UNDER-OCCUPATION
THE POTENTIAL IMPACT ON HOUSING BENEFIT

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INTRODUCTION

In May 2016, Northern Ireland Federation of Housing Associations (NIFHA) produced the report *'Measuring the Impact on housing associations of applying the Local Housing Allowances to the social rented sector in Northern Ireland'*[1]. This report was the result of a comprehensive evaluation of housing association rents against the applicable Local Housing Allowance (LHA) rate for each property. This evaluation based the LHA rate payable on the number of bedrooms in each property and not the number of bedrooms that households require under the size criteria.

As LHA rates are based on the number of bedrooms that a tenant and their household needs and not the size of the property occupied, further work was required to establish the impact of under-occupancy on Housing Benefit.

NIFHA has analysed a sample of 1,300 general needs tenancies in receipt Housing Benefit including the relationship status, age and gender of all members of each household. This information has been collated and measured against the size criteria to establish how many bedrooms that these households would be entitled to under the LHA cap and Social Sector Size Criteria (SSSC) also referred to as the 'Bedroom Tax'.

While initial concerns regarding the LHA cap were around the location of properties, this briefing highlights that under-occupancy is a more significant factor when the LHA cap and SSSC are applied.

The total weekly rent and service charge for this sample is £114,478, this report will highlight the potential financial impact under-occupation may have on the Housing Benefit paid to housing associations in relation to these rent and service charges.

SIZE CRITERIA

The size criteria determines how many bedrooms a household is entitled to. This calculation is used when working out Housing Benefit entitlement under both the SSSC and the LHA Cap.

One bedroom is allowed for the following:

- Each adult couple;
- Any other adult aged 16 or over;
- Any two children of the same sex aged under 16;
- Any two children aged under 10 regardless of gender;
- Any other child (other than a foster child or child whose main home is elsewhere);
- A carer (or team of carers) who do not live with the claimant but provide overnight care.

Using these criteria, NIFHA assessed the bedroom entitlement for all households within a sample of 1,300 properties. This highlighted that 528 households (40.6%) were currently under-occupying their home. Due to the limitations in the data available, entitlement for carers or households with disabled children was not included in the research calculations.

	Number of Households	Percentage
Under-Occupied	528	40.6%
Over-Occupied	157	12.1%
Full Occupancy	615	47.3%
Total	***1,300***	***100%***

Of the 528 households identified as under-occupying their home, a further analysis reveals that 447 households (34.4%) are under-occupying by one bedroom and 81 households (6.2%) are under-occupying by two or more bedrooms.

Level of Under-Occupancy	Number of Households	Percentage
One bedroom	447	34.4%
Two or more bedrooms	81	6.2%
Total	***528***	***40.6%***

SOCIAL SECTOR SIZE CRITERIA

The SSSC is a change to Housing Benefit entitlement in which claimants will have their claim reduced if they live in a property that is deemed to have one or more spare bedrooms. The size criteria will determine how many bedrooms a household is entitled to.

If the claimant is living in a property that has more bedrooms than required under the SSSC the eligible rent will be reduced by:

- 14% if they have one more bedroom than is required;
- 25% if they have two or more bedrooms than what is required.

The SSSC will not apply to:

- Households where at least one of the claimants is over State Pension age;
- Those in shared ownership schemes;
- Those in sheltered or supported housing and have access to care or support services;
- Households with disabled children in receipt of middle/high rate Disability Living Allowance;
- Parents with adult children in the armed forces who normally live with them will be able to retain the bedroom for that adult child whilst deployed on operations;
- Foster Carers – they are allowed one additional bedroom so long as they have fostered a child or become an approved foster carer within the last 52 weeks.

The Northern Ireland Executive has committed to full mitigation of the SSSC for housing association tenants[2]. This will ensure that no one will be impacted financially when the SSSC is implemented in February 2017.

The measures to mitigate the SSSC will be automatically applied and payments will be made every four weeks in arrears by the Department for Communities direct to landlords. These mitigation payments will remain in place until 31st March 2020.

LOCAL HOUSING ALLOWANCE CAP

The LHA cap is a rent assessment scheme which sets the maximum amount of Housing Benefit payable depending on where the property is located and the bedroom requirements of the household occupying it. Single claimants under the age of 35 years who do not have dependent children are awarded a shared accommodation rate.

LHA rates are set for different property sizes within eight Broad Market Rental Areas (BRMAs) in Northern Ireland. The table below shows the rates set for 2017/18.

	Shared	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Belfast	£42.15	£83.65	£92.44	£101.90	£122.07
Lough Neagh Upper	£48.45	£69.85	£85.70	£93.27	£104.48
Lough Neagh Lower	£44.94	£66.94	£77.92	£89.43	£106.83
North	£37.15	£65.47	£83.17	£89.42	£97.66
North West	£50.52	£74.31	£89.53	£99.60	£108.13
South	£47.17	£60.49	£79.99	£88.44	£102.57
South East	£52.09	£77.96	£93.09	£102.92	£124.56
South West	£45.00	£59.40	£76.07	£87.10	£96.04

In November 2016, the UK Government announced that from April 2019 the amount of rent Housing Benefit will cover in the social rented sector would be capped at the relevant LHA rate[3]. **A decision to implement the LHA cap in Northern Ireland has yet to be made**. If introduced in Northern Ireland the cap will affect all tenants claiming Universal Credit and anyone on Housing Benefit who started a new tenancy or transfer from 1st April 2016.

Claimants who are part of the Universal Credit **transition phase** will have the housing element of their Universal Credit capped at the applicable LHA rate regardless of their tenancy commencement date. The transitional phase will introduce Universal Credit by postcode area between September 2017 and July 2019 for new claims and claimants who report a change in circumstances.

Claimants who are part of the Universal Credit **migration phase** will have the housing element of their Universal Credit capped at the applicable LHA rate regardless of their tenancy commencement date. Transitional protection arrangements will provide an extra 'transitional' amount to top up the Universal Credit award so that the claimant is not worse off when they move over to the new benefit. This will include any reduction because of the LHA cap being applied. This protection will remain in place until there is a change of circumstances or the claimant breaches their claimant commitment.

On reaching state pension age Universal Credit claimants moving on to Housing Benefit and who started a new tenancy or relet from 1st April 2016 will still be subject to the LHA cap.

Any Housing Benefit claimants over 64 and who started their tenancy from 1 April 2016 would have their Housing Benefit capped at the LHA rate from 1 April 2019.

POTENTIAL FUTURE IMPACTS

SSSC

By applying the appropriate SSSC reduction to those households identified as under-occupying, the potential weekly reduction in Housing Benefit is £7,307. This represents 6.4% of the £114,478 in Housing Benefit that could be claimed for this sample.

Reduction in HB	Number of Households	Potential Shortfall	% of Total HB
14%	447	£5,414	4.7%
25%	81	£1,892	1.7%
Total	***528***	***£7,307***	***6.4%***

LHA Cap

By applying the applicable LHA rate based on the postcode and number of bedrooms in each property, the potential weekly reduction in Housing Benefit is £2,751. This represents 2.4% of the £114,478 in Housing Benefit that could be claimed for this sample. This however assumes that all properties within the sample are fully-occupied and therefore the maximum LHA rate is paid.

When the LHA rate is applied based on location and occupancy levels, the potential weekly reduction in housing benefit is £8,006. This represents 7% of the £114,478 in Housing Benefit that could be claimed for this sample.

Whilst the SSSC only impacts working age tenants, the LHA cap will apply to all tenancies that commenced after 1 April 2016 regardless of age. The LHA cap will also still apply to Universal Credit claimants who reach state retirement age and move back on to Housing Benefit. This extension of the eligibility criteria from that applied to the SSSC has the potential to affect a greater number of households than first expected including those living in sheltered housing.

LHA Cap	Households Affected	Potential Shortfall	% of Total HB
Based on bedrooms	338	£2,751	2.4%
Based on occupancy	587	£8,006	7.0%

Combined Potential Impact

In a letter to the housing sector in March 2016, Lord Freud, Minister for Welfare Reform stated that only the highest deduction from either the relevant LHA cap or the SSSC reduction will apply[4]. This means that when both reforms have been introduced, the cap that produces the greatest reduction in Housing benefit will be applied.

By applying the cap which results in the highest deduction, the potential weekly reduction in Housing Benefit is £11,051. This represents 9.7% of the total Housing Benefit that could potentially be claimed within this sample. Due to limitations in the data available, these figures assume that each household is in receipt of full Housing Benefit and are not exempt from the size criteria.

HB Cap	Households Affected	Potential Shortfall	% of Total HB
SSSC	339	£4,666	4.1%
LHA	369	£6,386	5.6%
Total	***708***	***£11,051***	***9.7%***

CONCLUSION

Further to previous analysis which measured the impact of the LHA cap based on full occupancy, [5] it is evident that under-occupancy is a significant issue that will need to be taken into consideration

The sample shows that potentially up to 41% of general needs housing association tenants who are currently claiming housing benefit are under-occupying. Prior to the introduction of the SSSC and the potential LHA cap, this did not adversely affect Housing Benefit payments.

However, by applying the SSSC and LHA cap, the potential financial impact of these reforms could result in an overall reduction of 9.7% of Housing Benefit. It should be acknowledged that this is a forecast based on a sample of 1,300 properties and necessary assumptions have been applied.

NIFHA will use this research inform Departmental officials and elected representative of the predicted impact to housing association tenants if the SSSC were no longer mitigated and the LHA cap was introduced in Northern Ireland.

To help housing associations assess and manage the impact of under-occupation an *Occupancy Impact Analysis Template* and a *Social Sector Size Criteria & LHA Calculator* has been produced.

NIFHA have used a sample of general needs accommodation that was representative of the stock profile of all housing associations across Northern Ireland. However, depending on the geographical spread of stock, age of properties and household makeup, each individual housing association will be affected to a greater or lesser extent by under-occupation, SSSC and the LHA cap. It is therefore advised that housing associations complete the *Occupancy Impact Analysis* to gain an individual assessment.

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[1] http://www.nifha.org/wp-content/uploads/NIFHA-LHA-Briefing.pdf
[2] http://www.legislation.gov.uk/nidsr/2017/9780338006967/pdfs/nidsr_9780338006967_en.pdf
[3]https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/571559/autumn_statement_2016_web.pdf
[4] http://s3-eu-west-1.amazonaws.com/doc.housing.org.uk/2016-03-03_LF_to_social_landlords_on_LHA_cap_deferral_for_SA.pdf
[5] http://www.nifha.org/wp-content/uploads/NIFHA-LHA-Briefing.pdf