

## **An Executive Summary**

## Building choice and responsibility: a radical agenda for Housing Benefit

Housing Benefit is an important part of many people's budgets. Just under 4 million households receive it, including many families with children, and many pensioners. It helps one in six households meet the costs of their housing at an annual cost of £11.5 billion.

But this support contributes far less than it should to lifting people out of poverty and promoting opportunity. Above all, many people are trapped out of work because uneven administration of Housing Benefit means they dare not take the risk of getting a job. And many claimants also find their choice of accommodation restricted because of uncertainty about what Housing Benefit they will receive.

The Government has clear objectives for the reform of Housing Benefit:

- to reduce the barriers to work;
- to ensure that people on low incomes can afford a decent home which meets their needs;
- to give tenants more choice;
- to extend tenants' personal responsibility for paying their rent;
- to provide a better, quicker service, based on simpler, clearer rules; and
- to make fraud more difficult to commit.

Achieving these objectives is essential to ending child poverty, to the effective implementation of our welfare reform agenda, to our wider strategy for improving housing, and to our ambition to tackle pensioner poverty.

The Government has put in place a three-stage strategy for reform of Housing Benefit. The first stage was to improve administration, and this is well underway. The second stage, set out in the Housing Green Paper, was to start re-structuring rents in the social rented sector. The third stage is to restructure benefit support for people on low incomes. This paper reports progress, and outlines our plans for this third stage.

Central and local government have been working together in partnership. We have already achieved real results, particularly in authorities with the most serious administrative problems. We have combined challenge with practical help and support. The Local Government Ombudsman for England has reported that, nationally, complaints about Housing Benefit have dropped by more than a quarter since their last annual report.

But too often, reality does not yet meet our aspirations. Housing Benefit is complex and difficult to administer. As a result, some local authorities are struggling to provide an efficient service to people who need help with their rent. The outcome for some people is financial difficulty and acute anxiety. For many more, delays act as a deterrent to getting a job because of the requirement to make a new claim on entering work. The benefit itself works against choice and responsibility because it is difficult to understand; it is mostly paid to landlords; and it is tied too closely to actual rents, not to the local market. The same complexity hampers the fight against fraud.

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The Government is therefore taking forward a programme of radical reform of Housing Benefit, in partnership with local government. These reforms build on the four principles of public service reform established by the Prime Minister:

- *National standards* for clear accountability;
- *Devolution and delegation* for local accountability for services responsive to local needs;
- *Flexibility*, reducing red tape and responding to customer aspirations; and
- *Expanding choice* for the customer.

*Building choice and responsibility: a radical agenda for Housing Benefit* sets out our agenda for reform:

### **A simpler, fairer system**

(a) *We shall introduce a flat rate standard local housing allowance* for tenants in the deregulated private rented sector. We will still set higher allowances for larger households, as now. The allowances will be based on rents in the local market. Tenants and landlords will know in advance what rent Housing Benefit will pay for in their area. The income test will apply as now to decide if the full allowance should be paid.

(b) *The new approach will be introduced in between eight and ten Pathfinder areas from 2003/04.* We will work with local authorities, landlords and advice agencies to build landlord and tenant confidence and evaluate the impact of reforms. We will decide how we should roll out reforms nationally once we are confident we have an approach that works and is fair.

(c) *The reforms offer a new deal for tenants.* The new approach means tenants who rent a property at below the standard allowance, or who move to a cheaper property in their local area, or who negotiate to keep the rent below the standard allowance, will be able to keep the difference – putting the decision in their hands.

(d) *Pathfinders will be designed to ensure that existing claimants do not lose out at the point of change, compared with the current system.* On current estimates, half of Housing Benefit claimants in the deregulated private rented sector will gain. Housing allowances will be based on current Local Reference Rents and Single Room Rents set by rent officers, to reflect rents in the middle of the market. But rent officers will no longer need to decide for each individual property what level of rent is eligible for Housing Benefit. Instead the standard local allowance will apply.

(e) *The reforms offer a much clearer system for landlords to work with.* We want to work with landlords to regain the confidence of many who have walked away from letting to benefit claimants.

(f) *We want to move away from the widely criticised system of direct payments of benefit to landlords,* paying benefit to claimants instead in most cases. This should increase personal responsibility and, along with greater certainty about what in-work benefits a claimant would receive, will help bridge the gap between being out of work and taking a job. This approach will be tested out by the Pathfinders and will include safeguards for vulnerable claimants and for landlords where tenants fall into arrears.

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(g) *The reforms will apply initially to the deregulated private rented sector.* A flat rate approach is right in the private rented sector where people have a choice about where and what type of property they rent, and will have more choice with a more transparent system. Standard allowances cannot be introduced into social housing until rent restructuring and more choice-based lettings create the right conditions. In principle however we shall also look to introduce standard allowances for social rented housing and would like to test this out in an early Pathfinder where conditions allow. We will be exploring with landlords, regulators and investors how this approach could work.

### **A better service to claimants and fewer barriers to work**

(h) *We want to support speedier claims processing.* The proposal to end the requirement to refer individual claims to the rent officer, through the introduction of new standard local housing allowances, will be a major simplification. Cutting out a stage of bureaucracy should help speed up claims.

(i) *We will end the requirement that every time a person gets a job they need to make a new claim.* We want a more flexible service for a flexible jobs market with less form-filling. Getting a job will be treated as a change of circumstance. Claimants returning to work will no longer have to fill in a new claim and provide evidence about all their personal circumstances. We will provide a simpler, quicker reclaim process for customers who return to benefit, and need to reclaim Housing Benefit, within 12 weeks of their previous claim.

(j) *We want to reduce claimants' money worries when they get work.* Claimants

returning to work after six months unemployed are already entitled to a four-week run-on of benefit to ease the way back to work. If they give the local authority the information it needs about their new circumstances in that time, then under the new arrangements, Housing Benefit will run on automatically until the local authority has re-calculated the claimant's entitlement.

(k) *We want to cut out the need for repeated new claims.* Other benefits do not have set benefit periods and do not require claimants to make repeated new claims even if their circumstances are unchanged. We have already announced that from October 2003, alongside the introduction of Pension Credit, we will end benefit periods for pensioners so they will no longer have to fill out a new Housing Benefit claim form every year. We shall also end benefit periods for other people claiming Housing Benefit. This should mean less red tape for claimants and a more targeted approach to checking for fraud.

(l) *We want a modern service that enables claiming over the phone and once only.* Jobcentre Plus is rolling out a national programme to take benefits claims from working age customers over the phone. Information for a Housing Benefit claim will be collected in the same phone call as other benefits and passed on to local authorities. The Pension Service will provide councils with the income assessment for pensioners in receipt of the Pension Credit savings credit, so that pensioners do not have to provide the same information twice. And we are working to streamline services further in the longer-term.

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(m) *We want to support partnership working.* Long-term plans for local services for pensioners include establishing partnerships with local authorities to create a third age service, which would provide one stop information and advice for all benefits, including Housing Benefit.

### **Clear standards and increased accountability**

(n) *We set clear standards for Housing Benefit performance in spring 2002,* including challenging standards for speed and accuracy. These provide a clear sense of direction and basis for closer partnership between central and local government.

(o) *We are providing substantial practical and financial help.* We have announced a £200 million Performance Standards Fund over three years and will be giving help to many authorities to improve claims processing, through investment in better training, recruitment and retention initiatives and better IT.

(p) *We are giving practical support to authorities in serious difficulties.* Twenty authorities have been assisted by the Help Team.

(q) *We have an up-to-date picture on good and bad performers.* Our campaign for increased accountability is already delivering results. Too many local authorities had not provided up-to-date information on speed of processing and accuracy of claims. Now data is coming in from nearly all authorities. We have sent initial results to local authorities – each authority will be able see where it stands. And early in 2003 we will make this information available on our website.

(r) *Quarterly performance monitoring will be used to challenge poor performance.* We believe that council leaders and chief executives need to take responsibility where there are serious performance failures and act to improve delivery. We wrote in September 2002 to chief executives of some of the poorest performers, who were not already engaged with us, asking for clear improvement plans.

(s) *We are reforming the funding for Housing Benefit* to make a clearer and more transparent system and to cut out duplication and inconsistency. Over the next three years we will aim to bring together under the Department for Work and Pensions the various funding streams for rent rebate, rent allowance, Council Tax Benefit and administration, responsibilities for which are currently split between departments and devolved administrations.

### **Driving down fraud and abuse of the system**

(t) *We have set a Public Service Agreement target to reduce fraud by 25 per cent by 2006 and are supporting more targeted action to identify fraudsters.* Ending benefit periods will reduce the burden of routine administration and free resources for targeted data checking and investigation of high risk claimants. We will be consulting local authorities on the detail of these checks.

(u) *The Government is committed to taking action against rogue landlords.* We are well aware of the damage to communities that can be caused by unscrupulous landlords abusing the Housing Benefit scheme, who often let properties in the worst conditions,

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and who tolerate or encourage anti-social behaviour by their tenants. The worst difficulties are in areas of low demand for housing, where the efforts of the many decent private sector landlords are overwhelmed by a minority of bad landlords. As soon as Parliamentary time allows, we intend to legislate to tackle the minority of rogue landlords and boost our drive against poor conditions. We are also addressing the underlying problems of low demand and urban decay. Work is now under way to deal with the causes and consequences of low demand in nine of the worst-affected areas. Our proposals for Housing Benefit support these reforms. In particular, by giving benefit claimants more choice, we will make them less dependent on bad landlords. Greater choice brings greater responsibilities. Most people would accept the principle that those who get help with their rent from the state owe some responsibility in return not to behave anti-socially.

This document is a statement of the Government's intentions for reforming Housing Benefit. Where changes to regulations are involved, there is a statutory requirement to consult the Social Security Advisory Committee and the local authority associations. The Government will honour these commitments and will consider carefully any comments arising from consultation.