

Under-occupation and Housing Benefit – Tranmere and Rock Ferry Case Study

Summary

- Tranmere and Rock Ferry is a deprived inner-urban neighbourhood on the eastern coast of the Wirral peninsula. It has recently undergone a successful programme of housing led regeneration. There are around 2,500 social rented homes in the area.
- One in four of Riverside's 421 tenants in the area will be affected by the Housing Benefit cuts to under-occupiers of working age; tenants of the other major social landlord in the neighbourhood, Wirral Partnership Homes, are affected to a similar extent. Nearly nine in ten under-occupy by just one bedroom.
- Opportunities for retired tenants to downsize to more suitable accommodation will probably disappear, as Riverside prioritises working age tenants looking to move.

For those facing the benefit cuts, survey data suggests:

- Around a third will seek to move, although the restricted availability of one bed properties in the social housing sector will mean very limited opportunities; if Riverside made all of its one bedroom vacancies available exclusively for its own downsizing tenants, the process would take six years.
- Riverside is unlikely to be able to help manage this process with stock in other areas of the Wirral, as the problem is replicated across the wider district where 20% of working age tenants under-occupy. The same applies to other landlords.
- Even though tenants appear reluctant to move into the private rented sector, in reality that is where the available one bedroom properties are. However those typically downsizing from a two bedroom social rented to a one bed privately rented home (within LHA limits) would face a rent increase of £2.68 per week and, of course, a similar increase in housing benefit.
- The majority of tenants will 'stay-put', having to cope with significantly reduced income levels - nearly 30% of weekly disposable income in the case of a single person job seeker. This will cause significant hardship for households already living in a low-income community, with residents suggesting that harsh choices will have to be made between basic necessities and paying the rent.
- For Riverside and other social landlords, this will lead to increased rent arrears and bad debts, inevitably leading to higher levels of eviction. This is likely to be compounded by the end of direct payments to landlords with the introduction of Universal Credit.
- The combined loss of income and increased costs related to evictions could be as high as £287,000 or 39% of Riverside's annual local repairs and maintenance budget for this neighbourhood alone. This would threaten the delivery of both core housing services, and 'added value' initiatives such as neighbourhood wardens and money advice. Evicted tenants (or those who abandon tenancies prior to eviction) may well be rehoused in the higher rent/higher benefit private rented sector, potentially adding another 40% to the proportion of tenants who move as a result of the cuts.
- The local economy would lose around £65,000 per annum on account of the reduced income of Riverside tenants. For all under-occupying social housing tenants in Tranmere and Rock Ferry, the annual impact could be as much as £400,000 each year.

1. The Neighbourhood

The neighbourhood of Tranmere and Rock Ferry is located around one mile south of Birkenhead, on the eastern side of the Wirral peninsula on the banks of the River Mersey. This now predominantly residential area grew in the 19th century, to house workers from the nearby Lairds shipyard and other associated traditional industries.

The area still retains a Victorian character and infrastructure, and has suffered considerable population and economic decline as traditional industries have contracted and then closed, with limited replacement by more contemporary commercial activity. As a result there are high levels of deprivation in the neighbourhood, with 10 out of the 11 output areas within the neighbourhood within the bottom 10% of most deprived areas in the country, and seven of them in the bottom 5%¹. There are also high rates of illness and disability in the neighbourhood with 32% of all social tenants having a limiting long-term illness².

The neighbourhood has undergone intense housing-led regeneration over the past decade, principally through the vehicle of the Housing Market Renewal Initiative. This has seen the replacement of the worst Victorian housing stock with a mix of housing for rent and low-cost home ownership, as well as the redevelopment of the main retail area. As a result, many residents have lived through massive physical change, and a significant number have moved within the neighbourhood through a decanting processes, prior to the clearance of their homes.

Notwithstanding the recent down-turn in the housing market, the regeneration of Tranmere and Rock Ferry has been successful, with a significant increase in house prices (at least to 2008), reduction in the number of long-term vacant properties and improvement in measurements of resident satisfaction in the neighbourhood. Whilst there remains much to do, there is a genuine feeling that the area has turned the corner, and that a strong, loyal community has survived years of turmoil.

A total of 7165 households were living in this neighbourhood at the time of the 2001 Census. Of these, 30% were social renters, 51% owner-occupiers and 19% private renters. The latest available data from the local authority shows that there are currently 2,578 social rented households in the neighbourhood (30.6% of all households).

Under-occupation in Tranmere and Rock Ferry

Riverside is a major social landlord in the area and manages a total of 421 general needs social rented properties in the neighbourhood. Levels of under-occupation and benefit dependency are high and overall 24% of properties are occupied by tenants of working age, in receipt of Housing Benefit who are under-occupying their home by one or more bedroom. Table 1 shows the numbers of affected tenancies by size. As can be seen, the problem is largely one of two bedroom properties occupied by single people or couples.

¹ 2010 IMD

² 2001 Census

Table 1: Social rented dwellings and tenancies affected by the Housing Benefit cuts

Number of bedrooms	Property type	Total number		Affected tenancies – under-occupying by 1 room	Affected tenancies – under-occupying by 2+ rooms	Proportion of property size affected
1	flats	28	34	-	-	0%
	houses	6				
2	flats	75	210	58	-	28%
	houses	135				
3	flats	8	162	2	11	8%
	houses	154				
4+	flats	0	15	1	2	20%
	houses	15				
Total		421		87	13	24%

Source: Riverside data 2011

Data from other local landlords suggests that these figures are broadly similar throughout the sector locally – 19% of the 852 homes managed by Wirral Partnership Homes in the neighbourhood are likely to be affected by the cuts.

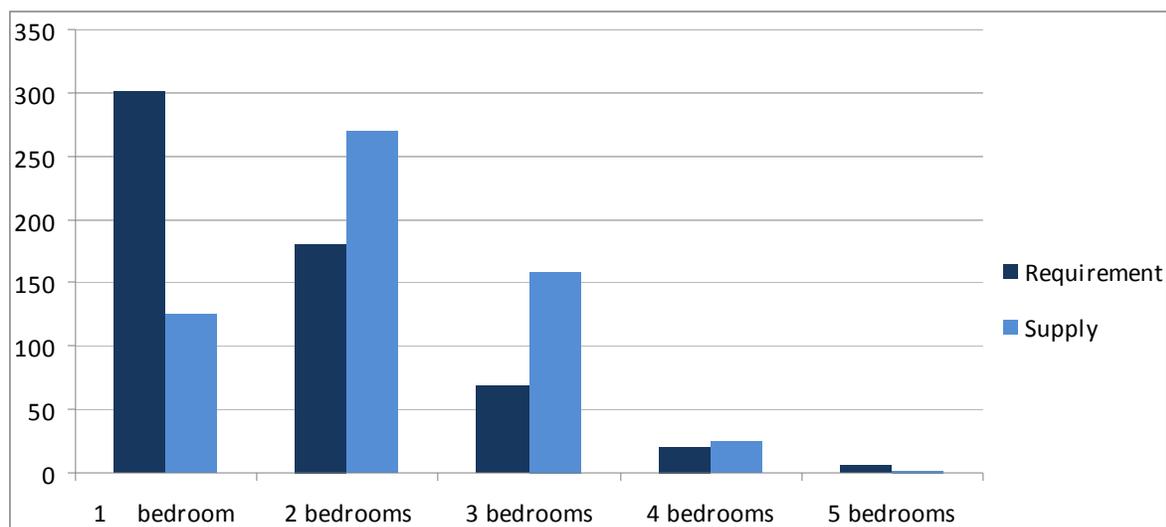
There are also very high rates of benefit dependency within social housing in the neighbourhood. Only 47% of working age social tenant households were economically active in 2001. This is likely to mean that, as is the case for Riverside tenants, many of the under-occupiers in social housing across the neighbourhood will be dependent on Housing Benefit.

Data from CORE on the profile of households at the point when they are allocated new tenancies suggests that 60% of two bedroom properties, 56% of those three bedrooms and 28% of those with four were initially allocated to households only “above standard” (ie technically in need of fewer rooms, according to Housing Benefit regulations). There are a variety of reasons why this is likely to have occurred.

CORE data suggests that 8% of allocations were being decanted from other properties. Riverside’s own data suggests that this was the case for 13% of their own under-occupiers, where typically small households living in modest two bedroom Victorian terraced houses (often with very small rooms, no gardens and considered less than ideal for family occupation) have been allocated new homes on a ‘like for like’ basis in terms of bedroom size.

However the main reason for under-occupation appears to be the mismatch between the size of households and the available properties. Figure 1 shows the requirement for different sized properties and the supply of available social rented properties over the last three years in the neighbourhood.

Figure 1: Supply of properties and requirements of households allocated.



Source: CORE 2008-9, 2009-10 and 2010-11

As can be seen, of the 580 allocations of new tenancies in the neighbourhood between 2008 and 2011, 302 of them were to households only technically in need of a one bedroom home (ie couples or singles without children). Yet there were only 126 one-bedroom properties allocated during this period. It is clearly not possible to accommodate the households in need of one bedroom from the available stock without allowing some to under-occupy. CORE data also shows that over 90% of allocations were to households that include at least one person of working age, so would potentially (either currently or in the future should they lose a job) be hit by the Housing Benefit cuts.

However Riverside's housing management staff³ have confirmed another significant factor in the under-occupation of homes at initial letting. Despite the regeneration of the area, many of the houses remaining in the neighbourhood are small 'back of pavement' Victorian and Edwardian terraced houses, without gardens and with very small second (and sometimes third) bedroom sizes, where typically an upper bedroom has been sub-divided to create a bathroom. Many of these houses are not considered suitable family dwellings and are therefore allocated to single people (sometimes with access to children following a relationship breakdown), or couples.

Following the introduction of an under-occupation penalty, it would therefore be necessary to either to substantially alter the profile of households being offered tenancies in the Tranmere and Rock Ferry neighbourhood - though the nature of the stock will continue to be a real constraint on this - or to risk some of them being allocated properties in which they may be unable to afford the rent.

³ A focus group for staff involved in the management of stock in Tranmere and Rock Ferry was held on 20/1/12. A separate focus group for residents (attended by 30) was held on the same day.

There will therefore be excess demand for smaller properties from new tenants, and from existing tenants needing to downsize. In addition, Riverside data shows that 21% of tenancies in the neighbourhood are under-occupied by tenants of pensionable age. It is going to be very difficult for landlords to offer any priority for downsizing amongst this more traditional group when there will be so many other pressures on their smallest units, and housing staff have confirmed their concern about this side-effect, since this is where efforts to facilitate downsizing have been targeted in the past.

2. The wider local authority context

Most of the issues facing Tranmere and Rock Ferry are also facing the wider local authority district of the Wirral. Social housing currently comprises 16% of the total housing stock, (22,481 dwellings). This is all owned and managed by Housing Associations⁴.

There are some issues of low demand in the district with 6389 vacant dwellings, around half of which have been empty for more than six months⁵. These are nearly all in the private sector. There are nevertheless 16,232 households on the waiting list for social housing.

Figures on the extent to which social tenants will be affected by the Housing Benefit cuts are not fully known at this level, although for Riverside a total of 332 tenants in the borough will face reductions (20% of all tenants). Census data does however suggest that around 42% of social rented dwellings are under-occupied by working age households (albeit using a different measure of occupancy from the Housing Benefit regulations). With the problem of under-occupation being repeated throughout the district, it is unlikely that other areas will be able to 'help' resolve local problems in Tranmere and Rock Ferry.

CORE data suggests that the mismatch between the profile of households being allocated housing and the size of the stock highlighted in Figure 1 is repeated throughout the district. Overall, 1,309 one bedroom properties were allocated during the last three years, but more than twice this number of new tenancies were signed by households technically in need of a one bedroom property. Conversely, there is an "excess" supply of 1,000 more three bedroom properties allocated than there were households requiring three bedrooms. With a waiting list of over 16,000 these properties are unlikely to be hard to let, but the new need to ensure a better "fit" between the size of households and properties is likely to benefit larger households and disadvantage single people and couples competing for the small supply of one bedroom properties.

⁴ CLG live tables

⁵ HSSA, 2011

3. Options for those affected

Table 2 shows the profile of tenants in the neighbourhood who will be affected by the Housing Benefit cuts:

Table 2: Profile of affected tenants

		Number	Proportion
Length of tenancy	Under a year	7	7%
	1-5 years	46	46%
	6-10 years	24	24%
	11-20 years	19	19%
	Over 20 years	4	4%
Age group of 1st tenant	Under 35	30	30%
	35-44	25	25%
	45-54	29	29%
	55+	16	16%
Households with children (age 0-16)		24	24%
Total affected households		100	100%

Source: Riverside data, 2011

As can be seen, there is a real spread of age groups and lengths of tenancy affected by the Housing Benefit cuts. It does not appear that the problem is confined to “empty nesters” in the Tranmere and Rock Ferry neighbourhood, nor just to long-standing tenants. A quarter of those affected are families with children.

In addition a significant number of those affected are likely to have disabilities or a long-term limiting illness. Whilst figures are not available for the specific group of tenants affected in the case study area, 51% of Riverside working age tenants in the Wirral local authority area report a household member with a long-term illness, health problems or disability which limits activities.

Those affected by the Housing Benefit cuts have several possible options. A survey recently carried out by the Housing Futures Network asked tenants how they might react to the cuts. Table 3 shows their response, and estimates of the numbers.

Table 3: Tenants views on likelihood of different responses to the changes

How likely would you be to:	Very unlikely	Quite unlikely	Unsure	Quite likely	Very likely	Estimated numbers taking action	
						Number	Proportion of affected tenants
seek to move to a smaller property, so that you would no longer face a shortfall?	224	45	69	56	58	146	32%
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%
fail to pay the rent and run into arrears?	168	52	73	78	81	190	42%

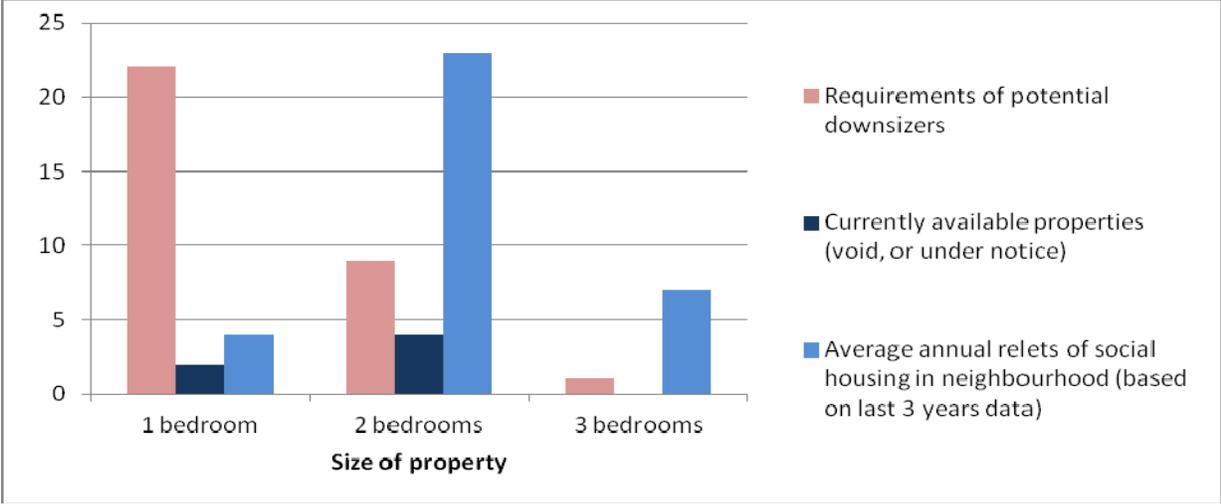
Source: Clarke and Williams, 2011

Using this research as an indicator of likely response to the cuts, in the context of the Tranmere and Rock Ferry neighbourhood case study, we can look at the possible consequences for tenants and landlords.

(i) Moving

Of the 100 households in the neighbourhood likely to be affected by the reforms, the data above suggests that 32 will seek to move to a smaller property. From the profile of these households and the dwellings they occupy, we can calculate their requirements, and can compare this to the profile of stock available:

Figure 2: Requirements of under-occupiers likely to want to downsize, and available housing stock.



Source: Riverside data, 2011

There is clearly not the capacity to rehouse all those who are likely to wish to downsize into one bedroom properties. If all relets were made exclusively available to those seeking to downsize, the process would take six years. Of course, as Figure 1 shows, there is also other pressure on this stock.

Looking to the wider district, Riverside’s entire stock in the Wirral, only 52 one bedroom properties became available for letting annually on average during the last three years, and as already demonstrated, these are likely to be required for under-occupying tenants in other areas.

In the wider social sector, CORE data shows than an average of 437 one bedroom social dwellings were allocated annually over the last three years in the Wirral district. There are however 22,481 social renting households in the district. If the figures the case study neighbourhood are reflected throughout the district, an estimated 1191 affected households will be looking to downsize to these one bedroom properties, who would have to compete with the large numbers of new tenants also seeking them.

One possibility for affected households might be to downsize to the private rented sector. The HFN survey suggested that only very small numbers of tenants would consider the private rented sector, and participants in the resident focus group confirmed this, citing reduced security of tenure, poor quality, high rents and the need for rent deposits as deterrents. However, if suitably sized accommodation within the social sector is not available it is possible that numbers considering this option could increase.

The Tranmere and Rock Ferry case study area does have quite a considerable supply of private rented housing – 19% of all housing stock in 2001.

Table 4 shows private rented accommodation currently available within the private rented sector within the study area

Table 4: Private rented accommodation available

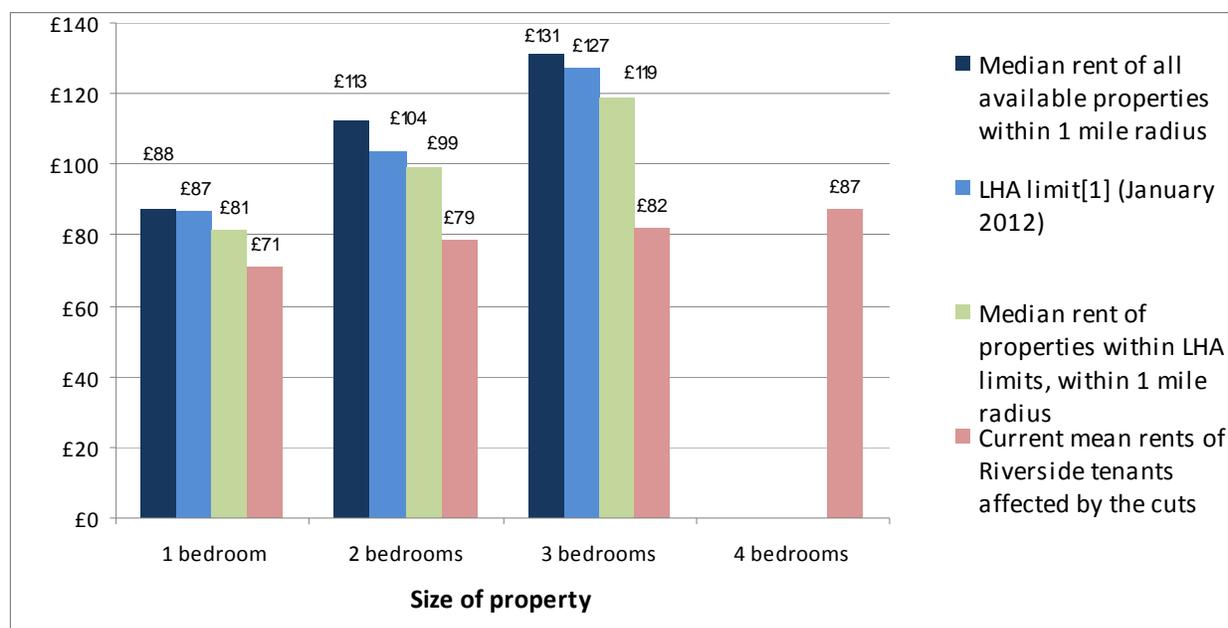
Size of property (number of bedrooms)	1	2	3
Number of private rented dwellings within the neighbourhood ⁶	65	509	698
Number of currently available properties within 1 mile of centre of neighbourhood	21	32	87
Number of currently available properties within 1 mile radius, within LHA limit	10	22	17
Number of currently available properties within LA, within LHA limit	18	51	40

Source: 2001 Census and Rightmove (January 2012)

It does therefore appear that potential downsizers in the Wirral neighbourhood would, if they choose to do so, be able to find accommodation within the neighbourhood or close by within LHA limits of a suitable size.

There are, however, cost implications for the Housing Benefit bill for this should they choose to move. Figure 3 shows the relative costs of accommodation available:

Figure 3: Relative tenure costs (£ per week of gross rent)



Source: Rightmove (January 2012) and VOA 2011

⁶ This is based on 2001 Census data which records the number of rooms (rather than bedrooms) that a property has. It has been assumed that properties with 1-2 rooms have one bedroom, 2-4 rooms have two bedrooms and 5-6 rooms have three bedrooms.

The main downsizing move that would be likely to result from the Housing Benefit cuts would be from a two bedroom social rented home to a one bedroom private rented home within LHA limits. This would result in an increase in Housing Benefit claimed from £78.57 to £81.25.

For tenants choosing to downsize, residents at the focus group pointed to the potential disruption of important family care and support networks. The issue of parents (normally fathers) with formal access to children following a relationship breakdown was returned to on a number of occasions. Concern was expressed that arrangements which were subject to a court order, making overnight access conditional upon the availability of separate sleeping arrangements for children, would be prejudiced if parents were forced to downsize – or in future, separated single parents allocated one bedroom properties at the outset would simply be unable to participate in shared parenting responsibilities.

Staff also talked about the knock-on implication for those seeking properties in the area if internal transfers to facilitate downsizing predominate lettings in the coming years. Indeed there had already been some discussion amongst landlords about withdrawing from choice based lettings partnerships. Staff speculated that new households denied social housing, including the homeless, would most likely be housed in the private rented sector, where rents and benefit levels are higher.

(ii) Staying put

In Tranmere and Rock Ferry, the average amount of the shortfall faced will be £12.40. However five households face losing over £20 a week. Those who do manage to make up the shortfall are likely to face severe cuts to their household budgets in order to do so. For example, a single person aged over 25 living on JSA would currently receive £65.45. After household bills, this would probably leave around £45 disposable income. A £12.40 rental shortfall would therefore represent around 28% of disposable income, leaving little more than £30 for food and all other essentials.

Residents at the focus group considered that the level of losses faced by individual tenants would have serious consequences. They talked about other pressures on household budgets – such as increasing fuel and food costs – and difficult choices about essentials. In particular they felt tenants would de-prioritise expenditure on items often associated with well-being – sport and exercise, family trips and healthy (but more expensive) eating. They also felt that paying the rent would not be a priority in view of the fact that rent arrears do not attract interest – unlike credit – and courts are thought to be relatively 'lenient'.

Rent loss and Evictions

The reduction in Housing Benefit represents 3.7% of Riverside's rental income from the neighbourhood. Clearly a major concern to social landlords is the possibility that tenants may fail to move and also fail to pay the shortfall in their rent, and run up arrears. The HFN survey suggested that 42% of tenants are likely to do this, which would equate to 42 of the 100 affected households in the neighbourhood. The overall reduction in housing benefit for the 42 tenants is £27,081 per annum, and so this is theoretically the annual revenue stream which is 'at risk' for

Riverside. However staff have speculated that some tenants when faced with a gap between their benefit and rent may opt to pay nothing at all, suggesting a potential maximum annual loss of income of £175,000. They believe that the risk is compounded once direct payments to landlords cease following the introduction of Universal Credit.

Of course the financial impact of rent arrears is complicated – landlords do not allow rent arrears to accumulate indefinitely: they take action through a mix of advice and support, and tenancy management, including pursuing possession through the Courts. And even under Universal Credit, there is likely to be a point where direct payments to landlords are triggered in the case of high rent arrears (though this would still of course leave a shortfall for under-occupiers).

Another way of looking at maximum financial exposure for landlords is to consider the costs relating to the eviction of those who have indicated that they are likely to run up rent arrears. Data from HFN members suggests that evictions cost landlords an average of £6825, including the cost of writing off bad debts, court costs, staff time and relet costs. Evicting the 42 tenants who don't find a way to pay the shortfall would therefore cost a total of £286,650, equivalent to two months entire rental income from the neighbourhood. This does not include the costs to any other agencies such as courts, advice agencies or council homeless departments who may be approached for assistance from tenants who risk losing their homes, or to the household themselves. This loss represents 39% of Riverside's entire annual maintenance and repairs budget for the Tranmere and Rock Ferry area, and would have a major impact on the effective delivery of services.

Whilst this represents a worst case, even the eviction of only a third of these tenants would cost in the region of £100,000.

Of course evicted tenants will move, often into the private rented sector where rents and benefit levels are higher.

(iii) What else might they do?

Increasing earning, so as not to need to claim Housing Benefit would be one way of avoiding the effects of the cuts. The district has a working age population of 190,908, of whom 4.5% are currently in out of work and in receipt of benefits⁷, a higher rate than the national average. Average earnings are £485 a week, somewhat lower than the national average of £507.

As we have already seen, worklessness amongst working age social housing tenants in the area is nearly 50%, and many of the tenants affected have disabilities and long-term illness which may act as an additional barrier to work.

A focus group attended by 30 residents explored these options in more detail. Participants were pessimistic about the prospect of tenants finding additional work, citing the lack of opportunities in the local economy and other barriers to work such as high child-care costs and caring

⁷ Nomisweb

responsibilities. They also ruled out the prospect of friends and family being able to help out in meeting financial shortfalls to any significant extent, suggesting that the overall squeeze on household incomes put everyone 'in the same boat'. They were concerned about the rise of doorstep lending, and the possibility of a minority of indebted tenants turning to crime.

It is likely that some of the tenants currently identified as being likely to be affected by the Housing Benefit cuts will get work or increase their earnings by the time the reforms come in. However, against a background of rising national unemployment and a depressed regional economy, it is likely that just as many other households currently in work will lose work or hours and therefore make a new Housing Benefit claim within the same time span.

The group also discussed the likelihood of tenants 'letting' spare bedrooms to family, friends or lodgers. This was considered to be highly unlikely for two main reasons. Firstly participants confirmed that many 'spare' bedrooms are, in fact, used – for children sleeping separately from siblings, or staying overnight following a relationship breakdown, for couples sleeping apart for medical reasons, and for the storage of equipment for disabled household members. However even where there are genuine 'spare' bedrooms, it was felt that tenants would be reluctant to take in 'strangers' because of safety and security concerns, and child protection issues in the case of families. Participants also referred to the very small size of spare rooms, particularly in older Victorian properties where it is barely possible to get any other furniture other than a bed in a second or third bedroom.

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