

Can't stay, can't go?

Grand Union Housing Group's experience of the
Bedroom Tax six months after its introduction



Has anything changed since the Group's subsidiary Aragon Housing Association's earlier report 'Should I stay or should I go?' was published 100 days after the start of the Bedroom Tax?

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Introduction

This report follows on from Grand Union Housing Group's subsidiary Aragon Housing Association's earlier report which was published 100 days after the implementation of the Government's under-occupancy charge.

The charge (popularly known as the Bedroom Tax) is now six months old. In April 2013 the Government introduced a cut to Housing Benefit for working age tenants in social housing who were living in homes with more bedrooms than they were believed to need.

Grand Union Housing Group (GUHG) is an innovative leading provider of affordable housing and related services managing over 10,000 properties. It is made up of three subsidiaries – Aragon Housing Association (AHA) based in Central Bedfordshire with 6,500 homes, South Northants Homes (SNH) based in South Northamptonshire with 3,000 homes, and Macintyre Housing Association (MHA) who provide housing and support specifically for adults with learning disabilities.

AHA and SNH both have hundreds of tenants affected by the under-occupancy charge and we have closely monitored the effect this new legislation has had on our tenants and their ability to pay their rent and sustain their tenancies.

This report shows:

- Hardship and rent arrears for those affected by the Bedroom Tax have increased by over 20% as tenants have struggled to afford the shortfall.
- Whilst many tenants want to move to smaller homes, many have not been able to, due to the scarcity of suitable properties and they are being penalised as a result.
- The letting of three bedroom properties is becoming problematic in some areas.
- The cost of tenants moving to private rented property would be higher to the taxpayer and leave our tenants financially worse off as well.
- Many tenants who have moved within the social housing sector due to this policy are costing more in Housing Benefit than before.

Rural region – local issues

AHA and SNH's principal regions cover mid Bedfordshire and South Northamptonshire respectively. These regions are predominantly rural with a few small market towns, the largest only 15,000 in population size.

The rural nature of our districts presents very different challenges compared to urban areas. Whilst in large towns it is possible for many people to have everything they need within walking distance, in our regions the majority rely upon public transport or some form of private transport to be able to get food, access finance, find and get to work, care for family members and to transport their children to school.

For example, we only have one Jobcentre Plus office located in either of our districts, in Biggleswade. All other Jobseekers have to travel out of the area. This is very costly to a jobseeker – for example, a jobseeker in Brackley, (the largest town in South Northamptonshire), has to get a bus costing £8.50 for a return ticket to Banbury in the next county every two weeks to sign on.

Summary of those affected

The table below shows how many of our tenants are affected by the charge. Those under-occupying by one bedroom are subject to a 14% reduction in Housing Benefit and those under-occupying by two or more bedrooms a 25% reduction.

	Households under-occupying by 1 bedroom: AHA	Households under-occupying by 2+ bedrooms: AHA	Households under-occupying by 1 bedroom: SNH	Households under-occupying by 2+ bedrooms SNH
2 bed property	120	N/A	106	N/A
3 bed property	235	85	73	31
4 bed property	7	3	10	3
Totals	362 (80%)	88 (20%)	189 (85%)	34 (15%)
Overall totals		450		223

The options for tenants affected are either to:

- Stay by managing the shortfall out of their budget or changing their circumstances so they are not affected, for example by finding more employment or increasing the number of people in their household, or
- Move to a smaller property, either staying in social housing or moving to the private rented sector.

Most of the rest of this report reflects on the issues around these choices.

Can't stay?

If our tenants stay, they need to find some way of managing the extra costs. The average extra weekly shortfall for those under-occupying by one bedroom is £15.38 a week. A single person claiming Jobseeker's Allowance will have to find this out of £71.70 a week, meaning they have lost over 20% of their income as a result of the Bedroom Tax.

We should also consider the local nature of Council Tax Benefit at this point. Central Bedfordshire Council's (CBC) Council Tax Support scheme provides only 75% support with some exemptions. CBC calculated that 64.6% of under-occupying Housing Benefit claimants are also affected by the reduction in support for Council Tax.

South Northamptonshire Council's (SNC) Council Tax Reduction scheme provides 91.5% support; there are no exemptions from this except for pensioners so all those affected by the Bedroom Tax will also have a contribution to pay even if they are severely disabled.

Fuel poverty

Fuel poverty is an increasing problem in the UK. We have undertaken extensive refurbishment of all our properties to improve their fuel efficiency, and AHA is ranked as one of the best housing associations in the country for property Standard Assessment Procedure (SAP) ratings with SNH not far behind.

Despite this many of our tenants have difficulty heating their homes sufficiently. Many of our tenants living in rural areas do not have mains gas and therefore have to rely on other, more expensive, forms of heating. One indication of how difficult they find it to meet energy bills is the amount of work our maintenance teams do treating mould in our properties, caused by our tenants not having the finances to sufficiently heat and ventilate their homes.

In the last year at AHA, 210 separate reports were made by tenants about mould growing in their properties.

We expect this situation to worsen as we move into winter.

Discretionary Housing Payments

Discretionary Housing Payments (DHP) are the safeguard the Government put in place to protect tenants with disabilities from the effects of the Bedroom Tax. This is a limited fund administered by the local authority to top up Housing Benefit, and is designed to be awarded for short periods of time (despite the fact that many disabilities are permanent).

Our records show **162** tenants across the Group have been awarded DHPs so far by their local authority.

70 SNH tenants have been awarded 12 week awards, and have had to reapply to get continued support which **34** have successfully done.

AHA's experience is different – **26** of **92** have received an annual award and the average award length is six months. This demonstrates how localism provides varying levels of support depending on where you live.

Whilst this support is vital for those tenants, there are issues with DHP:

- Its short term nature means tenants continue to experience uncertainty and anxiety.
- DHPs are expensive to administer due to short awards and repeat claims.
- Local Authorities are faced with the choice of either indefinitely subsidising tenants who have had grants to adapt their property to their disability, or refuse the subsidy, force the tenant to move and then possibly have to adapt their new property too.

It is not clear what will happen when the funds available for DHP have been exhausted.

Case study

Miss S lives alone in a two bedroom bungalow and is diagnosed with Leukaemia, Sweets disease, a broken foot, high blood pressure, has had six strokes and a suspected brain tumour, and receives DLA at the highest rates. Six years ago she had £26,000 worth of adaptations to her property to make it suitable for her needs. She currently receives DHP but this isn't a long term solution. Her current circumstances make it very difficult to even consider moving so she is faced with the anxieties of continually applying for DHP while she tries to recover.

Find work or increase working hours

Another means to manage the impact of the Bedroom Tax is to find work, or increase working hours. This is not an option for many of those affected because they are disabled, ill or have caring responsibilities and are not able to work.

However, it is important to note that, according to the Department of Work and Pensions' own data, over 90% of new Housing Benefit claimants are already in work. They claim because their work is low paid, but cannot afford their housing costs despite this.

The rural nature of our region also makes finding and maintaining work more difficult, especially if you rely on public transport.

Example

We have many under-occupying tenants in Shefford, a small town in Central Bedfordshire. While there are some low skilled jobs in Shefford, there is no guarantee that residents in Shefford could secure these jobs. There is a supermarket in Flitwick eight miles away, which employs many people. So let's look at how that would work for a Shefford resident who relies on public transport, which many do. We are assuming they are a lone parent of a five year old child living in a three-bed house.

The only regular bus service is the 200, which runs just five times a day Monday-Friday and costs £2.70 for a single or £4.40 for a return. The earliest inbound bus leaves at 7:32am and the latest return journey leaves at 2:25pm. So if they were working nine until five, to get home they would have to take a train to Bedford, and then back to Shefford by bus, at a cost of £10.20. Add in £18 for four hours child care and this means that if the job was minimum wage (£6.31ph), it would cost over five out of seven hours' pay just to be able to get to work in the first place.

In this example this household would move from Jobseeker's Allowance to Working Tax Credits, still get some Housing Benefit and would actually be £2.57 worse off per week.

Taking in a lodger

Another of the options the Government considers viable for tenants to avoid the Bedroom Tax is to take in a lodger, but this raises a number of issues:

- It will not normally be appropriate for a household to take on a lodger if they have children or vulnerable adults in their household.
- It compromises privacy and family life.
- It will also often not be appropriate for a disabled person to take on a lodger depending on what their disabilities are. For example, a tenant who is incontinent would likely not want to live with or share bathroom facilities with a stranger.
- Some bedrooms cannot legally be let to a lodger because they are only sized appropriately for children not adults.

Case study

Mr R, 37, lives alone in a two bed bungalow in a rural village in South Northamptonshire. He cared for his mother until she died three years ago and he subsequently fell into depression. From April he became subject to the Bedroom Tax.

He took on a lodger, but they caused problems with neighbours and then refused to contribute towards household costs so Mr R had to ask them to leave. Despite this issue he managed to keep up with his rent payments. He then managed to find work in a kitchen through an agency, but after two weeks this work stopped. The delay in wages being paid and having to reclaim benefits means he has now missed payments on his rent and breached his court order. Throughout this he has been applying to move, but he is hindered by his rent arrears.

SNH has supported him throughout, helping him apply for benefits and providing him with food parcels, but he has just not been able to cope financially with the Bedroom Tax, despite trying a variety of solutions to get out of it.

Budgeting

If none of the previous options are viable or while tenants wait for them to happen, the tenant must budget for the difference out of their income.

Benefits are paid to the minimum required for basic living costs with support for rent paid above that. Yet the Bedroom Tax asks tenants to pay for rent out of basic living costs. What this means in practical terms is that the tenant has to cut spending on food, fuel and/or other essential items to be able to maintain a roof over their heads. This is all in a financial environment where the cost of living is rising rapidly along with cuts to Council Tax Support and uprating of benefits being restricted to 1%, therefore below inflation.

In reality what is happening is many tenants are prioritising the basics of food and fuel above shelter, resulting in increased rent arrears and the risk of homelessness. This also impacts negatively on economies, as people have less expendable income.

Rent arrears

- **75 SNH and 121 AHA tenants affected by the Bedroom Tax were not in arrears in March 2013 and now are.**
- At AHA in March 2013, rent arrears across all tenants stood at **£637,017.36** and increased to **£659,709.61** by September 2013, a rise of **3.56%**.
- However, across those affected by the Bedroom Tax, rent arrears have risen by **22.47%**, from **£54,521.11** to **£66,774.53**. The picture at SNH is similar.
- Before April 1 those who have since been affected by the Bedroom Tax were in credit by **£8,015.27**. Now the same group is in arrears by **£10,691.07** – a rise of **233%**.
- Rising arrears may ultimately result in further evictions. This could mean tenants being placed in expensive temporary accommodation to await another property at extra cost to the Housing Benefit bill. Evictions have a high social cost but may be unavoidable in some cases.

Can't go?

The other main option for tenants affected by the Bedroom Tax is to move to a smaller property. However, like many other associations, we do not have enough one or two bedroom homes to meet the demand from the number of tenants who want to move to them.

Only **19 AHA** and **4 SNH** tenants were able to move before the policy came into affect, and only **28 AHA** and **18 SNH** tenants have been able to move since then. Therefore only a total of 69 tenants (9.7% of those affected) groupwide have been able to move so far, despite extensive help from us.

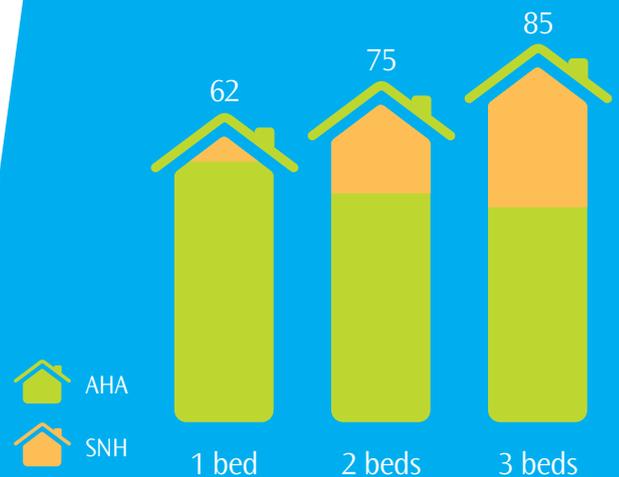
Tenants who intend to move but haven't been able to have therefore been penalised.

The table below shows what current Bedroom Tax affected tenants theoretically need in terms of property size:

	AHA		SNH	
Needs 1-bed property	208	(46.2%)	138	(61.9%)
Needs 2-bed property	235	(52.2%)	75	(33.6%)
Needs 3-bed property	7	(1.6%)	10	(4.5%)

The table opposite shows the number of general needs properties that became available for rent at AHA and SNH between April and September 2013.

This shows that although tenants subject to Bedroom Tax require one or two bed accommodation to avoid the penalty, three bed accommodation is the most available property type. Whilst there are quite a few two bed properties being made available, these are also the property type most in demand with Bedroom Tax movers and others in need of homes.



Moving within the social housing sector

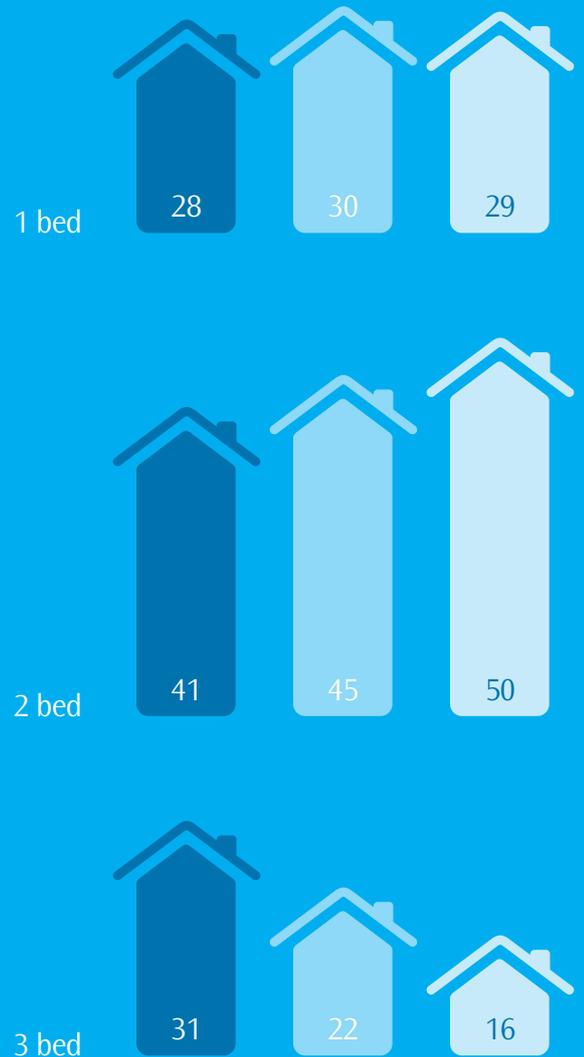
Perhaps the most obvious option for affected tenants is to move within the social housing sector. However, there are simply not enough smaller properties in the sector for these tenants to move into.

In **Central Bedfordshire** applicants for social housing can register their interest for advertised properties. Looking at the number of bids on each type of property gives an indication of demand.

The chart (right) shows that the average number of bids on two bed properties has risen in line with increased demand, but it has halved on three bed properties.

Two bed properties were already the most popular before the Bedroom Tax was announced, so the policy has only made these properties harder to obtain for those needing them.

In **South Northamptonshire**, a similar trend is happening. Demand for two bed homes is much greater than for three bed properties. There are over four times as many families waiting for two bedroom homes than there are for three bedroom ones.



 Apr 11-Sept 11
 Apr 12-Sept 12
 Apr 13-Sept 13

Chart showing the change in demand between 2011 and 2013, as reflected through the number of bids on properties.

Private rented sector

Another option for tenants affected by the Bedroom Tax is to move into the private rented sector. They would then become subject to the Local Housing Allowance (LHA) rules which defines the maximum rent that can be covered by Housing Benefit based on household size.

We used www.rightmove.co.uk to assess two bed private rent properties available in our regions and worked out the average rental costs, the amount of Housing Benefit that could be awarded and the shortfall tenants would have to make out of their living costs.

If people moved into private accommodation and paid average rents, it would be more expensive for local authorities to fund through Housing Benefit than for them to remain in the social housing sector. The average Housing Benefit award among AHA tenants in three bed properties is **£115.55** per week in Central Bedfordshire. Under the LHA

they would be entitled to **£126.92** if they lived in two bed properties. That's **£11.37** more per tenant. Other areas could be higher.

A move to the private rented sector is also more expensive for the tenant. Housing Benefit will not cover the whole rent because average rents are higher than the maximum allowed by the LHA. This means that despite living in the right sized property tenants will face a shortfall that will likely be higher than the Bedroom Tax they faced before. This leaves them worse off in a smaller property with an unsecure tenancy.

The above figures use the average cost for a private rented property. Of the properties we looked at only **10** out of **136** were actually priced below the relevant Local Housing Allowance.

This all assumes a private landlord would even consider taking on a tenant who relies on benefits to pay their rent – especially when it is clear there will be a shortfall.

The chart below shows the difference between average private rents for two bedroom properties and the Local Housing Allowance for them for our areas.



The properties they leave behind

One of the stated intentions of the Bedroom Tax policy was to free up larger social housing to make it available to families in the private sector. However, South Northamptonshire Council has a restrictive approach to housing register applications received from people in the district who are privately renting.

In Central Bedfordshire private renters can apply even if they have a less high need for social housing, but the fact that demand for larger properties is declining suggests these households do not exist in the numbers imagined.

Applicants are placed in bands according to their level of need defined by the local housing allocations policy. Whilst these differ slightly between South Northamptonshire and Central Bedfordshire, the principles are similar, with band 2 applicants being in higher need than band 4.

The chart below shows the difference in level of need that three bed properties were let to since April 2013.



The difference between the regions can clearly be seen – indicating that the Bedroom Tax does not consider the local variations of housing need compared to housing availability.

Band 4 applicants are considered to have low need, yet at AHA nearly a third of all three bed properties were let to this band. Low need often means they are already living in appropriate accommodation.

Reducing the Housing Benefit bill

- Arguably the main purpose of the Bedroom Tax is to reduce the amount spent on Housing Benefit. Yet early signs suggest that, looking at individual situations, this is not always happening as planned.
- For example, out of the 28 AHA tenants who have moved since April 2013 due to the Bedroom Tax, 13 moved to another AHA property. Of those, nine are actually receiving higher awards of Housing Benefit since they moved, at an average of £14.62 per week more.
- In some cases, such as the example below, the property they move to actually costs more in rent than that from which they moved.

Case study

Miss A lived in Sandy in a three bed house with her 13 year old daughter. Her rent was £104.76 p/w. She works a few hours a week as a cleaner, so also claims JSA and therefore gets automatic entitlement to Housing Benefit, but due to under-occupying by one bedroom this was reduced by 14% to £90.09 p/w from April 2013.

She moved in July via the Social Housing Register to a two bed house in Biggleswade for which the rent is £134.69 p/w. As she is now occupying the right size property her whole rent is covered.

She therefore gets an extra £44.60 per week Housing Benefit now she has moved, which equates to £2,185.50 per year.

The Future

Despite the extra resources we have invested in helping our customers deal with the Bedroom Tax, we at Grand Union Housing Group remain highly concerned. The impact on some of our tenants is huge, affecting their ability to feed themselves properly, heat their homes sufficiently and ultimately to keep a roof above their heads.



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