

The Nine LHA Pathfinder Areas:

**A summary of the baseline position
before the introduction of the LHA**

The nine LHA Pathfinder Areas: A summary of the baseline position before the introduction of the LHA**Introduction**

The Local Housing Allowance (LHA) is the most radical structural change to Housing Benefit (HB) since its introduction in 1988. The LHA provides housing support based only on location and household size. Unlike the current system of HB it is not linked to individual rents. The aim of the LHA is to increase choice for tenants, encourage personal responsibility and reduce barriers to work.

Its design should make it simpler and easier to understand for tenants and landlords alike, whilst helping to improve the speed of administration.

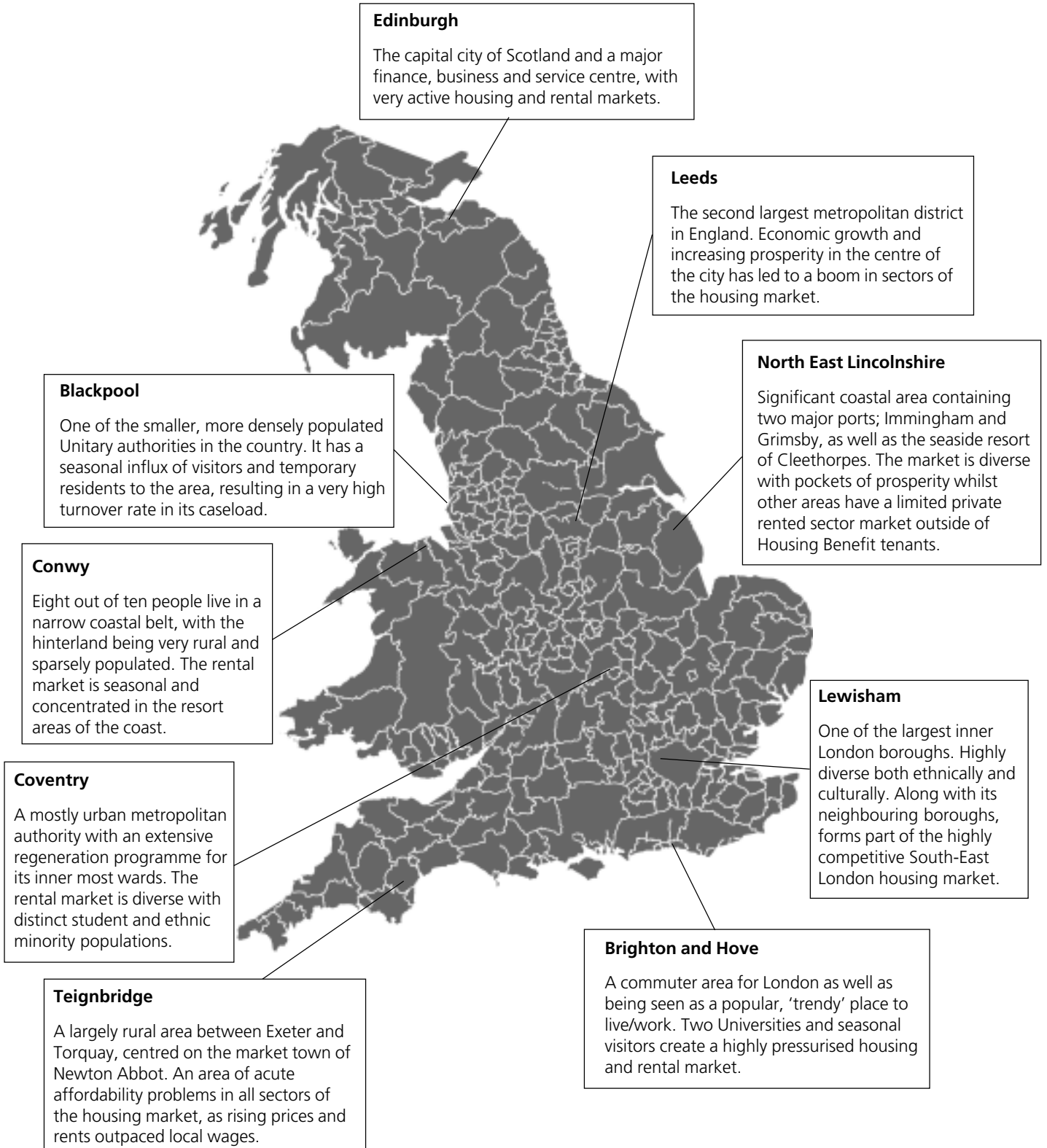
This report is the second in the series forming the evaluation of the Local Housing Allowance Pathfinders in the deregulated private rented sector. The first report in the Local Housing Allowance Evaluation Series; 'Evaluating the Local Housing Allowance Pathfinders', sets out in more detail the policy background to the LHA and the approach being taken for the evaluation of the nine Pathfinders.

This report is designed to be a baseline, setting the scene for the introduction of the policy and providing a benchmark against which future reports can be compared. This paper brings together the evidence gathered from the key stakeholders in each of the nine Pathfinder areas before the LHA was introduced, but also captures the later stages of the preparation for 'go-live' in the nine authorities.

The Pathfinders were chosen to provide a range of different housing market, geographical factors and labour markets. The report starts by outlining the characteristics of the Pathfinders and comparing some of these areas. The report then provides a summary of discussions with the key stakeholders about their views on many of the key issues that the LHA is designed to address.

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Figure 1: The Pathfinder Areas

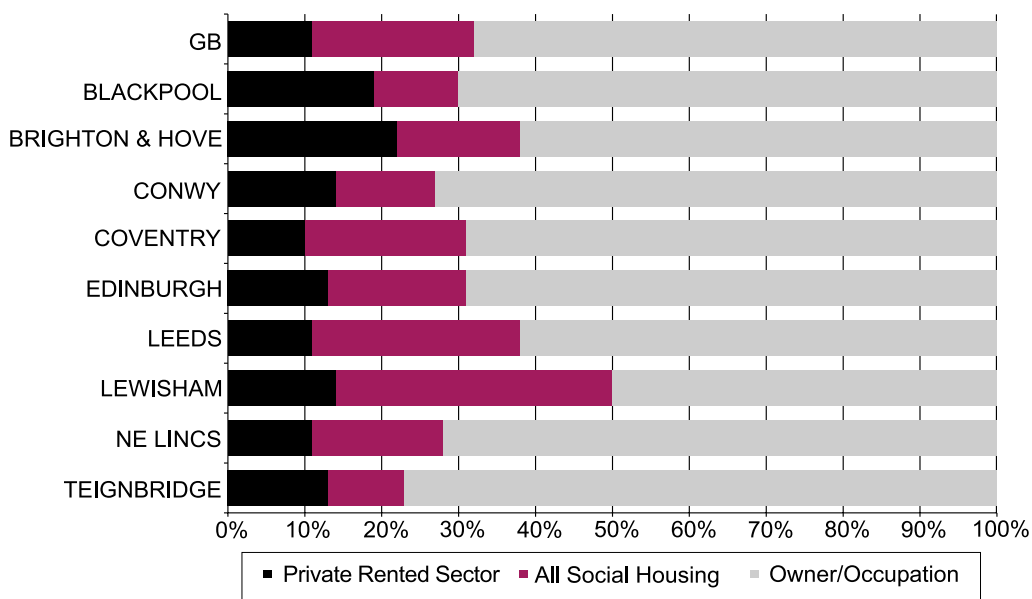


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Housing tenure

The nine Pathfinder areas cover a range of housing and labour market characteristics.

Figure 2: Housing tenure in Great Britain and the nine Pathfinders



Note: proportion of households in each tenure

Source: 2001 Census

In terms of housing tenure, Teignbridge has the highest proportion of owner-occupiers at 77 per cent. Out of all the Pathfinder areas, Lewisham has the highest proportion of households in the social rented sector, at 36 per cent, with Brighton and Hove having the greatest proportion in the private rented sector.

Across the country 11 per cent of accommodation is in the private rented sector. Six of the Pathfinders have a higher proportion of households living in the private sector than this. Only Coventry has less than the national average, at 10 per cent of households.

Brighton and Hove, Edinburgh and Leeds all have more than 25,000 households living in the sector; Leeds having the most at nearly 33,000 which is a reflection of it being the largest of all the Pathfinder areas (in terms of number of households in the local authority area).

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Housing markets

All of the nine Pathfinder areas have seen a lot of activity in their housing market in recent years. In particular, and in common with large parts of the country as a whole, all have seen house price increases, which in some areas have been substantial. For many of the Pathfinders this has led to issues of affordability, and, increasing demand and pressure on providers of rented housing, as people become priced out of the owner-occupied sector.

Other Pathfinders have seen rapid property price increases in parts of their local area but not as much movement in less popular parts. This has been a feature of the Coventry market for instance.

Social housing

Two of the Pathfinder areas, Coventry and Teignbridge, have no council stock in their local authority area following a Large Scale Voluntary Transfer to a Registered Social Landlord. (In North East Lincolnshire the council was proposing a vote on a stock transfer in the near future.) But, other areas have also seen reductions in council, and social housing more generally, principally through the Right To Buy scheme and regeneration and demolition initiatives of abandoned or difficult-to-let properties.

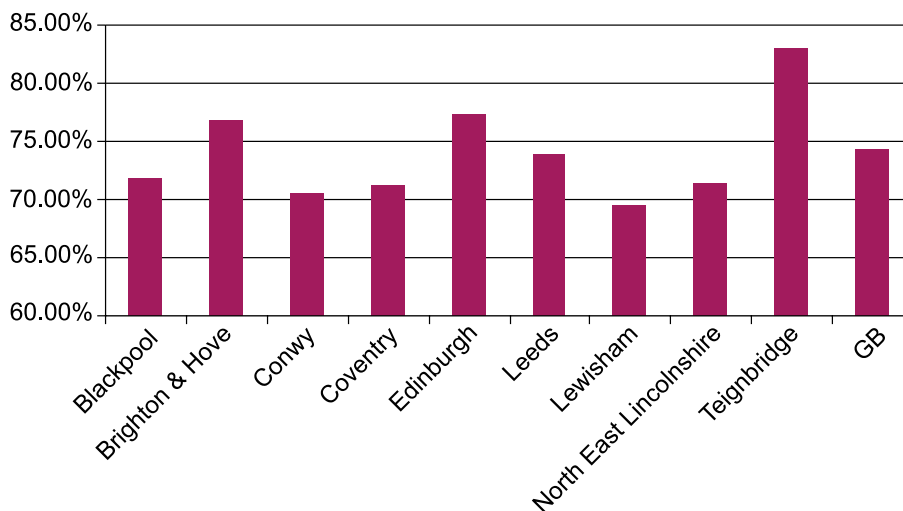
The private rented sector and housing benefit

Housing benefit claimants' access to the private rented sector varies amongst the Pathfinder areas. They are often competing with other groups of tenants for accommodation and landlords' letting strategies will consider the options they have for renting out their property.

Many of the Pathfinders are in buoyant economic areas where tenants on Housing Benefit will be competing with those tenants not reliant on benefit. Three Pathfinders, Brighton and Hove, Edinburgh and Teignbridge have employment levels above the national average. Although Housing Benefit is also an in-work benefit, access to accommodation for those on Housing Benefit may be more limited in these areas, depending on the preferences of landlords for particular types of tenant.

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Figure 3: Employment rates in the Pathfinder areas 2002/03



Source: Local area labour force survey, March 2002-Feb2003.

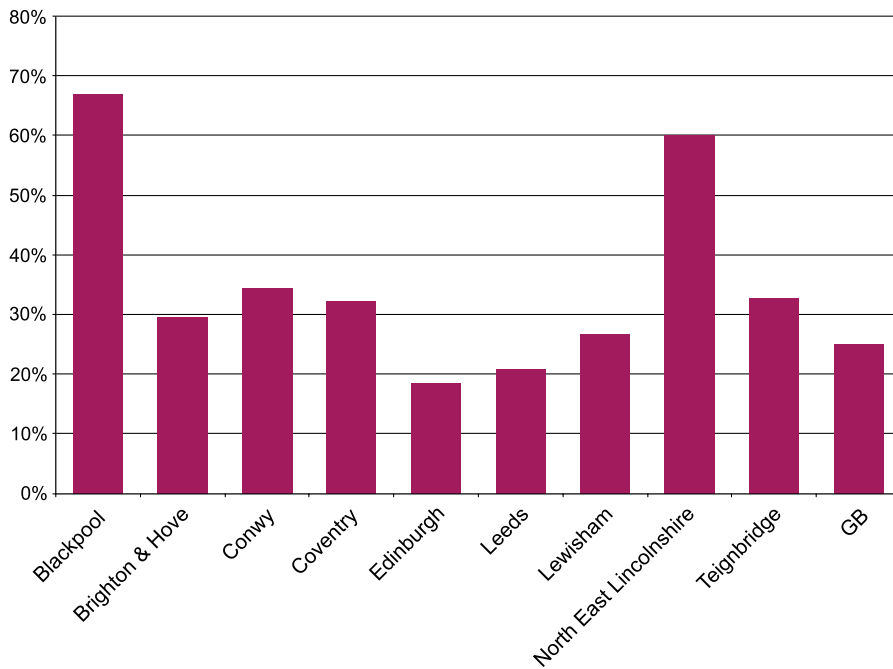
Similarly, many of the Pathfinder areas have significant student populations. In Coventry, the presence of two universities was thought to be an important factor within the local private rented sector market. Brighton and Hove, Leeds and Edinburgh also have large student populations in their area.

In addition, three of the Pathfinder areas are National Asylum Seekers Support (NASS) dispersal areas – Coventry, Leeds and North East Lincolnshire. This again was thought, in some instances, to increase the pressure on the private rented sector as landlords will have other options available to them rather than renting to tenants on Housing Benefit.

The chart below shows an estimate of the proportion of the private rented sector which is occupied by those receiving Housing Benefit in each of the Pathfinder areas.

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Figure 4: The private rented sector and Housing Benefit



Sources: 2001 Census and HBMIS, DWP (see separate note at end of report)

Housing Benefit caseloads

In Great Britain, there are just over 630,000 private deregulated cases, which comprise 17 per cent of the 3.8 million caseload on Housing Benefit. The Pathfinder areas represent a good mix of areas where private deregulated cases represent a more or less significant proportion of the total Housing Benefit caseload in the local authority. For example, Edinburgh has 5,100 private deregulated cases representing approximately 16 per cent of the Housing Benefit caseload for the local authority – a similar proportion as for Great Britain as a whole; in Blackpool 58 per cent of Housing Benefit cases are deregulated private tenants; in Leeds the proportion is only 12 per cent.

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Table A: Housing Benefit caseloads in the Pathfinders

	ALL HB cases	Private deregulated cases	
	Thousands	Thousands	Percentage of all HB cases
Great Britain	3,807.7	632.5	17%
Blackpool	13.6	7.9	58%
Brighton and Hove	21.9	7.6	35%
Conwy	6.4	2.3	36%
Coventry	21.2	4.0	19%
Edinburgh	31.9	5.1	16%
Leeds	57.1	6.8	12%
Lewisham	27.4	3.9	14%
North East Lincolnshire	11.7	4.2	36%
Teignbridge	5.6	2.2	39%

Source: HBMIS quarterly caseload counts, August 2003

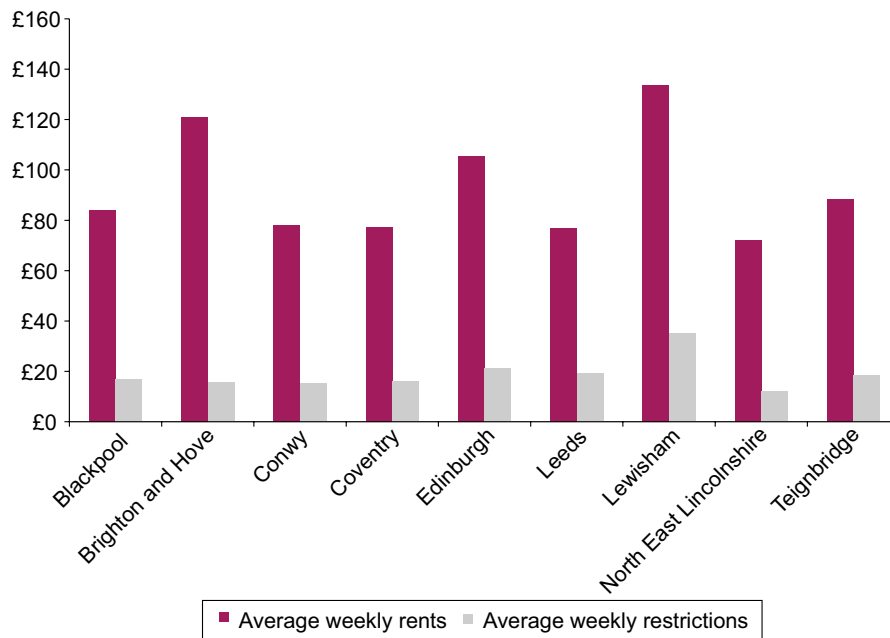
Rates of benefit

Under the current Housing Benefit scheme, the level of benefit received is tied to the rent being paid by the tenant (subject to a range of restrictions applied by the rent officer) and details of the claimants' own personal circumstances. The consequence of this is that claimants may face a shortfall between their rent and the amount of rent which is eligible for Housing Benefit; a shortfall which some landlords will expect the claimant to make up themselves.

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The two charts below, figures 5 and 6, show average weekly referred rents, average weekly rent restrictions and the proportion of cases with rent restrictions in each of the Pathfinders in 2002/03. These charts include all pre-LHA rent restrictions: both property specific restrictions (here taken to include significantly high rents, exceptionally high rents and over-large restrictions); and the Local Reference Rent and Single Room Rent restrictions.

Figure 5: Average weekly referred rents and rent restrictions, 2002/03



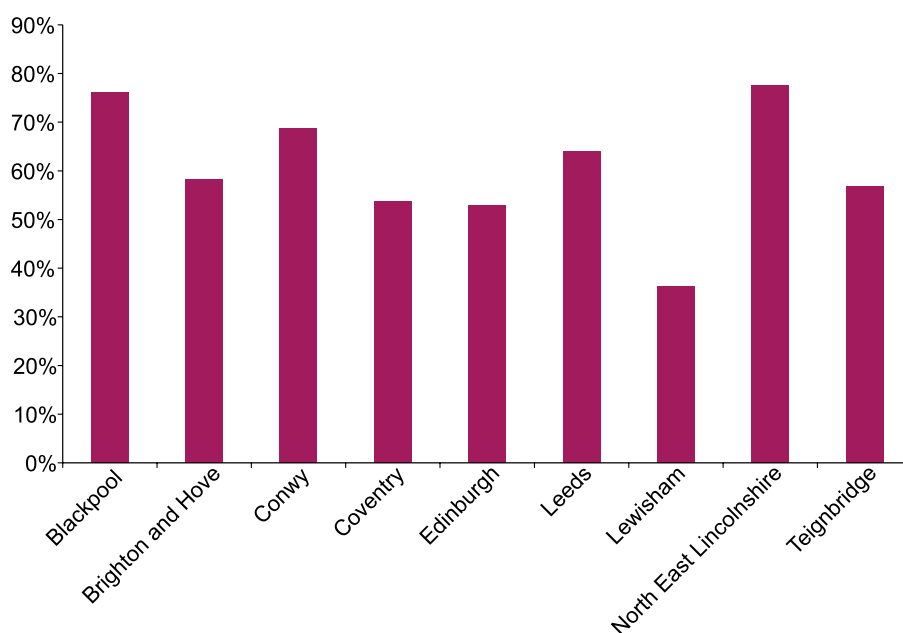
Source: Rent Officer data for England, 2002/03, for Wales 2000/01, for Scotland 2001/02.

Note: Welsh and Scottish data has been updated to 2002/03, using growth in rent and rent restrictions for England as a whole. These estimates may slightly over or under-state the actual figures for Conwy and Edinburgh in 2002/03.

The average weekly rent restriction before the LHA is highest in Lewisham (£35.20) and lowest in North East Lincolnshire (£12.00). To some degree, the average rent restriction will reflect the average weekly referred rent.

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Figure 6: Proportion of cases with rent restrictions in English LHA pathfinder areas - 2002/03



Source: Rent Officer data for England, 2002/03, for Wales 2000/01, for Scotland 2001/02.

Note: Figures for Edinburgh and Conwy assume that the proportion of cases restricted in 2002/03 is the same as in 2001/02 and 2000/01 respectively. These estimates may slightly over or under-state the actual figures in 2002/03.

Blackpool and North East Lincolnshire have the highest proportion of cases with some sort of rent restriction (just under 80 per cent). Lewisham has the lowest (around 36 per cent). It is likely that the proportion of cases with rent restrictions will be related, to some degree, to the choice available to Housing Benefit tenants. This will depend upon the quality and supply of properties available to Housing Benefit tenants and the rental values of these properties relative to the distribution of rents in the area.

The LHA is designed to pay the same amount to tenants with similar circumstances living in the same area. This removes the need to refer Housing Benefit rents to the rent officer. There are also no property specific restrictions under LHA, so those claimants who had a property specific restriction which is below the LHA level will be better off under the new scheme. Instead the Housing Benefit recipient chooses whether or not they live in a property where the rent is fully met by the LHA.

Payment of benefit

The intention with the LHA scheme is that the allowance would be paid to claimants in the majority of cases. This is intended to help ensure tenants are responsible for budgeting and paying the rent themselves rather than have it paid for them, and will be prepared for a move into work. This fits in with the

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Government's wider objective of payment modernisation and financial inclusion; bringing those on benefit into mainstream financial services. The DWP Pathfinder Project has included funding for additional money advice to help tenants who do not have bank accounts to access them.

Currently the majority of HB payments for private rented sector tenants are made direct to the landlord. Nationally, it is estimated that around 60 per cent of payments are made to landlords with the remainder paid to claimants.

The breakdown for each of the nine Pathfinders, for those in the deregulated PRS, is given below. These figures are estimates provided by the local authorities. The payment of benefit before and as a result of the LHA will be investigated further throughout the evaluation period.

Table B: Payments of Housing Benefit in the Pathfinders

	Proportion of HB payments to claimant	Proportion of HB payments to landlord
Blackpool	50*	50
Brighton and Hove	59	41
Conwy	47	53
Coventry	41	59
Edinburgh	50	50
Leeds	33	67
Lewisham	45	55
North East Lincs	20	80
Teignbridge	60	40

Source: These figures have been supplied by the local authorities.

*For Blackpool the figure is for the PRS as a whole, for those who are likely to go on to the LHA scheme it is closer to 25%.

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Vulnerability

In recognition of the risk that some tenants may struggle with the responsibility of budgeting for, and paying, their rent, safeguards have been put in place for payment of the LHA. Pathfinder authorities have discretion to make payments to the landlord if they consider:

- that the tenant is likely to have difficulty managing their own affairs (and considered to be 'vulnerable' as a consequence)
- it is improbable that the tenant will pay their rent.

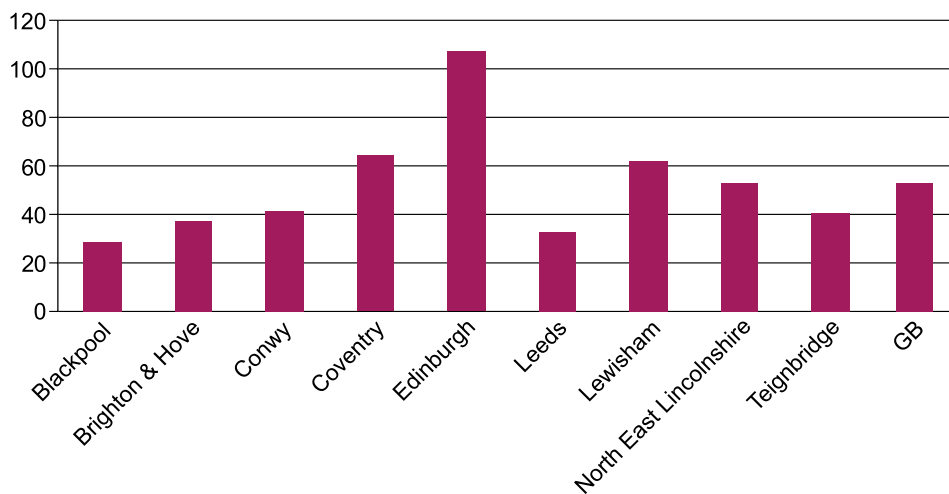
Arrangements for dealing with this provision by the Pathfinders and the issues raised as part of the baseline interviews, are discussed in the later sections.

Delivery of benefit

The LHA scheme means that there is no longer a need for individual referrals of rent to rent officers. The need to refer Housing Benefit claims for deregulated PRS tenants currently may add a further time delay to the overall processing of claims.

The average number of days to process a claim from PRS tenants in each of the Pathfinders, immediately prior to the introduction of LHA, is given below

Figure 7: Number of calendar days taken to process a new claim from a private rented sector tenant



Source: HBMIS, Dec 2003

Note: The GB figure is a weighted average based on data supplied by 315 LAs.

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It is important to note that this only gives a snapshot picture though and processing times may vary between each quarter and annually depending on a range of different organisational factors. Therefore, it can only give a general idea of processing times, which will be analysed in more detail throughout the evaluation period.

Anticipated Effects of the LHA: Stakeholders' Views

Payment of benefit

During the interviews at the baseline stage, concern has been expressed by some stakeholders about the likely response of certain tenants to receiving Housing Benefit direct for the first time. In some Pathfinders, where a significant majority of tenants have not received direct payment in the past, this represents a major cultural change. While advice agencies, for example, report that some of their clients welcome the possibility of receiving direct payment on the grounds that it will empower them, others are worried about receiving the payment direct. Previously, one Citizen's Advice Bureau worker stated, rent payments were one area of their lives that claimants did not have to worry about, - *'They just don't want [direct payment]'*.

As might be expected, however, the concern over direct payment is particularly evident among those landlords currently housing tenants claiming Housing Benefit, where at present Housing Benefit is paid direct to the landlord. *'Direct payment is the problem'*, as one interviewee put it, rather than the LHA itself.

In particular, there was a perception, especially but not exclusively among landlords, that tenants in receipt of Housing Benefit do not give paying the rent as high a priority as other items of household expenditure. Hence LHA recipients would use the Allowance to meet these other expenditures (such as replacing a broken washing machine) over and above paying the rent. One landlord argued that even with the 'very best' tenants there was a risk of rent arrears accruing under LHA. Some will 'borrow' against part of their LHA, but because of their low incomes will never be able to clear the resulting arrears. One respondent pointed out that: *'We know now that when they go on holiday they don't pay the rent, so that when they get the cheque through [that is, the Local Housing Allowance], off they're gonna go, aren't they?'*

Thus, the perceived problem is that many tenants will simply not pay their rent and, having built up eight weeks arrears, will either impose on the landlord the costs of having to wait for arrears to be paid off over time or, at worst, abandon the tenancy. A further problem is that some landlords are unsure whether Housing Benefit administration locally will be able to react quickly enough to being told that tenants are in arrears. These sorts of concerns have led to a suggestion by some landlords that direct payment ought to revert to them after four weeks arrears.

Landlords also anticipate increased management costs as a result of having to collect rents from tenants once again. This led some stakeholders to express fears about the return of the rent collector which could lead to tension, harassment, greater intrusion into tenants' lives, and issues of personal safety for those collecting (and paying) the rent.

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However, it is important to reflect a view put forward by a number of stakeholders in one Pathfinder that there were now so many reasons why direct payments to landlords could be maintained, or subsequently re-instigated, that the number of claimants actually receiving their LHA direct over time might be no greater than it was at Baseline Stage.

The Importance of bank accounts

Some of the above difficulties could be avoided if tenants have bank accounts into which Housing Benefit can be paid and from which the rent can be drawn by standing order. However, some stakeholders, and landlords in particular, argued that many tenants without bank accounts would probably not have the ID to open an account and, in any case, many banks would not want such claimants as customers. This led to suggestions that, in future, landlords will require ID to make sure that a potential tenant will be able to open an account.

At least one of the Pathfinders was expecting to have difficulty persuading people to have their LHA paid into a bank account. This is based on their perception of the local Jobcentre Plus Payment Modernisation Programme which aims to move 85 per cent of customers onto direct payments into bank accounts by March 2005. This was thought to be *'an uphill battle'*. Customers were believed to be resistant to the change because cashing a cheque or giro at the Post Office is felt to be a more tangible payment method and some are concerned about managing money if they have 24 hour access. But, many Pathfinders were doing a lot of work with local banks to make them aware of the introduction of the LHA and what financial services may be available to Housing Benefit claimants (see section on Implementation for more detail on this).

However, the difficulties of opening bank accounts for the first time may, in the view of some stakeholders, be exaggerated, given that, it was argued, anyone with a Benefit Book and an HB/CTB letter will have sufficient ID. Further, in one Pathfinder, at least one letting agent is planning to offer a free cheque cashing service to their tenants, backed by a major bank, on the condition that the cash is paid directly into the tenant's rent account.

Some of those interviewed also anticipated that claimants might have difficulties in managing bank accounts, once opened, either as a result of the 'temptation' to spend the Allowance on things other than rent, or due to a lack of experience in dealing with unauthorised overdrafts, missed payments and subsequent bank charges. Concerns over banks selling tenants other services that they cannot, in the end, afford were also expressed.

These issues had led one landlord to investigate opening joint bank accounts with her tenants, although this has problems in respect of the rights to pay into and draw on the account, overdrafts and bank charges. In another Pathfinder area the authority was promoting tele-banking because of the difficulties of getting local banks to agree to standing orders /direct debits fortnightly as the Allowance arrives in the claimant's account. By not giving tenants 'physical' access to cash, the authority believed that the money would be transferred to landlords' accounts rather than spent on other things.

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The impact on letting policies

There was clear concern among housing advice and welfare agencies, and apparently among tenants themselves, about the effect of direct payment on landlords' letting policies. In particular, some landlords have said that they will not take Housing Benefit claimants receiving direct payment in the future. There are anecdotal examples of tenants who have been told that they will be evicted or their tenancy will not be renewed because of the redirection of payments under the LHA. This would increase market pressures and the difficulties experienced by such households, and advice agencies in most of the Pathfinders expressed concerns about the subsequent impact on homelessness.

Some landlords have also said that they will choose to leave properties empty *'rather than have it trashed by a tenant who isn't giving me their HB'*. Conversely, some stakeholders have argued that tenants may choose to overcrowd in order to maximise their LHA 'surplus' and at least one landlord argued that it would be landlords who would be blamed if this was to occur.

In some Pathfinder areas, landlords report that they know of other landlords who have decided to sell their properties, while one participant in the study believed the problems were particularly acute for very small landlords where the failure of only one or two tenants to pay their rent may have a proportionally larger effect on the landlord's income.

The impact on rents

Many stakeholders, including some landlords, anticipate that landlords will attempt to raise their rents to the level of the LHA received by their tenants (or even higher) and that there will therefore be no net gain to LHA recipients. These higher rents could be interpreted as a risk premium, reflecting the greater risks, and perhaps greater costs, that landlords anticipate under direct payment. Some participants in the Pathfinders anticipated that landlords may start to demand that existing tenants receiving a level of LHA that exceeds the rent now meet shortfalls accumulated under previous Housing Benefit arrangements that were not pursued at the time.

In two authorities higher rents were predicted because, it was argued, many landlords currently were unaware of the Local Reference Rent or Single Room Rent, upon which the level of the LHA is based, that applied to their properties. However, with the introduction of LHA, landlords can see what the levels are going to be, and if it is felt that there is a real danger that they will adjust rents accordingly.

Views as to whether landlords would be able to sustain rent increases in the longer term naturally varied according to the conditions in the rental market in which they had property and the likelihood that tenants, other than those receiving the LHA direct, could be attracted to their properties. Some stakeholders believed that, irrespective of general market conditions, there would be a greater demand for cheaper or smaller properties where tenants can make an LHA gain, which will tend to push up rents at the bottom end of the market. Others believed that landlords would have to balance the benefits of letting to Housing Benefit claimants at the LHA levels that might be higher than previous Local Reference Rent's against the perceived disadvantages of not receiving direct payment.

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Vulnerability decisions and direct payment to landlords

Five main issues concerning decision making in respect of vulnerability were anticipated by stakeholders:

- Despite the arrangements being set in train by the Pathfinders to assess vulnerability, there were concerns over what would ‘trigger’ vulnerability considerations given the volume of claims that Pathfinders receive. As a result, some households finding accommodation in the PRS may not be classed as vulnerable even though their personal difficulties had brought about the loss of their previous accommodation.
- It was anticipated that appeals against ‘non-vulnerability’ would be initiated in the early stages of the LHA by landlords and at the time of the Baseline studies there was some uncertainty as to the legal status of these and how the Pathfinders should respond. Later in the implementation process it was anticipated that appeals would be initiated by landlords ‘encouraging’ tenants to appeal against the non-vulnerability decision, thus increasing the total number of appeals that had to be dealt with by Housing Benefit administration.
- While the evidential basis for vulnerability decisions is indicated in Guidance, some Pathfinders expressed concern over how evidence could be collected in respect of such requests for determining vulnerability status from tenants themselves (or their landlords).
- Vulnerability decisions are required to be reviewed. The details of how the reviews would be conducted had not been considered at the Baseline Stage.
- The new organisational and operational requirements for determining vulnerability decisions and the process by which they are made was expected to prove controversial and in some of the Pathfinders it was explicitly acknowledged that the process would need to be monitored.

Arrangements for LHA implementation in the Pathfinders

The Role of the Pathfinder Project Manager/Team in the Pathfinder

The LHA is a significant reform of the Housing Benefit scheme and, prior to its introduction, DWP put in arrangements to support the nine Pathfinders with the implementation of the scheme. All Pathfinders have a designated Project Manager to oversee the run up to, and the implementation of, the LHA. In a minority of Pathfinders, the Project Manager was, at Baseline Stage, the only officer working full-time on arrangements for the LHA. In others, the Project Manager led a Pathfinder Team of between three and five members who in almost all cases were seconded from elsewhere in the Benefits Division, although some authorities were planning to bring a Money or Debt Advisor into the Team itself.

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The Pathfinder Team's precise responsibilities, in addition to planning and timetabling the introduction of the LHA, included all or some of the following:

- Organising and servicing the Pathfinder Steering Group. The members of these Steering Groups varied between authorities in respect of, for example, the extent to which stakeholders from outside the authority, such as software providers and landlords, were formally included.
- The preparation of information and information packs on all aspects of the LHA (including bank account issues) for claimants and landlords
- The dissemination of this information, including meetings with, and presentations to, the Landlord Forum and welfare agencies external to the LA, and responding to requests for information and clarification from, in particular, individual landlords
- Preparing other forms of publicity, such as press releases for the local media and website information
- Agreeing procedures with the Rent Service
- Discussing with local banks the issue of, and their response to, claimants needing to open accounts
- Meeting with and informing other LA Departments and colleagues about the LHA and its implications
- Informing and leading training on the LHA for Housing Benefit and other local authority staff. Timing such training and organising the resources to deliver it was a major issue in some authorities
- Designing and testing procedures for LHA implementation within the Housing Benefit service. Particular attention has had to be paid to the vulnerability issue (see below).
- Involvement with testing the required changes to the IT system, although the extent to which the teams were involved in other aspects of IT, such as the identification of the necessary changes and subsequent training for Housing Benefit staff depends upon how IT responsibilities are allocated in individual authorities
- The Project Manager acting as liaison officer with the LHA Evaluation Team and representing the LA on DWP's Pathfinder Group
- The Pathfinder Team will also directly oversee much of the initial work involved in the implementation of the LHA

Informing claimants about transferring to the LHA

The extent to which claimants had been informed at Baseline Stage about the introduction of the LHA and its broad implications for them depended on the planned dates for 'going live' in each Pathfinder. All Pathfinders had plans to do so.

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In most authorities all existing PRS claimants and their landlords had already received some information through the post about the introduction of the LHA and its implications, often in the form of special packs. In one Pathfinder, Housing Benefit officers also attended Disability Forums and a large number of ethnic community group meetings, as well as special landlord meetings, to publicise the scheme. In the Pathfinder authority that was due to be the first to go live, it was intended that existing claimants and their landlords would receive a letter four weeks prior to their conversion to the LHA reminding them of the change. The letters to tenants were intended to include leaflets about opening a bank account and include a form to be returned to the service recording bank account details.

In this Pathfinder, the letter would also include a flyer from a welfare advice agency external to the authority giving the agency's contact details and offering to advise tenants concerned about the LHA, while assuring them of the agency's independence and the confidentiality of any subsequent contact with the claimant.

Plans for assessing vulnerability

The Housing Benefit officers in the Pathfinders are acutely aware of the importance of the vulnerability issue, although a minority of them expressed a view that assessing vulnerability requires judgements that Housing Benefit officers should not be expected to exercise. At the same time evidence on vulnerability must be incorporated into the assessment process and will be particularly important in the event of an appeal.

How vulnerability issues were to be dealt with was still under discussion in a majority of the Pathfinders at Baseline Stage. While it was expected that more senior Housing Benefit officers would take the final decision on a claimant's vulnerability, in most authorities the Pathfinder Team had contacted support groups and their authority's own departments dealing with homelessness, drug and alcohol problems, and services such as Probation, explaining the LHA and the vulnerability issue. In some Pathfinders these groups had already agreed that they will discuss the direct payment issue with their clients in receipt of Housing Benefit and will make a recommendation concerning this to the Housing Benefit Service. Some Pathfinder Managers anticipated that such a recommendation would normally be accepted by the Housing Benefit Service.

DWP have funded Money Advice posts in the Pathfinder authorities as part of the LHA, although at Baseline Stage in some authorities such posts had either not been filled or the appropriate individual who would fulfil the role in existing agencies locally had not been identified.

The extent to which housing and external money/debt advice agencies will be involved in the vulnerability decisions *per se* varies between the Pathfinders. In one authority it was planned to have such advice workers located in a physically separate part of the Housing Benefit offices. These workers would assess the vulnerability of claimants who contacted and make a recommendation on direct payment to the Housing Benefit Team. In another, an advice agency was to give a view on vulnerability but there was an explicit understanding that Housing Benefit officers would take the final decision. In others, external advice agencies were planned to have a more minor role, partly because the advice 'sector' was either small or had a relatively lower level of contact with Housing Benefit than the authority's own advice services.

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Plans for combating fraud

Some Fraud Officers and some of those involved in HB administration anticipated increased risks of Housing Benefit fraud under the LHA. Meetings between Project Managers and Fraud Managers have been held in most authorities, and fraud staff were due to attend LHA awareness meetings in one authority. However, prior to the introduction of LHA, in only one Pathfinder were new strategies and administrative processes for identifying and referring cases from Assessment Officers to the Fraud Unit thought to be needed and under discussion.

IT issues

There was a wide range of views among Housing Benefit administrators in the Pathfinders about the ability of their IT systems to cope adequately with the transfer of claimants to the LHA. The range of views partly reflected the different IT systems with which they were working and the past performance of those systems in respect of other recently introduced changes, such as Pension Credit.

However, some Project Managers argued that the required changes are not major and that the problems that did arise related more to the lack of time and resources that their Pathfinder timetable allowed for familiarising and training staff in the new system. One Project Manager said that the changes were in fact an improvement to their system since having, for example, one screen rather than four made it much easier to use for Housing Benefit processors and assessors. Another authority was delaying the planned wider improvements to their IT system until the LHA has been introduced and bedded in.

Rent Officers

Rent officer organisations have issued leaflets for claimants and landlords in the Pathfinder areas explaining their new role and a size criteria calculator has been set up on their national website which has been adopted for use by Pathfinders. In all Pathfinders staff have been made aware of the LHA procedures and the Broad Rental Market Areas (the geographical area for which LHA rates apply) have been determined – often, though not always, identical to existing localities – well before ‘go-live’ dates and indicative LHAs were shared with their Housing Benefit offices. In those Pathfinders going live soon after the Baseline research visits indicative levels of the LHA had already been set.

All Rent Officers in the Pathfinders had received training by a central Rent Service Team which visited their areas, and they received detailed practice guidance. The Central Team continued to visit all the Rent Officer Pathfinder offices until they went live. There is a central forum where Rent Officers in Pathfinder areas meet regularly to evaluate progress, and maintain consistency of approach. Rent Officers in all Pathfinder areas had held discussions with the Pathfinder Teams in their areas and most had further contact with other local stakeholders, through, for example, the Landlord Forum, to explain their role under the LHA. Rent Officers had also taken part in local and national training of LA staff.

In general, the implications of the LHA for IT systems in the Rent Officer services do not appear to be major. In most cases, no changes were required, although a new standalone system was being developed nationally to enable Rent Officers to process shadow determinations to support the evaluation process.

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The organisational impacts of the LHA

Some organisations external to the Pathfinder authorities expected varying degrees of organisational change as a result of the implementation of the LHA – for example, external advice services involved in vulnerability decisions – but potentially the greatest changes that could be anticipated at Baseline Stage affected Housing Benefit administration and Rent Officers.

In respect of HB administration the following changes/issues were anticipated:

- One Pathfinder had changed its Housing Benefit administration from process based to tenure based and focused training particularly upon those staff in the team dealing with the deregulated sector and the Visiting Team. The plan is to divert enquiries about the LHA to a specially designated officer until knowledge about the Housing Benefit reforms becomes embedded.
- The speed of PRS Housing Benefit processing was expected to increase because there will be no need for Rent Officer determinations or Pre-Tenancy Determinations. In one authority it was argued that the speed of processing was also likely to increase because LHA claimants receiving direct payments for the first time will have an incentive to provide evidence for their claims promptly and accurately.
- However, the information requirements for processing claims under LHA are different from other claims, and claims cannot be fully processed until any vulnerability issues are resolved. Hence, there may not be as great a reduction in the time taken to determine a claim as might have been expected, given the need for staff to adjust to the new system. This may be compounded by any initial IT problems.
- Further, in some Pathfinders it was argued that processing applications for vulnerability might have a significant impact on workloads. Housing Benefit staff may have to get involved in landlord-claimant disputes, for instance, about whether or not a tenant is a drug user and gathering the evidence may be time-consuming and problematic. Depending upon the number of vulnerability applications the net effect could be an increase in workloads. If this means extra staff are required, then administrative costs will rise in order to maintain or improve processing times. For example, one Pathfinder was considering appointing an additional Customer Services officer and an extra Overpayment Recovery officer to deal with the effects of the LHA.
- Many Pathfinders also report increasing numbers of queries about the LHA pre-implementation – or were expecting such an increase when going live – despite the often extensive provision of information about the scheme. Dealing with these additional queries is time-consuming for staff, although the withdrawal of automatic reviews of claims may free up resources for this and other administrative functions.
- Claims for Discretionary Housing Payment may be less successful in the future because claimants will be aware of their entitlement before taking up a tenancy. Further, in some Pathfinders, on the basis of the indicative LHAs, it is expected that some current DHPs will no longer be required.

The nine LHA Pathfinder Areas

- Overpayment recovery rates might fall because of the greater mobility of tenants compared to landlords. It is easier to invoice landlords for overpayments, and to recover them, where the landlord receives direct payment than where the tenant receives the payment.
- Some HB staff argued that claimant fraud might increase because there is no incentive for a landlord to inform the local authority when a tenant in receipt of direct payment vacates a property. There may also be a fraud/theft problem if cheques sent to tenants without bank accounts are stolen. This is likely to happen if the cheques simply 'land on the mat' in Houses in Multiple Occupation. However, it should be noted that many authorities, including Pathfinders, have been moving towards paying HB by electronic methods (such as Bank Automated Credit System – BACS) even without the introduction of the LHA.
- Concern was expressed in some, but not all, Pathfinders at Baseline stage over the role of Jobcentre Plus in the HB administration process. At the time of the Baseline visits it was often not clear that the national benefits helpline was aware of the LHA, and in particular the 'non-option' of payments to landlords in the Pathfinders. It also appeared that the national Jobcentre Plus HB form still retained the option of direct payment to landlords and did not include the opt-in question referring to landlords being kept informed of the progress of their tenant's claim that many Pathfinder authorities include as part of the HB application.

In respect of the work of Rent Officers, the following changes/issues were anticipated:

- The work of the Rent Officers in the Pathfinders should be made easier because of the reduction in the need for Pre-Tenancy Determinations and determinations and re-determinations for individual cases. The LHA should be cheaper to administer as a result.
- In the short term the LHA will release Rent Officer resources that can be made available for increased inspections in the areas outside of the Pathfinders and increased evidence gathering for setting the LHAs in the Pathfinders. Further, the Broad Rental Market Area has to be reviewed regularly, and changed where necessary after discussion with the LA, and the LHA needs to be reassessed and set monthly. In addition, for the purposes of the LHA Evaluation, the service will be undertaking shadow determinations (determinations based on the old rules to provide a comparison with the LHA level) on referrals received via DWP.

The nine LHA Pathfinder Areas

Notes:

- i) Proportion of PRS occupied by those on HB: These figures are an estimate based on deregulated PRS HB caseload figures (August 2003, DWP) and 2001 census figures for the number of households in the private rented sector.
- ii) Rent Officers: The term rent officer is used as a generic term throughout the paper to cover all rent officers operating throughout Great Britain. There are three Rent Officer organisations in Great Britain: The Rent Service (covers England), The Rent Officer Service (covers Wales) and in Scotland there is The Rent Registration Service.
- iii) Stakeholders: The range of stakeholders referred to within the paper covers: those staff working within HB administration and fraud, the Housing Department, Jobcentre Plus, welfare organisations, Environmental Health and Tenancy Relations, Rent Officers and landlord representatives within the nine Pathfinder areas. The baseline interviews with stakeholders were conducted before each of the Pathfinders went 'live'.
- iv) 8 weeks in arrears: There is still a requirement on Pathfinder local authorities to pay the landlord if LHA claimants fall into 8 weeks arrears.
- v) Glossary of terms

Local Reference Rent: For private deregulated HB applications, prior to the introduction of the LHA, the Rent Officer will decide how much is generally paid for a property with the right number of rooms in the same 'locality'. This is called the local reference rent.

Single Room Rent: For single people aged under 25, with no partner or children, the Rent Officer will also decide how much is generally paid in the 'locality' for a single room with a shared living room, kitchen, bathroom and toilet, but without any food or fuel bills. This is called the single room rent.

Locality/Broad Rental Market Area: The 'locality' is a broad area with a number of neighbourhoods. Within this broad area there will be a mix of property types and alternative places to live within a reasonable travelling distance of similar public amenities. Under the LHA rates, these broad areas are known as Broad Rental Market Areas. LHA rates are set for each Broad Rental Market Area.

Further copies of this summary, along with other publications in the Local Housing Allowance Evaluation series are available via the Department's website: www.dwp.gov.uk/housingbenefit/lha/index.asp

