



















## **Final Evaluation of Local Housing Allowance: Implementation and delivery in Edinburgh**

### ***The provision of additional money advice***

The DWP anticipated difficulties that claimants may have in managing the receipt of LHA and the payment of rent, and it was thought that arrears would be a consequence. In a pre-emptive measure, each Pathfinder was granted funds in order to finance the provision of additional money advice. In Edinburgh, the funds were directed to the employment of specialist advisors within the city's own Welfare Advice Unit, which was a shop-front, drop in advice resource. The delayed switch to direct payments meant limited demand for this service initially, and ongoing demand for the service has remained uncertain.

### ***The Rent Registration Service: early preparations***

In the pre-LHA stage, the RRS had two basic tasks: establishing the Broad Rental Market Areas (BRMAs) and setting the LHA rates for various household sizes. Edinburgh followed DWP guidance in using the earlier LRR/SRR localities as their BRMAs, of which there were four: Central, South, East and North. Using its market evidence database, the RRS had set LHA rates for its four areas that were close to the existing LRR rates.

The short time-scale for preparation for the LHA had created problems within the RRS, particularly with regard to setting rents for properties in newer developments, where insufficient market evidence had been collected. However, these problems were essentially short-lived.

### **Some specific difficulties in monitoring the impact of LHA on Housing Benefit delivery**

There were three areas of work where there had been no specific monitoring of the impact of LHA, and where conclusions on the impact of LHA remain at best opaque. These areas included Discretionary Housing Payments, appeals and fraud investigation. In each of these areas, Baseline data were not available on numbers that related solely to Housing Benefit cases within the PRS. Comment under each of these areas remained anecdotal, which in some cases was contradictory: for example, it was noted that there had been no appeals relating to LHA, but one external welfare agency had indicated that it had appealed two vulnerability decisions. However, it was evident that no staffing or resource changes had been required to any of these services during the course of the evaluation.

## **Easing the administrative burden? Testing for positive impacts of the LHA on service delivery**

The LHA carried the intention of simplifying Housing Benefit administration, and introduced the possibility of reducing the number of staff required. This chapter considers three areas where improvements were anticipated: processing claims; assisting claimants with the LHA; and staffing levels in the RRS.

### ***Processing claims***

Although caseload figures had increased over the evaluation period, there had been a substantial improvement in processing times. By September 2005, 86 per cent of all new claims were decided within two weeks of the receipt of all the necessary information; in June 2004, this proportion had been 32 per cent.

However, it was difficult to isolate what impact the LHA may have had on the improvement in performance. The introduction of a document imaging system was felt to have been of substantial benefit to processing teams, which now did not have to physically locate case files and documents. The ability to allocate work electronically also meant that team leaders could more readily spread the caseload. Certainly, the LHA had contributed to the improvement, and the fact that rents did not have to be sent to the RRS for determination was deemed to be a principal advantage.

### ***Assisting claimants with the LHA***

It was uncertain how far face-to-face advice was available from the local authority for claimants seeking help with their LHA application. The RBD did have a counter at its main administrative building, but this was located some distance from the city centre and at the Baseline stage the counter was closed. The Private Rented Sector team advised on tenancy-related issues, but referred all LHA matters to the RBD and did not offer any help with LHA applications. Citizens Advice Bureaux in the city indicated that they did very little work that related to the PRS.

During the course of the evaluation, no statutory agency was contacted that had a direct remit for delivering face-to-face LHA support and advice to claimants. However, the statutory stakeholders who were interviewed indicated that they believed the LHA to be an easier system on which to advise claimants. It was easier to establish what allowances may be payable given a household's size and characteristics. However, it was noted that the RBD tended stress to claimants that the LHA rates were only indicative, and that further information on household income was required before definite advice could be given on the rate payable.

### ***The Rent Registration Service***

Perhaps the most evident impact of the LHA in Edinburgh was the consequent reduction in staff at the RRS. By the First Wave of the evaluation, staff in Edinburgh had been reduced from four staff to three. This number was deemed extremely tight, but workable. No further staffing changes were anticipated.

## **Delivering the LHA: 'bedding in'**

In Edinburgh, the LHA regulations appeared to be adopted swiftly, with minimal change to existing administrative structures. The LHA has become so far 'bedded in' that it is not always possible to isolate the impact of the regulations on processes or outcomes. This chapter considers some aspects of the LHA in the light of this overall conclusion.

### ***Payments to landlords: vulnerability and arrears***

In the majority of cases, where payments are made to landlords, the reason is the vulnerability of the claimant. The RBD has used guidelines produced by the DWP to assess vulnerability, and all decisions are made by processing staff. These cases were regarded as being 'few and far between'. The vast majority of cases are decided on the basis of documentary evidence, and there was some comment that such evidence was not always readily forthcoming leading to delays in decisions. Making decisions was deemed a priority, and it was estimated that each took between 7-10 days. Claims were suspended in the meantime. However, no data were provided in the number of claims decided within the target deadline, or the number of decisions that were challenged or subject to appeal.

With regard to arrears, RBD has made clear to landlords that arrears of four weeks would lead to a suspension in payment whilst the circumstances were investigated. The landlord was expected to provide documentary evidence, which by the Final Wave visit was being restricted to bank statements rather than hand-written account books or receipts. The incidence of arrears cases in Edinburgh was extremely low, although no figures were available on the number of suspensions due to rent arrears.

As with vulnerability decisions, processing staff deal with arrears cases as part of their routine processing, and also complete reviews of arrears cases when these are flagged up by the software for re-investigation.

## **Does the LHA carry substantial administrative advantages? A summary evaluation**

It is evident that during the course of the evaluation, there had been a substantial improvement in the time taken to process new claims: the proportion processed within fourteen days of receipt of all necessary information had increased from 32 per cent in June 2004 to 90 per cent in December 2005. Although the LHA regulations had contributed to this improvement, other changes had also had a beneficial impact, most particularly the use of digital imaging software.

There was little comment on the equitability of the LHA regulations, aside from some concern relating to the excessive gains that might be made in some circumstances, and the desire for the regulations to be applied across all rented tenures. However, there was general agreement that the regulations were transparent. Claimants were more confident in anticipating what level of support would be available. It was thought that in some cases this confidence was encouraging moves out of less-desirable social rented properties, and into the PRS.

## **Chapter 1: Introduction**

### **About this report**

This report evaluates the impact of the introduction of Local Housing Allowance (LHA) on Housing Benefit (HB) administration in the Edinburgh Pathfinder. The LHA regulations brought three essential changes to the HB regulations with regard to tenants in the private rented sector (PRS). First, the intention is that the benefit will be paid to the tenant, and that only in specially defined circumstances will the benefit be paid directly to the landlord. Second, the size and quality of the property being rented is not taken into account in deciding the level of payment: the benefit level is fixed wholly by household size and income. Where the contractual rent is below the level of LHA for a given household, they are able to keep the difference. Third, the LHA requires the Rent Registration Service (RRS) to set the rent for sizes of various properties at the mid-point between the lowest and highest rents for that property size in an area, excluding the extreme high and low rents.

Although HB regulations are standard across the country, models of administration differ substantially, as does the interpretation of discretionary aspects of the regulations. It is for this reason that the evaluation covers nine contrasting Pathfinder areas, to assess the significance of the introduction of LHA in a range of administrative contexts and so offer a broad basis from which to consider a national roll-out of the scheme.

Perhaps the single key question asked of this stream of the LHA evaluation is whether the new regulations offer substantial administrative advantages in the delivery of HB. In particular:

- Which, if any, aspects of the new regulations have had a substantial impact on administrative efficiency?
- Is the LHA an essentially equitable way of delivering assistance with housing costs?
- Has the hoped-for transparency been achieved with regard to LHA administration?
- Were there any unforeseen administrative outcomes following the introduction of the LHA?

The evaluation has used largely qualitative methods in order to answer the above questions, in establishing a narrative of implementation from key stakeholders within and outside Housing Benefit administration.

### **The structure of the report**

This report assesses the introduction and impact of the LHA on HB administration in the Edinburgh Pathfinder. The remainder of this introductory chapter will outline the evaluation method. Chapter two considers three key contexts for the introduction of LHA in Edinburgh: the wider policy framework; housing and labour market demographics in the authority; and its existing HB administrative structure.

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Chapter three considers the introductory phase of the LHA Pathfinder, and reviews some of the short-term measures that have reduced in significance over the longer evaluation period. Chapter four reviews three ancillary aspects of processing: fraud investigation, Discretionary Housing Payments, and the management of appeals; and chapter five discusses the areas where specifically beneficial effects were anticipated. Chapter six reviews the issues that still pertain to LHA administration in the Edinburgh Pathfinder. Chapter Seven concludes by addressing the evaluation question, see *page 9, about this report*.

There are some issues relating to terminology that require clarification before proceeding further. The LHA comprises a series of regulations that falls within the existing Housing Benefit structure, and relates to the benefit as delivered to PRS tenants in the nine Pathfinder areas. Payments to social housing tenants continue outside the LHA regulations, which have not – as yet – been extended to local authorities outside the Pathfinder locations. Many of the existing HB regulations with regard to the administration of the benefit continue to apply. In order to introduce a degree of ‘shorthand’, this report refers to LHA as meaning ‘Housing Benefit arrangements under the LHA regulations.’

### Conducting the evaluation

A number of key groups were recognised as being relevant to the delivery of the LHA, and have been drawn into each wave of the evaluation. These include Housing Benefit administration officers, other relevant local authority staff, welfare and housing advice organisations both within and outside the local authority, The Rent Registration Service and Jobcentre Plus. Administrative variation between each Pathfinder meant that the exact grouping of stakeholders differed, particularly with regard to the number of HB officials contacted; staffing changes meant that the same respondent was not always interviewed at each wave; and some respondents were simply not available for interview at each wave. However, in each location, the tranche of respondents remained largely the same throughout the evaluation. In addition, informal contact was made with landlord groups throughout the three-year period, in order to gain a steer on local implementation issues that they might deem important to the ongoing evaluation. Findings from this stream of the evaluation have been fed largely into the landlord stream, and appear in this report only as they relate to LHA administration.

A research team from the University of York was responsible for conducting the interviews in Edinburgh. These interviews followed a set of topic guides designed for each type of stakeholder, but with some common evaluatory questions. The topic guides were used across all nine Pathfinder areas. However, sufficient flexibility was built into the evaluation to ensure that issues of particular significance in a given area could be pursued.

The interviews were conducted at four stages in the evaluation period. Within Edinburgh, these took place in January 2004 (Baseline), August 2004 (Wave One), May 2005 (Wave Two) and February 2006 (Wave Three). Separate reports on the first three visits were prepared and submitted to local stakeholders for comment, through the Edinburgh Pathfinder Manager. Additional data were added to these reports at the Baseline stage by the Department for Work and Pensions’ (DWP) own internal monitoring exercise. This report is based on the three documents plus findings from the final, Wave Three, visit.

## **Chapter 2: National and local contexts**

### **Introduction**

This report considers the national and local contexts within which the LHA was implemented in Edinburgh. The broader benefit context includes changes to the delivery of Pension Credits and Jobseekers Allowance, in addition to non-LHA-related changes to Housing Benefit for PRS tenants. The chapter gives some socio-economic information on Edinburgh, and then considers in more detail its PRS and any change in that sector over the course of the evaluation. The chapter ends with a brief description of how the LHA was introduced in Edinburgh.

### **The welfare and housing policy context**

This is a note of the main changes in HB and related areas of housing policy since 2003 that may have had an impact on developments in the Pathfinder Areas and its evaluation which began in 2003. This information has been provided centrally by the Department for Work and Pensions.

### ***Changes in Housing Benefit Regulations***

**Building Choice and Responsibility: A Radical Agenda for Housing Benefit (DWP, 2002)** announced the Government's intention to introduce the Local Housing Allowance in the de-regulated private rented sector in nine local authority Pathfinders and also introduced a wide range of measures aimed at improving the administration of HB and Council Tax Benefit. The rollout of these measures took place between 2002 and 2006 and included the following key changes to the administration of HB which, in the Pathfinders, were implemented alongside the introduction of the LHA:

- 'Benefit Periods' were abolished for Pensioners from October 2003 and for working age people from April 2004. This means that these HB claimants no longer need to reapply for the benefit yearly regardless of whether or not their circumstances have changed. Prior to this change, HB could generally be awarded only for a maximum of 60 weeks, and then had to be reclaimed. This measure was expected to reduce unnecessary form filling for claimants and to reduce the workload of HB administration.
- Entering work was, from April 2004, treated as a 'change of circumstances', and was part of the abolition of benefit periods for working age people. This change meant that a new benefit claim was not required for the vast majority of people moving into work. Instead, entering work was treated as a change of circumstances, requiring a much shorter and less complex administrative process.
- The Council Tax Benefit rule which restricted the benefit available to people in property in bands F, G and H to the benefit available for band E claimants was also abolished in April 2004.

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- Alongside the end of review periods for those claiming Pension Credit, people who have reached the qualifying age for Pension Credit (60 years) can have their HB/CTB backdated for a year, or to the date at which they reached the age of 60, if that is less than a year, without having to demonstrate good cause for backdating.
- The HB 'run-on' for people starting work was widened in 2004 to include Incapacity Benefit and Severe Disability Allowance claimants. Broadly, the run-on means that people who qualify get their 'out of work' HB/CTB for the first four weeks in a new job. Previously only those on Income Support or on both Job Seekers Allowance and Incapacity Benefit qualified for run-on after starting work.
- Any Tax Credit arrears are treated as capital for benefit purposes from April 2003. Tax Credit awards from April 2005 are taken into account much more simply for HB/CTB purposes by being treated as current income rather than using complicated attribution/ retrospection rules.
- From October 2002 rapid reclaim procedures were introduced for people returning to HB/CTB after twelve weeks or less. This means that a full new claim is no longer required.

In addition over the same period other changes were made to the operations of Jobcentre Plus and in the prevention of HB fraud and error.

### ***Changes in Jobcentre Plus***

The Customer Management System (CMS) was first implemented in Scotland in July 2003 and through a dedicated rollout is now moving towards full national implementation alongside the full rollout of Jobcentre Plus services. The aim of CMS is to improve the way in which information is gathered and verified for benefit claims. The way local authorities receive 'passported' claims from the Jobcentre Plus (that is, claims from those entitled to claim JSA) changes under CMS. Any improvements in the speed of processing primary benefit, such as JSA, are expected to have a positive effect on the speed of processing HB/CTB claims. The CMS rollout programme included all, or in some cases only part, of the local authority areas involved in the LHA Pathfinder initiative over the course of the Evaluation period.

### ***Strategies in place to prevent Housing Benefit fraud and error***

The Verification Framework (VF) and the Security against Fraud and Error (SAFE) represent major strategies intended to prevent HB fraud and error. SAFE is an anti-fraud incentive scheme which offers subsidies to local authorities for identifying incorrect benefit claims, for correcting those claims and for administering sanctions and prosecutions where appropriate. It is one element of the anti-fraud and error schemes available to local authorities and complements the VF scheme. Together, the two schemes attempt to capture the end-to-end process of prevention, detection and deterrence, and reflect the Department for Work and Pensions' overall strategy of reducing errors and flaws in the administration HB/CTB.

### ***Other administrative changes***

There have also been a number of other initiatives aimed at improving the accuracy of HB administration and assessment. These include:

- Moves to improve data sharing between local authorities and other agencies (Jobcentre Plus, Pension Service, Inland Revenue) to help them assess new claims more accurately and keep up to date with claimants' changes of circumstances.
- The rules on how local authorities take into account New Tax Credits have been simplified to minimise errors. At the same time, non-declarations of such Credits are being identified through data-match referrals to councils.
- Further improvements have been made in the quality of data matches and in the risk scoring processes so that fraud investigators can focus their efforts on those cases with the highest risk of committing fraud. More frequent (monthly) data matches have also been introduced since April 2004.

### ***Homelessness Act 2002***

The Homelessness Act 2002 provides greater protection to those in priority need for housing, such as families, and is intended to give people more choice in the housing they receive. This measure constitutes the main part of the government's strategy for tackling homelessness in England and Wales. The Act also extends the priority list to include 16 and 17 year olds, and 18 to 21 year olds leaving care, as well as those fleeing violence. It requires all local authorities to carry out a homelessness review, develop a homelessness strategy for their area to prevent homelessness, and provide accommodation and/or support for people who are, or may become, homeless. The Homelessness Scotland Act 2003 broadly mirrors these provisions for Scotland.

Other, wider, regulatory changes have been introduced through the Housing Act 2004. The provisions of this Act include:

- Powers for local housing authorities to licence Houses in Multiple Occupation (HMOs) with mandatory licensing for larger, higher-risk HMOs and discretionary powers to license smaller, multiple-occupied properties
- Selective landlord licensing enabling local authorities to tackle low housing demand and the difficulties of anti-social behaviour, and powers to make management orders for PRS properties
- New property and building regulations, including the new Housing Health and Safety Rating System (HHSRS) to replace the current housing fitness standard.

Considering each of these in turn, in respect of licensing of HMOs, the Scottish Executive initially took the lead in introducing the licensing of HMO in Scotland with a rolling approach which is intended to eventually include all three bedroom and larger accommodation. The Housing Act 2004 introduces licensing of HMOs from April 2006 making it mandatory to license larger (three floors and greater), higher-risk HMOs. Local authorities will also have the discretion to extend licensing to other categories of HMOs in order to address

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particular problems that may exist in smaller properties. These licensing possibilities are reflected in the 'Mandatory' and 'Additional' Licensing Schemes available under the Act.

The Act also provides for a new definition of an HMO, and limits the scope of licensing and enforcement action (other than in relation to action under the new Housing, Health and Safety Rating System) to certain types of HMOs within that definition.

The Act further extends local authorities' powers to licence and accredit landlords in areas of housing market failure, low demand or neighbourhood decline. Areas experiencing a significant and persistent problem of anti-social behaviour can also be included. Some local authorities have introduced voluntary landlord accreditation schemes to help bring property up to the decent home standards. Landlords who join such schemes are 'accredited' if they agree to meet specified management or property standards and if they abide by that agreement.

The Act also builds upon and extends recent policy changes affecting property and building regulations. These constitute a wide body of measures and interventions in respect of domestic and residential property, and include fire retardant upholstery in furniture in rented property, and tighter control of gas and, more recently, electrical fittings installation, maintenance and replacement.

Landlords operating in all sectors of the market are affected to a greater or lesser extent by these changes irrespective of whether they operate in a Pathfinder area or in the HB sub-sector of the local PRS. It would appear that for some landlords, the implications of the policy changes in respect of licensing in particular are of more concern than the impacts of the LHA.

### **Edinburgh: essential demographics**

At the 2001 census, the population of Edinburgh was just over 448,000, showing an increase of 7.1 per cent since 1991. Edinburgh has, in recent years, seen a substantial increase in activity in the top end of both the housing and labour markets. There has been a growth in the financial and business sectors in the city, in addition to the opening of the Scottish Parliament in 1999. Interest in inner-city living has become marked, and many new housing and shopping developments have taken place in and around Leith. However, the housing market remained diverse, ranging from high-end luxury development in redeveloped areas of the city, to pockets of poor-quality rented properties. Overall, the labour market in the capital was in good shape at the Baseline stage, with lower levels of unemployment compared with Scotland as a whole (3.2 per cent compared with 3.6 per cent). At the Baseline stage, issues relating to affordability were of concern. Edinburgh house prices were the most expensive in Scotland. However, there was evidence that the boom had begun to slow. A principal characteristic of the housing market was continuing flux: in particular, the migration of families priced out of their property moving outwards, and the inward migration of professionals seeking city-centre living.

## The private rented sector in Edinburgh

At the Baseline stage, the PRS in Edinburgh – as with the housing market generally, had experienced a period of intense activity which some respondents felt was coming to a close. The market was stabilising, with evidence that it had settled into an overall position of property oversupply. Interest had been shown in Edinburgh as an area for buy-to-let investment and there had been some purchase of property by the parents of students moving to the city. At the same time it was felt that some landlords had begun to address overcrowding at the bottom end of the sector, as the introduction of HMO licensing – which came into force in 1999 – had begun to take effect.

Table 2.1 indicates the proportion of PRS tenants in each of the Edinburgh wards. Fifteen of the fifty-eight wards had over twenty per cent of their residents living in the PRS, and in three areas – Southside, Tollcross and Marchmont – the proportion reached forty per cent or over.

**Table 2.1 Households renting privately in Edinburgh 2001 by ward**

<b>Ward</b>	<b>All households</b>	<b>PRS households*</b>	<b>PRS as per cent of all households</b>
Southside	3,727	1,556	42
Tollcross	3,098	1,227	40
Marchmont	2,577	1,026	40
New Town	3,560	1,095	31
Fountainbridge	3,500	977	28
Dalry	4,627	1,242	27
Calton	3,925	1,009	26
Holyrood	3,429	894	26
Merchiston	3,333	797	24
Stockbridge	3,967	898	23
Sciennes	3,273	769	23
Lorne	4,025	877	22
Dean	3,839	817	21
Broughton	4,182	836	20
Prestonfield	2,559	514	20
Shandon	4,519	877	19
North Morningside/Grange	3,365	632	19

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<b>Ward</b>	<b>All households</b>	<b>PRS households*</b>	<b>PRS as per cent of all households</b>
Meadowbank	4,022	694	17
Harbour	3,830	583	15
Newhaven	3,797	484	13
Murrayfield	3,708	478	13
Newington	3,182	386	12
South Morningside	3,549	386	11
Firrhill	3,686	368	10
Moat	3,866	372	10
Leith Links	3,590	349	10
Dalmeny/Kirkliston	3,184	305	10
Pilton	3,481	324	9
S.E. Corstorphine	3,452	297	9
Portobello	3,364	279	8
Trinity	3,513	278	8
Craigleith	3,188	231	7
Sighthill	2,991	211	7
Restalrig	4,528	265	6
Granton	3,614	219	6
Colinton	3,318	211	6
Parkhead	3,550	206	6
Craiglockhart	2,996	192	6
Craigmillar	3,427	170	5
Mountcastle	3,678	176	5
Stenhouse	3,944	174	4
Gyle	3,779	170	4
Milton	3,354	146	4
Moredun	3,435	137	4
Alnwickhill	3,478	137	4

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Ward	All households	PRS households*	PRS as per cent of all households
Queensferry	3,555	130	4
Cramond	3,123	127	4
Baberton	2,891	110	4
Gilmerton	3,800	121	3
Muirhouse/Drylaw	4,180	121	3
Murray Burn	3,598	110	3
Davidson's Mains	3,170	109	3
East Craigs	3,534	109	3
Duddingston	3,225	92	3
Kaimes	3,384	90	3
Balerno	3,060	90	3
N.E. Corstorphine	3,083	72	2
Fairmilehead	3,071	64	2
Edinburgh	204,683	25,616	13

Note: \*Excludes 'Rent Free

Source: Census 2001

At the Baseline stage, most respondents identified a 'Housing Benefit sub-market' in Edinburgh, generally associated with the lower end of the private sector market and poorer quality housing. People living in this sub-market included those who had been excluded from social housing and/or suffered periods of homelessness. Yet most Housing Benefit recipients aspired to work and were characterised as the most 'stable' tenants across the PRS: they lived in properties for some time. Where movement took place, it was often with the same landlord and within a circumscribed area. In terms of location, the Housing Benefit sub-market was associated with Leith and City Centre districts although it was observed that most parts of the city had pockets of Housing Benefit tenants. Its stability meant that rents in the Housing Benefit sub-market had not been affected by the heat of the wider rental market: many landlords dealing with the sector tended to prefer keeping their long-standing tenants, and had pegged their rents low as a consequence.

The benefit sub-market did not change its essential characteristics over the course of the evaluation, but some movement was evident. Overall, the number of LHA recipients increased over the course of the evaluation, and research completed by the Revenue and Benefits Department indicated that much of the increase came from tenants previously resident in social housing. It was thought that some landlords were moving into the sector in order to take up the more generous LHA rate, and also because processing times for the LHA had improved substantially. At the margins of the market, some landlords were withdrawing from letting to LHA recipients, but overall property oversupply in the non-LHA sectors may have made it difficult for such landlords to find an alternative demand group.

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Where landlords were continuing to let to LHA tenants, rents were increasing in line with LHA rates. In fact, all respondents – including those in regular contact with landlords who were housing claimants - were in agreement that rents had increased in the sub-market. Welfare and advice agencies working with landlords noted that they would only work with landlords setting their rents at or slightly below the LHA rates, and properties were beginning to be advertised as being 'at LHA rates'.

The Scottish Executive introduced licensing for HMOs across the whole of Scotland in 1999. The scheme started compulsory registration for properties housing six or more people and has gradually been increased to include those housing three or more. As these threshold numbers have reduced, so too have the numbers of HMOs: for example landlords who had previously let a property to six people reduced the number of tenants to avoid licensing. Generally it is felt that the system has succeeded in removing the worst landlords from the system. At the Baseline stage, some 2,000 landlords were licensed. A compulsory HMO registration scheme will be in operation from the end of April 2006. Under the scheme, landlords must register themselves, and pay a sum to license each property. This fee would be payable every three years.

The quality of accommodation in the PRS is perceived to have improved significantly since compulsory licensing of HMOs. A view was expressed that all PRS property should be registered and inspected to improve quality more widely, since only around 7,000 properties are licensed under the HMO scheme (out of a total of around 29,000 properties, including student lets).

According to a well-established Landlord Forum operating in Edinburgh to represent the views of private landlords. It is generally felt that the local authority had a proactive and constructive relationship with local landlords, and the head of the Revenue and Benefits Department attended many meetings. Forum meetings and seminars usually attracted a reasonable number of landlords.

### **Pre-LHA Housing Benefit administration and workload**

#### ***Administration and staffing***

At the Baseline stage, Housing Benefit processing was located within the Revenue and Benefits Department (RBD) which was part of the Finance Department. The service was responsible for all aspects of Housing Benefit, including fraud detection. The RBD was located in Chesser House, about four miles from the city centre; some officers – dealing with tenants in social rented housing - were located in local housing offices.

The RBD was structured internally to reflect its function to process both Housing Benefit and Council Tax Benefit through an integrated application form. The service did not have separate teams for each benefit, or geographical areas; casework was ordered alphabetically by street name. Individual Revenues and Benefits Officers (RBOs) dealt with all aspects of claims and processing, except in relation to overpayments, fraud investigation, appeals and quality control.

At the Baseline stage, the Head of Revenue and Benefits led the operation and had two managers controlling a total of sixteen teams responsible for the day-to-day administration of Housing Benefit and Council Tax Benefit. There were eight processing teams working at Chesser House dealing with PRS and RSL claims;

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five processing teams working from local housing offices dealing with social rented claims; a fraud team; an appeals team; an overpayments team; and separate quality control officers. Each team had a team leader who was responsible for day-to-day operations. In each team, two administrative officers reported to the team leaders. The administration officers were each responsible for the day-to-day management of six or seven RBOs.

There were 145 FTEs working in the Revenues and Benefits Department, including the fraud investigation team (twelve members) and the overpayments team (four members). Contract staff from Capita had recently been used to help deal with claim backlogs and a call centre facility has been installed to assist with queries relating to processing delays.

At the Baseline stage, this overall administrative structure had been well-established and there were no plans to introduce any alterations.

### ***Workloads and processing***

Applications were received through a number of routes. Most claims were made direct to the department where they were logged and processed by RBOs. At the Baseline stage, the majority of applications were received by post, since the counter service at Chesser House was not in service.

Workloads were determined alphabetically by street name. Occasional alterations were made to this allocation based on local knowledge and assessments. No information was available regarding the numbers of claimants in the PRS or the proportion of staff time taken up with this type of case since staff worked generically across Council Tax Benefit and Housing Benefit and tenure. At the Baseline stage, staff members were under great pressure as a result of backlogs and changes to the computer system. There had been recruitment problems as well as high rates of staff sickness and problems with staff morale, which was judged to be low.

RBOs were responsible for all aspects of processing applications, including specific functions such as verification and calculation of entitlement. During the Baseline visit, the lengthiest part of the process was deemed to be Rent Officer determinations, where delays could occur.

Evidence from processing staff indicated that more specific aspects of benefits, such as Pre-Tenancy Determinations, referrals, reclaims and renewals, were perceived as minor parts of the overall processing function compared with new claims which make up a large proportion of the overall workload. The view was that the former were either relatively straightforward to process or there were very few involved.

A total of 1138 new PRS claims were processed for the quarter ending in December 2003. This number had increased substantially from the quarter ending March 2003, when 764 claims were processed. Data were not available for the quarters ending June and September in 2003, or on the number of applications received.

One aspect of the processing role that was perceived to be time consuming was the need physically to find files and papers. At the Baseline visit, a manual paper system was in operation, but plans were in place to introduce a Document Image Processing system.

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At the Baseline stage, the service was only partially Verification Framework compliant, but moving towards full compliance.

At the time of first interviews, the service was rolling out a new computer system (SX3 version 5.5). The installation of the new IT system had led to significant backlogs in processing claims, exacerbating problems created by an extended period of difficulty with the system being replaced. There were also concerns about the ability of the new system to deal with the transition to LHA: it had yet to be tested. Overall, however, it was thought that the new software package for processing Housing Benefit was an improvement on what had gone before, but the CTB package was proving more difficult to use.

In the year prior to the introduction of the LHA, delays in processing claims were a serious problem for the service. Call centre staff were brought in to field telephone enquiries and efforts were made to improve the situation by employing contract staff through Capita. These delays were almost entirely due to computer downtime which left the service no capacity to process claims for a period of more than six weeks; subsequent delays due to the transition to a new computer system exacerbated this situation. In December 2003, there were 928 new claims and renewal cases outstanding, and it took an average of 107 days to process a new claim.

Prior to the introduction of the LHA, 50 per cent of PRS claims were paid directly to the landlord, which was a low percentage compared with the national average.

### **Introducing the LHA in Edinburgh**

Under the LHA regulations, Pathfinder authorities could choose one of two approaches to introducing the new regime: a 'Big Bang' or a 'Phased' approach. Under a Big Bang approach, the authorities would set a date at which to transfer all their PRS claims onto rates as pre-set under LHA. A six-month period could then be taken to 'phase in' the transfer of payments from payment-to-landlords, to direct payments to claimants: the shift took place on change of circumstances or a review of the benefit claim. Under the Phased approach, all new claimants were immediately assessed and paid according to the LHA regulations, and existing claims were transferred onto the scheme when a change of circumstances affected the claim, or when the claim was subject to an annual review.

Edinburgh chose to adopt a 'Big Bang' approach. It was generally felt that this approach was more equitable than the phased alternative, since then they did not create the possibility of tenants in ostensibly similar housing circumstances being given dissimilar degrees of financial support. In addition, tenants would be given a six-month period in which to open a bank account, a task that was given extra incentive by tenant awareness of any excess that might be payable. As per regulations, RBD delayed the movement onto direct payments. By the time of the First Wave visit in August 2004, the move to direct payment had not yet taken place, but was completed within a matter of days.

## **Chapter 3: Issues arising from the early stages of implementing the LHA**

### **Introduction**

This chapter considers the main issues arising during the early stages of implementing the LHA in Edinburgh. It is important to chart these early experiences in order to assess how far alternative approaches to implementation may or may not ameliorate the impact of change. Aspects of implementation may also carry longer-term consequences for the success or failure of new initiatives.

Implementation of the LHA was expected to carry resource consequences for the Pathfinders, and so additional funding was made available to support the establishment of a dedicated Pathfinder team in each location, working within Housing Benefit administration. In addition, further resources were made available to fund the provision of money advice services to boost the support that would be available to claimants who would be made responsible for paying the rent themselves. Implementation issues were evident in the following areas: liaison between the RBD and other stakeholders within and outside the authority; adapting the existing IT; administering LHA; setting up additional money advice; and the preparatory work of the Rent Registration Service.

### **Inter-agency liaison**

Within the RBD, a key issue for the introduction of the LHA was the recognition of internal and external stakeholders, and the setting up of an appropriate level of communication. The RBD set up a meeting in October 2003 to inform voluntary sector agencies of the change, they also conducted some individual meetings with those agencies. Information on the LHA was circulated to landlords via the regular forum meetings.

Outside the local authority, there was – at the First Wave visit – some concern that the communication strategy had been perhaps less effective than the RBD had hoped. Welfare agencies, the Rent Office and other internal housing advice departments expressed surprise that there had been only limited contact with regard to the LHA prior to the go-live date, and there had been restricted opportunity to meet after that time. In particular, there was felt to be little dialogue between RBD and various welfare and advice agencies. The authority was considered poor at publicising the LHA rates each month. As the Edinburgh Pathfinder progressed, continued concerns were recorded with regard to the level of communication by the RBD on LHA-related issues.

Although RBD had offered training and advice on LHA, the Edinburgh Jobcentre Plus office reported that it had relied more on material that had been handed through from colleagues working in Leeds. As the evaluation period progressed, the Jobcentre Plus staff appeared more satisfied with information that was made available on the LHA rates, and on the availability of lists linking postcodes with Broad Rental Market Areas. It should be noted that no respondents from the Jobcentre Plus office were available for interview at the Final Wave of the evaluation.

## **IT issues**

The local authority moved to a new Housing Benefit administration system – SX3 – on 1st September 2003. Problems with this change were already apparent at Baseline stage, and delays in processing remained commonplace up until the First Wave visit in August 2004. In addition, the local authority was also reliant on the production of management reports from BT Syntegra. Long delays in the receipt of reports meant some difficulty initially on the production of basic statistical information about the progress of implementing the new regulations.

## **LHA administration**

The introduction of the LHA appeared to carry few even short-term consequences with respect to changes in Housing Benefit administration. A Pathfinder Team was appointed, but comprised just two members including the Pathfinder Manager. The Manager was appointed relatively late in the process of introducing the LHA and it was felt by some agencies that, as a consequence, the introductory phases of the new regulations were ‘rushed’. Limited time was available for preparatory tasks that included – within RBD administration – setting up procedures proactively to recognise vulnerable cases, and instituting fraud monitoring procedures. Outside RBD administration, the Rent Registration Service felt that time available for establishing the LHA rates had been minimal.

The Pathfinder officers had responsibility for dealing with internal and external liaison with regard to the LHA. They also played a role in framing protocols for the process of making vulnerability decisions. As part of the process of contacting all tenants to inform them of the end of direct payments, the tenants would be asked to inform the local authority if a vulnerability decision was required. The RBD had around 300 responses to the exercise, requesting a continuation of direct payments. However, there were around 200 requests that were not accompanied by sufficient information on which to make an immediate vulnerability judgement, and officers wrote to claimants to request further information. Jobcentre Plus anticipated that it might have a role in recognising customers who evidently had some difficulties in dealing with their affairs – perhaps who had had third party payments in place – but datasets were incompatible.

The Pathfinder Team established ‘case precedent’ in making decisions on a number of vulnerability claims. By Wave One these decisions were routinely being made by processing officers with some guidance from team managers. This decision was part of a general strategy to ‘empower’ processing teams to make key decisions themselves, for example, relating to appeals and discretionary hardship payments.

Additional funding had been made available to appoint an extra overpayments officer.

Overall, the implementation phase of the LHA was regarded as progressing smoothly by the RBD. Even by the end of the Wave One visit, the RBD felt that the implementation phase was essentially ‘over’, and that all the appropriate procedures had been put in place. The existing processing staff members were dealing with LHA work as part of their normal processing caseload.

## **Payments to claimants**

The presumption that tenants should take responsibility for paying their rent is a key feature of the LHA. Tenants with direct control of their rental payment are more able to 'shop around' the PRS for property to suit their purposes. The ability to keep any excess LHA above the contractual rent is an added incentive, intended to introduce stronger competition amongst housing suppliers and drive up standards.

One consequence of the shift in payments is the requirement for claimants to arrange a method to pay their rent. The preferred method, from an administrative perspective, is to make the LHA payment into a claimants' bank account. The greater use of bank accounts by claimants carries further advantages in terms of extending financial inclusion to this group, and offering opportunities to arrange weekly and monthly budgeting through the use of direct debits. However, many claimants face difficulties in opening accounts. First, banks are often unwilling to make available basic accounts, which is all that is required for benefit purposes; second, some tenants do not have the identification documents – for example, driving licenses and passports - required by stringent banking regulations; third, some less settled tenants have frequent changes of address, living in HMOs where they are unlikely even to have a utility bill confirming their identity.

One task that was defined early on in the LHA implementation phase was the need to identify claimants who already had bank accounts that could be used for LHA purposes, and to recognise where claimants without accounts may face difficulties. Before the introduction of the LHA, 50 per cent of claimants in Edinburgh had their rent paid to themselves. At the Baseline stage, no breakdown was available on the proportion of these payments that was made into bank accounts.

However, overall it was felt that access to bank accounts – ostensibly a problem that could be associated with the early stage of implementation – was not an issue in Edinburgh. It is difficult to establish why this is the case. However, an interview with the city's Financial Inclusion Officer at the Wave One visit indicated that the local authority had entered into an agreement with the bank that managed the authority's account. Claimants could approach branches of that bank and present a letter which confirmed that the recipient had a LHA award and requested the opening of a basic bank account. A specific code on the letter could be scanned in by the cashier dealing with the account, and the bank's internal IT system would then advise them how to proceed. The local authority was able to use the fact that it was about to make a decision on whether to renew its contract with the bank in order to effect this arrangement. The local authority's Banking Officer has since written to other banks in the city to invite them to enter into similar arrangements, but as yet no other banks have chosen to join the scheme. However, officers within the RBD indicated that other banks also accepted LHA notification letters as proof of identity. During the course of the evaluation, it was uncertain how many claimants had taken advantage of this arrangement.

In common with some other Pathfinder areas, RBD staff commented that there was initial confusion as to the possibility of making payments into Post Office accounts. There were early reports in Edinburgh that the Post Office was refusing to deal with excess payments cheques.

Data are available on the ongoing developments with regard to automated payments into claimant accounts. Table 3.1 indicates that the proportion of payments by ACT has steadily increased over the course of the evaluation period.

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**Table 3.1** *Payments and methods*

	Proportion of payments made to tenants in current LHA caseload (%)	Proportion of payments to tenants made byBACS in current LHA caseload (%)
Pre-LHA	50	Uncertain
May 2004	59	41
August 2004	93	45
November 2004	92	49
February 2005	90	53
May 2005	90	55
August 2005	89	57
November 2005	89	58
February 2006	88	59

Source: MIS data

### The provision of additional money advice

As part of its preparations in advance of the introduction of LHA, the RBD allocated funds for the provision of additional money advice work. The advisors were located within Edinburgh City Council's Welfare Advice Unit, where – through a departmental quirk – money advice is actually delivered by the Environmental Services Department. By the First Wave visit, the advisors had only been in post for six weeks. Up until the time of the visit, there had been little additional demand for advice that could be directly related to the LHA – probably because the shift to direct payment had not yet happened. In a small number of cases, claimants had come in to ask why they had received excess payments. The advisors had no role in the assessment of vulnerability cases, and had seen few cases of clients requiring help with bank accounts.

During the course of the evaluation, the continuing role of money advice remained uncertain. The Advice Shop was fielding general enquiries relating to the LHA, but it was uncertain how many cases had been referred to the money advice providers, who retained a remit of dealing specifically with complex debt and rent arrears problems.

### The Rent Registration Service: early preparations

The introduction of the LHA involved the RRS in some early preparation but comprised work with which the service was well-familiar.

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At the time of the Baseline visit, the Rent Registration Service (RRS) was a function of the Scottish Executive and covered Edinburgh City and surrounding areas (Fife, West Lothian, East Lothian, Mid Lothian and the Borders). A senior rent officer and four rent officers (ROs) were located in the Edinburgh office. Additional administrative staff were located in Dundee, overseen by an office manager.

Prior to the introduction of the LHA, the bulk of the rent officers' work related to Housing Benefit referrals, whether by inspecting properties or through desk-based evaluations. Their work was divided by spatial area: one rent officer dealt with the Fife area, and the other three each covered an area of Edinburgh along with an outlying district. There was no division of responsibility by tenure, and all officers were involved in all aspects of PRS work.

Edinburgh was split into four localities for the purposes of LRR and, consequently, LHA: Edinburgh North; Edinburgh East, Edinburgh Central and Edinburgh South. The localities differed in terms of types of property and area characteristics. For example, Edinburgh Central was a relatively small geographical area containing properties with very high rents. Outside the city centre, property types changed: there were more family and student lets. To deal with Edinburgh as one whole area was deemed impossible in relation to the diversity of rents and types of property.

At the Baseline visit, rent determinations were sent in paper form from the local authority via the administrative office in Dundee. Rent officers decided whether a property needed to be inspected or whether a desk-based assessment could be made. Around a quarter of properties were inspected. The remainder were subject to desk-top evaluations using Edinburgh's Market Evidence Database and reference rent information. This evidence, combined with local knowledge, formed the basis for decisions which were presented in report form for each case before being returned to the local authority.

The Rent Service ran a Market Evidence Database (MED) that formed the basis for most determination decisions. The MED drew on three primary sources of evidence:

- A bi-annual survey of agents about lets in the previous six months.
- Letting Web: a subscription-based web service that is used by agents, landlords and tenants to log rents and properties in the area. Information from this service was collated every three months and allowed the rent officers to assess the actual rents achieved rather than rents advertised or requested. Letting Web offered access to information that had previously been difficult to find, for example property that is let through word of mouth.
- Information about rent levels from all sources of advertising.

The MED is constantly being updated to inform monthly reviews of LRRs. Rent officers typically spent half a day per week updating this information.

Very little time was taken by rent officers in dealing with Pre-Tenancy determinations. Indeed, the RBD indicated that only a small handful of PTDs had been sent to the RRS in the months prior to the LHA.

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Agreement had been reached between the RRS and the local authority about broad market rental areas, which – in agreement with national guidance – remained the same as the old localities. LHA rent levels had been established but by the time of the Baseline visit had not yet been publicised. There had been some concerns about the number of postcode areas that were not covered by LHA levels because information provided to them was not up to date. It was felt that the local authority had been in the best position to provide this information, given its need to bill for council tax purposes. However, some software problems had created difficulties in handing over the data. After the LHA was introduced, the RRS spent time fielding queries about the BRMA location of some properties.

Table 3.2 gives an indication of the previous LRR rates, and LHA rates set within the city.

**Table 3.2** *March 2004 LHA rates*

Property type	SRR/LRR February 2004	LHA rate March 2004
Room with board	£80	£66
Room with shared use	£60	£66
All other rooms	£55	£66
Two rooms	£113	£113
Three rooms	£150	£150
Four rooms	£188	£190
Five rooms	£242	£242
Six rooms	£305	£305

Source: The Rent Registration Service.

For RRS, inadequate preparation time with regard to the introduction of the Local Housing Allowance created some stress with regard to establishing the rates, but this was a short-term situation. However, the ongoing operation of the new regulations had consequences especially with regard to staffing resource as will be seen in Chapter Five.

## **Chapter 4: Some specific difficulties in monitoring the impact of the LHA on Housing Benefit delivery**

### **Introduction**

This chapter considers three areas of work where it is evident that there has been no specific monitoring of the impact of the LHA on that aspect of service delivery. As a consequence, conclusions on any impact of the LHA are at best opaque. However, each case does highlight some operational issues. The areas of work include Discretionary Housing Payments (DHPs); appeals; and the incidence of fraud.

### **Discretionary Housing Payments**

At the Baseline stage, the RBD was unable to identify how many DHPs were made, and what proportion of these might come from PRS tenants. Team leaders dealt with DHPs, and the decisions were largely discretionary and differed between individuals. The local authority tended not to be proactive in advertising the availability of DHPs, although welfare agencies reported that where applications were made, they were generally successful.

The process of deciding and making Discretionary Housing Payments did not alter during the course of the evaluation. However, RBD had experienced some software difficulties with regard to making payments of DHPs, and some of this work had to be done manually.

There was anecdotal evidence that the LHA had had an impact on the number and type of requests for DHPs and also the amounts paid. At Waves One and Two it was felt that the proportion of payments to PRS tenants had dropped, and more applications came from RSL tenants. There were some applications that related to the differential rate paid to under-25s, but fewer cases where tenants were aiming to cover a shortfall. More payments were being made to low-income, working claimants who were being only partially supported by LHA. By Wave Three there was some indications that there had been an increase in the number of DHP requests. A specific type of case was noted: households entering into tenancies without finding out how much LHA they are likely to receive. It was also the case that processing teams were more likely to forward cases where tenants had gotten themselves into difficulties with the rent payment.

### **Appeals**

At the Baseline stage, no information was made available on the number of complaints and appeals generally, or the number that related specifically to PRS Housing Benefit cases. It was felt at that time that the vast majority of complaints related to delays in processing times and indeed a specific telephone team had been set up to deal with difficulties arising from the delays.

Where a formal complaint was made, these were dealt with by the RBD team leaders, who had ten working days to reply. There was a separate team dealing with appeals. By Wave Two, the administration of appeals

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had been undergoing review, but details were not forthcoming. The respondent did not think there had been any appeals in relation to LHA that had gone as far as the Independent Appeals Tribunal. However, there was anecdotal evidence outside the local authority of cases of appeals against decisions that particular individuals could not be deemed vulnerable.

Overall, it appeared that the LHA had had limited impact. However, the lack of specific data or ongoing monitoring information means that is not possible to be categorical.

### Fraud

At the Baseline stage, the Fraud Team was a specialist team operating alongside processing activities within the RBD. The team consisted of twelve officers (11 FTE), who typically worked on between fifteen and twenty cases at a time. Each case was given a turnaround time of twelve weeks to determine whether a case was worth pursuing and to collect relevant evidence. The team was generally thought to be overworked, with more cases outstanding than the team was able to deal with.

As cases come in, they were risk-assessed, with higher scores allocated to PRS-related investigations. The higher grade reflected that fact that cash sums were involved. Around 30 per cent of cases resulted in either an administrative caution or a penalty.

It should be noted that a difficulty for fraud investigation in Scotland relates to the need to provide a higher level of evidence to present a case to the Procurator Fiscal. As a consequence, the Fraud Team tended only to pursue cases where overpayments were in excess of £5,000, rather than the £1,500 as recommended by the Department for Work and Pensions centrally.

There was some concern expressed initially by the Fraud Team that insufficient time had been allowed for them to prepare appropriate monitoring to assess the impact of the LHA on fraud investigation. There was as a consequence a general unwillingness to comment on the possible impact of the LHA on fraud in Edinburgh during the whole course of the evaluation, and no separate data relating to LHA cases was made available.

By Wave One, it was evident that no staffing changes had taken place within the Fraud Team. In order to focus its activity, the Team had requested specialist software to assist in the task of recognising cases that were at higher risk of fraud under the new regime. By the Final Wave visit, the Team was drawing together material on landlords who had changed their properties from multi-occupancy usage, to lets to vulnerable households. Close attention was being paid to these tenancies, since the rents were being paid directly to the landlords who may have altered their letting strategy accordingly.

Interviews with the Fraud Team indicated that:

- in terms of instrument of payment fraud, the decision was taken to pursue these cases as criminal theft and involve the police, although there was no indication of how such cases had been progressed, or any assessment of whether this course of action had had a deterrent effect. No data were made available on the number of cases pursued; and
- there was some uncertainty with regard to proceedings against claimants who had fraudulently received LHA, and whether the authority was able to recover any excess payment since this payment was made over and above the eligible rent.

## **Chapter 5: Easing the administrative burden? Positive impacts of the LHA on service delivery**

### **Introduction**

This Chapter considers a number of areas where it was anticipated that the introduction of the LHA would have a positive impact on the efficiency and resource required to administer the delivery of assistance with housing costs. The chapter considers: processing claims; assisting claimants with the LHA; and staffing levels in the Rent Registration Service.

### **Processing claims**

One intention of the new regulations was to streamline the processing of LHA claims, principally by taking away the requirement of local authorities to pass each case to a rent officer for a rent determination. It was hoped that the introduction of the new regulations would reduce the amount of time required to process each claim.

During the course of the evaluation, there was a steady increase in the PRS LHA caseload, as indicated in table 5.1. A 33 per cent increase took place between May 2004 and August 2005, compared with an average increase of 18 per cent across all the Pathfinder areas.

**Table 5.1 PRS LHA caseload figures, 2003-5**

	<b>LHA Caseload</b>
May 2003	5001*
August 2003	5055*
May 2004	4626#
August 2004	5231#
November 2004	5521#
February 2005	5941#
May 2005	6075#
August 2005	6241#

\*Figure excludes regulated tenancies. #Figure excludes transitionally protected tenancies.

Source: MIS data.

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Although caseload figures had not decreased over the evaluation period, the total number of new claims has gone down substantially, as table 5.2 indicates. From December 2004 to March 2005 there was a drop from 1372 new claims down to 853 new claims. The number of changes of circumstance has fluctuated substantially, probably reflecting regulation change in that area.

There has been a substantial increase in the proportion of new LHA claims being decided within fourteen days of receipt of all the necessary information. In June 2004, this proportion was 32 per cent, but by September 2005 had increased to 86 per cent. These figures were a substantial improvement on the position pre-LHA.

**Table 5.2** *Administrative data on new claims and changes of circumstances*

	<b>Number of all new LHA claims</b>	<b>Proportion of new claims decided within fourteen days of receipt of all necessary information</b>	<b>Average time in calendar days to process a new claim</b>	<b>Number of LHA changes of circumstance</b>	<b>Time in calendar days to process a change of circumstances</b>
Baseline	-	-	107	-	40
June 2004	1,544	32	67	2,157	29
September 2004	1,491	46	69	2,501	24
December 2004	1,372	60	26	1,917	15
March 2005	853	77	44	2,889	15
June 2005	760	76	33	2,320	18
September 2005	675	86	30	2,453	17
December 2005	865	90	28	3,041	14

Source: MIS data, October 2005.

There was agreement in the RBD that theoretically, the new regulations should improve processing times for LHA. However, during the early phases of the evaluation, difficulties with software obscured any gains that could be made. In addition, the introduction of digital imaging software meant that endemic problems, pre-LHA, relating to the location and loss of paper copies of applications were removed. Staff no longer spent time physically locating paper files, or re-collecting information where files were lost. The figures in table 5.2 also indicate a substantial drop in the proportion of new claims, which again probably led to some gains in average processing times.

## **Assisting claimants with the LHA**

There was some uncertainty at the Baseline stage regarding the level of support that was available to customers seeking help with their Housing Benefit application. The RBD did have a counter service at Chesser House, but this was closed, and no information was available on whether it had reopened. No alternative arrangements were mentioned. Reference was made to the possibility that claimants could telephone Chesser House for advice on making a claim, but it was also reported that staff could sometimes refuse to indicate what level of LHA may be payable on the grounds that full information on a household's income was required before any judgement could be made.

A Private Rented Sector Team was in operation, and which dealt with tenancy problems relating to both landlords and tenants. The Team ran an accommodation register, which was a list of accredited landlords who were encouraged to set their rents at or below the LHA rate. However, claimants were told where they could get a copy of a LHA application forms: no help was given with completing the form. However, it was reported that in general it was easier to advise clients on the level of LHA that might be payable given the household's size, and there was satisfaction that the previous scheme of having to apply for PTDs had been superseded.

It should be noted that early in the evaluation, ongoing interviews with the two Edinburgh Citizens Advice Bureaux were discontinued, since neither had routine dealings with LHA claimants and declared themselves poorly placed to comment. In addition, a second-tier Shelter office – offering advice to other agencies on more complex housing cases - operated in the city, but was itself conducting research on the LHA in the area and so declined to take part in the evaluation. A Cyrenians' Smartmove project operated in Edinburgh, and will be considered separately on *page 35, Chapter 6, Working with the payment protocols*.

## **The Rent Registration Service**

The principal change brought by the LHA related to the work of the Rent Registration Service. Under the new regulations, the RRS would be responsible not for establishing a reference rent for each claim, but the setting of a rents for given property sizes that would then be applied to households. The alteration would remove a substantial task from the rent officer's workload.

By the First Wave of the evaluation, staff dealing with the Edinburgh caseload had been reduced from four to three staff. At the time, the revised number was deemed workable, but tight, particularly if a staff member was ill. By the Final Wave, staff were feeling pressured by the process of making shadow determinations. This process had proved more complex than anticipated, largely because of failings in the related software. However, no further changes to staffing were anticipated.



## **Chapter 6: Delivering the LHA: ‘bedding in’**

### **Introduction**

The process of introducing the LHA in Edinburgh can be characterised in terms of the swift adoption of the new regulations with minimal impact on the administration either in terms of changes to staffing arrangements or the creation of new ways of working. The LHA regulations have been largely subsumed into existing structures, and in the absence of a monitoring strategy it has difficult to pull out and examine possible difficulties created by this approach.

This chapter considers the ways in which the LHA has become ‘bedded in’ to the existing administrative structures, and indicates areas where a loss of information on the LHA has been a consequence. The section reviews the processes that have been put in place for deciding cases where payment will be made to the landlord, and describes the experience of a voluntary sector agency working within the protocols that the RBD has established. The chapter also reviews material relating to overpayments, and also considers the ongoing experience of the RRS in its task of continuing to assess and determine the LHA rates.

### **Payments to landlords: vulnerability and arrears**

#### ***Vulnerability***

Within a six month period of the introduction of the LHA, the RBD wrote to all landlords who were being paid Housing Benefit directly, asking them to complete a form if they considered that their tenant would be deemed vulnerable under the new regulations. Around 300 forms were returned, and following further investigation the majority of these were indeed deemed to be vulnerable. Where a form was not returned, the payment was automatically switched to the tenant once the LHA got underway.

In the majority of cases, payments are made to landlords on the grounds of vulnerability, as indicated in table 6.1.

**Table 6.1    *Payments to landlords: reason***

	<b>Proportion of payments made to landlords</b>	<b>Payment to landlord due to unwilling or unlikely to pay</b>	<b>Payment to landlord due to rent arrears</b>
November 2004	6	*	*
February 2005	10	9	1
May 2005	10	9	1
August 2005	11	9	1
November 2005	11	9	2
February 2006	12	9	3

\*information not available.

Source: MIS data.

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The RBD used the guidelines produced by the DWP to assess vulnerability; there had not been any liaison with local agencies with regard to interpreting or implementing the guidelines. From early on in the evaluation process, all vulnerability decisions were made by processing teams as part of their routine processing duties, with some guidance given by team managers. This approach to vulnerability decisions was part of a general strategy to 'empower' processing teams to make key decisions themselves, for example, relating to appeals and discretionary hardship payments. It was noted that vulnerability cases were 'few and far between' for processing officers, and certainly not a routine part of their work.

The RBD does not exclude any agency from providing evidence in support of a vulnerability decision. However, they have indicated that the agencies cannot assume that all their clients will automatically be granted 'vulnerable' status without some explanation being given on each case. The LA is prepared to make a decision favourably if an agency simply states, for example, that a particular client has a mental health problem, and will not require further information. The RBD is aware of a small number of landlords who already receive direct payments for individual long-term lets to people who have addiction problems. In these instances again the LA may proceed with a vulnerability decision without requiring a great deal of substantiating evidence for each client since the circumstances are already well known to the RBD. The department has a team of three visitors who could take on further vulnerability work, but the decision has been made to limit their involvement: indeed, by the Final Wave visit, hardly any use had been made of the team. The majority of judgements are based on documentary evidence. However, it has been noted that collecting that evidence – from landlords, relatives or doctors – is sometimes time-consuming.

There was little change to the process of making vulnerability decisions during the course of the evaluation period, once the 'bedding in' period had ended. By the time of the Final Wave visit, all vulnerability decisions had been reviewed by the Pathfinder Team and in the majority of cases the decision remained unchanged. Typically, a vulnerability decision took 7-10 days: the decisions are treated as a priority since the claim is suspended until the case has been decided. However, delays could accrue if insufficient supporting documentary evidence was provided. No data were provided on the proportion of decisions that were made within the target deadline, or the number of vulnerability decisions that were challenged or subject to appeal.

### **Arrears**

The incidence of arrears was slow to be felt in Edinburgh since payment to claimants was introduced six months after the new LHA rates were applied. However, the number of arrears cases was small: of the twelve per cent of cases where payments were made to landlords, three per cent were due to arrears (February, 2006). It is uncertain whether this trend is edging upwards. It is noted in the next paragraph that arrears cases are suspended pending investigation, but no data were available on the number of suspended cases, and whether this number had fluctuated over the course of the evaluation.

The LHA regulations allow for a shift to payment to landlords where there are eight weeks arrears. However, RBD also had discretion to make payment to landlords where the accrued arrears were less than eight weeks. Edinburgh took the view that if a tenant missed a rent payment, and the landlord informed them that this was the case, then they would suspend the claim. The RBD processing teams had been issued with a protocol setting out a procedure for handling cases of arrears. If a landlord contacted RBD after the 17th

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of the relevant month advising RBD that the previous month's rent had not been paid, then the claim was immediately suspended. A verbal statement from the landlord would initiate this process, which would be followed up by the landlord in writing.

If a claim was suspended as a result of suspected arrears, then RBD wrote to the tenant giving fourteen days to respond. If the tenant did not respond within this timescale, or did respond and confirmed that they had not used the money to pay the rent, then the claim was reactivated and paid to the landlord on the grounds that the tenant was unlikely to pay the rent. In practice, RBD found that some tenants did write back and to state that they had spent the LHA on something other than the rent. If there was a doubt concerning the arrears – for example, where the landlord was claiming arrears but the tenant stated that this was not the case, and there was no evidence readily available – then the LHA was paid to the tenant.

Landlords had been informed about this process at landlord forums, including the importance of alerting RBD of possible arrears after the 17th of the month. There were no reported changes in the way that arrears were identified by RBD, and although RBD stated that they needed to see some evidence from the landlord, the Pathfinder managers noted that few tenants had rent books. As part of the overall effort to encourage the use of bank accounts, by the Final Wave visit it was reported that the only documentary evidence that would be accepted with regard to arrears was bank statements. This measure was adopted to discourage the payment of rent in cash, to offset the high risk of mismanaging rent books and a failure to give receipts. Rent arrears reviews were completed by processing staff, as part of their normal caseload: cases are flagged up by the IT system.

It should be noted that there was no information that distinguished 'unlikely to pay' cases as being separate from arrears or vulnerability cases.

### Working with the payment protocols

An alternative perspective on the working of the payment-to-landlord protocols was given in the experience of the Edinburgh Cyrenians project. The project operates to help tenants who have had experience of homelessness, or who are inadequately housed, to move into tenancies in the PRS. Tenants are helped to find a property; given assistance with the deposit; the scheme negotiates with the landlord to offset the need to pay any rent in advance; and ongoing support is available to the tenancy in the first twelve months. During this time, the tenant is expected to save to repay the cost of the deposit to the Cyrenians. The scheme has a service-level agreement with the council to assist 80 nominated households. Overall, the scheme helps around 150 households a year.

It has taken some time for the scheme to arrive at its current working arrangement with the RBD. There was substantial trepidation prior to the introduction of the scheme, with regard to a cessation of payments to landlords: this was seen as the principal incentive that the scheme could use to encourage landlords to take Housing Benefit-supported tenants. Once the LHA regulations began to take effect, the scheme experienced a substantial falling-off of landlords willing to be involved in the scheme, and difficulties in helping tenants to manage the payment of the rent. A number of tenants fell into difficulties with rent arrears.

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In October 2005, a series of meetings with the RBD led to a more formalised arrangement, whereby the scheme established a proforma that could accompany the LHA application, identifying the applicant as being supported by the scheme and therefore vulnerable. The scheme had noted that guidance on vulnerability that the RBD used indicated, as criteria, households that were homeless and households that were being assisted by a homeless charity. However, although the use of the protocol has created a uniform process whereby a vulnerability decision is sought, the scheme has no guarantee that a decision will fall in their favour. Indeed, some applications have been rejected. For example, it was found that a particular claimant was in a PRS property immediately prior to being assisted by the scheme, and that there had been no evidence in that tenancy that the client had had difficulties.

Overall, the scheme welcomed the fact that it was more likely that its clients would be deemed vulnerable, but considered the level of uncertainty to be detrimental to its work. The scheme had had to employ a full-time landlord liaison officer purely to encourage landlords to become involved with the scheme, and the most effective bargaining tool was the possibility that the scheme might be able to arrange direct payment to the landlord for its clients. The work of the scheme had become skewed by the need to ensure that its application process was certain to result in a vulnerability decision, in order to increase the number of landlords on its books.

The scheme was also uncertain about the way in which the review process might impact on its work in the long term. Where tenancies had been set up with payments to landlords in place, that decision – it was felt – would carry for a year. The scheme ended its involvement with tenancies after twelve months, but it remained possible that a tenant may fall into difficulties with paying the rent if a vulnerability decision was reversed.

### **Overpayments**

It had been anticipated at Edinburgh that a change in the incidence and nature of overpayments would be so marked that an additional officer was required to deal with added workload. Overall there was little change to the overpayment recovery process as a consequence of LHA, but it was taking some time for the characteristics of overpayment incidence under LHA to become evident. By Wave Two it was still not the case that overpayments under LHA were being pursued.

A key non-LHA related change was the fact that new software had been introduced, just prior to the go-live date. The software was capable of raising overpayment accounts automatically, leaving the overpayments team more time to pursue debt. There were initial fears that overpayments would fall more to tenants than landlords, and so be more difficult to recover. The amount that could be recovered from tenant was constrained by their low income, with a maximum figure of £8.40 or £10.25 if the overpayment related to fraud.

By the time of the Final Wave visit, the incidence of overpayments had increased. It was thought that an increase had been inevitable given the higher amounts that were payable under the LHA, but the more efficient software was also deemed a factor. There were processes in place for tracing tenants who had moved after accruing an overpayment, and cases had been traced via the Housing Benefit Matching Service. In general, the team tended not to abandon even protracted cases of repayment of overpayment.

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Overpayments was one of the few cases where the regulations were still bedding in, partially because of the development and use of new software, and partly because of the delayed switch to payment to claimants.

### Determining the LHA

There was little change to the way in which the RRS approached the task of determining the LHA, compared with its previous work on local reference rents. The service used Lettingweb as a key source of information, and continued an annual exercise of writing out to letting agents. As with the system under the old regulations, there were problems in capturing the achieved rents as opposed to the advertised rents for given properties.

Perhaps the most substantial ongoing difficulty was the task of ensuring that the market evidence database did not contain information that related to rents supported by the LHA. As under the old system, the rent officers used their local knowledge to ensure that they did not include landlords and letting agents that they knew routinely let to tenants on benefits. However, the lack of any rent determination data meant that the database could not be regularly cleansed.

There were considerable difficulties relating to the shadow determination exercise. At Edinburgh, the determinations had arrived well after the end of the Second Wave visit, and brought substantial software problems due to incompatibility of the Scottish system with the central DWP software. As anticipated, the shadow determinations were a time-consuming and frustrating exercise, since there were inaccuracies in the data that took a great deal of time to iron out.

LHA rates were analysed monthly, using the same method over the course of the evaluation period: three months' worth of evidence for a particular property type was drawn together, the lowest and highest rents were excluded, and then the average taken and compared with the existing figure. There was slight fluctuation in the figures, as table 6.2 indicates. There was one occasion where it was clear that the market had shifted, and the LHA was altered downwards in two categories to reflect this change. Overall, there was felt to be no problems with the review arrangements.

**Table 6:2 LHA rates in Edinburgh: selected available months February to August, 2004, in a random selection of property sizes and locations**

Number of rooms and area	Weekly rent				
	February	May	June	July	August
Shared accommodation in East	55	58	58	58	58
2 room property in North	106	104	104	104	104
3 room property in Central	150	150	150	150	144
2 room property in South	103	103	101	104	104

Source: downloaded from the intranet by the Cyrenians project.

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Perhaps the only change that might take place would be a review of the Broad Rental Market Areas. It was thought that Edinburgh could be assessed adequately if just two areas were used: Central and 'Outlying', since the rents in the central locations very definitely reflected the higher-price, luxury-end properties. Outside the central area, rents were very similar, and there was little justification for splitting the city into three further areas. There was comment from outside the RRS that the central area had been drawn perhaps too tightly, and that higher rents were being charged a little further out of the city.

## **Chapter 7: Conclusion: Does the LHA carry substantial administrative advantages? A summary evaluation**

### **Introduction**

This final section draws on earlier chapters to address answers to some key thematic questions including: which, if any, aspects of the new regulations have had the most substantial impact on administrative efficiency; is the LHA an essentially equitable way of delivering assistance with housing costs; has the hoped-for transparency been achieved with regard to LHA administration; and were there any unforeseen administrative outcomes following the introduction of the LHA?

### **Which, if any, aspects of the new regulations had had a substantial impact on administrative efficiency?**

There were a number of non-LHA related changes to the task of processing claims that have impacted on administrative efficiency. The change over in software produced some initial difficulties and backlogs but by the Final Wave visit – despite some glitches – was running smoothly and offering some advantages. The introduction of document images was deemed by many respondents a substantial gain that sidestepped difficulties in physically locating case files, and delays caused by the loss of documentation. The system also meant that it was easier to transfer cases around the processing teams, to even out the flow of work. It was felt that a lot of improvement in processing times would have happened anyway as a consequence of these changes, even without the introduction of LHA. However, it was still agreed that the LHA had introduced efficiencies, in terms of removing the need to refer all rents to the Rent Registration. Processing times had improved substantially over the course of the evaluation, as table 7.1 indicates.

**Table 7.1 Proportion of new claims processed within fourteen days of receipt of all necessary information**

	<b>June 2004</b>	<b>September 2004</b>	<b>December 2004</b>	<b>March 2005</b>	<b>June 2005</b>	<b>September 2005</b>	<b>December 2005</b>
Proportion	32	46	60	77	76	86	90

Source: MIS data.

A further element, adding to the complexity of the assessment, was that although caseload had increased over the course of the evaluation period, the number of new claims had dropped substantially, from 1491 in September 2004 to 675 in September 2005. At the Baseline period, dealing with new claims was deemed the most time-consuming of the processing tasks.

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In many areas of LHA administration, it was difficult to establish whether the new regulations had introduced any efficiency gains. Fraud investigation, the payment of DHPs and the management of appeals were all areas where low levels of monitoring meant that categorical statements about any positive or negative impacts of the LHA were not possible.

### **Is the LHA an essentially equitable way of delivering assistance with housing costs?**

In considering the issue of equity, many respondents in Edinburgh made reference to the fact that the new regulations only apply in the PRS, and do not extend into the social housing sector. This development was viewed as being essentially inequitable, since it placed the PRS tenants and landlords at a disadvantage particularly in terms of dealing with direct payments.

Other comments that related to equity concerned the way in which the room allowance was calculated, and that allowing larger families extra living rooms often meant that they were deemed to be overcrowded. Large excess payments were often made in these cases. It was felt that, since some landlords were increasing their rents in line with the LHA, the excess payments were not always benefiting the households concerned.

### **Has the hoped-for transparency been achieved with regard to LHA administration?**

All respondents were in agreement that the new regulations were more transparent, compared with the previous Housing Benefit system. It was felt that the RBD could be more proactive in publicising the LHA rates, and the rates should be published as monthly rather than weekly allowances. But despite these caveats, it was generally felt that awareness of the rates was good amongst tenants. Indeed, it was thought that the clarity of the LHA was contributing towards a movement of claimants out of some unpopular, high-rise social housing developments, into the PRS. The moves could be taken because the households were more confident about the level of assistance they would get with a PRS rent.

### **Were there any unforeseen administrative outcomes following the introduction of the LHA?**

None of the respondents noted any outcomes of the LHA that had not been anticipated prior to its introduction.



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