

## Under-occupation and Housing Benefit reform: Four local case studies

### Summary

The proposed housing benefit reforms would reduce Housing Benefit by 14% for social tenants of working age under-occupying by one room, and by 25% if under-occupying by two or more rooms.

An earlier national study by the Housing Futures Network, including a survey of potentially affected tenants, looked at the likely impact of the reforms. However, in order to understand the effect of the reductions on particular places, this research looked at the impact on HFN members' tenants in four local neighbourhoods: **Lee (Lewisham), Clayton Brook (Chorley), Tranmere and Rock Ferry (Wirral) and Low Ford (Sunderland).**

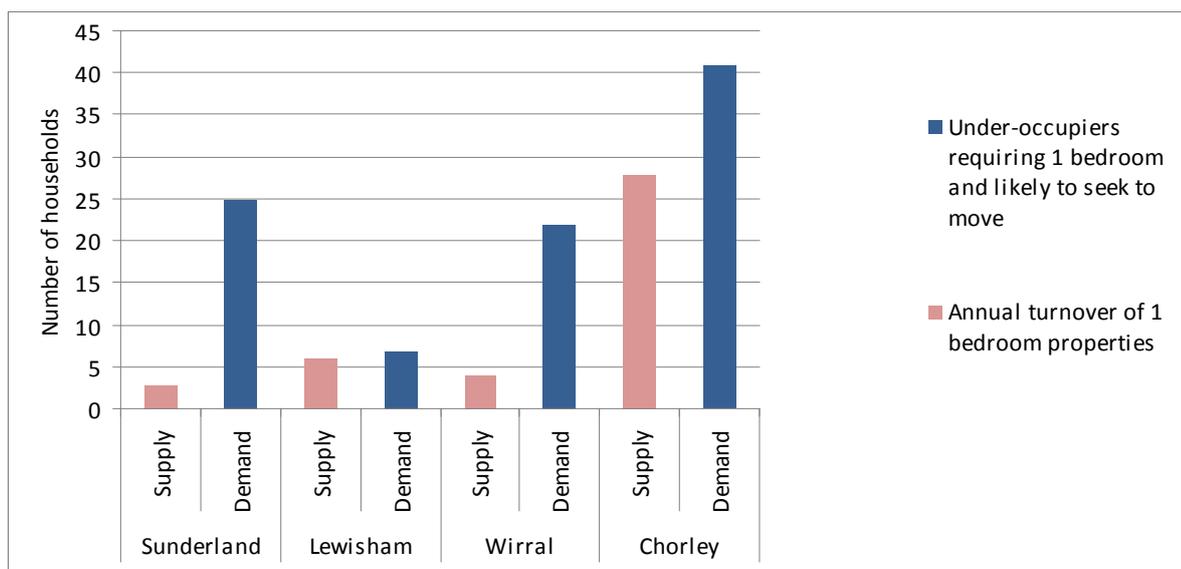
There are three key messages coming out of this research:

- *There is a substantial mismatch between the availability of one-bedroom homes and the number of households requiring them.*
- *Households affected will face severe hardship.*
- *The Government's predictions of potential savings are unlikely to be realised.*

### 1. ***There is a substantial mismatch between the availability of one-bedroom homes and the number of households requiring them.***

Drawing on survey data, 32% of tenants have been estimated to be likely to seek to move to a smaller home. But as shown below, it would take some time to meet their needs, even if all the one-bedroom properties their landlord has available for re-letting were used for this purpose alone. Other local landlords face a similar problem.

*Supply of one-bed properties in the neighbourhood, and needs of under-occupiers*



Source: HFN survey, administrative data from HFN members, and CORE 2008-2011 (average over 3 years)

In the Sunderland neighbourhood, more than **eight years' worth of one-bed relets would be required.** Looking at data for the whole local authority, a similar mismatch was found between the availability of one-

bedroom homes and the demand from both potential downsizers and new tenants. In addition, there will be increased pressure on this limited stock of one-bedroom homes from new households no longer able to claim full Housing Benefit on anything larger. It will therefore be **impossible for many social landlords to offer most under-occupying tenants a chance to move anywhere smaller in the foreseeable future.**

Outside of London it is common practice to allocate smaller two-bedroom homes to single people and couples, primarily because of the severe shortage of one-bedroom properties. In the four local authority districts, we looked at, only Lewisham had a rough balance between the supply of one-bedroom homes and the needs of the households allocated. In Sunderland and the Wirral, between **two and three times as many single people and couples were housed in the last three years as there were one-bedroom homes available** for allocation. The reforms are likely to result in social landlords in parts of England substantially altering their allocation policies to avoid the risk of a Housing Benefit shortfall, meaning that working-age single people and couples without children will have substantially less chance of being housed.

## **2) Households affected will face severe hardship**

Evidence gathered from focus groups of local residents and Housing Officers in these four local case studies suggests that many households will be pushed into severe financial difficulties by the cuts. Most affected households will be unable to move anywhere smaller and therefore will need to **live off less than benefit level incomes.** Housing Officers expressed fears around proliferation of doorstep lending and extreme financial difficulties for many tenants.

Tenants who do move (or move into the sector under new, more stringent rules on property size) are likely to find themselves in accommodation that provides **no flexibility around living arrangements.** This particularly affects separated parents who need to accommodate children part-time, or children who have left home (eg to study) and wish to return during holidays or when finished studying.

Being forced to move home is also likely to cause disruption to the lives of those who are settled in their communities. Our analysis found that many will have to look outside of their immediate neighbourhood to have any chance of finding somewhere suitable, which will mean children changing schools, and **disruption to support networks.** The focus groups uncovered a wealth of informal support networks in operation in many communities, with substantial care of children undertaken by grandparents (often still of working age, therefore affected by the cuts).

Overall a vivid picture was painted of complex inter-generational living arrangements, with grandparents often playing a big role in caring for children, and where financial margins are extremely tight. Living arrangements often need to change over time and the ability for tenants to enjoy a modest degree of additional space without penalty facilitates a hidden industry of informal care which helps low-income communities survive.

## **3) The Government's predictions of potential savings are unlikely to be realised**

The DWP's impact assessment assumes that all under-occupying tenants remain where they are and pay the shortfall. It also assumes no change of behaviour on the part of social landlords in allocating housing – ie that the savings made will represent a permanent reduction to the Housing Benefit Bill.

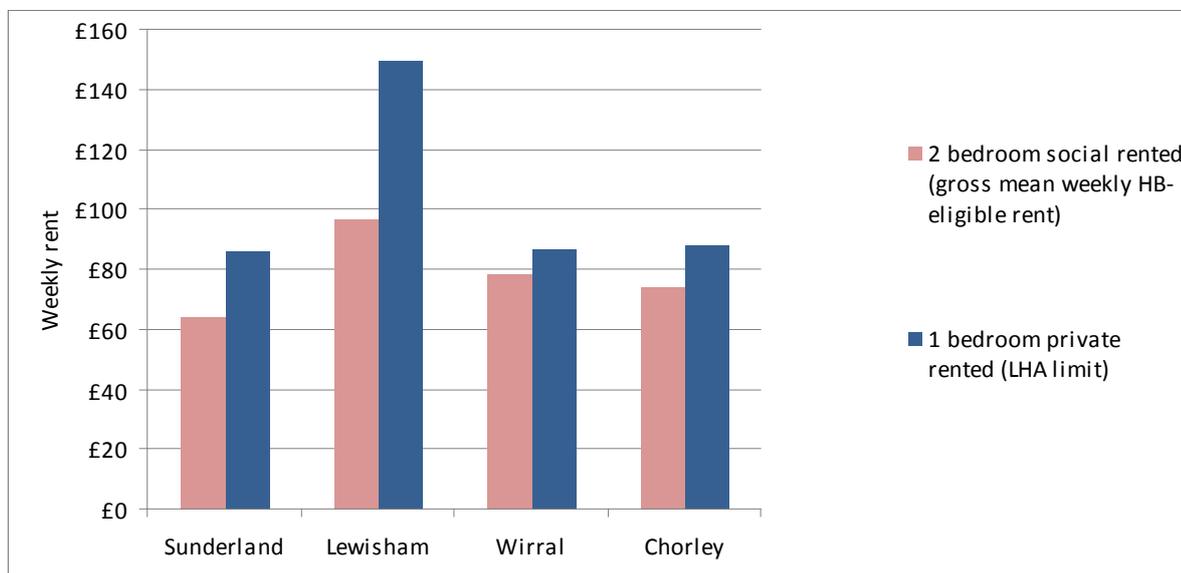
Our research suggests that this is unlikely.

Around a third of affected tenants would seek to move to somewhere smaller. In the areas with low levels of under-occupation, such as Lewisham, there is sufficient supply of smaller units to enable many of those who want to downsize. Although under-occupation is less common in London, it is here that tenants face the largest rental shortfall (and hence the highest savings per tenant are made to the HB budget).

It is also likely that some tenants who downsize will in fact increase their Housing Benefit claim by doing so. The new **Affordable Rent** product will entail substantially higher rents in the more expensive parts of the country, and it is on the smallest property sizes that most housing associations are currently planning to charge closest to the maximum permitted 80% of market rents.

Our research has suggested that relatively few households affected by the cuts will choose initially to move into the **private rented sector**. However, in light of the limited supply of social rented housing available for downsizing, it is possible that more will start to consider this option. Local Housing Officers were also of the view that households who fail to pay the shortfall and face eviction may also end up in the private rented sector, claiming higher amounts of Housing Benefit. The potential for this to occur is shown below.

*Relative costs of two-bedroom social housing and one-bedroom private rented housing*



Source: HFN members' data on actual rent costs in case study neighbourhoods and VOA.

As can be seen, the one-bedroom accommodation in the private rented sector is more expensive than two-bedroom social housing in every case.

Housing staff interviewed in the case study areas confirm that **social landlords are also likely to alter their pattern of lettings** to reduce the numbers of tenants unable to claim the full Housing Benefit, further reducing the savings that can be made.

In addition, some of the savings to the HB budget are likely to come at the expense of HAs' finances. From the survey, an estimated 42% of tenants consider that they are likely to fail to pay their rent. This would translate into an **annual loss of rental income** to the main social landlords in each of the four neighbourhoods of between **£12,000** (in Lee, in Lewisham) and **£61,000** (in Low Ford in Sunderland). In reality, landlords will not allow tenants to build up arrears forever and will eventually have to evict tenants who cannot or will not pay. HFN members' data on the costs of evictions suggest that the **cost of evicting** even a third of those who think they are unlikely to pay (less than one in six of all affected tenants) would cost over **£420,000 across the 4 case study neighbourhoods**.

Even if all tenants were to pay the shortfall, the total amount of money removed from the local economy would be between £29,000 and £150,000 per year for each of these four neighbourhoods, for HFN members' tenants alone.

**The full report, including details of each individual case study, is available at [www.cchpr.landecon.cam.ac.uk/projects/detail.asp?ProjectID=197](http://www.cchpr.landecon.cam.ac.uk/projects/detail.asp?ProjectID=197)**