

**Local Housing Allowance Final
Evaluation: The qualitative evidence of
claimants' experience in the nine
Pathfinder areas**

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Glossary

In this report the following terminology is used:

ACT (Automated Credit Transfer) – A method of paying money directly from the Local Authority to the recipient's bank or building society account.

Appropriately-occupy – Claimants whose accommodation matches the DWP size criteria (see **size criteria** below).

Contractual rent – The rent charged to the tenant by the landlord for a property.

Deficit – Claimants have a 'deficit' if their Housing Benefit amount (i.e. the amount they receive after adjustments for income or non-dependents) is less than their contractual rent.

Direct payments/paid direct – Refer to payments made to the claimant (not the landlord).

Discretionary Housing Payments (DHP) – These are free-standing payments to be made at the discretion of the local authority, subject to an annual cash limit, in cases where the local authority considers that additional help with housing costs is needed.

Eligible rent – The maximum amount of Housing Benefit (see below) a claimant could receive based on the circumstances of the tenant, the locality in which they live and a range of restrictions applied by a Rent Officer (i.e. before adjustments for income or non-dependents). In the Pathfinders the LHA is equal to maximum eligible rent.

Excess – When LHA (i.e. the maximum eligible rent before income and non-dependent based adjustments) is more than contractual rent a claimant is said to have an excess.

Housing Benefit – Sometimes called rent rebate or rent allowance. It is a benefit that is paid by local authorities to assist people to pay their rent. The amount that claimants receive depends on their financial and personal circumstances. It may not cover all of their rent. In Pathfinder areas, claimants are paid the reformed benefit i.e. LHA.

Housing Benefit amount – Refers to the amount of LHA or Housing Benefit that claimants receive after adjustments for income or non-dependents.

Housing Benefit Concentrated Markets – Where tenants in receipt of Housing Benefit were one of a number of demand groups for properties in the private rented sector, but where HB lets tended to be concentrated in particular areas, e.g. Conwy, Edinburgh and Leeds.

Housing Benefit Dispersed Markets – Where demand was uniformly high from Housing Benefit tenants and a range of other competing demand groups, e.g. Brighton, Coventry, Lewisham and Teignbridge.

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Housing Benefit Dominant Markets – where tenants in receipt of Housing Benefit make up a substantial proportion of renters within the private rented sector, e.g. Blackpool and NE Lincs.

Local Housing Allowance rate (LHA) – This is a flat-rate allowance towards rent costs that is calculated on the basis of the circumstances of the tenant and the broad area in which they live. It is the maximum amount of Housing Benefit a claimant could receive, before any income or non-dependent based adjustments are made. Set at maximum eligible rent in the Pathfinders.

Over-occupy – Claimants who live in property that is deemed to be smaller than their entitlement under the DWP size criteria (see **size criteria**, below).

Shortfall – When LHA (i.e. the maximum eligible rent before income and non-dependent based adjustments) is less than contractual rent, a claimant is said to have a 'shortfall'.

Size criteria – The 'size criteria' are applied by the Rent Officers to calculate the number of bedrooms and living rooms that a claimant is entitled to. LHA rates are based on this entitlement.

The conditions are as follows. One room is allowed as a bedroom, for:

- every adult couple;
- any other adult aged 16 or over;
- two children of the same sex under the age of 16;
- two children (of the same or opposite sex) under the age of 10;
- any other child.

In addition, living rooms are allocated as follows:

- one, if there are one to three occupiers;
- two, if there are four to six occupiers;
- three, if there are seven or more occupiers.

Surplus – Claimants have a 'surplus' if their Housing Benefit amount is more than their rent.

Top up – A rent 'top up' is paid by a claimant whose Housing Benefit amount is less than their rent.

Under-occupy – Claimants who live in property that is deemed to be larger than their entitlement under the DWP size criteria (see **size criteria**, above).

Executive Summary

Chapter 1: Introduction

The Department for Work and Pensions (DWP) has commissioned an evaluation of Local Housing Allowance (LHA) in nine local authorities, or Pathfinder areas. The evaluation design includes two waves of qualitative interviews with claimants. This report presents the findings from the second wave of interviews.

LHA is designed to pay the same amount to private tenants with similar circumstances residing in the same area (the Broad Rental Market Area). In most cases, LHA will be paid to the tenant, instead of to the landlord. The overall aim of LHA is to empower tenants by enabling them to exercise more choice and take more responsibility over their housing decisions. The key objectives of LHA set out by DWP are:

- Fairness;
- Choice;
- Transparency;
- Personal responsibility;
- Financial inclusion;
- Improved administration and reduced barriers to work.

The LHA evaluation is being conducted by a consortium of independent research organisations and involves quantitative and qualitative research with claimants, landlords and the operational aspects of LHA. The qualitative element of the claimant research is designed to explore in more detail the experience of claiming Housing Benefit (HB) under LHA and the process by which claimants make their housing decisions.

The findings in this report are based on forty-four in-depth interviews with claimants across the nine Pathfinder areas. This includes claimants from a range of household backgrounds as well as varying lengths of claim and tenure in current accommodation.

Chapter 2: Claimant Understanding of LHA and the Claim Process

Claimants knowledge and understanding about LHA is variable. There was some uncertainty among claimants about how HB under LHA was calculated, with links made to the rent level or property rather than claimant circumstances. Being unaware of how LHA rates are worked out meant that claimants were not clear about the effect of potential changes in circumstances on their HB amount, for example, should their rent increase, or if they were to move.

The Local Authority was the most commonly reported source of information about LHA, however, claimants often reported that contact with HB staff tended to focus on the details of their claim, rather than explaining the purpose of the benefit and how it is calculated. Explanatory literature was seldom mentioned by respondents and while posters were a source of information, the way the LHA rates were

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displayed (based on number of rooms) caused confusion. The term 'Local Housing Allowance' was not commonly used in the claim process which is unlikely to help claimants distinguish LHA from the previous system. Claimants often felt that more knowledge about how LHA works would be beneficial and was necessary, and face-to-face explanations from HB staff were seen as one of the best means of communicating such information.

As a result of this lack of communication claimants often said they were not aware how much HB they could receive when they were searching for and securing accommodation. If the policy aims of 'transparency' and 'choice' are to be fully achieved, it is essential that claimants are completely aware, not only of their current entitlement, but of how the system works, and should be in possession of this information at the point of looking for property. In general there is a need for more information to be provided and as claimants may not ask for additional information, a more proactive approach from staff could be beneficial.

Issues relating to making a claim relate more generally to HB than LHA specifically. Support through the claim process (from relatives, social workers, or voluntary sector organisations) was helpful, particularly for those unfamiliar with the benefit system, or with literacy and language difficulties or health conditions. In some cases delays in processing caused problems in paying rent, and the financial strain was compounded for those moving accommodation by the payment of deposits and advance rent.

Chapter 3: Rent Levels, LHA Rates and HB Amounts

Rents were considered '*quite fair*' where claimants felt they were getting a reasonable property for the money. Where a property was felt to be deficient in some way, such as not having a garden, being small, or being in a poor condition, the rent level could be seen as unjustifiably '*a lot*'. Rents were set above, below and around the LHA rate.

Where rents had remained stable for some years, claimants felt the landlord appreciated them as a '*good tenant*', they were long term tenants, or renting from family or friends. Rent increases were sometimes assumed to be routine or the result of the rent having remained static for a few years, and it was unusual for a landlord to explicitly tell a claimant it was linked to LHA. Rent negotiations with a landlord were rare, and although rents had occasionally been reduced to the LHA level, negotiation surrounding rent increases were unsuccessful. Some claimants mentioned that if rents were to increase in the future, it would be difficult to cover the difference, but lack of understanding about LHA meant others believed their HB would increase if their rent were to rise.

There was some confusion among claimants when comparing monthly rent and weekly HB amounts resulting in claimants being unclear about the amount of surplus they may receive or what top up might be paid. While this discrepancy in timing is a feature of HB in general, rather than LHA specific, this lack of clarity suggests that, contrary to LHA policy aims, the difference between HB and rent is not necessarily transparent and has implications regarding the ability of tenants to make clear decisions and choices about their accommodation and the amount of rent they pay. Furthermore, the ability to compare the two amounts easily would be helpful to manage finances and budget for rent payment.

Chapter 4: Receiving HB, Paying Rent and Bank Accounts

Most of the respondents interviewed received direct payments, and generally saw this as part of the HB process. The evidence was mixed regarding the promotion of personal responsibility through direct payments. New claimants with no prior knowledge of HB were more likely to prefer direct payments than people who had claimed HB under the previous system. Reasons for preferring direct payments included: having control of rent payment, avoiding disclosure of benefit receipt to landlords. Convenience, reassurance that the rent was paid, and avoiding the temptation to spend rent money were reasons for preferring landlord payments.

Satisfaction with receiving HB via Automatic Credit Transfer (ACT) was linked to convenience and security, compared to the inconvenience of paying in cheques and waiting for them to clear. The mismatch of HB payments (generally fortnightly) to monthly rent payments was a source of difficulty. Some claimants, despite having their HB paid by ACT, do not use direct debit or standing order to pay rent and preferred to use cheque or cash because they needed to tightly control financial outgoings and be certain that their HB payment had reached their account before rent was deducted. A combination of these factors, landlord preferences and (perceived) restrictions on access to banking services is likely to limit the achievement of financial inclusion in regard to automated methods of rent payment. Generally, claimants had maintained bank accounts for some time and continued to use them in much the same way as in the past with limited evidence of accounts being opened exclusively for LHA. Difficulty opening or changing accounts were related to lack of ID and lack of employment.

Chapter 5: Household Finances and the Role of LHA

Claimants actively organised their budgeting and were generally very careful not to fall into debt, realising that this would be very difficult to remedy on a very tight budget. This is particularly so in relation to rent arrears and influenced by the threat of potential eviction. Rent arrears were unusual and generally associated with a delay in processing a claim or other adjustments or stoppages to benefits. Claimants prioritised paying rent and although their LHA payment often 'sat' in their bank account for some time before being used to pay rent, it was only in rare and exceptional cases that this was 'borrowed' to use for other purposes. The strong evidence that claimants took their rent commitments very seriously is encouraging in terms of the LHA policy of promoting personal responsibility.

Even a relatively small deficit or surplus in rent could have quite a major impact in an overall budget that was already small and tight.

Those who had a surplus, even where they were still financially managing only with difficulty, found this a great help. Generally rent surplus was used to help pay other bills, for example Council Tax or water bills. Paying a top up generally involved even greater '*juggling*' of already often tight budgets.

There was a recognition that the main change in circumstances that would significantly improve claimants' financial situation lay in moving into work.

Chapter 6: Moving and the Role of LHA

The fact that HB is paid through LHA has not proved the most important factor influencing claimants' decision to move from their previous property. Indeed, it appeared that claimants' decided to move because of perceived personal needs, such as the desire to move to a more pleasant area, a larger or better quality property or to be nearer to friends and family. None of the claimants who have moved from outside the Pathfinder areas seemed to have made the move because of LHA.

There is no evidence that claimants are choosing to move to smaller, less suitable properties in order to keep a surplus of LHA compared to the actual rent. Indeed, many claimants were not aware of how LHA is assessed and calculated and, therefore, the amount of rent they were entitled to, prior to their actual claim. In terms of LHA acting as an enabler in the moving process, this lack of awareness prevented some claimants from making informed decisions, however, where well-informed, this knowledge was used by one claimant to move to substantially reduce the amount of top up paid. Choice of accommodation was also constrained by lack of reasonable quality and affordable property and difficulty finding a landlord or letting agent willing to rent to benefit recipients. Funding deposits was problematic for many claimants and often financed through borrowing. Most claimants did not attempt to negotiate over rent levels and where they did had met with mixed success. Direct payments allowed a few claimants to hide their HB receipt from landlords where they thought that disclosing such information might jeopardise their tenancy.

Chapter 7: Moving Intentions and the Role of LHA

Claimants were reluctant to move from their current property when they had only just moved and felt no desire to move again, and/or where they felt that their needs were being satisfied by their current property – this was linked to the good condition or size of a property or location in relation to amenities and family or friends.

There were several explanations as to why some claimants wanted to move. The most commonly cited was a desire to move to a better location. Linked to this was the need to be close to amenities and good schools for children. The poor state of their current accommodation, dissatisfaction with a landlord and feelings of insecurity in the private rented sector also influenced the desire to move.

Claimants appeared to face a range of obstacles which limited their chances of moving. Key issues were affordability, availability and the difficulty of obtaining Council or Housing Association-owned accommodation, which is relatively cheaper than private rented accommodation.

Claimants were unlikely to want to move from their current property to a cheaper, smaller alternative so that they could be better off financially if it meant moving to less suitable accommodation. Financial constraints often limited the potential for claimants to be able to move to more expensive properties. While some claimants recognised that knowing their HB amount in advance could be useful when making future housing decisions, lack of knowledge about LHA meant that there is still some uncertainty about the effect of moving on entitlement and what they can afford.

Chapter 8: Work and the Role of LHA

There appeared to be a problem concerning transparency in relation to LHA, with some claimants unclear about their entitlements and how these were calculated. Even in cases where claimants knew that they would potentially be entitled to continue claiming HB while they were in (low) paid employment, they were unclear at what point earnings would affect their HB.

Some claimants did not know that they might be eligible to claim HB if they were to gain (low) paid work and that they might be able to retain a proportion of their HB if they were already receiving it prior to gaining employment. While some claimants were '*desperate*' to find paid work and did not raise any caveats, others reported that they would only take paid work if it would provide a sufficiently large extra income than the total of any benefits currently received. Long-term claimants probably placed a greater emphasis on the need to find out the impact on benefits of particular paid employment but there was, nonetheless, evidence of new claimants seeking to balance the effect of paid work on their entitlement to benefit. Jobcentre Plus staff, particularly Lone Parent Advisors, were helpful in making such calculations, but where this information was not sought, lack of knowledge could limit the kind of work claimants feel they can '*afford*' to take.

Those claimants who were in (low) paid work and were still receiving HB found it an essential supplement to low wages. However, there were complaints from some working claimants about the length of time taken to reassess claims. Related to this, there was a need for greater clarity and transparency around the management of tapers.

Chapter 9: Conclusion

Where someone understood LHA they were able to make informed housing decisions. However, there was evidence that not all claimants were aware of their entitlement in advance of searching for, or securing, a property.

The calculation of rents paid per calendar month and HB paid weekly or fortnightly, was confusing for some respondents. Some claimants were not aware of the extent of an existing LHA surplus or rent top up, which in turn has implications for their choices about the affordability of accommodation.

Claimants are not choosing to move to cheaper accommodation in order to retain the surplus to spend elsewhere – it was evident that housing decisions were mainly driven by other considerations such as quality of accommodation, proximity to schools etc.

The importance of paying rent was regarded by almost all respondents as a top priority.

Although claimants were generally satisfied with ACT as a means of receiving HB, there was some hesitancy about using direct debit or standing order to pay the rent, with concerns expressed about possible loss of control.

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External factors such as landlord preferences and (perceived) restrictions on banking services also limited the extent to which automated banking was used to pay rent rather than receiving HB.

Lack of clarity arising from the misalignment of HB receipt and rent payments may make budgeting more difficult, and, in turn, could restrict the wider use of automated methods of paying rent. That new claimants are more likely to pay their rent per calendar month suggests that this may continue to be an issue.

In many cases respondents were not fully aware about the role of LHA as an in-work benefit, with some believing that taking up paid employment would mean its withdrawal, while others who were working and receiving HB had only discovered their eligibility by chance.

Lack of understanding about how tapers operate and procedural difficulties caused by changing work circumstances caused difficulties for some working claimants.

A key issue for the achievement of policy aims is transparency. The findings suggest that while there is evidence that well-informed claimants are able to use their knowledge to make housing decisions or improve their finances when in low paid work, lack of awareness among some respondents about how LHA operates and the opportunities it can provide may limit the full realisation of these policy aims. It is therefore important that adequate information and support for claimants underpin any further extension of the policy. Moreover, if the policy is rolled out to new claimants the provision of such information must be sustained and mainstreamed as part of the claim process.

Chapter 1: Introduction

Introduction

As part of its reform of Housing Benefit (HB) (see Glossary for description of terms used in this report), the Government has introduced, in selected local authority areas, a Local Housing Allowance (LHA), which is payable to low-income tenants in the private rented sector. The Department for Work and Pensions (DWP) has commissioned an evaluation of LHA in nine local authorities, or Pathfinder areas. The evaluation design includes two waves of qualitative interviews with claimants, which were conducted at around one year and at just over two years since the introduction of LHA. This report presents the findings from the second wave of interviews.

Policy Context

The Background

HB is a payment that provides help to low-income families with their rent. Local Authorities administer the benefit. However, the HB scheme has been criticised for a number of reasons, including being too complex; having wide variations in administration of the benefit; limiting claimants' choice of housing; and undermining work incentives.

LHA is designed to pay the same amount to private tenants with similar circumstances residing in the same area (the Broad Rental Market Area). In most cases, LHA will be paid to the tenant, instead of to the landlord. Only when tenants are deemed to be 'vulnerable' in that they have difficulty managing their money, or have fallen into arrears of at least eight weeks, is their LHA paid directly to the landlord.

Changes to HB Regulations

The Government outlined its intention to reform HB in the April 2000 Housing Green Paper, *Quality and Choice: A Decent Home for All*. This was followed up with detailed proposals in October 2002 with *Building choice and responsibility: a radical agenda for Housing Benefit* in which the Government announced its intention to introduce LHA in the de-regulated private rented sector in the nine local authority Pathfinders and also introduced a wide range of other measures aimed at improving the administration of HB and Council Tax Benefit (CTB). The rollout of these measures took place between 2002 and 2006 and included the following key changes to the administration of HB, which, in the Pathfinders, were implemented alongside the introduction of LHA.

- Benefit Periods were abolished for Pensioners from October 2003 and for working age people from April 2004. This change means that these HB (and subsequently LHA) claimants no longer need to reapply for HB yearly regardless of whether or not their circumstances have changed. Prior to this change, HB could generally be awarded for a maximum of 60 weeks only, and then had to be reclaimed. The change is expected to reduce unnecessary form-filling for claimants and reduce the amount of HB administration necessary.

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- Treating entering work as a 'change of circumstances', introduced in April 2004, was part of the abolition of Benefit Periods for working age people. The change means that a new benefit claim is not required for the vast majority of people moving into work. Instead, it is treated as a change of circumstances, requiring a much shorter and less complex administrative process.
- The CTB rule which restricted the benefit paid to people in property in bands F, G and H to the same amount of benefit paid to band E claimants was abolished in April 2004
- Alongside the end of review periods for those claiming Pension Credit, people who have reached the qualifying age for Pension Credit (60 years old) can have their HB/CTB backdated for one year, or to the date at which they reached the age of 60 if that is less than one year, without having to demonstrate good cause for backdating.
- The HB 'run-on' for people starting work was widened in 2004 to include Incapacity Benefit (IB) and Severe Disability Allowance (SDA) claimants. Broadly, the run-on means that people who qualify get their 'out of work' HB/CTB for the first four weeks in a new job. Previously only those on Income Support (IS) or on both Jobseeker's Allowance (JSA) and IB qualified for run-on after starting work.
- Any Tax Credit arrears are treated as capital for benefit purposes from April 2003. Tax Credit awards from April 2005 are taken into account much more simply for HB/CTB purposes by being treated as current income rather than using complicated attribution/retrospection rules.
- From October 2002, rapid re-claim procedures were introduced for people returning to HB/CTB after 12 weeks or less, which means that a full new claim is no longer required.

In addition, over the same period, other changes were made to the operation of Jobcentre Plus and a number of DWP initiatives took place between 2002 and 2006 to improve Local Authorities' performance in HB administration. These included offers of support from the DWP Help Team and from the Benefit Fraud Inspectorate's Improvement Team.

The Objectives of LHA

The overall aim of LHA is to empower tenants by enabling them to exercise more choice and take more responsibility over their housing decisions. The current key objectives of LHA set out by DWP (2006) are¹:

- **Fairness** – LHA bases the maximum amount paid to tenants on the size, composition and location of household. Therefore, two households in similar circumstances in the same area will be entitled to similar amounts of benefit.
- **Choice** – Under LHA tenants should be able to choose how to spend their income. For example, whether to rent a larger property or to spend less on housing and increase their available income.
- **Transparency** – A clear and transparent set of allowances helps tenants (and landlords) know how much financial help is available from the State. Tenants are able to compare how much support is available towards their housing costs in different areas and for different property sizes.

¹ The LHA Pathfinders were meant to help inform the design of the National LHA scheme and objectives have changed since the beginning of the evaluation. The original objectives can be found in the LHA Evaluation Report No 1 at http://www.dwp.gov.uk/housingbenefit/lha/evaluation/2004/pathfinder_intro_1.pdf

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- **Personal responsibility** – The Government believes that, wherever possible, LHA should be paid to tenants. Empowering people to budget for and to pay their rent themselves rather than have it paid for them. This helps to develop the skills unemployed tenants will need as they move into work.
- **Financial inclusion** – The Government wants people to have their housing payments paid into a bank account and to set up a standing order to pay their rent to their landlord. This has the advantage of being a safe and secure method of payment and provides certainty for landlords that rent will be paid.
- **Improved administration and reduced barriers to work** – For working age tenants, LHA aims to provide greater certainty about what help is available in and out of work. A simpler system also helps speed up administration of housing payments, giving tenants more confidence when starting a job that any in-work benefit will be paid quickly. A more transparent system may also improve the ability of individuals to move between areas and to take advantage of employment opportunities.

LHA was implemented in the nine Pathfinder local authorities between 17 November 2003 and 9 February 2004 (Table 1.1). The local authorities could choose to introduce LHA using either a 'phased' or a 'big bang' approach (Table 1.1). The phased approach involved putting all new claimants directly onto LHA after the 'go live' date and transferring existing claimants when their claim was either renewed or reviewed. This would occur as a result of a change in their circumstances or, prior to a change of regulations in April 2004, when their claim would have been routinely reviewed after 52 weeks. Under the big bang approach, all existing claimants were transferred onto LHA at the start date. However, authorities who decided to use the big bang had up to six months to transfer those existing claimants whose benefit was paid to their landlord to direct payments. The transfer happened about four months after LHA went live in Brighton & Hove and at six months in Edinburgh and North East Lincolnshire.

Table 1.1 Start Date and Method of Introduction of LHA

Start Date	Pathfinder	Method
17 November 2003	Blackpool	Phased
1 December 2003	Lewisham	Phased
12 January 2004	Coventry	Phased
12 January 2004	Teignbridge	Phased
2 February 2004	Brighton & Hove	Big Bang
9 February 2004	Edinburgh	Big Bang
9 February 2004	North East Lincolnshire	Big Bang
9 February 2004	Conwy	Phased
9 February 2004	Leeds	Phased

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The Evaluation

A consortium consisting of the Centre for Research in Social Policy (Loughborough University), the Centre for Urban and Regional Studies (Birmingham University), the Centre for Housing Policy (University of York) and the National Centre for Social Research conducted the evaluation, which includes a stream of research with claimants. Other components – on landlords and the operational aspects of LHA – have been published by the DWP. All publications are available on line at <http://www.dwp.gov.uk/housingbenefit/lha/evaluation>, including final reports from all streams when published (See Appendix A for full list of evaluation reports).

The overall evaluation has three main aims:

- to test the extent to which LHA fulfils its objectives;
- to identify any unintended consequences of LHA; and
- to identify any major operational issues and so inform the design of any national scheme.

The Claimant Research

The claimant element of the evaluation consists of a large scale longitudinal telephone survey in the Pathfinder and Control areas and analysis of DWP administrative data which examines the impact of LHA on finding appropriate accommodation, post-housing cost incomes and work incentives. These findings are complemented by two waves of qualitative interviews. The qualitative element of the claimant research is designed to explore in more detail the experience of claiming HB under LHA and the process by which claimants make their housing decisions.

The Claimant Qualitative Interviews

Two waves of interviews were conducted with claimants across the Pathfinder areas. The first phase of fieldwork took place between September 2004 and February 2005. These findings were reported alongside survey and DWP administrative data (Roberts *et al.*, 2005). The second set of interviews took place between May and July 2006 and is the subject of this report.

Forty-four in-depth interviews were conducted by research teams from the Centre for Research in Social Policy, the Centre for Urban and Regional Studies, and the Centre for Housing Policy. The sample came from two sources. First, claimants who took part in the first wave of qualitative research, and second (accounting for the majority of participants) a new set of claimants drawn from a 'flow sample' of respondents who had taken part in the claimant telephone survey. The sample aimed to include claimants from a range of household backgrounds as well as varying lengths of claim (starting before and after the introduction of LHA) and tenure in current accommodation. Claimants from the survey sample were officially 'new claims' made between September 2004 and September 2005. However, a new claim could have been generated by a change in circumstances, such as a household change or a move, and so also includes some longer-term HB recipients who had experience of claiming before the introduction of LHA. A more detailed description of the methodology is included in Appendix B.

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Table 1.2 **Number of Interviews by Pathfinder area**

Pathfinder area	Number of interviews
Conwy	4
Brighton & Hove	6
Coventry	5
Lewisham	5
Leeds	6
Edinburgh	4
Blackpool	5
Teignbridge	4
North East Lincolnshire	5
	44

Claimant and Household Overview

Claimants in this research were aged between 18 and 76. Most were working age (including a few under 25 year olds), but some pensioners were also interviewed. Household composition included single people, couples (both with and without children), lone parents and households where children were living with grandparents. Recent separation, couples moving in together and non-dependent children moving out highlight the changing nature of household composition.

Most claimants were renting self-contained properties, however a few (under and over 25) were living in shared accommodation, including one couple. Tenure in accommodation ranged from two days to around 12 years. Many had moved into their current property within the last two years i.e. since the introduction of LHA (although they had not necessarily been claiming HB at this point). Many of the claimants from the survey sample had moved within this timeframe (one of the reasons a 'new claim' had been generated), although a few respondents who had taken part in the first wave of research had also moved. Claimants who had moved included those from outside the Pathfinder area and/or who were new to the private rented sector.

The duration of HB claims ranged from around one year to at least 15 years and therefore included people who had transferred from the previous system on the introduction of LHA. Those not claiming HB immediately before this claim², had moved into private rented accommodation from living with parents; had left or lost a family home; previous accommodation had been tied to a job; or they had lived in a specific type of housing such as National Asylum Seeker Support Service or social services accommodation. New

² This is not to say that they have never claimed HB in the past.

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claims were also generated as a result of unemployment, ill health or pregnancy. However, others had applied for LHA to help manage paying rent from low incomes, such as earnings, pension or health related benefits or after capital had dwindled.

Report Structure

Chapter 2 looks at claimants' experiences of claiming LHA and their understanding of how it works. Chapter 3 focuses on rent levels and changes, and the difference between these and LHA rates/HB amount. Chapter 4 examines how claimants receive their HB and pay their rent, as well as use of bank accounts. Chapter 5 explores claimant household budgeting and finances, including rent arrears. Chapter 6 explores claimants' experiences of moving, including the role of LHA in moving, and Chapter 7 looks at claimants' thoughts about moving in the future and the role that LHA might play in that decision-making process. Chapter 8 examines claimants' views about work, future employment intentions and the influence of LHA. Conclusions based on the findings are presented in Chapter 9.

Chapter 2: Claimant Understanding of LHA and the Claim Process

Introduction

This chapter explores claimants' awareness and understanding of LHA, and the experience of claiming HB under LHA. Claimants need to be familiar with the features of LHA (such as how their entitlement is calculated, that it is a flat rate based on household size, that it is claimable in work etc) if the policy aims of 'transparency' and 'choice' (see Chapter 1) are to be achieved. Furthermore, the findings from these interviews are particularly important to the evaluation because claimant knowledge about LHA is not covered in the quantitative research. 'Understanding of LHA Policy and its Features' explores claimants' understanding of LHA, sources of information and suggestions for raising awareness. The claim process, including knowledge about LHA rates, is covered in 'Experience of the Claim Process'.

Understanding of LHA Policy and its Features

Research at the early stages of the implementation found that claimants' knowledge of LHA tended to be limited to those aspects that directly affected them (such as the amount of benefit received), but displayed a more limited understanding about the policy features and objectives (Roberts *et al.*, 2005). It could be suggested that this was because LHA was relatively new at that time (although information was produced by DWP and local authorities before and during the implementation of LHA). Therefore, it is of interest to explore these issues again after a further 18 month bedding-in period.

The findings in this section draw mainly on the interviews with claimants who are unlikely to have had prior knowledge of the LHA system as they are either new to the HB system, or were previously receiving HB but living in a non-Pathfinder area or social sector housing. These claimants are unlikely to have received initial information about the changeover to LHA. Therefore, they are dependent upon being informed about the policy when they made a new claim or transferred a claim when they moved into the area or to private rented accommodation.

Awareness of the Flat Rate System and How LHA is Calculated

A key feature that differentiates LHA from the previous system is that the maximum entitlement (LHA rate) is a flat-rate based on household composition rather than rent level. At Wave 1, there was some uncertainty among claimants about how HB under LHA was calculated, with links made to rent rather than claimant circumstances. The findings from these interviews, again, reveal that claimants knowledge and understanding is variable.

Those who were best informed were aware that the LHA rate was based on household composition, how many rooms are deemed as necessary, and even knew that this was affected by the age and gender of children. Some claimants understood that HB under LHA was a flat-rate system, that there is a maximum entitlement, and were, therefore, aware that should they move their HB amount will remain the same (as long as their household circumstances remain unchanged).

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However, it was not clear to many claimants (including some who had transferred from the previous system) how the LHA rate was worked out, and, as at Wave 1, people often associated it with the property. Some linked it to the rent level assuming they would get more HB if rent increased: *'Do I go down the council and say, "my rent has been increased am I entitled to that?"', I don't know'*. They were sometimes surprised to find out during the course of the interview that their HB would not change in line with a rent increase³, and this was a source of *'concern'* where claimants were already struggling to meet a shortfall. Some related the LHA rate to the number of rooms in a property (after seeing posters in the HB office). Others had *'no idea'* that LHA was a flat-rate system or what their entitlement was based on, although claimants under 25 (without children) were generally aware that the amount received was limited by their age.

In relation to the difference between rent level and HB amount, there was more understanding that a shortfall would have to be made up than there was about the potential to keep a surplus. However, among new claimants, there was greater clarity about keeping a surplus than reported at Wave 1 among people who had converted to LHA from the previous HB system. In the few cases where surpluses were or had been passed on to landlords, this was not due to claimants being unaware they were entitled to keep it (see page 31, *'Receiving a Surplus of HB Over Rent'*).

Where people were working and their HB amount was affected by income, there was some confusion about how their entitlement was calculated and their earnings taken into account, particularly where these fluctuated (these issues are discussed further in *'Current Work Situation'* on page 71).

Being unaware of how LHA rates are calculated did, in a few cases, hinder claimants moving out of shared accommodation. For example, a couple under 25, and a single person over 25 living in shared accommodation and receiving the Shared Room Rate felt unable to afford to rent self-contained property as they were not aware that their HB entitlement would increase if they did so. This situation could be relevant to other claimants living in shared accommodation. If full *'transparency'* and *'choice'* is to be achieved, such claimants need to be aware, not only of their current entitlement, but of other options that are available to them.

Sources of Information

For new claimants, the Local Authority was the most commonly reported source of information about LHA (in terms of how the scheme operates rather than the claim process discussed below). Although knowledge was often patchy, those who did have some understanding of the policy, for example, the flat rate, how it is calculated and the potential shortfall or excess between LHA rates and rent (often limited to certain aspects rather than full knowledge) had either been given information verbally (face-to-face at the HB office or by telephone⁴), or had seen notices displaying LHA rates. However, claimants often reported

³ Although it is reviewed annually on the anniversary of their claim so the new rate could be higher or lower depending on the levels set in that month.

⁴ It is unclear from the interview data whether respondents had dealt with call centres or HB office staff by telephone.

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that contact with HB staff tended to focus on the details of the claim rather than explaining the purpose of the benefit and how it is calculated. Indeed, sometimes, where information had been provided, this was in response to a query about a claim rather than upon application. Several claimants wondered whether this was because they had not asked for more detail when they had originally made the claim.

'I suppose if I'd asked them about it they would have told me, but they didn't ask me if I wanted to know more. They were trying to get it done as quickly as possible. They're always that busy.'

(Couple with children, new claim, pays top up)

However, while there was a feeling that fuller explanations from staff would be useful, it was unsurprising to some claimants that this did not occur. Indeed, there was some sympathy for HB staff who were thought to be 'harassed' but 'work hard' in difficult circumstances and environment. Moreover, the HB office environment was repeatedly mentioned as not conducive to waiting, indicating that claimants as well as staff might be glad to get through the procedure as quickly as possible.

Posters in the HB office were one source of information about LHA rates. However, the clarity of information was sometimes a concern. Because the information displayed was based on the number of rooms, claimants often linked their entitlement to the number of rooms in the property, rather than realising that the flat-rate was based on household size and entitlement. The inclusion of living rooms could also cause confusion:

'They had a board in the window and it did say how much you would be entitled to for different amounts of rooms in the house...and when they say this is classed as three rooms then it is really confusing.'

(Lone parent, new claim, living in two bedroom property, surplus)

As leaflets or other literature explaining LHA were seldom mentioned by respondents, posters were sometimes the only source of information reported. This suggests that, the clarity of information provided in this format is of vital importance as a means of conveying how LHA is calculated, as well as displaying LHA rates.

Another potential source of information about LHA is written communication from DWP or the Local Authority. Some longer-term claimants who had transferred to LHA from the previous system, recalled correspondence they had received informing them about the changeover to LHA. A few felt this had provided sufficient information: *'It was all in the letter right at the start'*, whereas others had been left with queries, for example when they started to receive a surplus. However, new claimants seldom mentioned receiving explanatory information. Furthermore, correspondence (generally about how a claim was calculated) was felt to be unclear by some *'it's not really legible to anybody who doesn't know what they are doing'*. It was seen as unhelpful where a claimant had difficulty reading, and had to rely on friends or staff at the HB office to explain it.

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Other sources of information about LHA were the various organisations or agencies that had in some cases supported the claim process. As discussed below, they had often been instrumental in dealing with the application, although they were not necessarily a source of knowledge about how LHA worked or was calculated. There was criticism of the lack of knowledge about HB at a Jobcentre Plus which had issued a new claim form. Family and friends were reported as informal sources of information about LHA being a flat-rate and being able to keep any surplus.

It might also be worth noting that the term 'Local Housing Allowance' could cause confusion and its use was questioned. As one claimant noted *'the word 'housing allowance' has never been mentioned to me verbally or in writing by the council'*. While this is because the Pathfinders run under existing HB regulations, it might be suggested that this is unlikely to help claimants distinguish LHA from the previous system.

Suggestions for Improving Awareness

Where explored further during the interviews claimants often felt that more knowledge about how LHA works would be beneficial and was necessary. Often, suggestions reflected the policy aim of 'transparency', for example the need for full and clear information: *'it would be nice to be informed about it so that people understand exactly what is going on'*, indicating that this policy objective did not always appear to be met in practice. This led some respondents to question these aims. Clarity was needed in the following areas; full explanation of the flat rates; how they are calculated and can be used when looking for property; making entitlement clear to people before they move and how HB is affected by working. Respondents saw all these areas as important, particularly for new claimants and movers.

Face-to-face explanations from HB staff were seen as one of the best means of communicating such information. However, the need for supporting explanatory literature was also raised *'They should do some leaflets about it really, so when you go into the Town Hall you can read up on it yourself'*. Sending explanatory information in the post or enclosing it in claim packs was also suggested. However, there was recognition that getting people to read or absorb such information could be a challenge, so the clarity of written information was seen as essential, which it was suggested could be made *'a lot simpler'*. Furthermore, it was noted that for some claimants, written information would not be suitable and in these cases, face-to-face explanation would be even more important. It was proposed that alternative methods should be considered, for example, cassette tapes were suggested by a visually impaired claimant.

On the other hand, people did not always see the need to know how LHA worked or was calculated as long as they received their HB *'Why do I want to look into it? They pay it and that's it'* (Pensioner, long-term HB claimant, paying shortfall). There was also a view that there was little advantage in knowing LHA rates where housing options were felt to be limited and *'there was nowhere else I could have lived'* (see page 57, 'Choice and Availability'). This claimant was living in a HB Dominant market⁵ (Rhodes and Rugg, 2006), and the idea of exercising 'choice' or 'shopping around' was thought to be meaningless and unrealistic in practice.

⁵ The survey of landlords and letting agents identified three HB sub-markets. In the HB Dominant market demand for rented property from households in receipt of HB dominates the PRS, but the balance of power between tenant and landlord can depend on the nature of the local owner occupied market and 'cartel-type' behaviour might prove to be an obstacle to 'shopping around'.

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'They could tell you about it all but then you are still in the same boat aren't you, you have still got to find somewhere to live and if it is more than what you are getting you have got to pay the rest yourself. So they could explain it to you all they wanted really but everything has still got to be done that way hasn't it?'

(Lone parent, pays top up, feels property is in poor condition)

Experience of the Claim Process

One of the key aims of LHA is to simplify the claim process. This aim should be achieved through paying LHA to tenants based on household occupancy rather than rent levels, and removing rent restrictions and the need for individual claims to be referred to a rent officer before a decision is made (DWP, LHA website). This section looks at claimants' experiences of claiming, and the factors that help or hinder this process.

Advance Knowledge of Entitlement

The 'transparency' of LHA rates is intended to make it easier for claimants to find out how much rent would be covered by HB when looking for a property. However, it was evident from the interviews that this aspect of the policy aim is yet to be fully realised. One issue is that claimants new to the LHA system (moving to the area, from outside the private rented sector, or new claimants) generally found a property before approaching the HB office. Lack of advance knowledge meant that often, claimants said they were not aware how much HB they could receive when they were searching for and securing accommodation. The role of knowledge about LHA rates in the moving process is covered more fully in Chapters 6 and 7.

Where this information had been available in advance, it was seen as useful when looking for a property, even if they had only a 'rough guide'. Such information had generally come from either a telephone call to the council or from seeing a poster displaying LHA rates when visiting a HB office. Occasionally, claimants had been given an idea of the amount they might get when they submitted their application after finding a property. However, this was not always clear until the claim had been processed.

'It was only when I was actually handing in the form there for processing the woman said, "oh you might get a bit more than £60 you know." But she only said might, you know, it was only after what was it, something like 13 weeks before I got anything by way of payment.'

(Single person, moved to Pathfinder area, surplus)

While it is understandable that the means-tested element cannot be determined until the claim is processed, it was evident from the interviews that LHA rates were not often used as a source of information to help find suitable accommodation. Although some people may not have made enquiries before securing accommodation, there is evidence that even where claimants did, the information was not necessarily forthcoming.

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'I'd asked how much I would get but they couldn't tell me until I could tell them that I'd got a house and what it was like.'

(Lone parent, new claimant, surplus)

Given that one of the key features of LHA (that differentiates it from the previous system) is the 'clear and transparent set of allowance rates' (DWP, 2006), advisors should be able to provide claimants with an indication of their entitlement based on their household size. Lack of such information could result in prospective tenants looking for a property without knowing how much rent their HB might cover.

Although it cannot be assumed that knowing the amount of HB in advance would make a difference to property choices (especially where there was limited availability), the implications of not knowing how much rent would be covered until committing to a property involves a degree of risk. It might be suggested this can be ill-afforded by HB claimants on low incomes, and was recognised as a source of potential 'trouble' with landlords. Indeed, one claimant's unanticipated £20 a week top-up would have taken nearly half his IS, had the landlord not agreed to waive it. Interestingly, this lack of awareness of LHA rates before looking for a property led one claimant to make comparisons to her experience of moving in a non-Pathfinder area.

'There, they do a pre rent agreement. You fill your forms in and they will actually come out to the property before you move in if it is empty and you have to meet them there and they will give you an average of how much they will pay. So it is easier that way and you know how much you have got to pay, where here they do not do that.'

(Long-term HB claimant, moved from non-Pathfinder area (for family reasons), pays top up)

Making a Claim

The issues covered in this section are not necessarily specific to LHA but relate more broadly to HB in general. Claimants who had made a new claim, or whose claim was generated by a move or change in circumstances, discussed their experience and the issues that helped or hindered the process. Claimants had generally dealt with the claim themselves. However, third parties such as relatives, social workers, or voluntary sector organisations, sometimes played a key role in the application process for some claimants (e.g. pensioners, homeless, leaving social services care at 18, or asylum seekers). This support through the application 'minefield' was seen as helpful, particularly where claimants were completely unfamiliar with the benefit system or claiming HB in the private rented sector (as opposed to Council or Housing Association). However, for some claimants, the extent of support (which in a few cases included finding accommodation as well as dealing with the HB claim) could mean they were somewhat removed from the process and lacked understanding about LHA. In the light of this, three key areas are noted: claim forms; staff and communication; and the HB office environment.

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Claim Forms

The length and detail of HB claim forms was raised as an issue. Even where the application was seen as straightforward, the extent of paperwork tended to be the subject of comment. Others saw the forms as '*pretty daunting*' and completing them was '*hard*'. Assistance from partners, family or friends as well as HB office staff or support organisations was valued by some claimants. In particular, those with language or literacy difficulties and visual impairment or mental health conditions mentioned the need for support with translation, explanation/understanding and completing the forms. A home visit to fill in the claim form was valued by a visually impaired new claimant '*It's something I couldn't have done on my own*'. A claimant with a mental health condition felt more support with the application process would have been helpful as '*I couldn't deal with it*'.

Staff and Communication

In terms of the application process, HB staff were generally seen as helpful (both in face-to-face contact and over the telephone) with only occasional criticism reported. Help included: checking and filling in forms, providing guidance about supporting documentation, advice on eligibility, and information about benefit payment. However, there was more limited information provided about actual entitlement, its calculation or the features of LHA. Criticisms tended to be directed at the corporate level, particularly with regard to communication, rather than about how claimants were dealt with by individual staff. Difficulty getting through to the correct department by telephone, and not being able to speak to the same staff member caused difficulties for a few claimants. In some cases, loss of claim forms, lack of communication, both within the Housing Department, and between other Departments (e.g. 'Social Security office' or Jobcentre Plus) relating to claims resulted in '*a lot of to-ing and fro-ing*' and delays.

HB Office Environment

The environment of the HB office was also raised by some respondents as an issue of concern. Some older (50+) claimants found it intimidating and the open environment made several claimants feel uncomfortable discussing their claim.

'I think it's very public. You're sitting there and you're trying to explain something and it's quite embarrassing being on benefit.'

(Lone parent, new claim, pays top up)

Home visits or one-to-one interview appointments were valued and some claimants cited these as a more appropriate and preferred option. Long waits in the HB office caused difficulty for a few claimants with physical mobility problems '*it's going to be an hour waiting there...if my legs are bad that day, then I'm shattered*'.

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Claim Processing

As at Wave 1, there was wide variation in the time claims took to process, with reports ranging from ten days to several months in a few cases⁶. Delays occurred when forms took some time to arrive after they were requested, where applications were lost, or where a home visit entailed a delay of several weeks. Sometimes delays were thought to be due to a claim not being straightforward, for example, where moving from outside the Pathfinder area, the presence of non-dependants in the household, or difficulty obtaining the required information (such as a National Insurance Number). However, on other occasions, there appeared to be no obvious reason for the delay. Several claimants mentioned chasing up claims due to anxiety about the length of time it was taking to process them.

As at Wave 1, delays in processing caused problems paying rent. Claimants who accumulated arrears were thankful where they had understanding landlords. Others could not risk getting into arrears and had borrowed money, taken out loans, or used a redundancy payment. The financial strain was compounded for movers by the payment of deposits and advance rent (see page 59, 'Paying Deposits and/or Advance Rent').

A few long term HB claimants noted the improvement in not having regular reviews and '*horrendous*' forms to complete each time. However, this is part of a national change rather than LHA regulation. Overall it is difficult from these interviews to draw out what difference LHA has made to the claim process for claimants, given that new claimants had no comparison and the general lack of understanding about LHA. The operational stream of the evaluation provides a more detailed examination of claim processing (Walker, 2006a).

Conclusion

New claimants, who did not transfer from the previous HB system and/or lived in non-Pathfinder areas, would not have seen any initial publicity when LHA was introduced. Thus, their only source of information was at the point of claiming. For some, this does not appear to be happening, and the contact or communication focussed on claim processing, with limited explanation about the features of LHA.

If the policy aims of 'transparency' and 'choice' are to be fully achieved, it is essential that claimants are completely aware, not only of their current entitlement (even a '*rough guide*' could be useful), but of how the system works, and should be in possession of this information at the point of looking for property. Claimants also need to be aware of any other options such as moving from shared to self-contained property, or the effect of future changes in circumstances, for example, employment. While the efficient processing of claims is essential, from these interviews it appears that there is a need for more information to be provided, particularly as in principle LHA has made it easier for staff to advise tenants (Local Housing Allowance Final Evaluation: Implementation and Delivery in the Nine Pathfinder Areas, Walker, 2006a). As claimants may not necessarily ask for additional information, a more proactive approach from staff could be beneficial when claims are made.

⁶ It is not always clear from interview data the exact points of time measured e.g. from form request, or putting in the application to when HB was received, all the necessary information provided or any queries on a claim were sorted out. Such issues are not necessarily included in the official average processing times (defined as days between receipt of claim and date of final decision) which in Pathfinder areas 2004506 was 33 days, a reduction of 35 per cent since LHA was introduced (Local Housing Allowance Final Evaluation: Implementation and Delivery in the Nine Pathfinder Areas, Walker, 2006a).

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HB offices were the only place that posters displaying LHA rates were reported to have been seen. It is evident from these interviews that, more generally, written information is either not being seen or absorbed. This raises questions about the dissemination and clarity of publicity material. It also appeared that posters, which were mentioned as a source of information about LHA rates, were not always clear in communicating that rates were based on household composition, rather than linked to the property size.

A further issue of note is that while third party organisations were valued in terms of their involvement in easing the claim process (see page 18, 'Source of Information' and page 22, 'Making a Claim'), they also need to be able to provide relevant information about LHA (flat rates and the possibility of surplus or top-ups) so that claimants can make informed decisions in the future.

Although HB offices were perceived by some claimants as being uninviting environments, it appears nonetheless from these interviews that one-to-one contact is the preferred mode of communication. However, the provision of fuller explanations about LHA is likely to have implications for staff time and workload where such explanations take place in HB offices.

Chapter 3: Rent Levels, LHA Rates and Housing Benefit Amounts

Introduction

As outlined in Chapter 1, the LHA system differs from the previous method of calculating HB, in that it is a flat rate based on individual household circumstances, irrespective of actual rent paid. This chapter looks at rent levels, claimants' perceptions about the amount of rent charged for a property, and changes in rent ('Rent Levels'). In 'Differences Between LHA Rates, HB Amount and Rent', differences between the HB amount and rent levels are explored, focusing on transparency, reasons for an excess or shortfall and experiences of receiving a LHA surplus or paying a rent top-up.

Rent Levels

Given the difference in accommodation characteristics and housing markets across the Pathfinder areas, rent levels across the sample covered a considerable range. Generally the rents reported were exclusive of bills. However, in a few cases they included water and sometimes council tax and, for one claimant in shared accommodation, were fully inclusive of household utilities.

Perceptions of Rent Level

Views about the level of rent charged for a property were generally based on whether the rent was seen to reflect the property condition, size and local housing market area. So, for example, rents were considered '*quite fair*' where claimants felt they were getting a reasonable property for the money, or even where the rent was considered '*a bit expensive*' it was noted that this was due to its good condition. However, where a property was felt to be deficient in some way, such as not having a garden, being small, or being in a poor condition, the rent level could be seen as unjustifiably '*a lot*'. Some of these claimants had had a limited choice of properties when moving (within the last two years) to their current accommodation (as discussed in page 57, 'Choice and Availability').

Often claimants made judgements about whether their rent was '*average*' or not based on previous accommodation and knowledge about rent levels of other properties in the area. Favourable comparisons were made where it was felt to be good value. For example, where paying less or not much more for a larger property or one in better condition than they had moved from, or where it was known that similar properties in the area were more expensive. Reflecting the findings in the Wave 1 Report (Roberts *et al.*, 2005), claimants who had been long-term tenants tended to be satisfied with their rent levels. Here, contributory factors were reported as: not having had a rent increase for some years; having a good relationship with a landlord; being valued as a tenant; and renting from a friend or family member.

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However, it was felt by some claimants that rent levels in the private rented sector generally were high (often compared to perceptions of Council or Housing Association rent levels). This was particularly so in areas seen as having a competitive housing market where landlords were thought to be taking advantage of high demand and were perceived as 'greedy'. Claimants who commented on high private sector rent levels in the area tended to be living in concentrated or dispersed HB sub-markets in which there may be competition for housing from non HB groups (Rhodes and Rugg, 2006), and had often either experienced difficulty finding accommodation, or perceived availability to be limited.

Changes in Rent Level

Rents are likely to change over time (usually increase) regardless of LHA. Quantitative elements of the evaluation are looking at overall rent changes in LHA Pathfinders over time, and in comparison to Control areas (Roberts *et al.*, 2005 and 2006). The purpose of the qualitative research is to illuminate the factors involved from the claimant perspective.

Many of the claimants interviewed had moved within the last year or two⁷ hence they had only limited time in their property to experience rent changes. There were also claimants who had been in their properties for some years and had not experienced rent increases for long periods (up to 12 years). Some indicated that the landlord's knowledge of them as individuals influenced the fact that rents had not risen. These claimants were renting from individual landlords, rather than through agencies. It was felt that landlords were aware of their restricted financial circumstances, and/or valued them as a 'good tenant' (especially if a landlord had experienced problems with previous tenants in the past). This reflects market-led rent-setting strategies to encourage good tenants to stay for longer periods (Local Housing Allowance Final Evaluation: The qualitative evidence of landlords' and agents' experience in the nine Pathfinder areas, Rugg, 2006). A few claimants who were renting from family or friends also said that their rent had not risen, in one case for seven years.

Rent Increases

Where changes had occurred, rent had generally increased (ranging from £2.50 per week to £11.50 per week). Rent increases were sometimes assumed to be routine or the result of the rent having remained static for a few years. This reflects findings in the Wave 2 Survey Report (Roberts *et al.*, 2006). Landlords had sometimes explained that the increase was to cover improvements to the property. In the cases of the highest rises, they related it to increased mortgage costs or the 'cost of living'. Occasionally, increases brought rent into line with LHA rates (others remained above or below). This included a couple of longer-term HB recipients whose rent had been aligned to the LHA rate soon after its introduction and had remained in line with these rates. In one case the landlord indicated this connection to a tenant (where the increase occurred shortly after LHA rates had risen). This was unsurprising to the claimant, who was well informed about LHA. They noted that the transparency of the LHA system meant that landlords would be

⁷ Most of the respondents were drawn from the 'Flow' sample of the claimant survey (see Section 1.5 and Appendix B). These were 'new' claims which sometimes had occurred due to a move, and also included people whose circumstances had changed, which could involve a move.

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aware of current rates so were bound to react to them. Indeed, research from the Landlord Stream of the LHA evaluation found that landlords dealing principally with the benefit market tended to set their rent around the benefit level, which could involve increasing rents to match the LHA rate (Rugg, 2006). In a few cases, long-term HB claimants had given (at least part) of a LHA surplus to landlords, either because they appreciated having a good landlord, or because they felt uncomfortable keeping it, thereby effectively increasing the rent to this level (see 'Receiving a Surplus of HB Over Rent').

One claimant made an indirect link to LHA in that the rent increase coincided with a deteriorating relationship with the landlord due to tensions over timing of payments (see page 41, 'Timing of Payments'). In the Wave 2 Survey Report, six per cent of rent increases in the Pathfinders were attributed to HB/LHA (Roberts *et al.*, 2006). As in the Wave 1 Report (Roberts *et al.*, 2005), the qualitative interviews highlight that LHA may also have had an indirect influence on rent increases. This may not always be apparent to claimants as the reason for an increase was not always clear (it seems unlikely that landlords would generally explicitly convey such a link to tenants), and was compounded by limited claimant understanding of LHA rates and the flat rate system (see page 17, 'Awareness of the Flat Rate System and How LHA is Calculated').

Reflecting findings in the Wave 1 Report, negotiation about a rent increase was rarely reported. Where tenants had tried to open up such negotiations with landlords these were unsuccessful.

'He said, "do you want to have a little think about it because that's how much it's going to be?"', so as if to say the choice is either you pay it or you find somewhere else.'

(Lone parent, rent increased to above LHA rate, pays top up)

The effect of rent increases varied. Where they were in line with the LHA rate (and claimant's HB amount), a small surplus was short-lived, or a deficit soon reduced as HB amounts adjusted accordingly, thus eliminating any impact. However, one claimant experienced a substantial increase in rent (to a level far above the LHA rate) which, when queried by the claimant, was justified by the landlord as being in line with the cost of living. This meant that paying a top up became more difficult from a HB amount adjusted for income. Although moving was considered, the claimant (who had already moved in the last year) decided against it as she liked the area.

Rent Reduction

Very occasionally, there were examples of rent being reduced in relation to LHA. In one case, a long-term claimant had managed to negotiate a decrease in rent where they were struggling to pay a top up and the landlord had '*kindly agreed*' to a £2.50 week reduction. Another landlord agreed to accept just the LHA rate when it became apparent after the claimant, who was new to LHA, had taken up occupancy that their HB amount was not sufficient to pay the rent (effectively reducing the rent by £20 a week). In both these cases, negotiations were with individual landlords, rather than agencies, and again reflects practices of benefit-led rent setting by landlords (Rugg, 2006).

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Future Changes

A few claimants said they were expecting a rent increase, sometimes where the rent had remained stable for some years. However, others felt that their rent was unlikely to go up in the foreseeable future, for example, where they felt the landlord valued them as a tenant, or they had made improvements to the property at their own expense. Some mentioned that if rents were to increase (and HB did not), it would be difficult to cover the difference. This was especially a 'worry' to claimants already paying a rent top up who were sometimes conscious of their vulnerability as tenants in the private rented sector.

'With [the landlord] being so unpredictable, I never know the minute that he's going to walk in here and say "Right, your rent's gone up £10 a week" or whatever. And that would be a nightmare for us... We haven't got any money to pay the extra.'

(Couple, new claimants, pay top up)

As reported on page 17, 'Awareness of the Flat Rate System and How LHA is Calculated', lack of awareness of the LHA system led others to believe that their HB would increase if their rent were to rise.

Differences Between LHA Rates, HB Amount and Rent

The LHA rate is the flat rate allowance calculated on claimant circumstances and is the maximum HB amount a claimant could receive. Reported rent levels were both above and below the LHA rate for the size of property based on LHA room entitlement, but some did work out to be at or around the same amount⁸. This was sometimes the result of a rent increase (see 'Paying a Rent Top Up'). In other cases, rent had been set at this level where claimants had moved into properties within the last two years (under the LHA system)⁹. Generally, claimants did not make a link between their rent level and LHA rates, probably because they did not tend to know how rent levels were set by landlords, and as discussed on page 17, 'Awareness of the Flat Rate System and How LHA is Calculated', claimants were often unaware of LHA rates.

The HB amount refers to the amount claimants receive after adjustments for income and non-dependents. Among the sample, this amount was lower than the LHA rate where claimants were working, meaning rent top ups were paid even where the property rental price was below the LHA rate for that size of property. These claimants were generally clear that their HB was adjusted due to earnings.

A further issue revealed in the Wave 1 Report and still of importance is the lack of clarity about the difference between the HB amount and rent. The fact that HB is calculated on a weekly basis (usually paid fortnightly), but rents are often paid per calendar month, made it difficult to compare the two figures like

⁸ This has been calculated by comparing claimant reports of their rent level (converted into weekly figures where necessary) with published LHA rates.

⁹ Landlord perspectives on rent setting are discussed in the evaluation reports: Local Housing Allowance Final Evaluation: The Survey Evidence of Landlord and Agents Experience in the Nine Pathfinder Areas (Rhodes and Rugg, 2006); Local Housing Allowance Final Evaluation: The Qualitative Evidence of Landlord and Agents Experience in the Nine Pathfinder Areas (Rugg, 2006).

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for like. Where this happened, claimants generally multiplied the weekly HB figure by four, compared this to the monthly rent, and therefore underestimated, or were unaware of, a HB surplus or overestimated the amount of rent deficit. Very occasionally, claimants had worked out the difference pro rata, although they noted that this could be complicated. Furthermore, where a deficit occurred, landlords could also overestimate the amount due. For example, by deducting four weeks HB amount (which went straight to the landlord) from a tenant's contracted monthly rent leaving a larger rent deficit than if calculated pro rata, as explained:

'It is weird because it says on my rent agreement that it is £390 a month, but I get paid my benefit weekly. So what they said was, £390 a month if you work it out for four weeks is £95 a week, but they said because there are more weeks in months it narrows it down that when you times it by 12 and divide it by 52 it comes out at £90. And then I get £80 [Housing Benefit] paid by social, so then I only have to pay an extra tenner. But then that isn't how it is working out, because [the landlord] is getting like £80 for them four weeks, he is taking that off £390, but then that £390 is for a month and I am getting paid weekly. So it never works out. So it always looks like I am in loads of arrears when I am not.'

(Lone parent, previously claiming HB in non-Pathfinder area, pays top up)

The key point highlighted here is that, not only will four weeks HB not equal a calendar months rent, but to compare the figures like for like involves possessing the knowledge and ability to make a calculation which, even then, can result in confusion. While this discrepancy in timing is a feature of HB in general, rather than LHA specific, it is of relevance when the policy aims to provide tenants with a clear idea of their allowance and income upon which they can make decisions and choices.

Receiving a Surplus of HB Over Rent

A LHA 'surplus' occurs where the actual HB amount received (which takes into account any relevant adjustments for income or non-dependents) is more than the contractual rent¹⁰. As mentioned above, the extent of a surplus was often underestimated by claimants. Surpluses were generally attributed to low rent, particularly where it had not increased for some time. Over-occupation of housing (in LHA terms) contributed to the value of a surplus for a few large families (although these were not the largest surpluses).

As already described, there was some confusion among claimants when comparing monthly rent and weekly HB amounts, and the extent of a surplus was underestimated sometimes by around four times. In one case, a surplus was not acknowledged at all where a claimant thought they paid a top up of £35 per month but if calculated pro rata they received a surplus of £44 per month. This lack of clarity meant the use and impact of a surplus was not necessarily obvious, but generally it was absorbed into and helped with the household budget (as discussed on page 53, 'LHA Surplus').

¹⁰ It is theoretically possible that an adjusted amount falls below rent level, however, in reality, this is likely to be rare and did not occur throughout the sample in this research as adjustments reduced all HB amounts to below the rent level resulting in claimants paying top ups.

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In one case, a claimant was giving part of a surplus (generated by an increase in the LHA rate) to the landlord. Although the claimant now understood that she could keep it, she preferred to split it with the landlord as *'it is only fair because she is decent to me'*. Another claimant had given a surplus to a landlord along with the rent, and although they too were aware they could keep it, felt uncomfortable doing so. It is interesting that these claimants were both long-term HB recipients who had transferred to LHA from the previous system where surpluses did not occur. There were no reports of new claimants giving a surplus away. This suggests that, although knowledge about LHA was limited for many new claimants in terms of how the rate is calculated and the effect of a change in circumstances on HB amounts (see page 17, 'Awareness of the Flat Rate System and How LHA is Calculated'), perhaps being new to the system meant the principle of keeping a surplus was less likely to be questioned, indicating that for this aspect of LHA the differing past HB experience of new and longer term HB claimants could be relevant.

Paying a Rent Top Up

A rent 'top up' is the difference claimants pay between the HB amount received (which takes into account any relevant adjustments for income or non-dependants) and their rent. The top ups paid by these claimants ranged from a few pounds to over £40 per week, rising to more than £100 per week where a claimant received a reduced HB amount due to earnings¹¹. However, as discussed above the exact amount was not always clear to claimants.

Reasons for a Rent Top Up

Three main factors contributed to paying a rent top up, sometimes in combination. The first was where rents were set higher than LHA rates for the size of property. Such arrangements were not necessarily considered unreasonable where rent included household bills, where properties were felt to be in good condition or of good quality, or in a *'nice area'*, and an element of choice implied: *'for a decent enough house you manage it'*. However, where these issues did not occur, the rent was seen to reflect average prices for similar properties, thus limiting the opportunity to potentially reduce a top up through moving (see Chapter 7).

The second reason was under-occupancy. In view of the fact that a claimant's entitlement is based on their household requirements, should they live in a larger property, their rent can be more than their HB amount (even if a property is priced at, or under, the relevant LHA rate for its size). For example, single or couple claimants were renting two or three bedroom properties, rather than one bedroom as outlined in LHA criteria, or families with children had more bedrooms than deemed necessary under LHA. Paying a top up due to under-occupancy was sometimes recognised as a choice, for example, where parents wanted children to have their own rooms rather than share with siblings, or had a spare room in anticipation of extending their family.

¹¹ These figures have been calculated pro rata where monthly rent levels were given.

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'It's our fault for having such a big house if we wanted to pay less rent then it would have to be a smaller house.'

(Couple, under-occupy, pay top up)

However, the 'choice' was less clear-cut for others, for example, where a couple could not share a bedroom for health reasons, or an estranged parent needed accommodation for their child to visit. Where claimants had needed to move house quickly, and/or there had been limited property available, the current accommodation was sometimes the only one found, thus restricting options about size and rent level (see page 57, 'Choice and Availability'). Furthermore, even where struggling to pay a top up, moving to alternative (smaller) accommodation to reduce the financial strain was not always thought to be possible due to obstacles to moving (see page 65, 'Obstacles to, and Opportunities for, Moving').

A few claimants who had become parents had now received surpluses having previously paid a top up (before the birth) as their HB amount had increased because within the LHA criteria they were now considered appropriately housed. This highlights the fact that, for expectant mothers or claimants planning a family, there is likely to be a period of under-occupancy and payment of rent top up unless they only move into a sufficiently large property (to house the baby) after the birth.

Thirdly, a top up was paid where HB amounts had been adjusted and reduced to take account of earnings or pensions. This resulted in the amount of benefit received being less than the rent level (even if a property is priced at, or under, the relevant LHA rate for its size).

There were also some specific circumstances that had led to claimants paying top ups such as where overpayment of HB was being deducted from HB amount; and where a claim had been adjusted from the two room, to shared room rate so that their HB was consequently less than before LHA was introduced.

Paying a Rent Top Up

Generally, claimants paid a rent top up from other benefits, pensions or earnings. How this was managed and the financial implications of funding a top up are discussed on page 52, 'Managing Rent Top Ups'. However, there were circumstances where the top up was not paid by tenants. For example, one claimant had moved into a property without realising that the HB amount would not cover the rent (which was priced higher than the LHA rate). The landlord agreed to waive the difference and it was thought helpful that the claimant was already known to the landlord. Furthermore, there were a few examples of disputes. In one case, a tenant was withholding a small top up due to dissatisfaction with the landlord's lack of response to, what s/he considered to be, necessary repairs. Another claimant's landlord was demanding a backdated top up which they had originally agreed to waive to compensate for the tenant's financial outlay on refurbishing the poor condition property. The agreement had been purely verbal, and this claimant felt powerless after the landlord made accusations of arrears. The landlord later had the HB payment switched from the tenant, and has refused to carry out repairs, leaving the claimant feeling they have little option but to move.

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Discretionary Housing Payments

There was limited evidence of the use of Discretionary Housing Payments (DHPs) among claimants. Some with fairly large top ups were not aware of it, perhaps reflecting lack of knowledge about the LHA system more generally (see page 17, 'Awareness of the Flat Rate System and How LHA is Calculated'), or differing levels of proactivity in promoting DHPs among local authorities (Walker, 2006b). Alternatively, claimants may simply not have enquired about additional help and just 'juggled' budgets to cope (see page 52, 'Managing Rent Top Ups'), or occasionally approached the landlord when experiencing difficulty paying rent. One claimant was aggrieved because she had telephoned the HB office when unable to sustain paying a top up, but was not informed about the existence of DHP until after moving¹².

'They didn't tell me that it was available until it was too late and I'd already had to move...I'd have stayed where I was if they'd have given me a little extra money to help with the rent.'

(Lone parent, over-occupies, pays top up as adjusted HB amount)

Where applications had been made they had either been turned down because of benefit/pension levels, or were still being considered. One claimant had begun the process six months before the interview, but one set of forms had been lost. She was now having difficulty producing evidence of outgoings, reportedly hampered by the fact that they are paid using weekly cards, rather than bills. Where a claimant had been successful, the application had been dealt with through an Advice/Social Worker. However, the claimant chose to stop the payment after an initial 'cash flow problem' (stemming from payment of a deposit/advance rent combined with delayed HB payment) had been rectified as he; 'didn't want to be greedy'.

Conclusion

At Wave 1, there was some evidence from the qualitative data that LHA played a role in the introduction or timing of rent increases, particularly where rents had increased to the LHA rate. This direct influence on rent increases, particularly from claimant misunderstanding when changing from the previous system to receiving HB under LHA, was probably less evident during this round of claimant interviews. The influence of LHA would be less obvious to claimants now this initial period of adjustment has taken place although where rents had risen to the LHA level in the past, they had sometimes kept apace of LHA increases. The fact that rent levels for new claimants were sometimes aligned to the LHA rate appears to be associated with the transparency of the LHA system to landlords (Rugg, 2006, Walker, 2006a). However, rent levels also fell both substantially above and below LHA rates, and included increases that appeared to bear no relation to LHA. Rent negotiations with landlords was rarely evident. Where they had taken place, although rents were occasionally reduced to the LHA level, negotiation surrounding rent increases were unsuccessful. This suggests, that while under LHA rent negotiations are possible, claimants ability to use this power effectively is perhaps limited in practice.

¹² It should be noted that DHP is not meant to be an unlimited payment but is temporary and claimants are expected to change circumstance if possible.

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The lack of clarity between LHA weekly rates and monthly rent figures, sometimes resulted in claimants being unclear about the amount of surplus they may receive or what top up might be paid. This means that, contrary to LHA policy aims, the difference between HB and rent is not necessarily transparent and has implications regarding the ability of tenants to make clear decisions about the amount of rent they pay. Furthermore, managing finances is unlikely to be helped by any lack of clarity about the difference between rent and benefit amounts.

Chapter 4: Receiving HB, Paying Rent and Bank Accounts

Introduction

Under LHA, HB is generally paid to claimants rather than landlords. This reflects the LHA policy aim of encouraging personal responsibility and financial inclusion, in that claimants will take charge of paying their own rent to landlords, and use a bank account to receive HB and pay rent. This chapter looks at who LHA is paid to, including claimants' views about receiving the payment (see 'Payment of HB'). The method by which LHA is paid to claimants is explored in 'Method by Which Claimants Received HB', and how they pay their rent to landlords is covered in 'Paying Rent'. Access to, and the use of, bank accounts is discussed in 'Bank Accounts'.

Payment of HB

Paying HB to claimants is a key feature of LHA that differentiates it from the previous system where HB was more often paid to landlords. However, where claimants are deemed to be 'vulnerable' or fall into arrears of at least eight weeks, the payment will be made to the landlords on claimant's behalf. This section looks at reasons why the payment is made in the way it is, claimant preferences and views about the responsibility of receiving direct payments.

Reasons for Receiving Direct or Landlord Payments

Most respondents received direct payments. Some of those receiving direct payments said they had been offered a choice and had chosen to have their HB paid to themselves. However, claimants generally saw direct payments as just part of the process, particularly new claimants with no prior knowledge of HB or experience of alternatives.

These arrangements had often been in place from around the time that LHA was introduced (for longer-term HB claimants), or from when a new claim was made. However, on occasions, claimants had switched from landlord to direct payments when they had moved. In one case, this was seen as an error, but the other was requested in order to revert back to direct payments after a previous landlord had accused the tenant of arrears which resulted in a payment being switched to the landlord.

Where HB was paid to landlords, this was sometimes due to rent arrears caused by the claimant dipping into the benefit, or accusations of arrears around ambiguity over payment of a rent top up. Others coincided with a move that had been facilitated by organisations who work with the homeless. However, where this had been a longer-term arrangement it was reported as being chosen at the time of application or introduction of LHA. Where this had involved a switch from direct payment, claimants were generally happy with the change and preferred this method. The exception was when a landlord instigated the process citing arrears (which the claimant disputed) without informing the claimant *'behind my back'*, hence she argued, removing any element of consultation or choice in HB payment method.

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Preferences About Who the HB is Paid to

Claimants whose HB was paid to landlords were generally happy with this arrangement. However, views were more mixed among claimants who received direct payments, with new claimants more likely to prefer these arrangements than people who had claimed HB under the previous system (either in the Pathfinder before the introduction of LHA, or who had moved from outside the local authority). Reasons for preferring one or other method were explored.

Reasons for Preferring Direct Payments

Having '*control*' was seen as an advantage of direct payments, mostly by new claimants. There were several aspects here which were associated with the notion of responsibility. It was felt that direct payments enabled claimants to keep a tight control of their finances so they knew '*what's coming in and going out*' (especially where they received a surplus). Another point was that paying the landlord themselves provided certainty that rent was indeed paid, and was especially important where there was a lack of trust. One claimant valued the independence of having control of their HB.

'It's your business, it's your money, well in a sense that you're left to deal with it. You don't want it going direct. You like to deal with your own.'

(Couple, new claimants, pay top up).

Another advantage of direct payment was that it could avoid disclosure of HB receipt to landlords who were resistant to letting to benefit recipients so '*my landlord doesn't need to know that I'm on housing benefit*'. This was mentioned in relation to recent moves by claimants, and in a case where the claimant wished to conceal unemployment from an existing landlord (see page 60, 'Disclosure to Landlords of HB Receipt').

Other reasons for preferring direct payment related to the presence of a LHA surplus or paying a rent top up. Some claimants preferred direct payments as it meant they were certain of keeping a surplus themselves. Mistrust of landlords coupled with lack of knowledge about the LHA system led to suspicion that if HB was paid to landlords it might not reach them¹³. Where a top up was paid, claimants sometimes saw no advantage in the HB being paid to landlords and felt that they might as well pay the rent at the same time as the top up.

One claimant wondered if direct payments could empower tenants in some circumstances, for example, in relation to property maintenance it might '*help to get things done*' if a tenant did not have a good landlord. However, in cases where claimants had encountered problems with unresponsive landlords, having a direct payment was seen as no advantage as withholding a shortfall had proved ineffective. Others were afraid to withhold rent for fear of eviction; and in a few cases, landlords had made allegations of arrears and arranged for the HB payment to be switched away from the tenant without their knowledge.

¹³ In fact any LHA surplus should be paid separately to claimants directly from the local authority where Housing Benefit is paid to the landlord.

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Reasons for Preferring Landlord Payments

Landlord payments were seen as more convenient where they could save the 'rigmarole' of visiting the bank. This was mentioned by claimants who were pensioners, had health problems, or did not use direct debits, sometimes because of the type of bank account they held.

Some claimants thought that landlord payments provided peace of mind because *'if it's paid to the landlord you know he's got it'*. Furthermore, it was felt that if any problems were to occur with payment of rent, any dispute would be between the Local Authority and the landlord, therefore, no blame could be apportioned to the tenant, *'they can't say I've been cashing the money'*. While this might appear to be side-stepping responsibility, holding this point of view was sometimes associated with difficulties experienced due to the timing of HB payments. Similarly, another claimant who had experienced extensive problems with a previous landlord resulting in eviction, preferred the more distant relationship facilitated by landlord payments which were set up after finding new accommodation through a homelessness charity.

'I don't see my rent, it's between the Council and the landlord and I just don't exist as far as that is concerned, that suits me.'

(Single person, switched from direct to landlord payment when moved)

However, others felt that they did not want the personal responsibility of receiving HB themselves. Some claimants whose payment went to the landlord saw this as a safer option as money *'burns a hole in my pocket'*. Having money *'just sitting there'* could not only cause confusion when it appears that there is a large sum in a claimant's bank account *'you think you've got more money in there than you have'*, but could lead to temptation if the claimant was not self-disciplined. Some had dipped into their HB money in the past, resulting in arrears or an overdraft, while others recognised the risk but had resisted it.

'With this I have got all the responsibility and it's very tempting to just cash the cheque because we are short this week. It is very very tempting.'

(Lone carer, HB previously paid to landlord)

Views About Direct Payments and Personal Responsibility

There was recognition that direct payments required a strong will to avoid the temptation of spending HB money in times of need. Being financially astute was also deemed important: *'you've just got to make sure you really keep an eye on your money'* in order to manage the payments, especially if the timing of HB receipt and rent payment did not coincide. Most claimants managed this, although it often involved close management and discipline, and others had, or were about to have, payments made to the landlord. Nonetheless, there was a belief, among a few lone parents and claimants over fifty, that some people, for example young people, those *'desperate for the money'*, or *'dodgy'* claimants, might not be able to cope with direct payments and the system was questioned.

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'...but people who get the cheques they put it in their pocket and they go out and spend it, and to me it just don't make sense. Who's the losers, the landlords.'

(Pensioner, long-term HB claimant, now on direct payment)

However, there was no evidence from these interviews of this currently happening (the priority placed on paying rent is discussed on page 51, 'Rent is Prioritised'). Some claimants receiving direct payments understood that systems were in place to pay the benefit to landlords in '*extreme circumstances*'.

Method by Which Claimants Received HB

This section focuses on direct payments and looks at how claimants receive their HB, and explores their views and preferences about different methods as well as the more general issue of timing of direct payments.

How the HB Amount is Paid to Claimants

Claimants who received direct payments usually had their HB paid straight into bank accounts through ACT¹⁴. Where cheques were received, these were generally made out to and sent to claimants. However, in one case, cheques were sent straight to a Building Society rather than the claimant's address, and in another cheques were made out to the landlord but sent to the claimant (which continued beyond the first payment). They were dissatisfied with the current arrangements and both had taken action to change from this method (the former was about to change to ACT, but the latter had unsuccessfully asked for landlord payment). These claimants had moved within the last year and had previously received their HB via ACT.

The method of receiving HB had generally remained the same since the inception of claims for new claimants, or since transferring to direct payments upon the introduction of LHA for long-term HB recipients. Where changes had taken place, a few claimants had switched from receiving a cheque to ACT, either in response to the option being offered by the local authority, or they had just been informed that the process was changing. Other changes related to HB now being paid to the landlord (see above).

Satisfaction with Method of Receiving HB and Preferences

Claimants who were receiving their HB via ACT were generally satisfied with this method, and some mentioned that ACT had been chosen rather than payment by cheque when they were given the option. The key advantages were linked to convenience and security. From a practical point of view, ACT avoided visiting the bank to pay in cheques and money could be accessed instantly rather than waiting for clearance. This was coupled with the confidence of knowing that the money would reach the bank safely and there was no risk of cheques being lost.

¹⁴ Survey and DWP data provide numerical detail on HB payment methods in Roberts *et al.*, 2006, and Walker, 2006a.

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'It's easier, I don't have to go to the bank and you haven't got the worry if it's not going to be there because you know it's always going to be there.'

(Lone parent, changed to ACT from cheque payment).

Being informed when the payment has gone into a bank account can be useful for claimants to keep track of finances, especially where they have no financial buffer. A few claimants who received postal notification of payments felt this was helpful as rent could then be transferred and they would feel safe in the knowledge that their HB was already in their account. Where such notification was not received, claimants needed to check to ensure that their HB had gone in before rent or bills could be paid.

Claimants receiving HB by cheque noted the inconvenience of this payment method. Having to physically go to a Bank or Building Society to pay in cheques, and wait for them to clear, was seen as *'aggravation'* and one pensioner pointed out that this would become more problematic with age. Another claimant (who did not have a Bank Account) noted that only one Bank would cash her HB cheques, and felt disgruntled that staff complained because she chooses to take in four cheques at a time (as she pays her rent monthly in cash). One dissatisfied claimant was about to change to ACT, but for others, this choice was less straightforward, for example, where a claimant had only a Post Office account, or where someone had opened a basic account but was unfamiliar with financial services. Nonetheless, one claimant had chosen to receive his HB by cheque and was happy with this method because he felt in control and was resistant to automated methods after experiencing Bank *'cock ups'* in the past.

Timing of Payments

There were mixed opinions about the timing of payments. Some claimants commented on the reliability of payments while others had encountered difficulties. Where the ACT had been late, one claimant was forced to hold back his rent cheques, and several others noted that fluctuation in timing of payments (from weekly to two weekly) was unhelpful in keeping track of their finances: *'it's quite confusing...I get money in my bank account and I don't know where it's coming from'*.

The fact that HB was generally paid fortnightly (occasionally weekly or every four weeks) was a source of difficulty among some claimants whose rent was due on a monthly basis. Not only can the difference in timing cause confusion about the amount of LHA surplus or rent deficit (see page 30, 'Differences Between LHA Rates, HB Amount and Rent'), but from a logistical point of view it was sometimes felt to be difficult to manage. It was suggested that if the two payments (of HB and rent) were to coincide, budgeting would be much easier: *'it would be better if it was once a month, than once a fortnight'*. Indeed, one claimant had asked if her HB could be paid monthly but the request was refused. Furthermore, problems had arisen where claimants were perceived to be late paying rent (where they were not able to pay for the month ahead) which could be a source of friction between tenant and landlord¹⁵.

¹⁵ This issue is discussed from landlords' point of view in the report: Local Housing Allowance Final Evaluation: The qualitative evidence of landlords and agents experience in the nine Pathfinder areas (Rugg, 2006).

Paying Rent

This section covers how claimants pay their rent, and their experiences and satisfaction with the method used. Rents were paid to landlords either monthly, four-weekly, two-weekly, weekly or in one case quarterly (at the request of an individual landlord). Occasionally, claimants whose rent had been due monthly or four-weekly had altered the payment timing to fortnightly to coincide with HB payments, either to help manage their finances, or in response to an agent's request. Interestingly, those whose rent was calculated weekly (including two or four weekly), rather than per calendar month, were often longer-term HB recipients who had transferred from the previous system and had remained with the same landlord (as against letting agent). Conversely, new claimants and those who had moved within the last two years tended to pay rent monthly, especially if renting through an agency.

How Claimants Pay Rent

A range of methods was used to pay rent to the landlord or agency. Some claimants transferred the rent payment directly into the landlord's account. This was generally by standing orders or direct debit, however other methods (telephone, online banking, or transferring money at an ATM machine) were occasionally mentioned. Other claimants either used cheques or cash. In both of these latter methods, the claimant may have been responsible for getting the rent payment to the landlord or agency (by posting cheques), or sometimes the landlord collected it.

It was unusual for claimants to report changes in the payment method (one now paid by standing order rather than cheque, and another by cheque rather than cash), except where the payments have reverted to the landlord (see 'Payment of HB'). Reasons for using a specific method were: landlord preference; claimant's choice; limitations or perceived restrictions on choice of method; or simply that these arrangements had been in place for some time and alternatives had not been considered.

Satisfaction with Method of Paying Rent and Preferences

Claimants (who expressed an opinion in the interview) were generally using their preferred method of rent payment. Those who were using Bank Transfers tended to be more satisfied with the method than claimants who were paying by cheque or cash, however, the pros and cons of each method were evident from the data and are discussed below.

Some claimants, who had to visit their Bank to draw out a cheque or cash to pay their rent, said they did not like doing this because of the inconvenience of: *'so much mucking about'*. Furthermore, paying by cash was seen as problematic, especially where paying rent on a monthly basis because of the large sum of money involved. For example, where this was withdrawn from a cashpoint, it involved several visits to access the necessary amount. There were also concerns about the safety aspect of carrying large amounts of cash:

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'It is not nice with it being in your bag going in to the estate agents. You have to walk all through town and the amount of people that are around, it is a bit worrying.'

(Lone parent, rent due monthly, would prefer direct debit)

However, despite some dissatisfaction, alternatives were not always perceived to be available. Some claimants would have preferred to use standing orders or direct debits, but said they could not for a variety of reasons, including that a landlord would only accept cash or cheque, a past bankruptcy restricted the claimant's access to bank services, or the claimant thought that their accounts did not have those facilities¹⁶.

Reasons for preferring to pay rent by cheque or cash centred around having control of financial outgoings and resistance to automated transfers out of a Bank Account. A key factor was that it was vital for claimants to be certain that their HB payment had reached their account before rent was deducted. Waiting for a cheque to clear, fear of late HB payments and consequent bank charges were issues of concern, particularly because (as discussed on page 47, 'Managing Household Finances') many claimants were surviving on very tight budgets, so had no financial buffer to cover such situations.

Other claimants expressed a general mistrust of banks, felt uneasy giving Bank Account details to a landlord, or felt more secure giving the landlord cash and receiving proof in the form of a receipt that the rent was paid. Interestingly, some of these claimants were quite content to receive their HB by ACT, but pointed out that the use of automated banking is complex as different issues come to the fore when funds are coming in and going out. This throws light on questions raised in the Wave 2 Survey Report (Roberts *et al.*, 2006) about the fact that while over 80 per cent of claimants in the Pathfinders received their HB by ACT, less than 40 per cent paid their rent by direct debit/standing order.

Paying by direct debit or standing order was often seen as easier and more convenient than using cheques or cash: *'I don't have to worry about it'*. The advantage was that it eliminated the risk of forgetting to pay rent (and accruing rent arrears), and saved visiting the bank which was particularly valued by claimants with limited mobility.

However, difficulties had occasionally occurred. One claimant (who now pays in cash) had attempted to use a standing order in the past but it had failed when there had been problems with a mismatch between the timing of the HB and rent payments (see 'Timing of Payments').

'I couldn't have a standing order set up because the rent doesn't go in on an exact date throughout the month, so I couldn't get the standing order set up. It failed the first month that I needed it, the rent wasn't there to be transferred over so that didn't work.'

(Lone parent, previously on HB in social housing, now pays rent in cash)

¹⁶ It was not always clear the type of account held, and whether claimants' perceptions were correct, but included those who said they had basic accounts, savings accounts and Post Office accounts (Post Office Card Accounts cannot be used for HB or electronic payments).

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In another case, a landlord insisted that a standing order was paid on the first of each month. Not only did this not correspond to HB payment timings, but the landlord interpreted any delay due to bank holidays as late payment and has added a clause to the tenant's contract that says she is liable for any Bank Charges which the landlord incurred.

Bank Accounts

As discussed above, under LHA, HB is generally paid to claimants, often into a bank account, it is therefore of interest to explore, not only access to financial services, but to also look at the wider use to which claimants put their bank accounts. All the claimants in this research had some type of Bank, Building Society or Post Office account, although their use was limited in some cases, and as mentioned above, the type of account held was not always clear.

Using Bank Accounts

Generally, claimants whose HB is paid directly have their payments made directly into their bank accounts, but are less likely to use direct debits or standing orders to pay rent to their landlords. Resistance to the use of bank accounts for these purposes is discussed in 'Satisfaction with Method of Receiving HB and Preferences' and 'Satisfaction with Method of Paying Rent and Preferences'.

Generally, the claimants had maintained Bank Accounts for some time and continued to use them in much the same way as in the past. Although some claimants used the facilities of their Bank Accounts without difficulty, others tended to struggle. Using direct debits or standing orders could cause problems of keeping track of the money in their accounts when rent and HB payments were not well synchronised. As a result, some had experienced standing orders/direct debits failing or their account becoming overdrawn (if their account had an overdraft facility), and consequently had to pay bank charges. One claimant described changing their bank account to a basic account because they were having problems with unplanned overdrafts (unrelated to LHA or rent payment). However, one claimant noted that having his HB go through his account kept his account active, which could be useful if he needed to prove a credit rating in the future.

Access to Bank accounts

There was limited evidence of accounts being opened exclusively for LHA (both female pensioners). In one case, a claimant had been widowed and had not previously had a bank account, and in another, an account was opened after a rise in the HB amount resulted in the receipt of cheques for a LHA surplus. While no problems were mentioned in one case, the other claimant had difficulties due to lack of identification:

'I don't have a driving licence, I don't have a passport, I don't have no credit cards at all and I couldn't open up nothing anywhere.'

(Pensioner, widowed, long-term HB recipient)

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It was only due to the intervention of this claimant's landlord, who rang a building society to argue her case, that she was able to open a basic account.

Other claimants had encountered difficulty opening or changing accounts in the past few years (although not necessarily due to the introduction of LHA/receipt of HB). One claimant described taking the identification he had and going *'from one bank to the next, until one was happy to take me on'*. Lack of employment could also be a barrier to opening accounts. A claimant who already had a Bank Account, but tried to open an account at another bank (because they thought it had more facilities) was refused services because he was unemployed. Another claimant who had a savings account believed she was unable to change to a current account because she was on benefits (although she had not enquired further to see if this was the case):

'Because I am only on benefits as well so you can't have a bank account if you've not got like money coming in, even though you've got money coming in through benefits it still isn't classed.'

(Lone parent, long-term HB recipient)

Where claimants had an account with restricted use, they generally seemed to accept these limitations and managed their finances accordingly, rather than look for a new, or different type of account. One claimant, with a Post Office Card Account, felt there was no point in trying to open a bank account because she believed that she would not qualify for one (it was unclear why) and cashed her HB cheques over the counter at the one bank she found that would do so. Another appears to have chosen a Post Office Account and sees no need for a Bank Account:

'I used to have a bank account until I got divorced, I don't want anything going to a bank so I don't bother now.'

(Single person, HB paid to landlord, HB amount same as rent)

Conclusion

Most claimants received direct payment of HB and this was generally seen as part of the process, particularly by new claimants. The evidence was mixed regarding the promotion of personal responsibility through direct payments. While the sense of control and independence was welcomed by some claimants, the responsibility of receiving HB payments was a matter of concern for others. Resistance to direct payments was strongest among people who previously had HB paid to a landlord (or Council). Where new claimants expressed a preference for landlord payments, this was usually related to a particular reason or experience, such as difficulty after borrowing from HB money, problems with a previous landlord, or not using direct debits, rather than a general resistance to the method. This implies that moving away from familiar methods of payment may give rise to resistance from claimants already wedded to those methods, whereas new claimants have no such allegiances, and so are more likely to accept direct payments, which is encouraging for future roll out of LHA to new claimants.

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Lack of co-ordination of monthly rent payments and weekly based HB receipt was problematic for some claimants. This is an important point because new claimants and recent movers tended to pay their rent per calendar month. Therefore, this difficulty is likely to continue and will affect more claimants over time (and also has implications for addressing the lack of clarity about surplus and top up amounts discussed on page 30, 'Differences Between LHA Rates, HB Amount and Rent').

In relation to financial inclusion, although direct payment has led to the use of automated banking for receipt of HB, paying rent by such method can be restricted, for example, by landlord preferences and (perceived) limitations on available banking services for HB claimants. Furthermore, there are clearly some claimants who, despite having their HB paid by ACT, prefer not to use direct debit or standing order to pay rent. While there is likely to be scope for additional information about the types of bank account accessible and how to use them, the reasons for not wanting to use automated methods to take funds out of an account are particularly pertinent for HB claimants. Any bank charges represent a much bigger percentage of their income, and would be much harder to finance, than for a person in work. This is especially the case where uncertainty exists about the coordination of HB and rent timings, where the need for tight financial control is vital. Furthermore, while some claimants will have the knowledge and confidence to use automated banking, there is likely to be a group of claimants for whom lack of banking experience or trust in financial services could be an additional hindrance. Given the findings outlined in this chapter, it might be suggested that without coordinated payment timings the aim and appropriateness of encouraging automated rent payment methods could be questioned for some HB claimants.

Chapter 5: Household Finances and the Role of LHA

Introduction

Chapter 5 explores household finances and how these are managed and the role of LHA within this process. Under the new arrangements, HB is paid to the tenant rather than directly to the landlord. LHA is intended to promote personal responsibility within this context. 'Managing Household Finances' looks at how claimants manage their household finances. 'Rent Arrears' considers the question of rent arrears. 'Saving, Top Ups and Surplus' reviews how any rent top up is managed or any surplus under LHA is used by the claimants and whether, within their overall financial context, claimants are able to accrue savings.

Managing Household Finances

The management of household finances involves a consideration of the total household income, of which HB is only a part, and how this is organised and apportioned by the tenant. Household income is considered, in terms of the balancing and prioritising of competing demands that are made on this money. This includes taking into account any arrears on household bills or other debts.

Household Income

The study considered income arriving in the household from all sources, for example, employment, benefits or any other source.

The range of weekly household income reported in the sample ranged from £45 per week to around £350 per week; reflecting the different circumstances of claimants. Incomes were made up of a wide range and variety of benefits, combined in some instances with income from employment. Those receiving some of their income from employment invariably tended to be at the higher end of the income range.

Sources of income cited by respondents included: Disability Living Allowance (DLA), Child Tax Credit (CTC), Working Tax Credit (WTC), Child Benefit (ChB), Carers Allowance, JSA, State Pension, IS, Pension Credit and income from employment. In one case, the claimant was entitled to Child Maintenance from the non-resident parent, who was not making payments, and in several cases, claimants were having deductions made at source for either Social Fund loan repayments or overpayments of CTC.

Household Budgeting

Claimants were asked about their household bills and the method they used to pay these; including the rationale behind using that method. Views were also sought on budgeting strategies and the use of mechanisms such as credit cards and overdrafts.

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In discussing household bill payments, claimants cited utility bills as their major expenditure: gas, electricity and water; and to a lesser extent telephone bills. Other significant financial outgoings cited by claimants, included: Social Fund repayments (deducted at source), retail catalogue payments, repayments of overpayments of benefits (deducted at source), payment of Child Maintenance and overdraft payments for a Student Loan.

The preferred method of payment for utility bills was by card meters for gas and electricity, token meters or direct debit by monthly payments. Whichever payment method was adopted, claimants preferred to budget on a weekly basis for utility bills. This avoided large quarterly bills (the least favoured method of payment among the sample) and it was generally felt that it was easier to 'stay on top of bills' managed in this way. It made payment transparent and in real time such that: *'If you pay weekly, you know you're alright.'* However, it is perhaps ironic that those who pay by these methods pay a higher rate per unit of fuel than those who pay by quarterly bills or direct debit. Several claimants made the point that the recent rises in charges for gas and electricity had been a source of concern and worry to them and had added to their budgeting problems.

Those using direct debit as a means of paying bills made the point that this method also required an attention to good organisation, in that the claimant had to ensure that sufficient funds were available in the bank account from which the payment would be made. Very few claimants said they paid bills by cheque.

There was a recognition among some claimants that the means they were using to pay for utilities and services was not necessarily the cheapest method but the peace of mind this conferred (in terms of pay-as-you-use) was offset against the cost. In practice however, it was apparent that claimants often had no choice but to consume items, such as electricity in the form in which it was delivered in the accommodation they occupied, even if this was at a level determined by the landlord, for example coin meters that were *'set a bit high'* where it was thought an additional premium was involved.

Budgeting on a small income also entailed rationing. Items that were mentioned as often subject to rationing were: food, travel and to a lesser extent use of the telephone. Other items were not merely rationed but were considered unaffordable by certain claimants. These included: new clothes, cups of coffee when out shopping and generally, although there were exceptions, the use of credit cards.

More generally, several interviewees mentioned the fact that they had consciously changed their means of budgeting and financial management when their circumstances had changed and they had become claimants. Generally, this had involved shortening the budgeting time frame (usually to a week), paying up-front as far as possible and generally tightening their finances. Several made the point that however they arranged things, this entailed budgeting very carefully indeed and that finances were always *'tight'*.

In terms of gaining advice on financial and banking matters, the majority of claimants interviewed did not mention seeking such advice – their reasons and knowledge of available services is not generally clear from these interviews. Where claimants had received advice on their personal finances, this was gained from the following sources: financial advisers; debt advisers; Citizens Advice Bureau (seen as particularly helpful in advising on disability benefits, which were seen as 'complex,' or advice on debt management); and Lone Parent Advisers. In one case a local MP was helping one claimant to manage the repayment of a tax credit

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bill of £2,000 and another claimant had gone on to claim DHP as a result of discussions about their financial situation with HB staff. One disabled claimant had received what they considered to be valuable advice from various disability groups, including, in particular, the MS Society. One claimant made the point that they felt that financial advice was irrelevant: they always used cash (never credit) and they did not have enough cash, therefore, they felt that what was needed was more cash and that there was little or no scope for re-distributing what little was available.

Overall, there is considerable evidence in the data that claimants actively budget in order to ensure that their finances remain stable. Strategies employed include: keeping a written record of expenditure, shopping at charity shops, saving excess cash in a bank account to pay bills, cutting back on items such as food, paying all rent and bills before any other activity. Only a very small minority of claimants 'borrow' from their LHA payments (see 'Paying the Rent').

Arrears on Household Bills and Debts

The interviews attempted to establish the nature and extent of arrears and debts, and to gain some information about how they were accumulated.

In considering the area of arrears, there is a distinction to be made between arrears and debts. An individual can be in debt without being in arrears with that debt. It is the difference between owing money (debt) and being behind with payments to service or pay off that debt (arrears).

In general, claimants had avoided getting into debt. Generally, they felt that it would be unwise to get into debt in circumstances where they would have difficulties paying off any money owed. There was a recognition, therefore, that, on a limited income, it was very difficult to get out of debt, once incurred. The feeling was that it was better to go without items rather than incur a debt that they might later struggle to pay off. One claimant commented: *'I don't owe anybody a penny and that's the way I like it.'* Another said: *'If I can't pay for it, I won't have it.'*

Some claimants, however, did have debts. One unemployed woman owed £5,000 on a credit card. She explained:

'I live off my credit card, that is how I buy my food. I couldn't survive on Jobseeker's Allowance if I didn't have a credit card.'

(Single person, new claimant, LHA surplus).

Despite such debts, those claimants who were in debt generally reported that they were not in arrears with the repayment of those debts. Others discussed debts that they had accrued in the past but which were now paid off. Such past debts were in the following areas: gas, electricity, Council Tax, credit card bills.

In addition, debts could arise as a result of overpayment of benefits which then had to be repaid. The payment of benefit could also be linked to the build-up of debt when a particular benefit stopped or changed, for example, one claimant got into debt when their Incapacity Benefit stopped. There was also a

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danger of falling into debt when the claimant first became unemployed because they needed time to adjust to their new financial circumstances. Additionally they often had loans (in effect debts) left over from the period when they were employed and more able to afford these, for example, one claimant had a car loan which she still had to repay.

Rent Arrears

It is of interest to know about claimants' rent arrears because, given that LHA involves direct payments to claimants to pay their rent, it is desirable to establish the likelihood that the money will be used for that purpose.

Paying the Rent

Evidence from the sample points to the fact that it is very unusual for claimants to get into rent arrears when they are being paid HB (this mirrors the finding in the Wave 2 Survey Report (Roberts *et al.*, 2006)). Paying the rent is seen as a matter of prime importance and claimants appeared to hold the view that it represented such a large amount of their income that should they fall behind with it, catching up would prove very difficult indeed. Generally, they made statements, such as, they would rather not eat, or would use a credit card (where one was possessed) rather than default on the rent.

In general, therefore, claimants did not use the HB payment for any other purpose than paying the rent. They seemed aware of the risk of '*accidentally*' spending the LHA as it '*sits*' in the bank account but by dint of organisation, '*willpower*' or being '*quite good with money*', (although the HB was not kept separately), it generally remained untouched except for the purpose for which it was intended – to pay the rent. However, a small minority (of those who were not in arrears) occasionally borrowed from the payment and then – replaced it; using it as a flexible source of money (rather like a credit card). This was, however, very unusual.

Not Paying the Rent

A small number of claimants got into arrears using the strategy of borrowing from their HB payment with the intention of paying it back, for example: '*If I was a bit low on money one week I would borrow a bit and pay it back when I could*' (HB now paid directly to the landlord). Similarly, another claimant borrowing from LHA became overdrawn on a bank account for several months in order to repay this. There were, however, isolated examples of claimants who became significantly in arrears. For example, one couple (where one of the partners left his job) supplemented their income by using the rent allowance:

'after the first month we spent the rent money, we were spending it and not thinking and then the rent started building up.'

(Couple, aged under 25, no children, new claimant, LHA surplus)

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Generally, it was a minority of claimants who had been in arrears, a small number of whom remained so. In fact, where arrears had developed these were generally associated with the initial delay in processing a claim (see page 24, 'Claim Processing'). An example of the latter was a new claimant who described himself as '*permanently in arrears*' because he had incurred substantial arrears after a problem with the claim resulted in waiting 13 weeks for his first HB payment. The landlord had allowed him to pay the rent on a one month in arrears basis, even after the backdated claim had been received.

Arrears had also developed around other adjustments and stoppages of benefits, for example, the ending of IB in one case, and overpayment of benefits in another (which later had to be repaid). Such '*temporary*' arrears, as they were seen by claimants, were usually cleared by being especially frugal for a period of time or by taking out a loan, although in one case the landlord had simply agreed to wait for his money.

Several claimants also mentioned that they were, on occasion, driven into what were seen as technical 'arrears' by the fact that payment of HB did not arrive in their bank accounts in sufficient time to cover the demand for rent when it was due.

Rent is Prioritised

Almost all claimants in the sample prioritise paying their rent above all other financial activities. This reflected the perception that '*keeping a roof over your head*' is a basic and fundamental requirement. This feeling was particularly strong among claimants who had children. For example: '*I can't (take the) chance (of) getting behind with the rent, I don't want nowhere to live*'.

These feelings were reinforced by the view already expressed in other sections, that once behind with the rent, the amounts involved are so large that those on limited incomes may never, or only with the greatest difficulty, be able to catch up. Arrears in this area were, therefore, perceived to pose a considerable threat to the overall stability of the life of the individual or household. This was particularly the case if children were involved.

Several respondents also mentioned that it was important to '*create the right impression*' with the landlord and that falling into arrears worked significantly against this; and, for example, one wanted to avoid the landlord finding out he was unemployed.

The fact that all but a handful of claimants had managed successfully to pay their rent without falling into arrears or being tempted to spend the payment on other items appears as a very positive outcome and as one claimant put it: '*it feels very important to pay rent (myself)*'.

Saving, Top Ups and Surplus

In view of the fact that LHA involves direct payments to claimants, unlike the previous arrangements where HB was usually paid to the landlord, claimants are able in principle to choose the quality and price of their accommodation. For example, they could choose to pay more than the allowance they receive in order to occupy accommodation that is larger than that to which they are entitled under LHA, meeting the extra cost themselves. Alternatively, they may choose to move to a less expensive house and keep the difference between actual cost of renting the property and the standard rate payable under LHA.

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Claimants were asked about the amount of money they had left over for general expenditure after rent and bills had been paid. They were asked whether they had savings, and if so, what were the items or eventualities for which they were saving?

Saving

Virtually none of the claimants said they had savings or were able to save anything out of their current income. This was because by the time they had paid their rent and bills there was little left over and what remained was quickly taken up with buying one-off items, such as, shoes. Typical comments were: *'we are just surviving'*, *'there is no room for manoeuvre'*, *'I have no possibility to do anything else'*, *'We have no savings to help us out if we get into trouble'*, *'I rob Peter to pay Paul'*.

However, a very few claimants in the sample did have savings or were able to save small amounts of money left over from their income. One interviewee had £25 per week left over from expenditure and had saved £250 savings in a bank account; they had begun saving when they had been at their current accommodation 7-8 months (this interviewee did not have a surplus on LHA). One respondent now had £200 left over per month for other expenditure once essential bills and rent had been paid. This was a recent development, since they had moved from their previous accommodation because of a consistent rent deficit which had meant that they could not cover all of their outgoings. Conversely, one respondent said that the household now regularly had less money left over for savings because they had moved to a new house that entailed covering a deficit in rent. Another claimant said that the inability to save meant that he was unable to move house because he could not save the deposit that this would entail (see page 65, 'Affordability'). In addition, there were examples of claimants who regularly saved sums between £7-12 per week (the latter was specifically said to be the result of a LHA surplus). The point was made that where savings did exist they tended to be short rather than long-term: they were often drawn upon to pay unexpected or unexpectedly large bills.

Managing Rent Top Ups

Funding rent top ups appeared particularly difficult to cope with if they were combined with a recent change in circumstances (for example, recently being made redundant or unemployed) where the claimant was also having to manage other loans and credit repayments which pre-existed their change in occupational status. One claimant, struggling under such circumstances commented: *'Is it worth it? We don't have a life, we have an existence.'* However, top ups could also prove particularly difficult if they were combined with other debts, for example, in one case, paying a rent top up of £8 per week was combined with the necessity of repaying £10 per month of a council tax over-payment.

Top ups, where they were successfully managed, tended to be subsidised from some other specific source, such as the state old age pension or from a small pot of savings. However, a significant top up (e.g. £15+ per week or £66 per month in one case) tended to be perceived as increasingly unsustainable and the feeling was that such burdens could not be shouldered indefinitely and that it would be necessary to try to move to other accommodation to remedy this situation.

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Generally, funding top ups of rent meant even greater '*juggling*' of already often tight budgets and usually this entailed cutting down on food and any non-essential food items, such as biscuits. In other cases, claimants had given up having a telephone or a car. One claimant who was coping with a top up, albeit '*a struggle*' and with the help of her parents, said that if her rent increased further, she would probably have to move house.

LHA Surplus

Generally, any surplus between HB and rent was absorbed into the household budget and often used to help pay other bills, for example, utilities or Council Tax. One claimant commented (in relation to a water bill) '*one less bill to pay... so it does help a lot.*' Even relatively small amounts were felt to '*make a difference*', given the tight financial budgets claimants experienced. Where larger amounts were received it was spent on children's needs, the house, catching up on other payments or provided some '*leeway*' in terms of allowing a claimant to address a specific problem requiring significant expenditure. One claimant, who had gone from paying a top up to receiving a surplus on the birth of a baby, reported that the baby had absorbed the whole of the surplus. Another claimant said that their surplus on rent made life more '*liveable*', in that it had made it possible to cope on JSA and commented that they did not know how they would otherwise cope. The surplus had increased financial flexibility and consequently significantly improved this claimant's perception of their financial situation, although as he pointed out:

'It is not advantageous in making you be able to drive a nice car or go out partying, but then actually it covers what I feel is a shortfall between what Income Support says is enough for you to live on and what you actually need to live on.'

(Single person, living in '*basic*' accommodation, LHA surplus)

Conclusions

The sources of income available to claimants in the sample ranges vary widely, depending on personal circumstances.

Generally, claimants actively organise their budgeting and are generally very careful not to fall into debt; a situation that they realise would be very difficult to remedy on a very tight budget. This is particularly the case where rent arrears are concerned. In terms of the LHA policy of promoting personal responsibility for rent payment, it is encouraging to note that claimants generally prioritise paying their rent and although their HB payment often '*sat*' in their bank account for some time before being withdrawn to pay rent, it is only in the exceptional case that this is '*borrowed*' to use for another purpose.

It is clear that even a relatively small deficit or surplus in rent has quite a major impact in an overall budget that is already small and tight. Those having a surplus, even where they are still financially managing only with difficulty, find this a great help.

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Several claimants specifically recognised that in the longer term, the main change in their circumstances that would significantly improve their financial situation lay in moving into work.

Overall, it is noteworthy, though arguably not surprising, that the evidence in this chapter points strongly to the fact that claimants take their rent commitments very seriously, and contributes to findings from the evaluation survey and administrative data regarding the proportions of direct payments and rent arrears (Roberts *et al.*, 2006; Walker, 2006a).

Chapter 6: Moving and the Role of LHA

Introduction

This chapter describes claimants' experiences when moving to different accommodation. Reasons for leaving the previous accommodation and moving into the current property are explored in 'Reasons for Moving (Leaving a Previous Accommodation)' and 'Reasons for Choosing their Current Property'. Their experiences of looking for the current property and the role of the LHA in the choice of the present accommodation is the subject of 'Experiences of Looking for Current Property'. Paying deposits and advance rent is covered in 'Paying Deposits and/or Advance Rent', and 'Rent Negotiations' looks at negotiations about rent levels. A discussion of how HB is paid to landlords is covered by 'Disclosure to Landlords of HB Receipt' and finally, conclusions are drawn in 'Conclusions'. Overall, this chapter specifically addresses two policy aims: the role of the LHA in choice of accommodation and the issue of transparency in relation to LHA.

Reasons for Moving (Leaving a Previous Accommodation)

In general the reasons given by claimants for moving are as follows:

- Personal reasons;
- Desire to move to a different location;
- Desire to move to more suitable accommodation;
- Landlord issues.

Personal Reasons

Claimants' personal reasons for wishing to move revolved around a range of family or health circumstances, which were related to changing circumstances that had led claimants to review their previous living arrangements. Changing circumstances were factors such as: a divorce or separation; an injury/accident or having a disability; becoming independent and moving out from their parents' home; leaving social services accommodation (when they became 18), or moving out of a hostel or accommodation they were sharing with friends.

When deciding to move, many claimants wanted to move nearer to their family and/or friends. A few moved for financial reasons. For example, one claimant had moved (from outside a Pathfinder area) to their current accommodation because rents were cheaper than in his home town.

Moving to a Different Location

Several claimants moved due to tensions with neighbours or because they wanted to move out of 'rough' areas, or into more pleasant locations and/or areas that offered them more convenience in terms of their needs. Other claimants wanted to be nearer to certain amenities, such as city centre shops or the railway station.

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Some claimants moved to a different location in search of job opportunities.

Moving to a More Suitable Property

Couples expecting a baby and families with young children were those who wanted to move to larger properties. Such family units range from single parents to young couples, through to grandmothers taking care of grandchildren.

In addition, claimants with health problems or caring for a child or relative with health needs said they needed larger, more suitable housing to address these needs. One lone parent with a child with a serious health condition wanted a larger home so that essential medical aids and equipment could be installed. Other claimants moved because their previous accommodation was in a poor condition and wanted to have a more pleasant place to live.

Landlord Issues

Landlord issues were not discussed in greater detail, as most respondents said that landlords were happy as long as they received the rent in time. However, several claimants had been forced to move to their current property because difficult situations had arisen with their previous landlords. In most cases, the issues were related to landlords being unresponsive to claimants' concerns relating to the accommodation. Particularly where properties were in poor condition, those claimants experienced difficulties in trying to get repairs carried out. According to most respondents, the overall quality of housing available for them was very low, which further limited their choices (discussed further in 'Choice and Availability').

A few of those interviewed said they had been evicted. In one case, the claimant felt that the landlord made false accusations of rent arrears. Another claimant said she was evicted because she complained about the health hazard arising from the poor condition of the accommodation.

Reasons for Choosing their Current Property

Most claimants moved to their current property because it was the first one that was available that they could afford. This is an indication that in most cases price was a very important factor. However, in addition, many claimants stressed that they also looked for a property that met their other needs and requirements, such as being in a more pleasant and more conveniently located property, or closer to family and friends.

While some claimants experienced difficulties in finding their current accommodation, as the next section will describe, most seemed to have moved to the current location because it was more convenient, or because it was *'better than the others viewed'*. In some cases, because friends and/or family helped them to find it. Therefore, the original reason for leaving the previous property was not always reflected in their choice of the current accommodation.

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Some claimants took the current property because they could not wait on a lengthy list for a Council-owned or Housing Association property, which they perceived to be cheaper and offering more security of tenure¹⁷.

Experiences of Looking for Current Property

This section looks at the experiences of claimants in looking for their current property and considers how much choice and availability was open to them in their quest for different accommodation. There then follows a consideration of the role of LHA in this process.

Choice and Availability

In seeking new accommodation, claimants often enlisted the assistance of other individuals and/or organisations. These included: family and friends, social services and voluntary organisations supporting the homeless. In a few cases, claimants had moved to property owned by family or friends. Other claimants were assisted by, or gained access to, information concerning available properties through either the local Council or letting agencies. The majority of claimants, however, used mechanisms such as personal contacts, newspaper advertisements or the internet in searching for alternative accommodation.

Although many claimants said that they had found their current property relatively easily, some had experienced difficulties finding an acceptable property. Perhaps not surprisingly this was more often reported by claimants living in HB Concentrated and Dispersed markets¹⁸. This was either because some landlords would not take tenants on benefits or because the properties they viewed and could afford were in very poor condition '*all as bad as another*'. Furthermore, most claimants said that the quality of the accommodation available for them was very low, which further limited their choice.

In the long run, this implies that the ability of claimants to choose to move to better areas could be severely limited. Although their prime constraint was financial, it appears that in some cases, the stigma and/or negative connotations associated with receiving benefits, attributed to claimants by landlords, is adversely affecting claimants' access to the housing market. In particular lone parents and pregnant women seemed to experience greater difficulties in finding more suitable accommodation. For example, one single mother, had spent about four months looking for a larger property, hampered by the resistance of several property agencies who would not accept tenants who were claiming benefits. Claimants who moved for personal reasons, such as divorce, or because a family member had developed a long-term illness, also found their choice further curtailed, as their specific circumstances compounded their perceived market disadvantage.

¹⁷ These claimants were generally aware that in terms of housing criteria they represent a 'low priority' on the waiting list (see Section 7.3.3). Rather, this was just their expressed need, to have easier/faster access to social housing.

¹⁸ See Glossary for explanation of terms identified in the report Local Housing Allowance Final Evaluation: The Survey Evidence of Landlord and Agents Experience in the Nine Pathfinder Areas (Rhodes and Rugg 2006).

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For all claimants seeking to move house, choice of accommodation was curtailed both by the very limited amount of affordable housing available appropriate for their perceived needs, but also by the fact that some landlords and some letting agencies do not accept HB/LHA claimants. This situation was compounded, in some instances, by the limited knowledge that claimants had about LHA. The next section discusses this latter issue, concerning the role of LHA in finding different accommodation.

The Role of LHA in Finding Different Accommodation

One of the aims of LHA is to empower claimants to choose the accommodation they live in both in terms of price and quality. The assumption is that claimants are able to choose accommodation that more closely meets their needs because, under LHA, claimants can find out the number of rooms they are entitled to and the amount of HB they can expect to be paid. However, most claimants interviewed seemed to be unclear about the way in which LHA levels are calculated and, therefore, the amounts of rent to which they are entitled. Some of the long term claimants seemed to have a better understanding to what the amounts they receive are, compared to the new claimants. Overall, whether or not claimants had knowledge of LHA processes, procedures and calculations seemed to have a considerable impact on claimants' choices and decisions.

Moreover, and considering other types of constraints claimants experience in searching for suitable accommodation (outlined in 'Choice and Availability'), it seems that they can very rarely reach the point where they can actually exercise a choice. This highlights that, even if in theory LHA provides information to make informed choices, in practice the opportunities to exercise these choices are limited by other factors. Furthermore, (as discussed on page 21, 'Advance Knowledge of Entitlement') it appears that claimants do not always have advance knowledge of their entitlement. If this is the case at the point of searching for accommodation they will not have the information necessary to make an informed decision about the amount of rent they wish to pay in relation to the amount of HB they are likely to receive. One claimant had felt '*miffed*' by the uncertainty of not knowing the financial implications of a move.

'They didn't actually explain whether I would get more or whether it would be the same no matter where you live.'

(Lone Parent, needed to move to larger accommodation, small surplus).

A few others were pleasantly surprised when their HB amount was more than expected, especially if this resulted in a surplus. However, one claimant noted that had she known that LHA was a flat rate when she moved in she might have tried to find somewhere cheaper as the surplus would be helpful to her budget. A few claimants had looked for cheap accommodation as they were thinking about the future when they hoped to be employed and not on benefits, rather than relating it to the LHA level (which was not known in these cases anyway). However, where well-informed, this knowledge was used by a claimant to move to substantially reduce the amount of top up paid.

Paying Deposits and/or Advance Rent

Paying the deposit to secure a different property represented a serious problem for many claimants, as most claimants had been required to pay a substantial amount of money over to their present landlord to secure the current property. The majority of claimants are on very low income, so that the money for the deposit was generally borrowed from close relatives. As a consequence, tenants felt that they faced financial constraints that had effects long into their tenancy, until they were able to repay the money they borrowed.

There was no variation found on how deposits were handled by the three types of housing markets: Dominant Markets, Concentrated Markets and Dispersed Markets. A few claimants from both Dispersed and Dominant Markets were able to spread the deposit over the whole year and pay small amounts each month.

In one particular case, the claimant was asked to pay six months rent in advance, as well as a £500 deposit. Since this request was made by the only local agency that would rent to tenants on benefit, the claimant had little choice but to try to comply. She borrowed money from her daughter in order to be able to make the payment. The tenant felt this requirement stemmed directly from the fact that rent is no longer paid direct to the agency or landlord, as under the former HB scheme. In such circumstances, LHA could have negative implications for claimants.

A few claimants raised the deposit from their private savings (mostly retired older people receiving the State Pension) and some sold various household or personal possessions, such as the car, in order to pay the deposit. Other claimants who moved using the same letting agency were able to transfer the previous deposit over to their new property. In other cases the deposit would still be in the possession of their current landlord and might not be fully returned and/or available at the time it was needed to secure the new property. For example, one claimant maintained that she was wrongly accused by her landlord of being in arrears with her rent and as a consequence he was able to keep, erroneously, the deposit and the rent she had paid in advance.

However, some claimants stressed the understanding their landlords had shown concerning their difficult financial situations and had responded flexibly, for example, landlords had accepted that the deposit was paid gradually along with the rent, spread over a few months. In another case, as the claimant could not pay the whole of the deposit in advance, the landlord had agreed to wait for the remainder until a later date.

Rent Negotiations

In only two cases were tenants able to reduce the rent level to the LHA level. In one case the success seems to be related to the tenants family's long connection with the landlord's family. In the second case, the tenant asked to have the rent set at the LHA level and was successful. In a few other cases, where the tenants had tried to negotiate a lower rent, they were unsuccessful in getting the rent reduced. Most claimants said that rent levels did not increase over time and they seemed to consider that this offset their initial inability to renegotiate the rent.

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Yet, the majority of tenants had not negotiated the rent level with the landlord, since they said they felt that the rent for their current property was appropriate to its size and location. In some of these cases, especially where claimants were renting from friends or relatives, they clearly felt that they already had a lower rent than the market price. Others felt they were in no position to negotiate the rent where they had to find a property quickly or because they had limited choice. For example:

'I wasn't in a position to speak about the rent because I just had to move. I just didn't want to start saying "well if I pay..." because I just needed to move here.'

(Lone parent, evicted from previous property, pays top up)

Disclosure to Landlords of HB Receipt

Most claimants thought that their landlord did know that they were receiving HB. One claimant noted that there was no point in trying to hide the fact because if the accommodation agent asked for references, it would become obvious that the prospective tenant was receiving benefit. It seemed, however, that most landlords did not have a negative view of tenants who were receiving benefits, as long as they paid the rent.

However, as mentioned in 'Chocie and Availability', some claimants said that they were aware that many landlords did discriminate against tenants on benefits, and described how some letting agencies they dealt with specifically stated this. Some claimants, in practice, have been able to hide from landlords the fact that they are in receipt of benefit because HB is now paid to the claimant under LHA (see page 38, 'Preferences About Who the HB is Paid to'). In some cases claimants found this helpful in combating the disadvantages faced in the housing market caused by some landlords' resistance to renting property to benefit recipients. One claimant felt that being able to hide her unemployment avoided possible '*confrontation*' with her landlord who she knew would not let the property to anyone '*on the dole*'. Another, who had been turned away by letting agents, felt that not disclosing her HB receipt had perhaps increased her chances of being taken on by her present landlord. While hiding benefit status might not be possible where stringent references checks are made, it might be suggested that in some circumstances direct payments under LHA could be an advantage in broadening the restricted housing choices faced by benefit claimants.

Conclusions

From the findings presented above it appears that the fact that HB is paid through LHA has not proved the most important factor influencing claimants' decision to move from their previous property. Indeed, it appeared that claimants' decided to move because of perceived personal needs, such as the desire to move to a more pleasant area, a larger or better quality property or to be nearer to friends and family. None of the claimants who have moved from outside the Pathfinder areas seemed to have made the move because of LHA.

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Overall, (reflecting the Wave 2 Survey report (Roberts *et al.*, 2006)), there is no evidence that claimants are choosing to move to smaller, less suitable properties in order to keep a surplus of LHA compared with the actual rent. In any case, as may be seen from this chapter, many appear to have little knowledge of how LHA is assessed and calculated and therefore the amounts of rent they are entitled to. This seemed to be the case across claimants from different types of HB markets.

Awareness is also an issue in terms of LHA acting as an enabler in the moving process. It is evident that for some claimants lack of awareness prevented them from making informed decisions. Most claimants interviewed said that they did not understand why they were paid certain amounts under LHA and were not aware of the room rates and the amount of rent they were entitled to, prior to their actual claim or search for accommodation. This shows that some claimants are not in practice benefiting from the intended transparency of LHA, and coupled with the range of constraints claimants face when searching for housing suggests that choices are often limited in practice. The fact that a claimant who was well-informed was able to use this knowledge to make choices about the amount of rent paid indicates the importance of information if the policy aim of choice is to be achieved more widely.

Chapter 7: Moving Intentions and the Role of the LHA

Introduction

Chapter 7 focuses on the moving intentions of claimants and the influence that LHA has on them. The chapter begins by examining their thoughts about moving ('Thoughts about Moving'). In doing so, it focuses firstly on the reasons why claimants would not want to move, before proceeding to look at the reasons that would make them want to move. This chapter continues by exploring the factors that would help or hinder them moving ('Obstacles to, and Opportunities for, Moving'). The chapter concludes by uncovering the extent to which LHA influences claimants' desire to move ('The Influence of LHA on the Desire to Move').

Thoughts about Moving

This section examines the current thoughts of claimants about moving. It looks at the reasons why people did or did not want to move and their housing aspirations.

Reasons for not Wanting to Move

There were various reasons why some claimants had no intention of moving. Some claimants (both new and long-term) had only recently moved to their current property and thus, felt no immediate desire to move again. Claimants of, or near to, pensionable age were inclined to say that they wanted to stay in their current property for the rest of their lives. The claimants expressing this opinion were older, long term claimants. Influencing factors were satisfaction with their current accommodation as well as being daunted by the '*physical side*' of moving which could be seen as a '*harrowing*' experience especially for those for whom health was an issue.

Some claimants (both new and long term) wanted to remain in their current property because it satisfies their needs. This generally related to the good condition or size of a property. Having sufficient space and a garden was an important factor especially for households with children. Being in a 'safe' or 'quiet' area, in close proximity to schools and transport were also influential while having family and friends nearby was also important in explaining some claimants' lack of intention to move.

One claimant feared that they might not find anywhere cheaper or more suitable for their needs. Despite dissatisfaction with their current property, one of the claimants felt compelled to stay because they had spent a lot of money on their property. Some claimants said that while moving was not realistic in the short-term, it could become a possibility in the future when they start working again. However, even among those who did not want to move, there was a worry that instability in the private rented sector may force them into moving.

These findings help to provide a more comprehensive picture of claimants' future housing intentions and the reasons for *not* moving, which were not covered by the Wave 2 survey report (Roberts *et al.*, 2006).

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Reasons for Wanting to Move

A commonly cited reason for wanting to move was a desire to move to a better location. There were a number of factors that made this an important issue. Claimants with young children gave a high priority to moving to an area that was close to good schools. Others valued being close to amenities. Some claimants simply wanted to live in a better neighbourhood. For example, some were currently experiencing problems with neighbours. Other claimants felt that having friends and family nearby would be an important consideration.

The poor state of their current property was a source of complaint for some claimants. Complaints were wide-ranging, but at the extreme included structural problems, leaking roofs, birds living in a roofspace, broken windows and doors, damp, unmaintained gas fires, and drainage problems. This dissatisfaction was compounded where there was an unwillingness on the part of landlords to deal with problems that were reported to them. Claimants had often not considered, or would not risk, withholding rent as a mechanism to force the hand of landlords. This was because of fear of eviction, the knowledge that the landlord could switch direct payments away from tenants should arrears build up, or an unwillingness to inflame the situation: *'it would make things ten times worse'*.

There was a sense of powerlessness among some claimants who felt *'there is nothing we can do'*. In some cases, claimants themselves had paid for repairs, which they felt they could not afford. The timing of HB and rent payments also appeared to cause tensions in the relationship between the tenant and their landlord (see page 41, 'Timing of Payments'). Claimants in such circumstances often felt the only solution would be to move and *'put up with it till then'*, however, due to limitations outlined in 'Obstacles to, and Opportunities for, Moving', they were aware that this was not necessarily a straightforward option.

Wanting to find more suitable accommodation and finding larger accommodation appeared to be related, certainly in terms of the factors driving them. Not surprisingly, for claimants with children, family issues, such as children growing older and needing larger rooms and having enough space for children to move into, were very important. Some wanted a garden as they thought that having space for their children to play in was important.

Some claimants who were currently in shared accommodation wanted to move into self-contained accommodation. One wanted self-contained accommodation so they would have sole responsibility for its care. They were tired of sharing with other tenants who did not take proper care of the accommodation. Another claimant wanted to move to self-contained accommodation to have the extra space so that they could have friends come and visit.

Others wanted to move, but out of the private rented sector to Council or Housing Association-owned properties. There was a perception, which is borne out in reality, that such accommodation was relatively cheaper and more secure than that in the private rented sector. This appears to be a high priority for claimants with young children, who were aware that landlords can suddenly decide to sell up, which may well mean sudden upheaval for their tenants.

Obstacles to, and Opportunities for, Moving

This section focuses on the obstacles and opportunities that make claimants more or less likely to move. Again, these findings enrich the data already in the Wave 2 Survey report (Roberts *et al.*, 2006) as they provide a context for the thinking behind why claimants would or would not like to move. In terms of the barriers that were perceived by claimants to prevent them from moving, the most commonly cited were:

- affording suitable accommodation;
- insecurity in the private rented sector;
- the difficulty in getting Council or Housing Association-owned accommodation;
- landlords not taking on claimants receiving HB;
- poor relations with the landlord; and
- a lack of awareness about how LHA works.

In terms of making moving more likely, claimants identified the following as key issues:

- knowing how much HB they were going to get;
- direct payment;
- working;
- having cordial relations with their landlord; and
- having contacts in relevant places.

Together, they cover the broad themes of: affordability; availability; tenure; and awareness of LHA.

Affordability

Not surprisingly, affordability was perceived to be a key factor in preventing claimants moving. This related particularly to paying deposits and advance rent. For those who cited more suitable accommodation as a reason why they might want to move, affordability was also a key issue. This was particularly the case for those who felt they had financial difficulties and expected that the new landlord would require a deposit before the current landlord was likely to release the existing one, and with very limited funds bridging the two would be impossible.

Those that wanted larger properties also thought that affordability was an important factor. Again, this was particularly true for those with financial difficulties. For example, one claimant felt that it would be difficult to save up for their rent and deposit as they were already experiencing difficulties paying existing general household bills and childcare costs.

'Affordability' sometimes involved a range of issues and longer term plans, rather than just a consideration of the present HB entitlement. One claimant (a lone parent) was about to start part-time work and was also planning to move in with her partner. She thought that a higher rent would be affordable as their dual income would overcome any disadvantages of getting less HB.

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Availability

A claimant, who was disabled, wanted to move to a bungalow to suit her mobility needs. However, she noted that high demand meant that, not only would it be hard to find a bungalow *'they are few and far between'*, but finding one that was adapted to accommodate a wheelchair would be even more difficult. Some claimants said that moving near to friends and family would be important due to their lack of mobility. Friends or family being located close by was considered important because being close to a support network could help them meet their needs. However, it was not always possible to find accommodation that met their needs *and* was close to family and friends.

A common problem faced by claimants who consider moving is that some landlords simply do not accept tenants who claim HB (as discussed on page 57, 'Choice and Availability'). Perhaps not surprisingly this was more often reported as a potential barrier by claimants living in HB Concentrated and Dispersed markets.

'You're all judged the same.'

(Couple, New Claimants, pay top up)

One claimant worried that only landlords in undesirable areas would accept such claimants.

However, one claimant talked positively about the issue of availability. They felt that they were in a good position to move because they were on good terms with their landlord. Their landlord had a range of properties and kept the claimant up-to-date in terms of what they had available to rent. This claimant also had a contact in a voluntary sector homeless organisation which they could contact to see what type of housing was available to rent.

Tenure

Some claimants were reluctant to remain within the private rented sector because they perceived, rightly, that this sector was less secure than Council or Housing Association-owned accommodation.

'I don't know how long I'm going to be here because my landlord could say "oh, I'm selling the house", so that's a bit unsettling.'

(Lone Parent, LHA=rent)

However, it was generally recognised that the chance of securing Council or Housing Association property was unlikely. Some claimants had or had at least attempted to put themselves on a Council or Housing Association waiting list.

However, the prospect of finding decent accommodation in their preferred area, at least in the immediate future, appeared to be slim. To these claimants, the difficulty of getting themselves to the front of the waiting list for such accommodation constituted a substantial barrier to moving. There also appeared to be a fear among some claimants that Council or Housing Association-owned accommodation might only be available in undesirable areas.

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Several claimants mentioned the desire to buy property in the future. However, it was recognised that their circumstances would need to change considerably in order to allow this. In particular, they would need to find employment to have any realistic hope of realising such ambitions.

Landlord Issues

The poor condition of their current property and landlord unresponsiveness to reported problems led to a deterioration in some tenant-landlord relationships. Poor relations with the landlord may also result in them making it more difficult, in a number of ways, for the tenant to move. For example, one claimant said that a landlord could withhold a rent reference to make the process of moving more difficult and another claimant thought it unlikely that their deposit would be returned.

Under HB, it was common for the landlord to receive payments directly from the local authority, which usually guaranteed that the rent was paid. By contrast, under LHA, unless various conditions of vulnerability can be proved, the payment is generally made to the claimant. This has sometimes resulted in landlords finding it more difficult to collect the rent and some have become more reluctant to let to LHA claimants (Rugg, 2006). This was certainly a common perception among LHA claimants. Moreover, this can reduce the choice available to LHA claimants who maybe looking to move.

Awareness of LHA

There also appeared to be an issue surrounding the lack of knowledge of LHA which affected claimants' perceptions of what they could afford locally. In most cases, claimants felt that there was not much affordable accommodation available locally, which is consistent with the findings on page 57, 'Choice and Availability'. However, as discussed on page 30, 'Differences Between LHA Rates, HB Amount and Rent', the amount of LHA surplus or rent top up was not always clear to claimants because HB is calculated weekly and rent often paid monthly. As a consequence, this may distort perceptions of what they can afford. Furthermore, a few claimants in shared accommodation were unaware that they would be entitled to more HB if they moved to self-contained property (as they wished to do). On a wider issue, some claimants were simply not aware of the state of the local housing market. Thus, they were unaware of the types of properties that they could afford to rent.

However, some claimants recognised that the mechanisms of LHA could be useful when making future housing decisions. In some cases, claimants felt that knowing how much HB they were going to get would be helpful if they were to move. It could ease the moving process by clarifying how much, and what types of properties, they could afford:

'it is very important because then I would know exactly what money I have got and how I can manage my situation. Otherwise it is impossible if you don't know how much you are going to get.'

(Single person, pays top up, lives in shared accommodation)

Some claimants also felt that having direct payment of HB could help them move as they would not have to disclose this to a potential new landlord who could increase the rent and/or deposit accordingly and it would also avoid any perceived discrimination by a landlord against benefit recipients.

The Influence of LHA on the Desire to Move

This section examines the extent to which LHA influences claimants' desire to move. It asks whether claimants would be willing to move to a cheaper property to keep a greater surplus or reduce the rent top up paid? Or do they wish to move to a more expensive property and therefore pay (more) rent top-up?

Moving to Cheaper Properties

Claimants were unlikely to want to move from their current property to a smaller alternative in order to pay a lower rent so that they could be better off. This is consistent with the findings in the Wave 2 survey (Roberts *et al.*, 2006) that showed that a majority of claimants were increasingly occupying their properties appropriately, rather than over or under-occupying them. One of the reasons for not moving to smaller accommodation was that it would not be suitable for their needs. These needs mostly centred on having sufficient room for their existing children or the children they plan to have in future.

Some claimants did not want to move to a cheaper property because they thought that they would get inferior accommodation if they did so. Even claimants who paid rent top-ups felt this way. In some cases, claimants said they had no desire to move because they did not wish to make money out of the scheme. Others felt they could not find anything available for less rent than they were currently paying.

Even though it is possible for claimants to have a LHA surplus, monetary gain does not appear to be important when they were thinking about moving. Their motivations appear to be driven more by the quality of the accommodation and whether a property suits their needs rather than how much money they can make from it.

Moving to More Expensive Properties

The second part of this section examines whether claimants would consider moving to more expensive properties, for example, larger or higher quality accommodation. In most cases, their precarious financial situation prevented such a move. It appeared that in most cases, claimants were unwilling to take on or increase a top up as they were already in a difficult financial situation. Claimants (both with surpluses or paying top ups) were *'struggling as it is'*, so increasing their financial burden was seen as out of the question, as any more outlay would: *'make quite a lot of difference, as it's hard now'*.

Other claimants expressed a desire to move to larger properties but attached caveats. One claimant said they could afford to pay up to a £20 per week top-up but no more. However, this top-up may not be sustainable in the long-run, especially for people on low incomes where even small amounts of money can have a considerable impact. Another said that they would be willing to pay the difference if their next property was more expensive, but would have to *'watch the price'*.

In a couple of cases, claimants were willing to pay more rent in order to meet their needs. One claimant said they would do so to get a property with central heating, and another in order to move into a property with a garden. This could suggest that in these two cases, the quality of accommodation, rather than purely monetary factors, was the primary consideration in their potential decision making.

Conclusion

The most common reason expressed by claimants for not moving was that their current property satisfies their needs. Some claimants had only just moved into their currently property and felt no immediate desire to move on again so soon. Older claimants preferred to stay where they were as they did not want to face the upheaval that inevitably comes with moving.

Meeting the needs of children was one of the most important reasons given for wanting to move. This was at least partly reflected in claimants wanting larger accommodation and being close to what were perceived to be 'good schools'. Some claimants wanted to live in 'better neighbourhoods' while others valued being close to shops, and/or family and friends. Dissatisfaction with the condition of a current property and the landlord relationship was also an influence for some claimants, as well as feelings of insecurity in the private rented sector

Overall, however, there was not a clear fit between claimants' desire to move and the likelihood that they would move. The barriers that were perceived by claimants to prevent them from moving were:-

- affording suitable accommodation;
- the difficulty in getting Council or Housing Association-owned accommodation;
- landlords not taking on claimants receiving HB; and
- poor relations with the landlord.

It appeared that claimants were unlikely to want to move to cheaper properties to be better off financially if it meant living in less suitable accommodation. In these cases, financial considerations were secondary to meeting their accommodation needs including a fear that such properties would be inferior to those they currently occupied. Financial constraints often limited the potential for claimants to be able to move to more expensive properties (that might be larger or of higher quality).

However, as outlined in previous chapters, while it appears that the intended clarity about the amount of HB paid under LHA could be seen as useful by claimants thinking about future moves, there is still some uncertainty about entitlement. This is particularly the case when this involves moving from shared to self contained property. Furthermore, the findings described above highlight that LHA is just one of a range of factors that can influence claimants' future housing decisions.

Chapter 8: Work and the Role of LHA

Introduction

LHA is intended to reduce barriers to work. It should allow greater certainty about what in-work benefit people could receive and is expected to bridge the gap between being out of work and taking a job.

This chapter begins by considering the current work situation of claimants: whether or not they are in paid employment ('Current Work Situation'). There is then a consideration of any changes occurring in the area of paid work and the role that LHA plays in these ('Role of LHA in any Changes'). Then future work intentions are reviewed and any thoughts about how LHA fits in with these is considered ('Future Work Intentions and Thoughts about LHA'). The role of LHA specifically in relation to paid work is then explored ('Paid Work and the Role of LHA') and, finally, conclusions are presented ('Conclusions').

Current Work Situation

Those who were not actively seeking work gave the following reasons for this:

- poor health;
- perceived age discrimination;
- childcare responsibilities;
- demoralised from repeated rejections of job applications;
- *'Institutionalised on benefits now'*.

Those who were seeking work but unable to find it, gave the following explanations:

- lack of qualifications;
- lack of job experience;
- perceived discrimination against qualifications and/or experience gained in other countries.

However, some often said that they would only take a paid job if it were: *'decent'*, *'worthwhile'*, *'not boring'*. 'Decent' and 'worthwhile' in the context in which they were used appeared to imply that the work must be sufficiently well paid to make working financially attractive. Paid work must, therefore, provide remuneration that would be more than the total of any benefits received, plus provide a sufficiently large further income on top of this. Factory work was very negatively evaluated, and cited by some claimants as too *'boring'*.

Some said they were *'desperate'* to find work, they were *'sick of being on the dole'* and were considering a range of work options. Several claimants were undertaking unpaid work in order to gain experience that might prove useful in gaining employment and welcomed the fact that they could do this while continuing to receive HB.

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Those claimants who were in paid work and were still receiving HB found it essential as a supplement to their low wages. However, certain factors emerged as bearing significantly on this situation. Firstly, a claimant might be less inclined to undertake overtime working if they are on HB because of the inconvenience of sending off pay slips so that benefit levels can be reviewed. For example:

'So I try not to do overtime now because I'm so fed up with it, as it takes such a long time to do (send off all the relevant wage slips) and its taken out of my money, and then I'm short, so I don't do a lot of overtime now.'

(Lone Parent, works 33 hours per week)

The above quote suggests that there is a need for greater clarity and transparency around the calculation and administration of benefits for those who are in work. This was part of a more general complaint from working claimants relating to the reassessment of HB when their work circumstances changed. While this is a general HB, rather than LHA specific, issue, it was felt that this procedure took a long time to complete and, as such, is associated with the general issue of slow processing of changes of circumstances. As a result, the claimant might build-up an overpayment, which they would later have to repay, usually entailing considerable financial difficulty.

Comparing long-term claimants with new claimants there may be a slight difference between the two, in that long-term claimants probably lay a greater stress on the need to find out the impact on benefits of particular paid employment but there is, nonetheless, evidence of new claimants seeking to balance the effect of paid work on their entitlement to benefit.

Role of LHA in any Changes

Generally, claimants wanted to ensure that they would be financially better off overall when they were in paid work. In general, they would calculate whether they would have sufficient money left over, after paying rent and bills, and taking into account the loss of benefits, to make undertaking paid work *'worthwhile'*. In making this calculation, the situation would be reviewed in the context of all the benefits received and the question of the effect on HB payments would not be viewed in isolation from general benefit provision. Therefore, the impact of paid work is not considered specifically for HB in isolation from other sources of income that contribute to the final total income.

The calculation concerning whether they would be financially better off in paid work was obscured or confused in some cases by the fact that claimants were unclear about the rules and regulations concerning eligibility for HB, including whether they retained such eligibility, and on what basis, when in paid work.

Those claimants who were undertaking unpaid work in order to gain experience that might prove useful in gaining employment, found it useful that they could claim HB while doing this.

Future Work Intentions and Thoughts about LHA

Generally claimants felt that they had to satisfy themselves that working would improve their financial situation. They needed to know that it would be 'worth' working. One said that he had worked for a period for 20 hours a week in 2004 and that when his benefits were adjusted to take this into account he was only £10 per week better off. In general, therefore, claimants made calculations about the added financial value that could be achieved by working. For example, one claimant did not take a job at 16 hours a week because he calculated he would be financially better off on benefit. When considering whether it was 'worth' working, claimants sometimes reported that they would consult Jobcentre Plus staff to help them make this calculation. Some said they had already talked to Jobcentre Plus staff about this, particularly Lone Parent Advisors. Mandatory Work Focused Interviews for lone parents claiming IS were introduced nationally in April 2001, to encourage participation in New Deal for Lone Parents and to increase the numbers of lone parents in work. The role of advisers is central and in-work benefit calculations are a key tool used during interviews to address fears about being worse off in work (Lewis *et al.*, 2000; Thomas and Griffiths, 2004). Recent DWP research found that although Jobcentre Plus staff in general lacked awareness about the impact of earnings on HB (and CTB), Lone Parent Advisors felt more confident about their knowledge of the system (Turley and Thomas, 2006).

Some respondents, however, wanted to obtain paid work whatever the implications might be in relation to benefits, including HB. In these cases, the actual aim of getting off benefits was often part of their desire to gain paid work. They wanted to be self-sufficient and independent and, in some cases, they specifically said that they did not want to be a burden on the taxpayer. In the latter cases, claimants invoked a moral imperative, saying that those who are able to work should do so and not expect to be kept by others. For example:

'Getting a job and earning your own money is better than having to live off tax payers' money.'

(Couple, both under 25, no children, female just started work)

Similarly:

'I don't really like the fact that I'm on it (Housing Benefit) because I prefer to be self-sufficient and pay my own way rather than claim it back from tax payers...'

(Single person, works full-time, receives adjusted rate HB)

Some claimants wanted paid employment so that they could spend more money on their children. Work was cited as the only way to stop a potential spiral of debt and gain stability. When the latter view was taken, paid work tended to be associated with being able to move forward in life, making plans, creating new opportunities and taking on new responsibilities, such as home ownership. Other reasons that appeared important in seeking paid work, regardless of its effects on benefits, were: boredom and the desire for the social contact that work can provide.

Paid Work and the Role of LHA

Reflecting recent research highlighting lack of understanding of HB as an in-work benefit (Turley and Thomas, 2006), some claimants did not know that they might be eligible to claim HB if they were in low paid work and that they might be able to retain a proportion of their HB if they were already receiving it prior to gaining employment. In such cases, this made claimants concerned that they would not be able to obtain employment that would pay sufficient wages to allow them to pay their rent and might, they felt, even lead to the need to move to a cheaper property. One couple were exploring the possibility of moving to Housing Association property because they thought they would lose their HB if the husband gained paid employment. They believed if they adopted this strategy he would be able to consider a wider range of jobs because they would have to raise less rent. Lack of knowledge on the part of claimants that they will still potentially be eligible for HB when they are in paid work is real in its consequences, in that, it limits the kind of work claimants feel they can 'afford' to take. For example, one claimant specifically said she must earn enough money in any future job to cover her HB loss. There remains, therefore, an uncertainty surrounding HB and the transition to work. For example:

'I do not know what would happen say supposing I got a job. Would they give me a month's leeway or not? Would they stop my rent once I start a job?'

(Single person, unemployed following redundancy, looking for work)

The HB 'run-on' for people starting work broadly means that claimants who qualify get their 'out of work' HB (and CTB) for the first four weeks in a new job. It was widened in 2004 to include IB and SDA claimants. Previously only those on IS or on both JSA and IBs qualified for run-on after starting work.

Transparency concerning LHA does, therefore, seem to be a problem in some cases, with claimants unclear about their entitlements and how these are calculated. For example, some did not understand from the letters they had received concerning how their HB had been calculated or the formulae that was used to make this calculation (this included one claimant who was a graduate). In addition, they said that they had not had the rules and regulations surrounding LHA explained to them either by HB or Jobcentre Plus staff. Even in cases where claimants knew that they would potentially be eligible to continue claiming HB while they were in paid employment, they were unclear at what point earnings would affect their benefit.

Even claimants who were already working had uncertainties. They remained unclear exactly how the in-work HB had been calculated. In one case, a respondent who was working had not known about HB until a friend told her.

Some claimants, therefore, felt that there was a lack of information about HB as an in-work benefit. It was felt that it would be useful to provide information highlighting that it is available to people in employment and how it is affected by changes in working-hours.

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A recent study by Turley and Thomas (2006) suggests that many claimants rely for their knowledge of HB on the experience of their family and friends. Turley and Thomas also found that, even where claimants believed they had a comprehensive knowledge of the HB system, they often had only limited awareness or understanding of the benefits as in-work benefits. This finding is supported by data from the current study. Where claimants were in work and continuing to claim HB, Turley and Thomas found that they were generally confused about the actual calculations involved and the relationship between earnings and HB. This finding is also supported by findings from this study.

Those claimants who did know that it was possible to claim HB while in low paid employment felt that this was a very useful provision. They realised that their HB would be reduced but welcomed its continuation as a supplement to low wages. This was particularly the case if the person concerned was likely to be working only part-time.

Conclusions

This chapter suggests there is a problem concerning transparency in relation to LHA, with some claimants unclear about their entitlements and how these are calculated. Even in cases where claimants knew that they would potentially be entitled to continue claiming HB while they were in low paid employment, they were unclear at what point earnings would affect their HB.

Some claimants did not know that they might be eligible to claim HB if they were to gain low paid employment and that they might be able to retain a proportion of their HB if they were already receiving it prior to gaining employment.

Some claimants who were not in paid work said they would only consider such work if it would provide a sufficiently larger income than the total of any benefits currently received. In making this calculation, the situation would be reviewed in the context of all benefits received and the question of the effect on HB payments would not be viewed in isolation. Jobcentre Plus staff, particularly Lone Parent Advisors, were seen as helpful in making such calculations. However, for claimants who do not seek out such information, lack of knowledge could limit the kind of work they feel they can 'afford' to take. Other claimants were '*desperate*' to find work and did not raise caveats.

Those claimants who were in paid work and were still receiving HB found it an essential supplement to low wages. However, there were complaints from some working claimants about the length of time taken to reassess claims. Related to this, there is a need for greater clarity and transparency around the management of tapers.

Chapter 9: Conclusion

The conclusion discusses the findings presented in the preceding chapters in the context of LHA policy objectives. These findings throw further light on some of the issues discussed in the claimant Wave 2 Survey Report (Roberts *et al.*, 2006). In particular, the policy aims of choice in housing decisions; personal responsibility for managing rent payments; financial inclusion; reduced barriers to work through greater certainty about in-work benefits; and transparency, are discussed.

Choice

A key aim of LHA is that claimants are able to make informed choices concerning the quality and price of their accommodation – they may pay more for a larger or better quality property and top up the difference between their HB and rent level, or find cheaper accommodation and keep the surplus.

The findings show that claimants are not, as was originally suggested by some, choosing to move to cheaper accommodation in order to retain the surplus to spend elsewhere and it was evident that housing decisions were predominantly based on suitability to need, rather than the specifics of LHA. In order to make informed choices, claimants must be aware of LHA rates and their HB entitlement and, if transparency is to be achieved, should have an understanding of how these are derived. However, some were not equipped with this information while looking for or securing accommodation. Furthermore, the calculation of rents paid per calendar month and HB paid weekly or fortnightly, was confusing for some respondents (Chapter 3). This means that some claimants are not aware of the extent of an existing LHA surplus or rent top up, which in turn has implications for their choices about the affordability of accommodation.

Choice is of course exercised in the context of opportunity and constraints and as outlined in Chapters 6 and 7, a raft of factors are involved when moving, or considering a future move, many of which circumscribe housing choices. Key issues that affected choices for the respondents in this study were availability of suitable and affordable accommodation, sometimes linked to landlord or housing agents' reluctance to let to benefit recipients, and the difficulty of raising deposits and advance rent. Knowledge of such restrictions can also impact on the balance of the tenant – landlord relationship, limiting some of the benefits of direct payment, claimants' ability to negotiate over rent levels, or to move if dissatisfied with a property or landlord. The choice to withhold rent as a means of demanding repairs is a risky strategy, given that landlords can get direct payment switched away from tenants or, of course, evict them. Hence, even if fully aware of the choices provided by LHA, room for manoeuvre might, in practice, be limited.

Thus while there were occasions where claimants were able, under LHA, to exercise a greater degree of choice about housing and rents than was the case under the previous HB system – which indicates that this key policy aim can be achieved under the right circumstances – the findings nevertheless suggest that lack of understanding of the LHA rates and system, combined with barriers to availability and limited negotiating power remain significant constraints on fully realising the aim.

Personal Responsibility

Direct payment under LHA encourages claimants to take responsibility for paying their rent themselves. It is therefore important to consider the degree to which claimants are able to actively manage these payments within their household budgets, and generally assume greater financial responsibilities in their lives.

Although welcomed by many claimants, there were some who had not adjusted to direct payments, (Chapter 4), and this was most notable among those whose HB had been paid to a landlord in the past. However, while recognising that some claimants did not welcome receiving direct payments, the importance of paying rent was overwhelming (even if this meant accumulating other debts), suggesting that personal responsibility in this area is taken very seriously by claimants. Indeed, the findings in Chapter 5 demonstrate that claimants are usually well organised in their budgeting, and despite, or perhaps because of, often difficult financial circumstances, take great care to avoid falling into debt. Specifically, payment of rent was seen as a priority, even where this meant forgoing other essentials. The responsibility of paying rent was taken seriously not least because it was recognised that, once behind with payments, it is difficult to catch up when living on low and inflexible budgets and, of course, respondents did not want to risk eviction. This links with the findings in Chapters 6 and 7 that securing alternative accommodation can be difficult, and many claimants – especially those with children – are not willing to jeopardise their current stability. Advice on financial and banking matters was not widely mentioned by claimants in this study, but where it was, a range of sources had been used. This is an area that might benefit from further study.

Financial Inclusion

A key objective of LHA is to promote financial inclusion in that the Government wants claimants to have their HB paid into a Bank Account and to set up a standing order to pay their rent. However, it is interesting to note that while claimants were generally satisfied with ACT as a means of receiving HB, there was some hesitancy about using direct debit or standing order to pay the rent, with concerns expressed about loss of control (Chapters 4 and 5). The lack of alignment between weekly based HB and rents paid monthly made managing the logistics of budgeting more challenging and some claimants chose to pay 'manually' in order to minimise the risk that a rent payment may not be met. While this strategy is perhaps contrary to the aim of financial inclusion in relation to the use of automated methods of rent payment, given that the alternative could perhaps result in arrears and/or bank charges, it could be suggested that it is nevertheless a sensible and indeed a responsible approach to managing finances. Furthermore, external factors such as landlord preferences and (perceived) restrictions on banking services also limited the extent to which automated banking was used to pay rent rather than receiving HB. Problems caused by the timing and payment of HB into bank accounts with overdrafts were also apparent from the landlord perspective (Walker, 2006a).

Reduced Barriers to Work

The policy aim of reducing barriers to work is based on providing greater certainty about entitlement to in-work HB. As described in Chapter 8, it was important for claimants to know that it would be financially worthwhile to take a job. Again, HB was not viewed in isolation, as the effect on other benefits, as well as issues such as child care, were also important. Some claimants saw moving into work as the only way to improve their circumstances (Chapters 5 and 7). However, in many cases respondents were not fully aware about the role of LHA as an in-work benefit, with some believing that taking up paid employment would mean its withdrawal, while others who were working and receiving HB had only discovered their eligibility by chance. Furthermore, lack of understanding about how tapers operate and procedural difficulties caused by changing work circumstances caused difficulties for some working claimants. These findings reflect other research highlighting the lack of understanding of HB as an in-work benefit (Turley and Thomas, 2006), and suggest that to reduce barriers to work, better provision of information is necessary to broaden claimant (and those eligible but not claiming) understanding about the relationship between work and HB.

Transparency

Transparency is a key condition for the realisation of the above policy aims. The findings of this research show that, where someone understood LHA, they were able to make informed housing decisions. However, as outlined in Chapters 2 and 6, there was evidence that not all claimants were aware of their entitlement in advance of searching for, or securing, a property.

It is interesting that evidence from the Operational stream of the evaluation (Walker, 2006a) found that staff who advise HB tenants reported that the transparency of LHA makes providing information to claimants about their entitlements easier, and that landlords 'knew where they were' due to the fixed and published rates. From the interviews carried out for this research it appears that this information is not always getting to claimants. Moreover, the provision of information needs to extend beyond informing claimants about their entitlement, for example they may also need to know how entitlement is calculated, that it is a flat rate, and understand how the shortfalls and excesses operate, in order for full transparency and informed choice to be realised. Furthermore, lack of knowledge about, and difficulty in obtaining DHPs meant that this was not a readily accessible means of help for some claimants who were finding it hard to fund a top up.

Lack of information was a key issue for many respondents, as contact with HB staff, perhaps understandably, focussed in the main on processing the claim, rather than providing a fuller explanation of the principles and mechanics of LHA. Some claimants who had experienced the changeover to LHA, still referred to the information they had received at that time, but new claimants appeared to be less well informed. While it is important that when moving from one system to another claimants who are already on HB are provided with a full explanation, this level of information must be sustained so that new claimants are fully aware, not only of their entitlements, but of how the system works. Written information was not always absorbed and some respondents thought that the posters displaying LHA rates were unclear. However, the preference for face-to-face information and the possible need for a more proactive approach on behalf of HB staff may have implications for staff resources.

Looking Ahead

Encouragingly, there appears to be less misunderstanding about keeping a surplus among new claimants at Wave 2 than at Wave 1 (Roberts *et al.*, 2006) or among people who had changed over from the previous system. Furthermore, there seems to be less reluctance from new claimants to accept direct payments than from those who had experienced landlord payments under the previous HB arrangements. Both of these issues suggest that new claimants are accepting some of the key features of LHA.

A note of concern, however, is that the lack of clarity arising from the misalignment of HB receipt and rent payments may make budgeting more difficult, and, in turn, could restrict the wider use of automated methods of paying rent. That new claimants are more likely to pay their rent per calendar month suggests that this may continue to be an issue.

A key issue for the achievement of policy aims is transparency. It is important to bear in mind that LHA/HB works amid a whole raft of factors in influencing housing decisions, financial management and considerations about work, and often claimants' room for manoeuvre is tightly constrained. The policy aim is to help claimants across all these areas. However, to make decisions claimants need to be fully informed, not only of their entitlement, but about how the system works as a whole. The findings suggest that while there is evidence that well-informed claimants are able to use their knowledge to make housing decisions or improve their finances when in low paid work, lack of awareness among some respondents about how LHA operates and the opportunities it can provide may limit the full realisation of these policy aims. It is therefore important that adequate information and support for claimants underpin any further extension of the policy. Moreover, if the policy is rolled out to new claimants the provision of such information must be sustained and mainstreamed as part of the claim process.

Local Housing Allowance Final Evaluation: The qualitative evidence of claimants' experience in the nine Pathfinder areas

Appendix A: Reports in the Local Housing Allowance Evaluation Series

	Report title	Publication date
1	Evaluating the Local Housing Allowance Pathfinders	14 September 2004
2	The nine Local Housing Allowance Pathfinder areas: a summary of the baseline position before the introduction of the Local Housing Allowance	14 September 2004
3	Claiming Housing Benefit in the Private Rented Sector: the baseline experience of claimants in the nine Local Housing Allowance Pathfinder areas	14 September 2004
4	Landlords and Agents in the Private Rented Sector: the baseline experience in the Local Housing Allowance Pathfinders	14 September 2004
5	Delivering the Local Housing Allowance: A summary of the early experiences of implementing the Local Housing Allowance in the nine Pathfinder areas	5 April 2005
6	Receiving the LHA: Claimants' early experiences of the LHA in the nine Pathfinder areas	20 July 2005
7	Working with the LHA: Landlord and agents' early experiences of the LHA in the nine Pathfinder areas	2 November 2005
8	Fifteen Months On: An Interim Evaluation of running the LHA in the nine Pathfinder areas	14 February 2006
9	Living with the LHA: Claimants experiences after fifteen months of the LHA in the nine Pathfinder Areas	5 October 2006
10	Local Housing Allowance Final Evaluation: Implementation and Delivery in the Nine Pathfinder Areas	5 October 2006
11	Local Housing Allowance Final Evaluation: The Survey Evidence of Landlords and Agents Experience in the Nine Pathfinder Areas	5 October 2006
12	Local Housing Allowance Final Evaluation: The Qualitative Evidence of Landlords and Agents Experience in the Nine Pathfinder Areas	19 December 2006
13	Local Housing Allowance Final Evaluation: The Qualitative Evidence of Claimants Experience in the Nine Pathfinder Areas	February 2007

All reports are available from Corporate Document Services, (7, Eastgate, Leeds, LS2 7LY), Tel: 0113 399 4040, email: orderline@cds.co.uk or fax: 0113 399 4025.

Or download them from the DWP website: www.dwp.gov.uk/housingbenefit/lha/evaluation

Local Housing Allowance Final Evaluation: The qualitative evidence of claimants' experience in the nine Pathfinder areas

The final reports in the series are expected to be published as follows:

	Report title	Publication date
14	Local Housing Allowance Final Evaluation: The Market Evidence in the Nine Pathfinder Areas	Spring/Summer 2007
15	Local Housing Allowance Final Evaluation: Case studies of Implementation and Delivery in the Nine Pathfinder Areas	Spring/Summer 2007
TBA	Local Housing Allowance Final Evaluation: The Survey Evidence of Claimants Experience in the Nine Pathfinder Areas	Spring/Summer 2007
TBA	Local Housing Allowance Final Evaluation: A Final Overview of the Experience of the Nine Pathfinder Areas	Spring/Summer 2007

Appendix B: Methodology

This Appendix provides further detail about the method and sample for the research. The qualitative element of the claimant research is designed to explore in more detail the experience of claiming HB under LHA and the process by which claimants make their housing decisions.

Two waves of in-depth interviews were conducted with claimants across the Pathfinder areas. The first phase of fieldwork took place between September 2004 and February 2005. These findings were reported alongside survey and DWP administrative data (Roberts *et al.*, 2005) and explore claimants' early experiences of LHA. The second set of interviews took place between May and July 2006 after LHA had been in place for around two and a half years. This report is based upon those interviews.

The interviews were conducted by research teams from the Centre for Research in Social Policy at Loughborough University, the Centre for Urban and Regional Studies at Birmingham University, and the Centre for Housing Policy at York University. Interviews were mostly face-to-face, although in a few cases they were conducted over the telephone. A semi-structured topic guide was used (tailored to the relevant sample) which was informed by the evaluation objectives and findings from the first wave of interviews. Interviews were recorded with claimants' permission (in a few cases notes were taken instead) and transcribed verbatim. Respondents were given an 'incentive payment' of £15 per interview to thank them for their time.

Forty-four interviews were achieved, comprising between four and six per Pathfinder, depending on the size of the private deregulated HB caseload. The sample came from two sources (see Table B.1). First, claimants who took part in the Wave 1 of the qualitative research (originally selected from the Local Authorities' records of claimants on LHA). Second, a new set of claimants were drawn from a 'flow sample' of respondents who had taken part in the claimant telephone survey in March/April 2006, and had agreed to further contact.

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Table B.1 *Achieved interviews by Pathfinder and sample source*

Pathfinder area	W1 repeat	New Sample	Total
Conwy	2	2	4
Brighton & Hove	1	5	6
Coventry	-	5	5
Lewisham	2	3	5
Leeds	1	5	6
Edinburgh	-	4	4
Blackpool	-	5	5
Teignbridge	1	3	4
North East Lincolnshire	2	3	5
	9	35	44

The sample was designed to include claimants from a range of household backgrounds as well as varying lengths of claim and duration in accommodation. It was purposively targeted to include claimants who had moved under LHA and also those with LHA deficits compared to rents or who had modest surpluses (to reflect the conditions expected under the national rollout of the scheme). Claimants from the survey sample were officially 'new claims' made between September 2004 and September 2005, however a 'new' claim could have been generated by a change in circumstances, such as a household change or a move, so also included some longer term HB recipients.

Claimant details were available from responses to the telephone survey for the new sample, and from the Wave 1 data for the existing sample (though this reflected circumstances around 18 months earlier). Contacting claimants who took part in the Wave 1 interview was not always successful, for example, due to moving or changing contact telephone numbers. Also some were excluded where they were no longer claiming HB¹⁹. This was also the case with some claimants who had taken part in the telephone survey, while some others were unwilling to take part when contacted. Claimants under 25 were particularly hard to reach. The achieved sample consisted of more claimants from the new sample, however, overall, this was spread fairly evenly between new claimants, and those who had experienced claiming HB either under the previous system in the same Pathfinder or from the existing system in a non-Pathfinder area. At least half had moved in the last two years. Table B.2 provides details of respondent household type and whether they had a LHA surplus or deficit (of HB amount compared to rent).

¹⁹ Although people who are no longer claiming HB under LHA are of interest, they are not part of this report.

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Table B.2 *Number of achieved interviews by household type and LHA surplus/deficit*

Household type		HB/rent	
Under 25/SRR	3	Surplus	13
Lone parent/carer	13	Deficit*	25
Working age couple with children	7	HB amount = rent	6
Working age couple no children	4		
Working age single person over 25	11		
Pensioner	6		

*Based on claimants accounts of HB amount, some of which are adjusted due to earnings etc.

Appendix C

Evaluation of the Local Housing Allowance (April 06)

Wave 2 Claimant Topic Guide – Wave 1 participants

RESEARCH AIMS: *These participants will have been claiming LHA for at least two years now (many having initially changed over from HB). This interview aims to explore their experiences of claiming LHA over time and any impact it may have on outcomes over the longer term – looking at any LHA influence on renting, and relationships with landlords, moving eg through knowing how much should receive, and work intentions. It also covers any LHA impact on household financial budgets, the use of shortfalls and excesses, and also views about DWP communications. Also views about reporting changes in household circumstances are explored.*

INTRODUCTION

Introduce self/centre – independent research centre at X University.

Remind about research:

- Independent research organisations carrying out evaluation of the Local Housing Allowance on behalf of DWP
- Different elements of evaluation and how this fits in/How first interview contributed – report published – in-depth interviews helpful to illuminate responses in telephone survey
- Funded by DWP. But nothing you say will affect the amount of benefit received
- **STRESS CONFIDENTIALITY** no personal information will be passed onto anyone outside the research team. Findings will be published in a report but in an anonymised and confidential form

BEFORE THE INTERVIEW MENTION:

- We recognise your previous involvement in this research so please bear with us if we cover some similar ground – we are interested in your current views, and experiences since we last saw you.

Explain tape recording and ask permission to record.

Explain length of interview – 45 to 60 minutes.

Explain incentive payment, £15 per household

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1. RESPONDENT/HOUSEHOLD BACKGROUND

Aim: to confirm household set up, employment status and benefit receipt, and if any changes since W1.

- Confirm respondent's age and household details
 - who living with, ages, nature of relationships – any recent/expected changes
- Employment status of respondent – type of work, hours, duration of job/unemployment
 - Brief check if any **changes** since W1 interview – *[explored further in Section 12]*
- Employment status of family members (eg non-dependants) any recent/expected changes
- Benefit receipt and **changes** since W1 interview
 - main benefit type, length of time on benefit
 - other benefits received (disability benefit, working tax credit, pension credit, council tax)
 - check LHA receipt and any **changes** in LHA/claim
- Benefits received by other family members/partners

2. CURRENT PROPERTY

Aim: confirm details of/satisfaction with current home – if any changes since W1 and reasons.

- length of time in current property
- property description – size, type, if furnished/unfurnished/part-furnished?
- Condition – any major repairs required - damp, heating, double glazing?
- any repairs carried out since W1 – who by? Reasons – LHA influence?
- satisfaction with property (no of rooms/condition/suitability), area/location, other – reasons
 - o Any **changes** since W1 – reasons (particularly area/location) influencing factors?

3. LANDLORD/LETTING AGENT RELATIONS

*Aim: to explore contact and relations with current Landlord/Letting Agent and changes since W1.
[If home is let via an agent, check whether respondent also has contact with the landlord]*

- If property let via an agency or directly through the landlord – **changes** since W1 and reasons
- Type of current contract – duration, likelihood of renewal?
 - o Any **changes** in contract since W1 interview – reasons?

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- Contact with landlord/letting agent – reasons, frequency, method of contact
 - Views on contact – sufficiency of amount/nature of contact, responsiveness – any problems
- Any **changes** in relations/contact with landlord/letting agent since W1 interview?
 - Perceived reasons – including LHA? Impact – any benefits/difficulties
 - Check responsiveness to dealing with problems/issues around withholding rent

4. RENT LEVEL

Aim: to gather information/views about current rent level, and any changes since W1 interview and if any LHA influence on rent levels/changes.

- Current rent paid (per month/week?) – If includes (gas/electric, water rates, council tax?)
- Perception of rent level – high, low, average – if 'reasonable' for property – why/why not?
 - If view has changed since W1 interview – reasons
- IF MOVED SINCE W1 – explore how rent level set for current property – any LHA influence/landlord awareness of LHA entitlement
- NE LINC/S/CONWY/BLACKPOOL – Explore the 'Top up' – rents set above LHA level
- ALL: Has your rent for this property **changed** since W1 interview/or since moved if new address?
 - **IF SO** – When did it change?
 - How much did it increase/decrease by?
- Perceived reason for change – e.g. if routine annual increase/unexpected
 - do you think that was anything to do with the LHA/Housing Benefit system? Why?
 - IF ABSORBING A LHA EXCESS – explore how came about/how landlord justified
- Any negotiation with landlord eg to try to reduce an increase? What happened?
- Did you seek advice from elsewhere? – who, how helpful, what happened?
- Did you consider moving, and if so why did that not happen?
- Impact of rent change on respondent and family
- Any anticipated changes? Reasons. Perceived impact.

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5. LHA AMOUNTS AND EXCESS/SHORTFALLS

Aim: to establish if/amount of excess/shortfall between rent and LHA, how used/funded and impact over longer term. In W1 some ambiguity re amounts particularly where rent paid monthly– where this occurs would be useful to explore awareness/clarity of amount of excess/shortfall by calculating pro rata levels. Also where rent equals LHA – we are interested in how this came about/LHA influence.

- How much is your LHA payment – per ?
 - Check if partial amount eg if working
 - Any **changes** in amount received since W1 interview eg due changes in circumstances – household, employment etc
- Compare LHA amount with rent level for home – *NB be aware if rent paid monthly – will need to calculate rent into weekly rate to compare – $\times 12/52$*
 - check amount of excess or shortfall a week – compared to rent
 - clarity of amount of excess/shortfall to respondent – why/why not clear?

IF AMOUNT EXACTLY MATCHES

- Check if always been same? Is it just co-incidence or anything changed eg rent level?
- If rent has changed to LHA level or if moved and rent set at LHA level – check landlord awareness of LHA receipt, how presented/justified rent amount/change to tenant.

IF LHA EXCESS:

- What do you do with the extra money? Eg. Use to reduce existing debt, add to 'pot' for food/clothing, being used/saved for a particular object or event
- What difference has the extra money made to you over time/since W1 interview?
- Views about future impact – whether contributing to saving for future move, for deposit.

IF LHA SHORTFALL

- Who pays the shortfall – tenant or landlord (not collected)

IF TENANT

- Impact of shortfall – How do you find the extra money? E.g debt, do without other things,
 - o What difference has funding a shortfall made in the longer term/since W1 interview?
 - o Views about future impact – influence on thoughts about moving to cheaper property?
- Explore any use of Discretionary Housing Payments – duration?

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IF LANDLORD/not collected

- Any discussions/negotiation with landlord about it – reasons/outcome
- How do you think you would find the money if you did have to pay the shortfall?
 - What difference would this make - would you consider moving?

6. UNDERSTANDING OF LHA AND VIEWS ABOUT DWP/LA COMMUNICATION

The features of LHA and how it works should have been covered at W1 so we cannot really explore awareness with these participants – but it would be useful to note if people still didn't understand the system – especially if experienced rent change. Explore views about information provision and communication about LHA since W1 interview – sources, usefulness, what needed/missing.

- Check understanding of LHA features, and how it works
- IF RENT CHANGE SINCE W1 – explore expectation/any confusion whether would affect LHA amount
 - Reasons, Impact of knowledge/lack of knowledge

Brief explanation of LHA – if need to clarify

- LHA is a reform of the Housing Benefit system for tenants in private rented property in this area.
- LHA pays a flat rate based on rents in the area and the number of occupiers in the property and is designed to pay the same amount to tenants with similar circumstances living in the same area.
- The intention is to pay LHA directly to tenants which it is thought will help people to look around when they want to move because they should know how much LHA they can get – they can keep the difference if the rent is less, or make up the difference themselves if the rent is more than LHA.

- Views on sources of information about LHA since W1 – check main source of info.
- Ask about any local authority/DWP correspondence (ie re amount of entitlement, LHA rates for area, payment methods, bank accounts) – what has been more or less helpful
 - o Views about how well information is communicated – Any **changes** noticed since W1 interview?
- What sort of information is needed about LHA/would be most useful – was it provided/available?
- Other sources of information – eg, advisers at council, housing office, Jobcentre, advice centres, media, landlord/agent etc – how well explained, views on staff helpfulness/knowledge
- ANY SUGGESTIONS ON HOW INFORMATION ABOUT LHA COULD BE IMPROVED

7. MOVING AND (POTENTIAL) IMPACT OF LHA

If moved since W1 looking at reasons, experience of moving and how/if LHA (amongst other factors) has had any influence – particularly as should know amount of LHA entitlement. Exploring with all thoughts about future moves and whether LHA might be helpful amid other barriers/bridges to moving.

IF MOVED SINCE W1 INTERVIEW – moving to current property

- Reasons for leaving previous property. Any LHA/rent/landlord influences?
- Reasons for taking current property – factors taken into account and **LHA influence**. Probe:
 - o relevance of rent level in relation to LHA – eg if sought cheaper/more expensive property ie if more confidence that could afford better quality/area
 - o change of tenure – eg from social housing to PRS
 - o if moved within/into local authority area
- Searching for accommodation – time spent, information sources and usefulness, if looked outside local authority's area – any LHA influence?
 - o Check if knew LHA entitlement – what difference did this make? eg knowing what could afford
 - o Ease of search – eg supply/choice of accommodation, standard, rent levels – and impact eg acceptance of lower standards?
 - o Any issues raised due to respondent being on HB/LHA? Strategies to deal with this?
 - o Explore if disclosed LHA receipt to new landlord.
 - o If new claim made – did first payment go to tenant or landlord – views about/implications of this.
- Payment of deposit and rent in advance – Any negotiation? How much? How easy to afford/fund?
- Any negotiations with landlord/agent when decided to move. Who negotiated with.
 - o Check if negotiations about rent level/fittings and furnishings and outcome
 - o views about negotiating with landlord/letting agent - What difference did LHA make?
- What difference did receiving LHA make to outcome of being in current property – whether helped to 'shop around' (knowing LHA level, LHA paid to tenant), saving previous excess for deposit?
- Views about any **changes** in the housing market since LHA – supply, rent levels, standards. Explore neighbourhood and area issues (particularly if part of/close to regeneration initiatives).

ALL Thoughts about future moves

- Are you currently thinking of moving – why/why not? – What impact if any has LHA had in your thinking about moving
 - o Likelihood in the next 6 months? Reasons.
 - o Explore if any **changes** in views since W1 interview – if so – any LHA influence?

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- What difference if any, could LHA have on the process of moving in future? Discuss potential LHA influence (and other factors) in relation to:
 - o access to accommodation, choice of property, affordability - rent levels compared to LHA
 - o knowing what can afford - clarity of LHA entitlement, ability to negotiate,
 - o saving for deposit/advance rent
 - o presence/potential for excess or shortfall – would knowing how much LHA you get influence your thoughts about
 - moving to a better property or area and paying the difference in rent
 - moving to a worse condition property or area and paying less rent
- What factors would be most important to you when thinking about where you may live – why?
 - Eg tenure, location – family, schools, property type/size/garden etc, rent level

8. RECEIVING LHA

Aim: to explore how LHA is paid and views – to tenant/landlord - any changes since W1 and reasons.

- How is LHA paid? – to respondent or directly to landlord?

IF LHA PAID TO TENANT

- Check if **changed** from direct payment since W1 interview – reasons, impact
- Views about responsibility of receiving LHA payment selves (rather than direct to landlord) –feeling of empowerment? Any problems experienced? Concerns? **Changes** in view over time?
 - o Views about closer contact with local authority (than if LHA paid direct to landlord?)
- Usual method for receiving LHA – e.g. paid into bank account, cheque from local authority – use of cheque cashing facility/cash converters etc
- Any **change** in method since W1 interview – reasons, views.
- Views/experiences since W1 – pros and cons, would another method be preferable – reasons?

IF LHA IS DIRECT PAYMENT TO LANDLORD

- Perceived reasons for direct payment to landlord. If **changed** to a direct payment – when/why?
 - o If due to withholding rent – explore circumstances, views and implications
- Role of landlord/letting agent/advice agency in getting direct payment established
- How long is the arrangement for – any plans for if/when LHA might be paid to respondent
- Views on pros/cons of direct payment – impact/any problems experienced over time

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IF RESPONDENT HAS AN LHA EXCESS – SPLIT PAYMENT

- How do you receive the difference between the LHA and rent – reasons
- How well has this worked, any problems?
- Explore any **changes** since W1 interview

9. PAYMENT OF RENT [WHERE APPLICABLE]

Aim: to explore how rent is paid and views - any changes since W1 and reasons.

- Usual method for paying rent to landlord – eg cash/cheque, direct debit/standing order
 - Views/experiences since W1 – pros and cons, would another method be preferable?
- Any **changes** since W1 interview? Reasons – Impact, views of changes

IF RESPONDENT PAYS AN LHA SHORTFALL

- How is shortfall paid to the landlord eg same method as LHA or not – reasons, changes since W1
- Views/experiences since W1 – any problems, what has made it more difficult/easier to deal with
- IF LHA PAID DIRECTLY TO LANDLORD BUT SHORTFALL DUE – How do you feel about being responsible for paying the shortfall yourself – pros/cons

10. USE OF BANK ACCOUNTS – FOR LHA AND MORE GENERALLY

Aim: looking at how bank accounts are being used (in relation to DWP aim to encourage use of financial services) – especially if had changed to using one for LHA – how working out over longer term. Experiences of opening a bank account and why bank accounts still might not be used for LHA.

IF USING A BANK ACCOUNT FOR LHA

- Type of account – how is it being used eg just for LHA/more widely? **Changes** since W1 – reasons – Experience and views about using a bank account for – Receipt of LHA/Paying rent
- How has it worked out since W1? Pros/cons of using bank account
 - Use of cheque cashing – explore any specific local issues where the local authority has provided/withdrawn a cashing facility
- **If had changed to using a bank account for LHA** – what difference has using a bank account made
- **IF opened account since W1** – Reasons, when, how opened, what helped/hindered – any difficulties? eg ID

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- Thoughts/impact of having a bank account now? Eg managing finances – feeling more or less in charge, fears about overdrafts/bank charges.
- Check past use of bank accounts eg whether always used or new for LHA – any problems in past eg previous overdrafts, debts etc

IF **NOT** USING A BANK ACCOUNT FOR LHA

- Explore reasons for not using bank account for LHA. Eg whether no account, use for other things
 - preferences/views about managing money via bank accounts, direct debits etc
 - Any obstacles to opening/using a bank account?
 - Any change since W1 – reasons
 - How do they cash their cheques/get their LHA – satisfaction/views

11. HOUSEHOLD BUDGETS AND LHA IMPACT

Aim: to explore peoples' financial circumstances based on income and how manage expenditure to see how any LHA excess or shortfall might have impacted on household budget over longer term – explain that are asking again to capture any changes since W1. Experiences of arrears with rent or other bills and views about financial well-being, any changes and LHA influence

A) Overall household income - talk through sources of income of respondent **and other family members** that contribute to household finances to arrive at **approximate amount**: Note significant changes in source/level since W1

- Income from employment/pensions
- Income from Benefits (including CTB, JSA, IS, disability benefits, tax credits)
- Any other forms of income eg informal working, child maintenance
- Overall household income (per week/month)

B) Managing household expenditure

- How do you organise the household bills and payments - check any **changes** since W1 and reasons

Method of payment eg card/meter, in person at bank/IPO etc, direct debit etc, **Why pay this way?**

- Utilities (gas, electric, water, council tax)
- Other household expenses (TV licence, insurance, telephone, TV cable)
- Credit/loans (catalogues, credit cards, hire purchase, Social Fund loan)
- Child maintenance

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- Have you experienced any arrears with bills/payments since W1? Check if current or now cleared
 - Which ones, scale, when/how accumulated – any LHA influence eg shortfall.
 - **If cleared any arrears since W1 interview** – how – any LHA influence eg excess.
- Have you experienced any rent arrears since W1 interview? Check whether current or now cleared
 - Scale, reasons/how accumulated – check if any LHA influence eg shortfall, payment method.
 - Impact of rent arrears – LHA paid direct to landlord, threat of eviction?
 - If no longer in rent arrears – How dealt with/got out of arrears – Any LHA influence?
- Any money advice sought since W1? Why? Source, how found out about advice, outcome.
- Any prioritising of certain payments/if had to prioritise – reasons. Where would **rent** fit in – why?
- How much would you say you had a week to cover regular household expenses and outgoings like food and clothes, car, transport (after rent and bills paid)
- Any savings? Established/accruing - whether LHA excess? – what for – check if includes moving.
- Overall how well would you say that you are coping at the moment?
 - o Any **changes** since W1 interview – feel any better or worse off – reasons
- What difference has LHA (any shortfall/excess or the payment method) made to the household budget? Eg to how coping financially, to way you manage the family budget?

12. WORK INTENTIONS, CHANGES IN CIRCUMSTANCES AND LHA

Looking at any change in work status, explore intentions and whether any LHA influence – also awareness of implications of working on LHA. The reporting of changes in household circs and possible link to direct payments is also explored.

- IF WORK STATUS CHANGED SINCE W1 INTERVIEW
 - o Nature of change – timing/reasons/influencing factors – how does LHA fit in?
 - o Impact of change – financially, implications for benefit receipt, other – social/wellbeing etc
- ALL - Work intentions and reasons – looking; intending to look; not looking– influencing factors.
 - o Any changes in intentions since W1 interview and reasons.
 - o Has LHA had any impact on intentions to take work or becoming work prepared by looking to receive training or thinking about types of work/training? Eg as managing finances now
 - o Any changes planned if already in work?
- What do you think will happen to your LHA if you move into work/change hours?
- What effect will the LHA have on any decisions about working/working more hours? Why?

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- Any changes in household circumstances since LHA claim eg (work covered above), rise or fall of income/savings, marital status, living arrangements?
 - Were changes reported to local authority – why/why not, experience of reporting process
 - IF RECEIVING LHA PAYMENT – any influence eg due to closer contact with LA
- Thinking about if any changes in household circumstances were to occur in the future
 - Likelihood of reporting these to local authority – Why/why not
 - IF RECEIVING LHA PAYMENT – any influence eg due to closer contact with LA
- Awareness of what changes should be reported/who to/where and how to do this.
- Any correspondence/reminders received from local authority about notification of change

13. OVERALL VIEWS OF LHA

- Overall advantages/disadvantages of LHA over the longer term – why (*if time*)
 - Based on respondent's experiences
 - Any more general views about features of LHA – good/bad points eg how it may affect different people, views about impact on rents?
- Anything else would like to add?

CLOSE

- Thank respondent. **Reiterate confidentiality**
- Are they willing to take part in further research?
- Give respondent £15 payment

Evaluation of the Local Housing Allowance (Spring 06)

Wave 2 Claimant Topic Guide – Flow survey sample

RESEARCH AIMS: *The Flow sample should consist of 'new claims' between Sept 04 and Sept 05 and should contain some people who have moved since LHA was introduced. This interview aims to explore their experiences of LHA from being a new claimant of up to around 18 months – looking at any LHA influence on renting, and relationships with landlords, particularly in relation to moving eg through knowing how much LHA they should receive, so need to know how well informed they were about LHA and the process and views about DWP communication. It also covers any LHA impact on household financial budgets, the use of shortfalls and excesses (more likely), and work.*

INTRODUCTION

Introduce self/centre - independent research centre at X University.

Introduce research:

- Independent research organisations carrying out evaluation of the Local Housing Allowance on behalf of DWP
- Brief explanation of different elements of evaluation and how this fits in
- Following up some people who took part in the survey to explore some of the issues in more depth
- Funded by DWP. But nothing you say will affect the amount of benefit received
- **STRESS CONFIDENTIALITY** no personal information will be passed onto anyone outside the research team. Findings will be published in a report but in an anonymised and confidential form

BEFORE THE INTERVIEW MENTION:

- We recognise your previous involvement in this research so please bear with us if we cover some similar ground – we would like to discuss some of the issues in more depth than covered during the telephone interview

Explain tape recording and ask permission to record.

Explain length of interview – 45 to 60 minutes.

Explain incentive payment, £15 per household

Local Housing Allowance Final Evaluation: The qualitative evidence of claimants' experience in the nine Pathfinder areas

1. RESPONDENT/HOUSEHOLD BACKGROUND

Aim: to build picture of household set up, employment status and benefit receipt, and whether any changes since respondent received LHA.

- Confirm respondent's age and household details
 - who living with, ages, nature of relationships – any recent/expected changes
- Employment status of respondent – type of work, hours, duration of job/unemployment - any recent/expected changes [*explored further in Section 12*]
- Employment status of family members (eg non-dependants) any recent/expected changes
- Benefit history
 - main benefit type, length of time on benefit
 - other benefits received (disability benefit, working tax credit, pension credit, council tax)
 - Check LHA receipt - duration on LHA/HB and changes. [*Sample should be 'new' claims from Sept 04 – though may have had short spell off HB or change in circs generated 'new' claim*]
- Benefits received by other family members/partners

2. CURRENT PROPERTY

*Aim: to gather **brief** details of current home and satisfaction*

- length of time in current property
- property description – size, type, if furnished/unfurnished/part-furnished?
- Condition – any major repairs required – damp, heating, double glazing?
 - any repairs carried out since LHA – who by? Reasons – LHA influence?
- satisfaction with property (no of rooms/condition/suitability), area/location, other – reasons
 - o Any **changes** since LHA – reasons (particularly area/location) influencing factors?

3. LANDLORD/LETTING AGENT RELATIONS

Aim: to explore contact/relations with current landlord/letting agent and changes since LHA receipt
– If home is let via an agent, check whether respondent also has contact with the landlord

- If property let via an agency or directly through the landlord – any changes and reasons?
- Type of current contract – duration, likelihood of renewal?
 - o Any **changes** in contract since LHA receipt – reasons?

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- Contact with landlord/letting agent – reasons, frequency, method of contact
 - Views on contact – sufficiency of amount/nature of contact, responsiveness – any problems
- Any **changes** in relations/contact with landlord/letting agent since LHA receipt
 - Perceived reasons – including LHA? Impact – any benefits/difficulties
 - Check responsiveness to dealing with problems/issues around withholding rent

4. RENT LEVEL

Aim: to gather information/views about current rent level, how it was set and any rent changes since receiving LHA.

- Current rent paid (per month/week?) – If includes (gas/electric, water rates, council tax?)
- Perception of rent level – high, low, average – if 'reasonable' for property – why/why not?
- Explore how rent level set – any LHA influence/landlord awareness of LHA entitlement
 - NE LINCS/CONWY/BLACKPOOL– Explore the 'Top up' – rents set above LHA level
- Has your rent for this property **changed** since you have received LHA/since moved if new address
 - **IF SO** – When did it change?
 - how much did it increase/decrease by?
 - Perceived reason for change – e.g. if routine annual increase/unexpected
 - Do you think that was anything to do with the LHA/Housing Benefit system? Why?
 - IF ABSORBING A LHA EXCESS – explore how came about/how landlord justified
 - Any negotiation with landlord eg to try to reduce an increase? What happened?
 - Did you seek advice from elsewhere? – who, how helpful, what happened?
 - Did you consider moving, and if so why did that not happen?
 - Impact of rent change on respondent and family
- ALL – Any anticipated changes? Reasons. Perceived impact.

5. LHA AMOUNTS AND EXCESS/SHORTFALLS

Aim: to establish if/amount of excess/shortfall between rent and LHA, how used/funded and impact. In W1 some ambiguity re amounts particularly where rent paid monthly– will be useful to check awareness/clarity of amount of excess/shortfall by calculating pro rata levels.

Also where rent equals LHA – we are interested in how this came about/LHA influence

- How much is your LHA payment – per ?
 - Check if partial amount eg if working
 - Any changes in amount since LHA receipt – eg due to changes in household, income etc
- Compare LHA amount with rent level for home – **NB be aware if rent paid monthly – will need to calculate rent into weekly rate to compare – x12/52**
 - check amount of excess or shortfall a week – compared to rent
 - clarity of amount of excess/shortfall to respondent – why/why not clear?

IF AMOUNT EXACTLY MATCHES

- Why? Check if always been same? Is it just co-incidence or anything changed eg rent level?
- Check if landlord aware of LHA claim, how presented/justified rent level/change to tenant

IF LHA EXCESS:

- What do you do with the extra money? Eg. Use to reduce existing debt, add to 'pot' for food/clothing, being used/saved for a particular object or event
- What difference has the extra money made to you over time?
- Views about future impact – whether contributing to saving for future move, for deposit.

IF LHA SHORTFALL

- Who pays the shortfall – tenant or landlord (not collected)

IF TENANT

- How do you find the extra money?
- Impact of funding shortfall? eg debt, do without other things,
 - o What difference has funding this shortfall made to you over time?
 - o Views about future impact – influence on thoughts about moving to cheaper property?
- Explore any use of Discretionary Housing Payments – duration?

Local Housing Allowance Final Evaluation: The qualitative evidence of claimants' experience in the nine Pathfinder areas

IF LANDLORD/not collected

- Any discussions/negotiation with landlord about it – reasons/outcome
- How do you think you would find the money if you did have to pay the shortfall?
 - What difference would this make – would you consider moving?

6. UNDERSTANDING OF LHA AND VIEWS ABOUT DWP/LA COMMUNICATION

These participants should have made a 'new claim' since Sept 04 (rather than transferred from HB like many W1 participants). We need to explore awareness and understanding of LHA features and how it works as a new claimant – especially relevant where people have moved (covered in next section). This includes information provision/communication – sources, usefulness, what needed/missing.

- Check understanding of LHA features and how it works
 - Could you tell me how they calculate the amount of LHA you receive?
 - Did you know how much you would get when you made the claim – how? What difference did this make?
 - Explore awareness of flat rate, based on occupancy rather than rent level ie won't change if rent does, how excess/shortfall works
 - IF RENT CHANGE SINCE LHA CLAIM - explore expectation/any confusion whether would affect LHA amount – Reasons, Impact of knowledge/lack of knowledge

Brief explanation of LHA – if need to clarify

- LHA is a reform of the Housing Benefit system for tenants in private rented property in this area.
- LHA pays a flat rate based on rents in the area and the number of occupiers in the property and is designed to pay the same amount to tenants with similar circumstances living in the same area.
- The intention is to pay LHA directly to tenants which it is thought will help people to look around when they want to move because they should know how much LHA they can get – they can keep the difference if the rent is less, or make up the difference themselves if the rent is more than LHA.

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- Views on sources of information about LHA – check main source of info about LHA
 - Ask about: local authority/DWP correspondence (ie re amount of entitlement, payment methods, bank accounts) – what made it more or less helpful
 - Awareness of published LHA rates – where from, what difference did this make
 - Views on how well publicised, effectiveness of any marketing about LHA
 - What sort of information is needed about LHA/would be most useful – is it provided/available?
- Other sources of information – eg, advisers at council, housing office, Jobcentre, advice centres, media, landlord/agent etc – how well explained, views on staff helpfulness/knowledge
- Any suggestions on how information about LHA could be improved

7. MOVING AND (POTENTIAL) IMPACT OF LHA

We should be able to focus this sample on people who have moved since/when made LHA claim and are interested in reasons, experience of moving and how/if LHA (amongst other factors) had any influence – particularly as should know amount of LHA entitlement. Exploring with all thoughts about future moves and whether LHA might be helpful amid other barriers/bridges to moving.

IF MOVED SINCE/AT TIME OF LHA RECEIPT

A) Moving to current accommodation

- Reasons for leaving previous property. Any LHA/rent/landlord influences?
- Reasons for taking current property – factors taken into account and **LHA influence**. Probe:
 - relevance of rent level in relation to LHA – eg if sought cheaper/more expensive property ie as more confidence that could afford better quality/area
 - change of tenure – eg from social housing to PRS
 - if moved within/into local authority area
- Searching for accommodation – time spent, information sources and usefulness, if looked outside local authority's area – any LHA influence?
 - Check if knew LHA entitlement – what difference did this make? eg knowing what could afford
 - Ease of search – eg supply/choice of accommodation, standard, rent levels – and impact eg acceptance of lower standards?
 - Any issues raised due to respondent being on LHA? Strategies to deal with this?
 - Explore if disclosed LHA receipt to new landlord. Eg did first payment of claim go to tenant or landlord – views about/implications of this.

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- Payment of deposit and rent in advance – Any negotiation? How much? How easy to afford/fund?
- Any negotiations with landlord/agent when moving to current home. Who negotiated with.
 - Check any negotiations about rent level and outcome/fittings and furnishings and outcome
 - views about negotiating with landlord/letting agent – What difference did LHA make?
- What difference did receiving LHA make to outcome of being in current property – whether helped to 'shop around' (knowing LHA level, LHA paid to tenant).
- Awareness of any **changes** in the housing market since LHA – supply, rent levels, standards. Explore neighbourhood and area issues (particularly if part of/close to regeneration initiatives).

ALL **B) Thoughts about future moves**

- Are you currently thinking of moving – why/why not? – What impact, if any, has LHA had in your thinking about moving. Likelihood of moving in the next 6 months? Reasons.
- What difference if any, could LHA have on the process of moving in future? Discuss potential LHA influence (and other factors) in relation to:
 - access to accommodation, choice of property, affordability – rent levels compared to LHA
 - knowing what can afford – clarity of LHA entitlement, ability to negotiate,
 - saving for deposit/advance rent
 - presence/potential for excess or shortfall – would knowing how much LHA you get influence your thoughts about
 - moving to a better property or area and paying the difference in rent
 - moving to a worse condition property or area and paying less rent
- What factors would be most important to you when thinking about where you may live – why?
 - Eg tenure, location – family, schools, property type/size/garden etc, rent level

8. RECEIVING LHA

Aim: to explore how LHA is paid and views – to tenant/landlord - any changes and reasons – especially if gone to direct payments to landlord.

- How is LHA paid? – to respondent or directly to landlord?

IF LHA PAID TO TENANT

- Check if **changed** from direct payment since LHA receipt – reasons, impact
- Views about responsibility of receiving LHA payment selves (rather than direct to landlord) –feeling of empowerment? any concerns, problems experienced?
- *Issue of vulnerability – if comes up explain that there are arrangements in place whereby LHA is paid directly to landlord in certain circumstances*

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- Usual method for receiving LHA – e.g. paid into bank account, cheque from local authority - uses a cheque cashing facility/cash converters etc
- Why using this method – Preference/any choice offered?
- Pros and cons of method used – Would another method be preferable – reasons?
- IF NEW CLAIM – views about application experience and processing times – (*if not already covered*) whether first cheque went to tenant or landlord – implications

IF LHA IS DIRECT PAYMENT TO LANDLORD

- Perceived reasons for direct payment to landlord. If **changed** to a direct payment – when/why?
 - If due to withholding rent – explore circumstances, views and implications
- Role of landlord/letting agent/advice agency in getting direct payment established
- How long is the arrangement for – any plans for if/when LHA might be paid to respondent
- Views on pros/cons of direct payment – impact/any problems experienced?

IF RESPONDENT HAS AN LHA EXCESS – SPLIT PAYMENT

- How do you receive the difference between the LHA and rent – reasons
- How well does this work, any problems?

9. PAYMENT OF RENT [Where applicable]

Aim: to explore how rent is paid, why paid this way and satisfaction with method

- Usual method for paying rent to landlord - eg cash/cheque, direct debit/standing order
 - Why using this method - pros and cons - would another method be preferable?
- Any changes since receipt of LHA? Reasons - Impact, views of changes

IF RESPONDENT PAYS AN LHA SHORTFALL

- How is shortfall paid to the landlord eg same method as LHA or not – reasons
- How well does this work - any problems, what makes it more difficult/easier to deal with
- IF LHA PAID DIRECTLY TO LANDLORD BUT SHORTFALL DUE - How do you feel about being responsible for paying the shortfall yourself – pros/cons

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10. USE OF BANK ACCOUNTS – FOR LHA AND MORE GENERALLY

Aim: looking at how bank accounts are being used (in relation to DWP aim to encourage use of financial services) – especially if are using one because of LHA. Experiences of opening a bank account, any barriers, and why bank accounts might not be used for LHA.

IF USING A BANK ACCOUNT FOR LHA:

- Type of account – how used eg just for LHA or more widely?
- Experience and views about using a bank account for – Receipt of LHA/Paying rent
 - Reason using bank account for LHA – choice/preference
 - Pros and cons of using a bank account.
 - Use of cheque cashing – explore any specific local issues where the local authority has provided/withdrawn a cashing facility
- **IF opened account** – Reasons, when, how opened, what helped/hindered – any difficulties? eg ID
 - Thoughts/impact of having a bank account now? Eg re managing finances – feeling more or less in charge, fears about overdrafts/bank charges.
- Check past use of bank accounts eg whether always used or new for LHA – any problems in past eg previous overdrafts, debts etc

IF **NOT** USING A BANK ACCOUNT FOR LHA

- Explore reasons for not using bank account for LHA. Eg whether no account, use for other things
 - preferences/views about managing money via bank accounts, direct debits etc
 - Any obstacles to opening/using a bank account?
 - How do they cash their cheques/get their LHA – satisfaction/views

11. HOUSEHOLD BUDGETS AND LHA IMPACT

Aim: to explore peoples' financial circumstances based on income and how manage expenditure to see how any LHA excess or shortfall impacts on household budgets. Experiences of arrears with rent or other bills and views about financial well-being, and any LHA influence

A) Overall household income - talk through formal and informal sources of income of respondent **and other family members** that contribute to household finances to arrive at **approximate amount**:
Include:

- Income from employment/pensions
- Income from Benefits (including CTB, JSA, IS, disability benefits, tax credits)
- Any other forms of income eg informal working, child maintenance
- Overall household income (per week/month)

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B) MANAGING HOUSEHOLD EXPENDITURE

- How do you organise the household bills and payments

Method of payment eg card/meter, in person at bank/PO etc, direct debit etc, **Why pay this way?**

- Utilities (gas, electric, water, council tax)
- Other household expenses (TV licence, insurance, telephone, TV cable)
- Credit/loans (catalogues, credit cards, hire purchase, Social Fund loan)
- Child maintenance
- Are you in arrears with any of your bills/payments? Which ones, scale, when/how accumulated if before/since they were on LHA. Check any LHA influence eg shortfall
 - **If cleared any arrears since LHA receipt** – how – any LHA influence eg excess.
- Have you experienced any rent arrears since receiving LHA? Whether current or now cleared.
 - Scale, reasons, how accumulated – if before/since claiming LHA – any LHA influence eg shortfall, payment method
 - Impact of rent arrears – LHA paid direct to landlord, threat of eviction?
 - If no longer in rent arrears – How dealt with/got out of arrears – Any LHA influence?
 - Any money advice sought? Why? Source, how found out about advice, outcome.
- Any prioritising of certain payments/if had to prioritise – reasons. Where would **rent** fit in – why?
- How much would you say you had a week to cover regular household expenses and outgoings like food and clothes, car, transport (after rent and bills paid)
- Any savings? Established/acruing – whether LHA excess? – what for – check if includes moving.
- Overall how well would you say that you are coping?
 - o Any **changes** since LHA receipt – feel any better or worse off – reasons
- What difference does LHA (any shortfall/excess or the payment method) make to household budget? Eg to how coping financially, to way you manage the family budget?

12. WORK INTENTIONS AND LHA

Changes in work status since LHA claim, explore work intentions and whether any LHA influence – also awareness of implications of working on LHA.

- IF WORK STATUS CHANGED SINCE LHA RECEIPT
 - o Nature of change – timing/reasons/influencing factors – how does LHA fit in?
 - o Impact of change – financially, implications for benefit receipt, other – social/wellbeing etc

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- ALL: Work intentions and reasons - looking/intending to look/not looking – influencing factors.
 - o Any changes in intentions since claiming LHA and reasons.
 - o Has LHA had any impact on intentions to take work or becoming work prepared by looking to receive training or thinking about types of work/training? Eg as managing finances now
 - o Any changes planned if already in work?
- What do you think will happen to your LHA if you move into work/change hours?
- What effect will the LHA have on any decisions about working/working more hours? Why?

13. OVERALL VIEWS OF LHA

- Overall advantages/disadvantages of LHA – why
 - Based on respondent's experiences
 - Any more general views about features of LHA – good/bad points eg how it may affect different people, views about impact on rents?
- Anything else would like to add?

CLOSE

- Thank respondent and close interview
- Reiterate confidentiality
- Are they willing to take part in further research?
- Give respondent £15 payment

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