

Research: report

For whose benefit?

A study monitoring the implementation of local housing allowance



Shelter

Foreword



The national roll-out of local housing allowance (LHA) in 2008 was intended to herald a new era of empowerment and choice for private sector tenants. Although Shelter continues to support the original principles underpinning the LHA system, our new research indicates that there are systemic flaws with the practical operation of LHA that need urgent attention.

This report presents the findings of the first major survey of LHA claimants since the national roll-out. Shelter surveyed 453 claimants across nine local authority areas to investigate their experiences of LHA. The findings demonstrate that LHA claimants are struggling to cope financially. Most notably the direct payment of LHA to claimants is causing difficulties for them.

Shelter believes that there are a number of changes to the system that must be made immediately to ensure that LHA is fit for purpose. The Government must act now to restore choice for claimants over how their LHA is paid. Not only is this what claimants want themselves, but the evidence from private landlords, voluntary organisations and local authorities is clear: paying LHA direct to the claimant simply is not working.

It is also essential that the supply of affordable and accessible homes for LHA claimants is increased. As this report highlights, many LHA claimants feel that they are discriminated against when looking for a home in the private rented sector and struggle to find somewhere affordable.

LHA is causing major problems for claimants. Every month that goes by LHA claimants are struggling in financial hardship. It is imperative that the Government makes urgent changes to the operation of LHA to ensure that claimants do not continue to be disadvantaged. Claimants cannot wait until after the two-year review of LHA: these changes must happen now.

A handwritten signature in black ink, appearing to read 'Kay Boycott'.

Kay Boycott

Director of Communications, Policy and Campaigns
Shelter

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December 2009

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Acknowledgements

Shelter is grateful to the people who took the time to fill in our survey and those who talked to us about their experiences. We would also like to thank the staff from the nine local authorities who took part in the research and sent the survey out to LHA claimants. Lastly, we would like to acknowledge the support offered by Tristan Carlyon who compiled and analysed the local authority data.

Please note that all the names in the case studies have been changed to protect anonymity.

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Summary

Reforms to housing benefit (HB) were rolled out nationally in April 2008 in the form of a new system known as local housing allowance (LHA). LHA is a way of calculating rent allowance for tenants in the private rented sector that aims to empower claimants and allow them a greater degree of choice when looking for a rental home. Since the national roll-out of LHA, a number of landlords and voluntary organisations have carried out studies examining the impact of the new system, but until now no study has looked in depth at the effect LHA is having on the claimants themselves.

This report presents the findings of a major survey investigating the experiences of 453 LHA claimants. Along with evidence from other studies, the findings provide the basis for proposals of how policy related to LHA should be reformed to ensure the system works for claimants, landlords and local authorities and meets the Government's original policy aims for LHA.

The research highlights a number of issues for LHA claimants that have become apparent since the system was rolled out across the country. Although claimants have reported finding the new system fairer and easier to understand than the old housing benefit system, overall LHA claimants are struggling to cope financially and to access a home they can afford. Shelter is supportive of the principles underpinning LHA¹, but there are problems with the system that need to be addressed to make it efficient, fair and fit for purpose.

Key findings

- Most claimants with experience of payment of LHA to their landlord and to themselves would prefer to have their LHA paid directly to the landlord. Being able to choose how their LHA is paid would help claimants stay in control of their finances. This supports findings from previous studies that the move to a presumption of direct payments to the claimant is causing problems for both claimants and landlords.
- There were two main barriers restricting LHA claimants' access to accommodation: finding a home that was affordable and finding a landlord willing to rent to LHA claimants. More than three-quarters of respondents (81 per cent) had found it difficult to find a home that was within their LHA budget and more than half of respondents (60 per cent) had found it difficult to find a private landlord who was willing to let to LHA claimants.
- Shortfalls between the LHA entitlement and claimants' rent were a significant issue for 59 per cent of respondents; 14 per cent of respondents had a shortfall of £26 to £50. Shortfalls were the main reason people were falling behind with their rent and many respondents were making up the difference by cutting back on essentials such as food or heating.
- Ninety-five per cent of respondents were struggling to manage their finances to some degree.
- The timing of LHA payments had caused problems with rent arrears for claimants. The fortnightly payments did not coincide with the monthly rent required by landlords or with monthly salaries for those claimants who were in work.
- LHA remains a barrier to entering employment for many claimants. Almost half of respondents thought it was not worth their while financially to find employment or increase their hours because their LHA would reduce if they did so and their rent was so high.
- More than one-third of respondents (38 per cent) felt that LHA was both simpler and easier to understand than the housing benefit system that they had formerly claimed under; however, half responded that they did not know. In most cases, respondents were positive about the advice that they had received from the local authority in relation to LHA. For those who were more negative about LHA, administrative processes had proved to be the most problematic aspect of the system.

¹ The principles are: fairness, choice, transparency, personal responsibility, financial inclusion, improved administration and reduced barriers to work: see DWP, *Building choice and responsibility: a radical agenda for Housing Benefit*, 2002.

Introduction

Local housing allowance (LHA) was introduced with the intention of simplifying the housing benefit system in the private rented sector and supporting the Government's wider aims for welfare reform. This chapter explores the background behind the introduction of LHA and changes to the system since its inception, which have affected the amount of LHA available to some households. It concludes with an outline of the aims of the research and the methodology.

Background

Reforms to the housing benefit (HB) system were rolled out nationally in April 2008 in the form of a new system known as local housing allowance (LHA). This followed pathfinders in 18 local authority areas² that had begun in November 2003. The switchover from the old HB system to LHA has been gradual, occurring when claimants have made a new claim, changed their address or had a break in their HB of one week or more. There are currently almost 783,000 LHA claimants, accounting for nearly 62 per cent of HB claimants in the private rented sector.³

LHA is a new way of calculating rent allowance for tenants in the private rented sector, but it remains part of the overall HB system. LHA claimants are subject to the same means testing as other HB claimants and they can claim LHA whether they are in or out of work. However, there are two important differences between the two systems:

1. the amount of LHA a claimant receives is a flat rate (after means testing) determined by the size of the household and the location of the rental property, and
2. there is a presumption that LHA will be paid directly to the claimant, unless they can be proved to be a vulnerable person 'likely to have difficulty in relation to the management of his financial affairs', in which case LHA is paid directly to the landlord.⁴

LHA is calculated according to the area in which a claimant lives, known as the broad rental market area (BRMA), and the size of the claimant's household. The size criteria for each household is based on allowing one bedroom for: every adult couple; any other adult aged 16 or over; any two children of the same sex; any two children regardless of sex under age 10; and any other child. There are additional restrictions on single claimants under 25 years old who are only entitled to one room in shared accommodation, unless they have the severe disability premium included in their benefit assessment or are a care leaver under 22. This is known as the shared room rate.

Within each BRMA different rates will apply for different household sizes. For example, a family consisting of two adults and two children under 10 years old would be entitled to the rate for a two-bedroom property, and a couple with no dependants would be entitled to the rate for a one-bedroom property. Within each BRMA, the LHA rate for each property size will be based on the median rent charged by landlords in the private sector in that area. These rates are determined by the local rent officer and are monitored every month to reflect changes in the local housing market.

The Government first outlined its intention to reform HB in the Housing Green Paper *Quality and Choice: A Decent Home for All*, published in April

2 Argyll and Bute, Blackpool, Brighton and Hove, Conway, Coventry, East Riding of Yorkshire, Edinburgh, Guildford, Leeds, Lewisham, North East Lincolnshire, Norwich, Pembrokeshire, Salford, South Norfolk, St Helens, Teignbridge and Wandsworth.

3 Department for Work and Pensions (DWP) [online], Live tables: Table 4: Housing benefit recipients by tenure: November 2008 to August 2009: <http://shltr.org.uk/3o>

4 Vulnerable claimants, as set out in the DWP safeguarding criteria, could include: people with learning disabilities or medical conditions that seriously impair their ability to manage on a day-to-day basis; people who are illiterate or unable to speak English; people who are addicted to drugs, alcohol or gambling; people fleeing domestic violence; single homeless people; care leavers; and ex-offenders leaving prison. At the time of going to press, DWP was in the process of revising the guidelines and these will be published in due course.

2000.⁵ This was followed by detailed proposals in October 2002 in *Building choice and responsibility: a radical agenda for Housing Benefit*⁶, in which the Government announced its plans to introduce LHA.⁷ LHA is intended to simplify HB and ensure that it supports the Government's wider aims for welfare reform. The objectives of LHA, as stated by the Government, are to promote:

- **fairness** – households in similar circumstances in the same area are entitled to the same amount of benefit towards their housing
- **choice** – households have greater choice about how they spend their income when looking for a rental home
- **transparency** – a clear set of rates, publicly available⁸, informs tenants and landlords about how much financial help with housing costs is available from the state
- **personal responsibility** – people are empowered to budget and pay their rent themselves, rather than having it paid for them
- **financial inclusion** – housing payments are paid into a bank account to allow claimants to set up a standing order to the landlord
- **improved administration and reduced barriers to work** – a simpler system helps speed up administration and ensures claimants are paid the correct LHA entitlement when their circumstances change, for example they start work; for working-age tenants, LHA provides certainty about what help with housing costs is available when claimants are in and out of work.

Changes to LHA since its introduction

There have been some significant changes, and further proposed alterations, to LHA since the system was first introduced. Between the end of the LHA pathfinders and the start of the national roll-out, DWP and the Rents Service (now part of the Valuation Office Agency) reviewed the boundaries of the geographic areas used to set the level of benefit paid to claimants, the BRMAs. The result was that the

number of BRMAs was significantly reduced, which in turn meant that most of the areas became larger. This review was triggered by a House of Lords case in July 2008⁹ that challenged the size of the locality that determines the maximum HB entitlement for an area. Although the case related to the HB system, the Law Lords noted that a locality was similar to the BRMAs used to determine LHA.

Following a short consultation by the Government in November 2008, the regulations were amended on 5 January 2009.¹⁰ This has ensured a new and largely unified definition of both localities and BRMAs, which will apply in respect of both LHA and local reference rent (LRR) cases under the old system. However, these new boundaries have attracted criticism from organisations including Shelter¹¹, Citizens Advice¹² and the British Property Federation.¹³

There was extensive media coverage about LHA payments in October 2008. It was reported that, in a few exceptional cases in London, large households were receiving LHA to cover excessively high rents.¹⁴ In response the Government consulted on proposals to cap LHA and subsequently changed the regulations so that the maximum rate of LHA available to new claimants was the five-bedroom rate with effect from 6 April 2009.¹⁵ This change was intended to reduce costs by ensuring that excessively high rates of LHA ceased for new claims and were gradually phased out for existing claims.

During the pathfinder period, claimants whose rent was lower than their eligible LHA rate were allowed to keep the difference, known as an excess. When LHA was rolled out nationally, the excess was capped at £15 per week. The Government has proposed another amendment to LHA that, if it goes ahead, would mean that claimants will no longer be able to receive any excess LHA over and above their contractual rent from April 2011.

Research aims

This research is the first major survey of the experiences of LHA claimants since the system was rolled out nationally. It aims to:

5 Communities and Local Government (CLG), *Quality and Choice: A Decent Home for All*, 2000.

6 DWP, *Building Choice and Responsibility: A Radical Agenda for Housing Benefit*, 2002.

7 DWP, *Local Housing Allowance Final Evaluation: Implementation and delivery in the nine pathfinder areas*, 2007.

8 Rates can be viewed on LHA Direct website: <http://shltr.org.uk/3e>

9 *R (Heffernan) v The Rent Service* [2008] UKHL 58: see <http://tinyurl.com/6c6um3>

10 The Rent Officers (Housing Benefit Functions) Amendment (No.2) Order 2008 (SI 2008/3156).

11 Shelter, *A Postcode lottery? Part 1 of a study monitoring the implementation of local housing allowance*, 2009.

12 Brandon, S, 'Areas of concern', *Inside Housing*, 14 November 2008.

13 British Property Federation [online], Press release: 'Housing benefit change by backdoor makes mockery of consultation process', 26 November 2008: <http://shltr.org.uk/3f>

14 Lloyd, T, 'Purnell 'shocked' by LHA claims', *Inside Housing*, 13 October 2008.

15 The Housing Benefit Amendment Regulations 2009 (SI 2009/614).

- understand the extent to which LHA claimants are able to exercise choice in finding affordable and accessible accommodation
- investigate the level and impact of claimants making up shortfalls between their LHA entitlement and their contractual rent
- examine the impact of LHA on claimants' financial situation; this includes looking at the frequency and level of rent arrears and, more generally, at how people are managing their finances
- examine the impact of the presumption of direct payment of LHA to the claimant
- consider whether LHA has improved work incentives for claimants
- compare claimants' experiences of local authorities' administration of LHA and advice services to help LHA claimants
- examine secondary research and evidence that places the experiences of LHA claimants revealed by Shelter's survey in the broader policy context
- evaluate how successful LHA has been so far, from the perspective of the claimant, against the Government's six aims of choice, fairness, transparency, personal responsibility, financial inclusion, and improved administration and reduced barriers to work
- establish a set of policy recommendations to drive further LHA reforms.

Methodology

There were three stages to the research process.

Desk research

Numerous studies have already been undertaken on LHA, both at the pathfinder stage and at the time of the national roll-out. In addition to Shelter's LHA survey, this report includes information from secondary sources to give a more detailed understanding of the impact LHA has had on all groups since its implementation. The report clearly acknowledges evidence that is not derived from Shelter's survey.

Survey

Shelter's survey was sent to 2,250 LHA claimants across nine local authorities in England during May and June 2009. The survey comprised 36 questions on household characteristics, experiences of private renting, LHA entitlement and its impact, and employment. The nine local authorities were a mix of urban and rural areas across England.

The survey had a response rate of 20 per cent, providing a sample of 453 respondents for analysis. Within this sample, 20 per cent of respondents had their LHA paid direct to the landlord rather than direct to them. This compares with 16 per cent nationally¹⁶, so the sample was weighted to represent national trends more closely. More than half of the respondents had been living in their current home for one year or less. This reflects the fact that when the survey was undertaken LHA had only been in place for between 15 and 17 months, with the exception of two of the local authorities surveyed in which LHA had been introduced in 2003 as part of the pathfinder programme.

The demographic breakdown of respondents in terms of age and ethnicity is comparable to the national figures for HB claimants in the private rented sector.¹⁷ The survey sample is therefore a good representation of LHA claimants in England. Percentages calculated from the survey are subject to a standard error of 4.6 per cent.

Interviews with claimants

The third stage of the research process involved in-depth qualitative telephone interviews. Sixty respondents were selected to represent a mixture of claimants who would provide a range of perspectives on the topic areas covered in the survey. This included unemployed and employed claimants, claimants having their LHA paid direct to the landlord and direct to the tenant, or who had experience of both, claimants paying shortfalls, and those struggling financially. Seventeen interviews were conducted using an interview schedule designed to explore some issues around LHA in more depth.

¹⁶ This is the last officially recorded figure during phase three of the LHA pathfinders: DWP, *Local Housing Allowance Final Evaluation: the survey evidence of claimants' experience in the nine pathfinder areas*, 2006.

¹⁷ Figures compared with data from: CLG, *Survey of English Housing*, 2007/08.

Mobility, choice and affordability

The research explored how the LHA system was impacting on the degree of choice claimants have when finding a home in the private rented sector and the affordability of private renting for claimants. It also looked at how long claimants had been living in their current home and their reasons for moving.

Length of tenancy and claimant mobility

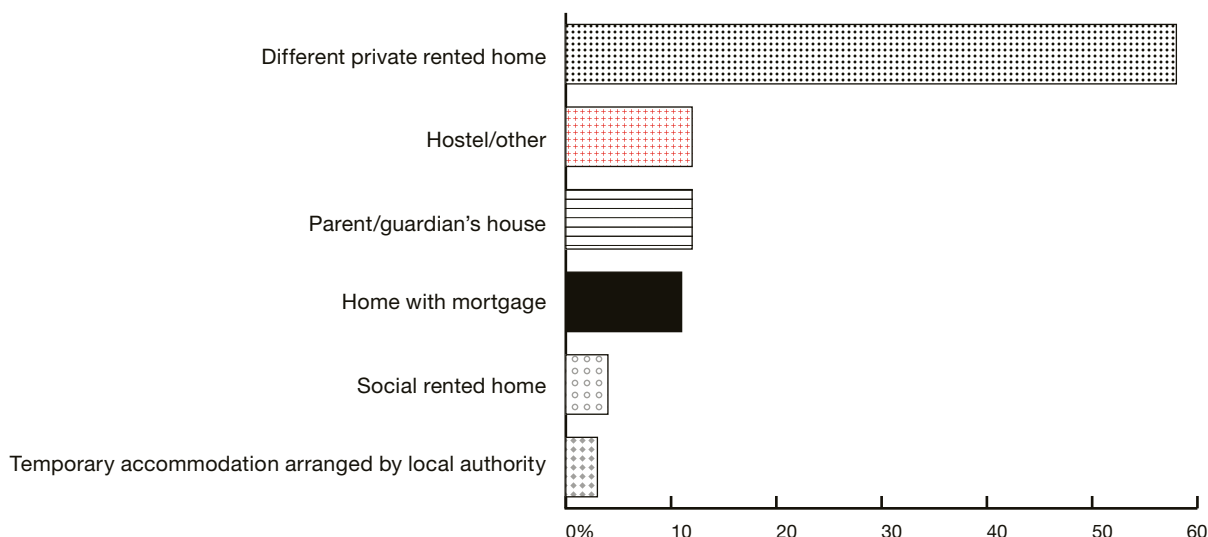
Most respondents were fairly new to claiming LHA or HB. Fifty-eight per cent of respondents had only been claiming LHA for the last 12 months, 23 per cent had been claiming LHA or HB continuously for the past five years and 19 per cent had been claiming intermittently over the past five years.

Fifty-seven per cent of respondents had been living in their current home for one year or less. Around a quarter of people in the survey (27 per cent) had been renting in the private sector for one year or less. This reflects the fact that many tenancies in the private rented sector are short term. These proportions are much higher than among all housing benefit

claimants because, in most of the local authorities surveyed, LHA has only been implemented for those who have moved or experienced a change in circumstances since April 2008.

Prior to their most recent move, the majority of respondents (58 per cent) had been living in a different private rented home (see Figure 1). Twelve per cent had been living in a hostel or other type of accommodation and twelve per cent had been living in a parent's or guardian's home. Eleven per cent had been owner-occupiers with a mortgage, four per cent had been living in social housing, and three per cent had been in temporary accommodation arranged by their local authority.

Figure 1: Where respondents were living prior to their most recent move



Base: 442 respondents to Shelter's LHA survey.

The respondents gave many different reasons for leaving their previous home. The most common reasons were that respondents had needed a bigger or better-quality home (25 per cent) or because of relationship breakdown (24 per cent). Other reasons were wanting to live in a better area (21 per cent); repossession or eviction (10 per cent) and a change in employment (eight per cent). Respondents who had moved from owner-occupation were the most likely to have left their last home because of affordability problems (49 per cent of former owner-occupiers), compared with 21 per cent of respondents overall.

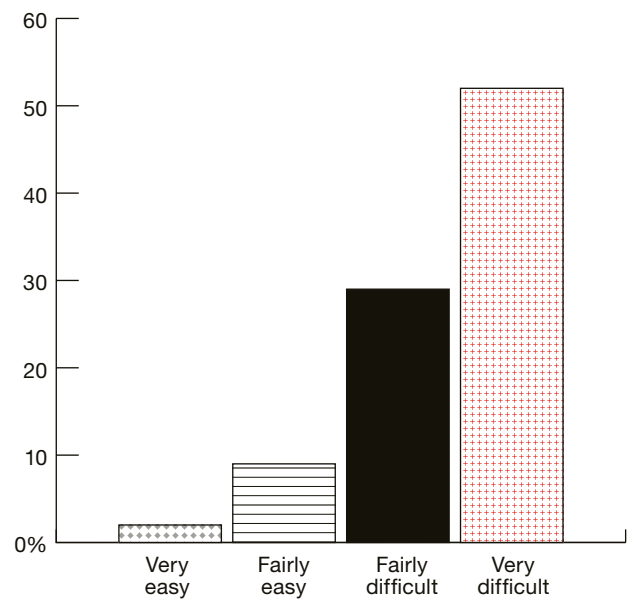
Choice and affordability of accommodation

One of the objectives of LHA was to increase choice for tenants by allowing them to trade between the quality and price of their accommodation. Because LHA is allocated as a flat-rate payment, tenants are able to choose between paying more rent than their LHA entitlement and making up a shortfall, renting a property that costs the same as their LHA payment, or moving to a property with a lower rent and keeping the excess (up to a maximum of £15 per week).¹⁸

Access to affordable accommodation

There were two main barriers restricting LHA claimants from accessing accommodation: finding a home that is affordable and finding a landlord who is willing to let to LHA claimants. Affordable properties are defined as those advertised with a rent at or below the maximum rate of LHA awarded for that type of property in the relevant area. In the survey, 81 per cent of respondents said that they found it fairly or very difficult to find a suitable home that was affordable (see Figure 2).

Figure 2: Access to affordable accommodation: ‘How easy or difficult is it to find suitable private rented homes with rents that are affordable to you?’



Base: 429 respondents to Shelter's LHA survey.

This view was confirmed when we spoke in more detail to respondents struggling to find affordable properties. Some interviewees felt that they had had to make sacrifices in order to find somewhere affordable to live. Elaine, a retired woman in her sixties and living alone, could not cover all the rent on her home, but said that moving was not an option:

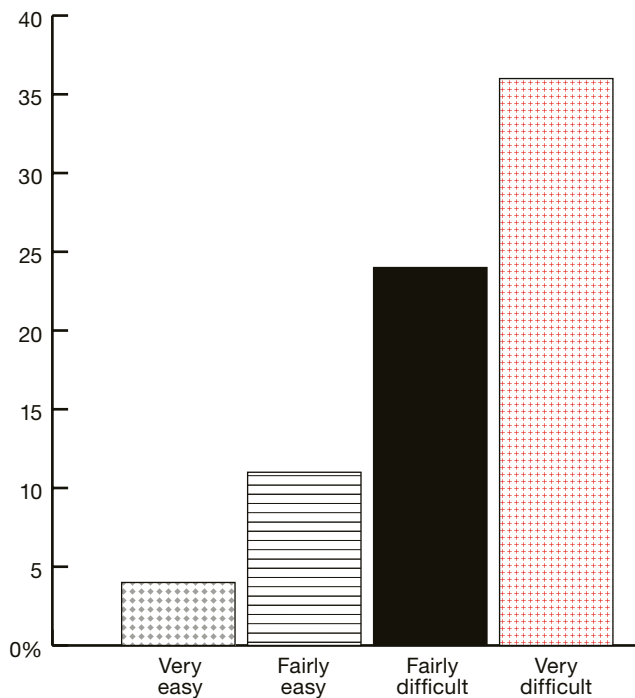
‘I can’t afford a flat unless of course I want to go and live in the really bad area, in amongst all the druggies and the drunkards. But at my age I’m not prepared to do that.’

¹⁸ This may alter if the Government’s proposals to prevent claimants keeping the excess go ahead from April 2011.

Finding a landlord

Finding a landlord willing to rent to LHA claimants was the other main barrier reported by respondents. Figure 3 shows that 60 per cent of respondents had found it fairly or very difficult to find a landlord that would rent a property to them as LHA claimants. Only 15 per cent had found it easy.

Figure 3: Finding a landlord: ‘How easy or difficult is it to find private landlords who are willing to let to LHA claimants?’



Base: 443 respondents to Shelter's LHA survey.

Claimants told us that often landlords will not accept LHA claimants and will stipulate this condition in the advert for the property:

‘[In] most of the advertisements to rent property in newspapers and things, it just says no DSS at all. If you have the misfortune to be out of work for whatever reason, you will have a great deal of trouble getting a house, or a flat or anything.’

Anna (45–54 years), an unemployed lone parent

Case study: Matthew

Matthew (35–44 years) has been claiming housing benefit on and off for the past eight years. He lives with his wife and two daughters in a two-bedroom house in an urban area and is working part-time on a temporary basis.

He prefers the LHA system because it gave him more control when they were looking for somewhere to live. However, he found it difficult to find a property that was affordable on LHA in their area.

‘It’s hard [in my area] because there aren’t a lot of properties available. Most of them are too expensive.’

An added difficulty was finding landlords who would accept LHA claimants. Matthew had to lie to secure his tenancy and fears his family will be evicted if his landlord were to find out.

‘I’ve managed to get friends to write letters for us saying, “Yes, he is employed by me.” Basically [I’m] lying, then getting someone to lie on my behalf so that I have somewhere to live, because otherwise a lot of landlords won’t actually touch you. You know if they found out that they could possibly evict you, so that is a major problem really.’

Other research

These findings are supported by previous research conducted by Shelter¹⁹ that showed significant variation within four BRMAs studied in terms of the affordability of private rented homes for LHA claimants. This earlier research demonstrated that people living in larger BRMAs were less likely to be able to live in the desirable areas with good transport links and access to employment and childcare because the median rent of the BRMA did not reflect accurately the range of rents within those areas. This is likely to result in greater concentrations of LHA claimants in the deprived parts of the BRMAs. The study showed that the BRMA boundaries were working contrary to the aims of LHA and of wider government initiatives to create mixed communities and maximise employment and training incentives for claimants.

19 Shelter, *A Postcode lottery? Part 1 of a study monitoring the implementation of Local Housing Allowance*, 2009.

As part of this previous research, Shelter conducted a mystery shopping exercise in December 2008, contacting 110 landlords by telephone who had properties available that were affordable to LHA claimants. Sixty per cent would not accept LHA claimants. Of those who were willing to let to LHA claimants, half stipulated conditions over and above those requested for working tenants. These conditions included requiring the rent to be paid each month by a guarantor who would then be reimbursed by the tenant, requiring a deposit that was double the amount required from tenants not claiming LHA, and requiring six months' rent in advance. During the LHA pathfinder stage, in 2006, research by Shelter showed that more than half of private rented properties that appeared to be affordable and open to claimants in the pathfinder areas were not once an enquiry about the property was made to the landlord.²⁰

A survey of providers of rent deposit schemes conducted by Crisis²¹ reiterated these findings:

- 67 per cent of respondents said that landlords stipulated conditions over and above those requested for working tenants
- 38 per cent said that fewer landlords accept LHA claimants as tenants since the introduction of LHA
- in many areas, landlords appear to be raising rents to the level of the LHA entitlement for that area, reducing choice for claimants.

Research by the National Landlords Association²² found that 33 per cent of landlords would not take tenants receiving HB. Furthermore, more than half of landlords said that they were less likely to take on new benefit tenants since the introduction of LHA, or that the new system had failed to convince them to start renting to tenants claiming benefits if they were not already.

20 Shelter, *The path to success? Shelter's research on Housing Benefit reform: the final report*, 2006.

21 Crisis, *Local Housing Allowance: One year on*, 2009.

22 National Landlords Association, *Local Housing Allowance: NLA members' survey*, 2009.

Financial management

Shortfalls between LHA entitlement and rent were a significant problem for many respondents and were the main reason people were falling behind with their rent. The way LHA is paid was also causing difficulties for claimants. Consequently, nearly all the respondents were struggling to manage their finances to some degree.

Shortfalls, sacrifices and coping strategies

The official definition of a shortfall is when the maximum amount of LHA a claimant is eligible for (ie before income and non-dependant-based adjustments) is less than the rent paid.²³ The definition of an excess is when the LHA is more than the claimant's rent.

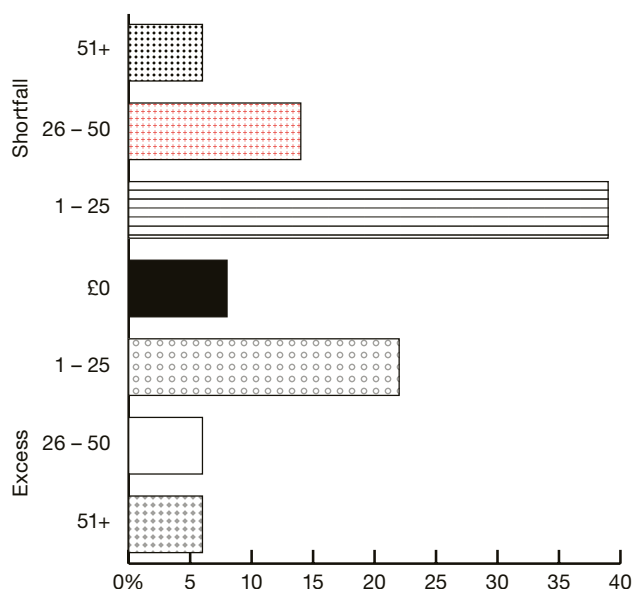
Although LHA is calculated to cover the median rent of a property in a given BRMA, 59 per cent of respondents to Shelter's survey reported having a shortfall. Making up the difference between the amount of LHA a claimant received and their rent payments was a significant problem for many respondents, which helps to explain the high proportion of respondents found to be struggling financially (95 per cent).

Based on the official DWP definitions of shortfalls and excesses, Shelter's survey grouped respondents into one of three categories:

- those who had a shortfall
- those whose LHA was equal to their rent, and
- those who had an excess.

Figure 4²⁴ shows the amount of the shortfalls and excesses paid by respondents. The largest group was made up of those with a shortfall of £1 to £25 (39 per cent), followed by 22 per cent who were receiving an excess of £1 to £25, and 14 per cent who had a shortfall of £26 to £50.

Figure 4: Shortfalls and excesses of LHA claimants



Base: 401 respondents to Shelter's LHA survey.

Based on respondents who had a shortfall, those who were breaking even, or those who paid an excess, figure 5 provides a more detailed breakdown on how easy it is to find affordable properties. This shows that finding an affordable property was difficult for all respondents. This suggests that people are not paying shortfalls through choice but because there was a lack of accommodation in their area at or under the LHA rate.

23 DWP, *Local Housing Allowance Final Evaluation: Implementation and delivery in the nine pathfinder areas*, 2007.

24 Figure 4 shows difference between maximum LHA entitlement and rent paid; however, claimants are only able to keep up to a maximum of £15 excess.

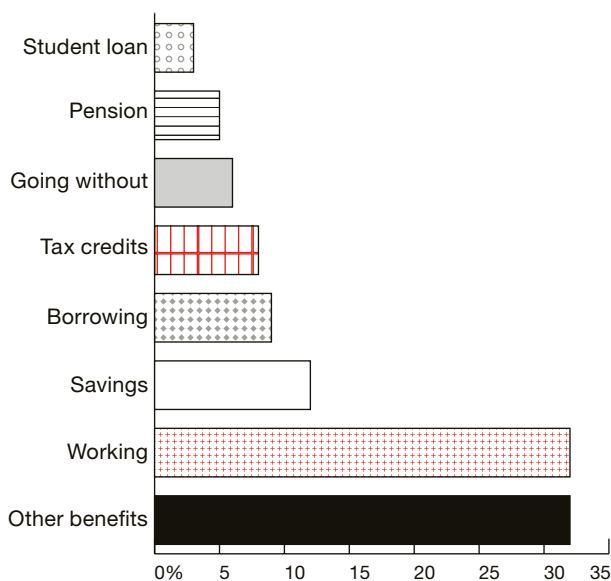
Figure 5: Impact of shortfall or excess on claimant's access to affordable accommodation (percentage)

	Shortfall amount		
	£26 or more	£1 to £25	£0 or excess
Easy to find affordable property	12	9	11
Difficult to find affordable property	86	84	77

Base: 385 respondents to Shelter's LHA survey.

Respondents reported a range of sources of funds to make up the shortfall between their LHA and rent. The two most common sources, at one-third each, were other benefits and wages. Figure 6 presents the full range of sources.²⁵

Figure 6: How respondents made up their shortfall



Base: 235 respondents who had a shortfall.

Shortfalls were the main reason reported by respondents for falling behind with their rent payments. Sixty-eight per cent of those who had been in rent arrears said that this was because they had found it hard to make up the shortfall between their rent and LHA.

Interviewees felt strongly about the shortfall and the difficulties they faced in paying the difference. They were generally reluctant to rely on friends, family or their partner for support and did not agree with the way LHA was calculated based on the income of the whole household, therefore with a presumption that they would be financially dependent on their partner.

Harry (55–64 years) described the difficulties his wife and he had in making up the shortfall:

‘I found myself a part-time job, which wasn’t the easiest thing to do. My wife goes out to work and has to do overtime to make up for this shortfall. It is not very good at all. It causes a strain between us when I have to ask for money and she has to keep putting extra hours in at work.’

Interviewees often felt desperate about their situation when they had a shortfall and knew that they would not be able to make up the difference to cover their rent. They reported using many different strategies to try and raise the necessary funds; interviewees described often prioritising rent and bills over food and heating. Some interviewees felt that although they were budgeting carefully they were still constantly struggling to keep up with payments.

Anna (45–54 years), a lone parent, has been unable to find work, so has resorted to other means to cover her shortfall:

‘At the moment, I haven’t paid this month’s rent and I am about £200 short, which I will have to try somehow to make up. I’m selling things too. Anything – clothes, jewellery, anything I can find I’m selling. I can’t buy food. I’ve lost about three stone now; I’m like a walking skeleton. I certainly couldn’t have heating on or anything like that. No, not at all, I’ve told everyone to put blankets round them if they’re cold.’

Lara (35–44 years) had to make similar lifestyle changes while she looked for work:

‘Well, it’s a struggle when my bills are due. Child benefit usually covers my bills so I have to be extra careful. I have to shop in bulk. I make sure I have food and then put enough money away to cover my rent and bills. But I survive.’

²⁵ Percentages total more than 100 because respondents were allowed to give more than one answer in the survey.

The interviewees were quite stoical in the face of their financial struggles.

'I just battle along. If I can afford food I buy food, if I can't I go without. End of story.'

Elaine (55–64 years), retired and living alone

The interviewees frequently referred to the high cost of heating their accommodation. One respondent spoke about how they had had to pay to have the walls and loft insulated to try and keep the house warm because they could not afford to keep paying for the gas heating through the winter.

'I ran up a £1,000 gas and electric bill because at the previous house it was so cold even with heating on. Even though I only put it on for two hours a day, which made no real difference to us, it was costing hundreds of pounds to pay for the gas and electric.'

Anna (45–54 years), a lone parent

Other research

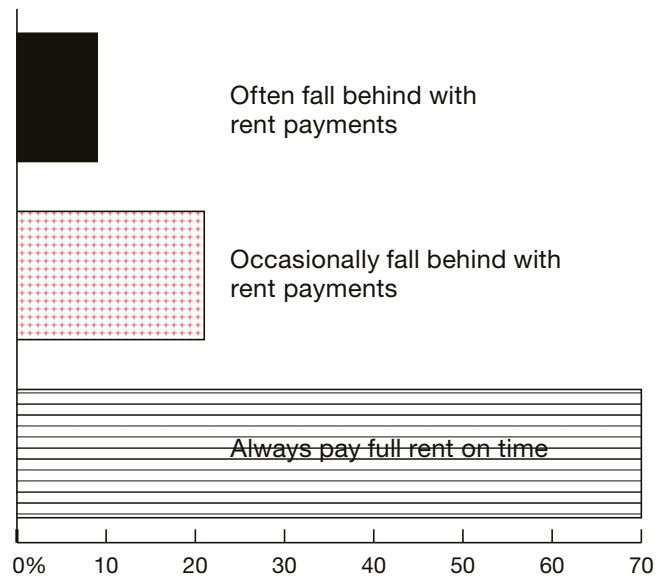
DWP's evaluation of the pathfinders²⁶ showed that the introduction of LHA had successfully reduced the percentage of claimants with a shortfall in the pathfinder areas from a baseline of 59 per cent in October 2003 to 40 per cent by the end of the study in June 2006. However, findings from Shelter's survey show that this figure has not been sustained and seems to have returned to the original baseline figure of 59 per cent (see page 14).

Rent arrears

More than one-fifth (21 per cent) of respondents had occasionally fallen behind with their rent since changing from HB to LHA, and nine per cent reported often falling behind with their rent (see Figure 7). Breaking down this group further, nine per cent of people who answered the survey were one to two months behind with their rent and five per cent were more than two months behind.

Looking at type of household, a couple with children was the type most likely to be in rent arrears at the time of the survey and one-person households were most likely to have been in rent arrears at some point since moving onto LHA. Those who had been claiming LHA or HB constantly over the last five years were less likely to be in rent arrears than those who had started claiming in the last 12 months, indicating that newer claimants may need more help with managing their rent payments.

Figure 7: Ability to cope with rent payments since moving on to LHA



Base: 432 respondents who had a shortfall.

'I'm in arrears from a couple of months ago. It's only about £35 but it might as well be £3 million to try and find it... So I now have bailiffs coming here trying to get money off the previous house, which I simply don't have. I'm in a total hole; I just can't see a way of getting out of it.'

Anna (45–54 years), a lone parent

'I owe him [the landlord] two months from two years ago. I owe him two months' rent which I can't pay. I just can't pay him.'

Mark (25–34 years), living alone and unemployed

For many respondents, the timing of LHA payments contributed to their problems. LHA is paid in arrears to claimants once they have found a property, which means that claimants begin their tenancy in arrears with their rent. Also, LHA is not often paid at the same time as rent: claimants generally receive fortnightly payments rather than monthly ones. Interviewees reported finding it difficult to manage their finances due to the timing and frequency of their LHA payments. For those who often fell behind with their rent, 41 per cent agreed slightly or strongly that the timing of their LHA payments made managing their finances very difficult. This compared to 35 per cent who disagreed slightly or strongly.

²⁶ DWP, *Local Housing Allowance Final Evaluation: the survey evidence of claimants' experience in the nine pathfinder areas, 2007*.

'I have to pay the rent in advance, but they [HB office] don't pay me in advance. No allowances are paid to me in advance, they are all paid virtually in arrears. You know, he [the landlord] comes knocking on my door saying, "Look, don't expect me to have any sympathy".'

Paul (55–54 years), a part-time worker living with his wife and son

Jane (45–54 years) was not in arrears when she was interviewed, but still felt that the timing of her LHA payments made it difficult for her to manage her finances:

'It's paid straight into my bank account – which is fine, except that I'm used to being salaried monthly and I work on a monthly cash-flow basis. The fact that everything is paid two weekly it's actually a pain in the neck. It would be a lot easier if it could be paid weekly or monthly...'

Other research

A DWP survey²⁷ asked local authority staff in HB departments about the way that LHA payments are made to tenants. The majority of local authorities (74 per cent) said that they did not make their LHA payments coincide with rent payments, of these 66 per cent said that they had no plans to make changes to their payment systems. Only four per cent said that they would definitely be making changes.

In the National Landlords Association's survey²⁸, the fear of rent arrears was landlords' top reason given for not letting to benefit claimants (54 per cent of landlords). Reasons for their fears of rent arrears arising included tenants not being able to pay their rent, but also local authority maladministration. Some landlords in the survey also pointed out that benefit payments only start four weeks in arrears of the tenancy starting, rather than in advance as with most rent agreements.

According to DWP's pathfinder evaluation, which looked at landlords' experiences of LHA, most landlords acknowledged that the problems with rent arrears had increased because of the transfer to LHA payments. However, most landlords considered this as an inevitable aspect of renting to an LHA claimant because of local authorities' timing of payments.

Financial situation

When asked how they were coping with their finances overall, 95 per cent of respondents were struggling to manage their finances. This can be broken down as follows:

- 33 per cent were managing but struggling from time to time
- 33 per cent were managing but their finances were a constant struggle
- 29 per cent were falling behind with some or many bills or payments.

The ability to manage financially did not appear to be affected by how long the respondent had been in their current tenancy, being fairly evenly spread across the groups according to length of tenancy. The only exception was respondents who were falling behind with some or many bills and payments, among whom those who had been in their current tenancy for longer were less likely to have fallen behind financially.

²⁷ DWP, *Local Authority Omnibus Survey Results – Wave 16, 2008*, Chapter 3: Local Housing Allowance.

²⁸ National Landlords Association, *Local Housing Allowance: NLA members' survey, 2009*.

Figure 8: Impact of shortfall or excess on claimants' financial situation (percentage)

Amount of shortfall	Overall financial situation			
	Managing without any difficulties	Managing, but struggling from time to time	Managing, but constantly struggling	Falling behind with some or many bills/payments
£26 or more	3	27	33	38
£1 to £25	5	32	34	29
£0 or excess	5	33	33	28

Base: 399 respondents of Shelter's LHA survey.

Figure 8 shows, as expected, that the level of shortfall or excess impacts on the claimant's ability to manage their finances. The higher the amount of shortfall, the less likely the claimant is to be managing their finances without any difficulties. Thirty eight per cent of respondents with a shortfall of £26 or more were falling behind with some or many bills or payments, compared with 28 per cent of respondents who were breaking even or had an excess.

Case study: Kelly

Kelly, who is under 25 years old, has been living with her boyfriend for just under a year. They moved into the area so that he could study at the local university.

They receive roughly £122 a week in LHA and their rent is £144. To pay the difference they use Kelly's boyfriend's student loan and overdraft facility. Kelly is looking for work but struggling to find something that would leave them better off financially.

She says that although they are managing financially, it is a constant struggle. It took the duration of the summer holidays for them to find somewhere to live that was affordable and available to them as LHA claimants. During this time they had to live with her partner's parents on the other side of the country.

Direct payments

Most claimants with experience of payment of LHA to their landlord and to themselves would prefer to have their LHA paid directly to their landlord. Being able to choose how their LHA is paid would help claimants to stay in control of their finances. This research looked at the presumption of direct payments of LHA to tenants and the impact it has.

LHA payments

There is a presumption that LHA will be paid directly to the claimant, unless they can be proved to be a vulnerable person according to the Department for Work and Pensions (DWP) safeguarding criteria, in which case the payment will be made direct to the landlord. However, Shelter's LHA survey found that most claimants would prefer to have their LHA paid direct to their landlord. Almost half (46 per cent) of claimants who have had experience of both means of payment had found that payment direct to the landlord was more helpful to them in terms of managing their rent and household budget. Almost one-fifth of respondents were not aware that direct payment to the landlord was even an option.

'Previously it [HB] was paid straight to my account but I found it easier to go straight to my landlord, to avoid any other problems.'

Mark (25–34 years), living alone and unemployed

Some respondents preferred having control over their finances by receiving LHA direct to their account. These respondents were often working and expressed a need to keep control of what was coming in and out of their account.

'There is a degree of flexibility when you get it [LHA paid direct into your account]. When you've got various benefits coming in you can sort of rob Peter to pay Paul and make sure the right amount of money is in your bank account at the end of the month. Whereas if it [LHA] goes direct to the landlord you have less cash flow.'

Joan (45–54 years), living alone and working part time in temporary/casual work

Safeguarding guidelines

Previous research by Shelter found that the LHA system was failing to identify vulnerable people who should be eligible to have their LHA payments paid to their landlord, instead of direct to them. The research, which looked at the safeguarding policies of 50 local authorities²⁹, found a lack of consistency across local authorities in the definition of vulnerability. There were also disparities in the application process and accessibility of information and guidance to claimants.

Other research

A survey by Crisis³⁰ found that the system of establishing vulnerability for LHA to be paid direct to the landlord was causing huge problems because the criteria and process varies between local authorities. There is often very little transparency about the criteria for vulnerability and what evidence is required, and many applications are being refused with little explanation.

Responses from local authorities to a DWP survey³¹ found that only 55 per cent of local authorities had trained any staff on making determinations about whether a claimant needs safeguards to be applied to their case. However, when asked if there were plans to introduce training for staff to make safeguarding determinations, 98 per cent said that there were.

The new payment method is also having an impact on landlord behaviour. A survey by the National Landlords Association found that 54 per cent of landlords who would not let properties to tenants claiming LHA said that this was driven by concerns about rent arrears arising because more claimants were having their rent paid direct to them as opposed to their landlord.³²

29 Unpublished data in which 50 local authority websites were analysed to look at their safeguarding policies and how comprehensible, accessible and consistent the information was.

30 Crisis, *Local Housing Allowance: One year on*, 2009.

31 DWP, *Local authority omnibus survey results – Wave 16*, 2008, Chapter 3: Local Housing Allowance.

32 National Landlords Association, *Local Housing Allowance: NLA members' survey*, 2009.

Employment and barriers to work

LHA is a barrier to entering employment for many claimants, both in terms of the steep reductions in the amount of benefit when claimants enter employment and in terms of administration. This research explored the impact of LHA on claimants' access to employment.

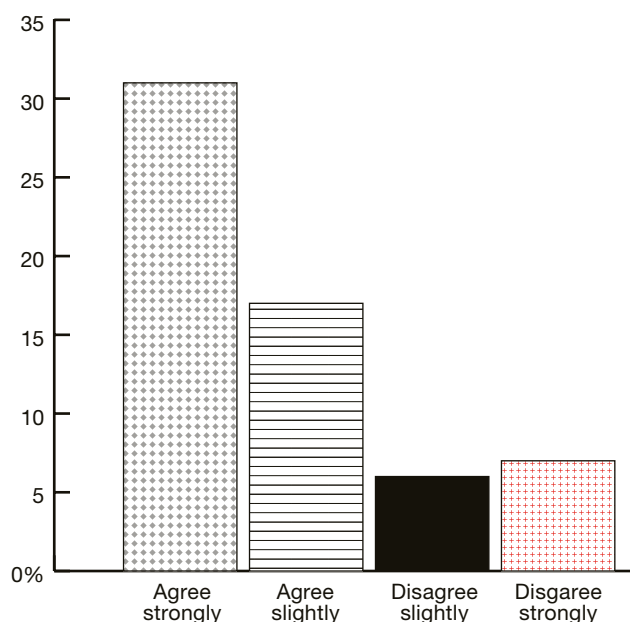
Working patterns and LHA

Among the survey respondents of working age, more than two-thirds (69 per cent) were out of work. Claimants in the youngest and oldest age brackets were the most likely to be out of work. Respondents aged between 25 and 34 years old were the most likely to be in full-time permanent employment. More respondents were in part-time than full-time employment. When asked if the way in which LHA was paid to them (ie fortnightly and recalculated when circumstances change) made it easier to consider entering employment or increasing their working hours, 51 per cent of respondents were unsure, 26 per cent agreed and 24 per cent disagreed.

LHA was intended to provide greater certainty about what in-work benefit claimants could receive by making rates publicly available on the internet. However, these rates are based on the maximum entitlement and claimants need to contact their local HB department to find out what amount they would receive if they went into employment.

Furthermore, there are a number of other issues in the current HB system that can act as a barrier to entering work. Complex interactions between HB, other benefits and tax credits, and the steep withdrawal rate at which HB is tapered away (65 pence in every pound earned above the applicable amount), as well as the extra costs associated with employment such as travel, clothes and childcare, mean that many people can be financially worse off or only slightly better off when employed compared with being unemployed on benefits. This is known as the unemployment trap. When claimants in our survey were asked whether the rate at which LHA is withdrawn when they enter employment or increase their hours makes it difficult to make working cost effective, 49 per cent agreed – see Figure 9.

Figure 9: LHA and work: 'It's hard to make work pay, because of the way LHA is withdrawn once I get a job or increase my hours.'



Base: 383 working-age respondents to Shelter's LHA survey.

The higher rents in the private rented sector often make it particularly difficult for claimants to increase their net disposable income when they increase their earnings. This is often referred to as the poverty trap.³³ Forty-five per cent of respondents agreed that it was not worthwhile financially for them to work or increase their hours because their rent was so high; 24 per cent agreed strongly and 21 per cent slightly agreed. This compared with 25 per cent who disagreed with the statement and 30 per cent who were unsure. This finding was supported in the follow-up interviews with claimants. Interviewees displayed acute awareness of their finances and

33 Cannizzaro, A, *Impact of rents on Housing Benefit and work incentives*, Working Paper No 38, DWP, 2007.

could illustrate how much extra money they would have per week if they were to have a job.

Mark (25–34 years) was struggling to pay the rent on his London studio flat and said it would be more difficult when he found work:

‘As soon as I find myself a job, I’m going to have to move. I don’t think I’m going to be able to find a job and pay £720 rent, and extra bills and council tax. Altogether it might be £900.’

Anna (45–54 years) was looking for work when she spoke to us, but was worried that she would not receive the same level of understanding from energy suppliers about her financial struggles as she does now:

‘There is no incentive to go back to work. I’d have to pay the full rent on this house, full poll tax [council tax], everything in full. I couldn’t pay a gas bill, so they let me pay it back bit by bit because I’m on benefits. If I was back in work I would somehow have to pay it all in one lump sum, so I’d be worse off. I’m in a real catch-22 situation. The only way I would be better off is if it came to me being evicted, I could possibly get back into a council house but then it would be like starting all over again.’

Lara (35–44 years), a lone parent, was struggling to find work that paid enough to justify making the transition back into work:

‘If, for example, I did 16 hours a week, I’d only be about £30 pounds better off after they’ve taken away the council tax I have to pay, and the actual rent. So, to be honest, that isn’t really much of an incentive is it? I had a discussion with the employment services and if I worked full time, which is kind of a struggle with a small child, if I earn £300 a week, which is kind of difficult to get isn’t it, I’d be £100 better off, which is more of an incentive.’

The way LHA is administered, such as the need to continually report changes in circumstances and proof of income, does not make it easy for claimants to know what they are entitled to if they move into employment or increase their hours or pay. For many of the interviewees, the fear of overpayment and getting into debt also acted as a barrier to entering work. Even if claimants do find a job, the lack of suitable childcare and hours that fit in with caring responsibilities can also deter people.

Overall, interviewees were keen to get back to work because of the impact unemployment was having on their self-esteem and health; however, they were aware that they could be worse off financially when in employment. On top of this, they were worried about

the new bills, responsibilities and stress that might arise as a result.

‘I work part time. I work six hours a week, which is taken out of my jobseeker’s allowance. Basically that [earnings from employment] all goes on the rent. I don’t have any gas. I don’t use gas at the moment. And I don’t eat very much. My health is suffering and I’m getting depressed and I just want to go out and work [more hours].’

Jess (35–44 years), a part-time worker living alone

New ways of paying LHA

Given the problems with LHA and entering employment, the survey asked claimants if changes to the LHA system would help them consider work. The proposed changes were:

1. LHA payments being at a fixed amount for six months, so claimants would not have to keep reporting changes in circumstances
2. continuation of the out-of-work rate of LHA for three months after employment starts.

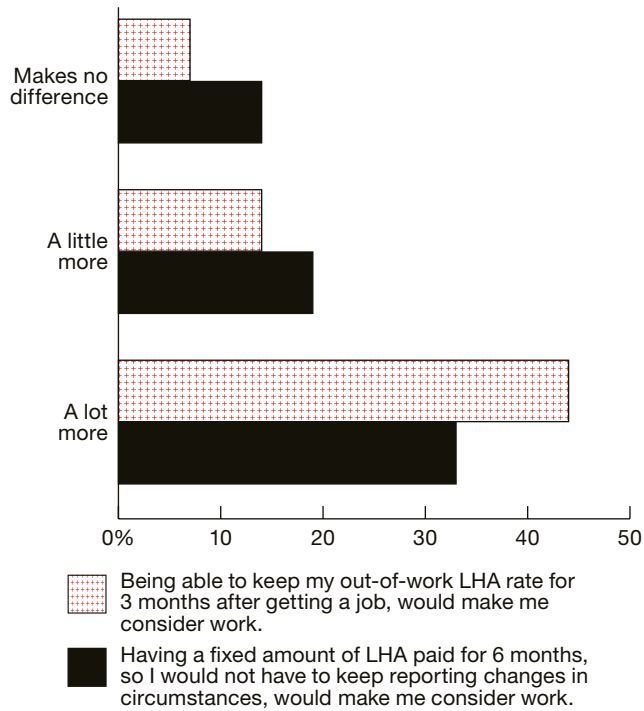
One-third of respondents said that the first proposal would make them consider going into work a lot more, with 19 per cent agreeing it would make them consider it a little more (see Figure 10 on page 22). Only 14 per cent said that it would make them consider entering employment less or that it made little difference. There was stronger support for the second proposal: 44 per cent said it would make them consider starting work a lot more and 14 per cent a little more. This compared with seven per cent who said it would make them consider work less or it made no difference.

When questioned further about the second proposal in the interviews, claimants generally responded positively because it was the removal of benefits during the first few months of employment that they were the most anxious about. For example, wages are usually paid in arrears and they would have new bills and taxes to consider. It would also be helpful in allowing them to adjust to a new routine and lifestyle, and reduce the stress associated with starting a new job.

‘It would be very helpful because nine times out of 10 the kind of jobs I get would be paid monthly. You know, you’re waiting, depending on what time of the month you start the work. It could actually be six weeks until you get paid, which is what happened in the last job. So I was behind with everything just in that first month, and then the second month you’re playing catch up. So for a good four to five months you don’t really get on top of things.’

Jess (35–44 years), a part-time worker living alone

Figure 10: Impact of policy proposals to help LHA claimants to enter employment



Base: 357 working-age respondents of Shelter's LHA survey.

Case study: Jess

Jess (35–44 years) is living alone in a one-bedroom property and receives £75 a week in LHA. Her rent is £112.50 a week. Jess is currently working six hours a week, which is a small help towards paying the £37.50 rent shortfall.

She would like to increase the number of hours she works, ideally to be full time, but she would be willing to work as few as 16 hours a week 'just to get out there [into the job market]'. However, she worries that she would lose all her benefit and then have to survive on £92.80 a week if she was doing a minimum-wage job.

Although Jess always pays her rent on time, she is falling behind with some other payments. She has lost her confidence while being on benefits and does not want to remind her employer of the extra hours he promised her for fear she will lose her job.

When Jess' local authority told her that she had been overpaid she was unable to challenge this because she finds the invoices difficult to understand. Her LHA has been reduced until the overpayment is paid back.

Local authorities: administration and advice

More than one-third of claimants felt that LHA was simpler and easier to understand than the HB system they formerly claimed under. Respondents were also generally positive about the advice they had received about LHA. However, many claimants were dissatisfied with their local authorities' administrative procedures in relation to LHA.

Understanding LHA and advice

More than one-third of respondents (38 per cent) found that LHA was simpler and easier to understand than the HB system under which they had formerly claimed. This compared with half who responded that they did not know. Thirty-seven per cent of respondents thought that LHA was fairer than the old HB system.

Almost half of the respondents to the survey (48 per cent) had sought advice about LHA in the past 12 months. Of these, more than three-quarters (77 per cent) were satisfied with the advice they had received. Overwhelmingly, claimants had sought advice from their local authority (77 per cent), of these a significant minority – 25 per cent – were dissatisfied with the advice they had received. Only seven per cent received advice from their landlord and seven per cent from a charity or benefits advice centre.

Administration

When LHA was introduced, DWP anticipated that administration would be improved by the removal of the complex rent restrictions and individual referral of rents by rent officers that had existed under the previous HB system. These used to delay processing claims by private tenants because a rent officer had to contact the local authority for each individual claim. Although HB administration has improved with the introduction of LHA, many of the claimants interviewed for this research were dissatisfied with their local authorities' procedures. The reasons given can be divided into four main themes:

- 28 per cent were frustrated with the time taken to process their claim
- 28 per cent felt the process was too complex

- 27 per cent found that there was a lack of information or the information they were given was confusing
- 24 per cent found staff at the local authority unhelpful.

As mentioned earlier, problems related to administration also act as a barrier to claimants entering employment.

In contrast, some interviewees were happy with the processing of their LHA claim:

'It was remarkably painless this time.'

Jane (45–54 years)

'It's been fine. I haven't had any problems' really.'

Ruth (55–64 years)

A number of the interviewees felt that the LHA system was confusing and complicated and that local authority staff were unhelpful in explaining application forms and other LHA documentation to claimants, or how entitlements were calculated. As a result, claimants found dealing with the local authority time consuming and frustrating. Interviewees described how the advice they received had not improved their understanding and that they had continued to feel confused even after receiving advice. They also reported feeling unable to challenge mistakes that they thought the local authority had made in relation to their claim. Jess (35–44 years), a part-time worker living alone, found the system very confusing:

'A couple of years ago I was out of work again and they used to send a statement every month of any changes or anything like that and it doesn't actually explain it very well... So when it came to me explaining [to the local authority] that I don't owe you any money, I couldn't.'

Joan (45–54 years), a part-time worker, had had trouble understanding the application forms for LHA, but she felt that the local authority had been reluctant to help:

‘The only thing I’ve struggled with is they send you so many forms to fill in which are totally incomprehensible to understand... I had to ring them up and ask them to explain it to me, and they weren’t particularly keen on doing that. They sort of treated me like I was stupid.’

Some interviewees felt that the system was too impersonal. They reported frustration at being sent letters that contained conflicting information and having to chase up problems about their claim themselves. Furthermore, dealing with these issues was also time consuming and distracted them from other commitments such as finding work.

Harry (55–64 years) described the unsatisfactory experience of trying to end his LHA claim after returning to work:

‘Well, in actual fact I’ve contacted them [the local authority] to get them to stop paying me. I’ve recently, in the last couple of weeks, got myself a part-time job. I’ve already rung them, but [they say], “I’m sorry you are going to have to write to us”.’

Conclusion

Using the findings from Shelter's LHA survey and other sources of evidence examined as part of this research, this chapter concludes the report by evaluating the extent to which the new system has fulfilled the Government's original policy objectives for LHA.

This research highlighted a number of issues that have arisen for claimants since LHA was rolled out across the country in 2008. Although some participants in the research reported finding LHA fairer and easier to understand than the system they had formerly claimed under, they were struggling to manage their finances under the new system. In particular, the high prevalence of shortfalls between LHA payments and rent among all households participating in the survey was making budgeting more difficult. Claimants also reported difficulties with finding affordable housing in the private rented sector and finding a landlord who was willing to let to LHA claimants.

When LHA was introduced, the Government set six policy objectives for the new system. Here we evaluate how far LHA has fulfilled its original objectives in light of the findings of this research.

Fairness

More than one-third of claimants felt that LHA was fairer than the previous HB system. However, evidence from the survey shows that claimants were still experiencing problems with finding affordable and accessible properties in all areas of the country, a finding that contradicts the overarching aim of fairness. In addition, the Government has continued to make changes to the system before the promised two-year review has been undertaken, which also contradicts this objective. Making short-term changes to the BRMAs in January 2009 and capping LHA at the five-bedroom rate from April 2009 have disadvantaged claimants, as well as having a negative impact on accessibility and affordability of accommodation.

Choice

This research has shown that choice is limited when looking for a home that is within the budget of LHA entitlements and available to LHA claimants. Landlords are increasingly reluctant to rent to LHA claimants. In addition, the Government's proposal to remove the £15 excess allowance in 2011 further undermines the intention to allow claimants to shop around when choosing a rental home.

The presumption of direct payment of LHA to the claimant also contradicts the objective of increasing claimants' choice: many claimants in Shelter's survey said that they would prefer to have their benefit paid direct to the landlord. This would still enable claimants to stay in control of their finances and it would also encourage more landlords to let to claimants, which would increase the choice of rental properties available to claimants.

Transparency

Almost 40 per cent of respondents to the survey found the new system easier to understand. Some felt that the maximum entitlements were much clearer under LHA because the rates were publicly available. However, LHA still sits within the wider HB system and is, as such, subject to means testing: this can further complicate a claimant's understanding of their entitlement, especially if their income fluctuates.

Increased transparency is also said to have had the effect of driving rents up in some areas. It is reported that landlords have been using the (publicly available) maximum LHA rate to set the level of rent they charge. This means claimants are forced to rent at the maximum LHA rate and prevents them from shopping around and keeping any excess. It may

also have the effect of driving rents up in the wider private rental market. For claimants wanting to enter employment, higher rents exacerbate the impact of the poverty trap.

Personal responsibility and financial inclusion

Overall, respondents to our survey were struggling to manage their finances, with shortfalls between LHA payments and rent the main reason for people falling behind with their rent. One of the intentions of LHA was to empower claimants to manage their finances and pay their rent themselves, but there were other issues preventing claimants doing so effectively. For many, being given the choice of how their LHA is paid – direct to them or to the landlord – was more likely to help them to budget effectively. Some claimants preferred to ensure that their rent was being paid by having their LHA paid direct to the landlord, while others preferred having their LHA paid direct to them so they could manage their financial commitments themselves.

Improved administration and reduced barriers to work

Many of the barriers to work still exist in the LHA system, such as the complex interactions between LHA and other benefits and tax credits, the readjustments to the LHA entitlement whenever the claimant's income changes, and the requirement to report any changes in circumstances to the local authority. The higher rents in the private rented sector can also discourage people from entering work or increasing their income or hours. Wider reforms are needed to the HB system overall to improve work incentives before LHA can achieve this goal. Claimants in this report were acutely aware of how getting a job might not leave them any better off financially.

LHA has removed a lot of the bureaucracy for claimants, landlords and local authorities and, where they had received advice, on the whole respondents were satisfied with the advice they had received. However, some claimants still reported dissatisfaction and frustration at their local authorities' administration.

Recommendations

Shelter is supportive of the principles that underpin LHA; however, as this report highlights, there are a number of problems with the system that need to be addressed to make it efficient, fair and fit for purpose. We recommend that the following measures be undertaken to ensure that LHA is successful for claimants, landlords, and local authorities and effectively meets the Government's original policy objectives.

Payment methods

- **The Government must allow claimants to decide how their benefit is paid, either directly to them or to their landlord.**

This reform would help to prevent rent arrears, unplanned moves, and ultimately homelessness, but would still allow people to keep control of their finances if they so prefer. It would also increase the supply of landlords willing to let to benefit claimants.

- **If choice about how payments are made is reintroduced back into the system, sufficient safeguarding guidance must remain in place to help identify people who may slip through the safety net.**

For example, some claimants may opt to have their rent paid direct to them, but may run into difficulties and need to have their LHA paid direct to their landlord on a temporary basis.

Choice and affordability

- **Local authorities need to work with landlords to increase the supply of privately rented affordable accommodation for LHA claimants.**

Measures could include a helpline or more face-to-face contact with landlords where problems do occur, and training for landlords to help them understand how LHA works and persuade them not to set the rent at or above the maximum level for their area. Landlords should also be encouraged to contact local authorities before eight weeks of rent arrears have accrued so that local authorities can interview the claimant to discuss their non-payment of rent. This process will help local authorities to consider making

payments direct to the landlord with immediate effect or to refer the claimant to advice services or other assistance.

- **The Government needs to undertake a comprehensive review of the regulations that are used to set BRMAs (both for local reference rents and LHA).**

The criteria used to determine the regulations have not been updated since 1995 and a review is well overdue. The regulations that came into force on 5 January 2009 were seen as a short-term solution. In line with wider government policy, the criteria should be extended to include access to areas of employment, more emphasis on homelessness prevention and the promotion of mixed communities.

- **Local authorities should ensure that the full discretionary housing payment (DHP) budget is used to help LHA claimants in short-term financial need and ease the transition into employment.**

This should include training and raising awareness with staff in local authority HB departments of how DHP can be used, including for those claimants who require short-term assistance with their rent when they first start work. One way this could be achieved is by employing an HB 'champion' in each local authority whose role would be to ensure the DHP budget is used for those in short-term financial need. HB departments should also liaise with other local authority departments, such as housing, social services and Supporting People teams, to help identify tenants who may require DHP and links to wider support services.

- **Given that the private rented sector is increasingly being used to accommodate people in housing need through housing options, many of whom are eligible for LHA, the Government must progress proposals to secure a more co-ordinated approach to private rented tenancies for low-income groups through the local letting agency concept.**³⁴

In doing this, local authorities should limit use of the private rented sector to tenancies where there is no shortfall between their LHA and rent or where a sustainable solution exists to cover any shortfall.

Local authorities: administration and advice

- **Local authorities should aim to deliver a more personalised service for LHA claimants.**

This is especially important for people who do not have access to the internet. As part of local authorities' strategies to prevent homelessness, this should include increased funding for the provision of one-to-one services by HB and housing options teams to discuss the claimant's individual needs and the options that LHA offers. Written advice given to claimants also needs to be improved, especially when they are trying to make the transition into work. There should be a review by DWP of the templates of standard letters written to LHA claimants to ensure that the information is clear, accurate and easily comprehensible.

- **Shelter believes that restoring choice to all claimants about payment methods is essential and the evidence for this is unequivocal. However, in the meantime local authorities' safeguarding practices in determining vulnerable people who should not have their LHA paid directly to them must be made consistent.**

Local authorities should be pro-active in identifying vulnerable claimants. This should include better joint-working across homeless persons units, HB departments, adult social services and children's services to identify vulnerable people and families. Assessments must also be made in a clear and transparent way and local authorities must be willing to co-operate

with welfare rights organisations and charities in identifying vulnerable claimants. Local authorities' safeguarding policies should be publicly available and should include having a clear set of criteria that sets out the minimum threshold of evidence required. Local authorities should also make safeguard request forms publicly available.

Evaluation and review

- **The Government must undertake and publish its promised two-year review of LHA.**

There must be a full evaluation of the national roll out of LHA, including the impact of the five-bedroom cap, the widening of BRMAs, and any other changes that are introduced before the two-year anniversary of LHA's introduction in April 2010. Through good practice, guidance, and legislation, amendments must be made, where appropriate, to ensure that the system works effectively for claimants, landlords and local authorities to ensure its original policy objectives are met in practice.

- **The Government must publish clear and accurate data on all aspects of the LHA system.**

We are pleased to see that, since August 2009, DWP has been publishing statistics on the number of LHA claimants and average weekly awards under the system. However, DWP should also collect and publish data on the proportion of claimants paying shortfalls and the amount they pay, and also those who are renting below the LHA rate and therefore have an excess. This would help the Government and local authorities to map and benchmark how affordable and sustainable the private rented sector is for LHA claimants. It would also help to identify specific household types that are struggling to find suitable and affordable accommodation, such as the under-25s or larger families.

Wider policy recommendations

LHA still sits within the wider HB system, which is well overdue for reform. This research has identified specific aspects of the wider system that were causing problems for LHA claimants in relation to administration and work incentives. Shelter makes the following recommendations for the HB system more generally:

³⁴ This refers to local authority managing agencies that broker tenancies between landlords and tenants.

- **The Government must ensure that entering employment is financially worthwhile for claimants.**

The forthcoming HB consultation needs to include changes to the system to provide real incentives to claimants to make the transition into work. This could be achieved either by extending the current four-week HB run-on³⁵ so it is less restrictive, or by introducing fixed awards for periods of at least three months so claimants are given a greater level of financial certainty when they make the decision to go into work.

- **There needs to be a fundamental review of administrative barriers for people whose work hours and working patterns fluctuate.**

For many people moving in and out of work, income may fluctuate. The HB system must be designed to support the reality of many people's working patterns. This should include stopping the practice of suspending claims if the local authority has insufficient or incorrect information regarding a claim. For many claimants delays with reporting changes in income or circumstances can be due to problems with local authorities' administration issues or delays with obtaining information such as pay slips, rather than people simply failing to supply the correct information.

35 This allows claimants who have been receiving jobseeker's allowance, income support, or income-related employment and support allowance for at least 26 weeks, and who expect the new employment or the increase in their working hours to last five weeks or more, to continue to claim their out-of-work entitlement to HB for four weeks.

Until there's a home for everyone

We are one of the richest countries in the world, and yet millions of people in Britain wake up every day in housing that is run-down, overcrowded, or dangerous. Many others have lost their home altogether. Bad housing robs us of security, health, and a fair chance in life.

Shelter helps more than 170,000 people a year fight for their rights, get back on their feet, and find and keep a home. We also tackle the root causes of bad housing by campaigning for new laws, policies, and solutions.

Our website gets more than 100,000 visits a month; visit shelter.org.uk to join our campaign, find housing advice, or make a donation.

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