

Local Housing Allowance Final Evaluation: Implementation and delivery in Conwy

times improved over the Pathfinder (until very recently) so complaints about delays are no longer heard. Interviewees were also unable to identify any impact – positive or negative – on work incentives. They had no information on other impacts, for example on rent levels or over-crowding. Basically, LHA is not an issue for Jobcentre Plus staff or one that is raised with them by their clients.

The most significant changes to working relations between Revenues and Benefits and the Colwyn Bay Jobcentre Plus are likely to take place when that office transfers to CMS – outside the Evaluation period. The impact of the transfer of the Llandudno office were described in Chapter 4 (page 37). At the time of the Wave Three interviews a form was being designed to collect the additional information needed to process HB/LHA claims over and above that collected through the CMS script. This had not been finalised or introduced, and, as noted, significant delays were being experienced in getting full information for claim processing. It is not clear whether it will be possible to avoid similar problems when the Colwyn Bay office transfers. Not having a system in place for capturing the additional information is one aspect of the problems experienced, but CMS roll-out, with a control centre in Blackburn later to be transferred to Bangor, itself seems to have been problematic for Jobcentre Plus staff suggesting that better forward planning might not have helped that much. Conwy's status as an LHA Pathfinder has meant that it needs different information for claim processing and cannot join with neighbouring authorities in developing a standard HB form for use in conjunction with CMS.

The overall impact of the LHA on Jobcentre Plus during the Evaluation period has been minimal, and less than anticipated.

Impact on The Rent Service

The impact on the Rent Officer Service has, not surprisingly, been much more significant. The process of implementing the LHA in the Rent Officer Service was described in Chapter 3. This section focuses more on the impact of the Pathfinder on the Rent Officer Service. It appears that the main gains in terms of resource savings of introducing the LHA are in this area.

Perhaps the first point to make is that local changes affecting Conwy are sometimes part of larger changes affecting the whole of Wales. For example, Broad Rental Market Areas (BRMAs) have been reviewed across Wales, with the reviews timed to co-ordinate with English reviews affecting boundary issues. A national exercise has been carried out to mail-shot landlords with HB tenants to encourage them to provide market evidence. A re-structuring and re-location is likely in 2008 in association with the new Welsh Assembly Government development at Llandudno Junction (as well as taking account of changes for the national roll-out of an LHA scheme).

The Pathfinder has meant significantly less work generated for the Rent Officer Service from Conwy. The Caernarfon Rent Officer Service office handled about 7,500 HB referrals a year pre-Pathfinder. In 2002/03 there were 3,272 HB referrals from Conwy in total. In the year there were 189 pre-tenancy determinations, and 95 re-determinations. The majority of this work disappeared with the Pathfinder. There were 181 exempt referrals between Waves Two and Three of the Evaluation (nine month), mainly supported housing, board and attendance and caravans. This represents a significant reduction in workload which, given staffing levels and long-term sickness issues, was seen as 'a blessing in disguise' in terms of casework elsewhere.

Local Housing Allowance Final Evaluation: Implementation and delivery in Conwy

Rent Officers have been able to concentrate more on the collection of market rental evidence. The way in which this is organised changed between Waves Two and Three of the Evaluation in order to provide more and better focused resources. There is now a dedicated Rent Officer who works across North Wales to collect information from letting agents, estates and developers. Other Rent Officers deal with smaller landlords on a rota basis two days a week. This is in recognition of the fact that agents need more attention and the dedicated officer can concentrate on the task better. The national mail-shot to landlords (not agents) has also led to increased evidence including many smaller landlords. Table 6.1 shows the pieces of market evidence entered on the database each year of the Pathfinder. It shows that new evidence collection has doubled or trebled across the various BRMAs affecting Conwy.

Table 6.1 Market evidence added to the rent officer service data-base

Date	Conwy	N. Rural	Menai	N Coast
Feb 04- Jan 05	451	79	977	634
Feb 05- Feb 06	899	196	3,083	1,870

The increase in evidence has had two important effects:

- It provides a sounder basis for setting the LHA, especially for the shared room and larger rates where there are fewer properties available locally.
- Many of the new landlords responding to the mail-shot appear to be very small operators, letting at the bottom end of the market and at relatively low rents (for example because the tenant is known to them or because they do not have to employ an agent). This tends to indicate that some LHA room rates should fall, leaving Rent Officers with the dilemma of knowing whether a downward trend is real or just a reflection in the composition of the evidence. Because of the seriousness of the implications of reducing LHA rates, no reductions have yet been made.

The Rent Officer interviewee appreciated the emphasis on collecting market evidence and liked the increased contact it brings with landlords and agents. For him a downside of the LHA is the loss of personal contact with the smaller local landlords (and properties) previously gained through property inspections and PTDs under the old system. This is being replaced by mail-shots as described above. To overcome any lack of 'feel' for the market because of the loss of inspections, The Rent Service has asked Rent Officers in the Pathfinders to get feedback on perceptions and trends from landlords and agents. In Conwy this is being done by the Rent Officers responsible for collecting market evidence, building on their existing contacts to maximise response.

There is no evidence that the LHA has directly led to rent increases in the PRS. There are some examples of increases by small landlords and some large estates, perhaps where published rates have reminded landlords that their rents are 'low' – that is lower than the 'market'. However, the early feedback from the initiative described in the previous paragraph suggest that local landlords and agents have not become reconciled to direct payments, and are either not letting to HB claimants or are being more selective to avoid risk of arrears. There is even the impression that attitudes might be hardening against the LHA because of direct payments.

Local Housing Allowance Final Evaluation: Implementation and delivery in Conwy

One consequence of the Pathfinder for the Rent Officer Service is improved relations and closer working arrangements with Conwy's Revenues and Benefits. This was seen as a significant benefit. The relationship seems to have been good and pragmatic to the benefit of the introduction of the LHA locally. For example, there have been no problems in 'cleaning' market evidence to remove HB cases because Conwy provided information regularly. Again, there have been no difficulties in getting earlier notification of LHA room rates to facilitate claim up-dating.

In terms of contacts, the Rent Officer interviewee had also found involvement with the Pathfinder Excellence Group convened by The Rent Service very helpful.

There are obvious potential long-term implications for the Rent Officer Service in terms of the amount and nature of work required under a national LHA scheme. This uncertainty is said to have adversely affected staff morale locally. However, in the short term during the Pathfinder period itself, opinion on the LHA and its operation from the Rent Officer interviewee was generally positive.

Chapter 7: Does the LHA carry substantial administrative advantages?

A summary evaluation

This chapter draws on the foregoing discussion of the impacts of the LHA in an attempt to provide answers to the key questions which the Evaluation of the administrative impacts of the scheme are intended to address before coming to a conclusion as to whether, on balance, the LHA does carry with it substantial administrative advantages.

- v. Which, if any, aspects of the new regulations have had greatest impact on the way in which the benefit is administered in terms of key areas such as the speed of claim processing, the detection of fraud and the incidence of overpayment?

The new regulations have had two major impacts on the way in which HB is delivered to PRS tenants under the LHA. First, the setting of the standard LHA dependent only on household characteristics has done away with the need for referrals to the Rent Officer and for pre-tenancy determinations (PTDs). Second, the expectation that HB will normally be paid directly to the tenant except where the tenant is deemed to be vulnerable, unlikely to pay the rent or has eight or more weeks rent arrears has led to the need for processes to assess and review vulnerability, revised payment arrangements and support for tenants to make it easier for them to receive HB and pay their rent. At its simplest, it is clear that the first has simplified the process of administering HB, while the second has added a number of new roles and responsibilities.

Certainly the process of claim processing is said to be more straightforward than previously in Conwy. Staff are delighted to have got rid of Rent Officer referrals which immediately before the Pathfinder were causing some delays because of the after-effects of re-organisation of the Rent Officer Service in Wales; the need for interim payments which prevented a case being closed in one go; and PTDs which were both difficult for staff and thought to be less than helpful to tenants. Most processing is 'at the touch of a button', and there is no longer a need to identify service charges in rent or indeed to pay much attention to the rent at all. Because the scheme is simpler, both staff and claimants understand it better and less time is spent answering queries.

Until late in the Pathfinder period, the greater simplicity of the scheme may have been one factor in improving claims processing performance – along with the end of review periods and greater staff stability. A deterioration in claim processing performance late in the Pathfinder illustrates the vulnerability of HB administration to outside forces, in this case the knock-on effects of the roll-out of Customer Service Management (CMS) to the Llandudno Jobcentre Plus which meant some claims were several weeks old by the time they reached Conwy for processing.

The direct payment side of the scheme seems to have been less beneficial in Conwy. Interviewees were reasonably happy with the arrangements made for assessing and reviewing vulnerability, the latter through a revised service level agreement with the Conwy District CAB introduced in the second year of the Pathfinder.

Local Housing Allowance Final Evaluation: Implementation and delivery in Conwy

The comment was made that this represented a new task for HB officers and required resources at a relatively senior level while the resources potentially released by simpler claims processing are at a relatively junior level. There were also some queries as to whether HB staff are qualified to make vulnerability decisions which sometimes require social work or medical expertise. The area may have been made more sensitive locally by a partially successful appeal on the treatment of a vulnerable claimant.

Other aspects of payments were implemented in such a way as to 'appease' local landlords strongly opposed to direct payments. Thus, uniquely among Pathfinders, Conwy pays HB under the LHA weekly. It acts on rent arrears when informed of two (weekly) missed payments, although this does not necessarily mean that payment will be switched to the landlord. The first cheque of a claim is made payable to the landlord, sent to the tenant's address, unless the tenant clearly indicates that she/he does not want this to happen and can evidence arrangements made to pay the rent. These measures in practice seem to have increased the amount of work and expense of administering the LHA. It remains to be seen whether they are successful in 'appeasing' landlords. Several interviewees at Wave Three of the Evaluation thought that landlord and agent attitudes had hardened against direct payments. There has not been any wholesale move to evicting HB claimants (as threatened initially), but opportunities for claimants to rent are said to have become more difficult. Unlike most other Pathfinders, the LHA caseload in Conwy appears to have remained static over the Evaluation period while caseloads have increased elsewhere. An important factor here may be the relative 'meanness' of the LHA rates locally which mean that the majority of LHA claimants still have a shortfall between their rent and benefit. There is less potential for landlords to benefit from increased rents to offset the greater risk of direct payments.

In terms of impact on other important parts of the Benefits Service, the Evaluation has shown:

- Demand for DHPs from PRS tenants appears to have been unaffected by the introduction of the LHA. DHPs are said to be awarded to households in similar circumstances and with similar needs as pre-Pathfinder.
- There has been no discernable effect on the incidence, investigation or prosecution of HB fraud.
- Overpayment debt has increased somewhat with the change to claimant, rather than landlord, debt. However, LHA is not the only factor which might be affecting this since its introduction coincided with the end of review periods and the introduction of interventions.
- The number of complaints is said to have decreased as a consequence of the removal of Rent Officer referrals and interim payments. There have been complaints about information being passed to landlords against the claimant's wishes because of the local procedure of making the first cheque of a claim payable to the landlord (see below). Conwy has experienced one Appeal concerning vulnerability assessment and landlord payment, and was found to have been partly at fault.
- The Pathfinder has strengthened links between Revenues and Benefits and other parts of the Council, the Rent Officer Service, Jobcentre Plus, the CAB and Shelter Cymru. Perhaps because the LHA is not as generous to claimants as in some other Pathfinders (and because local landlords remain hostile to direct payments) there has proved to be less scope for strategic developments with HB as a major tool in homelessness prevention or poverty reduction.

Local Housing Allowance Final Evaluation: Implementation and delivery in Conwy

With the exception of the impact on overpayments, other effects identified have been broadly neutral to HB administration in a wider setting.

vi. Is the LHA in practice essentially equitable (fairer) as a way of delivering assistance with housing costs?

Opinion amongst interviewees in Revenues and Benefits and in some other council departments was strongly hostile to the idea of claimants receiving money in excess of their rent. Excesses were felt to be wrong in principle and a bad way to use public money. They were felt to be unfair – to working tenants not getting HB, to claimants who had to pay a higher rent and to tax-payers.

We might speculate about reasons why opinion should be so hostile in Conwy:

- Fewer than four in ten claimants receive an excess locally. Interviewees implied in their comments that they arise either because of a sort of windfall for living in a property with an unusually low rent (National Trust properties were mentioned several times) or because people are prepared to overcrowd accommodation or live in poor conditions. The latter ‘choice’ is one which officers who spend most of their time seeking to improve housing conditions find hard to accept (just as landlords find it hard to conceive of money management strategies which does not involve paying the rent as the first priority).
- Pressure on the local market was thought to severely reduce the chances of claimants using the LHA to shop around. In some parts of the area it is very difficult to get accommodation near LHA rates of any sort. Thus an important rationale for providing the possibility of excesses is missing locally.
- The benefits of the LHA through excesses seem to depend on household type, and to be more open to larger than to small households.

Two additional sources of perceived unfairness are:

- The treatment of under 25s who stand little chance of finding accommodation at the shared room rent. The LHA leaves their situation unchanged although it has potentially improved the position for others.
- Some room rates, especially in the North Rural BRMA, have decreased over the Pathfinder. Claims up-dated in one month in 2005 for the frequently used 2 room rate in the North Coast BRMA reduced. Since individual rents are unlikely to be reduced for tenants affected, this is seen as ‘unfair’. Understandably, the Rent Officer is reluctant to reduce rates unless there is a clear downward trend sustained over some months.

There were aspects of the LHA that all interviewees liked – its simplicity and relative transparency. The LHA was thought to be much better for claimants who could know how much they would get and could look for property accordingly, without having to get PTDs. These advantages were, however, seen as separate from discussions of equity or fairness. All households of a particular composition might be treated equally, but whether they end up with a shortfall or an excess may depend on whether they need to live in Llandudno or Pensarn, quite distinct settlements some fifteen miles apart.

Local Housing Allowance Final Evaluation: Implementation and delivery in Conwy

vii. Will it be possible to replicate practices relating to the setting of LHA across all types of market?

This question relates to Rent Officer practices. On the whole, it might be argued that Conwy is a relatively 'difficult' market for setting the LHA:

- Implementing the LHA required revision of BRMAs which had previously been more narrowly defined. This meant a lot of work. However, a similar exercise has now been carried out across Wales.
- Conwy involves three BRMAs which all extend widely outside the county boundaries. No-one interviewed thought that having three BRMAs had caused confusion in administering the LHA since everything operates according to post-code.
- The PRS is quite variable across Conwy. It is sufficiently large to provide good market evidence in the main 2 to 5 room bands but at the extremes, the supply of shared accommodation and larger properties is more difficult.
- In the North Rural BRMA rents in some size categories appear to have fallen, raising the question as to how and when to adjust LHA rates downwards.

Despite such potential difficulties the LHA has been implemented effectively in Conwy and room rates set. As noted in Chapter 6, the approach to collecting market evidence has been changed so as to increase its amount and quality. There is no evidence that the LHA is leading the market or led to widespread unreasonable rent increases.

At the earlier stages of the Evaluation, some interviewees outside the Rent Officer Service were critical of some of the room rates set, thinking them too low relative to local markets facing claimant clients. These comments seemed to abate over the course of the Pathfinder, perhaps as rate rose over time in the main coastal BRMAs.

Overall, the Conwy case suggests that it is possible to establish BRMAs which are soon accepted, and build up market evidence on which to set room rates. It draws attention to two factors which could operate in other parts of the country on national roll-out, both of which might be seen as potentially 'unfair':

- There may be perceived mismatch between rates set and local market rents where much of the market evidence is gathered from areas outside the local authority.
- Within the widely drawn BRMAs there can be sub-market pockets with significantly different rent levels. Where these are quite separate settlements it is not realistic to expect HB claimants in higher rent areas to leave their local communities to find cheaper accommodation within the LHA rates.

viii. Has the hoped-for transparency with regard to LHA administration been achieved, and have any administrative consequences that were unforeseen come to light during the evaluation period?

Almost every interviewee throughout the Evaluation praised the LHA for its transparency and relative certainty. This helps tenants and advisers as well as HB administration. The main Academy software has worked well and is user-friendly for processors. No HB administrative officers want to return to the former scheme. The LHA has become the way in which HB is paid to PRS tenants.

Local Housing Allowance Final Evaluation: Implementation and delivery in Conwy

As noted above, the new scheme and direct payments in particular have resulted in new tasks for Revenues and Benefits. These were foreseen and planned for, and the CAB Pathfinder Project was engaged to assist with vulnerability assessments. In the first year this arrangement did not work very well for either party, but the second year when the CAB has focused on vulnerability and arrears reviews seems to have worked much better.

The main administrative consequence of which the impact was unforeseen is the problems associated with the practice of paying the first cheque of a claim to the landlord, even if subsequent payment will be direct to the tenant. Issues seem to have arisen from a combination of software problems, staff having to take great care to avoid missing indications that the tenant does not want the landlord to be paid, and dealing with complaints when tenants did not realise what was going to happen. More generally, the difficulty of withdrawing from procedures adopted to help landlords, including first cheques, weekly payments and very pro-active treatment of rent arrears at less than the statutory level, may have been under-estimated.

Overall, does the LHA carry substantial administrative advantages?

On balance, the general view in Conwy is that the LHA does carry substantial administrative advantages mainly around the removal of Rent Officer referrals and the greater transparency and simplicity of the system. The main points have already been made above. However, there is considerable local feeling against the idea of benefit excesses and little perception that some of the wider objectives of the Pathfinder are likely to be achieved. Landlords appear not to be reconciled to direct payments.



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