

Cambridge Centre
for Housing &
Planning Research

Under-occupation and the new policy framework

**A report to the Housing Futures
Network**

As part of *Facing the Future*

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December 2011



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CAMBRIDGE**

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Introduction: Under-occupation and the new policy framework

Key findings

- There is an increasing political appetite to address “under-occupation” in order to make more efficient use of the social housing stock
- The proposed Housing Benefit cuts for under-occupying social tenants of working age will affect 670,000 households from 2013, reducing their benefits by an average of £13 a week.
- Middle aged tenants, parents with children who live away at college or with their other parent and disabled people are particularly likely to be affected
- Social landlords’ allocations policies are sometimes more generous than the rules that will be used to determine housing benefit entitlement. Over a third of single people and couples being allocated housing association tenancies are moving into homes with two or more bedrooms.
- Tenants are currently unaware of the reforms, and lack the information needed to make decisions over options such as downsizing
- 37% of tenants surveyed thought that they would be very likely to fall into arrears as a result of the reforms. This could pose a real threat to landlords’ finances, with a possible 1.6% reduction in rent collected.

Introduction

This report was commissioned by the Housing Futures Network as part of the Facing the Future work being carried out by Cambridge Centre for Housing and Planning Research.

The main report looks at wider changes to the sector and the financial challenges that it faces. This report looks at under-occupation within social housing and explores in detail the implications of the proposed cuts to housing benefit that will affect under-occupiers of working age.

Under-occupation: What is it and why is it a problem?

‘Under-occupation’ can be defined as living in a home that has more bedrooms than a household requires according to society’s norms. A long-standing definition used has been the bedroom standard. The bedroom standard stipulates that no one should have to share a bedroom unless they are:

- A couple

- Children¹ of the same sex
- Children of either sex and both aged under ten

Occasionally under-occupation can be a problem for the households affected. Fuel bills and the practical difficulties associated with looking after a large home and garden can be difficult for older tenants, who may sometimes want to move to a smaller property. Downsizing often enables households to move to single-story living and difficulties climbing stairs can be a common reason for seeking to downsize (Clarke et al 2010).

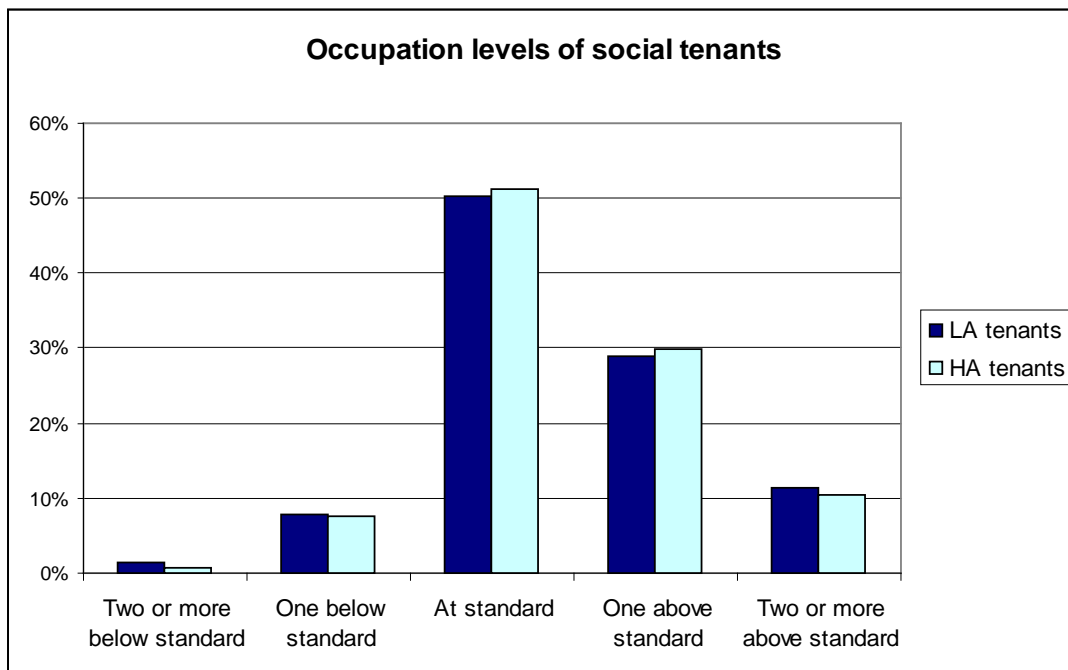
However, within the social sector most homes are relatively modest in size (DCLG, 2009) and the large majority of under-occupiers do not wish to move to smaller homes (CLG, 2008; Clarke et al 2011). The main reason for seeking to address under-occupation is usually in order to free up larger homes for overcrowded families who need to move somewhere bigger.

The current government has indicated a strong desire to make the best possible use of resources and to move away from tenants seeing their home as “for life” to being only whilst they need it:

Inflexible, lifetime tenancies...contribute to significant imbalances between the size of households and the properties they live in. While there are around a quarter of a million overcrowded households in social housing (measured against the bedroom standard) there are also over 400,000 households under-occupying their social homes by two bedrooms or more (measured against the bedroom standard). In every region apart from London the number of overcrowded social rented households is exceeded by the number of under-occupiers. (DCLG 2010: 13).

Figure 1 shows the levels of occupation within social housing, according to the bedroom standard.

Figure 1: Occupation levels of social tenants, by landlord



¹ A child is commonly defined (by surveys and allocation systems) as being under 21. However the housing benefit regulations use the age limit of 16. This HB definition has been used throughout this report including in the English Housing Survey analysis.

Overall, the numbers of tenants who are under-occupying greatly exceeds the numbers who are overcrowded, across both LA and HA tenants. From this simple perspective, there is therefore substantial potential within the social stock to make more “efficient” use of the stock by increasing the numbers of tenants who downsize. There are several important issues to consider however, in addressing the issue.

How can it be addressed?

There is already existing good practice guidance on how to encourage downsizing. Many housing associations and local authorities offer financial incentives, typically between £500 and £2000, to tenants who are willing to move (Clarke et al, 2011)

Recent guidance (October 2009) has been produced jointly by the TSA and DCLG for social landlords to tackle overcrowding and under-occupation, building on previous government guidance (DETR, 2001a). The CIH have also issued a good practice guide². Ways to increase downsizing include:

- Ensuring robust data collection and monitoring for accurately mapping areas of overcrowding, and for tenant profiling to target those who under-occupy.
- Offering a combination of cash assistance and practical help with moving, such as help to organise disposal of old items, reconnection of utilities and post redirection.
- Ensuring that tenants can find the right property is crucial, and allowing enough time to make their decision, including repeat viewings.
- Appointing a dedicated under-occupation officer who identifies those under-occupiers who are the most likely to move – older people in larger properties – and visits them to assess what sort of property might suit them. The officer then finds a suitable property and arranges to visit it with the household.
- Allowing under-occupiers to retain one spare bedroom in their new property.

Actual practice varies a great deal between landlords (National Housing Federation, 2010) but even successful schemes generally only manage to move a very small proportion of all under-occupiers each year. The main reason for this is that most do not want to leave the homes they are settled in.

Under-occupation and Housing Benefit reforms

From April 2013 social tenants of working age with one or more spare bedrooms³ will have their housing benefit reduced by a fixed percentage. The government’s impact assessment calculates that the average reduction for tenants with one bedroom over standard will lose an average of £11 and for those with two or more, £20. The actual reductions in rent will therefore vary between areas with tenants in higher-priced areas suffering greater reductions. A few tenants will lose less than £5 a week, whilst 5% will lose over £25.

² See www.cih.org/housingpractice/HousingPractice-issue15.pdf

³ The bedroom standard is defined as above, and defines children as being under the age of 16. An additional bedroom for a non-resident carer will also be taken into account in determining the relevant size criteria where that carer provides necessary overnight care for the claimant or their partner. Working age is defined in line with women’s pension age. In April 2013, this will be around 61.5 years, rising to 65 by 2020.

Average reductions will be £21 in London but only £11-£12 in the north and midlands (DWP, 2011b).

Who will be affected?

The DWP's impact statement calculates that 670,000 households in Britain will be affected initially (32% of all working age HB claimants in the sector) rising to 760,000 by 2020 as the age limit rises in line with women's pension age. The biggest group hit are middle aged tenants whose children have left home; however the DWP analysis showed that a third of those affected are households with children and 45% are aged under 45 (DWP 2011b).

The household group most likely to be affected are couples without children; 62% of HB claimants in this group are under-occupying (DWP, 2011b). The government estimates that, excluding couples, around two thirds of those affected will be women, though this reflects the proportions who claim housing benefit overall. It estimates that 66% of those affected are disabled, a higher proportion than for working age tenants on HB, possibly due to the older age profile of under-occupiers (ibid).

Data from the English Housing Survey (2009) has been used for this report in order to explore in more detail the profile of households likely to be affected by the proposed housing benefit reforms affecting under-occupying working age tenants in the social sector.

It should be noted that:

- Claiming Housing Benefit tends to be under-reported in surveys, as compared with figures on the number of claimants from the DWP. The total numbers affected cannot therefore be accurately established by surveys. It is also possible that the profile of those who report in interview that they receive Housing Benefit may differ somewhat to that of households who do not.
- The overall number of households claiming Housing Benefit has risen in the last two years, and their profile may also have done so.
- The survey data only records people's ages last birthday, therefore households where the household reference person (HRP) and their partner are both aged 61 or under have been assumed to be potentially affected by the reforms.
- The English Housing Survey relates to England, whereas the reforms (and the DWP's impact assessment) relate to the whole of Great Britain.

Nevertheless, the data provides some interesting insights into the profile of households who are likely to be affected by the changes.

Table 1 shows the age group of the HRP of households likely to be affected.

Table 1: Age group of HRP of under-occupying working age social tenants in receipt of HB in England

	Two or more bedrooms over standard		One bedroom over standard		All under-occupiers	
	000s	%	000s	%	000s	%
16 - 24	4	5	15	5	19	5
25 - 34	2	2	49	17	51	13
35 - 44	11	13	78	27	89	24
45 - 54	28	32	86	30	114	30
55 - 61	42	48	63	22	105	28

Total	87	100	291	100	379	100
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Source: English Housing Survey 2009

As can be seen above, the proportion of tenants affected rises with age, with over half of those affected aged over 45. The group affected most severely by the reforms are those with two or more spare bedrooms and this group are particularly dominated by tenants approaching retirement age.

Table 2 shows the household type of those affected.

Table 2: Household type of under-occupying working age social tenants in receipt of HB

	Two or more bedrooms over standard		One bedroom over standard		All under-occupiers	
	000s	%	000s	%	000s	%
Couple, no dependent children	22	25	35	12	57	15
Couple with dependent child(ren)	2	2	38	13	40	11
Lone parent with dependent child(ren)	3	3	76	26	79	21
other multi-person households	2	2	34	12	36	10
Single person household	58	67	108	37	167	44
Total	87	100	291	100	379	100

Source: English Housing Survey 2009

As can be seen, nearly half of those affected are single person households. Most of these are in the older age groups. However 3% of all under-occupiers in receipt of HB are aged under 35 (13,000 people). This group will be particularly hard hit if they decide to move into the private rented sector, as they will also be hit by the shared room rate, restricting them to HB that will cover only the costs of a room in a shared house.

Families with children comprise around a third of affected households, nearly all of whom are just one bedroom over standard.

Tables 3 and 4 show the gender and ethnic group of affected tenants.

Table 3: Gender of under-occupying working age social tenants in receipt of HB (HRPs and partners)

	Two or more bedrooms over standard		One bedroom over standard		All under-occupiers	
	000s	%	000s	%	000s	%
Women	43	39	142	39	185	39
Men	68	61	222	61	291	61
Total	111	100	364	100	476	100

Source: English Housing Survey 2009

Table 4: Ethnic group of under-occupying working age social tenants in receipt of HB (HRPs and partners)

	Two or more bedrooms over standard		One bedroom over standard		All under-occupiers	
	000s	%	000s	%	000s	%
White	106	95	309	85	416	87

Black	2	2	23	6	25	5
Asian	1	1	14	4	15	3
Other	2	2	18	5	20	4
Total	111	100	364	100	476	100

Source: English Housing Survey 2009

The majority of tenants (61%) affected will be women. This compares with 53% of social tenants (and their partners) overall who are women. This is probably because women are more likely to have had children living with them in the past and therefore to be under-occupying.

The large majority (87%) of tenants affected are white, a broadly similar proportion to that of the sector overall (91%). The numbers of non-white tenants affected are too small in the sample size of the EHS to draw any further conclusions.

Table 5 shows the employment status of affected households.

Table 5: Employment under-occupying working age social tenants in receipt of HB (HRP only)

	Two or more bedrooms over standard		One bedroom over standard		All under-occupiers	
	000s	%	000s	%	000s	%
Full time work	2	2	12	4	14	4
Part-time work	7	8	34	12	41	11
Retired	12	14	13	4	25	7
Unemployed	12	14	70	24	82	22
Full time education	1	1	2	1	3	1
Other inactive	53	61	160	55	213	56
Total	87	100	291	100	378	100

Source: English Housing Survey 2009

As can be seen, around 15% of the HRPs are in employment. This rises just slightly to 17% of all households with at least one adult in employment.

It is likely that the number of households that include a retired person will be lower by 2013 as the retirement age will have risen. Of those out of work, the large majority are economically inactive, rather than looking for work.

Table 6 shows rates of illness and disability in affected households.

Table 6: Illness and disability in under-occupying working age social tenant households in receipt of HB

		Two or more bedrooms over standard		One bedroom over standard		All under-occupiers	
		000s	%	000s	%	000s	%
Anyone in household with illness or disability?	Yes	60	69	181	62	242	64
	No	27	31	109	38	136	36
HRP or Partner registered disabled?	Yes	30	35	65	22	95	25
	No	56	65	226	78	283	75
Total		87	100	291	100	378	100

Source: English Housing Survey 2009

Rates of illness and disability appear very high in this group. In contrast, 30% of social tenants overall report that someone in the household has an illness or disability and 9% that they or their partner is registered disabled.

A survey was recently carried out by three major social landlords: Affinity Sutton, Places for People and Riverside of 452 households likely to be affected by the changes (Housing Futures Network, 2011). The survey confirmed a similar household profile in terms of household composition, age and income to that described above in the national analysis. It too found high levels of illness and disability, with nearly three quarters of households including someone with a disability or major health concern.

Why do working-age people under-occupy?

The most well known cause of under-occupation is when an older tenant or couple remain in their home after their children have left home. However, under-occupation is also common on initial allocation. CORE data (2009) shows that of the a third of all households consisting of a single adult or a couple were allocated a property with two or more bedrooms (Table 7)

Table 7: Property size allocated to single adult or couple (LA and HA general needs tenants)

	No. of bedrooms						Total
	1		2		3+		
	Number	%	Number	%	Number	%	Number
HA allocations	45,164	64.2	22,837	32.5	2,328	3.3	70,329
LA allocations	21,605	72.9	7,218	24.3	830	2.8	29,653

Source: CORE 2009/10

As can be seen, around a third of all tenancies offered to households technically in need of a one bedroomed property in fact had two or more bedrooms. Allocations above the bedroom standard appear to be more common within HA stock. Within housing association allocations, tenants who applied direct to the HA, and those transferring with the HA's stock were the most likely to be allocated a property with two or more bedrooms.

There are many reasons why a landlord may choose to allocate larger properties to households than they need according to the bedroom standard:

- There may be a mismatch between the size of the properties and the needs of the households in need of housing. For instance some parts of the country (typically rural areas without many flats) there is a shortage of one bedroomed properties, relative the demand from single person households. In order to accommodate those in need, in may therefore be necessary to place some of them in two bedroomed homes. This is unlikely to be a problem from the household's point of view; most people enjoy having a spare bedroom, but it may mean that they are technically under-occupying.
- There may be stock such as two bedroomed bungalows that is best suited to the needs of the elderly or those with mobility difficulties but most of these households are single people or couples so only technically need one bedroom.
- There may be housing with small bedrooms only suitable for one occupant each, but large numbers of families with young children to accommodate, meaning that a family with two young children is placed in a property with three small bedrooms.

- There may be a concern to try to reduce child densities on a problematic estate.
- A landlord may wish to support a household to accommodate part-time children (such as those who visit at weekends) or to foster children.
- Properties may be let in anticipation of an increase in family size or needs. For instance a two bed roomed property may be let to a woman expecting her first child, or a three bedroom property to a family with a boy and a girl aged under ten.
- Under-occupiers may be incentivised to downsize by offering a property that still allows them one spare bedroom, for instance if an elderly couple give up a four bedroomed house to move to a two bed flat.
- Household required to move for management reasons (such as in a regeneration scheme) may be offered a like for like swap for their current home.

Nevertheless, it is likely that the large majority of the households being allocated properties with two or more bedrooms, if they are on housing benefit, will find that their housing benefit will not cover the rent. The only exception proposed made is for those who need a regular overnight carer to come and stay.

Three focus groups and a small number of telephone interviews were also carried with tenants throughout the country out as part of this research to explore in more detail the situation of tenants likely to be affected by the reforms. The focus groups discussed many of the issues raised by the survey carried out by the HFN and also allowed tenants to discuss how they might respond. In the majority of cases the tenants had seen their household size reduce when their children left home, though tenants in Sunderland (a less pressured housing market) had commonly been allocated two bedroom properties as a single person, possibly due to a shortage of one bedroom flats.

Uses of spare bedrooms

The survey of tenants likely to be affected by the reforms (HFN, 2011) found that over a quarter of this group did not in fact have a spare bedroom. In other words, some bedrooms deemed “spare” were in fact being slept in regularly by a member of the household. This could be the case when two same sex (or under 10 year old) siblings each have their own bedroom, or a couple choose to sleep in separate bedrooms. The survey found that 15% of couples living together did not share a bedroom.

Other uses of spare bedrooms identified include 13% who regularly have children to stay overnight as part of a shared parenting arrangement and nine percent who use a spare bedroom for storing equipment related to a disability or medical condition. This suggests that the older age profile of disabled people may not be the only reason for them being disproportionately hit by the HB reforms; it may be in some cases that they need additional space to accommodate equipment such as wheelchairs, disability scooters, or other specialist equipment.

The majority of tenants in the focus groups made use of their spare bedrooms on a regular basis – some for visiting children and many were kept as bedrooms for children away at college or recently left home who were quite likely to return at some point. Current difficulties experienced by young people in finding work and entering the housing market are likely to cause higher numbers returning to live with their parents after studying.

Responses to the cuts

The government has acknowledged that tenants' responses to the cuts are hard to estimate (DWP 2011b). It is noted that mobility in the sector is currently low, and indeed the calculations of savings in the Impact Assessment assume that no tenants downsize.

The survey and the focus groups carried out for this research have attempted to find out more about how well tenants may be able to afford the extra rent, and how they are likely to respond.

Based on their current circumstances, 52% of tenants surveyed said that they would find it 'very difficult' to make up the shortfall, and 31% that it would be 'fairly difficult'.

Table 8 shows tenants' initial response to a question about how they might respond:

Table 8: Tenants stated likelihood of possible responses to HB reforms

How likely would you be to:	Very unlikely	Quite unlikely	Unsure	Quite likely	Very likely
ask other people within your household for extra help to pay the rent?	84%	2%	4%	6%	4%
ask other people outside your household for help to pay the rent?	74%	7%	5%	9%	5%
try to earn more money through work to pay the rent?	69%	8%	11%	8%	3%
take in a lodger?	82%	5%	8%	3%	2%
seek to move to a smaller property, so that you would no longer face a shortfall?	50%	10%	15%	12%	13%
fail to pay the rent and run into arrears?	37%	12%	16%	17%	18%

Source: HFN survey of under-occupying tenants of working age on HB

The focus groups offered more insight into the response of tenants. None of the tenants attending the groups were familiar with the content of the reforms and most knew nothing about them. It was clear that none of the suggested responses shown in table 1 above were very popular. The large majority of tenants were in receipt of state benefits and felt that they had little disposable income, but nevertheless a reasonable proportion felt that they would try to find the additional rent from their own resources and would try to stay in their homes.

Earning more money?

Earning more money was something that some tenants at the focus groups hoped to do, though those who were seeking work were doing so anyway; no one suggested that they would try to find a job or increase earnings as result of the HB reforms. The majority however considered themselves to be permanently outside of the workforce, suffering a variety of health difficulties such as arthritis, back problems and mental health difficulties. As most were within five or ten years of retirement, they did not envisage returning to work.

Moving somewhere smaller?

Tenants views on moving to a smaller property were very mixed at the focus groups. The majority felt strongly that they would not want to move, even if they had to pay extra towards their rent. In some cases they felt a smaller property could not accommodate them because they needed to keep a spare bedroom for teenagers away at college or part-time visiting children, or because their property had been specially adapted for their needs. In other cases, their reasons were more to do with a long-term attachment to their home.

A minority of tenants however, were interested in downsizing. A few had already registered to downsize but had been unsuccessful at bidding for anything. Tenants looking to move to smaller properties were concerned about issues such as adequate storage facilities, the neighbourhood and the type of property. Nearly all wanted bungalows. No tenants stated that they would consider moving to the private rented sector.

Help from the wider family?

The large majority of tenants at the focus groups stated that this would not be an option for them. Most felt that their family were not in a position to help them financially, and some that it would be demeaning to ask.

Lodgers and family members moving in?

Offering a spare room to a lodger was not a popular option with the focus group attendees. Most felt that they would not like to share their home with a 'stranger'. Some were more positive about the possibility of accommodating a friend or family member, but generally felt that this was something they would do to help them out, rather than ask them to move in to help pay the rent.

It was clear that many tenants are not aware of the tenancy rules regarding taking lodgers; whilst sub-letting an entire property is usually illegal for social tenants, renting a room out to a lodger is often not (though it may require a landlord's permission). However, many people at the focus groups clearly believed that this too would be a breach of their tenancy. Social landlords might be able to do more to correct this misapprehension.

There were also concerns raised about the possible impact on benefit levels from having a family member (such as an adult child) living in their household. Tenants were aware that their housing benefit would be reduced, but were not confident that they would be able to get their family member to pay their contribution. Some had had previous difficulties with this issue and were therefore reluctant to consider allowing adult children to live with them.

Rent arrears?

Few tenants admitted to the focus group that they would be likely to run into arrears. Most stated that they would prioritise paying their rent, and would cut back on other things such as fuel bills, food or bus fares.

One issue that was discussed with tenants at the focus groups was the issue of how tenants currently paid their rent. Tenants who currently receive full housing benefit paid direct to their landlord may not be in the habit of paying any rent directly themselves, so could face an additional hurdle when they start to be required to make up the shortfall. Most tenants at the focus groups reported that they did not see this in itself as an issue. Many did already pay a contribution towards their rent or service charges (one landlord included water rates in the rent, and required the tenants to pay this to them) and some had direct debits already set up for this purpose. It was the overall affordability of the rent that concerned tenants more than possible difficulties of having to hand over the cash.

Increased poverty?

It is clear from the survey and focus groups that many tenants will choose to stay in their homes, even once they no longer receive full housing benefit for them. It is also clear from the national survey data analysis carried out above, that even if they wish to downsize, most will be unable to do so as the stock to enable that will not be available. Most of these households are already living on benefits alone. A third of them contain children and a very large proportion contain a disabled person or someone with a serious long-term health problem.

These tenants are unlikely to be able to afford to make up the shortfall without serious compromises in other areas of their spending. The rising costs of fuel and food were cited by many tenants as a concern, yet these were the two areas in which they felt they would have to make cuts, as there was little money available elsewhere.

Whilst the average shortfall is £13 this differs substantially throughout the country. In London it is £21, and the DWP analysis shows that 30,000 will face a shortfall of over £25 a week. A single person aged over 25 in receipt of Job Seekers allowance has a current weekly income of £67.50, of which it is likely that around £20 will be required for utilities and service charges. A £25 shortfall in rent would clearly place households such as these into extreme poverty.

Implications for Social Landlords

The implications for social landlords are dependent substantially on the way in which tenants respond to the reforms. It is impossible to know precisely how tenants may respond, but some estimates can be made from the findings of the survey. In order to produce some estimates we have assumed the following:

- 100% of tenants who say they are “very likely” to do something will do it
- 80% of tenants who say they are “quite likely” to do something will do it
- 50% of tenants who say they are “unsure” whether they would do something will do it
- 20% of tenants who say they are “quite unlikely” to do something will do it
- 0% of tenants who say they are “very unlikely” to do something will do it.

There is obviously a high degree of uncertainty in these assumptions, but as the reforms are untested and there are no plans for a pilot study, this gives a starting point to suggest how tenants might respond.

The survey data would then give the following proportions of tenants taking each of the suggested actions:

Table 9: Possible numbers of tenants responding in different ways to the HB reforms

How likely would you be to:	Very unlikely	Quite unlikely	Unsure	Quite likely	Very likely	Estimated numbers taking action	
						Number	Proportion of affected tenants
ask other people within your household for extra help to pay the rent?	378	11	17	27	19	51	11%
ask other people outside your household for help to pay the rent?	336	30	23	42	21	72	16%
try to earn more money through work to pay the rent?	314	37	48	38	15	77	17%
take in a lodger?	371	23	34	15	9	43	9%
seek to move to a smaller property, so that you would no longer face a shortfall?	224	45	69	56	58	146	32%
fail to pay the rent and run	168	52	73	78	81	190	42%

into arrears?							
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Source: HFN survey of under-occupying tenants of working age on HB, assumptions and calculations as detailed above

If these responses were to occur throughout the sector, this would suggest that 32% of the 560,000 affected tenants in England may seek to downsize. It should be noted that tenants in other research sometimes state they would like to downsize, but do not actually approach their LA to do so (Clarke et al, 2011). However, if they did this would create demand for approximately 180,000 properties, mostly with one or two bedrooms.

Table 10 shows the number of properties that became available for re-letting in England during the last year

Table 10: Social housing relets 2010-11

Number of bedrooms	1	2	3 or more
General Needs HA	51,697	62,589	37,003
General Needs LA	35,156	29,853	19,187
Total	86,853	92,442	56,190

Source CORE 2010/11

It is clear that it would take several years of letting properties only to downsizers for all those who say they may downsize to do so. In reality, there are many other competing demands on small social rented properties, not least from new tenants of working age on HB who wish to be able to afford their rent.

In terms of rent arrears, the analysis would suggest that 42% of tenants are likely to fall into arrears.

Table 11 shows the possible effects of increased rent arrears on social landlords' finance in England.

Table 11: Possible effects of HB reforms on social landlords' rental income

Average weekly shortfall (England average)	£14
Estimated proportion of tenants failing to pay shortfall	42%
Potential arrears from HB reforms (weekly)	£3,292,800

Sources: DWP impact statement and HFN survey

Annually, this would represent an annual loss of income of £171 million to social landlords, approximately half to local authorities and half to housing associations. This could clearly place additional strain on resources and could potentially threaten the viability of income streams needed to support new development.

This may be a worst case scenario, as it assumes that the households who say they are likely to be behind on their rent will fail to pay any of the shortfall. In reality, arrears may build up more slowly than this and those that do fail to pay will face eviction, resulting in additional short term costs of eviction proceedings, and indirect costs to other agencies but in the long term (assuming new tenants can be found who can afford the rent) the full payment of rent again. It is also the case, however, that some households may have what turn out to be unrealistic expectations in terms of downsizing. And whilst some may find work and be able to pay their rent, other tenants may lose work and find themselves hit by the Housing Benefit restrictions.

In the longer term, however, arrears could build up more quickly as the Affordable Rent becomes widespread, and as the definition of working age moves up in line with women's pension age.

How can landlords reduce the impact of the reforms?

It is clear that the planned reforms to Housing Benefit for under-occupying tenants of working age create some major difficulties for social landlords. However, there are some things that can be done now, and when the reforms come in to reduce the impact on both tenants and HA rent collection levels.

- **Ensure initial allocation at the bedroom standard for working age households on HB**

It would seem sensible for landlords to look into the reasons why they currently allocate above the bedroom standard and to ensure that tenants on housing benefit are going to be able to afford their rent in April 2013. Housing Associations appear to be allocating to larger properties more commonly than local authorities, especially to internal transfers or tenants applying to them direct. Tenants of working age should have the proposed changes to HB explained to them when they apply for housing, to ensure that they are aware of how they might be affected before they sign a tenancy for a home deemed larger than they need.

In order to ensure sufficient demand for all stock, it may be necessary to offer pensioners or working families larger properties than at present as there may be a significant fall in demand for larger properties from working age households dependent on HB.

- **Inform tenants of the planned changes**

Social landlords understandably do not want to worry their tenants, and there is of course a possibility that the proposed HB reforms could be amended before they come into effect. However, some tenants are likely to seek to downsize as a result of the reforms and they cannot all do this on 1st April 2013. Tenants are more likely to be prepared for the change if they know it is coming.

- **Review and publicise their policy on lodgers and ensure tenants understand the HB implications of lodgers and non-dependents**

The distinction between (illegal) sub-letting and (often legal) offering a room to a lodger appears not to be well understood by tenants. In some areas there may also be possibilities for tenants to take in students or foreign language students which could help them pay their rent. Social landlords may allow lodgers, or they may require permission first.

Landlords could do more to inform tenants of their rights and possible options, including how the housing benefit rules around rent paid by a lodger and the rules around under-occupation will interact. It appears unclear at present how the under-occupation reductions will be calculated with respect to paying lodgers who are not household members.

An adult child or other household member who moves in could help the household avoid the reduction in HB for under-occupying, but would mean that the tenant's HB was reduced in line with the new non-dependent reductions, and would therefore be advisable only if the tenant could be sure of receiving a contribution towards rent that was at least as large as the reduction.

- **Ensure effective downsizing schemes are in operation**

Many tenants are unaware of the possibilities for downsizing within social housing. Effective downsizing schemes need to be well-publicised, to offer a good choice of property to downsizers and to offer the practical support, advice and financial assistance that many need to make the move. In some cases allocation schemes need reforming to ensure that

downsizers are given sufficiently high priority, even if they have no medical or urgent reason for moving.

There are some (albeit a minority) of tenants likely to be affected by the reforms who are already actively seeking to downsize. It would seem sensible to do all that is possible to assist this group in advance of the reforms coming into effect.

Landlords could consider offering working age HB claimants additional priority in their schemes, though this may come at the expense of the more traditional group for downsizing, pensioners.

- **Consider whether their house-building programmes are building the types of property that tenants will be able to afford with the HB reforms.**

Some landlords have tended to build properties with two or more bedrooms and to allocate two bedroomed properties to single people and couples. These tenants may in the future be unable to afford these homes and may prefer to be offered one bedroomed homes.

- **Put in place plans and procedures for dealing with tenants who do fall into arrears as a result of the reforms.**

Households who fall into arrears should be offered support and advice to help them address their financial difficulties. In some cases the household may seek to downsize to somewhere more affordable, but may find they are barred from doing so because of their rent arrears.

Conclusions

Under-occupation is unlikely to disappear as a key issue for the social sector in coming years. With public spending constraints and an ever-growing pressure on social housing waiting lists, it offers one means of potentially alleviating housing need without incurring substantial expenditure.

The main focus of this paper has been on the implications of the HB reforms. There are clearly major concerns that the cuts may push households who are already struggling financially into greater levels of poverty and debt. This in turn may affect their ability to pay their rent, posing a threat to social landlords' finances. There are however some things that landlords can do to reduce the impact of these cuts.

It is also important that the focus on working age tenants affected by the HB cuts does not detract too much from the wider efforts to address under-occupation in the older age groups. The majority of under-occupiers are pensioners, and it is in old age when children have long left home and set up their own households, and climbing stairs may become more difficult, and heating costs more of a concern that households are most likely to want to downsize.

The government has made it clear that landlords are free to prioritise downsizers in their allocation schemes, even if they are not in housing need themselves (DCLG, 2010). Yet the number of downsizers remains low. The introduction of Affordable Rents could pose a further threat to downsizing; tenants (unless they receive 100% HB) are unlikely to want to downsize to a property with a substantially higher rent than their current home, or one with less security. It would seem sensible to ensure that downsizers are permitted to take on new tenancies on the same terms and conditions as their current ones. Doing so will not reduce rental income, because the downsizers' old home could instead be relet at the higher rent levels to a new tenant.

In the long term, landlords may wish to use fixed term tenancies to give an opportunity to review tenants' housing needs after a period of time and encourage them to downsize once

their home is too large, or offer them a higher rent level on their existing home. Affordable Rents could be therefore be used to incentivise downsizing.

The policy changes discussed in this paper clearly offer both challenges and threats to landlords' efforts to help their tenants to move and to better match home and household. The challenge is to improve mobility within the sector in order to improve housing conditions and quality of life for large numbers of households, both current and future tenants, and could help the social sector to meet growing levels of housing need, whilst at the same time ensuring that tenants are able to make their home their own and enjoy a sense of security within it.

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