

Evaluating the Local Housing Allowance Pathfinders

Introduction

The Local Housing Allowance (LHA) is part of the Government's agenda for the overall reform of Housing Benefit (HB), and has been introduced in nine Pathfinder areas for tenants in the deregulated private rented sector. This paper gives brief details of the scheme and the objectives behind its introduction. As part of its introduction, the Department has set up a thorough evaluation of the LHA and this paper explains the aims of the evaluation and the approach being taken.

The Local Housing Allowance

The LHA is a flat-rate allowance towards rent costs that is calculated on the basis of the circumstances of the tenant (such as household size) and the broad area in which they live. LHA will be paid to the tenant, rather than directly to the landlord, except in cases where vulnerability means that tenants are unlikely to be able to manage their financial affairs, or where tenants have fallen into arrears.

Objectives of the LHA

The key objectives for the Local Housing Allowance are:

- **Choice:** The intention is to allow tenants to trade between the quality and price of their accommodation. For example, since LHA is a flat-rate payment, tenants will be able to choose between paying more to stay in a property that is larger than they qualify for under the size criteria or increasing their after-housing-costs income by moving to a property with a lower rent. Currently, tenants only receive benefit up to what they have to pay as their rent.
 - **Transparency:** LHA will make it easier for tenants and landlords to find out in advance how much rent could be covered by Housing Benefit. Currently, tenants often find that Housing Benefit could not meet their rent only after they have already signed a tenancy agreement.
 - **Personal responsibility:** The intention is that paying the allowance to the claimant will encourage them to take responsibility for their budgeting and paying their rent themselves rather than have it paid for them. Currently, the majority of rent payments are made direct to the landlord.
 - **Increased work incentives:** Greater certainty about what in-work benefit they could receive is expected to help claimants bridge the gap between being out of work and taking a job. Currently, uncertainties of the amount act as a barrier to a claimant moving from benefit to work.
 - **Simplicity:** There would no longer be a need for the complex rent restrictions and individual referral of rents to rent officers that currently contributes to delays in processing claims by private tenants.
- **Fairness:** The new scheme has been designed to pay the same amount to tenants with similar circumstances living in the same area. This differs from the existing Housing Benefit scheme, which ties the level of benefit to the rent actually being paid (subject to a range of restrictions applied by a rent officer)

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Implementation of the LHA

The nine local authority areas chosen as Pathfinders for the Local Housing Allowance scheme are set out below along with the dates they introduced the scheme in their area and the approach adopted for implementation.

Local Authority	Start date	Approach
Blackpool	17 November 2003	Phased
Brighton and Hove	2 February 2004	Big bang
Conwy	9 February 2004	Phased
Coventry	12 January 2004	Phased
Edinburgh	9 February 2004	Big bang
Leeds	9 February 2004	Phased
Lewisham	1 December 2003	Phased
North East Lincolnshire	9 February 2004	Big bang
Teignbridge	12 January 2004	Phased

Note: The phased approach involves converting existing HB cases at the point where there would have next been a referral to the Rent Officer whereas 'big bang' LAs converted all their cases on the 'go-live' date. Under both approaches, new claims from the 'go-live' date will be treated under the new rules.

Pathfinders were selected on the basis of the following overall criteria:

- *Size of the HB caseload in the deregulated private rented sector*
 - To ensure sufficient flow of cases onto the LHA for any evaluation.
- *Housing market in the local authority area*
 - To assess the effect of the LHA on different housing markets across the country
- *Labour market factors*
 - To look at the impact on labour market activity within areas where the LHA is in operation

The LHA will operate initially for about two years in the nine Pathfinder areas. During that time, the scheme will be evaluated prior to a national rollout.

The Evaluation

A thorough evaluation is being carried out of the LHA within the Pathfinder areas, and this will inform the eventual rollout of the scheme nationally. An independent consortium of the Universities of Birmingham, Loughborough and York along with the National Centre for Social Research has been commissioned to carry out the evaluation. As well as this, the Department will be conducting analysis of its own administrative and statistical data to look at the effect of the LHA on meeting the objectives of the scheme.

Evaluation approach

There are four key elements to the evaluation which will run over the duration of the two years.

- **The Claimant Stream**

This will look at the effects of the LHA on the ability of claimants to make informed choices over their accommodation. This will involve large scale surveys and personal interviews with claimants in the Pathfinder areas.

- **The Landlords Stream**

This will consider the effects of the LHA on the decisions and strategies of landlords and letting agents. Large scale surveys and a Landlord Panel, who will be consulted at various stages within the evaluation timetable, will be used to look at these effects.

- **The Operational Stream**

This will look at the impact of the LHA on HB administration and associated stakeholders. This will help inform the design of any national scheme. This part of the evaluation will use semi-structured interviews with staff within the various organisations as well as using analysis of the DWP's own data.

- **The Market Stream**

This will look at the changes in the housing and labour markets including any effects attributable to the LHA. This stream will include identifying any impact on rent levels and the supply and quality of accommodation in the private rented sector. It will involve largely desk-based research supplemented with interviews with local authority housing strategy staff.

Research will be conducted in each of the nine Pathfinder areas. Each Pathfinder has also been matched with control and comparator local authorities, which will enable further identification of changes that are attributable to the LHA.

Research will be conducted within three control local authorities, along a similar approach to the Pathfinders set out above. The three areas are Cardiff, Wakefield and Wolverhampton.

Evaluation stages

There are a number of key stages within the evaluation:

A baseline stage. This provides a 'position statement' in respect of all four streams and stakeholder expectations before the introduction of the LHA in each of the Pathfinders. A number of reports will be published as part of this stage. These include:

- A summary report, giving an overall picture of the position of the Pathfinders prior to the introduction of the LHA
- A report on the findings from the Claimant Survey
- A report on the findings from the Landlord Survey

Waves One, Two and Three. At various intervals throughout the evaluation period a number of activities will take place. These will include:

- surveys of claimants in order to track their experience of receiving the LHA, plus a number of in-depth interviews with claimants to explore various issues in detail with them
- a survey of landlords to find out any changes in their letting strategies as a result of the LHA, plus a number of face-to-face sessions with landlords.
- interviews with key stakeholders in the Pathfinder areas
- Analysis of market and administrative data

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Reports and Publications

We will be producing a number of reports which will be published throughout the evaluation period. These will form a report series which will provide detailed coverage of the different elements of the evaluation. Reports will be available in hard copy format and on the Department's website:

www.dwp.gov.uk/housingbenefit/lha/index.asp.

The first publications in the series will be those produced as part of the baseline stage.