



Department
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APPENDIX 2

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Local Authority Chief Executives

Re-designation of properties and the removal of the Spare Room Subsidy

As you may be aware there have been a number of reported cases of local authorities re-designating their properties, without reducing the rent to reflect the loss of a bedroom. Such action could lead to incorrect Housing Benefit subsidy claims being submitted to my Department at the end of the financial year.

In principle my Department has no objections to re-designating properties where there is good cause to do so, for example where a property is significantly adapted to cater for a disabled persons needs. However, we would expect the designation of a property to be consistent for both Housing Benefit and rent purposes. Blanket redesignations without a clear and justifiable reason, and without reductions in rent, are inappropriate and do not fall within the spirit of the policy.

Between 2000 and 2010 expenditure had doubled in cash terms, reaching £21 billion. Unreformed, by 2014-15 Housing Benefit would cost over £25 billion. By removing the Spare Room Subsidy £500 million a year can be saved through greater efficiency and better use of social housing stock. It is therefore vital that local authorities adhere to their statutory responsibility to implement this policy on behalf of the Department.

I would like to stress that if it is shown properties are being re-designated inappropriately this will be viewed very seriously. If the Department has cause to believe this is the case we will commission an independent audit to ascertain whether correct and appropriate procedures have been followed. I wish to state clearly that these audits would be separate from the subsidy audits already undertaken, which carry out sample checks on the assessment of Housing Benefit.

Where it is found that a local authority has re-designated properties without reasonable grounds and without reducing rents, my Department would consider either restricting or not paying their Housing Benefit subsidy.

*Yours sincerely,
David*

**Lord Freud
Minister for Welfare Reform**