£40.70 per week for single people aged 18-24 in 1999/00) it is clearly extremely difficult for tenancies to be sustained on that basis. A substantial minority of households subject to LRR and other rent limits also faced shortfalls in excess of £20 per week, as seen in the summary of Table A.5.

Tables A.6, A.7 and A.8
These tables provide the same information as Tables A.3, A.4 and A.5, but in this case the data relates to England only, rather than England and Wales.

Tables A.9, A.10 and A.11
These tables provide the same data but for England excluding Greater London.

Tables A.12, A.13 and A.14
These tables provide an analysis of cases in Greater London. This area is of particular interest, both because of the relatively large private rented sector in London, but also because of the higher level of housing costs in all tenures. The tables also show that substantial rent shortfalls are far more prevalent in Greater London than elsewhere in the country. The summary table below shows that more than three quarters of all the cases subject to SRR limits face shortfalls of over £20 per week, and the great majority of those cases face shortfalls in excess of £30 per week. About a half of all the other cases subject to LRR or the continuing application of the pre 1996 restrictions also face shortfalls in excess of £20 per week.

The impact of rent limits and shortfalls on landlords and tenants

The LRC research indicated that only a small proportion of claimant tenants affected by SRR or LRR limits succeed either in negotiating with the landlord to reduce the rent following the

Summary derived from Table A. 13

Distribution of shortfalls

Case type	£0 -£9.99	£10-£19.99	£20-£29.99	£30 +	Total	Numbers
	%	%	%	%	%	%
Pre 1996 limits	14.7	34.6	21.9	28.3	100.0	22,364
All LRR limits	27.1	26.2	17.5	29.3	100.0	25,791
All SRR limits	10.2	13.5	8.2	68.1	100.0	8,321

rent limit determination (9 per cent), or in getting the authority to review the rent limit and increase the benefit payment (10 per cent) or make an exceptional hardship payment (4 per cent). Thus just over three quarters of the claimants affected by shortfalls have to meet the full amount of the shortfall.

Just a quarter of all tenants expected to borrow from family, friends or others in order to meet the shortfall in housing benefit, while 8 per cent expected to draw on savings. In the great majority of cases claimants expected to meet the shortfall from their basic incomes (which include earnings in some cases).

However, the LRC results are based on 'achieved' interviews with claimants subject to LRR and SRR determinations made within the 12 months prior to the study, and still in residence at the time of their interview. Those 'achieved' interviews accounted for only about one third of the initial sample of LRR and SRR cases. In some one in ten LRR cases in the sample the interview was not achieved because the claimant had moved away. Closer to one in five of the sample of SRR cases had moved away.

There were additionally substantial numbers of cases where the interviews were not achieved because of either failure to make contact with the claimant despite repeated calls, or for other unknown reasons. It is likely that in some of these cases the claimants had also moved away. However recorded, a proportion of the claimants who had moved away following the LRR and SRR restrictions are likely to have moved because they were unable to meet the shortfall resulting from those restrictions.

Conclusion

This section has set out a detailed analysis of the rent shortfalls arising from rent officer determinations for households in receipt of housing benefit in the private rented sector. It has focused on the most recent sets of rent restriction rules (October 1996 and October 1997), that at May 2001 applied to some two thirds of all deregulated tenants.

The results show that 70 per cent of all cases subject to the post 1996 rules have the rent levels eligible for housing benefit restricted. The results also show the very substantial shortfalls faced by a majority of households subject to the SRR restrictions, and a large minority of households subject to the LRR restrictions, and continuing application of pre 1996 rent restrictions. There is also a far greater prevalence of substantial shortfalls facing households in Greater London.

Finally it should be noted that, following the recent Housing Green Paper, the Government has broadened the definition of the single room rent. This should lead to some limited reduction in the extent of SRR shortfalls.

3 Reforming the rent limits

The previous chapter showed that seven out of ten housing benefit cases referred to the Rent Officer Service and, subject to the post 1996 rent limit rules, result in a deduction being made from the amount of the rent that is *eligible* for benefit. This means that the great majority of private tenants – even those who receive all of their eligible rent in housing benefit – face a shortfall that they have to make up out of their own pockets. These shortfalls result not only from the local reference rent and single room rent restrictions introduced in 1996, but also from those that have been in place since 1989.

Thus, because of the lack of transparency resulting from the complex array of rent restrictions, private tenants receiving housing benefit already make a contribution to their rent, but in a largely unplanned and haphazard way. These restrictions exist because of the potential moral hazard problem in the private rental market resulting from a housing benefit system that, unlike those in other countries (Kemp, 1997; Wilcox, 2001), gives no other incentive for tenants to shop around when looking for accommodation.

The 'pragmatic case' for introducing a shopping incentive is to replace the complex and opaque set of rent restrictions with a more systematic approach that would ensure value for money while preventing unnecessary hardship for private tenants on housing benefit.

The aim of this chapter is to compare the possible outcomes of a systematic shopping incentive with those shown in the previous chapter to result from the present system of rent restrictions. A number of different shopping incentive designs are modelled, using the Rent Officer statistics database supplied to the research team by the Department for Transport, Local Government and the Regions.

Designing a shopping incentive

One important reason why other countries are able to build a shopping incentive into their housing benefit schemes is that their social assistance benefit levels tend to be higher (Ditch et al, 1996). In contrast, in Britain an important assumption underlying income support benefit rates is that tenants will be able to claim all of their reasonable rental costs from housing benefit. It is important, therefore, that this difference is taken into account in designing a shopping incentive within the context of the British social security system (Kemp, 1998).

There are a variety of ways in which a shopping incentive could be incorporated into the housing benefit scheme. Most of the recent discussion in Britain has focused on schemes involving a flat-rate allowance combined with a variable benefit linked to actual housing costs (e.g. Kemp, 1998; 2000; Hills, 2000). The flat-rate allowance could be paid as an addition to income support or together with the variable housing benefit. In this report, we have assumed that the flat-rate allowance and variable housing benefit would be paid together in one lump sum.

Much of the discussion about shopping incentive schemes has focused on a proposal for entitlement to be calculated on a flat-rate element based on 20 per cent of 'average' housing costs, plus 80 per cent of actual housing costs. An alternative suggestion is that entitlement could be calculated on 25 per cent of average costs and 80 per cent of actual costs. The logic behind this more generous approach is that it would give claimants more room for manoeuvre, which might be especially important in the transition from the existing to the proposed system. However, there is nothing particularly sacrosanct about these respective proportions. Indeed, an important reason for undertaking this modelling exercise was to give a clearer idea of what proportions would be feasible.

Table 3.1 Average regional local reference rents by size of dwelling in 1999

Regions	Number of exclusive rooms :				(£ per week)		
	1	2	3	4	5	6	7
Greater London	74.08	129.76	155.36	171.66	185.10	236.04	278.33
South East	58.49	83.44	102.49	111.37	120.90	149.00	166.59
South West	53.66	71.16	83.15	90.59	98.93	114.07	125.99
East Anglia	51.55	62.87	70.43	75.67	81.16	97.89	124.59
East Midlands	44.48	58.48	65.78	69.62	73.49	88.06	96.91
West Midlands	47.84	67.18	74.23	77.78	84.81	101.13	111.52
Yorkshire/Humber	47.12	59.87	66.44	70.41	76.81	86.12	92.36
North West	50.80	63.45	69.19	74.57	82.31	96.15	107.34
North	50.58	59.78	65.90	73.43	83.36	91.40	98.93
Wales	44.91	60.76	67.80	71.49	77.36	90.74	98.21

Source: Analysis of dataset of rent officer determinations (excluding cases subject to a size related determination).

A further important design issue concerns the 'average' housing costs on which the flat-rate allowance would be calculated. Should it be based on national, regional or local average costs? And should it take into account (as the present local reference rents do) the size of the household?

The difficulty with a national flat-rate allowance is that rent levels vary substantially from one part of the country to another. In this context, a flat-rate component based on national rents would be too high in some areas and too low in others. It would severely disadvantage households in London, where rents are close to twice the level in Wales and the northern regions of England and Wales. Households in the south of England outside of London would also be disadvantaged.

Examination of Table 3.1, which shows average regional local reference rents by size of dwelling in 1999, illustrates the inappropriateness of a national flat-rate allowance. For one-room accommodation, local reference rents vary from £74.08 in Greater London to £44.48 in the East Midlands, a difference of £30 per week. This range increases as the size of accommodation increases. For seven-room accommodation, local reference rents range from £278.33 at one extreme to £92.36 at the other, a difference of £186 per week.

Nor would a two-tier system involving one rate for Greater London and one elsewhere seem feasible. Even ignoring the Capital, the range in local reference rents in quite considerable. For one-room accommodation, the range is still £14 per week, while for seven-room accommodation it is £74 per week.

Even within regions (and especially within Greater London), rents vary substantially. However, as an initial exercise, the modelling was undertaken with regional flat-rate allowances, rather than allowances varying for each individual local authority.

It is clear from Table 3.1 that, within each region, the range of rents across the different accommodation sizes is very substantial indeed. For example, in Greater London, rents range from £74.08 for one-room accommodation to £278.33 for seven rooms, a difference of just over £200 per week. Even between one and two-room accommodation the difference in LRR in the capital is around £55 per week. Therefore the modelling in this chapter is based on a different flat-rate element for each size of household within each region. This approach provided an equivalent measure to the size-related determinations made under the current rules for households held to be occupying accommodation that is larger than they are deemed to require. However, the Rent Officer

Figure 3.1
Average Local Reference Rents for 4 room Dwellings (1990)

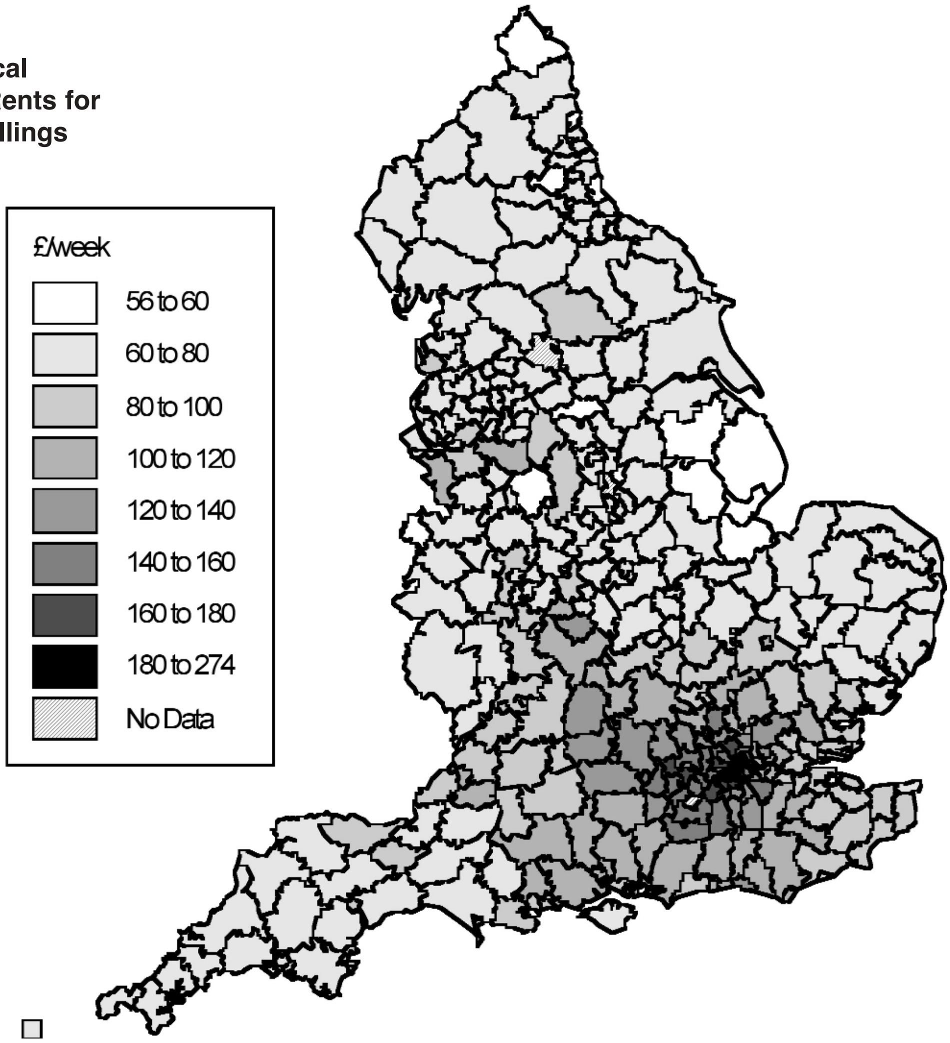

Table 3.2 Summary of differences between new and current limits England and Wales

Policy option & case type	New limit less than the current limit by: £0.01 to £4.99 %	£5.00 to £9.99 %	£10.00 or more %	New limit more than the current limit by: £0.01 to £4.99 %	£5.00 to £9.99 %	£10.00 or more %	Total %
25%/80% option							
Same size cases	1.7%	0.4%	0.2%	17.8%	30.5%	49.5%	100.0%
Overlarge cases	0.1%	0.0%	0.0%	1.7%	13.4%	84.7%	100.0%
20%/80% option							
Same size cases	8.0%	1.2%	0.6%	33.9%	22.3%	33.9%	100.0%
Overlarge cases	0.1%	0.0%	0.0%	1.8%	13.2%	84.8%	100.0%
18%/80% option							
Same size cases	15.2%	2.0%	1.0%	33.9%	18.4%	29.5%	100.0%
Overlarge cases	1.6%	0.1%	0.1%	13.6%	23.4%	61.2%	100.0%

Source : Analysis of dataset of rent officer determinations.

dataset does not include information on household size or composition. For the purpose of the modelling, we have assumed that the household was living in accommodation that was appropriately sized for their needs, unless an ‘overlarge’ restriction had been made. In cases where the household was living in overlarge property, it has been assumed that they were occupying one room more than they were deemed to require under the current regulations.

Three main combinations of flat-rate and variable benefit have been modelled in this report:

- the first scheme involves a flat-rate allowance based on 20 per cent of the regional average local reference rent, plus 80 per cent of actual rents;
- the second is the ‘over-compensation’ scheme comprising 25 per cent of the regional local reference rent, plus 80 per cent of actual rents;
- the third option involved a scheme comprising a 20 per cent flat rate allowance based on 90 per cent of the regional LRR, plus 80 per cent of actual housing costs.

The third option was selected because the other two are relatively ‘generous’ in being calculated the full local reference rent, which under the current scheme acts as a rent ceiling for benefit purposes. A flat-rate based on only 90 per cent of the LRR may therefore be more realistic. Since 20 per cent of 90 per cent equals 18 per cent, we have referred to this scheme as the 18%/80% option. The others are called the 20%/80% and 25%/80% options.

Modelling results

A summary of the main results of the modelling exercise is shown in Tables 3.2 and 3.3. More detailed results are set out in Appendix 2. Table 3.2 summarises the difference that each of the three options makes to the limits in the eligible rent produced by the current arrangements. It distinguishes between cases where the shopping incentive model gives new limits that are lower, and those that are higher, than those produced by the current restrictions. For each model the results distinguish between same size cases, and the overlarge cases that made up nearly one fifth of the total.

The most obvious and important point to note from Table 3.2 is that, for all three shopping incentive models, the vast majority of claimants would have a rent limit that is higher than under the present rent restrictions. For example, under the 20%/80% model, 90 per cent of tenants not affected by the overlarge regulation would be better off in the sense of having a higher eligible rent than they do at present. Even for the least generous shopping incentive – the 18%/80% option – 82 per cent of tenants would have a higher eligible rent or, to put it another way, a smaller shortfall than under the present rent restrictions.

These gains arise not simply because of the relatively generous flat-rate element (‘generous’ in the sense that it is based on either the whole or at worst 90 per cent of the LRR). The gains also occur because, at the margin, 80 per cent of the rent is always eligible for benefit. As modelled, these options have no limits above which rent ceases to be eligible for benefit. In contrast, under the present arrangements, none of the rent in excess of the LRR is eligible for benefit, even if the rent is in other respects reasonable. The overlarge cases also gain because only the flat-rate allowance is size-related; not the whole rent.

It is clear from Table 3.2 that only a minority (and, except for option 3, only a tiny minority) would lose under these shopping incentive schemes compared with the present system of rent restrictions. The cases that would lose out are households that have rents far above average regional rent levels. Only a very small proportion of households would be worse off by more than £5 per week, though the proportion losing in London would be much greater than elsewhere.

Thus, the extent of any shortfalls between the referred rent and the rent deemed to be eligible for benefit would be greatly reduced under the shopping incentive schemes modelled here. In fact, a significant number of households would have a maximum benefit that is greater than their actual rent. This point is illustrated in Table 3.3. This shows the percentage of cases where the new rent limit is either higher or lower than the tenant's base rent and the amount by which it is higher or lower. By the 'base rent' we mean the referred rent less any ineligible service charges. Again, the table distinguishes between same-size and overlarge cases.

It is clear from Table 3.3 that the proportion of cases where the new rent limit is higher than the base rent varies according to the shopping incentive option being modelled. Looking first at same-size cases:

- with the 20%/80% option, about half (48%) of all tenants whose rent is referred to the Rent Officer Service would have their variable housing benefit calculated on a rent that is higher than their base rent;
- with the more generous 25%/80% option, about eight out of ten (78%) would have a rent limit that is higher than their base rent;
- finally, with the less generous 18%/80% option, a third (32%) of tenants would have a new rent limit that is above their base rent.

Among overlarge cases, the gains would be much lower at 68 per cent, 23 per cent and 8 per cent respectively.

Generally speaking, the amounts by which the new limit would be either higher or lower than the base rent are in the great majority of cases below £5, though the 25%/80% option is a partial exception to this generalisation. For example, with same-size cases under the 20%/80% option, eight out of ten households would have a new limit that is within £5 of their base rent. Approximately half of these would have a higher limit, and the other half would have a lower limit, than their base rent (Table 3.3).

Thus, only a relatively small proportion of households would face a substantial shortfall between their base rent and the maximum benefit limit. Even under the 18%/80% option, less than one in five same-size cases would have a shortfall of more than £5 per week and less than a third of overlarge cases. These are very modest shortfalls compared with those that apply under the current system.

Refining the options

There are a number of ways in which the shopping incentive options modelled here could be refined. These refinements could aim to reduce the extent of the shortfalls that would face a minority of households under the proposals or to limit the extent of the gains made by a large number of households.

For instance, it would be possible to limit the maximum benefit entitlement to tenants' base rent (ie, their referred rent less ineligible service charges). That would of course limit the number and size of the gains from shifting to a shopping incentive scheme designed along these lines. It would also reduce tenants' incentive to seek accommodation below the regional or local average on which the flat-rate allowance is calculated. However, it would reduce the cost of introducing such a scheme.

It would also be possible to limit the gains by setting an upper limit above which no rent would be eligible for assistance. This might be set, for example, at a level 50 per cent above the regional average rent.

The households facing shortfalls tend to be concentrated in areas where average rents are well above the regional average. This problem could be tackled by basing the flat-rate allowance on average local rents rather than the regional average. Thus each local authority would have a different flat-rate allowance related to the prevailing level of rents in that area. This would further reduce the size of the shortfalls – and the gains – resulting from using average regional rents.

Table 3.3 Range of differences between new benefit limits and start rents — England and Wales

Policy option and case type	New limit less than the start rent by: £0.01 to £4.99	£5.00 to £9.99	£10.00 or more	New limit more than the start rent by: £0.01 to £4.99	£5.00 to £9.99	£10.00 or more	Total %
25%/80% option							
Same size cases	14.7	3.7	3.1	47.3	22.8	8.4	100.0
Overlarge cases	23.1	6.2	2.6	55.6	10.2	2.3	100.0
20%/80% option							
Same size cases	38.1	8.4	5.2	40.1	6.5	1.6	100.0
Overlarge cases	54.7	16.3	5.7	21.9	1.2		100.0
18%/80% option							
Same size cases	49.5	12.2	6.6	28.0	3.0	0.8	100.0
Overlarge cases	59.5	24.2	7.9	7.9	0.4	0.1	100.0

Source: Analysis of dataset of rent officer determinations. The start rent is the referred rent, less any ineligible service charges where applicable.

However, in practice there are relatively few areas outside of the Greater London and the South East regions where local rents are significantly above the average level for the region as a whole. This point is illustrated in Table 3.4, which shows the number of local authorities that have an average LRR that is more than £10, or more than £20, in excess of the regional LRR.

In reading Table 3.4 it should be borne in mind that, since the flat-rate would be based on 20 per cent of the regional average, rents that are £10 higher would generate shortfalls of £2 per week, while rents that are £20 higher would produce shortfalls of £4 per week. Again, these amounts are relatively modest by comparison with those produced by the existing arrangements.

The pattern of rents in Table 3.4 suggests that for most of the country it would not be necessary to base the flat rate elements on local rather than regional rent levels. It would, however, be necessary to take a rather more disaggregated approach to the very large South East region, which might be divided into three or four sub regions for the purpose of calculating the flat rate elements.

An alternative approach would be to base the flat-rate allowance on groups of contiguous local authorities that have similar rent levels. For although there are some quite marked variations in average local authority rents within regions, many contiguous local authorities - within regions and across regional boundaries - have broadly similar rent levels. This point is illustrated by the map in Figure 3.1, which show local authorities in England, by average rent levels within each area.

For example, six boroughs in the eastern part of Greater London have an average local reference rent for four room accommodation that is between £108 and £120 per week. Again, in the South West region, a dozen contiguous local authorities have LRRs between £70 and £80 per week, while more than half a dozen contiguous authorities have an average LRR that is between £80 and £90 per week. Thus, even if it were felt that basing the flat-rate allowance on the regional rents was too crude, it would still be possible to base it on larger groupings than the individual local authority level in many cases.

A further alternative option would be to provide a measure of (funded) discretion to the local authorities whose rents are particularly high relative to regional levels, to enable them to provide a local 'top up' to the regional flat rate element Such an approach would retain a greater measure of simplicity for the scheme in most parts of the country. There is a precedent for this approach under the pre-1988 housing benefit system, which provided a more generous level of benefit to tenants living in local authorities that had successfully applied to operate a 'high rent scheme'.

It would also be possible to calculate the flat-rate allowance on the average market rent for each local authority. Provided the data continues to be available at that level, having different flat-rate amounts for each local authority should not be more complex for housing benefit officials than using a regional average. It could be a problem, however, if the housing tax credit discussed in the next section was to be introduced, as that would be administered centrally, by the Inland Revenue.

Finally, it would of course be possible to employ different flat-rate and housing benefit percentages from those modelled for this report. Those used in the modelling were for illustrative purposes only. Further modelling, or piloting in local areas, could be undertaken to inform the precise choice to be implemented in any reform along the lines suggested in this chapter.

Concluding remarks

The modelling set out in this chapter has shown that a reformed housing benefit scheme, incorporating a flat rate element, could offer significant advantages relative to the current system. Not only would it be more transparent, and easier to administer, it would significantly reduce the extent of shortfalls that claimants experience under the current system.

Such an approach would, however, entail substantial costs, possibly upwards of £300 million per annum. The actual costs would vary substantially depending on the precise details of the reform. It should also be noted that the potential costs suggested by the modelling assume that all applications for housing benefit by private tenants are subject to the post-1996 rent restriction rules. They therefore represent the structural or long-term costs. However, in the short-term, a significant if declining number of cases will continue to be dealt with under the pre-1996 rules only, which should reduce the initial costs of the proposed reform.

The precise gains in transparency would depend upon exactly which of the numerous rent restrictions could be safely removed, or reformed, if a flat-rate element were to be introduced. To some extent, that could be best

Table 3.4 Number of authorities with average local reference rents well above regional levels

Region	Local areas with average LRR more than £10pw > regional average	Local areas with average LRR more than £20pw > regional average
London	11	8
South East	42	31
South West	12	1
East Anglia	2	2
West Midlands	3	3
East Midlands	5	1
North West	6	2
North	1	0
Yorkshire & Humber	4	0
Wales	4	0

Source: Analysis of dataset of rent officer determinations.

revealed though piloting in a range of different housing market areas. However as a safeguard against abuse authorities would need, at the very least, the power to impose a restriction in cases where the rent appears to be above a reasonable market level for the dwelling in question. This would not necessarily, however, require all cases to be automatically referred to rent officers.

The simplified approach to setting rent limits that could follow from the introduction of a flat rate element into the calculation of housing benefit entitlement could also lead to savings in administrative expenditure. In particular it should be possible to secure substantial savings in the £38 million annual budget of the Rent Officer Service.

A housing benefit scheme incorporating a flat rate element in the benefit entitlement could be administered in a number of ways. One option would be to take the flat rate elements out of the housing benefit scheme altogether, and to incorporate them into other ‘baseline benefits’ such as income support and tax credits. The scope for this second approach and other tax credit-related issues are discussed in the next section.

4 Harmonizing housing benefit and tax credits

Over the last five years the New Labour Government has undertaken major reforms of the welfare benefit system, with the dual objectives of moving more households into work, and improving the incomes of poor households with children. A range of welfare to work policies have been pushed through, and considerable funding has gone into making the working families tax credit (WFTC) more generous than the family credit scheme it replaced.

The number of working families receiving WFTC had risen to 1,225,000 in August 2001, compared to just under 790,000 receiving the old Family Credit in August 1999. The increased generosity of WFTC is also reflected in the substantial increase in the average award to £82.06 per week in August 2001, compared to the £62.89 per week average Family Credit awarded two years earlier (Inland Revenue, 2002).

However over the same period little progress has been made in tackling the complexities of the housing benefit scheme, in part because reforming energies were focused on WFTC and related reforms (Wilcox, 1998). This is a critical weakness that is of concern not just in terms of housing policy, but also because it threatens to undermine the effectiveness of the Government's wider welfare policy objectives, particularly in areas with higher levels of housing costs (Better Regulation Task Force, 2001).

Housing costs are typically the largest single item in the overall budget of low income households, and a key concern of households considering moving into work (Shaw et al, 1996). Yet such is the complexity of the overlapping structure of in work benefits that there is no evidence of any willingness to rely on in work housing benefit as a reliable component in the budget of a household taking up low paid work (Ford, Kempson & England, 1995).

While there have been some useful initiatives, such as the introduction and simplification of the housing benefit four week run on for households moving into work, this has not addressed the more fundamental failure of in work housing benefit to deliver the 'work pays' message. That failure has been exacerbated over the last five years by a serious deterioration in the standards of housing benefit administration.

Second generation tax credits

The Government's proposals to introduce a second generation of tax credits offers the belated opportunity to resolve the issue of their relationship with the housing benefit scheme; but it also carries the risk of compounding the delays and difficulties involved in finding a satisfactory resolution to the current failures of the housing benefit scheme.

The fundamental difficulty in progressing reforms to the housing benefit scheme is that it is once again a secondary objective. The outline proposals for the new tax credits – the Child Tax Credit (CTC – formerly known as Integrated Tax Credit – ITC), the Working Tax Credit (WTC) and the Pension Credit (PC) – all have their own primary objectives and agendas (Department of Social Security, 2000; Inland Revenue, 2001). The difficulties involved in their overlap with the housing benefit scheme are recognised, but are seen as a secondary issue to be approached within the context of the established framework of the proposed tax credits.

The second generation tax credit proposals also carry with them important implications for the options of housing benefit reform, whether or not there is to be any attempt to more effectively harmonise the structure of the tax credit and housing benefit schemes. Important features include the treatment of savings, the assessment of tax credits on the basis of gross earnings, and the proposal for tax credits to be based on conditional annual determinations. The next part of this section considers some of these key features of the tax credit proposals, before moving on to consider the options for creating a housing tax credit as part of the new tax credit regime.

Periods of award

One of the attractive features of the old Family Credit scheme, that still applies under WFTC, is that awards are set at a fixed level for six month periods. If households improve their earnings during the period their current WFTC entitlement is not affected; it is simply taken into account at the time the current WFTC award expires, in determining any level of entitlement for the next six month period. This approach thus provides households with an element of certainty in their budgeting, and this approach is clearly appreciated by the great majority of WFTC recipients (McKay, 2002).

In contrast it has been proposed that the new child and working tax credits should be set for twelve month periods. In part this is one of a number of proposals designed to dovetail the tax credits more closely with the wider income tax system, rather than the benefit system.

While initially the tax credits would be based on incomes during the previous year (or a shorter period for those just (re)entering the labour market) the awards would only be provisional, and would be reviewed at the end of the year in the event of a significant change in the level of household income. This proposal removes the certainty for claimants that is one of the most attractive features of WFTC, and raises the prospect of complex retrospective changes in levels of tax credit awards. These would be particularly confusing, and administratively cumbersome, in cases where households continue to qualify for both tax credits and housing benefit.

In part, the impact of these proposals, and the associated difficulties, will depend on how a 'significant' change of income is defined. If the threshold of change that triggers a review of tax credit entitlement is set so high that only a very small number of cases are affected then the practical difficulties would be limited. However, in that case there would, by the same token, be very limited financial savings to compensate from the loss of absolute certainty under WFTC.

Conversely if a large proportion of households are subject to year end reviews of tax credit awards, the loss of certainty for claimants, the difficulties they would face in coping with retrospective adjustments on limited budgets, and the administrative burden for the tax credit and the housing benefit schemes, all give rise to considerable concerns.

Even if the Government relents from this aspect of the tax credit proposals, in the intervening period it has been a barrier to progressing the earlier proposal that six month fixed period awards should be extended to the housing benefit scheme, at least for working households not in receipt of Income Support (Social Security Committee, 2000).

Such a reform would increase the certainty of incomes for working households in receipt of housing benefit , thereby enhancing work incentives. It would also remove the substantial administrative burdens associated with retrospective reassessments of housing benefit entitlement. The costs of such a reform would be modest, with the gross costs estimated at some £150 million (Pivot, 2001).

In one form or another the tax credit and housing benefit rules on periods of claim do need to be closely aligned. However, the available evidence suggests that the fixed six month periods of award have several advantages relative to the initial proposals for conditional twelve month awards under the child and employment tax credit schemes.

Pension Credit proposals

Following the initial consultation some more detailed proposals have now been put forward in respect of the Pension Credit scheme (Department for Work and Pensions, 2001). These are noteworthy both for a statement of intent that neither of the two components of the Pension Credit scheme (the basic pensioner credit and the savings credit) should result in any reduction in housing benefit entitlement, and a radical change in the proposed treatment of savings.

The objective of the basic pensioner credit is to bring all pensioners incomes up to the level of the minimum income guarantee. Pensioners housing benefit income thresholds will be aligned with that level (as they are now) so that pensioners with the minimum guaranteed income still qualify for the maximum housing benefit. Furthermore it is stated that pensioner households receiving an additional savings credit will not see any reduction in their housing benefit entitlement. The way in which this objective will be achieved in not stated, but one option would be to 'disregard' the savings credit for housing benefit purposes.

Savings

The revised proposals for the treatment of income from savings have significant advantages over both the current arrangements, and those proposed in the initial consultation paper. Under the current system households claiming the Minimum Income Guarantee (that is Income Support for pensioner households) and / or housing benefit are deemed to have a net income of £1 per week from every £250 of savings they hold above a threshold level of £3,000.

The key disadvantage of this approach is that it implies a marginal rate of return from savings of just over 20 per cent. In effect it requires households to contribute towards their living and housing costs from their capital, as well as applying in full any modest income they might receive from their savings.

The initial consultation proposal was to abolish the £3,000 capital disregard, but to assess the income from savings on the basis of the actual income received by the household. The key disadvantages of this proposal were that it would introduce a far more onerous administrative arrangement, and at the same time draw into the assessment households with extremely modest levels of savings.

Following the consultation the Government now proposes to retain the current system, but to double the capital disregard to £6,000, and to halve the rate of the assumed 'tariff income' from any savings above that threshold. While this will still require households with savings above the new threshold to dip into their capital for their living and housing costs, the gap between actual and assumed income from savings will be very substantially reduced. The higher savings threshold will also remove a substantial numbers of pensioner households from any assessment.

At the same time the administrative simplicity of the current system is retained. The willingness of the Government to reconsider its proposals in response to the consultation submissions on this issue is very welcome.

However, there are still a number of issues in respect of the Pension Credit scheme that still need to be resolved. In particular it has not yet been decided how earned incomes should be treated. Without some specific provision pensioners undertaking even a limited level of part time work will face a similar potential 'poverty trap' to that experienced by pre retirement working households. They could either face a 100 per cent reduction in their basic pensioner credit entitlement, or an overlapping reduction in entitlements to both housing benefit and the savings credit.

Even for pensioners considering only limited part time work the very low levels of the earnings disregards (£5 per week for a single person, £10 per week for couples and £15 per week for some defined households) still present a clear work disincentive. Those disregards have remained unchanged – and have thus been substantially eroded in real terms by inflation – for over a decade. A substantial uprating of the earnings disregards, to at least restore the disregards to their 1988 values, would go some way towards easing those difficulties.

Harmonising in work benefits: a housing credit?

What then are the options for developing a housing credit scheme to complement the new tax credit proposals, and to remove (or at least reduce) the current confusing overlaps between the tax credit and housing benefit schemes?

The latest proposals for the Pension Credit scheme would make it possible to restructure the current arrangements for help with housing costs, and to integrate the schemes both to provide clarity for claimants, and to avoid the complexity and disincentives of overlapping schemes. A similar approach to integrating the housing benefit and WTC and CTC schemes would, however, not be practical without some fundamental changes to the WTC and CTC proposals.

If a housing credit scheme was to operate so that the housing credit was an additional payment on top of the 'baseline' tax credits, and so that the entitlements were tapered away sequentially, rather than in parallel as they are now, this would be extremely expensive if the taper rate remained at the current 55 per cent rate for WFTC. Such an arrangement might be financially feasible if the integrated scheme had a higher taper rate, such as the 70 per cent rate that applied under the old family credit scheme, but that change would have disadvantages as well as advantages.

Positively such a reform would see the end of any marginal cumulative rates of deduction in excess of 80 per cent. Estimates suggest that in 1999/00 some 400,000 households faced marginal deductions from gross income at a rate in excess of 80 per cent (Department of Social Security, 2000).

The way in which an integrated scheme would work is illustrated below.

However, the integrated approach would bring about a very substantial increase in the numbers of households facing cumulative marginal rates of deduction at just under 80 per cent, rather than just under 70 per cent. The same 1999/00 estimates suggest that some 1.3 million households then faced marginal deductions of between 60 per cent and 80 per cent.

The increased marginal deductions would apply primarily to the home owner households in receipt of WFTC, that are outside the scope of the housing benefit scheme. If, however, the revised scheme included some element of financial support to low income home owners the higher marginal deductions could nonetheless be offset by a higher level of net in work income. The case for extending such assistance to low income home owners is

Cumulative deductions from gross earnings

Current Scheme

Tax/Credit/Benefit	Deductions per £
Income tax @ 22%	-22p
National insurance @ 10%	-10p
Net earnings	68p
Tax credit @ 55%	37.4p
Net income	30.6p
Housing benefit @ 65%	19.9p
Council tax benefit @ 20%	6.1p
Disposable net income	4.6p

Integrated Scheme

Tax/Credit/Benefit	Deductions per £
Income tax @ 22%	-22p
National insurance @ 10%	-10p
Net earnings	68p
Child tax credit @ 70%	47.6p
Disposable net income	20.4p

considered further below.

A fully integrated scheme could also be integrated administratively, but this would involve the tax credit administrators in taking full responsibility for assessing housing costs. Alternatively, the housing credit scheme could remain separately administered, as at present. In either case the issues involved in redefining eligible housing costs would be the same as those set out in the previous chapter.

A fully integrated scheme would have the advantage of relative simplicity and transparency. It should improve the prospects that the help provided with housing costs would be better understood by claimants, and would deliver the ‘work pays’ message far more effectively than the current housing benefit scheme. However, it would involve a reversal of the taper rate reduction that was a central part of the introduction of WFTC, and this would be likely to raise political sensitivities.

A partial housing credit

A less radical approach would be to add a limited ‘flat rate’ housing credit to the baseline tax credits. This would have the same effect as making the basic tax credits more generous – it would float more households off of housing benefit dependency. This would further reduce the numbers of households facing marginal deductions from incomes at rates in excess of 80 per cent. However, it would not entirely eliminate the overlap of the tax credit and housing benefit schemes that cause such high marginal deductions. Nor would it any more effectively deliver the ‘work pays’ message in those high housing cost areas where the tax credit and housing benefit schemes continued to overlap.

It is nonetheless of particular note that because a housing credit would represent a deduction in the level of housing costs eligible for housing benefit, rather than simply an addition to households income, it would be more effective in reducing the numbers of households that would continue to be need support through the overlapping schemes.

However, there are a number of detailed issues that would need to be resolved in constructing such a partial housing tax credit. For example, who would qualify? Should the scheme also cover non-householders? If not this would require all the baseline tax credit administrators to clearly distinguish householder and non-householder claimants.

While only a small number of WFTC recipients are non householders, two fifths of the recipients of the employment top-up scheme are single people living with their parents (Marsh, 2001). How should the housing tax credit be paid to working households excluded from the baseline tax credit schemes (ie single people / childless couples working less than 30 hours per week)? However, while these important issues of detail need to be acknowledged, their resolution goes beyond the scope of this report.

Linking a partial housing credit with housing benefit reforms

There are also potential links between the introduction of a partial housing credit, and the introduction of a proportional housing benefit scheme along the lines outlined in the previous section. In its simplest form a small flat rate entitlement could be paid as a housing credit (ie based on 20 per cent of average housing costs), with housing benefit entitlement then being based on a proportion of housing costs (ie 80 per cent). If the partial housing credit was also paid to non working households (ie as an addition to Income Support etc) the housing benefit scheme could then be structured as a proportional rent scheme for all claimants, regardless of age or working status.

However, as seen in the earlier chapter, the variations in housing costs by location and size of dwelling suggest that in this case the flat rate elements would also need to take account of those variations. This could lead to a quite complex array of flat rate additions. For example if the flat rate additions were based on 12 regions, and differentiated between five household sizes, this would generate a schedule of 60 flat rate elements (12 regions times 5 sizes).

The alternative approach would be to set the flat rate additions at a sufficiently high level that they were adequate to cover the set proportion of housing costs in most parts of the country. In that case the flat rate housing credits would only need to be varied to reflect the size of household. Thus, for example, Figure 3.1 in section 3 above shows that a flat rate element of £20 per week for households requiring four room dwellings would be sufficient to cover most parts of the country, including some of the less expensive parts of the South East (ie all those areas where average local rents are under £100 per week).

In this case it would then be necessary for the housing benefit scheme to top up the flat rate elements in the remaining higher cost areas, as well as covering the set proportion of actual housing costs. In essence there are inherent complexities arising from the highly variable housing costs across the UK, and these have to be addressed in one way of another, whether as part of a partial housing credit scheme, or the residual housing benefit scheme.

Low income home owners

The case for providing improved help with housing cost to low income home owners has been made in detail elsewhere, and need only be summarised here (Burrows and Wilcox, 2000). The key point is that low income home owners account for around one half of all the poorest households in the UK, on a range of income measures. They include retired home owners, but also very substantial numbers of low paid working households.

The exclusion of home owner households from the housing benefit scheme also means that home owners can be worse off in, rather than out of, work. Research undertaken in 1999, just prior to the introduction of WFTC, shows the in work incomes of home owner households moving into work with the assistance of family credit were then only a little over baseline Income Support levels, even without taking into account the assistance the Income Support scheme provides towards mortgage costs (albeit after an initial qualifying period).

The research found that lone parents moving into work had incomes some £63 above the basic Income Support standard, while couples moving into work obtained incomes just £46 above the Income Support standard (Marsh et al, 2001). However, during the same period a quarter of the lone parent households on Income Support were provided with help for their mortgage costs of more than £60 per week, while a third of all other working age claimants were provided with help with their mortgage costs in excess of £40 per week. In other words a substantial minority of the home owner families moving into low paid work faced the prospect of an in work disposable income below the level of Income Support after taking account of the Income Support help with mortgage costs.

The recent improvements to the WFTC scheme will have reduced the incidence of this ‘unemployment trap’ for home owners, but it nonetheless persists for a minority of households with moderate levels of mortgage costs. Moreover, even where they are not literally worse off in work, low paid home owner households typically face mortgage costs that are a very high proportion of their incomes. These arrangements are clearly at odds with the Government’s objective of ensuring that ‘work pays’.

The difficulties for low income working home owners are compounded by the relatively low level of WFTC take up. While over three quarters of all eligible tenant households are estimated to receive WFTC, the take up rate for home owner households is just over 50 per cent (McKay, 2002).

In this context it may be noted that the introduction of some form of housing credit that is explicitly available to home owner as well as tenant households could have the beneficial side effect of increasing tax credit take up levels for home owner households.

It is also the case that over a third of all children in poverty currently reside in home owner households. The Government is thus unlikely to achieve its objective of further reducing levels of child poverty unless it directly addresses the issue of assistance with housing costs for low income home owner households.

Nor is it the case that the extent of low income home ownership is the direct result of either rash lending policies, or government policies to promote access to home ownership by households on moderate incomes. Despite those policies very few low income households enter the home owner sector in any year, and even during a relatively benign economic period more low income home owners exit the sector each year.

In essence the growth in the numbers of lower income households in the home owner sector are primarily the result of changes of circumstance impacting on households after they have become home owners. Home owners become poor as a result of relationship breakdown, accident, ill health, unemployment, loss of earnings or retirement. Other than retirement those changes of circumstance are not predictable for the individual, although endemic given prevailing social and economic trends.

However, while home owners comprise ‘half the poor’, following the abolition of mortgage interest tax relief low income home owners receive just some 8 per cent of the total government help with housing costs provided to all low income households.

If it is the Government’s objective to promote more choice for households this would suggest that the benefit system as a whole should be more neutral in its approach to households in different tenures. The net costs of including home owners in a housing credit scheme have been recently estimated at around £500 million per annum (Wilcox, 1998). This would still leave the assistance provided to low income home owner households at very modest levels compared to the assistance provided to tenant households with similar incomes.

The levels of mortgage costs eligible for assistance could be assessed in the same way this report has proposed for the private rented sector: that is, entitlement would be based partly on a flat rate element, and partly on a proportion of actual mortgage costs. The scheme could also be restricted so that it did not extend to households with above average value dwellings, and with realistic opportunities to ‘trade down’ within their local housing market.

Conclusions

The Government’s proposals to introduce a second generation of tax credits offers the belated opportunity to resolve the issue of their relationship with the housing benefit scheme; but they also carry risks and challenges. The proposal to move away from the six month fixed period of award that is part of WFTC is of particular concern. In contrast the proposal to ensure that pensioner households should not have their housing benefit entitlement reduced by any entitlement to the pension credit is very welcome, as are the revised proposals for the assessment of household savings.

The clearest relationship between the tax credit regimes and the housing benefit scheme would abolish the overlapping operation of the tapers that currently can reduce both WFTC and housing benefit entitlements at same time, giving rise to a severe poverty trap. However, such an alignment of the schemes would require an increase in the taper rate for the tax credit schemes from the 55 per cent rate currently applied under WFTC. Cumulative marginal deductions from gross earnings at rates over 80 per cent could be abolished; but the numbers of households subject to cumulative deductions in excess of 70 per cent would be substantially increased.

A partial housing credit scheme would not abolish the current overlaps between WFTC and the housing benefit scheme, but could significantly reduce the number of cases where households were subject to those overlapping tapers, and as a result, cumulative deductions from incomes in excess of 89 per cent. A partial housing credit scheme could also be linked to the reformed treatment of eligible housing costs in the housing benefit scheme. The housing credit would provide a flat rate element of assistance, while the housing benefit scheme provided help with a limited proportion of housing costs.

The introduction of a housing credit scheme extended to home owner households would also break down the current crude tenure divide in benefit policy in the UK, where home owners comprise a half of all the poorest households but receive only 8 per cent of the government help towards the housing costs of low income households. A housing credit scheme for home owners could end the unemployment trap, and at the same time assist in increasing the tax credit take up rate for home owner households from their current low levels.

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Appendix 1 Detailed analysis of housing benefit rent limits

Notes:
Start rent = referred rent or referred rent less ineligible service charge where applicable. The exception is for service charge only, where the start rent=referred rent.

Range of deductions from the referred rent or the referred rent less ineligible service charge where applicable. The exception is for service charges only, where the range of deductions = referred rent less the ineligible service charge.

Table A.1 England & Wales: Housing benefit rent limits (mean figures)

Case type	Referred rent (£)	Referred less s/chge (£)	Overlarge determn (£)	Ex high determn (£)	Sig high determn (£)	LRR/SRR (£)	(N)	(%)
Single determinations								
1. No deductions	72.24	-	-	-	-	-	(180606)	(30.2)
2. Service charge	60.36	53.97	-	-	-	-	(3477)	(0.6)
3. Ex high	103.80	-	-	61.55	-	-	(1686)	(0.3)
4. Ex high & s/c	111.57	108.04	-	60.03	-	-	(1140)	(0.2)
5. Overlarge	85.17	-	69.87	-	-	-	(44780)	(7.5)
6. Overlarge & s/c	94.32	91.33	68.84	-	-	-	(30)	(0.0)
7. Sig high	81.37	-	-	-	66.42	-	(111277)	(18.6)
8. Sig high & s/c	95.31	92.48	-	-	67.62	-	(2223)	(0.4)
9. LRR	83.68	-	-	-	-	76.83	(68647)	(11.5)
10. LRR & s/c	73.41	70.47	-	-	-	60.73	(1070)	(0.2)
11. SRR	68.74	-	-	-	-	42.38	(27685)	(4.6)
12. SRR & s/c	59.49	56.48	-	-	-	41.24	(1010)	(0.2)
Multiple determinations								
13. Overlarge & ex high	96.53	-	77.16	67.61	-	-	(28)	(0.0)
14. Overlarge, ex high & s/c	115.38	110.76	103.85	79.04	-	-	(1)	(0.0)
Multiple determinations including LRR limits								
15. Ex high & LRR	120.88	-	-	94.04	-	79.62	(2645)	(0.4)
16. Ex high, LRR & s/c	153.14	148.35	-	77.13	-	64.27	(623)	(0.1)
17. Overlarge & LRR	95.25	-	80.23	-	-	74.02	(54026)	(9.0)
18. Overlarge, LRR & s/c	100.62	96.79	76.87	-	-	68.54	(85)	(0.0)
19. Sig high & LRR	91.61	-	-	-	77.89	71.55	(61088)	(10.2)
20. Sig high, LRR & s/c	104.47	101.21	-	-	72.60	60.38	(2594)	(0.4)
21. Overlarge, ex high & LRR	121.29	-	96.14	87.24	-	75.39	(1660)	(0.3)
22. Overlarge, ex high, LRR & s/c	173.67	166.30	120.48	99.12	-	84.55	(7)	(0.0)
Multiple determinations including SRR limits								
23. Ex high & SRR	118.58	-	-	79.68	-	39.62	(707)	(0.1)
24. Ex high, SRR & s/c	94.86	91.72	-	57.97	-	38.90	(305)	(0.1)
25. Overlarge & SRR	80.89	-	67.11	-	-	38.41	(7697)	(1.3)
26. Overlarge, SRR & s/c	70.10	67.80	59.17	-	-	36.67	(8)	(0.0)
27. Sig high & SRR	81.81	-	-	-	67.21	42.04	(21471)	(3.6)
28. Sig high, SRR & s/c	88.74	85.83	-	-	64.99	41.59	(1256)	(0.2)
29. Overlarge, ex high & SRR	114.70	-	92.30	83.44	-	39.31	(61)	(0.0)
30. Overlarge, ex high, SRR & s/c	-	-	-	-	-	-	-	(0)
(Totals)							**(597893)**	**(100)**

Table A.2 England & Wales: Ex high determinations showing redundant LRR/SRR limits (types 3 & 4 in Table A.1)

	Referred rent (£)	Referred less s/chge (£)	Overlarge determn (£)	Ex high determn (£)	Sig high determn (£)	LRR/SRR (£)	(N)	(%)
LRR, Ex high	104.06	-	-	61.75	-	87.85	(1675)	(0.3)
SRR, Ex high	64.10	-	-	31.84	-	38.32	(11)	(0.0)
LRR, Ex high & s/c	111.62	108.09	-	60.07	-	85.52	(1137)	(0.2)
SRR, Ex high & s/c	91.67	87.75	-	41.50	-	44.17	(3)	(0.0)

Table A.3 England & Wales: Housing benefit rent limits by grouped case type (mean figures)

Grouped case type	Start rent (£)	Referred less s/c (£)	Overlarge determn (£)	Ex high determn (£)	Sig high determn (£)	LRR/SRR (£)	(N)	(%)
Single determinations								
1. No deductions	72.24	-	-	-	-	-	(180606)	(30.2)
2. Service charge	60.36	53.97	-	-	-	-	(3477)	(0.6)
3. Ex high	105.51	-	-	60.94	-	-	(2826)	(0.5)
4. Overlarge	85.17	-	69.87	-	-	-	(44810)	(7.5)
5. Sig high	81.59	-	-	-	66.45	-	(113500)	(19.0)
6. LRR	83.48	-	-	-	-	76.58	(69717)	(11.7)
7. SRR	68.31	-	-	-	-	42.34	(28695)	(4.8)
Multiple determinations								
8. Overlarge & ex high	97.02	-	78.08	68.00	-	-	(29)	(0.0)
Multiple determinations including LRR limits								
9. Ex high & LRR	126.11	-	-	90.82	-	76.69	(3268)	(0.5)
10. Overlarge & LRR	95.26	-	80.22	-	-	74.01	(54111)	(9.1)
11. Sig high & LRR	92.00	-	-	-	77.67	71.10	(63682)	(10.7)
12. Overlarge, ex high & LRR	121.48	-	96.24	87.29	-	75.42	(1667)	(0.3)
Multiple determinations including SRR limits								
13. Ex high & SRR	110.48	-	-	73.14	-	39.40	(1012)	(0.2)
14. Overlarge & SRR	80.88	-	67.11	-	-	38.41	(7705)	(1.3)
15. Sig high & SRR	82.03	-	-	-	67.09	42.02	(22727)	(3.8)
16. Overlarge, ex high & SRR	114.70	-	92.30	83.44	-	39.31	(61)	(0.0)
Totals)							(597893)	(100)

Table A.4 England & Wales: Range of total amount deducted by grouped case type

Grouped case type	£0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00 to £14.99 (%)	£15.0 to £19.99 (%)	£20.00 to £29.99 (%)	£30+ (%)	(Total) (%)	(N)
Single determinations								
2. Service charge	78.2	15.9	0.6	0.3	0.3	4.7	(100)	(3477)
3. Ex high	2.8	7.2	9.4	10.0	16.0	54.5	(100)	(2826)
4. Overlarge	8.0	24.9	23.5	16.7	16.6	10.3	(100)	(44810)
5. Sig high	8.4	28.2	23.1	14.5	14.6	11.2	(100)	(113500)
6. LRR	47.7	31.8	11.6	4.0	2.9	1.9	(100)	(69717)
7. SRR	16.0	16.5	12.6	11.6	18.0	25.3	(100)	(28695)
Multiple determinations								
8. Overlarge & ex high	-	3.4	24.1	17.2	17.2	37.9	(100)	(29)
Multiple determinations including LRR limits								
9. Ex high & LRR	0.5	3.9	10.3	12.0	18.8	54.4	(100)	(3268)
10. Overlarge & LRR	2.3	14.9	21.4	19.6	23.2	18.7	(100)	(54111)
11. Sig high & LRR	2.5	19.6	23.7	17.9	19.2	17.2	(100)	(63682)
12. Overlarge, ex high & LRR	-	0.6	2.9	7.3	25.5	63.8	(100)	(1667)
Multiple determinations including SRR limits								
13. Ex high & SRR	-	0.9	2.6	4.4	13.1	79.0	(100)	(1012)
14. Overlarge & SRR	0.1	0.3	0.9	2.9	23.5	72.3	(100)	(7705)
15. Sig high & SRR	1.4	9.1	13.0	11.0	19.7	45.8	(100)	(22727)
16. Overlarge, ex high & SRR	-	-	-	-	3.3	96.7	(100)	(61)

Table A.5 England & Wales: Range of total amount deducted by grouped case type

Grouped case type	£0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00 to £14.99 (N)	£15.00 to £19.99 (N)	£20.00 to £29.99 (N)	£30+ (N)	(Total) (N)
Single determinations							
2. Service charge	2719	554	20	12	10	162	(3477)
3. Ex high	80	203	266	284	452	1541	(2826)
4. Overlarge	3574	11172	10524	7492	7418	4630	(44810)
5. Sig high	9556	31957	26225	16479	16586	12697	(113500)
6. LRR	33279	22153	8107	2809	2016	1353	(69717)
7. SRR	4596	4738	3607	3320	5179	7255	(28695)
Multiple determinations							
8. Overlarge & ex high	0	1	7	5	5	11	(29)
Multiple determinations including LRR limits							
9. Ex high & LRR	17	128	338	391	616	1778	(3268)
10. Overlarge & LRR	1251	8038	11583	10593	12531	10115	(54111)
11. Sig high & LRR	1588	12464	15078	11421	12207	10924	(63682)
12. Overlarge, ex high & LRR	0	10	48	121	425	1063	(1667)
Multiple determinations including SRR limits							
13. Ex high & SRR	0	9	26	45	133	799	(1012)
14. Overlarge & SRR	10	24	67	225	1807	5572	(7705)
15. Sig high & SRR	312	2072	2962	2497	4467	10417	(22727)
16. Overlarge, ex high & SRR	0	0	0	0	2	59	(61)

.

Table A. 6 England: Housing benefit rent limits by grouped case type (mean figures)

Grouped case type	Start rent (£)	Referred less s/c (£)	Overlarge determn (£)	Ex high determn (£)	Sig high determn (£)	LRR/SRR (£)	(N)	(%)
Single determinations								
1. No deductions	73.26	-	-	-	-	-	(170807)	(30.6)
2. Service charge	60.54	54.33	-	-	-	-	(3415)	(0.6)
3. Ex high	108.02	-	-	62.86	-	-	(2332)	(0.4)
4. Overlarge	86.26	-	70.72	-	-	-	(40674)	(7.3)
5. Sig high	82.50	-	-	-	67.16	-	(106711)	(19.1)
6. LRR	84.40	-	-	-	-	77.41	(66049)	(11.8)
7. SRR	69.42	-	-	-	-	42.83	(26538)	(4.8)
Multiple determinations								
8. Overlarge & ex high	121.10	-	90.04	75.82	-	-	(11)	(0.0)
Multiple determinations including LRR limits								
9. Ex high & LRR	134.22	-	-	96.02	-	80.65	(2746)	(0.5)
10. Overlarge & LRR	96.87	-	81.57	-	-	75.20	(49239)	(8.8)
11. Sig high & LRR	93.43	-	-	-	78.87	72.14	(59530)	(10.7)
12. Overlarge, ex high & LRR	131.09	-	102.98	93.07	-	79.97	(1284)	(0.2)
Multiple determinations including SRR limits								
13. Ex high & SRR	116.27	-	-	76.49	-	40.09	(813)	(0.1)
14. Overlarge & SRR	82.09	-	68.17	-	-	38.69	(6827)	(1.2)
15. Sig high & SRR	83.60	-	-	-	68.32	42.43	(21111)	(3.8)
16. Overlarge, ex high & SRR	136.63	-	109.60	97.88	-	40.51	(33)	(0.0)
(Totals)							(558120)	(100)

Table A.7 England: range of total amount deducted by grouped case type

Grouped case type	£0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00 to £14.99 (%)	£15.00 to £19.99 (%)	£20.00 to £29.99 (%)	£30+ (%)	(Total) (%)	(N)
Single determinations								
2. Service charge	78.3	16.2	0.6	0.4	0.3	4.3	(100)	(3415)
3. Ex high	2.8	6.4	8.9	9.6	15.7	56.5	(100)	(2332)
4. Overlarge	7.9	24.5	23.2	16.7	16.8	10.9	(100)	(40674)
5. Sig high	8.2	27.7	23.1	14.6	14.9	11.5	(100)	(106711)
6. LRR	47.3	31.7	11.8	4.1	3.0	2.0	(100)	(66049)
7. SRR	15.6	16.6	12.3	11.3	18.0	26.1	(100)	(26538)
Multiple determinations								
8. Overlarge & ex high	-	-	9.1	18.2	-	72.7	(100)	(11)
Multiple determinations including LRR limits								
9. Ex high & LRR	0.3	2.8	8.0	10.7	18.7	59.5	(100)	(2746)
10. Overlarge & LRR	2.4	14.6	20.9	19.2	23.2	19.7	(100)	(49239)
11. Sig high & LRR	2.4	19.0	23.3	18.0	19.5	17.9	(100)	(59530)
12. Overlarge, ex high & LRR	-	0.2	2.0	4.8	21.1	71.9	(100)	(1284)
Multiple determinations including SRR limits								
13. Ex high & SRR	-	-	1.1	3.1	11.9	83.9	(100)	(813)
14. Overlarge & SRR	0.1	0.4	0.9	2.8	22.6	73.1	(100)	(6827)
15. Sig high & SRR	1.1	8.6	12.9	11.0	19.3	47.0	(100)	(21111)
16. Overlarge, ex high & SRR	-	-	-	-	-	100.0	(100)	(33)

.

Table A.8 England: range of total amount deducted by grouped case type

Grouped case type	£0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00 to £14.99 (N)	£15.00 to £19.99 (N)	£20.00 to £29.99 (N)	£30+ (N)	(Total) (N)
Single determinations							
2. Service charge	2673	553	20	12	10	147	(3415)
3. Ex high	66	150	207	225	367	1317	(2332)
4. Overlarge	3199	9970	9449	6785	6848	4423	(40674)
5. Sig high	8731	29602	24626	15600	15879	12273	(106711)
6. LRR	31256	20950	7792	2739	1983	1329	(66049)
7. SRR	4151	4399	3270	3002	4782	6934	(26538)
Multiple determinations							
8. Overlarge & ex high	0	0	1	2	0	8	(11)
Multiple determinations including LRR limits							
9. Ex high & LRR	8	78	219	293	514	1634	(2746)
10. Overlarge & LRR	1161	7184	10289	9450	11431	9724	(49239)
11. Sig high & LRR	1410	11294	13899	10708	11591	10628	(59530)
12. Overlarge, ex high & LRR	0	2	26	62	271	923	(1284)
Multiple determinations including SRR limits							
13. Ex high & SRR	0	0	9	25	97	682	(813)
14. Overlarge & SRR	10	24	63	194	1545	4991	(6827)
15. Sig high & SRR	231	1826	2729	2325	4073	9927	(21111)
16. Overlarge, ex high & SRR	0	0	0	0	0	33	(33)

Table A.9 England excluding Greater London: Housing benefit rent limits by grouped case type (mean figures)

Grouped case type	Start rent (£)	Referred less s/c (£)	Overlarge determn (£)	Ex high determn (£)	Sig high determn (£)	LRR/SRR (£)	(N)	(%)
Single determinations								
1. No deductions	64.33	-	-	-	-	-	(138706)	(29.6)
2. Service charge	57.26	51.49	-	-	-	-	(3065)	(0.7)
3. Ex high	106.07	-	-	60.66	-	-	(2194)	(0.5)
4. Overlarge	80.48	-	66.17	-	-	-	(37566)	(8.0)
5. Sig high	73.64	-	-	-	60.12	-	(87593)	(18.7)
6. LRR	76.02	-	-	-	-	69.61	(56138)	(12.0)
7. SRR	60.54	-	-	-	-	40.29	(22864)	(4.9)
Multiple determinations								
8. Overlarge & ex high	121.10	-	90.04	75.82	-	-	(11)	(0.0)
Multiple determinations including LRR limits								
9. Ex high & LRR	125.08	-	-	86.84	-	73.12	(2494)	(0.5)
10. Overlarge & LRR	90.90	-	76.95	-	-	70.82	(45339)	(9.7)
11. Sig high & LRR	82.49	-	-	-	69.77	63.60	(47861)	(10.2)
12. Overlarge, ex high & LRR	124.66	-	98.44	89.23	-	76.72	(1225)	(0.3)
Multiple determinations including SRR limits								
13. Ex high & SRR	108.51	-	-	72.84	-	39.15	(759)	(0.2)
14. Overlarge & SRR	76.95	-	64.29	-	-	37.91	(6420)	(1.4)
15. Sig high & SRR	71.28	-	-	-	58.47	39.58	(16926)	(3.6)
16. Overlarge, ex high & SRR	132.13	-	106.47	95.31	-	39.74	(32)	(0.0)
(Totals)							(469193)	(100)

Table A.10 England excluding Greater London: range of total amount deducted by grouped case type

Grouped case type	£0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00 to £14.99 (%)	£15.00 to £19.99 (%)	£20.00 to £29.99 (%)	£30+ (%)	(Total) (%)	(N)
Single determinations								
2. Service charge	78.3	16.6	0.6	0.1	0.3	4.1	(100)	(3065)
3. Ex high	2.6	6.5	9.0	9.7	15.2	57.0	(100)	(2194)
4. Overlarge	8.4	25.8	24.0	17.2	16.3	8.3	(100)	(37566)
5. Sig high	9.5	30.8	23.7	14.3	13.4	8.4	(100)	(87593)
6. LRR	50.5	31.4	10.7	3.5	2.4	1.4	(100)	(56138)
7. SRR	16.6	17.6	13.2	12.5	20.3	19.9	(100)	(22864)
Multiple determinations								
8. Overlarge & ex high	-	-	9.1	18.2	-	72.7	(100)	(11)
Multiple determinations including LRR limits								
9. Ex high & LRR	0.3	3.1	8.7	11.5	19.8	56.5	(100)	(2494)
10. Overlarge & LRR	2.5	15.6	22.2	20.0	23.3	16.3	(100)	(45339)
11. Sig high & LRR	2.9	22.3	25.6	18.2	18.0	12.9	(100)	(47861)
12. Overlarge, ex high & LRR	-	0.2	2.1	5.1	22.1	70.5	(100)	(1225)
Multiple determinations including SRR limits								
13. Ex high & SRR	-	-	1.2	3.3	12.8	82.7	(100)	(759)
14. Overlarge & SRR	0.2	0.4	1.0	3.0	24.0	71.4	(100)	(6420)
15. Sig high & SRR	1.3	10.1	14.2	11.4	20.9	42.0	(100)	(16926)
16. Overlarge, ex high & SRR	-	-	-	-	-	100.0	(100)	(32)

Table A.11 England excluding Greater London: range of total amount deducted by grouped case type

Grouped case type	£0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00 to £14.99 (N)	£15.00 to £19.99 (N)	£20.00 to £29.99 (N)	£30+ (N)	(Total)
Single determinations							
2. Service charge	2401	510	17	4	8	125	(3065)
3. Ex high	56	143	198	212	334	1251	(2194)
4. Overlarge	3158	9691	9020	6446	6128	3123	(37566)
5. Sig high	8327	26938	20721	12553	11736	7318	(87593)
6. LRR	28355	17654	6020	1974	1338	797	(56138)
7. SRR	3803	4021	3008	2853	4639	4540	(22864)
Multiple determinations							
8. Overlarge & ex high	0	0	1	2	0	8	(11)
Multiple determinations including LRR limits							
9. Ex high & LRR	7	78	218	288	493	1410	(2494)
10. Overlarge & LRR	1142	7080	10056	9081	10569	7411	(45339)
11. Sig high & LRR	1373	10679	12274	8733	8611	6191	(47861)
12. Overlarge, ex high & LRR	0	2	26	62	271	864	(1225)
Multiple determinations including SRR limits							
13. Ex high & SRR	0	0	9	25	97	628	(759)
14. Overlarge & SRR	10	24	63	194	1543	4586	(6420)
15. Sig high & SRR	227	1705	2408	1933	3539	7114	(16926)
16. Overlarge, ex high & SRR	0	0	0	0	0	32	(32)

Table A.12 Greater London: Housing benefit rent limits by grouped case type (mean figures)

Grouped case type	Start rent (£)	Referred less s/c (£)	Overlarge determn (£)	Ex high determn (£)	Sig high determn (£)	LRR/SRR (£)	(N)	(%)
Single determinations								
1. No deductions	111.85	-	-	-	-	-	(32101)	(36.1)
2. Service charge	89.29	79.20	-	-	-	-	(350)	(0.4)
3. Ex high	139.00	-	-	97.85	-	-	(138)	(0.2)
4. Overlarge	156.17	-	125.62	-	-	-	(3108)	(3.5)
5. Sig high	123.07	-	-	-	99.42	-	(19118)	(21.5)
6. LRR	131.89	-	-	-	-	121.57	(9911)	(11.1)
7. SRR	124.70	-	-	-	-	58.60	(3674)	(4.1)
Multiple determinations								
8. Overlarge & ex high	-	-	-	-	-	-	(0)	
Multiple determinations including LRR limits								
9. Ex high & LRR	224.64	-	-	186.84	-	155.17	(252)	(0.3)
10. Overlarge & LRR	166.30	-	135.31	-	-	126.07	(3900)	(4.4)
11. Sig high & LRR	138.30	-	-	-	116.19	107.17	(11669)	(13.1)
12. Overlarge, ex high & LRR	264.54	-	197.32	172.75	-	147.41	(59)	(0.1)
Multiple determinations including SRR limits								
13. Ex high & SRR	225.31	-	-	127.81	-	53.42	(54)	(0.1)
14. Overlarge & SRR	163.14	-	129.47	-	-	50.98	(407)	(0.5)
15. Sig high & SRR	133.42	-	-	-	108.18	53.96	(4185)	(4.7)
16. Overlarge, ex high & SRR	280.77	-	210.00	180.00	-	65.00	(1)	(0.0)
(Totals)							(88927)	(100)

Table A.13 Greater London: range of total amount deducted by grouped case type

Grouped case type	£0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00 to £14.99 (%)	£15.00 to £19.99 (%)	£20.00 to £29.99 (%)	£30+ (%)	(Total) (%)	(N)
Single determinations								
2. Service charge	77.7	12.3	0.9	2.3	0.6	6.3	(100)	(350)
3. Ex high	7.2	5.1	6.5	9.4	23.9	47.8	(100)	(138)
4. Overlarge	1.3	9.0	13.8	10.9	23.2	41.8	(100)	(3108)
5. Sig high	2.1	13.9	20.4	15.9	21.7	25.9	(100)	(19118)
6. LRR	29.3	33.3	17.9	7.7	6.5	5.4	(100)	(9911)
7. SRR	9.5	10.3	7.1	4.1	3.9	65.2	(100)	(3674)
Multiple determinations								
8. Overlarge & ex high	-	-	-	-	-	-	-	(0)
Multiple determinations including LRR limits								
9. Ex high & LRR	0.4	-	0.4	2.0	8.3	88.9	(100)	(252)
10. Overlarge & LRR	0.5	2.7	6.0	9.5	22.1	59.3	(100)	(3900)
11. Sig high & LRR	0.3	5.3	13.9	16.9	25.5	38.0	(100)	(11669)
12. Overlarge, ex high & LRR	-	-	-	-	-	100.0	(100)	(59)
Multiple determinations including SRR limits								
13. Ex high & SRR	-	-	-	-	-	100.0	(100)	(54)
14. Overlarge & SRR	-	-	-	-	0.5	99.5	(100)	(407)
15. Sig high & SRR	0.1	2.9	7.7	9.4	12.8	67.2	(100)	(4185)
16. Overlarge, ex high & SRR	-	-	-	-	-	100.0	(100)	(1)

Table A.14 Greater London: range of total amount deducted by grouped case type

Grouped case type	£0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00 to £14.99 (N)	£15.00 to £19.99 (N)	£20.00 to £29.99 (N)	£30+ (N)	(Total)
Single determinations							
2. Service charge	272	43	3	8	2	22	(350)
3. Ex high	10	7	9	13	33	66	(138)
4. Overlarge	41	279	429	339	720	1300	(3108)
5. Sig high	404	2664	3905	3047	4143	4955	(19118)
6. LRR	2901	3296	1772	765	645	532	(9911)
7. SRR	348	378	262	149	143	2394	(3674)
Multiple determinations							
8. Overlarge & ex high	0	0	0	0	0	0	(0)
Multiple determinations including LRR limits							
9. Ex high & LRR	1	0	1	5	21	224	(252)
10. Overlarge & LRR	19	104	233	369	862	2313	(3900)
11. Sig high & LRR	37	615	1625	1975	2980	4437	(11669)
12. Overlarge, ex high & LRR	0	0	0	0	0	59	(59)
Multiple determinations including SRR limits							
13. Ex high & SRR	0	0	0	0	0	54	(54)
14. Overlarge & SRR	0	0	0	0	2	405	(407)
15. Sig high & SRR	4	121	321	392	534	2813	(4185)
16. Overlarge, ex high & SRR	0	0	0	0	0	1	(1)

Appendix 2 Modelling results

Notes:
- Base rent = referred rent or referred rent less ineligible service charge where applicable.
- Overlarge cases include those with a ‘redundant’ overlarge determination under the existing system.
- The flat rate component in overlarge cases = the regional average LRR for -1 room. The exceptions are for cases with no rooms for exclusive use (approx 1300 in total) where a regional average figure based on these cases was used irrespective of the number of shared rooms; and where an overlarge determination was made in cases with the use of only one exclusive room - here the LRR for one room, or SRR if applicable, was used.

Table B.1: Mean housing benefit rent limits for the 25:80% system

	25:80 < base rent				25:80 > base rent			
	Base rent (£)	25:80 rent (£)	(N)	(% of total)	Base rent (£)	25:80 rent (£)	(N)	(% of total)
England & Wales								
Same size cases	105.64	100.26	(104407)	(17.5)	72.20	77.40	(381441)	(63.8)
Overlarge cases	105.86	101.64	(35771)	(6.0)	82.19	85.65	(76274)	(12.8)
England								
Same size cases	107.48	101.98	(97395)	(16.3)	73.10	78.39	(359160)	(60.1)
Overlarge cases	107.67	103.33	(32388)	(5.4)	83.33	86.87	(69177)	(11.6)
England excluding Greater London								
Same size cases	91.64	87.38	(78381)	(13.1)	65.90	70.37	(296902)	(49.7)
Overlarge cases	100.51	96.72	(30119)	(5.0)	78.14	81.25	(63791)	(10.7)
Greater London								
Same size cases	172.77	162.18	(19014)	(3.2)	107.42	116.63	(62258)	(10.4)
Overlarge cases	202.66	191.01	(2269)	(0.4)	144.84	153.54	(5386)	(0.9)

Table B.2: Range of difference between 25:80% system and referred, or referred-s/c where applicable

	25:80 less than base rent by:			25:80 greater than base rent by:			Total	
	£0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	£0.01 to 4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	(N)	(%)
England & Wales								
Same size cases	14.7	3.7	3.1	47.3	22.8	8.4	(485848)	(100)
Overlarge cases	23.1	6.2	2.6	55.6	10.2	2.3	(112045)	(100)
England								
Same size cases	14.4	3.7	3.2	46.6	23.2	8.9	(456555)	(100)
Overlarge cases	22.8	6.3	2.8	54.7	10.9	2.5	(101565)	(100)
England excluding Greater London								
Same size cases	15.6	3.3	2.0	52.1	22.8	4.3	(375283)	(100)
Overlarge cases	23.9	6.2	1.9	57.8	9.6	0.6	(93910)	(100)
Greater London								
Same size cases	8.8	5.6	9.0	21.4	25.0	30.2	(81272)	(100)
Overlarge cases	8.8	7.2	13.7	17.5	27.4	25.4	(7655)	(100)

Table B.3: Range of difference between 25:80% system and referred, or referred-s/c where applicable

	25:80 less than base rent by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	25:80 greater than base rent by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	Total (N)
England & Wales							
Same size cases	71384	17740	15283	229662	110776	41003	(485848)
Overlarge cases	25870	6951	2950	62304	11431	2539	(112045)
England							
Same size cases	65741	16850	14804	212747	105864	40549	(456555)
Overlarge cases	23113	6401	2874	55579	11079	2519	(101565)
England excluding Greater London							
Same size cases	58555	12318	7508	195352	85559	15991	(375283)
Overlarge cases	22443	5853	1823	54240	8979	572	(93910)
Greater London							
Same size cases	7186	4532	7296	17395	20305	24558	(81272)
Overlarge cases	670	548	1051	1339	2100	1947	(7655)

Table B.4: 25:80% compared with limits under existing system (mean figures)

	25:80 < current limit: current limit (£)	25:80 rent (£)	(N)	(% of total)	25:80 > current limit: current limit (£)	25:80 rent (£)	(N)	(% of total)
England & Wales								
Same size cases	141.99	137.72	(10892)	(1.8)	66.33	81.04	(474956)	(79.4)
Overlarge cases	170.18	164.12	(219)	(0.0)	69.30	90.61	(111826)	(18.7)
England								
Same size cases	143.25	138.95	(10601)	(1.8)	67.21	82.10	(445954)	(74.6)
Overlarge cases	169.84	163.74	(217)	(0.0)	70.33	91.97	(101348)	(17.0)
England excluding Greater London								
Same size cases	114.70	111.61	(6542)	(1.1)	60.45	73.26	(368741)	(61.7)
Overlarge cases	161.36	155.68	(134)	(0.0)	66.20	86.11	(93776)	(15.7)
Greater London								
Same size cases	189.27	183.01	(4059)	(0.7)	99.46	124.35	(77213)	(12.9)
Overlarge cases	183.52	176.75	(83)	(0.0)	121.43	164.52	(7572)	(1.3)

Table B.5: Range of difference between 25:80% system and current limits

	25:80 less than current limit by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	25:80 greater than current limit by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	Total (N)	Total (%)
England & Wales								
Same size cases	1.7	0.4	0.2	17.8	30.5	49.5	(485848)	(100)
Overlarge cases	0.1	0.0	0.0	1.7	13.4	84.7	(112045)	(100)
England								
Same size cases	1.7	0.4	0.2	17.5	30.2	50.0	(456555)	(100)
Overlarge cases	0.1	0.0	0.0	1.8	13.2	84.8	(101565)	(100)
England excluding Greater London								
Same size cases	1.5	0.2	0.1	19.6	33.3	45.3	(375283)	(100)
Overlarge cases	0.1	0.0	0.0	1.8	14.1	83.9	(93910)	(100)
Greater London								
Same size cases	2.7	1.4	1.0	7.5	15.6	71.9	(81272)	(100)
Overlarge cases	0.6	0.2	0.3	1.0	1.6	96.3	(7655)	(100)

Table B.6: Range of difference between 25:80% system and current limits

	25:80 less than current limit by £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	25:80 greater than current limit by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	Total (N)
England & Wales							
Same size cases	8062	1777	1053	86425	147969	24056	(485848)
Overlarge cases	133	48	38	1896	15046	94884	(112045)
England							
Same size cases	7807	1765	1029	79784	137697	228473	(456555)
Overlarge cases	131	48	38	1794	13400	86154	(101565)
England excluding Greater London							
Same size cases	5653	649	240	73682	125041	170018	(375283)
Overlarge cases	88	30	16	1718	13276	78782	(93910)
Greater London							
Same size cases	2154	1116	789	6102	12656	58455	(81272)
Overlarge cases	43	18	22	76	124	7372	(7655)

Table B.7: Mean housing benefit rent limits for the 20:80% system

	20:80 < base rent Base rent (£)	20:80 rent (£)	(N)	(% of total)	20:80 > base rent Base rent (£)	20:80 rent (£)	(N)	(% of total)
England & Wales								
Same size cases	90.45	86.03	(251195)	(42.0)	67.55	70.55	(234653)	(39.2)
Overlarge cases	93.10	88.93	(85918)	(14.4)	78.71	80.48	(26127)	(4.4)
England								
Same size cases	91.88	87.38	(234212)	(39.2)	68.38	71.43	(222343)	(37.2)
Overlarge cases	94.46	90.21	(77682)	(13.0)	80.14	81.98	(23883)	(4.0)
England excluding Greater London								
Same size cases	81.18	77.54	(197574)	(33.0)	60.27	62.77	(177709)	(29.7)
Overlarge cases	89.13	85.25	(73248)	(12.3)	71.77	73.27	(20662)	(3.5)
Greater London								
Same size cases	149.57	140.44	(36638)	(6.1)	100.66	105.88	(44634)	(7.5)
Overlarge cases	182.44	172.03	(4434)	(0.7)	133.82	137.82	(3221)	(0.5)

Table B.8: Range of difference between 20:80% system and referred, or referred-s/c where applicable

	20:80 less than base rent by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	20:80 greater than base rent by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	(N)	Total (%)
England & Wales								
Same size cases	38.1	8.4	5.2	40.1	6.5	1.6	(485848)	(100)
Overlarge cases	54.7	16.3	5.7	21.9	1.2	0.2	(112045)	(100)
England								
Same size cases	37.5	8.5	5.4	40.2	6.7	1.7	(456555)	(100)
Overlarge cases	54.0	16.4	6.0	22.0	1.3	0.2	(101565)	(100)
England excluding Greater London								
Same size cases	41.0	8.3	3.3	41.8	4.9	0.6	(375283)	(100)
Overlarge cases	56.6	16.8	4.6	21.4	0.5	0.1	(93910)	(100)
Greater London								
Same size cases	21.3	9.1	14.7	32.8	15.3	6.8	(81272)	(100)
Overlarge cases	22.9	11.5	23.6	28.8	11.0	2.2	(7655)	(100)

Table B.9: Range of difference between 20:80% system and referred, or referred-s/c where applicable

	20:80 less than base rent by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	20:80 greater than base rent by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	Total (N)
England & Wales							
Same size cases	184940	40989	25266	194942	31711	8000	(485848)
Overlarge cases	61274	18297	6347	24510	1379	238	(112045)
England							
Same size cases	171022	38684	24506	183648	30769	7926	(456555)
Overlarge cases	54874	16674	6134	22296	1354	233	(101565)
England excluding Greater London							
Same size cases	153713	31323	12538	157024	18306	2379	(375283)
Overlarge cases	53124	15793	4331	20091	509	62	(93910)
Greater London							
Same size cases	17309	7361	11968	26624	12463	5547	(81272)
Overlarge cases	1750	881	1803	2205	845	171	(7655)

Table B.10: 20:80% compared with limits under existing system (mean figures)

	20:80 < current limit: current limit (£)	20:80 rent (£)	(N)	(% of total)	20:80 > current limit: current limit (£)	20:80 rent (£)	(N)	(% of total)
England & Wales								
Same size cases	103.52	100.28	(47853)	(8.0)	64.15	76.18	(437995)	(73.3)
Overlarge cases	119.79	116.12	(895)	(0.1)	69.10	86.73	(111150)	(18.6)
England								
Same size cases	105.06	101.75	(45535)	(7.6)	64.97	77.16	(411020)	(68.7)
Overlarge cases	120.69	116.94	(869)	(0.1)	70.11	88.02	(100696)	(16.8)
England excluding Greater London								
Same size cases	88.88	86.48	(35188)	(5.9)	58.55	68.90	(340095)	(56.9)
Overlarge cases	109.08	106.23	(710)	(0.1)	66.01	82.44	(93200)	(15.6)
Greater London								
Same size cases	160.06	153.66	(10347)	(1.7)	95.76	116.76	(70925)	(11.9)
Overlarge cases	172.53	164.76	(159)	(0.0)	121.03	157.49	(7496)	(1.3)

Table B.11: Range of difference between 20:80% system and current limits

	20:80 less than current limit by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	20:80 greater than current limit by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	Total (N)	(%)
England & Wales								
Same size cases	8.0	1.2	0.6	33.9	22.3	33.9	(485848)	(100)
Overlarge cases	0.6	0.1	0.1	8.8	22.3	68.1	(112045)	(100)
England								
Same size cases	8.0	1.3	0.7	33.6	22.2	34.2	(456555)	(100)
Overlarge cases	0.7	0.1	0.1	8.9	21.9	68.3	(101565)	(100)
England excluding Greater London								
Same size cases	8.2	1.0	0.2	37.2	23.0	30.4	(375283)	(100)
Overlarge cases	0.6	0.1	0.0	9.4	23.4	66.4	(93910)	(100)
Greater London								
Same size cases	7.0	2.9	2.9	17.2	18.2	51.9	(81272)	(100)
Overlarge cases	0.9	0.6	0.6	2.2	4.0	91.7	(7655)	(100)

Table B.12: Range of difference between 20:80% system and current limits

	20:80 less than current limit by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	20:80 greater than current limit by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	Total (N)
England & Wales							
Same size cases	38745	5975	3133	164909	108381	164705	(485848)
Overlarge cases	694	121	80	9819	25022	76309	(112045)
England							
Same size cases	36500	5932	3103	153511	101227	156282	(456555)
Overlarge cases	669	120	80	8999	22285	69412	(101565)
England excluding Greater London							
Same size cases	30802	3615	771	139528	86459	114108	(375283)
Overlarge cases	598	77	35	8832	21975	62393	(93910)
Greater London							
Same size cases	5698	2317	2332	13983	14768	42174	(81272)
Overlarge cases	71	43	45	167	310	7019	(7655)

Table B.13: Mean housing benefit rent limits for 18:80% system

	18:80 < base rent Base rent (£)	18:80 rent (£)	(N)	(% of total)	18:80 > base rent Base rent (£)	18:80 rent (£)	(N)	(% of total)
England & Wales								
Same size cases	86.40	81.83	(331480)	(55.4)	64.33	66.77	(154368)	(25.8)
Overlarge cases	90.66	85.83	(102751)	(17.2)	79.61	81.24	(9294)	(1.6)
England								
Same size cases	87.66	83.02	(309809)	(51.8)	65.19	67.66	(146746)	(24.5)
Overlarge cases	92.06	87.13	(92795)	(15.5)	80.86	82.51	(8770)	(1.5)
England excluding Greater London								
Same size cases	77.69	73.82	(262467)	(43.9)	56.37	58.42	(112816)	(18.9)
Overlarge cases	86.59	82.01	(86887)	(14.5)	69.55	70.89	(7023)	(1.2)
Greater London								
Same size cases	142.93	133.99	(47342)	(7.9)	94.49	98.40	(33930)	(5.7)
Overlarge cases	172.53	162.40	(5908)	(1.0)	126.30	129.24	(1747)	(0.3)

Table B.14: Range of difference between 18:80% system and referred, or referred-s/c where applicable

	18:80 less than base rent by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	18:80 greater than base rent by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	Total (N)	(%)
England & Wales								
Same size cases	49.5	12.2	6.6	28.0	3.0	0.8	(485848)	(100)
Overlarge cases	59.5	24.2	7.9	7.9	0.4	0.1	(112045)	(100)
England								
Same size cases	48.9	12.2	6.8	28.2	3.1	0.8	(456555)	(100)
Overlarge cases	58.9	24.1	8.4	8.2	0.4	0.1	(101565)	(100)
England excluding Greater London								
Same size cases	53.4	12.2	4.3	27.5	2.3	0.3	(375283)	(100)
Overlarge cases	61.2	24.7	6.7	7.3	0.1	0.0	(93910)	(100)
Greater London								
Same size cases	28.1	12.1	18.1	31.4	6.9	3.4	(81272)	(100)
Overlarge cases	30.8	17.3	29.1	18.9	3.4	0.5	(7655)	(100)

Table B.15: Range of difference between 18:80% system and referred, or referred-s/c where applicable

	18:80 less than base rent by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	18:80 greater than base rent by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	Total (N)
England & Wales							
Same size cases	240312	59206	31962	135850	14726	3792	(485848)
Overlarge cases	66721	27170	8860	8807	410	77	(112045)
England							
Same size cases	223230	55579	31000	128645	14325	3776	(456555)
Overlarge cases	59804	24473	8518	8297	399	74	(101565)
England excluding Greater London							
Same size cases	200433	45751	16283	103100	8691	1025	(375283)
Overlarge cases	57443	23150	6294	6849	138	36	(93910)
Greater London							
Same size cases	22797	9828	14717	25545	5634	2751	(81272)
Overlarge cases	2361	1323	2224	1448	261	38	(7655)

Table B.16: 18:80% system compared with limits under existing system (mean figures)

	18:80 < current limit: current limit (£)	18:80 rent (£)	(N)	(% of total)	18:80 > current limit: current limit (£)	18:80 rent (£)	(N)	(% of total)
England & Wales								
Same size cases	90.95	87.97	(88526)	(14.8)	62.92	74.62	(397322)	(66.5)
Overlarge cases	100.50	97.80	(2016)	(0.3)	68.93	85.22	(110029)	(18.4)
England								
Same size cases	92.26	89.21	(83907)	(14.0)	63.73	75.58	(372648)	(62.3)
Overlarge cases	101.31	98.54	(1939)	(0.3)	69.94	86.50	(99626)	(16.7)
England excluding Greater London								
Same size cases	79.59	77.28	(68874)	(11.5)	57.31	67.37	(306409)	(51.2)
Overlarge cases	92.59	90.44	(1717)	(0.3)	65.85	81.01	(92193)	(15.4)
Greater London								
Same size cases	150.31	143.85	(15033)	(2.5)	93.42	113.52	(66239)	(11.1)
Overlarge cases	168.75	161.16	(222)	(0.0)	120.71	154.64	(7433)	(1.2)

Table B.17: Range of difference between 18:80% system and current limits

	18:80 less than current limit by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	18:80 greater than current limit by: £0.01 to £4.99 (%)	£5.00 to £9.99 (%)	£10.00+ (%)	Total (N)	(%)
England & Wales								
Same size cases	15.2	2.0	1.0	33.9	18.4	29.5	(485848)	(100)
Overlarge cases	1.6	0.1	0.1	13.6	23.4	61.2	(112045)	(100)
England								
Same size cases	15.2	2.1	1.1	33.5	18.3	29.8	(456555)	(100)
Overlarge cases	1.6	0.1	0.1	13.5	23.1	61.5	(101565)	(100)
England excluding Greater London								
Same size cases	16.2	1.7	0.4	36.2	19.0	26.4	(375283)	(100)
Overlarge cases	1.7	0.1	0.1	14.3	24.5	59.3	(93910)	(100)
Greater London								
Same size cases	10.4	3.9	4.2	21.2	15.2	45.1	(81272)	(100)
Overlarge cases	1.4	0.7	0.8	3.3	5.8	88.0	(7655)	(100)

Table B.18: Range of difference between 18:80% system and current limits

	18:80 less than current limit by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	18:80 greater than current limit by: £0.01 to £4.99 (N)	£5.00 to £9.99 (N)	£10.00+ (N)	Total (N)
England & Wales							
Same size cases	73867	9715	4944	164532	89403	143387	(485848)
Overlarge cases	1737	153	126	15231	26273	68525	(112045)
England							
Same size cases	69444	9551	4912	153156	83592	135900	(456555)
Overlarge cases	1662	151	126	13694	23488	62444	(101565)
England excluding Greater London							
Same size cases	60979	6391	1504	135918	71242	99249	(375283)
Overlarge cases	1554	101	62	13441	23046	55706	(93910)
Greater London							
Same size cases	8465	3160	3408	17238	12350	36651	(81272)
Overlarge cases	108	50	64	253	442	6738	(7655)