DWP Department for Work and Pensions

Tenants' and advisers' early experiences of the Local Housing Allowance national rollout

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Background

This research formed part of a two year review being undertaken by Department for Work and Pensions (DWP) to monitor the impact of Local Housing Allowance (LHA) at a national level following its national roll out in April 2008. It explored the experiences of tenants and advisers in five local authority (LA) areas.

A key focus of the research was on understanding tenants' experiences of managing direct payments and to assess whether any new issues were arising under the LHA national rollout model that were not apparent in the LHA Pathfinder evaluation.

Key findings

Transparency and tenant understanding of LHA

Advisers were very positive about the transparency of the LHA rates. Having published set rates made it easier and clearer for them to advise claimants on how much LHA they would be entitled to and therefore what properties they could afford. From this perspective LHA was meeting its policy objective of being transparent.

However, where LHA was not meeting its policy objective was in its lack of transparency for claimants, many of whom had very little understanding of LHA. This reflects the findings from the Pathfinder evaluation.

Financial inclusion

One of the key objectives of LHA is to promote financial inclusion. Nearly all tenants in this study were financially included in terms of having bank accounts. However, the extent to which claimants were setting up standing orders to pay their landlord was mixed. A barrier to setting up standing orders was the lack of alignment between fortnightly or four-weekly LHA payments and rents that were paid monthly.

Advisers described resistance amongst tenants with debts or overdrafts to having LHA paid into their bank account and resistance amongst older claimants to opening a bank account. Advisers also reported that some tenants had difficulty opening a bank account. In some areas this was linked to wider issues around the lack of promotion of basic bank accounts by banks.

The issues raised by tenants and advisers replicate those found in the Pathfinder evaluation studies, which suggests that tenants' financial inclusion has neither worsened nor improved.

Personal responsibility and money management

Reflecting the findings from the Pathfinder evaluation, claimants took their responsibility for paying their rent very seriously and paying rent was viewed as the most important 'bill' to pay. In this sense LHA was meeting its policy objective of encouraging personal responsibility for paying rent.

However, one aspect of LHA administration that caused real difficulty for some tenants in managing their finances was the mis-alignment of LHA payment cycles and rents that are paid on a calendar month basis.

An issue found in this study that was not apparent in the Pathfinder evaluation, was the additional financial pressure some tenants faced as a result of their LHA entitlement going down following the annual review of their claim.

Although advisers felt that most tenants were managing direct payments well, they were aware of a significant minority who were not managing. This included tenants who they considered to be vulnerable, but who had not been picked up under the safeguard provisions. It also included a broad group of tenants who were on the margins of the safeguard criteria. More pro-active methods for identifying less experienced, vulnerable tenants could help prevent some tenants from getting into financial difficulty.

The LHA safeguard provisions

Overall, the safeguard provisions did not appear to be working effectively in protecting tenants. Transferring payments to the landlord when a tenant has built up rent arrears of eight weeks or more was felt to be too late.

The 'unlikely to pay' provision was not commonly used. Use of this safeguard was hampered by the difficulty advisers had in identifying tenants with a history of arrears. This safeguard might operate more effectively if a flag or identifier could be added to the IT systems used by Housing Benefit (HB) departments to identify tenants who had consistently not paid their rent.

Two main issues were raised by advisers in relation to the safeguard provision for claimants likely to have difficulty paying their rent:

i the difficulty advisers had in getting supporting evidence accepted by HB staff; and

ii they felt the criteria for accepting people under the safeguard criteria needed to be broadened to cover the wide range of reasons why some tenants struggled to manage their rent.

Further guidance is needed on the status of evidence provided by independent agencies and on the circumstances where it is justifiable for payments to be transferred to the landlord.

Housing opportunities and choice

Through having a flat-rate payment system that is clear and transparent, LHA aims to give tenants choice between the quality and price of their accommodation. However, there was no evidence that LHA was influencing tenants' housing decisions or providing tenants with more choice. Many tenants were not in a position to make an informed choice between the quality and price of their housing as they were not aware of their LHA entitlement prior to starting their property search.

There was also very little evidence that tenants were (or were interested in) moving to cheaper accommodation in order to keep an excess. These findings mirror those of the Pathfinder evaluation and there were no discernable impact of the capping of the excess at £15 per week.

A number of key issues were raised by tenants and advisers that impacted on tenants' housing opportunities and choices, more so than LHA. These included stigma and discrimination by landlords, and (in some areas) the predominance, or lack of, certain types of housing stock. The ability to pay a deposit was a main determinant of housing choice and had been a difficulty for many tenants. Further investment in rent deposit schemes would help improve housing opportunities and choices for tenants in receipt of LHA.

Increased work incentives

Providing greater certainty about what in-work benefit claimants might expect to receive is intended to help claimants move from unemployment into employment. However, there was no evidence to suggest that LHA acted as a work incentive for tenants. Indeed, in Islington in particular, the significantly higher rates under LHA were thought to be acting as a work disincentive, whereby claimants would not be able to afford the rents landlords were charging if they moved off LHA and into work.

Comparison with the LHA Pathfinder evaluation

Overall, the findings from this research are very similar to those of the Pathfinder evaluation. There was very little difference in the views and experiences of tenants. The only new issue that arose in this research, from the perspective of tenants, was the additional financial pressure experienced by a few tenants as a result of LHA rates going down.

This reflects changes in the wider economy at the time of conducting this research. Advisers in this research also raised similar issues to advisers in the Pathfinder evaluation.

However, this research includes a greater focus on the experiences and views of advisers from independent advice agencies, than in the Pathfinder studies. This has provided a more detailed insight into the reasons why a minority of claimants were struggling to manage their rent payments and has provided a new perspective on the effectiveness of the LHA safeguard provisions.

The full report of these research findings is published by the Department for Work and Pensions (ISBN 978 1 84712 836 2.
Research Report 688. September 2010).

You can download the full report free from:
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