Local housing allowance final evaluation: implementation and delivery in Lewisham

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Local Housing Allowance Final Evaluation:

Implementation and delivery in Lewisham
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Acknowledgements

This report forms part of the evaluation of the Local Housing Allowance which was carried out by a consortium of research organisations, led by the Centre for Urban and Regional Studies (University of Birmingham) and including the Centre for Research in Social Policy (CRSP, at Loughborough University) and the Centre for Housing Policy (University of York).

The author would like to thank everyone who participated in the research, which included staff at Lewisham Borough Council, The Rent Service London Office, Catford Jobcentre Plus, Lewisham Citizens Advice Bureau, Shelter and Lewisham Homeless Persons Unit. Particular thanks are owed to Michael Lear, the Pathfinder Project Manager, for organising each of the fieldwork visits.

Thanks are also due to Nicola Selby at CRSP for administrative support.

Centre for Urban and Regional Studies, University of Birmingham

Judith Unell
Executive summary

This report is the last in a series of evaluating the impact of the Local Housing Allowance (LHA) on the Housing Benefit (HB) administration in the Lewisham.

The key stakeholder groups in Lewisham were identified as HB administration, the Rent Service and Jobcentre Plus. The Fraud Team within the Council, and Citizens Advice Bureau (CAB) and Shelter as local stakeholders, were also included in the evaluation. Landlords were surveyed and interviewed at the Baseline stage of the evaluation, and a small focus group of landlords was convened at Wave 2.

A series of interviews was conducted by senior staff from the Centre for Research in Social Policy with individuals from the stakeholder groups in Lewisham. These followed a set of topic guides, see Appendix, designed for each type of stakeholder (which were also used in the other eight Pathfinders).

The context

Lewisham is one of the largest of the inner London boroughs, with an area of 14 square miles and a population of almost a quarter of a million people. The Borough has a slightly higher population density than South East London as a whole and it is diverse, both ethnically and culturally.

Lewisham has a predominantly young population with an average age of 35, against a national average of 39. The proportion of lone parents with dependent children is one of the highest in London and rates of teenage pregnancy are among the highest in Europe.

Living standards vary across the local authority with the Multiple Deprivation Index 2000 showing that some areas are seriously deprived. Lewisham is ranked 30th most deprived local authority district in England. Many employed people who live in the Borough travel outside the local authority to work. Gross average annual wages in Lewisham are below the London average but one third above the national average.

Owner occupation in Lewisham is well below the national average, while the proportion of one-person households is somewhat higher. More than one fifth of private dwellings are either unfit or in disrepair, while two thirds of Council housing failed to meet the decent homes standard. Some major regeneration programmes are taking place to address this situation.

Ten per cent of the Lewisham housing market is in the Private Rented Sector (PRS), which has remained stable over recent years. There is little movement between LA housing and PRS owing to a large difference in rents.

There were just under two thousand statutory homeless households in temporary accommodation in May 2003. Lewisham has a policy of not housing people in Bed and Breakfast accommodation, comparing favourably in this respect with other areas of London. However, levels of overcrowding in Lewisham are slightly higher than for London as a whole.
A survey of Housing Benefit claimants prior to the introduction of LHA showed that most were male, single and aged between 25 and 49.

Lewisham volunteered to become a member of the Pathfinder group because the Borough has for some time been lobbying for the changes that were now being introduced.

**Issues arising in the early stages of implementing LHA**

LHA was launched in Lewisham in December 2003. The approach was phased rather than ‘Big Bang’. This meant that all new HB claims within the private rented sector were assessed under LHA rules and existing claims were transferred to LHA at annual review. Existing claims also migrated to the LHA if they had a change of circumstances before their annual review.

Prior to Pathfinder the administration of housing benefit in Lewisham had been process-based. In anticipation of the introduction of LHA the benefits team structure was changed to one based upon sectors. A separate dedicated team was set up to deal with private sector claims.

A Pathfinder Board was established and met monthly, usually chaired by the Benefits Manager and attended by internal and external stakeholders.

While respondents from the Benefit Service recognised some short-term administrative benefits arising from a phased introduction of LHA, they would have preferred a ‘Big Bang’ approach. The most fundamental problem arising from the phased introduction was the inequitable treatment of claimants that arose from running the old HB system and the LHA side by side.

The early stages of the implementation of LHA were supported by a comprehensive communications strategy, based on the DWP package.

**IT issues**

An external software provider introduced the new software, although the local authority was involved in IT testing. There were minor glitches in the system over the first year, particularly relating to its inability to convert cases automatically to LHA. Although most problems were overcome, this sometimes involved time-consuming manual solutions.

**Assisting claimants with the LHA**

Shortly after LHA went live in Lewisham, a dedicated LHA advice worker, funded by the DWP, was appointed within the Citizen’s Advice Bureau Money Advice Centre in Deptford. LHA clients were referred by the local authority. When dealing with LHA, the advice worker was able to do benefit maximization and look holistically at some of the problems relating to money management and debt.
Referrals to CAB declined over the evaluation period and the original two year contract with the local authority was not continued beyond the pilot period.

Claimants’ problems with bank accounts remained a pressing issue for a considerable part of the evaluation period and accounted for a majority of referrals to the CAB Money Advice Service in the first year. Most banks appeared to set up a number of hurdles for LHA claimants, particularly photographic ID requirements that were difficult for them to meet. An additional issue in Lewisham was the high number of minority ethnic claimants for whom English was not a first language.

The situation had eased by the end of the evaluation period. Although there was still a ‘large handful’ of cases where the claimant had been unable to open an account, no case was reported where payment was being made to the landlord because the tenant had been unable to open a bank account.

**Determining vulnerability**

Claims for vulnerability status were assessed by the Benefit Service against criteria and guidance and requirements for supporting evidence set out by DWP. In the early stages this process was experienced as time-consuming and burdensome.

By Wave 2, the available evidence suggested that only a small minority of claimants had been assessed as vulnerable, and that the guiding principle of LHA, that direct payment should be made to the tenant wherever possible, was being sustained.

Whereas at the outset all decisions relating to vulnerability claims were dealt with by one designated supervisor, the whole sector team, comprising 14 people, was later involved in assessing them. Staff shared knowledge and experience and were encouraged to discuss more complex or difficult cases. This considerably speeded up the process.

By the end of the pilot period, Benefit Service respondents considered that the processes for managing vulnerability claims had become firmly embedded in the team and were well understood by stakeholders.

**Landlords’ attitudes and behaviour**

It proved difficult to communicate with landlords during the transition to LHA but informal soundings suggested that the mood of landlords was getting worse as more people went onto LHA. The main cause of dissatisfaction being direct payments to the tenant. Some landlords were threatening to sell their properties or pull out of LHA lettings altogether.

At the end of the evaluation period, however, the evaluation found no evidence that landlords had exited the rental market due to the introduction of LHA or had used LHA as an opportunity to increase the rents of their properties.
The impression gained by the Benefit Service staff was that landlords had become accustomed to the new scheme by the end of the period, even if they continued to express disapproval. They appeared to have been reassured by prompt measures to redirect payments once a tenant had built up eight weeks’ arrears.

**The work of Rent Officers under LHA**

One year after its introduction, it was reported LHA had considerably reduced Rent Service workloads in Lewisham. On the one hand, the reduced workload had freed up resources, allowing more time to collect market evidence. On the other, the loss of Pre-Tenancy Determinations (PTDs) had meant that Rent Officers were more remote from their traditional sources of market evidence.

In the later part of the evaluation period, a great deal of Rent Officers’ time was taken up with assessing broad rental markets and collecting information. No significant changes came to light over the evaluation period that warranted a change to the Broad Rental Market Areas (BRMA).

Monthly and three-monthly reviews of the market show that there have been fluctuations in the rent levels since the introduction of LHA but no discernible trend was identified over the pilot period.

**The LHA and the delivery of other benefits: The impact on Jobcentre Plus.**

The introduction of LHA had little impact upon Jobcentre Plus throughout the evaluation period. This was mainly because a considerable majority of its customers are social tenants.

Almost the only difference made by LHA to Jobcentre Plus procedures was in relation to personal benefit calculations carried out to compare customers’ financial situation on benefits and in work.

Working relationships between Jobcentre Plus and the local authority became much closer during the evaluation period, but this was due to the introduction of the new Customer Management System (CMS) rather than to LHA. There was, however, a communication problem between the local authority and the DWP processing centre in Belfast with regard to extended payments of HB/LA.

**Business as usual? Examples of the lack of impact of the LHA on Housing Benefit delivery**

LHA had a negligible impact on the following areas of HB administration:

**Fraud**

Most of the anxieties that had been expressed about an increase in fraud under LHA proved unfounded. It was believed that any upturn in the prosecution of cases owed more to the improved efficiency of the housing benefit fraud team than to an underlying increase in fraud.
Discretionary Housing Payments

The introduction of LHA had been expected to bring about a decrease in Discretionary Housing Payments (DHPs) since many people would receive larger payments than under HB. In fact, the level of applications remained static over the pilot period. It is possible that there has been a movement away from PRS claims since the introduction of LHA towards claims by social tenants and pensioners struggling with the payment of Council Tax Benefit.

In general, the increased transparency and relative generosity of LHA appeared to have kept the demand for DHPs in check over the evaluation period.

Complaints and appeals

LHA had no impact upon appeals over the period. The level of complaints rose slightly before and after its introduction but remained steady thereafter.

Homelessness

Neither Shelter nor the Homeless Persons Unit in the Borough observed any increase in homelessness that could be attributed to LHA. Early concerns that many tenants’ difficulties with opening a bank account would lead to arrears and then homelessness were not realised.

Easing the administrative burden? Positive impacts of the LHA on Service Delivery

HB administration by sector

The reorganisation of HB administration into sector-based teams was integral to the successful management of the LHA changes in Lewisham.

Improved simplicity and transparency

Pathfinder data reveals that Lewisham achieved a sharp decline in the average processing times for new claims during the first year of LHA and, by the end of the period, had the third lowest processing times of the nine Pathfinders. This evidence runs contrary to the perception of Benefit Service staff in Lewisham that LHA had made little difference to processing times. Staff did, however, believe that LHA had brought simplicity and transparency to the management of claims.
Better communication

The transparency that was integral to LHA could be achieved only if the scheme was effectively communicated to claimants, landlords and agency stakeholders. The vigorous efforts made to raise public awareness and target specific groups with information brought a new openness to HB administration. However, the Claimant strand of the evaluation has shown that there are areas of the communications strategy that could be improved and while Local Authorities publicised rates some of the publicity might have been misinterpreted (Hill et al., 2006).

Delivering the LHA – some continuing issues

Recovery of overpayments

Because of direct payments to tenants, it was expected from the outset that claimant overpayments would increase under LHA and that they would prove difficult to recover because of the difficulties of tracing tenants once they had left their accommodation. These fears proved well-founded: both the numbers of people in debt and the amount of debt increased steadily over the pilot period.

Although debt recovery procedures were robust once the person was traced, it was proving extremely difficult to find them once they had moved from an address and were no longer receiving benefits.

Split payments in cases of vulnerability

Once the IT system had been adjusted to manage split payments, these did not present an administrative problem during the remainder of the evaluation period. However, some respondents felt uncomfortable that in cases of extreme vulnerability, for example where a claimant had a severe alcohol or drug problem, the excess should continue to be paid direct.

Surplus payments

Surplus payments did not represent an administrative problem for the Benefit Service in Lewisham but some respondents questioned whether the scale of such payments to some claimants could be justified and whether surplus payments in general were helping to meet the LHA goal of enabling people to trade up to better accommodation in line with their families’ needs.
Does the LHA carry substantial administrative advantages?

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

Benefit Service staff believe that the elimination of referrals to the Rent Service has brought greater simplicity and transparency to the management of claims, which has been helpful both to claimants and to staff themselves. Early concerns that complex vulnerability claims would add to processing times have not been realised.

On the basis of the interview evidence gathered at the different stages of the evaluation and summarised in this report, LHA has had no observable impact on the detection of fraud, the demand for discretionary housing payments or the levels of complaints and appeals. There has, however, been a significant and growing problem with the recovery of overpayments that is seen to be directly related to LHA.

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

Landlords considered that LHA was unfair since it exposed them to a greater risk of losing income through arrears than the old HB system. There was, however, little evidence that their fears were realised during the pilot period.

Those stakeholders who considered LHA primarily from the claimant’s viewpoint, however, believed that the transparency of the new system was fairer in that it gave claimants clear expectations about the amount of support they would receive, linked to criteria that were openly stated and easily understood.

Some reservations were expressed about the fairness and cost-effectiveness of a scheme that paid benefit in excess of rent to such a large proportion of claimants without succeeding in its goal of encouraging them to move to better accommodation.

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

There seems no reason to believe that the practices adopted by the Rent Service in Lewisham in response to LHA could not be replicated in private sector markets elsewhere.
Has the hoped-for transparency with regard to LHA administration been achieved, and have any administrative consequences that were unforeseen come to light during the evaluation period?

LHA has brought improvements in the transparency of benefit administration in Lewisham, to the advantage of both claimants and Benefit Service staff.

Perhaps the main unforeseen administrative consequence of LHA was that the direct payment of benefit to claimants was jeopardised at the outset by the difficulties that many of them encountered when they tried to open bank accounts.

Overall, Does the LHA Carry Substantial Administrative Advantages?

The evidence from Lewisham is that LHA is broadly neutral in terms of its impact upon HB administration, with neither substantial advantages nor disadvantages. There is a sense of satisfaction that the transition to the new scheme has been well-managed.
Chapter 1: Introduction

About this report

This report is the last in a series of evaluating the impact of the Local Housing Allowance (LHA) on the Housing Benefit (HB) delivery in the Lewisham Pathfinder. The LHA differs from previous HB arrangements for claimants in the private rented sector in three important ways. First, the benefit is intended, in normal circumstances, to be paid directly to the claimant, rather than to their landlord. Second, household entitlements under LHA are determined by the size of the household and thus the size of property that they are deemed to require. Third, the LHA rates are set by the Rent Service to reflect the rents at the mid point between high and low for different sized properties locally.

These changes to the HB regime potentially impact on the way in which those organisations and agencies involved in the delivery of the scheme in Lewisham carry out their work. The aim of the Evaluation was to assess the significance of any changes and, more specifically, to address a set of questions the answers to which would assist both the design of the final LHA scheme on national roll out and assist HB administration and other organisations in non-Pathfinder authorities in accommodating the scheme. The broad question that the Evaluation seeks to address is whether, overall, LHA offers substantial administrative advantages in the delivery of HB in the Pathfinder. Within this, there are four specific questions that the Evaluation attempts to answer in the light of the experience of Lewisham:

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

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

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

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

The structure of this report

In order to provide answers to these questions for the case of the Lewisham Pathfinder, this report proceeds as follows: The remainder of this Chapter explains briefly how the Evaluation has been carried out in Lewisham to date. Chapter 2, identifies the changes in HB and other national policies in addition to the LHA which might have affected HB delivery and sets the local context of Lewisham against which any changes identified in this report need to be assessed. Chapter 3 is concerned with the short-term impacts of the implementation of LHA; short-term impacts here being interpreted as those which were felt largely in the earlier part of the two year Pathfinder (and Evaluation) period, but which were perhaps not of such significance subsequently. Chapter 4 discusses areas of HB delivery which over the two years LHA might have been expected to be affected by the new regime but in practice appear to have been largely unaffected. Chapter 5 then identifies areas where generally beneficial effects have been felt, while
Chapter 6 discusses those issues related to the LHA that HB and other organisations still have to address at the end of the period. Chapter 7 draws on the preceding Chapters to specifically address the Evaluation questions identified in page 11.

Before proceeding, it is important to draw attention to a matter of terminology. As noted in para 1.1, LHA is another way of delivering HB which differs from the way in which HB is delivered to the PRS in areas outside the Pathfinder authorities and which differs from the way in which it is delivered in the social rented sectors in all areas. Despite these differences, LHA is nevertheless part of the HB system and claimants on LHA are still regarded as receiving HB. Thus, when the LHA arrangements are contrasted with HB arrangements below, this is to be interpreted as ‘HB arrangements under the LHA regulations’ contrasted with ‘HB arrangements under the non-LHA regulations’.

Conducting the evaluation

The key stakeholder groups in Lewisham that are involved in the delivery of the LHA, and are thus most likely to be affected by its implementation, were identified as HB administration, the Rent Service and Jobcentre Plus. In addition, a potentially important role is played by local agencies internal and external to the Pathfinder authority that give advice and assistance to claimants, and others, on such matters as personal finance and budgeting, and homelessness. Hence, in Lewisham Citizens Advice Bureau, Money Advice Service and Shelter were also included in the Evaluation as stakeholders.

LHA was launched in Lewisham in December 2003. The approach was phased rather than ‘Big Bang’. The interviews were conducted at four points in time in order to identify how HB was being delivered prior to the introduction of the LHA (‘Baseline Stage’) and to contrast this with any effects on delivery which were emerging six months, fifteen months and two years after the new arrangements were introduced.

Once the interviews at each stage were completed, working papers were prepared, identifying the impacts of the LHA which had been observed at each visit.

The LHA Pathfinder Project Manager and the other stakeholders in Lewisham checked the four working papers for factual accuracy before they were submitted to DWP as working documents to be drawn upon in subsequent reporting. This Evaluation report is based upon these four working documents, and on the subsequent discussions with both DWP and the Lewisham stakeholders.
Chapter 2: The context

Lewisham in context

Lewisham is one of the largest of the inner London boroughs, with an area of 14 square miles and a population of almost a quarter of a million people. It lies south-east of the City of London, between Southwark to the west, Greenwich to the east, and Bromley to the south. There is a short frontage to the Thames at Deptford in the north. The major population centres are Deptford, Lewisham, Catford and Forest Hill. One of Lewisham’s more notable features is that it shares many of the characteristics of outer London, being a borough of two halves, broadly north and south.

On Census day 2001, the resident population of Lewisham was 248,922. The Borough has a population density of 7,096 persons per square kilometre compared to 5,056 for South East London as a whole. Lewisham is highly diverse both ethnically and culturally with 65.9 per cent of the population reporting their ethnic identity as white, compared with 90.9 per cent for England as a whole. The largest ethnic minority groups are Black or Black British (23.4 per cent), Caribbean (12.3 per cent) and African (9.1 per cent). Over 50 per cent of pupils in Lewisham schools are from black and minority ethnic communities.

The Lewisham age distribution shows a predominantly young population with an average age of 35, against a national average of 39. The proportion of lone parents with dependent children is ten per cent – the third highest figure in London. Lewisham has the eighth highest rate of teenage pregnancy in England, which means one of the highest in Europe.

Living standards vary across the local authority with the Multiple Deprivation Index 2000 showing that some areas are seriously deprived. Lewisham is ranked 30th most deprived local authority district in England. Four wards (prior to ward boundary changes) came in the most deprived ten per cent of wards in England while 16 of the then 26 wards were in the worst 20 per cent.

The local labour market

The performance of the labour market in Lewisham is below average compared to London and the national average. The working-age employment rate for Lewisham is 66.3 per cent compared to 70.2 per cent for London and 74.3 per cent for Great Britain. The ILO unemployment rate, at 10.3 per cent, is double the national average of 5.1 per cent and higher than the average for London of 6.9 per cent.

Labour demand in Lewisham, measured by the ‘job density’ indicator (the number of jobs and vacancies per working age resident), is very low at 0.4 compared to 1.0 for London and 0.8 for Great Britain. However, many employed people who live in Lewisham travel outside the local authority to work. Lewisham is one of the five largest sources for net outwards commuting within the capital. The other boroughs are Bromley, Barnet, Waltham Forest and Richmond-Upon-Thames. The opening of the Docklands Light Railway has made Lewisham more accessible for people working in the City and central London.
Gross average annual wages in Lewisham of £25,986 are below the London average of £33,134. At the same time, average gross annual pay for full-time workers in London is about one third above the national average gross annual pay of £24,741.

**The local housing market**

In many respects Lewisham’s housing market reflects that of London as a whole. London’s housing stock is very different from that in the rest of England: for example, only four per cent of households in London lived in detached properties in 2001/02 compared with over 20 per cent nationally. In London over one-third of all households lived in purpose built flats or maisonettes.

According to the 2001 Census the total number of households in Lewisham was 107,412. Of these, 50.1 per cent were owner-occupied, 35.6 per cent were social housing (Council and RSL accommodation) and 14.3 per cent were privately rented or occupied rent free.

Owner occupation is well below the national average of 71 per cent (Census 2001). The proportion of one-person households in Lewisham was 35 per cent compared to an average of 30 per cent for England and Wales. The average property price of £137,400, although above national averages, makes Lewisham the fourth cheapest borough in London ahead of Barking and Dagenham, Havering and Newham. Given that the others are all outer London boroughs, this is further evidence of Lewisham’s outer London character despite its inner London status.

The Private Sector Stock Condition Survey 2000/01 showed that 21.5 per cent of private dwellings were either unfit or in disrepair, while the Stock Condition Survey showed that 66 per cent of Council housing failed to meet the decent homes standard.

Some major regeneration programmes are taking place. The large Silwood Estate is being rebuilt with SRB funding, and Lewisham Town Centre is being restructured with SRB funding, while three of the large estates in the north of the borough have benefited from Estate Action. A New Deal for Communities (NDC) scheme is operating in the New Cross Gate area. At the same time the Borough will be funding a major redevelopment of the Kender Estate, the largest estate in the NDC area. The decanting process associated with the massive estate regeneration programmes has put pressure on housing in terms of transfers and nominations and leasing and temporary accommodation in the PRS; however, there is some growth in the PRS through the addition of former Right-to-Buy properties.

**The Private Rented Sector**

Eleven and a half per cent of the Lewisham housing market is in the Private Rented Sector (PRS). The PRS has remained stable over recent years, which indicates that the buy to let market has reached saturation point. Most landlords have only one property.
Rents in London are significantly higher, with a much wider range of rents for similar properties, than anywhere else in the country. According to the Pathfinder data the average weekly contractual rent of LHA recipients is £141 per week. These data do not specify the number of bedrooms, but as an indication by the number of habitable rooms, mean and median contractual rents are:

<table>
<thead>
<tr>
<th>No. habitable rooms</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>£88</td>
<td>£80</td>
</tr>
<tr>
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<tr>
<td>5</td>
<td>£226</td>
<td>£230</td>
</tr>
<tr>
<td>6+</td>
<td>£285</td>
<td>£268</td>
</tr>
</tbody>
</table>

Source: DWP Pathfinder data May 2005.

There is little movement between LA/RSL housing and PRS owing to the large difference in rents. This applies to London in general because of the housing shortage so that people who have a LA or RSL tenancy tend to stay until they move into owner-occupation, often via a right-to-buy property.

**Homelessness**

In May 2003 there were 1,970 statutory homeless households in temporary accommodation under the Housing Act 1996. Of these 652 were ‘homeless at home’ and the remaining 1,318 housed in hostels, short life, short stay, refuges, non-secure tenancies in permanent Council or RSL stock and mobile homes. None were housed in Bed and Breakfast accommodation. The policy of not housing homeless people in Bed and Breakfast accommodation can be compared favourably with policies in other parts of London. However, levels of overcrowding in Lewisham were slightly higher than for London as a whole.

**Housing Benefit claimants**

A survey of housing benefit claimants in the deregulated PRS was included in the Baseline report for each Pathfinder area. 351 HB deregulated PRS claimants were included in the Lewisham survey.

- Most were aged between 25 and 49.
- A majority were male. (Lewisham was the only one of the Pathfinder authorities where males exceeded females.)
- Most were single.
- Surprisingly, the proportion of single parents in Lewisham was lower than the average for the Pathfinder areas. Lewisham also had the second highest proportion of single people with no dependent children.
Among the Pathfinders, Lewisham had the equal highest proportion of people with A-level or higher.

Lewisham had the lowest proportion of people with a self-assessed disability.

Lewisham had the lowest proportion of White people and the highest proportion of Black or Black British people.

**Background to becoming a Pathfinder**

Lewisham volunteered to become a member of the Pathfinder group because the Borough had for some time been lobbying for the changes that were now being introduced including simplification, reducing the role of the Rent Officer to speed up the claim process and giving the customer earlier knowledge of their entitlement.

The introduction of LHA affected only a small proportion of the HB caseload since just 4,500 claimants were in the private rented sector in November 2003, compared to 6,260 in housing association properties and 16,300 in Council accommodation. Out of the 4,500 private sector cases, 3,925 were deregulated private sector cases.
Chapter 3: Issues arising in the early stages of implementing the LHA

Introduction

This Chapter examines the main issues that arose during the early stages of implementing the LHA in Lewisham. The focus on events during the early stages of implementation is important since introducing changes to a welfare regime such as HB would be expected to affect the way that both HB administration and other organisations and agencies carry out their work. As important is the degree to which the initial impacts of LHA on benefit delivery were ameliorated as both the arrangements for service delivery were adjusted in the light of these impacts and as stakeholders themselves adapted to the new system. Note that where the initial impacts of the LHA continued to be significant over and at the end of the two year Pathfinder and Evaluation period, these are discussed separately in Chapter 6.

The areas of service delivery where some of the early impacts of the LHA were expected to be most apparent were in HB administration and on the operation of the HB IT system. Since the LHA represents a major change in benefit delivery, the ability of claimants both to understand the system and to make provisions for receiving their entitlements through accessing bank accounts were clearly a concern. The attitudes and practices of landlords were similarly critical to the implementation of the new scheme. The change that the LHA represents would further be expected to impact upon Rent Officers, who are responsible for setting the LHA rates, and upon the work of Jobcentre Plus, given that many LHA recipients are of working age and claiming other benefits. Thus, the early impacts of the LHA on HB administration and their IT, on claimants’ ability to open bank accounts, upon the attitudes of landlords and on the work of both Rent Officers and Jobcentre Plus are considered in turn below.

Impacts on HB administration

The Local Housing Allowance (LHA) was launched in Lewisham in December 2003. The approach was phased rather than ‘Big Bang’. This meant that all new HB claims within the private rented sector were assessed under LHA rules and existing claims were transferred to LHA at annual review. Existing claims also migrated to the LHA if they had a change of circumstances before their annual review. Annual reviews have since ceased.

Prior to Pathfinder the administration of housing benefit in Lewisham had been process-based. In anticipation of the introduction of LHA the benefits team structure was changed to one based upon sectors. A separate dedicated team, comprising some of the most able members of staff, was set up to deal with private sector claims. The team consisted of a manager and a deputy and twelve other staff. There was an LHA trained member of staff in customer services dealing with enquiries at the access point and one in overpayments. Setting up a dedicated team allowed all of the activity around the introduction of LHA – team training, issues around software problems, what advice to give to customers etc – to be confined in one team.

Had the previous structure been retained, everybody involved in Housing Benefits would have needed the same high level of knowledge and training right from the outset. A structure based around dedicated
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teams had been in operation some years previously and was being reconsidered with the introduction of the Pension Credit. However, it was the introduction of LHA that drove the change. Staff were in favour of the change as many had complained that they were being de-skilled through working only on a limited set of procedures.

The dedicated team received comprehensive training. This was based on the DWP package and combined pockets of intensive training with awareness-raising tailored to the individual or section’s needs.

A Pathfinder Board was established and met monthly, usually chaired by the Benefits Manager and attended by internal and external stakeholders: Head of Housing Benefits, other Benefit Service staff (in particular, the Systems Controller and Subsidy Manager), the Private Sector Housing section, Environmental Health, the Rent Service and CAB.

**Phased introduction versus ‘Big Bang’**

While respondents from the Benefit Service recognised some short-term administrative benefits arising from a phased introduction of LHA, they considered that these were outweighed by the disadvantages and, with hindsight, would have preferred a ‘Big Bang’ approach.

It undoubtedly proved easier at the beginning to manage a phased introduction with 200 or so cases on Day One rather than several thousand, allowing more time to deal with software problems and glitches, and to learn as the process evolved. Also, the problems initially experienced with the IT system would have made instant conversion of the whole caseload very difficult, although some argued that IT teething troubles were intrinsic to this kind of structural change and were not in themselves a compelling reason for a phased approach.

The most fundamental problem arising from the phased introduction was the inequitable treatment of claimants that arose from running the old HB system and the LHA side by side, with each tenant being converted to LHA at their annual review. Tenants who continued to receive HB in this introductory phase were worse off than those who benefited from early conversion to LHA, many of whom were now receiving benefit in excess of their rent.

There were also early technical problems arising from the fact that, at the point of conversion, payments for that month had to be split between landlords (under the old HB system) and claimants under LHA. As landlords requested rents on different days of the month, this was a time-consuming task. Moreover, each landlord and tenant required advance notification of the change, which in itself represented a substantial administrative task since the information could not simply be sent out in one wave as under Big Bang. Another important consequence for the Benefit Service was that, although Lewisham produced pathfinder data throughout, meaningful statistics about the new scheme could not be produced for the first 6 months.
Communications strategy

The early stages of the implementation of LHA were supported by a comprehensive communications strategy, based on the DWP package. It included communication and information exchange with tenants and landlords, banks, other agencies and other departments within the local authority. A key task was to ensure that tenants and landlords were aware that LHA was being introduced and knew how the change would affect them. The right of representation and appeal also needed to be explained.

Information about LHA was placed on the website, and disseminated via the quarterly newsletter, while posters and leaflets were displayed at the customer enquiry counters. Specific measures taken included the following:

- Three rounds of letters and DWP leaflets were sent to the entire caseload and landlords two at intervals prior to the introduction and a third at the time of conversion.
- A random sample of the larger ‘gainers’ was visited and informed how much they are better off by and their choices explained: that they could remain where they were and keep the additional money or move into more suitable accommodation. Visiting Officers found that for many of the people visited English was not their first language and had therefore not understood the implications of the changes and in some cases had not realised that the extra money was theirs.
- Forums were arranged with landlords, including housing associations and the local authority housing department. Unfortunately, however, landlords’ forums had been very poorly attended for some time and these were no different.
- There was a process of information exchange with banks. Information was collected on the types of accounts banks could offer and what their requirements were to open and maintain an account and, in turn, banks were advised to expect an increase in LHA customers.
- Information exchange and training took place with Jobcentre Plus, Welfare Advisers, the Rent Service and the (then) Inland Revenue.
- Elected members were kept informed on a regular basis through a cycle of reports.

IT issues

An external software provider introduced the new software, although the Local Authority was involved in IT testing. Lewisham was able to benefit through close contact with Blackpool, which was using the same software and which went live a month earlier.

The Pathfinder team spent a lot of time testing the software, and going over the specifications at a series of meetings with the supplier to ensure there was common understanding of the requirements.

In the early months, the only serious difficulty that had not been anticipated concerned cases going live, or being converted, on 1st December, which were paid a month in arrears, since the software that should have been able to do it automatically was not available. This involved cancelling the old cases manually and
then re-opening them as an LHA case. About 1/12th of the caseload (between 200 and 300 cases) were affected, and other work had to be sidelined in the short term. However, additional resources, including overtime working, were deployed to clear the backlog.

Minor glitches in the operation of the system continued over the first year. One problem, was that LHA rates were notified and run from the first Monday of the month rather than the first day of the month, and might therefore run to a date in the first week of the following month. There were other minor IT problems related to automatic anniversary updates. A combination of improved software and manual changes resolved these problems and, apart from some ‘minor irritations’ the system was thought to be working fairly well at Wave 1.

Looking back over the whole period, however, the assessment at Wave 3 was that a mistake had been made at the outset in not investing more heavily in cutting edge software. Lewisham had gone onto the Pathfinder system at a time when the provider was beginning to run it down with a view to introducing a new generation of processing software. Working with a system that verged on obsolescence led to persistent problems, particularly with management reporting and split payments, that could have been avoided with more effective software. The system is due to be phased out by March 2007, and a project has been set up to plan its replacement.

Assisting claimants with the LHA

LHA represented an important cultural change for claimants who had previously had no personal responsibility for managing their HB payments, since these were mostly paid direct to the landlord under the old system. The success of LHA to a large extent depended upon the degree to which tenants proved able to manage their own benefit incomes and ensure that rent was paid. The transition was eased by the information distributed by the local authority and also by the steps taken to provide active help and support with money and debt problems.

Providing money advice

Shortly after LHA went live in Lewisham, a dedicated LHA advice worker, funded by the DWP, was appointed within the Citizen’s Advice Bureau Money Advice Centre in Deptford, under a two-year contract between the local authority and the CAB. LHA clients were referred by the local authority. Up until Wave 1, the local authority referrals were almost exclusively of people who could not open bank accounts (see next section) and were having difficulty in freeing the funds to actually pay their rent. At this stage, the CAB was a little concerned that referrals about vulnerability decisions had been slow to pick up. The Money Advice Service felt that vulnerability decisions provided an ideal opportunity for their involvement because of the advantages of bringing an independent perspective.

An important underlying objective of the Money Advice Service was to prevent people becoming homeless. When dealing with LHA referrals, the advice worker was able to do benefit maximisation, look holistically at some of the problems and make appropriate referrals to other workers in the CAB Money Advice Centre, rather than confine himself to LHA issues alone.
At Wave 2 it was noted that there appeared to be a slightly different perspective between CAB and the Benefit Service about the range and scope of CAB involvement in LHA. While the CAB felt that the pilots would benefit from CAB involvement at all levels, there was a perception that the local authority had a more restricted view of its role, as evidenced by the slow flow of vulnerability referrals. The viewpoint of the Benefit Service was that while everyone was informed about the availability of advice from CAB at the point at which they were converted to LHA, it would be inappropriate to promote the service any more actively. It was noted that the initial spurt of referrals to CAB had subsided and that the flow of cases had recently declined.

In fact, the original contract was not continued beyond the pilot period, and ended in December 2005. The local authority considered that the numbers using the service were too small to justify the funding of a full-time member of staff. By this point, the Benefit Service felt that it could itself handle welfare issues arising out of LHA and that the added value provided by CAB in terms of debt management was not very great. CAB had provided a number of representations on behalf of claimants in cases of vulnerability and it was anticipated that it would continue to do so as part of its core role.

Helping claimants to open bank accounts

As most LHA payments are made directly to claimants rather than to landlords, which was more common with HB, claimants require a bank account in order to access their money. Paying entitlement directly into claimants’ bank accounts makes the administrative process easier for Benefit Service staff and, depending on the type of account opened, gives tenants the opportunity to pay their rent by direct debit or by cheque to their landlord.

Before Lewisham went live, the percentage of customers who were receiving direct HB payments was higher than the national average. Because of this, it was assumed that many claimants had already opened bank accounts, and the Benefit Service was not expecting the same level of difficulty in making direct payments as experienced elsewhere. In reality, claimants’ problems with bank accounts remained a pressing issue for a considerable part of the evaluation period.

The initial response to LHA from the banks was described as ‘mixed’. Only one was described as being ‘really good’ in making it easy for LHA claimants to open an account, while others seemed to set up a number of hurdles for LHA claimants, including ID that was difficult for them to provide. In many cases the process appeared to take far longer than expected. This caused speculation that the banks did not really want the new business generated by LHA. It proved difficult for the LHA advisor at the CAB Money Advice Service to contact local banks, building societies and credit unions to establish the verification criteria required to open an account. Many banks, for example, had only one central telephone number listed, making it difficult to contact specific branches.

In response to a large number of enquiries about opening bank accounts, Customer Services advised on what ID was necessary and gave the claimant a leaflet explaining procedure. If someone came back saying that they had been unable to open a bank account they were then referred to the CAB.
At Wave 2, 51 of the 67 LHA-related cases referred to the CAB Money Advice Service CAB during the previous nine months concerned claimants who were experiencing difficulties in opening a bank account. All of the banks’ refusals to open accounts were related to an inability to satisfy the verification requirements rather than on the basis of poor credit rating. The major problem had been clients’ inability to produce acceptable photographic primary ID. Ironically, although a current benefit book or giro would be accepted as one document of verification, these were becoming rarer now that benefits were increasingly paid into accounts. The Post Office card accounts available for some state benefits could not be used for Housing Benefit/LHA payments. Credit unions were found to be more flexible in their requirements but it has to be recognised that these will only be able to offer services to a minority.

An additional issue in Lewisham was the high number of minority ethnic claimants for whom English was not a first language. In such cases a Money Advice worker needed to accompany the client to assist in completing forms and dealing with bank officials. Some banks’ attitudes to such clients were described as discriminatory. For example, although banks would accept passports from EU countries as evidence of identity, some would not accept passports from certain other countries. Equally, travel documents and visas were often deemed to be unacceptable even though many clients had been in possession of a travel document bearing a recent photograph and endorsed by the Home Office.

The situation had eased considerably by Wave 3. Although there was still a ‘large handful’ of cases where the claimant had been unable to open an account – mainly because they lacked even the most basic ID – a clear majority were now receiving BACS payments. No case was reported where payment was being made to the landlord because the tenant had been unable to open a bank account.

The Benefit Service had made a consistent effort to provide comprehensive information about bank accounts through leaflets and inserts which defined all the accounts available and listed the documentation needed to open one. It was also reported at Wave 3 that a recent mailshot to claimants still being paid by cheque had succeeded in retrieving bank details in many cases, enabling the proportion of BACS payments to be increased.

The push towards opening bank accounts for LHA had no doubt been assisted by a similar campaign on the part of Jobcentre Plus over the greater part of the evaluation period. This had been remarkably successful, with the proportion of customers receiving bank account payments rising from 36 per cent to 96 per cent over a period of 18 months. The key had been to persuade customers to open a basic bank account solely for benefits payments, which they could draw upon as needed. This was also seen as an important aspect of their search for employment since almost all employers now require their workers to have bank accounts for the payment of wages.

**Determining vulnerability**

Claims for vulnerability status were assessed by the Benefit Service against criteria and guidance and requirements for supporting evidence set out by the DWP. In the early stages this process was experienced as time-consuming and burdensome. With existing claims there was often a great deal of information to be drawn upon, but new claims involved Benefit Service staff in writing for evidence, which both slowed
down the claim and had negative consequences for performance and output. The value of some of the DWP guidance was questioned at this stage, in particular the need to gather supporting evidence in cases where a claimant had, for example, a drink problem and requested direct payment to the landlord. On the other hand it was recognised that without checks and controls some landlords could put pressure on tenants to have the rent paid directly to them in cases where vulnerability did not exist.

By Wave 2, the available evidence suggested that only a small minority of claimants had been assessed as vulnerable, and that the guiding principle of LHA, that direct payment should be made to the tenant wherever possible, was being sustained.

During the 12 months from February 2004 to February 2005, out a total of 3,848 LHA claims, benefit was being paid directly to landlords in 201 arrears cases and 239 vulnerability cases with the remaining 3,408 (89 per cent) of claims being paid direct to claimants. Payments to landlords on the grounds of vulnerability rather than arrears accounted for six per cent of total payments, suggesting that earlier fears that landlords would pressure tenants into vulnerability claims were not well-founded.

Nonetheless, the issue of vulnerability continued to be a concern at Wave 2 for both Benefit Service and Money Advice staff. One of the difficulties raised was that someone with alcohol or drug related problems need not necessarily be ‘registered’ with or known to an agency, although many would be. Benefit Service staff continued to follow guidelines and obtain evidence where possible, but also accepted that in some instances proof might not be readily available and in these cases exercised discretion. The view continued to be expressed that where claimants asked for payment to be redirected to the landlord because they felt that they would be unable to manage the money themselves, then such requests be taken at face value where evidence was not available, since direct payment to the landlord in these circumstances would better protect the claimant against the likelihood of arrears accumulating and the possibility of eviction.

The administrative burden of dealing with vulnerability claims had been eased by Wave 2. Whereas at the outset all decisions relating to vulnerability claims were dealt with by one designated supervisor, now the whole Benefit Service team, comprising 14 people, was involved in assessing them. Staff shared knowledge and experience and were encouraged to discuss more complex or difficult cases. This considerably speeded up the process. Moreover, all previous HB claimants who wished to apply for vulnerability status under LHA had done so over the previous 15 months, and the volume of applications had by now dropped to the new on-flow. Vulnerability decisions were reviewed in the course of the annual review of the rate of the LHA award, when benefit staff wrote to claimants to ascertain whether there had been relevant changes of circumstances. In certain cases, for example arising from short-term medical conditions, a review would be undertaken after a shorter interval; such cases were ‘flagged’ when the original decision about vulnerability was made.

By Wave 3, Benefit Service respondents considered that the processes for managing vulnerability claims had become firmly embedded in their team. These processes were also better understood by landlords, tenants and relevant local organisations, who were quicker at producing the necessary supporting evidence. This greater familiarity with the procedures on all sides had led to much faster processing times than in the early stages of LHA.
The attitudes and behaviour of landlords

A survey of landlords in Lewisham conducted at Baseline showed that private landlords in the Borough had fewer properties (mean = 4) than the overall average for private landlords in other Pathfinder areas (mean = 6). Letting agents in Lewisham had a considerably smaller number of properties on average (mean = 67) than the average for letting agents in all Pathfinder and comparator areas (mean = 138), possibly reflecting the fact that most agents in Lewisham work across the South-East London market and have a portfolio spread over several local authorities. Landlords in Lewisham appeared to be less willing to accept Housing Benefit recipients as tenants than landlords in general, mainly because of the possibility of delays in processing Housing Benefit claims.

Prior to the introduction of LHA, landlords were reported to be anxious about the possible impact of claimants receiving LHA direct and feared that this might lead to some claimants prioritising other needs ahead of rent, and consequent increases in rent arrears, evictions and homelessness. Some landlords were threatening to pull out of LHA lettings altogether.

It proved difficult to communicate with landlords during the transition to LHA. As noted above, the local authority made attempts to re-launch landlords’ forums but, as with earlier attempts, there was little or no response, and the landlords’ newsletter became the principal vehicle for disseminating information. Informal soundings suggested that the mood of landlords was getting worse as more people went onto LHA, the main cause of dissatisfaction being direct payments to the tenant. At Wave 1, the Benefit Service reported that it was receiving an increasing amount of correspondence from Members and MPs on this subject.

At the same time, there was little evidence that tenants were accumulating arrears and failing to pay their rent. The CAB Money Advice Service reported a few cases where landlords were requesting a redirection of benefit on the grounds of arrears but these were far from the massive flood that had been expected.

A focus group for landlords held at Wave 2 of the evaluation, reflected landlords’ concerns about direct payments to tenants under LHA. One said that he was selling his properties and leaving the rental market because of direct payments. Others said that they would exclude people on benefits and felt that they had a right to know if a tenant was claiming LHA. Some also disapproved of tenants receiving LHA in excess of their rent in some cases, believing that this was a disincentive to work. There was a general feeling that they would be prepared to raise rents to LHA levels if they felt their tenants were in receipt of excess payments.

At the end of the evaluation period, however, the evaluation found no evidence that landlords had exited the rental market due to the introduction of LHA or had used LHA as an opportunity to increase the rents of their properties. The Benefit Service had been unable to obtain funding to carry out a survey of rental levels but, anecdotally, there was little to support the contention that the transparency of LHA had encouraged landlords to raise rents to match increased benefit levels. The fact that just under half of those cases where the landlord was paid direct involved a split payment (with the excess going to the claimant) also suggested that rental levels had not increased across the board.
The impression gained by the Benefit Service staff was that landlords had accustomed themselves to the new scheme by the end of the period, even if they continued to express disapproval. They appeared to have been reassured by measures to redirect payments promptly once a tenant had accumulated eight weeks’ arrears and also to make the first payment of a new claim to the landlord where the claim involved a back-payment of six or seven weeks’ rent. Reports of arrears and of other problems such as the trashing of accommodation by tenants did not appear to have risen substantially with the advent of LHA.

The work of Rent Officers under the new regime

The London area of the Rent Service is now divided into four offices. The Bromley office covers Lewisham.

At Wave 1, it was reported that the introduction of LHA had considerably reduced Rent Service workloads in Lewisham, and this effect was expected to increase over time. Although Lewisham Rent Office’s fair rent work was, at 30 per cent, higher than the national average, it was predicted that, other things being equal, there would be a loss of 70 per cent of the work load and corresponding staff when Pathfinder was rolled out nationally. In addition, the introduction of the electronic interfacing system would reduce the need for administrative staff, who would no longer be needed to input cases onto the system.

One of the main impacts of LHA at this point had been in highlighting the importance of collecting market evidence. The loss of HB from Lewisham had impacted in contradictory ways. On the one hand, the reduced workload had freed up resources, allowing more time to collect market evidence. On the other, the loss of Pre-Tenancy Determinations (PTDs) had meant that Rent Officers were more remote from their traditional sources of market evidence. Now the main source of evidence was letting agents, with information also taken from small landlords. However, the loss of PTDs had impacted in its turn upon small landlords, who had tended to use the PTDs as a reference point. Relationships had to be built up with agents as there was no real incentive for them to cooperate with rent officers. An additional problem was a high staff turnover among letting agents. Thus obtaining information often proved time-consuming. In addition to finding out about rent levels, the officers also asked about the housing market more generally, including whether there were many properties on the market, what were the trends, and so forth. Despite the challenges of the new system, Rent Service respondents considered that the quality of market evidence had improved since the introduction of LHA. By Wave 3, the Lewisham team were meeting, and indeed exceeding, all Rent Service targets for collecting market evidence.

In the later part of the evaluation period, a great deal of Rent Officers’ time was taken up with assessing broad rental markets and collecting information. The broad rental market area (BRMA) covers a wide area including Bexley, Greenwich, parts of Lambeth and parts of Bromley. No significant changes have come to light over the evaluation period that have warranted a change to the BRMA, although the situation is regularly reviewed. LHA decisions are based on evidence from within that area. At the quarterly reviews, socio-economic data of the area are examined to see if any areas are going up or down, and information is collected about any new developments that may affect rental prices, such as the building of a new hospital. Non-LHA determinations in Lewisham include supported accommodation, such as sheltered housing in RSL.
properties, but very few bed and breakfast cases or very large, multiple-roomed properties. There is also a gypsy caravan site which is also excluded. There has been no change in the number of these determinations since the introduction of LHA.

Monthly and three-monthly reviews of the market show that there have been fluctuations in the rent levels since the introduction of LHA but no discernible trend was identified at either Wave 2 or Wave 3. Fluctuations have been in the order of ten per cent, but are considered to be less to do with LHA than the normal fluctuations within the private rental sector market. A slight upward trend in one-bedroom accommodation was noted at Wave 3 but, once again, it was difficult to ascribe this solely to LHA. Similarly, rent officers were being told by agents that they were having more difficulty in renting larger accommodation, but this was attributed mainly to the increase in purpose-built student accommodation in the area, diverting students from the larger properties.

On the whole, therefore, LHA does not appear to have had a substantial influence upon rental levels within the private rented sector. At the same time, the results of 2,700 shadow determinations completed immediately before the Wave 3 interviews indicated that a number of referrals relating to smaller properties had been up to the level of the LHA, perhaps indicating an emerging trend.

The Rent Service enjoyed a good working relationship with HB staff both before and during the evaluation period. The loss of referrals for rent determinations under LHA inevitably decreased the frequency of contact but the quality of the relationship was maintained. As members of the Pathfinder Board, the Rent Service participated in regular meetings (monthly at first and then quarterly) with other local stakeholders, which they found useful as a mechanism for information exchange.

The LHA and the delivery of other benefits: the impact on Jobcentre Plus

The introduction of LHA has had little impact upon Jobcentre Plus throughout the evaluation period. This is mainly because a considerable majority of its customers have been social tenants and there has consequently been little pressure so far to alter the service to take account of LHA.

At the time of the Wave 1 interviews, Jobcentre Plus had not yet been introduced into any of the Jobcentres in Lewisham. Training and information about LHA for Jobcentre staff appeared to be extremely limited at this point and even at Wave 2, by which time Jobcentre Plus was up and running, awareness of LHA among staff remained sketchy. Most of the efforts made to promote a knowledge of LHA within Jobcentre Plus came from the local authority Benefit Service. It proved difficult, however, to sustain this awareness, and it was noted at Wave 3 that many staff had slipped back into thinking about housing benefit in an undifferentiated way.

Working relationships between Jobcentre Plus and the local authority became much closer during the evaluation period, but this was due to the introduction of the new Customer Management System (CMS) rather than to LHA. The CMS enables Jobcentre Plus to generate continuous information for local authorities about new benefit claimants so that applications for housing benefit can be triggered when necessary. In Lewisham, the relevant forms are collected daily from Jobcentre Plus by Benefit Service staff.
Almost the only difference made by LHA to Jobcentre Plus procedures was in relation to personal benefit calculations carried out to compare customers’ financial situation on benefits and in work. While for HB claimants the amount of benefit received was used in ‘better off’ calculations, for LHA claimants the actual rent was used because of the possibility of an excess.

An issue was raised at Wave 2 concerning the adverse effect upon some Jobcentre Plus customers of a persistent communication problem between the local authority and the DWP processing centre in Belfast in relation to extended payments of HB/LHA. This was perhaps symptomatic of a more general problem of the slowing of Jobcentre Plus processes. Extended payments can be made to people who have been receiving Jobseekers Allowance, Income Support or both for at least 26 weeks and who have stopped receiving these benefits upon entering work. A failure to implement extended payments was causing some people to accrue arrears. It appeared that information on extended payments was not always getting through to local authority staff, resulting in large numbers of requests to Jobcentre Plus for proof of benefit. The problem appeared to be a technological one: local authority remote access terminals were either not holding the correct information or staff were not familiar with them and were missing the information. Once again, the problem could not be attributed directly to the LHA but, rather, reflected glitches in the benefits system as a whole. This problem was not raised by Jobcentre Plus staff at Wave 3.
Chapter 4: Business as usual? Examples of the lack of impact of the LHA on Housing Benefit delivery

Introduction

It is important to recognise from the outset that from an administrative point of view many aspects of processing HB/LHA claims have not changed as a result of the new scheme. For example, the means test requirements of the previous regime still apply in full, so that information and evidence on many aspects of a claimant’s personal and financial circumstances still have to be collected and verified. There is nothing in the LHA scheme that would be expected to make this aspect of processing either easier or more difficult.

Further, a number of important changes in the HB regulations additional to those concerning the LHA have been implemented during the Pathfinder and Evaluation period which have significantly affected some aspects of HB administration and service delivery.

There are several key areas of HB administration in which it was anticipated that the LHA could have a marked effect. One is fraud where direct payment to the claimant might encourage individuals to claim fraudulently since they would directly benefit financially from so doing. A second is DHPs. The LHA might be expected, on the one hand, to decrease the demand for these awards if LHA entitlements are in general more generous than under previous arrangements and given that claimants have a clearer idea of their entitlement prior to taking up a tenancy. On the other hand, the LHA could increase the demand if LHA rates fail to adequately reflect the rent levels charged for properties occupied by particular sorts of household. Another area is complaints and appeals. Complaints and appeals against, or requests for a review of, decisions on entitlement might be reduced if the LHA is more easily understood by stakeholders and/or regarded by them as fairer, but might be increased if this is not the case. Overpayments is a further area in which an observable impact from LHA might be expected, given that they would usually need to be recovered from the claimant under LHA rather than from the landlord under the previous arrangements. Since claimants tend to be more mobile and less traceable than landlords, additional problems might be expected in relation to the recovery of overpayments. Each of these areas is considered in turn in what follows.

Fraud

A proactive approach towards identifying and preventing HB fraud was established in the local authority well before the introduction of LHA. The Council introduced the Verification Framework in October 1998 and the Benefit Fraud Inspectorate (BFI) report (2000) noted that this was achieved without the backlogs and frustrations reported by other London boroughs. Inspectors found verification work to be very thorough. Visits were also aimed at identifying fraud. There were two interlinked visiting teams, one dealing with verification and welfare visits, the other with fraud. The frequency of visits was determined by the claim profile. From April 2004 the fraud team were given more discretion in deciding risk and frequency of visits.
This further developed and speeded the move towards a risk-based interventions programme in Lewisham.

Almost half the cases of suspected fraud investigated in the year prior to the introduction of LHA were in the private rented sector. The largest proportion of cases arose from people working and claiming and failing to report they were in part-time work; having other undeclared income such as social security benefits; and the non-declaration of capital and non-residency.

As a result of the Best Value Review, the fraud section, which used to be part of housing benefits, was moved in March 2004 into the corporate benefit fraud team within the internal audit services in order to coordinate and avoid overlaps in investigation work between housing benefits and tenancy frauds, right to buy fraud, and Trading Standards. This was a far-sighted approach which promoted clarity in the investigation fraud.

No perceptible impact on fraud by LHA was noted at Wave 1. Some visits were made to LHA claimants whose payments had increased considerably but all the claims turned out to be legitimate. A concern was expressed at this stage that with most payments going over to BACS it would be more difficult to detect claimants who were no longer resident at the address.

At Wave 2, the only area of fraud that was thought to be LHA-related was people claiming to live with non-dependants. Previously there was no benefit to be gained from identifying non-dependants within the household since it was in fact likely to result in a reduction in entitlement. Now, however, the money gained for an extra room could be an incentive for fraudulent claims. The problem was considered small at this point, although there were concerns that it might become a bigger issue.

By Wave 3, it was becoming clear that many of the anxieties that had been expressed about an increase in fraud under LHA had proved unfounded. Given that LHA was paid direct to the tenant in most cases, the level of landlord fraud had inevitably decreased. An expected corresponding increase in tenant fraud had not, however, been detected. It was believed that any upturn in the prosecution of cases owed more to the improved efficiency of the housing benefit fraud team than to an underlying increase in fraud. Arrangements for the investigation and prosecution of fraud had not changed over the evaluation period and were not expected to alter significantly under a forthcoming change in funding for the fraud team. The workload of the fraud team had not increased as a result of LHA; neither had LHA brought about changes in working relationships with other local authority departments.

Some concern was expressed at both the second and third waves of the evaluation about overpayments of LHA and their possible implications for fraud. Overpayments are discussed separately in this report in Chapter 6. A problem had arisen because claimant debt arising from overpayments had increased while direct payments had simultaneously made recovery more difficult.
Discretionary Housing Payments

The introduction of LHA had been expected to bring about a decrease in Discretionary Housing Payments (DHPs) since many people would receive larger payments than under HB. At Wave 2, however, no significant change had been observed over the previous year. The DHP figure for 2003/4 was £136,870 and projections to the end of the financial year 2004/5 were for an almost identical figure of £136,864. Despite this static picture, there had in fact been a slight increase in applications rather than the expected decrease, although this was thought to be the result of take-up by pensioners rather than by LHA claimants. It is therefore possible - although this cannot be verified by the findings of the interview study – that there had been a change in the profile of DHP awards since the introduction of LHA, with a movement away from PRS claims towards claims by social tenants and pensioners struggling with the payment of Council Tax Benefit (CTB). It was noted, however, that some LHA were shortly due for review at the first anniversary of the scheme’s introduction, and the alignment rate was expected to be significantly lower than that set initially. An increased number of DHPs was anticipated from tenants whose landlords had raised their rents in line with the original LHA rates.

This latter prediction was not borne out by the evidence collected at Wave 3. Where LHA payments had been lowered upon review, they had usually remained above the level of the rent, thus rendering the tenant ineligible for a DHP to make good the difference.

In general, the increased transparency and relative generosity of LHA appeared to have kept the demand for DHPs in check over the evaluation period. Whereas under the former system tenants could find themselves with substantial shortfalls in their rent after they had moved into their accommodation because there was no means of predicting their precise eligibility for benefit, their entitlement under LHA was both clear from the outset and more generous than previously, both factors working to reduce the likelihood of a shortfall. This at once reduced the need for DHPs and also provided stronger grounds for benefits staff to interrogate applications. DHPs remained a valuable mechanism for dealing with short-term situations and emergencies, such as the interim housing of families referred by the Homeless Persons’ Unit, or the accommodation of people under witness protection schemes.

Complaints and appeals

In the context of benefits administration, the distinction between a complaint and an appeal is that a complaint concerns the action taken in dealing with a claim, whereas an appeal is based upon dissatisfaction at the amount awarded.

The introduction of LHA had no impact upon appeals over the evaluation period. At Wave 1 of the evaluation, it was noted that the appeals team had been strengthened in anticipation of a higher level of appeals as more claims were converted to LHA. This did not come about; in fact, no appeals at all were made in relation to LHA in the period between its introduction and Wave 2. It is of particular interest that none of the vulnerability decisions were appealed.

Following the early publicity for LHA, there was a temporary rise in complaints up to and immediately following its introduction, which mainly reflected the problems people anticipated with the new scheme,
such as an escalation of tenant arrears, rather than their actual experience. Over the remainder of the evaluation period, the level of complaints remained steady. Predictable increases occurred prior to local government elections but these had no discernible relationship to LHA. Changes were made in the methods of recording and monitoring complaints but, once again, these were not related to LHA.

**Homelessness**

There was no evidence that the introduction of LHA had an adverse impact upon homelessness in the borough over the evaluation period. Some early concerns were expressed that direct payments of benefit to people on very low incomes might put them at risk of homelessness if they failed to manage their money effectively. However, neither Shelter nor the local authority Homeless Persons’ Unit observed any increase in homelessness that could be attributed to LHA. An increase in homelessness among the black and minority ethnic community was noted at Wave 2 but no connection was drawn with LHA.

At Wave 2 also, concerns were expressed by staff at the CAB Money Advice Service that difficulties currently experienced by some claimants in opening bank accounts might lead to the build up of arrears and, in turn, to a risk of homelessness. There was, however, no evidence of anyone being evicted in these circumstances and the Benefit Service subsequently stated that, should a claimant be unable to access an account, payments would be made to the landlord to secure the tenancy. The position remained unchanged at Wave 3.
Chapter 5: Easing the administrative burden? Positive impacts of the LHA on service delivery

Introduction

This Chapter considers areas where the introduction of the LHA appears to have impacted positively on the administration and delivery of HB. Positive impacts are judged here as arising where resource savings have been made, where the speed or accuracy of administering it have improved or where the nature of the service provided by stakeholders has improved as a result of the new regime’s provisions.

HB administration by sector

The reorganisation of HB administration into sector-based teams was integral to the successful management of the LHA changes in Lewisham. It addressed a sense of dissatisfaction on the part of the staff with the former process-based system, under which they were effectively confined to working on a narrow range of procedures. Although LHA was the driver of change, the restructuring meant that all staff involved in HB administration became involved in managing the entire sequence of a benefit claim. This was considered to have improved job satisfaction within the service.

In relation to LHA itself, the sector-based approach meant that intensive training and support could be delivered to a single team rather than to the service as a whole. This was a more cost-efficient approach and also allowed the individual training needs of team members to be assessed and met more accurately.

Improved simplicity and transparency

At Baseline it was noted that the average processing times for new claims in the private rented sector were generally much longer than for housing association and local authority new claims. This suggested that the simpler assessment process for private rented sector claims under LHA would reduce processing times. In practice, however, Benefit Service staff did not perceive that LHA had any impact on processing times; although these improved over the pilot period, this was attributed to greater efficiency across the whole system rather than to LHA. It was reported that the Rent Service had greatly increased its turnaround times prior to the introduction of LHA, thus minimising processing delays. In any case, time saved through eliminating referrals had to be set against the additional time required to process vulnerability claims. As has already been discussed, these were considered time-consuming and complex at the beginning, although they became easier to deal with over the period, particularly once the whole of the private sector team became involved in processing them. The best that could be said by the end of the pilot was that LHA had not increased processing times.

The greater simplicity that had been achieved by eliminating the need to consult the Rent Service was nonetheless considered a positive outcome of LHA. It was closely linked to the greater transparency of the new system, which was judged to be beneficial both to claimants and to Benefit Service staff. Up-front
information about rates meant that claimants had clear expectations about the amount of benefit and this in turn reduced conflict with staff because of mistaken assumptions about levels of benefit. Relationships were no doubt also helped by the fact that most claimants were gainers under the new system: at Wave 2, it was reported that 63 per cent received LHA in excess of their rent.

When the perceptions of Benefit Service staff are set against the quantitative data gathered from the pathfinders, it would appear that the staff tended to underestimate the impact of LHA upon claim processing times. The following table and chart present the changes in processing times in Lewisham in the context of changes in other Pathfinder authorities and in all local authorities. These suggest that prior to the introduction of LHA, Lewisham had achieved a high standard of efficiency in the processing of claims relative to all other authorities. While in 2002/3 average processing times for new PRS claims were slightly lower in Lewisham than in the Pathfinder authorities generally, they were a full ten days lower than the average time for all local authorities. Over the following year (to 2003/4), processing times remained static in Lewisham, at a level identical with other Pathfinders but still substantially lower than for local authorities generally. Lewisham achieved a sharp decline in processing times during the first year of LHA (2004/5). The decline over the latter period was considerably more pronounced in Lewisham than in the other Pathfinders, and although this disparity had been reduced by the end of the period, Lewisham was still performing better than average. Of the nine Pathfinders, Lewisham had achieved the third lowest average processing time by the end of the period.

Table 5.1  A comparison of processing times in Lewisham with other Pathfinder authorities and all local authorities

<table>
<thead>
<tr>
<th>Lewisham</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06</th>
</tr>
</thead>
<tbody>
<tr>
<td>LHA _ Lewisham</td>
<td>na</td>
<td>na</td>
<td>29</td>
<td>25</td>
</tr>
<tr>
<td>LHA _ All Pathfinder</td>
<td>na</td>
<td>na</td>
<td>38</td>
<td>34</td>
</tr>
<tr>
<td>PRS _ Lewisham</td>
<td>51</td>
<td>51</td>
<td>36</td>
<td>32</td>
</tr>
<tr>
<td>PRS _ All Pathfinder</td>
<td>54</td>
<td>51</td>
<td>50</td>
<td>36</td>
</tr>
<tr>
<td>PRS _ All LAs</td>
<td>61</td>
<td>58</td>
<td>52</td>
<td>42</td>
</tr>
</tbody>
</table>

Source: Pathfinder MI, HBMIS.

Note: The reported figures for 2002/03-2004/05 are weighted four quarter averages. 2005/06 figure is a three quarter average. Where data are missing estimates are used to calculate averages. na: not applicable.
Figure 5.1  Lewisham processing times by claim type

Source: Pathfinder MI, HBMIS.
Notes: The reported figures for 2002/03-2004/05 are weighted four quarter averages. 2005/06 figure is a three – quarter average. Where data are missing estimates are used to calculate averages. PRS – Private rented sector. Introduction of LHA.

Better communication

The transparency that was integral to LHA could be achieved only if awareness of the new scheme was actively promoted amongst interest groups. The introduction of LHA in Lewisham was therefore supported by both a general publicity campaign and specific measures to raise awareness among stakeholders. This represented a new level of openness in the delivery of HB. As the pilot developed, the local authority proved responsive to changing information needs; for example, the early difficulties faced by many claimants in opening bank accounts were addressed by means of leaflets and inserts explaining the different accounts available and the supporting documentation needed. However, the Claimant strand of the evaluation has shown that there are areas of the communications strategy that could be improved and while Local Authorities publicised rates some of the publicity might have been misinterpreted (Hill et al., 2006).
Chapter 6: Delivering the LHA – some continuing issues

Introduction

This Chapter focuses on a selection of issues that, at the end of the evaluation period, were still ‘live’, in the sense that they continued to attract attention and debate, and appeared to have implications for the delivery of LHA in the longer term. It should be emphasised once again that the implementation of LHA in Lewisham was generally perceived to have gone very well and that most of the problems anticipated at the outset had either proved unfounded or had been successfully overcome.

Recovery of overpayments

As a result of the Best Value Review, the public and private sector overpayments teams merged with effect from 29 March 2004. It was not expected that the main reasons for overpayments – failure to inform about the ending of Income Support or JSA; starting work; failure to notify change of address; and making false claims for benefit – would change under LHA. However, with most payments going to the tenant, there would inevitably be more claimant overpayments. Because of their greater mobility, recovering overpayments from claimants was anticipated to be more difficult than from landlords. There was also some speculation that with larger sums of money involved claimants might be more reluctant to report changes. It was feared that these two factors could lead to larger overpayments and lower recovery rates.

At Wave 1 there was no detectable impact of LHA upon overpayments. By Wave 2, however, it was reported that both the number of people in debt and the amount of their debts were growing while recovery rates were decreasing, and this was considered to be a direct effect of LHA. Because many claimants were receiving LHA that exceeded their rent, it had become easier for those receiving direct payments to accrue larger debts. Furthermore, payment into claimants’ bank accounts rather than via cheques in the post meant that some could lapse into rent arrears or even change address without being picked up for some time. If they were no longer in receipt of benefits, it became difficult to trace them. For example, data protection issues prevented them from being detected via HMRC records. For these reasons, and sometimes also because of a claimant’s assessed vulnerability, a considerable amount of debt was being written off. Even where claimants could be traced, there were limits on the weekly amounts that could be recovered (£8 at that time, increasing to £10 at Wave 3). Thus debt recovery could be very slow.

The pattern of increasing claimant debt (and decreasing landlord debt) had become even more firmly established by Wave 3. Claimant debt had gone slowly up and up, and although debt recovery procedures were robust once the person was traced, it was proving extremely difficult to find them once they had moved from an address and were no longer receiving benefits. A good working relationship had been established with the DWP debt management centres, resulting in a useful flow of information, but there had been no improvement in the overpayment recovery rate since Wave 2. It was felt that only a relaxation of data protection regulations relating to the divulging of information by HMRC could make a real difference to the Benefit Service’s capacity to trace individuals.

Anxiety was expressed about the increasing financial pressures upon the authority from unrecovered overpayments.
Split payments in cases of vulnerability

Once the IT system had been adjusted to manage split payments, these did not present an administrative problem during the remainder of the evaluation period. As stated earlier, they represented only a small proportion of the caseload (239 out of 3,848 claims at Wave 2). However, some respondents felt uncomfortable that in cases of extreme vulnerability, for example where a claimant had a severe alcohol or drug problem, the excess should continue to be paid direct. While recognising that personal choice and responsibility were central to the LHA agenda, they believed that in such cases direct payment was not in the long-term best interests of the individual.

The impact of surplus payments

While, once again, surplus payments did not represent an administrative problem for the Benefit Service in Lewisham, some respondents questioned whether the scale of such payments to some claimants could be justified and whether surplus payments in general were helping to meet the LHA goal of enabling people to trade up to better accommodation in line with their families’ needs. Recent figures from the Pathfinder datasets, to be published in the fifteen month claimant report, show that at May 2005, 76 per cent of claimants were receiving more than their rent, 23 per cent were receiving less than their rent and 1 per cent were receiving an amount equivalent to their rent. For those claimants with an excess between eligible and contractual rent, the average amount of that excess was £39 per week; although, the variation was considerable, with the largest excess reported as £340 per week. This is illustrated in tables 6.1 and 6.2 below. Although very large amounts of excess were rare, two claimants were reported as receiving up to £1,000 four weekly in addition to their rent.
Table 6.1  Distribution of Excesses as a Percentage of All LHA Cases (May 05)

<table>
<thead>
<tr>
<th></th>
<th>£10 or less</th>
<th>£10.01-£20</th>
<th>£20.01-£30</th>
<th>£30.01-£40</th>
<th>£40.01-£50</th>
<th>£50.01-£60</th>
<th>£60.01-£70</th>
<th>£70.01-£80</th>
<th>£80.01-£90</th>
<th>£90.01-£100</th>
<th>£100.01 or more</th>
<th>Any excess</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lewisham</td>
<td>17</td>
<td>13</td>
<td>11</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>5</td>
<td>76</td>
</tr>
<tr>
<td>All</td>
<td>21</td>
<td>14</td>
<td>9</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: DWP administrative data, May 2005.

Table 6.2  LHA Shortfalls and Excesses: Lewisham

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>%</th>
<th>Av. Excess/shortfall</th>
</tr>
</thead>
<tbody>
<tr>
<td>LHA is greater than the rent (excess)</td>
<td>2976</td>
<td>76</td>
<td>£38</td>
</tr>
<tr>
<td>LHA is equal to the rent</td>
<td>48</td>
<td>1</td>
<td>N/A</td>
</tr>
<tr>
<td>LHA is less than the rent (shortfall)</td>
<td>913</td>
<td>23</td>
<td>£23</td>
</tr>
</tbody>
</table>

Source: DWP administrative data, May 2005.

Table 6.3  Percentage of claimants by appropriateness of accommodation, by Local Authority

<table>
<thead>
<tr>
<th>Authority</th>
<th>Wave 1</th>
<th>Wave 2</th>
<th>Wave 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lewisham</td>
<td>62</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>All Pathfinder LAs</td>
<td>63</td>
<td>24</td>
<td>13</td>
</tr>
</tbody>
</table>


Notes:
1. Wave 1 figures exclude Edinburgh and North East Lincolnshire due to data issues.
2. Percentages are rounded to the nearest whole per cent.
3. Due to rounding, components may not sum to totals.
4. Data have been weighted by the distribution of claimants at Wave 2.
There was little evidence that LHA tenants had been motivated to trade up to better accommodation. Initially the 50 largest gainers were visited to ensure that they understood the significance of the changes and realised that the excess was theirs to spend as they chose. When these claimants were revisited six to nine months later, none of them had moved, suggesting that gainers were pocketing the difference rather than trading up to larger or better accommodation. This is illustrated in Table 6.3. Over the whole period, a Benefits Service respondent could remember only one case where a claimant had moved to a more expensive property.

Several factors were said to be at work in encouraging tenants to stay put:

- the shortage of large properties in the Borough, which meant that those families who qualified for eight or nine-room LHA rates were unable to find accommodation of that size;
- the difficulties of finding a deposit for larger accommodation;
- a general tendency towards inertia, which meant that tenants were inclined to stay where they were unless their accommodation was intolerable;
- people’s positive attachment to where they were living, often close to family and friends;
- a desire to remain close to good schools and to sustain the continuity of children’s education and friendship networks.

These observations were based on speculation rather than firm evidence but the consistency with which respondents stated that LHA had had no observable impact on tenant movement within the private sector, or between the private and social sectors, suggests that the expedient of setting LHA at a level which is more generous than traditional HB benefit rates will not on its own encourage people to move to accommodation that best fits their needs and their resources.
Chapter 7: Does the LHA carry substantial administrative advantages? A summary evaluation

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

The remainder of this Chapter addresses the following evaluation questions:

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

The findings from the Lewisham pilot suggest that LHA has made little difference overall to the speed of claim processing but that the elimination of referrals to the Rent Service has brought greater simplicity and transparency to the management of claims, which has been helpful both to claimants and to Benefit Service staff.

Early concerns that complex vulnerability claims would add to processing times have not been realised and these have had less impact on benefit administration than might have been expected in a borough with areas of severe social deprivation. The processing of these claims has become more efficient over time, and has been helped by the growing familiarity of landlords and claimants with the necessary procedures. Vulnerability claims have formed only a small proportion of the LHA caseload and have not increased over the pilot period.

On the basis of the interview evidence gathered at the different stages of the evaluation and summarised in this report, LHA has had no observable impact on the detection of fraud, the demand for discretionary housing payments or the levels of complaints and appeals. There has, however, been a significant and growing problem with the recovery of overpayments that is seen to be directly related to LHA since recovery now has to be made from the claimant in most cases, rather than from the landlord as under HB. Claimants are inherently more mobile and difficult to trace, particularly once they have stopped receiving benefits, and a considerable amount of debt from unrecovered overpayments has had to be written off during the pilot period. The volatile nature of the SE London housing market may have further exacerbated the difficulties of overpayment recovery in Lewisham.

The de-regulated private rented sector accounts for only a small part of rented accommodation in the Lewisham despite its recent growth and so it is reasonable to expect that the changes accompanying the introduction of LHA would not have had a substantial impact upon HB administration at this stage.
**ii Is the LHA in practice essentially equitable (fairer) as a way of delivering assistance with housing costs?**

Responses to this question naturally varied according to the perspective of the respondent. Landlords who had become accustomed to the security of receiving direct payment of housing benefit believed, not surprisingly, that the transfer of direct payments to the tenant was both unfair and unwise since it exposed the landlord to the risk of losing money through arrears, and the tenant to the associated risk of eviction. The fact that most landlords’ fears were not realised over the pilot period did not alter their underlying sense of injustice about the changes ushered in by the new system.

Those stakeholders who considered LHA primarily from the claimant’s viewpoint, however, believed that the transparency of the new system was fairer in that it gave claimants clear expectations about the amount of support they would receive, linked to the criteria that it was openly stated and easily understood. It also improved relationships between Benefit Service staff and claimants by reducing the possibility of misunderstandings and conflict.

Some reservations were expressed, however, about the fairness and cost-effectiveness of a scheme that paid benefit in excess of rent to such a large proportion of claimants without appearing to achieve the underlying goal of encouraging them to trade up to better accommodation. The scale of the excess payments in a few cases was a source of concern.

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

This question relates to Rent Officer practices, which appear to be very similar across the Pathfinders. With the elimination of determination requests, Rent Officers in Lewisham have needed to compensate for the loss of traditional sources of market evidence. To this end, they have built relationships with letting agents and small landlords, and monitored general trends in the housing market. Despite the challenges of the new system, Rent Service respondents considered that the quality of market evidence has actually improved since the introduction of LHA.

The assessing of broad rental markets has been another important aspect of their work, involving the creation and regular review of socio-economic data of the area, including new developments that might affect rental prices.

There seems no reason to believe that the practices adopted by the Rent Service in Lewisham in response to LHA could not be replicated in private sector markets elsewhere.
iv Has the hoped-for transparency with regard to LHA administration been achieved, and have any administrative consequences that were unforeseen come to light during the evaluation period?

As discussed above, LHA has brought improvements in the transparency of benefit administration in Lewisham, to the advantage of both claimants and Benefit Service staff. This is mainly attributable to the clarity that is built into the system for determining benefit rates, so that claimants have ‘up-front’ guarantees about the amount of benefit they will receive. This transparency has been reinforced by an active communications and information strategy on the part of the local authority, both during the introduction of the scheme and in response to specific information needs as it has developed.

Perhaps the main unforeseen administrative consequence of LHA was that the direct payment of benefit to claimants was jeopardised at the outset by the difficulties that many of them encountered when they tried to open bank accounts. The extent of this problem had not been anticipated, particularly since a higher proportion of HB claimants in Lewisham than elsewhere had received direct payments under the old system. The banks’ demands for photographic ID often proved onerous for claimants, and people from ethnic minorities who did not speak English as their first language were frequently bewildered by the requirements. The problems were overcome in most cases, but needed considerable involvement from the CAB Money Advice Service in supporting claimants in their negotiations with banks.

Overall, does the LHA carry substantial administrative advantages?

The evidence from Lewisham is that LHA is broadly neutral in terms of its impact upon HB administration, with neither substantial advantages nor disadvantages. There is a sense of satisfaction that the transition to the new scheme has been well-managed, that teething problems have been addressed and overcome, and that the procedures for managing claims are now fully embedded.