

# Local Housing Allowance Final Evaluation:

**Implementation and delivery in Leeds**

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**Centre for Housing Policy, University of York**

**Julie Rugg**



## **Executive summary**

### **Chapter one: About this report**

This report evaluates the impact of the introduction of LHA on Housing Benefit (HB) administration in the Leeds Pathfinder. The LHA regulations brought three key changes to the HB regulations for tenants in the private rented sector (PRS):

- the intention is that, unless exceptional circumstances pertain, LHA will be paid directly to the tenant;
- the allowance level is fixed wholly by household size and income, and bears no relation to the level of the rent charged by the landlord; where the contractual rent is below the level of LHA, then the tenant is able to keep the difference; and
- The Rent Service (TRS) sets the rent for various properties at the mid-point between the highest and lowest reasonable rents for such properties, excluding the extreme high and low rents.

Leeds was distinctive as a Pathfinder in having one of the largest caseloads within the Pathfinder group, and in using – prior to the LHA – a bespoke IT system. Both these characteristics framed Leeds Benefit Service's experience of implementing the LHA.

The principal question asked of the evaluation with regard to the administrative aspects of LHA is whether the new regulations offered substantial administrative advantages. Whether this was the case was judged largely through the use of qualitative methods, including interviews with stakeholders within and outside the authority. The interviews, undertaken by staff from the University of York, were completed at the four main evaluation points: February 2004 (Baseline), August 2004 (Wave One), May 2005 (Wave Two) and February 2006 (Wave Three, or Final Wave).

The report begins by outlining the administrative and local contexts within which the LHA was introduced. Chapter three goes on to consider the introductory phase of the LHA, and reviews some issues that were critical in the short-term, but over the course of the evaluation receded in terms of importance. Chapter four reviews aspects of HB administration where, contrary to expectation, little impact was felt. Longer-term, unresolved, issues are reviewed in Chapter six. The final chapter concludes by addressing some thematic questions relating to changes in administration.

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

Leeds is a city of contrasting experience: a 'two speed' market operates, with substantial growth and increasing prosperity masking high levels of social exclusion. The PRS is similarly diverse. Demand groups for rental property include a high population of students, many concentrated in the Headingley and Hyde Park area; high-income professionals seeking lets in the luxury city-centre market; and key workers, comprising less affluent households who again tend to look for property close to the centre of the city.

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Leeds is defined as having a concentrated HB submarket, in that demand for lettings from households reliant on the benefit was spatially concentrated, in areas of the city where other demand groups tended not to rent. At the Baseline stage, these areas included Harehills, Beeston and other parts of South Leeds. By the end of the evaluation period, this situation had begun to change. Demand for rental property remained extremely buoyant, and landlords in some of the areas traditionally dominated by HB lets were able to let to other groups. Pockets of concentration remain, however, in parts of Leeds including St Hildas in East End Park.

In terms of administrative context, HB administration took place within the Leeds Benefit Service (LBS), located within the Corporate Services Department. Key elements of administration are devolved to other departments: for example, 'front line' HB advice is given by the One Stop service, which deals with all enquiries relating to council services; and overpayment recoveries were dealt with by the Sundry Income Enforcement Section, which oversaw all debt recovery for the local authority. The Rent Service (TRS), which covered Leeds, Bradford, Wakefield and Kirklees, was located in Leeds. No substantial changes were made to the overall administrative structure during the course of the evaluation.

### ***HB administration***

At the time of the Baseline visit, processing of Housing and Council Tax Benefit took place simultaneously, with processing teams working across tenures. Documents were scanned digitally and allocated electronically. Benefit officers were responsible for all aspects of a case once they had picked it up, including chasing missing information. In August 2003, there were 6,800 private deregulated tenancies in Leeds, representing 12 per cent of the total caseload. At the Baseline stage, it took an average of 34 days to process each new PRS claim.

Prior to the introduction of the LHA, 67 per cent of PRS claims were paid directly to the landlord. In August 2003, 64 per cent of PRS claims had a shortfall between referred rent and the rent paid by LBS. The average shortfall was £19.30 a week. Forty per cent of claims were restricted by amounts up to £20 a week, and a further twenty per cent faced shortfalls of between £20 and £50 a week.

### ***Introducing the LHA in Leeds***

Leeds chose the phased approach to introducing LHA regulations. Under this approach, all new claims were immediately assessed and paid according to the new regulations, with existing claims transferred onto the scheme on change of circumstances. By the time of the First Wave evaluation visit in August 2004, 54 per cent of claims had been transferred.

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

In any context, the introduction of a new set of regulations will carry short-term implementation impacts that dissipate as the regulations bed. This was also the case with the LHA. Issues arising from the early stages of implementation included inter-agency liaison; IT difficulties; changes to processing administration;

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shifting over to a system where the majority of payments would be made to claimants; the provision of additional money advice; and preparations made by TRS in establishing LHA rates.

### ***Inter-agency liaison***

The local authority decided early in the implementation phase that it was essential to ensure that all the relevant stakeholders were fully engaged with the process. To that end, regular meetings were held in the months immediately prior to and following the introduction of the regulations in February 2004. Stakeholders included staff within the LBS and other local authority departments, TRS, and internal and external welfare and advice agencies. The meetings also included a landlord representative.

The regularity of meetings and frequent dialogue between stakeholders was deemed to be an essential component in easing the introduction of the LHA. The Pathfinder Manager took responsibility for ensuring that appropriate training was given to all officers who may have to advise on LHA. In addition, meetings took place with landlord groups: these meetings, it was thought, were useful in allaying initial hostility to the regulations.

### ***IT issues***

In all Pathfinders, the introduction of the LHA required amendments to be made to existing administrative software. In Leeds, the LBS had used a bespoke software system that was thought to be 'creaking at the edges,' and it was thought to be appropriate to replace the system with LHA-upgraded software. In this instance, the authority chose Academy.

Substantial problems with introducing the Academy system have been evident, particularly during the early stages of the evaluation, and have obscured any clear assessment of any positive administrative impacts that the LHA may have brought. The heavy caseload of the authority was thought to be the main reason why the new IT system 'locked' so frequently in the early months. These difficulties led to the building up of a substantial backlog of unprocessed cases; the backlog had been resolved by the Final Wave visit.

### ***LHA and HB administration***

In all Pathfinders, a specific Team was created to oversee key aspects of the introduction and integration of the new regulations. In Leeds, the team comprised of a Manager and four additional staff members. The Pathfinder Team took principal responsibility for many LHA-related processes, including monitoring, communication both locally and with the DWP, and – perhaps most importantly – assessing 'safeguard' cases, where decisions had to be made on whether the LHA should be paid to the landlord. It should be noted that in Leeds, the term 'safeguards' was used to refer jointly to any transferral of payments, either because of vulnerability, arrears or the tenant being 'unlikely to pay'. The Team has retained responsibility for making and reviewing these decisions, which are in part based on information gathered by the Visiting Team and by One Stop advisors when assisting with a claim.

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In addition, a team of ten processors was established to deal specifically with LHA claims. This team remained separated from the broader bank of processors, which was later split so that all applications would be processed by tenure. By the time of the Final Wave visit, the LHA processing team had increased to sixteen staff, working under two team leaders but under the overall responsibility of the Pathfinder Manager.

### ***Payments to claimants***

A key presumption with regard to the LHA is that the majority of payments will be made to claimants. This shift places a priority on the ability of claimants to access even basic bank accounts in order to pay in their cheques and arrange payment to the landlord. It had been quickly recognised that bank accounts for claimants would be a major issue. In Leeds, prior to the Baseline stage, contact was made with 4,000 claimants whose HB had been paid to their landlord. A quarter responded and sent bank account details. Where tenants were receiving the LHA themselves, 75 per cent of payments were made via BACS.

Following the introduction of the LHA there was increased use of the cash desk that was located in the principal local authority advice office in the city centre. The cash desk closed in May 2005, but by the time of the Final Wave visit, the Leeds Credit Union had taken over the space, and opened a branch. It was then possible for advice staff to refer claimants without bank accounts to the Credit Union, and for the claimants to be helped immediately. By the end of the evaluation period, issues relating to banking facilities for claimants were deemed negligible. In November 2005, 84 per cent of claimants were being paid their LHA directly, and of these, 79 per cent were being paid via BACS.

### ***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, which would be available through the local Citizens Advice Bureaux. In Leeds, the local bureau employed two additional workers, who would deliver specialist advice to LHA claimants. There were difficulties with this arrangement. By the Second Wave of the evaluation, the money advisors had seen over 200 claimants, but numbers fell. It proved to be difficult to locate claimants whose financial difficulties related solely to the LHA, and there were attempts to establish an advice surgery at the central local authority advice office. By the time of the Final Wave visit, the termination of funding for additional money advice was anticipated, but not deemed to be problematic either by CAB or by the local authority.

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

In the pre-LHA stage, TRS had two principal tasks: establishing the Broad Rental Market Area (BRMA) for rent determinations and setting the LHA rates. In common with other Pathfinders, TRS in Leeds established its BRMA as being equivalent to the old LRR/SRR 'locality', which mostly matches the Leeds local authority boundary, but takes in a small pocket of Bradford Metropolitan Borough. TRS also set the LHA rates, which were close to the LRR and SRR rates for equivalent-sized properties, although a single £50 figure replaced

the three LRR single room categories and the Single Room Rate. It should be noted that the LHA rates have not changed during the course of the evaluation.

## **Chapter four: Business as usual? Examples of the lack of impact of the LHA on Housing Benefit delivery**

It was anticipated that some aspects of LHA administration might carry impacts beyond the direct processing of claims. However, in the areas mentioned in this chapter – fraud, Discretionary Housing Payments, and appeals – little change was found.

### ***Fraud***

The new regulations did not substantially alter the way in which fraud investigation was managed in Leeds. It had been anticipated that there might be a higher incidence of claimant fraud, but only a small number of instrument of payment fraud cases occurred each month. These were deemed fairly straightforward to pursue.

### ***Discretionary Housing Payment***

There were no evident changes to applications for DHPs or to the manner in which they were administered during the course of the evaluation period. There had been a marked increase in applications in November 2005, but this had reflected a drive to publicise the payment, to ensure a greater level of take-up.

### ***Appeals***

Prior to the introduction of the LHA the majority of appeals that related to the PRS were concerned with instances of overpayment of HB. Publicity related to the LHA led to a heightened awareness of HB entitlement and there were a number of claims that otherwise may not have been made. Some of these claims were deemed to be non-commercial or contrived, and so LHA was declined under Regulation 7. These decisions were often appealed. However, there were very few appeals that directly related to safeguard decisions, which was deemed a useful indicator that the decisions were viewed as consistent and fair.

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

The LHA carried the intention of simplifying aspects of HB administration. This chapter considered three areas: processing claims; assisting claimants with the LHA; and staffing levels in TRS.

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### ***Processing claims***

One intention of the new regulations was to streamline the administration relating to LHA claims, and so reduce the time taken to process each claim. Overall in Leeds there was an improvement in the proportion of new claims decided within fourteen days of the receipt of all necessary information; the proportion rose from 56 per cent to 65 per cent. However, there was at the same time an overall increase in the average number of days taken to process new claims and changes of circumstances.

It is clear that both IT difficulties and other administrative changes relating to processing have obscured any gains that have been made under LHA, or created difficulties in ascribing gains to the new regulations. Administrative changes have included the setting up of a specific LHA processing team, and the introduction of a 'first check' system whereby all new applications are checked immediately to ensure that all the required information has been included, with only complete forms being passed on to processing. Both these measures will probably have contributed towards improvement in processing times.

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

The intention to create a degree of transparency with the LHA also carried the advantage of it being easier to advise claimants who were seeking help with housing costs. The LHA was greeted favourably by staff working within the local authority One Stop advice centre. The ability to determine the rent level that would be payable to a given household was regarded as a substantial improvement on the earlier system that relied on applications to TRS for Pre-Tenancy Determinations.

In addition to advice on applications, the local authority also sought to make use of the LHA regulations in order to increase housing opportunities for homeless households. Because the LHA rates were fixed according to household size, the Strategic Housing Business Team were able to advise landlords whether their rents were likely to be covered. Additionally, the Team was able to guarantee that rents would be paid direct to the landlord for the first twelve months of a tenancy, and attracted initially a small number of landlords who made around 300 properties available to claimants under the scheme. Many of the claimants were given 24-month tenancies.

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

Finally, perhaps the main change in terms of administration was a reduction in workload for officers within TRS. Staff numbers changed from eight staff dealing with Leeds at the Baseline stage, to three staff members at the Final Wave visit. TRS maintains that staff numbers changed for a number of reasons, not as a result of LHA. The Rent Officers were, at the Final Wave, principally concerned with updating the market evidence database, dealing with the non-LHA determinations, and completing shadow determinations exercises.

## **Chapter six: Delivering the LHA: some continuing issues**

This chapter considers some aspects of the LHA that at the Final Wave visit had not been resolved, or which are to some degree are endemic within the regulations. The issues included administration of the safeguards; dealing with overpayments; homelessness and the LHA; and determining the LHA.

### ***Administering the safeguards***

It should be noted that, in Leeds, the three reasons for a shift in payment to the landlord (vulnerability, arrears, 'unlikely to pay') are collectively referred to as the safeguards. Overall, there appeared to be a high level of satisfaction with the way in which safeguards administration had been approached in Leeds. However, by the time of the Final Wave visit, the safeguard decisions still rested with the Pathfinder Team. Specific funding for the team would finish once the evaluation phase of the Pathfinder came to an end, and so questions remained with regard to the future existence of the Team, and the way its work would be delegated. It could be argued that Leeds had not yet settled its safeguard decision processing, and changes to the system in operation could adversely impact on the levels of satisfaction that had been evident.

An additional area where change was anticipated was with the system of first payment to landlord. It was decided in Leeds that – in accordance with existing HB regulations – first payments to landlord would be made where processing had gone beyond the statutory time limit. It was possible for tenants to circumvent this measure if they indicated on their application that they did not want the landlord to be contacted directly by the local authority. At the time of the Final Wave visit, there was some discussion on the possibility of stepping back from this measure. It should be noted that by the time of the Final report it had been decided to continue making the payment to the landlord.

The proportion of payments to landlords had increased steadily over the evaluation period, and at the Final Wave visit stood at around 16 per cent. The increase reflected a substantial growth in both arrears and unlikely to pay cases. By February, 2006, both these reasons, combined, had overtaken vulnerability as the principal reason for payment to landlord. It is difficult to understand why the arrears cases are increasing. There appear to be few issues that relate directly to access to bank accounts, and indeed the proportion of payments being made electronically into bank accounts has increased. It may be that there are more undetected cases of collusion between tenant and landlord in seeking direct payment.

### ***Overpayments***

Another ongoing issue related to overpayments. Overpayments in Leeds are dealt with by the Sundry Income Enforcement Section. At the Baseline stage HB overpayment recovery had been nested within all debt recovery but soon after the introduction of the LHA a new system was put into place, creating a team specifically to deal with HB-related cases. However, the team did not distinguish between PRS and social housing work, and so it remained difficult to assess the impact of the introduction of the LHA. In theory, the pattern of overpayments would shift with more payments being recovered from tenants than from landlords. However, there was little evidence of this being the case from the perspective of the SIES officers.

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### ***Homelessness and the LHA***

The number of households deemed to be unintentionally homeless dropped substantially in Leeds: from 1108 in January-March 2004 to 511 in April-June 2005. However, there was a substantial increase in the proportion of cases presenting as homeless due to the end of a PRS tenancy, from 8 per cent in January-March 2004 to 14 per cent in April-June 2005. In the early stages of the LHA evaluation, there was little indication from welfare officers – including the local authority Tenancy Relations Officer – of any impact on caseload as a consequence of the new regulations. However, the growth in arrears cases is a worrying trend. At the Final Wave of the evaluation it was not possible to gain access to staff at the local authority's Housing Aid Centre. Clearly defined, ongoing monitoring is required before any categorical statement can be made on the impact of LHA on homelessness in the authority.

### ***Determining the LHA***

TRS established the LHA rates prior to the introduction of the new regulations, and since that time, the rates have not changed. There was some concern that the levels were failing to reflect changes in a buoyant housing rental market. TRS review the levels of the LHAs and the continuing appropriateness of the BRMA each month but it is TRS policy to avoid excessive volatility to the LHA figures or the area covered by the BRMA.

Issues remained relating to the ability of TRS to make wide market assessments whilst having only limited access to LHA-related data. The shadow referral exercises meant that TRS was able to remove LHA-supported rents from its database, although it was commented in Leeds that few such cases were in the database: local knowledge had already led officers to exclude rents where they suspected that LHA was being paid. However, an end to the shadow determination exercise meant that TRS would have no access to data relating to the LHA sub-market, and so a gap would remain in their overall market knowledge.

## **Chapter eight: Conclusion: does the LHA carry substantial administrative advantages? A summary evaluation**

The final section of the chapter considered some overarching evaluatory questions relating to the administrative advantages it was hoped the LHA would carry over the previous HB system.

### ***Administrative efficiency***

In theory, a number of aspects of the LHA point towards the possibility of making gains in administrative efficiency. However, isolating evidence of such gain is problematic in Leeds. Deterioration in processing performance followed the introduction of IT, and this – together with substantial changes in the way in which applications were handled – makes 'like-for-like' comparison difficult. Further, the end to benefit review periods introduced another change that had ramifications for processing times. By the Final Wave visit, LBS had not yet arrived at 'steady state' with regard to its overall approach to dealing with the LHA. However, the trends were in favour of improvement in processing times. The comment was made, nevertheless, that assistance with housing costs remains a complex and time-consuming benefit to administer.

### ***Equitability***

Respondents to the question of whether the LHA was essentially 'equitable' tended to refer to the proportion of claimants who were facing a shortfall between their eligible rent and the benefit payable. It was thought to be 'fairer' that under the LHA a larger proportion of claimants was being helped to meet their entire rent liability. However, the number of tenants who were on the LHA and facing a shortfall increased over the course of the evaluation period, from 24 per cent in May 2004 to 38 per cent in November 2005. The reasons for this increase were not certain.

Similarly, the issue of equity was also related to payments of excess LHA. The general trend appeared to be in favour of tenants receiving lower excess payments, but some respondents noted that lower grade clerical welfare and processing staff were often disgruntled by high payments that were made in some cases.

### ***Transparency***

There was widespread agreement that the LHA was, relative to the previous HB system, more transparent in that claimants had easier access to information about the benefit they would receive. Agencies that had responsibility for advising tenants commented that they felt able to give more direct assistance, in being able to tell tenants immediately what LHA they would receive.

### ***Unforeseen administrative outcomes***

There were few unforeseen administrative impacts during the course of the evaluation. However, one noticeable trend over the course of the evaluation period was the increasing low incidence of dialogue between TRS and LBS. The removal of the need to refer rents had taken away any need for day-to-day contact between the two agencies, although regular formalised quarterly meetings continued to take place.



## **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 Leeds 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 Service (TRS) to set LHA rates for various sizes of property at the mid-point between the lowest and highest reasonable rents for such properties 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. Leeds was distinctive in having one of the largest caseloads within the Pathfinder group and, prior to LHA, used a bespoke IT system for processing benefit.

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?, and
- 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 the local authority.

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

This report assesses the introduction and impact of the LHA on HB administration in the Leeds Pathfinder. The remainder of this introductory chapter will outline the evaluation method. Chapter two considers three key contexts for the introduction of LHA in Leeds: 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 aspects of HB administration where some impact had been anticipated, but where change was minimal; 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 Leeds Pathfinder. Chapter Seven concludes by addressing the evaluation question laid out previously.

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 HB 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. With the exception of a number of changes that will become evident in the course of this report, 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 ‘HB 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 HB administration officers, other relevant local authority staff, welfare and housing advice organisations both within and outside the local authority, The Rent Service (TRS) 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. However, in each location, the tranche of respondents remained 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 part of the evaluation have been fed largely into the landlord stream.

A researcher from the University of York was responsible for conducting the interviews in Leeds. These interviews followed a set of topic guides, see *Appendix*, 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 Leeds, these took place in February 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 Leeds Pathfinder Manager. Additional data were added to the Baseline report by the Department for Work and Pensions’ (DWP) own internal monitoring exercise. This final report is based on the three documents plus findings from the last, 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 Leeds. The broader benefit context includes changes to the delivery of Pension Credits and Jobseekers Allowance, in addition to non-LHA related changes to HB for PRS tenants. The chapter gives some socio-economic information on Leeds, and then considers in more detail its PRS and the trajectory of change in that sector over the course of the evaluation. The chapter reviews HB administration prior to the introduction of the LHA. The chapter ends with a brief description of how the LHA was implemented in Leeds and gives some commentary on concurrent changes that took place locally in Jobcentre Plus.

### **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 CTB. 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 operation 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. Jobcentre Plus developments in Leeds are discussed on *page 22, Chapter 2, Introducing the LHA in Leeds*.

### ***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.

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

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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.

### **Leeds: essential demographics**

At the 2001 Census, Leeds had a population of 715,402, with the general trend being upwards. At the Baseline phase of the evaluation, two distinctive features of both the labour and housing markets were the concentration of wealth in the city centre, and an overall diversity. Just under a third of jobs in the city were centrally located, as was a substantial proportion of residential property development. Indeed, it was estimated that the city-centre population would increase by 10,000 if all the proposed developments were indeed to take place. Overall, however, a 'two-speed' market was evident in Leeds, in which substantial growth and increasing prosperity masked high levels of social exclusion. Six of the council's wards were ranked in the worst ten per cent in England in terms of deprivation: Burmantofts, City & Holbeck, Harehills, Richmond Hill, Seacroft and University. Unemployment rates in the worst wards were an average of 12 per cent – more than double the city's average. Fifty-nine per cent of postcode sectors had experienced house price increases, but 41 per cent had decreases.

### **The private rented sector in Leeds**

Table 2.1 illustrates the proportion of households in the PRS in the 33 Leeds wards, demonstrating a high of 57.8 per cent of households that were renting privately (in the student-dominated Headingley) and a low of 2.4 per cent that were renting in Whinmoor.

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

<b>Ward</b>	<b>Total number of households</b>	<b>Number of PRS households</b>	<b>PRS as a proportion of all households</b>
Headingley	9,579	5,541	57.8
University	10,858	3,661	33.7
Weetwood	9,299	1,893	20.4
City and Holbeck	10,052	2,003	19.9
Kirkstall	8,723	1,618	18.5
Harehills	7,966	1,304	16.4
Chapel Allerton	7,943	946	11.9
Roundhay	8,621	943	10.9
Armley	9,297	974	10.5
Beeston	7,052	734	10.4
Richmond Hill	7,732	633	8.2
Morley South	12,323	927	7.5
Moortown	8,850	643	7.3
Burmantofts	8,266	599	7.2
North	9,496	663	7.0
Horsforth	8,857	576	6.5
Otley and Wharfedale	10,343	593	5.7
Pudsey South	9,252	498	5.4
Morley North	10,413	552	5.3
Pudsey North	9,627	497	5.2
Wetherby	10,704	513	4.8
Bramley	9,020	402	4.5
Halton	9,504	415	4.4
Barwick and Kippax	9,639	419	4.3
Cookridge	9,214	398	4.3
Rothwell	8,725	376	4.3
Wortley	9,835	405	4.1
Middleton	8,625	345	4.0
Garforth and Swillington	9,598	344	3.6
Hunslet	6,929	247	3.6
Seacroft	7,437	189	2.5
Whinmoor	7,101	168	2.4
<b>Total</b>	<b>30,1540</b>	<b>30,552</b>	<b>10.1</b>

Source: Census 2001.

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At the Baseline stage, key demand groups for privately rented property in Leeds included:

**Students:** the impact of the student market in the city is substantial, and intensively concentrated in Headingley and the areas just to the north of the city centre. There is evidence to suggest that student demand is shifting further out of Leeds, particularly to the Cookridge area where rents may be lower. The local authority is considering establishing a student village in Beeston – one of the more deprived areas – in order to relocate demand, and at the same time boost the market in that location. Some respondents commented that this scheme might not be wholly feasible.

**High-income professionals:** extensive development in the city centre is marked, with an estimated 50 per cent of new properties earmarked for private let. In addition, there is a reasonably buoyant ‘relocator’ market for professionals moving to Leeds either on temporary contracts, or who do not wish to buy immediately. This demand group is being served by a growing number of letting agents, who tend to let on the northern suburbs of the authority in the ‘stockbroker’ belt, LS29.

**‘Key worker’ lets:** marked demand for properties to let also comes from less affluent workers – employed by the hospitals and in the public sector – who tend to rent jointly in more desirable locations close to the centre of town in preference to securing more affordable owner occupation further from the town centre.

At the time of the initial Baseline research, Leeds could be characterised as having a concentrated HB sub-market, in that lettings to people on HB tended to be spatially concentrated in parts of Leeds – particularly in the intensely-occupied back-to-back terraces of South Leeds. Overall, lettings in the city were buoyant, and a number of competing demand groups for rental property were evident. By the end of the evaluation period, the market had started to change. Demand for rental property had continued to expand, and was making inroads into those localities that had previously been dominated by HB lettings: for example, Beeston and Harehills. However, some areas of concentrated HB lets remained, including St Hilda’s in East End Park.

At the Baseline stage, the PRS in Leeds had two representative bodies, but it is thought that these were likely to merge in the near future. Within the Landlords’ Association, an estimated 50 per cent of the properties covered were student lets. The Association reflects the activity of the University in seeking high professional standards in the sector.

The local authority has operated an accreditation scheme for private sector landlords and letting agents since 1997. At the Baseline stage, 300 landlords owning 5,000 properties were covered by the scheme. UNIPOL student homes, the letting agency of the Leeds Higher Educational Establishments, also ran a scheme exclusively for the student sector. A similar number of landlords and properties were covered by the scheme. It was estimated that the two schemes together covered approximately one third of the city’s PRS. To increase the market coverage, Leeds City Council also developed an Accredited Managing Agents Scheme. This scheme aimed to bring under the control of the accreditation scheme the many hundreds of properties that are agent-managed.

The Housing Bill, when enacted, will require the Council to operate a mandatory Houses in Multiple Occupation (HMO) licensing scheme for all HMOs of three or more storeys in height and accommodating five or more people. The scheme is expected to affect some 8,000 properties. A July 2006 deadline had been set for applications, and packs will be made available to landlords from 6th April. A HMO team within

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Environmental Health Services will be overseeing the scheme and has evidently worked closely with landlord representatives to effect its implementation.

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

In broad overview, administration of HB takes place within the Leeds Benefit Service (LBS), which is located in the Corporate Services Department. This situation did not change during the course of the evaluation. The LBS deals with HB administration, CTB, and education benefits. Within the Chief Executive's Office, the Customer Services Department operates the One Stop service, which comprises the council's 'front of house' with regard to public access, and deals with all enquiries relating to the council's services including HB. A dedicated telephone unit, also within the Customer Service Department, dealt with HB telephone enquiries. At the time of the Baseline visit, the majority of HB functions were located centrally, either at the Great George Street office, which housed the One Stop service, the processing unit and the Visiting Team, or at Enterprise House where the Fraud Unit and the Customer services unit operated. Overpayments were dealt with by the Sundry Income Enforcement Section, a separate department dealing with the council's debt recovery, located at Hough Top. The Rent Service, also located in the centre of Leeds, also covered Bradford, Wakefield and Kirklees. Its principal HB function was the delivery of determinations; at the Baseline stage, Leeds took up a substantial proportion of its workload.

There were some minor changes to this overall structure during the course of the evaluation. The staff given over to dealing with HB telephone inquiries had their work amalgamated into a centralised telephone line that dealt with all council telephone enquiries. Specific scripts were prepared for staff to deal with common HB queries, with more complex enquiries passed through to the relevant HB processing team. The Visiting Team relocated to the Council's offices at Hough Top and at the Final Wave visit there was discussion around amalgamating all visiting tasks – intervention, fraud checks and social care assessments – under one management structure.

At the Baseline stage, HB was processed along with CTB, and both were applied for on an integrated application form. A 'Benefits Manager Processing' headed a large number of staff that dealt principally with the acceptance, assessment and payment of HB and CTB. The unit also dealt with Discretionary Housing Payments, Pre-Tenancy Determinations and appeals. A 'Benefits Manager Control' concentrated on issues relating to error and fraud, and oversaw both sanctions and investigations officers in addition to support administration staff. The Customer Services unit served internal administrative functions such as financial administration of the benefit and staff training as well as customer-related tasks including visits to recipients and operating the advice line.

Applications were allocated to an administrative assistant on a daily basis, and there were no team splits according to surname or area of the city. In addition, none of the teams were split according to tenure, and so PRS cases were dealt with along with other applications. Applications were scanned using a document imaging package (ICLipse) and allocated digitally to assessment staff. Team managers monitored individual workloads, and ensured that complex cases did not get overlooked. Staff were responsible for all aspects of a case once they picked it up, including chasing down any missing information. During the course of the evaluation, changes were made to this overall structure: some changes were LHA-related, but others simply reflected ongoing improvements in processing management.

In terms of workload, in August 2003 there were 6,800 private deregulated tenancies in Leeds, representing

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12 per cent of the total HB caseload in the local authority. At the Baseline stage, it took an average of 34 days to process each new PRS claims.

Prior to the introduction of the LHA, 67 per cent of PRS claims were paid directly to the landlord. This figure was higher than the national average. The percentage payment to landlord was deemed to be lower where the claimant received only partial support to meet their rent liability. Overall, at the Baseline stage, there was satisfaction with the principal of payment made directly to the landlord, since it was thought to ease the process of payment. For example, one single payment could be made to a landlord with two or more tenants in receipt of HB; and overpayments were easier to recover from landlords routinely receiving payments for two or more tenants.

Under the pre-LHA HB arrangements, the rents set by PRS landlords were referred to TRS for determination of the eligible rent. Rent officers could set a limit on the level of rent that would be met by HB, if it was deemed too large for the claimant's needs, or if the rent was above the Local Reference Rent or LRR for that property size. In August 2003, 64 per cent of all rents were restricted, with the average shortfall between the referred rent and the rent paid by HB being £19.30 a week. Forty per cent of claims had rents restricted by amounts up to £20 a week, and twenty per cent of claims faced shortfalls of between £20 and £50 a week.

### **Introducing the LHA in Leeds**

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 period up to six months 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 annual rent officer review.

Leeds chose to pursue a Phased approach to introducing the LHA. It was thought that this approach would stagger the demand for advice from landlords and tenants, and pace the influx of requests for vulnerability decisions. The flow of transfers was fairly steady through 2004, and from March to December averaged 339 cases a month. The transfers had been largely completed by February 2005.

### **LHA and Jobcentre Plus in Leeds**

Leeds City Council is one of the few local authorities where the decision was taken for the authority not to use the Department for Work and Pensions standard HB form that comes with the application pack for new claimants. This situation pre-dates the introduction of the LHA. As a consequence, Jobcentre Plus officers tend to view HB as a matter that is dealt with solely by the local authority, and refers all such queries to the advice centre at Great George Street. It was felt that, overall, Jobcentre Plus officers did not have the knowledge or confidence to give advice on LHA. After initial training, radical staff reorganisation at Jobcentre Plus led to the loss of any LHA 'expertise'. CMS has been only partially introduced in the city – the city centre office has yet to be adapted – but this development has not changed a tradition of poor linkage between Jobcentre Plus and HB in Leeds. No further reference will be made to Jobcentre Plus in this report.

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

### **Introduction**

This chapter considers the main issues arising during the early stages in implementing the LHA in Leeds. It is important to chart the early experiences during the implementation of new regulations, in order to assess how far alternative approaches may or may not ameliorate the impact of change. Aspects of initial 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 HB administration. In addition, further resources were made available to fund the provision of money advice services – delivered by local Citizens Advice Bureaux (CABx) to boost the support that would be available to claimants who would be made responsible for paying the rent themselves. Thus, key early implementation issues included: liaison between the LBS and other stakeholders including TRS; adapting IT to meet the new regulations; reviewing HB administration; increasing the availability of money advice; and preparations made by TRS.

### **Inter-agency liaison**

A principal initial task with regard to implementing the LHA was to ensure that connections were made with all the relevant stakeholders, both within and outside the local authority. Early and extended discussion with regard to implementation was regarded as vital to the successful introduction of LHA, and the Pathfinder Manager in particular was prominent in arranging for and delivering training to personnel in the local authority's One Stop service. The services noted the value of this approach, in bringing front-line staff immediately up to speed with the new regulations.

A particular feature of the liaison exercise was the inclusion of a representative from the Local Landlord's Association. This development was accompanied by attendance by the Pathfinder Manager and Head of Benefits Section at association meetings in order to answer landlord queries about the new regulations. The willingness to engage in early dialogue with regard to the LHA was deemed an important feature in securing the co-operation of local landlords with the introduction of the new regulations.

Successive evaluation visits saw a diminution in the incidence of meetings by the forum. The forum did meet to discuss the findings of the ongoing evaluation reports, but regular liaison was more likely to take place on an ad hoc basis, between the Pathfinder Manager and other stakeholders as and when it was deemed necessary. By the time of the final evaluation visit, close working relationships between the authority and some of the stakeholders had lapsed: for example, there was little regular contact between the LBS and statutory or voluntary homelessness and/or welfare advisors.

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From the perspective of the LBS, the lapsing of this dialogue reflected the 'normalisation' of the LHA: the implementation phase had been completed, and there was in effect little to say. However, in terms of the evaluation there remain concerns with regard to the low level of ongoing monitoring by agencies outside the LBS.

### **IT issues**

Prior to the introduction of the LHA, Leeds Benefit Service had been using a bespoke IT system to process benefit claims. The system was characterised as 'creaking at the seams', and in need of replacement even before the LHA regulations were introduced. However, LBS took the opportunity of the introduction of new regulations simultaneously to adapt Academy software, which would bring both a new and LHA-graded system.

There were substantial, unanticipated difficulties with introducing the Academy system. It was commented that although the software worked well in other authorities, at the time of its introduction in Leeds it was untested on larger caseloads. In the first few weeks, tables 'locked' and so a substantial backlog of unprocessed claims began to build up. In the early months of the Pathfinder this difficulty obscured the impact of the new regulations. In particular, the task of assessing any improvement in processing times has to some degree been undermined by the IT difficulties, as will be seen in Chapter five. Certainly by the final evaluation visit, IT problems had been largely dealt with. The Pathfinder Manager indicated that perhaps the full functionality of the software had yet to be explored, but for the most part the system had settled in.

### **LHA and HB administration**

There were two closely associated developments in HB administration that followed the introduction of the LHA. The first was the establishment of the Pathfinder team, and the second was the setting up of a processing team specifically to deal with LHA claims. Each of these developments will be discussed in turn.

A Pathfinder Manager was appointed early in the implementation process, and has been in post through the entire period of the evaluation. The Pathfinder Manager took initial responsibility for the development of LHA expertise locally, and to ensure that adequate resources were committed to its introduction. At the Baseline stage, the Pathfinder Manager was most concerned with dealing with issues relating to bank accounts for claimants; establishing a timetable for implementation; and publicising the new regulations amongst landlords and claimants.

By the First Wave evaluation visit, an additional four staff had joined the Pathfinder Manager to form a Pathfinder Team. This team has continued to operate throughout the period of the evaluation, and dealt with the majority of the specialist tasks related to LHA cases including all issues relating to payments made to LHA tenants, uncashed cheques, replacement payments, anniversaries, and significant birthday reviews. The Pathfinder Manager continued to deal with communication, DWP liaison, MIS reporting, local evaluation and planning. This post was directly funded by the Department for Work and Pensions. A Senior

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Project Officer dealt with transfers and tenant and landlord communication. The Pathfinder Team also took responsibility for dealing with all aspects of what in Leeds is generally entitled the 'safeguards', that is all processes relating to transfer of payment to the landlord from the tenant due to arrears, vulnerability or the tenant being deemed 'unlikely to pay'.

It was decided early in the evaluation that the Pathfinder Team would take sole responsibility for dealing with all safeguard decisions. The advantages were thought to be the building up of expertise in this area, ensuring that decisions were made promptly and consistently. Although both Visiting Team and to a lesser degree One Stop staff contributed to the task of collecting information on tenants where a vulnerability decision is sought, the Pathfinder Team retained responsibility for making and reviewing the decision. At the final evaluation visit, this structure was still in place.

A special team of ten LHA processors was established to deal with LHA applications. This step was taken in order for the authority to target its LHA processing training, to monitor outcomes more effectively, and to learn more quickly from its mistakes. Initially, it was intended for this team to become reintegrated into the pool of mainstream processors. However, by the end of the evaluation period, the decision was taken to split all processing tasks by tenure, and to maintain a distinction between PRS LHA and other HB claims. By the time of the final evaluation visit, there was still some debate on the size of the processing team required to deal with LHA cases. A team of sixteen staff was dedicated to LHA processing, managed under two team leaders who split the processing work equally between the two sets of processors. The Pathfinder Manager had taken overall responsibility for leading the LHA processing team. This change in administration has not required either the employment or the loss of staff.

Both the preparatory work of the Pathfinder Manager and ongoing safeguards work of the Pathfinder Team are considered important contributors to the smooth introduction of the LHA in Leeds. As will be seen, this latter feature in particular has resulted in generally good levels of satisfaction with the working of the safeguards, and low levels of appeals relating to safeguard decisions.

### **Payments to claimants**

The presumption that tenants should take responsibility for paying their rent is a key feature of the LHA. It is thought that 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 so 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 order 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

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and passports – as are now required by banking regulations; third, less settled tenants have frequent changes of address, and often live 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. Prior to the introduction of the LHA, the local authority had already recognised that some claimants had difficulties with cashing benefit cheques: the City branch of the One Stop had a cash desk. In principal this service was intended to offer an ‘emergency’, service for people who were unable to wait for their cheque to clear in a bank.

In response to the anticipated problems faced by some tenants, at the Baseline stage the Pathfinder Team contacted around 4,000 claimants whose HB was being paid directly to the landlord. This figure comprised around 60 per cent of the total PRS caseload. Around a quarter of this number responded and indicated that they did have bank accounts and gave their account details; three quarters did not reply at all. It was felt that households living in HMOs were a particularly problematic subgroup within the non-responses. A second letter was sent to this group a month before the introduction of LHA to remind tenants that they would have to make some banking arrangements.

One notable feature of LHA was an increased use of the cash desk at Great George Street, with some tenants using the service routinely despite being offered advice on opening a bank account. However, by the Second Wave of the evaluation, plans had been mooted to close the cash desk, a development that had taken place by the final evaluation visit. Routine users of the cash desk had been targeted for money advice and were offered referrals to the CAB, but it was felt that some of these individuals preferred the ‘anonymity’ of not having an account.

Table 3.1 indicates that before the introduction of the LHA, some 75 per cent of PRS tenants who were receiving the payment themselves had it made into their bank account via BACS. This proportion dropped sharply as payments to claimants were widened across the whole population of LHA recipients. However, as the proportion of payments made to tenants has dropped, the percentage of payments by BACS has regained and exceeded its earlier level.

**Table 3.1 Payments and methods**

	Proportion of payments made to tenants	Proportion of payments to tenants made by BACS
Pre-LHA	34	75
July 2004	93	46
February 2005	91	62
May 2005	90	67
November 2005	85	79

Source: LBS LHA monthly reports.

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In an unanticipated development, the Leeds Credit Union agreed to take over the cash desk, and opened mini-branches in the Great George Street and a small number of other One Stop offices. Staff at the One Stop were able to refer claimants to the Credit Union, which offers basic bank accounts with less stringent regulations with regard to ID. It is uncertain how far this development has had an effect on the proportion of LHA tenants using bank accounts, but certainly the higher profile afforded to the Credit Union will have contributed to a widening of banking opportunities for Leeds benefit recipients.

By the end of the evaluation period, issues relating to banking facilities for claimants had become negligible. There had been frustration that it had not been possible for claimants to use Post Office accounts to receive LHA payments, but by the last evaluation visit there were indications that the Government was discontinuing its arrangement with the Post Office to offer this kind of account. There was anecdotal evidence of an appeal that had been brought following bank charges accrued due to LHA administrative delays, but this kind of eventuality did not appear to be commonplace.

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

One anticipated consequence of the LHA was the difficulties that may face clients who – perhaps for the first time – may be required to manage their budgets in order to receive and pay large rental sums. At the time of the Baseline visit, two CABx were operating in Leeds: one at Chapeltown, and one in the City. The Chapeltown branch had recently lost its dedicated housing advice worker, but one such worker was still operating in the City branch. Both CABx reported that dealing with PRS HB queries took a small proportion of their time. Furthermore, it was difficult to disaggregate purely HB queries in cases where claimants had multiple welfare problems. Both CABx tended to focus their attention on attempts to secure social housing for tenants. At the Baseline visit it was evident that there had been no close working relationship between the CAB housing advisors and HB staff.

Both CABx were involved in the multi-agency meetings set up by the Pathfinder Manager immediately prior to the introduction of the LHA. There had been some initial concern with regard to the status and organisation of the money advice work and its standing jointly between the CAB and the local authority, and this confusion continued during the course of the evaluation period.

By the time of the First Wave visit, two advisors had been put in post to deliver money advice to LHA claimants. The advisors were to run sessions within the One Stop at Great George Street, and at three other venues across the city. Further, advertising on the availability of advice was included in LHA notification information sent out to claimants. It was clear that there were some difficulties with this arrangement. For example, the out-of-centre advice surgeries tended to be located in areas dominated by social housing. By the Second Wave visit, the CAB money advisors had seen over 200 claimants. Advisors considered that the new regulations had 'bedded in' and were well understood by claimants and landlords. However, from the perspective of the advisors, it was proving difficult to disaggregate LHA queries in cases of multiple debt problems. Further, other generic advisors within the CAB were thought to be giving advice that in part related to LHA regulations. By the time of the Final Wave visit, the termination of funding for the money advice was being anticipated, and neither the CAB nor the local authority indicated that the loss of the service would have serious implications.

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### The Rent Service: early preparations

At the time of the Baseline visit, the Rent Service team for Leeds had thirteen staff: eight Rent Officers and five administrative staff. Overall, caseload relating to Leeds took up about a quarter of the work. There were over 100 referrals a day, around 60-65 per cent of which related to Leeds. Five per cent of the work related to Pre-Tenancy determinations.

The collection of market information was the main tool used to determine rents, and took around 20 per cent of the Rent Officers' time. Information is entered onto a database that could be sorted by postcode, locality or area, neighbourhood, rent, property address and size. When a HB claim became linked to a property, it was removed from the database. The high incidence of HB lets in some parts of Leeds meant that in those areas there was less reliance on directly comparable market evidence and a greater reliance on socio-economic data and interpolation and extrapolation methods to arrive at decisions about reasonable market rents.

In the pre-LHA stage, TRS had two principal tasks: establishing the Broad Rental Market Area for the rent determinations; and setting the LHA rates. In common with many of the Pathfinder localities, it was decided that the BRMA would be equivalent to the old HB 'locality', which – aside from the inclusion of a small 'pocket' of Bradford Metropolitan Borough - nearly matches the local authority boundary for Leeds. Even prior to the LHA, the 'single locality' decision for Leeds has been subject to constant review. Within the Leeds office there was ongoing debate about whether the authority area should be split into north and south. Although rent differences support such a split – the south of the authority has much lower rents than the north – the limited spread of amenities and property types in each area taken separately militates against such a move. Through the course of the evaluation period, although still subject to review, the BRMA remained the same. By the time of the Baseline visit, TRS had prepared some indicative rents. This exercise was not noted as being particularly problematic.

Table 3.2 indicates the LHA rates that were set for Leeds. The LHA rates were close to existing LRR levels. It should be noted that the LHA rates did not change during the course of the evaluation.

**Table 3.2 LHA rates 2004-6 compared with Local Reference Rent and Single Room Rent**

Property type	LRR £ per week	LHA rate £ per week	
Room with board	63.00	All single rooms	50.00
Room with shared use	47.50		
All other rooms	58.50		
Two rooms	82.50		£83.50
Three rooms	98.00		£101.00
Four rooms	110.00		£113.00
Five rooms	120.00		£123.50
Six rooms	137.50		£135.50

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Overall, it can be judged that early preparation for the LHA minimised the immediate impact of the scheme on TRS. However, the ongoing operation of the new regulations have consequences with regard to staffing resource and the task of determining the rent, as will be seen in Chapters Five and Six respectively.



## **Chapter 4: Business as usual? Examples of the lack of impact of the LHA on Housing Benefit delivery**

### **Introduction**

This chapter considers three areas of work where some change may have been anticipated, but where in fact very little alteration to existing practice took place: the incidence of fraud; Discretionary Housing Payments; and appeals.

### **Fraud**

The LHA requires local authorities to presume that – unless exceptional circumstances pertain – all payments will be made to claimants. This development had the potential to affect the work of officers dealing with fraud within the local authority. At the Baseline in Leeds, fraud investigation took place under the Benefits Control team located at Enterprise House. The Fraud Manager headed a staff comprising two team leaders, six sanctions officers, twelve investigating staff and four administrative assistants. Outcomes of fraud investigation roughly split a third each between cautions, administrative penalties and prosecution. The data do not distinguish between landlords and tenants with regard to the perpetrators of the fraud.

All types of individual fraud (for example, undeclared income or capital) occur relatively evenly across tenancies. The private rented sector has more instances of tenancy-related fraud including landlords and tenants continuing to claim after the end of a tenancy. The fraud team was proactive in pursuing these cases.

It was anticipated that there would be a higher risk of claimant fraud under LHA and soon after the introduction of the new regulations the Fraud unit increased the resources allocated to checking non-residency. There was also some monitoring of the incidence of lost or stolen cheques: by the time of the Wave Two visit, there were two or three cases of stolen cheques a month. However, it was thought that these ‘instrument of payment’ fraud cases were straightforward to pursue. Cheque encashment offices often photographed those people coming to cash cheques, and the theft of a cheque could usually be traced to a tenant or someone else with access to the property. The slightly increased incidence of this type of fraud had led the principal officer to devise a specific good practice schedule. In addition, greater attention had been paid to the possibility of tenancies being contrived, and again some attention had been paid to giving specific training on testing for contrivance to officers completing intervention visits.

By the time of the Final Wave of interviews, no substantial changes to the way that the Fraud Team operated were noted, that related to the LHA. However, there had been some broader changes to the administration of fraud in the borough. The Fraud Team had taken responsibility for minimising fraud ‘at the gateway’ – or, at the time of the first application for benefit – as well as once payments were under way. Further, the Fraud Manager had taken responsibility for the interventions visiting and interventions processing team, although the Fraud Team and the Interventions Visiting Team remained separate. These visits replaced the annual review exercise, and were targeted at the cases deemed to be at higher risk of fraud.

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It was not considered that the LHA had led to an increased incidence of fraud. The new regulations had restricted the opportunity for landlord-perpetrated fraud, but the introduction of broader administrative changes related to HB fraud more generally has obscured the possibility of quantifying any resource gain that may have been accrued.

### Discretionary Housing Payments

At the time of the Baseline visit, a team of five officers dealt specifically with Discretionary Housing Payments (DHPs), and no substantial changes to this structure were reported during the course of the evaluation. The presumption is for the local authority to view DHP applications favourably. During the whole of the evaluation period, the majority of applications were successful. In the weeks prior to the Final Wave visit, a publicity campaign had been undertaken by the local authority in order to increase awareness of the payment more widely across all benefit recipients. There had, as a consequence, been a substantial increase in numbers in November 2005; however, the numbers decreased afterwards, as Table 4.1 indicates.

**Table 4.1 Discretionary Housing Payments: numbers processed**

	Numbers of DHPs Processed
April 2004	74
November 2004	61
April 2005	93
November 2005	143
January 2006	90

Source: LBS data.

There have been no changes to the characteristics of claimants making applications, with regard to tenure. The majority of claims – some 70 per cent – are generated in the private rented sector. Most common cases relate to under-25s, whose rents would be restricted as per the existing HB regulations on shared rooms. A typical example would be a young woman who is expecting a baby: such a claimant would be granted sufficient additional payment to live in self-contained property in the weeks immediately prior to the birth. Overall, administration of DHPs has not changed.

### Appeals

In Leeds, appeals are ultimately submitted to The West Yorkshire Appeals Service. At the first stage of any appeal, decisions are made by Scale 5 Benefit Officers, whose work is reviewed by Team Leader. If the customer specifically sought an appeal, then processing team leaders would prepare all the relevant material for presentation to the appeals officer sitting within the Support Services Team. The appeals officer would then present the case to the West Yorkshire Appeals Service. At the Baseline stage, appeals were dealt with by processing staff at scale 5 or above, and each case was assessed by at least two team leaders.

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Prior to the introduction of LHA, the majority of appeals cases relating to HB within the PRS were concerned with overpayments. Now that the LHA regulations have been introduced, then the incidence of appeals related to overpayments has gone down. Publicity related to the LHA increased awareness of HB entitlement increased the number of claims that otherwise may not have been made. Some of these claims were deemed to be non-commercial or contrived, and so LHA is declined under Regulation 7. These decisions were often appealed. Overall, the LHA regulations had, in themselves, offered little change to the incidence of appeals. It was noted particularly that decisions relating to vulnerability were rarely if ever subject to complaint.

Processing team officers had responsibility for preparing cases for appeal, and following the generalised difficulties with IT, some backlogs had accrued with appeals paperwork.



## **Chapter 5: Easing the administrative burden? Testing for 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 administration and delivery of HB. This chapter considers three specific areas where the LHA was anticipated as having a direct impact on administration: processing claims; assisting claimants with the LHA; and the staffing levels in The Rent 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 TRS 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 has been some fluctuation in the caseload, as table 5.1 indicates. It is possible that the August 2004 figure reflects the introduction of new IT, bringing a different method for counting caseload. From August 2004 there was an increase in caseload which has been largely ascribed to the introduction of a homelessness initiative that sought to accommodate homeless households who were in hostels and other temporary accommodation in 24-month tenancies in the PRS.

**Table 5.1 PRS caseload figures, 2003-6**

	<b>Caseload</b>
August, 2003	6,800
August 2004	6,151
August 2005	6,439
November 2005	6,490

Source: LBS Pathfinder Manager.

There has also been marked fluctuation in the number of new claims and changes of circumstances that the processing team has had to deal with, as table 5.2 indicates.

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**Table 5.2 Administrative data on new claims and changes of circumstances, 2004-5**

	<b>Number of all new claims</b>	<b>Proportion of new claims decided within fourteen days of receipt of all necessary information</b>	<b>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>
June 2004	890	56	51	324	25
September 2004	1,464	64	61	1,059	37
December 2004	1,237	64	56	1,720	35
March 2005	997	47	65	974	57
June 2005	1,262	66	57	1,438	41
September 2005	958	65	62	1,741	29
December 2005	1,172	74	40	1,377	20

Source: MIS data, October 2005.

The data in Table 5.2 indicate that overall there has been some improvement in the proportion of new claims decided within fourteen days of receipt of all necessary information. This proportion increased from 56 per cent in June 2004 to 74 per cent in December 2005. There has also been a decrease in the average number of days taken both to process new claims and to process a change of circumstances. Progress has not been smooth, however, and the unsteady nature of the downwards trend perhaps reflects the strategy of 'ring-fencing' backlog that had been created as a consequence of IT difficulties. This backlog has been slowly reduced, whilst at the same time new claims have been given priority. Since October 2005, processing times have continued to fall and at the time of the Final Wave the average was around forty days for a new claim.

Thus, IT difficulties have obscured the possible gains that may have been made with regard to processing times. In addition, changes to the organisation of processing LHA claims may also have led to some time gains. By the time of the Final Wave visit, steps had been taken to reduce processing times by introducing a system of checks on new claims. As they came into the LBS, each claim was checked to ensure that all information was included. Where documentation or information was missing, then the claimant would be contacted immediately. This measure aimed to reduce processing times by removing the delays inherent in a system where a claim may wait for some time to be checked and then be found incomplete so leading to further delay. In addition, only complete claims would be passed on to processing staff, so increasing the number of claims they could handle daily.

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At the time of the Baseline visit, HB applications were processed by officers working across all tenures. Anecdotally, it was observed that PRS cases tended to take longer, because those cases tended to be more complex, and more information was needed from the claimant. The creation of a specific LHA team has meant that by the time of the Final Wave visit it was becoming more possible to establish workload per processing officer. Concerns relating to accuracy have placed an emphasis on getting claims inputted correctly the first time. Processors are expected to complete at least six new claims a day, although more experienced officers are more likely to reach a target of inputting eight cases accurately.

Overall, the lack of accurate data at Baseline and the ongoing IT problems make it difficult to be categorical about how far the LHA had brought administrative benefits with regard to processing. Anecdotally, it was thought that although the new regulations had brought some obvious benefits that must introduce time-savings – the most pertinent being the removal of the requirement to make separate rent determinations – the changes were not so radical that substantial and noticeable savings would be effected. Many of the more problematic and time-consuming aspects of processing remained, including the requirement to check income, and the need for proof of rent liability.

### Assisting claimants with the LHA

A second area in which the LHA was intended to bring benefit was with regard to transparency, which it was hoped would have the effect of easing the task of advising claimants. The One Stop service is the first port of call for all Leeds resident seeking advice on services delivered by the local authority. At the Baseline stage there were 120 staff in fifteen offices throughout Leeds; the central office in Great George Street had 60 staff including five managers. Demand for services was very high, and the city centre operates a 'front line' of thirteen reception staff that aim to deal with less complex cases, and staff working eighteen advice 'booths'. These staff dealt with up to 1,000 callers a day.

There were four core types of enquiry that the team dealt with: housing, benefits, council tax and social services. Most of the HB PRS enquiries came to the city centre office. As was the case through the whole evaluation period, the One Stop dealt with all face-to-face enquiries relating to HB, and around 80 per cent of the caseload in the city centre related to that service alone. However, most of the queries related to HB payable in social housing rather than the PRS. It was felt that the PRS queries were a negligible aspect of the workload, and so difficult to quantify.

Where there were PRS HB queries, it was felt that a lot of this was 'repeat business', with individual claimants generating a lot of work because of frequent moves. In addition, there were a number of landlords who routinely accommodated vulnerable tenants and brought these tenants into the service either to make a claim or enquire about an existing claim. The One Stop advisors were trained in Verification in giving assistance to make claims, but did not undertake any processing tasks. However, it did aim to reduce the number of queries that were passed through to the processing team.

There has traditionally been a good working relationship between the One Stop service and the LBS. The service was included in the multi-agency talks prior to the introduction of the LHA, and the Pathfinder Manager delivered training on the new regulations to advise staff.

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The introduction of the LHA offered no substantial change to the way in which the advice service operated. In terms of advice offered, there was no substantial increase in face-to-face queries relating to the LHA, although the delays in payments created by the IT difficulties had become a notable trend in the type of query that was fielded by staff. By Wave Two of the evaluation, delays in processing remained commonplace, but advisors were commenting favourably on the new regulations, particularly with regard to their transparency. The fact that it was no longer necessary to arrange a Pre-Tenancy Determination was valued as removing an irksome step in the advice process.

By the time of the Final Wave visit, it was considered by One Stop staff that the LHA regulations had been so far 'bedded in' as to be unnoticeable. However, it was not the case that ease of giving advice with regard to LHA had translated to resource savings. At the Baseline stage, HB inquiries constituted a 'negligible' proportion of the visits made by the public to the service, and so it was unlikely that even substantial improvements in transparency with regard to the LHA would have led to any resource changes.

By the time of the Final Wave visit, it was also the case that advice staff had access to information that advised them of applicants who would be deemed 'unlikely to pay.' Although One Stop staff played no active role in deciding whether a claimant could be regarded as vulnerable, they were able to collect information on which the decision would be made, so speeding up that process. Further, a flag on case notes indicated to advice staff where a claimant had been deemed 'unlikely to pay,' and so the payment would be made automatically to the landlord. It was thought useful by advice staff to be able to explain this circumstance to the claimant face-to-face at the initial contact.

In addition to the advice staff, officers in the Strategic Housing Business Team also made use of the LHA regulations in order to set up a scheme whereby statutorily homeless households were given the option of moving out of temporary accommodation, and given tenancies in the private rented sector. There were two ways in which the LHA was deemed valuable. First, the way in which the LHA rates had been set for Leeds ensured that fewer tenants were likely to face a shortfall between their rents and the LHA payable to their given household. This development meant that it was possible for the Strategic Housing Business Team to attract private sector landlords to let to tenants reliant on LHA to pay their rent. A further incentive was the decision made to categorise all households accommodated under the scheme as 'vulnerable.' Many of the households had had experience of sleeping rough, and were living in hostels and other temporary accommodation prior to their involvement with the homelessness initiative. Landlords were therefore guaranteed that payments would not be made to the tenant, but come to them directly for the first twelve months of the tenancy. By the time of the Final Wave visit, around 300 households had been accommodated under the scheme. This option was also offered to households who considered themselves to be homeless or threatened with homelessness in order to prevent their homelessness.

### **The Rent Service**

The principal change brought by the LHA related to the work of TRS. Under the new regulations, TRS would be responsible not for establishing a property- specific and size-related valuation and an LRR for each claim, but the setting of a series of LHA figures that could be applied to households of different sizes. This alteration would remove a significant task from the workload of the rent officer.

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A number of staffing changes took place within TRS soon after the Baseline stage of the evaluation. Some key staff changed position, and there was a reduction overall in staff numbers dealing with Leeds, from eight to five staff members. By the time of the Second Wave visit, the number of officers dealing with Leeds had reduced further, to three. TRS stressed that the changes were not a consequence of the LHA.

TRS has completed three shadow determination exercises during the course of the evaluation. The first was completed using temporary staff to complete the more routine aspects of Rent Officer work. The last two exercises were accommodated within existing workload. At the time of the last visit, staff were deemed to be 'not overworked but not comfortable either.' Existing staff now concentrate on the analysis of market evidence, and the addition of anecdotal evidence on letting onto the existing database. The officers involved had all worked to increase their knowledge of the local markets in Leeds.



## **Chapter 6: Delivering the LHA: some continuing issues**

### **Introduction**

This chapter considers some of the longer-term issues relating to the delivery of LHA. These included elements of the administration of ‘the safeguards’: in particular, the work of the vulnerability team; the payment of the first cheque to the landlord; and the incidence of arrears cases. Continuing issues also included uncertainty with regard to the impact on overpayments; the lack of a clear monitoring strategy testing for any possible increases in homelessness due to LHA; and some questions relating to the setting of the LHA rates for the city.

### **Administering the safeguards**

Overall, there appeared to be a high level of satisfaction from all stakeholders in relation to the administration of the safeguards to ensure that payments would be made to landlords in the event of a tenant being unable to handle their rent, where substantial arrears had accrued or the tenant deemed unlikely to pay. However, by the Final Wave visit, Leeds had not yet settled on its long-term strategy for administering the safeguards. Further, problems were evident in the increasing incidence of tenants falling into rent arrears.

### ***The work of the Pathfinder Team***

It has been indicated in Chapter 3 that the Pathfinder Team has continued to take sole responsibility for making and reviewing safeguard decisions, with their work largely based on the submission of evidence from landlords and tenants, with follow-up work on corroboration completed by the Visiting Team. There was general agreement that the Pathfinder Team had been successful in implementing a consistent approach to decision-making. However, by the Final Wave visit it was noted that specific funding for the Team would be withdrawn at the end of the Pathfinder phase, and LBS had not yet decided how it would allocate the Team’s responsibilities.

At the Final Wave it was commented that, over the course of the last few months, the team had built up sufficient ‘case precedent’ for guidelines to be drawn up so that either team leaders or processing staff could take on responsibility for the decisions. However, a timetable for the handover of responsibility had not been set. It is possible that passing on decision-making to processing or team leading staff might begin to introduce delays in the task of making vulnerability decisions. The Pathfinder Team had given this work a high priority and no problems or complaints had been evident with the decision turn-around over the course of the evaluation.

### ***First payment to landlord***

Within the existing HB regulations, it is possible for a local authority to decide that, in the interests of administrative efficiency, all first HB cheques would be made payable to the landlord. When the LHA

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regulations were introduced in Leeds, the decision was taken that this payment would comprise an additional safeguard, and the development was promoted as such to local landlords. The first payment to landlords was a means of allaying landlord fears that tenants would simply spend the first LHA payment, and this circumstance was deemed to be more likely in cases where processing delays could mean that the first payment was substantial.

Under the existing HB regulations, it is possible for the tenant to indicate that they do not want the payment to be made to the landlord: the LHA claim form has a tick-box to that effect. However in Leeds, if a tenant wanted the first cheque to be made to them, they were required to provide proof that they had been paying the rent or a suitable explanation why they did not want the landlord to be made aware of the benefit claim.

At the time of the Final Wave visit, there was some discussion on the possibility that LBS may withdraw from the tactic of first payment to landlord. Discussion of this issue with the landlords' forum indicated that such a move would be unpopular. It was thought that the system of first payment to landlord was a valuable safeguard that, if anything, had not been implemented with the rigour that landlords favoured. Some tenants had been able to direct the first payment to themselves, and there was anecdotal evidence of tenants absconding with large payments following delays in processing a claim.

### **Payments to landlords**

Table 6.1 indicates that the proportion of payments made to landlords has increased over the course of the evaluation period, and at February 2006 stood at 18 per cent. This figure remains a substantial reduction compared with the pre-LHA percentage – 67 per cent - but the overall trend is upwards. For the most part, the increase reflects a growth in the incidence of rent arrears. There was general disappointment with the growing incidence of payment to landlords, but few respondents could provide an adequate explanation.

**Table 6.1 Proportion of payments to landlords**

	Pre-LHA	October 2004	May 2004	July 2004	December 2004	May 2005	December 2005	February 2006
Proportion of payments made to landlords	67	8	6	7	9	10	16	18

Much of the growth in payments to landlords reflects the increased incidence of arrears over the course of the evaluation period. In February 2006, 35 per cent of all payments to landlords were a consequence of rent arrears; a further 27 per cent of cases comprised households that were deemed unlikely to pay their rent.

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**Table 6.2 Reason for payment to landlord**

Reasons for payment to landlord: percentages of payment to landlord							
	2004				2005		2006
	May	Aug	Oct	Dec	Feb	May	Feb
Unlikely to pay	4	7	8	8	19	18	27
Rent arrears	17	22	30	37	34	37	35
Vulnerable	79	71	62	55	47	45	36
Number of cases	138	356	501	687	499	599	1,103

Source: LBS.

A number of reasons can be put forward in explanation for the increasing number of rent arrears cases. First, it may be that tenants are finding difficulties in accessing and managing basic bank accounts. However, these problems were deemed to be minimal in Leeds, particularly since the expansion of the Credit Union into the One Stop shop at Great George Street. Indeed, the number of claimants who are receiving their LHA by means of electronic bank transfer has been steadily increasing over the course of the evaluation. In May 2004, the proportion was 38 per cent. By May 2005, the figure was 63 per cent.

Another explanation for the increased incidence of arrears is the possibility of collusion between landlord and tenant on the incidence of rent arrears, because either or both parties preferred payments to be made to the landlord. The Visiting Team reported that collusion was difficult to counter if both parties were determined to have the payment made over to the landlord.

### Overpayments

Overpayments within the authority are dealt with by the Sundry Income Enforcement Section (SIES), which lies within the Revenues Department. Approximately three years before the introduction of the LHA the authority adapted a corporate debtors system and the recovery of benefit overpayments was integrated into that model. However, the introduction of the Academy software to benefits processing offered the opportunity to integrate Council Tax, Housing Benefit and Benefit Payment Recovery. The new system was set in place in the early months of 2004.

Since April 2004, and following the introduction of Academy software, a specific team working solely with HB has been introduced within the SIES. The team comprised ten officers and dealt with around 20,000 cases a year, split roughly 60 per cent council housing and 40 per cent PRS and registered social landlord tenants. Anecdotally, it was reported that there was always a higher incidence of overpayment within the PRS although changes in organisation and the switch in IT means that it was not possible to produce statistical data to support that supposition.

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Although there was an awareness of the introduction of LHA and how this may impact on recovery performance within the SIES, the migration to the Academy software and subsequent work backlogs also impacted on overpayment recovery performance during the year. Early teething problems and workload issues resulted in significant delays in raising invoices for overpayments and thus made it difficult to assess the extent to which the introduction of LHA did in practice impact on recovery performance.

By the time of the Final Wave visit, the situation had improved with regard to IT, but it was still not possible to extract detailed data on the levels of overpayment for PRS tenants and the balance of overpayments incidence between tenants and landlords. Anecdotally, it was thought that the LHA had not brought significant changes, and indeed there was no worsening of the record with regard to overpayments recovery from PRS tenants. There were further issues that have obscured the collation of accurate performance trend data for overpayments. First, under the old HB system, 'automatic' overpayments will have been generated as a tenant moves from one property to another. Under the LHA, a standard allowance continues to be paid even if a tenant changes property, and even if the property size changes, providing the household composition does not alter. Second, the ability to recover overpayments has been restricted by the introduction of an authority-wide cap on debt recovery from households reliant on benefit, of £5 a week. This cap applies in all cases of benefit overpayment. The restriction increased the time that would be spent recovering an overpayment from a given tenant, so impacting on the debt recovery figures. It had been hoped that any excess of LHA might be used to offset any overpayment to tenants, but it was decided by the Department for Work and Pensions that such a move would run counter to the market incentives offered by the new regulations.

### Homelessness and the LHA

The number of households deemed to be unintentionally homeless has dropped substantially in Leeds, from 1,108 cases in the first quarter of 2004, to 511 in the second quarter of 2005. The reason for the downward turn could not be explained. However, the proportion of cases in which loss of PRS accommodation was given as the principal cause of homelessness has increased substantially, from eight per cent to fourteen per cent.

In the early stages of the evaluation period, neither of the advice agencies that were contacted – the CABx or the Tenancy Welfare Officer – noted any increase in tenancy breakdown as a consequence of the LHA. However, as the evaluation has progressed it has become clear that the majority of such cases was probably present at the local authority's Housing Advice Centre, which is a city-centre, shop-front property. It has proved difficult to access front-line staff able to talk about any possible increases in caseload with regard to the end of PRS tenancies. Without clearly-defined, ongoing monitoring it has not been possible to make any categorical statement about the impact of LHA on homelessness in the authority.

### Determining the LHA

The LHA rates for specific household sizes were established by TRS immediately prior to the introduction of the new regulations, and since that time have not changed. By the Final Wave of the evaluation, some

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concern was being expressed by respondents outside TRS that the change had not reflected shifts in the market, and in particular the probability that rents had increased. However, TRS has – throughout the evaluation period – continued to assess the rates on a monthly basis. It was also clear that TRS was unwilling to make only minor changes to the existing LHA rates. Early in the evaluation TRS in Leeds expressed its desire only to change the rates when a long-term trend in either increases or decreases in rent levels had become apparent, and that there was little benefit in shifting the rates up or down periodically to reflect short-term fluctuations in the market. The desire to avoid misleading and excessive volatility was a policy that has continued since the previous HB system.

A continuing issue with regard to rent determination has been the ability to determine the LHA without regular access to shadow determination information. Prior to the introduction of the LHA, rental payments in tenancies supported by HB had not fed into TRS calculations of LRRs and SRRs, since it was felt that HB payments may then – in some locations – ‘lead the market’ with regard to setting a local rent level. This principal has remained under the LHA, and TRS is tasked with specifically excluding all LHA-related rental data from their market database. However, under the old HB regulations, regular access to referrals meant that the database could be ‘cleansed’ regularly, by removing any reference to addresses where it was known that HB was payable. A lack of access to these determinations now means that regular cleansing of the database is not possible. During the evaluation period, a shadow determination exercise has given TRS some access to LHA caseload information, and in Leeds the shadow determinations were used to check the database. However, it was felt that the cessation of the exercise would mean difficulties in being able to exclude possible LHA data from the database.



## **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 finally, were there any unforeseen administrative outcomes following the introduction of the LHA?

### **Administrative efficiency**

In theory, a number of aspects of the new regulations point to the possibility of making substantial gains in terms of administrative efficiency. Many of the respondents commented that claim processing was easier under the LHA because there is no need to refer all rents to TRS for determination. Further, it is unnecessary to institute a system of interim payments pending a determination, and in theory little rent information is required beyond proof of a liability to pay rent. However, isolating evidence of any administrative gains is highly problematic. In Leeds, a number of factors militate against the ability to demonstrate any efficiency gain. First, the introduction of a new IT system at the beginning of the evaluation period has removed the possibility of any 'like for like' comparison of processing times pre- and post-LHA. A large-scale reorganisation of processing also creates difficulties with comparison, as the introduction of the LHA also brought the establishment of processing teams that were tenure-specific.

Second, non-LHA-related changes to benefit administration took place, including an end to benefit review periods. This measure has meant that staff members are processing fewer new claims but dealing with the introduction and administration of postal enquiries and personal interventions. In addition, the LBS aimed to improve its administration through a system of checking all new claims to ensure that they were complete, before being sent on for processing. This measure is likely to have reduced delays but again, quantifying the gain is difficult.

Overall, the trend in Leeds has been for processing times to improve and it may be that once difficulties with IT and new staffing arrangements have settled, then further improvement will be forthcoming.

In other areas where administration related to the LHA – such as fraud investigation, conducting appeals, and the payment of Discretionary Housing Payments – the impacts of LHA were regarded as minor.

It remains the case that, despite the new regulations, many aspects of assessing and paying claims for assistance with housing costs are still complex and time-consuming.

## Local Housing Allowance Final Evaluation: Implementation and delivery in Leeds

### Fairness

In Leeds, questions relating to equity were generally answered with reference to the operation of shortfalls. Overall, the LHA was deemed to be more equitable since fewer claimants were subject to a shortfall between their eligible rent and the level of assistance they received. Prior to the introduction of the LHA, around 64 per cent of tenants had their rent restricted in some way, with the average shortfall between the referred rent and the lowest rent restriction of £19.30 a week. This situation changed substantially with the introduction of the LHA. As Table 8.1 indicates, at May 2004, 24 per cent of claimants were experiencing a shortfall, with 75 per cent receiving an excess payment.

**Table 7.1 A comparison of the LHA rate and the eligible rent**

	Excess	Shortfall	Equal
May 2004	75	24	1
July 2004	74	24	2
February 2005	63	33	4
May 2005	60	35	5
November 2005	56	38	6

Note: The table does not take into account reduced entitlement on income-based claims or non-dependent deductions.

Source: LBS LHA Monthly Reports.

Overall, respondents were satisfied that a greater proportion of claimants were receiving more assistance with their rental payment, which was deemed to be a more equitable way of delivering the benefit. However, it is interesting to note that the proportion of claimants receiving excess payment decreased rapidly, and at November 2005 stood at 56 per cent. It might be claimed that this aspect of LHA 'equitability' was short-lived, and that rental increases soon absorbed many excess payments.

A further issue relating to equitability was raised: that the amounts of excess received were, in some instances, excessive. Table 7.2 indicates that overall, around a third of tenants in receipt of an excess were receiving under £10 a week, around a half were receiving between £10.00 and £29.99 a week, and a further fifth were receiving more than £30 a week in excess payment. One or two respondents deemed this situation 'unfair,' particularly given the low wages paid to local authority staff on lower-grade clerical scales.

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**Table 7.2 Breakdown of the amount of excess LHA received**

	Percentage receiving £0.01-£9.99	Percentage receiving £10.00-£29.99	Percentage receiving £30.00+
February 2005	30	50	20
May 2005	31	49	20
January 2006	34	49	17

Source: LBS LHA Monthly Reports.

One final issue that for one respondent was an ‘equity’ issue, was the fact that the LHA would be payable on properties where no assessment would be made on the quality of the property. This circumstance was deemed to be inequitable, in allowing unscrupulous landlords to continue offering poor-quality accommodation.

### Transparency

One aspect of the LHA regulations on which there was widespread comment, and general agreement, was the fact that transparency had been achieved with regard to the level of allowance payable to households of differing sizes. Many of the respondents noted that it was easier to advise tenants on the level of LHA they would receive, and the LHA rates were thought to be widely publicised. There was little comment on any difficulties attached to the way in which the safeguards worked, although it was clear that some landlords felt that they had been misled on the regulations pertaining to the payment of the first cheque to the landlord. Overall, the LHA regulations were considered easy to work with, particularly by the agencies that routinely advised tenants.

### Unforeseen administrative outcomes

The introduction of the LHA in Leeds had no unforeseen administrative impacts. One of the more noticeable trends evident in the Final Wave visit was the low level of dialogue evident between TRS and LBS. LHA had removed the necessity of day-to-day dealings between the two agencies. The lack of formalised liaison was reflected in uncertainty within the LBS on TRS decisions with regard to the LHA rates. In the absence of shadow determinations exercises, TRS needs some way in which to access even anecdotal information on the LHA sector of the rental market, and the development of too-distant and too-formalised a relationship between the two agencies would be unfortunate.



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